

Why we must act now to tackle child poverty in the UK

After prolonged recession, economic recovery is now underway in Northern Ireland, with all key indicators pointing to further improvement.ⁱ Despite the recovery, however, unacceptable levels of child poverty persist. A triple burden of years of flat wage growth, recent pressure on social security spending and the rising cost of living, including a 'poverty premium' – that is, the higher cost that low income families often have to pay for goods and services, which now stands at £1,639 per yearⁱⁱ – are making life increasingly tough for families and children.

Under the United Nations Convention on the Rights of the Child (UNCRC), which the UK government ratified in 1991, all children and young people have the right to an adequate standard of living (art 27). Moreover, the government must ensure to the maximum extent possible the survival and development of each and every child (art 6). However, as this brief illustrates, the rights of our poorest children are far from guaranteed; indeed, they are increasingly under threat.

Growing numbers of children are experiencing poverty year on year. Work no longer acts as a simple solution, and over half of children growing up in poverty in Northern Ireland now live in working households.ⁱⁱⁱ Wages in NI lag behind the rest of the UK; costs for necessities, such as fuel and childcare, are substantially higher than other regions; and, with Welfare Reform on the horizon, further reductions to social security expenditure are imminent. Food, energy and childcare prices are expected to rise rapidly by 2020, hitting the poorest families - who spend a larger portion of their income on basic goods - the hardest.

Children have paid a high price throughout the recession and are now in grave danger of being left behind as the economy begins to recover. Despite the poverty reduction targets imposed through the Child Poverty Act in 2010, the number of children in poverty continues to escalate. The most recent forecasts from the Institute of Fiscal Studies (IFS) predict that by 2020, relative child poverty levels in Northern Ireland will have risen to above 35% (after housing costs, or AHC).^{iv} New economic modelling commissioned by Save the Children predicts that even this startling percentage could be an underestimate. If trends continue, levels of absolute poverty in Northern Ireland could reach 38% by 2020, leaving thousands more children than predicted at risk of entering poverty.^v

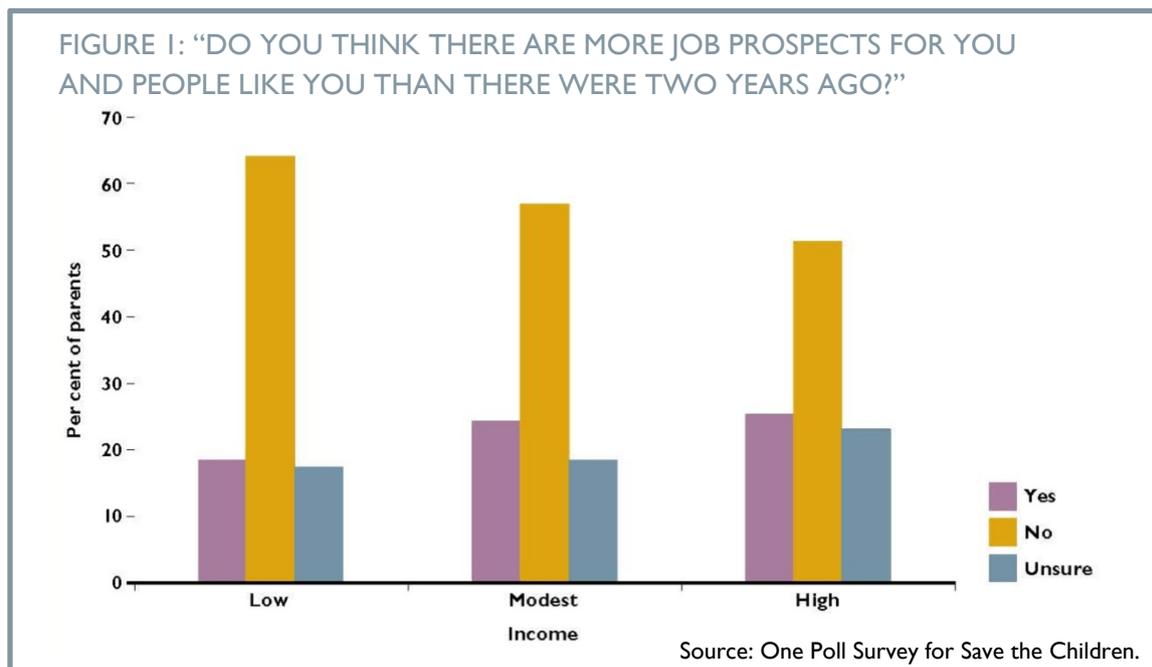
Greater action and ambition is needed from all parties to improve the circumstances for children in NI. We are calling for every family to have access to high quality and affordable childcare, a minimum income guarantee for families of children under 5, and a new mission to ensure that all children can read well and with enjoyment by 11. These measures will not eradicate poverty for all children, but if introduced, would play a major role in improving life experiences for children in poorer families. If we fail to take these steps, Northern Ireland may be on the verge of creating a lost generation with grave consequences for our children and our future.

How did we get here? What impact has it had?

Three long term drivers have combined to put children into poverty: wage trends, government expenditure on social security and services, and the cost of living for low-income families. Each of these points will be explored in brief below.

As the economy recovers, unemployment rates are falling. While this is certainly a positive development, it has in part been driven by an increase in self-employment, which tends to be less secure for low income families than high earning families,^{vi} and the growing prevalence of zero hour contracts.^{vii} The expansion of low skilled jobs has offered little security or steady income for those at the bottom of the economic heap. Although low-income parents have been joining the labour market, low pay combined with a lack of on-the-job training prevents many from progressing and securing jobs that allow for a stable and adequate standard of living for themselves and their families. Faced with minimum wages, minimum security, and minimum opportunity, it is unsurprising that

two-thirds of low-income parents surveyed by Save the Children do not think that job prospects have improved for them now relative to two years ago.^{viii}



The problem of low wages is particularly prevalent in Northern Ireland.^{ix} According to recent research by the Nevin Economic Research Institute (NERI), NI consistently records the lowest rates of private sector pay of any part of UK. 17% of workers are low paid, earning two thirds of the median hourly wage or less, with 9% earning at or below the minimum wage.^x One in four workers in NI (approx. 169,000) does not earn a Living Wage - the minimum level of pay which ensures an acceptable standard of living.^{xi}

“You can’t plan your week, you don’t know how much you’re going to be able to afford. I’d like [my husband] to have guaranteed hours.”

Lori

“There’s no money. And you feel stupid because you think, I should be able to manage this, I’m working!”

Laura

The Cost of Living

Families on the lowest incomes have been hit hard by the rising cost of living. The price of essentials such as food, energy costs, and childcare has outpaced the general level of prices and luxury goods over the last decade and as low income families tend to spend a greater portion of their income on these essentials, they have been hit by a higher effective rate of inflation. Of parents surveyed across the UK, 70% on low-income and 61% on modest income report that it is getting harder to pay for everything.^{xii}

Rising food costs have placed particular pressure on the budgets of low-income families.^{xiii} On average, food and non-alcoholic drinks comprises 11% of household expenditure in NI; however, for low income families, this figure rises to 17%.^{xiv} The cost of food is presenting a challenge and many parents are skipping meals and worrying about providing a good nutritional diet for their children. One-quarter of low-income parents acknowledge that they buy the cheapest food possible compared to 14% of high-income parents.^{xv} In practice, this means that children living in poverty are less likely to eat fresh fruit and vegetables on a daily basis, as it is often cheaper to buy ready-

prepared meals, tinned, and processed foods. As a result, poor children are more likely to suffer from short and long-term nutrition-related illnesses, like diabetes and obesity,^{xvi} which damage their early childhood development.^{xvii} Save the Children believes that all parties must set out a clear strategy for addressing food poverty as a matter of priority.

“You’re told you need your five-a-day and you can’t necessarily do that because you don’t have the funds to buy it. You feel like you’re giving your kids rubbish because it’s cheaper to buy.”

Lori

Another cost which weighs heavily on low income families is energy. A family is living in fuel poverty when it is necessary for them to spend more than 10% of household income in order to adequately heat their home. In NI, 42% of families live in fuel poverty, the greatest proportion of fuel poor households in the UK (**Table I**), and one of the highest in the EU.^{xviii} Rural fuel poverty is even higher than the average at 44%.^{xix} More than two thirds of households in NI are dependent on oil for their home heating (compared to just 4% elsewhere in the UK),^{xx} and as prices for home heating oil have risen significantly over the last five years, the high cost of oil relative to other fuels for heating means that customers in Northern Ireland face notably high energy bills.^{xxi} Inevitably, families on low incomes are the most affected by these high energy costs, and 75% of all households in fuel poverty have incomes of £14,999 or less.^{xxii}

Table I: Number and proportion of fuel poor households by region (DECC, 2013)

Region	Number (millions)	Percentage
England	3.20	15%
Scotland	0.58	25%
Wales	0.37	29%
Northern Ireland	0.29	42%

Growing up in a home which is not adequately heated threatens a child’s healthy development. Children living in cold homes face a significantly greater risk of health problems, including poor weight gain, lower levels of adequate nutritional intake, and respiratory problems.^{xxiii} Policy makers and energy companies must ensure that all customers, regardless of payment method, can access the most cost-effective tariffs and deals. In addition, fuel poverty should continue to be accorded special status in child poverty strategies and action to reduce fuel poverty risks for children should be integrated into child poverty milestones and targets.

High childcare costs can make entering or remaining within the labour market challenging for parents on the lowest incomes, particularly those with children under 5, who need the greatest level of care. Notwithstanding the recent childcare framework, Bright Start, Northern Ireland has no equivalent of England’s 2006 Childcare Act, provision is limited and costs are exorbitant. Families in Northern Ireland are paying 44% of their income for childcare for one child, which is one of the highest amounts in Europe.^{xxiv} The average annual cost for families with two children in full-time childcare can amount to £16,432.^{xxv} Parents who spoke to Save the Children repeatedly cited childcare costs as a reason for reducing expenditure on other goods, getting into debt and reducing working hours.

Poverty Premium

Due to the way low income families purchase every day goods and services and their limited access to cheap financing options, they can often end up paying more than higher-income families: a ‘poverty premium’. For example, low-income families are more likely to use a pre-payment meter for their energy, either because it allows them to monitor their expenditure, or because they do not have a bank account with a direct debit feature, or because they are servicing existing debts. As a result, they pay a higher rate per unit than customers on a direct debit.

Table 2 provides an illustration of the additional costs that low-income families may pay for some basic goods and services. Low-income families tend to live in higher-risk areas, attracting an

additional cost for services such as car and home insurance. Save the Children estimates that at the end of 2013, the poverty premium was around £1,639 per year. Incorporating payday loans into our calculations, that figure rises to £1,716.^{xxvi}

Table 2: An illustration of the poverty premium in 2013/14

Category	Typical costs	Costs to low-income families	Difference
Loan of £500	£500.00	£929.51	£429.51
Basic household item: cooker	£249.00	£858.00	£609.00
Cost to cash three £200 cheques	£0.00	£39.00	£39.00
Annual electricity and gas bill combined	£1,136.00	£1377.00	£241.00
Home contents insurance	£64.33	£67.10	£2.77
Car insurance	£454.77	£772.74	£317.97
Total	£2,404.10	£4,043.35	£1,639.25

It should not cost more to be poor. In the context of the squeeze on household incomes and rising cost of living, tackling the poverty premium should form an essential element of easing the financial pressure being felt by the poorest families.

Cuts to social security

In recent years, low-income families have had to shoulder reductions in their social security support. While Northern Ireland has yet to introduce Welfare Reform, many cuts under Universal Credit are already in place and negatively affecting low-income families, such as the freeze on Child Benefit rates and a reduction in support for childcare costs. Meanwhile, it is clear that the recent cuts to expenditure on social security and services in GB have impacted most severely on the poorest families.^{xxvii} Families with children have suffered the most: those with a child under 5 have lost 30% more of their disposable income compared to those with no children.^{xxviii}

Save the Children has seen increasing evidence of the hardships faced by low income families through the delivery of our early intervention grant programme Eat, Sleep, Learn, Play! (ELSP!), which provides material goods to deprived families with children under 36 months to improve a child's home environment and early development. Partners of the programme have reported substantial need for the service, which provides household items such as a cooker, a child's bed, a push chair or toys. Given the expected further deterioration in the standard of living for low income families - as outlined below - it is likely that demand for this programme will increase further.

What does the future hold?

Low-income families are vulnerable to future shocks due to a combination of low wages, low opportunity jobs; higher-than-expected rises in the cost of living; and further cuts to social security expenditure. We predict that low-income families could be materially worse off by 2020, due to the following factors:

First, the cost of basic goods, like food, energy and childcare, could rise faster than average prices, leading to a deterioration in living standards. This means poor families will be less likely to be able to afford the basic material goods and services that ensure a decent start in life for their children in years to come.

Second, despite wage growth projected elsewhere, there is a risk that wages in low-paid employment will not keep pace with the rising cost of living. Average wages are not expected to recover to pre-recession (2007) levels until mid-2017, with wages at the bottom expected to rise the slowest. If average wage growth is slower than expected, this would have a material impact on poverty rates. Even if employment increases for low-income families, wages will not follow.

Third, if government departments cut social security expenditure to meet fiscal consolidation targets, the burden could fall on the most vulnerable. The UK government has made a decision to extend fiscal consolidation into 2018-19, and NI is expected to introduce a Welfare Bill sometime this year. The IFS predicts that any changes to the benefit system introduced under the Welfare Bill will hit NI harder than any other region in the UK apart from London, due the high numbers of those in receipt of Disability Living Allowance, including for mental health disorders, and the high number of families with children who will be adversely affected by the cuts.^{xxix}

Four mitigating measures have been agreed for the implementation of Welfare Reform in NI and negotiations are ongoing. The measures - split payments; fortnightly payments; direct payments to social housing landlords; and limited introduction of the bedroom tax - are certainly welcomed but will not by themselves serve to protect the most vulnerable from the harsh effects of Welfare Reform. Save the Children remains concerned by the potential that Welfare Reform measures have to wreak havoc on the lives of our poorest families and children. Research commissioned by NICVA has estimated that welfare reform could take £750m a year out of the Northern Ireland economy, equivalent to £650 a year for every adult of working age.^{xxx} This compares to an average of £470 a year across GB. It is not difficult to determine that these cuts combined with the factors discussed earlier in this paper could combine to create a disaster for our children's futures.

Economic modelling commissioned by Save the Children predicts that the number of children living in relative poverty (AHC) in 2020 could be even higher than that currently feared. If wages across the UK follow the Office for Budget Responsibility forecast and government departments make three-quarters of their spending cut targets, with the welfare cap having to absorb the remaining quarter – a conservative estimate resulting in fewer cuts to welfare than proposed by the Chancellor in early 2014 – this could lead by 2020 to 325,000 more children across the UK in poverty than the IFS has predicted, which would be an increase of 1.4 million on the latest child poverty figures. NI levels of child poverty are set to increase to 38% of children living in relative poverty (AHC) by 2020.^{xxxi}

Breaking the Cycle

The impact of poverty on our children is both indisputable and unacceptable. While our politicians fail to adequately deal with the scale of the crisis, increasing numbers of children continue to fall into poverty. A primary concern for Save the Children is the impact that child poverty has on educational achievement. Education is the primary vehicle by which economically and socially marginalised children can change their lives, lift themselves out of poverty and obtain the means to participate fully in their communities.^{xxxii}

The chances of starting school ready to learn are worse for children from the poorest households. Young children growing up in disadvantaged families are less likely to participate in formal pre-school care, which is designed to provide children with a high-quality early-years learning environment where they can learn skills that will help them in their later school careers. Many families cannot afford to send their children to pre-school because of the cost relative to household income. By the

age of three a significant gap in vocabulary and cognitive test scores can already be measured between low-income children and their more affluent peers.^{xxxiii}

Unfortunately, this gap persists, and at every stage of schooling, Northern Ireland's poorest children are likely to do worse and make less progress than their better-off classmates; and the gap is widening.^{xxxiv} Only one-third of 16 year olds entitled to Free School Meals – an indicator of poverty - go on to achieve 5 A*-C grades, including English and maths, compared to nearly two-thirds of their better-off peers.^{xxxv}

Statistics from the most disadvantaged wards in west Belfast show that more than 80% of young people are leaving school with no or low qualifications. The number of young people who are not enrolled in education, employment or training (NEET), in NI sits at 42,000, or 19.1% of all 16-24 year olds.^{xxxvi} The low-wage, low-progression nature of many jobs in the sectors that many of these young people will eventually join - retail, leisure, social care – results in a cycle where children growing up in poverty are more likely to earn low wages themselves as adults. We must work together to do all we can to ensure that this vicious cycle is broken.

Recommendations

This briefing has shown how the effects of a challenging labour market over a long period, government cuts to social security expenditure, and the rising cost of living have negatively impacted on low income families with children. These three pressures are likely to continue to strain the budgets of low-income household for years to come.

The status quo is not acceptable. Unless government addresses the underlying causes of poverty, the recovery will not reach those at the bottom. Tackling the drivers of poverty demands sustained, strategic, long-term work. We need a labour market that offers more in terms of job security, family friendly working conditions, in-work progression and adequate pay.

The Living Wage is an important tool in the fight against child poverty. Widespread adoption of the Living Wage by employers would ease concerns set out in this brief about the on-going prevalence of low pay. Policymakers should draw on the example of Belfast City Council, who recently committed to becoming a Living Wage employer, and actively promote take up of the Living Wage among employers.

To ensure all children have affair start in life, regardless of their background, Save the Children is calling for the following:

1. Every family to have access to high-quality and affordable childcare
2. A minimum income guarantee for the families of children under 5
3. A national mission for all children to be reading well by 11

1. Every family to have access to high-quality and affordable childcare.

Childcare must be affordable, accessible and of high quality. Many parents find that the cost of paying for childcare means that they are little better off in work. The high costs are particularly challenging for parents of children under five. Without substantial reform to the childcare market in Northern Ireland, the cost of pre-school childcare is expected to rise rapidly in the years ahead, continuing to act as a barrier for low-income parents with young children trying to enter the labour market. In order to meet the goals of maximising family incomes, making work pay, and in turn tackling child poverty, childcare must become more affordable to parents on the lowest incomes.

Quality of provision has a demonstrable impact on children's early development in speech and language, which has a significant impact on children's early learning, including their ability to learn to read. Children from the poorest families are less likely to attend high-quality settings, making improving quality across the board a vital component for improving the life chances of poor children.

Policy makers should work towards minimising the impact of childcare costs on household budgets for low income families while ensuring that childcare is available, affordable and of high quality in all areas.

2. A minimum income guarantee for the families of children under 5

Poverty can have a devastating effect on children under 5, both in terms of immediate impact and future life chances. The chances of going without are higher for younger children, who are more likely to be in poverty because their parents stop work temporarily to care for them. They are more likely to be affected by low household income as they spend more time in the home compared with school-aged children; poverty has a greater impact on young children because of the importance of the early years on lifetime development. We call on the Assembly to ensure every family with children under 5 has sufficient resources to ensure their healthy development. The targets set out in the Child Poverty Act remain the most universally agreed framework for eradicating child poverty. We propose that as an absolute minimum, the 2020 targets are met for children under 5.

As negotiations on the Northern Ireland Welfare Reform Bill continue, we call on all political parties to set out clearly how they intend to implement the welfare cap and other reforms in a manner which takes into account the needs of low income families, and ensures that children under five are not affected.

3. All children to be reading well and with enjoyment by 11

The UK remains one of most unfair countries in the developed world – the lottery of birth still determines millions of children's chances in life. Poor children are often more likely to fall behind in the critical skill of reading. Reading well and with enjoyment is a basic need for any child to get on in life: when children read well this opens up opportunities for them to fulfil their potential, when they fall behind this closes doors and reduces opportunity. But while the challenge remains great, we have a big opportunity: we must all come together to ensure we are the generation which ends the scandal of children reaching the age of 11 not reading well.

These measures will not eradicate child poverty alone, but if introduced would play a major role in improving life experiences for children in poorer families and ensuring poverty does not continue across generations. Having once promised so much, a fair start is the least we owe our children by 2020.

ⁱ PwC, "PwC warns of 'two-speed recovery' as economic performance accelerates," (April 2014)

ⁱⁱ Save the Children, 2014.

ⁱⁱⁱ Households Below Average Income (HBAI) survey and JRF, *Monitoring Poverty and Social Exclusion in Northern Ireland 2014* (March 2014)

^{iv} Institute for Fiscal Studies (IFS), *Child and Working-Age Poverty in Northern Ireland over the next decade: an update*, (Jan 2014). A child is considered to be in relative poverty if he or she lives in a household whose income is below 60% of the average in that year. A child is considered to be in absolute poverty if he or she lives in a household whose real-terms income is below 60% of the 2010/2011 average - a period set as a benchmark in the Child Poverty Act 2010.

^v Economic modelling undertaken by Landman Economics on behalf of Save the Children. These calculations assume that the relationship between child poverty rates and child outcomes remains constant, and do not take into consideration any potential new income-specific policies designed to combat negative child outcome. For more information, on the methodology, please see the main report.

^{vi} See HBAI survey, Table 2.3ts, which shows that families in the bottom income quintile where one or more individuals are self-employed earn relatively less than low-income families where one or more individuals are in full-time work. The reverse is true for families in the top income quintile.

^{vii} BBC News, 'Twenty-eight thousand could be on zero-hours contracts', 6 May 2014

viii Between February and March 2014, a survey of 4,000 low, modest, and high income parents was undertaken by OnePoll on behalf of Save the Children. Low income parents had an annual salary of 16,999 or less. Modest income parents had an annual income of £17,000 to £29,999.

ix Household incomes, poverty rates, and the labour market have worsened in NI in the last five years, and in each case the decline has been greater than in GB. Between 2006/2007 and 2011/2012, the median income in NI fell by almost 10% compared with 7% for the UK as a whole. JRF, *Monitoring Poverty and Social Exclusion in NI* (March 2014)

x NERI, The Nevin Economic Research Institute Quarterly Economic Facts, Spring 2014

xi NERI, (Spring 2014). The Living Wage calculation is based on the Minimum Income Standard for the UK and is the product of research by Centre for Research in Social Policy at Loughborough University, funded by JRF. It is currently set at £7.65 for those outside London.

xii OnePoll on behalf of Save the Children.

xiii Between 2005 and 2014, the price of food across the UK rose by 19% more than the general price level.

xiv Health Survey Northern Ireland, 2011/12

xv OnePoll on behalf of Save the Children.

xvi In 2011, 22% of children in the bottom quintile were classified as obese compared to 10% of children in the top quintile (NatCen Social Research using Health Survey England data for Save the Children).

xvii Institute for Health Equity, 'Marmot Review: Fair Society Healthy Lives' (2010).

xviii DEEC, Annual Report on Fuel Poverty Statistics 2013, (2013)

xix National Energy Action, "Consultation Response on GD14," (September 2013)

xx Belfast Telegraph, "Consumer: Join the club to ease oil costs," (28 January 2014)

xxi NEA, (Sept. 2013). NI households spend £348 more per year on average than other household in the UK.

xxii 2011 House Condition Survey, NIHE (2013)

xxiii Liddel, Christine, "The Impact of Fuel Poverty on Children," Save the Children (2008)

xxiv Employers for Childcare Northern Ireland Childcare Survey 2012

xxv Employers for Childcare (December 2013)

xxvi Figures sourced between November 2013 and January 2014.

xxvii This can amount to 8-9% of income for those at the very bottom of the income ladder, more than double the 3-4% cuts for the wealthiest families (Save the Children and Landman Economics, 2014)

xxviii Save the Children and Landman Economics

xxix Browne, J. (2010) *The Impact of Tax and Benefit Reform to the introduced between 2010/2011 and 2013/2014 in Northern Ireland*, IFS briefing note 114, p4.

xxx The Impact of Welfare Reform on Northern Ireland, Sheffield Hallam University, September 2013

xxxi These calculations are intended to be illustrative. They assume that the relationship between child poverty rates and child outcomes remains constant, and do not take into consideration any potential new income-specific policies designed to combat negative child outcome. For more information, on the methodology, please see the main report.

xxxii Committee on Economic, Social and Cultural Rights, General Comment No. 13

xxxiii C Carter-Wall and G Whitfield, *The Role of Aspirations, Attitudes and Behaviour in Closing the Educational Attainment Gap*, JRF (2012), p2, <http://www.jrf.org.uk/sites/files/jrf/education-achievement-poverty-summary.pdf>

xxxiv The Public Accounts Committee Report on Improving Literacy and Numeracy Achievement in Schools, NIA 116/11-15, June 2013, p8

xxxv The Independent Review of the Common Funding Scheme, Jan 2013, pp74-75

<http://www.deni.gov.uk/independent-review-of-cfs.pdf>

xxxvi Murphy, Eóin, "Counting NEETs: Research and Information Service Briefing Paper for the Northern Ireland Assembly" (August, 2013)

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**Save the Children works in more than 120 countries. We save children's lives.
We fight for their rights. We help them achieve their potential.**

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