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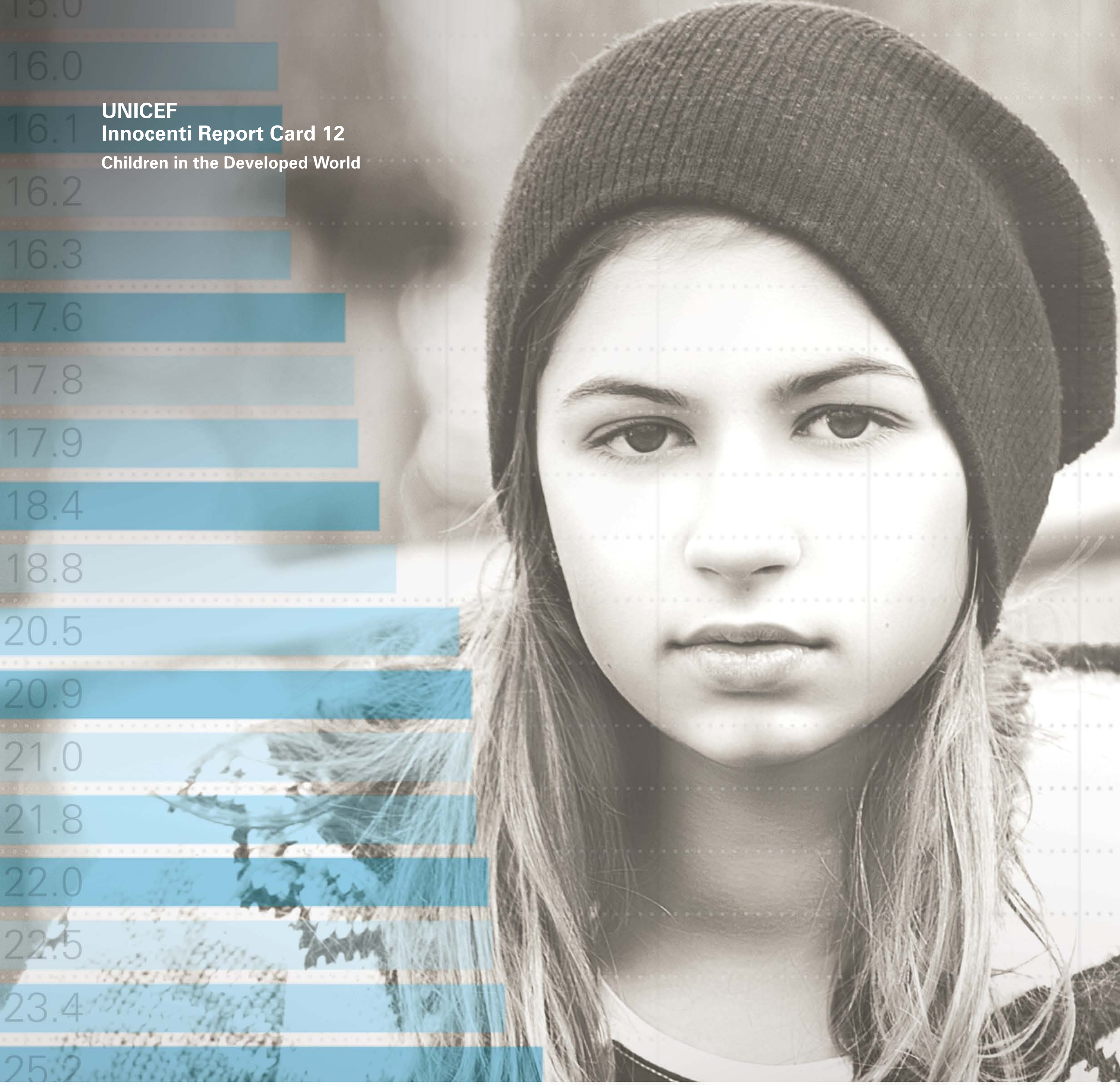
Innocenti Report Card 12
Children in the Developed World



Children of the Recession

The impact of the economic crisis on child well-being in rich countries

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Office of Research-Innocenti

Innocenti Report Card 12 was written by Gonzalo Fanjul and edited by Rick Boychuk.

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The *Report Card* series is designed to monitor and compare the performance of economically advanced countries in securing the rights and well-being of their children.

In 1988 the United Nations Children's Fund (UNICEF) established a research centre to support its advocacy for children worldwide and to identify and research current and future areas of UNICEF's work. The prime objectives of the Office of Research are to improve international understanding of issues relating to children's rights, to help facilitate full implementation of the Convention on the Rights of the Child supporting advocacy worldwide. The Office aims to set out a comprehensive framework for research and knowledge within the organization, in support of its global programmes and policies. Through strengthening research partnerships with leading academic institutions and development networks in both the North and South, the Office seeks to leverage additional resources and influence in support of efforts towards policy reform in favour of children.

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CHILDREN OF THE RECESSION
EXECUTIVE SUMMARY

The data and observations in this *Innocenti Report Card* reveal a strong and multifaceted relationship between the impact of the Great Recession on national economies and a decline in children's well-being since 2008. Children are suffering most, and will bear the consequences longest, in countries where the recession has hit hardest.

For each country, the extent and character of the crisis's impact on children has been shaped by the depth of the recession, pre-existing economic conditions, the strength of the social safety net and, most importantly, policy responses. Remarkably, amid this unprecedented social crisis, many countries have managed to limit – or even reduce – child poverty. It was by no means inevitable, then, that children would be the most enduring victims of the recession.

The impact of the recession on children

This report offers multiple and detailed perspectives on how the recession has affected children in the developed world. Official data have been used to rank the impact on children for countries in the European Union (EU) and/or the Organisation for Economic Co-operation and Development (OECD):

» In 23 of 41 countries analysed, and in many of the highly populated countries, child poverty (children living in households whose income is below the poverty line) has increased since 2008. In 18 countries child poverty has fallen, sometimes markedly.

» The number of children entering into poverty during the recession is 2.6 million higher than the number that have been able to escape from it since 2008 (6.6 million, as against 4 million). Around 76.5 million children live in poverty in the 41 most affluent countries.

» The recession has hit young people extremely hard, with the NEET (not in education, employment or training) rate rising dramatically in many countries. In the EU, 7.5 million young people (almost the population of Switzerland) were NEET in 2013 – nearly a million more than in 2008. The United States and Australia have had the largest increases in the NEET rate across non-EU OECD countries.

» Beyond income and employment levels, the recession has affected a number of other important dimensions of people's lives. From 2007 to 2013, feelings of insecurity and stress rose in 18 of the 41 countries, according to measurable self-perception indicators (including access to food and satisfaction with life). The recession's impact on personal experiences and perceptions is not yet over, and many indicators have even worsened in the most recent years.

Universal aftershocks

Those countries most affected by the recession have seen a steady deterioration in the situation of families, mostly from job losses, underemployment and cuts to public services. The median income in households with children has decreased in almost half of the countries with available data. The number of families stating that their situation is 'very difficult' has risen in most countries. Having a child or children in a household increases the risk of 'working poverty' (working, but below the poverty line) from 7 per cent to 11 per cent. Since 2008, the percentage of households with children that are unable to afford meat, chicken or fish every second day has more than doubled in Estonia, Greece and Italy. Inability to cope with unexpected financial expenses has increased by almost 60 per cent, on average, in households with children in the 12 most affected countries.

Such changes have huge consequences for the young. Children feel anxious and stressed when parents endure unemployment or income loss, and they suffer family downturns in subtle and painfully evident ways. Housing, a large part of every family's budget, is one important indicator of poverty. Evictions, mortgage defaults and foreclosures all spiked in many countries affected by the recession. Such constraints at home have been compounded by weakened safety nets in healthcare, education and nutrition. Some 1.6 million more children were living in severe material deprivation in 2012 (11.1 million) than in 2008 (9.5 million) in 30 European countries. The longer these children remain trapped in the cycle of poverty, the harder it will be for them to escape.

Poorer children suffer most

The poorest and most vulnerable children have suffered disproportionately. Inequality has increased in some countries where overall child poverty has decreased, suggesting that tax changes and social transfers intended to help the poorest children have been relatively ineffective.

The 'poverty gap' (a measure of the distance between the poverty line and the income of people below it) has worsened in countries where poverty has increased most, meaning that deprivation in those countries is more extensive and intense. It is notable that this inequality has also increased in some places where overall child poverty has decreased. Moreover, children in particularly vulnerable situations – such as those in jobless, migrant, lone-parent and large households – are over-represented in the most severe ranges of poverty statistics.

In 28 out of 31 European countries (EU plus Iceland, Norway and Switzerland) the poverty rate has increased more rapidly (or has decreased more slowly) for the young than for the elderly. In 24 of the 31 countries, poverty levels have decreased among the elderly, while among children they have increased in 20 countries, suggesting that safeguards for the old have been more effective than for the young.

A generation cast aside

Unemployment among adolescents and young adults is a significant long-term effect of the recession. Among those aged 15–24, unemployment has increased in 34 of the 41 countries analysed. Youth unemployment and underemployment have reached worrying levels in many countries.

Even when unemployment or inactivity decreases, that does not necessarily mean that young people are finding stable, reasonably paid jobs. The number of 15- to 24-year-olds in part-time work or who are underemployed has tripled on average in countries more exposed to the recession. Contract work has become more common, contributing to the general precariousness of labour markets.

An uneven response

Many governments adopted economic stimulus packages in the initial phase of the recession, pushing up public spending. The persistence of the recession led to a decrease in national revenues and an increase in deficits. Pressure from financial markets forced many governments to cut budgets. The Eurozone's U-turn was particularly abrupt, and there was a fall in social spending on children and families.

Social protection responses have varied considerably in magnitude and makeup. When budget cuts became unavoidable in certain countries, particularly in the Mediterranean region, the shift from stimulus to consolidation increased inequality and contributed to worsening living conditions for children. During the second phase of the recession, the effectiveness of child poverty reduction efforts declined in a third of EU countries. Extreme child poverty in the United States increased more during the Great Recession than it did in the recession of 1982, suggesting that, for the very poorest, the safety net affords less protection now than it did three decades ago.

No government was prepared for the extent or depth of the recession and none reacted in the same way. Many countries with higher levels of child vulnerability would have been wise to strengthen their safety nets during the pre-recession period of dynamic economic growth, which was marked by rising disparity and a growing concentration of wealth. Governments that bolstered existing public institutions and programmes helped to buffer countless children from the crisis – a strategy that others may consider adopting.

The consequences of a Great Leap Backward

All countries faced difficult choices, limited budgets and worsening recessions. The enormity of the challenges should not be underestimated. Demand for austerity measures was intense, as were pleas from other vulnerable sectors. Compromises were undoubtedly necessary.

But if protection policies had been stronger before, and if they had been strengthened during the recession, how many more children could have been helped?

A calculation of the impact of the crisis on the median income of households with children suggests that, between 2008 and 2012, Greek families lost the equivalent of 14 years of progress; Ireland, Luxembourg and Spain lost a full decade; and four other nations lost almost as much. The Great Recession has brought suffering and life-long risks to an extra 619,000 children in Italy, 444,000 in France and 2 million in Mexico.

The problems have not ended for children and their families, and it may well take years for many of them to return to pre-crisis levels of well-being. Failing to respond boldly could pose long-term risks – for example, there has been a break in the upwards trend in fertility rates. In no region are these risks more problematic than in Europe, where inequality is rising within and between Member States, threatening to undermine the ambitious targets of Europe's 2020 agenda.

The children of the recovery

What lies ahead for children neglected by the global response to the Great Recession? If the neglect persists, the crisis among children will continue well after any economic recovery. The long-term well-being of our societies is at stake.

The analysis in this report suggests the following principles and recommendations for governments to consider in strengthening child protection strategies:

» **Make an explicit commitment to end child poverty in developed countries.** Countries should place the well-being of children at the top of their responses to the recession, aligning their ethical obligations with their self-interest.

» **Rescue, prevent and give hope.** Opportunities to break cycles of child vulnerability should be promoted. Guaranteed minimum social standards would make a positive difference.

» **Produce better data for informed public debate.** Availability, timeliness and relevance of information about the well-being of children should be improved.

SECTION 1
INTRODUCTION

"The child should be fully prepared to live an individual life in society, and brought up in the spirit of the ideals proclaimed in the Charter of the United Nations, and in particular in the spirit of peace, dignity, tolerance, freedom, equality and solidarity."

– Convention on the Rights of the Child, 1989

Twenty-five years after the Convention on the Rights of the Child became international law, many of its commitments remain unrealized, and the developed countries most capable of delivering on them are losing ground. The Great Recession, which was triggered by a financial meltdown that started in the United States and spread rapidly across the globe, has inflicted the economic crisis on children. The gap between rich and poor families has widened in an alarming number of industrialized countries. For many of these children, once again place of birth may determine their rights and opportunities in life.

As the data in this new edition of the *Innocenti Report Card* series show, in the past five years, rising numbers of children and their families have experienced difficulty in satisfying their most basic material and educational needs. Unemployment rates not seen since the Great Depression of the 1930s have left many families unable to provide the care, protection and opportunities to which children are entitled. Most importantly, the Great Recession is about to trap a generation of educated and capable youth in a limbo of unmet expectations and lasting vulnerability.

To be sure, the situation described here varies from country to country. A small but significant group of countries responded to the crisis with ambitious and timely plans that have sheltered children from the recession's most debilitating consequences. Many others have implemented partial reforms to safeguard such essentials as health services, housing and food. In some cases, the honest efforts of governments have been hindered by the weight of the conditions imposed on them by the financial markets and the providers of financial assistance.

This report is not intended to recommend specific responses to the economic downturn or to comment on the austerity policies that some countries are pursuing. Rather, its goal is to highlight the fact that the current and future lives of children have been – and are being – neglected in the global response to the Great Recession. Should this neglect persist, the crisis for children will continue to be felt well after the economic recovery. The long-term social health of our societies is at risk. If generations have defining moments, this is certainly one of them.

The structure of the report is as follows: Section 2 features 'league tables', the flagship tool of the *Innocenti Report Card* series. The tables rank the change, since the onset of the crisis, in the poverty levels of children; the impact of the recession on youth; and what repeated rounds of the Gallup World Poll show about the change in people's perceptions of their life circumstances over the past five years. Section 3 describes the impact of the Great Recession on families, analysing the magnitude of the shock on children and comparing it with the condition of other social groups. It also explores the effects of the recession on youth seeking to enter or remain in the labour force in the middle of a recession. Section 4 offers an explanation for why this happened, looking at the period that preceded the crisis and describing the responses of different governments. Section 5 presents conclusions and recommendations.

SECTION 2
THE LEAGUE TABLES

Countries should place the well-being of children at the top of their responses to the recession. Not only is this a moral obligation but it is in the self-interest of societies.

Surveys and polls produced in the European Union (EU) and/or the Organisation for Economic Co-operation and Development (OECD) countries offer valuable insights into the impact of the recession on children and families. Using such data, three important rankings have been constructed: the evolution of child poverty by country since 2008; the change in the rate of young people not in education, employment or training (NEET); and individuals' self-perception of their living conditions.

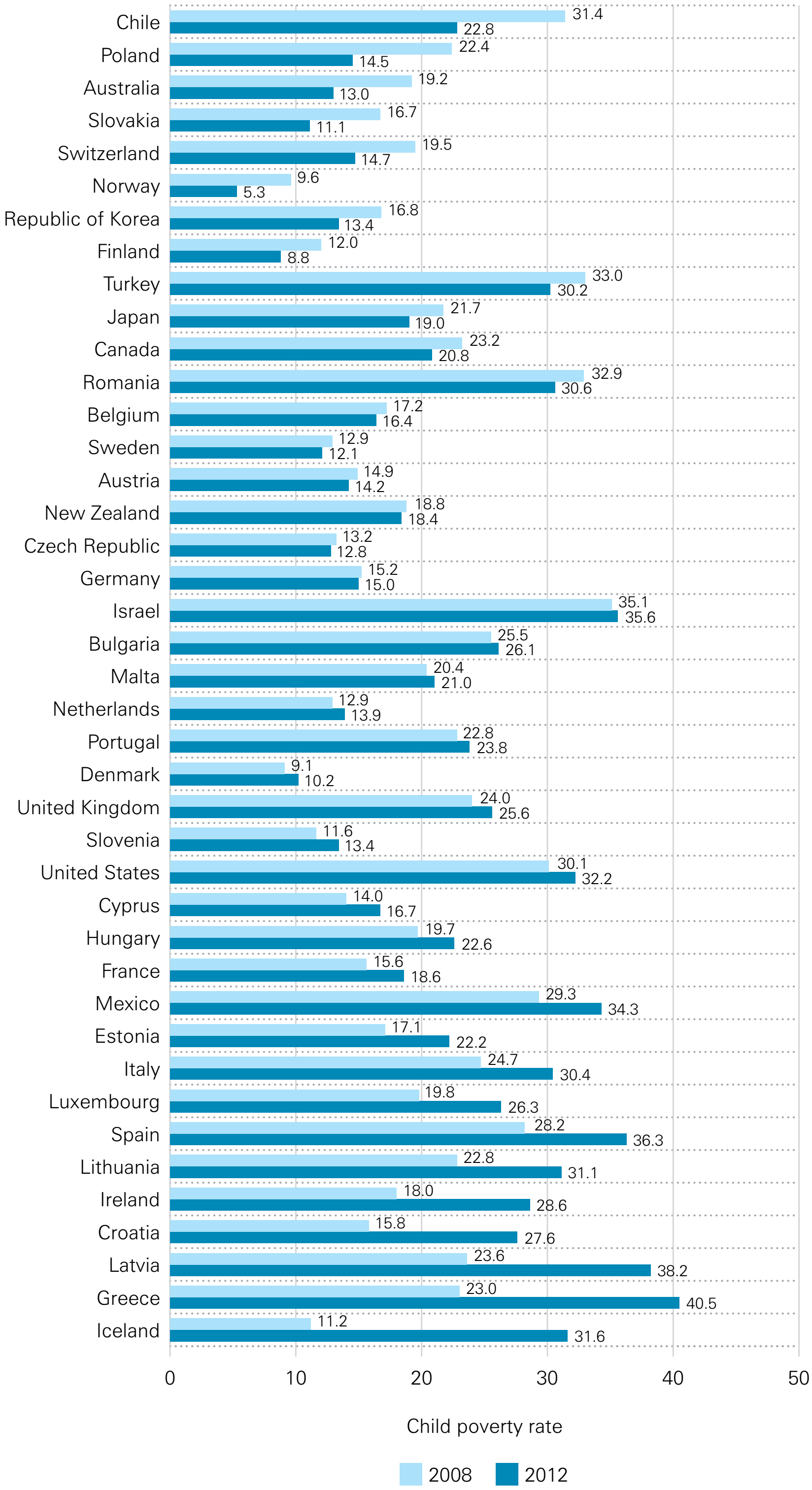
Each of these league tables describes a different dimension of a complex concept – how children have fared during the Great Recession. The first covers monetary poverty, a measure of the availability of resources to purchase goods and services to ensure material well-being. The second ranking reports on the schooling and employment status of young adults, who have arguably been the hardest hit during this period. And our third league table is somewhat innovative, employing data from the Gallup World Poll to see what individuals themselves say about their experiences during these tumultuous economic times.

The rankings focus on 2007/2008 up to the latest period for which data are available. A light blue background indicates a place in the top third of the table, mid blue denotes the middle third, and dark blue the bottom third.

While some macroeconomic indicators in most affluent countries show signs of recovery, economic growth is slow and unemployment remains abnormally high. The impact of the recession on children, in particular, will be felt long after the recession itself is declared to be over.

League Table 1 Change in child poverty (anchored in 2008)

Rank	Country	Change (2008–2012)
1	Chile	-8.67
2	Poland	-7.90
3	Australia	-6.27
4	Slovakia	-5.60
5	Switzerland	-4.80
6	Norway	-4.30
7	Republic of Korea	-3.40
8	Finland	-3.20
9	Turkey	-2.76
10	Japan	-2.70
11	Canada	-2.44
12	Romania	-2.30
13	Belgium	-0.80
13	Sweden	-0.80
15	Austria	-0.70
16	New Zealand	-0.40
17	Czech Republic	-0.40
18	Germany	-0.20
19	Israel	0.55
20	Bulgaria	0.60
20	Malta	0.60
22	Netherlands	1.00
22	Portugal	1.00
24	Denmark	1.10
25	United Kingdom	1.60
26	Slovenia	1.80
27	United States	2.06
28	Cyprus	2.70
29	Hungary	2.90
30	France	3.00
31	Mexico	5.00
32	Estonia	5.10
33	Italy	5.70
34	Luxembourg	6.50
35	Spain	8.10
36	Lithuania	8.30
37	Ireland	10.60
38	Croatia	11.80
39	Latvia	14.60
40	Greece	17.50
41	Iceland	20.40



See data sources and notes on page 44.

A commonly used indicator of child poverty is the proportion of those living below an established poverty line. *League Table 1* ranks the change in child poverty in 41 EU and/or OECD countries between 2008 and 2012. This change is calculated by computing child poverty in 2008 using a poverty line fixed at 60 per cent of median income. Using the same poverty line in 2012, adjusted for inflation, the rate is computed and the difference in the two rates is shown. A positive number indicates an increase in child poverty. Additional explanations of these trends are provided in Section 3.

Interpreting the data – League Table 1

Poverty in affluent countries is usually measured using a relative poverty line defined at either 50 per cent or 60 per cent of median annual income. Using this approach, changes in poverty over time reflect changes in income and changes in the distribution of income. This report, however, uses a fixed reference point, anchored to the relative poverty line in 2008, as a benchmark against which to assess the absolute change in child poverty over time. This measure is particularly useful for assessing impacts of the recession, when incomes of the entire population may be changing, and when individuals compare their income to that of their neighbours, as well as to their own circumstances before the crisis.

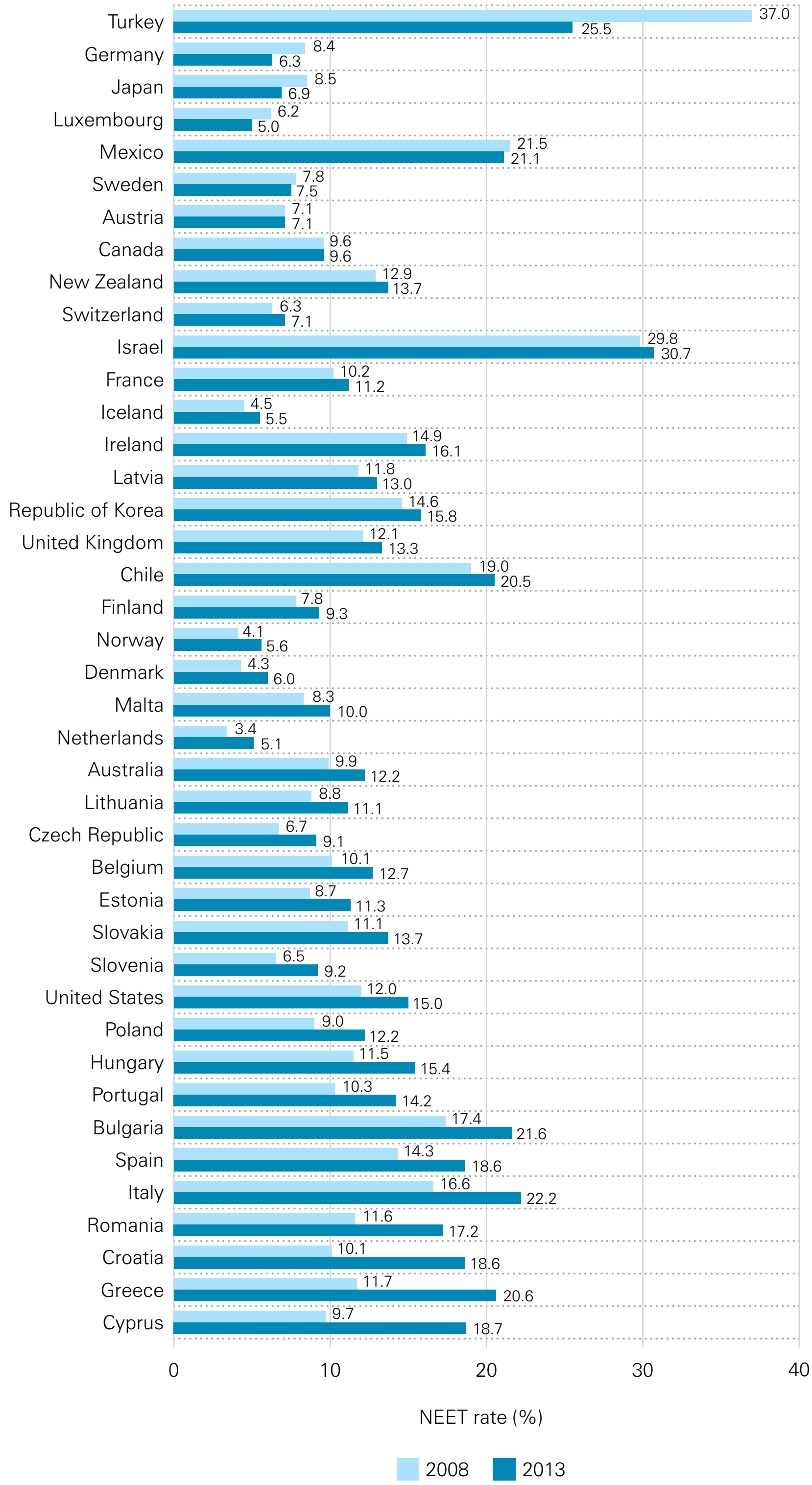
Using a relative poverty line each year obscures the impact on poverty of the overall decline in median income. In the United Kingdom, for example, relative child poverty decreased from 24 per cent in 2008 to 18.6 per cent in 2012 due to a sharp decline in median income and the subsequent lowering of the relative poverty line. Using the anchored indicator, it actually increased from 24.0 per cent to 25.6 per cent from the start of the recession.

Key findings:

- The impact of the recession can be felt in more than half of the 41 countries (and in most of the highly populated countries) listed in *League Table 1*. In 23 countries, the income poverty of children has increased since 2008, with wide variations among countries (from 0.55 percentage points in Israel to 20.40 percentage points in Iceland).
- The largest increase in child poverty has been in southern European countries – Greece, Italy and Spain – as well as in Croatia, the three Baltic States and three other states that have been hard hit by the recession: Iceland, Ireland and Luxembourg. In the five countries at the bottom of the table, child poverty rose by 10 to 20 points – an increase of over 50 per cent.
- In a remarkable group of 18 countries, families and governments found some way to cope with the worst consequences of the recession and saw their child poverty numbers reduced. This is the case in Chile, Finland, Norway, Poland and Slovakia, all of which reduced poverty levels by some 30 per cent.
- The number of children entering into poverty during the recession is 2.6 million higher than the number that have been able to escape it since 2008 (6.6 million, versus 4 million). Around 76.5 million children live in poverty in the 41 most affluent countries.
- In a surprisingly high number of cases, average comparisons hide the scale of the situation. In over half of the countries, more than one child in five lives in poverty. Greece, Latvia and Spain have child poverty of above 36 per cent. In the United States, child poverty is 32 per cent, and in Italy it is 30 per cent.

League Table 2 Youth aged 15 to 24 not in education, employment or training (NEET), percentage

Rank	Country	Change (2008–2013)
1	Turkey	-11.5
2	Germany	-2.1
3	Japan	-1.5
4	Luxembourg	-1.2
5	Mexico	-0.4
6	Sweden	-0.3
7	Austria	0.0
7	Canada	0.0
9	New Zealand	0.8
10	Switzerland	0.8
11	Israel	0.9
12	France	1.0
12	Iceland	1.0
14	Ireland	1.2
14	Latvia	1.2
14	Republic of Korea	1.2
14	United Kingdom	1.2
18	Chile	1.5
18	Finland	1.5
18	Norway	1.5
21	Denmark	1.7
21	Malta	1.7
21	Netherlands	1.7
24	Australia	2.3
25	Lithuania	2.3
26	Czech Republic	2.4
27	Belgium	2.6
27	Estonia	2.6
27	Slovakia	2.6
30	Slovenia	2.7
31	United States	3.0
32	Poland	3.2
33	Hungary	3.9
33	Portugal	3.9
35	Bulgaria	4.2
36	Spain	4.3
37	Italy	5.6
37	Romania	5.6
39	Croatia	8.5
40	Greece	8.9
41	Cyprus	9.0



See data sources and notes on page 44.

The NEET rate is the percentage of young people aged 15 to 24 who are not participating in education, employment or training. *League Table 2* shows the NEET ranking of the 41 countries between 2008 and 2013.

Key findings:

» The recession hit young people extremely hard, with the NEET rate rising dramatically in most EU countries. The largest absolute increases were in Croatia, Cyprus, Greece, Italy and Romania, all with relative changes of around 30 per cent or higher.

» Across the EU, 7.5 million young people (almost the entire population of Switzerland) were NEET in 2013, nearly a million more than in 2008. In Italy alone, more than a million young people aged 15–24 were neither studying nor working in 2013.

» Of the OECD countries that are not in the European Union, the United States saw the largest increase in the NEET rate, followed by Australia.

» Across all the countries, the sharpest NEET rate decrease was in Turkey. Even so, that country retained the highest rate in the comparison: one young person in four was NEET in 2013. Similarly in Mexico, though the NEET rate has remained stable, one young person in five was NEET.

» Generally speaking, young people have suffered more in countries that have seen a greater decline in economic output. The two notable exceptions are Luxembourg (where the NEET rate fell during a specific period of economic turbulence) and Poland (where the NEET rate increased, despite sustained economic growth).

» In countries such as Croatia and Greece, the deterioration in the circumstances of youth went hand in hand with an increase in child poverty, but there does not appear to be a strong relationship between the two. Iceland mitigated a rise in the NEET rate despite a dramatic increase in child poverty, while Romania saw the NEET rate rise even as child poverty fell.

Interpreting the data – League Table 2

High NEET rates suggest an interrupted transition from school to work, or from school to further education, with long-term individual and societal costs. Increases in the NEET rate reflect the recession's impact on a generation of young people; the kind of productive adulthood their parents took for granted is slipping away.

League Table 3 How people say their lives have changed

What people say about their living situation when asked...
Country rankings based on change 2007–2013, Gallup World Poll. Figures in columns 1 to 4 show the relative position of each country in relation to the rest, and column 5 indicates the number of these indicators that had worsened in each country between 2007 and 2013.

Countries ranked based on change 2007–2013					Direction of change	Recent Impact
Country	1 Have there been times in the past 12 months when you did not have enough money to buy food that you or your family needed?	2 Did you experience stress today?	3 Overall satisfaction with life?	4 Do most children in (country) have the opportunity to learn and grow every day, or not?	5 Number of indicators worsening 2007–2013	6 ! = >2 indicators worsened 2011–2013
Germany	4	9	3	6	0	
Switzerland	3	12	8	11	1	
Israel	4	29	6	2	1	!
Slovakia	26	13	3	4	2	
Chile	1	32	1	14	1	
Iceland	18	16	3	11	2	
Australia	13	6	15	15	1	
Austria	4	16	8	21	2	
Japan	8	7	27	8	1	
Bulgaria	1	n.a.	11	29	1	
Latvia	28	15	7	5	2	
Sweden	4	11	10	34	2	
Denmark	8	9	28	15	1	
Mexico	23	8	2	28	2	
Lithuania	29	4	28	1	2	
Republic of Korea	32	2	12	17	1	!
Norway	16	21	15	11	2	
Czech Republic	8	25	12	19	1	
France	26	5	15	19	1	
Malta	20	25	15	8	2	
Poland	18	20	28	3	3	
United Kingdom	8	25	15	21	2	!
Belgium	13	18	24	17	3	
Italy	13	21	36	8	3	
Luxembourg	16	25	15	26	3	!
New Zealand	23	1	31	31	3	
Canada	8	32	15	34	2	
Hungary	41	18	24	6	3	
Estonia	35	13	15	36	3	!
Croatia	29	n.a.	15	33	2	
Netherlands	29	30	24	21	4	!
Romania	32	3	33	37	3	
Slovenia	20	34	12	39	3	
Finland	20	34	31	21	4	
United States	37	21	33	21	4	!
Portugal	35	21	35	31	4	!
Spain	23	30	40	38	4	!
Ireland	32	36	38	30	4	!
Turkey	40	38	37	27	4	!
Cyprus	38	37	38	40	4	!
Greece	39	39	41	41	4	!

See data sources and notes on page 44

Another way of looking at the impact of the Great Recession is simply to ask people about their experiences and perceptions. The Gallup World Poll does that every year, using a representative sample of 1,000 respondents in each country. The four questions in *League Table 3* come from those polls.

Key findings:

» Beyond income and employment levels, the recession affected a number of other dimensions of people's lives. In 18 of the 41 countries, three or more of these indicators reveal rising feelings of insecurity and stress from 2007 to 2013. The most severely affected countries are clustered at the bottom of the table.

» In 29 of the 41 countries, the survey shows an increase in the percentage of respondents who reported not having enough money to buy food for themselves and their family. Again in 29 countries, the stress indicator increased. In almost half of the countries, overall life satisfaction decreased. And in 21 of the 41 countries, fewer respondents agreed with the statement that children have the opportunity to learn and grow.

» In terms of its impact on personal experiences and perceptions, the recession is certainly not over. In 13 countries, negative responses to three or four questions were still rising between 2011 and 2013, particularly in countries such as Cyprus, Greece, Ireland, Israel, the Netherlands, Spain and Turkey.

» Some of the trends indicate that dramatic societal changes are under way. In Greece, the share of respondents saying they "experienced stress today" jumped from 49 per cent in 2006 to 74 per cent in 2013. In the United States, the share of respondents that have experienced not having enough money to buy food doubled, from 10 per cent to 20 per cent. The share of respondents who think children have an opportunity to learn and grow dropped by between 10 and 20 percentage points in five countries: Cyprus, Greece, Slovenia, Spain and Romania.

Interpreting the data – League Table 3

Countries are ranked based on their average score across the four indicators, each of which measures how responses changed between 2007 and 2013. The highest number indicates the sharpest change. Column 5 indicates how many of the responses to the four were negative over the full period. Note that these data are collected in a different way from those reported in official statistics and should be interpreted with care when it comes to individual data points.[i]

Due to data availability, the numbers in the table refer to the population in general, not to families with children. However, for the question on not having enough money to buy food, it was possible to disaggregate respondents living in families with children for a subset of 31 countries. In the 10 countries where responses changed the most, the increase was even higher in families with children (in all but one country).

[i] *For a more in-depth exploration of the Gallup World Poll, as well as a validation exercise where Gallup World Poll indicators are compared to corresponding indicators from other established data sources, see: Holmqvist, G. and L. Natali, 'Exploring the Late Impact of the Financial Crisis using Gallup World Poll Data: A note', Innocenti Working Paper 2014-14, UNICEF Office of Research, Florence, 2014.*

Summary

The overall evidence from our three league tables paints a vivid picture of how children and families have fared during the Great Recession. Although each league table provides somewhat different dimensions of well-being, countries like Croatia, Greece and Spain are consistently placed in the bottom third across all dimensions, highlighting how badly they have been hit by the recession. On the other hand, some relatively wealthy countries (such as Canada, Finland, the Netherlands and the United States) have seen only small increases – or even declines – in child poverty and yet rank in the bottom third of the Gallup league table, suggesting that monetary poverty alone does not tell the whole story of the well-being of families during this period. The next sections of the report provide more details behind these aggregate numbers, in order to help us understand who suffered most and how countries responded.

SECTION 3
HOW A FINANCIAL CRISIS TURNED INTO A CRISIS FOR CHILDREN

Box 1 Measuring the exposure to the Great Recession

Bearing in mind that the recession was different in each country, we have separated the countries into three groups, in order to assess their exposure to the crisis: most, moderately and least affected.[i]

Most affected: a) Countries that are supported by International Monetary Fund (IMF)/EU/European Central Bank programmes and that promptly implemented fiscal adjustments: Estonia, Hungary, Iceland, Latvia and Lithuania. b) Countries with evident fiscal problems that experienced market pressure (with a Credit Default Swap spread higher than 500 in 2012): Croatia, Cyprus, Greece, Ireland, Italy, Portugal and Spain.

Moderately affected: Countries that are highly indebted (more than 60 per cent of Gross Domestic Product (GDP)) or that suffered a large debt increase (more than the average): Austria, Belgium, Canada, Finland, France, Germany, Israel, Japan, Malta, the Netherlands, New Zealand, Romania, Slovakia, Slovenia, the United Kingdom and the United States.

Least affected: Countries least affected by the crisis:[ii] Australia, Bulgaria, Chile, Czech Republic, Denmark, Luxembourg, Mexico, Norway, Poland, Republic of Korea, Sweden, Switzerland and Turkey.

[i] *For a more extensive explanation of the rationale behind this classification see: Natali, L., B. Martorano, S. Handa, G. Holmqvist and Y. Chzhen, 'Trends in Child Well-being in EU Countries during the Great Recession: A cross-country comparative perspective', Innocenti Working Paper 2014-10, UNICEF Office of Research, Florence, 2014.*

[ii] *Although Luxembourg and Mexico suffered more than other countries during the recent economic crisis, they are included in the least affected group because a) they did not come under intense market pressure and b) debt levels were lower than 60 per cent of GDP. More detail about these two countries is reported in Natali et al. 'Trends in Child Well-being in EU Countries during the Great Recession'.*

This section presents arguments and data that show how the global financial shock and ensuing recession turned into a crisis for children. It reveals a strong correlation between the extent to which the recession ravaged national economies and the decline in child well-being since 2008. In countries where the Great Recession hit hardest, children are suffering the most and will bear the consequences the longest. Below, a conceptual framework traces the paths that increased the risks to children and weakened the ability of families and states to mitigate those risks. The variables triggering the risks are numerous and diverse in intensity and duration. Two factors prove particularly important for households with children: the position of parents in the labour market and the depleted capacity of states to protect families.

Conceptual framework: How did the financial crisis turn into a crisis for children?

Global financial crisis
sovereign debt, economic crisis

The crisis originated in the banking and housing sectors in developed countries and rapidly spread to other parts of the world. Although it started as a financial crisis, it quickly evolved into an economic crisis, and in several European countries took the form of a sovereign debt crisis.

Transmission channels

Labour market: The decrease in demand for goods and services led to a reduction in jobs and a tightening of labour conditions, provoking a drop in household income.

Financial market: Loss in private wealth due to asset deterioration and restricted access to credit.

Public sector channel: Rapid deterioration of public finances prompted aggressive austerity programmes and diverse responses in the form of higher taxes and/or lower spending on public services.

Household impact

Reduced income due to unemployment, increased taxes and reduced transfers

Family asset depletion

Deterioration in access to and quality of services

Reduced consumption

Stress and domestic violence

Lack of nurture and care

Social exclusion

Direct impact on children and youth

Material deprivation

Nutrition/food security

Human capital investment
1. Health
2. Education

Mental health

Protection

Employment opportunities

Fertility

Policy responses

Policies to contain the negative consequences of the macroeconomic shock

In the majority of the cases **monetary policy** was accommodating but inadequate, since policy interest rates were close to zero. Many countries **depreciated their national currencies** to counter the drop in international demand.

However, in the majority of cases the only tool available to policymakers was **fiscal policy** (e.g. Eurozone).

Governments also implemented active and passive labour market policies.

Social protection system responses:

Automatic stabilizers, such as unemployment insurance and minimum income.

Discretionary policies, such as cash payments in the early period and cuts in public spending with different priorities in the second period.

Source: Natali et al. 'Trends in Child Well-being in EU Countries during the Great Recession'.

Trapped in the cycle of poverty

Children rarely manage to sidestep the stress and suffering of parents enduring unemployment or a significant reduction in income. They experience downturns in family fortunes in both subtle and painfully evident ways. They suffer minor slights and major humiliations in front of friends and classmates. They are consciously or unconsciously affected by changes in their diets, the elimination of sports, music or other activities, or a lack of funds to buy school materials. Extreme circumstances may force their families from their homes or even their countries.

Poverty is a self-reinforcing cycle. A child with unemployed parents may do less well at school. Doing less well at school may bring more stress at home. And so on. The longer a child is locked in the cycle, the fewer the possibilities of escape.

Difficulty making ends meet

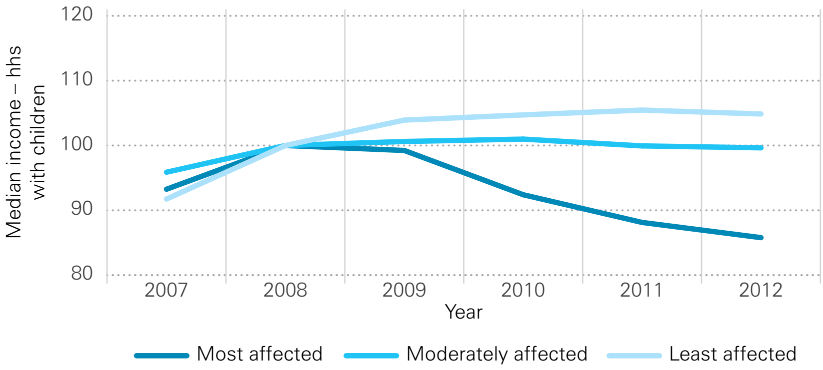
Figure 1 and *Figure 2* show the evolution of median income in European households[1] with children, and the percentage of those households that are having great difficulty in making ends meet. The households are categorized according to the exposure of their national economies to the recession (see *Box 1*). The first case shows a group of 14 (out of 30) countries whose median income decreased, with sharp falls in Ireland, Spain and the United Kingdom (all around 15 per cent), and even larger drops in Greece, Iceland and Latvia (all 24 per cent or higher).

These trends are confirmed in *Figure 3*, which reports how families say their circumstances have changed. The proportion of households stating that their situation is 'very difficult' has risen on average in all categories, with the greatest intensity in the countries most affected.[2]

Children with workless parents

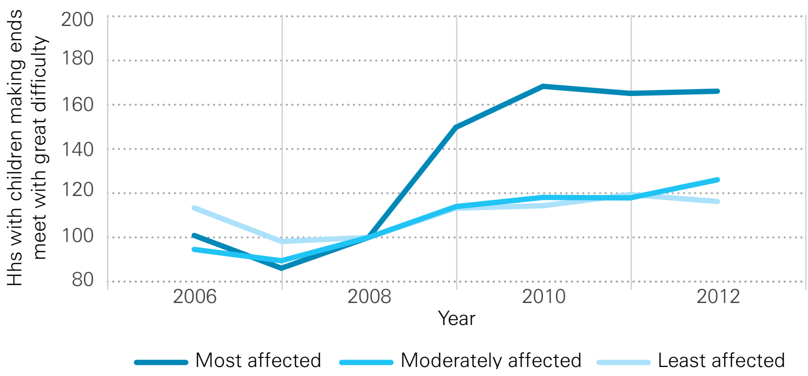
Labour market exclusion and cuts in social transfers appear to be the underlying factors driving these changes. From 2008 to 2012, the proportion of households where all adults were workless increased most in those countries with the highest incidence of child poverty.[3] The results of our own research show that the proportion of children up to age 17 living in jobless households nearly doubled in Portugal and Spain, and nearly tripled in Denmark. The largest absolute increases (above 5 per cent) were in Bulgaria, Greece, Ireland and Spain.

Figure 1 Median income in European households with children (per exposure)



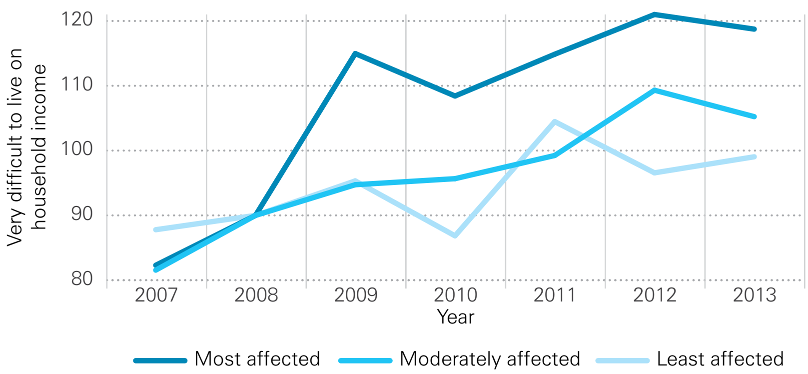
Source: Eurostat. Median income is expressed in 2007 prices, national currency.
Note: No data for Cyprus, Croatia, Slovakia and Turkey.

Figure 2 European households with children making ends meet with great difficulty (per exposure)



Source: Eurostat.
Note: No data for Turkey and Croatia; Switzerland (2006); Ireland (2012).

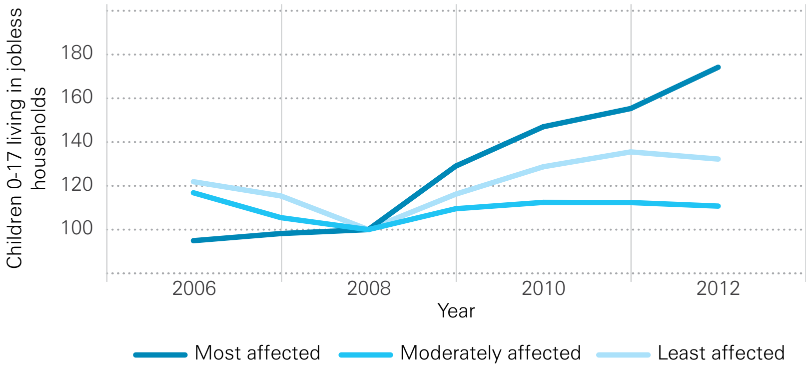
Figure 3 Proportion of households reporting that their feeling about household income is 'very difficult' (per exposure)



Source: Gallup World Poll.
Note: Out of the 41 countries covered in this report, the following are not included in this figure: Austria, Cyprus, Finland, Iceland, Ireland, Luxembourg, Malta, Norway, Portugal, Slovakia, Slovenia and Switzerland.

Figure 4 shows these trends by the exposure of the different groups to the recession. The implications of this rise in unemployment were highlighted by the OECD in a recent report: "With more than one in eight working-age individuals in most countries now living in workless households, the success of redistribution measures and active social policies is gauged to a large extent on whether they can improve economic security for families without any income from work."[4]

Figure 4 Children in jobless households (per exposure)

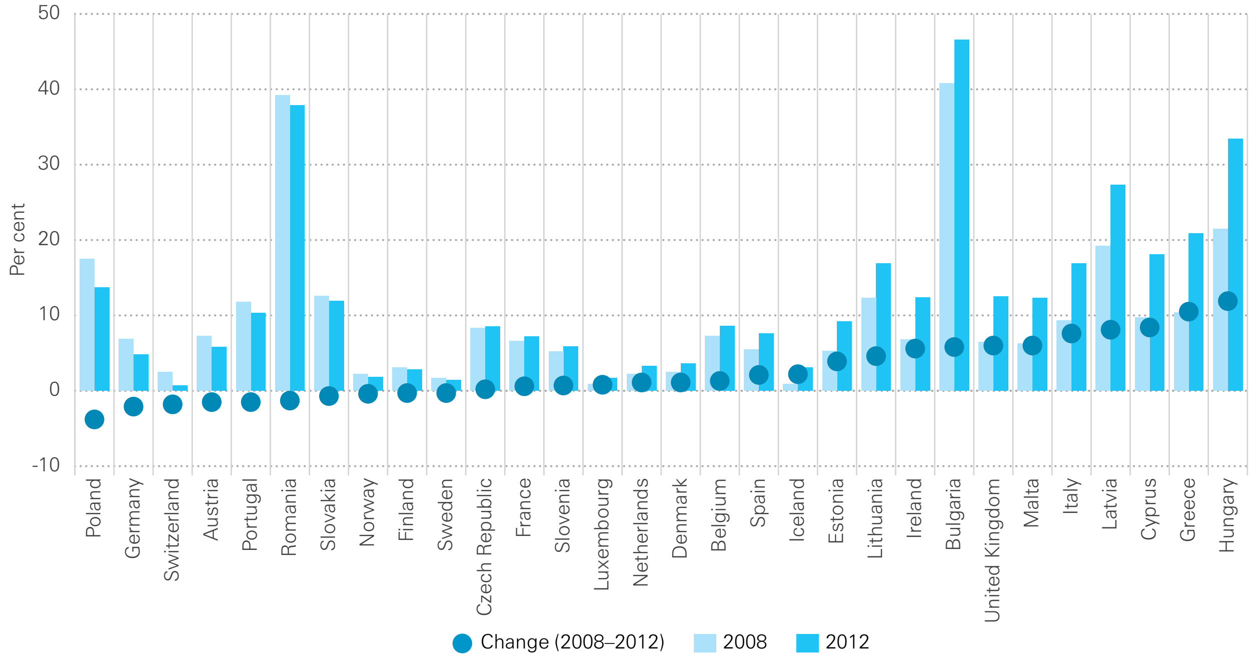


Source: Eurostat.
Note: No data for Iceland, Norway, Switzerland and Sweden.

The working poor and other vulnerable groups

Households with two children have spending needs that are, on average, 40 per cent higher than comparable families without children.[5] As a consequence, households with children are much more likely to be poor. Add in other layers of vulnerability – such as migrant or lone-parent families – and the risks multiply. Having a child or children in a household increases the risk of 'working poverty' (working, but below the poverty line) from 7 per cent to 11 per cent. For lone parents, this almost doubles (20.2 per cent).[6] In the most affected countries, the proportion of households with children unable to face unexpected financial expenses has increased by almost 60 per cent, on average. For many households, their toehold on the lower rungs of middle-class life is increasingly fragile (see *Box 2*).

Figure 5 Change in severe child material deprivation in Europe (2008–2012)



Source: Eurostat.
Note: No data for Croatia.

Box 2 Europe: Less income, less protection, more material deprivation

The overall picture of material well-being of families is broadly captured by the 'severe material deprivation' indicator. Children (0–17) are considered to be severely materially deprived when the household in which they live cannot afford at least four of the following nine items: 1) to pay rent, mortgage or utilities; 2) to keep the home adequately warm; 3) to face unexpected expenses; 4) to eat meat or proteins regularly; 5) to take a holiday; 6) to have a television; 7) to have a washing machine; 8) to have a car; 9) to have a telephone. In contrast to purely monetary measures of the financial resources of households, this indicator shows the satisfaction of material fundamental needs.[i]

In 2008, there was an abrupt break in the positive trend of previous years. In the first phase of the recession (2008–2010), the proportion of children with severe material deprivation increased sharply in the countries most affected by the Great Recession, and was relatively stable in the remaining countries. After 2010, deprivation worsened, on average, everywhere. Two-thirds of the European countries in this analysis saw material deprivation worsen after 2008 (see *Figure 5*), with the largest absolute increases in Cyprus, Greece and Hungary. In relative terms, the severe child material deprivation rate doubled in Greece and tripled in Iceland, albeit from a very low base. In the group of hard-hit countries, the proportion of severely deprived children nearly doubled in four years.

The magnitude of this change is worthy of note. The absolute number of children living in severe material deprivation in the 30 European countries analysed was 11.1 million in 2012 –1.6 million more than in 2008. This trend is the result of a net effect that includes substantial decreases (more than 300,000 fewer deprived children in Germany and Poland) and unprecedented increases in four countries (Greece, Italy, Spain and the United Kingdom).[ii] Almost half of the severely materially deprived children (44 per cent) in 2012 lived in three countries: Italy (16 per cent), Romania (14 per cent) and the United Kingdom (14 per cent).

Provisional estimates for 2013 show that some countries – notably Estonia and Latvia – started on the road to recovery in 2012. However, there are still reasons to be concerned. The deterioration in the severe material deprivation indicator is mainly related to the first five components on the list, those most sensitive to household income. The last four deprivation items – the so-called 'durables' – are likely to worsen in the latter phase, as the recession continues and families are unable to repair or replace their assets.[iii]

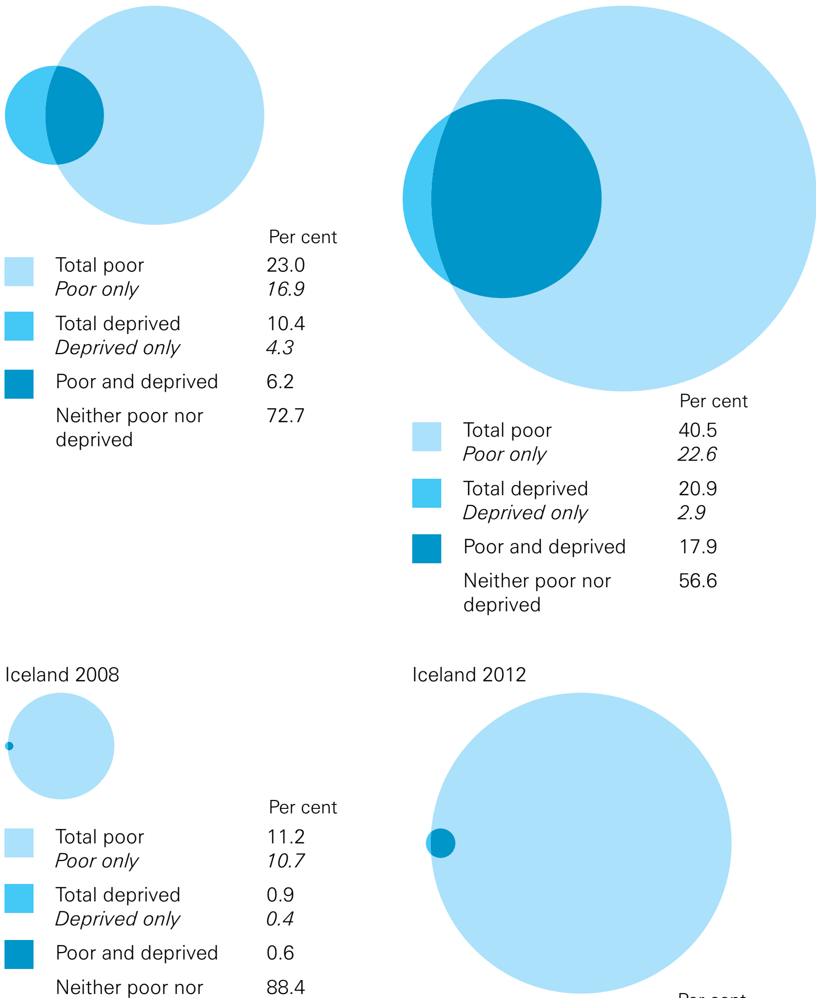
Material deprivation and income poverty can be combined for a more complete story of the impact of the recession on households with children. *Figure 6* shows that in Greece and Iceland – the two countries at the bottom of the child poverty league table – not only has the absolute number of poor children risen dramatically, but it has done so in the context of increased severe material deprivation. The proportion of children who are income poor and severely deprived has tripled in Greece and quadrupled in Iceland.

[i] *de Neubourg, C., J. Bradshaw, Y. Chzhen, G. Main, B. Martorano and L. Menchini, 'Child Deprivation, Multidimensional Poverty and Monetary Poverty in Europe', Innocenti Working Paper No. 2012-02, UNICEF Innocenti Research Centre, Florence, 2012, p. 1.*

[ii] *There was a break in 2012 in the United Kingdom series: the figures should be interpreted with caution.*

[iii] *McKnight, A., 'Measuring Material Deprivation over the Economic Crisis: Does a re-evaluation of "need" affect measures of material deprivation?', Gini Policy Paper 4, Centre for Analysis of Social Exclusion, London School of Economics, 2013. www.gini-research.org/system/uploads/553/original/PP4.pdf?1380631527*

Figure 6 Child poverty and severe material deprivation in Greece and Iceland (2008 and 2012)



Greece 2008

	Per cent
Total poor	23.0
Poor only	*16.9*
Total deprived	10.4
Deprived only	*4.3*
Poor and deprived	6.2
Neither poor nor deprived	72.7

Greece 2012

	Per cent
Total poor	40.5
Poor only	*22.6*
Total deprived	20.9
Deprived only	*2.9*
Poor and deprived	17.9
Neither poor nor deprived	56.6

Iceland 2008

	Per cent
Total poor	11.2
Poor only	*10.7*
Total deprived	0.9
Deprived only	*0.4*
Poor and deprived	0.6
Neither poor nor deprived	88.4

Iceland 2012

	Per cent
Total poor	31.6
Poor only	*29.1*
Total deprived	3.1
Deprived only	*0.6*
Poor and deprived	2.6
Neither poor nor deprived	67.8

Source: EU-SILC.

Food, shelter and nurture

A shortfall in family income is particularly hard on children. The food they eat, where they live, the time they spend with parents and friends, and the public services to which they are entitled – these are important factors that determine their well-being.

Access to food

Daily nutritional intake and the consumption of nutritious food, such as fish and vegetables, declined in the most affected countries during the recession. After 2008, the percentage of households with children unable to afford a meal with meat, chicken, fish (or a vegetable equivalent) every second day more than doubled in Estonia, Greece, Iceland and Italy, reaching 10 per cent, 18 per cent, 6 per cent and 16 per cent, respectively, in 2012. UNICEF National Committees report that diverse public and private initiatives have sprung up across Europe to combat the increasing problem of malnutrition, including school meal programmes, food banks and meal vouchers. Furthermore, some 9 million poor women and children in the United States receive federal food assistance annually,[7] with more than 47 million Americans living in households that have difficulty in putting food on the table.[8] Between 2008 and 2013, the use of food banks by families in Canada increased by 23 per cent.[9]

Housing conditions

Evictions, mortgage defaults and foreclosures have been a tragic reality in a number of countries hit by the recession. In Spain, 244,000 evictions were registered from 2008 to 2012 by the European Federation of Public, Cooperative & Social Housing. In Ireland, 400,000 mortgages were in negative equity in 2013. In Greece, at least 60,000 house owners faced immediate danger of eviction in 2013.[10] In the United States, where the financial crisis began, more than 13 million foreclosures have been filed since 2008. The recession has also affected savings and economic opportunities throughout the country.[11]

The cost of housing may be a challenge for many people long before evictions and foreclosures take place. Rent, mortgage payments and other housing costs are generally the largest expenditure in a family budget. The proportion of children in families overburdened by housing costs has increased in 19 European countries since 2008.[12] In some cases, lack of access to affordable housing leads to homelessness of children and other extreme consequences.[13]

Parental time and care

The quantity and quality of time that parents spend with their children is affected by income reductions and contextual stress. Loss of parental time is more acute in poorer families, contrary to conventional wisdom.[14] Long working hours, less help at home and a lack of leisure activities can have a debilitating effect on family relationships, affecting children in critical periods of intellectual and emotional development. For separated or divorced couples in Italy, for instance, income constraints caused by the recession add to the pressure on already stressed relationships.[15] Trends in violence against children also feel an impact: in the United States, the drop in consumer confidence since 2007 has been associated with a considerable increase in the incidence of mothers hitting their children frequently. We find that the large decline in consumer confidence during the Great Recession, as measured by the Consumer Sentiment Index, has been associated with worse parenting behaviour. In particular, lower levels of consumer confidence are associated with increased levels of high-frequency spanking, a parenting behaviour that is associated with greater likelihood of being contacted by child protective services.[16]

Essential services

As family incomes decrease and contextual conditions deteriorate, so risk in children's lives increases. And the capacity of governments and public institutions to protect them has not improved accordingly in critical areas such as health and education. In European countries that have been moderately and severely affected by the recession, the proportion of young adults with unmet health needs has increased significantly since 2008. More than a third of OECD countries reduced public education spending after 2010, and several more froze it.[17] These cuts will have both short-term and long-term impacts.

Have children suffered most?

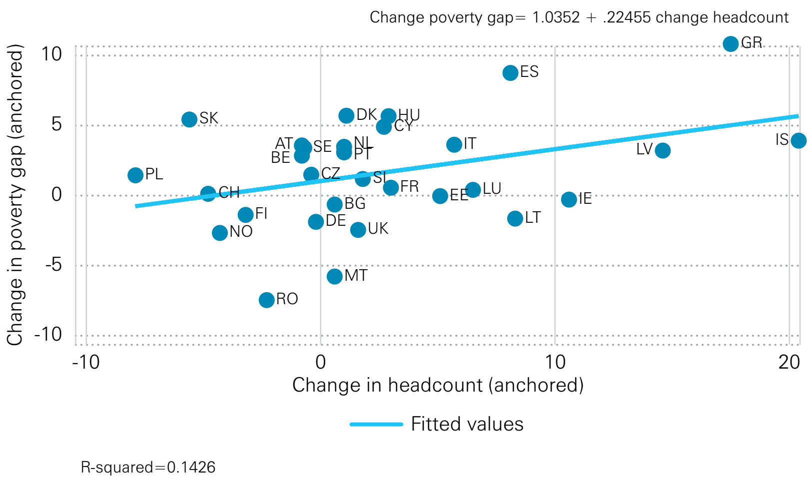
How does an economic crisis affect inequality? Inequality can lessen if better-off households lose income, while poorer sectors of society remain protected by existing public policies and safety nets. But inequality can worsen if the weight of the recession falls on the weakest in the income chain. In the end, how the impacts are spread depends less on the depth of the recession and more on the existing economic structure and social safety nets and, most importantly, on policy responses.

To assess whether the impact of the recession did fall disproportionately on children, the situation of average children was compared to that of the poorest children in the income distribution chain. The impact on children in particularly vulnerable groups, such as migrants, lone-parent families and workless households, was also assessed, as were the impacts on children compared to the impact on other traditionally vulnerable social groups, such as the elderly, as well as on society in general.

Impacts on the poorest

Since 2008, the position of the poorest children has actually worsened in most of the countries studied. The poverty gap indicator (see *Figure 7*) captures the depth of this phenomenon by measuring the distance from the poverty line to the

Figure 7 Change in poverty gap vs change in headcount (2008–2012)



Source: Eurostat for the anchored headcount; EU-SILC for the anchored poverty gap.

Box 3 The crisis in Greece through a child's eyes

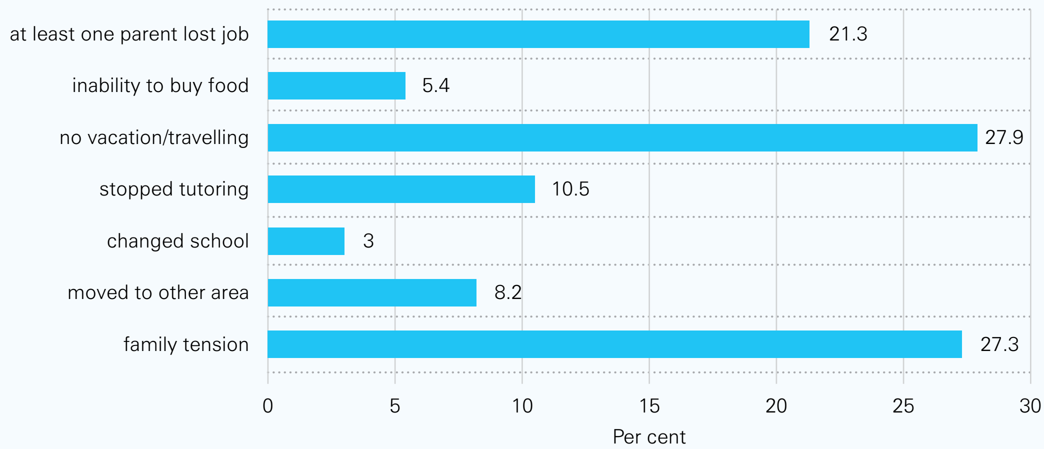
The indicators in this *Report Card* do not fully capture how children's views of their lives have changed. To gain a deeper insight into the perspectives of children, we commissioned early analysis of the most recent Health Behaviour in School-aged Children (HBSC) survey (2014) on the behaviour of 11-, 13- and 15-year-old students in Greece, one of the countries most affected by the recession. The results are instructive.

Despite the best efforts of families to insulate their offspring from the worst consequences of the recession, school children in Greece revealed that they are highly aware of problems that affect their immediate context. Those reporting that their family's economic situation is 'not well off' doubled from 7.2 per cent in 2006 to 14.5 per cent in 2014. An increasing share of them said that the economic situation of the area where they live had worsened (from 22.2 per cent to 29.5 per cent in the same period).[i] In 2014, more than one child in five reported that at least one parent had lost their job, 5 per cent said their family could not afford to buy food, and almost 30 per cent reported that the family had stopped going on holiday trips (see *Figure 8*). Around one student in ten had to stop tutoring sessions or had to move to another area or to a relative's house, and 3 per cent switched from private to public schools.

The children surveyed were perceptive about other consequences of the recession, such as increased stress on parents from income cuts or job losses. These events affect family relationships, as seen in the large share (as high as 27 per cent) of those reporting tension and fights within their families. The proportion of children reporting high satisfaction with relationships within the family dropped by 3 per cent between 2006 and 2014. As for their overall life satisfaction, the share of children reporting a high quality of life dropped by almost 10 per cent over the same period.

[i] *Kokkevi, A., M. Stavrou, E. Kanavou and A. Fotiou. 'The Repercussions of the Economic Recession in Greece on Adolescents and their Families', Innocenti Working Paper No. 2014-07, UNICEF Office of Research, Florence, 2014.*

Figure 8 Children's self-reporting of the effects of the crisis in Greece



Source: 2014 HBSC survey.

median income of those below the line, expressed as a percentage of the poverty line. For children, this proportion increases as the recession advances in countries that are more affected by it. The poverty gap is higher in countries where poverty has increased most, meaning that poverty in those countries is more extensive and more intense. In Greece and Spain, poor children were further below the poverty line in 2013 than they were in 2008. It is notable that this form of discrimination increased in some countries where overall child poverty decreased, such as Belgium and Slovakia, suggesting that the tax changes and transfers intended to help the poorest children were relatively ineffective.

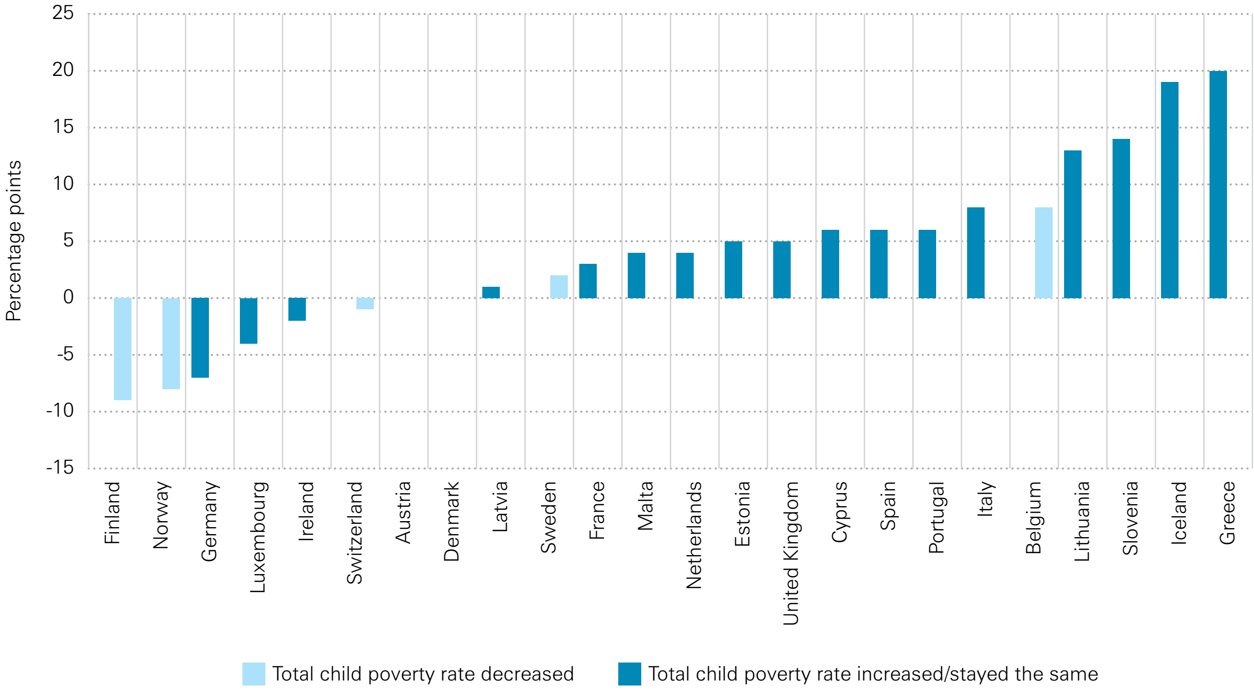
Impacts on the most vulnerable

The poverty trends discussed above may mask the situation of children in particularly vulnerable situations, such as those in workless, lone-parent, large families, or migrant households. Their deteriorating living conditions have already been highlighted in *Report Card 10,* which called for policies and actions to protect them.[18] Recent data show how these groups consistently appear in the most-severe range in poverty statistics. Their needs call more than ever for specific types of attention and services, which are often first to disappear in a financial crisis.

Figure 9 shows that the impact of the recession on children in migrant households[19] in Europe was often greater than it was on children from non-migrant households. In many European countries, child poverty increased faster (or fell more slowly) for children in migrant households than for other children. Most notable is Greece, where poverty rates rose by 35 percentage points for children in migrant households, compared with 15 percentage points for all other children. In Iceland, the poverty rate for children in migrant households increased by 38 percentage points, twice the increase among non-migrant households. Thus, in the two countries where child poverty increased the most, children in migrant households suffered disproportionately.

Other groups of children bearing a heavier burden in the recession

Figure 9 Absolute difference in anchored poverty change (2008–2012) between children in migrant households and other children in Europe (percentage points)



Source: EU-SILC.

Notes: Data for 2011 are used for Belgium and Ireland. Countries with insufficient case numbers of children in migrant households excluded. Bars are changes in absolute poverty with positive values indicating a worsening among chldren in migrant households relative to other children.

include those in households with lone parents, low work intensity and large families. Among 30 European countries, the inequity of the impact on children is highest in Greece. The trend is similar in Iceland for children in workless households and lone-parent families. However, in some countries at the highest end of the range of child poverty, poverty decreased for children in vulnerable households, such as lone-parent households in Cyprus and the Czech Republic, workless families in Belgium and the United Kingdom, and large families in Lithuania and Spain.

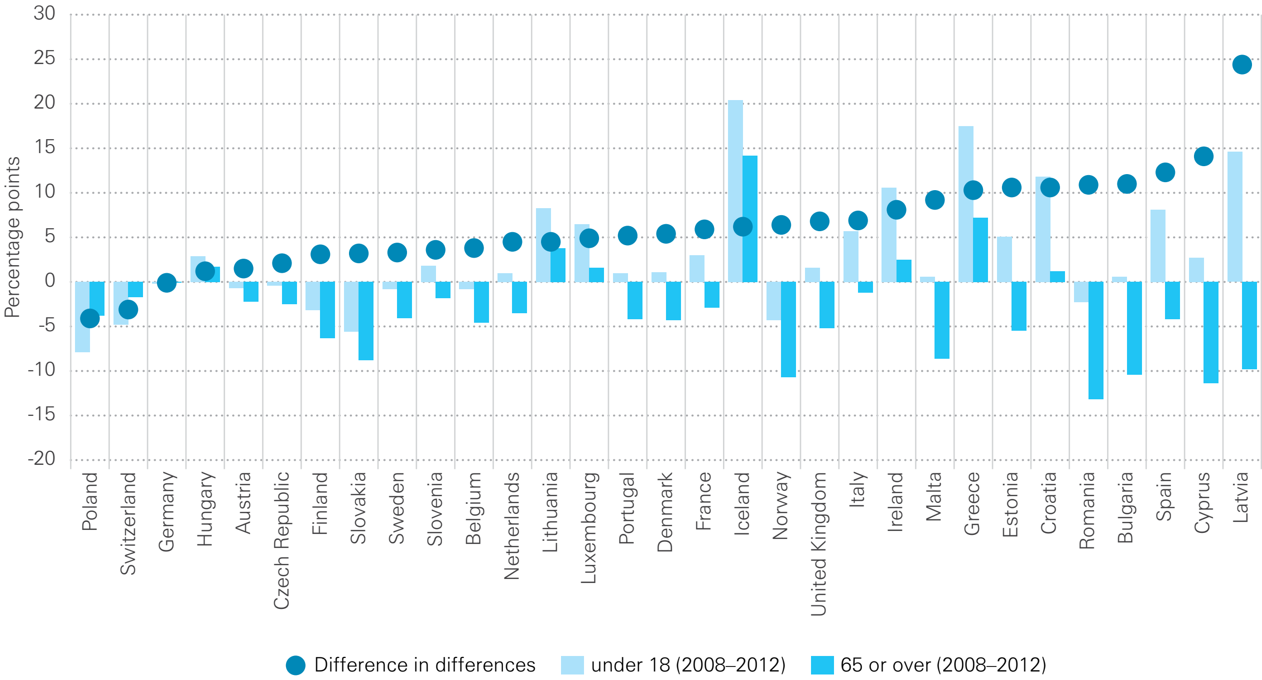
Mixed trends are also observed in some non-EU/OECD countries. In lone-parent households in Israel, for example, children have experienced an increase in poverty, even as poverty fell slightly in couple-parent families. In contrast, child poverty on the whole decreased in Canada and Japan; but although child poverty rates fell faster among children in lone-parent families, they remained substantially higher than for those in couple-parent families. This underscores the fact that economic conditions affect children in lone-parent families more than other children.

Impacts on children versus other groups

Another approach to assessing how hard children have been hit by the recession is to compare the number of them in poverty against the general population. In many countries, households with children have experienced more intense increases in poverty and material deprivation than the national average. In half of the European countries studied, poverty increased faster (or else fell more slowly) for children than for the population as a whole.

The elderly, also vulnerable, fare better than the young in this analysis. *Figure 10* shows the at-risk-of-poverty rate in populations aged under 18 and over 65 in 2008–2012. The blue dots measure the change in poverty among children versus the change in poverty among the elderly over this time period, with positive values indicating that the position of children worsened relative to the elderly. In all but three of the 31 countries analysed, the rate increased more rapidly (or decreased more slowly) for the

Figure 10 Absolute difference in anchored poverty change (2008–2012) between children and the elderly (percentage points)

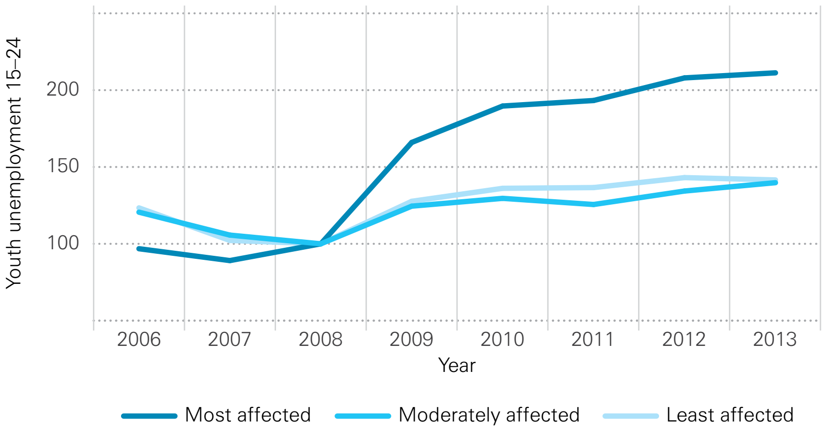


Source: Eurostat (last update 14.07.2014).

Notes: Sorted by the difference in the anchored poverty rate increase between children and the population.
Break in the series for Austria and the United Kingdom in 2012.

young than for the elderly (positive values for the blue dots). In 24 of the 31 countries, the trend shows a reduction in at-risk-of-poverty levels among the elderly, whereas child poverty increased in 20 countries. In eight countries, the gap in the change in poverty between the two groups exceeds 10 percentage points. These numbers suggest that protection for the elderly works when it is needed. This is less true for children.

Figure 11 Youth unemployment (15–24) per exposure



Source: Eurostat.

Notes: Long-term unemployment: Long-term unemployment (12 months or more) for young people 15–24. No data for Cyprus, Denmark, Finland, Iceland, Lithuania; Sweden (2006); Luxembourg (2007 and 2009).

Underemployment: 'Involuntary' part-time workers, 15–24, percentage of active population. No data for Bulgaria, Estonia, Hungary, Iceland, Lithuania or Luxembourg.

Temporary employment: Temporary employees (15–24) as percentage of the total number of employees (15–24).

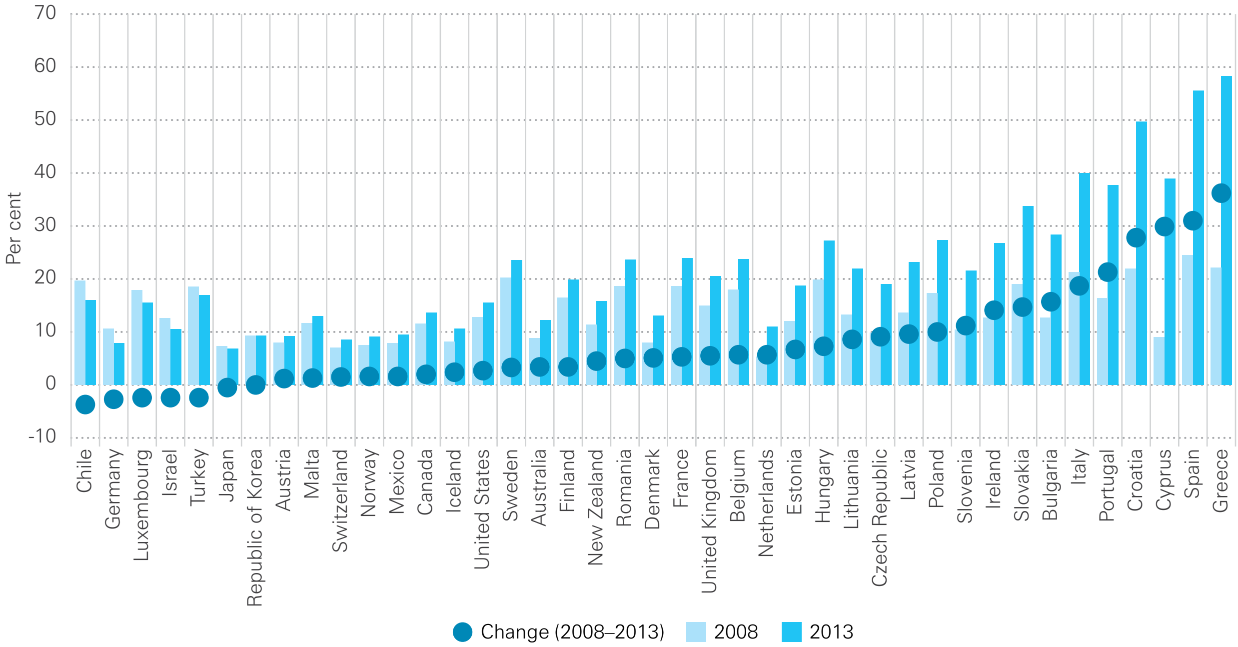
A generation cast aside

One of the long-term impacts of the Great Recession is to be found in adolescent and young-adult unemployment. Youth unemployment and underemployment have reached worrying levels in many countries. In addition to the data in *League Table 2* (see Section 2), this *Report Card* looks at key indicators in the labour market for young people, including recent data on self-perception. It is the story of a generation that has been cast aside, and failure to address it could lead to high societal costs.

An epidemic of youth unemployment

Figures 11, 12 and *13* paint a picture of youth labour in the recession, something European Union Human Rights Commissioner Nils Muižnieks calls a "pathology of austerity".[20]

Figure 12 Change in the youth (15–24) unemployment rate, 2008–2013



Source: Eurostat; OECD.Stat.

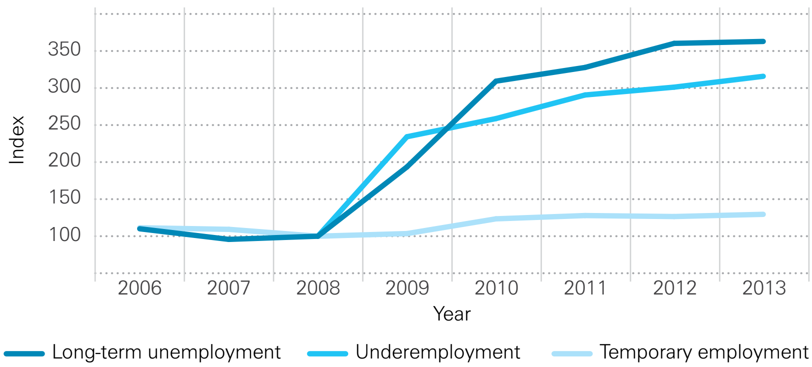
Unemployment in the 15–24 age group increased in all but seven of the 41 countries covered in this report between 2008 and 2013. Four stand out as having increases in excess of 25 percentage points: Croatia, Cyprus, Greece and Spain. Youth unemployment in the same four countries had fallen steadily from 2004/2005 to 2007/2008. The recession reversed that trend.

In Greece and Spain, the pattern is particularly striking. Unemployment in the 15–24 age group increased from an already high base of over 20 per cent to more than 50 per cent in 2013. Half of all young job seekers remained unemployed. Nations where such a large percentage of young people are not working face extraordinary challenges, such as the sustainability of national pension plans. Generally, youth unemployment evolves in parallel with overall adult unemployment, but exceptions do occur: in Italy's 15–24 age group, unemployment levels increased nearly four times more than in the 25–54 age group.

Too many young people not in education, employment or training

As a tool for measuring the youth labour market, unemployment rates have significant limitations, because they overlook those who are not economically active. So surveys gather data on young people who are not in education, employment or training. The NEET rate includes both those who are seeking work (the unemployed) and those who are not (the inactive). The rate offers a measure of the percentage of the youth population that is absent from the labour market and education, as well as of those who are discouraged and disengaged.

Figure 13 Trend in youth underemployment, temporary employment and long-term unemployment in the most affected countries



Source: Eurostat.

Notes: Long-term unemployment: Long-term unemployment (12 months or more) for young people 15–24. No data for Cyprus, Denmark, Finland, Iceland, Lithuania; Sweden (2006); Luxembourg (2007 and 2009).

Underemployment: 'Involuntary' part-time workers, 15–24, percentage of active population. No data for Bulgaria, Estonia, Hungary, Iceland, Lithuania or Luxembourg.

Temporary employment: Temporary employees (15–24) as percentage of the total number of employees (15–24).

In certain countries, including Mexico and Turkey, high inactivity rates appear to be driven by large proportions of young women raising families.[21] In countries where the NEET rate has increased most, notably Cyprus and Greece, the change is dominated by rising youth unemployment. In countries such as Latvia and Lithuania (which have seen a moderate upturn in the NEET rate) and Slovakia and Spain (which have had a larger surge), the increase has also been driven by rising youth unemployment, in spite of a concurrent decrease in inactivity. By contrast, in Romania the increase in the NEET rate has been dominated by increased inactivity. And in Turkey, a vast decrease in the NEET rate has been almost entirely due to a decrease in inactivity.

Unfortunately, even when unemployment or inactivity rates decline, it rarely means that youth have found stable, reasonably paying jobs (see *Figure 13*). In the 15–24 age group in countries more exposed to the recession, the percentage of those who are in part-time work or underemployed has tripled. Full-time contract work for young people has become more common, contributing to the precariousness of labour markets. Increases in long-term unemployment rates (12 months or more) in countries more exposed to the recession are largely due to youth unemployment.

The labour market for adolescents and young adults was already a problem before 2008, but the recession has magnified it for a whole generation. The relevance of these trends should not be underestimated. A long period of underemployment or inactivity can have an enduring impact on one's lifelong financial security. It can stifle career plans, reduce expectations and lead to demoralization. For whole societies, it increases demand for social benefits, decreases workforce contributions to social security systems, and erodes a pillar of social cohesion.[22]

Summary

The Great Recession had the greatest impact on the weakest, and possibly for the longest time. This section has shown the many overlapping ways in which children suffered from the crisis, while others – such as the elderly – managed to be protected. It has proved how many countries saw large increases in the material deprivation of children (possibly a better longer-term measure of poverty), and has highlighted the lifetime risks of entering the labour market in a recession.

By any measure, this is a discouraging reversal in what was a positive trend in the consolidation of young people's rights. The progress made in education, health and social protection over the last 50 years is now at stake.

Still, there are some signs of hope. Eighteen of the countries analysed for this report managed to limit, or even reduce, child poverty amid this economic storm. Four of them also reduced the gap between poor and the poorest children. Despite the recession, disproportionate youth unemployment was avoided in several countries, and, in many others, public and private safety nets have proved resilient in a time of great need. Nothing is inevitable. Section 4 looks at how countries have responded, and the implications for children.

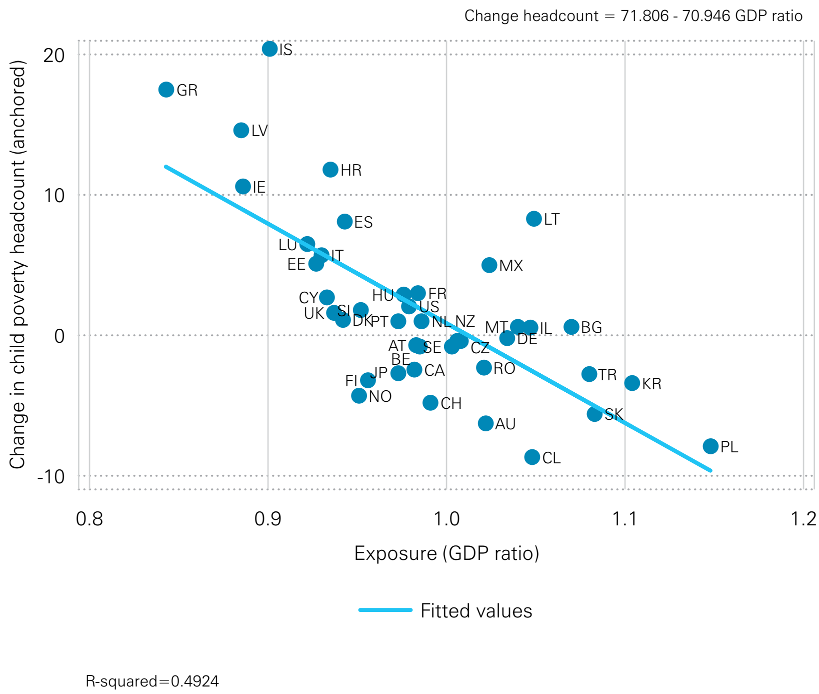
SECTION 4
UNEVEN RESPONSES

At the beginning of the Great Recession, some countries were better positioned than others to weather the economic storm, and some had strong social protection measures in place. Yet how governments responded to the crisis mattered a great deal. Poverty increased in most countries, but decreased in some. The recession was global, but it did not result in a severe crisis for children in every country.

Figure 14 compares changes in child poverty to changes in national GDP. Of the 41 EU/OECD countries listed, those more exposed to the recession had larger increases in child poverty. Yet a closer examination of the data shows that, while child poverty increased in most countries, in others it declined. Croatia and Cyprus, with similar economic circumstances, had very different outcomes for the well-being of children. Lithuania and Mexico had modest (or even dynamic) economic growth, yet child poverty indicators deteriorated.

To understand how governments addressed the recession and, more importantly, what worked well in countries where child poverty indicators did not deteriorate (or where they even improved), this section looks at the quantity and quality of government responses over the past five years, with some final considerations around the period before the recession.

Figure 14 Change in child poverty headcount (anchored) vs exposure



Source: See Data Sources: *League Table 1* on page 44 for changes in anchored poverty; IMF World Economic Outlook.

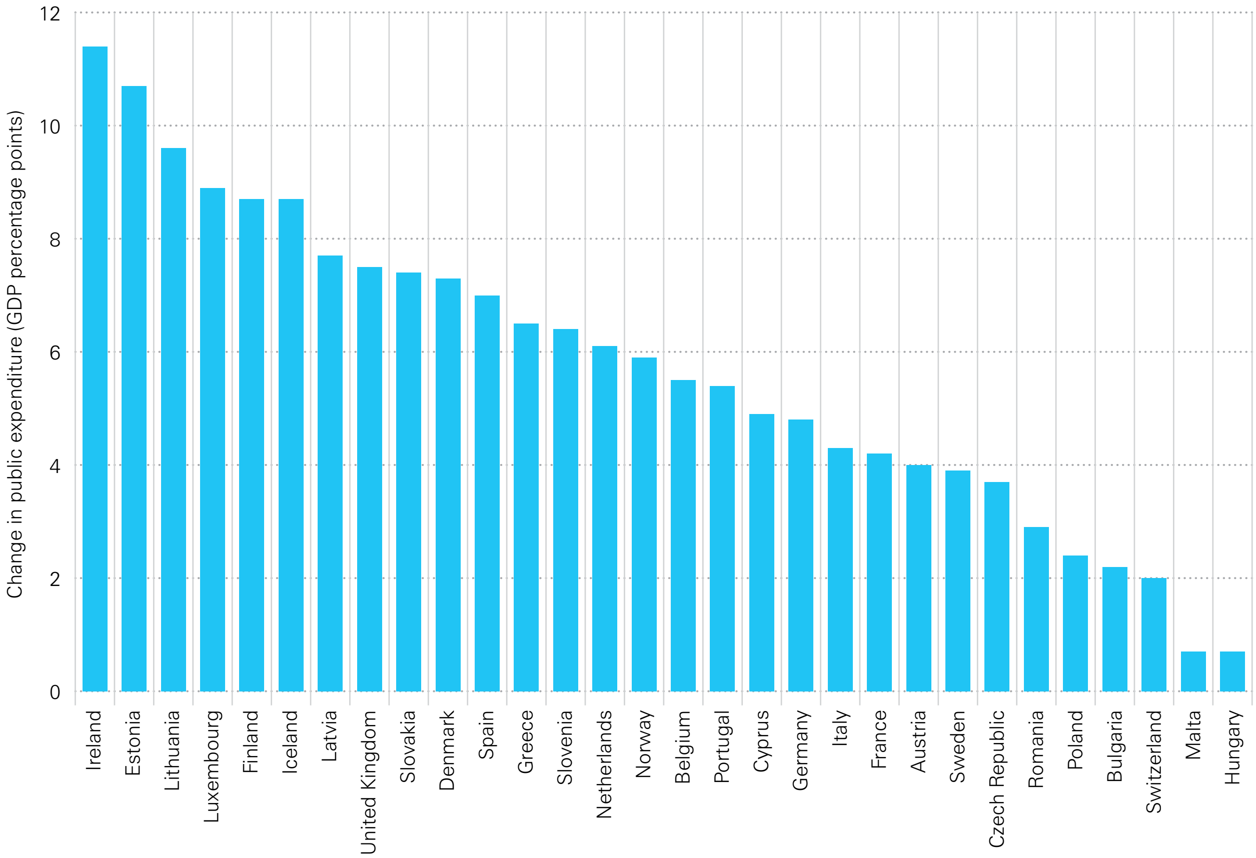
Note: The x-axis shows exposure to the recession, using the ratio of GDP from 2007 to 2012. The y-axis shows change in child poverty from 2007 to 2012 (positive values indicate increases).

What was spent, and how

At the start of the recession, not surprisingly, child poverty was lower where public spending on families and children was higher. During the recession, welfare states were expected to increase their public protection spending, and many did.[23] In such countries, the health and well-being of citizens, especially those in financial or social need, are safeguarded by grants, unemployment assistance programmes, pensions and other benefits. In a recession, these benefits act as counter-cyclical economic stabilizers.

Beyond that, OECD countries and many others adopted stimulus packages in the initial phase of the recession, pushing up public spending (see *Figure 15*). With the persistence of the recession, however, national revenues fell and deficits increased significantly in many countries. Increasing pressure from financial markets forced many governments to make budget cuts. The Eurozone's U-turn was particularly abrupt.

Figure 15 Change in public expenditure, 2007–2009



Source: Eurostat.

While Europe retrenched, Chile, Japan, Republic of Korea and the United States maintained expansionary policies to support their economies. Norway was Europe's sole exception, while in Sweden and Switzerland the consolidation measures that were implemented amounted to less than 0.5 per cent of GDP.

In countries that made a similar fiscal effort and were equally exposed to the recession (see *Box 1* in Section 3 for exposure criteria), the impact of the spending is mixed.

An assessment of government responses suggests that their effectiveness was related to the initial margin of action, as well as to the magnitude and design of the government initiatives. Targeting cash payments at the poorest families with children helped to protect vulnerable families and boost the economy at the same time. Some examples:

» Chile and Mexico had experienced extraordinary economic and social improvements in the decade before the financial crisis, but in 2008–2009 they were hit hard by recession-induced trade declines. Chile, which had more fiscal space, spent twice as much as Mexico on its stimulus package, supporting families with children by expanding existing social protection programmes, extending cash transfers to the poorest families with children, and expanding labour market measures such as unemployment insurance. Mexico introduced a similar stimulus package in the early years of the recession, but worsening fiscal conditions pushed the country into a consolidation process from 2010 onwards.

» Australia's increase in spending on families had a more positive impact than the ambitious tax cuts implemented in New Zealand, where poverty and inequality stagnated (see *Box 4*).

Box 4 The Australian Household Stimulus Package

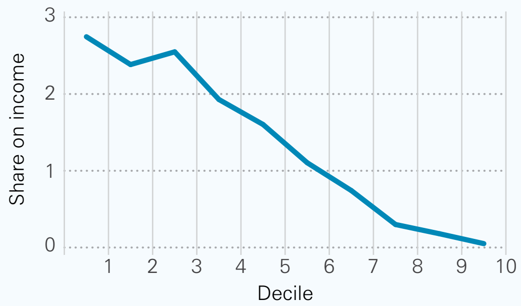
As with most other OECD countries, the Great Recession hit Australia. But unlike many other countries, Australia managed to protect families as part of its economic recovery strategy. One of the most important contributory factors was a fiscal stimulus of more than 4 per cent of GDP (a move that was facilitated by the fact that the country had the necessary fiscal space). A portion of the stimulus package was designed to support families in economic difficulties and to sustain their consumption. In particular, the 2009 household stimulus packages were made up of three main one-off payments: the Tax Bonus for Working Australians, provided to eligible taxpayers; and the Back to School Bonus and Single Income Family Bonus, which were targeted at low- and middle-income families with children.

As *Figure 16* shows, the Single Income Family Bonus and the Back to School Bonus were clearly more progressive than the Tax Bonus. And while all these payments were able to protect people from the risk of poverty, only the cash payments targeted at low-income families with children were able to stimulate consumption among the poor, as can be seen from *Figure 17*.

It is possible to extract useful policy lessons from the Australian story. First, counter-cyclical policies are crucial in mitigating the negative consequences associated with economic recessions. Indeed, the prompt and robust reactions of the Australian government limited the possible negative effects of the crisis without jeopardizing growth – GDP growth has increased steadily in Australia since 2009. Second, maintaining a sound fiscal balance during normal times obviously provides the policy space that allows a government to react effectively during an economic downturn. But some policies are more effective than others. In this case, cash payments targeted at low-income families with children appear to have had a win-win effect, by protecting the poorest children and stimulating consumption to promote economic recovery.

Figure 16 Incidence rate of the Single Income Family Bonus, the Back to School Bonus, and the Tax Bonus for Working Australians

Back to School Bonus + Single Income Family Bonus



Tax Bonus for Working Australians

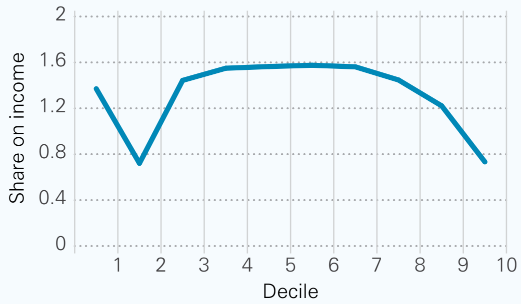
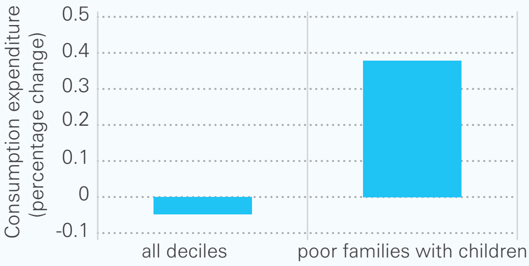


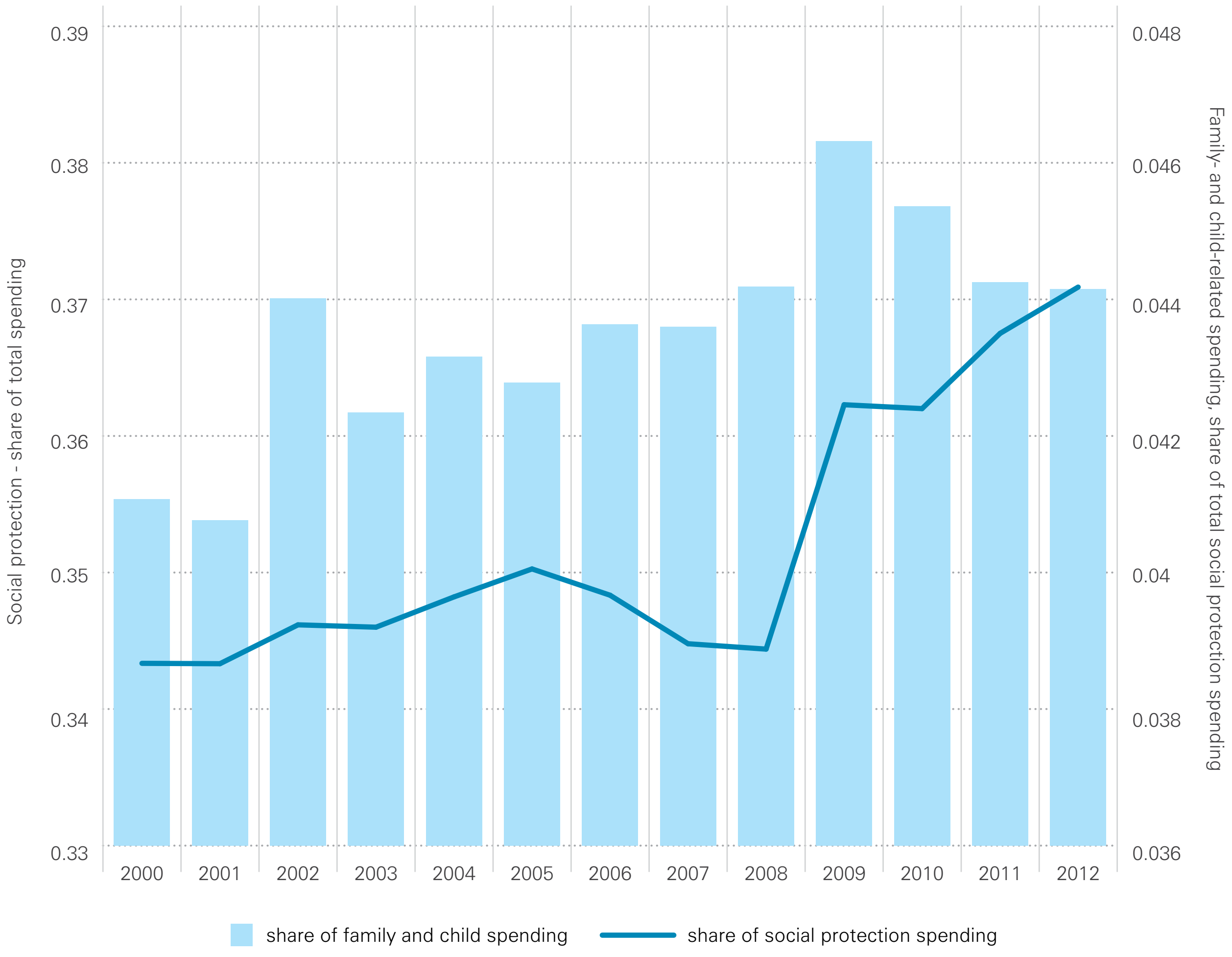
Figure 17 Impact of the Australian Single Income Family Bonus and the Back to School Bonus on consumption expenditure, percentage change between 2008 and 2009



In general however, social spending suffered (at least in absolute terms), particularly for children and families. Although the recession increased the need for unemployment and pension benefits, driving up social protection spending in many countries, the share spent on family- and child-related needs became a lower priority. *Figure 18* shows that 2009 marked a turning point in this regard, just when families were under increasing pressure. While the contribution of overall social spending to public spending (blue line) levelled off and then began to rise again, the share of that spending on families and children (blue bars) declined.

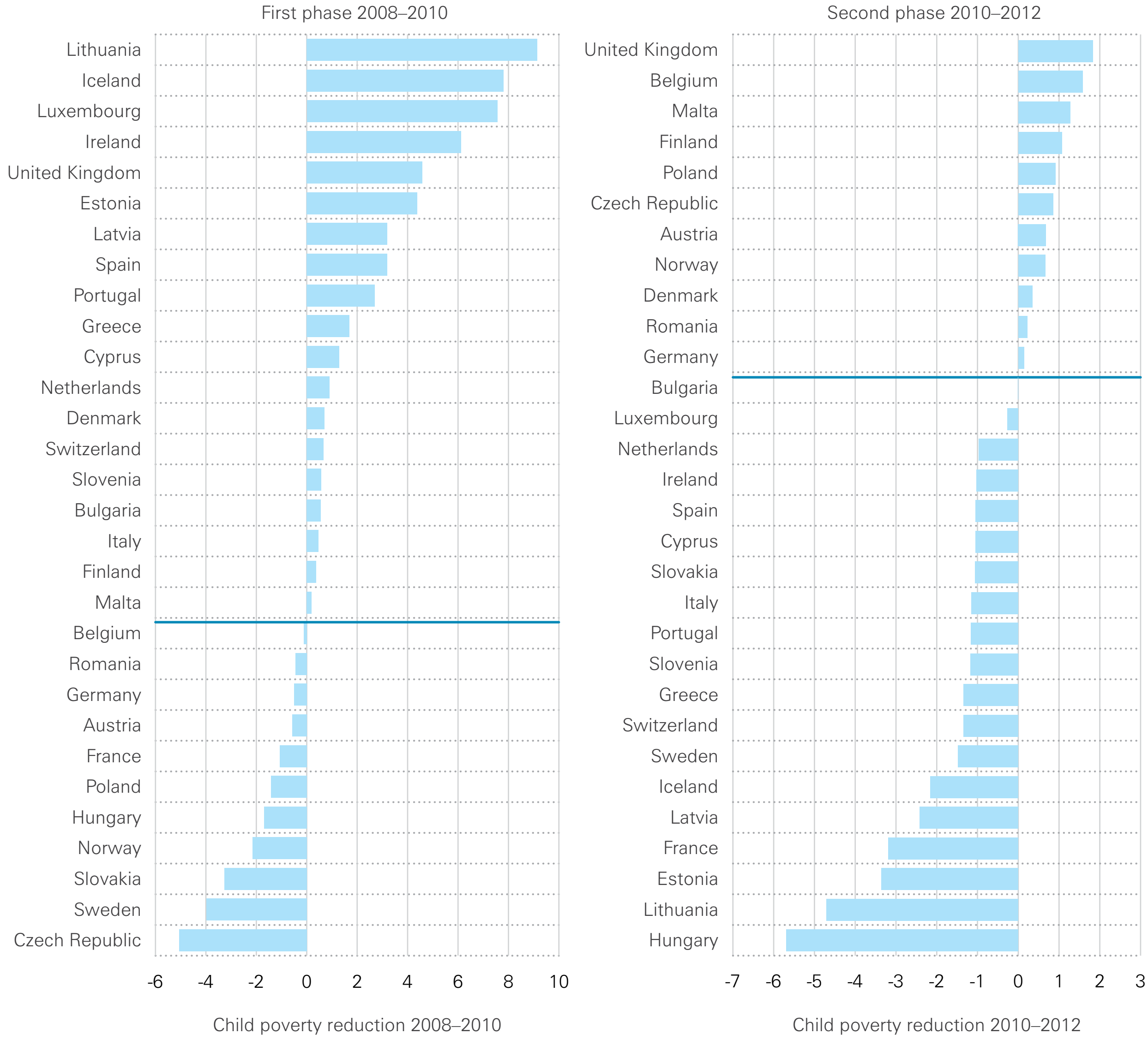
The same is true in Europe, where social transfers had an uneven impact on child poverty (*Figure 19*). In the first phase (left panel), 19 countries demonstrated an ability to reduce child poverty (or to support the income of families with children) through social transfers, compared to only 11 in the second phase (right panel). Interventions in Denmark, Finland and the United Kingdom were effective and sustained during the recession. But in more than a third of European countries, including in France and Hungary, the ability of governments to reduce child poverty declined, which contributed to worsening living conditions for children. The design and implementation of social programmes clearly matters.

Figure 18 Social protection spending, share of total spending (blue line, left axis) and family- and child-related spending, share of total social protection spending (blue bars, right axis).



Source: Eurostat.

Figure 19 Amount of reduction in child poverty



Source: EU-SILC.

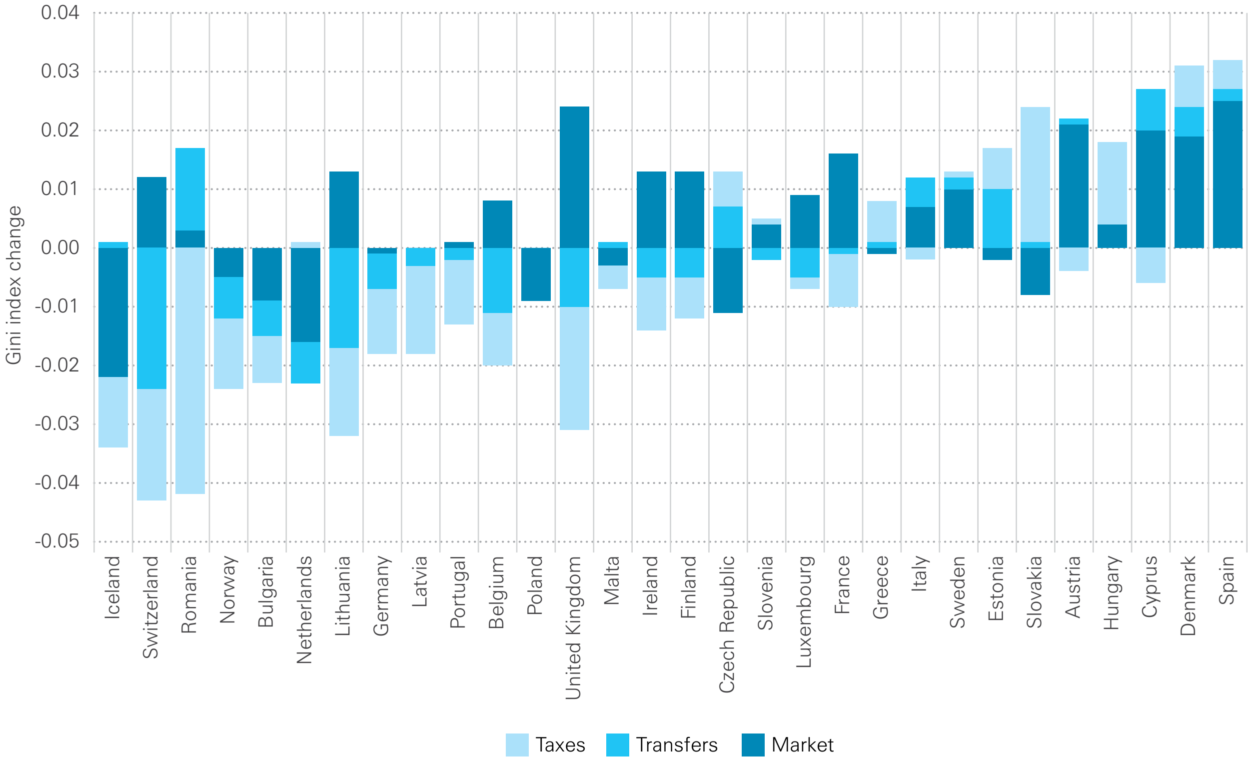
Interpreting the data – Figure 19

Comparing child poverty before and after the receipt of government support offers a measure of how effective governments were at reducing the number of poor children.

The horizontal bars represent how government responses to the crisis affected countries' capacities to protect poor children, by comparing the changes in child poverty reductions after social transfers in different periods: between 2008 and 2010 (after the implementation of stimulus packages), and between 2010 and 2012 (during the early stage of austerity). Positive values indicate that government interventions through social transfers have been more redistributive. Negative values indicate that social transfers became less effective in reducing child poverty.

Although the need for budgetary cuts was undeniable in some countries (the Mediterranean region, in particular), the shift from stimulus to consolidation widened inequality. This is broadly reflected in *Figure 20*, which shows the net evolution of the Gini index during the recession, broken into different income components. In many countries, the burden of the adjustment fell on those in the lowest income brackets. By contrast, despite a reduction in fiscal space during the crisis, Iceland replaced a flat tax with a progressive tax structure and used the additional revenue to increase social protection, leading to a reduction in inequality and a recent decline in child poverty between 2012 and 2013.

Figure 20 Contribution of income, taxation and social transfers to changes in the Gini index, and other countries, 2008–2012



Source: EU-SILC.

Notes: For Belgium and Ireland data refer to the period 2008–2011.

Interpreting the data – Figure 20

The Gini index is a common measure of inequality, which ranges from 0 (perfect equality) to 1 (perfect inequality). *Figure 20* shows how different income sources (private household income, taxes and social transfers) contributed to changes in the Gini between 2008 and 2012. Positive bars indicate that the particular source of income increased inequality during this period. In Spain, for example, all three sources contributed to an increase in inequality.

Variations on a theme

Highlights from *Table 1* (overleaf), which summarizes recent significant changes in government interventions directly related to children, show that, among non-EU OECD countries, a number adopted more generous and less restrictive policies for children:

» Since 2009, Chile has increased family-related benefits. These policies take an integrated approach, including child care, education and health, as well as labour integration programmes for parents (mothers, in particular). Targeted cash transfers for families in extreme poverty were increased in 2012 and in 2014.

» In 2010, Japan passed a child allowance act that increased the value and coverage of benefits for those under 15, part of a multi-sector plan to improve tax deductions and assist families and lone-parent households.

» Turkey is working to integrate a rights-based social protection system. Most remarkable, in 2012 it introduced general health insurance that covers health services for all children, regardless of parental income or employment status.

In the European Union, a range of recently implemented reforms have been positive:

» Bulgaria increased child benefits and child-care leave benefits in 2013–2014.

» Latvia eased conditions for child-care benefits in 2014, after scaling back the parental leave benefit in 2010.

Box 5 Did the crisis for children begin before 2008?

When the storm of the Great Recession struck, some countries were better prepared than others to shelter the most vulnerable sectors of their societies.

The reality is that "in most industrialized countries, at least a decade before the start of the Great Recession, time and again children were found to be at a greater risk of poverty than populations as a whole", according to a background paper for this report. "Moreover, substantial differences in the risks of poverty persisted among households with children long before [2008]."[i] A previous edition of this *Report Card* shows how, at the beginning of the recession, the levels of poverty and deprivation among the most vulnerable families (jobless, lone-parent and migrant families and households with low levels of parental education) were already intolerably high in some OECD and/or EU countries.[ii]

With hindsight, many countries with higher child vulnerability would have been wise to strengthen their safety nets during the preceding period of dynamic economic growth. Social spending by OECD countries had been in decline since 1995; it increased temporarily in the first phase of the recession, but went on to resume its previous trend (see *Figure 21*). For children, the recession followed a long period of rising disparity and concentration of income (see *Figure 22*) – a trend, some argue, that undermines fairness, lowers commitment to social cohesion and restricts social mobility.[iii]

[i] *Chzhen, Y., 'Child Poverty and Material Deprivation in the European Union during the Great Recession', Innocenti Working Paper No. 2014-06, UNICEF Office of Research, Florence, 2014.*

[ii] *UNICEF Innocenti Research Centre, 'Measuring Child Poverty: New league tables of child poverty in the world's rich countries', Innocenti Report Card 10, UNICEF Innocenti Research Centre, Florence, 2012.*

[iii] *Deaton, Angus, The Great Escape: Health, wealth and the origins of inequality, Princeton University Press, Princeton, 2013; Wilkinson, R. and K. Pickett, The Spirit Level: Why equality is better for everyone, revised edition, Penguin, London, 2010; Corak, Miles, 'Inequality from Generation to Generation: The United States in comparison', in Robert Rycroft (ed.), The Economics of Inequality, Poverty, and Discrimination in the 21st Century, ABC-CLIO, Santa Barbara, CA, 2013.*

Table 1 Recent significant changes to family benefits (family/child/birth/child care/tax credits and breaks)

Country	Type of benefit	Year phased in	Benefit level/ duration	Eligibility	Details
Australia	Various	2011–2014	+/-	-	New paid parental leave. More generous family tax benefit supplement for dependent 16- to 19-year-olds in full-time secondary education. Temporary freeze on indexation of benefit amounts and income thresholds of family tax benefits. Child birth benefits more restrictive and less generous.
Austria	Family	2011	-	-	More restrictive to over-18s. Less generous supplement for low-income families with multiple children.
Belgium	Child	2013	-	-	More restrictive and less generous to over-18s. Cuts to school bonus supplement.
Bulgaria	Child	2013–2014	+		More generous child allowances and child-care leave benefits.
Canada	Parental leave	2011		+	Paid maternity and parental leave extended to the self-employed, subject to conditions.
	Tax credits	2011	+		Two new narrowly targeted non-refundable tax credits.
Chile	Various	2010–2013	+	+	Higher family allowance and maternity benefit (including a new bonus payment from March 2014). More generous cash-transfer programme for families in extreme poverty.
Croatia	Tax break	2012	+		Income tax allowances for dependent children increased.
Cyprus	Family	2011–2012	+/-	-	More restrictive and less generous child benefit and student grant; new lone-parent supplement.
Czech Republic	Family	2011–2012		-	Social allowance abolished, but care allowance for disabled children increased; birth grant more restrictive.
Denmark	Family	2012	+	+	Abolished ceiling on number of children eligible. Increased allowances for disabled children.
		2014	+	–	Income ceiling introduced. New benefit supplement for parents in vocational training.
Estonia	Family	2013	+		More generous child benefit. New supplementary benefit for low-income families.
Finland	Family	2013	-		Freeze on indexation of child benefit amounts until 2015.
	Child care	2014	+		Increased amounts of basic rates of maternity/paternity/parental leave benefits; child home care, private day care and partial care allowances.
France	Family	2014	-/+	-	Reduction in the basic child allowance for under-3s (in families above a certain income level); baby bonus eligibility more restrictive; gradual increase in supplement for large families and lone-parent families.
	Tax break	2014	-		Child tax allowances reduced. 'Family quotient ceiling' reduced.
Germany	Family	2010	+		More generous child benefit and child tax benefit. More generous means-tested child allowance (from 2014).
	Parental leave	2011	-	-	Stricter eligibility and lower earnings-replacement rate.
Greece	Family	2013	+	+	New means-tested single child benefit introduced.
Hungary	Family	2011		-	Family allowance more restrictive with respect to child age.
	Tax break	2011–2014	+	+	Family tax allowances more generous and less restrictive (alongside the introduction of a flat rate income tax). From 2014, family tax allowances can be deducted from social security contributions.
Iceland	Family	2013	+		Child benefit amounts increased.
Ireland	Family	2010–2013	-	+	Successive cuts to child benefit amounts; new means-tested benefits for low income families introduced.
	Tax credits	2011	-		Tax credits for lone-parent families decreased.
Israel	Family	2013	-	-	Benefit cuts; income ceiling introduced.
Italy	Family	2014		+	Cash transfers to low-income families extended to migrants (both EU and non-EU citizens).
	Child care	2013		+	Child-care voucher for mothers not using parental leave.
Japan	Family	2010	+	+/-	Child allowance extended to children under 15, income test abolished (but re-introduced in 2012) and benefit amounts increased. Child rearing allowance extended to lone fathers.
	Tax breaks	2011		-	Tax breaks for dependent children abolished.
Latvia	Child care	2014	+	+	More generous and less restrictive. Formerly for uninsured persons only.
	Child care	2013		+	New child-care cost subsidy for pre-school children.
	Parental	2010		-	Income ceiling introduced. Restrictions on work (to be reversed in late 2014).

Country	Type of benefit	Year phased in	Benefit level/ duration	Eligibility	Details
Lithuania	Family	2010		-	Eligibility criteria more restrictive.
	Tax breaks	2014	+		Tax allowance increased for first child.
Luxembourg	Parental leave	2013	+		Increased duration of unpaid parental leave.
Malta	Child	2011	+		Increase in child allowance minimum rate.
	Tax breaks	2011–2012	+		Temporary exemption from income tax for women with children who return to work after a five-year absence. New tax regime for parents introduced.
	Parental leave	2012–2013	+		Paid maternity leave extended by four weeks.
	Child care	2014		+	Free child care for parents in education or employment.
Netherlands	Family	2011–2013	+/-	-	Child allowance for second and subsequent children increased (reduced in 2012, increased in 2013). Income ceiling lowered. Reform planned for 2015.
	Child care	2012	-	-	Child-care allowance lowered and eligibility restricted.
New Zealand	Tax credits	2012	+	-	Higher rate, but lower income ceiling.
Norway	Child care	2012	+	-	'Cash for care' benefit abolished for 2-year-olds, but made more generous for children aged 13 to 18 months.
Poland	Family	2012	+	+	Benefit amounts and income ceilings increased.
		2013		-	Income testing of birth grant introduced.
	Tax breaks	2013	+	-	Tax allowances for families with more than two children increased; income test introduced for families with one child.
	Parental leave	2013		+	Paid parental leave implemented.
Portugal	Child	2011		-	Income ceiling lowered.
	Tax breaks	2013	+		Tax allowances for children increased.
Republic of Korea	Child care	2013		+	Child-care subsidy extended and no longer income tested.
	Tax breaks	2013		+	Tax breaks for lone-parent families introduced.
	Parental leave	2011	+		More generous parental leave benefit (40% of earnings, up to a ceiling), with the minimum equal to the former flat rate.
Romania	Family	2011	-	-	Less generous for families with one child. More restrictive income testing.
Slovakia	Parental leave	2011	+		Unified parental leave benefit introduced (indexed regularly), allowing parents to work without loss of benefit. Length of maternity leave extended and replacement rate increased from 60% to 65%.
Slovenia	Family	2012	-	-	Less generous and more restrictive (until GDP growth exceeds 2.5%).
Spain	Family	2010	-	-	Birth grant abolished. Means-tested child benefit amount cut for under-3s.
Sweden	Family	2010	+		Benefit amounts increased.
Turkey	Other	2012		+	General health insurance introduced (free healthcare for all children).
United Kingdom	Child	2010	-		No indexation of benefit amounts for three years. 'Health in pregnancy' grant abolished.
		2013		-	Income ceiling introduced.
	Tax credits	2009–2012	-	-	Income ceiling lowered. Changes in indexation of benefit amounts. Work requirement for couples with children increased.
	Child care	2011	-		Child-care element of tax credits reduced.
		2013		+	15 hours a week of free child care extended to 2-year-olds.
	Other	2013	-		Spare room subsidy abolished. Benefit cap introduced.
United States	Tax credits	2010–2012	+		'Additional Child Tax Credit' extended until 2017. It was due to expire in 2010, then in 2012.
	Other	2009–2013	+		Supplemental Nutrition Assistance Program (SNAP) increased benefit amounts until 2013.

Source: OECD Benefits and Wages, country-specific information; OECD, *Society at a Glance 2014,* Table 1.2; 'Investing in Children: Breaking the cycle of disadvantage', analysis by the European Network of Independent Experts on Social Inclusion; Europe 2020 National Reform Programme reports; UNICEF National Committees.

Note: A minus sign (-) means less generous: lower benefit levels (through cuts or changes to indexation rules) or duration of benefit receipt; stricter eligibility conditions or cancellation of a programme. A plus sign (+) means the opposite.

» Poland introduced modest but positive reforms in family transfers, tax breaks and parental leave in 2012–2013.

» Malta implemented a comprehensive universal child-care plan in 2014.

» Greece made a disparate system of child-related allowances into a less restrictive, more generous single benefit in 2013.

In several countries, family-related benefits were reduced. In Ireland and Spain, action was limited by demands for financial adjustment measures, leaving children behind precisely when their poverty indicators began to soar. Romania and the United Kingdom performed better in terms of child poverty, but decisions made, or avoided, in later years may affect this:

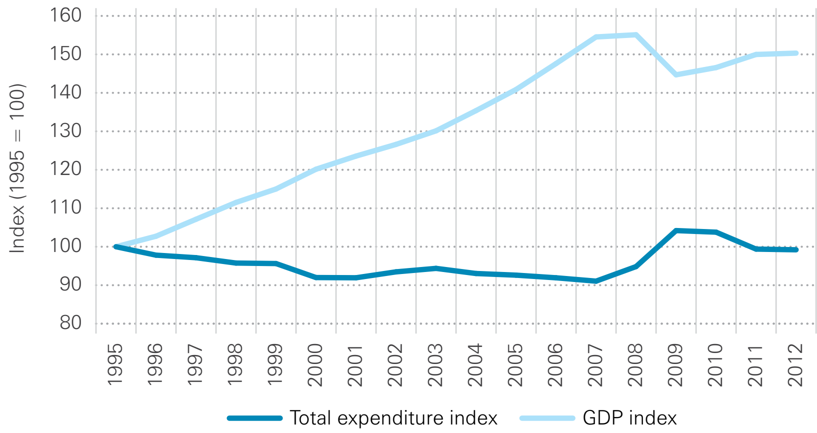
» In Spain, unemployment benefits have been tightened, child-care benefits reduced and universal birth benefits eliminated. The share of the social protection budget spent on families and children declined from 5 per cent to 3.5 per cent between 2008 and 2011.

» Ireland cut child benefits several times from 2010 to 2014, while squeezing unemployment benefits and social assistance. On a positive note, tax reform in 2011 reduced deductions for lone parents and disabled children, and in 2014 initiatives were announced to improve health coverage for children under six and to reinforce school breakfast programmes.

» Since 2010, the United Kingdom has implemented a series of cuts that have reduced the real value and coverage of child benefits and tax credits for families with children. In 2013, a cap was imposed on the total benefits a household can receive, mainly affecting a small number of large families with high housing costs, while housing benefits were cut (the so-called 'bedroom tax'), affecting large numbers of social tenants. One positive note: child-care provisions for two-year-olds have been expanded.

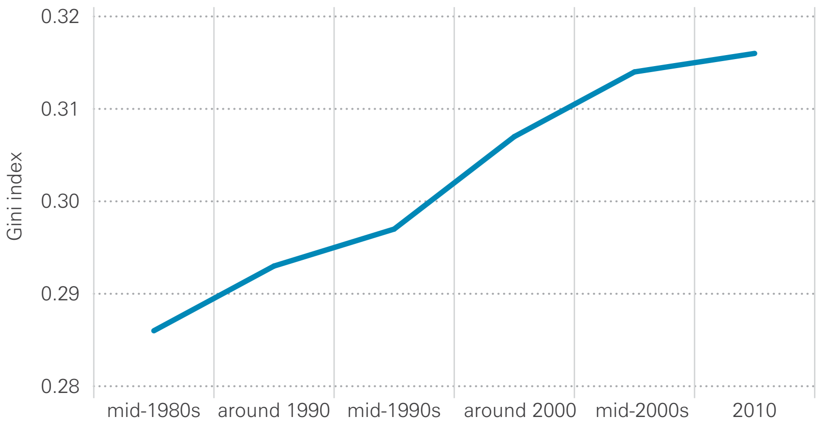
» Romania reformed its family support system in 2011, replacing two means-tested family allowances with a single benefit, and adding extra provision for lone parents. The new benefit, however, is less generous to families with one child and more generous to families with three or more, and it has a lower income ceiling.

Figure 21 GDP and total expenditure



Source: Eurostat.

Figure 22 Evolution of Gini coefficient in 16 OECD countries since the mid-1980s



Source: OECD income distribution database.

Summary

Millions more children could have been helped if protection policies had been stronger before, and had been strengthened during, the Great Recession. The recession has brought suffering and life-long risks upon an extra 619,000 children in Italy, 444,000 in France and 2 million in Mexico.[24]

All countries faced difficult choices, limited budgets and worsening recessions, and the enormity of the challenges should not be underestimated. Demand for austerity measures was intense, as were pleas from other vulnerable sectors. Compromises were undoubtedly necessary. But, as we have seen, some policies, and the manner in which they were implemented, were more effective than others.

Box 6 Children of the United States' recession

The Great Recession was preceded by a period of low interest rates internationally, and was triggered by the 2007 sub-prime mortgage crisis in the United States. The low interest rates, combined with a trend in the United States toward lower lending standards and aggressive marketing of higher-risk, sub-prime mortgage products, inflated real estate prices. In 2007, the bubble burst, asset values plunged and mortgage defaults and foreclosures surged.

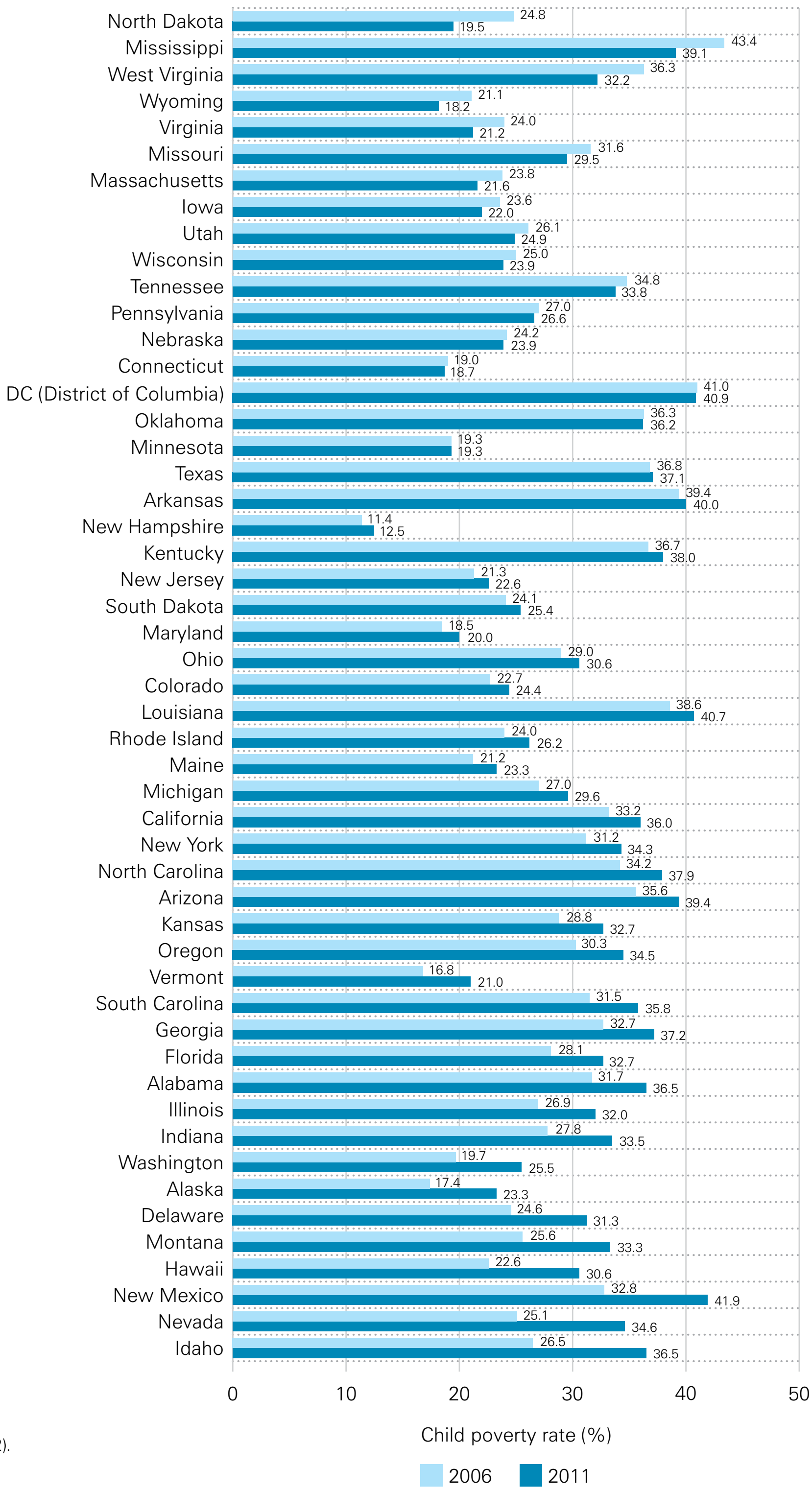
Collapsing housing prices and the ensuing losses by large financial firms holding securities tied to real estate values triggered the largest, synchronous global economic decline since the Second World War. To counter rising unemployment and a falling GDP, in 2009 the American government passed the Recovery and Reinvestment Act, an $800 billion stimulus package to stabilize the economy and increase protection for vulnerable groups. The act expanded food stamp programmes, extended unemployment benefits from 26 to 99 weeks, improved the Earned Income Tax Credit (EITC), and introduced the Making Work Pay tax credit (a refund of up to $400 for working individuals and up to $800 for married taxpayers filing joint returns). The social protection components of the stimulus package cost an estimated $200 billion.

Child poverty in the US, state by state

Between 2006 and 2011, child poverty increased in 34 states. The largest increases were found in Nevada, Idaho, Hawaii and New Mexico, all of which have relatively small numbers of children. Meanwhile Mississippi and North Dakota saw notable decreases. In several large states, smaller percentage increases mask substantial increases in the absolute number of children who slid into poverty: California (221,000), Florida (183,000), Georgia (140,000) and Illinois (133,000). In the United States overall, 24.2 million children were living in poverty in 2012, a net increase of 1.7 million from 2008. Indeed, of all newly poor children in the OECD and/or EU, about a third are in the United States.

League Table 4 Child poverty in the United States by state (and the District of Columbia)

Rank	US State	Change (2007–2012)
1	North Dakota	-5.4
2	Mississippi	-4.3
3	West Virginia	-4.2
4	Wyoming	-2.9
4	Virginia	-2.9
6	Missouri	-2.1
6	Massachusetts	-2.1
8	Iowa	-1.6
9	Utah	-1.2
10	Wisconsin	-1.1
11	Tennessee	-0.9
12	Pennsylvania	-0.4
13	Nebraska	-0.3
14	Connecticut	-0.2
15	DC (District of Columbia)	-0.1
15	Oklahoma	-0.1
17	Minnesota	0.0
18	Texas	0.2
19	Arkansas	0.6
20	New Hampshire	1.1
21	Kentucky	1.3
21	New Jersey	1.3
23	South Dakota	1.4
23	Maryland	1.4
25	Ohio	1.6
26	Colorado	1.7
27	Louisiana	2.1
28	Rhode Island	2.2
28	Maine	2.2
30	Michigan	2.5
31	California	2.7
32	New York	3.1
33	North Carolina	3.6
34	Arizona	3.7
35	Kansas	3.9
36	Oregon	4.1
37	Vermont	4.2
38	South Carolina	4.3
39	Georgia	4.5
40	Florida	4.6
41	Alabama	4.7
42	Illinois	5.1
43	Indiana	5.7
44	Washington	5.8
45	Alaska	5.9
46	Delaware	6.7
47	Montana	7.7
48	Hawaii	8.0
49	New Mexico	9.1
50	Nevada	9.5
51	Idaho	10.0



Source: CPS Annual Social and Economic Supplement.

Notes: Poverty estimates were computed using three-year averages (2005-2006-2007 and 2010-2011-2012). Figures are rounded to the first decimal.

Box 7 Social safety, American-style

In the United States in recent decades, the social safety net has favoured the working poor more than the out-of-work poor. When the federal welfare programme was reformed in 1996, a workforce development component was added and a key programme for the very poorest families was rewritten: Temporary Aid for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC), in place since 1935. TANF has declined significantly since 1996. With a budget of $10 billion in 2010, at the lowest point of the recession, it reached just 2 million families, compared to more than 5 million in 1994 (with a $30 billion budget).

Meanwhile, unemployment insurance paid $139 billion in benefits in 2010. Half of that was from the extra benefits that were part of the stimulus package, including increased benefit amounts and extended coverage periods.

For poor families with children, the most important part of the safety net is the Supplemental Nutrition Assistance Program (SNAP), formerly called the Food Stamp Program. The stimulus package added $40 billion in new funding to this, allowing for an increase in the monthly benefit. As a result, almost one person in seven in the country received the benefit, and the budget reached $70 billion in 2011.

How did the safety net perform?

In counting the poor, the United States Census Bureau (USCB) uses annual income data to define the poverty line, or the 'poverty threshold', as it is called. In 2013, for example, the USCB poverty threshold for a three-person family unit was estimated at $18,552.[i]

Figure 23 compares income composition in 2010 and 1982, when the last major United States recession peaked.[ii] Panel A looks at the families whose income falls below the poverty threshold; panel B looks at the 'extreme poor', whose family income falls below 50 per cent of the poverty threshold. Several sources of income are compared: employment earnings, unemployment insurance, food stamps, the EITC and the TANF/AFDC programmes.

Among those at or below 100 per cent of the poverty threshold, a large decrease in earned income and TANF in 2010 is offset by large increases in food stamps and the EITC. There was also a modest increase in unemployment insurance. For this group as a whole, the increase in child poverty was lower during this recession than it was in 1982.

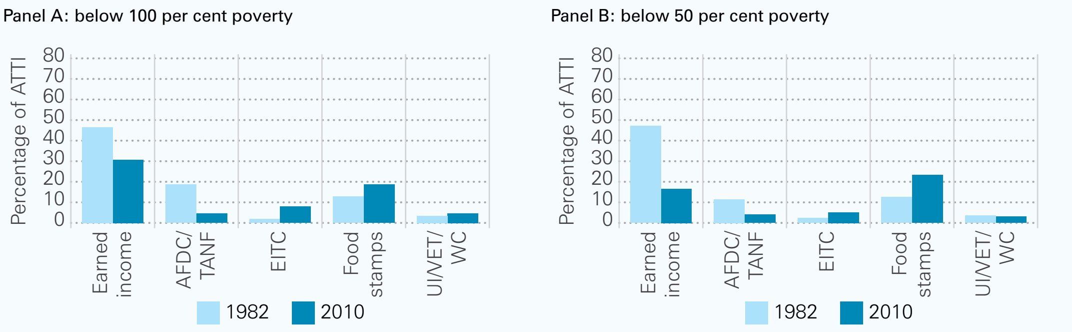
For those at or below 50 per cent of the poverty threshold – the extreme poor – the story is somewhat different. Panel B still shows a large decrease in earned income and TANF and a large increase in food stamps, but it also shows a much smaller increase in the EITC and a slight decline in unemployment insurance, in contrast with the situation of the regular poor.

This highlights how the United States safety net has changed to provide more support for poor working families and less for the extreme poor with no work. As a result, extreme child poverty has also increased more in this recession than in the recession of 1982, indicating that the safety net was stronger for the poorest children 30 years ago.

[i] *Source: https://www.census.gov/hhes/www/poverty/data/threshld/*

[ii] *The composition of income is after taxes and transfers (ATTI).*

Figure 23 Composition of after-tax and transfer income by source – below 50 and below 100 per cent poverty



Source: Bitler, M., H. Hoynes and E. Kuka, 'Child Poverty and the Great Recession', Innocenti Working Paper, UNICEF Office of Research, Florence, 2014.

Note: UI/VET/WC: Unemployment Insurance (UI), Veterans (VET), Workers Compensation (WC).

SECTION 5
CONCLUSION

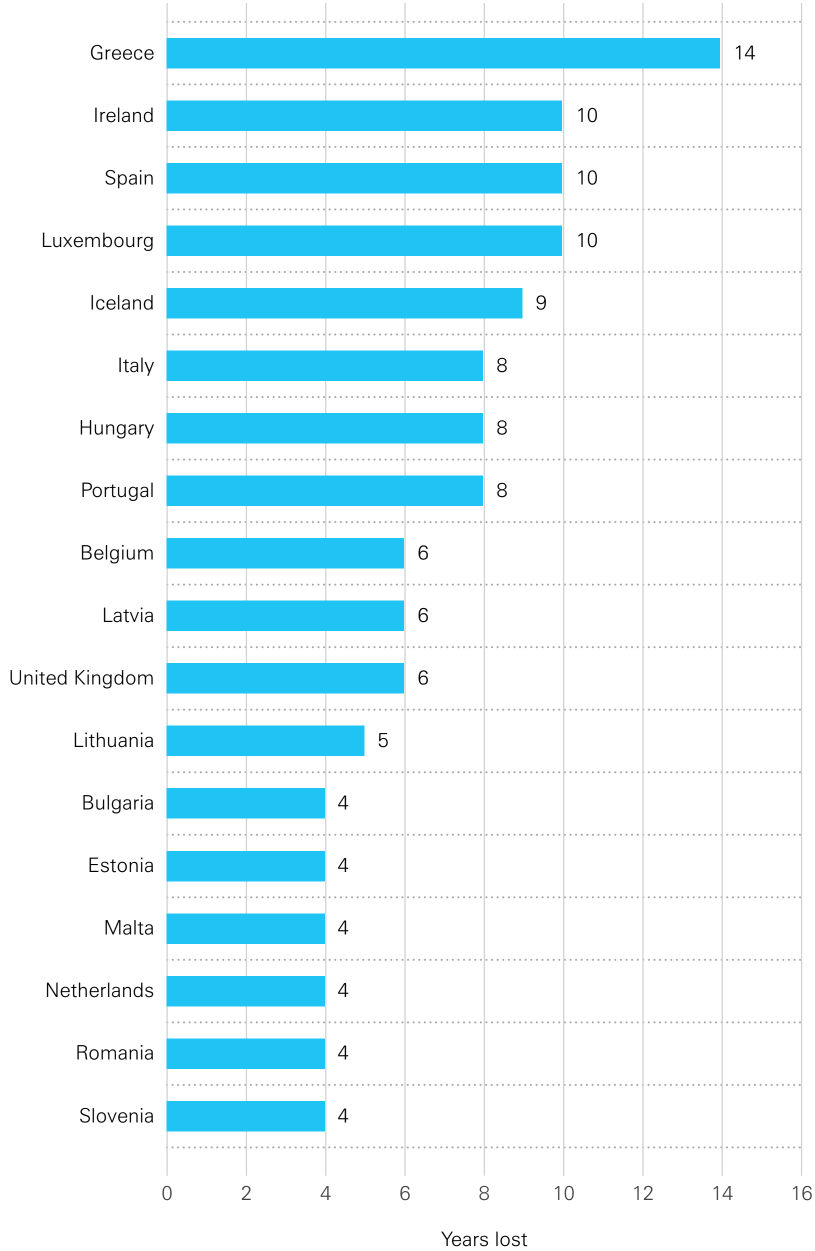
Economist John Kenneth Galbraith famously coined the term "conventional wisdom" to describe general statements that most people accept as true, even if they are not. In the case of the Great Recession and its impact on children, conventional wisdom has it that the suffering was inevitable, spread equally among social groups and alleviated by the macroeconomic recovery.

This report suggests otherwise. Children by the millions were immediately and directly affected by the recession (more than other vulnerable groups, such as the elderly), and many will suffer the consequences for life. And the impact certainly has not been spread evenly across all children in all countries.

Figure 24 charts decreases in household income from 2008 to 2012.[25] It shows that years of potential progress have been lost in the recession. In Greece, families with children lost the equivalent of 14 years of income progress. Ireland, Luxembourg and Spain lost 10 years; Iceland lost 9, and Italy, Hungary and Portugal lost 8. The situation is probably worse for children in families at the lowest income levels.

The larger cost of this lost potential may be seen in increased social alienation and reduced population growth. Upward trends in fertility rates have slowed for the first time in a decade, a phenomenon at least

Figure 24 The Great Leap Backward: years of progress lost for families with children



Source: Eurostat.

Note: Estimates based on median equivalized incomes for households with children in national currency at 2007 prices.

partially linked to young adults delaying family formation due to economic conditions. Those worst affected are countries that were most exposed to the recession and young age groups (15–19 and 20–24). Such impacts magnify the disadvantages of persistent poverty and reduce educational and professional achievement potential. Failure to respond boldly may have long-term negative implications for societies.

These risks are most evident in Europe, where the plight of children reflects rising inequality in and among states. An increasing inequality gap threatens the European Union's ambitious convergence projects, such as the Europe 2020 strategy to "lift at least 20 million people out of poverty and social exclusion and increase employment … to 75%".[26]

Government responses to the recession have varied widely. In some countries, and in very different contexts, public institutions and programmes have been effective at protecting children. An array of legal and economic measures – from tax reforms to protecting families from eviction – was taken to contain child poverty and safeguard the fundamental rights of children. Since 2008, effective public interventions have saved 4 million children from poverty in 18 countries mildly exposed to the recession.

The effectiveness of these responses may be debated for decades to come, but one certainty is that economic indicators alone do not reveal the complexity of social reality. Six years into the recession, the impact on children and families is still unfolding. It may be years before many households get back to pre-recession levels of well-being. High unemployment and fiscal restraint will remain the norm for the foreseeable future in many countries. Governments and institutions must consider how to ensure that the "superior interest" of children is guaranteed.[27]

The analysis in this report suggests the following principles and recommendations for governments to consider in strengthening child protection strategies:

» **Make an explicit commitment to end child poverty in developed countries.** At a time when the end of child poverty plays a central role in the post-2015 development agenda, affluent countries should lead the way by placing the well-being of children at the top of their responses to the recession, for ethical reasons and for their own self-interest.

– Child poverty and social exclusion should be addressed from a child rights perspective, in accordance with the commitments made in the Convention on the Rights of the Child.

– Comprehensive assessments should be undertaken of the recession's impact on children. The current and future well-being of children should be part of a national conversation, oriented toward specific outcomes.

– The leave-no-one-behind principle should form the foundation of future social strategies in developed countries. Equity should be at the centre of any national plan for children and adolescents, including education, housing, special needs and other key areas.

– States should consider drawing 'red lines' – indicators of child poverty and well-being – that, if crossed, automatically trigger public intervention.

» **Rescue, prevent and give hope.** Opportunities to break cycles of child vulnerability should be promoted. Certain guaranteed minimum social standards would make a positive difference.

– **Rescue:** poverty and deprivation are at emergency levels in half a dozen countries and are intolerably high in many others. Governments should invest to eliminate extreme poverty by:

· implementing the recommendations of the European Commission report 'Investing in Children: Breaking the cycle of disadvantage',[28] which include a call for integrated strategies, the development of universal policies and the involvement of stakeholders;

· guaranteeing an appropriate balance between universal and targeted policies aimed at supporting the most disadvantaged children; and

· improving the education system's impact on equal opportunities and strengthening the responsiveness of the health system to the most disadvantaged.

– **Prevent:** increasing investment in social protection policies and programmes can reduce poverty, enhance social resilience in children and support economic development in an efficient, cost-effective way. Such measures include guaranteeing basic incomes for families, helping parents integrate into economic markets and protecting vulnerable children from financial and social exclusion. A child rights impact assessment is a useful strategy for decision-making in the best interests of children.

There needs to be a preventive focus on children who face increased risk due to multiple disadvantage, such as those in migrant and lone-parent families. And there needs to be access to affordable early childhood education and care to facilitate parents' labour market participation, and also to reduce inequalities at young age.

– **Give hope:** adolescents and young adults must be part of any economic agenda to recover from the recession. Governments should draw up specific plans to address youth unemployment and high NEET levels by smoothing the transition from education to employment, reducing underemployment, and strengthening occupational adjustment strategies.

» **Produce better data for informed public debate:** availability, timeliness and usefulness of information about the well-being of children should be improved.

– All countries should deepen data collection, the better to measure poverty levels, age groups, NEET rates and other factors.

– New data should be released promptly to help with timely decision-making.

– Access should be improved to information for non-profit, public-interest research institutions.

Fifty years from now, we will look back at this period as a critical juncture in the history of many affluent countries. The Great Recession may be remembered for the generation of vulnerable children it left behind. But it may also be remembered as a transcendent historical moment, when recovering nations laid the foundations for more inclusive societies based on equality and opportunity for all. How else will we repay the debt we owe to the children of the recession?

INTERNATIONAL ABBREVIATIONS

International abbreviations (ISO) for countries covered in the *Report Card*

AT	Austria
AU	Australia
BE	Belgium
BG	Bulgaria
CA	Canada
CH	Switzerland
CL	Chile
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
GR	Greece
HR	Croatia
HU	Hungary
IE	Ireland
IL	Israel
IS	Iceland
IT	Italy
JP	Japan
KR	Republic of Korea
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
MX	Mexico
NL	Netherlands
NO	Norway
NZ	New Zealand
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
TR	Turkey
UK	United Kingdom
US	United States

DATA SOURCES – THE LEAGUE TABLES

League Table 1

Data refer to children aged 0 to 17.

For the majority of countries covered, surveys detailing household conditions are published annually (the latest available is 2012) and they typically refer to income levels of the previous year (2011).

For Canada, Chile, Israel, Mexico, New Zealand and the Republic of Korea, period differs from 2008 to 2012 (see sources below).

Data for Turkey refer to children aged 0–19.

The 2008 and 2012 (anchored) child poverty rates for Croatia are not directly comparable. The estimate for 2008 was obtained from Eurostat. The anchored child poverty rate for 2012 was computed with micro-data from the 2012 European Union Statistics on Income and Living Conditions (EU-SILC) using the 2008 poverty line obtained from the Household Budget Survey (HBS) 2008, and uprated for inflation.

Sources: The calculations for *League Table 1* are based on the latest Eurostat estimates for 2008 and 2012 (estimates from EU-SILC; break in time series for 2012 data for Austria and the United Kingdom).

For the remaining countries:

- Australia: HILDA 2008 and 2012 (Household, Income and Labour Dynamics in Australia survey);
- Canada: Survey of Labour and Income Dynamics (from Luxembourg Income Study) 2008 and 2011;
- Chile: CASEN 2006 and 2011;
- Israel: Household Expenditure Survey (from Luxembourg Income Study) 2007 and 2010;
- Japan: Ministry of Health, Labour and Welfare's Comprehensive Survey of Living Conditions 2008 and 2012;
- Mexico: Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) 2006 and 2012;
- New Zealand: Household Economic Survey 2006/2007 and 2011/2012 (estimates taken from B. Perry, *Household Incomes in New Zealand: Trends in indicators of inequality and hardship, 1982 to 2013*, New Zealand Ministry of Social Development, Auckland, 2014);
- Republic of Korea: Household and Income Expenditure Survey 2007–2011 and Farm Household Economy Survey 2007–2011;
- Turkey: Income and Living Conditions Survey 2008 and 2012;
- United States: Current Population Survey (CPS) 2008 and 2012.

The income reference year is the calendar or tax year previous to the survey year, with the exceptions of: Chile, Mexico, Republic of Korea and the United Kingdom, where the survey and income reference years coincide; Australia, where the income reference year goes from July of the previous year to June of the survey year; Croatia and Ireland (HBS 2008), where the income reference period is a moving 12-month period preceding the interview. Income reference years for New Zealand are 2006 and 2011. For Israel, income is monthly, with the reference period of the last three months before the interview.

League Table 2

Data refer to children and young people aged 15 to 24.

Quarterly and annual estimates are not directly comparable.

Sources: Latest Eurostat estimates for 2008 and 2013 (estimates from the European Union Labour Force Survey).

OECD, *Society at a Glance 2014*:

- Australia: March 2007 and March 2013;
- Canada, Mexico, New Zealand and the United States: Q1-2007 and Q1-2013;
- Japan: Q4-2007 and Q4-2012.

OECD, *Education at a Glance 2013* (2008 and 2011): Israel, Republic of Korea.

CASEN 2006 and 2011: Chile.

League Table 3

Gallup collects and makes available information on a number of self-reported indicators in some 160 countries. A representative sample of 1,000 adults (age 15+) is contacted by phone in developed countries with 80 per cent phone coverage. Gallup data are increasingly used by multilateral agencies, but there are concerns about their statistical reliability and a scarcity of disaggregated data on children. Gallup data are available for 2006–2013 via a paid subscription to Gallup Analytics. See: http://www.gallup.com/gallupanalytics.aspx

Where no data for 2007 were available, the 2008 data were used; if the 2008 data were not available, the 2006 data were used. In general, 2008 data were used for Austria, Finland, Iceland, Ireland, Luxembourg, Malta, Norway and Portugal; 2006 data were used for Bulgaria, Croatia, Cyprus, Slovakia, Slovenia and Switzerland.

For the stress indicator: no data are available for Bulgaria and Croatia; 2006 data were used for Cyprus, the Czech Republic, Greece, Romania, Slovakia, Slovenia and Switzerland; 2007 data were used for Chile and Mexico. Data for the remaining countries refer to 2008; 2012 data were used for Norway and Switzerland, as data for 2013 were not available.

n.a.: not available.

DATA SOURCES – THE BACKGROUND PAPERS

The original research for this report, including further methodological explanations, can be found in the Innocenti Working Papers detailed below and available at www.unicef-irc.org:

Bitler, M., H. Hoynes and E. Kuka, 'Child Poverty and the Great Recession', *Innocenti Working Paper 2014-11,* UNICEF Office of Research, Florence. http://www.unicef-irc.org/publications/724

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Holmqvist, G. and L. Natali, 'Exploring the Late Impact of the Great Recession Crisis Using Gallup World Poll Data: A note', *Innocenti Working Paper 2014-14,* UNICEF Office of Research, Florence, 2014. http://www.unicef-irc.org/publications/728

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Martorano, B., 'The Australian Household Stimulus Package: Lessons from the recent economic crisis', *Innocenti Working Paper* No. 2013-09, UNICEF Office of Research, Florence, 2013. http://www.unicef-irc.org/publications/697

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Natali, L., B. Martorano, S. Handa, G. Holmqvist and Y. Chzhen, 'Trends in Child Well-being in EU Countries during the Great Recession: A cross-country comparative perspective', *Innocenti Working Paper 2014-10,* UNICEF Office of Research, Florence. http://www.unicef-irc.org/publications/730

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2. This figure refers to all households, with and without children.

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4. OECD, *Society at a Glance 2014*, p. 21.

5. European Union, *Social Europe: Many ways, one objective,* Annual Report of the Social Protection Committee on the social situation in the European Union, 2014, p. 127.

6. ibid., p. 78.

7. Data on the United States Special Supplemental Nutrition for Women, Infants and Children (WIC) Program are available at www.fns.usda.gov/pd/wic-program

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14. UNICEF, 'The Children Left Behind: A league table of inequality in child well-being in the world's rich countries', *Innocenti Report Card 9*, UNICEF Innocenti Research Centre, Florence, 2010, p. 29.

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21. OECD, *Education Indicators in Focus* 18.

22. OECD, *Society at a Glance 2014*.

23. Sources as given for *League Table 1* on page 44.

24. These figures are calculated on the basis of the absolute children population numbers behind *League Table 1* (see page 44).

25. The figure reports the number of years we must go back to observe median household income in families with children as low as it was in 2012.

26. European Commission, Directorate-General for Employment, Social Affairs and Inclusion, *The Social Dimension of the Europe 2020 Strategy: A report of the Social Protection Committee*, European Commission, 2011. http://bookshop.europa.eu/en/the-social-dimension-of-the-europe-2020-strategy-pbKEBA11001/

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