

## **Family related transfers and child poverty across Europe**

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Welfare regimes across Europe differ considerably with respect to the support of and the policy instruments used to foster families with dependent children. In striving for a harmonization of social policy across EU-countries more insight in such cross-national differences is needed; this is especially true in light of the recent Eastern European extension of the EU. This paper adds to this research agenda by focusing on family related public cash transfers (FRT) and their relevance for alleviation of child poverty based on representative micro-data for 15 European countries.

### **1. Motivation and literature review**

The impact of family policy and its instruments on families' and children's economic well-being has become an important issue in social sciences as well as social policy in recent years (cf. e.g. UNICEF 2005, Gauthier 2002, The Family and Child Well-being Research Network 1995). Given its cross-section function within the national welfare regime, national family policies consist of a highly complex system of several elements such as in-kind transfers, cash transfers and tax credits. This complexity clearly influences cross-national comparability of the results of empirical analyses (cf. e.g. Meyers & Gornick 2003, Koopmans & Schippers 2003). In order to consider adopting another country's family policy elements, a highly differentiated insight into the effects of family policy and its interaction with other policy fields (eg. labor market policy) is required. For that reason comparative family policy analyses

typically cover a wide range of separate analyses and different methods in order to obtain at least a comprehensive overview. An encyclopedic example of this type of research is Bradshaw & Finch (2002), who collect detailed information of the various components of the national “child benefit package” for more than 20 countries in order to compare structure and level of this package.

Another strand of comparative research in this field focuses on poverty analyses. The consequences of child poverty in selected European countries (e.g. Sutherland 2001; Hill & Jenkins 2001; Jenkins & Schluter 2003; Jenkins et al. 2003; Büchel et al. 2001; Barnes 2000; Bradbury & Jäntti 1999; Micklewright & Stewart 1999) are well investigated, but there exist only a few empirical cross-national analyses on the macro-micro link between family policy and families’ well-being. Some analyses explicitly focus on children’s individual well-being (e.g. Ridge 2005, Vleminckx & Smeeding 2001, Wintersberger 1995). With respect to the link between government support and child poverty, the most recent UNICEF report on child poverty in rich countries states that “no OECD country devoting 10 per cent or more of GDP to social transfers has a child poverty higher than 10 per cent. No country devoting less than 5 per cent of GDP to such transfers has a child poverty rate of less than 15 per cent” (UNICEF 2005: 2).

Nevertheless, empirical analyses focusing on children’s well-being are faced with several problems: First, available micro data is principally based on information collected from adults. But the lives of children are complex and their needs and goods differ in every childhood phase to large extent from that of adults (The Family and Child Well-being Research Network 1995: 8). Moreover, the younger the children the more difficult it is to get a direct and comprehensive insight in their well-

being, because they are not able to give an interview themselves, which is a most prominent problem among the entire child poverty research. And finally, little is known about the distribution of resources within households and the degree to which children profit from any existing resources (Atkinson 1998). Resulting from this is the standard approach, e.g. as applied in income distribution analysis, to assume equal sharing of resources among all household members.

Aggregate or macro information such as the fertility rate, socio-demographic structure of the population, female employment rate etc. provide evidence for far-reaching changes in family structures and institutions in European countries since the 1970s (Pfennig & Bahle 2000, Gauthier 2002). Basically all European countries were confronted with similar structural problems in their social security system, albeit to different extents due to differences in the tradition of social protection (Esping-Andersen 1990, Leibfried 1992) and welfare state objectives (e.g. Western versus Eastern European countries). These phenomena - called the *Second Demographic Transition* - induced in all European countries a more or less comprehensive restructuring process of the social security systems, amongst other things because this development was linked to an increasing child poverty risk. Due to the limitations of macro indicators for an in depth investigation of the underlying effects and of the efficiency of national social protection systems, especially for different social subgroups, there was and still is need for micro data at national and supranational level. Eventually, the harmonization process of the European Union, which is accompanied by EU-wide poverty research programs (cf. Room 1998) as well as a stepwise standardization of social protection conditions (e.g. the Social Charter in 1989, cf. Gauthier 2002) established an additional need for cross-national comparative research

which in turn required adequate comparative micro-data. In this context the European Commission initiated the European Community Household Panel (ECHP) (cf. Wirtz & Mejer 2002) and financed the development of the CHER-database provided by the *Consortium of Household Panels for European Socio-Economic Research* (cf. Schmaus et al. 2003), the latter consisting of existing national panel surveys and the ECHP. Such longitudinal datasets as well as the cross-national Luxembourg Income Study (LIS) provide most relevant micro-data for comparative research (c.f. Tsakloglou & Papadopoulos 2002 using ECHP, Immervoll et al. 2001, and Kraus 2000 analyzing LIS-data).

The purpose of this paper, using five waves of CHER-data for the period 1994-98, is to analyze the impact of family related transfers on comparably defined children's economic well-being in 13 West European and 2 East European countries, in particular in terms of reducing child poverty. Given data limitations such as a non-adequate coverage of tax payments and in-kind transfers in the CHER database, this paper studies the link between the institutional settings and children's economic outcomes on the basis of cash transfers, being aware that this method for the majority of European countries includes strong assumptions on the role of cash transfers within the scope of family policy.<sup>1</sup>

## **2. Family Policy and the Welfare State**

Children do not only represent a specific group with respect to their dependency on (the behavior of) adults, they also represent the future human capital of a society. Hence, the political encouragement for families with dependent children in most European countries is integral part of social policy, although the generosity and eligibility pre-conditions be-

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<sup>1</sup> See Bradshaw & Finch (2002) for a comprehensive analysis incorporating tax regulations as well as non-cash benefits. It should be noted here, that the results derived in this paper in principle coincide with those presented in Bradshaw & Finch for the majority of analysed countries.

tween as well as among welfare regime types (cf. Esping-Andersen 1990, Leibfried 1992, Headey et al. 1997, Arts & Gelissen 2002) differ considerably. Main objectives of family policy across European countries cover various aspects like shaping population development, safeguarding the subsistence level, supporting the functioning and production of human capital, adjusting economic disadvantages of families, improving the compatibility of family and job, and supporting families with specific burdens like single parenthood (cf. Neubauer et al. 1993).

The different ways in which welfare regimes tackle these issues may be seen in connection with the religious roots of the population (Siaroff 1996, Künzler 2000) or with historical circumstances during the implementation of family policy (Pfennig & Bahle 2000). Thus, besides the widely-used welfare regime typologies by Esping-Andersen (1990, 1999) and by Leibfried (1992) various alternative typologies appear in the literature (see Arts & Gelissen 2002). A special case of welfare regimes is given for the Eastern or Transitional countries, with their former structures of a universalistic protection with rather generous benefits. However, the goal of this policy was not only to promote social integration and progress towards an equal and more secure society as is the case in the current social-democratic countries. Facets such as the economic necessity of a high female labor force participation caused by low productivity as well as a high fertility rate - and resulting from that a well-endowed child care system - also played an important role in family policies.

During transition to more market oriented economies, Hungary and Poland have both introduced means-testing of benefits in order to react to the increasing overall income inequality and increasing child poverty. However, due to the rather short time span since its introduction long-

term effects of these policy changes can hardly be estimated and the recent political orientation towards families can be alternatively described as a fragmented policy. Förster & Toth (2001: 337-8) conclude in their comparative poverty analysis that the family benefit reforms around 1995 in Hungary and Poland were indeed “a move towards more restrictive regulations but not as restrictive as sometimes claimed”. However, similar for both countries is a high above-average child poverty rate since the beginning of the transition process and the child poverty reduction induced by family benefits. This needs to be seen in the context of an overall deterioration in the provision of public transfers in general, especially starting in 1995 (Förster & Toth 2001: 338, Förster et al. 1999).

For the various welfare regimes and family models across Europe one can observe a different pattern of utilization of potential policy instruments as there are direct subsidization via cash transfers, in-kind transfers, and tax advantages build into the tax system. These differences are caused not only by the welfare regime itself, but also by country-specific historical, religious and more recent political features as described above.<sup>2</sup>

For empirical analyses which try to disentangle the impact of family policy on economic well-being there arises an obvious problem if the micro-data at hand only considers cash transfers for family related purposes as a component of post government income. The resulting picture is most likely an imperfect one because of lacking information on how families with children are treated in the national tax system (e.g. tax breaks for child support, deductibility of certain child related expenses, etc.). An approximating and widely used alternative to capture the re-distributive

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<sup>2</sup> Besides these instruments one may also consider institutional arrangements which exert a less direct impact on children’s economic status as well: See Koopmans & Schippers (2003) for a comparison of the institutional context relevant to *female employment* and *family formation* across European countries.

effect of the tax and welfare system is to compare the individual's relative income position given by pre- and post-government income. Limitations to this approach however come either with missing pre-government income information in many micro-databases or with an incomplete coverage of the whole set of legal tax evading or reducing opportunities embedded in the tax system, i.e. tax information is mostly generated on the basis of a micro-simulation model concentrating on the basic tax rules only, which in turn *ceteris paribus* overstates the tax burden of high income households.

Above and beyond these limitations the problem remains that additional costs like those for child care in case of a missing publicly provided child care system are not adequately considered (cf. Bradshaw & Finch 2002, Eardley et al. 1996). On the other hand, existence and generosity of in-kind transfers in principle is often closely linked to the variance and generosity of cash transfers in a given welfare regime. For a better understanding of cross-country and cross-welfare regime differences, Overview 1 compares existence and generosity of family related cash transfers as described in the MISSOC information (1997). Whereas all European countries provide child allowances and maternity benefits, family allowances for special groups and transfers to those with special living conditions do not exist in all of the analyzed countries. Moreover, this kind of family allowance in most countries follows specific restrictions like means-testing or is conditional on certain eligibility criteria. Child allowances form the most important instrument in the family policy across Europe in terms of incidence; except for the Southern countries these appear to be a universally granted benefit.

*Overview 1: Family related allowances and benefits across welfare regimes, late 1990s*

Welfare regime / Country	Child allowance	Maternity related benefits			Other family related transfers			
		Cash maternity benefits	In-kind Maternity benefits	Birth grants	Other allowance	Specific cases	Single parent allowance	Housing allowance
<i>Social-democratic Regime</i>								
Denmark	U	U	U	U	U	R	U	-
Finland	U	U	U	U	R	R	U	R
<i>Conservative-corporatist Regime</i>								
Netherlands	U	R	R	-	-	R+U	-	-
Germany	U	R	R	-	R	-	R	R
France	U	R	R	R	R+U	R	R	R
Austria	U	R	R	R	R	R+U	-	R
Luxembourg	U	R	R	R	R+U	R	-	-
<i>Southern Regime ("Residual")</i>								
Italy	R	R	R	-	-	U	-	-
Spain	R	R	R	-	-	R	-	-
Greece	R	R	R	-	R+U	R+U	R	-
Portugal	R	R	R	U	U	R	-	-
<i>Liberal Regime</i>								
UK	U	R+U	U	R	R	R	U	R
Ireland	U	R+U	U	U	R	R+U	R	-
<i>Eastern Regime ("Transition")</i>								
Hungary <sup>1)</sup>	U⇒R	R+U	R	R	U⇒R	<i>n.a.</i>	R	R
Poland <sup>2)</sup>	U⇒R	U	U	R	U⇒R	R	U⇒R	U⇒R
Notes: U = universal , R = Restricted access due to eligibility conditions or means-testing of benefits. -: does not exist for that country. <i>n.a.</i> : no reliable information available. Sources: OECD, MISSOC. 1) Based on Grootaert (1997). 2) Based on UNICEF (2001) www.mpips.gov.pl.								

In contrast to this, the eligibility for maternity benefits in the majority of countries depends on the protection by the social security system of the mother or of the parents. The latter is the case in the representatives of the Southern or Rudimentary welfare regime type and emphasizes the necessity of family solidarity to provide informal care.

Summing up, the existence and generosity of family related cash transfers in general reflect Esping-Andersen's welfare regime typology. The countries in the conservative-corporatist welfare regime show a high heterogeneity with respect to the application of instruments, mostly with respect to allowances targeted at specific living conditions. Other than that, from the perspective of the two basic elements of cash transfers, i.e. child allowances and maternity benefits, all countries of a given welfare regime type according to Esping-Andersen (1990) or Leibfried (1992) appear to be very similar.

Hence, it might be expected that the empirical results are in line with these aggregate findings about the implementation of various family policy instruments across welfare regimes, i.e. one may expect the impact of family related cash transfers on children's economic well-being to be the largest in the social-democratic representatives (Denmark and Finland) and the smallest in the Mediterranean countries.

### **3. Data and Methods**

The data used in the analysis are extracted from the CHER database, an ex-post-harmonized longitudinal dataset covering most European countries over the 1990s. The period under consideration in this paper is 1994 to 1998 with panel data being available for 13 pre-2004 EU member states (Italy, Greece, Spain, Portugal, United Kingdom, Ireland, Luxembourg, Netherlands, France, Germany, Austria, Denmark, Finland) and two representatives of the 2004 EU extension, namely Poland and Hungary.<sup>3</sup> The analysis population covers all children up to age 16. Pooling for each country all children from participating households over the period 1994 to 1998 gives insight in changes over time and provides us with sufficient number of observations.

Main income indicator is disposable income of the previous year. This covers income from labor, other non-labor private income (e.g. capital income), as well as pensions and other social benefits directly received. Indirect social transfers, income in kind and imputed rents for owner-occupied accommodation are not considered. In order to better compare welfare position of households of different structures and sizes, the dis-

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<sup>3</sup> The harmonized CHER micro-data for the majority of countries considered here comes from the ECHP-User's Database (ECHP-UDB). However, for the following countries the respective national surveys are used: German Socio-Economic Panel Study (SOEP) for Germany; British Household Panel Survey (BHPS) for the United Kingdom; Panel Socio-Economique Liewen zu Letzebuerg (PSELL) for Luxembourg; Household Budget Survey (HBS) for Poland; Hungarian Household Survey (HHS) for Hungary. More details on the data harmonization process and the underlying data sources is available from <http://www.ceps.lu/cher/accueil.cfm> (accessed 9 October 2006).

posable income is transformed via the “modified OECD equivalence scale” into an equivalent income.<sup>4</sup> Cross-national comparisons of children’s economic position in the income distribution are based on relative income positions, i.e. the equivalent income standardized by the yearly country-specific mean.

Family related transfers (FRT), as given in the CHER database, are defined as the sum of all family related benefits, social assistance and housing allowance received by the household as a whole. Although social assistance as well as housing allowance present social policy instruments on their own, it should be noted that eligibility for specific family allowances in a range of countries also depends on eligibility for social assistance or housing allowance.

A static micro-simulation approach is applied in order to capture the poverty reducing effect of family related transfers. Subtracting FRT from disposable income, a world without family related transfers is simulated and income poverty in this simulated world is being compared to the one in the “real” world, keeping the “real” poverty line constant.

To measure poverty, the class of poverty measures by Foster, Greer and Thorbecke [FGT] (1984) is used. This index is defined as:

$$FGT(\alpha) = P_{\alpha}(y, z) = \frac{1}{n} \sum_{i=1}^q \left( \frac{z - y_i}{z} \right)^{\alpha}$$

where  $n$  describes the number of observed persons,  $q$  represents the number of poor,  $y$  is the equivalent income of the poor individuals,  $z$  describes the poverty threshold and  $\alpha$  is the weighting parameter for the individual poverty gap. Setting the parameter  $\alpha$  equal to zero, yields the widely used head-count ratio or poverty incidence (FGT0). If it takes on

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<sup>4</sup> The modified OECD equivalence scale assigns a weight of 1.0 to the first adult (head of household), additional adults (over 14 years of age) are assigned a weight of 0.5, and children (up to 14 years of age) a weight of 0.3.

a value of one ( $\alpha = 1$ ), the sum of the poverty gaps is taken into account and divided by the whole population (normalized poverty gap, FGT1). Implementing an  $\alpha$  which is greater than one ( $\alpha > 1$ ) implies that the poverty measurement is sensitive both towards the poverty incidence and the poverty gap. In accordance with Sen's poverty axioms, Foster et al. (1984) called the FGT2 measure "poverty intensity", measuring the 'depth of poverty.' Because the most frequently used value of the parameter  $\alpha$  for measuring poverty intensity is 2, this measure is also known as the FGT2 measure. The poverty threshold in the following analysis is given at 50% of the country-specific mean.<sup>5</sup>

Random-effects regression models are employed which make explicit use of the panel nature of the underlying data, thus controlling for otherwise unobserved heterogeneity. Based on a pooled panel dataset for 1994 to 1998 correlates of the dependence of children on FRT at the country-specific level are identified, i.e. the left hand side variable is given by FRT as a share of disposable income. Independent variables cover demographics (e.g. household composition), labor market participation within the child's household, parental education and health status controlling for characteristics which are likely to be linked to the receipt of (means-tested) public transfers. In a second step, the analysis is based only on those children who would be poor in the simulated world without family related transfers. Here we run a regression of the same set of independent variables on the *poverty reduction effect caused by the receipt of FRT* – defined as the difference in poverty intensity (FGT2) in the two worlds divided by the poverty intensity (FGT2) in the world without family-related transfers. Looking at FGT2 gives more insight in the poverty alleviation effect than the simple FGT0 measure would do since it also cap-

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<sup>5</sup> Robustness checks showed no substantial change in results when using an alternative poverty threshold given at 60 % of national median.

tures the income change for those children who remain in poverty after receiving these transfers although they do improve their income level.

Finally, full use of the cross-nationally harmonized information available in the CHER-database is made by pooling data across all countries in order to check for country and welfare regime effects when simultaneously controlling for individual and household characteristics.<sup>6</sup> This is thought to give insight in the effectiveness of FRT as a poverty alleviation instrument in the different welfare regimes net of the effect of social structure differences covered by the independent variables. In this context it appears most fruitful to also control for policy outcomes at the national level as this may help to discriminate “true” cross-national differences from institutional differences or any policy relevant structures. Indicators used here focus on enrolment rates in pre-primary education, female labor force participation rates, family benefits as a percent of GDP and maternity leave regulations.

#### **4. Empirical Results**

Welfare states with a high scope of social protection appear to be considerably more effective in reducing or alleviating poverty and social exclusion than welfare states with low expenditures on social protection (e.g. Tsakloglou & Papadopoulos 2002, Frick et al. 2000). According to Frick & Kuchler (2004: 9f.), FRT are most rare among countries of the Southern (residual) welfare regime with the exception of Portugal. While about 50% of the total *overall population* in conservative-corporatist countries enjoy these transfers, the social-democratic representatives, the Eastern regime type represented by Hungary and even the liberal regimes of UK and Ireland show shares of around 60%. Expect for the case

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<sup>6</sup> It should be noted that potential differences across welfare regimes may partly be caused by the selectivity of fertility, i.e., which households children are born into. One may assume increasing opportunity costs of child-bearing due to increasing women’s educational attainment (Del Boca et al 2003).

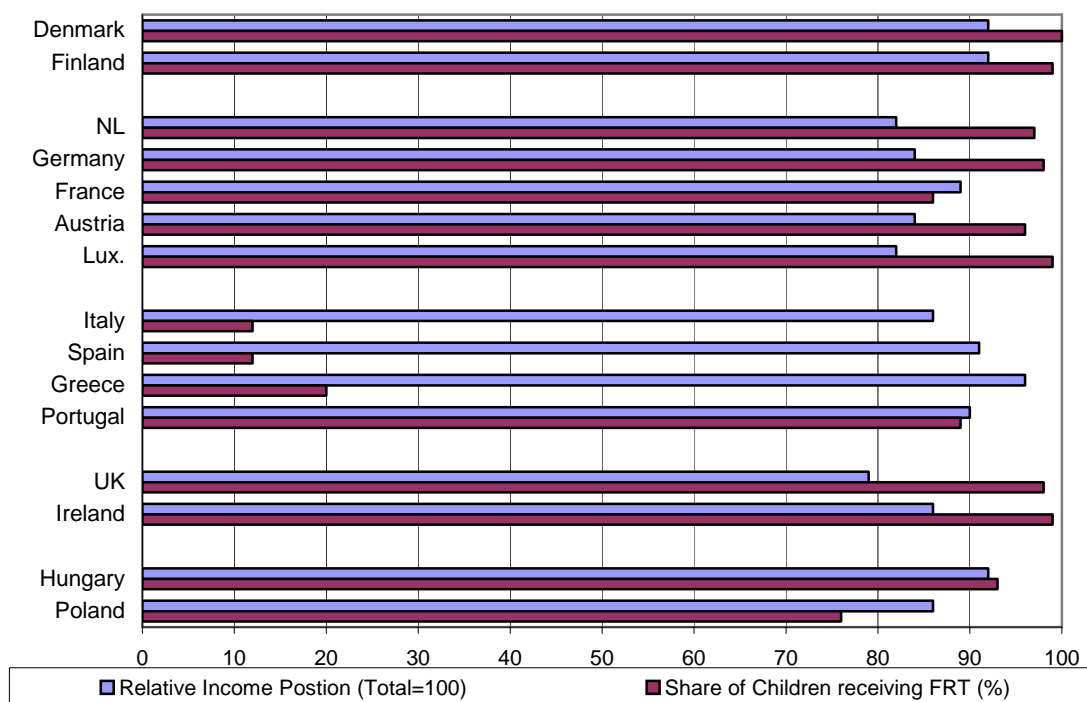
of Portugal (5%), in all countries the share of FRT as a percent of disposable income among FRT recipients is at least 10%. In Finland, France and Hungary this share is nearly twice as high as in the majority of the countries. The “Second Demographic Transition” initiated significant changes in the socio-demographic structures of private households across European countries which also may help to understand different take-up rates of FRT which in turn may be linked to specific living conditions, e.g. single parenthood. Looking at the distribution of children by household type in 1995 (not tabulated here; c.f. Frick & Kuchler 2004: 11) a remarkably large share of children is living in single parent households in the United Kingdom (19%), Finland (13%) and Germany (10%). While across all countries considered, the standard form of living still is the complete family with both parents, it is striking that the children in countries belonging to the Eastern and the Southern regimes show the highest share of those living in multi-generation families which may serve as a basis for informal care arrangements, i.e. the ongoing relevance of family networks.

#### **4.1 Family Related Transfers, Income Position and Poverty Risk:**

##### **A descriptive picture**

Focusing on the children as the unit of analyses presented here, Figure 1 gives the country-specific population share receiving FRT and the respective relative income position according to the CHER database. In line with the universal eligibility for child allowances (see Overview 1) basically all children in the social-democratic, corporatist, and liberal regimes receive FRT. While in the Southern countries this share is only 10% to 20%, one can still see the more universalistic idea of FRT in the Eastern countries of Hungary and Poland with more than 90% and 76%, respectively.

Figure 1: Relative Income Position of children and the receipt of FRT in Europe, 1995



Source: Own calculation from CHER Database, wave 1995, weighted.

Relative income positions do not differ much and vary between 79% of the population average in the UK and 96% in Greece. Although not shown in the figure, it should be mentioned that in both the Southern countries and in Poland the relative income position for those children who do not receive FRT – on average – ranges between 10 and 40%-points higher than for those with receipt of FRT; a clear indication for means-testing of FRT in these countries.

Simulating a world *excluding* family related transfers, the poverty reducing effect of FRT is calculated for three different poverty measures according to the FGT-family. The upper panel in Table 1 gives the results for this simulation and contrasts them to respective poverty measures in the “real” world (middle panel of Table 1).

Table 1: Static Micro Simulation “Poverty Reduction by FRT” among children, 1994-1998

Welfare Regime	“Social-Democratic”		„Corporatist“					“Southern”				“Liberal”		“Eastern”	
Poverty indicator	Den- mark	Fin- land	Nether- lands	Ger- many	France	Aus- tria	Luxem- bourg	Italy	Spain	Greece	Por- tugal	UK	Ireland	Hun- gary	Poland
	Poverty in a world without FRT (micro-simulation)														
Poverty Incidence (FGT $\alpha=0$ )	21.9	26.4	22.7	25.2	34.0	29.3	31.6	24.4	26.8	22.8	32.1	37.4	37.2	40.4	31.3
Poverty Gap (FGT $\alpha=1$ )	6.2	9.0	10.2	11.5	14.5	9.6	8.9	9.3	10.5	7.8	13.1	20.4	13.8	18.7	13.8
Poverty Intensity (FGT $\alpha=2$ )	2.5	4.8	7.7	8.2	8.8	5.2	3.6	5.8	6.3	4.1	7.9	15.1	8.5	12.1	9.2
	Poverty in the “real” world														
Poverty Incidence (FGT $\alpha=0$ )	3.0	4.6	13.3	16.3	19.5	14.3	17.5	23.7	26.2	21.7	29.6	29.5	28.9	19.0	25.1
Poverty Gap (FGT $\alpha=1$ )	0.7	0.9	4.0	6.34	4.3	3.7	3.0	8.9	9.9	7.0	10.8	9.1	6.3	5.4	9.9
Poverty Intensity (FGT $\alpha=2$ )	0.3	0.3	2.3	3.8	1.7	1.6	0.9	5.5	5.7	3.5	5.8	4.0	2.3	2.5	6.0
	“Poverty reduction” effect due to receipt of FRT (%) Basis: persons identified as poor in the “world without FRT”														
Poverty Incidence (FGT $\alpha=0$ )	86.1	82.7	41.3	35.2	42.7	51.0	44.4	2.7	2.5	4.8	7.9	21.2	22.4	53.0	19.9
Poverty Gap (FGT $\alpha=1$ )	93.9	93.3	70.5	60.3	77.5	76.0	76.3	5.8	7.5	15.0	26.4	59.8	57.6	78.7	42.4
Poverty Intensity (FGT $\alpha=2$ )	96.5	96.2	79.9	70.6	86.8	84.7	86.4	7.3	10.7	20.0	37.7	74.6	72.0	85.9	53.1

Source: CHER Database 1994-1998, author’s calculations.

Finally, the lowest panel gives the poverty reduction effect due to the receipt of FRT. In each of these three panels, the first row shows the results for poverty incidence or headcount ratio (FGT with  $\alpha=0$ ), the second row gives the normalized poverty gap (FGT with  $\alpha=1$ ) and in the third row poverty intensity is reported (FGT with  $\alpha=2$ ).

The most successful countries in terms of reducing child poverty by means of family related transfers are the representatives of the social-democratic welfare regimes: Denmark and Finland. More than 90% of the poverty intensity can be reduced in these countries; i.e. they almost expelled poverty (intensity). Moreover, also in the simulated world excluding family related transfers, Denmark and Finland have the smallest poverty intensity, although the poverty incidence is nearly as high as in the corporatist countries.

Not surprisingly, the other extreme position among European countries is taken by the Southern countries, in which the basic family related transfers – child allowance and maternity benefits - are means-tested and only few other types of cash family benefits exist. From the perspective of poverty reduction, the most successful country among the Southern countries is Portugal with a poverty intensity reduction of around 38%. Italy is last in the overall ranking with a poverty reduction effect of only 7% and a poverty intensity in the real world of 5.5%. While the reduction in poverty intensity for the liberal countries (and Germany) is about the same at somewhat more than 70%, the picture for Eastern countries appears more heterogeneous: Hungary is close to the majority of corporatist countries with a reduction effect of 86%, whereas the Polish picture takes an intermediate position between the representatives of the Southern and Liberal regimes, respectively.

## 4.2 Country-specific correlates

Multivariate analyses are used to check for the reliability of the bivariate results when simultaneously controlling for a range of socio-economic characteristics of the children's household which may be linked to the receipt of FRT. Two different regression models are estimated separately for each country: In Table 2 the dependent variable is the share of disposable income coming from family related transfers. Interpretation of these results are the basis for the second set of regressions on the reduction in poverty intensity due to the receipt of FRT (Table 3). Given its specific nature the appropriate population for the second model encompasses only those children who are found to be below the poverty line in the simulated world without FRT. Thus we analyze how much cash FRT helps them to alleviate or even leave the (simulated or fictitious) poverty status.

Independent variables in both models include education level within the household, number of siblings, age structure of the household, health status of the adults, and dummy variables indicating single-parenthood, immigrant status of the household, unemployed household members, and inactive persons.<sup>7</sup>

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<sup>7</sup> Standard descriptive statistics for all these variables are reported in the appendix.

Table 2: Country Specific Correlates of Dependence on FRT among Children across Europe, 1994-1998

	Denmark	Finland	Netherlands	Germany	France	Austria	Luxembourg	Italy	Spain	Greece	Portugal	UK	Ireland	Hungary	Poland
Sibling	4.051** (18.96)	3.609** (17.67)	3.906** (16.93)	3.444** (19.67)	7.228** (44.92)	5.034** (19.24)	6.274** (32.57)	0.406** (4.68)	1.782** (18.29)	1.950** (18.40)	3.259** (24.01)	4.831** (20.32)	1.751** (12.01)	8.891** (19.91)	2.809** (20.30)
Max age HH	-0.127** (3.73)	-0.225** (6.14)	-0.043 (0.97)	-0.087** (4.03)	-0.168** (6.11)	-0.222** (10.98)	-0.100** (5.60)	-0.024** (3.23)	-0.022** (3.06)	0.034** (4.74)	-0.095** (7.58)	-0.324** (9.09)	0.038* (2.16)	-0.279** (9.28)	-0.083** (6.77)
Unemployed	4.157** (9.31)	6.513** (12.36)	2.391** (5.96)	2.380** (8.72)	4.681** (15.21)	-0.006 (0.01)	3.811** (6.85)	0.847** (5.31)	1.816** (10.13)	0.630** (3.14)	-0.404 (1.12)	-3.788** (7.10)	-0.777* (2.47)	2.844** (3.30)	-0.024 (0.07)
Inactive	5.567** (13.60)	6.415** (12.82)	4.203** (10.30)	1.321** (5.48)	5.128** (19.02)	1.158** (2.76)	3.375** (10.74)	0.290* (2.13)	0.340* (1.98)	0.850** (5.67)	1.831** (6.44)	9.048** (22.71)	2.129** (7.12)	4.548** (6.44)	5.045** (17.54)
Owner	-6.181** (13.52)	-7.878** (12.56)	-5.341** (10.88)	-1.622** (4.98)	-5.104** (15.10)	0.646 (1.16)	-0.347 (0.90)	-0.342* (2.28)	-1.156** (5.80)	-0.491** (2.76)	0.656* (2.06)	-14.58** (25.70)	-8.292** (16.51)	-2.456** (2.69)	2.117** (6.71)
Low education	4.606** (7.65)	7.303** (7.00)	1.921** (2.92)	5.067** (10.00)	4.487** (12.30)	5.534** (6.25)	1.478** (4.30)	0.708** (4.53)	1.393** (6.78)	1.209** (6.41)	2.241** (5.49)	2.179** (2.93)	4.713** (11.91)	6.944** (7.57)	4.671** (13.68)
High education	-1.610** (4.30)	-2.870** (5.78)	-1.666** (3.55)	-4.144** (10.24)	-3.269** (9.60)	-3.821** (4.94)	-5.180** (12.21)	-0.804** (3.74)	-0.416+ (1.82)	-0.323+ (1.67)	-2.046** (3.22)	-2.264** (3.13)	-3.035** (6.52)	-5.333** (4.86)	-3.428** (5.90)
Bad Health	-0.088 (0.22)	0.760+ (1.68)	0.217 (0.64)	0.247 (1.17)	0.774** (3.54)	1.443** (3.18)	0.731 (1.56)	0.337** (2.76)	0.296+ (1.76)	0.256 (1.28)	1.333** (5.16)	0.188 (0.53)	-0.745* (2.52)	n.a. n.a.	n.a. n.a.
Good Health	-0.355 (1.17)	-0.655 (1.10)	-0.408 (0.81)	0.143 (0.29)	0.735+ (1.95)	-1.383** (2.95)	0.773 (1.21)	0.243 (1.15)	1.075** (4.18)	0.254+ (1.70)	1.634+ (1.65)	-0.494 (0.84)	0.327 (1.22)	n.a. n.a.	n.a. n.a.
Min age HH	-0.496** (9.09)	-1.314** (18.42)	0.429** (6.65)	-0.759** (17.65)	-0.010 (0.22)	-0.616** (10.40)	-0.519** (12.54)	0.004 (0.21)	-0.006 (0.27)	-0.089** (4.70)	-0.051 (1.36)	-0.007 (0.10)	-0.193** (4.00)	-1.187** (12.09)	-0.414** (10.15)
Lone parent	17.603** (30.45)	13.816** (13.81)	39.339** (48.44)	17.350** (35.32)	23.940** (45.61)	13.359** (15.83)	7.726** (11.98)	4.623** (12.68)	4.117** (8.72)	1.561** (3.39)	8.878** (13.65)	31.902** (52.63)	38.360** (52.36)	6.468** (4.54)	12.463** (18.87)
Immigrant	3.375** (5.04)	0.373 (0.21)	2.647* (1.98)	-3.594** (7.35)	1.033* (2.38)	1.296 (1.58)	2.029** (5.33)	-0.012 (0.03)	0.785 (1.28)	-1.032 (1.49)	0.616 (0.74)	-0.039 (0.05)	-1.218 (1.35)	n.a. n.a.	n.a. n.a.
Constant	20.332** (16.39)	38.320** (28.27)	8.203** (5.04)	16.789** (20.00)	14.041** (14.12)	25.405** (25.18)	11.100** (13.22)	1.495** (4.46)	1.001* (2.42)	-1.362** (3.32)	4.172** (5.77)	26.836** (18.14)	10.599** (11.35)	33.995** (19.04)	7.941** (10.47)
Observations	6845	4914	13802	17961	17721	6989	5244	16524	16487	12334	12843	11455	14523	3840	17657
Groups	2092	2736	3950	5267	4994	2339	1806	4747	4963	3635	3667	3220	4415	1379	7364
R-Squared	.4932	.4483	.3731	.2929	.4837	.2502	.4738	.0292	.0713	.0923	.1756	.5580	.3857	.4153	.1657
Absolute value of z-statistics in parentheses. + significant at 10%; * significant at 5%; ** significant at 1%. Year of observation controlled, but not reported in table.															
Source: CHER Database 1994-1998; author's calculation.															

Table 3: Country-Specific “Reduction of Poverty Intensity” by means of FRT among Children across Europe, 1994-1998

Basis: Children identified as poor in a fictitious world without FRT

	Denmark	Finland	Netherlands	Germany	France	Austria	Luxembourg	Italy	Spain	Greece	Portugal	UK	Ireland	Hungary	Poland
Sibling	2.909** (5.59)	0.731+ (1.90)	8.316** (11.83)	6.939** (14.07)	4.354** (12.19)	3.581** (5.77)	5.168** (7.19)	0.802+ (1.72)	2.708** (8.06)	13.434** (16.87)	2.415** (6.09)	2.672** (6.04)	2.411** (6.77)	5.114** (5.62)	2.710** (5.94)
Max age HH	-0.121 (1.28)	0.025 (0.30)	-0.022 (0.17)	-0.268** (3.77)	-0.580** (8.30)	-0.199** (3.61)	-0.292** (3.22)	0.030 (0.68)	-0.016 (0.52)	0.179** (3.55)	-0.083+ (1.78)	-0.237** (3.24)	0.240** (5.23)	-0.237** (3.44)	-0.281** (5.88)
Unemployed	1.683 (1.56)	1.266 (1.28)	4.583** (2.92)	-0.272 (0.30)	-0.252 (0.35)	4.554** (3.31)	-7.952** (5.02)	0.548 (0.61)	3.788** (4.94)	1.523 (1.02)	-4.229** (3.59)	-13.14** (12.44)	-2.152* (2.35)	-1.828 (1.22)	6.188** (4.78)
Inactive	1.999* (2.05)	0.635 (0.69)	5.787** (3.87)	-0.859 (0.94)	-1.285+ (1.76)	2.723* (2.53)	-5.326** (3.97)	-1.582+ (1.71)	-2.089** (2.60)	3.715** (3.08)	-7.509** (7.64)	-2.660** (2.94)	-3.997** (3.81)	1.572 (1.19)	5.699** (4.72)
Owner	-5.803** (4.59)	0.172 (0.15)	-4.752** (3.03)	-8.422** (6.35)	0.914 (0.93)	-1.021 (0.71)	5.627** (4.09)	-1.574+ (1.73)	-4.240** (5.59)	-0.639 (0.44)	1.134 (1.02)	-0.847 (0.76)	-1.760 (1.54)	5.162** (2.62)	-15.85** (11.39)
Low education	-1.663 (1.36)	-0.410 (0.24)	-4.193* (2.45)	-0.513 (0.37)	-0.856 (1.07)	1.581 (0.79)	-1.931 (1.50)	-0.496 (0.53)	1.202 (1.39)	-2.490+ (1.88)	-3.349+ (1.73)	-4.173** (2.70)	-0.247 (0.25)	-2.426 (1.10)	0.050 (0.04)
High education	-1.882 (1.52)	1.618 (1.48)	-10.58** (4.49)	-3.089+ (1.83)	0.452 (0.36)	1.737 (0.64)	2.944 (0.95)	-4.861* (2.01)	-4.736** (3.47)	-4.529* (2.10)	-19.39** (3.36)	-0.424 (0.25)	2.055 (0.97)	-4.247 (1.14)	9.036* (2.20)
Bad Health	1.822 (1.56)	-0.416 (0.42)	1.607 (1.28)	2.726** (3.29)	-0.258 (0.43)	-0.344 (0.30)	-0.526 (0.27)	0.940 (1.09)	-0.306 (0.40)	2.528 (1.63)	-3.322** (3.60)	0.611 (0.71)	1.099 (1.24)	<i>n.a.</i> <i>n.a.</i>	<i>n.a.</i> <i>n.a.</i>
Good Health	1.166 (1.13)	-3.415* (2.41)	-2.466 (1.22)	1.334 (0.83)	-2.666* (2.57)	3.841** (2.94)	-2.874 (1.01)	-1.690 (1.10)	0.719 (0.56)	0.638 (0.47)	0.148 (0.03)	1.980 (1.31)	0.174 (0.18)	<i>n.a.</i> <i>n.a.</i>	<i>n.a.</i> <i>n.a.</i>
Min age HH	-0.486** (2.71)	-0.715** (3.94)	1.765** (8.06)	-0.040 (0.26)	0.635** (4.86)	-0.543** (3.21)	-0.569** (3.00)	0.135 (1.22)	-0.181* (1.97)	-0.032 (0.21)	0.002 (0.02)	0.692** (4.68)	-0.267* (1.97)	-0.333 (1.38)	-1.247** (7.51)
Lone parent	4.527** (3.47)	5.637** (3.36)	6.645** (3.65)	-3.054* (2.24)	-3.515** (3.03)	-6.755** (3.56)	-7.413** (3.29)	4.723* (2.23)	5.354** (3.20)	5.535+ (1.85)	-2.172 (1.20)	2.265* (2.04)	9.800** (6.50)	5.209+ (1.68)	4.457+ (1.73)
Immigrant	-1.787 (1.24)	7.449** (2.96)	-5.820 (1.28)	-3.204* (2.20)	-0.234 (0.22)	-3.620* (1.98)	-5.869** (3.63)	7.860** (2.72)	-7.407** (2.63)	2.649 (0.47)	-7.208* (2.40)	-3.426+ (1.92)	-9.541** (3.57)	<i>n.a.</i> <i>n.a.</i>	<i>n.a.</i> <i>n.a.</i>
Constant	95.45** (28.73)	95.65** (35.53)	45.68** (9.50)	77.18** (28.27)	100.14** (38.57)	90.80** (33.74)	99.07** (25.63)	6.45** (3.00)	11.75** (6.53)	-9.41** (2.89)	46.23** (14.84)	83.39** (27.30)	58.99** (22.86)	86.29** (21.77)	77.09** (23.66)
Observations	1073	1106	2840	4305	5928	2301	1671	3656	4566	2806	5006	4178	4437	1451	4054
Groups	549	793	1259	1932	2214	1126	713	1730	2077	1336	1811	1564	1802	693	2223
R-Squared	.1633	.0844	.1415	.1548	.0691	.0878	.1801	.0184	.0661	.1670	.0427	.0865	.0948	.0897	.1646

Absolute value of z-statistics in parentheses. + significant at 10%; \* significant at 5%; \*\* significant at 1%. Year of observation controlled, but not reported in table.

Estimating the dependency on family related transfers, results are mostly in line with typical poverty risk characteristics for all countries (see Table 2): the number of siblings, low educated parents, single parent households, inactive prime-aged household members are all associated with a high dependency on family related transfers. For the majority of countries except for those with a liberal welfare regime, children from households with unemployed persons also have an above average dependency on family related transfers. In contrast, indicators for wealth accumulation such as owner-occupied housing as well as highly educated parents are negatively correlated with FRT. Without going into detail it appears that country-specific results for the representatives of the social-democratic and the liberal welfare states are pretty much in line, whereas the other welfare regimes show a higher degree of heterogeneity in terms of the various effects (e.g. in the Southern countries the age of the oldest household member and the homeownership-dummy show contradicting results). The R-squared varies considerably across countries and is – as expected – lowest in the countries where FRT are of lower importance, i.e. in the Southern countries and in Poland.

In contrast to the FRT dependency model, the models on the poverty reduction effect (see Table 3) produce a less clear picture. However, similar to the previous model, in all countries children with an increasing number of siblings enjoy a significant poverty intensity reducing effect from the received FRT, most likely a result caused by the often unrestricted access to child allowances which – as is for example the case in Germany – also increase with the number of children. Interesting enough, this is also true for the Southern countries where these transfers are means-tested and play only a marginal role in the income composition of the households. Again, for countries within the same welfare regime, these

effects appear to be somewhat more alike than between the regimes – this is especially true for the effect of lone parent households. Not surprisingly, the degree of explained variation is much smaller in this second set of regressions.

Finally, the results for immigrants may require some attention: According to the country-specific results in Tables 2 and 3 children in immigrant households are found to be *ceteris paribus* more dependent on FRT in a few countries belonging to the social-democratic and the corporatist welfare regime, while this characteristic is negatively associated with poverty reduction in almost all corporatist, liberal and Southern countries. Besides the fact that in some cases this result can be caused by insufficiently small numbers of observations in the estimation (exceptions are Luxembourg and Germany), this may relate to restricted access to or eligibility for family related transfers because of the immigrant status.

### **4.3 Country Effects and Welfare-Regime Effects**

In light of these country specific effects and the observable heterogeneity it appears to be important to examine whether cross-country differences are due to differences in the controlled socio-economic characteristics or to other factors which may be specific to the country or the represented welfare regime. For this purpose, all observations are pooled across all 15 countries and 5 welfare regimes, respectively. In addition to the independent variables used above, country-dummies are included to estimate a “country model” with Germany as reference category as well as a “regime model” with the necessary regime-dummies and the corporatist regime being defined as reference category.<sup>8</sup> Eventual differences in the

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<sup>8</sup> See Tsakloglou & Papadopoulos (2002) for a comparable approach estimating the probability of social exclusion across European countries based on the ECHP-data. It should be noted that this procedure in principle assumes similar impact of covariates across countries which in fact may not be always true as shown above. However, the nature of this analysis is not a strictly causal one and as such the results of the currently applied ran-

estimates across countries and welfare regimes may arise from variation across the national tax systems and the provision of in-kind transfers to target groups of family policy. As to proxy the link between such institutional frameworks and individual outcomes, we further consider outcome indicators of family policy at the national level as this may help to discriminate “true” cross-national differences from institutional differences. These indicators include yearly measures of the “enrolment rate of 0-4 year old children in pre-primary education”, “female employment rate, 25-54 years”, “family benefits as a percent of GDP”, and “length of maternity leave in weeks”.

Table 4 shows results for both models, dependence on FRT and reduction of poverty intensity, respectively (left column: “country-model”, right column: “regime-model”). In all those estimations, both country and welfare regime effects produce statistically significant effects after controlling for socio-economic characteristics. The results for the latter are as expected and basically in line with the results presented for the country-specific estimations above. Concerning both FRT-dependence and poverty reduction, there is indication that *ceteris paribus* social-democratic regimes do provide relatively more FRT and by doing so they alleviate poverty intensity in a significantly better way than corporatist countries do. On the other hand, the performance of the liberal regime and even more so of the Southern regime is to be considered less successful with respect to poverty alleviation.

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dom-effects regression analyses are only interpreted as correlates. Further research may invest in this issue by applying random-coefficient models.

**Table 4: Correlates of FRT Dependence and “Poverty reduction” due to FRT control-  
ling for Country and Regime Effects, 1994-1998**

	Correlates of FRT		“Poverty Reduction” due to FRT <i>Basis: Population of children identified as poor in a fictitious world without FRT</i>	
	Country- Model	Regime - Model	Country- Model	Regime - Model
Sibling	3.571** (73.60)	3.485** (71.21)	3.560** (27.65)	3.562** (27.19)
Max age HH	-0.067** (13.64)	-0.076** (15.32)	-0.099** (6.64)	-0.117** (7.70)
Unemployed	1.703** (18.20)	1.718** (18.34)	-0.543+ (1.85)	-1.259** (4.25)
Inactive	3.463** (41.96)	3.327** (40.13)	-0.389 (1.40)	-0.775** (2.75)
Owner	-2.761** (26.47)	-2.267** (21.71)	-2.800** (8.42)	-1.847** (5.47)
Low education	2.915** (26.32)	3.236** (29.35)	-0.725* (2.12)	0.441 (1.28)
High education	-2.732** (21.85)	-2.416** (19.48)	-1.721** (3.15)	-2.118** (3.85)
Bad Health	0.464** (5.76)	0.401** (4.98)	0.612* (2.16)	0.522+ (1.83)
Good Health	0.069 (0.63)	-0.066 (0.61)	-0.646 (1.51)	-0.969* (2.29)
Min age HH	-0.289** (23.22)	-0.290** (23.07)	-0.011 (0.26)	-0.018 (0.44)
Lone parent	20.611** (115.83)	20.583** (114.85)	2.056** (4.44)	1.866** (3.96)
Immigrant	0.502* (2.56)	-0.086 (0.45)	-3.028** (5.23)	-2.241** (3.98)
Pre-primary educ. enrolment 0-4 yrs	-0.006 (0.17)	0.121** (15.38)	-0.065 (0.46)	0.186** (7.79)
Female Empl. rate of 25-54 yrs old	0.389** (12.22)	0.198** (24.02)	0.039 (0.31)	0.492** (21.13)
Family benefits as a percent of GDP	3.237** (20.07)	4.326** (37.48)	2.888** (4.61)	7.965** (19.84)
Length of maternity leave (weeks)	-0.078** (2.99)	0.071** (3.89)	-0.544** (5.71)	-0.264** (4.30)
Denmark	0.032 (0.05)	-	24.171** (10.41)	-
Finland	3.505** (5.85)	-	16.399** (7.29)	-
Germany	<i>ref.</i>	-	<i>ref.</i>	-
Netherlands	5.094** (10.70)	-	0.519 (0.30)	-
France	2.670** (4.41)	-	9.503** (4.17)	-
Austria	3.926** (9.26)	-	7.624** (5.53)	-
Luxembourg	4.785** (6.10)	-	9.668** (3.29)	-
Italy	2.344** (3.14)	-	-57.939** (20.43)	-
Spain	0.470 (0.85)	-	-58.360** (28.45)	-
Greece	-1.541+ (1.71)	-	-56.706** (16.26)	-
Portugal	-5.292** (13.01)	-	-37.880** (27.82)	-
UK	2.302** (3.53)	-	-3.270 (1.35)	-
Ireland	1.843+ (1.88)	-	-8.636* (2.27)	-
Hungary	15.726** (29.09)	-	14.605** (8.50)	-
Poland	-4.108** (6.52)	-	-18.371** (7.62)	-
Social-democratic Regime	-	0.728* (2.37)	-	8.637** (8.48)
Conservative-corporatist Regime	-	<i>ref.</i>	-	<i>ref.</i>
Southern Regime (“Residual”)	-	-5.173** (24.27)	-	-46.766** (68.36)
Liberal Regime	-	-0.332 (1.37)	-	-4.056** (5.62)
Eastern Regime (“Transition”)	-	-1.133** (4.55)	-	-14.015** (17.16)
Constant	-20.050** (6.73)	-10.945** (13.97)	79.253** (6.75)	31.914** (13.50)
Observations	179139	179139	49378	49378
Groups	56574	56574	21822	21822
R-squared	.3509	.3325	.5546	.5329
Absolute value of z-statistics in parentheses; + significant at 10%; * significant at 5%; ** significant at 1%				
Year of observation controlled, but not reported in table.				
<i>Source: CHER Database 1994-1998.</i>				

Obviously, the effects for Poland and Hungary contradict in the “country models”, and it should be noted that the overall negative poverty reduction effect in the “welfare regime model” is partly driven by the much larger sample size of the Polish dataset used here.<sup>9</sup>

With respect to the macro indicators there is an expected and consistently strong and positive effect for “family benefits as a percent of GDP” in both models<sup>10</sup>, i.e. the higher a country’s expenditures on FRT in percent of its GDP, the better the chances to alleviate poverty among children. The “length of maternity leave” is a significant negative correlate of poverty reduction: With increasing maternity leave, mothers also prolong their absence from the labor market, i.e. there is an increasing risk of human capital depreciation and being more dependent on other income sources and transfers.<sup>11</sup> It is only in the “regime-model” that ‘high enrolment rates of 0 to 4 year old children in pre-primary education’ *ceteris paribus* enforce the poverty alleviation effect via improving the chances for mother’s employment. The more direct measure of ‘labor force participation of 25-54 year old women’ is also positively linked to the poverty reduction effect of FRT, an independent effect above and beyond the child care indicator as proven by separate estimations.

Overall, it turns out that the variance explained in the “country-model” is somewhat higher than in the “regime-model” regression. Alternative specifications (not tabulated here) excluding the macro indicators show –

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<sup>9</sup> Checking for robustness of results, all models were also estimated using weighted pooled OLS regression taking account of the fact that the country-specific numbers of observations may differ. Re-weighting is applied in such a way that each country contributes 1/15 of the total observations and each regime 1/5 of all regimes, respectively, however, correcting for biased standard errors due to the repeated observation of the same units over time by using the cluster-option. All results remain basically unchanged except for a sign change in the overall “Eastern Regime” effect, i.e., when giving the same weight to both Eastern countries, the respective regime effect for poverty reduction becomes positive, indicating a more “successful” poverty reduction policy induced by FRT in Eastern countries as compared to the conservative reference group.

<sup>10</sup> Controlling for eventual endogeneity, the very same models were estimated without this information which did not alter the findings in a relevant way, except for a loss in overall explanatory power of the model.

<sup>11</sup> One should note that this indicator does not give information on the *level* of maternity leave compensation.

without any substantive change in the other covariates – a much wider deviation in the explanatory power of “country” and “regime” models. Obviously, there is quite some cross-country heterogeneity with respect to the macro-indicators within the respective regime types and the various effects of the macro-indicators are better proxied by the country rather than by the regime dummies. In this context it is worth to note that scope and variation of family related transfers across countries belonging to the same welfare regime are only somewhat similar for the two most central elements of family related transfers: child allowance and maternity benefits, whereas “other family allowances” (as presented in Overview 1) differ considerably across countries.

## **5. Conclusion**

Using five waves (1994 to 1998) of the ex-post harmonized longitudinal dataset CHER, the impact of family related cash-transfers on children’s economic well-being is analyzed in 13 West European countries and 2 East European countries, representing five different welfare regimes. Results from a static micro simulation model confirm that the representatives of the social-democratic welfare regime are most successful in terms of reducing child poverty by means of family related transfers. In contrast, the other extreme position is taken by the Southern countries, in which the basic family related transfers – child allowances and maternity benefits – are means-tested. The interpretation of the results for the representatives of the Eastern welfare regime is somewhat difficult, because both countries – Poland and Hungary – are still in the process of changing basic features of their national family policies from having been “generous and comprehensive” during the Socialist era to means-testing since the mid 1990s (although preserving some more comprehensive family related transfers). Nevertheless, the results indicate that the East-

ern countries are (still) more successful in reducing child poverty than the Southern countries.

In general, the empirical findings are in line with the aggregate picture on national expenditures for family related transfers and the welfare regime patterns of family policy. Countries with high expenditures on social protection for families and a variety of policy instruments implemented for granting family related transfers (cash transfers combined with in-kind transfers etc.) appear to be more successful in reducing child poverty than countries with a low organized family or combating poverty policy.

Pooled regression analyses provide evidence for the fact that – even when controlling for a variety of socio-economic characteristics – the dependence on FRT and the effectiveness of FRT as a means of poverty alleviation is different between welfare regimes as well as between countries, even for those belonging to the same welfare regime type. One reason for this heterogeneity may come from differences in the granting of specific family related transfers as there are allowances for single parents or handicapped children, and for families of unemployed persons. An evaluation of these differences needs to consider the historical development of family policy including the religious background. This is particularly true for the corporatist welfare regimes with their complex mix of means-tested and universal benefits.

Future research may consider several issues: firstly, country-specific phenomena are certainly not restricted to public transfers in cash only; secondly, the proxies for national family policy outcomes used in the pooled regression approach leave room for improvement if more and better cross-nationally comparable information becomes available for all countries in the EU-area (especially for Central and Eastern European

countries); thirdly, the analyses presented here are based on data from the mid to late 1990s, which cannot adequately consider more recent developments. Nevertheless, these analyses may contribute to a better understanding of the functioning of the various national welfare states and regimes which appears to be crucial for a further harmonization of social policy at EU level.

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Appendix: Table A1: Mean of Regression Variables

	Denmark	Finland	Netherlands	Germany	France	Austria	Luxembourg	Italy	Spain	Greece	Portugal	UK	Ireland	Hungary	Poland
Siblings	1,065	1,339	1,236	1,031	1,220	1,120	1,103	0,836	0,945	0,945	1,151	1,228	1,814	1,070	1,465
Maximum age in HH	38,5	40,4	39,8	39,4	39,5	44,1	41,2	42,9	44,4	45,8	45,3	38,1	43,5	42,1	45,1
Unemployed	0,105	0,175	0,257	0,167	0,150	0,116	0,045	0,172	0,286	0,127	0,101	0,112	0,185	0,143	0,154
Inactive	0,174	0,202	0,398	0,391	0,393	0,381	0,635	0,489	0,525	0,482	0,403	0,396	0,587	0,252	0,416
Owner	0,753	0,808	0,720	0,409	0,556	0,667	0,720	0,686	0,776	0,740	0,656	0,677	0,813	0,802	0,484
Low educ.	0,101	0,058	0,261	0,176	0,179	0,088	0,335	0,353	0,445	0,323	0,759	0,370	0,281	0,446	0,469
High educ.	0,499	0,531	0,258	0,357	0,269	0,129	0,223	0,150	0,296	0,322	0,082	0,499	0,222	0,208	0,098
Bad health	0,205	0,318	0,295	0,565	0,461	0,328	0,086	0,467	0,398	0,217	0,584	0,421	0,258	<i>n.a.</i>	<i>n.a.</i>
Good health	0,408	0,130	0,091	0,041	0,084	0,218	0,033	0,081	0,090	0,501	0,011	0,095	0,304	<i>n.a.</i>	<i>n.a.</i>
Minimum age in HH	5,5	6,1	6,4	6,9	5,8	6,2	5,6	6,5	6,6	6,8	6,6	5,6	5,7	6,4	6,4
Lone parent	0,116	0,058	0,063	0,079	0,092	0,083	0,067	0,035	0,033	0,027	0,052	0,174	0,057	0,056	0,058
Immigrant	0,066	0,011	0,012	0,220	0,114	0,086	0,502	0,017	0,017	0,009	0,022	0,080	0,017	<i>n.a.</i>	<i>n.a.</i>
Year 1994	0,226	<i>n.a.</i>	0,205	0,197	0,226	<i>n.a.</i>	<i>n.a.</i>	0,220	0,252	0,242	0,217	0,204	0,263	0,308	0,240
Year 1995	0,217	<i>n.a.</i>	0,202	0,208	0,211	0,277	0,241	0,211	0,217	0,214	0,208	0,197	0,226	0,272	0,226
Year 1997	0,185	0,489	0,197	0,191	0,186	0,238	0,247	0,186	0,177	0,181	0,191	0,200	0,170	0,184	0,163
Year 1998	0,177	<i>n.a.</i>	0,197	0,204	0,175	0,223	0,255	0,180	0,159	0,162	0,182	0,196	0,151	<i>n.a.</i>	0,155
Pre-primary educ. enrolment 0-4 yrs	28,2	13,1	19,8	27,9	40,4	21,5	24,0	38,4	32,8	13,5	20,6	10,8	11,9	32,3	9,7
Female Empl. rate of 25-54 yrs old	82,3	84,3	67,6	74,0	77,4	73,7	56,3	49,8	56,4	56,4	75,3	74,5	56,5	69,3	77,5
Family benefits as a percent of GDP	1,7	2,2	0,9	1,6	1,7	2,1	2,3	0,5	0,3	1,2	0,7	1,8	1,7	1,8	1,2
Length of maternity leave (weeks)	28,0	18,0	16,0	14,0	17,7	16,0	16,0	22,0	16,0	16,0	13,6	18,0	14,0	24,0	18,0
Poverty rate "real world"	3,4	4,5	12,1	13,9	17,6	16,1	18,0	21,4	27,1	21,6	36,3	28,5	23,8	17,9	26,9
Poverty rate w/out FRT	15,8	22,5	20,6	24,3	33,5	32,9	31,9	22,1	27,7	22,7	39,0	36,4	30,5	37,8	33,7
FRT as a percent of DI	15,1	21,3	14,0	13,6	18,8	18,7	14,9	1,4	1,9	2,0	7,6	19,3	11,4	26,6	11,4
<i>number of observations</i>	6845	4914	13802	17961	17721	6989	5244	16524	16487	12334	12843	11455	14523	3840	17657
<i>number of individuals</i>	2092	2736	3950	5267	4994	2339	1806	4747	4963	3635	3667	3220	4415	1379	7364

Source: CHER Database 1994-1998; author's calculation (unweighted).