



HHS Public Access

Author manuscript

Acad Pediatr. Author manuscript; available in PMC 2018 August 12.

Published in final edited form as:

Acad Pediatr. 2016 April ; 16(3 Suppl): S67–S75. doi:10.1016/j.acap.2016.01.011.

Addressing Child Poverty: How Does the United States Compare With Other Nations?

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Abstract

Poverty during childhood raises a number of policy challenges. The earliest years are critical in terms of future cognitive and emotional development and early health outcomes, and have long-lasting consequences on future health. In this article child poverty in the United States is compared with a set of other developed countries. To the surprise of few, results show that child poverty is high in the United States. But why is poverty so much higher in the United States than in other rich nations? Among child poverty drivers, household composition and parent's labor market participation matter a great deal. But these are not insurmountable problems. Many of these disadvantages can be overcome by appropriate public policies. For example, single mothers have a very high probability of poverty in the United States, but this is not the case in other countries where the provision of work support increases mothers' labor earnings and together with strong public cash support effectively reduces child poverty. In this article we focus on the role and design of public expenditure to understand the functioning of the different national systems and highlight ways for improvements to reduce child poverty in the United States. We compare relative child poverty in the United States with poverty in a set of selected countries. The takeaway is that the United States underinvests in its children and their families and in so doing this leads to high child poverty and poor health and educational outcomes. If a nation like the United States wants to decrease poverty and improve health and life chances for poor children, it must support parental employment and incomes, and invest in children's futures as do other similar nations with less child poverty.

Keywords

child poverty; cross-national; income supports; public expenditure; public services

COUNTRIES ARE OFTEN judged by the way they treat their children. Poverty in early years can have long-lasting consequences on various dimensions of children's future lives, including their adult health status, their performance at school, and future labor market outcomes. Many research studies have also shown that early and continued intervention—social

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Conflicts of interest: none.

investments and income supports—can curb these trends. High-quality early childhood education and care, continuous access to health care, income support for families most in need, and parenting support to facilitate work and family life can all contribute to lessen the effects of children living in poverty.^{1,2}

This article provides a cross-country comparison of policies to reduce child poverty and support low-income families in a set of selected rich countries. These countries have been chosen to illustrate their diversity, with the United States being the central point of comparison. The set of selected countries encompass other English-speaking countries, like the United Kingdom, Canada, Ireland, and Australia, as well as other large and rich European countries, capturing the diversity of European policy (Italy, for southern Europe; France and Germany for continental Europe; the Czech Republic for central-eastern Europe; and Sweden and Norway for northern Europe).

The article starts by describing the diversity of child poverty levels in the selected set of countries. The health effects of growing up poor are discussed in the third section. A discussion of the drivers behind different patterns of child poverty: family, earnings, and state support, comes next. We then review existing policies to fight child poverty in the selected countries and compare their size and design, with a special emphasis on cash support compared with in-kind benefits. We especially focus on early childhood care and education, and health care as promising policy levers to address child poverty by investing in poor children's futures. Last, we review a set of policy tools that might be used to fight child poverty in an integrated manner in the United States and in other nations that value children and their futures.

How Many Children Face Poverty in Wealthy Countries?

Child poverty is measured by the share of children living in a household where the disposable income adjusted for household size is below a given poverty line. Technically, this poverty line can be defined in several ways: some methods rely on fixed poverty lines, for example on the basis of the estimated cost of a basket of basic goods as measured in the United States. Other methods rely on so-called "relative poverty lines." In such cases, the poverty line is set at some fraction, generally half, as in this report, of the adjusted median disposable income in the selected country. Relative poverty measures are often used for international comparisons in rich countries, for example in Europe. They rely on a definition of poverty that places the emphasis on the inclusiveness and the need for individuals to enjoy life conditions similar to those of their peers. All poverty rates provided in this article refer to such relative poverty lines.

In the selected set of countries relative child poverty ranges from 5% in Norway—one of the world's lowest rates—to over 20% in the United States, twice as high as in the United Kingdom, Sweden, or France (Fig. 1). Child poverty rates exceed overall poverty rates in 17 of 24 European countries for which data³ are available. Various explanations contribute to explain why, in some countries (Denmark, Estonia, Finland, Germany, Slovenia, Switzerland, and the United Kingdom), child poverty rate is lower than overall poverty rate. For instance, in Germany there are very few single parents and all parents face low

unemployment; the Scandinavian countries have strong parental work aids, universal subsidized child care and family leave, and also strong and deep income support for children.

Child poverty also varies according to age, with the highest poverty rates found among the youngest children in almost all of these nations, including the United States. For instance, the child poverty rate of children younger than age 6 years in the United States was 24% in 2010 compared with 21% for all children younger than 18 years. The comparable overall poverty rate for all persons is 17%.

Interestingly, country child poverty rankings among some non-US countries have changed dramatically over the past decades. Up to 2000, the child poverty rate was flat or increasing in each country where we have data back to 1985 or earlier (Fig. 2). But in the new millennium we find both stasis and change. For example in 2000, child poverty in the United States was at 21%, the same rate as in 2011. Canada also was at 14% in 2000 and 2011. However, the child poverty rate was much higher in countries like the United Kingdom and Ireland in 2000 compared with 2011. Both countries achieved a 5 percentage point decrease in child poverty from 15% to 10% over this decade. During the late 1990s, child poverty rose to the top of the policy agenda in Ireland and in the United Kingdom, with the adoption of child poverty reduction targets in the late 1990s.^{4,5} In the United Kingdom, the policy package included work incentives, high-quality child care at a low price, and cash support for single parents with young children who cannot work, but with greater incentives for them to also seek employment. These changes resulted in significant decreases in poverty through 2011.^{6,7}

At the opposite end, child poverty increased in some countries with initial low poverty rates, like Sweden. Child poverty was <4% for Swedish children in 2000, however, it has increased continuously over the past 10 years to 9%, almost the same rate as for Ireland and the United Kingdom, owing to an increase in the number of single parents, a decrease in public income support for low-income families with children, and the immigration of large numbers of refugee families.⁸ Norway has maintained low levels of child poverty, with only a small increase over the same decade. A major source of difference between the 2 countries over this period is the poverty level of children with a migrant background, which increased from 12% to 20% in Sweden, but decreased from 15% to 8% in Norway. Over the same period, the share of children with a foreign background increased slightly in both countries to approximately 14% of all families with children.

Growing up Poor Also Means Poorer Health, Weaker School Achievement, and Greater Chances of Being Poor in Adulthood

Child poverty can have long-lasting consequences on future lives.⁹ As poor children grow up, initial inequities often manifest themselves in poor health and learning outcomes and low employment rates in adulthood.¹⁰ There are systematic and significant differences in the academic achievement of children from disadvantaged backgrounds compared with mainstream children in many countries, but the gap is the largest in the United States.¹¹ Further, the Organisation for Economic Co-operation and Development (OECD)³ has shown

that child achievement is lowest for the least educated and poorest families in high inequality nations like the United States. Negative effects of poverty on children's educational outcomes can also be found in nations where early childhood education is weak.^{11,12}

The links between low birth weight and poverty are illustrative of these effects. Figure 3 shows how the share of low birth weight children varies across countries, peaking in the United States where there are the highest levels of poverty. The United States also suffers a substantial disadvantage in postneonatal mortality compared with other rich nations. This mortality disadvantage is driven almost exclusively by excessive poverty and inequality in the United States. Infants born to white, college-educated, married US mothers have mortality rates similar to advantaged women in Europe, but much higher postneonatal mortality rates exist for disadvantaged children born to lower-income, minority, and less educated parents in the United States.^{13,14}

Cash transfers have a positive effect on child well-being and reduce poverty. A systematic cross-national review of studies using methods that support a causal interpretation of these findings lends strong support to the hypothesis that money has a causal effect on child cognitive and social-behavioral outcomes, and to a lesser extent on future health.¹⁵ Such income support programs can be designed with conditionality such that earnings are subsidized (like family "in-work" credits such as the United States Earned Income Tax Credit) or with cash support in return for required schooling and preventive health for children. The Opportunity New York City conditional cash transfer experiment produced substantive gains in preventive health outcomes for adults and also reduced poverty rates.^{16,17} This program was itself inspired by the Mexican *Oportunidades* program, which provided cash transfers in a selection of villages with starting time lags across areas. Early beneficiary villages had lower poverty rates and were also associated with better school achievement, especially among girls, and better health outcomes compared with villages that were only later enrolled.¹⁸⁻²¹

High-quality childcare at low cost is also an effective tool to mitigate the transmission of disadvantage. Quality childcare during early years can lead to positive outcomes for the child, by producing increased skills (cognitive, language, social skills), which affect later learning and earned incomes. Most empirical studies on the topic rely on American and Canadian data,²²⁻²⁴ however, causal evidence for high-quality child care in Denmark and France shows benefits at least 10 years after exposure.²⁵

Data on overweight children also suggest a connection between poverty and poor health. In all countries considered in our study, a lower family affluence scale is associated with greater percentages of overweight children at age 15 (Fig. 4). The gap between the overweight rates of the lowest and highest third of the population in terms of family affluence is widest in Norway and the United States, with the United States least affluent children at 40% overweight, compared with 28% in Norway and much lower in all other nations. Ireland and the Czech Republic are the only countries where lower family affluence is not associated with higher rates of overweight children, although differences are smaller in many other nations compared with the United States.

Children from disadvantaged backgrounds are also less likely to perform well in school, as suggested in Figure 5, where the spread of literacy scores for children according to parents' socioeconomic background is illustrated. Children from disadvantaged backgrounds always perform worse compared with other children in all nations. The gap is especially wide in France. Norway and Canada have smaller gaps than other nations. For once, the United States is in the middle of the pack according to this measure.²⁶

It is clear that child poverty is causally associated with several types of negative effects on child development, which then limit their future health and educational attainment. And so we turn to the causes of child poverty and what can be done to reduce it.

Child Poverty is Driven by Parents' Labor Market Participation and Income Support

Several elements form the basis for child poverty. First, income from work is essential to ensure a nonpoor living standard among families with children and is generally recognized as the best way to reduce child poverty in the longer-term. But if not enough adults are working enough hours in the household or if wages are too low, work alone might be insufficient. Second, income support (cash transfers) should also be designed to ensure support to those most in need who cannot be supported by work alone. Parental support from being raised in a continuously coupled 2-parent family is another factor that positively affects child poverty, compared with a less stable single-parent family.^{1,11}

The Labor Market and Child Poverty

Of all factors driving child poverty, the labor market situation of parents is the key determinant of the economic conditions in which children develop. Parents' labor market participation can contribute to children's well-being not only by enhancing the family's material situation, but also because it can help establish a family routine and stability in children's lives. However, flexible work support and working conditions are necessary for parental involvement in the labor market to have a positive influence on children. These include enough earnings to raise the family out of poverty, and jobs with flexible hours to allow parents to prioritize children's needs when necessary. All of this becomes more difficult when only one parent lives with the children, because it is more difficult to reach levels of pay that support a family at a nonpoverty living standard, and at the same time provide room in the parent's life to nurture and rear children.

How poverty varies with labor market participation of adults is shown in Figure 6. It suggests that among single parents, there is a significant gap in poverty for those at work and not at work.²⁷ Moreover, this dichotomy is found in 2-parent units as well, where there is very little poverty to speak of in units with 2 working parents, but families with a single breadwinner, and especially families with no worker at all, face much higher risks of poverty. The United States stands out with a higher risk of poverty than other countries for all types of single-parent households compared with 2-parent families. Children are much less likely to be poor in households where both parents work in every nation, including the United States.

However, work alone is not always enough to prevent child poverty. In the United States, Canada, and Italy, more than a quarter of individuals living in a working single-parent household face poverty on the basis of earnings or market income alone. Even in units where both parents are participating in the labor market, the stability and availability of jobs is important. Insufficient hours worked per week, precarious employment, or low pay can also result in market income poverty for families with children, especially in families where there is only 1 earner, but even in some 2-parent units.

The Role of Government Income Support in Alleviating Child Poverty

Social cash and near cash transfers support incomes and alleviate abject poverty. Figure 7 shows poverty rates before and after social transfers across our range of countries. It shows that social transfers (including child benefits and family allowances, and also unemployment benefits, sickness and disability allowances, housing benefits, food subsidies, and refundable tax credits) substantially reduce market income-based child poverty. In some countries, like Norway, Germany, the Czech Republic, or Sweden, social transfers play a relatively small role in alleviating market income poverty because these countries enjoy low poverty rates from market incomes, and therefore do not have much need for targeted redistribution. In Ireland and Great Britain, income supports greatly reduce poverty from market incomes, but starting from a very high market income poverty rate. In countries where market income poverty rates for parents are closer to the average, which is the case in France, Australia, the United States, and Canada, social transfers perform well in reducing poverty in France and in Australia, but to a lesser degree in the United States and Canada.

These effects are partly because of the design of income support benefits. Countries that have universal benefits and particularly high child allowances (eg, Sweden, France, Germany, and Italy) begin with a strong base for all families. In other countries (eg, the United Kingdom, Canada, Ireland, and especially the United States), a greater share of the income support system is income-tested.²⁸ Although the level of support matters, the nature of the expenditure, the design of the policy, and its distributional effects also matter. Whereas universal benefits contribute to horizontal redistribution and low disincentives, more targeted/conditional designs can better focus on families most in need and provide greater short-term effects at lower overall cost, especially in times of fiscal constraint. However, conditionally provided benefits nevertheless raise several other issues. For example, income-tested benefits can create threshold effects, and they might also be associated with work disincentives at higher earning levels at which benefits are phased out.²⁹ Least favorable for poverty alleviation are nonrefundable tax exemptions and tax deductions for private housing, health care, and child care spending, which benefit mainly, and in some cases only, higher-income families.³⁰ Other types of benefits also contribute to alleviate poverty among families with children. For example, in many countries the reward from even part time work helps keep families from being poor because of high in-work benefits and refundable tax credits (eg, in the United States and the United Kingdom).³¹

Not all social transfers are designed to alleviate child poverty per se; they also serve other purposes. Further, over and above cash and near cash transfers, family-oriented service expenditures can also reduce the effects of poverty on children.

The Role of Government Family-Oriented Expenditures in Alleviating Child Poverty and Its Effects

In this section we discuss social protection budgets dedicated to family cash and in-kind benefit provision, excluding health and education benefits from formal K-12 schooling. Examples of such social protection budgets include child benefits, early child care and preschool provision and family tax deductions. The mix and extent of these instruments vary across countries. In the United States, government family-oriented expenditures include, for example, the Temporary Assistance for Needy Families program, child care development funds, child nutrition programs, and refundable child tax credits. Supplemental Nutrition Assistance Program benefits are not included in the calculation of family-related expenditures, because they do not specifically apply to children, although they are clearly important for reducing the level of poverty and ameliorating the effect of poverty.³² In Canada, family-related expenditures encompass programs such as the child tax benefit and the provincial child care allowances. In Sweden, family allowances, income support during parental leave, income maintenance, and subsidized child care are all included.

The amount of public spending on family benefits in cash, services, and tax measures ranges from 1% of gross domestic product in the United States to 4% in the United Kingdom and Ireland (Fig. 8). The balance between cash and in-kind provision also varies considerably across countries. Ireland and the United Kingdom spend relatively much more on cash transfers compared with the OECD average, but remain close to the OECD average in (in-kind) service provision. Sweden and Norway are close to the OECD average in cash transfers, but have more public spending for family services (Fig. 9). The United States is below average for cash and in-kind expenditures. It lags behind in cash transfers, and even more so for services for children younger than 6 years.³³ Canada also stands out because of little in-kind service spending for children. From the family perspective, cash transfers alone make up 10% of sole-parent family income over the entire OECD. They reach 15% or more of sole parent family income in Sweden, Germany, and Australia, and 5% in France. They are extremely limited in the United States, reaching just over 0.1% of family income.³³

Countries who dedicate a greater share of their budgets to children achieve generally better outcomes in reducing child poverty. In Figure 8 countries in the lower left panel (ie, countries with less than OECD average expenditure in cash and in-kind provision—the United States and Italy) generally achieve worse poverty outcomes than countries with higher levels of family-related expenditure. Countries with higher family-related expenditure levels, where provision of in-kind services facilitate work (eg, Sweden and Norway) tend to achieve better outcomes than those with stronger emphasis on cash provision alone.

The evidence suggests there is no “one-size-fits-all” policy mix for reducing child poverty. National circumstances such as household composition, labor market status, and existing institutions create differential need and scope for intervention. In times of fiscal constraint, a change in emphasis between cash and in-kind spending might be taken up by policy makers to achieve dual goals of increased efficiency and increased effectiveness.¹⁷ For example, countries with effective cash systems for reducing child poverty might choose to design their service systems in a way that maximizes returns to female labor market participation. For

example in Germany, cash transfers are well-functioning, but they can achieve better work outcomes if they develop better in-kind work support policies.¹⁷ In Spain, where cash and in-kind benefits are targeted toward the poor, better outcomes could also be achieved by supporting mother's labor market participation through in-kind services provision.

Policy Lessons: What Can Be Done?

Child poverty is multidimensional: income from work, family composition, and government support either alleviate or reinforce child poverty levels. Income from work is essential to ensure a nonpoor living standard among families with children. But if not enough adults are working enough hours in the household or if wages are too low, work alone might be insufficient. Household composition also matters. Single-parent households have especially higher risks of poverty because of conflicts between parenting and market work. And here even a full-time job might not be enough to pull one's family out of poverty. Government intervention, through well designed income supports (cash transfers), but also tax systems and service provision can contribute to the efforts of those who cannot be supported by work alone while still maintaining incentives for greater work effort.³⁴

Several rich nations show that income support and work-enabling policies, like public child care, can be designed to foster labor market participation while ensuring an appropriate balance of family and market work lives. In this regard the United States ranks 32nd of 39 in 3-year-old enrollment rates for early childhood education.³³ Public expenditure on early childhood educational services was just 0.3% of gross domestic product in 2011 in the United States, as opposed to 0.5% on average across the OECD, and 0.7% in Sweden and France.³³

Some countries have done exceedingly well at reducing child poverty, especially in recent years. The United Kingdom and Ireland have both been successful because of deliberate public policy to maintain incomes in families with children and to invest in their future. In contrast, cutting back on benefits can produce the opposite result as shown in the case of Sweden, with a poverty rate now almost same as that in the United Kingdom.

For some 5 decades now, the United States has been a clear and constant outlier in the child poverty league.³⁴ As a nation, it does less to help children and their families than any of the other rich countries and therefore finds itself with the highest child poverty rates and the least upward mobility for poor children. Although deliberate efforts to stabilize incomes during the great recession helped decrease United States child poverty rates below what they otherwise would have been, these programs are now being cut back by fiscal restraint, for educational investments and also for income support. Child poverty has time and again been shown to diminish life chances and future outcomes. A modest increase in the level of support for public investment and income support programs can radically affect child poverty and improve child outcomes.³⁵ But it takes political courage to raise awareness on such topics and make the required investments.

ACKNOWLEDGMENTS

We thank Benard Dreyer, the editors, 2 anonymous referees, Michael Förster, and Markus Jäntti for their comments.

The opinions expressed and arguments used herein are solely those of the authors and do not necessarily reflect the official views of the University of Wisconsin, or of the Organisation for Economic Co-operation and Development or of its member countries.

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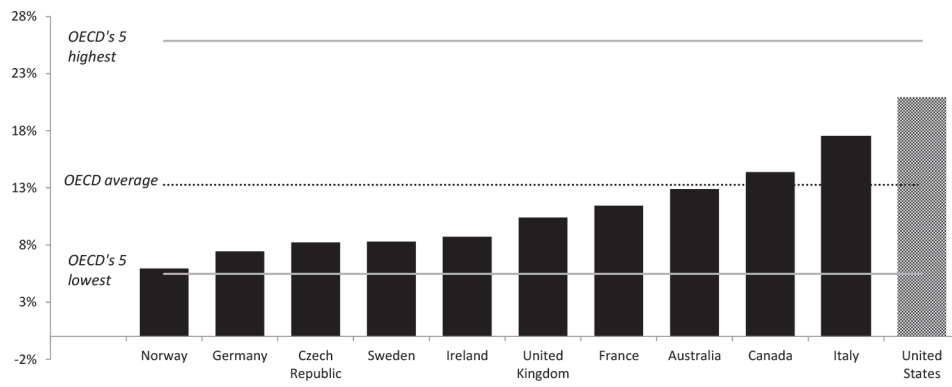


Figure 1. Levels of child poverty in selected countries, 2012. For Canada, data are from 2011. Organisation for Economic Co-operation and Development (OECD), Income Distribution Database.

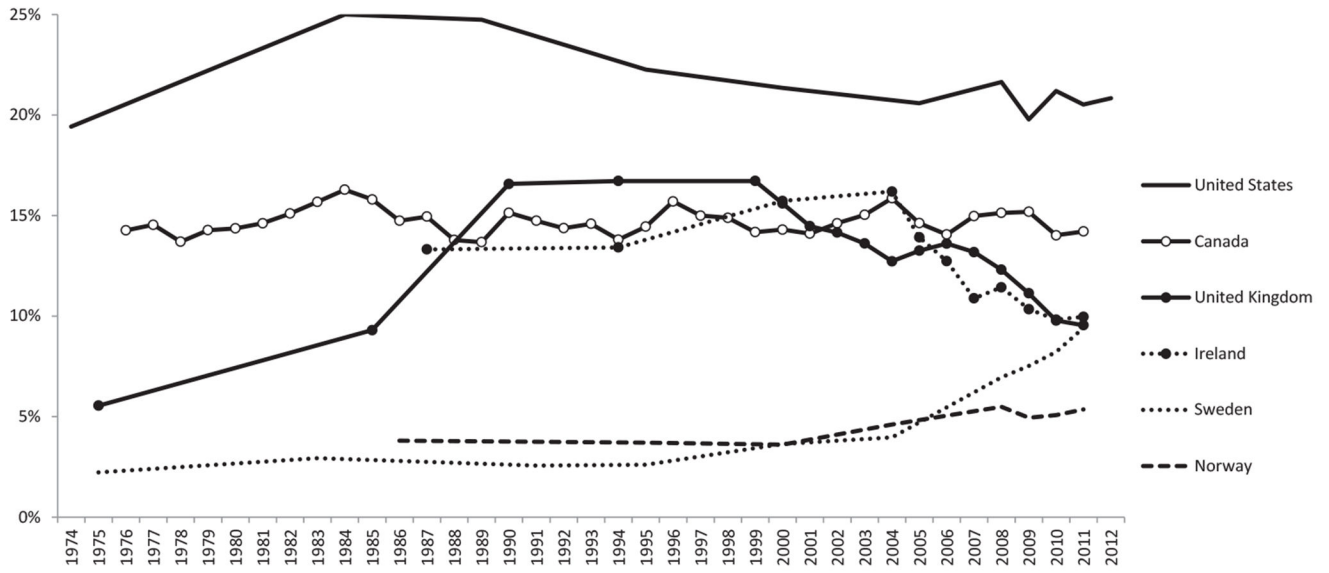


Figure 2. Long-term trends in child poverty. Organisation for Economic Co-operation and Development (OECD), Income Distribution Database.

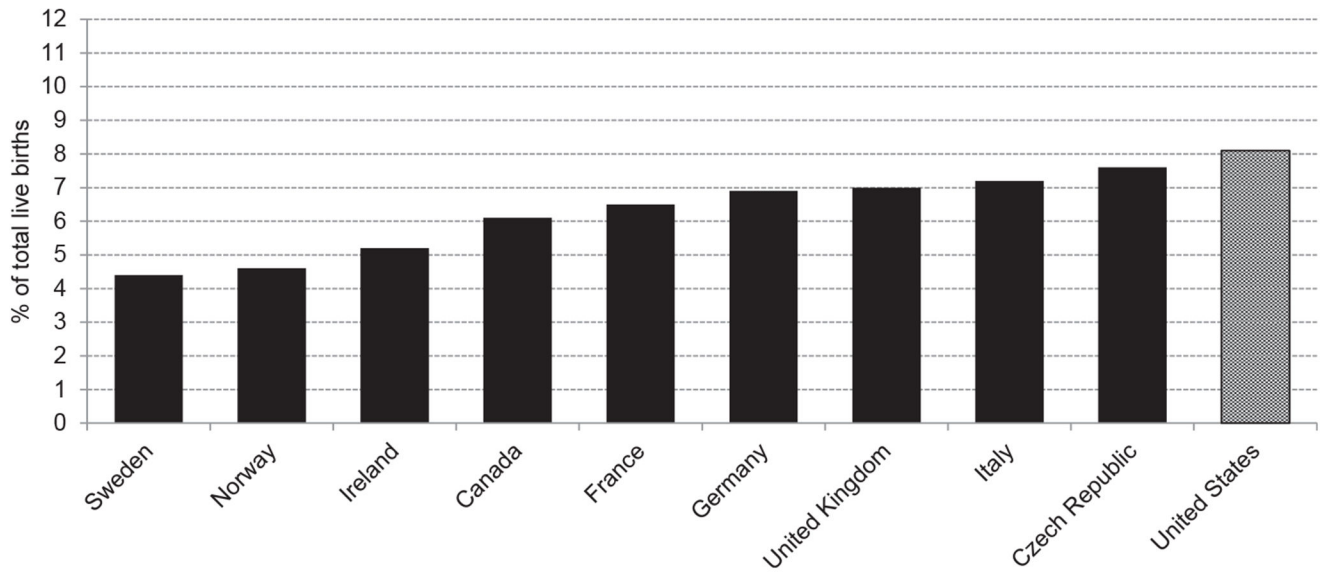


Figure 3. Share of low birth weight as a % of total live births, 2011. Organisation for Economic Co-operation and Development (OECD) Health Database.

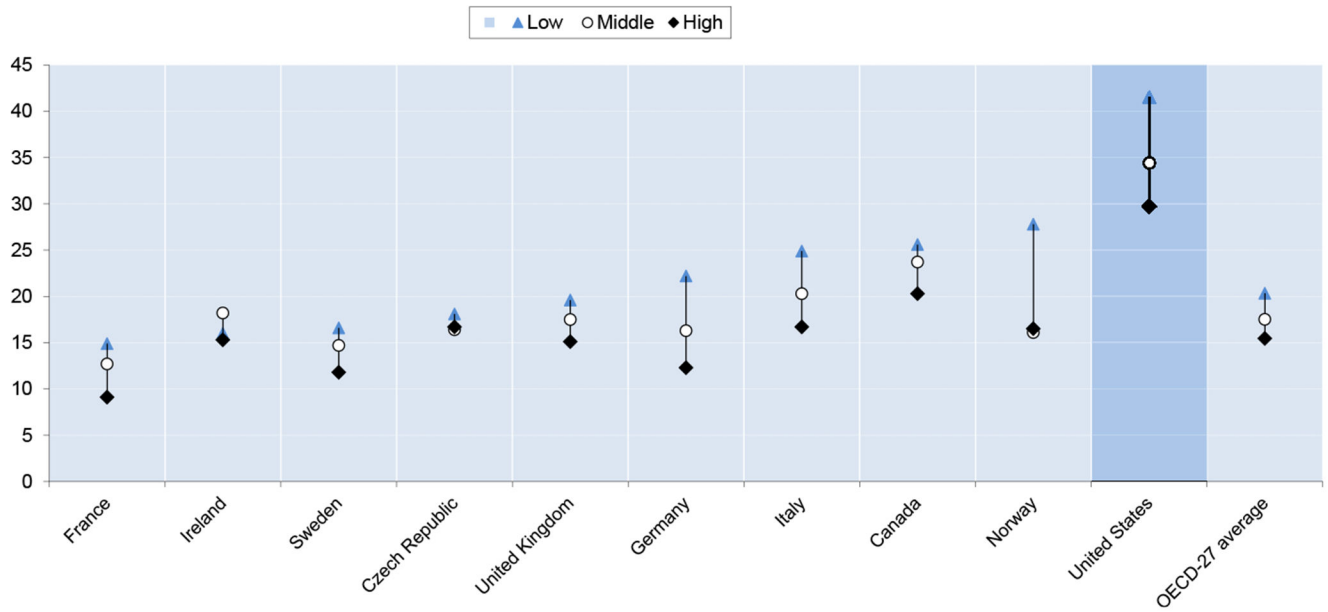


Figure 4. Overweight percent at age 15, according to family affluence, 2009 to 2010. Family affluence is computed using the number of cars, holidays, PCs, and whether the child has its own bedroom. Organisation for Economic Co-operation and Development (OECD), Family Database.

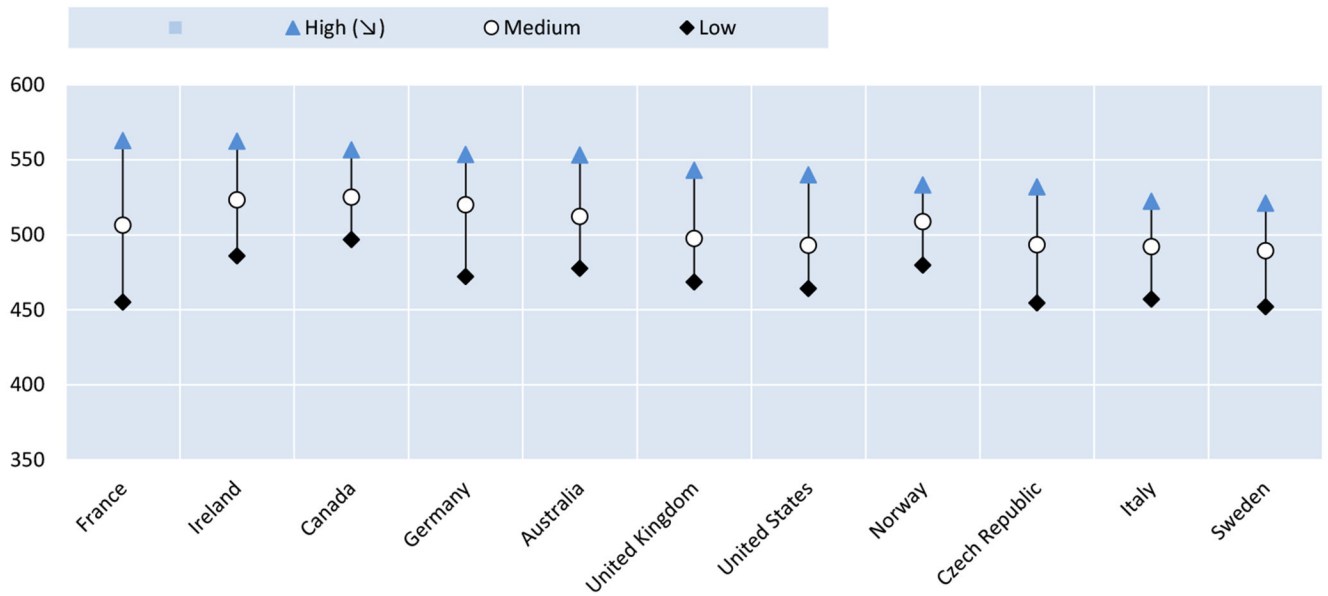


Figure 5.

Mean reading literacy scores according to parents' economic, social, and cultural status, Programme for International Student Assessment (PISA) 2012. Parents' economic social cultural status is a PISA-specific score obtained by combining 1) the International Standard Classification of Education (ISCED) level of parents, 2) household possessions, and 3) the occupational status of parents. Low, medium, and high are on the basis of the first, second, and third tertiles, respectively (bottom third, middle third, and top third of the student population on the basis of their socioeconomic status). Organisation for Economic Co-operation and Development (OECD) PISA 2012 results.

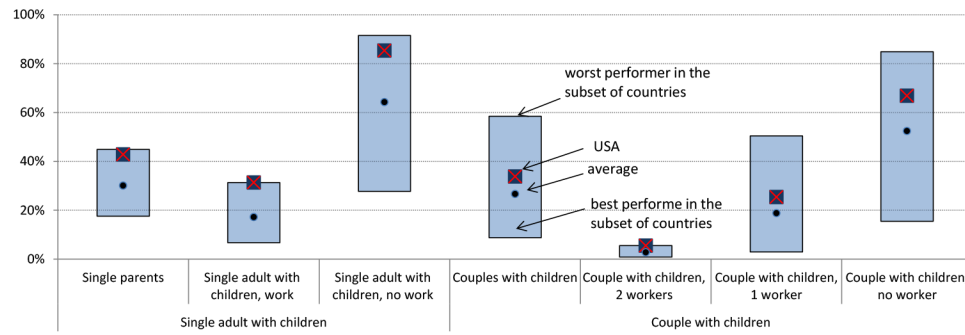


Figure 6. Poverty rates according to household type and number of adults at work (lowest, highest, and average values among the selected countries and US value). Differences within each box show the spread of poverty rates in the selected set of countries. The bottom of the bar presents the lowest poverty rate in the set of countries. The top bar presents the maximum. The dot refers to the average poverty rate in the set of countries. And the X presents the United States (USA) situation. Organisation for Economic Co-operation and Development (OECD), Income Distribution Database.

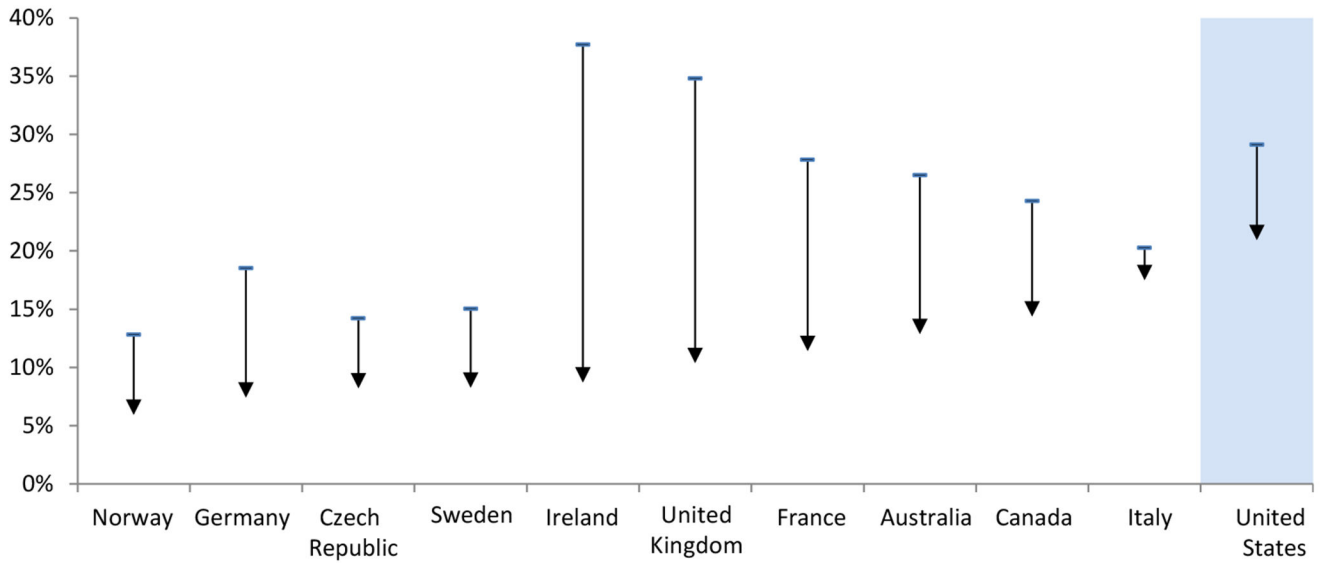


Figure 7. How much do social transfers alleviate child poverty? Poverty rates before (market income) and after social transfers (disposable income), 2012. Organisation for Economic Co-operation and Development (OECD), Income Distribution Database.

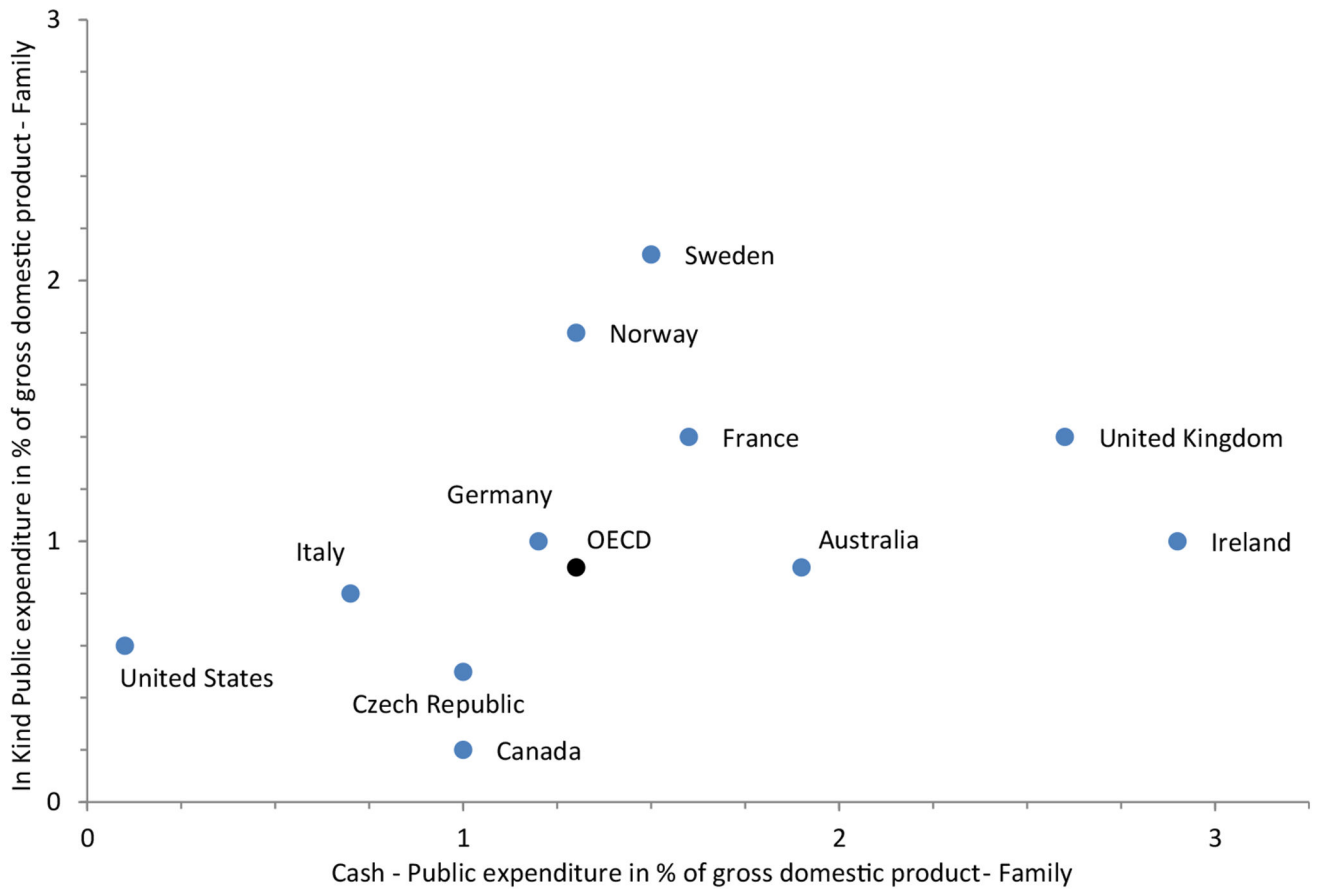


Figure 8.

Size of public spending for children and families, according to cash and in-kind expenditure. Only public support that is exclusively for families (eg, child payments and allowances, parental leave benefits, and childcare support) is counted. Spending recorded in other social policy areas as health and housing support also assist families, but not exclusively. Coverage of spending on family and community services might be limited to federal support only. State and local governments receive general block grants to finance their activities, and reporting requirements might not be sufficiently detailed for central statistical agencies to have a detailed view of the nature of local spending. Organisation for Economic Co-operation and Development (OECD), Social Expenditure Database.

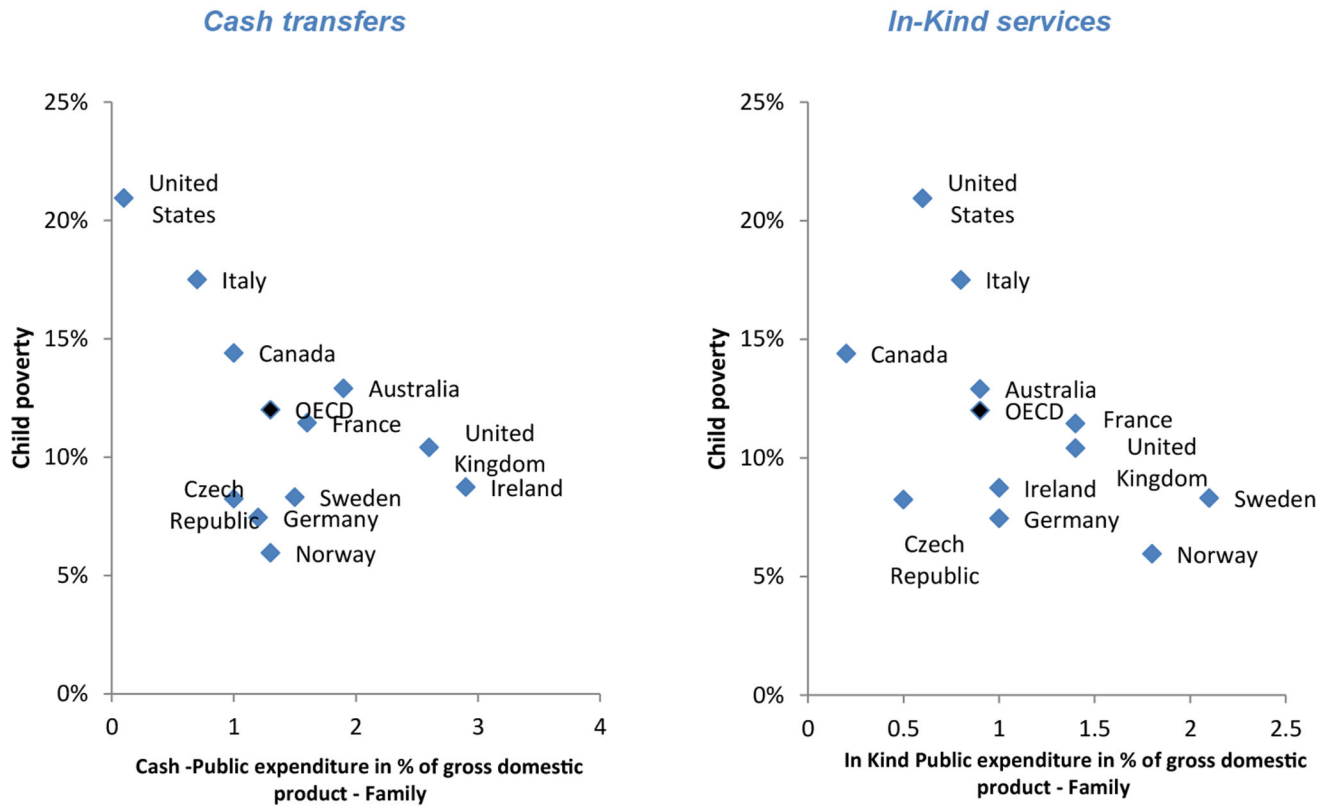


Figure 9.

Do family expenditures lead to lower child poverty? Child poverty rates versus cash and in-kind expenditures. Organisation for Economic Co-operation and Development (OECD), Social Expenditure Database and authors' calculations.