

# Growing into poverty?

Social Mobility and Child Poverty in Welfare States

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# Abstract

Intergenerational social mobility represents the ability of individuals to reach their full potential, regardless of the circumstances of their birth. But what factors influence the social mobility in a society? This study takes a comprehensive look at the role of child poverty. Through a cross-country statistical analysis it is shown that states with a high rate of child poverty have lower social mobility. Further on it is established that social policy, represented through the concept of decommodification, has an important impact on the incidence of child poverty in countries. However, methodological considerations present challenges and the causality of the result remains in doubt. The theoretical framework, consisting of Esping-Andersen's welfare regimes, provides useful insights concerning the international variance of child poverty. But it fails to explain the result in the statistical analysis concerning the relationship between social mobility and decommodification, which is shown to be statistically insignificant. It is concluded that further research is needed in order to confirm, and understand, the role social policy play in the formation of social mobility in a society.

*Key words:* social mobility, child poverty, social policy, welfare regimes, decommodification.

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# 1 Introduction

Equality is by most people regarded as desirable. But at the same time very few would wish for total income equality. Central to our economic system is that individuals should be rewarded for hard work and skill, and incentives should be present to drive people. Instead, what many countries aspire to is equality of opportunity. All citizens should be given the chance to become what they desire. At the heart of equality of opportunity thus lies social mobility. Intergenerational social mobility denotes the ability for individuals to change their economic or social standing relative to their parents and previous generations. In a society with low social mobility, individuals are trapped in the social and economic circumstances they were born into. Understanding what determines social mobility rates is therefore crucial if we want equality of opportunity. If we do not know what factors and policies that promote, or hinder social mobility, we have little chance of breaking the cycle of poverty that many families find themselves in. Having a society with low social mobility is bad both for the individuals that are held back, but also for society since human resources are wasted if people cannot become what they want and excel at (d'Addio 2007: 12).

It has previously been suggested by scholars that child poverty could be part of what determines social mobility (see for instance Esping-Andersen 2015). Knowing if child poverty plays an important role in the formation of social mobility is essential from a policy perspective. Child poverty has risen in many countries since the 1980s. In 11 of 15 OECD countries, child poverty has increased in relative terms (UNICEF 2005: 27). In many countries inequality and poverty have surged in the aftermath of the financial crisis and its following austerity policies. It is important to know the detrimental effects child poverty has, not only on the individual but also on the overall social mobility in a society.

The notion that child poverty might have an impact on social mobility is a reasonable hypothesis. Poor children often become poor adults and the connection between growing up in poverty and future life chances is well documented on the individual level (Brooks-Gunn & Duncan 1997; Mayer 2010; Dahl & Lochner 2012). But the relationship on a country level between child poverty and overall social mobility is not as straightforward or researched. The importance of child poverty has largely been overlooked in the research on social mobility. Instead, social mobility has almost exclusively been explained through such things as the role of education, inequality and human capital transfers (Heineck & Riphahn 2009; Erikson & Goldthorpe 2002; Solon 2004; Corak 2006). The well-documented consequences of child poverty on individual children's future life chances I believe should be getting a lot more attention in the literature concerning social mobility. This thesis takes a comprehensive look at the connection, using a broad definition of child poverty; including both income poverty and child well-being. Untangling

the role of child poverty when it comes to social mobility is important in order for states to prioritize the fight against child poverty. Therefore it is also important to know what types of policies are most effective in reducing child poverty and promoting social mobility.

It is clear is that not all children born into poverty are condemned to become poor in adulthood; interestingly there is a large variance between countries. A child born into poverty in the United States has almost a 50 % risk of becoming poor in adulthood while in Canada the risk is only around 30 % (Corak 2006:1). What accounts for this difference? Clearly there are some institutional differences between countries. In this thesis, I argue that public policy and most importantly, the welfare state, is a crucial piece of the puzzle for us to understand the relationship between social mobility and child poverty. Differing welfare policies could help explain the international variation in child poverty and thereby social mobility. During recent decades, there has been a move away from formal models and theory towards descriptive methods and empirical analysis in the social mobility literature (Morgan 2006:7). A move that might provide us with valuable empirical knowledge but which also hinder us from a deeper understanding of the patterns we see. This thesis therefore attempts to gain a richer theoretical understanding of how social policy influences child poverty and social mobility using welfare theory, specifically Esping-Andersen's (1990) welfare regime theory and decommodification concept. I use Esping-Andersen's theory in an institutional analysis, an approach that, to my knowledge, has never been attempted previously within the social mobility literature. Perhaps with the exception of Esping-Andersen's own article "Welfare regimes and social stratification" from 2015, which he himself characterizes as a think piece. This thesis therefore fills a much-needed gap in our understanding of the welfare state's role when it comes to child poverty and social mobility.

## 1.1 Purpose and research question

This thesis addresses two separate issues concerning social mobility. First, what determines social mobility? It is clear from previous research that there is no single answer. A multitude of factors are interplaying, and we are only just beginning to untangle this web. I attempt to deconstruct and understand one part of what has been suggested to affect upward social mobility: child poverty. Second, the aim is to understand why there is such large international variation in social mobility rates, as well as child poverty. Why do some countries enjoy high rates of social mobility while others have very rigid class structures? As mentioned, I explore the role of child poverty in relation to this, but I also argue that the cross-country variation in both social mobility and child poverty can be understood through the theory of welfare state regimes.

The following research questions provide the framework of analysis:

- 1. What role does child poverty play in the formation of social mobility?*
- 2. Which type of welfare policies are conducive for social mobility and why?*

## 2 Literature Review

This section will give an overview of the social mobility literature. Focus lies on what previous research have concluded to be determinants of social mobility, besides child poverty.

### 2.1 Social mobility

Child poverty does not typically feature in the discussion of social mobility and its causes. To my knowledge, no studies have thoroughly investigated the connection between intergenerational social mobility and child poverty, despite the vast collection of studies on social mobility. So what does the literature focus on?

Firstly it can be mentioned that many studies of social mobility mainly have a descriptive aim, to calculate the levels of social mobility within and between countries (for instance Corak et al. 2014; Jäntti et al. 2005; Breen & Luijkx 2004). The large focus on measuring social mobility rates is largely due to it being quite challenging. There are many methodological considerations that have to be made and access to data can pose serious problems. This also has the side effect that the majority of studies are focused on individual countries. In addition, the literature on social mobility is mainly focused on Western Europe, the United States and Canada. This is largely due to data limitations; many countries simply don't have the statistical records needed (Onuzo et al. 2013: 31). But still, there are several studies that focus on countries outside the classic western states. Case studies have been made for instance on Poland (Mach 2004), Israel (Yaish 2004), Russia (Shkaratan & Iastrebov 2012), Singapore (Ng 2013) and Brazil (Ribeiro 2014), to name a few.

But besides calculating social mobility rates, there is also a fair share of studies that attempt to understand what the causes of social mobility are. Industrialism and economic growth have previously been a standard theoretical starting point in explaining cross-country variance. Mobility patterns are in this tradition said to follow the same outline as the classic Kuznets curve, where inequality rises in the initial phases of industrialism but later moderates (Morgan 2006:6; Erikson & Goldthorpe 1992: 13). However, research suggests that since the 80s and 90s the trend towards a more equal and more mobile society have been reversed. The industrialization theory have been increasingly criticised since it has clearly failed to follow the expected trend (Morgan & Kim 2006: 165). Instead it is the role of educational policies that is now viewed as being one of the most important variables in explaining social mobility rates (Erikson & Goldthorpe 2002: 37; Sohl, 2014, d'Addio 2007). Many cross-country studies have been made on intergenerational transmission of education (e.g. Heineck & Riphahn 2009; Dickson et al. 2013) or

the importance in educational expansion in promoting social mobility (e.g. Breen 2010; Breen & Jonsson 2007; Beller & Hout 2006). Studies focused on education and social mobility show that there is a strong intergenerational effect in educational attainment; well-educated or rich parents are more likely to have well-educated children (Onuzo et al. 2013:22; Dryler 1998; SOU 1993:85). At the same time, education is often seen as an integral part of what makes it possible for people to change their social or economic standing. This is intuitive to most people; many would agree with the statement that education allows people to change their occupation and income.

Why should we then investigate other determinants of social mobility? In short, studies have shown that having an extensive educational system does not alone determine a country's social mobility. Fitz, Davies, and Evans (2006) conclude, for example, when looking at Great Britain, that: "education has not served as a mechanism for increasing social mobility, rather it has become the means by which advantages have been transmitted intergenerationally". While education plays an important role in social mobility, the existence of educational opportunities does not automatically equals high social mobility (Blanden et al. 2005). Neither does the amount of money or resources the government spends on education, it has been shown that simply increasing the amount of government spending does not remove intergenerational transmission of educational attainment or performance (OECD 2008:190). Clearly education does not provide the full answer to differing social mobility rates. As Esping-Andersson (2015) states: "We are beginning to understand that education reforms may be a necessary but clearly not sufficient precondition for effective life chance equalization."

Another variable often brought up within the social mobility literature is inequality. The relationship between inequality and social mobility is often dubbed "The Great Gatsby Curve", and it demonstrates that countries with high inequality (usually measured with gini coefficient) also have low social mobility (Krueger 2012, Corak 2013b: 80, Lind 2009: 34). However, the theoretical understanding of why this relationship exists is lacking somewhat, and indeed it is not even certain it is a causal relationship at all. Commonly the relationship is not interpreted as being a direct connection, although one could argue that in countries with low inequality, the distance one would have to move on the income ladder in order to achieve significant income mobility is not as great as in a country with high inequality. That is to say, in a country with little distance between being poor and being middle class, it is easier for an individual to move up on the social ladder, since a relatively modest income increase might bump you up a few steps quite quickly. However, the Great Gatsby Curve is more often interpreted as simply a manifestation of other underlying factors; in some sense a combination of some of the variables already brought to attention, such as education. Corak (2013b) for instance describes inequality's effect on mobility as a process, where inequalities at different stages of life feed into each other. Inequality and socioeconomic status influences health and abilities of children in the early years, which in turn, combined with family conditions, quality of neighbourhoods and schools, influence success during later stages of life.



An influential theory over what determines social mobility is the Becker-Tomes model. The emphasis lies in this model on capital transfers from parents to children. Not only cash transfers, although inheritance and other monetary transfers such as paying school fees have an important role to play, but capital in the sense of human and social capital and their expected returns on the labour market (d'Addio 2007:15; Corak 2006:17). Solon (2004) has developed a noteworthy contribution to the model. He looks at the role of the market and social policy in determining intergenerational social mobility. His model suggests that if the market gives high earnings returns to human capital investments, social mobility tends to be lower, i.e. the link between parent's and children are stronger. If however a country has progressive public investments in children's human capital, social mobility tends to be higher (Solon 2004:2). The work by Becker & Tomes and Solon often provide the backdrop to many studies on social mobility.

Interesting research has also been done in recent years on social mobility variation *within* the income distribution. The research by Jäntti et.al (2005) has shown that poor and rich families are generally more “sticky”, i.e. less mobile than the middle class. Similar conclusions are reached by Björklund et.al (2010) who show that in Sweden, a country often considered to have high social mobility, the top percentiles have a remarkably high transmission of wealth.

A central focus in this thesis is the role of the welfare state. So what research has been done concerning the welfare state in connection to social mobility? Different aspects of the welfare state feature regularly in the literature, but most studies focus on one policy area, such as education, and while they often conclude that the institutional and policy differences might account for the variation, the institutional differences between welfares typologies are not typically in focus. Those kinds of theories feature surprisingly little as an explanation for cross-country variance. With some exceptions; for instance, Breen (2010) utilizes the same typology as Esping-Andersen (1990) with a focus on three individual countries, Great Britain, Germany and Sweden, commonly viewed as representative of the three separate regimes proposed by Esping-Andersen (1990). Breen concludes that it is mainly policy differences that account for the success of the different countries in achieving mobility. Beller & Hout (2006) also make use of Esping-Andersen's typology in their statistical analysis of educational policy and occupational mobility. Esping-Andersen's theory is however not used by either one to explain these policy differences. This is a pattern in the social mobility research, while many studies mention either Esping-Andersen's typology or other welfare state classifications, these kinds of theories have, to my knowledge, never fully been utilized to understand cross-country variation in social mobility. Perhaps an exception could be said to be Esping-Andersen's, as he himself calls it, think piece, “Welfare regimes and social stratification” (2015). In other words, there is a theoretical gap concerning welfare policy that I aim to fill with this thesis. Perhaps the lack of welfare theory within the social mobility literature can be ascribed to the fact that most research within this field has been done by either economists or sociologists and not by political scientists.

## 3 Theoretical discussion

The central argument I give in this thesis is that social mobility is influenced by child poverty levels. Combating and mediating the effects of poverty through redistribution is one of the principal functions of the welfare state. In order to understand the connection between social mobility and child poverty I therefore argue that it is crucial that we include the welfare state in any analysis. For a long time, the welfare state has been the focus of extensive theorisation. It is apparent that countries have diverse types of welfare policies and many structural differences. Plenty of theories of welfare state typologies have emerged from studying these differences. Depending on where the focus lies, such as the political economy, social transfers or size of the government spending, the welfare state categorization can look quite different (Huber, Ragins & Stevens 1993: 711-712). However, Esping-Andersen's book "Three worlds of Welfare Capitalism" from 1990 could be said to be the most influential of all welfare theories. It has provided a seminal framework that continues to be an essential starting-point for scholars in welfare state research to this day (Schröder 2013: 30; Scruggs & Allen 2008: 643). This thesis continues in this tradition and takes its theoretical starting point in Esping-Andersen's work.

In this section, I will develop my theoretical argument concerning welfare states, grounded in the Esping-Andersen's welfare regimes. The hypotheses that will be the object of analysis will also be presented. But first I will develop my theoretical argument concerning child poverty. Why should we expect child poverty to be a determinant of intergenerational social mobility?

### 3.1 Growing up poor, what are the consequences?

Why do poor children often become poor in adulthood? Growing up in poverty has been shown to have significant negative effects on children's individual adult outcomes by hundreds of studies (Brooks-Gunn & Duncan 1997:56). In brief it has been shown that children who grow up in poor households are generally less likely to have higher education; they are more likely to have low incomes in adulthood compared to children growing up in high-income households. Poor children score lower on cognitive test in early childhood, they more often have behavioural problems, they are more often the victims of abuse and they are less likely to finish high school and college. Child poverty has also been shown to increase the risk of teenage pregnancies and overall health status (Brooks-Gunn & Duncan 1997; Mayer 2010:21; Dahl & Lochner 2012; d'Addio 2007:19; Korenman et al. 1994).

Research also suggests that the duration, depth and the age of exposure to poverty are decisive. The younger children are, the longer they live in poverty and the more extreme the poverty is - the more severe the effects are in adulthood (Chetty et al. 2015; Brooks-Gunn & Duncan 1997; Korenman et al. 1994; Ratcliffe & McKernan 2012). McKnight (2015) also shows that in the UK gifted children from a poor family are less likely to be successful in adulthood than similarly high attaining, or even less gifted, children with a more advantaged family background.

Clearly there are various problems associated with growing up poor, why are there then question marks regarding its role in the formation of social mobility? There are several reasons why the cross-country relationship between child poverty and social mobility might not be a perfectly linear one. First and foremost the social mobility rate in a country does not only take into consideration the odds of moving from poor to rich. It also factors in the odds of moving from the centre of the income distribution to the top, or from the top to the middle and so on. Since social mobility reflects not only the upwards mobility of the poor, child poverty will never fully explain a country's social mobility rates. But I argue that the strong detrimental effects child poverty have on individuals and their future life chances will form a part of what determines overall social mobility. The solid connection between growing up in poverty and becoming poor in adulthood thus leads me to the first hypothesis that will guide the analysis in this thesis:

*1. Countries with high levels of child poverty will have low social mobility.*

Why does child poverty cause such detrimental effects of future life chances? Is it the lack of income in itself that is the problem, or if it is the by-product of poverty such as adverse home environments, living in bad neighbourhoods, parenting behaviour or other things that cause the negative effect? Increasing the income of poor families is most often shown to have significant positive effect on the children's adult earnings and is positively correlated with children's outcomes. This could be because a lack of economic resources. But it can be argued that this connection rather reflects such things as exposure to worse schools and neighbourhoods that often accompanies poverty (Hill & Duncan 1987; Løken 2010; Bäckman & Ferrarini 2010:277; Dahl & Lochner 2012). Some studies indicate that, controlling for other factors, parents income is not a significant factor (e.g. Shea 2000). Instead, it is the overall experiences and conditions during early childhood that are most often considered to be critical for future life chances (Esping-Andersen 2015:126). Evidence suggests that countries with universal high-quality child care and pre-school programs have a more equal distribution of cognitive skills as well as educational outcomes (Esping-Andersen & Wagner 2012: 474).

The hypothesis that it is not primarily the financial issue that is detrimental to children's outcomes also receives support from recent research by Chetty et al. (2015). They show that growing up in poor neighbourhoods adversely affects children's outcomes by reviewing evidence from a "Moving to Opportunity (MTO) experiment" in the United States. The program enabled randomly selected poor

families to move to more affluent neighbourhoods. They show that children moving before the age 13 are more likely to attend college and they have on average 31 % higher income in their mid-twenties. They are also less likely to become single parents and less likely to live in low-poverty neighbourhoods as adults. Moving to better neighbourhoods during early childhood seems to weaken intergenerational persistence of poverty, indicating the importance of the environment surroundings (Chetty et al. 2015:39). Chetty & Hendren (2015) further strengthen the evidence of the importance of environmental conditions. They review the benefits of moving from poor areas on a county level in the United States. They show that growing up in a better county significantly increases income in adulthood while moving to a worse county depresses adult income. Most importantly they conclude that: “at least 50% of the variation in intergenerational mobility across the U.S. reflects the causal effects of childhood exposure.”

The research of Chetty et al. (2015) and Chetty & Hendren (2015) provide some important suppositions for this thesis. It suggests that the geographical variance we see in intergenerational social mobility across countries could to a large degree be explained through child poverty and its effects. It seems that growing up in areas with less income inequality, better schools etc. weakens intergenerational transfers of poverty. By extension, this would imply that countries that can provide poor children with better societal conditions when they grow up would have higher social mobility. If that is the case, merely increasing the incomes of poor families might not be the best policy to reduce intergenerational transfers of poverty (Holzer et al 2008:44). This would suggest that countries that primarily work with cash transfers and targeted poor relief have worse social mobility than countries that use a more comprehensive approach to reduce poverty. In other words, it's not just a question of keeping poverty levels low, policy matters too. Given the likely importance of societal conditions for children's future life chances, I argue that the reason for this variance can be found in policy differences, more specifically in the policy differences between welfare regimes.

## 3.2 Three worlds of welfare capitalism

Esping-Andersen was certainly not the first, nor has he been the last to provide a theoretical framework of welfare typology. But his work has in no doubt been one of the most influential in the field. Perhaps the chief reason for his seminal status is to be found in his variables. His approach differed from many of his predecessors; where previous research often focused on public social spending or program specifics (Scruggs & Allen 2008: 642-643), Esping-Andersen based his typology on three main areas: the quality of social rights, the social stratification and the relationship between the state and market in the provision of welfare.

Quality of social rights is connected to decommodification, a central concept in Espin-Andersen's theory. Decommodification is the level to which an individual's survival depends on his or hers relation to labour. In other words, how dependent

on working a person, or family, is in order to maintain a socially acceptable standard of living. In a society with a high level of decommodification, citizens are to a large degree freed from this dependency and can survive without working. Social policies lower employment-related risks by providing benefits (Esping-Andersen 1990:35-37). Another central aspect for understanding the welfare state, according to Esping-Andersen (1990), is what kind of social stratification the public policies promote. The welfare state is not only a system that intervenes and redistributes to decrease inequality; the state is, in itself “a system of stratification. It is an active force in the ordering of social relations.” (Esping-Andersen 1990:23). Social stratification should be understood as the extent to which a welfare system differentiates between various social groups and thereby contributes to social stratification of society, i.e. how class-based the society is. The starting point of Esping-Andersen’s analysis of welfare states is the role of historic class conflicts in ordering society. He argues that capitalist diversity is essentially born out of class conflict and the diverse class struggles in different countries led to three separate welfare regimes: a ‘liberal’, a ‘conservative’ and a ‘social-democratic’ one (Esping-Andersen 1990: 30-32).

Before describing the three regimes in greater detail, it should be noted that no country is a pure example of a welfare regime. When describing the different regimes they should be understood as ideal types. While keeping this in mind, let us turn to the different regimes.

The liberal welfare regime is characterized primarily by its large reliance on the market to insure individuals against social risk. The market is the central means of resource allocation in society. This means that the majority of pensions and unemployment benefits, as well as the health system, are based on private solutions. The level of protection against the market from the state is thereby low, i.e. the level of decommodification. The welfare programs facilitated by the state are largely limited to targeted poor relief, based on needs assessments. The system thus creates social stratification between the poor, depended on the state for welfare (and thereby often stigmatized) and the top, who can afford private solutions. The United States is the principal case in this regime. Canada, Australia, Ireland, New Zealand and the United Kingdom constitute more ambiguous cases but still fall into the liberal category (Esping-Andersen 1990: 26-27, 48).

In the conservative regime the welfare is based on a system of social insurance. Citizens gain benefits in case of sickness, unemployment or retirement by contributing to social security schemes. The level of social welfare and the decommodification of the individual is thus based on previous contributions, meaning the redistributive element is largely absent. Thereby this type of system stabilizes the social stratification in a country. It stems from the Bismarckian social insurance system, with the aim to preserve the class system by tying different welfare programs to specific class- and status groups (Esping-Andersen 1990:24). The paramount case representing the conservative regime is Germany. Austria, France, Belgium, Italy, Japan and Spain are also placed in this category by Esping-Andersen (Esping-Andersen 1999: 82, 86).

The third and last welfare regime is the social-democratic. A primary aim of the social-democratic regime is to maximize and institutionalize the social rights of its

citizens, i.e. decommodify. The state provides social welfare that extends to virtually everyone, regardless of social position, making the market more or less irrelevant for the survival of its citizens (Esping-Andersen 1990: 27). At its core, it is “committed to comprehensive risk-coverage, generous benefit-levels, and egalitarianism” (Esping-Andersen 1999: 78). All social strata are included within the same universal insurance system, effectively crowding-out the market and decommodifying its citizens (Esping-Andersen 1990: 28).

**Table 1. Summary overview of regime characteristics**

	<b>Liberal</b>	<b>Social democratic</b>	<b>Conservative</b>
<b>Role of:</b>			
<b>Family</b>	Marginal	Marginal	Central
<b>Market</b>	Central	Marginal	Marginal
<b>State</b>	Marginal	Central	Subsidiary
<b>Welfare state:</b>			
<b>Dominant mode of solidarity</b>	Individual	Universal	Kinship, Corporatism, Etatism
<b>Dominant locus of solidarity</b>	Market	State	Family
<b>Degree of decommodification</b>	Minimal	Maximum	High (for breadwinner)
<b>Prime examples:</b>	USA	Sweden	Germany

*Source: Esping-Andersen (1999:85)*

### 3.2.1 Welfare regimes and social mobility

As discussed, the conditions during childhood are often strongly connected to adult outcomes. But at the risk of poor children growing up to become poor adults differs between countries, and so does social mobility (Corak 2006). Can the policy differences between the welfare regimes explain this variation? Especially one claim in Esping-Andersen’s work is worth pressing on for the context of this thesis: the differing social policies found in the three regimes are expected to result in different outcomes (Esping-Andersen 1990, 1999). Further on, welfare regimes have a large role to play on stratification in a country. Social policy has the capacity to order social relations and influence the social stratification in a country (Scruggs & Allan 2008: 644; Hall and Soskice 2001). The differing social policies across welfare regimes should thereby have quite different effects also on poverty (and child poverty), as well as social mobility (Brady 2005: 1334). Assuming that child poverty and social mobility are connected, as offered by hypothesis 1, how should we expect the different welfare regimes to perform when it comes to child poverty and social mobility?

The thoughts put forward by Esping-Andersen in his article “Welfare regimes and social stratification” (2015) provide some important theoretical starting points. His central hypothesis is that the welfare state has a crucial role to play in the formation of social mobility and he argues that the social democratic welfare regime has been more successful in promoting social mobility due to its general egalitarian objectives (125). Social benefits in the social democratic model are not based on

absolute need, as in the liberal regime, or what the individual have previously contributed, as in the conservative. The universal system prevalent in the social-democratic states means a high level of de commodification. This minimizes social stratification, which also is an expressed aim in the social-democratic regime. In practise the emancipation from market dependency means that the citizens have a high level of protection against poverty (Esping-Andersen 1999: 78-80). The idea that universal social policies outperform targeted benefits when it comes to reducing poverty receives support from one of the most influential papers to review this question; Korpi and Palme's "the paradox of redistribution" (1998). In which Korpi and Palme conclude that: "The more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality" (681). The high degree of de commodification also ensures that individuals and children have a higher protection against falling into extreme poverty. And as discussed in section 3.1 the deeper and longer a child lives in poverty, the more severe the effects will be. The universal system also insures a low level of stigmatization of the poor (Esping-Andersen 1990: 46). Since it is likely not only the lack of financial means that is the cause of the worse life chances for poor children, this provides an argument as to why the social democratic model would be superior in creating an upwards-mobile society. Stigmatization often leads to exclusion, which naturally limits the opportunities a child have access to. The lower degree of stigmatization of the poor in the social democratic regime should thus be seen as conducive for upwards social mobility.

Another central aspect of the social democratic welfare regime that is arguably beneficial for upward social mobility and minimizing child poverty is its family policies. The social democratic model often has generous transfers directly to children, parental leave, as well as a universal childcare system (Esping-Andersen 1990:28; Esping-Andersen 2015: 126). The Nordic nations have for a long time provided universal and high-quality early care for children, combined with a very homogenous quality standard in the education system. In most other countries in Europe childcare has been rather minimal (Esping-Andersen & Wagner 2012: 474-475). But perhaps most importantly the social-democratic regime has strived for high female labour participation, enacting several policies to enable this, such as free health and childcare. Social policy was often explicitly designed to maximize women's economic independence, radically different from the approach of especially the conservative regime. Both the liberal and conservative model is largely dependent on family based solutions for child rearing. In other words, the women are expected stay home and take care of the children, sick and the elderly (Esping-Andersen, 1999: 35, 43-46, 27-28, 48). The broad wage earner coalitions from the 1960s onwards in the social democratic states created a foundation upon which policies focused on full employment, even for women could be pursued (Esping-Andersen 2015: 132). Why is the economic independence of women a crucial part of diminishing child poverty and promoting social mobility? Esping-Andersen (2015: 126) summarizes it well: "The result [of the family policies] was, of course, more gender equality in terms of career opportunities. And this has decisive second-order effects for inequality since maternal employment is a truly

effective guarantee against child poverty”. Insuring that women have an income is an effective way of minimizing the risk of children growing up poor, especially in household consisting of a single mother, considering children in lone-parents families often face a much higher risk of poverty than children brought up in couple families (Brady & Burroway 2012:719; Chzhen & Bradshaw 2012). But the risk of poverty also diminishes in couple families if both parents have an income. The goals of both class and gender equality in the social democratic model meant a large number of policies that promoted social mobility (Esping-Andersen 2015: 132).

I argue that the type of policies found in the social democratic regime have thus been more successful in limited both the scope and the effects of child poverty, leading to higher social mobility. By diminishing both the number of children living in poverty and the detrimental effects of child poverty on the individual, the social democratic states have insured that all children have a higher degree of equality of opportunity than the other regimes. As Esping-Andersen (2015: 127) notes: “If living conditions during childhood are decisive, there is a ready-made explanation for why Scandinavia excels in terms of equality of opportunity. [...] the eradication of child poverty is without doubt one of its crowning achievements”. This leads me to proposing the following hypothesis:

*2. Social democratic welfare states have been more successful in achieving high social mobility because they have successfully improved overall child wellbeing.*

However, given that the regimes refers to ideal types, using only the categorization of welfare states as established by Esping-Andersen (1990) is not going to correctly give us a correct indication on whether it is the social democratic regime’s policies that are more successful than the conservative or liberal regimes. The categorization of countries established by Esping-Andersen is further on temporally contingent; much of the data Esping-Andersen based his typology on derives from 1980, over 30 years ago, meaning countries had changed even by the publication of his book in 1990 (Scruggs & Allen 2006: 56). As Esping-Andersen himself notes: “in reality however, there are no one-dimensional nations in the sense of a pure case. [...] almost all [social democratic countries] have developed earnings and work related schemes to complement the usually modest benefits awarded by flat rate universal plans. In short, every country today presents a system mix.” (Esping-Andersen 1990:49). This means that it is not certain that for instance Sweden still is the prime example of the social democratic regime type. It is the degree of social democratic welfare *policies* that should be in focus, not which states are typically categorized as social democratic.

In order to capture the welfare policies, I will consequently turn to the concept of de-commodification. This is arguably the most central aspect through which Esping-Andersen categorizes the states. Therefore, the level of de-commodification will serve as an operationalization of the regimes in the analysis. And as an



extension of the previous hypothesis, I therefore also offer the following hypothesis:

*3. Countries with a higher level of decommodification exhibit lower rates of child poverty. Because of this, the social-democratic welfare regime has higher social mobility than the conservative and the liberal model.*

## 4 Method

The aim of this thesis is to determine the role child poverty plays in the formation of social mobility and what types of welfare state policies are conducive for children's life chances. A statistical method has been chosen since the questions have a clear comparative ambition. The thesis seeks to describe a general connection and to establish a causal relationship, making a quantitative method more suitable (King, Koehane & Verba 1994:3). While a case study could provide interesting information on this relationship it will be unsatisfactory in order to answer the research questions, in order to establish causality, several cases are needed (Morgan & Winship 2007:35). The insufficiency of a case study can easily be illustrated if imagining a country that has high child poverty and low social mobility. This case would then seemingly support the hypothesis that child poverty impacts social mobility negatively, but we cannot infer causality. We do not know if the case we selected is representative or if it is an anomaly. We could be so unfortunate that the case we selected is the only one where the relationship appears. Further on social mobility is a complex concept that has several explanatory variables. This inevitably means that the omitted variables might cause unpredicted results in a case study, causing us to reject the hypothesized relationship even though it might have been true (King, Koehane & Verba 1994: 210-211). As King, Koehane and Verba (1994:211) state: "With only one implication of the causal theory observed, we have no basis on which to decide whether the observation confirms or disconfirms a theory or is the result of some unknown factor." A problem that will not be remedied by adding two or three more cases. The research questions posed, and the hypotheses proposed, thus require a quantitative method.

The basis of the statistical analysis is bivariate and multiple regression. The bivariate linear regression model is constructed in the following manner:

$$y = \alpha + x\beta + \varepsilon$$

The multivariable, or multiple linear regression model, takes the following form:

$$y = \alpha + x_1\beta_1 + x_2\beta_2 + \dots + x_i\beta_i + \varepsilon$$

$i = n$

Where  $y$  is the dependent variable,  $\alpha$  is the constant term,  $x$  is the independent variable, and  $\beta$  is the regression coefficient.  $\beta$  indicates the average change in the depended variable ( $y$ ) when  $x$  increase. Meaning it is an estimate of the causal effect

between  $x$  and  $y$ .  $\varepsilon$  is the error term, i.e. the sum of the factors besides  $x$  that effect  $y$  (Teorell & Svensson 2007: 181). The multivariable regression is a particularly important tool in the analysis since we know in advance that that our explanatory variable cannot alone explain the overall social mobility in a country. We know through the literature review that other factors already have been connected to social mobility. And most importantly we know that child poverty, by logic has no effect on the mobility of individuals in the top income quintiles, therefore there have to be other variables involved in the formation of the overall social mobility in a society. This makes it especially important the control for other determinants. If no controls are included we have no way of knowing if the connection between social mobility and child poverty is actually spurious.

The main variables in the analysis are social mobility, child poverty and decommodification. The data used to measure these concepts is presented in the following sections. But first some remarks should be made on the sample. The population that is the focus of this thesis consists for all intents and purposes of all countries that could be said to have any form of welfare state. Meaning I do not employ a narrow definition of the welfare state where only a few Western states qualify. The sample is instead governed by practicality. As the reader will gather from the next sections, there are a limited number of observations available. Any removal of countries from the analysis can therefore not be justified based on whether they should be considered a “true” welfare state or not. All available observations are consequently included. While question marks could be raised concerning the usefulness of Esping-Andersen’s theory in relation to new welfare states (or in general states outside the typical Western welfare states he uses in his typology), I do not believe including these countries will harm the analysis. On the contrary, I believe the theory will only be strengthened. If the hypothesizes are accurate, countries with low levels of decommodification will subsequently receive high social mobility rates, regardless of whether they fit into Esping-Andersen’s historic class analysis of Western states.

The reader should also keep in mind that since the analysis contains a rather small sample across all variables, the results is highly sensitive towards outliers.

## 4.1 Motivation of variables

### 4.1.1 Social mobility

How should social mobility be measured? It is a complex concept and there are significant difficulties in measuring it. To a large part these difficulties stem from how to define social mobility, in becomes crucial to answer the question; “Mobility between what?” (Morgan 2006:4). For instance, are we talking about mobility in income or mobility between class positions?

When considering social mobility though the concept of class it is possible to include a qualitative understanding of what constitutes social status. But this also

inescapably means that an operationalization of class must be made, something that is not always easy. Still, many scholars, especially from a sociological tradition, view social mobility as being about mobility between class positions, not mobility in income levels, this is sometimes referred to as relative social mobility, or social fluidity (Erikson & Goldthorpe 1992; Erikson & Goldthorpe 2002:31, Morgan 2006:4; Breen 2010). Most of the studies using class-schemes or other categorical measures are case studies on individual countries. This is partly because the focus is often lies on identifying change over time within societal class structures and partly because of the difficulties in transferring class based measures between different settings.

Another significant part of the literature measures social mobility instead with income data and compares income levels between generations. Parental income has been shown to be among the best predictors of children's adult outcome (D'Addio 2007: 25). Calculating intergenerational social mobility demands reliable income data over long time; consequently access to data can pose a problem. In order to construct a reliable measurement trustworthy data for at least two generations is needed, as well as the possibility of connecting the incomes of parent and child in the individual level. Measurements are also very sensitive towards exact data definitions and data collection procedures. This is a hindrance in when making statistical inferences across countries since differences in social mobility rates could then to some degree instead reflect difference in data structure (Jäntti et.al 2005; Corak 2006:6; Breen & Luijkx 2004: 40-42). Another issue that studies must face is the time frame. Since data on both parent and child income are needed very long time spans are unavoidable. (Corak 2006:10, Solon 2002:60). Cross-country research on social mobility is, to but it mildly, a methodological challenge for researchers. Still, the advantage of using income data is that it makes it possible to achieve a measure that can be transferred between different settings. It is not muddled by different conception of what constitute class and social status; income is easily comparable across nations. This means that even though a class based approach would be well suited in this thesis given the focus on the welfare state, its comparative aim means that social mobility will mainly be measured using income, as it has a clear advantage when it comes to international comparison. Many different ways of measuring income mobility exists, for instance directional rank mobility (Corak et.al 2014) and mobility matrices (Jäntti et.al 2005). However one of the most common measures is intergenerational income elasticity (IGE) (Jäntti et.al 2005:1, Lind 2009: 5, Jerrim 2014: 4). This indicates the elasticity of a child's income with respect to parental income, or in other words how much the income of parent and child is connected. Among the measurements based on income data, it is also the measure that has the most observations that are comparable across several countries. Because of these reasons IGE will be used as measure of social mobility. For details regarding IGE see section 4.2.1.

One of the drawbacks of IGE is the lack of observations; only 22 countries are available for comparison. As suggested by King, Koehane and Verba (1994: 223) I therefore complement the analysis with an additional measurement. This will allow me to both observe some new cases and apply a different measure to the same units as with IGE. To increase the strength of the analysis I therefore include a measure

based on children's educational performance conditioned on parent's educational status as a measure of social mobility. This will allow me to explore an alternative way of viewing social mobility, besides income. This measure has the advantage of containing more comparable observations than IGE. Using educational status, test scores or other classifications connected to education have been extensively used in past research (e.g Fischer 2010; Heineck & Riphahn 2009; Dickson et al. 2013; Bukodi and Goldthorpe 2012). Parent's educational background has been shown to influence children's development and their educational attainment (Dickson et al. 2013; Chevalier et al 2010). Furthermore Ratcliffe & McKernan (2012) find that parents' educational attainment is an important factor in explaining poverty persistence. Studies have also shown that a strong intergenerational transfer of educational attainment exists in many countries and subsequently many studies use educational attainment in order to evaluate mobility patterns, for instance Morgan & Kim (2006). For details regarding educational performance conditioned on parent's educational status see section 4.2.2.

#### 4.1.2 Child poverty

Child poverty varies substantially between countries (Bradbury & Jäntti 1999; UNICEF 2007). But the level of child poverty of course also varies depending on how you define poverty. Who is considered poor? Is it simply the lack of income or is it a broader concept? UNICEF defines child poverty as: "*Children living in poverty [are those who] experience deprivation of the material, spiritual and emotional resources needed to survive, develop and thrive, leaving them unable to enjoy their rights, achieve their full potential or participate as full and equal members of society*" (UNICEF 2005a:18). Such broad definitions give rise to a multitude of measurements, each incorporating different aspects (OECD 2009). Initially, two main types of measurements can be discerned. Firstly one can use absolute measures of poverty; these are standardised and are consistent over time and space. The international poverty line by the World Bank is an example of an absolute measure of poverty. Secondly one can use measures of relative poverty. Relative poverty measures are dependent on the social or economic context in which they are calculated. It is often constructed using the median income in a country and setting a lower boundary of what is considered poor, commonly people living on less than 40-60 % of the median income. This thesis uses relative poverty measures, as is preferable for comparison across developed/wealthier countries (OECD 2008). Relative poverty measures can also be conceptualised through variables other than income, such as housing or environment, this is often called child well-being (Heshmati et al. 2008, UNICEF 2007). This type of poverty measure captures a broader definition of poverty and is well suited in this thesis since, as outlined in the theoretical discussion and in the second hypothesis, it is likely not only the lack of cash that is the problem but the poorer societal conditions that are often associated with poverty. Therefore, this thesis uses both relative income poverty and child well-being to measure child poverty. For details see section 4.2.3 and section 4.2.4.

### 4.1.3 Decommodification

To evaluate the importance of the welfare state on social mobility and child poverty, I take my starting point in Esping-Andersen concept of decommodification. Since the original decommodification index is calculated for the year 1980 I will be using a more recent index. In the statistical analysis, decommodification will therefore be measured using the “benefit generosity index” from The Comparative Welfare Entitlements Dataset (CWED) (Scruggs et al. 2014a). The benefit generosity index has been developed as a revision and update of Esping-Andersen’s decommodification index. Rothstein, Samanni & Teorell (2012) has referred to the index as “the hitherto most broad-ranging measure of welfare state effort based on actual social policy reforms” and it has been used as a measure for decommodification by for instance Bolzendahl (2010). For details see section 4.2.5.

## 4.2 Data variables

In the following section the measurements and data I use are presented. The control variables used in the multiple regressions are also presented.

### 4.2.1 Intergenerational income elasticity

Intergenerational income elasticity is derived from a regression-to-the-mean model where the coefficient  $\beta$  tells us the level to which a child’s earnings are dependent on the parents income (Corak 2013b: 81, Lind 2009:6, Solon 2002). The higher the value on  $\beta$  the more we can “predict” the income level of the child versus the parent. If  $\beta$  is 0,5 it indicates that 50 % of the parent’s income is passed on to the child (Fisher 2009:7; Jerrim 2014:5). Note that this means it is in its essence a measure of the *persistence* of income between generations, rather than mobility (Jäntti et.al 2005: 8).

Data is taken from Corak (2006) and Corak (2013a), with data on 22 countries. It should be noted that both are metastudies, meaning the elasticities are collected from independent case studies and different researchers. Inevitably therefore there are methodological differences, as well as data differences behind the different country scores. However, the elasticities for each country have been chosen specifically by Corak based on their comparability to enable international comparison. An assumption that will be a basis of the analysis is that social mobility rates are sticky and change slowly. As already discussed in section X intergenerational income elasticity is calculated by using the income of a person 40-50 years old and the income of their parents. Clearly both were born many decades ago, but I will still assume that the calculated mobility rate reflect the general level of mobility in society today. One aspect of intergenerational income elasticity that should be brought to attention is that the income data used is in most cases only from men, i.e. fathers and sons. There are several reasons for this, income

data for men have often been more thoroughly gathered through history, and men were previously often the only one in the household with an income. It is, however, a fact that today often limits the measure and its accuracy and should be kept in mind (d'Addio 2007:29; Corak 2013a: 2; Abrantes & Abrantes 2014).

#### 4.2.2 Educational performance based on parent's education

Educational performance based on parent's education is used as a proxy for social mobility. Data consist of PISA results from 2003 over student's performance in mathematics. Mean aggregated student test scores in mathematics are divided into three groups based on parental educational background. The educational level of the father and the educational level of the mother are divided according to the International Standard Classification of Education (ISCED) scale, using lower secondary, upper secondary and tertiary education. For example in Germany, the mean test score for students with a mother who have completed lower secondary school is 460, and the mean score for those with a mother completing tertiary education is 548; a difference of 88 points. Both mothers and fathers educational levels are used in the analysis. It is the aggregated score difference between students with parents that have upper secondary education and parents with a tertiary education that are used. These are used as they have the most observations. Not all countries have reported scores for students with mother and fathers with only lower secondary education. Data is obtained from OECD (2004). The variable will be abbreviated as EPM for scores grouped after the mother and EPF for scores grouped after on the father.

There are however validity issues that should be discussed. The PISA results measure social stratification *prior* to labour market entry. It does not measure a person's adult social status or class; a bad score on a math test at age 15 does not necessarily give us information about adult income or future social position of the child. It does, however, give some indication of the strength of intergenerational transfers in families across countries.

The advantage of using educational performance as an indicator of social mobility is that it allows for a more recent time period to be examined. It becomes possible to get information of the strength of intergenerational transfers for children born around 1988-1989. As opposed to the IGE measure that samples individuals typically around 40-50 years old at the time of calculation (Corak 2006).

#### 4.2.3 Child income poverty

Child income poverty will be measured using a standard relative poverty measure; the proportion of households with children living on an equalized income below 50 % of the national median income. Data is retrieved from the OECD SOCX database. Children are defined as those between 0-17 years old. The data is from 2005 and cover all OECD countries. 2005 have been chosen out of practicality, as it is the only year available in the database. However, it is suitable as it is reasonably close

in time to the PISA results and, in addition, avoids the impact of the financial crisis that hit in 2008.

Since the intergenerational income elasticity data covers a few countries outside OECD, the data on income poverty will be supplemented with data from LIS Key figures for Peru, China and Brazil. Data for Argentina and Chile will be taken from UNICEF (2005b). This is in order to ensure that as many countries as possible are included in the analysis, seeing as the number of observations is already rather limited. The total number of observations for child income poverty is thus brought to 35. There is, of course, a risk of the result is slightly compromised as there could be differences in data structure and method, however all measures are calculated using the poverty definition living below 50% of the disposable household income which should ensure a reasonable level of comparability.

#### 4.2.4 Child well-being

In order to capture a broader definition of child poverty, I include child well-being. Data is retrieved from OECD SOCX database's variables over child wellbeing. Data is from 2005-2006. Three dimensions concerning child well-being are included:

- **Educational deprivation**, this indicates percentage of children aged 15 years old that reports having less than four educational possessions from a list of eight items; a desk, a quiet place to study, a computer, educational software, functioning internet connection, a calculator, a dictionary, and school textbooks. The data cover 28 countries.
- **Overcrowding**, which is the percentage of children living in overcrowding homes as a proportion of all children. The data cover 26 countries.
- **Poor environmental conditions**, which is the percentage of children living in homes with poor environmental conditions, e.g. noise and pollution, as a proportion of all children. The data cover 24 countries.

#### 4.2.5 Benefit generosity

Benefit generosity is used as a measure of decommodification. The benefit generosity index is retrieved via the Comparative Welfare Entitlements Dataset (CWED) (Scruggs et al. 2014a). The index draws on detailed information on countries' unemployment insurance, sick pay insurance, and public pensions. The index combines information on such things as replacements rates, duration limits, qualifying periods, waiting days and coverage. The higher the score a country receives, the greater the degree of decommodification. For details on method and computation see Scruggs (2014) and Scruggs et al. (2014b). The data is collected for the year 2005 as it corresponds with the child poverty data used. There are 21 observations from 2005 in the index.



#### 4.2.6 Control Variables

To control for other determinants of social mobility besides child poverty the following variables will be used:

- GDP per capita is included as a standard variable to control for level of economic development and size of the economy. This variable is included since the level of industrialism, or how advanced a society is, previously has been suggested to influence social mobility (Erikson & Goldthorpe 1992: 13). Data is accessed from the World Bank via the Quality of Government database (QOG) for the year 2005, or the year closest possible. GDP per capita is calculated using the gross domestic product divided by total population. The data is calculated using constant 2005 U.S. dollar (QOG codebook: 315).
- Real GDP growth is included as a standard variable to control for economic development. It is plausible to think that rapid economic growth could influence social mobility positively by opening up new opportunities for all social classes. Data is from OECD (2014) via QOG database. The data is taken for 2005, or the year closest possible.
- Gini coefficient is used to control for income inequality. Income inequality has previously been shown to be closely connected to social mobility rates (see literature review for further information). Gini is calculated using the disposable household income. Data is collected for 2005, or the year closest possible. The data is collected from LIS key figures on inequality and poverty (LIS).
- Public expenditure on education as a percentage of GDP is included to control for the size of the educational system and the level of public investment in education. Education is one of the standard explanations to social mobility rates. This measure will capture a part of this. However, note that it is often the quality of the educational system have been shown to be important for mobility rates, but this cannot easily be captured in a quantitative measure. Therefore the quality of the educational system must, unfortunately, remain outside of the scope of this thesis. Public expenditure of education is from UNESCO (2014) via QOG database and will cover the year 2005, or closest year possible.
- The percentage of the population with tertiary schooling, female and male (15+) is also used to control for the role of education. This measure will capture the availability of higher education and the importance of higher education to social mobility. The data cover 2005, or closest year available. The data is from the Educational Attainment Dataset by Barro & Lee (2013) via QOG database.

- Total unemployment rates are used to control for the role of the labour market and as a standard economic indicator. A high unemployment rate in a country could potentially have negative effects on social mobility since being unemployed clearly limits one's possibility to receive a higher income. The unemployment rate is defined as the total number of unemployed people aged 15 and over, as a percentage of the total labour force in a country. Unemployed are those reporting they are without work but are available and have taken steps to find work during the last four weeks. People who are not looking for work are excluded from the labour force. The data is retrieved from OECD (2014) via QOG database and cover 2005 or closest year possible.
- Public social expenditure as a percentage of GDP. This will provide an alternative measure to test the impact of welfare state effort, besides benefit generosity. This variable will only be included in the second part of the statistical analysis, where benefit generosity is tested against child poverty and social mobility. Data is from OECD (2014) via QOG database. OECD calculate public social expenditure using the following main policy areas: old age, survivors, incapacity-related benefits, health, family, active labour market programmes, unemployment, housing and "other social policy areas" (OECD SOCX). The data cover 2005, or closest year possible.

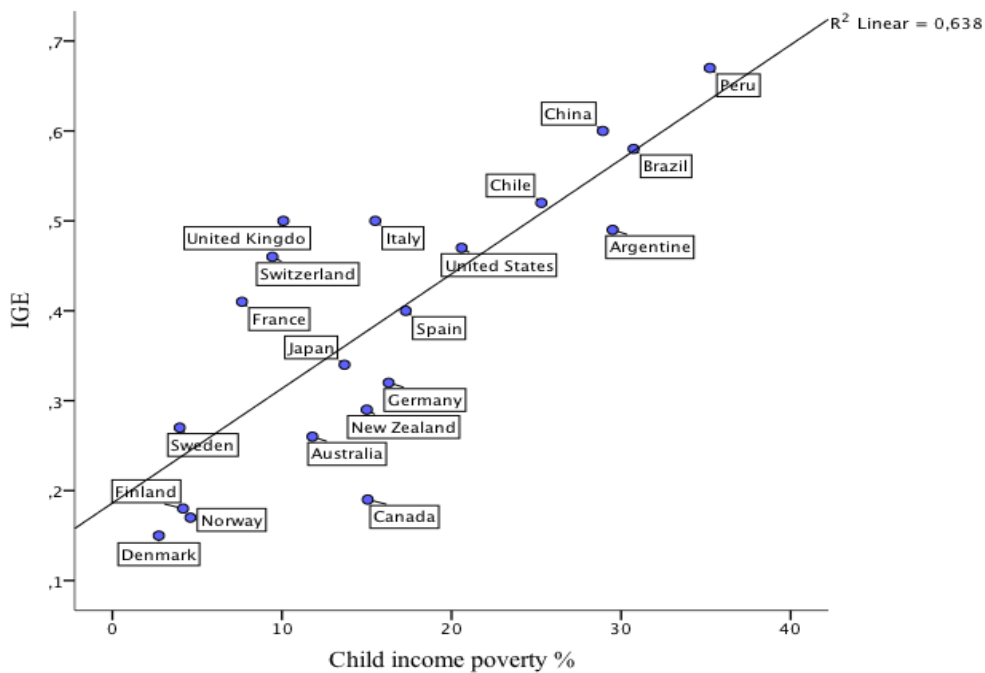
# 5 Analysis

This section will be divided in two parts; firstly the relationship between child poverty and social mobility will be explored. Second, the role of the welfare state will be assessed.

## 5.1 Social mobility and child poverty

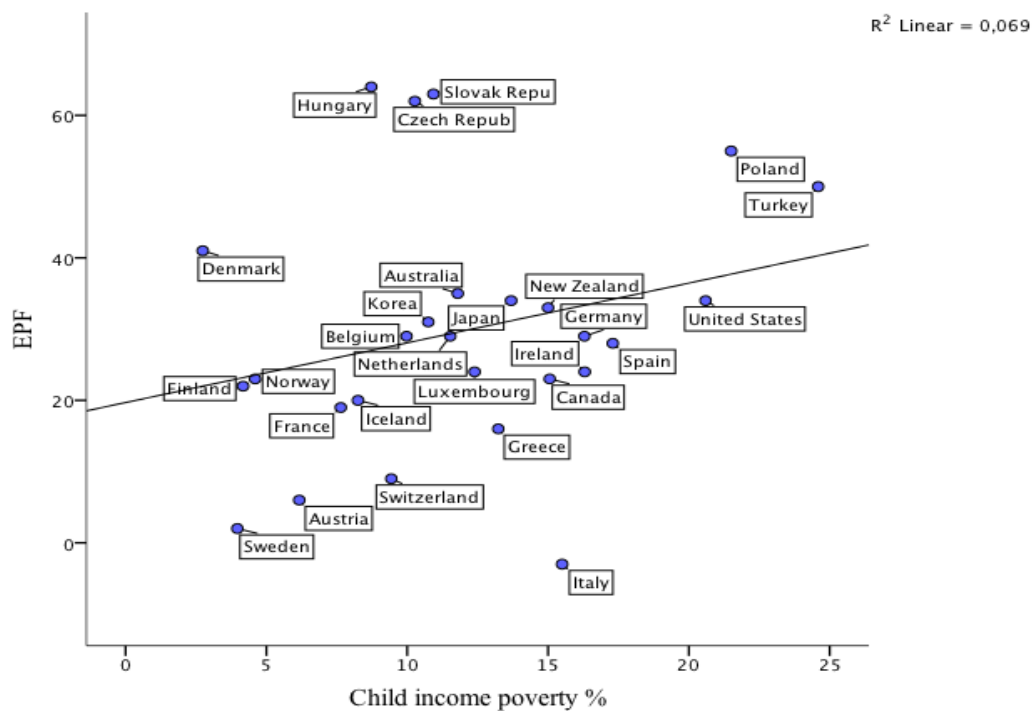
The first hypothesis stipulated that: “Countries with high levels of child poverty will have low social mobility.” In figure 1, social mobility, measured with IGE and child income poverty is plotted. A strong relationship is visible with a clear positive slope. Countries with high IGE, meaning high intergenerational transfer of income, also have high rates of child poverty. However, the relationship can be questioned based on the number of observations, as there are only 20. I therefore complement with the proxy educational performance (see figure 2).

**Figure 1. IGE and child income poverty**



*Social Mobility is calculated with intergenerational income elasticity, meaning a high placement on the y axis is equal to low social mobility. N=20*

**Figure 2. Child poverty and educational performance, based on the father's educational status**



*Social Mobility is calculated with educational performance based on the father's educational status, meaning a high placement on the y axel is equal to low social mobility. N=27*

The relationship when using educational performance as a proxy for social mobility is clearly not as strong. But, even though the relationship is not as clear as with IGE, it does have a slight positive slope indicating that the when the larger score difference between children with fathers with different educational standard the higher child poverty a country has. The plot for educational performance based on the mother is very similar and is therefore not included.

Why does the relationship appear to be weaker with EPF and EPM than with IGE? Firstly, it is possible that when more observations are included, the relationship disappears because there is no connection between the underlying concepts the different measures are suppose to capture. This, however, seems unlikely given the very clear pattern in figure 1 between IGE and child income poverty. But still, it is a possibility. Second, the apparently weak relationship between EPF/EPM and child poverty could be because this proxy is actually not reflecting the concept we would like to measure. By looking at table 11 in the appendix we can establish that IGE and EPM/EPF are not statistically correlated. This could either be because social mobility rates have drastically changed between the years the two measures were calculated or it could mean that the proxy does not capture the true mobility rates (given that we assume that IGE accurately reflects social mobility rates). Primarily two factors speak in favour of the last option being the most likely. First, social mobility rates can be assumed to be sticky; the rigidity

of class structures hardly fluctuates from year to year. Second, as discussed in section 5.1.1. educational performance is not necessarily an accurate estimate for future adult income. Unfortunately, the reasons for the lack of correlation cannot be settled within the scope of this thesis. But I will in the rest of the analysis treat this proxy variable with considerable care, as I find it likely that it does not reflect the true social mobility in a country.

The bivariate regressions are performed between the dependent variable social mobility (measured with IGE, EPF and EPM) and the independent variable child poverty (measured with income poverty, educational deprivation, overcrowding and environmental conditions). The exact results can be viewed in the appendix, table 5,6 and 7. The bivariate regressions show that five variables display a significant relationship: IGE against income poverty, overcrowding and environmental conditions, and EPM/EPF against overcrowding.

IGE and income poverty is significant at the 1 % level. Meaning it is likely a very strong relationship. In addition, the fact that in figure 1 there seems to be no clear outliers that drives the results also speaks for the fact that the relationship is strong. EPM and EPF against income poverty is not a significant relationship. Again, I would hypothesize on the basis of the strength of IGE and child poverty that this is because EPM/EPF is not a satisfying proxy for social mobility, rather than there being no relationship between social mobility and child poverty. However this cannot be established with certainty because of a lack of data.

Overcrowding is a significant variable for all three measures of social mobility and environmental conditions is statistically significant against IGE. This indicates that indeed the surrounding societal conditions, not only lack of financial resources have a role to play in the formation of social mobility. But, as I find it likely that EPM/EPF is not in fact a satisfactory proxy for social mobility, I cannot draw the conclusion that overcrowding have a significant effect on social mobility based on those variables. It is however not a surprise that overcrowding have such a strong effect on EPM/EPF since you could easily imagine that educational performance is negatively affected if children have no quiet space to study at home. Still, overcrowding and environmental conditions are both also statistically significant against IGE on 10 % and 5 % level respectively. But, as previously, the number of observations is very low. IGE against overcrowding include only 13 countries and environmental conditions 12, clearly too few to make any conclusion. I can only establish that there could be a connection between societal conditions and social mobility, but it cannot be confirmed.

Based on the low number of observations and lack of significant results for educational deprivation, overcrowding and environmental conditions, these variables will not be included in the multiple regression results. Neither will EPM and EPF as both display no significant relationship in the bivariate regression with income mobility, which is the only poverty measure that will feature in the multiple regression. Further on, the multiple regression will be performed with one control variable at a time, as the number of observations otherwise dips below 10.

**Table 2. Multiple regressions, IGE**

	<b>IGE<sub>1</sub></b>	<b>IGE<sub>2</sub></b>	<b>IGE<sub>3</sub></b>	<b>IGE<sub>4</sub></b>	<b>IGE<sub>5</sub></b>	<b>IGE<sub>6</sub></b>
<b>Child income poverty</b>	0.0013** (0.006)	0.0013** (0.004)	0.013*** (0.004)	0.015*** (0.004)	0.002 (0.008)	0.008 (0.007)
<b>GDP per capita</b>	-0.000 <sup>a</sup> (0.000)	-	-	-	-	-
<b>GDP growth</b>	-	-0.001 (0.025)	-	-	-	-
<b>Unemployment</b>	-	-	0.006 (0.012)	-	-	-
<b>Tertiary schooling</b>	-	-	-	-0.005 (0.002)	-	-
<b>Income inequality</b>	-	-	-	-	1.251 (0.833)	-
<b>Public expenditure on education</b>	-	-	-	-	-	-0.035 (0.036)
constant	0.206 (0.179)	0.185 (0.0073)	0.131 (0.091)	0.292 (0.067)	-0.065 (0.172)	0.439 (0.266)
r <sup>2</sup>	0.441	0.440	0.513	0.604	0.69	0.501
N	16	16	15	16	17	15

\*\*\* significant at 0.01 level

\*\* significant at the 0.05 level

Standard error in parenthesis

As seen in table 2 social mobility and child poverty is significant when controlling for GDP per capita, GDP growth, unemployment and percentage with tertiary schooling.

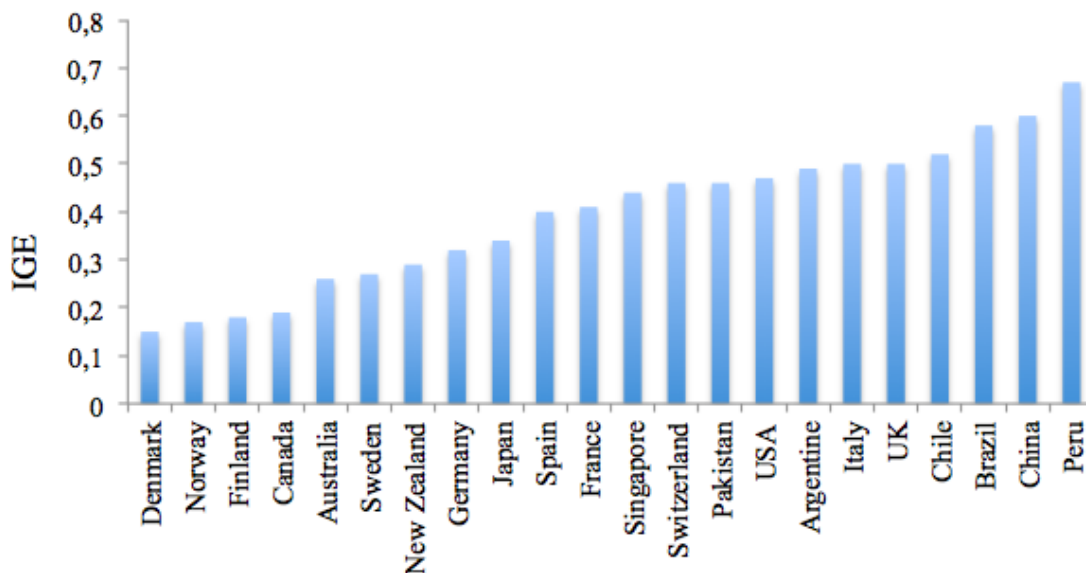
IGE against public expenditure on education is significant at the 5% level and when including this variable in a multiple regression with child poverty the relationship between social mobility and child poverty disappears. IGE and income inequality is a statistically significant relationship at the 1 % level. When including this factor in a multiple regression with IGE and income poverty the previously significant relationship between the latter disappears. Does this mean that social mobility and child poverty is not a causal relationship? Well, maybe, but once again the lack of observations makes it difficult to either reject or confirm the hypothesis. The number of observations included in each multiple regressions is only around 15. Further on the explanatory variable, child income poverty is correlated with several of the control variables. The presence of multicollinearity in the model clearly weakens the inference we can make. The higher the correlation is between the causal variable and the control variables, the higher the demand is on having a high number of observations in order to achieve a reasonable level of certainty (King et al. 1994: 215). With so few observations the result will also be highly sensitive towards outliers. As a result no real conclusions can be made. The only thing that could be said is that the result point the presence of many likely variables

that are affecting social mobility, as previous research already have established. Since adding either public expenditure on education or income inequality to the regression means the significance of child income poverty disappears, it is possible that child poverty is in fact not a major determinant of social mobility. But I can neither confirm nor reject the relationship between social mobility and child poverty. Therefore I will in the next section continue to operate under the assumption that these two variables do form a likely connection, as shown in the bivariate regression.

## 5.2 The role of the welfare state

Simply describing the relationship between child poverty and social mobility does not allow us to understand the underlying factors of this connection. This section will therefore explore if welfare state policy can account for the international variance in we see in child poverty and social mobility. Hypothesis 2 suggested that: “Social democratic welfare states have been more successful in achieving high social mobility because they have successfully improved overall child wellbeing.”

**Figure 3. Intergenerational income elasticity**



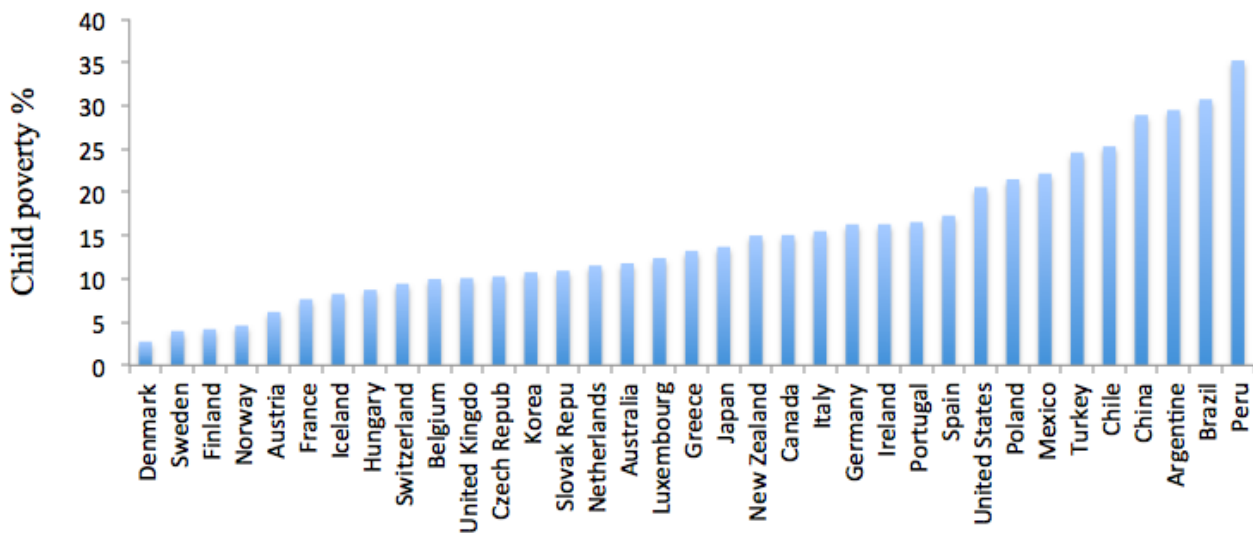
*Showing the intergenerational transmission of income, a high score equals a high association between parent and child income.*

In the graph above, we can see a number of countries social mobility ratings as given by intergenerational income elasticity. This means that the higher the bar, the closer the relationship is between the income of parent and child. It is clear that

among the western states, the United States, Italy and United Kingdom have much lower social mobility than the other countries examined. The intergenerational transmission of income is very high. It is also a clear pattern that the Nordic countries are often shown to have a significantly higher social mobility (i.e. lower intergenerational transmission of income) than many other countries, not only in this graph but in most research on social mobility (Jäntti et al. 2005, Breen 2010, Blanden 2005, d’Addio 2007, Lind 2009, Espin-Andersen 2015). The developing countries fall in the middle and highest part of the distribution.

The clustering of countries certainly suggests that welfare regimes indeed could be an important factor to study. The Nordic countries, i.e. the countries often seen as the classic social democratic countries, are all among the top when it comes to social mobility. The United States and the United Kingdom are in the bottom. Interestingly though, Canada and Australia, both classified as liberal countries, appear to have high social mobility.

**Figure 4. Child poverty rates in 35 countries.**



*Relative child income poverty, calculated as living below 50 % of the median income.*

The same pattern appears in figure 4, here we can see child poverty levels for 35 countries in 2005. Among the western democracies the United States has the highest rates with over 20 % of children regarded as poor, followed by Spain and Portugal. The Nordic countries have the lowest rates with around 5 % of children considered poor, a considerable variation. Especially if comparing to developing countries such as Peru and Brazil, which are topping the ratings with poverty rates at 30-35 %.

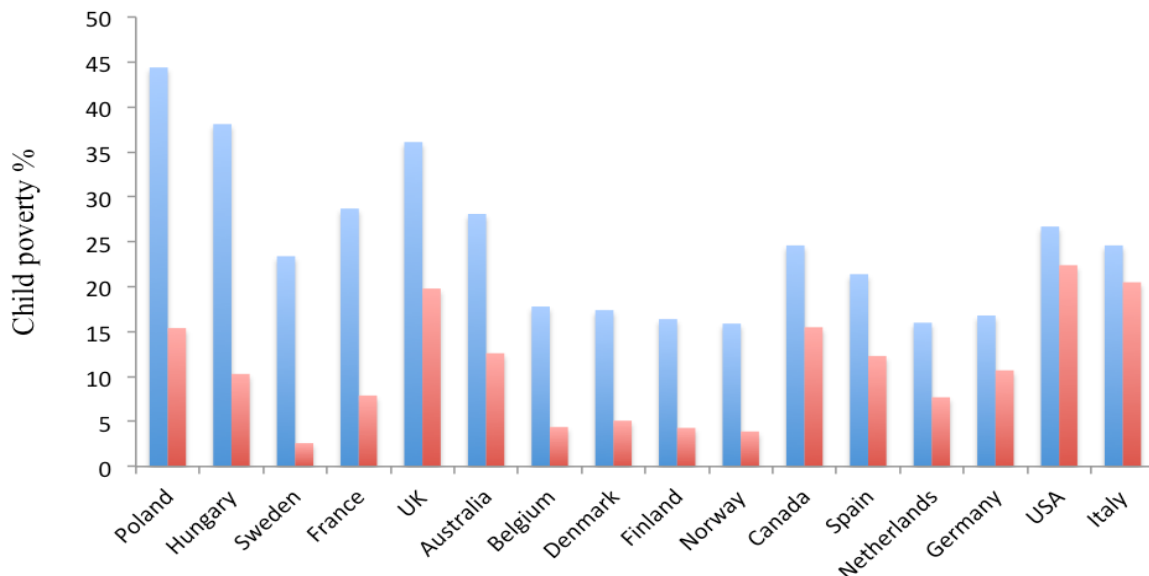
Clearly there are some similarities in which countries place where on both social mobility and child poverty. This of course follows what we established in the previous section. Both figure 3 and 4 suggests that hypothesis 2 has some merit, and social-democratic countries typically are more successful at protecting children from poverty. The Nordic countries consistently place in the top both when it comes to both social mobility and child income poverty. However, when it comes to child



well-being, no patterns between the welfare regimes can be discerned. The social democratic countries have not been more successful at improving overall child well-being. This would suggest that hypothesis 2 should be rephrased to: “social democratic welfare states have been more successful in achieving high social mobility because they have successfully decreased child income poverty.”

How does the welfare state impact poverty? Many liberal economist have claimed that a large welfare state is counterproductive, provides disincentives and even can increase poverty, as well as hindering economic growth (Lindert 2004; Kenworthy 1999:1119; Esping-Andersen 1996:2). But there is also plenty of evidence that shows that the welfare state effectively reduces poverty among the population and among children (Brady 2005: 1332; Kenworthy 1999; UNICEF 2000; Jäntti & Bradbury 1999). If looking at the level of child poverty before and after taxes in figure 5, it becomes apparent that state’s redistributive policies do play an important role in reducing child poverty.

**Figure 5. The policy effect: child poverty before and after taxes.**



The blue bars show child poverty rates before taxes and transfers, the red bars show child poverty rates after taxes and transfers. Ordered from largest to smallest effect on poverty levels. The poverty line is set at 50 % of median. *Source: UNICEF (2000)*

Redistributive policies clearly have a large impact on poverty levels in most countries, but with quite substantial variation between countries. The graph is ordered from left to right based on the largest to smallest reduction in poverty before and after taxes. Perhaps surprisingly the countries that are most effective in reducing child poverty rates are the eastern European countries; Poland and Hungary. Sweden is also very successful, but so is France and United Kingdom. United States and Italy perform the worst with quite small differences before and after tax. In contrast to the information provided by figure 3 and 4, this graph instead

makes it tempting to reject hypothesis 2. The countries most effective at reducing child poverty do not seem to conform to the welfare regimes outlined by Esping-Andersen.

So should hypothesis 2 be rejected? No, there is one major factor that stands in the way. It is not possible to determine what policies are more effective based on this information alone since the level of child poverty before taxes naturally is a large determinant of how much a state can reduce poverty in absolute terms. In other words, it is only natural that e.g. Denmark place in the middle since their pre-tax level of poverty is already so low. The total amount of poverty reduction they can achieve will therefore never be as great as for instance Poland with child poverty rates over 40% before tax. To determine what types of policies are most effective based on only before and after tax information, all countries would have to have the same starting point in child poverty levels. This situation will clearly never appear in reality, so more data is needed before we reject hypothesis 2. Further on, in the end it is the social mobility that is of interest in this thesis, it is therefore mainly the after-tax and transfer level of poverty that is of interest, not the total amount of reduction. And as the previous graph over child poverty clearly shows, the Nordic countries all have very low child poverty rates.

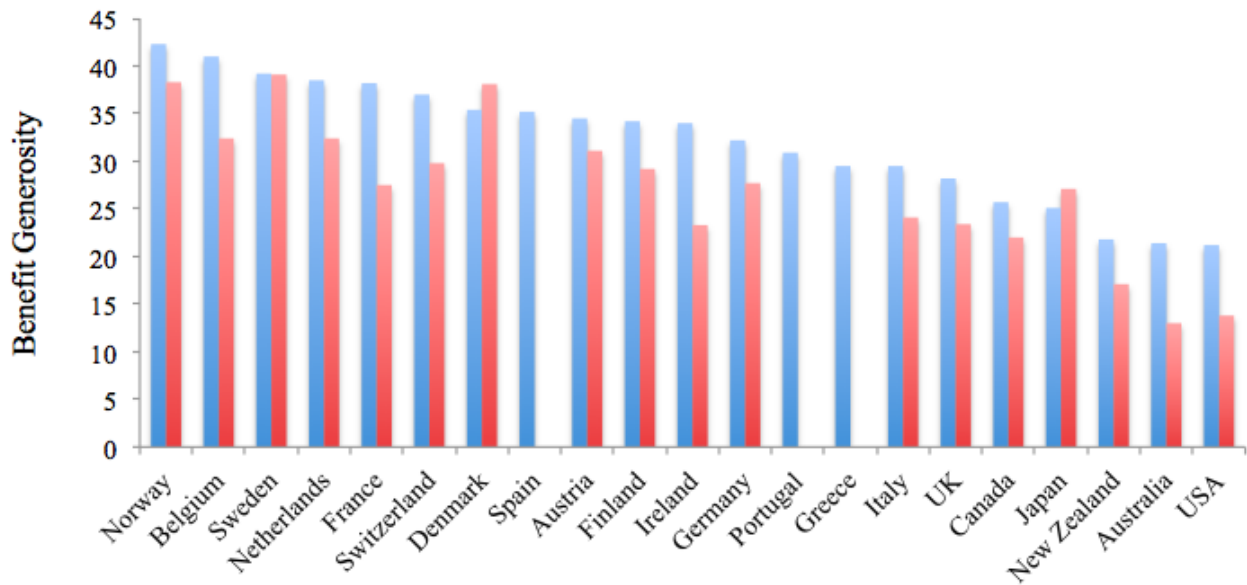
Still, the graph does show that there are large differences in how much public policy affects child poverty. What makes some countries better at reducing child poverty rates? Previous research has shown that it is likely not the total amount of government spending that makes some countries stand out. Even among countries with roughly similar levels of government spending, child poverty rates can vary substantially (UNICEF 2007:). Unites States is, as we have seen, substantially worse at reducing poverty rates than many other nations. Despite the fact that USA has nearly the same expenditure for transfers as for instance Canada (Kenworthy 1999: 1135).

So, there seems to be clear indications that it is not only the amount of money a state spends that matters in poverty reduction, instead it is likely the type of welfare policies that plays a central role. Among OECD countries, variation in government policy account for much of the variance in child poverty rates according to

UNICEF (2007). But, what types of welfare policies are better at decreasing poverty rates? A lot of attention has been focused on the role of the welfare state in combating child poverty and institutional structures are often seen as having a close relationship with poverty risks (Bäckman & Ferrarini 2010: 278). But the multitude and complexity of welfare policies in countries makes it difficult to entangle the overall effect of the welfare state on child poverty. A multitude of studies examine the role of various welfare policies such as: tax structures, benefit levels and targeting, work incentives, benefits in kind, cash transfers, child support etc. (e.g. Bäckman & Ferrarini 2010; Bradbury & Jäntti 1999; Whiteford & Adema 2007; Bradshaw et al. 1993). Unfortunately, there is neither time nor space to account for every individual welfare policy and its role. Neither is it the purpose of this thesis. Instead it is the general policy characteristics of differing welfare state regimes, as given by Esping-Andersen's theory, that remains the focus of this thesis.

In figure 6 we can see the original decommodification index by Esping-Andersen, calculated for 1980, against the Benefit Generosity Index from 2005.

**Figure 6. Benefit Generosity Index vs. Esping-Andersen's decommodification**

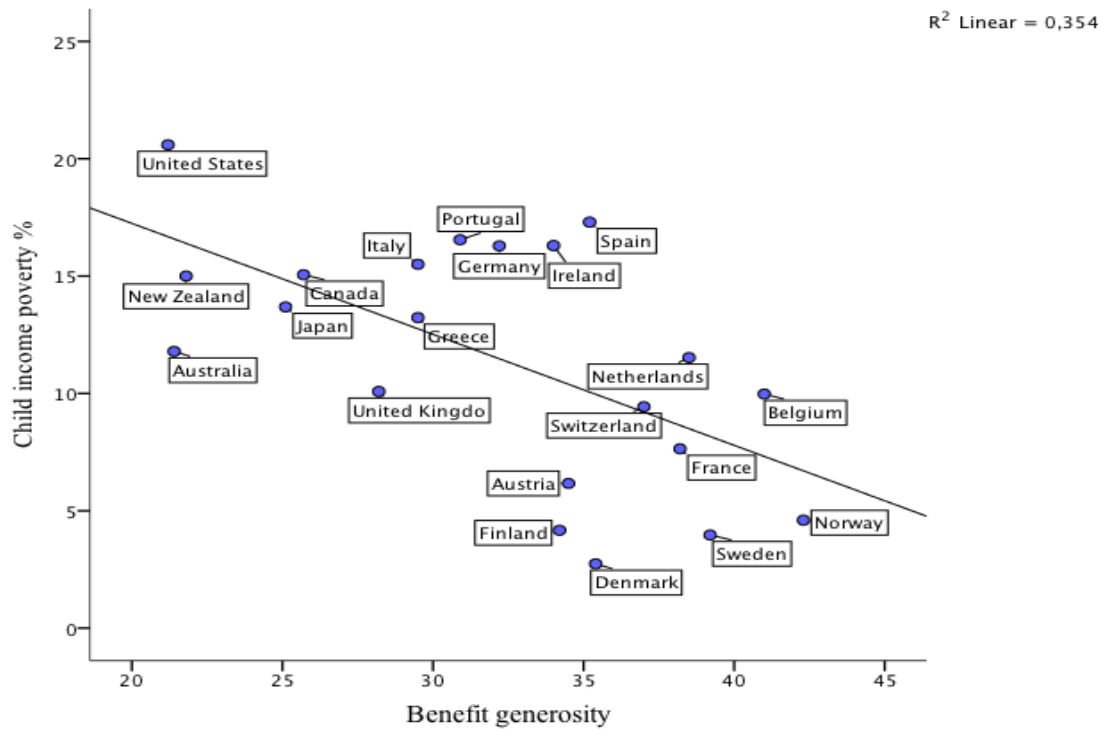


*Blue is the Benefit Generosity Index from 2005 and red is the original decommodification index by Esping-Andersen (1990). Spain, Portugal and Greece were not included in Esping-Andersen's original index and are thus missing.*

This graph illustrates well why we cannot dismiss the role of the welfare regimes based on the information in figure 5. Welfare policies continuously change in countries and we must subsequently adapt our analysis to the current state of policy. Solely basing our analysis on previous regime classifications of countries will not provide an accurate picture of the role of welfare regimes. For instance, we can see that Belgium in 2005 receives a very high decommodification score, clearly higher than Esping-Andersen gave the country in 1980. It is these decommodification scores, not previous country classifications, which must provide the basis of the analysis concerning the welfare regimes role. In order to understand which type of welfare policies are conducive for social mobility I therefore turn to the relationship between benefit generosity and child poverty.

In figure 7 below, benefit generosity and child income poverty is plotted. The graph indicates that there is a negative relationship where low benefit generosity is associated with high child poverty rates. The bivariate regression (see table 8 in appendix) between the same variables also confirms that the relationship is statistically significant at the 1 % level. Benefit generosity is also statistically significant against educational deprivation and overcrowding at the 1 % and 10 % level respectively. This indicates that the level of decommodification in a society have a close relationship with child poverty and well-being.

**Figure 7. Benefit generosity and child income poverty**



*N* = 21

Benefit generosity and both child income poverty and educational deprivation remain statistically significant when controlling for the standard economic indicators. The relationship with overcrowding is no longer significant (see table 10 in the appendix). Table 3 below shows the multiple regression result between benefit generosity and child income poverty, as well as educational deprivation. Benefit generosity remains significant at the 5 % level when controlling for public educational expenditure and for the percentage of the population with tertiary schooling.

However the relationship disappears when controlling for income inequality and public social expenditure. Educational deprivation displays the same result but with a weaker connection (10 % level). Interestingly both public educational expenditure and income inequality are statistically significant at the 1 % level against child income poverty. However, just as in previous sections, the number of observations is not satisfactory in order to draw any major inference. The observations range between 19 and 21. In addition the presence of multicollinearity between income inequality, public educational expenditure and benefit generosity could distort the result. What speaks for the relationship to be statistically significant is that benefit generosity remains significant when controlling for public educational expenditure, which is, as mentioned, in itself statistically significant at the 1% level. But as with previous regressions, I can neither confirm nor reject the relationship.

**Table 3. Multiple regressions, benefit generosity**

	<b>Child income poverty<sub>1</sub></b>	<b>Child income poverty<sub>2</sub></b>	<b>Child income poverty<sub>3</sub></b>	<b>Child income poverty<sub>4</sub></b>
<b>Benefit generosity</b>	-0.284 (0.179)	-0.477** (0.183)	0.006 (0.173)	-2.079** (0.128)
<b>Public social expenditure</b>	-0.428 (0.254)	-	-	-
<b>Tertiary schooling</b>	-	-0.005 (0.111)	-	-
<b>Income inequality</b>	-	-	112.274*** (28.847)	-
<b>Public expenditure on education</b>	-	-	-	-2.579*** (0.756)
constant	30.209 (5.030)	26.964 (7.844)	-21.998 (13.167)	34.324 (4.414)
r <sup>2</sup>	0.442	0.354	0.664	0.627
N	21	21	19	20

	<b>Ed. deprivation<sub>1</sub></b>	<b>Ed. deprivation<sub>2</sub></b>	<b>Ed. deprivation<sub>3</sub></b>	<b>Ed. deprivation<sub>4</sub></b>
<b>Benefit generosity</b>	-0.097 (0.061)	-0.104* (0.058)	-0.113 (0.078)	0.103* (0.051)
<b>Public social expenditure</b>	-0.103 (0.087)	-	-	-
<b>Tertiary schooling</b>	-	0.041 (0.035)	-	-
<b>Income inequality</b>	-	-	11.356 (12.946)	-
<b>Public expenditure on education</b>	-	-	-	-0.526* (0.299)
constant	7.349 (1.716)	4.260 (2.491)	2.325 (5.909)	8.175 (1.748)
r <sup>2</sup>	0.365	0.363	0.386	0.431
N	20	20	18	20

\*\*\* significant at 0.01 level

\*\* significant at the 0.05 level

\* significant at the 0.1 level

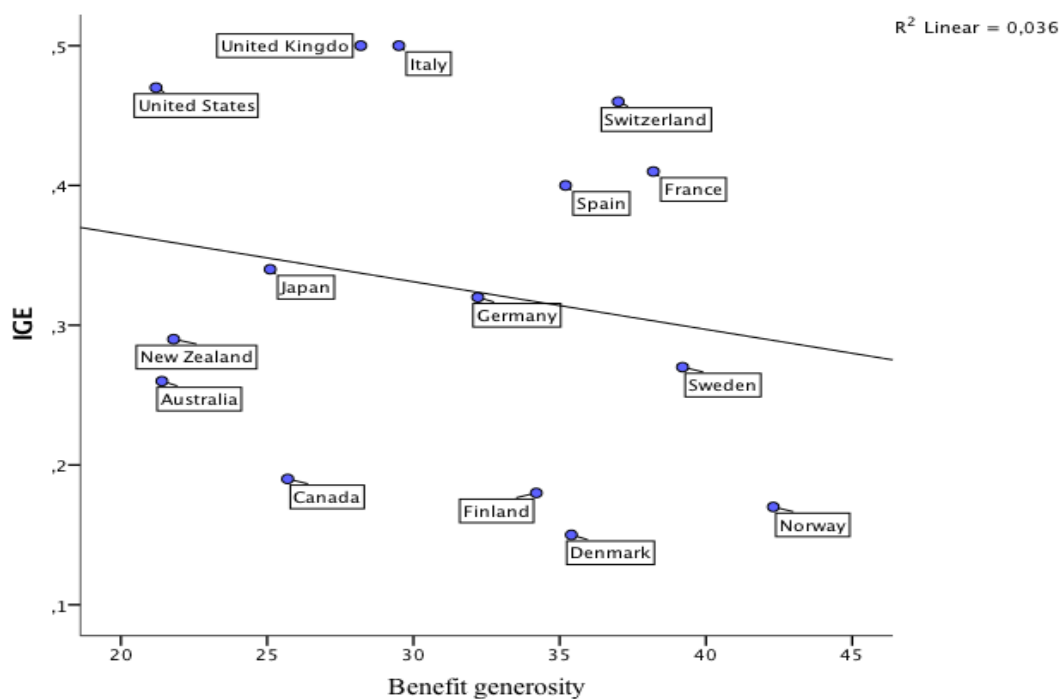
Standard error in parenthesis

So far it has been shown that child income poverty and intergenerational income elasticity form a strong bivariate relationship, even though it can be questioned both based on the number of observations and the result from the multiple regressions. It has also been demonstrated that benefit generosity forms a strong bivariate relationship with child poverty, and remains significant for most control variables except public social expenditure and income inequality.

If trusting the bivariate results, both hypothesis 2 and 3 postulates that the countries with high decommodification, commonly view as the social democratic

countries, should then also have high social mobility. So, is IGE and benefit generosity connected? The relationship between benefit generosity and intergenerational income elasticity is plotted in figure 8. A slight negative relationship is apparent, indicating that countries with high benefit generosity have higher social mobility. But the available number of observations is only 15, and the standard deviation is high. The connection thus appears to be thin and a bivariate regression confirms that relationship between the two variables is not statistically significant (see table 9 in appendix). Benefit generosity is also not significant against either EPM or EPF (see table 9 in appendix).

**Figure 8. Intergenerational income elasticity and benefit generosity**



*N = 15*

## 6 Discussion

This section will discuss the statistical result in relation to the theoretical framework and hypotheses. The lack of observations clearly restricted the analysis in terms of conclusions from the statistics, so how should we interpret the result?

### 6.1 Child poverty and social mobility, is there a connection?

The first part of the statistical analysis was focused on hypothesis 1. “Countries with high levels of child poverty will have low social mobility.” As the theoretical section made clear, there is a solid relationship between growing up in poverty and becoming poor in adulthood on the individual level. This implies a strong intergenerational transfer of income, and social class. But it does not mean that child poverty must be a determinant of the overall social mobility in a society. From previous research, we know that social mobility have several other explanatory variables. The question is; are there any evidence supporting the notion that child poverty should be included among those variables? The result from the statistical analysis is mixed. The bivariate regression between IGE and child income poverty is statistically significant at the 1 % level, indicating a strong relationship. But the relationship disappears when including other variables. The lack of significance in the multiple regressions implies that income poverty might not be an important variable when explaining social mobility. This conclusion is not necessarily at odds with the argument provided in the theoretical section. As stated it is likely not only the lack of financial means that impact future life chances, but also the overall societal conditions. But since the child well-being variables were omitted from the multiple regression (based on there being too few observations) it is not possible to determine if child well-being is a casual variable. The bivariate regressions, however, suggest that both income poverty and child well-being is connected to social mobility. Nevertheless, in practise the connection remains speculative.

The strong bivariate relationship between IGE and child poverty should however be seen as an indication that the importance of child poverty needs to be explored further. Especially when considering the established connection between growing up in poverty and adult outcomes on the individual level. Theoretically of course it is possible that factors such as access to education is able to completely remove all effects of child poverty on future life chances and totally equalize the odds of poor children being socially mobile, but I find it unlikely. If we truly want equality of opportunity, simply giving poor children the chance to go to school, will

not provide us a level playing field. As previous research has shown; the effect poverty has on a child will not be negated by only the availability of a schooling system (Fitz, Davies, & Evans 2006; Breen 2010; Blanden et al. 2005). Despite the lack of observations and the subsequent inability to make any major inference I therefore still find it likely that child poverty could be an important variable in the formation of social mobility. Establishing a causal relationship will, however, have to be left to future research.

The measurement validity of IGE and EPM/EPF also deserves some remarks. Measurement validity is concerned with whether the measurements we use, i.e. the operationalization, effectively reflects the concept we seek to explain (Adcock & Collier 2001: 529). Social mobility is a concept that is not easily captured, or accurately measured. How do we know if either IGE or EPM/EPF truly measure social mobility? Ultimately we do not, and establishing measurement validity has not been the focus of this thesis. But, as discussed in the analysis, I hypothesizes that EPM/EPF is not an adequate measurement of social mobility. But this is not certain by any means, and neither do we know if IGE is a better measurement. However, the components, and the model of IGE is clearly a closer fit to the standard definition of social mobility (if using a definition based on income). I have therefore assumed that IGE is a more valid measure than at least EPM/EPF. The issue of measurement validity is nevertheless a question that further cast doubt on the result of the statistical analysis. Since we cannot be confident in the level of validity of the measurements, we cannot be sure that the result means that the *concept* of social mobility is, or is not, connected to child poverty. The question of measurement validity will unfortunately have to be left to further research.

## 6.2 Revisiting the welfare regimes

If we would accept child poverty as an explanatory variable for social mobility, how do we explain the large cross-country variance of child poverty rates and social mobility? I have argued that the international variation should be understood through the differing social policies based on Esping-Andersen's welfare regimes. This led me to hypothesis 2. "Social democratic welfare states have been more successful in achieving high social mobility because they have successfully improved overall child wellbeing."

As with child poverty and social mobility, the role of the welfare state could not be determined in any conclusive terms in the statistical analysis due to the lack of observations. Still, some general patterns are visible in the descriptive statistics in figure 3 and 4. The fact that the Nordic countries all score in the top for both child poverty and social mobility indicates that hypothesis 2 has some merit and the social democratic countries indeed are better at decreasing child poverty and promoting social mobility. However, the child well-being variables show no patterns that conform to Esping-Andersen's classification. Therefore hypothesis 2 should likely be rephrased, and emphasise that the social democratic countries have only successfully decreased child income poverty. But it should be noted that the bar



graphs over child income poverty and social mobility give us no information if it is the social democratic welfare regime's policy characteristics, as given by Esping-Andersen (1990), that is the cause of this pattern. In other words, we cannot establish any causal relationship based on these graphs. In addition, besides the social democratic countries, the other regimes do not form distinct clusters; as we would expect given that the conservative, and liberal regime, have different degrees of decommodification, universalism and social stratification. Instead, Canada and Australia, two liberal countries, have lower IGE scores than Sweden, the prime example of the social democratic regime. In addition Italy, a conservative country, has basically the same mobility score as the liberal United States and the United Kingdom. If welfare regimes had an important role for child poverty and social mobility, we would expect the countries in figure 3 and 4 to cluster according to their respective regime. They do not, barring the social democratic countries.

But, the expected result for hypothesis 2 is contingent on the fact that Esping-Andersen's original classification of countries is still correct. As already discussed, this is an assumption we cannot make. The temporal contingency of the classification, combined with the age of Esping-Andersen's data makes it likely that the regimes does not consist of the same countries any more. There would probably be few who argued that all welfare states in Esping-Andersen's sample have remained unchanged since 1980. The conclusions we can draw from the descriptive statistics are thus rather limited. This was also the reason hypothesis 3 was introduced: "Countries with a higher level of decommodification exhibit lower rates of child poverty. Because of this, the social-democratic welfare regime has higher social mobility than the conservative and the liberal model."

Decommodification was thus used as a variable that operationalizes Esping-Andersen's theory. This allowed me to better estimate the effect of the current policy landscape. The benefit generosity index, which was used as a measure of decommodification, was shown to be significant against three of the child poverty measures in the bivariate regression. But, when controlling for income inequality and public social expenditure, the significance disappears. But once again, we cannot draw any major conclusions from this, primarily because the number of observations is too few, but also because of the multicollinearity present in the model. Instead, considering the strong bivariate relationship between benefit generosity and child poverty, and that the relationship remains significant for the majority of control variables, the result indicate that there is a connection between the variables. This means that countries with high decommodification rates have low overall child poverty. In the very least the result suggests that social policy and public transfers have an important role to play in decreasing child poverty, as is also shown in figure 5; the difference in child poverty rates before and after taxes and transfers. This is also in line with what other studies have found concerning child poverty and social transfers (Jäntti & Bradbury 1999; Brady 2005). It could be worth noting that in the multiple regression (table 3) both public educational expenditure and income inequality are shown to be statistically significant at the 1% level against child income poverty. To much faith should naturally not be put in this result, for the same reasons as described above, but ultimately this result is

not a big surprise. It is likely that both education and inequality have a close connection to child poverty.

If we would trust the bivariate result and conclude that benefit generosity most likely form a causal relationship with child poverty, we would also expect benefit generosity to form a causal relationship with social mobility. This follows from the theoretical argument and is also included in hypothesis 2 and 3. But, as figure 8 shows, there seems to be no such connection. As discussed in the analysis, this could either mean that no such relationship exist, or that the number of observations are too few for us to discern the link. Interestingly though, the Nordic countries all place in the bottom right corner with high benefit generosity and low intergenerational transfer of income. While the other countries do not conform to the theoretical framework, the placement of the Nordic countries does indicate that at least hypothesis 2, is correct. The Nordic countries are the principal social democratic countries in Esping-Andersen's theory. But, as already discussed, it should not be the original classification of countries that is used. In figure 6 the benefit generosity scores for 2005 are seen. It is clear that not all Nordic countries receive top scores. Denmark and Finland both place in the middle of the distribution and Belgium score higher than Sweden. If we again then consider figure 8, the expected pattern with benefit generosity and social mobility clearly fails to materialize. The second part of hypothesis 3 therefore seems to be false; countries with a high level of de commodification do not appear to have significantly higher social mobility. But once again, this conclusion is uncertain due to the low number of observations ( $n = 15$ ).

Is then Esping-Andersen's theory still useful? His typology certainly has not been spared from criticism. Scholars have questioned the methodology for calculations, or the age of his data. Others have focused on the lack of gender perspective, or that the typology is too rough and that for instance the Mediterranean countries should make up its own regime (Scruggs & Allen 2006:56; Schröder 2013:13-15). But still, Esping-Andersen's theories continue to be an essential point of reference in research. As Schröder (2013:30) notes: "Overall, academics, have a paradoxical, one might even say cannibalistic relationship to typologies such as Hall and Soskice's varieties of capitalism or Esping-Andersen's welfare regimes. While many criticise that the overall picture that these typologies paint is too coarse, the very same scholars often resort to a distinction between liberal and coordinated market economies – or liberal and non-liberal welfare states – when they analyse countries. The very fact that scholars resort to the same typologies that they criticize indicates that there must be something to them." The result of this thesis also suggest there is something to the theory. I believe Esping-Andersen's framework provides a good theoretical starting point for understanding the international variance of child poverty. Clearly there is good cause for connecting the different level of welfare state effort with the presence of child poverty. The relationship between de commodification and child poverty follows the expected pattern.

But it becomes another matter when turning to social mobility. The weak connection between mobility rates and de commodification could indicate that Esping-Andersen's theory have some limitations. Clearly the pattern does not conform to what we would expect. But the analysis only made use of one of Esping-

Andersen's variables, albeit one of the most central ones; decommodification. It is possible that if updated indexes were included for other variables, such as social stratification, a closer fit with the theory would be achieved. The lack of significance could also point towards the need to reconsider the strength of the connection between child poverty and social mobility. The expected pattern between social mobility and decommodification was based on the assumption that decommodification lowered child poverty rates, which in turn would have a positive effect on social mobility. But if the effect of child poverty on social mobility is very weak, then the reason for us to expect a certain outcome when it comes to social mobility and decommodification is clearly reduced. We know that child poverty never was the sole explanatory variable to social mobility, and that it does not explain the mobility patterns of the top and middle strata. Perhaps the weak connection between social mobility and decommodification thus means that the effect child poverty has on social mobility is too small to give a significant response. But, this is speculative; for one, it is still possible that with the inclusion of more observations there is a relationship between social mobility and decommodification. Second, the clear bivariate relationship between child poverty and social mobility seen in figure 1 is hard to dismiss. But, in order to fully understand the connection between welfare regimes and social mobility further research would ideally incorporate all of the variables used by Esping-Andersen in an updated index, as well as more observations.

## 7 Conclusions

This thesis has explored two issues concerning social mobility. First, what role child poverty plays in the formation of social mobility. Second, which type of welfare policies are conducive for social mobility. A statistical analysis provided the basis of the analysis.

Child poverty and social mobility was shown to form a statistically significant relationship in the bivariate regression, and it was established that there is a large international variance in both child poverty and social mobility, which follow the same pattern. The second part of the thesis thus focused on understanding this variation, using Esping-Andersen's welfare regime theory. It was hypothesized that countries with welfare policies that resulted in a high degree of decommodification would likely have low child poverty rates and thereby high social mobility. The degree of decommodification and child poverty was indeed shown to form a significant bivariate relationship. Child poverty rates were lower in countries with a high level of decommodification and I conclude that social policy plays an important role when it comes to child poverty levels.

The expected relationship between decommodification and social mobility was very weak and statistically insignificant. Several reasons for the lack of result are possible, including the theory being inadequate. However, in the end the observations only numbered 15, meaning there is a clear risk that any relationship was missed in the analysis. Still, had the theoretical assertions been right, we would have expected a different distribution of the individual countries when plotting the relationship. This indicates that the theoretical connection between social mobility and welfare regimes needs to be reviewed more closely. Since decommodification could not be conclusively tied to social mobility rates, the second research question remains largely unanswered. It is unclear if the policy characteristics of the social democratic regime are better at promoting social mobility than the conservative or liberal welfare model.

The strength of all main relationships in the statistical analysis can be questioned based on the number of observations and the results of the multiple regressions. In the end, however, I find it likely that child poverty, or the effect of growing up in poverty, should have a lasting impact on the social mobility in a society. I also conclude that welfare policies likely have the power to diminish the strength of these intergenerational transfers. Finding conclusive evidence of child poverty's impact on social mobility must, however, be left to further research, as will the matter of which welfare policies are conducive for social mobility.

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## 9 Appendix.

**Table 4. Descriptive Statistics, main variables**

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>SD</b>
<b>EPM</b>	27	-3,0	57,0	24.11	15.76
<b>EPF</b>	26	-3,0	64,0	28.92	17.43
<b>Social Mobility</b>	22	0.33	0.85	0.60	0.14
<b>Eductional Deprivation</b>	30	0.4	13.7	2.67	3.31
<b>Environmental Conditions</b>	24	10.5	38.71	25.21	7.48
<b>Overcrowding</b>	26	10.33	73.96	31.95	21.13
<b>Child Poverty 50%</b>	31	3.872	35.233	14.18	8.04
<b>Decommodification</b>	18	13,0	39.1	27.18	7.72
<b>Benefit Generosity 2003</b>	20	21,0	42.5	32.15	6.58

**Table 5. Bivariate regression result, IGE and child poverty**

	<b>IGE</b>		<b>IGE</b>
<b>Child income poverty</b>	0.013*** (0.002)	<b>Ed. deprivation</b>	0.015 (0.023)
constant	0.186 (0.042)	constant	0.300 (0.054)
$r^2$	0.638	$r^2$	0.030
	<b>IGE</b>		<b>IGE</b>
<b>Overcrowding</b>	0.007* (0.003)	<b>Envir. Conditions</b>	0.009** (0.004)
constant	0.179 (0.082)	constant	0.109 (0.096)
$r^2$	0.256	$r^2$	0.374

\*\*\* significant at 0.01 level

\*\* significant at the 0.05 level

\* significant at the 0.1 level

Standard error in parenthesis

**Table 6. Bivariate regression EPM and child poverty**

	<b>EPM</b>		<b>EPM</b>
<b>Child income poverty</b>	0.496 (0.552)	<b>Ed. deprivation</b>	2.175 (2.019)
constant	18.492 (7.312)	constant	19.994 (4.874)
$r^2$	0.030	$r^2$	0.044

	<b>EPM</b>		<b>EPM</b>
<b>Overcrowding</b>	0.417*** (0.137)	<b>Envir. Conditions</b>	0.036 (0.453)
constant	12.677 (5.039)	constant	25.191 (11.838)
$r^2$	0.296	$r^2$	0.000

\*\*\* significant at 0.01 level

Standard error in parenthesis

**Table 7. Bivariate regression EPF and child poverty**

	<b>EPF</b>		<b>EPF</b>
<b>Child income poverty</b>	0.838 (0.618)	<b>Ed. deprivation</b>	2.224 (2.246)
constant	19.694 (8.093)	constant	24.672 (5.490)
$r^2$	0.069	$r^2$	0.039

	<b>EPF</b>		<b>EPF</b>
<b>Overcrowding</b>	0.462*** (0.159)	<b>Envir. Conditions</b>	0.242 (0.543)
constant	15.748 (5.868)	constant	23.854 (13.973)
$r^2$	0.287	$r^2$	0.010

\*\*\* significant at 0.01 level

Standard error in parenthesis

**Table 8. Bivariate regression, benefit generosity and child poverty**

<b>Child income poverty</b>		<b>Ed. deprivation</b>	
<b>Benefit generosity</b>	-0.473*** (0.146)	<b>Benefit generosity</b>	-0.143*** (0.048)
constant	26.702 (4.795)	constant	6.506 (1.579)
r <sup>2</sup>	0.354	r <sup>2</sup>	0.315

<b>Overcrowding</b>		<b>Envir. Conditions</b>	
<b>Benefit generosity</b>	-0.762* (0.403)	<b>Benefit generosity</b>	-0.061 0.332
constant	48.151 (13.243)	constant	27.662 (11.085)
r <sup>2</sup>	0.174	r <sup>2</sup>	0.002

\*\*\* significant at 0.01 level

\*\* significant at the 0.05 level

\* significant at the 0.1 level

Standard error in parenthesis

**Table 9. Bivariate regression, benefit generosity and social mobility**

<b>IGE</b>		<b>EPM</b>	
<b>Benefit generosity</b>	-0.003 0.005	<b>Benefit generosity</b>	-0.155 (0.390)
constant	0.433 (0.155)	constant	23.471 (12.863)
r <sup>2</sup>	0.036	r <sup>2</sup>	0.009

<b>EPF</b>	
<b>Benefit generosity</b>	-0.563 (0.413)
constant	41.055 (13.662)
r <sup>2</sup>	0.099

Standard error in parenthesis

**Table 10. Multivariate regression, benefit generosity and child poverty, standard economic control variables**

	<b>Child income poverty</b>	<b>Ed. deprivation</b>	<b>Overcrowding</b>
<b>Benefit generosity</b>	-0.475** (0.206)	-0.160** (0.072)	-0.631 (0.542)
<b>GDP per capita</b>	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
<b>GDP growth</b>	0.663 (0.992)	0.144 (0.324)	-1.789 (2.346)
<b>Unemployment</b>	0.594 (0.662)	0.104 (0.223)	0.231 (1.705)
constant	24.056 (7.257)	5.222 (2.547)	57.750 (18.404)
r <sup>2</sup>	0.450	0.322	0.331
N	20	20	19

\*\*\* significant at 0.01 level

\*\* significant at the 0.05 level

\* significant at the 0.1 level

Standard error in parenthesis

**Table 11. Correlations**

	<b>IGE</b>	<b>EPM</b>	<b>EPF</b>	<b>Income poverty</b>	<b>Ed. deprivation</b>	<b>Overcrowding</b>	<b>En. conditions</b>	<b>Benefit generosity</b>
<b>IGE</b>	1	-	-	-	-	-	-	-
N	22	-	-	-	-	-	-	-
<b>EPM</b>	-0.362	1	-	-	-	-	-	-
N	14	35	-	-	-	-	-	-
<b>EPF</b>	-0.377	0.916***	1	-	-	-	-	-
N	14	34	35	-	-	-	-	-
<b>Income poverty</b>	0.799***	0.174	0.262	1	-	-	-	-
N	20	28	27	35	-	-	-	-
<b>Educational deprivation</b>	0.172	0.211	0.198	0.37	1	-	-	-
N	15	27	26	28	28	-	-	-
<b>Overcrowding</b>	0.506*	0.544***	0.536***	0.34	0.325	1	-	-
N	13	24	23	26	25	26	-	-
<b>Environmental conditions</b>	0.611**	0.017	0.099	0.447**	0.002	0.033	1	-
N	12	23	22	24	24	24	24	-
<b>Benefit generosity</b>	-0.217	-0.111	-0.344	-0.598***	-0.630***	-0.447	-0.07	1
N	15	19	18	20	20	18	17	20

\*\*\* Correlation is significant at the 0.01 level (2-tailed).

\*\* Correlation is significant at the 0.05 level (2-tailed).

\* Correlation is significant at the 0.1 level (2-tailed).