

Preface

The OECD has been at the forefront in documenting the rising levels of income inequality and the widening gap in terms of access to opportunities that have marked the past three decades. It has also taken a leading role in proposing policy approaches that can help countries make the turn towards more inclusive models of growth. The data make for a sobering read: the average disposable income of the richest 10% of the population is now around nine and a half times that of the poorest 10% across the OECD, up from seven times 25 years ago. Wealth inequality is even more pronounced, with the top 10% owning half of total wealth, while the bottom 40% holds only 3%. The concentration of income, opportunities and assets at the top of the distribution partly reflects the fact that tax and transfer systems have become less progressive in many OECD countries over the past decades. In many emerging and developing countries, inequalities remain large and the institutional developments required to provide effective social safety nets remain slow to take off the ground.

Childhood is a crucial moment in the development of individuals. Childhood is also a critical issue for societies and economies, as it determines the formation of human and social capital. Inequality in childhood means inequality across the life-cycle. Children who grow up in poor families have less access to quality education and health care. As young people, they are likely to enter the labour market at an earlier age than their peers and take up low-skilled jobs at a time when technological change and globalisation are increasing the returns to education. Furthermore, low-skilled workers receive much fewer opportunities to upskill and retrain: only 20% participate in job-related adult learning compared to 37% and 58% of medium- and high-skilled workers.

OECD evidence shows that we are facing a persistent gap in opportunities between the children at the bottom of the income distribution and the children at the top. This is fuelled by the growing inequality in parents' resources and the quality of children's home environments. As a group, children in affluent families receive far more investment in parenting and education than ever before. However, societies that let children from less fortunate households fall behind and fail to improve their chances of success pay a heavy price. According to the 2018 OECD report *A Broken Social Elevator?* reduced social mobility is now a feature of our societies. On average across the OECD, it would take between four and five generations (i.e. up to 150 years) for a child born into a low-income family to reach the average level of income. Left unchecked, these gaps will further widen and create greater economic and social polarisation. Already the political consequences of such dynamics can be seen in many countries, expressed through citizens' distrust of institutions and an overriding sense of discontent with the deal they have been given.

In response to this, the OECD has called for a new growth narrative that puts people's well-being at the centre of policy and moves beyond GDP as the sole metric of success. Through its Well-being Framework, New Approaches to Economic Challenges and Inclusive Growth initiatives, the OECD has sought to upgrade its analytical models and measurement tools to better understand the functioning of our economies and to promote policies that integrate considerations of equity *ex-ante*. The OECD has also developed a *Framework for Policy Action on Inclusive Growth*, which offers governments concrete guidance on how to design and implement policies that will give all people, firms and regions the opportunity to thrive – particularly those that are struggling or have been left behind.

The OECD has also placed the issue of inequalities and the need for inclusive growth at the heart of the international agenda, where it has helped inform the work of the G7 and G20.

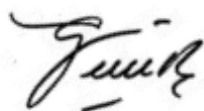
The present OECD report, *Changing the Odds for Vulnerable Children: Building Opportunities and Resilience*, makes an important contribution to the first pillar of the *Framework for Policy Action on Inclusive Growth*: Investing in people and places left behind. In doing so, it highlights the fact that children are vulnerable for different reasons and outlines the individual and environmental factors at play. It calls on countries to develop child well-being strategies that prioritise the needs of vulnerable children. It recommends six key policy actions around which to promote child well-being. These policies actions aim to reduce risks and strengthen protective factors, thereby enabling children to build greater resilience. They are designed to reach vulnerable children early in life, when it matters most, and include policies targeted at increasing children's educational success and empowering vulnerable families.

The analysis underscores the decisive role that childhood experiences play in shaping adult outcomes and the importance of providing children with the support they need to successfully overcome early-life disadvantage. Young children under three suffer heavily from family stress and material deprivation. Conversely, they benefit the most from early childcare and education (ECEC) interventions and time away from the home environment. Yet, children from low socio-economic households have far less access to ECEC, in some countries only half as many of them attend as their more fortunate peers. Maltreatment in childhood undermines adult economic self-sufficiency later in life and is a strong predictor of poor adult mental health. The quality of out-of-home care informs young adults' level of educational attainment and preparedness for the labour market.

We have found that rising inequalities have an adverse impact on child well-being. Higher inequality is linked with greater psychological distress and poor mental health among adolescents; where children rank economically amongst their peers matters a lot. The inter-generational transmission of mental health is strongest for children in lower socio-economic households. A larger share of children with disabilities live in low socio-economic households.

The report documents a rise in child poverty in almost two-thirds of OECD countries since the Great Recession. Children are more exposed to poverty than the rest of the population. Right now, across the OECD, one in seven children grows up in poverty. The living standards of children from low-income families have declined in many countries, particularly for those families with the smallest incomes. Furthermore, family homelessness is on the rise in a number of OECD countries, creating hardships that have serious implications for child development and well-being, as well as later adult outcomes.

The well-being of society improves most when society chooses to invest in its children. This report makes a key contribution to the OECD's vision for inclusive growth by placing children where they belong – at the centre of policy concerns. This report builds an overwhelming case for investing in the well-being of vulnerable children. We hope it will translate into concrete action by helping governments develop policies that ensure a better life and a brighter future for all children, particularly the most vulnerable.



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