Key points

Child Poverty
- 4 million children were living in poverty in the UK in 2015-16; an increase of 100,000 since 2014-15.¹ This means that almost 1 in 3 children in the UK are living in poverty.²
- The Institute for Fiscal Studies estimates that 5 million children could be living in poverty by the end of the decade.
- 67% of children in poverty live in a household where at least one parent works.²

Welfare Reform
- Reductions in work allowances under Universal Credit introduced in April 2016 will cost families with children up to £2630 per year.
- 100,000 disabled children stand to lose up to £29 per week as a result of cuts to the disabled child addition within Universal Credit.
- A four year freeze on support for children under Universal Credit is expected to reduce the value of key children’s benefits by 12% by the end of the decade.

Problem Debt
- 2.4 million children are living in families experiencing problem debt.
- The Conservative and Labour manifestos included a promise to address problem debt by introducing a Breathing Space scheme – this must be implemented in full.

How many children live in poverty and what impact can this have on their lives?
According to the Government’s own statistics, 4 million children currently live in poverty, two thirds of whom live in a household with at least one parent in work. Forecasts project that an additional 1 million children will live in poverty by 2020. Experience of growing up in poverty can mean that a child is:

- **Less likely to achieve 5 good GCSEs:** Recent figures from the DfE show that 33.5% of children in receipt of Free School Meals gained five A*-C GCSE grades (including English and Maths), compared with 60.5% of other children.³

- **More likely to be living in a family struggling to afford the basics:** Research undertaken by The Children’s Society and Step Change found that 10% of families have taken out credit to pay for food for their children, 18% for clothing and 6% for heating.⁴

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• More likely to have poorer mental and physical health outcome: Analysis by The Children’s Society has found that 1 in 5 children living in poverty have poor emotional wellbeing which may lead to mental ill health. Children born into poor families are more likely to be born premature, have low birth weights and die in their first year of life; they were also more likely to suffer poor physical health generally and are at increased risk of life-limiting illness.

Child Poverty and Welfare Reform
Substantial cuts to social security entitlements for low income families are a key driver of rising child poverty rates. Some of our key concerns around welfare reform and child poverty include:

• Reductions in work allowances under Universal Credit introduced in April 2016 cost families with children up to £2630 per year. Work allowances set the amount of money that a claimant can earn before additional income affects their entitlement to benefit, and this change will have a profound impact on low income working families.

• The two child limit in Tax Credits and Universal Credit is expected to affect 640,000 families by 2020. The Children’s Society believes that the imposition of any restriction on the number of children for whom the child element of Child Tax Credit or Universal Credit will be paid is neither right nor fair, since the principal group affected by such a change are children themselves.

• 100,000 disabled children stand to lose up to £29 per week as a result of cuts to the disabled child addition within Universal Credit.

• Disabled Lone Parents with Young Carers stand to lose £58 per week as a result of the loss of the Severe Disability Premium under Universal Credit. The loss of this support – which supports severely disabled adults living without an adult carer - is likely to place considerable additional care burdens on young carers.

• Lone Parents and people with limited capability for work under the age of 25 are likely to lose up to £15 per week as a result of reductions in standard allowances for these groups under Universal Credit – this measure is expected to push 100,000 young people and their families into poverty.

• A four year freeze on support for children under Universal Credit is expected to reduce the value of key children’s benefits by around 12% by the end of the decade. The Children’s Society estimates that around 4 million families, with 7.5 million children, are affected by the four-year freeze, which includes housing benefit for privately rented properties. Nearly two thirds of these families - 2.6 million families with 4.9 million children – are in work.

Problem debt
The proportion of income spent on debt repayments is not considered in the official child poverty statistics. However, with families spending a high proportion of their income on repaying debts, this leaves less money for other essentials. Almost 1.4 million UK families with dependent children are currently in problem debt. Around 2.4 million dependent children live in these households.

According to research conducted in 2014, nine in ten parents in arrears on at least one household bill or credit commitment have cut back on necessities for their children within the last 12 months to make a debt repayment, with six in 10 having cut back on food.

Children living in families in problem debt have been found to be five times more likely to be at risk of having low wellbeing than those not facing difficulties with debt. Alongside this research, The Children’s Society has also found that it is not the amount owed by households that directly impacts on children’s

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wellbeing but the number of creditors they owe money to, with StepChange Debt Charity clients having around six creditors on average.

In England and Wales there is no statutory scheme to support people in temporary difficulty and people seeking to repay their debts. A new statutory scheme should be capable of providing two broad protections:

1. An initial ‘breathing space’ period where interest, charges and collection activities are postponed, without a requirement to make payments. This would give those facing problem debt time to seek advice and to stabilise their finances enough for a debt adviser to recommend a long-term debt solution. Breathing Space would only be available when people are working to get back in control of their debts with the assistance of and continued engagement with a provider of regulated debt advice.

2. A continued freeze on interest, charges, and enforcement action where people are able to enter an agreement to repay their debts within a reasonable period. This would provide statutory backing to existing “Debt Management Plans” and avoid these plans failing because a small number of creditors refuse to take part.

The introduction of a Breathing Space scheme was promised in both the Conservative and Labour manifestos – concerted cross party action is now needed to deliver this.

What steps need to be taken to tackle child poverty and problem debt?

The following steps would help to reduce child poverty and family debt:

- **Reconsider the cuts to the Universal Credit Work Allowance**: Work should always be a reliable route out of poverty, however, cuts to the amount of their benefit, working parents can keep, has meant that for many this is no longer the case. It is welcome that the government announced a significant uprating of the National Living Wage in the Queen’s Speech; however for this to have the desired effect the government must reverse cuts to the Work Allowance under Universal Credit so that working families get to keep more of their money.

- **End the four year freeze in benefits**: with inflation at 3.7%, urgent action is needed to address the fall in the incomes of low income families who rely on benefits by reversing the freeze in benefits and uprating them by inflation each year.

- **Introduce a Breathing Space** for families in problem debt – as promised in both the Conservative and Labour manifestos.

Questions to the Minister

- Will the Minister outline the steps the Government are planning to take to reduce the number of children living in poverty over the course of this parliament?

- Does the Minister agree that the cuts to the Work Allowance remove a vital incentive to move into work, which was the foundation of Universal Credit. Will the Minister commit to reviewing this?

- Will the Government introduce the Breathing Space protections for families in problem debt, promised in the Conservative manifesto?

About The Children’s Society

The Children’s Society works with thousands of the most vulnerable and disadvantaged children in England each year. These are children who may be experiencing risks to their safety, may not have the resources they need to thrive, and may be living with poor emotional wellbeing or mental ill health. In spite of this, we know that a complex childhood need not define a child’s future if the right support is given at the right time.

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