



## The children are the biggest losers when poverty increases

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Poverty has risen in Europe in the wake of the financial crisis, but the European countries have been affected differently and within countries different groups of people have been affected differently. This view point investigates poverty in Europe and looks into how children in different countries and families have been affected. It is of special importance that children grow up in a good environment and that is not the case, when poverty is a part of daily life.

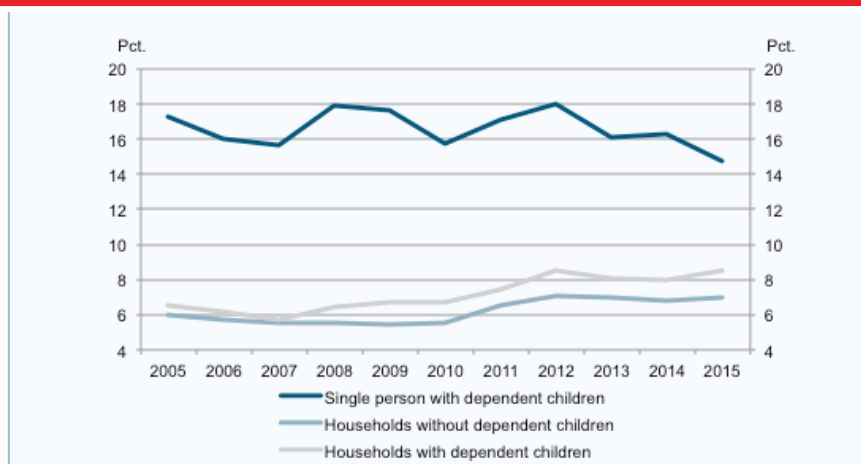
Poverty can be measured in a number of ways. One of them is the severe material deprivation rate, which is depicted in figure 1 for different types of households for the period from 2005 to 2015. The rate of severe material deprivation is defined as the declared inability to pay for a number of necessary items such as rent and utility bills and is explained

in further detail in the figure note. The figure clearly shows that the level of severe material deprivation is highest for single parents with dependent children. The level has both increased and decreased during the last 10 years and is currently at a low for the period at 14.7 pct., which is good news. However, there is still a big difference compared e.g. to the level of severe material deprivation for households with dependent children, which was 8.5 pct. in 2015. Households are defined as one or more persons living together and sharing the expenses connected housing and other essentials of living. The severe material deprivation rate for households with and without dependent children has risen since the crisis began in 2008 with 2.1 and 1.5 percentage points, respectively. The last couple of years, these rates seem to have stabilized around a new and higher level. Even with the current

historically low rate for single parents with dependent children, the figure stresses the point that for many children poverty is a part of life.

While the above figure considers different groups and poverty in the Euro area overall, figure 2 depicts the change in the severe material deprivation rate from 2008 to 2015. In order to investigate the change on children in specific, both a total and the subgroup children (defined as individuals who are 18 years old or younger) are included. The figure shows that especially south European countries such as Greece, Cyprus and Italy have suffered since the crisis began with big increases in the rate of severe material deprivation. On the other hand, the good news is that around half of the countries have actually experienced decreases in the rate. This improvement has mainly taken place during the last 2

**FIGURE 1. SEVERE MATERIAL DEPRIVATION IN DIFFERENT TYPES OF HOUSEHOLDS IN THE EURO AREA**

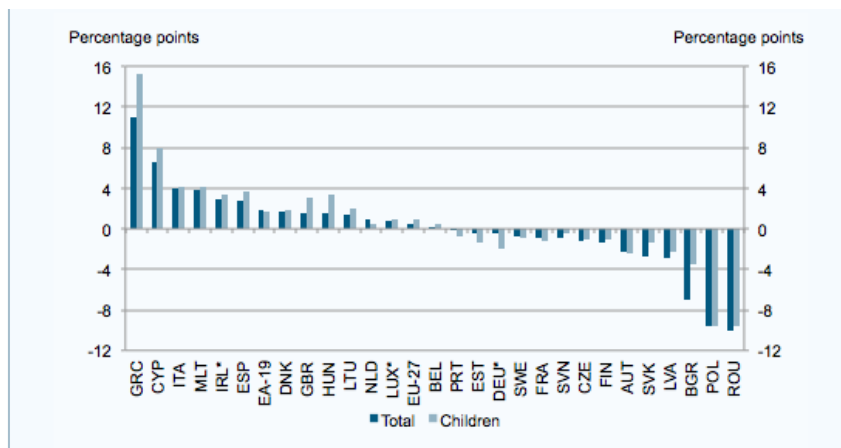


Note: The severe material deprivation rate is an EU-SILC indicator defined as the inability to do at least four of the following: to pay rent, mortgage or utility bills, to keep their home adequately warm, to face unexpected expenses, to eat meat or proteins on a regular basis, to go on holiday, to have a television set, a washing machine, a car and a telephone. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need it. Source: ECLM based on Eurostat.





FIGURE 2. CHANGE IN THE SEVERE MATERIAL DEPRIVATION RATE FROM 2008 TO 2015



Note: (\*) Latest data from 2014.

Source: ECLM based on Eurostat.

years and hope-fully more countries will follow in the years to come. One important thing to notice is that in the coun-tries where the rate has increased, the children have been harder hit than the adults in almost all cases. Also, in the countries that have experienced an improvement (a decrease) in the rate, often the im-provement is smaller for children than for the total.

Early intervention makes the difference for children

Nobel laureate James Heckman has carried out a large number of research projects on early childhood education programs and he stresses how important it is that children grow up in a good environment. In a paper from 2005, Heckman claims that the development of e.g. skills

for the labour market is a life-long dynamic process, where some skills are necessary to develop others later in life (Heckman et al 2005). He highlights both cognitive and non-cognitive characteristics as essential to perform most task in life and claims that the foundation for these characteristics are laid early in life. With that in mind, a childhood in poverty might have severe long-term consequences.

As a concrete example, there are huge differences among children whose parents belong to different parts of the income distribution. A 3-year-old who has grown up with parents who have a degree from a university, has twice as big a vocabulary as children of the same age who have grown up with parents on public transfers

(Hart et al (1995)). The vocabulary is important because it is a picture of the child's emo-tional and cognitive development. The gap between children growing up in rich and poor families in-creases as the children reach school-age (Hart et al (1995)).

When a large number of children grow up in poverty, early interventions to improve their conditions will affect the children positively at the time of the intervention. In line with Heckman, this will lay a founda-tion for further development and it can be valuable in the future as it may contribute to e.g. a reduction of the risk that children end up in unemployment later in life. Early actions will help secure a better life for the children, but also improve the economic situation of the society as a whole.

## References

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