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We Save the Children Will you?

Why Money Matters

The 2008 budget is critical to meeting the government's goal of halving child poverty by 2010

The 2010 deadline for the government's target to halve child poverty is getting close. It's a crucial staging post in the commitment to end child poverty by 2020. As well as lifting huge numbers of children out of poverty, meeting the 2010 target will give renewed impetus to eradicating child poverty by 2020. But action needs to be taken immediately.

Why Money Matters, published by Save the Children, makes a compelling case for directly raising household incomes by investing the £4 billion required to meet the 2010 target.

Falling behind

The government's figures for 2005/06 show that child poverty stood at 2.8 million children, and far from going down, had actually increased by 100,000 children over the previous year.[1] In order to halve child poverty by 2010 (to 1.7 million children) the government now needs to lift a further 1.1 million children over the poverty line. Calculations by the Institute for Fiscal Studies show that on the current rate of progress it will fall short of this target by more than 700,000 children.[2]

Anna Kari

Nearly one child in three in the UK is growing up in poverty.

2008: a critical budget for children

If the 2010 target is to be met, the 2008 Budget must see real investment in tackling child poverty. Research by the Institute for Fiscal Studies in 2007 showed that to meet the 2010 target the government needed to invest £4 billion extra a year in targeted tax credits.[3] The Campaign to End Child Poverty is calling for these resources to be invested as a matter of urgency. Save the Children is arguing for an immediate investment of at least £2bn, with a further £2bn by March 2009.

Why Money Matters

With contributions from leading experts in the field, *Why Money Matters*, edited by Jason Strelitz and Professor Ruth Lister, brings together evidence from a wide range of sources to show how a lack of income is central to the experience of poverty. It presents a compelling case for putting household income – and the need to raise household incomes consistently – at the heart of government policy in order to meet the poverty targets.

Why Money Matters demonstrates the full extent of the damage to children's life chances and wellbeing as a result of growing up on a low income. While poor education, housing and health are important elements of the experience of poverty, they are to a large extent consequences of a lack of sufficient income.

Key findings include:

- Half of the educational inequality in the UK – the gap in attainment between rich and poor – stems directly from differences in income.
- A one-third drop in family income reduces attainment in childhood by 6–7% and the chances of obtaining a degree by a minimum of 3–4%.
- Low-income parents put their children's needs above their own and maintain spending levels on child-related goods even when incomes fall. When incomes rise, there is strong evidence to show that most additional resources are spent on basic necessities that directly benefit children, like food and clothing.
- Large numbers of families with disabled children are living in hidden poverty. These families face extra costs of between £68 and £82 per week that are not accounted for by current measures of child poverty. If these costs were taken into account in poverty statistics, the percentage of one-parent families with disabled children who are living below the poverty line would be 8% higher (42% instead of 34%).
- Adults in the poorest fifth of the population are twice as likely to develop a mental illness as those on average incomes, adversely impacting on children's home environments.

What's covered?

Why Money Matters covers three broad areas:

- the material consequences of living in poverty
- the impact of poverty on wellbeing
- what we mean by 'a decent standard of income for all' – and how we can achieve it.

At the outset the book hears from a focus group of parents about their experiences of living in poverty and their views on why and how money matters. Their experiences vividly show the impact of low income on children's lives.

Part One – Poverty: its material impact and cost

- Family income has a direct impact on children's *educational attainment* and experience. Although attendance at state schools is free, children in poverty often miss out on school trips and extra-curricular activities as well as educational resources in the home, like revision guides and computers. (Chapter 2, by Gabrielle Preston)
- Families with *disabled children* face significant extra costs that are not accounted for in official poverty measures. As a result, large numbers of disabled children are growing up in hidden poverty. (Chapter 3, by Tania Burchardt and Asghar Zaidi)
- Children in low-income households are more likely to have a poor *diet*, with damaging consequences for their health and wellbeing, both immediate and long term. (Chapter 4, by Elizabeth Dowler)

- *Work* is often cited as the best route out of poverty. But it's no guarantee. Half of all children in poverty are now in working households. For lone parents, who are more likely to enter part-time and low-paid work, the additional costs associated with employment, like work clothing and childcare, mean that they often struggle to make themselves 'better off' in work. (Chapter 5, by Lesley Hoggart and Sandra Vegeris)
- For households that continually have to survive on a low income, it is very difficult to manage 'income shocks' without getting into *debt*. Low-income families with children in particular are likely to have debt problems, adding to the difficulties they face, and often leading to physical and mental health problems. (Chapter 6, by Karen Rowlinson and Stephen McKay)
- Poor households often pay a *poverty premium* of around £1,000 extra per year for essential goods compared to more affluent families. (Chapter 7, by Claire Kober)

Part Two – Poverty: its impact on wellbeing

- Lack of income significantly affects *early child development* and life chances. Evidence suggests that children's behaviour, happiness and educational attainment all improve as incomes rise. (Chapter 8, by Paul Gregg)
- Poverty is both a cause and consequence of *mental health* problems. (Chapter 9, by Wendy Wrapson, Avril Mewse and Stephen Lea)
- People living in poverty often feel *stigmatized and isolated,* leading to feelings of shame and a lack of self worth. Policy-makers and practitioners need to work much more effectively to break down these feelings. (Chapter 10, by Matt Davies)
- Lack of money often means a *lack of time*. Low-paid workers have to work long hours to get above the poverty line and low income means less chance of buying time-saving goods and services. (Chapter 11, by David Piachaud)

Part Three – Ensuring a decent income for all

- Poverty is about the inability to meet the *cost of necessities,* and yet the way we choose to support different individuals' incomes in no way reflects even the cost of the most basic necessities. (Chapter 12, by Jonathan Bradshaw)
- There is clear evidence that where families in poverty receive increases in incomes, they choose to spend them to the *benefit of their children* on basic child-related goods and services. (Chapter 13, by Fran Bennett)
- To eradicate poverty on a sustainable basis we should lift incomes in line with a tax and benefit system underpinned by notions of *'adequacy'*. (Chapter 14, by John Veit-Wilson)
- The government's anti-poverty strategy has rightly emphasised the importance of work, but tackling in-work poverty will require ensuring *decent wages* that provide an adequate standard of living. (Chapter 15, Brendan Barber)

Policy recommendations

The most immediate and effective way of lifting children out of poverty is to directly increase family incomes. More money for basic necessities, nutritious food and decent clothes will bring immediate improvements to the lives of children and their parents. But to tackle persistent poverty, which has the harshest long-term effects on children's life chances, incomes need to be lifted to a decent standard on a permanent basis. It is no coincidence that the 2007 Unicef report on child wellbeing in developed countries showed the UK at the bottom of the pile as a direct result of decades of high levels of child poverty.[4] At the top were those countries that ensure family incomes remain at a decent level.

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1. Support incomes

The government recognises the importance of raising incomes as part of its Public Service Agreement target to halve child poverty by 2010. Resources must be directed at all children living into poverty, ensuring that those with the lowest incomes, typically those in families relying on out-of-work benefits, see their incomes rise. This is the only way to narrow the gap between those who rely on tax credits and benefits and the poverty line. Evidence shows that when the government has invested in income-boosting measures over the last decade it has directly lifted children out of poverty.[5] But it is failing to commit sufficient resources. Save the Children, as part of the Campaign to End Child Poverty, is calling on the government to invest the £4bn urgently required. In the long run however, we will need a strategy to ensure incomes of the least well off families – those relying on out-of-work rise in line with average earnings.

2. Introduce seasonal grants

Save the Children, along with a range of other organisations, believe that one element of this £4bn investment should be seasonal grants – a lump sum payment paid at a rate of £100 per child in summer and in winter, plus £100 per household in winter, targeted at those in receipt of maximum child tax credit. These lump sum payments would help families with expensive items and particular costs associated with winter and summer time. Research with low-income families has shown that 70% would prefer two lump sums to equivalent small rises in their weekly incomes.

3. Make work pay

A sustainable assault on child poverty requires improvements in pay rates and employment security for the least well off. For most people the best route out of poverty is likely to remain through work, so the prospects and conditions faced by those in poor quality work need to be improved. Increasing the minimum wage in line with average wages is crucial.

4. Tackle the 'poverty premium'

Eradicating child poverty requires existing penalties that many low-income families face to be tackled. Two crucial ways to reduce the 'poverty premium' are:

- reform of the social fund to make affordable credit more widely available
- closing the gap between the costs of different payment methods for gas and electricity companies to make sure all families have access to the cheapest tariffs.

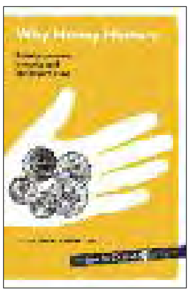
Conclusion

Lack of material resources for parents and children has direct consequences on children's education, housing, health, neighbourhood and sense of self-worth. But these impacts cannot be isolated from the pivotal issue of income. Raising the incomes of the poorest families on a persistent basis will have the most immediate and significant impact on the life chances of millions of children in the UK.

Why Money Matters underpins Save the Children's call for an extra £4bn investment in order to halve child poverty by 2010. We hope it will provide the evidence-base for cross-party consensus on this issue.

Notes

[1]Department for Work and Pensions, *Households Below Average Income 1994/05–2005/06,* Chapter 4, Table 4.9, based on before housing costs measure.
[2]Institute for Fiscal Studies, Green Budget 2008, January 2008
[3]Brewer et al (2007) Poverty and Inequality in the UK in 2007, Institute for Fiscal Studies, p2
[4]*Unicef, Child Poverty in Perspective: An overview of child wellbeing in rich countries,* Innocenti Research Centre, 2007
[5]Jonathan Shaw, 'Eradicating child poverty', *Economic Review,* Vol. 24, no. 4, 2007
[6]YouGov survey for Save the Children, April 2007



To buy copies of the book, *Why Money Matters,* price £12.99, phone 01752 202 301

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