The role of cash benefit and in-kind benefit spending for child poverty in times of austerity: An analysis of 22 European countries 2006–2015 [1]

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Excerpted from Introduction

Social spending as a percent of GDP has been shown to protect families and children from poverty, even when controlling for household-level factors and other macro-level characteristics as the unemployment rate, affluence and the total level of welfare state generosity (Bárcena-Martín et al. 2017; Chzhen 2017; Muffels and Fourage 2004). The international financial crisis in 2008–2009, which led to a period of sluggish growth and higher unemployment in Europe, became the ultimate test of welfare states' capacity to cushion families from economic hardship (Richardson 2010). In the period 2006–2009, the average annual growth rate for OECD countries slumped from 3.14 to − 3.45% (Eurostat 2017e). The recession became more profound and lasting in some countries, such as Greece, whereas countries like Germany and Sweden started to recover in 2010–2011 (ibid.). It also increased the share of children living in poor households in most European countries, with the most marked increases in Cyprus, Iceland and Greece (Chzhen et al. 2017).

The policy reactions to the crisis differed between countries. Most European countries increased their social spending when the crisis struck, but while some countries, such as Belgium and France, continued on this line, others such as the UK started to cut spending around 2013 (Chzhen et al. 2017; Ahrendt et al. 2015; Gauthier 2010). To what extent this policy variation explains the development in child poverty over time is not clear. Previous research in this field has mainly focussed on the influence of total social spending on poverty, but we also need to consider the role of different family policy spending, since this reveals not only differences in policy impact, but also whether governments have chosen different spending strategies for combating child poverty in times of recession (cf. Ahrendt et al. 2015; Gauthier 2010). Whereas a 'service-based' approach emphasising spending on benefits in kind would be more in accordance with the dual-earner idea within the increasingly influential Social Investment Strategy (Bonoli 2005; Esping-Andersen et al. 2002), a 'transfer-based' approach would be more in line with a traditional family policy approach that aims at combating poverty primarily through cash benefits and tax reliefs (Thévenon 2011). However, as the recession following the financial crisis exposed most European countries to mounting fiscal challenges, they also became more prone to engage in fiscal consolidation since 2010–2011 (Taylor-Gooby et al. 2017; Farnsworth and Irving 2015). This 'era of austerity' influenced countries in different ways, but it may be assumed that spending on cash transfers to families have become more subjected to austerity measures than spending on services, since the latter is more in line with the EU Social Investment Strategy and the UN Sustainable Development Goals (Chzhen 2017).

The aim of this article is to analyse the development of spending on cash transfers and services, as well as its association with child poverty in 22 European countries over the period from 2006 to 2015. This period covers the years prior to the international financial crisis, but also the post-crisis period during which many governments launched cuts in social expenditures on families (Ahrendt et al. 2015; Richardson 2010; Gauthier 2010). The following research questions are analysed: (a) how has public spending on cash transfers and services changed over this period and to what extent do the observed patters support a shift towards a service-based approach for combating child poverty? (b) How efficient have the two types of family spending been in terms of child poverty reduction when controlling for employment patterns, the overall affluence and welfare state configurations? (c) How has this poverty-curbing efficiency developed over time, and to what extent can we detect divergent paths for these two forms of spending?

The article contributes to the literature on the role of social expenditures on families for child poverty in at least two ways. Whereas earlier studies have focused primarily on the role of total social spending (e.g. Chzhen 2017), and mostly used a cross-sectional approach (e.g. Bárcena-Martín et al. 2017), this article analyses the role of different types of aggregate social spending to families, as well as their influence on child poverty over time and across European nations. By doing so, it helps to understand how the role and effectiveness of family policy to combat child poverty has changed during this period of economic turmoil and austerity.

The structure of this article is as follows. The next section is a literature review, in the third section the data, variables and methods are discussed, and in the final sections, the findings are presented and discussed.
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