

# Children in Poverty – A British-German Comparison for the 1990s

In Germany every fifth child, and in Great Britain almost every third, is poor. Single parents and their children are at particular risk. In Great Britain about 15% and in west Germany about 9% of all children live with single parents, and within this particularly risk-prone group the poverty ratio in Great Britain is higher than in Germany. In both countries gainful employment is the best way to escape poverty. If a single mother who is poor takes a full-time job, in three-quarters of cases she will move above the poverty line. Government labour market programmes and appropriate child care facilities help to integrate mothers into working life and are thus the most important means of combating poverty among children.

The extent and duration of poverty can be shown using data from the British Household Panel Study (BHPS) and the German Socio-Economic Panel (SOEP).<sup>1</sup> In the study persons are classified as poor if their income, weighted by need, is below 60% of the average net income of the total population.<sup>2</sup> The weighting by need takes account of the fact that the costs of house-keeping rise underproportionately to the increase in the size of the household.<sup>3</sup> Children are defined here as below the age of eighteen.

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<sup>1</sup> This study was part of a project supported by the Anglo-German Foundation which was directed by Stephen P. Jenkins, Institute for Social and Economic Research at the University of Essex and Research Professor at DIW Berlin, and Gert G. Wagner, DIW Berlin. Cf. S.P. Jenkins, C. Schluter and Gert G. Wagner: Child Poverty in Britain and Germany, Report Series, Anglo-German Foundation (AGF), London 2002 (50 pages). A Pdf version is available on the Internet under <http://www.agf.org.uk/pubs/publications.html>. Detailed results can be found in the final report to the AGF under <http://www.diw.de/english/publikationen/materialien/>.

<sup>2</sup> The median income is used as the average. This is the income available to a person in the middle of the income distribution. The median is more resistant to errors in calculation than the common arithmetic average (mean).

<sup>3</sup> Instead of per capita income, in which the net household income is divided by the number of members of the household – and so is not subject to any economics of scale – a lower weighting is used for children. For one-person households the denominator for per capita income and income weighted by need are the same (namely 1), while for larger households the denominator rises less strongly as a result of the weighting by need than in per capita income.

According to this definition poverty was much more widespread in Great Britain in the 1990s than in Germany, with 20% of the total population in Great Britain and about 15% in Germany who can be regarded as poor (cf. table 1).

The German-British comparison shows that poverty is more widespread among children, too, in Great Britain, for nearly every third child must be regarded as poor there, while this applies to only about every fifth child in Germany.

After the German unification poverty was enormously high in east Germany, at more than 40%, because east Germans compared themselves, with west Germans, thus this figure is based on the west German income level. But children in east Germany were not affected above average. Now the poverty rate in east Germany has fallen to 14%, but only to 19% for children. The situation is very similar in west Germany, where 19% of the children are poor compared with 'only' 15% of the total population. Owing to the special forces created for east Germany by reunification only west Germany is compared with Great Britain here.

## Reasons for child poverty

The reasons for child poverty are the same in Great Britain and west Germany. The poverty risk for single parents and their children is extremely high (cf. table 2). In Germany about half the single parents are poor, in Great Britain as many as two-thirds are poor. Single parents who are not gainfully employed are at greater risk of poverty. In west Germany the poverty rate rises to 80% in this group and in Great Britain to nearly 90%. The poverty risk is similarly high among children of married parents if both are out of work.

There are more of these risk-prone households in Great Britain than in west Germany. Whereas here about 9% of all children live in single-parent households, the figure for Great Britain is about 15%. In west Germany about 4% of these children live with a single parent who does not work, while in Great Britain this is true for nearly 10%. Altogether about 18% of all children in Great Britain are in households where there is no income from employment. This is the case for only 6% in west Germany.

The average size of household is not the same in Great Britain and west Germany, but in terms of social policy the size of household should not affect the poverty risk.

Table 1

The Poverty Rate<sup>1</sup> in Great Britain and Germany 1991 to 1998

In %

	Children				Total population			
	Great Britain	West Germany	East Germany <sup>2</sup>	Germany <sup>2</sup>	Great Britain	West Germany	East Germany <sup>2</sup>	Germany <sup>2</sup>
1991	27.9	17.5	–	–	19.2	13.4	–	–
1992	30.7	17.7	43.0	23.2	20.2	13.6	43.4	19.5
1993	32.1	21.3	27.1	22.5	21.0	15.7	27.3	17.9
1994	30.4	17.1	23.8	18.5	20.4	14.2	19.6	15.2
1995	27.8	22.1	22.2	22.1	20.4	15.6	15.3	15.6
1996	30.6	22.5	20.7	22.1	19.5	15.3	15.6	15.4
1997	29.9	17.7	18.4	17.9	19.5	13.7	13.1	13.6
1998	31.6	19.4	18.7	19.3	20.2	14.5	13.5	14.3
Average	30.1	19.4	25.7	20.9	20.0	14.5	21.4	16.0

1 Percentage of each group living in poverty. The poverty threshold is 60% of the median of the annual net equivalence income. — 2 Basis: West German poverty threshold. Sources: BHPS and SOEP.

## The duration of poverty

The duration of poverty is of great importance in a child's life, as is the degree of poverty at a particular point in time. Table 3 shows how often children and the total population were poor within a three-year period. It is evident that poverty lasts longer in Great Britain than in west Germany. Nearly 80% of the west Germans were not affected by poverty at all within a three-year period in the 1990s, but this applied to only 70% in Great Britain. According to this concept, just under 7% of the total population in west Germany were perma-

nently poor, about 10% in Great Britain, where double the percentage, 17%, of children were permanently poor.

In Great Britain a particularly high percentage of children of pre-school age live in poverty. Within a three-year period nearly every second child of that age was affected by poverty at least once. More than 20% of pre-school age children are permanently poor, against 10% in Germany.

Over a longer period the situation worsens again for Great Britain (cf. table 4). From 1991 to 1998 about 2% of the west German population and the children were

Table 2

The Poverty Rate<sup>1</sup> of Children in Great Britain and West Germany by Type of Household

Average 1991 to 1998 in %

Type of household	Size of the group as % of all children		Poverty rate <sup>1</sup>	
	Great Britain	West Germany	Great Britain	West Germany
All children	100.0	100.0	30.1	19.4
of whom:				
Children of single parents	15.0	8.7	68.1	49.1
of whom:				
with no income from employment	9.7	3.8	89.6	80.8
Children of married parents	81.3	89.5	22.4	16.3
of whom:				
with no income from employment	7.7	1.8	84.3	81.1
with at least one full-time income	65.0	82.0	11.1	7.5

1 Share of the group living in poverty. The poverty threshold is 60% of the median of the annual net equivalence income. Sources: BHPS and SOEP.

Table 3

### The Duration of Poverty<sup>1</sup> in Great Britain and West Germany within Three-year Periods from 1991 to 1998

In % of each group<sup>1</sup>

	Never		1 year		2 years		Permanently	
	Great Britain	West Germany						
Total population	70.1	78.7	11.2	9.7	8.8	5.1	9.9	6.6
By age group <sup>2</sup>								
up to 5	53.2	70.2	12.3	13.8	13.2	6.3	21.4	9.7
6 - 16 years	61.4	74.1	12.7	10.9	11.2	7.1	14.8	8.0
17 - 59 years	77.3	81.2	9.7	9.2	6.7	4.6	6.3	5.0
60 and over	62.9	76.7	13.9	9.0	11.1	4.9	12.2	9.4
All children	58.7	72.9	12.5	11.8	11.9	6.8	16.9	8.5
of whom by type of household <sup>2</sup>								
single parents	20.6	35.8	14.1	20.8	22.4	19.8	42.9	23.5
married parents	66.6	76.8	12.0	10.9	9.4	5.2	12.0	7.1

<sup>1</sup> Share of each group living in poverty. The poverty threshold is 60% of the median of the annual net equivalence income. — <sup>2</sup> The division into groups is made in each second year observed.

Sources: BHPS and SOEP.

permanently poor, while the figures for Great Britain were 4% of the total population and nearly 7% of the children.

regarded as poor. However, employment is not at all a stable condition for people who have been poor. Thus one year after the parent obtained a job only about two-thirds of the children were still above the poverty line.

### Paths out of poverty

About half the children escape poverty if the single parent finds a partner. However, it is even more important for the parent to take a job: 80% of the children in Great Britain and in Germany must then no longer be

Financial support from the government does not necessarily lift people out of poverty. More money is spent on family policy in Great Britain than in Germany (cf. table 5). In 1995, that is in the middle of the period selected, 2.4% of GDP was spent on family policy in Great Britain and only 2% in Germany. However, notably more money was spent on child care in Germany

Table 4

### The Duration of Poverty<sup>1</sup> in Great Britain and West Germany 1991 to 1998

	All children		Total population	
	Great Britain	West Germany	Great Britain	West Germany
never	42.9	62.2	56.3	70.1
1 year	11.5	11.5	10.9	10.0
2 years	8.9	7.5	7.5	5.2
3 years	7.2	4.8	5.4	4.0
4 years	6.8	4.6	4.6	3.2
5 years	4.5	2.3	3.7	2.2
6 years	5.8	1.4	4.2	2.1
7 years	5.5	4.0	3.3	1.4
Permanently	6.9	1.9	4.1	1.8
Total	100	100	100	100

<sup>1</sup> Share of the group living in poverty. The poverty threshold is 60% of the median of the annual net equivalence income.

Sources: BHPS and SOEP.

Table 5  
**Public Expenditure on Family  
 and Labour Market Policy Measures  
 in Great Britain and Germany**  
 In % of GDP

	Great Britain	West Germany
Family policy (1995)	2.35	2.01
Monetary transfers	1.87	1.23
Real transfers	0.48	0.78
Labour market policy (1998)	1.19	3.56

Source: Bertelsmann Reform Monitor ([www.reformmonitor.org](http://www.reformmonitor.org)).

(family services), at 0.8% of GDP compared with 0.5% in Great Britain. Children also benefit at second hand, so to speak, from good financial support for the unemployed. And Germany spends about three times as much on labour market policy measures than Great Britain at 3.6% of GDP.<sup>4</sup>

## Conclusion

The British Labour Government introduced a kind of combi-wage in the Working Families Tax Credit. Conclusive figures on its effects are not yet available, but there is much to suggest that it will prove helpful. In Germany policy to combat child poverty should concentrate on labour market programmes and improving child care.<sup>5</sup>

Stephen P. Jenkins, Chris Schluter and Gert G. Wagner

<sup>4</sup> For these figures and for a more far-reaching European comparison see the Bertelsmann Reform Monitor under <http://www.reformmonitor.org>; the German part is compiled by DIW Berlin in conjunction with the Bertelsmann Foundation.

<sup>5</sup> Here see also Kindertageseinrichtungen in Deutschland – Ein neues Steuerungsmodell bei der Bereitstellung sozialer Dienstleistungen, ed. Michaela Kreyenfeld, C. Katharina Spiess and Gert G. Wagner, in: *DIW Wochenbericht*, no. 18/2000, and Michaela Kreyenfeld, C. Katharina Spiess and Gert G. Wagner: Finanzierungs- und Organisationsmodelle institutioneller Kinderbetreuung, Neuwied 2001.

