

**WELFARE BENEFITS AND CHILD POVERTY: A CROSS-COUNTRY COMPARISON**

All high income countries have established social assistance (“welfare”) programs to help prevent and alleviate child poverty by providing cash assistance to families with little or no income. However, there are substantial differences in benefit generosity. Social assistance benefits are relatively much lower and child poverty rates much higher in the U.S. than in other high income countries.

<b>Table One</b>		
<b>FAMILY SOCIAL ASSISTANCE BENEFITS AND CHILD POVERTY RATES IN THE U.S. AND IN 16 OTHER HIGH INCOME COUNTRIES IN THE EARLY 2000'S</b>		
	<b>Social Assistance (Plus Any Supplemental) Benefit For A Family Of Three As A Percent Of Home Country Median Household Income</b>	<b>National Child Poverty Rate</b>
<b>Germany</b>	<b>56%</b>	<b>9%</b>
<b>Switzerland</b>	<b>54%</b>	<b>9%</b>
<b>Italy</b>	<b>53%</b>	<b>18%</b>
<b>Finland</b>	<b>51%</b>	<b>4%</b>
<b>Sweden</b>	<b>50%</b>	<b>5%</b>
<b>Netherlands</b>	<b>48%</b>	<b>6%</b>
<b>Denmark</b>	<b>47%</b>	<b>4%</b>
<b>Norway</b>	<b>43%</b>	<b>5%</b>
<b>UK</b>	<b>42%</b>	<b>14%</b>
<b>Belgium</b>	<b>41%</b>	<b>7%</b>
<b>Canada</b>	<b>38%</b>	<b>17%</b>
<b>Ireland</b>	<b>37%</b>	<b>16%</b>
<b>France</b>	<b>36%</b>	<b>8%</b>
<b>Austria</b>	<b>35%</b>	<b>8%</b>
<b>Australia</b>	<b>35%</b>	<b>14%</b>
<b>Spain</b>	<b>26%</b>	<b>16%</b>
<b>16 country average</b>	<b>43%</b>	<b>10%</b>
<b>U.S.</b>	<b>14% - 23%</b>	<b>21%</b>

The second column in Table One shows the social assistance benefit for a lone parent with two children and no private income as a percentage of home country median income (adjusted for household size) in the U.S. and sixteen other high income countries. The figures are for 2004 for the U.S., and for the most recent year, ranging from 1999 to 2004, for which data were available for the other countries. The figures are based on the combined benefit from social assistance and any supplemental benefit that would typically be received by a family receiving social assistance, such as Food Stamps in the United States and child allowance in other countries.

Except for the U.S., the social assistance as a percentage of median income figures are from the Social Assistance and Minimum Income Protection Interim Dataset (SAMIP), available for free download at <http://www2.sofi.su.se/~kne/>.<sup>1</sup> For the U.S., Legal Momentum calculated two percentage of median income figures, one based on the combined Temporary Assistance for Needy Families (TANF) and Food Stamp benefit in Mississippi, the state with the lowest TANF benefit, and the other based on the combined TANF and Food Stamp benefit in California,<sup>2</sup> the state with the second highest TANF benefit.<sup>3</sup>

While there is no universally agreed poverty standard, cross-national comparisons often use 50% of median income (adjusted for household size) as the poverty standard, with households considered to be poor if their income is less than half the median income in their country. In the sixteen high income countries other than the U.S., the social assistance benefit ranged from 26% to 56% of median income and averaged 43% of median income, and exceeded the 50% of median income poverty standard in five of the countries. By contrast, the TANF plus Food Stamp benefit in Mississippi equaled only 14% of national median income, and in California only 23%.

We used TANF and Food Stamp benefits in 2004 for Table One because 2004 was the most recent year for which data were available for any of the other countries. Current U.S. benefits may be even further below the levels in other high income countries, as TANF benefits have declined in real value in many states since 2004. In July 2008, state TANF benefit levels ranged from 12% to 50% of the official U.S. poverty line and equaled 29% of the U.S. poverty line in the state with the median benefit level.<sup>4</sup>

The third column in Table One shows child poverty rates for the U.S. and for the sixteen other high income countries. The rates are based on the 50% of median income (adjusted for household size) poverty standard and were calculated using an income definition that includes near cash benefits such as Food Stamps. Each country's rate is for the most recent year for which country data are available, ranging from 1999 to 2005. All the rates are from the Luxembourg Income Study (LIS) "Inequality and Poverty Key Figures" data set, available for free download at <http://www.lisproject.org/key-figures/kf-workbook.xls>.<sup>5</sup>

In the sixteen high income countries other than the U.S., child poverty rates ranged from a low of 4% to a high of 19% and averaged 10%. In the U.S., the child poverty rate was 21%, higher than the rate in any other country and more than twice the 10% average rate for the other high income countries.<sup>6</sup>

The rate at which theoretically eligible families actually participate in the social assistance program also affects the program's impact on child poverty. The social assistance participation rate has declined sharply in the U.S. since TANF replaced AFDC as the national social assistance program in 1996, falling from 84% of eligible families in 1995, AFDC's last full year, to 40% in 2005, the most recent year for which the eligible family participation rate is available.<sup>7</sup> Some other countries may also have low participation rates, as suggested by the discrepancy between Italy's relatively high child poverty rate and relatively very generous social assistance benefit.

The social assistance system is only one of the factors that contribute to variance in national child poverty rates. Other factors include employment rates, wage rates, family demographics, and

the relative generosity of social insurance (e.g., unemployment benefits), universal (e.g., family allowance) and other forms of social welfare benefits (e.g., EITC).<sup>8</sup>

In sum, TANF does less to alleviate child poverty than social assistance programs in other high income countries. Since the number of families who look to TANF for assistance is largely a function of parental unemployment rates, the doubling of the unemployment rate over the past two years to 10.2% overall and to 12.9% for women who maintain families (October 2009) bodes ill for child and family well-being.<sup>9</sup>

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## ENDNOTES

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<sup>1</sup> The SAMIP data base was created by social scientist Kenneth Nelson. For a similar but broader and deeper analysis than that presented here, see Kenneth Nelson, *Adequacy of Social Minimums: Workfare, Gender and Poverty Alleviation in Welfare Democracies*, (February 2008), LIS Working Paper 474, available at <http://www.lisproject.org/publications/liswps/474.pdf>.

<sup>2</sup> While the TANF benefit was higher in Alaska (\$923) than in California (\$704), we chose California for the analysis because California accounts for thirty percent of the national TANF caseload compared to Alaska's less than one fifth of one percent, and because Alaska's benefit was an extreme outlier.

<sup>3</sup> In July 2004, Mississippi's combined TANF (\$170) plus Food Stamp (\$371) benefit was \$541, and California's combined TANF (\$704) plus Food Stamp (\$200) benefit was \$924. For the purpose of calculating the Food Stamp benefit, it was assumed that household shelter costs equaled half the TANF benefit amount.

<sup>4</sup> See the Legal Momentum report, *Meager And Diminishing Welfare Benefits Perpetuate Widespread Material Hardship For Poor Women And Children*, (July 2009), available at <http://www.legalmomentum.org/assets/pdfs/tanf-meager-benefits.pdf>.

<sup>5</sup> The Luxembourg Income Study is a cross-national data archive and a research institute located in Luxembourg with a database that includes income micro data from a large number of countries at multiple points in time. The LIS database has been used for hundreds of cross-national studies.

<sup>6</sup> In 2004, 17.8% was the official U.S. child poverty rate based on the official U.S. poverty standard. The official U.S. poverty standard is significantly less than the 50% of median income standard, decreasing measured poverty compared to the 50% of median income standard. However, Food Stamps are not counted when calculating the official poverty rate, increasing measured poverty compared to the measurement procedure used in LIS and in SAMIP when applying the 50% of median income standard,

<sup>7</sup> See the Legal Momentum report, *The Bitter Fruit Of Welfare Reform: A Sharp Drop In The Percentage Of Eligible Women And Children Receiving Welfare*, (June 2009), available at <http://www.legalmomentum.org/assets/pdfs/lm-tanf-bitter-fruit.pdf>.

<sup>8</sup> For a detailed analysis of the factors contributing to variance in national child poverty rates, see Janet C. Gornick and Markus Jantti, *Child Poverty in Upper-Income Countries: Lessons from the Luxembourg Income Study*, (January 2009, revised May 2009), LIS Working Paper 509, available at <http://www.lisproject.org/publications/liswps/509.pdf>.

<sup>9</sup> Bureau of Labor Statistics News Release USDL-09-1331, "The Employment Situation – October 2009," at Table A-7, (November 2009) available at <http://stats.bls.gov/news.release/pdf/empsit.pdf>