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Differences in Social Transfer Support and Poverty for Immigrant
Families with Children: Lessons from the LIS *

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Differences in Social Transfer Support and Poverty for Immigrant Families with Children: Lessons from the LIS

Abstract

Social vulnerability due to insufficient income and earnings may come from many sources, both demographic and economic, in a globalizing world. Many believe these problems are most acute for immigrants, especially the children of immigrants. This paper examines poverty status and social transfer support for immigrant families with children in the United States, Australia, Canada, and Europe using the LIS (Luxembourg Income Study) database and some additional countries from the European Community Household Panel (ECHP) database. In this paper, we examine poverty status and social transfer support for immigrants and their children in 15 rich countries. While we cannot measure majority-minority access to education or health care systems, we assume these follow the same pattern as do cash and near cash benefit programs.

We construct relative measures of income poverty based definitions of income that both exclude and include government redistribution. These measures provide insight into relationship between redistribution, poverty, and immigrants-minorities in a cross-national perspective. In particular, our estimates of cross-nationally equivalent measures of poverty provide an opportunity to compare the design and effectiveness of the mix of immigration, social, and antipoverty policy in one nation with the experiences of other nations.

Every nation has its own idiosyncratic incentives and policies, which reflect its values, culture, institutions, and history. While best practices may be identified, creates its own set of mutually interactive policies which provide protection against global economic forces while at

the same time encouraging self effort and efficient behavior, especially in the labor market for both immigrant and on-immigrant populations.

Our analysis reveals considerable cross-national variation in the degree of success and failure in alleviating poverty and inequality in the presence of shared pressures related to globalization, job instability and migration. *In particular, we find that differences in poverty and income support vary much more by nation of destination than they do by immigrant and non-immigrant status.* These results must be interpreted with care due to the uneven definitions of ‘immigrant’ and ‘minority’ across nations, but they suggest that national policy can and does make a difference in alleviating child poverty amongst immigrant and non immigrants alike.

I. Introduction

“Immigrant” and minority economic and social outcomes are an increasingly important and controversial issue in industrialized countries. Much of the controversy is concerned with how government policy influences the composition of incoming immigrant cohorts and how it shapes the behavior and outcomes of immigrant cohorts that has already arrived. Government efforts to alleviate poverty and inequality are often at the center of debates about how to promote the integration of immigrants into a host society. Some analysts argue that the very availability of government redistribution discourages immigrant integration because it increases the number of low skill migrants entering immigrant cohorts, and reduces incentives for immigrants to invest in host-country specific human capital after they have arrived (Borjas, 2006, 2007). Some see a race to the bottom whereby countries systematically reduce benefits so as not to attract hordes of immigrants who will become benefit dependant (Menz, 2006; Sapir, 2006; Sassen, tba). Other analysts contend that immigrant poverty is itself a barrier to integration because it facilitates the exclusion of immigrants from various social aspects of the host-country and promotes a fragmented and intolerant society (Parsons and Smeeding, 2006). In either case, the extent to which immigrants and natives receive differential benefits from government income redistribution is important to the study of immigration both across and within countries.

In this paper, we examine poverty status and social transfer support for immigrants and their children in 12 countries. We use data from the Luxembourg Income Study (LIS) and the European Household Community Panel (ECHP) to construct relative measures of income poverty based definitions of income that both exclude and include government redistribution. These measures provide insight into relationships between redistribution, poverty, and immigration in a cross-national perspective. In particular, our estimates of cross-nationally

equivalent measures of poverty and inequality provide an opportunity to compare the design and effectiveness of the mix of immigration, social, and antipoverty policies in one nation with the experiences of other nations. Our analysis reveals considerable cross-national variation in the degree of success and failure in alleviating poverty and inequality in the presence of shared pressures related to globalization, job instability, population aging, and migration. These results must be interpreted with care. Every nation has its own idiosyncratic incentives and policies, which reflect its values, culture, institutions, and history. And while there is evidence of internationalization in the design and evaluation of social policy, national social policies continue to differ substantially in ways that are important to the analysis of the social outcomes experienced by different groups (Banks et al., 2005).

The paper unfolds in several parts. We begin by reviewing international concepts and measures of immigrant/minority status, and of relative income poverty. In doing so, we identify a number of markers that we can use to examine the success and failure of antipoverty policy in a cross-national context. We also look at the ways in which immigrants affect poverty and how they are affected by policy. We conclude with a discussion of the relationship between policy differences and outcome differences among the several countries, and consider the implications of our analysis for research and for antipoverty policy.

While all nations value low poverty, high levels of economic self-reliance, and equality of opportunity for younger persons, they differ dramatically in the extent to which they reach these goals. Most nations have remarkable similarities in the sources of national social concern: births outside of wedlock and lone parent families; unstable employment; low fertility rates; low wages; rising immigration rates, and the questionable sustainability of social expenditures in the face of rapid population aging and rising medical care costs. They also exhibit differences in the

extent to which working age adults mix economic self-reliance (earned incomes), family support, and government support to avoid poverty. The correct course or set of policies for any one nation depends on the immigration and anti-poverty policy issues which it deems to be most important. Clearly, the ‘right’ solution depends on the institutions, culture, politics, and feasibility constraints under which it finds itself.

But still our results suggest that we take the position that country specific policies can and do make a difference in the material living conditions faced by immigrants and majorities. We find that generous countries with strong redistributive welfare states have strong anti-poverty policies that help alleviate material deprivation for both immigrant-minorities and majorities within each country. Countries that have weak redistributive welfare states have smaller effects on both majority and minority poverty. Further, our data do not yet suggest a race to the bottom in confining benefits to majority only citizens or cutting benefits for immigrants and minorities.

II. Cross-National Comparisons of Poverty: Methodology and Measurement

There is considerable agreement on the appropriate measurement of poverty in a cross-national context. Most of the available studies and papers share many similarities that help guide our methodological strategy. Differing national experiences in social transfer and antipoverty programs provide a rich source of information for evaluating the effectiveness of alternative social policies in fighting poverty. While most rich nations share a concern over low incomes, poverty measurement began as an Anglo-American social indicator. In fact, “official” measures of poverty (or measures of “low income” status) exist in very few nations. Only the United States (U.S. Bureau of the Census 2003b) and the United Kingdom (Department for Work and Pensions 2007) have regular “official” poverty series. In Canada there is a series of Low Income Cutoffs

(LICOS) which are often debated but never formally introduced as national guidelines (Statistics Canada, 2005). In Northern Europe and the Nordic countries the debate centers instead on the level of income at which minimum benefits for social programs should be set and on “social exclusion” (Atkinson et al. 2002). Most recognize that their national social programs already ensure a low poverty rate under any reasonable set of measurement standards for natives at least (Björklund and Freeman 1997). The case of immigrants is less well known in all of these nations, though the same poverty lines are used for all residents of a country, immigrants or majority citizen.

While there is no international consensus on guidelines for measuring poverty, international bodies such as the United Nations Children’s Fund (UNICEF), the United Nations Human Development Report (UNHDR), the Organization for Economic Cooperation and Development (OECD), the European Statistical Office (Eurostat), the International Labor Organization (ILO) and the Luxembourg Income Study (LIS) have published several cross-national studies of the incidence of poverty in recent years. A large subset of these studies is based on LIS data.¹

For purposes of international comparisons, poverty is almost always a relative concept. A majority of cross-national studies define the poverty threshold as one-half of national median income. In this study, we use the 50 percent of median income standard to establish our national poverty lines. We could have selected 40 percent of national median income as our relative poverty threshold because it is closer to the ratio of the official United States poverty line to median United States household (pre-tax) cash income (35 percent in 1997 and below 30 percent of median since 2000),² but we have decided to stay with the conventional level in most of our analyses. Alternatively, the United Kingdom and the European Union have selected a poverty

rate of 60 percent of the median income (Atkinson et al. 2002; Bradshaw 2003). The results we show at the 50 percent poverty standard can be generalized to the lower poverty standard of 40 percent or the higher 60 percent levels (see Smeeding, Rainwater, and Burtless 2001). The Canadian LICOS have most recently been set at 50 percent of the median as well (Statistics Canada, 2005).

While some nations like to think of themselves as using an “absolute” poverty measure, there is no one absolute poverty measure. All poverty measures are, in some sense, relative and are chosen to be appropriate for the context in which they are used. The World Bank and the United Nations Millennium Development movement define poverty in Africa and Latin America using an income threshold of \$1 or \$2 per person per day, and in Central and Eastern Europe a threshold of \$2 or \$3 per day (Ravallion 1994; 1996). In contrast, the absolute United States poverty line is six to 12 times higher than these standards and the European poverty line is another 70 percent higher than the United States line (Smeeding, 2006). In order to have a picture of how the different countries’ poverty levels compare in absolute terms, we would have to pick some type of absolute poverty line. And, because real incomes differ substantially, different absolute poverty lines would apply. One might even go so far as to compare immigrants in their destination vs. origin nations, though we do not do so in this paper.

In the United States the income of migrants are mainly believed to be higher than in their source nation (Lerman,2003; Haskins, 2008), but it is not clear how these incomes would compare to poverty rates of immigrants in their native nations using either appropriate relative or ‘absolute’ lines in those source countries. In any case, as with many types of comparisons, the counterfactual situation for immigrants’ economic situation in the destination country depends on any number of factors including the voluntariness of the migration.

Measurement Issues

Comparisons of poverty across nations with LIS are based on many choices. A poverty line, a measure of resources such as (market and disposable) incomes, an equivalence scale to adjust for family size, and in some cases exchange rates for conversion to real terms are all important precursors to accurate cross-national measurement of poverty status. We assess the poverty rate (percent of persons who are poor) for all citizens and especially for minorities as follows:

- Poverty is based on the broadest income definition that still preserves comparability across nations. The best current definition is disposable cash and near cash income (DPI) which includes all types of money income, minus direct income and payroll taxes and including all cash and near cash transfers, such as food stamps and cash housing allowances, and refundable tax credits such as the earned income tax credit (EITC).^{3,4} In determining the antipoverty effects of social transfers and tax policy, we also use a measure of “before-tax-and-transfer” market income (MI), which includes earnings, income from investments, private transfers, and occupational pensions.⁵
- In tracing the effects of income transfer policy from MI to DPI poverty and from MI to DPI inequality, we determine the combined effects of two bundles of government programs: Social Insurance and Taxes (including all forms of universal and social insurance benefits, minus income and payroll taxes) and Social Assistance (which includes all forms of income-tested benefits targeted at poor people, including the EITC). Again, in making these poverty comparisons for all persons and for groups, we use poverty lines of half of median DPI anchored or fully relative, for all persons throughout.⁶
- For international comparisons of poverty and inequality, the “household” is the only comparable income-sharing unit available for almost all nations. While the household is the unit used for aggregating income, the person is the unit of analysis. Household income is assumed to be equally shared among individuals within a household. Poverty rates are calculated as the percentage of all persons of each type who are members of households of each type with incomes below the poverty line. We also calculate the poverty rate children (17 and under) regardless of their living arrangements.
- A variety of equivalence scales have been used in cross-national comparisons in order to make comparisons of well-being between households with differing compositions. Equivalence scales are used to adjust household income for

differences in needs related to household size and other factors, such as the ages of household members. In the United States poverty literature, a set of equivalence scales is implicit in the official poverty lines, but these are neither consistent nor robust (Citro and Michael 1995). For the cross-national analysis of *relative* poverty rates, however, we use a consistent scale, which is much more commonly used in international analyses. After adjusting household incomes to reflect differences in household size, we mostly compare the resulting adjusted incomes to the 50 percent of median poverty line. The equivalence scale used for this purpose, as in many cross-national studies, which include both children and elders, is a single parameter scale with a square-root-of-household-size scale factor.⁷

We do not address mobility in or out of poverty across or within generations or immigrant groups. Researchers have shown that both income and family structure affect children's life chances and thus, the real income level of children and their parents is of serious social concern (Sigle-Rushton and McLanahan 2004; Duncan et al. 1993). The question of mobility in and out of poverty requires the use of longitudinal micro data. All of the comparisons in this paper are based on cross-sectional data, not longitudinal data. In fact, several recent cross-national poverty studies suggest that mobility in and out of poverty is lower in the United States than in almost every other rich country (Bradbury, Jenkins, and Micklewright 2001; Goodin et al. 1999; Duncan, et al. 1993).

Definitions of Immigrants and Minorities

The definitions of immigrant which we find in the LIS data are termed 'minorities' and are not all completely consistent. The differences reflect historical, political, social and economic judgments made by each nation.

Definition one: "born outside the survey country", United States, Canada, Italy, France

Definition two: "non-national", Australia, Germany, Sweden

Definition three: "multiple national", Austria, Belgium, Portugal

Definition four: “non white or minority”, United Kingdom

Definition five: “Swedish speaking”, Finland

By far the least satisfying definition is that used in the United Kingdom, where immigrant status is not at all identified. But we must leave the UK as is on this paper as we have no choice given the available data. Readers should also know that we do not separate native born American blacks from immigrants in this paper; rather they are included in the majority definition. In later drafts, we plan to separately examine native and non-native black minorities. Definition three is taken from the Eurostat’s 1994 national samples in the ECHP which asks respondents about their current region and country relative to the one in which they were born. In contrast, the 2004 definition in the new EU Survey of Income and Living Conditions (EU-SILC) asks the following in all nations: 1. what was your country of birth? And then, if not same as country of survey, 2. Do you hold one or two (+) citizenships? This will effectively combine definitions 2 and 3 above for all EU nations from 2003 forward and will be available from LIS later in 2008. For now, we must go with what we have. We also include Finland, though the vast number of ‘minority’ status households in Finland are “Swedish speaking’ and thus has little meaning in this context.

We have also added two national datasets which are from the ECHP but which are not yet included in LIS: Portugal, and Austria.⁸ The reader must take note that several ECHP files are used in both LIS and the three non LIS countries. The problem with the ECHP is the same as with all ‘long’ panels: the sample is drawn from a household roster in 1994, and thus no minorities who have emigrated since then were included unless they joined a sample household in the original panel. This reduces the number of households included and excludes most recent immigrants. Survey attrition and low immigrant response rates have led us to exclude Spain, Ireland and Greece as the samples are too small to report. As shown in Appendix Table the

smallest samples we do include are for the three ECHP nations: Belgium in LIS (91 minority households); Portugal (100) and Austria (203). Thus ECHP households are separated in our final analysis from other datasets with more recent immigrants included. We find support for our basic hypotheses even when these nations are excluded. Later this year, when we add EUSILC nations to this paper, more recent immigrants will be included. The full cell counts for all datasets used here are reported in Appendix Table 1.

Minorities in Our Sample. These differences are apparent in Table 1 where we present estimates of the weighted percent of households which are minority or immigrant. While on average, 8.2 percent of the populations studies are “minority or immigrant” there is considerable variation in the percentage of minorities/immigrants in these national samples, owing to several factors, including sampling frames, types of surveys and how immigrants and minorities are counted. The German panel, in contrast to the ECHP, added a ‘booster’ sample of immigrants in the 1990s and followed them as part of their survey. Thus immigrant counts in Portugal, Italy and Austria are low and reflect older immigrants, while Germany is more representative of the current immigrant population. If the sampling frame is household addresses, the data will include both legal and illegal immigrants, assuming that the latter responds as much as do the former. Indeed, the United States estimates of illegal immigrants, termed ‘undocumented aliens’, are based on the CPS samples which underlie the United States data employed here (Passel, 2006). Other sampling frames may include only registered immigrants.

In Australia, we estimate that minorities represent about 27 percent of the population (remember that these are ‘non-Australians’ who include both non-naturalized and naturalized citizens). This compares to about 11 percent in Canada (where naturalized citizens are counted as minorities as well as non naturalized), 8 percent in Germany , and 7 to 13 percent in the United

States, depending on whether foreign born, but naturalized immigrants are included in definition of minority. The more inclusive definition corresponds most closely to Australia and Canada, but includes undocumented immigrants in the United States and perhaps also in Australia and Canada, though we are not certain of the extent of these phenomena at this time.⁹

In the United States we can use two definitions with our data: pure un-naturalized immigrants or a broader definition which also includes immigrants who have been naturalized and made citizens. Both definitions provide the same result that the United States has a weak welfare state for both types of immigrants as well as for majority units, and therefore strengthens our findings. The percent of immigrant-minority therefore varies from the high (27) percent observed in Australia all the way down to 2 percent in Portugal and Italy. The ECHP dataset nations within and outside of LIS (Portugal, Austria, and Belgium) have estimates of minority households, from 8 percent in Austria to 5 percent in Belgium down to 2 percent in Portugal. The other countries range from 4 percent in Sweden on upwards.

III. The Literature and the Data

There is a fairly large and recent literature on poverty and inequality and the welfare state amongst European Union (EU) nations (e.g., Micklewright and Stewart, 2001; Atkinson, et al, 2002; Marlier, 2008) since the release of the ECHP in the mid 1990s. We cannot and do not measure ‘social exclusion’ here (see Arriba and Moreno, 2002; Dennis and Guio, 2003) despite the fact that its immigrant native features might be appealing because such measures are not available outside of the EU. As far as the welfare state is concerned, emergence of elder safety nets has helped this group enormously in all nations, but left families and children—both majority and minority—at risk (Marlier, 2008). Studies of the level and dynamics of poverty

suggest that labor market issues, especially high and persistent unemployment and short term job contracts are as much of a problem as are low wages for natives (Amuedo-Dorantes, and Serrano-Padial. 2005). But far less is known about immigrants and minorities and their access to welfare state transfers in cash or in kind (health and education).

There is a vast international literature on labor markets and work by legal and illegal immigrants and natives, and that literature shows that immigrants can sometimes reduce wages and job opportunities of natives (e. g., see Borjas, 2006; Borjas, Grogger and Hanson, 2007 for the United States). But in other nations, immigration is shown to have no effect on unemployment rates (see Islam, 2007 on Canada). The comparative literature is sparser but covers the United States and Canada where Canadian immigration policy leads to higher educational and better job outcomes for at least the first two generations of immigrants (Aydemir and Sweetman, 2006). In fact, high rates of undocumented immigration can have profound effects on low wage unregulated job markets such as those of the United States (Borjas, et al., 2007). The European economics literature compares occupational outcomes (von Tubergen, 2006), earnings levels (Adsera and Chiswick, 2006) and other economic consequences (Brucker, et al, 2006) across immigrant and non-immigrant groups. Almost all such inquiries suggest that international migrants arrive primarily seeking work and not redistributive social benefits per se. Of course, excellent higher education systems in many nations attract high quality foreign students, but many then return to their native lands or go elsewhere for work (Crul and Vermeulen, 2006).

There is also a literature on how immigration affects United States cities (Card, 2007) and how it affects incarceration (Butcher and Piehl, 2007). Also there is a wide literature on immigration patterns, political outcomes; public opinion and assimilation of non-natives into the cultural and political situation of nations (see papers in Parsons and Smeeding, 2006).

But, the literature on immigrant vs. non-immigrant poverty and social program support is still in its infancy outside the United States. Menz (2006) and others write on welfare retrenchment in Europe in reaction to immigration, but provide no evidence of its actual effects on individual outcomes or poverty status. There is a paper that suggests higher child and family poverty amongst United States immigrant children (Capps and Fortuny, 2006). And there is one comparative EU-United States paper by Morrissens (2006) that looks at six rich nations and finds varying outcomes for employment and unemployment benefit generosity only. Unemployment is included in the net tax transfer benefits we use in our paper, along with all other direct tax and benefit programs. Thus we feel that our paper offers a useful and timely addition to this literature as far as we know it.

Data

The data we use for this analysis are mainly taken from the Luxembourg Income Study database, which now contains over 160 household income data files for 30 nations covering the period 1967 to 2003 (www.lisproject.org). We can analyze both the overall level and trend in poverty for a considerable period across a wide range of nations. But, because we are computing the levels of relative poverty for nations where we can identify migrants as suggested above, we have decided to focus on twelve nations for the remainder of this paper, each with a recent 1999-2000 LIS database, plus two other nations outside of LIS where the ECHP files offers improvement over the LIS versions. The final set includes four Anglo-Saxon nations (Australia, the United States, Canada, and the United Kingdom), four Continental European nations (Austria, Belgium, France and Germany), two Southern European or “Mediterranean” countries (Italy and Portugal), and two Nordic nations (Finland and Sweden). We include all of Germany, including the eastern states of the former German Democratic Republic (GDR), in most of our

analyses. Thanks to the cooperation of Brian Murphy at Statistics Canada, we also have access to a special version of the Canadian data which includes all minority and immigrant units and therefore allows us to go beyond the LIS data where immigrant status is suppressed in the Canadian data for privacy purposes.

While the United States is unique in both its high standard of living and its low unemployment rate, it is also unique in the small amount of its resources devoted to cash and near cash social transfer program. In 2000, the United States spent less than 3 percent of GDP on cash and near cash assistance for the nonelderly (families with children and the disabled). This is less than half the amount (measured as a percent of GDP) spent by Canada, Ireland, or Greece; less than a third of spending in Austria, Belgium, France, Germany, or the United Kingdom; and less than a quarter of the amount spent in the Netherlands, Finland or Sweden; only Italy and Spain spends less than twice as much as the United States. While there is a rough correlation between social spending and unemployment, the differences we see here are not cyclical, but are rather structural in nature (see also Garfinkel, Rainwater, and Smeeding 2006, for more on these differences and health and education benefits in kind).

IV. Results: Poverty amongst Nations, Immigrants and Natives

Much of the concern over social and economic vulnerability of all populations, immigrants and non immigrants alike is centered around social programs which are mainly used to support the qualified (social insurance) and the needy (income maintenance) in all nations. In addition to overall poverty rates, we separately estimated poverty among households with children (under age 18) in both groups. We examine the antipoverty effect of government policy for each of these subgroups. We conclude with a brief summary of what we have learned about

how government support affects poverty and inequality for the vulnerable in a comparative perspective.

Overall—Global Relative Poverty Levels and Anti-Poverty Effects

Relative poverty rates using MI and DPI in the fifteen nations we cover in this paper are given in Figure 1 for all persons and in Figure 2 households with children as measured by the incomes of their parents. The overall DPI poverty rate for all persons using the 50 percent poverty threshold varies from 5 percent in Austria and Finland to 17 percent in the United States, with an average rate of about 10 percent across the 13 countries (Table 1). Earlier work (Smeeding 2006; Munzi and Smeeding, 2008) suggests that using a lower relative poverty rate (such as the 40 percent of median rate) makes little difference in terms of overall poverty rate rankings. The MI rates are much higher in most nations ranging from 37 percent in France to 12 percent in Austria and averaging about 27 percent. The United States has a below average MI poverty rate (24 percent), as does Portugal and Canada.

Higher overall DPI poverty rates (Table 1) are found in Anglo-Saxon nations with a relatively high level of overall inequality (United States, Canada, Australia and the United Kingdom), and in Mediterranean countries (Portugal and Italy). Canadian and British poverty are both about 12 percent and are, therefore, far below the United States levels. The lowest poverty rates are more common in smaller, well-developed, and high-spending welfare states (Sweden, Finland, and Austria) where they are about 5 or 6 percent. Middle level rates are found in major continental European countries and in the Nordic countries where income support and unemployment compensation are more generous, where social policies provide more generous support to single mothers and working women (through paid family leave, for example), and

where social assistance minimums are high. For instance, France, Belgium, and Germany have poverty rates that are in the 7 to 8 percent range.

Market Income poverty rates vary less than do DPI based rates across these nations. Anti-poverty effects are therefore inversely related to the DPI poverty rates. Sweden and Finland have slightly higher poverty reduction rates than do the Central European countries. The United States, Canada and Ireland have the lowest anti-poverty effects. More detailed analyses in other papers shows that higher levels of government spending (as in the Nordic countries and Northern Continental Europe) and more careful targeting of government transfers on the poor (as in Canada, Sweden, and Finland), produce lower poverty rates (see also Kenworthy 1998; Kim 2000), while unemployment is not well correlated with either market income poverty or disposable income poverty (Smeeding, 2006; Munzi and Smeeding, 2008). Rather, earnings and wage disparities are important in determining both market income and disposable income poverty rates, especially among families with children (Jäntti and Danziger 2000; Bradbury and Jäntti 1999). Countries with an egalitarian wage structure tend to have lower child poverty rates, in part because the relative poverty rate among working-age adults is lower when wage disparities are small.

On average, child poverty rates at 12 percent (Figure 2) are a bit above those for the population at large in Figure 1, though many the same patterns emerge. Single parents and their children generally have the highest poverty rates, while those in two-parent units experience the least poverty (not shown, but see Smeeding, 2006). Child poverty rates are highest in countries with many single parents, low wages and low levels of transfer support. Poverty rates for children in the richest nation, the United States, are 22 percent, almost 90 percent above the average rate. There is a large gap between the United States rate of 22 percent and the 17 percent

found in the UK. The other English-speaking nations as well as Southern Europeans also have high disposable income child poverty rates; between 12 and 11 percent. Single digit poverty is found in Central Europe (7-9 percent), in Austria (5 percent), and in the Nordic countries (3-4 percent).

Once again, poverty rates computed using household MI for families with children do not differ among countries as much as do those calculated after-taxes-and-transfers DPI (Figure 2). Different levels and mixes of government spending have sizable effects on national DPI poverty rates, but not so much on MI poverty rates (Smeeding, Rainwater, and Burtless, 2001; Smeeding 2006). Thus, Figure 2 shows patterns of poverty reduction that are similar to those in Figure 1. The percentage difference between MI and DPI poverty is the smallest in the United States at only 8 percent. The difference is largest in Sweden, Belgium, France and Austria where it ranges from 61 to 76 percent. Canada and Italy have antipoverty differences of around 18 to 25 percent. The remaining countries have antipoverty differences that range from 30 to 49 percent.

These results are not surprising given 20 years or more of LIS research. They fit well with Esping-Andersen's (1990, 1999) welfare state typologies and earlier UNICEF results (Jantti and Bradbury, 1999). But now the question that needs to be answered is how do these poverty rates and social policy impacts differ for minority-immigrant groups as opposed to majority groups?

Immigrant and Minority Poverty

In all rich nations, especially in Europe, there is growing concern about the status of immigrant and other minority groups (Parsons and Smeeding, 2006). Here we briefly examine this question with respect to poverty and social assistance support. We begin with Table 2 which summarizes overall and child DPI poverty rates by minority status for each country in our

sample. In most countries the DPI poverty rate for all households (first two columns) is higher in the minority population than in the majority population. On average, poverty rates for minorities and immigrants are 15 percent and 19 percent if they have children, compared to 10 and 11 percent for comparable majority populations. In France, Germany, Sweden, and England the overall household minority poverty rate is more than twice the majority poverty rate. In the United States, the minority poverty rate is nearly twice the majority poverty rate when naturalized foreign born household heads are included in the minority definition and is still almost 10 percentage points higher than the majority poverty rate under the less restrictive definition of minorities where naturalized foreign born heads are included.

This pattern of high overall minority poverty rates is reversed in some countries. In Canada, and Italy minority poverty rates are actually lower than majority poverty rates. Minority and majority poverty rates for all households are close (within 2-3 percentage points) in Australia, Austria, Finland, and Portugal. Canada and Australia represent major immigrant destination countries. Immigrant poverty rates in Canada and to some extent Australia (where the rates are fairly close) are evidence that the skill-biased immigration policies pursued in Canada and Australia are successful in selecting/admitting immigrants who are able to succeed economically after arriving. Of course, these results also would also support arguments that the immigrant settlement services and access to social benefits provided in these countries are an effective means of mitigating immigrant poverty. Germany is another popular destination country, but one where the minority rate is far below the majority rate and one like the United States where skilled minority immigration is discouraged.

The Austrian, Belgian and Portuguese results mainly reflect the older sampling frame and the vagaries of immigration in these nations. The full impact of this migration will depend on the

updated EU SILC sample which will also allow us to examine immigrants who arrived in these nations after the mid1990s.

The third and fourth columns of Table 2 report child (households with children) poverty rates for the majority and minority population in each country in our sample. These results are less encouraging. In the analysis of overall minority poverty, we found that in several of the major immigrant destination countries, minority poverty rates were not higher than majority poverty rates. Minority child poverty rates are however higher than majority child poverty rates in every country except Italy and Belgium; and are close to majority rates in Finland, Portugal and Austria. Many of these nations rely on the ECHP data and therefore have children who are liable to have been in the destination country for some time. With the possible exception of Italy, These countries are not known as key immigrant destinations at this time.

Minority child poverty rates are considerably higher than majority child poverty rates in the rest of the nations. The English-speaking nations have the largest differences. United States immigrant child poverty rates are 33-40 percent! –which are much higher than the 20 percent majority child rates. England has a rate of 29 percent, which is also nearly double the majority rate. Canada has a 22 percent immigrant child poverty rate and Australia is at 20 percent—half again as high as the majority child poverty rates in both nations. In Germany, France and even in Sweden, the gaps between minority and majority child poverty rates are large. These differences are consistent with those recently published by Eurostat (Marlier, 2008) where at the 60 percent of median poverty standard, the poverty rates for immigrant households(heads or spouses born outside the EU) were 40.6 percent compared to 17.6 percent for households with children whose parents were both born within the country of residence. We now turn to the matter of the effect of anti-poverty policy on these results.¹⁰

Antipoverty Effects by Minority Status

We report MI and DPI poverty rates for majority and minority populations in each of the countries in our sample in Figures 3a and 3b. For majorities in the United States (Figure 3a) the anti poverty effect is a 22 percent reduction; for minorities, (Figure 3b) it is only a 5-10 percent reduction, with a larger effect when naturalized immigrants are included. The average reduction in overall poverty is about 65 percent for majorities but also about 60 percent for minorities in this table. Effects for both groups are larger in the high spending welfare states (northern and central Europe) and smaller in the English-speaking nations. For minorities, starting and ending poverty rates are higher as we expect (see Table 2) , but percentage reductions in poverty are also high for minorities, for instance in Canada, Finland and Austria minority effects are larger than for majority units.

Further, Figure 5 plots the percentage difference between the MI and DPI poverty rates for minorities/immigrants against the percentage difference in MI and DPI poverty for majorities/natives. The scatter plot highlights the distribution of government antipoverty effects with respect to minority status in each country. Note that if antipoverty effects were evenly distributed across minorities and majorities each country's data point would fall along a 45 degree line based on the size of their antipoverty effect. Data points from countries that reduced poverty by a higher percentage for natives fall below a 45 degree line (dashed line) and data points from countries that reduced poverty by a higher percentage for immigrants fall above it. (In Figures 5 and 6 antipoverty effects are measured as the difference between MI and DPI poverty, expressed as a percentage of MI poverty.) These figures plot the simple regression line for the countries in our sample and the 45 degree line.

The regression line in Figure 5 shows that in most countries overall antipoverty reductions are systematically related for minorities/immigrants and for majorities/natives, but the fit is not very good. Removing the 3 red “ECHP” countries (Belgium, Austria and Portugal) might marginally improve the fit, but the relationship seems clear in any case. The United States stands out with a relatively small antipoverty effect, especially for minorities, but also for majorities. Canada, Finland and Austria have larger antipoverty effect for minority than for majority population groups. Australia and England provide similar levels of social support to immigrants and natives, achieving about 50-70 percent reductions in MI poverty for both groups. Sweden, Belgium, and France provide slightly higher support to majorities than minorities, but overall these nations they are very successful in reducing MI poverty for both groups. Note also that the strange Finnish ‘minority’ who are Swedish speakers do not greatly affect the results (though effects are large for both groups).

Next, Figures 4a and 4b report similar statistics for child poverty rates, and Figure 6 plots the anti-child poverty effects for minorities/immigrants and majorities/natives for each country. Here the results suggest a somewhat disturbing lack of support for low income children in several nations. The United States reduces minority child MI poverty rates by less than 3 percent--with somewhat better results for majority children, though still less than 10 percent, comparing 4a and 4b). In Italy, the effects on the majority are larger than on the minority (though the minority rates are lower overall). But in the majority of nations antipoverty effects are about the same for minority child poverty. Belgium, Finland, Sweden, and Austria reduce child poverty in both groups by more than 70 percent relative to MI poverty rates. In the United Kingdom, Australia and Germany, we also find sizable impacts on both groups, though lesser effects for immigrant youth in Germany and Australia.

Finally looking at Figure 6, the consistency of the relationship is striking. Here removing the 3 'red' ECHP nations would greatly improve the fit. Clearly, Italy, the United States and Canada do least for both groups; Finland, Belgium, Sweden and France do most; and the others are in between.

V. Summary, Discussion and Explanation

Comparative cross-national relative poverty rankings suggest that the 12 nations we picked form suggest several distinct groupings in terms of overall poverty, with the English-speaking and Southern European countries belonging to worst half of the ranking, and the North-Continental European countries and the Nordic ones to the better half. We find this pattern both for the overall population and for children; and for majorities and minorities. The United States' poverty rates are at or near the top of the range for both groups of population with their relative child poverty rates being particularly troublesome.

We also know from previous work that a substantial fraction of the variance in non elderly cross-national poverty rates appears to be accounted for not by the variation in work or in unemployment, but by the cross-national variation in the incidence of low pay. Because the United States has the highest proportion of workers in relatively poorly paid jobs, it also has the highest poverty rate, even among parents who work half time or more (Smeeding, Rainwater, and Burtless 2001; Smeeding, 2006). On the other hand, other countries that have a significantly lower incidence of low-paid employment and also have significantly lower poverty rates than the United States. But the prevalence of low-pay workers is, in fact, not the only reliable predictor of poverty rates. While low pay is a good predictor of poverty rates, and while poorly-educated workers do not do well at keeping their families from poverty based on earnings alone, other factors, such as the antipoverty efforts of the government, are also important predictors of the

poverty rate (Smeeding, 2006). Social spending reduces poverty, as we have seen above. And as a result of its low level of spending on social transfers to the non-aged, the United States again has a very overall high poverty rate. But how are these results and factors influenced by immigrants and how do they influence immigrant poverty, especially amongst immigrant children?

The differences between immigrant and non immigrant poverty are complex and require longer explanation than is permitted by this first pass at the data. But some findings are already clear. Immigrant children are more likely to be poor than native children and by a wide margin in some nations. However for the most part, the effects of social tax-benefit programs on poverty for these children in Figure 6 (and for the population as a whole in Figure 5) vary much more by country of destination than by immigrant non immigrant status. That is, high anti-poverty effects are found for both groups in the majority of generous welfare state nations (e.g., Belgium, Sweden, France Austria), and for somewhat less generous ones (Canada and Italy) as well. In Portugal immigrant children do worse than majority children but still have sizable poverty reductions. Small effects are found in the one nation not known for its generosity to any group (United States). In Australia and Germany all children receive substantial support though immigrant children receive less support, but not drastically less in the later two nations. Support is about the same for both groups in England. Thus we conclude that policy can and does make a difference in poverty for both migrant-minority and majority children.

VI. Conclusions and Policy Implications

Other research suggests what seems most distinctive about the American poor is that they fail to help the least skilled in terms of education, and they work more hours than do the resident

parents of most other nations where we can observe work hours (Smeeding, 2005; 2006). More generally, the United States differs from most nations that achieve lower poverty rates because of its emphasis on work and self-reliance for working-age adults, regardless of the wages workers must accept or the family situation of those workers—migrants or natives. This fits well with the low wage United States labor market where many minority immigrants appear. These immigrants also receive less in transfer benefits than in other countries. Of course, these findings are in part due to the majority and minority-immigrant makeup of the United States, but they are even more heavily influenced by low pay and low social spending. Indeed while overall child poverty rates in the United States are about 22 percent, and while minority child poverty is almost twice as high at 40 percent, majority United States child poverty rates alone are at 20 percent. Thus high minority child poverty is not driving its incredibly high poverty rates in the United States—other features of the United States economic and social situation are responsible for this outcome for both majority and minority households, especially those with children.

We have a ways to go here in order to more firmly establish the ways in which different types of households are affected by social programs and how they aid children and families—migrant and non-migrant, as well as minority and non-minority in these nations. The interaction between household structure, poverty status, and minority status is clearly an important element of poverty and inequality in industrialized countries. Hours worked and taxes paid vs. benefits received can be studied for all groups in each nation. Small overall effects of policy can be due to a combination of many low wage working families who are paying large net taxes, while others are receiving high net benefits. The hours-education-earnings compositions differ greatly amongst the countries studied with Australia and especially Canada having a more skill driven immigration policy than that found in the United States. New and better data from the EU SILC

will allow for a much better and more recent picture of immigrant make-up and social policy effects in those nations when these 2004 and 2005 datasets become part of LIS next year. These patterns demand our attention in future drafts of this paper.

Further, we have not been able to determine how health and education policies affect immigrant and minority vs. majority youth. But it is our understanding that health care is largely need based and immigrant blind in most rich nations, except for the United States where insurance is often a pre-requisite. Education systems in all nations serve the youth who reside there, though differences in school quality and outcome between immigrant and native children can also be noted (e.g., see Schnepf, 2006; 2007).

Policy Implications

The experience of the United States can give many lessons to other nations' domestic anti-poverty and inequality policies for immigrants and non-immigrants alike. As long as the United States relies almost exclusively on low skill immigration and on the job market to generate incomes for working-age families, changes in the wage distribution that affect the earnings of less skilled workers will inevitably have a big effect on poverty among children and prime-age adults. Similarly 'off the books' work in the United States by undocumented immigrants is large and flourishing. One expects that such low skill workers make wages that are below those paid to even the lowest skilled United States native workers (for evidence see Borjas, 2007 and Borjas, Grogger and Hanson, 2007). Welfare reform in the United States has pushed many native born low-income women into the labor market and they have stayed there as TANF roles continue to fall. It is hard to believe that many immigrant mothers in the United States are enjoying TANF benefits both due to their rarity and due to sanctions against foreign born mothers in state TANF programs. Even with the \$25.4 billion spent on TANF today, only

\$11.2 billion is in the form of cash assistance; the rest is now in the form of child care transportation assistance, training and other services (Pear 2003). While the switch from cash to services has undoubtedly helped account for higher earnings among low-income parents, it has not helped move many of them from poverty. In fact, serious gaps still exist, especially in the child care arena (Smolensky and Appleton Gootman 2003) and in family leave policy (Gornick and Meyers 2003) for natives much less for immigrants.

Of course, labor markets alone cannot reduce poverty because not all of the poor can be expected to “earn” their way out of poverty. Single parents with young children, disabled workers and the unskilled will all face significant challenges earning an adequate income, no matter how much they work and no matter what is their nationality. United States poverty rates among both native and immigrant children are high when compared with those in other industrialized countries. Yet United States economic performance has also been outstanding compared with that in other rich countries.

The relationship between antipoverty spending and poverty rates is of course complicated, so the arguments discussed above are, at best, suggestive. But it seems to us that national anti-poverty policies can make a difference in the lives of children, regardless of their minority-majority status. As the British have demonstrated, carefully crafted public policy can certainly reduce poverty (Waldfogel, 2007; Hills, 2003; Bradshaw, 2002; Hills and Waldfogel, 2004; Smeeding, 2008).

Of course, the direct and indirect costs of antipoverty programs are now widely recognized (and frequently overstated) in public debate (see Lindert, 2004; Garfinkel, Rainwater and Smeeding, 2006). The wisdom of expanding programs targeted at children and poor families, especially those of immigrant background, depends on one’s values and subjective views about

the economic, political, and moral tradeoffs of poverty alleviation. For many critics of public spending on the poor, it also depends on a calculation of the potential economic efficiency losses associated with a larger government budget and targeted social programs for minority and majority families.

It is hard to argue that the United States cannot afford to do more to help the poor; particularly low-skilled lowly paid workers. If the nation is to be successful in reducing child poverty, it will need to make anti-poverty spending a higher priority, as did the British and as do most other nations. In particular, it will have to do a better job of combining work and benefits targeted to low-wage workers in low-income families (e.g., see Ellwood 2000; Danziger, Heflin, and Corcoran 2000). There is already evidence that such programs produce better outcomes for native kids (Clark-Kauffman, Duncan, and Morris 2003). But it is our guess that helping immigrant kids will be an even harder sell than helping native and majority children, especially in the United States.

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Table 1: Prevalence of Minority Households by Country

Country	Percent Minority
United States	7.2
United States*	12.9
Canada	10.8
Australia	27.4
Germany	8.3
Sweden	4.1
Belgium (e)	4.5
Austria (e)	7.7
Finland	5.6
England	4.9
France	8.3
Portugal (e)	2.2
Italy	2.3
Country Average	8.2

Countries marked with (e) use data from the echp.

*Naturalized foreign-born heads are classified as minorities.

Table 2: Household and Child Poverty by Minority Status across Countries

Country	Household Poverty		Child Poverty	
	Majority	Minority	Majority	Minority
United States	15.9	30.3	19.9	40.3
United States*	15.8	24.7	19.8	33.0
Canada	14.4	10.8	13.7	21.7
Australia	12.2	15.0	13.3	19.7
Germany	7.6	16.0	8.0	14.5
Sweden	6.1	14.2	3.6	13.6
Belgium (e)	7.4	11.8	6.6	5.2
Austria (e)	5.0	7.6	4.3	7.5
Finland	5.4	4.2	2.8	3.5
England	11.7	22.2	15.6	28.8
France	6.3	14.8	6.1	18.5
Portugal (e)	12.5	13.1	12.8	12.5
Italy	12.8	9.9	16.6	14.7
Country Average	10.2	15.0	11.0	18.0

Countries marked with (e) use data from the echp outside of LIS .

*Naturalized foreign-born heads are classified as minorities

Figure 1. Market Income and Disposable Income Poverty Rates for All Households

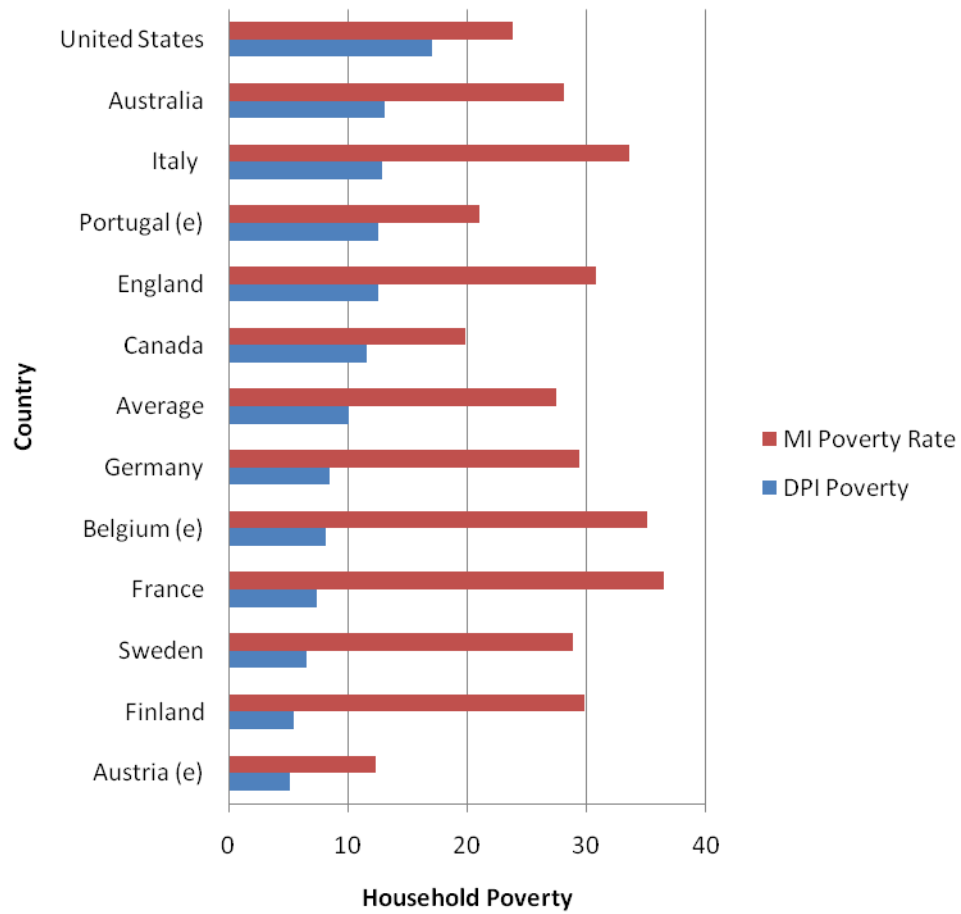


Figure 2. Market Income and Disposable Income Poverty Rates for All Households with Children (0-17)

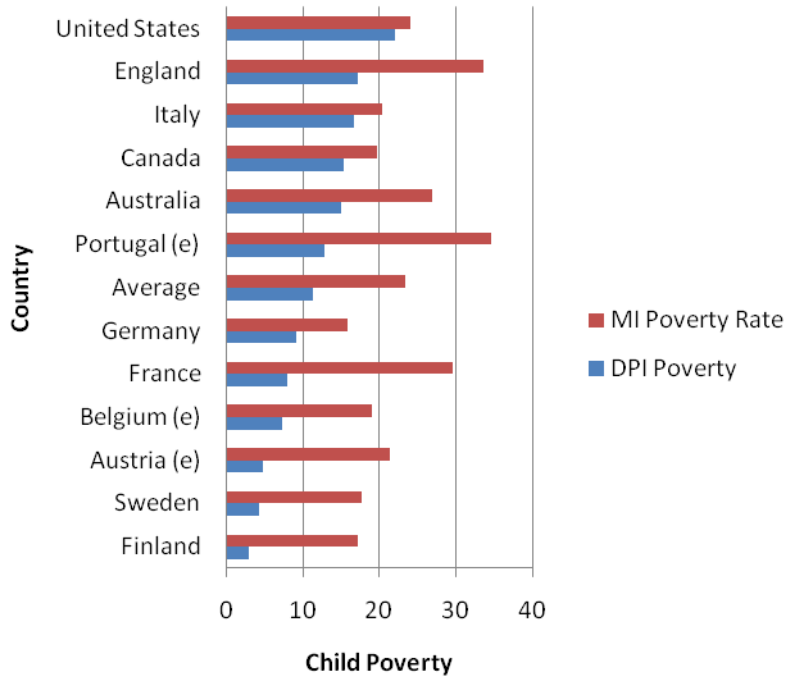


Figure 3a. Market Income and Disposable Income Poverty for All Majority Households

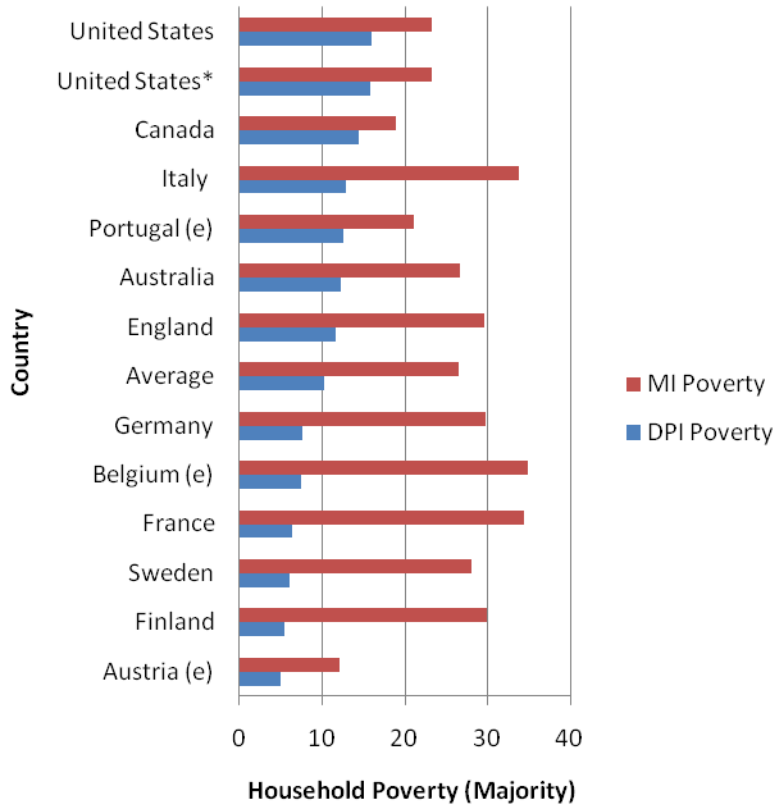


Figure 3b. Market Income and Disposable Income Poverty for All Minority Households

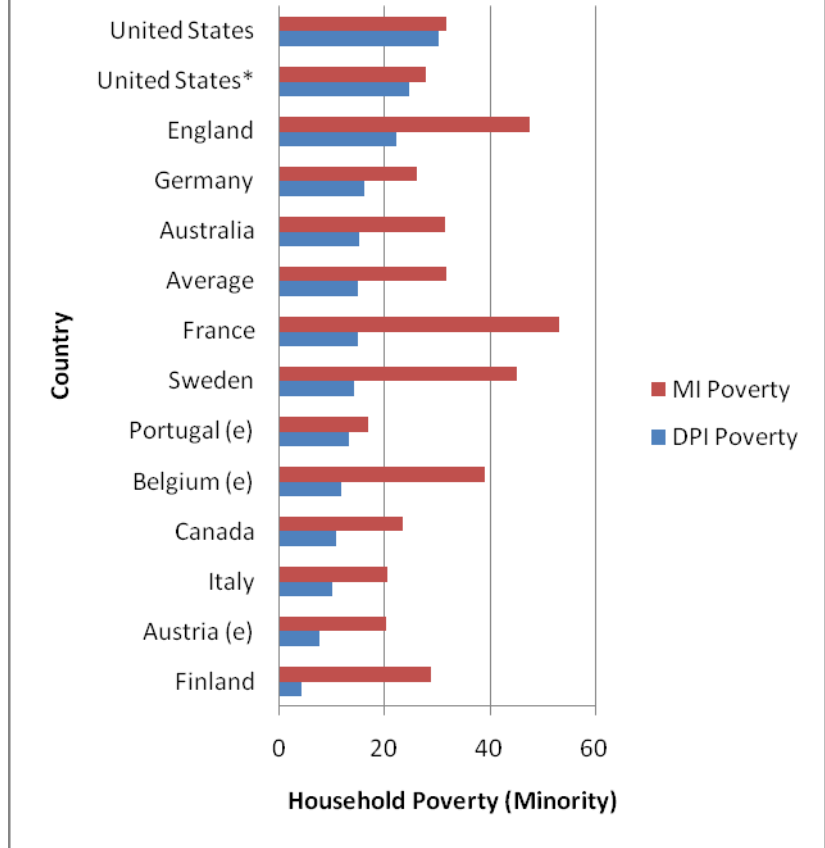


Figure 4a. Market Income and Disposable Income Child Poverty for Majority Households with Children

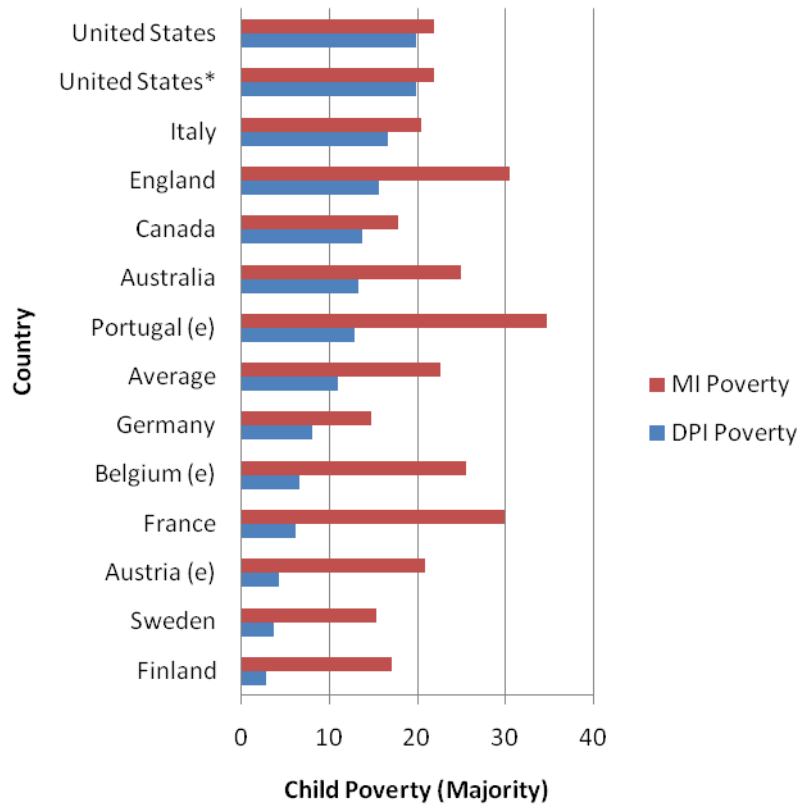


Figure 4b. Market Income and Disposable Income Poverty for Minority Households with Children

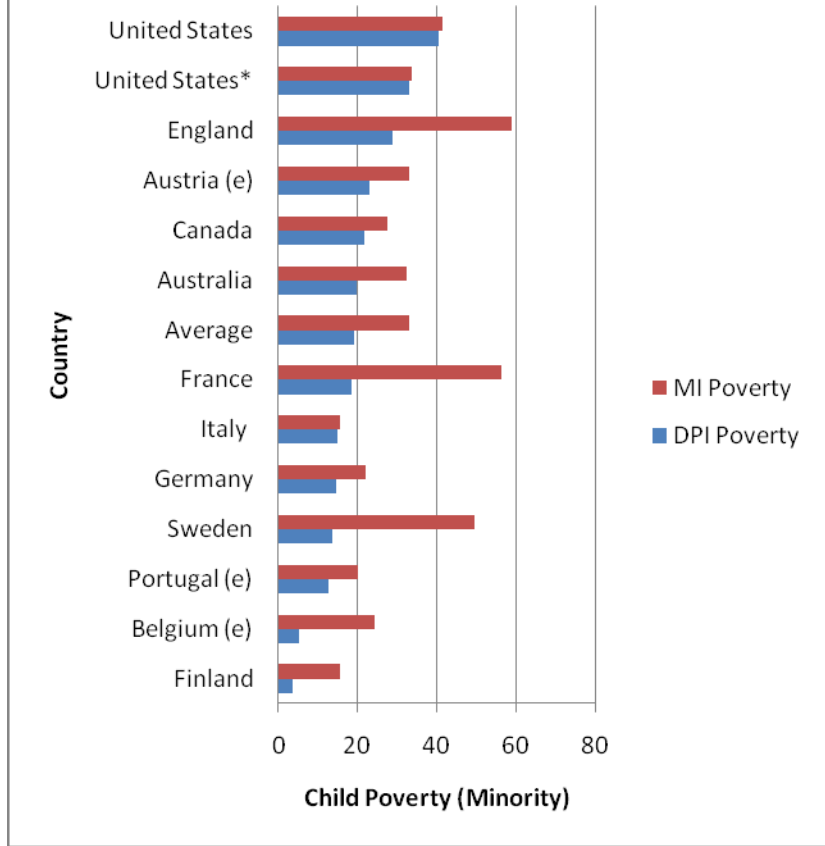
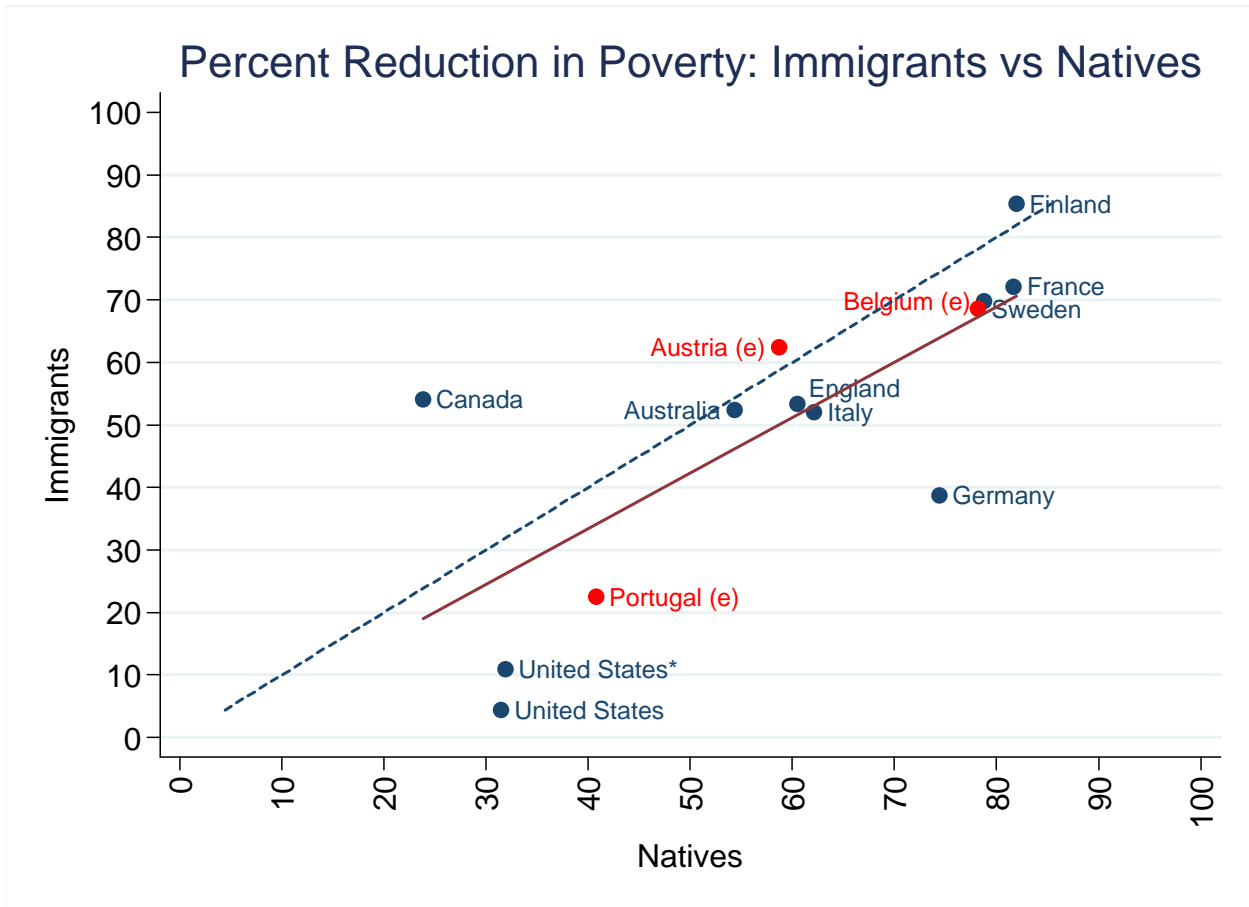
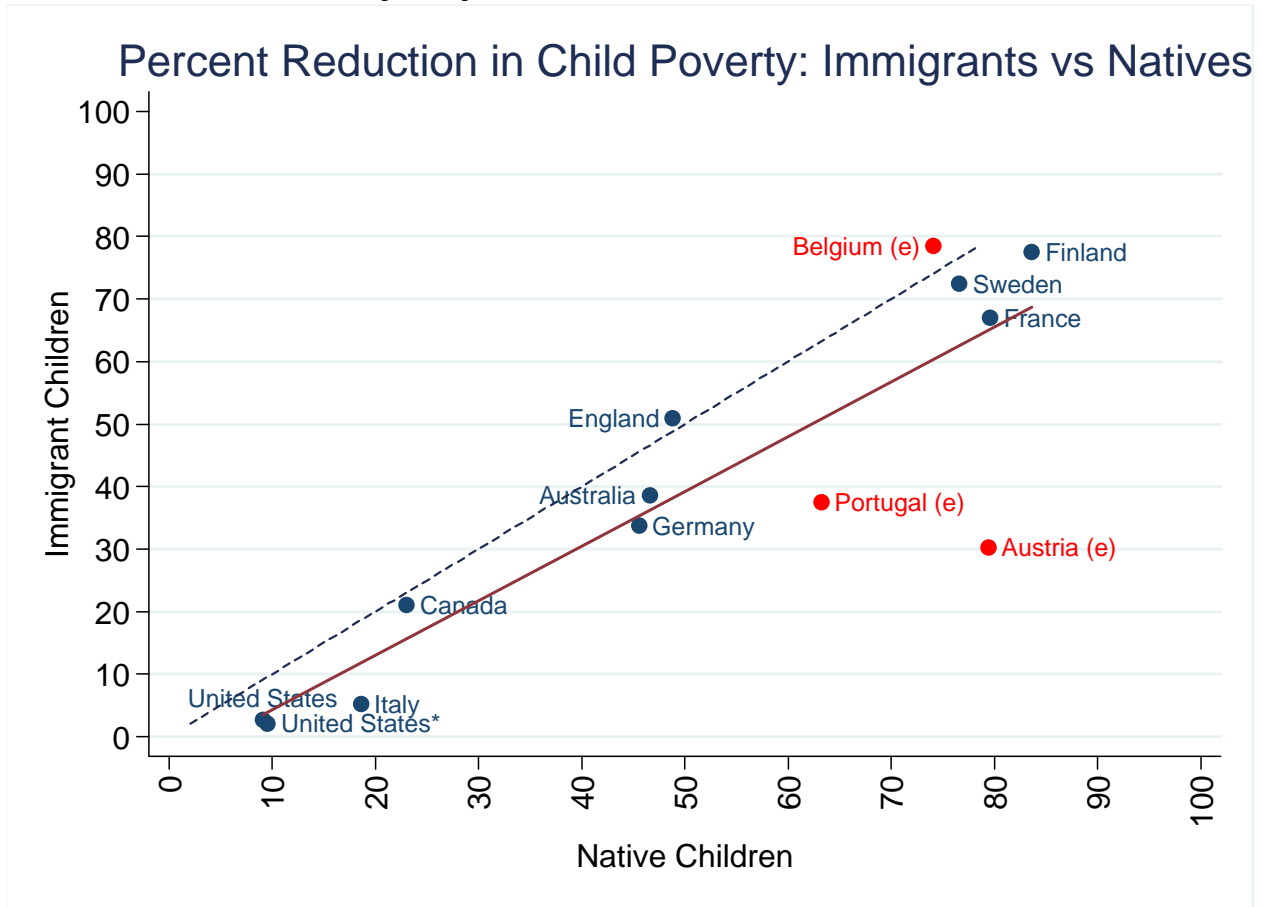


Figure 5. Household Antipoverty Effects for Immigrants and Majorities across Countries



Dashed Line is 45 degree line; solid line is regression line.

Figure 6. Antipoverty Effects for Immigrants and Majority Children across Countries



Dashed Line is 45 degree line; solid line is regression line.

Appendix Table 1. Sample Sizes By Country for Immigrants and Minorities

Country	Households		Households with Children	
	Majority	Minority	Majority	Minority
Australia	4,893	1,846	1,720	597
Austria (e)	2,440	203	764	70
Belgium (e)	1,989	91	660	37
Canada	23,350	tba	tba	tba
Finland	9,835	586	3,672	221
France	9,448	853	3,080	380
Germany	10,074	908	2,994	413
Italy	7,743	182	2,360	67
Portugal (e)	4,533	100	1,838	53
Sweden	13,889	602	3,779	235
UK	23,754	1,223	7,335	659
USA	43,007	6,344	14,823	3,207

Endnotes

1. See for UNICEF (2000), Bradbury and Jäntti (1999; 2005); Chen and Corak (2005); for the United Nations (1998; 1999); for the OECD, see Förster and Pellizzari (2005); for the European Union, see Eurostat (1998a,1998b), Atkinson et al(2002); and, for LIS, Jäntti and Danziger (2000), Smeeding (2005), Kenworthy (1998), Smeeding, O’Higgins, and Rainwater (1990), and Rainwater and Smeeding (2003).
2. In 1998 the ratio of the United States (four-person) poverty line to median *family* income was 38 percent .Since then both ratios have fallen to the 30 percent level (Smeeding 2005) while the ratio to median *household* income was 31 percent. Median household income (\$38,855) is far below median family income (\$47,469) because single persons living alone (or with others to whom they are not directly related) are both numerous and have lower incomes than do families (U.S. Bureau of the Census 2003a; 2003b). Families include all units with two or more persons related by blood, marriage, or adoption; single persons (unrelated individuals) are excluded. In contrast, households include all persons sharing common living arrangements, whether related or not, including single persons living alone. Different adjustments for family or household size might also make a difference in making such comparisons.
3. See Atkinson, Rainwater, and Smeeding (1995) and Canberra Group (2001) for more on this income definition and its robustness across nations. Note that the use of this “LIS” disposable income concept is not unique to LIS alone. Eurostat and OECD have independently made comparisons of income poverty and inequality across nations using identical or very similar measures of net disposable income.
4. This income definition differs from the Census income definition used in most poverty studies. Still, the internationally comparable measure of income does not subtract work-related expenses or medical care spending. In particular, there is no account for provision of or costs of child care. The EITC and similar refundable tax credits and near cash benefits such as food stamps and cash housing allowances are included in this income measure, however, as are direct taxes paid.
5. Market income includes earnings, income from investments, occupational (private and public sector) pensions, child support, and other private transfers. For the calculation of poverty rates, MI refers to gross income in all countries but Austria, Belgium, Greece, Ireland, Italy and Spain, where MI is net of taxes and social contributions.
6. Of course, our measures of the antipoverty effects of benefits are partial equilibrium in nature. That is, poverty measured before government taxes and benefits (using MI) is not the same as poverty in the absence of government, if tax and transfer programs affect ones level of MI. In the case of benefit programs for the elderly, we expect and find larger effects as the size of benefits (percent of GDP spending on cash benefits for the elderly) is correlated 35 with MI poverty. But in the case of the nonelderly, the correlation between MI based poverty and nonelderly social spending is only 14. Thus,

we conclude that for the nonelderly general equilibrium effects are modest. For an excellent discussion of behavioral effects and benefit incidence, see Reynolds and Smolensky 1977.

7. Formally, adjusted disposable income (ADPI) is equal to *unadjusted* household income (DPI) divided by household size (S) raised to an exponential value (e), $ADPI = DPI/S^e$. We assume the value of e is 0.5. To determine whether a household is poor under the relative poverty measure, we compare its ADPI to 50 percent of the national median ADPI. National median ADPI is calculated by converting all incomes into ADPI and then taking the median of this “adjusted” income distribution. The equivalence scale which we employ is robust; especially when comparing families of different size and structure (e.g., elders and children). See Atkinson, Rainwater, and Smeeding (1995) for detailed and exhaustive documentation of these sensitivities.
8. Austria and Belgium are in already in LIS but the availability and counts of immigrants-minorities and fuller detail on their status for Austria are found in the homogenized public use ECHP files. Portugal is not yet in LIS .These three datasets are noted by (e) in all analyses.
9. Indeed, we worked with the Canadian survey takers to eliminate all incomplete records and those where the immigrant had so recently arrived as to have no Canadian income. Overall, 2.20 percent of the immigrant records and 2.15 percent of the immigrant population have been dropped due to this screen.
10. We are attempting to get a hold of the EU SILC data to perform our own analyses on these populations