

It doesn't happen here

The reality of child poverty in the UK

Barnardo's UK

**EXECUTIVE
SUMMARY**

Barnardo's UK

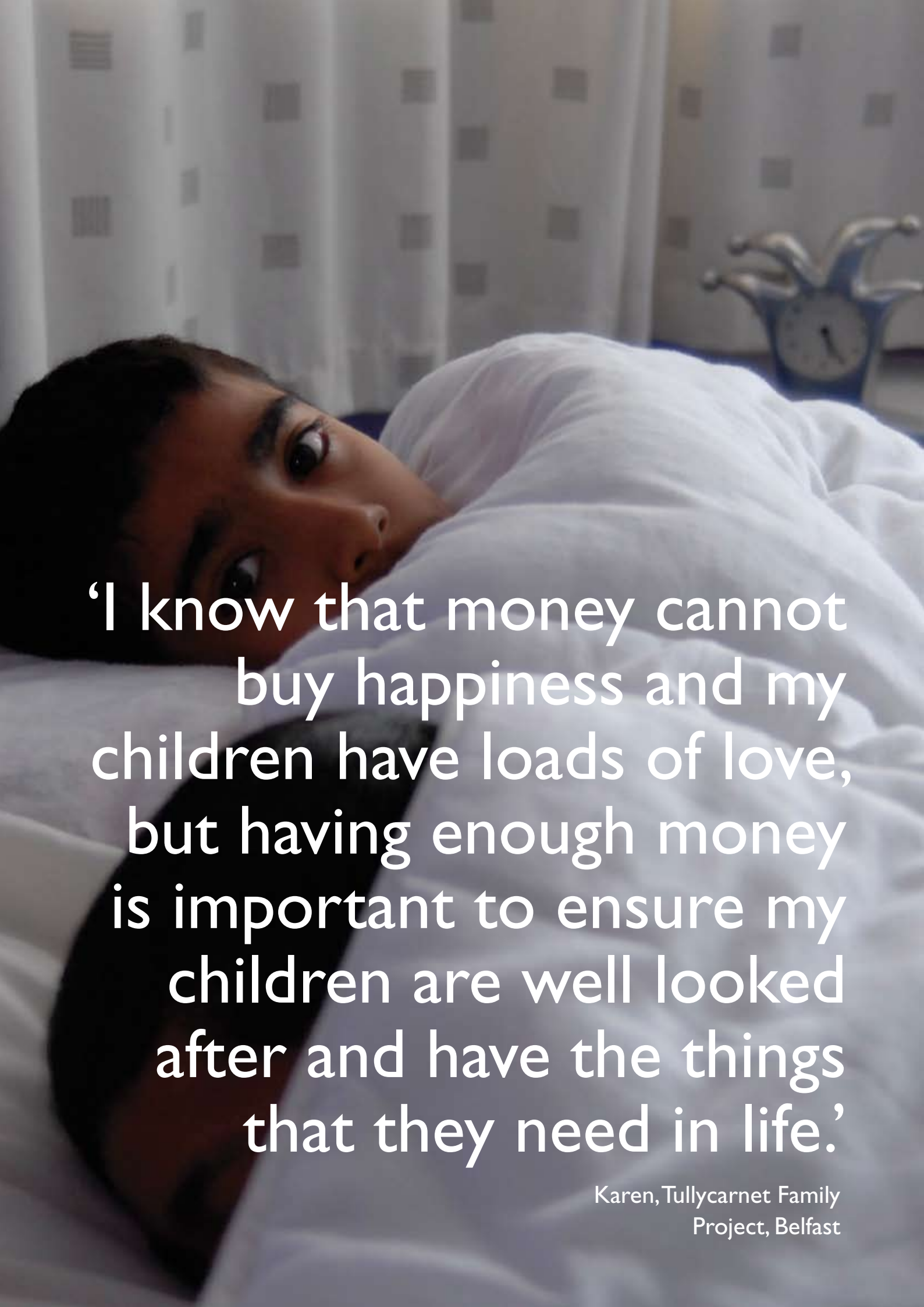
we support  end child poverty

A member of the Campaign to End Child Poverty



Barnardo's

GIVING CHILDREN BACK THEIR FUTURE



‘I know that money cannot buy happiness and my children have loads of love, but having enough money is important to ensure my children are well looked after and have the things that they need in life.’

Karen, Tullycarnet Family
Project, Belfast

Introduction

In March 1999 the Prime Minister made a historic and ambitious pledge to end child poverty within a generation. There are now 600,000 fewer children living in poverty than eight years ago, for whom quality of life and future opportunities are improving. But far too many children are still left behind. The lives of 3.8 million children in the UK – one in three – are blighted by poverty.¹ Child poverty in the UK is double what it was in 1979 and is well above the European average. After a slow but steady fall in child poverty from the late 1990s, progress now appears to have stalled and on current policies there seems little prospect of the Government meeting its milestone target of halving child poverty by 2010.

This report is a summary of a wider UK study (called *It doesn't happen here*), based on interviews with over 40 families with whom Barnardo's works. These include children in black and minority ethnic families, those in families struggling on low wages, lone parent families, families affected by disability and large families, and other vulnerable groups, including children in asylum-seeking families, children in poor housing and young people living independently.

Additional modelling carried out by the Institute of Fiscal Studies, using the baseline of 2004/05 HBAI, estimates the poverty rates for these groups of children in 2010 on present policies and if an additional £3.8 billion was spent.²

The case studies illustrate the daily grinding struggle that low income families in the UK face in providing a decent childhood for their children.

'You don't expect life to get any better, you just struggle all the time, you think this is life.'

Heather, Barnardo's Ely Family Centre, Cardiff

The problem: inadequate incomes and low wages

In 2005/06 a couple with two children living in the UK spent on average £642 a week.³

The families interviewed for the Barnardo's *It doesn't happen here* report had incomes far lower, and in most cases well below the Government's own poverty line.⁴ For example, Heather,⁵ a lone parent with three children, is living on benefits of £210.44 a week,⁶ or £40.56 below the Government's own poverty line.⁷ And Jill,⁸ aged 17, lives on her own and is putting herself through college on £75 a week.

Poverty does not only affect children whose parents are out of work. More than half of poor children in the UK live in families with at least one earner.⁹ Ending child poverty requires redistribution through the tax and benefits system to provide an adequate safety net and to make work pay. It also requires long-term solutions to address the causes of poverty.



Keeping the child poverty promise

By investing an extra £3.8 billion

Keeping its promise to halve child poverty by 2010 will require the Government to spend a total of £3.8 billion more by 2010 than currently planned. On current policies, there is little prospect of the 2010 target being hit.

What would the £3.8 billion investment mean?

With an additional £3.8 billion investment there could be, by 2010, across the UK (compared with 2004/05):

- 320,000 fewer poor children in lone parent families
- 90,000 fewer poor children in two-parent families where one parent works full-time and the other parent does not work
- 240,000 fewer poor children in families with a disabled adult
- 50,000 fewer poor Pakistani and Bangladeshi children.

Without the additional £3.8 billion investment there could be by 2010 (compared with 2004/05):

- 70,000 more poor children in two-parent families where one parent works full-time and the other parent does not work
- 40,000 more Pakistani and Bangladeshi children living in poverty
- 30,000 more poor children in lone parent families.

In his commentary in the main report *It doesn't happen here*, Donald Hirsch reminds us that *the battle to reduce child poverty has reached a critical juncture*. The key drivers for the fall in child poverty to date – more generous tax credits and benefits and welfare to work policies – will see diminishing returns. This is both because the families lifted out of poverty thus far are likely to have been the easiest to help, and because the current system for increasing benefits and tax credits allows benefit incomes to fall relative to average earnings.

To meet the Government's target to halve child poverty (defined before housing costs) the number of children in poverty needs to fall from 3.4 million in 1999 to 1.7 million in 2010. It is currently 2.8 million and needs to fall by a further 1.1 million. The Institute for Fiscal Studies (IFS) has estimated that the additional £1 billion spending on tax credits announced in the 2007 Budget will reduce child poverty by a further 200,000 by 2010. This will mean the Government missing its target by some 900,000 children.

On the basis of further estimates by the IFS for this report, which take account of changes in the 2007 budget, the 2010 target could be achieved by increasing the child element of child tax credit by a further £11 a week at 2007 prices and giving families an extra £20 per week for the third and subsequent children through the family element of the child tax credit. This would mean the Government spending £3.8 billion more in 2010 than currently planned.

What does this mean for individual groups of children? A further breakdown of the estimates from the IFS shows the prospects for the most vulnerable children with and without the extra £3.8 billion spending (Figure 1).

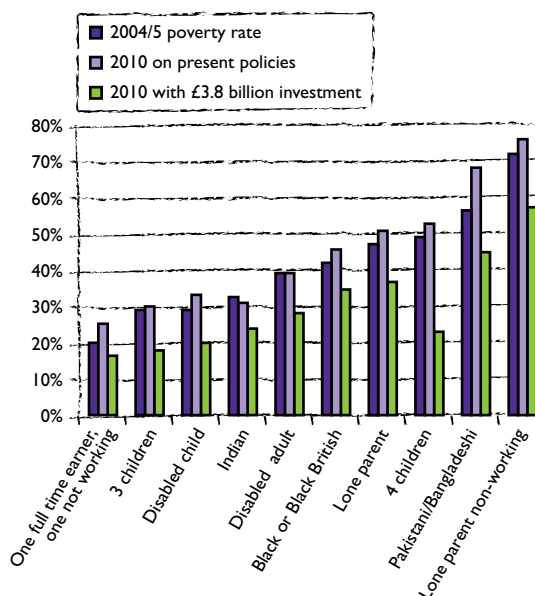


Figure 1: Projections of child poverty risks to 2010

The first two bars for each group show that for most groups of children the risk of poverty will change relatively little between 2004/05 and 2010 under present policies. A stark exception, however, is children from Pakistani and Bangladeshi families, whose already high risk of poverty is very likely to increase. The most recent poverty figures published in March 2007¹⁰ seem to show that poverty for this group is rising, and the IFS projections suggest that this will continue, with about two-thirds in poverty by 2010.



By giving wider help to families

By investing an additional £3.8 billion on benefits and tax credits the Government could meet the 2010 target. But a wider range of policy responses is necessary to tackle the root causes of child poverty – to remove barriers to work, to ensure that work pays and to ensure that children in poverty now are equipped to escape their parents' fate and avoid bringing up their own children in poverty.

Employment – the case studies show that most parents wanted to work and saw this as a way out of poverty, but experienced real barriers to getting a job and staying in it. The lack of 'soft' skills and qualifications keeps many parents, especially lone parents, out of the labour market. However, work is not a guaranteed route out of poverty and Section 3 of the report shows how low wages and the high costs of childcare for parents are often no better off in work than on benefits.

The Government is right to focus on work as the best route out of poverty. But at present getting a job too often means moving from workless poverty to working poverty. As the recent report of the Equalities Commission¹¹ made clear, women and many ethnic minorities still face structural disadvantage in the labour market. Employers need to take their responsibilities more seriously to enable working parents to combine work with parenting responsibilities. And to achieve the high skill, high productivity workforce necessary for the UK to compete in the global economy, parents who have been most disengaged from the labour market need targeted help to get and to progress in work.

Childcare – all four UK governments have made a significant investment in expanding high quality childcare, particularly in disadvantaged communities, through programmes such as Sure Start Local (now children's centres) and the Neighbourhood Nurseries Initiative (NNI). This has enabled many poorer parents to access childcare and to return to work – 92 per cent of parents using neighbourhood nurseries said that this helped them to work, with 22 per cent saying they could not have worked otherwise. The impact was greatest on disadvantaged groups, including lone parents and those with no or low qualifications.¹²

Sure Start Children's Centres and Neighbourhood Nurseries benefited from start-up funding, enabling them to offer subsidised or even free places to the most disadvantaged families. New research raises doubts about the sustainability of such provision, particularly in poorer communities. As start-up funding tapers off, nurseries are increasingly charging market rates, reducing staff numbers and offering full-time places instead of part-time ones.¹³ Some may even have to close.

The case studies show how the lack of appropriate and affordable childcare continues to be a barrier for parents who want to go back to work. Help with childcare costs is available through the tax credit system¹⁴ but the high costs of childcare, especially for families with disabled children or those caring for more than two children, have the effect of either keeping families out of the labour market or leaving them no better off in work.

Poverty in school holidays – for the majority of children in the UK, school holidays mean holidays away from home and exciting events and trips. For families on a low income like the ones interviewed for this report, they mean extra hardship – costs on essentials like food go up but income doesn't. Holidays become a time of 'survival'.¹⁵ Compensating families for the loss of free school meals in holidays would help ease the financial pressure and enable families to provide some sort of positive experiences during holidays, such as a trip to the cinema or a day out, and build on the government's initiative to offer two weeks of part-time holiday provision for children eligible for free school meals.¹⁶

Fuel poverty¹⁷ – a 91 per cent increase in the retail price of gas since 2003 and a 60 per cent increase in electricity prices have seen a dramatic escalation in the numbers of households living in fuel poverty. In 2005/06 housing fuel and power accounted for almost one fifth of spending in the UK by households at the bottom of the income distribution compared to one fourteenth for those in the top fifth.¹⁸

It is estimated that 3.5 million households in the UK are living in fuel poverty.^{19,20} This is exemplified by the families we interviewed, many of whom were struggling with high fuel costs. They were paying more because many used pre-payment meters (PPMs) to help with budgeting. Across the main suppliers, gas PPM customers pay an average of £70 more per year than customers on direct debit and electricity customers an average of £103 more per year. Some suppliers have recently cut prices in response to the fall in wholesale energy prices – but customers using PPMs have benefited less than others, or not at all.²¹ The poorest are being penalised for taking prudent steps to manage their money so that they are able to pay for their gas and electricity as they use it.

If all four UK governments are to eradicate fuel poverty for vulnerable groups by 2010 and for everyone by 2016 they must work with energy suppliers to ensure that all customers are on the cheapest tariffs and not penalised because of their method of payment.

Debt – many of the families interviewed were in debt, to the Social Fund, doorstep lenders or friends and family. Many of these loans were to cover the costs of Christmas, birthdays and essential household goods. Lenders, including some reputable high street names, are charging between 160 per cent and 800 per cent interest a year on loans, trapping families in a vicious cycle of debt.²² The Government must give priority to ending the financial exclusion of low income families. This includes a radical review of the Social Fund, which is failing to meet current levels of demand: with reform it could promote the financial inclusion of poor families. Banks also need to play their part.



The way forward

Barnardo's is asking the Government to keep its promise to millions of children to end child poverty within a generation. We call on the Westminster government, and where appropriate, the devolved governments of Northern Ireland, Scotland and Wales, to do the following:

- Invest £3.8 billion to meet the promise to halve child poverty by 2010²³ and in future increase benefits and tax credits in line with earnings to stop the incomes of the poorest families falling further behind.
- Establish a UK commission on ending child poverty, chaired by the Prime Minister or the Chancellor, which would deliver a road map setting out the investment and policies needed to hit the 2020 target.
- Aim all government funding and programmes at benefiting the poorest children the most.²⁴
- Extend access to high quality childcare by ensuring adequate funding to sustain childcare provision in disadvantaged communities. Reliance on the market alone will not deliver for our poorest families.
- Tackle the additional hardship in school holidays by compensating families whose children get free school meals for the loss of these during the school holidays;²⁵ and working with local authorities to ensure that affordable and age-appropriate holiday activities and childcare are available for all children.
- Tackle fuel poverty by working with the private sector to make sure that all customers are on the cheapest tariffs for utilities and are not penalised if they cannot take advantage of payment schemes such as direct debit.



'Adam, he won't have free meals, won't go in the free meal queue, it's like a card and people will say 'oh you are a Nashy' if you have got this type of ticket. So I give him money. Nash, the Nash, its slang for benefits.'

Michelle, Barnardo's Hive Project, Sunderland, North East

References

- ¹ The latest Households Below Average Income survey for 2005/06 shows that there were 3.8m children living in poverty on an after housing costs measure – an increase of 200,000 since 2004/05 – and 2.8m before housing costs – an increase of 100,000 over the previous year (Department for Work and Pensions, 2007a)
- ² The original modelling was carried out for the Joseph Rowntree Foundation, Brewer, Brown and Sunderland (2006) *Microsimulating child poverty in 2010 and 2020*.
- ³ Office for National Statistics – www.nationalstatistics.org.uk/pdfdir/efs0107.pdf - excluding mortgage interest payments and council tax
- ⁴ This report uses the same definition of poverty as used by the Government in Opportunity for All (DWP, 2002). The poverty line is 60 per cent of median income level – where the median is the level of income after direct taxes and benefits, adjusted for household size, such that half the population is above the level and half below it. This definition is a standard that changes as median income levels change; it is a measure of relative poverty. People living in poverty are defined as those living on less than 60 percent of median income, after housing costs.
- ⁵ Sharma et al (2007), *It doesn't happen here The reality of child poverty in the UK*, Barnardo's, Barking
- ⁶ After housing costs – that is, rent/mortgage and council tax
- ⁷ All benefit figures relate to 2005/06 benefit levels and are after housing costs – the poverty line used is from 2004/05 Households Below Average Income (Department for Work and Pensions, 2006a), updated to 2006.
- ⁸ Sharma et al (2007), *It doesn't happen here The reality of child poverty in the UK*, Barnardo's, Barking
- ⁹ Department for Work and Pensions (2007a)
- ¹⁰ Department for Work and Pensions (2007a)
- ¹¹ Equalities Review Panel (2007)
- ¹² La Valle et al. (2007)
- ¹³ Smith et al. (2007)
- ¹⁴ Up to 80 per cent of costs: up to £175 for one child and £300 for two or more children
- ¹⁵ Gill O and Sharma N (2004) Food poverty in the school holidays. Barnardo's South West, Bristol
- ¹⁶ HM Treasury and Department for Education and Skills (2007)
- ¹⁷ The Government's definition of fuel poverty is when a household needs to spend 10 per cent or more of income to maintain a satisfactory heating regime. Any household spending 20 per cent or more of income on heating is deemed to be in severe fuel poverty. (DWP 2006b)
- ¹⁸ Office for National Statistics (2007)
- ¹⁹ National Energy Action and Energy Action Scotland (2006)
- ²⁰ DWP (2006b)
- ²¹ www.energywatch.org.uk/media/news/show_release.asp?article_id=1023
- ²² From www.debt-on-our-doorstep.com/DooD_Leaflet_final.pdf
- ²³ Estimated by the Institute for Fiscal Studies for this report. This could consist of a £20 premium in child tax credit for the third and subsequent child and £11 a week extra on the per child element of child tax credit.
- ²⁴ The Department for Work and Pensions and the Welsh Assembly are 'poverty proofing' all policies for their impact on child poverty and the Welsh Assembly has introduced 'programme bending' aimed at ensuring that all funding and programmes benefit the poorest children and families the most.
- ²⁵ This will cost £98 million in England, £6 million in Wales, £9.5 million in Scotland and £5 million in Northern Ireland for primary and secondary school children. This would cost about £90 a child in the UK for 13 weeks of school holidays

All names have been changed to protect identities.

Contact

Neera Sharma
Principal Policy Officer
020 8488 7729
neera.sharma@barnardos.org.uk

Copies of the main report *'It doesn't happen here – the reality of child poverty in the UK'* are available from Barnardo's head office, tel: 020 8498 7750

For further information visit:
www.barnardos.org.uk/poverty

'He had two invites to go to parties in the Whacky Warehouse and the Jolly Jungle and he couldn't go because I couldn't afford a present for his friend.'

Becky, Barnardo's Compass Partnership, Wrexham

