

# Families in Crisis Briefing

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**We Save the Children  Will you?**

## Contents:

Analysis of the impact of:-  
Rising **unemployment**, Rising **Food Prices**,  
The Crisis in **Housing**, **Rising Fuel Prices**,  
**Debt**, **Emotional Stress** and Pressure on

**Frontline Services** with reference to surveys and research as well as case studies. Some of the case studies' names have been changed.

## Introduction

The global financial crisis and recession is having a profound and damaging effect on families in the UK. In the past year, a combination of factors have come together to create a 'perfect storm', impacting on the financial and personal wellbeing of children and their parents.

Taken together, these factors amount to a crisis for families. Here, Save the Children outlines the different ways in which families are suffering in the recession.

Benefits levels are not adequate enough to bring up children with the basics they need, let alone in luxury. It is also shocking that over half the children living in poverty have parents who do work. However, low-paid, insecure work does not pay.

Now families in poverty face the problem that not only is their income woefully inadequate, but prices for essentials are dramatically increasing. Although higher income groups have seen a drop in costs this is largely through the reduction of mortgage payments as interest rates fall. For families in social housing, there has been no such reduction in housing costs.

The recession will affect children profoundly. Children in families that are struggling financially are more likely to experience stress, more likely to suffer ill health and less likely to do well at school.

## Unemployment and Pay Cuts

Unemployment figures published on 18<sup>th</sup> March 2009 put the number of people out of work at 2.03 million – up by 165,000 over the quarter and 421,000 over the year. The unemployment rate has not been higher since 1997. <sup>1</sup>

One in 33 people currently in employment is estimated to become unemployed in 2009.

On average 2831 people were made redundant every day to end December 2008.<sup>2</sup>

In addition to a loss of jobs, there is evidence that many people are taking reduced working hours with a consequent loss of earnings. The independent research organisation Information Data Services estimates that between a quarter and half a million workers in the motor industry and JCB have voluntarily moved over to reduced hours, and have had their pay cut accordingly for temporary periods of 6 months on average.

Income Data Services also report that in times of economic downturn very few workers are required to do overtime. This also results in a reduction in incomes.

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<sup>1</sup> The Office of National Statistics website; 'Unemployment rises to 6.5%'

<sup>2</sup> From Credit Action's Debt Statistics page. Published March 2009. [www.creditaction.org.uk](http://www.creditaction.org.uk)

Carol Age: 36

Children: 4 boys aged between 1 and 9.

Partner: Bob, HGV-licensed lorry driver.

Carol's partner Bob is a lorry driver who used to earn up to £350 - £140 of which was in overtime. He works for B&Q. Because orders are down, there are far fewer deliveries to make, and he is not offered any overtime. His weekly earnings have slipped to £210.

Carol is a full-time mum. She stopped working in November last year because all four of her sons were suffering from her absence. Child care was also proving too expensive.

The couple has been reassured by B&Q that Bob's hours will pick up in the summer because more home improvement and building is done then. But they are frightened that the recession will only get worse, and he will remain on the basic wage of £210 per week which does not cover the family's costs.

The mortgage is £730 per month which is becoming a heavier burden every week. It's fixed until July, and then the family hope it will go down in line with lower interest rates.

## Food Prices

According to the Office of National Statistics the cost of basic food including fruit, vegetables and milk, has risen sharply in the last year.

The cost of food rose by 11.3% in the year to February 2009 – the biggest rise of any category in the consumer price index. <sup>3</sup>

This rise included large increases over the past year in the cost of vegetables (18.6%), fruit (13%) and meat (15.2%).

A separate cost of living index produced jointly by Grocer magazine and the Mirror newspaper calculates the cost of food as 20% higher than a year ago – an average of £7.95 per week or £413 per year for a family. <sup>4</sup>

Recent Save the Children research (February 2009) has shown that 35% of parents have cut back on food expenditure. Of the poorest parents, 48% have had to cut back on food.

## Housing

The UK's poorest families are being affected by a housing crisis which encompasses both repossessions in the private sector and a chronic and worsening lack of council housing. The crisis is being exacerbated by the recession.

1.7 million households (5 million people) are waiting for council housing. This number is rising at a faster rate than in most years.

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<sup>3</sup> Office of National Statistics Website. February 2009 Consumer Price Indices. Published March 24<sup>th</sup> 2009.

<sup>4</sup> The Mirror Newspaper and The Grocer Magazine's Joint Cost of Living Index published 23<sup>rd</sup> March 2009.

More than 252,000 households are looking for social housing this year. This number is up from 240,000 last year. There has been a long-term lack of social housing and the problem is being made worse by a sharp rise in repossessions, job losses and increased demand in the private sector as a result of the recession.

The Council of Mortgage Lenders estimates that approximately 205 properties will be repossessed every day throughout 2009, up from 144 per day in mid-2008. That would mean around 75,000 repossessions this year. Currently a property is being repossessed every 10 minutes.<sup>5</sup>

10,000 people living in private rental accommodation will be affected by repossessions in the buy-to-let sector. 10% of the 75,000 repossessions due to be carried out this year will affect the tenants of buy-to-let landlords. <sup>6</sup>

At the moment the official minimum notice period they can be given is 2 weeks. The government has pledged to extend this to 7 weeks.

For those families who find themselves waiting for social housing, there are two main options: privately rented accommodation and temporary housing. The latter is a deeply unpopular solution. Families in temporary housing are often moved on a regular basis.

*Catherine was evicted from her privately rented home when her landlady's buy-to-let property was repossessed.*

*When my landlady was given notice of the repossession, I wasn't given any information— she kept saying it wasn't happening, but I kept receiving letters from the courts – she denied it, and kept on charging me rent. The letters said the dates that the repossession was coming. In the end I got 6 weeks. I was advised not to pay my rent because she wasn't paying her mortgage. I had to testify in court against her.*

*I was waiting for replacement housing about three weeks during December 08. We found another flat to rent in the private sector, because the council told me they didn't have anything for me. They said that I wasn't the only one in this situation – they said there were 17,000 people in my situation.*

*I can't work at the moment – my rent's too high for me to go out and work, I couldn't afford childcare because all my income goes on the rent, which is nearly £500 per month. My daughter's nine. I was looking for part-time work while she's at school –but it's all changed now – you wouldn't get your rent paid if you work part time. So I haven't been able to go work really for 2 and half years.*

*Mary lived in temporary housing when she lost her job and her house was repossessed. Temporary housing is often poor quality and dangerous for families.*

*She has five children, aged 20, 18, 14, 9, and 6  
Partner: Husband Bryan, currently unemployed.*

*Their house was repossessed on the 13<sup>th</sup> January. They'd moved in with a friend the day before.*

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<sup>5</sup> From Credit Action's website. Debt Statistics, March 2009

<sup>6</sup> From Shelter website: Shelter, Crisis, Citizens Advice and Chartered Institute of Housing 3. Join forces to lobby government so tenants are better protected in repossession.  
[http://england.shelter.org.uk/news/march\\_2009/new\\_campaign\\_to\\_protect\\_tenant](http://england.shelter.org.uk/news/march_2009/new_campaign_to_protect_tenant)

*They put a few things in storage – kids toys etc. and then burnt the rest of their possessions – furniture, beds etc. because they understood that they'd be charged by the council for leaving it behind.*

*Mary had spoken to the council several days before the eviction, and asked for alternative housing to be provided. She was told she should come down to them on the morning of the eviction and they would provide emergency housing in a local B&B. She knew which B&B they were referring to and believed it was where they housed known alcoholics, drug-takers etc. whom they didn't want in respectable council housing. She was very worried about the impact that would have on her small children, so she moved her family in with a friend instead, the night before the eviction.*

## Fuel Prices

There are currently around 5.4 million households living in fuel poverty in the UK. The average annual direct debit electricity bill is currently £1,188; when recent price cuts come into effect it will still be £1,151.

Despite the recent price cuts, energy prices remain historically high. The average price of electricity rose by 45% in 2008 and has only come down by 10% (NEA).

Save the Children research shows that 28% of parents have cut back on heating. Of the poorest parents the figure is 45%.

Consumer Focus estimates that energy price cuts could lift up to 200,000 households out of fuel poverty, but that will be offset by rising unemployment figures. <sup>7</sup>

## Debt

- The average household debt is £59,730
- £209 million is paid in interest in the UK daily
- One person is declared bankrupt or insolvent every 4.5 minutes
- The number of people taking out high interest loans with doorstep lenders is increasing. Provident Financial, which charges an interest rate of roughly 180%, had 2.17m customers by the end of 2008 – up by 10.2% on 2007. <sup>8</sup>

Poor families with little or no disposable income are reliant on loans for essential house-hold items. Many take out loans with doorstep lenders, or buy clothes and goods from catalogues, which they pay back in monthly instalments with high interest rates. A joint Save The Children-Family Action research paper, 'The Poverty Premium: Why the Poor Pay More', found that the cost of a cooker paid for in cash at Argos was £159.99, and the same model bought using a loan from the lending company Brighthouse, and paid for in 25 monthly instalments was £405.00. That's a 153% price difference.<sup>9</sup>

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<sup>7</sup> From Consumer Focus' Report 'Winter Bills Leave 4 in 10 cutting back on basics'  
[http://www.consumerfocus.org.uk/en/content/cms/News\\_Press/Winter\\_bills\\_leave\\_4/Winter\\_bills\\_leave\\_4.aspx](http://www.consumerfocus.org.uk/en/content/cms/News_Press/Winter_bills_leave_4/Winter_bills_leave_4.aspx)

<sup>8</sup> From Provident Financial's website, 'Preliminary Results 2008'

<sup>9</sup> From The Poverty Premium, How the Poor pay  
[http://www.savethechildren.org.uk/en/docs/poverty\\_briefing.pdf](http://www.savethechildren.org.uk/en/docs/poverty_briefing.pdf)

## Emotional Stress

Save the Children research has shown that more than a third (34%) of parents have suffered from sleepless nights because of worries about money. Over 40% have suffered from stress and one in five from depression.

For the poorest parents the problem is much worse. Nearly half (47%) have suffered from sleepless nights, 56% from stress and four out of ten from depression

According to relationship counselling organisation Relate, 1 in 4 couples say their relationship is under stress due to financial pressure. Relate also released figures on 27<sup>th</sup> February 2009 which revealed that 66% of Relate centres across the country have seen an increase in demand for their services as clients feel the impact of the recession.<sup>10</sup>

According to homeless charity Shelter, six million households are suffering stress or depression because of high housing costs – almost one in four households in the UK.

Serious emotional stress not only affects the health of parents, it also affects the health of children. Research by the University of Rochester in New York in 2008 demonstrated that the children of stressed parents are more likely to fall ill themselves.

Children pick up on the signs of stress from their parents and Save the Children knows that children suffer enormously from trying to cope with the burden of stress and poverty.

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## Frontline Services

Organisations that specialise in providing frontline support to people on low incomes, such as Citizens' Advice Bureaux, are reporting dramatic rises in demand for their services. At the same time, organisations that are dependent on grants from the local council have in some cases found their funding being cut.

### **Citizens' Advice Bureau**

Citizens' Advice Bureaux say debt is now the number one advice issue for them, accounting for one in three of all enquiries. CAB advisers around the country are dealing with over 6,923 new debt problems every working day.

To help meet the increased demand several CABs around the country have been given additional funding so that they can take on new staff and extend their opening hours.

### **Relate**

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<sup>10</sup> From Relate Website: Recession fuels demand for Relate Counselling  
[http://www.relate.org.uk/mediacentre/pressreleases/PressRelease\\_SX93A0-A7800424.html](http://www.relate.org.uk/mediacentre/pressreleases/PressRelease_SX93A0-A7800424.html)

Relate, the UK's largest provider of relationship counselling, has reported that 66% of Relate centres across the country have seen an increase in demand for their services as clients feel the impact of the recession.

Relate centres are experiencing an upsurge in demand for services while at the same time a fall in the number of clients unable to afford the full cost of their counselling.

This Relate evidence supports a recent research published by the Local Government Association that 17% of English councils are reporting growing demand for relationship counselling, rising to 25% and 37% in London and the Metropolitan districts.

## Conclusion


Through all the factors described above, the recession is placing an increasing strain on families in the UK. It is affecting families who have had low incomes long-term as well as families who have not experienced problems with money before.

As unemployment rises and wages fall, families who have previously had comfortable incomes are at risk of falling beneath the poverty line. Additionally, many families in poverty have at least one family member in work – as those jobs are lost, families already struggling will be under even greater strain.

Save the Children and Family Action have £150,000 to spend on the crisis grants they will be awarding grants to 900 families over the next few weeks. We know that we will only be scratching the surface of the crisis. But if we can help make a significant difference to the lives of just a few families with children by paying for a school trip, a new carpet or cot bed then this is a worthwhile initiative.

The government needs to take action in the April '09 budget to make sure that benefits or low salaries are adequate to bring up children. It needs to invest £3bn to meet its 2010 target to end child poverty.

**ENDS.**



We're the world's independent children's charity. We're outraged that millions of children are still denied proper healthcare, food, education and protection. We're working flat out to get every child their rights and we're determined to make further, faster changes. How many? How fast? It's up to you.

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