Child Poverty and Social Protection during the Economic Crisis in Middle-Income Countries

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Abstract

This paper considers how child poverty and inequality have changed over the period of 2007-2010 across a variety of diverse middle-income countries. We use data from LIS to analyze child poverty and inequality using harmonized measures of income in South Africa, Colombia, Russia, Mexico, Brazil, and Chile. The paper addresses three main questions: First, how has the risk of child poverty and inequality changed over the 2007-2010 period, and what differences are there between countries in such trends? Second, how have the drivers of child poverty and inequality changed over the period, especially in employment, changing income and spending patterns, and support from families? Third, how have state transfers responded to the changed poverty risk and how far have children been protected from poverty by public policy? For this final question, we disaggregate incomes to identify changing tax and transfer profiles and their gross effect on poverty risk.

**The following paper serves as a preliminary demonstration of the project's ongoing analysis. The author's are incorporating more middle-income country datasets as they continuously become available from LIS, aiming to include South Africa, Colombia, Russia, Mexico, Brazil, and Chile in final analysis presented at PAA.

Introduction

This paper aims to explore child poverty in South Africa and Colombia, paying particular attention to changes from 2007 to 2010. Exploring the changes between 2007 and 2010 allows for a close examination of the way the global economic crisis of 2008 may have influenced child poverty in different parts of the world. While this paper focuses on South Africa and Colombia, this project begins an ongoing examination of the ways children in middle income countries have been affected by the recent global recession.

The paper focuses on the main research question: how has child poverty in South Africa and Colombia changed from 2007 to 2010, and what similarities and differences are found between the two countries? Additionally, how has the risk of poverty changed for elderly and working age adults compared to children and have all types of households experienced the risk of poverty over this time period at similar rates? More specifically, have households with children experienced poverty risk similarly to households without children? Finally, what role has social welfare policies played in alleviating child poverty and has it changed from 2007 to 2010? The rest of the paper will provide a motivational background for these research questions, followed by a detailed explanation of the research methods, a variety of figures highlighting the results, and, finally, a discussion of the implications and next steps.

Research Motivations

Why Children?

Given that they have very little control over how well their basic needs are being met, children are one of the most vulnerable populations worldwide and many argue this provides a moral demand on society and our institutions to make sure that children, in particular, are provided for. Poverty during childhood leaves children more than at risk for immediate adverse consequences but at heightened risk for experiencing life-long costs of poverty. Studies in a wide variety of fields have confirmed that persistent childhood poverty puts individuals at risk for range of undesirable social consequences including lower educational attainment and greater rates of incarceration, in addition to putting them at risk for a multitude of poor health outcomes (Magnuson & Votruba-Drzal, 2009). Evidence documenting the harmful health effects of poverty during childhood moved physicians during the recent annual meeting of the Pediatric Academic Societies to put out a call to address childhood poverty as a serious underlying threat to children's health. The physicians highlighted the links between childhood poverty, obesity, diabetes, heart disease, substance abuse, and mental illness, with one going as far as calling childhood poverty a disease in itself (Klass, 2013).

Why Middle-Income Countries?

Recent work by Gornick and Jäntti (2012a) utilized the benefits of LIS database harmonization, as this paper does, to explore child poverty cross-nationally. The authors looked explicitly at child poverty within and across five country clusters based on institutional similarities, the Anglophone countries, Continental European countries, Eastern European countries, Nordic European countries, and Latin American countries. Measuring poverty using a relative measure, 50% of median disposable household income, and an absolute measure, the United States official poverty line, the authors find the greatest rates of child poverty among the Latin American countries. Although these Latin American countries were the only middle-income countries in the study and are substantially poorer countries, related analysis (Gornick & Jäntti, 2012b) has demonstrated that a country's national income or World Bank income status influences the increased risk of poverty for children, relative to other age groups, less than country specific policy influences.

Gornick and Jäntti (2012a) use data from 2004 and updating these poverty estimates will help our understanding of how child poverty has been changed by the global crisis of 2008. As LIS continues to add more middle-income countries, researchers must continue to investigate how child poverty in middle-income countries is unique and how it's similar to child poverty in high-income countries. While it is well documented that living in a single mother family greatly increases a child's risk of living in poverty in high-income countries, this trend appears to be much less dramatic in Latin-American middle-income countries (Gornick & Jäntti, 2012a, 2012b).

These questions have taken on a new significance as the majority of the world's poor, over 70%, has moved from low-income countries to middle-income countries (Kanbur & Sumner, 2012; Sumner, 2012a). Obvious in the definition of middle-income country status, these countries have much greater potential capacity to alleviate child poverty. Sumner (2012b) argues this shift means global poverty is becoming more a matter of national inequality, rather than international inequality. As the cost to GDP of eradicating extreme poverty continues to come within reach for many middle-income countries, poverty will evolve into a largely domestic policy issue, rather than the international aid priority that it has been in recent history.

Asking exactly this question, what capacity do poorer countries have for utilizing redistribution to entirely alleviate poverty, Ravallion (2010) found that the answer varies dramatically by country. He finds that most countries with annual consumption per capita under $2,000 would need to implement prohibitively high taxes on the non-poor to alleviate poverty. Countries with annual consumption per capita over $4,000, however, did appear to have the capacity to entirely eliminate poverty in their populations. According to his analysis, in order for South Africa to eliminate poverty at $1.25/day in 2000, the country would have needed to impose a 10.55% marginal tax rate on those living on over $13/day and a 23.62% tax rate on the same population to eliminate poverty at $2/day entirely. In order for Colombia in 2003 to eliminate extreme poverty, the country would have needed to impose a 3.12% marginal tax rate on those living on over $13/day and a 5.6% tax rate on the same population to eliminate poverty at the $2/day international poverty line. Given these estimations, eliminating extreme poverty appears that it may be within reach in the near future for Colombia, but may not be as realistic of a goal in the near future for South Africa.

It is beyond the scope of this paper to provide an updated estimate of the marginal tax rates required to eliminate poverty. However, it continues this discussion with an exploration of the ways in which South Africa and Colombia currently use redistribution to alleviate poverty. By highlighting child poverty, this paper argues for greater consideration for focusing on eliminating poverty among one of the most vulnerable but instrumental life stages.

Background

While the implications from the economic crisis started in 2008 continue to play out in ongoing ways worldwide, it has become clear that the consequences have not been the same or of the same severity across regions of the world. High-income countries were hit with the hardest financial shocks, with the rate of Gross Domestic Product (GDP) growth falling 7.7 percentage points on average. Middle-income countries' GDP fared slightly better yet still experienced an average growth rate decline of 6.9 percentage points. Low-income countries' economies, however, did notably better, with their GDPs experiencing an average growth rate decline of only 1.5 percentage points. GDP growth rates varied much more dramatically within the middle- and low-income groups, suggesting a wide range of responses to the global recession in these groups. (Nabli, 2011)

Table 1 below provides some insight into the economic health of South Africa and Colombia through the recession, with the United States figures provided as a frame of reference. We can see that both South Africa and Colombia's economies appeared to be quite healthy going into 2008. While both South Africa's and Colombia's GDP growth rate slowed after the shock of 2008, Colombia's GDP recovered quickly and appears to be close to pre-recession levels in 2011. South Africa's GDP, in contrast, slowed in 2008, and dropped another six percentage points in 2009, a drop in GDP growth greater than the United States experienced in 2009. The South African economy appears to have recovered some by 2011, but had not yet reached pre-recession growth rates.

Table 1. GNI Per Capita and the GDP Annual Growth Rate before, after, and during 2008

		2006	2007	2008	2009	2010	2011
Colombia	GNI per capita (PPP)	7,640	8,260	8,580	8,730	9,000	9,560
	GDP Growth (annual %)	7	7	4	2	4	6
South Africa	GNI per capita (PPP)	9,080	9,620	10,090	10,060	10,310	10,710
	GDP Growth (annual %)	6	6	4	-2	3	3
United States	GNI per capita (PPP)	45,680	46,800	47,320	45,390	47,210	48,820
	GDP Growth (annual %)	3	2	0	-4	3	2

Source: World Bank Development Indicators (2013)

Despite the global recession, preliminary data suggests that world poverty continued to decline from 2008 to 2010. Perhaps because developing countries were largely less affected, the consistent reductions in worldwide poverty during this period meant that the first Millennium Development Goal (MDG), to halve the proportion of the world living in extreme poverty below $1.25/day, was met in 2010. Particularly in the context of the recession, this represents a huge victory for reducing poverty, as the MDG "deadline" was originally set for 2015. (Chen & Ravallion, 2012; Lowrey, 2012)

These big picture indicators make it clear that middle-income countries experienced a wide range of responses to the global recession. While enough middle- and low-income countries maintained their economic health to continue to drop the number living in extreme poverty, others experienced dramatic economic shocks. A quick look at table 1 suggests that Colombia was probably part of the first group while South Africa may have been one of the harder hit countries. The following analysis will explore how their economic response influenced child poverty rates in particular. Given that South Africa and Colombia both had Gini coefficients close to .6 at the end of the 2000s, and, are, therefore, considered two of the most unequal countries in the entire world, it is important to understand how the crisis affected more vulnerable populations in these countries (Leibbrandt, Finn, & Woolard, forthcoming; Moller, 2012).

Data and Methods

Data

This paper utilizes data from the South African and Colombian datasets compiled and harmonized the LIS Cross-National Data Center. Analyses use LIS wave VII, centered on the year 2007, and wave VIII, centered around 2010. It is important to note that while both Colombia and South African wave VII datasets were collected during the same time frame, the wave VII Colombian dataset income reference year is 2007 and the wave VII South African dataset income reference year is 2008. Given that this paper is largely concerned with changes over time within countries and only offers a cross-country comparison of the most recent 2010 data, this should not be an issue.

Variables of Interest

Using the LIS database for this project requires that poverty is determined using income data, rather than expenditure on consumption data, given that income data is the primary focus of LIS and consumption is not available for all countries of interest. A substantial discussion of the advantages and disadvantages of both consumption and income data exists in the literature, and many analysts conclude that consumption may be a better measure to use in low- and middle-income countries given that income data is challenging to capture in less traditional or agricultural labor settings. However, consumption data is also likely to be understated, as people tend to under declare the amount spent on luxury or illicit items. Consumption data also tends to be smoothed over the life-course as people dip into savings when their income drops and put extra income into savings during productive times. Given this, income may actually be a better measure to use when trying to understand changes over a short period of time. Using income data also allows for disaggregating incomes and examining multiple sources of income, as is done in this paper. (Haughton & Khandker, 2009)

Most of the poverty measures presented here utilize the LIS variable "disposable household income". This variable, created by LIS staff, is a composite measure of taxes subtracted from the combination of labor income, capital income, and transfer income. Some of the analyses present a comparison of poverty using disposable household income to poverty determined using factor income, a composite measure of household income from labor and capital. In this analysis, children are defined as younger than 18, working age adults are defined as 18 years of age to 59 inclusive, and elderly are defined as those adults 60 years of age and older.

Poverty Measures

In this study, poverty is determined using international poverty lines as defined by the World Bank. Disposable household income is adjusted using the appropriate purchasing power parity (PPP) conversion to international PPP dollars and divided by the number of household members. Households with a PPP adjusted per capita income who fall below $2/day are considered to be poor and households who fall below $1.25/day are considered extremely poor.

The $1.25/day international poverty line is an updated version of the World Bank's original "dollar a day" poverty line created to measure progress towards the Millennium Development Goals and is constructed from the average of national poverty lines found in the poorest 15 countries in the world (Ravallion, Chen, & Sangraula, 2009). The $2/day international poverty line is intended to provide a more dynamic picture of poverty and help understand how many people are just barely meeting their basic needs. This line is the median of the national poverty lines in all developing countries (Gentilini & Sumner, 2012).

Results

Child Poverty in South Africa

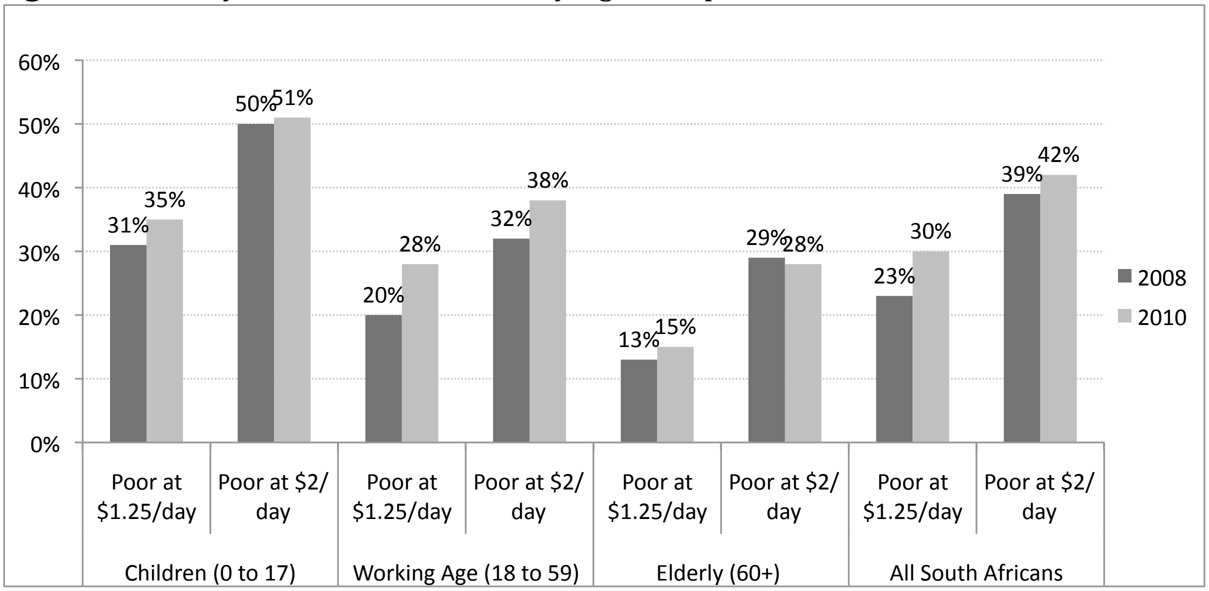
Since the end of Apartheid in South Africa, the country has been seriously committed to tackling challenges to the well-being of it's inhabitants, implementing a variety of initiatives aimed at decreasing poverty and improving the welfare of it's poorest members. The South Africa social security system disperses state transfers through five major programs: the State Old Age Pension, the Disability Grant, the Child Support Grant, the Foster Child Grant, and the Care Dependency Grant. Despite the widely recognized success of these efforts at alleviating large amounts of poverty, they consistently fail to meet the total need for social welfare in South Africa. (Inter-Regional Inequality Facility, 2006a)

Although it is beyond the scope of this research to investigate, previous analyses have demonstrated that the horizontal features of child poverty in South Africa are so pervasive that the population profile of the poor in South Africa changes very little regardless of the poverty measurements. It is same to assume, therefore, that the vast majority of the poor children in South Africa depicted here are Black Africans, with Coloured South Africans making up a small percentage, living in either informal urban settings just out side of the major cities or rural tribal authority areas. (Nell, Evans, & Anderson, forthcoming; Woolard & Leibbrandt, 1999)

Figure 1 shows the poverty rates in South Africa by age group for both years 2008 and 2010, demonstrating particularly high poverty rates in South Africa in both years and a dramatic increase in poverty for South Africans as the economy weakened between 2008 and 2010. Most notable in this figure is the 42% of South Africans living in poverty as of 2010. We can see that poverty increased 3% for South Africans overall during the two-year period, with extreme poverty increasing a shocking 7% over the same two-year period. This mismatched increase between the two poverty lines tells us both that South Africans were more likely to be living in poverty in 2010 than 2008, and of those who were poor, they were more like to be extremely poor.

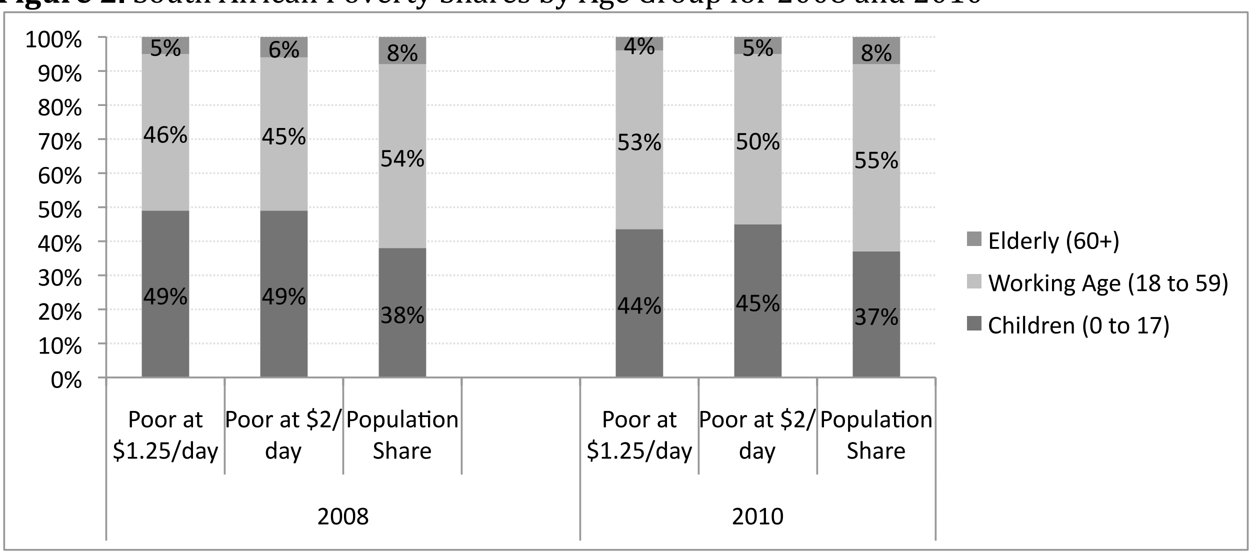
These numbers paint a particularly bleak picture for South African children. While poverty increased at the greatest rates for working age adults between 2008 and 2010, children experienced higher poverty risk than both working age and elderly adults during both years. Just over half of all South African children were living in poverty in 2010 and 35% were living in extreme poverty. Figure 2 demonstrates that these high poverty rates mean children occupy a disproportionate share of overall poverty. While children make up only 37% of the population in 2010, they make up 45% of the poor population. These numbers make clear that South African children are at greater risk for poverty than both working age and elderly individuals.

Figure 1. Poverty Rates in South Africa by Age Group and Year



Source: Author's calculations from LIS

Figure 2. South African Poverty Shares by Age Group for 2008 and 2010



Source: Author's calculations from LIS

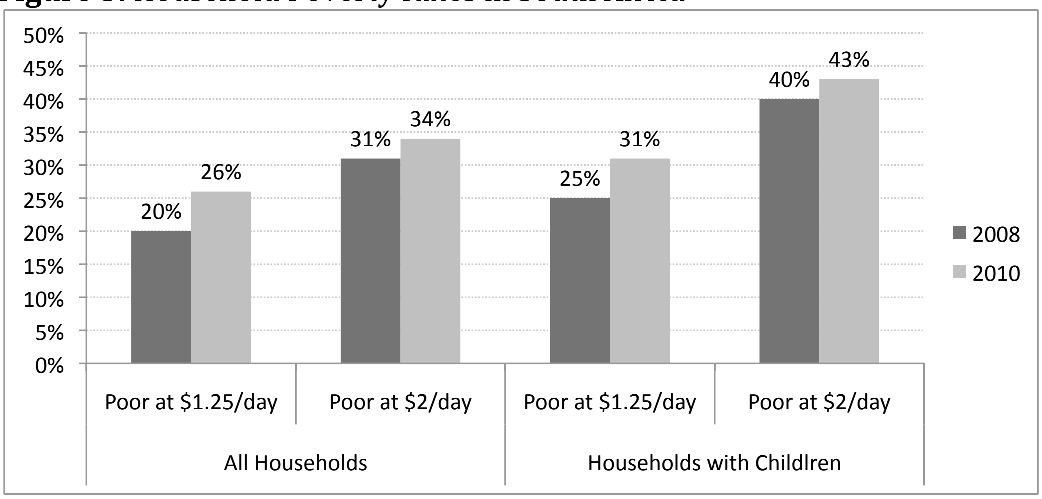
Consistent with the individual level findings, figure 3 demonstrates that households with children experience greater poverty rates than households without children, a common phenomenon and often referred to as the "family gap" (Posey, 2008). Households with children experienced a similar growth in poverty rates from 2008 to 2010 as all other households. Figure 4 explores these findings a bit deeper through the household arrangements that children predominately live in. While there was no increase in the number of children living in poverty among those who live in households comprised of children and working age people, two-generation households, 5% of children in these households fell into extreme poverty. Poverty rates increased from 2008 to 2010 at both poverty lines for children living in three generational households.

This analysis is unable to comment on the poverty rates in either "missing generation" households comprised of children and elderly adults and children only households. Both of these household types were very uncommon and there were not enough cases to confidently comment on the changes in poverty rate percentages. While at one time there was a widespread concern about the number of children living in children headed households due to the great number of AIDS related deaths in much of sub-Saharan Africa, this concern has been proven to have been unsubstantiated in South Africa (Meintjes, Hall, Marera, & Boulle, 2010). This does not appear to be an emerging phenomenon, as most children in children headed households have a living parent, suggesting there may be additional issues prompting the creation of these households. Consistent with other studies, this paper finds the presence of child headed households below 1% of all households.

Notably, while children living in both two and three-generational households experienced relatively similar poverty risk, children living with only working age adults were at much greater risk for extreme poverty. This suggests that elderly household members bring important income to the table, unsurprising given unemployment rates near 30%, and higher in rural areas, for working age adults. The high level of unemployment has meant a delay in many younger adults setting up their own households.

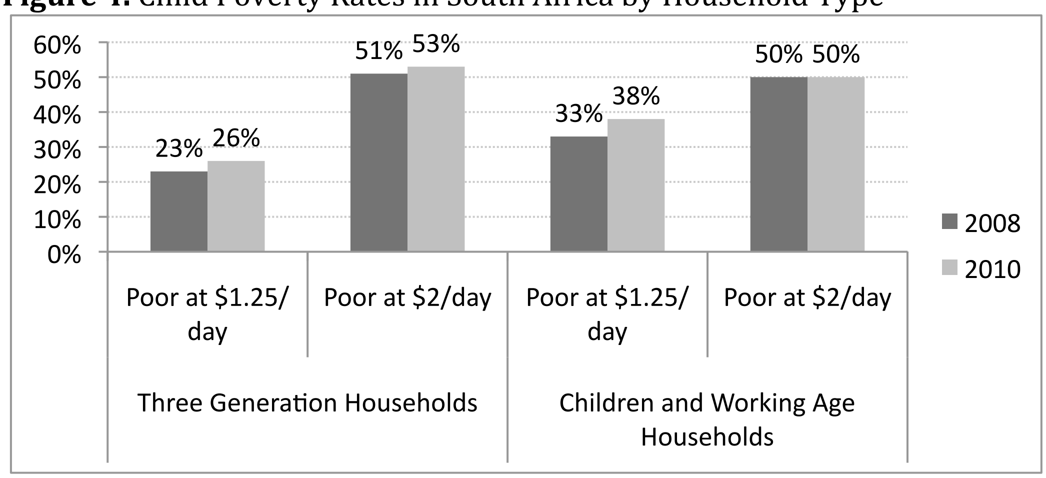
Many young adults are delaying leaving their family's home or are being forced to move back in with family members, often in rural areas where it is particularly challenging to find work. Poorer South African families are increasingly congregating around sources of income from the social welfare safety net, predominately old age pensions. (Klasen & Woolard, 2009)

Figure 3. Household Poverty Rates in South Africa



Source: Author's calculations from LIS

Figure 4. Child Poverty Rates in South Africa by Household Type

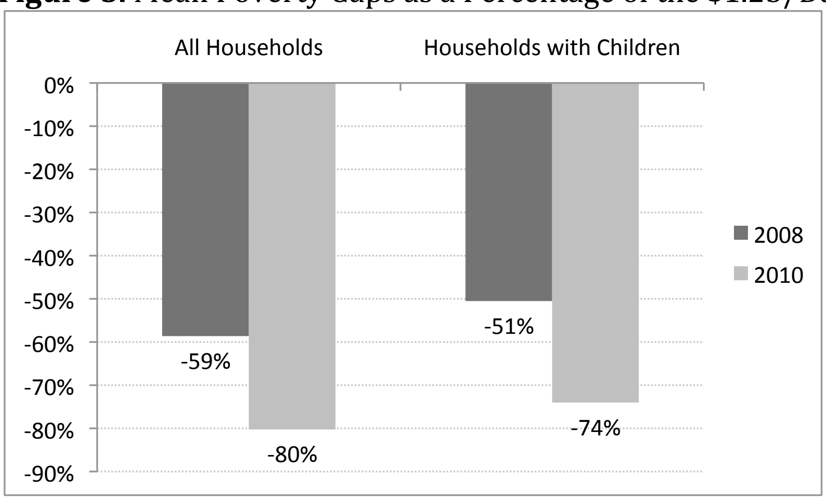


Source: Author's calculations from LIS

Poverty Gaps in South Africa

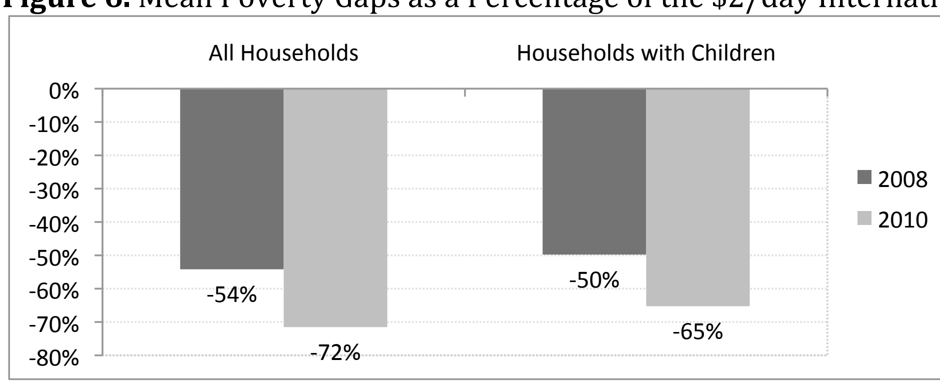
Figures 5 and 6 provide the average poverty gaps at both international poverty lines as a way to gain insight into the level of poverty among the poor. Poor households with children appear to be slightly better off financially than all poor households at both time points and for both poverty line measure. Although, these figures also show that poor households with children became significantly worse off from 2008 to 2010. Extremely poor households with children were, on average, receiving an income around half of the poverty line in 2008. In 2010, these households received, on average, income equivalent to only 25% of the income deemed necessary to meet their basic needs, painting a very bleak picture for children living in poverty.

Figure 5. Mean Poverty Gaps as a Percentage of the $1.25/Day International Poverty Line



Source: Author's calculations from LIS

Figure 6. Mean Poverty Gaps as a Percentage of the $2/day International Poverty Line



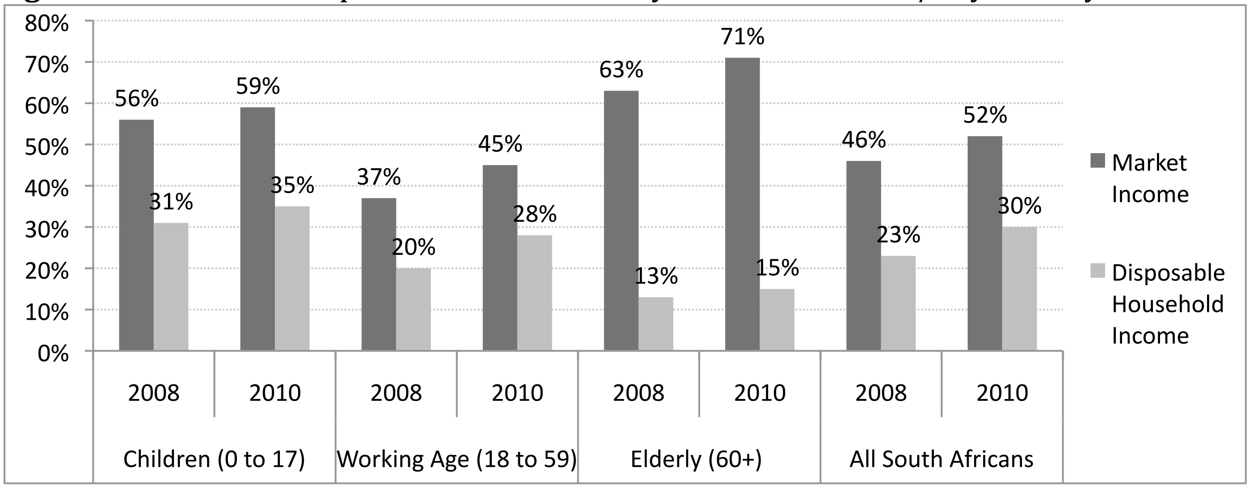
Source: Author's calculations from LIS

Poverty in South Africa Pre- and Post-Taxes-and-Transfers

Figures 7 and 8 below compare the poverty rates that would have occurred in a hypothetical South Africa without any redistribution and market income as the only source of income, to the actual poverty rates that South Africa witnessed, based on the disposable household income. Once again, we see that overall post-tax-and-transfer extreme poverty rates jumped 7% from 2008 to 2010. It appears that most of this jump was due to the increase in market income poverty, which increased 6%. Despite this dramatic jump and the generally high extreme poverty rates, the taxes and transfers system in South Africa appears to be doing a notable job of reducing poverty. In 2010, the taxes and transfers system lifted 16% of South Africans out of poverty entirely and 22% of South Africans out of extreme poverty.

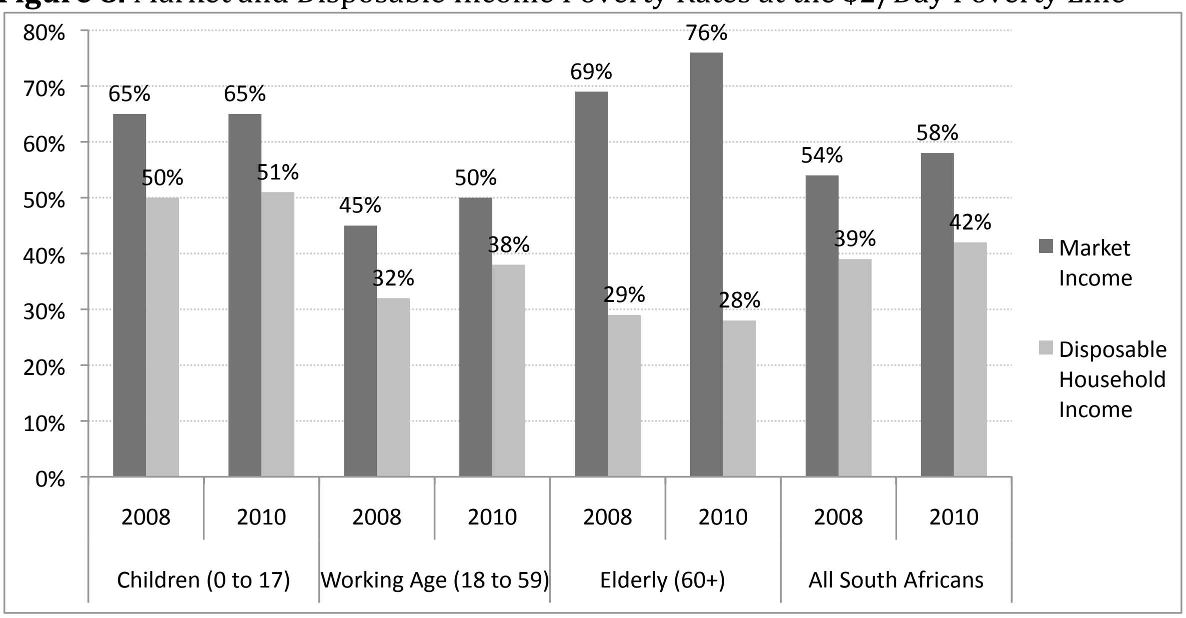
Without the private transfers and social protections provided in South Africa in 2010, near 60% of children would have been living in extreme poverty. While taxes and transfers are lifting sizeable numbers of children out of poverty, these figures make clear that the elderly are receiving the greatest benefits with a full 56% of the elderly lifted out of poverty in 2010. Given the dramatic reductions in poverty between market and disposable income, we can conclude that transfers are a very important part of household incomes in South Africa, particularly elderly incomes. These figures, however, do not allow us to disentangle the separate influences of public and private redistribution, which will be explored in the next section.

Figure 7. Market and Disposable Income Poverty Rates at the $1.25/Day Poverty Line



Source: Author's calculations from LIS

Figure 8. Market and Disposable Income Poverty Rates at the $2/Day Poverty Line



Source: Author's calculations from LIS

Income Sources in South Africa

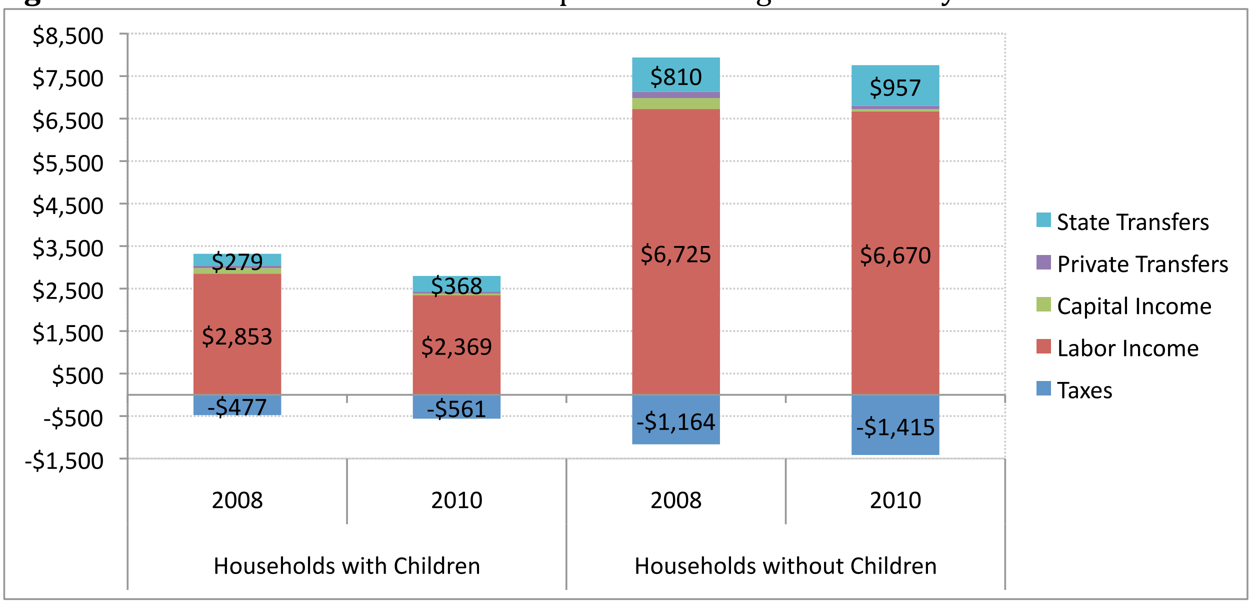
The following figures breakdown household incomes into their separate sources, aiming to understand the roles that labor income, capital income, private transfers, and state transfers each play in total household income. Figure 9 demonstrates the dramatic difference in both labor income and overall income between households with and without children. Households without children pay a greater proportion of their incomes to taxes, but also receive a substantially larger amount of money from state transfers. Previous results suggest that most of this state transfer money is going towards elderly adults. Notably, neither private transfers nor capital income seem to be particularly important to South African incomes in general.

Households with children saw a number of changes in their income between 2008 and 2010. Their labor income dropped 500 purchasing power parity dollars on average and their taxes went up. Some of this drop in income was made up with an increase in state transfers, but overall their disposable income dropped a significant amount during the recession.

Evident in Figure 10, a loss in income was particularly dramatic for poor households. While these households experienced some declines in income from labor and state transfers, the largest drop in income appears to be from private transfers, which may represent a decline in money sent from household members living outside the household. Research done in earlier years has shown that for the poorest households in South Africa, government transfers and temporary migration by females in the household, meaning the remittances sent from the migrants, are the most influential in improving household socio-economic status (Collinson, 2010).

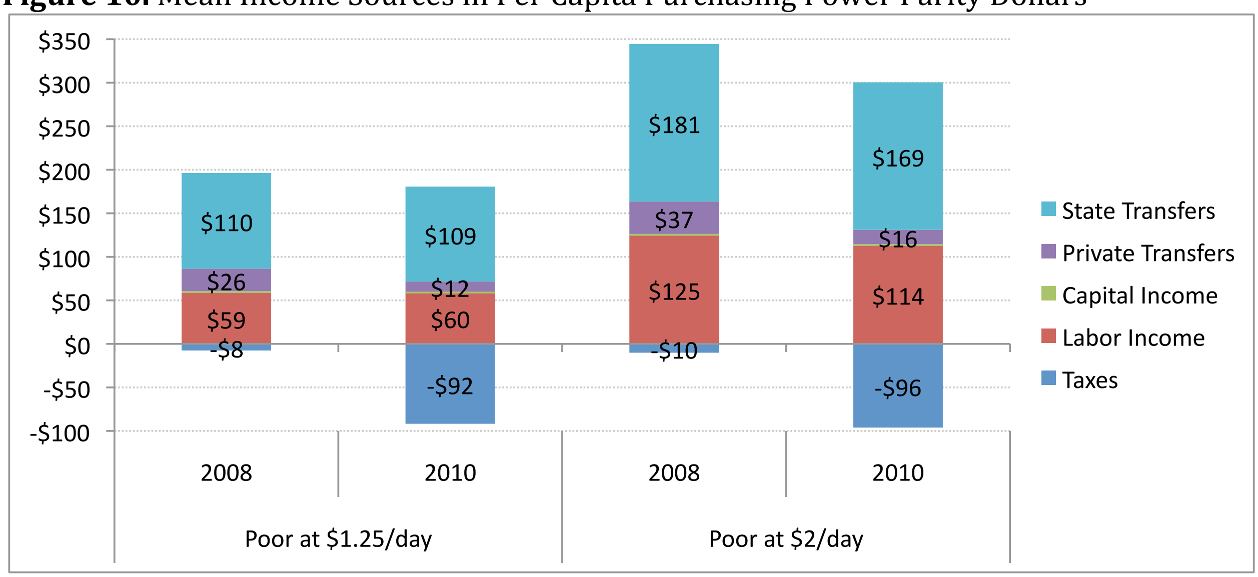
Notably, state transfers made up the majority of the poor's income in both 2008 and 2010. These state transfers are necessary sources of income for South Africa's poor and their efforts at alleviating poverty are a praise-worthy effort to make up for the unequal access to labor market incomes that has been driving South African inequality in the post-Apartheid era (Leibbrandt et al., forthcoming). The rising inequality in South Africa seems to be engraining a deep divide between the well-off economically productive parts of it's population who generate contributions to the state, and the economically marginalized who benefit from these state transfers (Ulriksen, 2012). As South Africa looks to decrease it's rising poverty and child poverty, they need to address this rift.

Figure 9. Mean Income Sources in Per Capita Purchasing Power Parity Dollars



Source: Author's calculations from LIS

Figure 10. Mean Income Sources in Per Capita Purchasing Power Parity Dollars



Source: Author's calculations from LIS

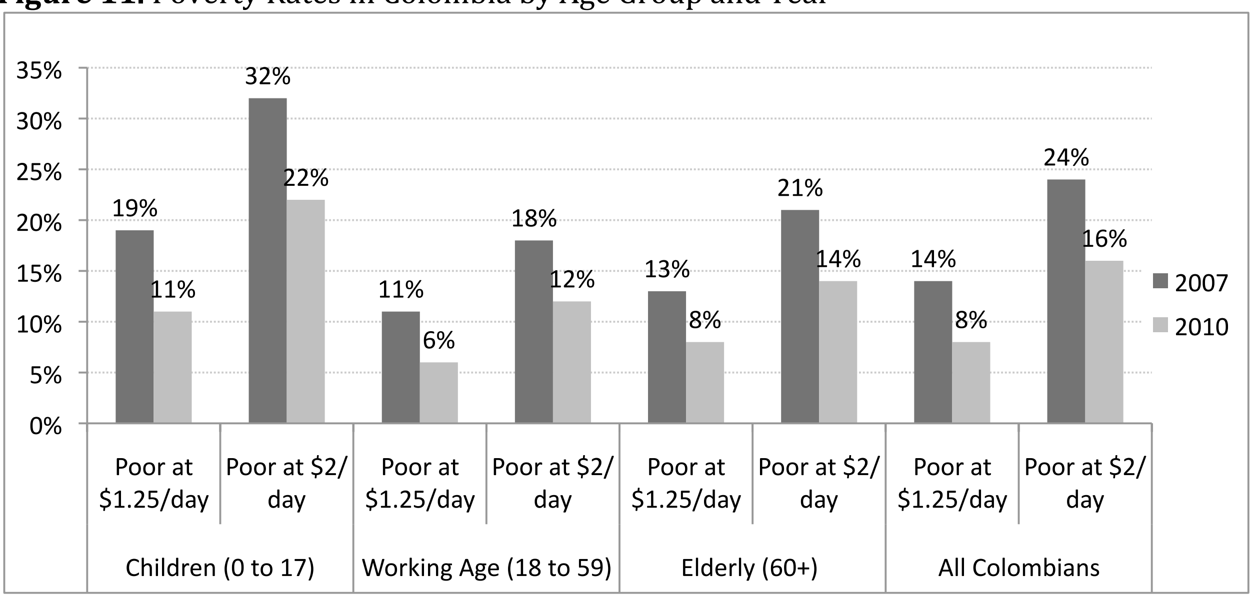
Child Poverty in Colombia

The use of conditional cash transfer (CCT) programs targeted towards reducing poverty in children and elderly populations has risen in popularity in Latin America, including Colombia, and overall have had great success in reducing poverty incidence, poverty gaps, and inequality across the region (Acosta, Leite, & Rigolini, 2011; Moller, 2012). Colombia, in 2000, instituted the "Familias en Accion" program which provides grants to poor households with children, under the conditions that the children under seven regularly see a healthcare provider and children seven to 18 attend school 80% of the time (Inter-Regional Inequality Facility, 2006b). While the program has been successfully in providing economic relief for many poor households with children, it's goals to break the generational cycles of poverty and create human capital in poor children are still unclear (Baez & Camacho, 2011). Notable exceptions to the success of Familias en Accion have been seen in some of the poorest parts of the country who did not have the institutional capabilities, banking, health, and educational infrastructure, to implement the program when it was first established (Inter-Regional Inequality Facility, 2006b).

Figure 11 shows the poverty rates in Colombia by age group for both years 2007 and 2010, demonstrating dramatic declines in poverty even as the economy slowed between the three years. We can see that poverty decreased 8% for Colombians overall during the three year period, with extreme poverty decreasing 6% over the same period. Most notable in this figure is the 8% of Colombians living in extreme poverty as of 2010. Even 8% of Colombians living in these conditions is reprehensible, but these dramatic declines in poverty over such are short time period are worth celebrating.

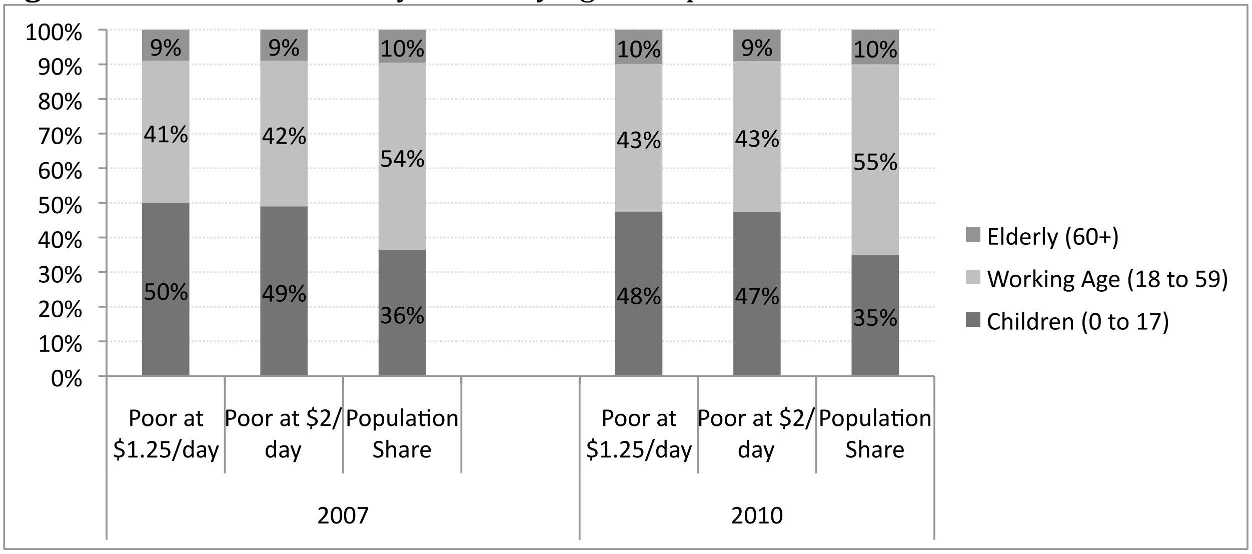
Despite the overall success story for Colombian poverty rates in 2010, these numbers paint a darker picture for Colombian children. While poverty decreased at the greatest rates for children between 2007 and 2010, dropping an entire 10%, children still experienced higher poverty risk than both working age and elderly adults in 2010. 22% of Colombian children were living in poverty in 2010 and 11% were living in extreme poverty. Figure 12 demonstrates that these higher poverty rates mean children occupy a disproportionate share of overall poverty. While children make up only 35% of the population in 2010, they make up 47% of the poor population. These numbers make clear that Colombian children are at greater risk for poverty than both working age and elderly individuals.

Figure 11. Poverty Rates in Colombia by Age Group and Year



Source: Author's calculations from LIS

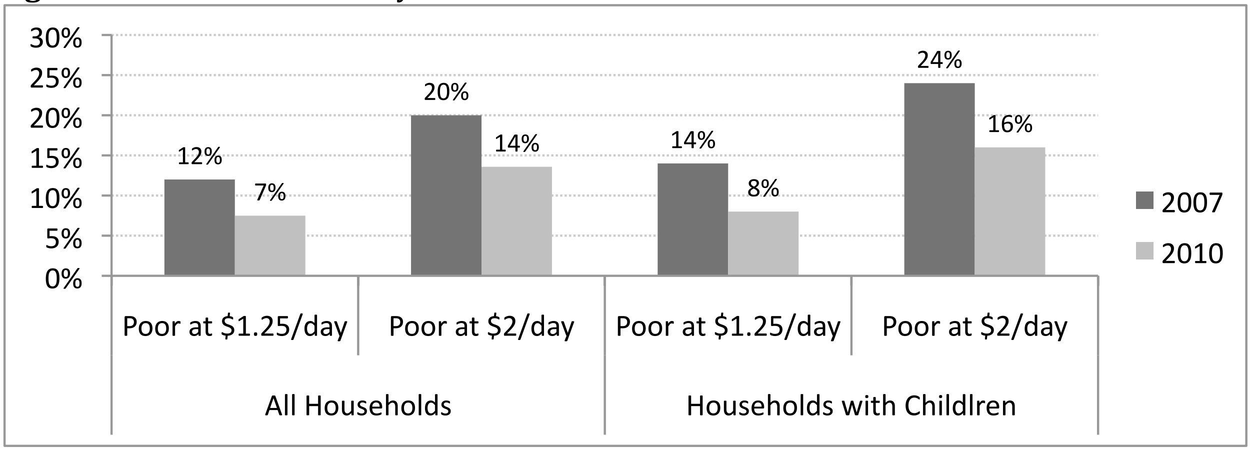
Figure 12. Colombian Poverty Shares by Age Group for 2007 and 2010



Source: Author's calculations from LIS

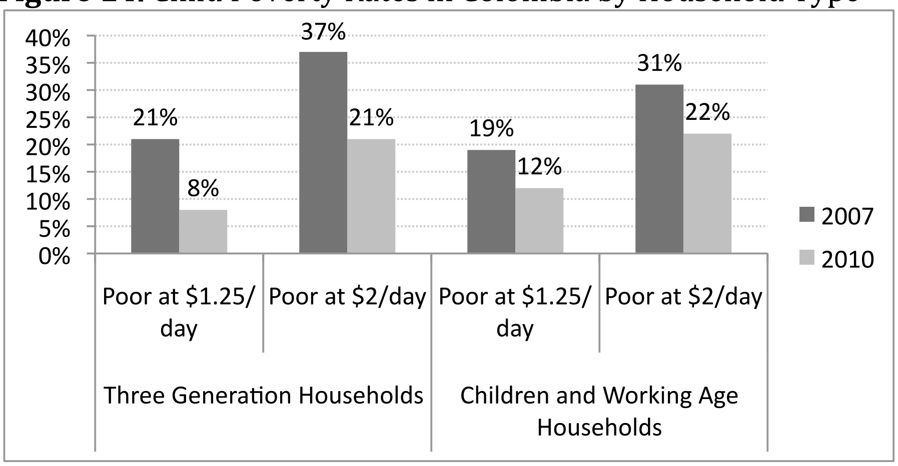
Consistent with the individual level findings, figure 13 demonstrates that households with children experience slightly greater poverty rates than households without children. Poverty rates for all households declined between 2007 and 2010, with households who contain children dropping greater distances and reducing the poverty differences between households with and without children. Figure 14 explores these findings a bit deeper through the household arrangements that children predominately live in. Poverty rates decreased from 2007 to 2010 below both poverty lines for children living in three generational households and households comprised of only working age adults and children. While children living in three generational households had the greatest risk of poverty in 2007, poverty risk for children in these households declined at a greater rate than it declined for children living in two-generation households. In 2010, poverty risk for children living in three-generational households was actually lower, suggesting that the income of elderly household members may have increased over this time period.

Figure 13. Household Poverty Rates in Colombia



Source: Author's calculations from LIS

Figure 14. Child Poverty Rates in Colombia by Household Type

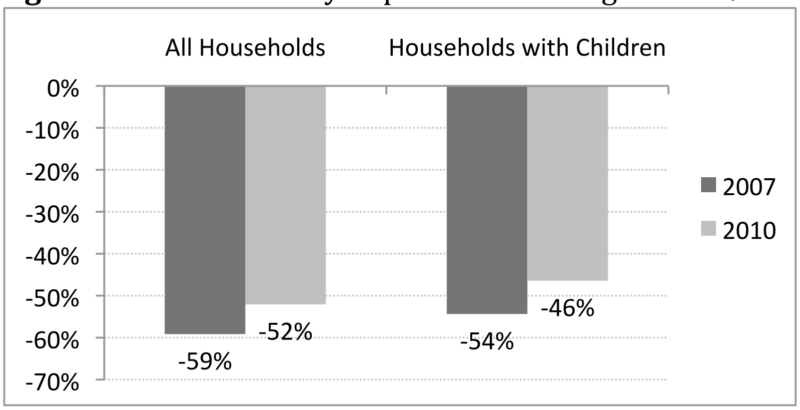


Source: Author's calculations from LIS

Poverty Gaps in Colombia

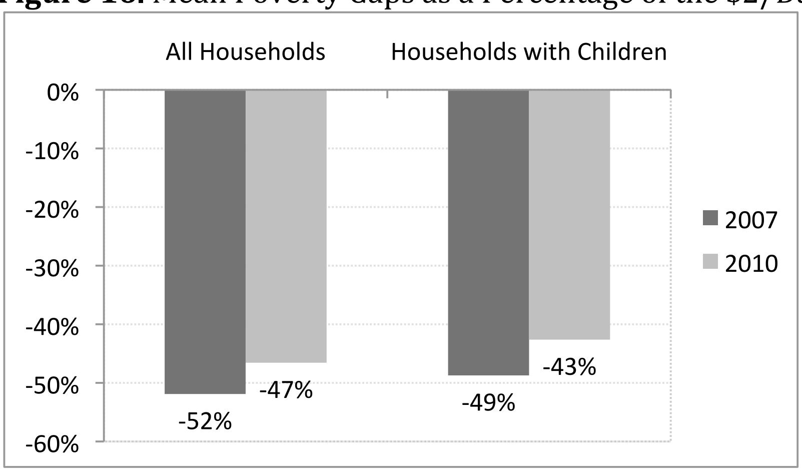
Figures 15 and 16 provide the average poverty gaps at both international poverty lines as a way to gain insight into the level of poverty among the poor. Poor households with children appear to be slightly better off financially than all poor households at both time points and for both poverty line measure. These figures also show that poor households with children became vaguely better off from 2007 to 2010. Extremely poor households with children were, on average, receiving an income around just under half of the poverty line in 2007. In 2010, these households received, on average, income equivalent to only just over half of the income deemed necessary to meet their basic needs.

Figure 15. Mean Poverty Gaps as a Percentage of the $1.25/Day International Poverty Line



Source: Author's calculations from LIS

Figure 16. Mean Poverty Gaps as a Percentage of the $2/Day International Poverty Line



Source: Author's calculations from LIS

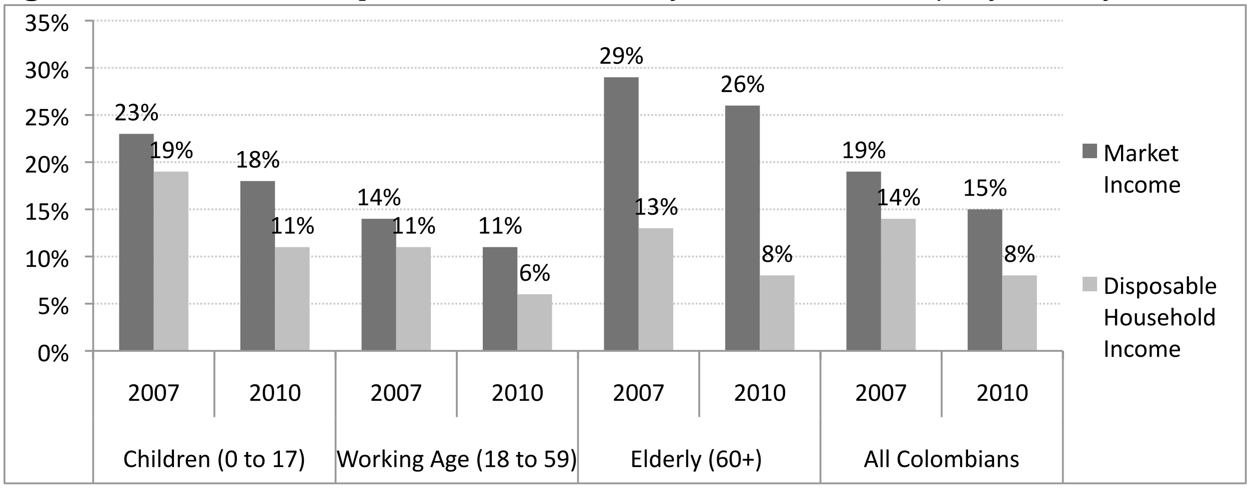
Poverty in Colombia Pre- and Post-Taxes-and-Transfers

Figures 17 and 18 below compare the poverty rates that would have occurred in a hypothetical Colombia without any redistribution, and market income as the only source of income, to the actual poverty rates that Colombia witnessed, based on the disposable household income. Once again, we see that overall post-tax-and-transfer moderate poverty rates declined 8% from 2007 to 2010. It appears that most, but not all, of this jump was due to the decrease in market income poverty, which declined 5%. At the $1.25/day poverty line, market income poverty dropped 4%, while disposable income poverty dropped 6%, suggesting that the market was a strong force in reducing poverty but not entirely responsible for the declines.

Analyzing poverty rates of the market income against disposable income poverty rates demonstrates the contributory role of taxes and transfers had in reducing the poverty rate as well. While taxes and transfers only reduced market income poverty 4% in 2007, in 2010, taxes and transfers lifted 7% of Colombians out of poverty. These results support other analyses using different poverty measures, which found that 84% of poverty reduction in Colombia from 2002 to 2010 was from market growth and 16% was due to redistribution (Azevedo, Inchauste, Olivieri, Saavedra, & Winkler, 2013). While this is certainly a move in a hopeful direction, many, including the Colombian government, who are aiming to join the OECD, are not yet satisfied with the amount of social redistribution in the country (Moller, 2012).

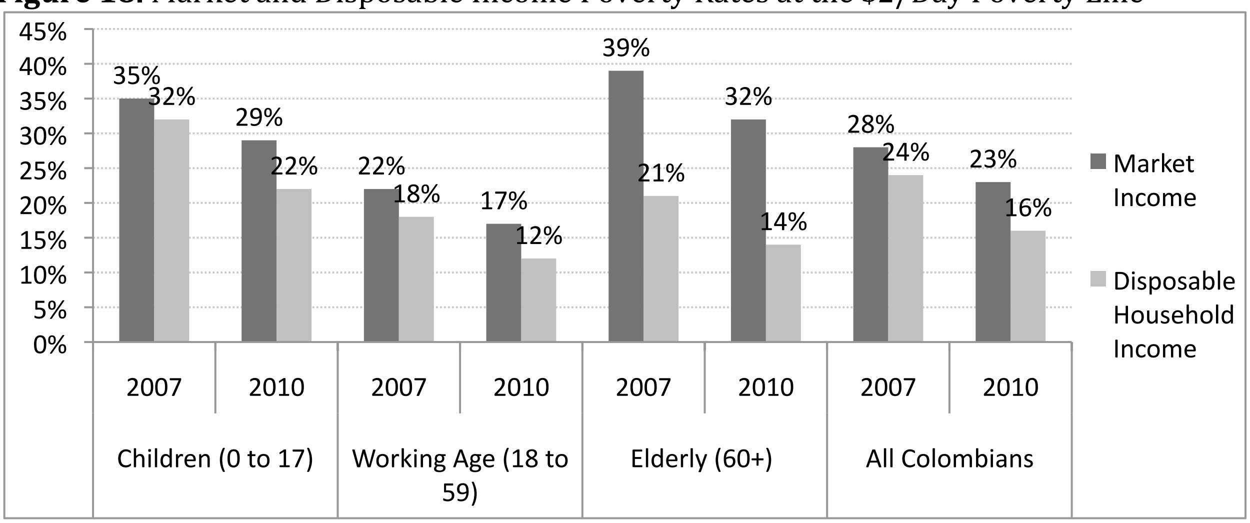
Without the private transfers and social protections provided in Colombia in 2010, near 30%, rather than 22%, of children would have been living in poverty. While they are lifting a sizeable numbers of children out of poverty, these figures make clear that the elderly are the age group receiving the greatest benefits from Colombia's taxes and transfer system, as 18% of the elderly were lifted out of market income poverty in 2010. Some have argued that these discrepancies, found across Latin America, suggest that social welfare spending budgets may need to be rebalanced towards all vulnerable groups (Acosta et al., 2011).

Figure 17. Market and Disposable Income Poverty Rates at the $1.25/Day Poverty Line



Source: Author's calculations from LIS

Figure 18. Market and Disposable Income Poverty Rates at the $2/Day Poverty Line



Source: Author's calculations from LIS

Income Sources in Colombia

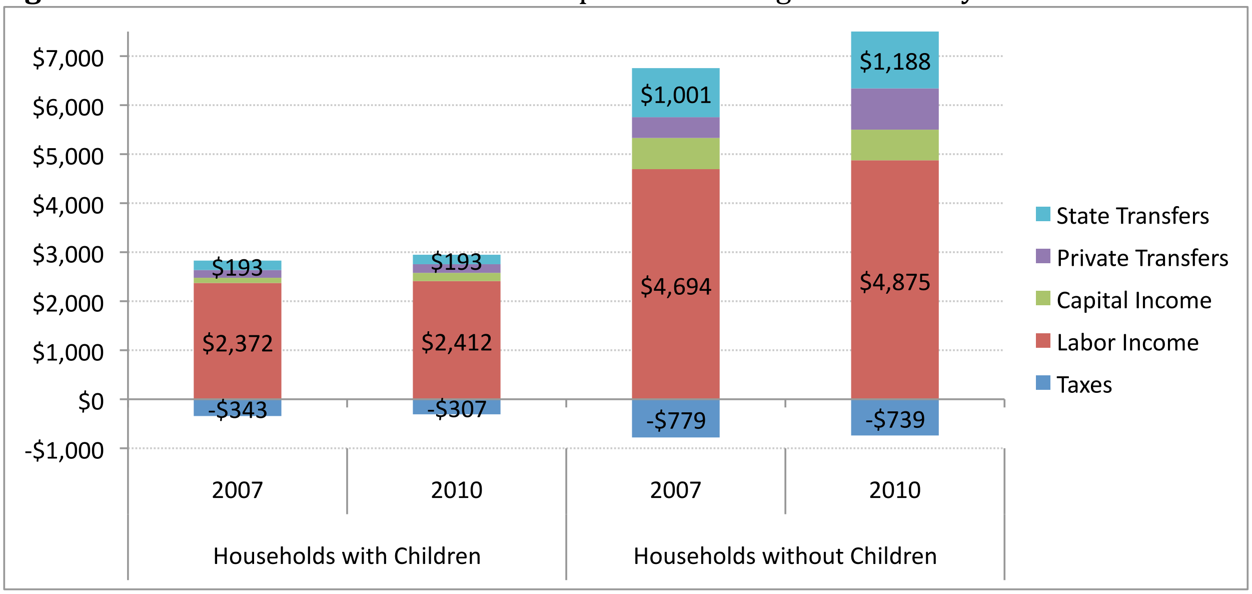
The following figures breakdown household incomes into their separate sources, aiming to understand the roles that labor income, capital income, private transfers, and state transfers each play in total household income. Figure 19 demonstrates the dramatic difference in overall income, and particularly labor income, between households with and without children. While inequalities in labor incomes has generally been declining across Latin America, Colombia has not seen this trend (Moller, 2012). The large discrepancies in labor incomes in Colombia is largely driven by huge skill premiums offered to those with high educational attainment, in combination with high unemployment and a pervasive informal sector (Joumard & Vélez, 2013). These differences continue to be dramatic but offer a potential avenue for reducing inequality if educational access continues to expand.

Households without children pay a greater proportion of their incomes to taxes, but also receive a substantially larger amount of money from state transfers. Previous results in this paper and others suggest that most of this state transfer money is going towards elderly adults. Despite the widespread CCT programs, around 90% of cash transfers in Colombia go to the incomes of the richest 40% of the population due to the sizeable and highly regressive pension transfers (Moller, 2012).

Households with children actually saw a great amount of consistency in their income between 2008 and 2010. Their labor income increased 30 purchasing power parity dollars on average and their taxes declined slightly, but all other income contributions maintained a small but important contribution to their overall income. This consistency in income between 2007 and 2010 is a little surprising given the dramatic drops in childhood poverty, and may suggest more widely dispersed redistribution or lower levels of inequality within households with children in 2010.

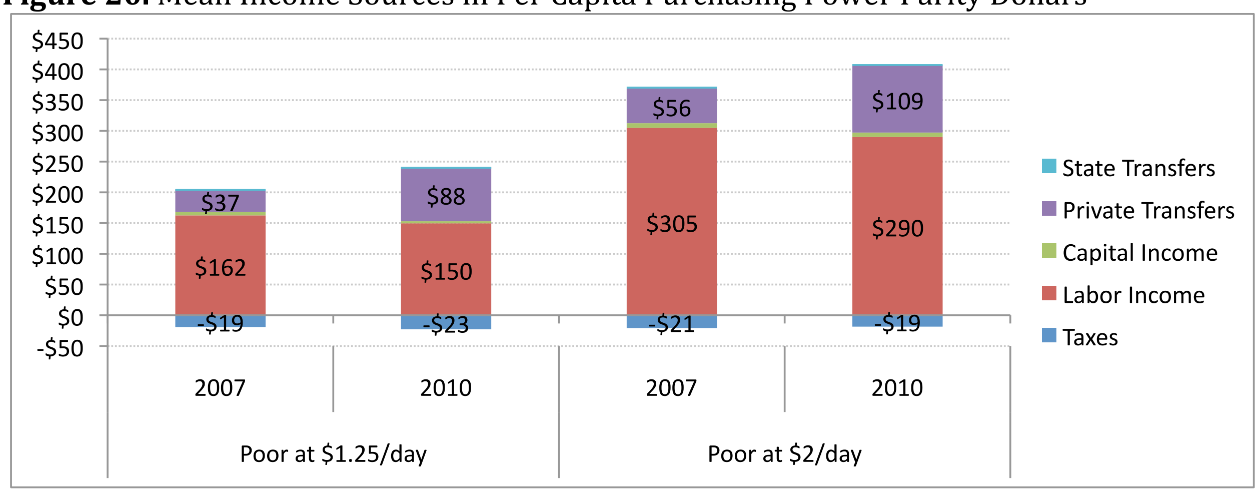
Immediately clear in figure 20, labor income for poor households actually declined between 2007 and 2010. Given the essentially non-existent state transfers in the incomes of the poor, the poor in Colombia appear to be comprised of those below the poverty line who are not able to access the social welfare system. Private transfer income doubled in poor households during this time period, which may mean that transfers between extended family members living in different households are being utilized to make up for poverty gaps when state transfers are not providing enough.

Figure 19. Mean Income Sources in Per Capita Purchasing Power Parity Dollars



Source: Author's calculations from LIS

Figure 20. Mean Income Sources in Per Capita Purchasing Power Parity Dollars



Source: Author's calculations from LIS

Discussion

Colombia and South Africa provide two very distinct pictures of child poverty during the global recession of 2008. Despite the extensive and ambitious social welfare system in South Africa for a country of its economic capabilities, South Africa's children fell even deeper into poverty as the economy took a serious shock. In contrast, Colombia was able to come out of a slow in GDP growth quite strong and continued to lower the numbers of children living in poverty. These two country examples begin the conversation of how the world changed for poor children during the global recession of 2008, but it leaves many questions unanswered. Research has made clear that poverty during the earliest part of a child's life, persistent poverty throughout a child's life, and very deep poverty are particularly harmful to a child with long-term consequences for health and social outcomes (Magnuson & Votruba-Drzal, 2009). While LIS data is not well suited to answer questions about persistent childhood poverty, future analysis should continue to explore the prevalence of extreme poverty with an additional spotlight on poverty for very young children.

As we learn more about the changing picture of global poverty we need to continue to evaluate the ability of middle-income countries to eliminate poverty and, in particular, extreme child poverty. Many experts are very optimistic that this changing global context means that we will be able to eliminate poverty below $1.25/day by 2030 and have set this objective as the next Millennium Development Goal (Chandy, Ledlie, & Penciakova, 2013). Recent analysis argues that given what we know about the large number of people just below the extreme poverty line, this seems well within reach.

While it cannot be discounted that eliminating poverty would be a huge victory, some have been asking how meaningful this would actually be among the lives of the world's poorest people. Individuals living above $1.25/day are barely meeting their basic human needs and given increasing globalization and integration of the world's markets, it would be easy for a sizable number to fall back into poverty at any moment. Huge percentages of the world are now living just about the $1.25/day poverty line, still below the $2/day line (Lowrey, 2013), and worldwide relative poverty has actually increased since the 1980s (Chen & Ravallion, 2013). This world's poorest are perhaps more socially excluded with a slightly greater economic foothold than in the past.

Given that the International Poverty Lines are created without any consideration of the poverty lines in middle-income countries, it is important to understand the limitations of these lines. Where they succeed is the ability demonstrate access to a set of basic necessities regardless of where someone lives in the world. Appropriately, their major fault is that they cannot asses they way poverty may be defined within individual national contexts. Given the success in reducing the number of extremely poor individuals, and the move of the world's poor into middle-income countries, it may be more and more necessary to consider national poverty lines when looking to understand poverty worldwide. Gentilini and Sumner (Gentilini & Sumner, 2012) find that this gives dramatically higher global poverty estimates.

National context is important when thinking about both establishing the poverty rates globally and the specific policies needed to further reduce poverty globally, particularly in countries like South Africa, where child poverty is actually rising. Guaranteeing that all children in South Africa have met their basic needs like accessing appropriate healthcare and education has not been an issue of motivating individuals to utilize these services but has been a supply-side problem (Lund, Noble, Barnes, & Wright, 2009). Understanding this picture is essential to making effective policy changes. In contrast to the utilization of conditional cash transfers done in many Latin American countries, South African children's needs demand very sweeping broad social welfare policies and deep institutional changes. Broad social welfare policies and institutional changes, are, in fact, going to be a necessary part of eliminating poverty in a meaningful way across the globe. Countries that utilize broad-based, rather than pro-poor, social welfare polices, and policies pushing economic transformation, rather than simply economic growth, have both lower poverty rates and lower levels of inequality (Ulriksen, 2012).

This paper begins an ongoing examination of the ways children in middle income countries have been affected by the recent economic crisis. Future analyses aim to incorporate datasets from more middle-income countries as they become available from LIS ("LIS List of Datasets," 2013). Expanding to more countries will help illuminate the important ways countries' child poverty rates varied in the context of both responding to a global recession and continued successful reductions in worldwide poverty.

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