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Redistributional Policy in Rich Countries: Institutions and Impacts in Nonelderly Households

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Abstract

We review research on institutions of redistribution operating in high-income countries. Focusing on the nonelderly, we invoke the concept of the household income package, which includes income from labor, from related households, and from the state. Accordingly, we assess three institutional arenas: predistribution (rules and regulations that govern paid work), private redistribution (interhousehold transfers), and conventional public redistribution (operating via cash transfers and direct taxes). In each arena, we assess underlying policy logics, identify current policy controversies, summarize contemporary cross-national policy variation, and synthesize existing findings on policy effects. Our assessment of redistributional effects focuses on three core socioeconomic outcomes: low pay, child poverty, and income inequality. We close by assessing how the three institutional arenas perform collectively and by calling for further work on how these institutions change over time and how they affect subgroups differentially.

Keywords

redistribution; predistribution; regulations; transfers; taxes; earnings; poverty; inequality

1. INTRODUCTION AND FRAMEWORK

In this review, we selectively synthesize the enormous empirical literature on redistribution, drawing from multiple disciplines. To define the content and set boundaries, we made choices that both narrowed and broadened our review:

- We restrict our review to policies¹ operating in rich² democracies, excluding nondemocracies as well as middle- and low-income countries.

DISCLOSURE STATEMENT

The authors are not aware of any affiliations, memberships, funding, or financial holdings that might be perceived as affecting the objectivity of this review.

¹In general, we use the terms “policies” and “institutions” interchangeably—mostly to indicate public interventions. In a few instances (e.g., unregulated transfers between households), we use the term “institution” to encompass private or societal conventions.

²When referring to countries, we use the terms “rich,” “high income,” and “affluent” interchangeably. We draw on the common international classification system, in which countries (based on per capita gross national income) are divided into high, upper-middle-, lower-middle-, and low income.

- We limit ourselves to policies that affect resources available to nonelderly persons and households.
- We restrict our coverage to policies related to the transfer (or taxing) of cash or near-cash benefits; with a few exceptions, we set aside the provision, or redistributive effects, of noncash benefits, and of transfers of time.
- We focus on policy logics, policy variation across countries, and policy effects, laying aside policy determinants.
- We concentrate on effects related to monetary income, specifically low earnings, income poverty, and income inequality, excluding other outcomes such as consumption, wealth, material hardship, subjective well-being, future productivity and mobility.
- We limit our review to the contemporary period, setting aside the rich history of redistributive institutions in affluent countries.

At the same time, we intentionally broadened beyond boundaries traditionally associated with redistribution. Our conceptual approach is influenced by decades working with the Luxembourg Income Study (LIS) Database,³ which shapes our intellectual starting point—i.e., that nonelderly households rely on packages of income. Those packages contain income from three main sources (Rainwater & Smeeding 2003):

- the labor market,
- family members living in other households, and
- the state (i.e., transfers in, net of taxes out).

While redistribution is often associated with only the third—government interventions, mainly transfers and taxes—we consider each of these components to contain redistributive elements.

In Section 2, we review literature on policies that shape earnings distributions, especially on the low end. We invoke the colorful but contested term “predistribution.” We use it narrowly to refer to measures that shape earnings distributions in the short term, setting aside policies (e.g., investments in human capital or infrastructure) that affect earnings capacity in the long term.

In Section 3, we turn our attention to redistribution across households, specifically transfers among related persons who do not coreside. We focus on two common forms of interhousehold redistribution: (a) transfers from noncustodial to custodial parents and (b) transfers from adult children to older parents and/or from older parents to adult children (and grandchildren). These transfers are best characterized as constituting a private institution, although public policies may affect their prevalence and amounts transferred. A full accounting requires considering such transfers bilaterally, as they alter available resources in

³LIS is a cross-national collection of harmonized microdata sets, based mainly on household surveys. LIS contains comprehensive income data, disaggregated into multiple sources, public and private, and available at the household and person levels. More information is available at <http://www.Mulisdatacenter.org>.

both households. Although we argue that a complete portrait of redistribution should include these interhousehold transfers, we do so knowing that data on this form of redistribution are limited.

In Section 4, we turn to the most conventional and extensively studied form of redistribution, that is, government policies that reorganize the distributions that labor markets and interhousehold transfers produce. We include the major categories of monetary transfers (e.g., social insurance, social assistance, universal transfers) and direct taxes (e.g., income taxes, social contributions). We recognize that, in many countries (and studies), transfers and taxes cannot be cleanly separated, in part because some taxes include (refundable) components structured as transfers. Here, we rely heavily on data and findings linked to the sources most used in this field: LIS and the Organisation for Economic Co-operation and Development (OECD). We focus our discussion of policy consequences on vertical redistributive effects, i.e., those that alter the gap between the haves and the have-nots.

In Section 5, we assess how the three types of redistribution work together, and we offer brief remarks about future research directions.

2. PREDISTRIBUTIONAL POLICIES: POLICIES THAT SHAPE EARNINGS

2.1. Main Institutions: Logics and Current Controversies

Salverda & Checchi's (2015) review of labor market institutions and wage dispersion begins by observing that there are two massive literatures—one on wage dispersion⁴ and one on income inequality—and that “the two strands of study are ... miles apart” (p. 1537). Largely separate literatures address the two distributions (e.g., determinants, shape, composition, trends), and distinct literatures tackle the institutions that influence each of them.

Salverda and Checchi lament that split because income from labor is the largest component of working-age households' income. They attribute the lack of integration of the two literatures to the complexity of their interaction. Wage studies typically focus on individuals and on pretax hourly wages. In contrast, a household's income, usually captured on an annual basis, is shaped by its number of earners, the hourly wage rate and annual hours worked, and an array of transfers (both private and public) and taxes. Those transfers and taxes are, in turn, shaped by household composition, including earners and nonearners, and members of all ages. In addition, interactions occur in multiple directions. Salverda and Checchi highlight key institutions that influence wage distributions, which, in turn, shape and are reflected in household income inequality—and we follow their lead.

Institutions that affect the distribution of earnings have received heightened attention in recent years among economists studying income inequality (see the influential policy proposals in Atkinson 2015; see also OECD 2008, 2011, 2015a,b). They have also attracted attention among political scientists, sociologists, labor scholars, and legal analysts (e.g.,

⁴We use the terms “dispersion” and “inequality” interchangeably. As much as the literature allows, we use the term “wages” to refer to hourly compensation and “earnings” to refer to annual labor income; we use the term “labor income” to encompass both.

Alderson & Nielsen 2002, Alexander et al. 2015, Anker & Anker 2017, Golden & Wallerstein 2011, Kenworthy 2001).

Hacker (2011, 2015) is widely credited with coining the term “predistribution,” referring to institutions that prevent or reduce market-driven inequalities. The term is intentionally contrasted with redistribution, specifically with the classic redistributive instruments—transfers and taxes—that directly reshape inequalities after the fact, that is, inequalities produced by markets.

Here we focus on two types of predistributional institutions, both central to shaping earnings distributions: (a) policies that directly regulate earnings (OECD 2015a), and (b) centralized wage setting institutions (Gottschalk & Smeeding 1997). A full assessment of the effects of these institutions on employment rates is outside the scope of our review, but we address them briefly. Finally, we focus selectively on measures that shape the lower tail of the earnings distribution, consistent with our subsequent focus on poverty in Section 4.⁵

2.1.1. Policies that directly regulate earnings.—Rich countries regulate low pay using diverse mechanisms; the most widespread (and widely studied) is minimum wage regulation. Currently, 26 out of 34 OECD countries have statutory minimum wages (OECD 2015a). In countries with legal minima, those minima are usually complemented by collective agreements that also set wage floors. In the eight OECD member countries without statutory minima—including all of the Nordic countries included in this review—large shares of workers are covered by collective wage setting agreements (OECD 2015b). The practice of setting minimum wages, via diverse institutions, has multiple goals, including reducing poverty or low-end wage inequality, protecting specific subgroups such as youths, and avoiding direct government expenditures on wage subsidies and/or social assistance (Blau & Kahn 2002, 2009; Boeri 2012; Bosch et al. 2010; Lucifora & Salverda 2009; OECD 2015b).

At least two other policy mechanisms that affect low-end earners are receiving increasing attention. First, several countries have enacted policies that protect part-time workers from wage discrimination (Gornick & Hegewisch 2014, Gornick & Heron 2006). These regulations place a relative floor under the hourly wages of part-time workers, who, across the OECD countries, make up (on average) 18% of employed persons, including 26% of employed women (OECD 2017b,c). Second, in a new area of policy development, some jurisdictions are implementing policies that protect workers from insufficient hours over extended periods (Alexander et al. 2015). Inadequate work hours (even with a sufficient hourly wage) raise the prevalence of low annual earnings and, in turn, exacerbate income poverty and/or inequality at the household level (Kalleberg 2011, OECD 2010). Labor market scholars are beginning to track zero hour contracts; the term refers to contracts or jobs in which a minimum number of hours is not guaranteed (Lambert 2008, Lambert et al. 2015). There is little systematic research on their prevalence across countries, but a recent

⁵We do not include, e.g., performance pay practices, profit sharing, corporate governance institutions, or other measures that especially influence the upper tail of the earnings distribution (see, e.g., Freeman 2007, Lemieux 2008, Sjöberg 2009).

estimate in the United Kingdom indicates that, as of 2016, nearly 1,000,000 workers (almost 3% of employed persons) held these jobs as their main employment (Full Fact 2017).

2.1.2. Unionization and centralized wage setting institutions.—Across rich countries, policies, laws, and conventions structure the balance of power between employees and employers. The nature and extent of workers' bargaining power are quantified in multiple ways, most often using union coverage (Visser & Checchi 2009), where coverage indicates the share of workers in workplaces where terms are collectively agreed upon. Collective bargaining in rich countries also varies with respect to both centralization (the level where bargaining takes place) and coordination (the degree of connectedness across bargaining units) (Blau & Kahn 2002, Gautié et al. 2010). The core logic of unionization is well established: to protect workers by formalizing, structuring, and strengthening their bargaining rights, universally regarding compensation (Visser & Checchi 2009), and, especially in Europe, in setting work hours (Keune 2007).

2.1.3. Policy controversies.—The minimum wage policy literature is dominated by concerns about disemployment effects. Researchers continue to debate the issue of whether minimum wages (at any level or above some threshold) raise wage floors but, at the same time, reduce demand for labor—thus reducing employment rates and/or hours among the employed. Whether the net effect of the minimum wage on the earnings distribution (including nonearners), or on income inequality, is equalizing or dis-equalizing is determined by which effect dominates (Checchi et al. 2002, Jardim et al. 2017).

The literature on working time policies raises some of the same concerns; some argue that, for example, part-time pay parity requirements deter employers from offering part-time work, potentially lowering the employment rates of some groups, such as family caregivers and older workers (Hegewisch & Gornick 2011).

Controversies about unions revolve around the appropriate or optimal balance of power, the role of the state in supporting or suppressing collective bargaining, and concerns about creating or hardening gaps between insiders and outsiders (Bazillier 2015). Contemporary controversies focus on the challenge of democratizing unions (Tsarouhas 2015) and the rise of alternative institutional forms (see Lee's 2016 review of so-called alt-labor organizations, including movement networks, immigrant nonprofits, and member-service organizations). In the United States, many debate whether the sharp decline in unionization that unfolded in recent decades is, in fact, irreversible (Dunn & Walker 2016, Fortin & Lemieux 1997).

2.2. Contemporary Cross-National Policy Variation

Minimum wage policies vary across rich countries, most notably with respect to their levels, both absolute and relative to within-country earnings distributions. OECD provides standardized information on minimum wage policies. In 2015, across 20 of the world's richest countries, minimum wage levels (as a percentage of within-country median earnings) varied sharply, from a low of 36% in the United States to a high of 62% in France; the cross-country (unweighted) average is approximately 50% (OECD 2015b).

Among affluent countries, European Union (EU) member states have been most active in developing policy protections for part-time workers and for workers with short/irregular hours (Hegewisch & Gornick 2008). The EU Part-Time Work Directive of 1997 requires that all member states implement measures that protect part-time workers against pay and benefit discrimination (Gornick & Heron 2006). Because the regulatory framework with respect to part-time work has developed mainly at the EU level, cross-national variation largely takes the form of differences between EU and non-EU countries (OECD 2010).

EU member states have long been active in regulating working time; historically, policy interventions focused on shortening work hours (Frase & Gornick 2012). In recent years, however, some European countries have begun to protect workers against insufficient hours. As of 2015, for example, although there were no regulations of zero-hours contracts at the EU level, some member states have enacted protections. Eurofound (2015) reports that Ireland, Italy, and the Netherlands require that employers pay some minimum amount to workers engaged in these forms of work. In addition, the United Kingdom recently banned exclusivity contracts, which disallow these marginal workers from holding more than one job (Full Fact 2017). US national and state governments have not legislated in either area: part-time pay parity (with the exception that minimum wage laws cover part-time workers) or minimum hours.

Unionization also varies among rich countries. OECD reports standardized coverage rates for its member countries. Across 21 high-income OECD countries at around 2015, the lowest levels of coverage were found in the United States and Korea, both 11.8%, and the highest in Austria, at 98.0%. Only 5 of these 21 countries indicate coverage rates below 20%—Estonia, Japan, Latvia, Korea, and the United States, while 8 report coverage rates of 75% or higher, with 3 of those 8 reporting coverage rates at 90% or higher (OECD 2018).

Visser & Checchi (2009) complement the cross-national portrait of union coverage rates with measures of collective bargaining structures, specifically the degrees of centralization and coordination. They report the highest levels of centralization in Ireland, the Netherlands, and Sweden, and the lowest in three Anglophone countries—Australia, the United Kingdom, and the United States—and in France. Visser and Checchi also report that the mostly highly coordinated system is in Ireland and the least coordinated, again, are in Canada, the United Kingdom, and the United States.

2.3. Effects on Earnings: Earnings Inequality and Earnings Sufficiency

An enormous literature assesses the effects of minimum wages on the dispersion of wages/earnings, especially at the low end; most of these works also assess employment effects. Many studies make use of natural experiments, including variation across countries, differences between subnational jurisdictions (e.g., neighboring states), or policy changes that provide opportunities to assess outcomes before and after.

Here, we focus on wage effects. Because this literature is so extensive, we concentrate on synthesizing existing reviews. Morris & Western (1999) report on the link between long-term stagnation in the United States' minimum wage and the decline in real earnings among those at the bottom of the distribution; they conclude that the “evidence is fairly consistent in

supporting a causal role” (p. 643). Blau & Kahn (2002), in their comprehensive cross-national study of labor market institutions, conclude that “in general, the effect of minimum-wage mandates on wage distributions has not been the subject of much controversy. Most economists believe that a minimum wage that is binding will bring up the bottom of the wage distribution” (Blau & Kahn 2002, p. 216). Others concur that instituting or raising minimum wages reduces earnings inequality, especially below the median (Salverda & Checchi 2015, p. 1653; Bosch et al. 2010, p. 110).

Each of these syntheses includes research that exploits cross-national variation in both policies and wage outcomes. Figure 1⁶ depicts the correlation between minimum wage levels and the incidence of low pay, defined as the share of the full-time labor force earning less than 2/3 of (within-country) median earnings, across 22 OECD countries with comparable data available. A negative association is evident between the two indicators, with a higher minimum wage associated with a lower incidence of low pay among the employed ($R = -0.36$).

As noted earlier, the more contentious question tackles the potential for negative employment effects associated with minimum wage policies. Theoretically, this relationship is indeterminate; the academic debate has thus unfolded through empirical work. A detailed summary of that literature is beyond the scope of this review. In short, we find Blau & Kahn’s (2002) synthesis persuasive. In contrast to research on wage effects, they observe: “Most of the research on the effect of minimum wages finds little evidence of negative employment effects, and, when these have been found, they are generally too small to have an important effect on the labor market” (p. 216).

Some researchers have assessed the relationship between minimum wages and household income, helping to join the literatures that Salverda and Checchi described as “miles apart” (p. 1537) (e.g., Checchi & García Peñalosa 2008, 2010). Cooper (2016) observes that, recently, a new literature tackles how increases in the minimum wage affect family incomes, specifically poverty rates. Focusing on the United States, he highlights a CBO (2014, p. 5) study that found that “raising the federal minimum wage to \$10.10 would increase family incomes of workers below the federal poverty line by \$5 billion and lift incomes of workers between one and three times the poverty line by \$12 billion” (see also Sawhill & Karpilow 2014). Cooper concludes that raising the US minimum wage has the potential to both reduce poverty rates and bring about a large reduction in social assistance spending.

A small literature assesses the effects of part-time pay parity laws. McGinnity & McManus (2007) and Bardasi & Gornick (2008) find a negative association between the presence of part-time pay protections and the part-time/full-time wage gap. OECD (2010) reports that such wage gaps persist in all member states a decade after the passage of the EU Directive, casting some doubt on its effectiveness. OECD (2010) also reports that poverty rates among part-time workers are more than twice those of full-time workers, on average across the

⁶All of the figures in this article present results based on various data sources made available from the OECD and draw on data from a group of 32 high-income countries.

OECD countries. This part-time work/poverty association is explained more by part-time workers' greater job instability than by their lower work hours.

As with minimum wages, there is a complex literature on the effect of unionization on earnings distributions. Again, we focus on synthesizing others' existing reviews. Blau & Kahn (2002) conclude: "We present extensive evidence that collective bargaining [leads] to wage compression and thus also help[s] explain the higher level of wage inequality in the United States. Collective bargaining has stronger effects on the overall labor market than minimum wages do. Thus, while market-oriented factors ... are important, there is still a strong, independent effect of wage-setting institutions on the wage structure as well" (p. 17).

Bosch et al. (2010) review the literature and add an empirical component. They conclude that union coverage is highly negatively correlated, across countries, with the incidence of low pay (see also Gottschalk & Smeeding 1997). Bosch et al. present a figure parallel to our Figure 1, but replacing the minimum wage with union coverage; within a group of high-income countries, as of 2005, they find that higher union coverage is associated with a lower incidence of low pay among the employed ($R = -0.81$).

Freeman (2007) and Salverda & Checchi (2015) paint more ambiguous portraits. Freeman (2007) concluded that the evidence shows that labor institutions reduce the dispersion of earnings but finds equivocal effects on other aggregate outcomes, such as employment and unemployment. Salverda and Checchi, similarly, conclude that unions have mixed effects. Although unions tend to reduce inequality among those covered, they potentially increase the earnings gap between union and nonunion sectors (the latter of which includes those in informal employment). Combining that with the possibility of an unemployment effect, they conclude that "the overall effect of unions on earnings inequality remains uncertain" (Salverda & Checchi 2015, p. 1640).

3. PRIVATE REDISTRIBUTION: INTERHOUSEHOLD TRANSFERS

The capacity of earnings alone to enable families to avoid poverty, or to mitigate low-end inequality, is compromised by instability in families, cyclical economic conditions, falling wages for the least skilled, the lack of affordable housing for young and even middle-aged adults, and disparities in resources among family members residing in different households. Many of these factors motivate and shape transfers, both private and public. In this section, we deal with private transfers (and, in Section 4, public transfers) and the taxes used to finance them.

Family transfers across households and shared resources across adult generations are the oldest instruments of redistribution, and they are playing a changing role in many countries. Here we investigate such transfers, realizing that the requisite data to describe these transfers are often unavailable, unless these transfers are made on a regular basis and/or are legally required (Bianchi et al. 2008, Fisher et al. 2016, Lee & Mason 2014).

3.1. Main Institutions: Logics and Current Controversies

Most of the private institutions that govern within-family transfers across households are culturally determined. Some are also shaped by public institutions that regulate interhousehold transfers when families disintegrate or (in the case of out-of-wedlock childbearing) possibly never form. These include child support regulations and alimony requirements.

Older generations often help younger adult members leave the family nest and set up their own units. They may also provide support, including shared living arrangements,⁷ well into their children's young adulthood, when those young adults fail to launch due to weak labor market opportunities, cultural factors, or both.

More generally, the interplay between the private and public sectors in intergenerational transfers is often assessed at both ends of the age spectrum (Cutler et al. 1990, Preston 1982, Wolf et al. 2011). Both child care and elder care are monetarily costly. At the same time, disagreements exist about the value and cost of raising children and how much of that cost ought to be borne by the public sector (England & Folbre 1999, Folbre 1994). In many countries, including some high-income Asian countries, we increasingly see fewer multigenerational units being formed, as elders and their adult children can afford to live apart; however, that change is accompanied by an increase in interhousehold money transfers (Chen et al. 2016, Kim & Choi 2011).

Here, we consider intergenerational transfers of money, a crucial source of private redistribution in rich countries (Albertini et al. 2007). Motives for mostly altruistic and voluntary exchanges that favor the least well off family members are now well established (Cox 1987, Cox & Rank 1992). But overall patterns have changed with the rise in economic and social well-being among the elderly, and the declining labor market fortunes of their children, as elders have moved from being net transfer recipients to net transfer donors in all rich and middle-income countries (Banerjee 2015, Burtless 2015, Fry et al. 2011, Lee & Mason 2014). Still, many continue to stress the importance of intergenerational transfers from adult children to their parents (Burggraf 1997, Demeny 1987). The extent of private family transfers to reduce hardship is also cyclical, as reported during in the Great Recession (Edin & Shaefer 2015, Gottlieb et al. 2014, Olivera Angulo 2013).

While there is a growing awareness that it is important to understand patterns of private family assistance, information remains scarce—especially about how private giving relates to public transfers. The question as to whether private transfers complement, or substitute for, public support across generations remains an open and contested one. Studies in the United States indicate that private transfers largely complement public income supports;

⁷Transfers in the form of shared living arrangements among adult generations are beyond the scope of our analysis. But we note that, in some traditional European cultures, sharing a household with adult children before their marriage is the predominate path to adulthood (see discussions of the “accordion family,” Newman 2012). And in other high-income countries, the extended educational attainment process, labor market realities, and ever-decreasing marriage rates lead many adult children to double up with their families to reduce housing expenses (Bell et al. 2007, Pilkauskas et al. 2014). Shared living is, of course, a form of intergenerational resource transfer.

public transfers crowd out private transfers only minimally (McGarry & Schoeni 1997, Schoeni 1997).

In addition, increased rates of solo parenting and divorce have pushed many rich countries to more forcefully regulate private transfers from absent parents to support children and their custodial parents (Meyer et al. 2011). Public debates concern who should pay child support, how much they should pay, for how long, and whether the public sector should provide some form of insurance to custodial parents when absent parents (who are mostly fathers) cannot or will not pay.

3.2. Contemporary Cross-National Policy Variation

Albertini et al. (2007) completed one of the first comparative studies of financial transfers and social support; they studied ten western European countries, using data from the 2004 Survey of Health, Ageing and Retirement in Europe. Their results confirm the existence of a dominant pattern of interfamily transfers in Europe: a net flow from older to younger generations. Transfers from elderly parents to their children are more frequent than from children to parents; even at age 70, elders remain net givers. Moreover, they report that country-specific transfer patterns follow the typology of welfare regimes. In the stronger and more generous Nordic welfare states, transfers from parents to children are less frequent, while they are more prevalent and larger in the weaker southern European welfare states, with the continental European countries falling in between.

Analyses of aggregate intergenerational national transfer accounts data for 40 countries, by Lee & Mason (2014), show that while very low fertility without immigration will indeed challenge government programs and undermine elders' living standards, moderately low fertility and population decline favor maintaining standards of living for all generations as long as elders transfer income and wealth to younger generations.

The ability to transfer money to one's children, of course, varies substantially by social and economic status. The current generation of elders is far better off than their children, on average, but that is clearly not the case for all families (Fry et al. 2011). Richer parents accumulate more wealth and can more easily make inter vivos transfers across generations, and they are more able to support themselves in old age, thus perpetuating and widening intergenerational inequality (Banerjee 2015, Fisher et al. 2007, Smeeding 2014). Private transfers across generations also differ widely by race and ethnicity. African Americans and Hispanics receive far less in private transfers than non-Hispanic whites, thus adding an intergenerational component to the growing racial wealth gap in the United States (McKernan et al. 2011).

Many private transfers are shaped by public policies. Payment of child support is much more regular in divorced families than in cases where parents never formally married. Furthermore, public welfare offices often demand that absent-parent payments offset outlays made for otherwise poor custodial parents, thereby limiting the amount of support that can be passed through (Cancian et al. 2008). The issue of multiple partner fertility, where children live as half-siblings, also complicates the process and worsens system performance (Cancian & Meyer 2011, Thomson et al. 2014). Many countries have programs that

guarantee child support payments when absent parents cannot or will not pay (Garfinkel 1992, Meyer et al. 2011, Skinner et al. 2007), and others are considering such actions (Cancian & Meyer 2018).

While all high-income countries engage parents and the courts in the determination of child support levels, most also involve formal systems of benefit payments or child support orders depending on absent parents' incomes and minimal support guidelines. Enforcement of child support payments takes place in all countries. In some, failure to pay child support leads to a buildup of arrears, prosecution, garnishment of wages, and even imprisonment. But the most consequential policy variation is between the two-thirds of rich countries that have advanced maintenance programs in place, as compared with the one-third of rich countries that do not (see Supplemental Table 5). Advanced maintenance programs ensure that regular payments are made to custodial parent through publicly provided payments. In countries without advanced maintenance protections, single parents are much more likely to face financial hardship due to absent parents' negligence or inability to pay.

3.3. Effects on Income in Nonelderly Households: Poverty and Inequality

Unless private transfers are regularly made and/or publicly enforced (e.g., with child support), they are typically captured poorly, if at all, in many household surveys. So, it is not possible to take a full accounting of the redistributive effects of all private transfers. Fortunately, however, the LIS microdata allow us to examine private interhousehold transfers in several high-income countries, as recorded in annual income surveys, and to calculate their contribution to total household disposable income. Using the LIS microdata, we assessed the prevalence and size of interhousehold transfers received in 18 high-income countries (see Table 1).

Considering (unweighted) cross-country averages, we find that 13.8% of nonelderly households reported receiving interhousehold transfers. Among those households that received this type of financial support, these private transfers accounted for 17%, annually, of disposable household income. Clearly, in high-income countries, in substantial numbers of households, private interhousehold transfers are a nontrivial component of the income safety net.

But, again, averages conceal variation across countries. Private transfers are most prevalent (received by about one-third of households) in Korea and Poland, two countries with weaker public income support systems. Private transfers are least prevalent (received by fewer than 5 % of households) in Canada, Slovenia, and Ireland, countries with substantially stronger public safety nets. Among those households receiving private transfers, these transfers are most substantial in Greece and Israel, where they exceed 40–47% of disposable household income, and in Spain and Korea, where they contribute about 23% of household income. In contrast, in Slovenia and three Nordic countries (Iceland, Denmark, and Finland), in households receiving these transfers, they account for less than 10% of household disposable income.

In the United States, in the aggregate, regular private cash transfers pale in comparison with large, irregular inter vivos strategic transfers. Transfers of this type—often made from

parents to adult children—include paying tuition and/or college-related housing expenses and purchasing durables such as automobiles (Fisher et al. 2016, Reeves 2017). These transfers are rarely recorded in consumption, income, or (except in some cases where donors are queried) wealth surveys; they are typically known only to the private accountants who implement these transfers.

We do, however, have some aggregate information on the direction and amount of intermittent private inter vivos cash transfers across generations. A recent US study, based on the Health and Retirement Survey, finds that while, on average, only 4.5% of households aged 50 and over received cash transfers from their children during the 1998–2010 period, the share of elders who gave to their children or grandchildren over a two-year period rose from 38.6% in 1997–1998 to 44.6% in 2009–2010 (Banerjee 2015, figures 1 and 3). In addition, average transfer amounts from younger to older family members are smaller than those transferred from older to younger members. During the 2009–2010 period, households with at least one member aged 85 or older received the largest average transfers among all elder recipient age groups, but the average amount was only \$359.

Focusing on nonelderly recipients, adults in their twenties and thirties receive more assistance than those of other ages, including the very old, and most of these transfers do not take place within the lowest income families (Banerjee 2015, Fisher et al. 2016). Among those aged 50 or older who gave to their children and grandchildren, the average gift during the 2009–2010 period was \$16,272. While the Banerjee study offers no information on the social or economic status of recipient children or grandchildren, older households that transfer money to their relatives in cash or in kind have much higher income and assets compared with those that do not make such transfers. Households in the top income and wealth quartiles also transfer much larger amounts to their family members than do those in lower quartiles, with transfers from the top wealth quartile averaging over \$40,000 in 2010 alone (Banerjee 2015).

4. REDISTRIBUTION BY THE STATE: GOVERNMENT TRANSFERS AND DIRECT TAXES

4.1. Main Institutions: Logics and Current Controversies⁸

All rich countries redistribute income through public transfers and taxes; these institutions form the core of the modern welfare state (Acemoglu et al, 2015, Esping-Andersen 1990, Hall & Soskice 2001, Iversen & Soskice 2009). These two policy instruments are crucial for reducing the poverty and inequality produced by markets (especially labor markets), combined with the interhousehold income redistribution that operates privately.

Public social transfers can be defined and disaggregated several ways, for example, by the form in which they are granted (e.g., cash, near-cash,⁸ or noncash), by eligibility structure (e.g., social insurance, social assistance, universal), and/or by the categorical need addressed (e.g., sickness, disability, unemployment, old age). For overviews of how public social

⁸This refers to transfers denominated in money amounts, such as vouchers for, e.g., food, housing, or child care.

transfers are structured in high-income countries, see OECD (2016, 2017a) and Adema et al. (2011).

Taxes, likewise, can be disaggregated in multiple ways. Taxes may be classified as direct (the burden is borne by the person on whom the tax is imposed) or indirect (the liability to pay and the burden fall on different parties). Direct taxes may be assessed on households (as income and some wealth taxes typically are) or on individuals (e.g., social contributions). Most studies of redistribution limit their analyses to direct taxes (Canberra Group 2001, 2011).

In this section, we focus our discussion, and limit our empirical exhibits, to transfers granted as cash or near cash; we include only nonelderly households and persons (including children); and, when we consider taxes, we include direct taxes only.

4.1.1. Conceptual frameworks in the literature.—For decades, analysts have approached the study of public redistribution via social transfers and taxes using two conceptual frameworks:

- One approach, which requires macrodata, compares transfers and/or taxes at the aggregate level. Social spending via transfers is calculated, e.g., as a share of total government spending and/or of gross domestic product (GDP) (for an overview, see OECD's Social Expenditure Database; for an example, see Kamerman & Kahn 1997). Likewise, taxes are analyzed as a share of, e.g., total household income or GDP. The magnitude of spending on transfers and/or the amount of taxes collected are used as indicators of (or proxies for) the extent of public redistribution. We use this framework below in Figure 2⁹ below (found in Section 4.2), where we present social spending on families as a share of GDP.
- A second approach, which requires microdata, calculates economic outcomes—usually poverty or inequality—first based on an income package that excludes public transfers, and again based on an income definition that includes transfers received and subtracts taxes paid. The former is often referred to as market income (or *prefisc* income) and the latter as disposable income (or *postfisc* income). The differential between the two (calculated in any of a number of ways) is taken as a measure of public redistribution (see Canberra Group 2001, 2011).

This method for analyzing redistribution is widely used by academic researchers (Brady & Bostic 2015, Massey 2007, Salverda et al. 2014) and analysts in public and supranational organizations, such as Eurostat and the OECD (Eurostat 2017; OECD 2011, 2015a). It has two clear advantages: It is easy to interpret, and usually transfers and taxes are combined, which avoids the problem of disentangling the two. It has at least two important disadvantages. One is that income definitions (both pre and post) can and do vary across studies (Atkinson et al. 1995). Another, perhaps the primary disadvantage, is that the market distributions are fictive; the behavioral and demographic effects of transfers and taxes are

⁹Figures 2 and 3 contain data from 31 of the 32 high-income countries featured elsewhere in this article; comparable data from Greece are not available.

ignored, rendering this approach an accounting exercise. Still, this method is illuminating for comparing the size and nature of public redistribution across countries and over time. We take this approach in Figures 3 and 4 below (found in Section 4.3).

4.1.2. Policy controversies.—All rich countries redistribute income through social transfers and taxes. While the existence of these institutions is not controversial, social scientists and policy analysts perpetually debate aspects of tax-and-transfer policy. In recent decades, several policy controversies have been active, intensifying and receding in cycles. In the past nearly ten years, linked to the financial crisis, policy actors in several countries imposed (or called for) austerity measures. Because, in some countries, these measures included deep cuts to social transfers and (in some cases) to the taxes that finance them, austerity campaigns reopened questions about the optimal size of the welfare state—even in countries where that question had largely been settled in the past (Guillaud et al. 2017).

Other contemporary policy controversies focus on the question of whether social transfers should take the form of cash versus near- or noncash (the latter restrict recipients' consumption choices), and/or whether cash transfers should be conditioned on employment—and, if so, for which recipients (Currie 2006, Currie & Gahvari 2008, Förster & Verbist 2012, Hoynes & Patel 2017, Immervoll & Pearson 2009). In several rich countries, fierce policy debates concern immigrants' eligibility for social transfers (OECD, Eur. Union 2015, Siskin 2016).

In more academic contexts, a long-running debate assesses whether social transfers should be targeted versus universal in design. Some scholars argue that targeted designs deliver benefits to poor households more efficiently and with less public expense; at the same time, drawbacks of targeted programs include insufficient take-up, the imposition of effective taxes on earned income, and stigma. Universal benefits are understood to be more costly, but they are also more inclusive, less distorting to work incentives, less stigmatizing, and, by many accounts, more popular and more politically durable. Key contributions to the debate include Esping-Andersen (1990), Korpi & Palme (1998), Nolan & Marx (2009), Brady & Bostic (2015), Nelson (2007), and Maitre et al. (2005).

4.2. Contemporary Cross-National Policy Variation

An enormous research literature compares tax-and-transfer systems across high-income countries. Comparisons typically include—but are not limited to—the extent to which, and the ways in which, these systems redistribute income. Recent overviews include those of Marx et al. 2015, Marx & van Rie 2014, Wang et al. 2014, Caminada et al. 2012, and Lindert 2004.

Throughout the 1970s and 1980s, cross-national comparisons typically emphasized magnitudes—of spending, taxing, or both (see Uusitalo 1985). In recent decades, scholars have continued to assess the magnitude of tax-transfer systems but have supplemented that with analyses of the underlying architecture, or logic, of these public measures. That analytic shift is often linked to the 1990 publication of Esping-Andersen's *Three Worlds of Welfare Capitalism*, which emphasized both quantitative and qualitative axes of variation, captured partly through the idea of welfare state regimes, or models, or “worlds.”

While many social policy scholars have critiqued the regime approach, empirical scholars, in multiple disciplines, continue to argue for the existence of country clusters characterized by common social policy characteristics, including the nature and extent of redistribution. While many typologies exist, Esping-Andersen's original tripartite typology remains widely used in the comparative literature, especially as a strategy for organizing observed empirical patterns (Castles 2002, Scruggs & Allan 2008), and we draw on it here. This classic typology includes a liberal cluster (dominated by Anglophone countries), a conservative cluster (mainly continental European countries), and a social democratic cluster (populated by Nordic European countries). As studies of high-income countries expanded to include more countries, scholars proposed additional clusters/models, including, e.g., a former state socialist cluster (mainly Eastern European countries), a Mediterranean cluster (primarily southern European countries), and a Pacific Rim cluster (comprising high-income East Asian countries; see OECD 2017a). Our empirical presentations include exemplars from all of these models. That said, in the exhibits in Sections 2,3, and 4, we do not force our empirical results into country clusters. In Section 5, however, when we assess how the three overall policy arenas fit together, we use these well-known country groupings as a starting point.

In Figure 2, we present a contemporary snapshot of variation in social spending on nonelderly populations across 31 rich countries; these results include spending at national and subnational levels. As noted earlier, we interpret these expenditure levels to be one indicator of the extent of redistribution toward nonelderly households. The length of the vertical bars presents the total amount of income support (via cash transfers) provided to working-age populations, as a share of GDP.

Income supports to working-age persons range from a low of 1.3% of GDP in Korea to a high of 8.0% of GDP in Belgium; the unweighted OECD average is 4.5%. Some clustering is clearly apparent. Four of the five Nordic countries included here (Denmark, Finland, Iceland, Norway) fall above the OECD average; only Sweden (at 4.3) falls slightly below. The seven Eastern European countries—the Czech Republic, Estonia, Hungary, Latvia, Poland, the Slovak Republic, Slovenia—all fall at or below the OECD average. The two East Asian countries included here (Japan and Korea) are the two lowest spenders.

Other clusters are less homogeneous; the six Anglophone cases (Australia, Canada, Ireland, New Zealand, United Kingdom, United States) report widely varying levels of spending. The United States is among the three lowest spenders; at 2.3 %, spending in the United States is about half the OECD average.

We further note that countries' breakdowns across the four spending categories vary. For example, the United States reports an especially low level of family cash benefits, which is not surprising, as it provides no family allowances and very limited maternity or parental leave benefits (and none at the national level). Three countries—Canada, Denmark, and the Netherlands—stand out as high providers of other social policy benefits; they rely more heavily on generalized cash assistance programs.

4.3. Effects on Income in Nonelderly Households: Poverty and Inequality

An extensive comparative research literature has assessed redistribution using the pre versus post framework introduced above. This is especially common in research based on the LIS microdata (Brady & Bostic 2015, Brady et al. 2017, Gornick & Jäntti 2013, Massey 2007, Morelli et al. 2015) and in publications produced by the OECD (2011, 2015a). The OECD utilizes a variety of data sources; many are the same as those that underlie the LIS microdata. In this final section, we summarize the poverty and inequality-reducing effects of rich countries' tax-transfer systems on nonelderly persons in two empirical exhibits (see Figures 3 and 4).

4.3.1. Poverty.—We present child poverty rates in Figure 3, across the same 31 high-income countries included in Figure 2. Child poverty is, of course, only one window on the economic well-being of nonelderly households. We focus on it here for two reasons: because there is widespread consensus that less child poverty is always desirable and because child poverty is so consequential. For children, living in a poor household is associated with a range of negative outcomes that affect them and possibly their peers as well; furthermore, child poverty is linked to risks and hardships that can last through the entire lifecycle (Brady & Burroway 2012, Gornick & Jäntti 2012, Gornick & Nell 2017, Rainwater & Smeeding 2003, Smeeding & Thévenot 2016).

Each country's child poverty outcomes are captured in a vertical arrow. The top of the arrow (the horizontal dash) indicates the poverty rate for children age 17 and under, according to their households' market income. Market income includes income from employment, self-employment, and income flows from savings and capital (interest, rent, and dividends), as well as private transfers (including the interhousehold transfers that we discussed in Section 3). The bottom of the arrow (the arrowhead) indicates the poverty rate based on disposable household income, that is, income after public cash and near-cash transfers have been added and direct taxes have been subtracted (OECD 2017b). In both cases, poverty is defined as household income below 50% of each country's median disposable household income; all incomes are adjusted for household size. The length of the arrow corresponds to the magnitude of redistribution.

Figure 3 reveals several key findings:

- First, child poverty rates based on market income vary dramatically, from a low of 8% in Korea to a high of 35% in the United Kingdom; likewise, child poverty rates based on disposable income (i.e., after redistribution) also vary markedly, from a low of 3% in Denmark to a remarkable 26% in Israel.
- Second, the levels of redistribution vary enormously. In Korea, only 1 percentage point of market income poverty is removed by taxes and transfers (of course, starting from a low base), whereas the United Kingdom and Ireland (starting from much higher bases) remove 23 and 25 percentage points of child poverty, respectively.
- Third, again we see evidence of country clustering. Market-income-based poverty rates combine with varying levels of redistribution to produce some

general patterns vis-à-vis disposable income poverty. All five Nordic countries (Denmark, Finland, Iceland, Norway, Sweden) fall in the bottom third (low poverty), all seven continental European cases (Austria, Belgium, France, Germany, Luxembourg, Netherlands, Switzerland) fall in the middle third (moderate poverty), and the three southern European exemplars (Italy, Portugal, Spain) fall in the top third (high poverty).

Note that these findings are broadly consistent with the results on aggregate social spending on the nonelderly. For example, the comparatively high-spending Nordic cases (see Figure 2) report comparatively low postfisc child poverty rates (see Figure 3), while the low-spending East Asian countries (see Figure 2) report the least amount of redistribution, i.e., the shortest bars (see Figure 3.)

- Finally, the United States again stands out: While it has the sixth highest rate of market income poverty, it has the third highest rate of disposable income poverty, behind only Spain and Israel. It moves up in rank (toward more poverty) because it removes only 7 percentage points of child poverty through redistribution, the least amount among the five Anglophone cases included here. Moreover, the postfisc child poverty rate in the United States (20%) is markedly higher than in several other English-speaking countries, including Ireland (9%), the United Kingdom (11%), Australia (13), New Zealand (14%), and Canada (15%).

4.3.2. Inequality.—We present a parallel analysis in Figure 4, assessing cross-national variation in interhousehold income inequality among working-age persons. (The Ginis reported here pertain to persons aged 18–65; the calculations are based on these persons' total household income.) The top of the arrow, again, indicates inequality of households' market income, the bottom reports inequality of disposable household income, and the length corresponds to the magnitude of redistribution. The metric is the widely used Gini coefficient, which ranges from zero to one, with higher values indicating more inequality (for an overview of the Gini, see Cowell 2000).

Figure 4 also reveals several clear findings. Overall, we find that the poverty results (Figure 3) and the inequality outcomes (Figure 4) reveal similar patterns—indicating that, to a large degree, cross-national variation in the bottom halves of these 31 income distributions correlates with variation in their full income distributions:

- First, as with poverty, inequality based on market income (and captured by the Gini coefficient) varies sharply, from a low of 0.302 in Korea to a high of 0.508 in Ireland; again, in parallel with the child poverty results, inequality in disposable income (i.e., after redistribution) also varies extensively, from 0.244 in the Slovak Republic, to a high of 0.384 in the United States.
- Second, the levels of redistribution vary enormously, and the extreme cases, again, track the poverty results. In Korea, only 0.03 Gini points of inequality are removed through redistribution, while in Ireland, transfers and taxes remove 0.21 Gini points.

- Third, there is again some clear welfare state clustering. All five Nordic countries report comparatively low disposable income inequality (all ranking in the bottom third). Six of the seven continental regime cases (Austria, France, Germany, Luxembourg, Netherlands, Switzerland) fall within the middle third of the countries (with only Belgium reporting modestly less inequality), and the three southern European cases (Italy, Portugal, Spain) again fall in the top third (high inequality).
- Finally, the United States, once more, stands out; while it has the fifth highest level of market income inequality, it reports the highest level of disposable income inequality among all 31 countries. The United States' high level of market income inequality is compounded by the meager redistribution (only 0.08 Gini points). Among the liberal countries, only Canada redistributes as little as the United States does (0.08 Gini points), but Canada's starting point (market income inequality) is substantially lower.

5. CONCLUSIONS AND DIRECTIONS FOR FUTURE POLICY AND INSTITUTIONAL RESEARCH

Our review has taken a broad approach to synthesizing research on redistribution. Drawing on the concept of the income package, we included three institutional arenas, which operate—simultaneously and interactively—to shape income distributions in rich countries:

- predistribution (i.e., rules and regulations that govern work and pay),
- private redistribution (i.e., interhousehold transfers, some of which are publicly regulated), and
- public redistribution (i.e., operating via cash transfers and direct taxes).

In a final empirical step, we consider these institutional arenas simultaneously to assess the ways in which they operate and interact. In Table 2, we report levels of provision—low, medium, high—across the three overarching instruments of redistribution: predistribution, captured here by the minimum wage, private redistribution, illustrated by the share of household disposable income coming from interhousehold transfers (among nonelderly households that receive these transfers), and public redistribution, captured here by three indicators: social expenditures, child poverty reduction, and income inequality reduction.

Two main results emerge from Table 2. First, we consider private and public redistribution. Here, we see clear evidence, overall, of country clustering within institutions (i.e., within columns) and—at the cluster level—some evidence of a trade-off between private and public redistribution. Within the Nordic cluster (where data are available), private transfers, based on this indicator, are uniformly low; in contrast, across all three public redistribution indicators, public redistribution is medium or (especially in Denmark and Finland) high. In the East Asian cases, we see evidence of the reverse: Public redistribution is low, while private redistribution is high (although, on the latter, we have data only for Korea). Israel follows the same pattern: low public but high private redistribution. A different pattern emerges in the Continental countries: Across the cases with available data, a medium level

of private redistribution is paired with a mixed pattern of public redistribution, but one mainly characterized by medium and high intervention. The Anglophone countries reveal an even more heterogeneous result. While private transfers are medium in all five Anglophone cases with available data, public transfers are varied—high on all three indicators in Ireland and low on all three in the United States.

Second, the interplay between minimum wages and the other institutions presents an even more mixed picture, with less evidence of country-level trade-offs.¹⁰ Nevertheless, we see some patterns. In the seven eastern European countries, we report a dominant pattern of medium and high minimum wages (only the Czech Republic sets a low wage floor); those relatively high minimum wages are paired with mainly medium and low public redistribution—offering some evidence of a trade-off. However, in the four Continental countries that set minimum wages—France, Germany, Luxembourg, and the Netherlands—those wages floors are at moderate or high levels. Likewise, with the partial exception of German social spending, public redistribution also falls at medium or high levels; no clear trade-off seems to be operating. The United States, with an entirely different policy package, also presents a case of no clear trade-off; the United States is characterized by a low minimum wage (lowest among these 22 countries) and low public redistribution by all measures.¹¹

Clearly, more research is needed on the interplay among these various instruments of redistribution. Future work should aim to go further than we have here in assessing the precise ways in which various instruments of redistribution serve as substitutes versus complements to one another. Equally important is uncovering the underlying causal mechanisms, that is, the ways in which various forms of redistribution shape each other.

We close with some final remarks about additional directions for further research. Our review of the literature brings into relief the need for more and deeper research and policy analyses in several areas, some of which depend upon expanding data capacity beyond what is available today.

First, more work is needed on trends. We have provided snapshots of institutions as they currently operate, across a set of rich countries. More research is needed that assesses the extent to which, and the ways in which, these institutions and their effects have changed since 1980, when inequality of both earnings and income began to rise in many countries. We know that since 1980, income inequality has risen in about two-thirds of the rich countries, while it has remained stable or fallen in the other third (Gornick & Jäntti 2013). It is not yet clear how changes in these institutions—predistribution, private transfers, public transfers and taxes—individually and interactively drove these divergent outcomes. Research on change over time will also help us to envision what future decades are likely to bring.

¹⁰This summary analysis is complicated by the absence of legal minimum wages in several countries, especially the Nordic countries, which rely heavily on collective agreements in setting wage floors.

¹¹When we look across countries, as we do in this exercise, we do not see clear evidence that higher minimum wage levels are associated with less public redistribution, or vice versa. But that does not mean that an inverse relationship does not operate within countries. In fact, as noted earlier, some studies have concluded that raising the US minimum wage has the potential to reduce social assistance spending substantially (Cooper 2016, Sawhill & Karpilow 2014).

Second, more work is needed to assess how these instruments of redistribution, which we considered largely in the aggregate, affect population subgroups differently. Future work should assess how these institutions affect households that vary by, say, income decile, family structure, urbanicity, and region, and whose composition varies by gender, age, race, ethnicity, education, health status, sexual orientation, and more. The 2015 Sustainable Development Goals are structured to emphasize the need for expanded analyses, in rich and poor countries, on exactly these types of disaggregation. This line of work demands high quality microdata based on surveys and/or administrative records. Fortunately, new and improved data sources are steadily developing, but more fine-grained and more disaggregated data are needed.

Third, more research and data are needed on private transfers, especially among family members who are not coresident. This form of redistribution, largely private, is especially complex because transfers of income and wealth are intertwined and overlapping. In addition, many households make large strategic transfers targeted on various life cycle events; as we noted, these are missing from most data sources. New and creative strategies are needed to build data capacity in this area. (For a fruitful initial effort, see Hotz et al. 2017.) More work is also needed on transnational interhousehold transfers; a growing body of work attempts to quantify and locate remittances, most of which flow from richer to poorer countries (World Bank 2017) but data are incomplete. Many surveys, for example, query whether households transfer resources out, but fail to specify if those transfers are domestic or transnational.

Fourth, more work is called for on so-called tax breaks for social purposes. In many countries, tax policies are implemented to both redistribute resources and stimulate specific forms of private spending on education, child care, health care, housing, and so on. Many of these tax-based interventions specifically affect incentives to work for pay (see, e.g., Adema et al. 2011). These tax instruments often combine predistributional and redistributive features, and more work is needed to assess their net effects, both in the aggregate and on specific subgroups. Further work is also needed to identify and untangle potential secondary effects, such as exacerbating inequality in parental investments in education (Kirkegaard 2015, Reeves 2017) or intensifying residential segregation (Massey & Brodman 2014).

Finally, we return to the issue of child poverty. While there is a large scholarly literature on the causes and consequences of child poverty, more work is needed that focuses on the precise design and consequences of policy interventions that lessen its prevalence, depth, or both. A growing body of work has unpacked the details of policy programs designed to reduce child poverty. Waldfogel (2010) provides an account of the United Kingdom's much-publicized child poverty reduction program. Likewise, Corak (2017) assesses a major child benefit initiative recently passed in Canada; he reports that the program is expected to nearly halve the number of children in poverty within a four-year period. With an eye on the United States, some analysts have focused on the poverty-reducing potential of universal child allowances (Cho 2017, Matthews 2017). Today, much is known about specific national success stories, but less is known about how policy lessons transfer across countries and over time. In our view, it is specifically in this area—the design and implementation of

redistributive interventions that reduce child poverty—where United States policy-makers ought to focus their search for policy lessons.

Supplementary Material

Refer to Web version on PubMed Central for supplementary material.

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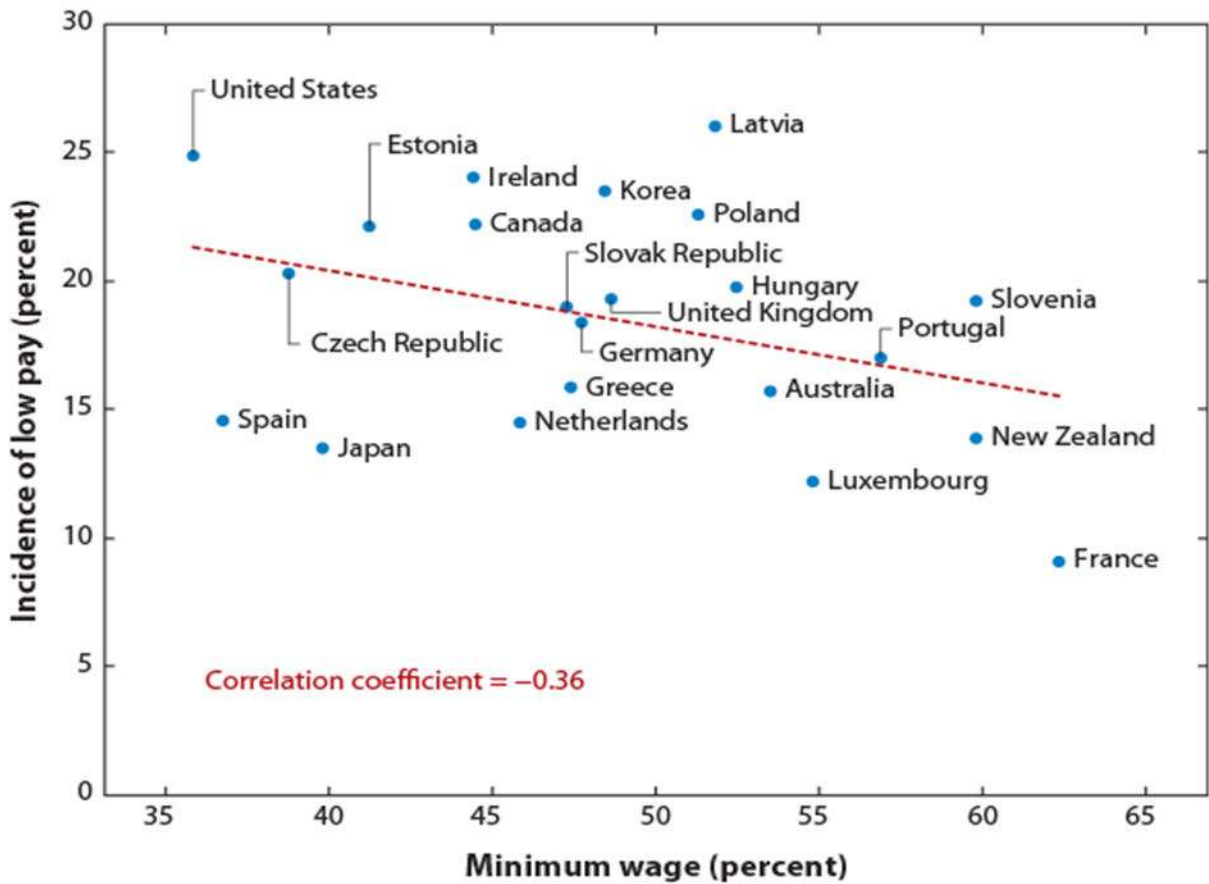


Figure 1.

Incidence of low pay is defined as the share of the full-time labor force earning less than 2/3 of median earnings. Minimum wages are expressed as a percentage of the median wage. Incidence of low pay refers to 2014–2016, i.e., the most recent year available. Minimum wage data pertain to 2015. The numerical results presented in this figure are available in Supplemental Table 1. Data on low pay are from <https://data.oecd.org/earnwage/wage-levels.htm>. Data on minimum wages are from <https://stats.oecd.org/Index.aspx?DataSetCode=RMW>.

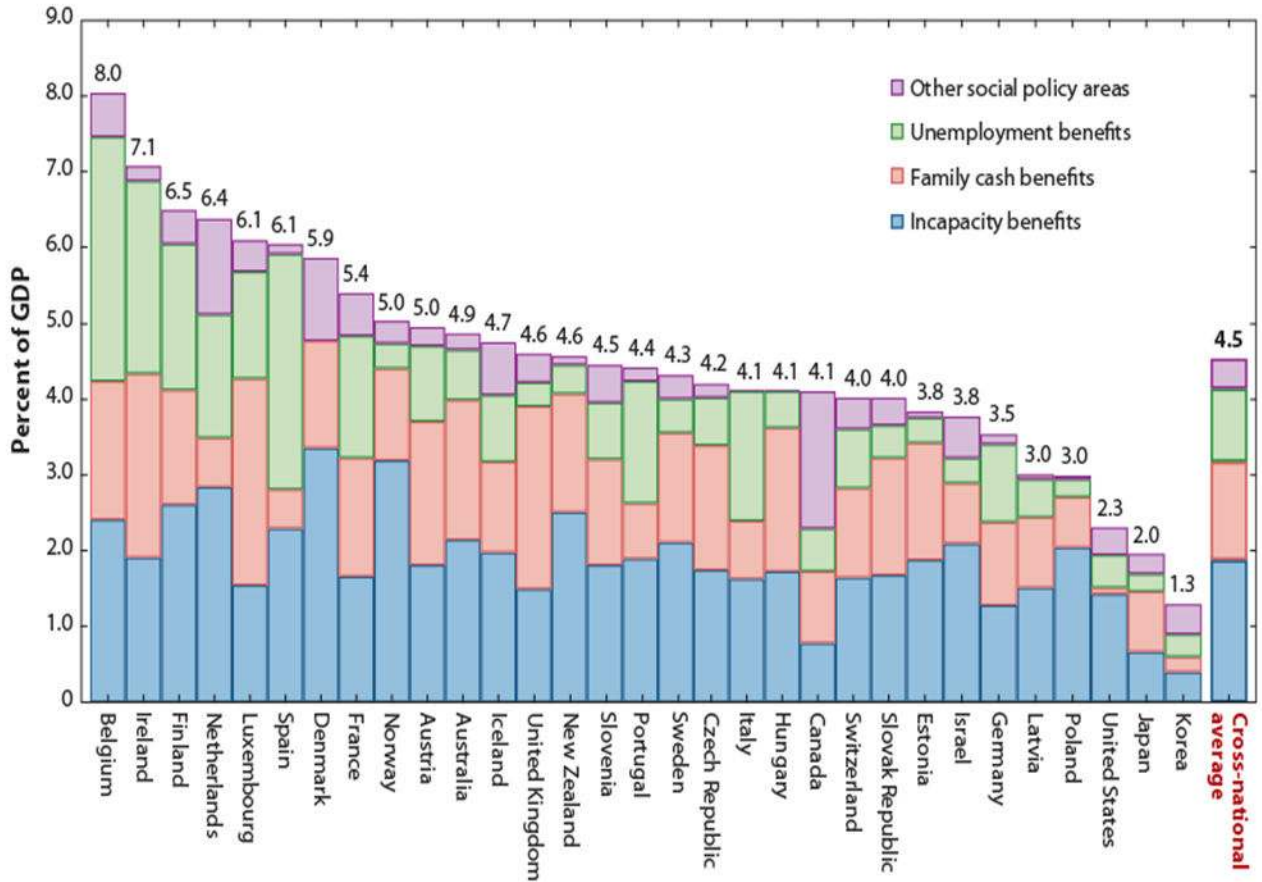


Figure 2.

Income support for working-age population (2013-2014). Disaggregation is as follows: incapacity benefits (sickness, disability), family cash benefits (family allowances, maternity and parental leave, lone parent benefits), unemployment benefits (compensation for unemployed persons), and other social policy benefits (including general cash social assistance and income maintenance benefits targeted on the poor). Income support is expressed as percentage of gross domestic product, and the working-age population is age 16–64. The numerical results used to create this figure are available in Supplemental Table 2. Source: Organisation for Economic Co-operation and Development Social Expenditures Database (<http://www.oecd.org/social/expenditure.htm>).

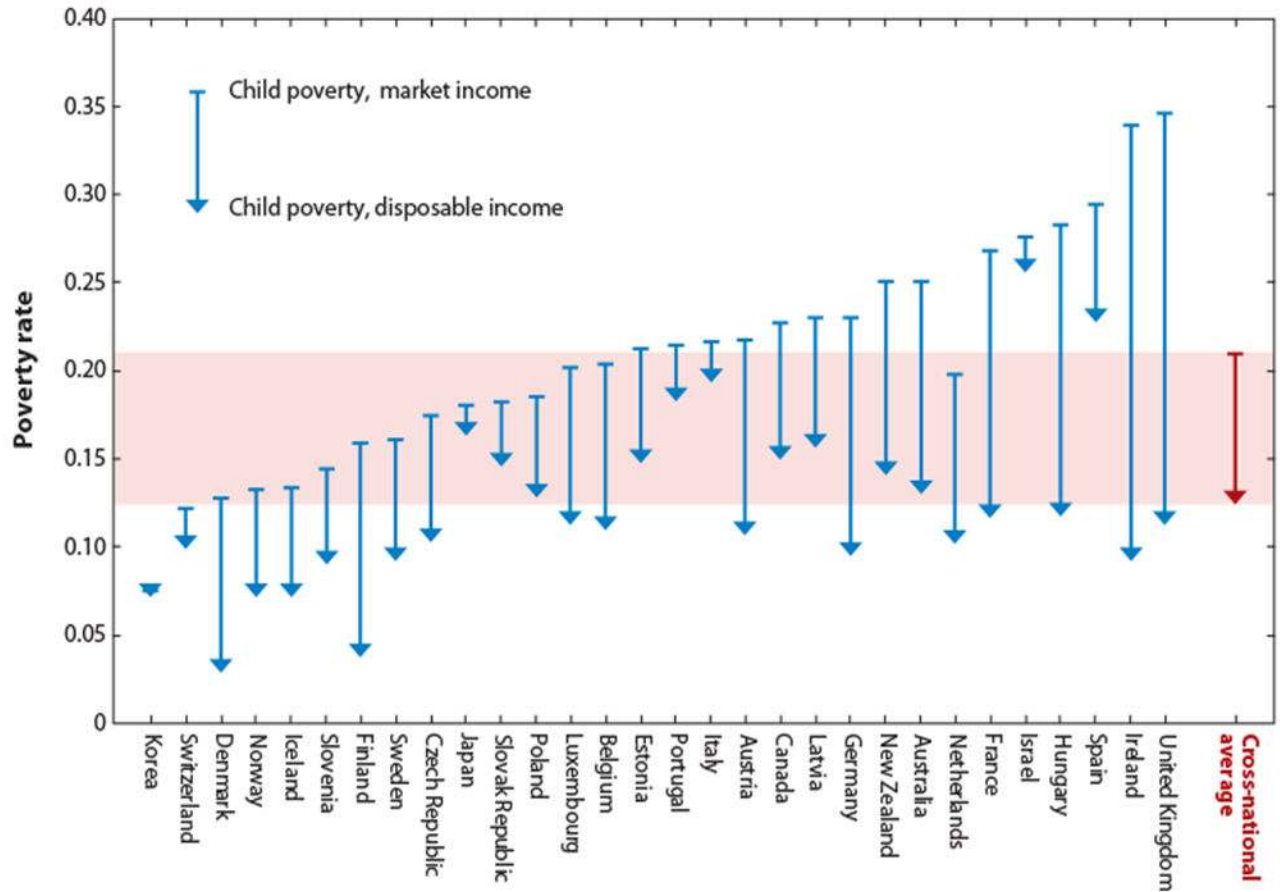


Figure 3.

Child poverty, percent of children poor based on household market income and household disposable income in approximately 2015. The red lines indicate the cross-national averages. Market income includes income from earnings, capital, and private transfers. Disposable income includes market income, plus cash and near-cash public transfers, net of direct taxes paid. Poverty is defined as a household income of less than 50% of disposable income, adjusted for household size. Children are defined as age 17 or younger. The numerical results used to create this figure are available in Supplemental Table 3. Source: Organisation for Economic Co-operation and Development Income Distribution Database (<http://oe.cd/idd>).

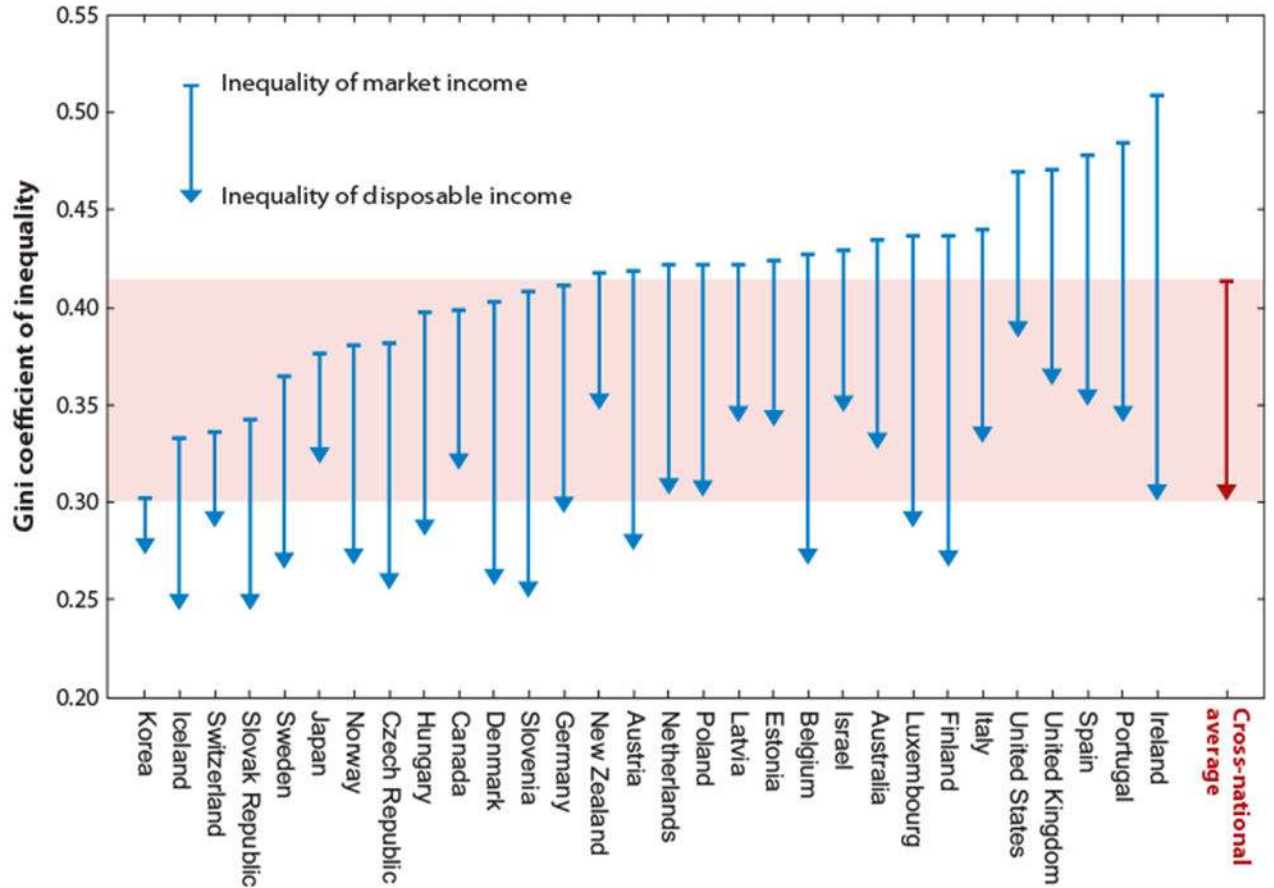


Figure 4.

Income inequality, based on household market income and household disposable income, for persons aged 18–65 in approximately 2015. The red lines indicate the cross-national averages. Market income includes income from earnings, capital, and private transfers. Disposable income includes market income, plus cash and near-cash public transfers, net of direct taxes paid. The Ginis reported here pertain to persons aged 18–65 and are based on these nonelderly persons' total household income. The numerical results used to create this figure are available in Supplemental Table 3. Source: Organisation for Economic Co-operation and Development Income Distribution Database (<http://oe.cd/idd>).

Table 1

Interhousehold private transfers received, nonelderly households 2010–2013

Country	Percent of households that receive interhousehold transfers	(Mean) interhousehold transfers as a percent of (mean) household disposable income (among households with transfers)
Australia	15.4	13.2
Austria	11.6	15.1
Canada	4.4	13.2
Denmark	12.1	5.7
Finland	22.3	4.5
Greece	12.5	46.5
Iceland	22.3	9.1
Ireland	2.3	12.6
Israel	11.2	40.1
Korea	38.5	22.5
Luxembourg	5.3	10.2
Netherlands	17.6	16.8
Poland	36.2	15.9
Slovenia	4.3	9.4
Spain	7.0	23.3
Switzerland	11.2	17.7
United Kingdom	6.8	14.7
United States	7.7	15.7
Cross-Country Average	13.8	17.0

Data correspond to income reference year 2010 or 2013; the later year is used where data are available. This table includes only 18 of the 32 high-income countries discussed elsewhere in the article; comparable data are not available from the other countries.

Source: Luxembourg Income Study Database and authors' calculations.

Table 2 Institutional arenas, summarized: predistribution, private redistribution, and public redistribution

Country cluster	Country	Predistribution		Private redistribution		Public redistribution				
		Minimum wage (as percentage of median wage) ^a	Figure 1	Interhousehold private transfers (transfers received as percentage of disposable household income) ^b	Table 1	Social expenditures on working-age population (percentage of GDP) ^c	Figure 2	Child poverty removed via public taxes and transfers (percent of poverty removed) ^d	Figure 3	Income inequality removed via public taxes and transfers (percent of inequality removed) ^e
Nordic European Countries	Denmark	no statutory minimum	no statutory minimum	low	low	high	high	high	high	high
	Finland	no statutory minimum	no statutory minimum	low	low	high	high	high	high	high
	Iceland	no statutory minimum	no statutory minimum	low	low	med	med	med	med	med
	Norway	no statutory minimum	no statutory minimum	not available	not available	high	high	med	med	med
	Sweden	no statutory minimum	no statutory minimum	not available	not available	med	med	med	med	med
Continental European countries	Austria	no statutory minimum	no statutory minimum	med	med	med	med	high	high	high
	Belgium	not available	not available	not available	not available	high	high	med	med	high
	France	high	high	not available	not available	high	high	high	high	high
	Germany	med	med	not available	not available	low	low	high	high	med
	Luxembourg	high	high	med	med	high	high	med	med	high
	Netherlands	med	med	med	med	high	high	med	med	med
	Switzerland	no statutory minimum	no statutory minimum	med	med	med	med	low	low	low
	Czech Republic	low	low	not available	not available	med	med	med	med	high
	Estonia	med	med	not available	not available	low	low	med	med	low
	Hungary	high	high	not available	not available	med	med	high	high	med
Eastern European countries	Latvia	high	high	not available	not available	low	low	med	med	low
	Poland	high	high	med	med	low	low	med	med	med
	Slovak Republic	med	med	not available	not available	med	med	low	low	med
	Slovenia	high	high	low	low	med	med	med	med	high
	Greece	med	med	high	high	not available	not available	not available	not available	not available
Southern European countries	Italy	not available	not available	not available	not available	med	med	low	low	med
	Portugal	high	high	not available	not available	med	med	low	low	high

Country cluster	Country	Predistribution		Private redistribution		Public redistribution			
		Minimum wage (as percentage of median wage) ^a	Figure 1	Interhousehold private transfers (transfers received as percentage of disposable household income) ^b	Table 1	Social expenditures on working-age population (percentage of GDP) ^c	Figure 2	Child poverty removed via public taxes and transfers (percent of poverty removed) ^d	Figure 3
Anglophone countries	Spain	low	high	high	high	high	low	low	med
	Australia	high	med	med	med	med	med	med	low
	Canada	med	med	med	med	med	med	med	low
	Ireland	med	med	med	med	high	high	high	high
	New Zealand	high	not available	not available	not available	med	med	med	low
	United Kingdom	med	med	med	med	med	med	high	low
	United States	low	med	med	med	low	low	low	low
East Asian countries and Israel	Japan	med	not available	not available	not available	low	low	low	low
	Korea	med	high	high	high	low	low	low	low
	Israel	not available	high	high	high	low	low	low	low

Sources: Figures 1–4 and Table 1. Abbreviation: GDP, gross domestic product.

^aLow indicates <40, med indicates 40–49, and high indicates >50.

^bLow indicates <10, med indicates 10–19, and high indicates >20.

^cLow indicates <4, med indicates 4–4.9, and high indicates >50.

^dLow indicates <30, med indicates 30–49, and high indicates >50.

^eLow indicates <25, med indicates 25–29, and high indicates >30.