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**Family related transfer and children's economic
well-being in Europe**

by Joachim R. Frick and Birgit Kuchler

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Abstract

Welfare regimes across Europe differ considerably with respect to the support of families and households with dependent children (cf. e.g. Esping-Andersen 1990, Headey et al 1997). Relevant policy instruments reach from in-kind transfers (like free access to education, (subsidized) health care, etc.) to means-tested benefits (e.g., social assistance) and even benefits with unrestricted access. In striving for a harmonization of social policy across EU-countries more insight in these cross-national differences is needed. However, when interpreting cross-national differences, one should keep in mind that individual behavior – for our analysis mainly with respect to fertility – is not independent from family related public transfers as well as other institutional settings (labor market, child care facilities, etc).

Our research agenda is thought to add to this by concentrating on a comparison of some selected monetary indicators of economic well-being of children (up to 16 years of age) across Europe. We are explicitly interested in incidence and importance of family related public transfers (FRT); as such, our major income information is disposable household income as of the previous year with special attention to the share of the above mentioned transfers. Besides being a valuable contribution to a rather underdeveloped area of research (cf. Vleminckx and Smeeding, 2001), our focus on the subpopulation of dependent children helps to better understand the impact of family related transfers for the economic position of an original target population (cf. Immervoll et al, 1999). In order to control for differences in children's household needs according to size and composition we make use of the modified OECD equivalence scale (1.0; 0.5; 0.3). Using cross-sectional and longitudinal micro-data from the CHER database we then compare income levels, relative income positions, and selected poverty indicators (using p - α as suggested by Foster et al 1984).

In order to better understand differences across countries, and even more across welfare regimes, we then apply multivariate analysis methods. Using adequate regression techniques we try to isolate correlates of a high dependence of children on FRT at the level of each country : independent variables cover demographics (e.g. age, household composition, citizenship), labor market (e.g. employment situation within the child's household, affection by unemployment), education, health, etc. Finally, we make full use of the cross-nationally harmonized information available in the CHER-database by pooling data across all countries in order to check for country and welfare regime effects while simultaneously controlling for individual characteristics.

Keywords: Family Related Transfers, Economic Well-Being, Children, Europe

JEL-Codes: I38, J13, P51

1. Introduction

Throughout most European countries family policy constitutes more of a cross-section function within the national welfare regime and as such it is not a well-defined concept. Nevertheless, the impact of family policy and its instruments on families' economic well-being has become an important issue in social sciences as well as social policy in recent years (cf. Gauthier 2002, Pfennig & Bahle 2000, Wintersberger 1995, The Family and Child Well-being Research Network 1995).

Given its cross-section function, 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. Schmid 1996, Wintersberger 1995, 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.

Another strand of comparative research in this field focuses on poverty analyses. The consequences of child poverty in some European countries such as United Kingdom or Germany (e.g. Sutherland 2001; Hill & Jenkins 2001; Jenkins et al. 2002; Büchel et al. 2001) are well investigated, but there exist only a few empirical cross-national analyses on the macro-micro link between family policy and family's well-being¹. Still fewer analyses exist, when children's individual well-being is the subject of the analysis (e.g. Vlemminckx and Smeeding 2001, The Family and Child Well-being Research Network 1995, Wintersberger 1995). It should be considered that in contrast to adults, children share the economic status of the family to which they belong, without exerting any impact on (a) the economic status of the household, (b) the within household distribution and (c) the life form. "Therefore, in effect the relative feebleness of family policies directly penalizes children." (Sgritta 1995: 35).

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 adults² (The Family and Child Well-being Research Network 1995: 8). Moreover, the younger the children the more difficult it is to receive 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

¹ According to Sutherland (2001: 3), 'the household income may be a less good indicator of child's material well-being than it is for adults', but it can be applied at least as an indirect indicator of children's economic well-being. However, there is no doubt in the social sciences that in general 'Children from poor families are at greater risk of negative outcomes at all stages of their development, from low weight at birth and greater mortality in childhood, to poorer educational outcomes and poorer health and lower earnings in adulthood. Low incomes are often associated with periods of instability in family life, since they often result from the unemployment or illness of a parent, and increasingly from parental separation [...]' (Barnes 2000: 39).

² Hock et al. (2000) for example, have asserted in a qualitative study for Germany that the willingness as well as the ability of parents to protect their children against the consequences of poverty differ to a large extent. Nevertheless, it was similar for all responding families that the duration of a poverty spell has a positive impact on the 'priority of children's well-being' among the household members, because the well-being of all household members declines considerably with a increasing poverty duration.

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. Numerous cross-sectional and especially panel surveys like the German Socio-Economic Panel Study (SOEP) or the British Household Panel Survey (BHPS) meanwhile provide an excellent basis for this kind of empirical analyses which in turn had an important impact on the increasing perception of poverty risks for the society as a whole as well as for social groups like lone parent households (e.g. Jenkins et al. 2002). 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-databases. That's why the European Commission initiated the European Community Household Panel (ECHP) in 1994 (cf. Wirtz & Mejer 2002) and financed the development of the soon to be released CHER-database provided by the *Consortium of Household Panels for European Socio-Economic Research* (<http://www.ceps.lu/CherPaco/CherPaco.htm> accessed February 14, 2003). Datasets such as these and the cross-national Luxembourg Income Study (LIS) provide excellent cross-sectional and longitudinal micro-data for this type of research (cf. Tsakloglou & Papadopoulos (2002) using the ECHP, Immervoll et al. (1999), and Kraus (2000) analyzing LIS-data).

The purpose of this paper, using five waves of the longitudinal dataset CHER for the period 1994-98, is to analyse the impact of family related transfers on children's economic well-being in 14 West European and 2 East European or 2 Visegrad 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.

The remainder of the working paper is organised as follow: A short overview on family policy and its implementation in different welfare regimes (focussing on family related transfers) in European countries is outlined in Section 2. Data, methods and assumptions used to measure the impact of family related transfers are explained in Section 3.

Section 4 gives the empirical results. The final section concludes and highlights the main findings (Section 5).

2. Institutional setting: 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 between as well as among welfare regime types (cf. Esping-Andersen 1990, Leibfried 1992, Headey et al. 1997) 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 (e.g. 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) and by Leibfried (1992) various alternative typologies appear in the literature (see Overview 1 for a selection): The so-called Siaroff-typology is based on the correlation of women's labour market participation and the country's political and religious orientation towards families (Künzler 2000: 124). The 'family of nations concept' (Pfennig & Bahle 2000, Castles 1993) links current family policy to the historical development of the overall idea of social protection in a given country.³

A comparison of the clustering of European countries into these three regime types shows that – except for the special case of Ireland – it is mainly the representatives of the conservative-corporatist welfare regime according to Esping-Andersen's typology (1990) which are grouped differently according to Siaroff and the family of nation concept.

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.

³ Pfennig & Bahle (2000) summarised the criticism in the literature of the welfare regime typology by Esping-Andersen (Esping-Andersen 1990) as follows: "The key to these regimes is decommodification of labour mainly through social security provisions and market regulations. Originally the family was not considered within this approach, but, over the years, various authors have added gender and family perspectives." (Pfennig & Bahle 2000: 1). In fact, Esping-Andersen (1999) himself reacted to this critique with an attempt to integrate these issues into his classification.

Overview 1: Welfare regimes with respect to family policy

<i>Classic welfare typology (Esping-Andersen 1990; Leibfried 1992)</i>	
Liberal	UK, IRE
Conservative-corporatist	B, NL, LUX, FR, GER, AUS, (I)
Social-democratic	FIN, DK (NL)
Rudimentary / Mediterranean / Southern	GR, SP, P, I
<i>Siaroff's welfare typology (Siaroff 1996; Künzler 2000)</i>	
Protestant Liberal	UK
Advanced Christian Democratic	AUS, B, FR, GER, LUX, NL
Protestant Social Democratic	DK, FIN
Late Female Mobilization	GR, SP, P, I, IRE
<i>Family of nation concept (Castles 1993; Pfennig & Bahle 2000)</i>	
Liberal non-interventionist policy	UK, IRE (NL)
Weak welfare state but strong kinship ties	GR, SP, P, I
Child-oriented policy	DK, FIN (NL)
Less developed family-oriented policy	GER, AUS (NL)
Strong developed family-oriented policy	FR, B (LUX)
<i>Eastern Transition countries</i>	
Fragments of a former strong developed family-oriented policy	HU, PL
<i>Note: This overview considers only those countries, which are part of the empirical analyses presented in this paper.</i>	

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 short time span since its introduction long-term effects of these policy changes can hardly be estimated. For this reason 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’, because the governments still made in the early 1990s ‘serious attempts to keep these instruments (i.e., the generous universalistic family related transfers, *amendment made by the authors*) to smooth the effect of the economic downturn on children and families with children’. 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). Furthermore, Hungary and Poland represent countries with different religious backgrounds: While Catholicism is the only important religious affiliation in the Polish society, the Hungarian religious background is much more diversified (catholic, protestant, and others with less importance).

For the various welfare regimes and family models one can observe a different pattern of utilization of the various 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.⁴

⁴ 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

A major problem of empirical research on welfare regimes: The (non-) coverage of (family) policy instruments in micro-data

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 effect of the tax and welfare system is to compare the individual's relative income position given by pre- and post-government income (cf. Büchel & Frick 2001 for an application of this approach). Limitations to this approach come either with missing pre-government income information in many micro-databases (as for the majority of countries in CHER) 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. Eardley et al. 1996). On the other side, 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. Typical cases with generous in-kind transfers (mostly tax-financed) as well as universal cash transfers are the social-democratic welfare regimes (European Commission 2002: 27).

Our empirical analyses are based on micro-data from the CHER-database which in fact does have the limitation to capture family related transfers in cash only. For a better understanding of cross-country and cross-welfare regime differences, Overview 2 gives a systematic comparison of existence and generosity of family related cash transfers as described in the MISSOC information (1997). Common for all countries is that these transfers are either family allowance or maternity benefits (cf. Schmid 1996). 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. Looking at the incidence of the child allowance and as such neglecting its relevance for the disposable income of households at the moment, it appears that child allowances – except for the Southern countries – are a universally granted benefit. 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.

institutional context relevant to *female employment* and *family formation* across European countries. The authors give an extended overview on child care and working time arrangements, plus some information on financial support to families, and basic features of the tax systems.

Summing up, the existence and generosity of family related cash transfers in general reflect Esping-Andersen' welfare regime typology. From the perspective of family policy only two annotations to his typology should be mentioned: First, Italy appears to be a typical representative of the Southern regime rather than a conservative-corporatist welfare state. Among all the European countries considered here, Italy is the one with the smallest scope of family policy elements. This is in line with Voges and Kazepov (1998), who argue that Italy – due to its locally oriented and weakly organized poverty combating policy – belongs to the rudimentary or Southern welfare states. Moreover, comparative empirical poverty analyses on the basis of the European Community Household Panel (ECHP) show poverty incidence and intensity of Italy to be close to the results for the other Southern European countries (cf. Kuchler & Goebel 2003).

Second, 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.

Overview 2: Benefit level of family allowances and maternity benefits

	<i>Child allowance Child allowance (CA)</i>	<i>Maternity related benefits</i>			<i>Other family related transfers</i>			
		<i>Cash maternity benefits (CM)</i>	<i>In-kind Maternity benefits (IM)</i>	<i>Birth grants (BG)</i>	<i>Other allowance (OA)</i>	<i>Specific cases (SC)</i>	<i>Single parent allowance (SP)</i>	<i>Housing allowance (HA)</i>
GR	R	R	R	-	R+U	R+U	R	-
P	R	R	R	U	U	R	-	-
SP	R	R	R	-	-	R	-	-
I	R	R	R	-	-	U	-	-
IRE	U	R+U	U	U	R	R+U	R	-
UK	U	R+U	U	R	R	R	U	R
FR	U	R	R	R	R+U	R	R	R
B	U	R	R	U	-	R	-	-
LUX	U	R	R	R	R+U	R	-	-
NL	U	R	R	-	-	R+U	-	-
AUS	U	R	R	R	R	R+U	-	R
D	U	R	R	-	R	-	R	R
DK	U	U	U	U	U	R	U	-
FIN	U	U	U	U	R	R	U	R
SWE	U	U	U	-	U	-	R	R
HU ¹⁾	U⇒R	?	?	?	U⇒R	?	?	?
PL ²⁾	U⇒R	?	U	?	U⇒R	?	U⇒R	U⇒R
<i>Notes:</i> U = universal , R = Restricted access due to eligibility conditions or means-testing of benefits. -: does not exist for that country. ? : no information available to authors. <i>Sources:</i> MISSOC (1997), 1) Estimation based on Grootaert (1997), 2) Estimation based on UNICEF (2001).								

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, particularly in Italy.

3. Data and Methods

The data used in the analysis are extracted from the CHER database, an ex-post-harmonised longitudinal dataset for the member states of the European Union and three other European countries: Hungary, Poland, and Switzerland covering the 1990s. Currently five waves for the majority of the countries included are available (1994 to 1998). Our analysis makes use of data on 16 countries: Italy, Greece, Spain, Portugal, United Kingdom, Ireland, Luxemburg, Netherlands, Belgium, France, Germany, Austria, Denmark, Finland and two Eastern countries, namely Poland and Hungary.⁵

The analysis population covers all persons with the interview status ‘non-responding child, aged less than 17 years’. Pooling for each country all children from participating households for 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 labour (employed and self-employed), private income (rental income, income from capital and private transfers to the household), as well as pensions and other social benefits directly received. Indirect social transfers (such as reimbursement of medical expenses), income in kind and imputed rents for owner-occupied accommodation are excluded (Marlier & Cohen-Solal, 2000, 7). In order to compare households of different structures and sizes, the disposable income is transformed via the widely-used ‘modified OECD equivalence scale’ into an equivalent income.⁶ For cross-national comparisons of children’s economic position in the income distribution we calculate the relative income position, i.e., the equivalent income standardized by the country-specific mean.

Family related transfers (FRT) 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. This is true e.g. in the United Kingdom, where a system of means-tested benefits is established in order to define for each social group an ‘adequate combination of incentive to work and support’. For the same reason social assistance is also taken into account.

The poverty threshold in the following analysis is given at 50 per cent of the country-specific mean. In order to capture the poverty reducing effect of family related transfers, we use the method of a static micro-simulation. Subtracting FRT from disposable income, we simulate a world without family related transfers and compare income poverty in this simulated world with the one in the “real” world keeping constant the poverty line given in the real world.

⁵ As the construction of the CHER-database is not yet finalized the results of the following analyses may be subject to change. This will most likely be the case for Belgium, where income information is under revision. As such, we refrain from explicitly interpreting the results for Belgium.

⁶ This modified OECD equivalence scale is used to assign the appropriate weight to each household member in the sample. This scale gives the first adult a weight of 1.0, additional adults (at least 15 years of age) a weight of 0.5, and children (up to 14 years of age) a weight of 0.3. Concerning the measurement of poverty, De Vos and Zaidi (1997, 332) carried out income and poverty analyses using this ‘modified OECD equivalence scale’ and compared the results with those of analyses based on the “old” version (1.0; 0.7; 0.3) and a subjective equivalence scale. They conclude that ‘the ranking of the member states in terms of poverty incidence remains largely unaffected by the choice of the equivalence scale.’

To measure poverty, the class of poverty measures by Foster et al. (1984) is used. The FGT family is defined as:

$$P_a(y, z) = \frac{1}{n} \sum_{i=1}^q \left(\frac{z - y}{z} \right)^a$$

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 a is the weighting parameter for the individual poverty gap. Setting the parameter α equal to zero, yields the widely used head-count ratio or poverty incidence (FGT0). If it takes on 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 α which is greater than one ($\alpha > 1$) implies that the poverty measurement is sensitive both towards the poverty incidence and poverty gap (Slesnick, 2001: 159). 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 α for measuring poverty intensity is 2, this measure is also known as the FGT2 measure.

Using adequate regression techniques based on the pooled dataset for 1994 to 1998 we first try to isolate correlates of the dependence of children on FRT at the country-specific level, i.e. the left hand side variable is given by FRT as a share of disposable income. Independent variables in these random effect GLS-regressions cover demographics (e.g. age, household composition, citizenship), labor market (e.g. employment situation within the child's household, affection by unemployment), education of parents, and health status of parents controlling for characteristics which are likely to be linked to the receipt of public transfers. In a second step we concentrate on those children who would be poor in the simulated world without family related transfers and we regress the same independent variable on the *poverty reduction due to the receipt of FRT* – given by the difference in the poverty intensity (FGT2) in the two worlds. Looking at FGT2 gives more insight in the poverty alleviation effect than the FGT0 measure, since it also captures the income change for those children who remain in poverty after receiving these transfers, however, they do improve their income level.

Finally, we make full use of the cross-nationally harmonized information available in the CHER-database by pooling data across all countries in order to check for country and welfare regime effects when simultaneously controlling for individual and household characteristics. 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.

4. Empirical Results

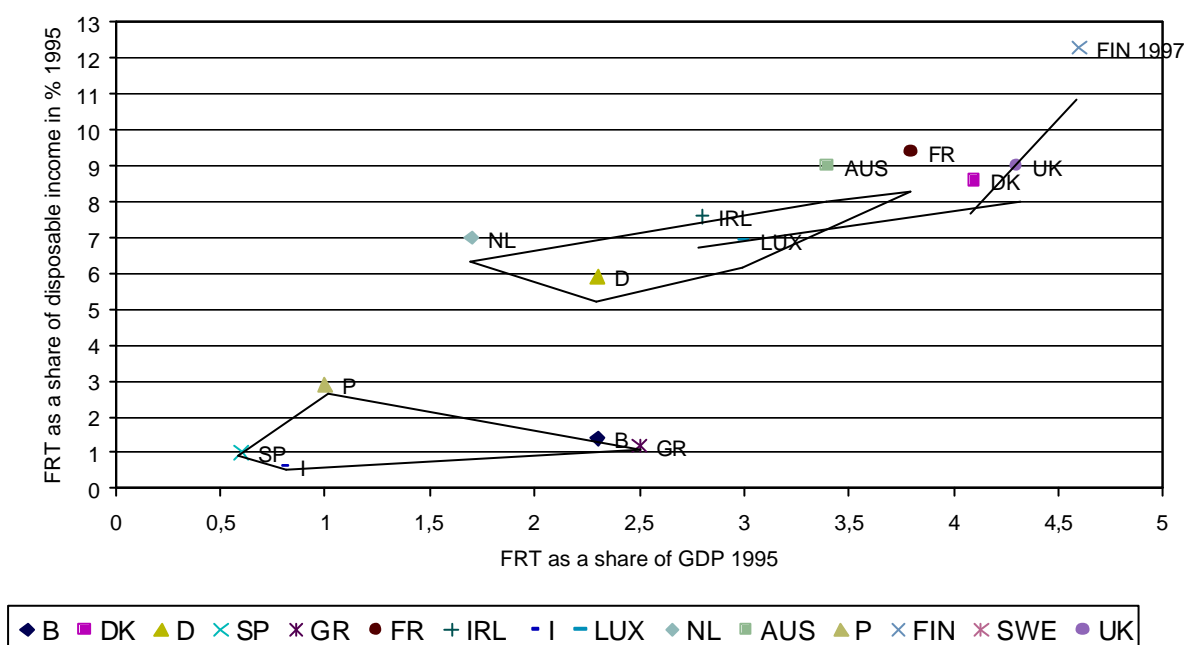
The empirical analysis starts with a descriptive macro-micro link for 1995, comparing the relevance of FRT as a share of GDP (macro-level) on the one hand with its relevance as a share disposable income among the overall population (micro-level) on the other hand. A second section reports child poverty incidence and intensity including the above mentioned micro simulation of a world excluding family related transfers (based on the children

population only). Finally, in order to better understand differences across countries, and even more across welfare regimes, the third part of the empirical section gives results of multivariate regression models.

4.1. The relevance of FRT: A macro-micro link

To obtain a first impression within the scope of comparative welfare regime analyses, the idea is to compare the individual economic outcome with aggregate information given by the society's expenditure on e.g. social protection as a whole. Although such macro-micro links are somewhat hampered by the same methodical problems as described above (neglecting differences among the tax systems, distributional facets and the 'target efficiency' of expenditures, cf. Kim 2000: 134), the picture is mostly a rather clear one: 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 (Tsakloglou & Papadopoulos 2002, Frick et al 2000, Kim 2000).

Figure 1: FRT Micro-Macro Information 1995



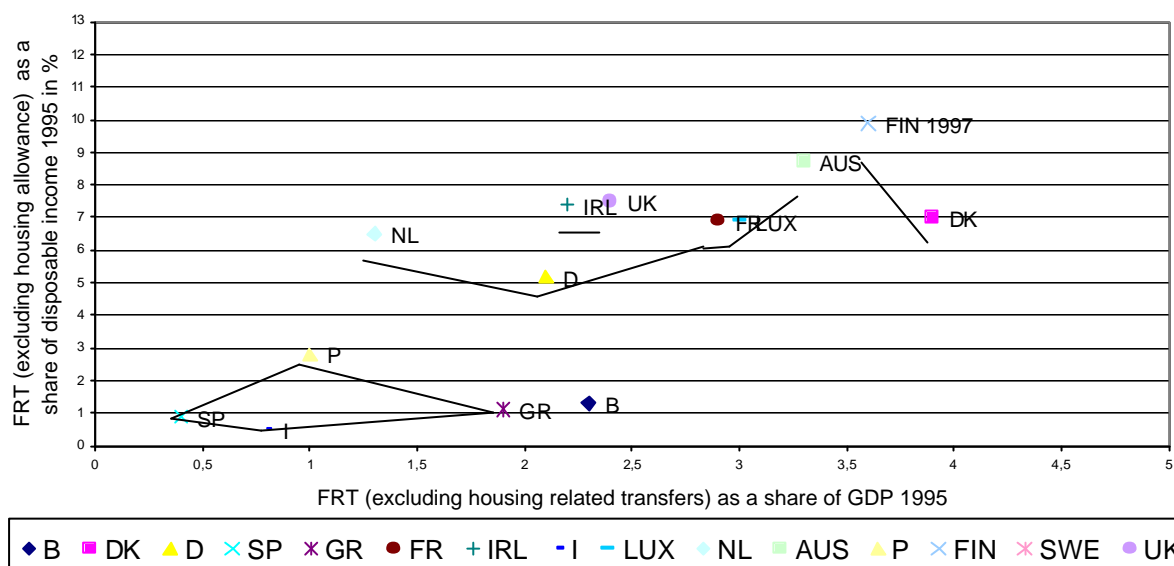
Source: Europäische Kommission 2001; CHER Database 1994-1998 (Delivery December 2002); authors calculation

Drawing from this principle, we can expect a positive correlation of FRT as a share of GDP (macro-level) and FRT as a share of disposable income of the population (micro-level) as given in the CHER database.⁷ Figure 1 proves this expectation to be true – except for the

⁷ The function group or macro information 'family related transfers' in Figure 1 includes "Support in cash or kind (except healthcare) in connection with costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members' (European Commission 2002: 20) as well as accommodation/housing allowances. In contrast to housing allowances, social assistance is not a separate part of expenditures on social protection. It belongs to the overall function group 'social exclusion', which in principle includes a wide range of measures like income-support benefits or transfers for rehabilitation of alcoholics and drug addicts. However, such facets emphasize the necessity of a more differentiated presentation of social expenditures as recently is offered in the publications by the European Commission in order to gain better insight in cross-national differences for specific areas of European social security systems.

rather heterogeneous group of countries in the conservative-corporatist welfare regime. At the aggregate level we find the highest share of FRT for the social-democratic countries, while the countries in the Southern regime represent the other extreme position within all analysed European countries. Moreover, among the representatives of the liberal welfare regime the United Kingdom shows a higher share of family related transfers at the aggregated level than Ireland does.⁸

Figure 2: FRT (excluding housing related transfers) Micro-Macro information 1995



Source: Europäische Kommission 2001; CHER Database 1994-1998 (Delivery December 2002); authors calculation

Since family related transfers on the basis of the CHER data include both, “true” family benefits as well as housing allowances and social assistance, Figure 2 presents the share of family related transfers of disposable income adjusted for housing related transfers. By definition, the results change for all those countries which do provide significant housing allowances⁹, namely for the United Kingdom, France, Germany, Finland and Denmark while the picture changes less for the remaining countries. In general, the exclusion of housing allowances yields a more similar pattern for each welfare regime, e.g., the United Kingdom is moving closer to Ireland’s position, emphasizing the significant impact of housing allowances in the UK, while the picture for the Southern countries changes only marginally. The Netherlands indeed represents a very unique position among European countries as pointed out by Pfennig & Bahle (2000: 2) in their historical analysis on the basis of the family nation concept. Among the conservative-corporatist countries, the Netherlands shows the lowest share of family benefits at the aggregated level, confirming the classification in Overview 2. However, family related transfers as a share of disposable income is similarly high (around 7 per cent) as other countries within this regime type.

⁸ The Eastern countries are excluded from this analysis because of lack of adequate published information at the aggregate level.

⁹ It should be noted that these results are not perfectly in line with those presented in overview 2. While the latter are based on MISSOC data, the data used for these graphical illustrations comes from official EU statistics based on a somewhat wider definition of housing allowances including support for homeownership.

Adding a time dimension to this picture according to material published by the European Commission (2002) the patterns of social expenditure as a whole remained pretty much unchanged during the 1990s in the European Union, although there was some fluctuation in the function groups ‘family benefits or transfers’. “In four countries (the Netherlands, Austria, Finland and Sweden), spending on this item declined over the five years 1994 to 1999, while there was a growth of over 7% a year in Germany, Spain, Ireland, Italy and Luxembourg.” (European Commission 2002: 21).

4.2. Incidence and Relevance of FRT across welfare regimes

Following up on the picture described above, a more differentiated overview on incidence and the relative importance of family related transfers within each country’s total population in 1995 is reported in Table 1. The left column gives the share of FRT recipients in the overall population, the second and third row represent FRT as a percentage share of disposable income among the total population and among FRT recipients, respectively. It is apparent that receipt of FRT is most rare among countries of the Southern welfare regime with the exception of Portugal. While about 50% of the total population in conservative-corporatist countries enjoy these transfers, the social-democratic representatives, Hungary and even the liberal regimes of UK and Ireland show shares of around 60%.

Table 1: Receipt and Relevance of FRT across welfare regimes and countries in Europe, 1995

Welfare Regime	Country	Total population		Population with receipt of FRT
		Share of FRT recipients in %	FRT share of disposable income in %	
„Social-Democratic“	Denmark	58.9	8.6	14.5
	Finland ¹⁾	61.8	12.2	19.7
„Corporatist“	Netherlands	48.2	7.0	14.5
	Belgium	5.0	1.4	27.8
	Germany	51.8	5.9	11.3
	France	48.8	9.4	19.4
	Austria	58.5	9.0	15.4
	Luxembourg	59.3	6.9	11.6
	Switzerland ²⁾	-	-	-
“Liberal”	United Kingdom	55.3	9.0	16.3
	Ireland	71.9	7.6	10.5
„Southern”	Italy	5.3	0.6	10.4
	Greece	11.3	1.2	10.7
	Spain	7.1	1.0	13.9
	Portugal	56.4	2.9	5.1
“Eastern”	Hungary	60.6	14.0	23.1
	Poland	38.0	6.1	16.1
<i>Note:</i> Equivalent disposable income, modified OECD equivalence scale. 1) Year 1996; 2) Information on FRT not available. <i>Source:</i> CHER 2003: Wave 1995, weighted.				

Expect for the case of Portugal (5 per cent), in all countries the share of FRT as a percent of disposable income among FRT recipients is at least 10 per cent. 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 parent households. Table 2 provides information on the distribution of children by household type in 1995. Most remarkable is the large share of children in single parent households in the United Kingdom (19%) followed by 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 “other” household type, which mostly constitute multi-generation families which may serve as a basis for informal care arrangements.

Table 2: Children by household type 1995

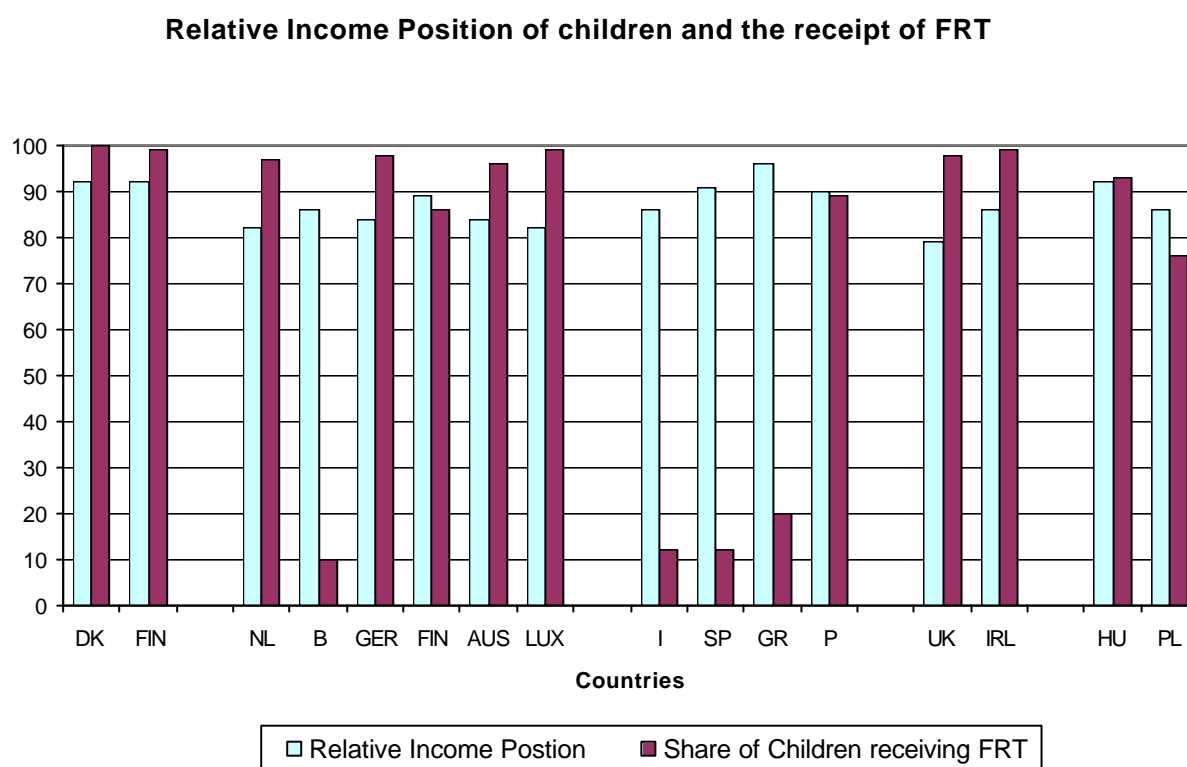
Welfare Regime	Country	Total children population (up to 16 years)			Total (in %)
		Single-parent household	Couple with children	Other	
„Social-Democratic“	Denmark	7.0	90.4	2.3	100.0
	Finland ¹⁾	12.5	85.7	1.7	100.0
„Corporatist“	Netherlands	7.1	92.3	0.6	100.0
	Belgium	10.3	87.6	2.1	100.0
	Germany	10.1	80.0	9.9	100.0
	France	7.1	88.0	4.9	100.0
	Austria	7.9	68.7	23.3	100.0
	Luxembourg	7.0	83.3	9.7	100.0
	Switzerland ²⁾	6.5	89.2	4.4	100.0
“Liberal”	United Kingdom	19.4	79.9	0.7	100.0
	Ireland	8.4	82.8	8.8	100.0
„Southern”	Italy	5.6	85.1	9.3	100.0
	Greece	3.6	78.7	17.7	100.0
	Spain	2.7	80.5	16.7	100.0
	Portugal	5.7	76.9	17.4	100.0
“Eastern”	Hungary	8.0	71.2	20.8	100.0
	Poland	8.8	65.9	25.2	100.0
1) Year 1996; 2) Year 2000. Source: CHER 2003: Wave 1995, weighted.					

4.3. Family Related Transfers, Income Position and Poverty Risk: A descriptive picture

Before turning to the results of our static micro-simulation of a “world without FRT”, Figure 3 gives the country-specific shares of children receiving FRT and their respective relative income position. In line with the universal eligibility for child allowances (see Overview 2) basically all children in the social-democratic, corporatist (with the exception of Belgium), 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. 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.

Figure 3:



Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation

We use a static micro-simulation approach to capture the poverty reducing effect of family related transfers. Simulating a world excluding family related transfers, this effect is calculated for three different poverty measures according to the FGT-family. The upper panel in Table 3 gives the results for this simulation and contrasts them to respective poverty measures in the “real” world (middle panel of Table 3). 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 $\alpha=2$).

Table 3: Static Micro Simulation “Poverty Reduction by FRT” among children 1994-1998

Welfare Regime	“Social-Demo - cratic”			„Corporatist“						“Southern”			“Liberal”		“Eastern”	
	DK	FIN	NL	B	GER	F	AUS	LUX	I	SP	GR	P	UK	IRL	HU	PL
	Poverty in a world without FRT															
Poverty Incidence (FGT $\alpha=0$)	21.9	26.4	22.7	27.2	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	11.9	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	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	25.4	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	10.86	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	6.8	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 (%) <i>Basis: persons identified as poor in the “world without FRT”</i>															
Poverty Incidence (FGT $\alpha=0$)	86.1	82.7	41.3	6.6	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	10.8	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	12.8	70.6	86.8	84.7	86.4	7.3	10.7	20.0	37.7	74.6	72.0	85.9	53.1
<i>Source: CHER Database pooled 1994-1998 (Data Delivery December 2002), authors calculations.</i>																

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 per cent 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 per cent. Italy is last in the overall ranking with a poverty reduction effect of only 7 per cent 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.

4.4. 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 4 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 5). 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 analyse how much cash FRT helps them to alleviate or even leave the (simulated) poverty status.

Independent variables in both models include education level within the household, number of siblings, health status of the adults, and dummy variables indicating single-parent household, immigrant household, unemployed household members, and inactive persons.¹⁰

¹⁰ Standard descriptive statistics for all these variables are reported in the appendix. Some of these variables are rather objective ones and easy to measure like age of youngest child or number of siblings. As such, these variables are highly comparable across countries. Clearly more problematic is the comparability of information on education and health which are measured rather differently in the underlying original surveys used in CHER. However, the function of these variables is not that much to compare e.g. the education level between various countries but rather to control for the effect of a high or low educational attainment as a correlate for the dependency on FRT or the resulting poverty alleviation effect. We are confident that the data are sufficiently reliable for this purpose. One should also keep in mind that the descriptive information in the appendix is based on unweighted data.

Table 4: Country Specific Correlates of Dependence on FRT among Children across Europe 1994-1998

	<i>Denmark</i>	<i>Finland</i>	<i>NL</i>	<i>Belgium</i>	<i>Germany</i>	<i>France</i>	<i>Austria</i>	<i>Lux</i>	<i>Italy</i>	<i>Spain</i>	<i>Greece</i>	<i>Portugal</i>	<i>UK</i>	<i>Ireland</i>	<i>Hungary</i>	<i>Poland</i>
Sibling	4.051** (18.96)	3.609** (17.67)	3.906** (16.93)	0.776** (4.50)	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)	-0.030 (1.19)	-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)	-1.150** (3.21)	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)	0.108 (0.36)	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)	-0.464 (1.26)	-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)	2.313** (5.39)	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)	-1.074** (3.13)	-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)	-0.774** (2.96)	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)	-0.034 (0.10)	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)	-0.060 (1.31)	-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)	18.356** (33.60)	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)	-0.418 (0.83)	-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.
Year 1994	-0.935** (2.60)	n.a. n.a.	-1.359** (3.67)	0.220 (0.81)	-1.157** (4.74)	0.225 (0.87)	n.a. n.a.	n.a. n.a.	0.254+ (1.69)	-0.679** (3.37)	0.130 (0.77)	1.042** (3.66)	-0.129 (0.30)	-0.290 (1.05)	1.387* (2.04)	3.090** (10.43)
Year 1995	0.338 (0.95)	n.a. n.a.	-0.502 (1.39)	0.067 (0.25)	0.201 (0.87)	0.618* (2.45)	-0.274 (0.70)	0.353 (1.05)	-0.372* (2.48)	-0.605** (2.94)	-0.281+ (1.65)	-0.408 (1.45)	-0.209 (0.49)	-0.303 (1.10)	1.304+ (1.93)	1.734** (5.90)
Year 1997	-0.133 (0.36)	-1.489** (5.01)	-0.585 (1.62)	-0.239 (0.88)	4.691** (19.78)	0.507+ (1.94)	-1.898** (4.70)	1.138** (4.39)	0.006 (0.04)	-0.344 (1.59)	-0.103 (0.59)	0.200 (0.70)	1.321** (3.11)	1.331** (4.54)	-0.465 (0.62)	-1.946** (4.82)
Year 1998	-1.435** (3.71)	n.a. n.a.	-1.109+ (1.65)	0.558* (2.01)	5.717** (23.25)	-0.773** (2.62)	-1.548** (3.70)	1.909** (7.17)	0.456** (2.89)	-0.114 (0.50)	-0.036 (0.20)	0.409 (1.37)	0.355 (0.81)	1.312** (4.19)	n.a. n.a.	-3.663** (8.89)
Constant	20.332** (16.39)	38.320** (28.27)	8.203** (5.04)	2.834** (2.87)	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	9465	17961	17721	6989	5244	16524	16487	12334	12843	11455	14523	3840	17657
Groups	2092	2736	3950	2956	5267	4994	2339	1806	4747	4963	3635	3667	3220	4415	1379	7364
R-Squared	.4932	.4483	.3731	.2217	.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%

Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation.

In model 1, estimating the dependency on family related transfers, results are mostly in line with typical poverty risk characteristics for all countries (see Table 4): 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 as living in 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 ownership-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 Poland.

In contrast to the FRT dependency model, the models on the poverty reducing effect (see Table 5) 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. 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, within regime type effects appear to be somewhat more alike than between the different 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 4 and 5 we find children in immigrant households to be *ceteris paribus* somewhat 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 our estimation (exceptions are Luxembourg and Germany), this may relate to restricted eligibility for family related transfers because of the immigrant status.

Table 5: 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*

	<i>Denmark</i>	<i>Finland</i>	<i>NL</i>	<i>Belgium</i>	<i>Germany</i>	<i>France</i>	<i>Austria</i>	<i>Lux</i>	<i>Italy</i>	<i>Spain</i>	<i>Greece</i>	<i>Portugal</i>	<i>UK</i>	<i>Ireland</i>	<i>Hungary</i>	<i>Poland</i>
Sibling	2.909** (5.59)	0.731+ (1.90)	8.316** (11.83)	0.984* (2.12)	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)	-0.168* (2.38)	-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)	-0.782 (0.67)	-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)	-3.038** (2.75)	-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)	-4.840** (3.93)	-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)	1.170 (0.95)	-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)	-1.304 (1.03)	-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)	-1.262 (1.17)	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)	n.a. n.a.	n.a. n.a.
Good Health	1.166 (1.13)	-3.415* (2.41)	-2.466 (1.22)	1.681 (1.16)	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)	n.a. n.a.	n.a. n.a.
Min age HH	-0.486** (2.71)	-0.715** (3.94)	1.765** (8.06)	-0.063 (0.43)	-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)	50.998** (31.18)	-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)	-3.376* (2.36)	-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)	n.a. n.a.	n.a. n.a.
Year 1994	-0.227 (0.19)	n.a. n.a.	7.204** (4.80)	-1.237 (0.95)	-0.957 (0.91)	-3.065** (4.47)	n.a. n.a.	n.a. n.a.	-0.103 (0.10)	0.394 (0.40)	0.436 (0.29)	-1.581 (1.58)	-3.058** (2.82)	0.392 (0.40)	-0.478 (0.34)	0.462 (0.42)
Year 1995	1.256 (1.08)	n.a. n.a.	1.042 (0.74)	-2.239+ (1.67)	-1.245 (1.33)	-1.434* (2.12)	-4.356** (4.32)	-0.335 (0.22)	-2.066+ (1.92)	0.788 (0.77)	1.597 (1.03)	-1.620+ (1.67)	0.032 (0.03)	-2.281* (2.41)	0.382 (0.28)	-3.799** (3.45)
Year 1997	1.702 (1.37)	-2.262** (3.25)	11.289** (7.87)	-1.103 (0.79)	7.551** (7.83)	-0.941 (1.33)	1.754 (1.62)	-1.015 (0.95)	-1.413 (1.27)	-3.100** (2.93)	-0.828 (0.51)	1.332 (1.32)	-2.867** (2.66)	4.216** (4.13)	-2.961* (2.00)	n.a. n.a.
Year 1998	1.261 (0.97)	n.a. n.a.	9.534** (5.09)	3.584** (2.67)	10.461** (10.54)	-4.798** (5.93)	1.473 (1.31)	0.745 (0.68)	1.681 (1.46)	-1.087 (0.99)	0.304 (0.18)	3.255** (3.06)	-4.767** (4.29)	2.208* (1.99)	n.a. n.a.	n.a. n.a.
Constant	95.450** (28.73)	95.654** (35.53)	45.682** (9.50)	16.051** (5.53)	77.181** (28.27)	100.142** (38.57)	90.797** (33.74)	99.068** (25.63)	6.479** (3.00)	11.749** (6.53)	-9.414** (2.89)	46.230** (14.84)	83.386** (27.30)	58.992** (22.86)	86.288** (21.77)	77.086** (23.66)
Observations	1073	1106	2840	2346	4305	5928	2301	1671	3656	4566	2806	5006	4178	4437	1451	4054
Groups	549	793	1259	1254	1932	2214	1126	713	1730	2077	1336	1811	1564	1802	693	2223
R-Squared	.1633	.0844	.1415	.4519	.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%

Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation.

4.5. 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, we pool all observations across all 16 countries and 5 welfare regimes, respectively. In addition to the independent variables used above, we include country-dummies 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.¹¹ Tables 6 and 7 show results for both models, dependence on FRT and reduction of poverty intensity, respectively (left column: ‘country-model’; right column: ‘regime-model’). As not to disturb the overall results because of differences in the country-specific number of observations we re-weight in such a way that each country contributes 1/16 of the total observations. In all models given in Tables 6 and 7, both, country and welfare regime effects produce statistically significant effects after controlling for the socio-economic characteristics¹². The results for the latter are as expected and basically in line with the results presented for the country-specific estimations.

Concerning both models, the one on FRT-dependence and the one on poverty reduction, we find 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. Although the effects for Poland and Hungary appear to contradict in the “country models”, the overall effect in the “welfare regime model” indicates that the Eastern system (still) does a fairly successful job when it comes to reducing poverty.

Overall, it turns out that the variance explained in the “country-model” is essentially higher than in the “regime-model” regression. The variation of family related transfers on children’s economic well-being and the resulting poverty reduction effect obviously can be explained better by country-specific than by welfare regime characteristics.

This result should not come as a surprise, given that the overview on scope and variation of family related transfers across countries belonging to the same welfare type has shown similarities only for the two most central elements of family related transfers: child allowance and maternity benefits, whereas “other family allowances” differ considerably across countries.

¹¹ See Tsakloglou & Papadopoulos (2002) for a comparable approach estimating the probability of social exclusion across European countries based on the ECHP-data.

¹² These estimations were accomplished with the software package Stata. Due to the weighting procedure a random-effects GLS model could not be successfully applied. As such, we estimated pooled OLS regression models using the cluster-option, i.e., correcting the mis-specified standard errors due to the repeated observation of the same units over time.

Table 6: Correlates of FRT Dependence controlling for Country and Regime Effects

	“Country-Model”	“Regime-Model”
Sibling	4.114** (54.15)	3.799** (46.41)
Max age HH	-0.092** (16.63)	-0.105** (17.21)
Unemployed	3.593** (24.32)	2.808** (16.93)
Inactive	5.009** (42.47)	4.380** (35.58)
Owner	-3.605** (25.50)	-3.004** (19.66)
Low education	3.357** (21.20)	3.240** (19.17)
High education	-2.935** (23.44)	-3.203** (24.85)
Bad Health	0.698** (6.37)	1.457** (12.66)
Good Health	-0.385* (2.57)	-0.540** (3.73)
Min age HH	-0.386** (28.48)	-0.436** (30.04)
Lone parent	21.417** (51.86)	21.882** (52.64)
Immigrant	0.610** (2.66)	1.017** (4.19)
Denmark	3.741** (13.31)	-
Finland	10.426** (31.60)	-
Netherlands	0.403 (1.28)	-
Belgium	-9.466** (35.36)	-
France	4.359** (15.20)	-
Austria	6.043** (19.23)	-
Luxembourg	0.601* (2.07)	-
Italy	-10.618** (46.47)	-
Spain	-10.488** (44.68)	-
Greece	-8.624** (35.74)	-
Portugal	-6.991** (24.23)	-
UK	3.475** (9.78)	-
Ireland	-4.784** (14.95)	-
Hungary	14.857** (28.26)	-
Poland	-4.103** (15.38)	-
Liberal Regime	-	-0.725** (3.12)
Social-democratic Regime	-	4.373** (23.28)
Southern Regime	-	-9.338** (64.38)
Eastern Regime	-	5.463** (17.07)
Constant	12.602** (41.53)	14.542** (50.00)
Observations	188604	188604
Groups / Cluster	59530	59530
R-squared	0.3742	0.3055
Absolute value of z-statistics in parentheses. + significant at 10%; * significant at 5%; ** significant at 1%		

Note: Results from clustered OLS Regression models with countries being weighted equally. Years of Observation are controlled, but not reported in table.

Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation.

Table 7: “Poverty Reduction” due to FRT controlling for Country and Regime Effects*Basis: Population of children identified as poor in a fictitious world without FRT*

	“Country-Model”	“Regime-Model”
Sibling	3.569** (27.24)	3.481** (21.04)
Max age HH	-0.122** (6.50)	-0.165** (7.66)
Unemployed	-0.561 (1.60)	-4.864** (10.56)
Inactive	-0.457 (1.37)	-0.906* (2.17)
Owner	-2.310** (6.45)	-2.855** (6.41)
Low education	-1.070** (2.76)	-1.945** (4.01)
High education	-1.762** (3.35)	-8.524** (11.37)
Bad Health	0.627+ (1.96)	1.273** (3.10)
Good Health	-1.173* (2.57)	-2.793** (4.91)
Min age HH	-0.163** (3.34)	-0.442** (7.68)
Lone parent	7.913** (14.60)	8.324** (15.41)
Immigrant	-3.508** (6.34)	2.609** (3.25)
Denmark	14.827** (18.26)	-
Finland	16.153** (19.30)	-
Netherlands	-1.798+ (1.84)	-
Belgium	-63.596** (57.61)	-
France	7.669** (10.25)	-
Austria	7.091** (7.89)	-
Luxembourg	9.776** (9.74)	-
Italy	-67.118** (79.55)	-
Spain	-63.919** (80.26)	-
Greece	-57.240** (53.87)	-
Portugal	-41.110** (44.63)	-
UK	-6.121** (7.20)	-
Ireland	-9.125** (10.68)	-
Hungary	9.237** (8.10)	-
Poland	-22.209** (22.32)	-
Liberal Regime	-	0.297 (0.44)
Social-democratic Regime	-	16.797** (25.97)
Southern Regime	-	-47.150** (68.28)
Eastern Regime	-	5.349** (5.65)
Constant	79.435** (82.96)	78.727** (76.06)
Observations	51724	51724
Groups / Cluster	23076	23076
R-squared	0.5786	0.4045

Absolute value of z-statistics in parentheses. + significant at 10%; * significant at 5%; ** significant at 1%.

Note: Results from clustered OLS Regression models with countries being weighted equally. Years of Observation are controlled, but not reported in table.

Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation.

5. Concluding Summary

Using five waves (1994 to 1998) of the ex-post harmonized longitudinal dataset CHER, we analyze the impact of family related transfers on children's economic well-being in 14 West European countries and 2 East European countries. Given the link of family policy to poverty combating policy, we apply a wider definition of family related transfers, namely the sum of family cash benefits, housing allowance and social assistance as to allow for a better comparability across countries and welfare regimes.

Based on a static micro simulation model we compare the results for a simulated world without family related transfers with those in the "real" world to capture the dependency on FRT and the reduction of poverty intensity (given by $FGT_{\alpha=2}$) by means of FRT. Not surprisingly, for all countries and across all five welfare regimes analysed (social-democratic, conservative-corporatist, liberal, Southern and Eastern countries) we find poverty incidence and poverty intensity in a world excluding family related transfers to be considerably higher than in the "real" world. However, there is huge cross-national variation: the most successful countries in terms of reducing child poverty by means of family related transfers are the representatives of social-democratic welfare regimes: Denmark and Finland. In contrast, the other extreme position among European countries is taken by the Southern countries, in which the basic family related transfers – child allowances and maternity benefits – are means-tested, while the other European countries have at least universal child allowances as well as partly means-tested benefits. 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, our results indicate that the Eastern countries are 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 poverty than countries with a low organized family or combating poverty policy. Furthermore, multivariate analyses have shown that in all countries children living in households with characteristics which are typically associated with above-average poverty risks are also more likely to profit more from family related transfers: this is true for multi-children families, single parent households, households with economically inactive persons of prime age, and children with low educated parents. Other socio-economic characteristics like bad health status, and living in an immigrant household prove to be more significant correlates of FRT dependency in countries representing social-democratic and corporatist welfare regimes.

Most interesting are results within and across welfare regimes. Pooled regression analyses covering all countries and welfare regimes 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 true in particular for the corporatist welfare regimes with their complex mix of means-tested and universal benefits. Esping-Andersen (1999, 2001) uses the “path dependency” concept to explain the way in which welfare regimes may react to today’s challenges caused by socio-economic changes (such as increasing female labor force participation, labor market flexibilization, declining fertility rate, and decline of the male breadwinner system). The basic idea is that in each regime existing institutions and the persons living within those safeguard the system with its characteristic norms and features and thus protect their own interest.¹³

Future research needs to consider that such country-specific phenomena are certainly not restricted to public transfers in cash only. Differences also arise from the regulation of the national tax systems and the provision of in-kind transfers to target groups of family policy. In this respect micro-data often is severely limited. However, as to improve our understanding of the link between the institutional framework and individual outcomes, there is ample room for improving the quality and transparency of aggregate or macro-data. Along those lines, the inclusion of indicators targeting at outcomes of family policy at national or regional level (e.g., child care provision and its take-up for children up to three years of age) would enhance our micro-approach as this may help to discriminate “true” cross-national differences from institutional differences or any policy relevant structures. In other words, the better the quality of such meso-level indicators on policy outcomes, the smaller the significance and relevance of country or welfare regime effects in a model specification like the one presented in this paper – which at best are proxies for a given national policy. Last but not least this will also improve the comparability of empirical analyses across countries and welfare regimes and as such it would enhance the significance of analyses targeting at policy assessment.

¹³ However, this view is somewhat criticised by Koopmans & Schippers (2003) by arguing that countries may implement political changes which may prevent them to be continuously classified to a certain welfare regime type. A prominent example here is the Netherlands, where elements of the social democrat and the corporatist world are being successfully combined.

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Appendix:

Table A1: Mean of Regression Variables

	Denmark	Finland	NL	Belgium	Germany	France	Austria	Lux	Italy	Spain	Greece	Portugal	UK	Ireland	Hungary	Poland
Siblings	1,065	1,339	1,236	1,228	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	39,6	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	0,169	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	0,277	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	0,742	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	0,185	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	0,510	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	0,303	0,565	0,461	0,328	0,086	0,467	0,398	0,217	0,584	0,421	0,258	n.a.	n.a.
Good health	0,408	0,130	0,091	0,132	0,041	0,084	0,218	0,033	0,081	0,090	0,501	0,011	0,095	0,304	n.a.	n.a.
Minimum age in HH	5,5	6,1	6,4	6,3	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	0,089	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	0,112	0,220	0,114	0,086	0,502	0,017	0,017	0,009	0,022	0,080	0,017	n.a.	n.a.
Year 1994	0,226	n.a.	0,205	0,212	0,197	0,226	n.a.	n.a.	0,220	0,252	0,242	0,217	0,204	0,263	0,308	0,240
Year 1995	0,217	n.a.	0,202	0,203	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	0,180	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	n.a.	0,197	0,214	0,204	0,175	0,223	0,255	0,180	0,159	0,162	0,182	0,196	0,151	n.a.	0,155
FRT as a share of DI	15,1	21,3	14,0	2,8	13,6	18,8	18,7	14,9	1,4	1,9	2,0	7,6	19,3	11,4	26,6	11,4
Poverty rate “real world” (50% Mean)	3,4	4,5	12,1	23,4	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 (50% Mean)	15,8	22,5	20,6	25,0	24,3	33,5	32,9	31,9	22,1	27,7	22,7	39,0	36,4	30,5	37,8	33,7
Observations	6845	4914	13802	9465	17961	17721	6989	5244	16524	16487	12334	12843	11455	14523	3840	17657
# of persons	2092	2736	3950	2956	5267	4994	2339	1806	4747	4963	3635	3667	3220	4415	1379	7364

Source: CHER Database 1994-1998 (Delivery December 2002); authors calculation