

Investing in children to prevent inequalities

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In recent decades, rich countries have experienced major demographic, employment and socio-economic changes which have led to a persistent increase in child poverty. These high levels of poverty and social exclusion in wealthy, developed societies illustrate deficiencies in the welfare of a large proportion of the population and, in the case of children, offer an early measurement of the scale of what, in thirty years' time, we will call inequality of opportunities.

Economic and sociological literature is very clear about this and we know perfectly well that minors who grow up in poor families are much more likely than the rest of the population to have a disadvantaged social position when they are adults. Recently, various European studies have concluded that the variables that contribute most to poverty being inherited are the educational level of the parents and the frequency with which they suffered economic problems during adolescence. In the end, growing up in a poor household increases your chances of also being poor as an adult. Furthermore, if this poverty is intense and long-lasting, the family environment deteriorates and the adults dedicate less time and resources to the children, which will inevitably reduce their future social capital. Consequently, the persistent poverty and social exclusion being suffered by the children of today (and the adults of tomorrow) will be one of the key factors determining the progress of our society in coming decades.

Of course, the rate of child poverty in a territory and its changes over time are the result of a complex interaction between various economic and demographic factors, together with various elements relating to the characteristics of public intervention. In terms of these characteristics, a key role is played by the policies relating to public education and the design and protective intensity of monetary-transfer policies, both those centred on families and those of a general nature. Without a doubt, the extraordinary increase in unemployment, especially among young people of an age to have children, and the growth of income inequality are the main social consequences of the change of economic cycle we have experienced since the Great Recession. If we add to this the high prevalence of low-paid jobs among younger families and the scale of their mortgage debts due to the increased cost

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of housing, it isn't difficult to understand why many families, especially those with children, encounter serious difficulties in maintaining a decent standard of living.

The main studies on the social consequences of the persistence of unemployment and poverty conclude that the longer they last, the more difficult it is to get out of these situations and that, essentially, this lack of employment, income and economic security is much more harmful when it becomes chronic, i.e. when the people who experience this cannot see light at the end of the tunnel or when relapsing is more the norm than the exception. Where these deficiencies persist from generation to generation, social dynamics show a high correlation between the incomes of the fathers, mothers and children, and a lower degree of social mobility in lower socio-economic levels. In other words, if the lack of economic resources goes from being an unfortunate isolated incident to something that persists over time, it then becomes a manifestation of profound inequality and social injustice.

Both the OECD and the European Commission have published reports that analyse the persistence of poverty in rich countries. Although the preliminary results of these studies were moderately optimistic, because they found that in many countries most of the episodes of poverty were short-lived and only a small part of the population was trapped in chronic poverty, it was much less reassuring to know that for most of the people who experienced these short episodes of poverty, there was a high probability of recurrence a short time afterwards. In other words, they managed to get out of trouble, but they soon fell back into it.

In these studies, Spain stood out as the country with the highest proportion of the population which had, at some point, experienced a situation of economic need, and also for registering the highest recurrence rate in terms of poverty episodes. In a four-year period, more than four out of ten Spanish people lived on an income below the poverty threshold for at least a year. This is double the European average. Nearly half of them managed to get out of this situation, but it reoccurred a short time later. However, in Germany, France, the United Kingdom and Portugal, this only happened to a third of those affected.

Before the crisis, the risk of chronic poverty in Spain was at the European average, above that of Germany and Denmark, but lower than that of Portugal. However, the most recent data shows that the crisis put paid to any chance of people getting out of a poverty situation, while the possibilities of entering one kept on growing. Consequently, from 2008 to 2016, the risk of chronic poverty doubled for Spanish families, as shown by the figures in the latest report on economic and material well-being from the La Caixa Social Observatory². And what is even more worrying, this increase affects young families much more than the rest, especially if they have dependent children.

Regarding social mobility, since the arrival of democracy, Spain has managed to improve its population's average level of education in record time. For decades there was a well-oiled "social ladder". Recently, this social ladder has also shown signs of wear and tear. In recent years, young people born into families with a low level of education have found it increasingly difficult to pass that threshold, while those that are born into families with a high level of education seem to find it increasingly easy to maintain it. In 2016, Spain was bottom in the European ranking because fewer than six out of ten young people improved on the educational level of their parents, where this was low. In countries like the United Kingdom, Sweden and France, over eight out of ten of them managed to achieve this. However, the

2. You can download the report at:
https://observatoriosociallacaixa.org/documents/22890/135153/iBEM_digital_OCT2018.pdf/74d95da8-4b96-2450-2f66-fbe4dd25fea7

inter-generational persistence of high levels of education in Spain continues to increase, and it was already above the European average some years ago.

As highlighted by various specialised analyses, the increase in poverty in Spain is linked to the repeated negative rates in income growth that has been borne by the poorer half of our population since the beginning of the recession. The main reason for this drop in income in the most vulnerable households is linked to the profound changes in the structure of salary distribution, as a consequence of the dramatic increase in unemployment and job insecurity. The secondary reason, however, is clearly the result of a lack of public income-protection policies that maintain a minimum level of income when unemployment becomes particularly virulent.

The two main characteristics of our system of benefits and taxation are the considerable redistributive weight of contributory pensions and the profound weakness of family benefits. Clearly, the weight of family policies within Spanish social policies as a whole has traditionally been very low and, at the beginning of this century, the resources allocated to them were less than half of what other Eurozone countries were allocating. In any event, it isn't just the amount of expenditure on family policies that is relevant, but also how the system of benefits and tax deductions is organised.

Family policies in Spain essentially consist of state and regional tax deductions, minimum incomes in autonomous communities and some per-child monetary benefits with income thresholds. In general, studies that have analysed the economic relevance of the various monetary family policies in our country indicate that the policy with the greatest economic weight is that of income tax deductions for children, and not, as one might think, that of monetary benefits. Given that a large proportion of the households that are below the poverty threshold are exempt from income tax payments, it is consequently no surprise that these deductions are of no help in reducing child poverty.

Regarding monetary benefits, our state system is dominated by contributive benefits linked to pregnancy and maternity or paternity and to the care of children between the ages of 0 and 3, together with a non-contributive benefit per dependent minor which, rather than being aimed at reducing child poverty rates, is used to cover the needs of families that have children with disabilities. In general, and in comparison with other European countries, the differential characteristic of the Spanish system of benefits and taxes is the limited scope of the redistributive effects of each and every policy it contains (with the exception of contributive pensions) and, in particular, family policies.

Why do family policies have such a limited redistributive effect in our country?

Fundamentally, because of the little economic weight that they have on a family's gross income, and not so much because they are not well-directed. In the end, it is not that the benefit per dependent child is insufficiently progressive and therefore often fails to reach those that most need it, but rather that the amount is so small that receiving it does not significantly change the family's purchasing power.

In contrast to what happens in Spain, one of the most widespread family policies in most European countries is a universal per-child benefit, funded by general taxes or social contributions. This policy, with a lesser or greater degree of economic generosity, is currently in force in 19 of the 28 EU countries and, as you would expect, it is precisely the countries where it is not in force that register the highest levels of child poverty in the continent.

In this context, it would not be surprising if many young families started to lose hope that the welfare state was of any use at all. The Spanish population's pessimism about the future of coming generations, revealed in some surveys, could be a reflection of the fact that the entrenchment of poverty in young families and the demise of the social ladder are perceived as factors that will contribute to increasing these risks in the future. If we want the younger generations to believe that the welfare state is of some use, we must break this inertia.

The most urgent thing is to begin moving towards a type of welfare state that has strong social-protection networks for younger families, which should be more focused on their income needs rather than the employment history of their members. These reforms must be tackled sensibly, without fracturing the system's contributive elements, such as pensions and unemployment benefits, which are still vital for reducing the risk of poverty. Furthermore, we need to include wide-ranging equality criteria in the education system, which, in the mid-term, can achieve a greater degree of equal opportunities from the bottom up, investing more and better in public education and promoting inclusion as opposed to educational segregation based on social origins.