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Poverty and Poverty Reduction Among Non-Elderly, Nondisabled, Childless Adults in Affluent Countries: The United States in Cross-National Perspective

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Luxembourg Income Study (LIS), asbl

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APRIL 2024

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Abstract

Income supports in the U.S. rely heavily on targeting based on means testing, categorical eligibility, or both. One result is that some groups are relatively underserved, often because they fall between the cracks of existing categories. One such group in the U.S. is non-elderly, nondisabled, childless adults. We assess poverty rates and poverty reduction—the extent to which taxes and transfers reduce market-generated poverty—in the U.S. compared to six other high-income countries: Canada, Czech Republic, Finland, Ireland, Netherlands, and the United Kingdom. Each of these countries reduces poverty more than does the U.S. and/or achieves lower post-tax-post-transfer poverty rates. Based on our cross-national comparative assessment—drawing on both microdata and country-level indicators—we offer some lessons for the U.S. First, the U.S. workforce is notable for its large share of low-wage workers. The U.S. could lower the incidence of low-paid work, and thus reduce poverty among the employed, by increasing the minimum wage at the federal and/or state and local levels, and by expanding the share of the workforce covered by collective agreements. Second, both income taxes and social contributions are pushing childless adults into poverty—more so in the U.S. than elsewhere. The U.S. could mitigate poverty among childless adults via any of a number of tax-related reforms. Third, our results indicate that U.S. income transfers, for this group, stand out in how meager they are. The U.S. could ameliorate poverty in this often-overlooked group by providing more-extensive income transfers, to those both in and out of work.

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I. Introduction: Motivation, background, prior literature, and roadmap of the paper

Social policy in the United States (U.S.), especially social policy that affects low-income Americans, is marked by its fragmentation. Income supports in the U.S. rely heavily on targeting, which is based on means testing, categorical eligibility, or both. A key result is that some groups are relatively underserved, often because they fall between the cracks of existing categories. Today, one such group in the U.S. is—drawing on Robert Greenstein's (2024) terminology—non-elderly childless adults who do not receive disability benefits.

As observed by Greenstein (2024), "Over the past half century or so, the U.S. safety net as a whole has grown significantly stronger, particularly for children and people who are elderly. . . . But the story has been starkly different for one particular group: non-elderly adults who are not raising children and do not receive SSI [Supplemental Security Income] disability benefits or Social Security—a group that numbered nearly 106 million people in 2017." Greenstein emphasizes that, although this group does not have the highest poverty rate in the U.S., taxes and transfers reduce market-generated poverty less for these adults than for persons in other categories, notably children, elderly adults, and persons with disabilities. This group—low-income, non-elderly, nondisabled, childless adults—in general, receives less in income transfers and pays more in taxes, relative to other subgroups in the U.S. Other scholars concur, finding that, in the U.S., childless non-elderly adults receive less and/or declining income support relative to other groups (see, e.g., Brady and Parolin 2020; Parolin, Desmond, and Wimer 2023; Parolin, Bruch, van der Naald, and Gornick 2023).[1] Notably, this group's financial challenges have worsened—i.e., their poverty rates have increased—while their share of those in poverty has grown.

A large body of scholarship compares tax-and-transfer programs across countries. One longstanding finding is that other affluent countries typically rely more than the U.S. does on universal provisions, meaning that unified programs serve recipients spanning income levels and demographic characteristics; as a result, populations that typically lack support in the U.S. are more fully protected elsewhere. To illuminate U.S. policy provisions for this underserved and understudied group—non-elderly, nondisabled, childless adults, which we refer to below as our focal group—we assess poverty and poverty mitigation in the U.S. compared to six other high-income countries: Canada, the Czech Republic, Finland, Ireland, the Netherlands, and the United Kingdom (U.K.). We selected these six as comparators, after ensuring that the necessary variables were available for each, using two criteria applied to our focal group: (1) the country reduces a larger percentage of poverty than does the U.S., and/or (2) the country has a lower post-tax-post-transfer poverty rate than the U.S.[2]

1. In the U.S. a larger array of benefits is available for the elderly, for persons with serious disabilities, and for persons with dependent children.

2. We launched this paper with a plan to select five or six study countries. We began by assessing our focal group in 15 high-income countries as included in the Luxembourg Income Study (LIS) Database—the U.S., as well as Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, and the U.K. First, we eliminated Sweden and Denmark because they lack the disability variable that we use to identify our focal group. Second, we applied the poverty reduction criterion. All these comparator countries reduce poverty more than does the U.S., with one exception—Germany; we thus eliminated Germany. Third, we applied the lower poverty criterion; that led us to eliminate three more countries, all with higher post-tax-post-transfer poverty than the U.S.: Canada, Italy, and Spain. That left us with eight strong candidates: Belgium, the Czech Republic, Finland, France, Ireland, the Netherlands, Norway, and the United Kingdom. We eliminated Belgium, France, and Norway because, although their post-tax-post-transfer poverty rates are lower than those in the U.S., there were five cases with even lower poverty rates: the Czech Republic, Finland, Ireland, the Netherlands, and the U.K.—so we chose those. Finally, we made an ad hoc decision and put Canada back into our group of study countries. Canada is not an ideal case—its post-tax-post-transfer poverty rate is higher than in the U.S., and it lacks the disability variable—but we included it because it reduces more poverty than does the U.S. for our focal group, and because it is a natural comparator to the U.S. Throughout this policy proposal we refer to these six comparators as best practice cases. We surely acknowledge that there are additional countries that reduce a larger share of poverty, and/or achieve a lower post-tax-post-transfer poverty rate compared to the U.S. However, we limited ourselves to six comparators.

Using data from the Luxembourg Income Study (LIS) Database, we calculate the extent of poverty reduction as the percentage difference between poverty rates based on pre-tax-pre-transfer income versus post-tax-post-transfer income.[3] Note that, throughout our analyses, we follow two practices that are widely used in cross-national poverty research that uses LIS data: First, we rely heavily on an income definition—post-tax-post-transfer income—that includes a broad package of transfers, including public and private pensions, other public benefits, and private transfers; second, we use a relative poverty measure. The U.S. stands out in the context of the countries examined; for this group, the U.S. reduces poverty by 19 percent, compared to 35 percent to 37 percent in Canada and the U.K., and 59 percent to 66 percent in the Czech Republic, Finland, Ireland, and the Netherlands.

In section II we describe our data, focal group measures, income measures, and main analytic approach. In section III we present a portrait of poverty and poverty mitigation in the U.S., within this focal group and over time. In section IV we provide a cross-national perspective, and offer an analysis of poverty rates and poverty reduction in the U.S. and in our six comparator country cases. In section V we identify and assess the underlying policy mechanisms, and consider policies and institutions that shape income both before and after taking taxes and transfers into account. In section VI we highlight policy lessons for the U.S. and draw conclusions.

3. In the cross-national poverty literature, pre-tax-pre-transfer income is often referred to as market income or pre-fisc income, and post-tax-post-transfer income is often referred to as disposable household income or post-fisc income. In this paper, for the sake of precision, we use the longer labels.

II. Data, focal group measures, income measures, and main analytic approach

A. Data

To assess policy provisions in the U.S. in cross-national perspective, we first turned to a well-known and widely used data provider: LIS, the cross-national data center in Luxembourg.[4] LIS's flagship product is the Luxembourg Income Study (LIS) Database ("LIS Database"), which contains microdata—meaning data available at the level of persons and households—from more than 60 countries. The LIS team acquires data sets from national data providers, harmonizes and documents the data, and makes the data available to researchers around the world via remote execution.[5]

The LIS Database contains data collected mainly through household surveys; in some cases, data providers augment survey data with administrative data. Data sets are included in the LIS Database only if they contain nationally representative income data that are comprehensive as well as disaggregated across individuals within households and across multiple income sources, both private and public. LIS's harmonized data are organized into repeated cross-sections, at multiple points in time, starting, in most cases, around 1980. For our analyses across several countries, we chose the most recent data sets that report income prior to the COVID-19 pandemic: Canada (2019), the Czech Republic (2016), Finland (2016), Ireland (2019), the Netherlands (2018), the U.K. (2019), and the U.S. (2019).[6]

4. For our empirical work, we augment the LIS microdata with other data sources for figures 4 and 5; those sources are indicated in notes to those figures. We also rely on external data on labor market outcomes and on an array of policy features, presented in appendices 7 and 8.
5. While the LIS data are widely available, they are not open access, due to requirements imposed by many of the data providers. Most importantly, the LIS microdata may never be accessed for commercial purposes. See www.lisdatacenter.org for detailed information about the data and for instructions for registering for access. All coding used in this study is available from the authors.
6. The U.S. dataset in the LIS Database is the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). The other original data sets are listed in appendix 1.

B. Focal group measures

Our study population or focal group is non-elderly (aged 25–59), nondisabled, childless adults. We concentrate mainly on these childless adults, defined as those who do not reside with dependent children under age 18.[7] In some analyses, we compare their outcomes to those of their counterparts with children; in others, we draw on additional person-level variables, including employment status, gender, and partnership status.[8]

C. Income measures

Throughout our poverty and poverty-mitigation analyses, we use two main (aggregated) income variables, with all components captured at the household level: (1) Pre-tax-pre-transfer income is constructed as the sum of two LIS variables—labor income and capital income; and (2) post-tax-post-transfer income starts with labor plus capital income, then adds transfer income from three LIS variables—pensions ("hipension"), private transfers ("hiprivate"), and public social benefits, excluding pensions ("hipubsoc")—and subtracts

7. To select this focal group, we draw on a mix of variables. We first select persons aged 25 to 59. To identify their disability status, we use LIS's dummy variable "disabled," which is available in all our study countries except Canada. To capture their employment status, we use LIS's variable "emp" (employed), and for partnership status, we use LIS's variable "partner" (lives with partner). We also use several household-level variables. To code adults as being or not being childless, we use LIS's variable "nhhmem17" (number of household members 17 or younger). To further hone the exclusion of those with disabilities and/or those supported by disability benefits, we exclude households that reported receiving disability benefits by using LIS's variable "hi44" (a component of "public social benefits [excluding pensions]"). Note that all our focal group adults live in households that include no children; they may, however, live with persons aged 60 or above.
8. Additional person-level variables—education, race, ethnicity, and citizenship status—are included in the multivariate analysis of the U.S., as reported in appendix 2.

income taxes paid ("hxitax") and social security contributions paid by workers ("hxscont").[9] We assign to each adult their household's income, which we adjust for household size.[10]

Adults are coded as poor if their household's adjusted income—either pre or post taxes and transfers—is less than 50 percent of their country's median-adjusted post-tax-post-transfer income. This percent-of-median approach to setting the poverty threshold is common in poverty research, especially when comparing poverty across countries. This threshold differs from the U.S. Supplemental Poverty Measure (SPM) thresholds, which are based on recent expenditure patterns and subsequently adjusted for local housing costs, family size, and housing tenure status. Our income definition, however, is near-identical to the SPM measure of resources, with the primary exceptions that we do not deduct out-of-pocket medical, work, or child support expenses, and that we apply the household (rather than "resource unit") as our unit of analysis.

D. Main analytic approach

To assess factors that increase or decrease poverty, we compare poverty rates before and after accounting for specific components; this allows us to estimate the extent to which different types of taxation and transfers increase or decrease, respectively, the prevalence of poverty. It is important to emphasize that this approach is a simple accounting technique; it does not consider behavioral changes that would be expected to occur if taxes or transfers were actually eliminated. Nevertheless, it is a powerful and often-used technique, one that enables us to assess the ways in which, and the extent to which, fiscal redistribution operates in a given country in a specific year.

9. In the LIS variable template—i.e., the variable classification that is applied across countries—pensions ("hipension") include public noncontributory pensions (both universal pensions and assistance pensions), public contributory pensions, and private pensions (both occupational pensions and private pensions). Private transfers ("hiprivate") include cash transfers from private institutions and inter-household cash transfers, including alimony, child support, and remittances. Public social benefits, excluding pensions ("hipubsoc")—denoted as cash transfers from insurance, universal, or assistance schemes, and in-kind social assistance transfers—include family benefits, unemployment benefits (both insurance and assistance), sickness and work injury pay, disability benefits (that are not included in the "pensions" variable), general assistance (GA), and housing benefits. Note that, in the LIS data, the portions of refundable tax credits that are granted to households as income are recorded as transfers. As we document next, in the U.S. case, income from the Earned Income Tax Credit (EITC) is placed in "public social benefits": In the U.S., pensions include Supplemental Security Income (SSI), which is classified as a non-contributory "assistance pension"; retirement, survivors, and disability insurance from the federal governments (mainly Old-Age, Survivors, and Disability Insurance [OASDI]) and from other public sources (veterans, military, railroads, state/local governments), unions, and employer-based programs; and distributed income or withdrawals from retirement accounts (401k, 403b, IRA, Keough, SEP, other) and income from annuities. In the U.S., private transfers ("hiprivate") includes educational scholarships and grants from employers or individuals; and inter-household cash transfers, including regular financial assistance, alimony, and child support. Finally, in the U.S. case, public social benefits, excluding pensions ("hipubsoc") includes both federal and state refundable tax credits (including the EITC); Temporary Assistance for Needy Families (TANF)/ Aid to Families with Dependent Children (AFDC), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and general assistance (GA); unemployment insurance (UI); disability income from state temporary disability programs; workers' compensation; housing benefits (the value of housing subsidies for households living in public housing or paying lower rent because the federal, state, or local government is paying part of the cost, as simulated by the U.S. Census); and public in-kind benefits including energy assistance, school lunches, and Supplemental Nutrition Assistance Program (SNAP) (formerly the Food Stamps program).

10. We adjust for household size by dividing unadjusted income by the square root of the number of persons in the household. This widely used square root adjustment assumes economies of scale midway between no economies of scale (per capita adjustment) and perfect economies of scale (no adjustment).

III. Poverty and poverty mitigation in the focal group: The U.S. over time

Before turning to our cross-national analyses, we report poverty trends in the U.S. under the relative poverty framework, going back to 1987, which is the first year that the LIS Database enables us to reliably identify disability status. Figure 1 shows that, during the years 1987 to 2019, the post-tax-post-transfer poverty rate in our focal group—non-elderly, nondisabled, childless adults—modestly increased (see the solid light green line). From 1987 to 2002, the poverty rate for these adults was always below 8 percent. However, in 2003 it exceeded 8 percent and has remained above ever since. Between 2003 and 2013 the rate increased nearly every year. This group's poverty rate peaked at 11 percent in 2013, and stabilized at about 10 percent. (Recall, of course, that we are using the income definitions and the relative poverty framework widely used in cross-national research; thus, these values are different from those based on the U.S. OPM or the Supplemental Poverty Measure [SPM].)

By contrast, among adults with children, this pattern of increasing post-tax-post-transfer poverty did not occur (see the solid dark green line).[11] Across affluent countries, poverty rates among adults with children have always been higher than among their childless counterparts. However, the poverty rate among adults with children declined modestly over time—and especially after 1993. This decline has not been monotonic and was punctuated by low points near 12 percent in 2000, 2004, 2009, and 2015.

Figure 1 also shows that these trends are somewhat different with respect to pre-tax-pre-transfer poverty (see the dashed lines). Like post-tax-post-transfer poverty (see solid lines), adults with children always have higher pre-tax-pre-transfer poverty than do childless adults. In addition, pre-tax-pre-transfer poverty is naturally more responsive to the business cycle than is post-tax-post-transfer income.

The trends in post-tax-post-transfer poverty reveal a clear pattern of convergence between the childless and those with children (compare the two solid lines). From 1987 to 1993, the ratio of the poverty rate among those without children to those with children ranged from 47 percent to 50 percent. From 1994 to 1999, that ratio ranged from 54 percent to 59 percent. It then rose inconsistently, peaking in 2013 when the childless poverty rate was fully 89 percent, as high as the poverty rate among those with children.

An increasing share of poor non-elderly, nondisabled adults are childless. As reported in figure 2, roughly 30 percent of poor nondisabled adults were childless from 1987 to 1993 (see the solid line). The childless share of poor nondisabled adults then rose steadily, hitting peaks of 34 percent in 1995, 41 percent in 2004, and 48 percent in 2013, before settling at 45 percent in 2018–19. Hence, the childless share of poor nondisabled adults increased by roughly 50 percent from 1987–93 to 2018–19. Note that figure 2 also indicates that this change reflects the broader demographic transition of a rising share of childless adults in the overall adult population (see the dashed line). The figure reveals, however, that the broader demographic shift was less pronounced (the line is flatter) than among the poor.

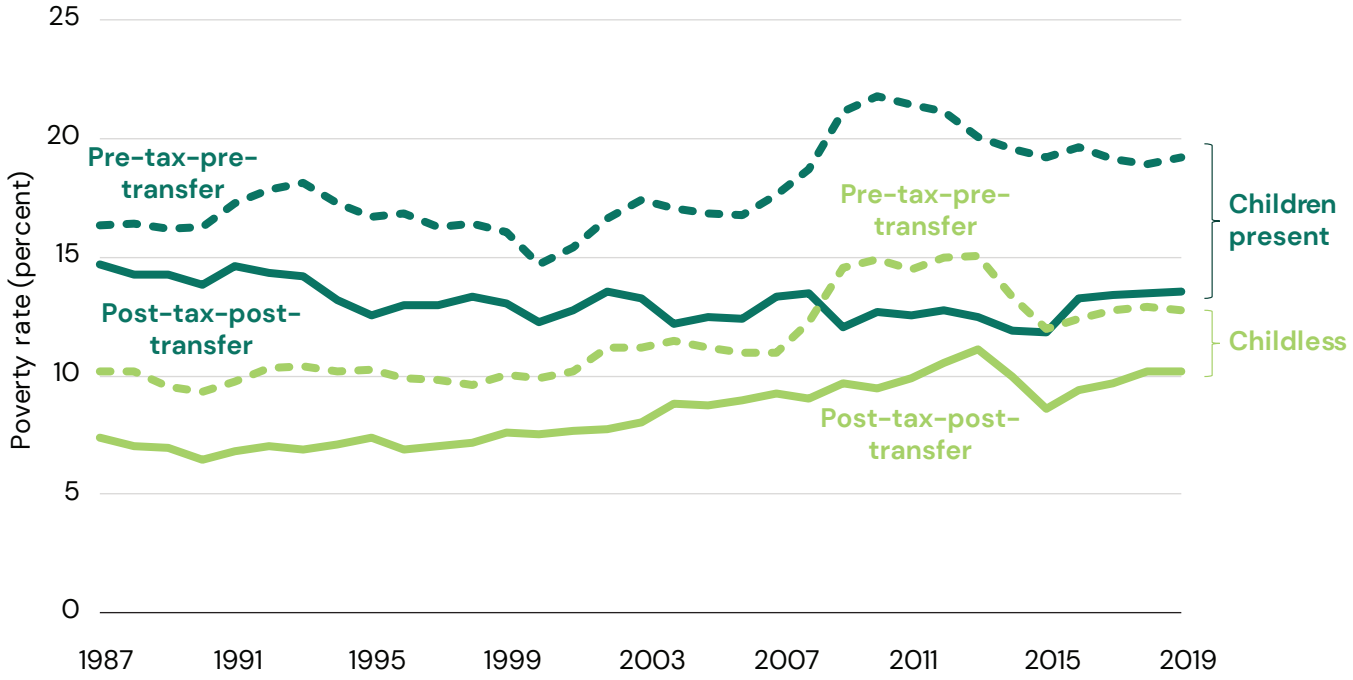
We close our in-depth look at the U.S. case by carrying out a multivariate analysis, which enabled us to identify which non-elderly, nondisabled, childless adults experience a higher probability of being poor. In appendix 2, we report the results of a linear probability regression model of poverty in this population in the U.S. in 2019. Overall, the probability of being poor is reduced by being employed (26 percentage points), having a college degree (6 points), being married/partnered (9 points), being Asian American (2 points), and/or residing with persons over age 65 (2 points per older person). In contrast, the probability of being poor is increased by lacking a high school degree (by 12 points), and being African American (7 points), Latino (2 points), Native American (7 points), or a noncitizen (2 points). We also find that, within our focal group, being female, age (and age-squared), and being an immigrant are not significantly associated with poverty—net of the other predictors.[12]

11. In the remainder of this paper, when we refer to adults we mean non-elderly, nondisabled adults aged 25 to 59.

12. These findings are consistent with earlier results, reported in Brady, Finnigan, and Huebgen (2017).

FIGURE 1

Poverty rates, pre-tax-pre-transfer and post-tax-post-transfer, nondisabled adults in households with and without children (United States, 1987–2019)



Source: LIS Database.

Note: Adults are defined here as non-elderly, nondisabled adults aged 25–59.

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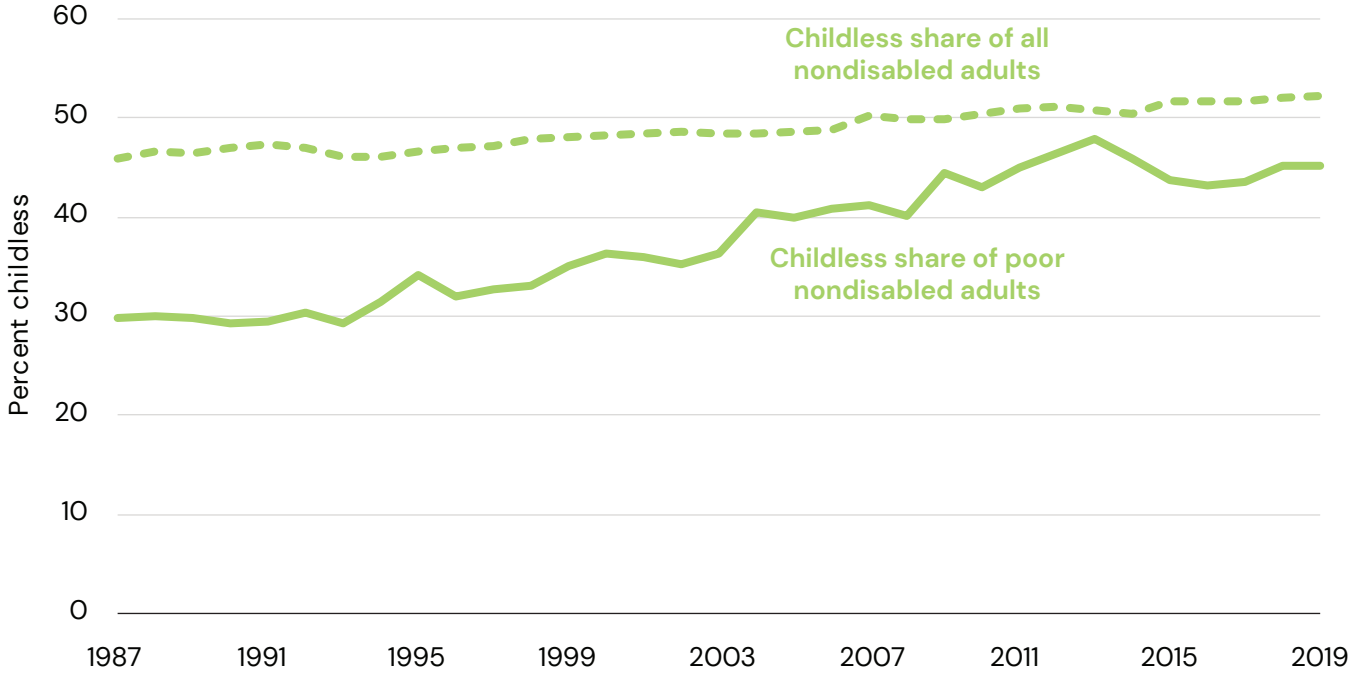
FIGURE 2

Childless adults as a share of poor nondisabled adults and all nondisabled adults (United States, 1987–2019)



Source: LIS Database.

Note: Adults are defined here as non-elderly, nondisabled adults aged 25–59.

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IV. The U.S. in cross-national perspective: Analysis of poverty rates and poverty reduction in the U.S. and in our six comparator country cases

While section III analyzed trends in poverty among childless adults in the U.S., this section places the U.S. in cross-national perspective: For each comparator country, we focus on one year that falls prior to the onset of the COVID-19 pandemic. Table 1 reports pre-tax-pre-transfer and post-tax-post-transfer poverty rates for childless adults in each of our study countries. Before accounting for taxes and transfers, the U.S. poverty rate for childless adults is 13 percent, which is lower than the rates in Canada (19 percent), Finland (18 percent), the Netherlands (16 percent), and Ireland (13 percent),[13] although higher than in the U.K. (9 percent) and the Czech Republic (10 percent).

The rank order of countries, however, changes notably when focusing instead on post-tax-post-transfer poverty rates: The U.S. performs second-to-worst among these study countries, with a 10 percent poverty rate. Only Canada, at 12 percent, reports a higher post-tax-post-transfer poverty rate. This may be due, in part, to our inability to exclude Canadians with disabilities from the sample. Despite their higher pre-tax-pre-transfer poverty rates (i.e., exceeding those in the U.S.), Finland, the Netherlands, and Ireland all report post-tax-post-transfer poverty rates lower than those in the U.S.—respectively, 7 percent, 5 percent, and 6 percent.[14]

The extent to which taxes and transfers reduce poverty among childless adults and, for comparison, among individuals in households with children, is visualized in figure 3.[15] The values in figure 3 report the relative reductions in poverty—i.e., the percent decline relative to the pre-tax-pre-transfer poverty rates, as a result of redistribution via taxes and transfers. The U.S. cut poverty among childless adults by 19 percent, by far the lowest rate among these seven countries—a finding (from among a larger group of countries) that contributed to our selection of these six comparative best-practice cases (see footnote 2). The comparatively meager degree of redistribution in the U.S. helps to explain why the U.S. has a moderate pre-tax-pre-transfer poverty rate, but the second-to-highest post-tax-post-transfer poverty rate. In contrast, our comparison countries cut poverty among childless adults by substantially more—ranging from 35 percent in Canada to 66 percent in the Netherlands.

Countries vary in the extent to which their tax and transfer systems reduce poverty for individuals in households with children versus households without children; one key finding is that redistribution toward one group does not necessarily limit redistribution toward the other. The U.S. performs slightly better for those in households with children, reducing poverty by 28 percent; however, even this degree of redistribution is the lowest among these seven countries. By contrast, redistribution in the Czech Republic and the Netherlands cut poverty more extensively for childless adults (63 percent and 66 percent, respectively) than for individuals in households with children (44 percent and 42 percent, respectively). Canada, Finland,

13. Without rounding, we see that the poverty rate in the U.S. is 0.5 percentage points lower than it is in Ireland.
14. In appendix 3, we present poverty rates among childless adults broken down by partnership status and by gender. One key finding stands out: among childless adults, poverty—both pre-tax-pre-transfer and post-tax-post-transfer poverty—is less prevalent, in all seven countries, among married/partnered adults compared to their single counterparts. (These results are consistent with the U.S. findings reported in appendix 2.)
15. Appendix 4 reports the poverty rates shown in table 1, although among households with children. The results in this table highlight the fact that cross-national poverty patterns among households with children are substantially different from those among childless adults. The most salient finding here is that, among adults living with children, the U.S. now reports the highest poverty rates (both pre and post), reversing the order of the U.S.–Canada differential seen among childless adults.

TABLE 1

Pre-tax-pre-transfer and post-tax-post-transfer poverty rates, nondisabled adults in childless households (seven countries, 2016–19)

	Post-tax-post-transfer poverty		
Pre-tax-pre-transfer poverty	**High: >10%**	**Moderate: 5–10%**	**Low: <5%**
High: >15%	Canada (18.5%, 12.0%)	Finland (18.1%, 7.3%) Netherlands (15.8%, 5.3%)	
Moderate: 10-15%	US (12.7%, 10.3%)	Ireland (13.2%,5.5%)	
Low: <10%		UK (9.4%, 5.9%)	Czech Republic (9.6%, 3.5%)

Source: LIS Database.

Note: Parentheses indicate the pre-tax-pre-transfer rate and the post-tax-post-transfer rate, respectively (pre, post).

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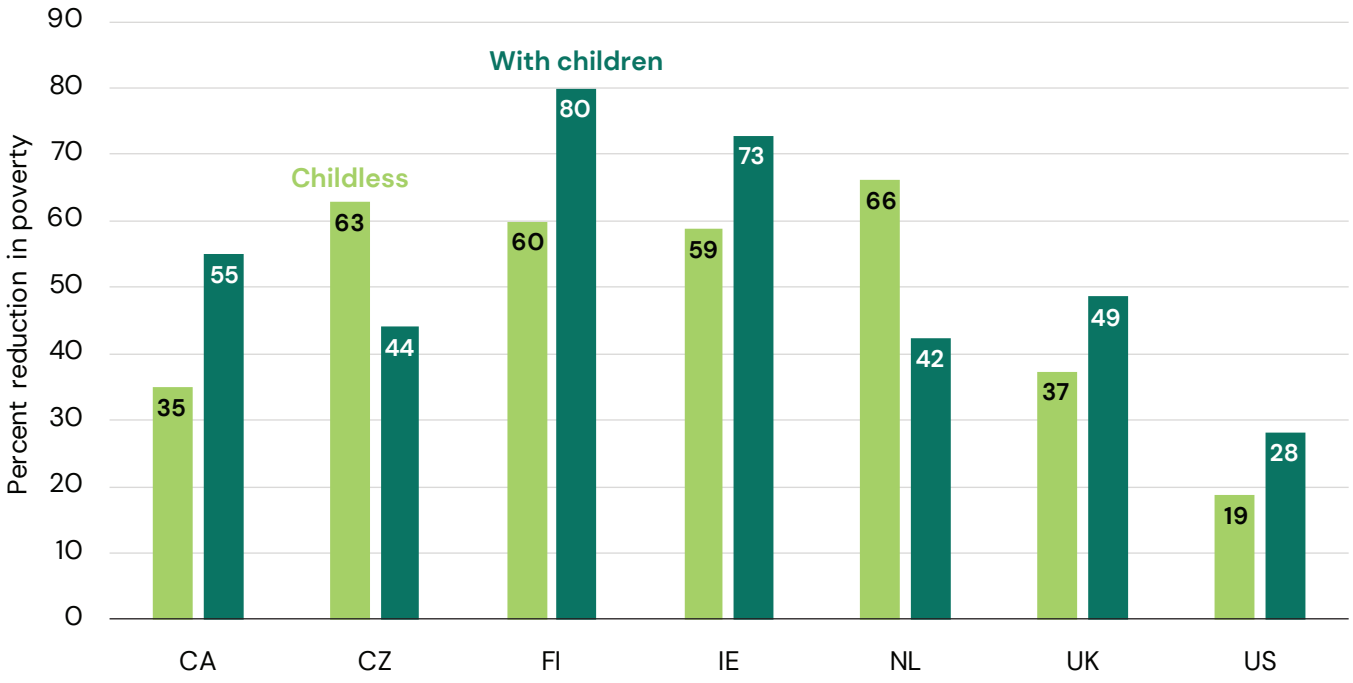
FIGURE 3

Percent reduction in poverty due to taxes and transfers, nondisabled adults in households with and without children (seven countries, 2016–19)



Source: LIS Database.

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and Ireland all perform relatively well in redistributing toward childless adults while also cutting the poverty rate among adults in households with children by more than 50 percent.

Next, we provide further information as to how redistribution shapes up differently for childless adults who are employed versus those who are not employed (see table 2). We then assess how specific types of taxes and transfers affect childless adults' poverty rates in each country (see table 3). We examine differences by the employment status of childless adults, recognizing that taxes and transfers often operate differently depending on one's employment status.[16] Table 2 shows again that the pre-tax-pre-transfer rate

16. Employment rates for childless adults who meet our sample criteria are 79% in Canada, 89% in the Czech Republic, 78% in Finland, 84% in Ireland, 84% in the Netherlands, 90% in the U.K., and 86% in the U.S.

TABLE 2

Pre-tax-pre-transfer and post-tax-post-transfer poverty rates, by employment status, nondisabled adults in childless households (seven countries, 2016–19)

Employment status	CA	CZ	FI	IE	NL	UK	US	US rank (1–7)
				Pre-tax-pre-transfer poverty				
All	18.5%	9.6%	18.1%	13.2%	15.8%	9.4%	12.7%	3
Employed	9.5%	4.3%	6.4%	6.8%	6.9%	4.4%	7.4%	6
Not employed	53.4%	50.3%	60.3%	47.3%	58.7%	53.8%	45.8%	1
				Percentage of pre-tax-pre-transfer poverty reduced by taxes and transfers (combined)				
All	35.0%	62.9%	59.9%	58.7%	66.1%	37.4%	18.7%	7
Employed	30.2%	66.7%	65.7%	45.9%	59.1%	38.1%	12.1%	7
Not employed	38.3%	60.4%	57.8%	68.6%	70.4%	36.8%	25.4%	7
				Post-tax-post-transfer poverty				
All	12.0%	3.5%	7.3%	5.5%	5.3%	5.9%	10.3%	6
Employed	6.6%	1.4%	2.2%	3.7%	2.8%	2.7%	6.5%	6
Not employed	32.9%	19.9%	25.5%	14.9%	17.3%	34.0%	34.1%	7

Source: LIS Database.

Note: Gray denotes a value that is higher than that in the U.S. Countries are ranked from 1 (most favorable) to 7 (least favorable).

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among childless adults in the U.S. is 13 percent overall; note, however, that this rate varies notably by employment status: 7 percent of employed childless adults are in pre-tax-pre-transfer poverty in the U.S., the second-worst performance of our seven countries, while 46 percent of nonemployed childless adults are in pre-tax-pre-transfer poverty in the U.S., which is, perhaps surprisingly, the best performance. The comparatively strong U.S. performance for pre-tax-pre-transfer poverty among nonemployed childless adults is likely due to a larger share of this group being married/partnered in the U.S. (51 percent, the highest among our countries; results not shown) compared to other countries, and also to the fact that, in the U.S., 74 percent of these adults have at least one employed household member (the second-highest among our countries; results not shown)—although they themselves are not employed.

The post-tax-post-transfer story differs: The U.S. again has the second-highest rate of poverty among employed childless adults, but now also has the highest poverty rate among nonemployed childless adults. The middle panel of table 2 documents that taxes and transfers do less in the U.S. to reduce poverty, regardless of employment status.

Which specific types of taxes and transfers reduced poverty for each group? Table 3 disaggregates the total poverty-reducing effect into its different components.[17] Income taxes and social security contributions move individuals *into* poverty in each of our countries, albeit to varying extents. In the U.S. income taxes and social security contributions increase the poverty rate by 15 percent relative to the pre-tax-pre-transfer rate, which is the highest percentage among our seven countries. In contrast, income taxes and social security contributions increase the poverty rate by 4 percent in the Czech Republic, which is the least among our comparison countries, and by 7 percent to 14 percent in the rest of the study countries. The U.S.' poor performance is due more to its social security contributions (mainly, Federal Insurance Contributions Act [FICA] payments) than other forms of income taxation. The increase in the poverty rate due to social security contributions is more than twice as high in the U.S. (11 percent) as it is in Canada (5 percent) or the U.K. (4 percent), and more than three times as high as in the Czech Republic and in Finland (3 percent). (Income taxes and social security contributions cannot be separated in the data for Ireland or the Netherlands.)

17. See appendix 5, which complements table 3 by reporting the share of post-tax-post-transfer income that corresponds to each component—labor income, capital income, three types of transfers, and two types of taxation—for the average childless adult, in each country.

TABLE 3

Contribution of tax and transfer components to poverty reduction, nondisabled adults in childless households (seven countries, 2016–19)

Tax and transfer component	CA	CZ	FI	IE	NL	UK	US	US rank (1–7)
				All				
Income taxes + contributions	7.0%	3.8%	12.1%	8.8%	14.4%	7.8%	15.3%	7
Income taxes	3.3%	1.2%	11.1%			6.2%	8.7%	4/5
Social Security contributions	5.4%	3.2%	2.8%			4.2%	11.0%	5/5
All transfers	−54.2%	−90.8%	−82.7%	−75.6%	−92.8%	−55.6%	−43.9%	7
Transfers: Pensions	−28.3%	−69.9%	−21.4%	−23.6%	−42.1%	−31.9%	−33.0%	3
Transfers: Private	−4.1%	−2.4%	−3.0%	−0.5%	−3.3%	−3.4%	−4.8%	1
Transfers: Public (excluding pensions)	−24.5%	−10.6%	−56.7%	−51.6%	−55.3%	−16.7%	−5.6%	7
All taxes and transfers	−35.0%	−62.9%	−59.9%	−58.7%	−66.1%	−37.4%	−18.7%	7
				Employed				
Income taxes + contributions	13.7%	6.9%	11.4%	20.3%	12.7%	11.3%	25.1%	7
Income taxes	5.9%	1.2%	9.0%			9.3%	14.4%	5/5
Social Security contributions	10.6%	6.3%	5.4%			7.2%	18.0%	5/5
All transfers	−65.2%	−119.6%	−118.8%	−81.1%	−110.8%	−70.6%	−52.1%	7
Transfers: Pensions	−27.3%	−87.6%	−35.9%	−23.8%	−48.4%	−40.4%	−37.4%	4
Transfers: Private	−4.7%	−3.5%	−4.8%	0.0%	−4.1%	−1.3%	−6.1%	1
Transfers: Public (excluding pensions)	−29.8%	−10.1%	−66.8%	−48.2%	−57.3%	−20.3%	−6.8%	7
All taxes and transfers	−30.2%	−66.7%	−65.7%	−45.9%	−59.1%	−38.1%	−12.1%	7
				Not employed				
Income taxes + contributions	2.4%	1.7%	12.4%	0.0%	14.4%	5.2%	5.4%	5
Income taxes	1.5%	1.2%	11.9%			3.8%	2.8%	3/5
Social Security contributions	1.8%	1.2%	1.8%			2.0%	3.8%	5/5
All transfers	−46.6%	−71.8%	−69.0%	−71.5%	−83.1%	−44.4%	−35.6%	7
Transfers: Pensions	−29.0%	−58.2%	−16.0%	−23.5%	−37.5%	−25.5%	−28.4%	4
Transfers: Private	−3.6%	−1.6%	−2.4%	−0.8%	−3.0%	−5.0%	−3.4%	3
Transfers: Public (excluding pensions)	−20.9%	−11.0%	−52.9%	−54.1%	−55.4%	−14.0%	−4.3%	7
All taxes and transfers	−38.3%	−60.4%	−57.8%	−68.6%	−70.4%	−36.8%	−25.4%	7

Source: LIS Database.

Note: Given that multiple transfer types can move the same household out of poverty, the sums of the individual transfer programs' effects on poverty do not necessarily add up to their combined effect. Countries are ranked from 1 (most favorable) to 7 (least favorable). In some instances, countries are ranked from 1 to 5 as indicated by "/5."

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Examining only employed adults, the U.S. performs the worst of the seven countries in the extent to which income taxation and social security contributions, combined, add to the poverty rate (i.e., 25 percent). Among nonemployed adults, we see universally smaller shares of individuals move into poverty due to taxation; the U.S. still ranks unfavorably, with taxes increasing the poverty rate among jobless childless adults by 5 percent. (Note that these tax results refer only to tax payments—i.e., money leaving the household; the refundable portions of tax-based benefits, such as the EITC in the U.S., are classified as transfers.)[18]

With respect to income transfers, the U.S. again performs the worst of the seven countries in the extent to which transfers move childless adults out of poverty. This is true whether examining all childless adults, employed childless adults, or nonemployed childless adults.

Pension benefits—which, as documented earlier, include public noncontributory pensions, public contributory pensions, and private pensions—play a relatively (and surprisingly) strong role in reducing poverty for childless adults. Among the employed, we see that pension income reduces poverty by 24 percent to nearly 90 percent, and, among the not employed, by 16 percent to 58 percent. Likewise, from appendix 5, we see that, among the employed, pensions make up 4 percent to 7 percent of post-tax-post-transfer income and, among the not employed, 11 percent to 36 percent. (Vis-à-vis both the share and the impact of pension income, the U.S. falls in the middle among these countries.) It is crucial to note that some of our focal adults (aged 25 to 59) do receive pension income, but, for the most part, pension income in these households is received by older persons with whom the adults in our sample reside. This points to the importance of coresident extended families for poverty mitigation among non-elderly childless adults.

Public social benefits (excluding pensions)—which include cash transfers stemming from insurance, universal or assistance schemes, and in-kind social assistance transfers—reduce poverty among childless adults by only 6 percent in the U.S., the least amount among our study countries. In contrast, poverty declines, due to these public social benefits, by rates ranging from 17 percent in the U.K. to 57 percent in Finland. (As reported in appendix 5, public social benefits make up only 2 percent of the post-tax-post-transfer income of childless adults in the U.S., which is substantially less than in the other countries.) The only category where the U.S. outperforms the other countries is private transfers, although these transfers reduce poverty by only 5 percent among childless adults in the U.S.[19]

To summarize, the U.S. has average pre-tax-pre-transfer poverty rates among childless adults relative to our comparison countries. However, the U.S. features comparatively high post-tax-post-transfer poverty rates, especially among jobless adults. The U.S. tax system, and its highly regressive FICA taxes in particular, increases the poverty rate among jobless adults more than in other countries. More importantly, the U.S. transfer system does the least among our comparator countries to move childless adults out of poverty.

18. See appendix 6, which also complements table 3. Appendix 6 uses a different decomposition method, one set up so that the poverty-reducing elements sum to 100% (i.e., the sum of each of the components totals the overall poverty-reducing effects of taxes and transfers). Appendix 6, essentially a robustness check, reports results that are largely similar to those in table 3.

19. To clarify, for the U.S. case, OASDI and SSI are classified in the LIS data as "pension" income—SSI is considered an "assistance pension"—as is income from private pensions, both occupational pensions and individual pensions (e.g., 401k accounts). Furthermore, in the LIS data, for the U.S. "public social benefits (excluding pensions)" includes an array of other transfers (those not included in "pensions"), including cash transfers (e.g., TANF), refundable tax-based benefits (e.g., EITC), and near-cash transfers (e.g., housing subsidies, energy assistance, school lunches, and SNAP). See footnote 9 for further details.

V. Underlying policy mechanisms: Identification and assessment

A. Predistribution: Policies/institutions that shape pre-tax-pre-transfer poverty rates

It is clear from the findings reported in section IV that, in the U.S. and within our focal group, the pre-tax-pre-transfer poverty rate (13 percent) is not exceptionally high. In fact, U.S. outcomes are more favorable in this respect than they are in some of our other study countries, despite those countries having been selected based on their observed post-tax-post-transfer poverty rates (which are lower in all other countries, except Canada) as well as their degrees of redistribution (higher in all other countries).[20]

It is important to stress that, as noted in section II, pre-tax-pre-transfer poverty rates should be interpreted cautiously. Our simple calculation does not take account of any behavioral changes that would plausibly occur if taxes and transfers did not exist. The availability of income transfers, in particular, may affect a person's behavior. Working-age adults may be less inclined to accept certain jobs (e.g., low-paid, poor-quality, or distant jobs) if unemployment benefits are generous and long-lasting, and/or if conditions for (continued) receipt are not extremely strict. With regard to family formation, some may be less inclined to partner or repartner (for financial reasons) when public social benefits or noncash provisions (such as public housing) favor unpartnered individuals. In short, pre-tax-pre-transfer poverty rates may be shaped, in part, by features of publicly provided income supports.

It is instructive to look more closely at some of the main underlying drivers of pre-tax-pre-transfer poverty rates. Very important, of course, is labor income (i.e., wages from employment and earnings from self-employment). As shown in the top panel of appendix 5, the share of the post-tax-post-transfer income package that comes from labor income is nearly 100 percent in Canada and exceeds 100 percent in the other study countries. (See appendix 7, which reports key labor market outcomes.) While having a job does not always result in a life free from poverty, few will dispute the importance of labor income for effective and fiscally sustainable antipoverty policies.

One factor that matters a great deal is how well jobs pay. We reported earlier (see table 2) that, among employed U.S. adults in our focal group, 7 percent are poor before accounting for taxes and transfers—the second-highest poverty rate across these countries. (That said, the variation in this outcome is modest, ranging from a low of 4 percent in the Czech Republic up to 7 percent in the U.S., and 10 percent in Canada.) Which policies and institutions shape the relatively high rate of pre-tax-pre-transfer poverty, among the employed in the U.S.? Two crucial institutions clearly matter: the level of the minimum wage and the extensiveness of collective agreements. Haapanala, Marx, and Parolin (2023) demonstrate that statutory minimum wages and collective bargaining have distinct and complementary roles in establishing wage floors and reducing the share of low-paid workers. Statutory minimum wages help to lift wage floors, and higher collective bargaining coverage, operating via multiple pathways, is associated with a lower share of workers earning low pay.

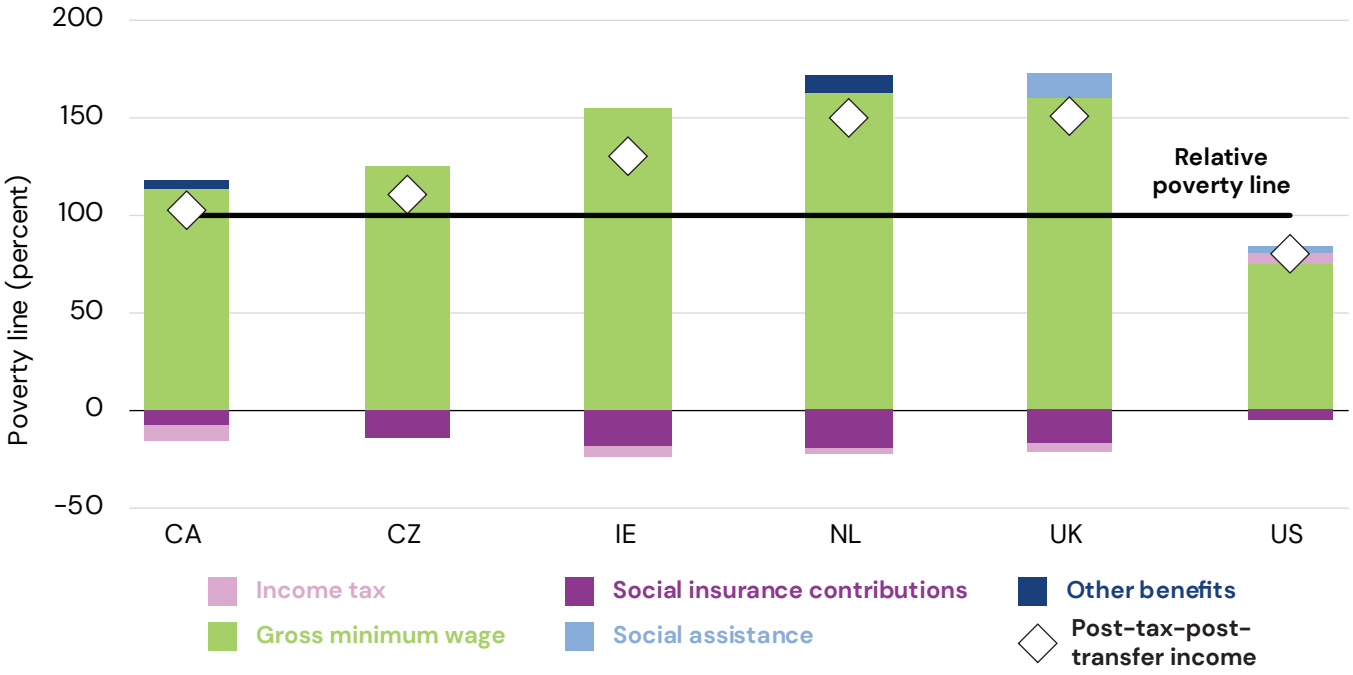
All of our comparison countries have a national statutory minimum wage, except for Finland where, as in the other Nordic countries, effective wage floors are set through comprehensive collective bargaining (see appendix 8). The U.S. stands out in having a federal minimum wage that is substantially lower relative to the median wage compared with the other study countries. According to OECD sources, the U.S. federal minimum wage sits at just 27 percent of the U.S. median wage; in all the other countries in our comparison group, the minimum wage sits at well over 40 percent.

Moreover, collective bargaining coverage of workers in the U.S. is much lower than in our comparison countries. In Finland, for example, 9 out of 10 workers are covered by a collective bargaining agreement. In the U.S., only one out of eight workers is covered, and

20. For a review of the literature on predistribution and redistribution in high-income countries, see Gornick and Smeeding (2018).

FIGURE 4

Minimum income protection for single, childless persons, in-work and earning the minimum wage, relative to the poverty line (six countries, 2021)



Source: EUROMOD 2021 using the Hypothetical Household Tool (HHoT). Additional calculations for Canada and the U.S.

Note: Levels expressed relative to the poverty line. To compare the adequacy of minimum income protection across our comparison countries, as shown in figures 4 and 5, we use for the European countries EUROMOD, a state-of-the-art tax-benefit microsimulation model. An add-on called the Hypothetical Household Tool (HHoT) allows users to generate their own model family-type data based on user-specified characteristics. Calculations for the U.S. and Canada were made manually, using the same methodology and assumptions. For more details, see Aerts, Marx, and Parolin 2022.

coverage is mostly confined to the public sector; that rate is by far the lowest among our comparison countries. It should not come as a surprise, therefore, that the incidence of low-paid work, as defined by the OECD, is especially high in the U.S. (Howell 2021). The low-pay incidence, defined by the OECD as the share of workers earning less than 67 percent of median earnings, is highest in the U.S. (23 percent), although Canada comes close at almost 20 percent (see appendix 7).[21]

Next, we use a specific analytical tool, presented in Aerts, Marx, and Parolin (2022), that allows us to assess the post-tax-post-transfer income of a hypothetical single, childless, minimum wage earner working full time, expressed relative to the poverty line for each country (figure 4). The calculations in figure 4 indicate what single, childless adults are legally entitled to claim. These values assume full enforcement of minimum wages and full take-up of income transfers. In that sense, the figure reflects an optimistic scenario. Yet, even if not accurately corresponding to what people actually receive, figure 4 provides a sound reflection of what policy seeks to achieve.

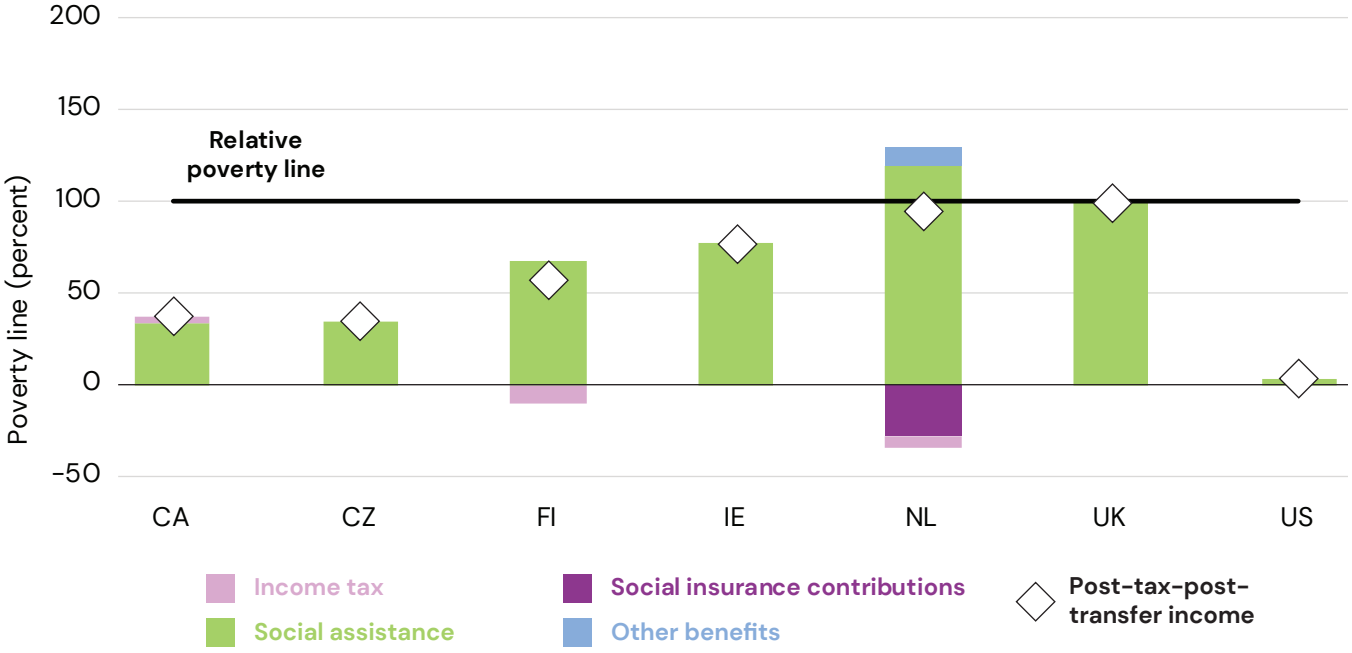
The situation we look at is a 35-year-old single person. In the in-work case (figure 4), that person works full time and is remunerated at the statutory minimum wage. In the case of those not in work (figure 5), the adult is either not eligible, or is no longer eligible, for contributory benefits; that adult relies solely on social assistance benefits or equivalent benefits guaranteeing a subsistence minimum. Aside from the earned wage and/or income supplements provided by the tax-benefit system, the person is assumed to have no savings or other income sources. (See table 4.)

With respect to the minimum wage level, and its relation to the poverty threshold, the U.S. clearly stands out. As seen in figure 4, in most of these countries, the minimum wage (shaded in green bar) exceeds the amount a full-time worker at that wage needs to

21. The data in figures 4 and 5, and in appendices 6 and 7, pertain to the time period just after the height of the COVID pandemic. Although our microlevel outcomes, from LIS, correspond to a pre-COVID year, we present the policy indicators post-COVID, to best inform policy discussions going forward.

FIGURE 5

Minimum income protection for single, childless persons, out-of-work, relative to the poverty line (six countries, 2021)



Source: EUROMOD 2021 using the Hypothetical Household Tool (HHoT). Additional calculations for Canada and the U.S.

Note: Levels expressed relative to the poverty line. To compare the adequacy of minimum income protection across our comparison countries, as shown in figures 4 and 5, we use for the European countries EUROMOD, a state-of-the-art tax-benefit microsimulation model. An add-on called the Hypothetical Household Tool (HHoT) allows users to generate their own model family-type data based on user-specified characteristics. Calculations for the U.S. and Canada were made manually, using the same methodology and assumptions. For more details, see Aerts, Marx, and Parolin 2022.

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remain above the poverty line (set at 50 percent of the median and shown in the black horizontal line). In our comparison countries—here Canada, the Czech Republic, Ireland, the Netherlands, and the U.K.—the minimum wage clearly exceeds that threshold. The U.S. is a noticeable outlier; figure 4 illustrates how low the relative level of the federal wage floor is in the U.S in the context of the countries examined. It should be stressed, however, that a substantial and growing number of U.S. states and a few cities have minimum wages that are set significantly above the federal minimum wage, but the fact remains that the nationally guaranteed wage floor in the U.S. stands out in how low it is compared to the countries studied.[22] This fact, together with the high prevalence of low-paid work, points to the importance of policies and institutions that would raise the wage floor in the U.S.

B. Redistribution: Policies/institutions that shape post-tax-post-transfer poverty rates

The analysis in section IV also shows that redistribution, via taxes and transfers, has a more limited impact on poverty outcomes in the U.S. than in the other study countries. Here, we add some context to this finding, starting with the role of income taxes and social security contributions and following with a discussion of income transfers.

22. In Aerts, Marx, and Parolin (2022) we present calculations for three U.S. states—California, Missouri, and Texas—confirming the relevance of state-level variation in minimum wages. This is a clear limitation of this comparison at the country level. It should be added, however, that effective wage floors in our comparison countries also tend to be higher than the official national minimum wage, because subnational entities may set higher minimum wages (e.g., in Canada) or because collective bargaining sets substantially higher effective wage floors (e.g., in the Netherlands).

TABLE 4

Overview of all the income components and protections considered

Category	Description
Income components	
Gross minimum wage	Statutory minimum wage
Social assistance	Residual, means-tested minimum income provided to households without social insurance entitlements (and in some countries also as a top-up for working households)
Other benefits	All non-contributory and non-discretionary benefits that do not fit into other categories, mostly in the form of tax credits or in-work benefits.
Tax components	
Income tax	Tax levied on wages, salaries, and/or other types of income
Social insurance contributions	Employee-specific social insurance contributions
Total	
Post-tax-post-transfer income	The total sum of income that is available for spending or saving. This is equivalent to post-tax-post-transfer income, used throughout this paper.

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1. Income taxes and social security contributions

Tax policies mainly affect people in work, but in some countries some or all income transfers are also taxed, affecting many jobless adults. The Netherlands, for example, levies significant taxes on its (generous) income transfers, including social assistance. But, generally speaking, taxes matter most for wage earners, although typically they are imposed only above a certain level of earned income.

With respect to income taxes, low earners generally pay modest taxes across these study countries (see figure 4, which pertains to minimum wage earners), although higher earners, of course, pay substantial income taxes. In addition, childless adults usually pay higher taxes than people with children at similar pay levels (OECD 2023a); that situation is mainly caused by tax advantages targeted on households with children. It is important to keep in mind here that the tax burden is not only a function of income tax rates but also of the definition of what is taxable income (i.e., the tax base), which is shaped by country-specific exemptions and deductions (e.g., costs related to employment).

In addition, in all these countries, workers pay social security contributions. Because these tend to be set as a fixed percentage of the gross wage, they also matter for low-paid workers. In fact, social security contributions usually matter even more than income taxes, for low-paid workers, because they kick in from the first earned dollar (see figure 4). Note also, in table 3, that social security contributions have a stronger impact—i.e., increasing the likelihood of poverty—among workers than do income taxes in about half of these countries, including the U.S.

Regarding the effects of taxes on the risk of poverty in our focal group, the U.S. especially stands out. As reported in table 3, in the U.S., among the employed, income taxes (paid out) increase the likelihood of poverty by 14 percent and social security contributions by 18 percent; in both cases, those increases are more than they are in the comparison countries. Summing up, the consequences of taxation in the U.S. and in our other study countries highlight the phenomenon of fiscal impoverishment, meaning that, overall, taxes push many adults in our focal group into poverty. Although taxes combined with transfers decrease poverty (see table 3), the tax components are uniformly impoverishing. (For a discussion of fiscal impoverishment, vis-à-vis taxes and transfers, see Schechtl and O'Rourke [2023]).

2. Income transfers

Next, we turn to income transfers. Three complementary analyses point to the meagerness of income transfers for our focal group in the U.S., and their limited impact on poverty mitigation, compared to our other six cases.

First, we can see from table 3 that, among the employed, all transfers combined (including public and private transfers) reduce pre-tax-pre-transfer poverty by 52 percent in the U.S., which is the least amount, by

far, among these countries. Likewise, among the nonemployed, all transfers (combined) reduce pre-tax-pre-transfer poverty by 36 percent in the U.S., again the least amount among these countries.

Second, the results in appendix 5 further emphasize how much the U.S. stands out. In the U.S., income transfers (summing the three types of transfers) constitute 6 percent of post-tax-post-transfer income among the employed, and 35 percent among the nonemployed. The former value is greater in all of our comparison countries, with the exception of the U.K. (also 6 percent), and the latter value is substantially greater in all of the other countries. The lower panel of appendix 8 indicates that this result—the marked meagerness of U.S. transfers compared with other countries—is even more evident among low-income adults.

Third, these results are further corroborated by the social spending statistics compiled by the OECD (see appendix 8, "cash transfer spending"). The U.S. spends only 1.5 percent of its GDP on cash benefits for the working-age population, which is less than half that reported in all the other countries in our analysis.

To further illuminate the limited role of income transfers in the U.S., we consider two specific transfer components, with a focus on adults who are not employed. Two findings stand out.

First, for those in our focal group who are out of work, unemployment compensation is one of the most important income support programs. From OECD data (see appendix 8), it is clear that benefit replacement rates[23] in the U.S. are not comparatively low for short-term unemployed persons (i.e., 3 months unemployed). But because unemployment benefits in the U.S. tend to expire after 26 weeks (with some cross-state variation), the longer-term unemployed (without work between 6 and 36 months) are left largely unprotected—in most cases, are eligible only for SNAP—and the result is that their net replacement rate is a mere 9 percent. One crucial reason that the U.S. lags other countries is that it does not have an unemployment assistance program. Unemployment assistance provides means-tested benefits to persons who lack eligibility for unemployment insurance (e.g., due to insufficient work history) or who have exhausted their insurance benefits. Other factors matter as well for the protection against poverty that unemployment compensation actually provides, such as eligibility requirements, ease of access, conditionality, and sanctioning. In this respect, the U.S. ranks in line with the other countries in our analysis. Note, however, that actual coverage of the unemployed by unemployment insurance or assistance is low compared to other countries (appendix 8).

Second, social assistance matters, and functions as a last-resort safety net, especially for those who are out of work. Most affluent countries now have legally ensured means-tested cash benefits that have as their main if not sole purpose the prevention of poverty. As reported in figure 5, social assistance is a crucial income transfer component—everywhere except in the U.S. Most Western welfare states now provide a guaranteed income in the shape of a nationally legislated means-tested (and usually also asset-tested) benefit scheme that is specifically aimed at ensuring a minimal living standard to every citizen (Marchal and Marx 2024). Such schemes date from the 1960s (Germany, the Netherlands, the United Kingdom), 1970s (Belgium, Denmark, Ireland), and 1980s (Finland, France, Sweden). In the countries of Central and Eastern Europe, nationally legislated social assistance systems appeared from the 1990s onward. The Southern European countries have followed suit over the past decade.

These minimum income schemes specifically exist to protect against (extreme) poverty. Benefit levels and eligibility criteria are laid down by law, implying that people can exercise a right to financial support. Note, however, that the benefits provided tend to be below the poverty threshold even in the more generous countries (see figure 5). The Netherlands is, in fact, somewhat of an exception. It should be added, moreover, that these schemes tend to have strict work requirements, as well as, sometimes, other behavioral requirements. Noncompliance can result in sanctions, including partial or total loss of benefits, albeit usually temporarily.[24]

The U.S. is somewhat of an exception in the affluent world. The U.S.' federal food assistance scheme, SNAP, provides vouchers, in the form of a debit card, that participants can use to purchase food.[25] Most other support schemes in the U.S. for this population are organized at the state level, including social (or general) assistance for childless adults in several states, but the absence of a national cash-based safety net for childless adults makes the U.S. an exception.

It is worth stressing that adequate poverty prevention is not a matter of getting one scheme right. Social protection is usually provided via a multitude of programs; for more on this point, see Brady and Bostic (2015). The redistributive impact of income transfers observed for Finland (table 3), for example, is the result of dozens of individual income support schemes, with several targeted on very specific sections of the population.

To close, the U.S. is exceptional in having remarkably meager, if not totally inadequate, support for

23. Note that the calculation in appendix 8 takes account of all benefits that an unemployed person is eligible for, be it unemployment insurance or assistance, as well as other benefits that would be available.

24. For a comprehensive overview of minimum income provisions, see Marchal and Marx (2024).

25. The value of SNAP benefits is included in the LIS variable public social benefits (excluding pensions)" and in the "social assistance" variable in figures 4 and 5.

nondisabled childless adults both in and out of employment. A number of our comparison countries demonstrate that far more adequate protection levels are possible. The Netherlands, for example, has a social protection system that more extensively mitigates pre-tax-pre-transfer poverty. As reported in figure 4, childless adults in the Netherlands who are in work are supported by a combination of a high wage floor supplemented by income transfers. Likewise, as seen in figure 5, childless adults in the Netherlands who are out of work are supported by a substantial amount of income transfers, mainly social assistance. The consequences of these policy designs are illuminating. The post-tax-post-transfer poverty rate, among those in work, is 3 percent in the Netherlands, compared to 7 percent in the U.S., and, among those not in work, is 17 percent and 34 percent, respectively (see table 2). Finally, we note that the Netherlands combines generous and highly redistributive income transfers (see table 3) with exemplary labor market outcomes (see appendix 7), including a high employment rate among low-skilled adults (68 percent, the highest across these countries), low unemployment (3.5 percent), moderately low long-term unemployment (19 percent), and a low incidence of low-paid workers (7 percent, the lowest among our study countries).

VI. Conclusions: Policy lessons for the U.S.

Based on our assessment of the U.S. compared with six other high-income countries—drawing on both microdata and country-level indicators—we offer some bottom-line conclusions.

First, the U.S. workforce is marked by a large share (23 percent) of low-wage workers (i.e., workers who earn less than 67 percent of median earnings) in the context of the countries examined (see appendix 7). That clearly contributes to the comparatively high rate of poverty in our focal group. In the U.S., 7 percent of employed childless adults are poor, a rate that is much higher than in our other study countries (with the exception of Canada, where the rate is also 7 percent); see table 2.

A large body of evidence indicates that the U.S. could lower the incidence of low-paid work, and thus reduce poverty among the employed by increasing the minimum wage at the federal and/or state and local levels, and by strengthening and supporting an expansion of the share of the workforce covered by collective agreements.

Second, both income taxes and social contributions are pushing childless adults into poverty—more so in the U.S. than in other countries. When we consider the contribution to the poverty rate of income taxes and social security contributions, combined, we see that, in the U.S., these increase poverty by 25 percent among the employed (the highest among these countries, by a substantial margin), and by 5 percent among the nonemployed (a rate that exceeds that of at least four other countries); see table 3.

The U.S. could mitigate poverty among childless adults via any of a number of tax-related reforms—especially those that affect the employed—including raising the floor below which income taxes are not required; extending income tax benefits targeted on adults raising children, such as the EITC, to a much larger share of childless workers, and increasing the now-very-small EITC benefits for those workers; as well as reforming social security contributions to make them staircased (instead of flat rate), such that lower earners pay a lower rate than higher earners. All of these changes would be best carried out via revenue-neutral reforms, so as not to reduce the resources needed to support income transfers, which are also crucial for poverty mitigation. (If social security contributions for low earners were reduced, revenue neutrality could be achieved by raising the cap on contributions; the cap—$168,600 in 2024—is widely viewed as both unnecessarily low and highly regressive.)

Third, our results indicate that income transfers, for our focal group, stand out in how meager they are in the U.S relative to the countries examined. When we consider all transfers combined, we see that, in the U.S., they reduce poverty by 52 percent among the employed (the least among these countries) and by 36 percent among the nonemployed (again, the least among these countries); see table 3. And when we broaden our vision to look at taxes and transfers combined, we see that, in the U.S., the two combined reduce poverty among childless households overall by just 19 percent, only about a third of the poverty reduction from taxes and transfers in our comparison countries, other than Canada and the U.K., and only about half the poverty reduction in those two countries.

Clearly, the U.S. could ameliorate poverty, in our focal group, by providing more-extensive income transfers, both to those in work and those out of work. Our analyses confirm what the cross-national poverty literature has long established: Many different types of income supports are possible and thus poverty-mitigation strategies can be tailored to country contexts. Poverty, within our focal group, would be reduced if the U.S. established a universal cash safety net, one that includes non-elderly, nondisabled, childless adults; the U.S. stands out among affluent countries in its failure to provide such a safety net. Strengthening the EITC for childless workers would also increase the contribution of income transfers for this group (noting that, in the LIS-based analyses that we have presented here, the refundable portion of the EITC is captured as transfer income). Finally, instituting unemployment assistance, for those who do not qualify for unemployment insurance, would help to reduce poverty among many jobless adults.

Our analyses of both microlevel and macrolevel evidence allow us to conclude that the unfavorable poverty outcomes in the U.S.—among non-elderly, nondisabled, childless adults—are not mysterious. They can be explained, for the most part, by several U.S. policies and institutions, including the comparatively low wage floors, the structure of income tax and social contributions that push many adults into poverty, and the meagerness of multiple forms of income support, especially for childless adults. The overarching question is not how to mitigate poverty among childless adults in the U.S., but how to create the political will to do so.

Appendices

TABLE A-1.

Original datasets

Country	Dataset name	Survey name
Canada	ca19	Canadian Income Survey (CIS)
Czech Republic	cz16	Survey on Income and Living Conditions (SILC)
Finland	fi16	Income Distribution Survey (IDS)/Survey on Income and Living Conditions (SILC)
Ireland	ie19	Survey on Income and Living Conditions (SILC)
Netherlands	nl18	Survey on Income and Living Conditions (SILC)
United Kingdom	uk19	Family Resources Survey (FRS)
United States	us19	Current Population Survey (CPS), Annual Social and Economic Supplement (ASEC)

Source: LIS Database.

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TABLE A-2.

Regression of poverty on individual characteristics among non-disabled adults in childless households (United States, 2019)

Characteristic	Coefficient	Standard error
Employed	-0.26	0.009
Less than High School Education	0.117	0.012
College Education	-0.062	0.004
Married/Coupled	-0.088	0.004
Female	0.004	0.004
Age	0.001	0.002
Age^2	0.00001	0.00002
African American	0.067	0.007
Latino	0.016	0.006
Asian	-0.015	0.007
Native American	0.069	0.025
Immigrant	0.011	0.007
Non-Citizen	0.023	0.009
Number 65 and Older in HH	-0.024	0.005

Source: LIS Database.

Note: All coefficients are statistically significant except female, age, age-squared, and immigrant. N=28, 616.

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TABLE A-3.

Poverty rates, by gender and partnership status, nondisabled adults in childless households (seven countries, 2016–19)

Country	Poverty Definition	Childless Adults: All	Childless Adults: Single Females	Childless Adults: Single Males	Childless Adults: Married/ Partnered Females	Childless Adults: Married/ Partnered Males
Canada	Post-Tax-Post-Transfer	12.0%	19.1%	16.6%	7.1%	6.8%
	Pre-Tax-Pre-Transfer	18.5%	27.3%	25.4%	12.7%	10.4%
Czech Republic	Post-Tax-Post-Transfer	3.5%	7.1%	4.0%	1.9%	1.2%
	Pre-Tax-Pre-Transfer	9.6%	14.4%	12.8%	6.5%	3.1%
Finland	Post-Tax-Post-Transfer	7.3%	7.6%	13.1%	1.3%	1.3%
	Pre-Tax-Pre-Transfer	18.1%	21.0%	26.9%	7.9%	6.9%
Ireland	Post-Tax-Post-Transfer	5.5%	7.0%	9.3%	1.7%	1.6%
	Pre-Tax-Pre-Transfer	13.2%	16.0%	18.5%	8.1%	7.0%
Netherlands	Post-Tax-Post-Transfer	5.3%	6.3%	8.2%	2.9%	1.8%
	Pre-Tax-Pre-Transfer	15.8%	20.1%	20.3%	10.2%	8.5%
UK	Post-Tax-Post-Transfer	5.9%	6.9%	7.8%	3.9%	3.7%
	Pre-Tax-Pre-Transfer	9.4%	11.0%	11.5%	7.8%	5.6%
US	Post-Tax-Post-Transfer	10.3%	15.7%	13.1%	6.3%	5.7%
	Pre-Tax-Pre-Transfer	12.7%	18.5%	15.0%	9.4%	7.2%

Source: LIS Database.

TABLE A-4.

Pre- and post-tax and transfer poverty rates, nondisabled adults in households with children (seven countries, 2016–19)

	Post-tax-post-transfer poverty		
Pre-tax-pre-transfer poverty	**High: >15%**	**Moderate: 10-15%**	**Low: <10%**
High: >15%	US (19.2%, 13.8%)	Canada (18.2, 8.2) UK (17.5%, 9.0%) Ireland (19.9%, 5.4%)	
Moderate: 10-15%		Czech Republic (10.8%, 6.0%)	Finland (12.3%, 2.5%)
Low: <10%		Netherlands (9.3%, 5.4%)	

Source: LIS Database.

Note: Parentheses indicate the pre-tax-pre-transfer rate and the post-tax-post-transfer rate, respectively (pre, post).

TABLE A-5.

Income packages: Components as shares of post-tax-post-transfer income, nondisabled adults in childless households (seven countries, 2016–19)

Employment status	CA	CZ	FI	IE	NL	UK	US
A. Income Packages: Our focal subgroup							
All							
Labor income	98.5%	105.0%	103.6%	111.0%	116.3%	117.0%	107.9%
Capital income	3.5%	0.7%	-1.2%	1.7%	0.9%	2.6%	5.2%
Transfers: Pensions	7.2%	9.8%	6.3%	5.5%	8.1%	5.2%	7.2%
Transfers: Private	1.8%	1.7%	1.0%	0.2%	1.0%	0.8%	1.3%
Transfers: Public social benefits (excluding pensions)	10.2%	3.4%	17.2%	9.0%	11.1%	3.8%	1.9%
Income taxes	-16.0%	-11.1%	-21.2%	-27.4%	-37.3%	-22.9%	-15.1%
Social Security contributions	-5.2%	-9.5%	-5.8%			-6.5%	-8.3%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%
Employed							
Labor income	109.3%	111.5%	119.0%	118.3%	128.0%	123.9%	113.6%
Capital income	3.0%	0.7%	0.4%	1.7%	1.5%	1.7%	4.8%
Transfers: Pensions	4.3%	6.5%	4.7%	4.4%	4.5%	3.5%	4.4%
Transfers: Private	1.4%	1.5%	0.7%	0.2%	0.7%	0.5%	0.9%
Transfers: Public social benefits (excluding pensions)	5.3%	1.8%	7.0%	5.0%	5.0%	1.7%	1.1%
Income taxes	-17.6%	-11.9%	-23.6%	-29.6%	-39.7%	-24.3%	-16.0%
Social Security contributions	-5.8%	-10.1%	-8.1%			-7.0%	-8.8%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%
Not employed							
Labor income	56.8%	54.5%	48.3%	72.0%	59.5%	54.5%	71.7%
Capital income	5.0%	0.4%	-6.8%	2.0%	-2.5%	10.6%	7.6%
Transfers: Pensions	18.7%	35.5%	12.3%	11.0%	24.1%	20.3%	24.8%
Transfers: Private	3.4%	3.2%	2.1%	0.4%	2.8%	4.2%	3.6%
Transfers: Public social benefits (excluding pensions)	28.7%	15.9%	54.1%	30.1%	40.8%	22.9%	6.9%
Income taxes	-9.8%	-4.7%	-12.6%	-15.4%	-24.7%	-10.2%	-9.1%
Social Security contributions	-2.9%	-4.8%	2.6%			-2.4%	-5.5%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%
B. Income packages: our focal subgroup, limited to persons who are post-tax-post-transfer poor							
All							
Labor income	52.2%	43.7%	19.8%	56.7%	54.8%	203.6%	73.6%
Capital income	-1.3%	0.0%	4.2%	0.9%	3.3%	12.7%	4.1%
Transfers: Pensions	8.6%	24.7%	3.4%	3.8%	14.3%	11.2%	18.0%
Transfers: Private	2.1%	5.8%	4.2%	0.8%	6.2%	2.4%	3.1%
Transfers: Public social benefits (excluding pensions)	43.0%	29.7%	79.6%	41.1%	41.9%	31.3%	10.2%
Income taxes	-1.4%	-0.9%	-9.4%	-3.4%	-20.5%	-158.2%	-2.9%
Social Security contributions	-3.2%	-3.0%	-1.8%			-2.9%	-6.1%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%
Employed							
Labor income	89.1%	92.5%	56.3%	78.9%	84.4%	445.2%	99.6%
Capital income	-7.7%	0.0%	5.5%	0.2%	3.3%	4.7%	1.2%
Transfers: Pensions	3.0%	3.9%	3.4%	1.6%	6.1%	4.1%	4.9%
Transfers: Private	1.7%	2.6%	5.2%	0.9%	5.5%	1.1%	1.0%
Transfers: Public social benefits (excluding pensions)	21.7%	9.3%	39.4%	22.5%	20.5%	7.3%	5.6%
Income taxes	-2.1%	-1.4%	-6.2%	-4.1%	-19.7%	-358.2%	-4.1%
Social Security contributions	-5.6%	-6.9%	-3.6%			-4.2%	-8.3%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%
Not employed							
Labor income	23.9%	16.5%	8.7%	27.5%	32.1%	19.8%	42.2%
Capital income	3.5%	0.0%	3.8%	1.9%	3.7%	18.8%	7.5%
Transfers: Pensions	12.9%	36.3%	3.4%	6.7%	19.5%	16.5%	33.8%
Transfers: Private	2.5%	7.7%	3.9%	0.6%	7.3%	3.4%	5.6%
Transfers: Public social benefits (excluding pensions)	59.4%	41.0%	91.8%	65.6%	58.4%	49.5%	15.8%
Income taxes	-0.9%	-0.7%	-10.3%	-2.5%	-21.0%	-6.1%	-1.5%
Social Security contributions	-1.4%	-0.8%	-1.2%			-1.9%	-3.5%
Post-tax-post-transfer income (LIS variable DHI)	100%	100%	100%	100%	100%	100%	100%

Source: LIS Database.

TABLE A-6.

Contribution of tax and transfer components to poverty reduction, nondisabled adults in childless households (seven countries, 2016–19), alternative method

	CA	CZ	FI	IE	NL	UK	US	US rank
Income taxes	13.0%	14.4%	16.8%	12.9%	22.2%	12.3%	20.2%	6
Income taxes	7.2%	5.4%	12.5%			8.1%	9.7%	4/5
Social Security contributions	5.8%	9.0%	4.3%			4.2%	10.5%	5/5
All transfers	-48.0%	-77.3%	-76.7%	-71.6%	-88.3%	-49.7%	-38.9%	7
Transfers: Pensions	-24.0%	-61.8%	-17.6%	-21.6%	-33.7%	-28.6%	-29.5%	3
Transfers: Private	-3.9%	-3.2%	-2.8%	-0.5%	-3.1%	-4.5%	-4.4%	2
Transfers: Public (excluding pensions)	-20.2%	-12.3%	-56.3%	-49.6%	-51.5%	-16.6%	-5.1%	7
All Taxes and transfers	-35.0%	-62.9%	-59.9%	-58.7%	-66.1%	-37.4%	-18.7%	7

Source: LIS Database.

Note: In this alternative decomposition method, we produce sequence-independent results of how each policy component reduces poverty while ensuring that the sum of each of the component's totals the overall poverty-reducing effect of taxes/transfers. The findings from this method are substantively similar to those of our primary method (reported in Table 3 and in the text). Countries are ranked from 1 (most favorable) to 7 (least favorable). In some instances, countries are ranked from 1 to 5 as indicated by "/5."

TABLE A-7.

Key labor market outcomes (seven countries, 2022 or most recent)

Labour market outcome	CA	CZ	FI	IE	NL	UK	US
Low-skilled employment rate (% of low-skilled working-age adults who are employed)	57.8	57.6	56.3	54.2	67.6	63.0	56.2
Unemployment rate (% of active population)	5.3	2.3	6.7	4.5	3.5	3.7	3.7
Long-term unemployment rate (% of unemployed)	10.7	33.9	23.1	31.7	19.3	24.4	15.1
Incidence of low pay (% of workers earning less than 67% of median earnings)	19.5	17.3	8.4	18.0	7.1	16.7	22.7

Source: OECD 2023b; Eurostat 2023; U.S. Bureau of Labor Statistics 2023; Statistics Canada 2023; Office for National Statistics 2023.

Note: Low-skilled = less than secondary education.

TABLE A-8.

Labor market institutions and income transfer policies (seven countries, 2022 or most recent)

Institutions and policies	CA	CZ	FI	IE	NL	UK	US
Labor market institutions							
Minimum wage (expressed as a % of median wage)	43.1	43.3	no MW	47.5	46.1	58.0	27.4
Collective bargaining coverage (% of workers covered by a collective agreement)	31.3	34.7	88.8	34.0	75.6	26.9	12.1
Income transfers							
Cash transfer spending, working age (% GDP)	4.7	3.6	5.0	3.1	4.8	3.7	1.5
ILO-unemployed receiving unemployment insurance benefits (%)	41	63	71	26	75	4	28
ILO-unemployed receiving unemployment assistance benefits (%)	0	0	94	120	0	86	0
Net replacement rate of unemployment benefits (for workers earning 67% of the average wage)							
Single, 3 months unemployed (%)	65	68	64	49	70	50	51
Single, 6 months unemployed (%)	65	53	64	49	70	50	9
Single, 36 months unemployed (%)	23	53	56	50	63	50	9
Strictness of unemployment benefits1	2.67	2.67	2.75	2.44	3.10	3.42	2.75

Source: OECD 2023b; OECD 2023c; OECD 2023d; OECD 2023e.

Note: The unemployment benefits strictness scale ranges from 1 (least strict) to 5 (most strict). Unemployment insurance in the US is assumed to expire after 26 weeks. SNAP is counted as a cash benefit in the case of the US, accounting for the value of 9 for those unemployed 6 and 36 months.

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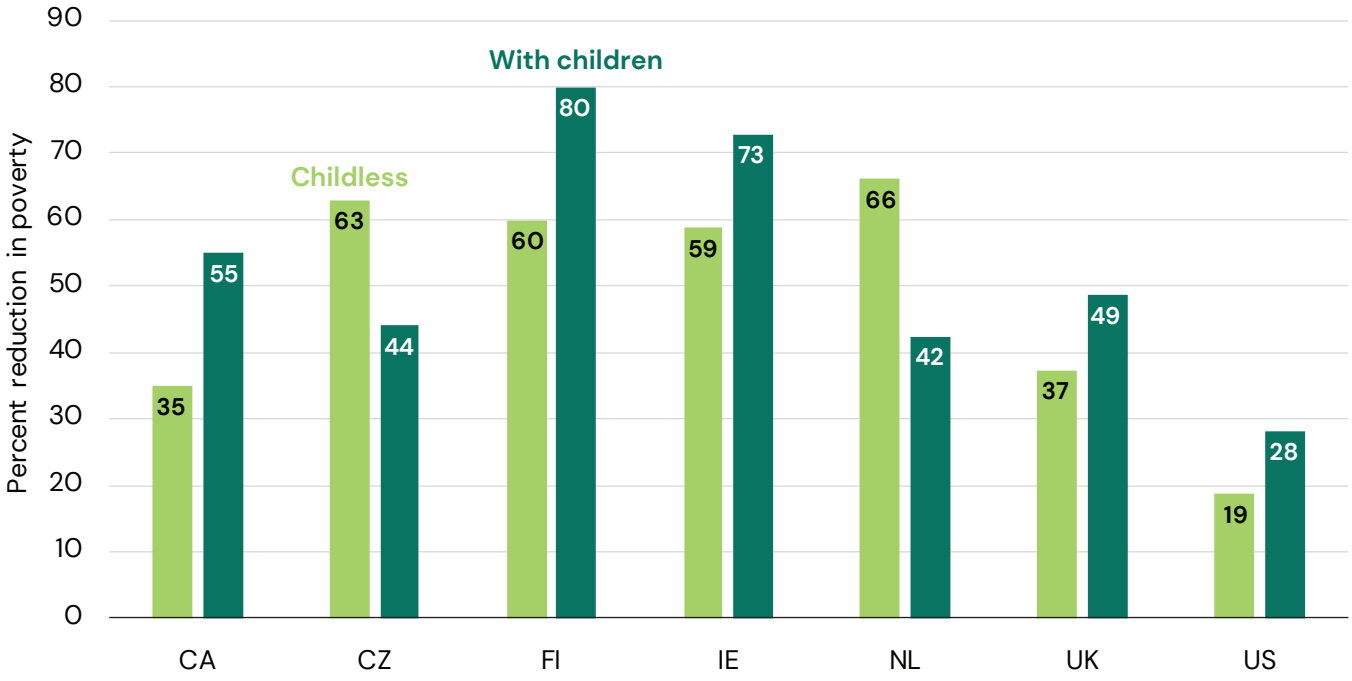
Income supports in the U.S. rely heavily on targeting based on means testing, categorical eligibility, or both. One result is that some groups are relatively underserved, often because they fall between the cracks of existing categories. One such group in the U.S. is non-elderly, nondisabled, childless adults. We assess poverty rates and poverty reduction—the extent to which taxes and transfers reduce market-generated poverty—in the U.S. compared to six other high-income countries: Canada, Czech Republic, Finland, Ireland, Netherlands, and the United Kingdom. Each of these countries reduces poverty more than does the U.S. and/or achieves lower post-tax-post-transfer poverty rates. Based on our cross-national comparative assessment—drawing on both microdata and country-level indicators—we offer some lessons for the U.S. First, the U.S. workforce is notable for its large share of low-wage workers. The U.S. could lower the incidence of low-paid work, and thus reduce poverty among the employed, by increasing the minimum wage at the federal and/or state and local levels, and by expanding the share of the workforce covered by collective agreements. Second, both income taxes and social contributions are pushing childless adults into poverty—more so in the U.S. than elsewhere. The U.S. could mitigate poverty among childless adults via any of a number of tax-related reforms. Third, our results indicate that U.S. income transfers, for this group, stand out in how meager they are. The U.S. could ameliorate poverty in this often-overlooked group by providing more-extensive income transfers, to those both in and out of work.

Percent reduction in poverty due to taxes and transfers, nondisabled adults in households with and without children (seven countries, 2016–19)



Source: LIS Database.

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