

IN THE EYE OF THE STORM: BRITAIN'S FORGOTTEN CHILDREN AND FAMILIES

A research report for Action for Children,
The Children's Society and NSPCC

Executive Summary

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EXECUTIVE SUMMARY

The recession and the resulting austerity is the issue that most defines our times. Yet its impact on the most vulnerable children is too rarely considered – children who, by definition, cannot protect themselves. These children deserve consideration in their own right and a level of political discourse above and beyond the current focus on families and parenting.

It is for this reason that three leading children's charities, Action for Children, the Children's Society and the National Society for the Prevention of Cruelty to Children commissioned Landman Economics to undertake new research to estimate the number of vulnerable children and families in Britain and the impact of the current economic context on them.

The research set out to:

- measure the number of families with children in Britain who are most vulnerable to adverse economic conditions, using a number of different definitions of 'vulnerability'; and
- estimate how these families will be affected over the next few years by the changes to tax and benefits, cuts to public services and the on-going effects of the post-2008 economic downturn.

The resulting evidence shows that the number of vulnerable families with children is often understated and on whatever definition that their number will grow substantially in coming years. It also shows that welcome measures put in place to mitigate the impact of the recession on vulnerable families with children are insufficient. These findings underline the urgent need to protect children from the impact of austerity and for particular consideration to be given to the needs of the most vulnerable children and families in our society.

The definition of vulnerable children and families

There is no one way of measuring vulnerability, so this new research draws on the available data to calculate the number of vulnerable children and families living in a wide range of circumstances including:

1. **Worklessness** – no parent in the family is in work;
2. **Housing** – the family lives in poor quality and/or overcrowded housing;
3. **Qualifications** – no parent in the family has any academic or vocational qualifications;
4. **Mental health** – the mother has mental health problems;
5. **Illness/disability** – at least one parent has a limiting long-standing illness, disability or infirmity;
6. **Low income** – the family has low income (below 60% of the median);
7. **Material deprivation** – the family cannot afford a number of food and clothing items.

To calculate the number of vulnerable children and families living in Britain under each of these definitions, the research used a household dataset called the Families and Children Study (FACS).

In 2007 the Cabinet Office used this dataset to identify families ‘at risk’. These were defined as those who met five or more of the criteria above. The same methodology was used by the current UK Government to establish the number of so-called “troubled families”. However, the threshold of five or more criteria is an entirely arbitrary one and our research has also looked at families who meet both fewer and more than five criteria to give a more complete picture of the extent of vulnerability.

How many families with children are vulnerable?

The Families and Children Study ran from 2003 to 2008. During this period the number of families vulnerable under five or more measures reached a peak at around 160,000 in 2004 and then fell to just over 130,000 in 2008. The number of children living in such families remained reasonably consistent at around 360,000 between 2003 and 2006 before falling to around 280,000 in 2007 and rising to around 310,000 in 2008.

However this significantly understates the real scale of the problem. Even if slightly fewer measures are used the number of vulnerable children and families is much higher. More than three times as many families (395,000) had four or more vulnerabilities in 2008; 900,000 families had three or more, and 1.87 million had two or more.

Furthermore looking at children specifically, by 2008 there were nearly three times as many children (885,000) living in families with four or more vulnerabilities, nearly 2 million children living in families with three or more vulnerabilities and 3.9 million with two or more.

The impact of tax and benefit changes on vulnerable families, 2010–15

Our research simulated the impact of changes to the tax and benefit¹ systems taking place between 2010 and 2015 to look at the distributional impact of these changes on families with children, with a special focus on the impact on vulnerable families.

It found that the changes to the tax and benefit systems will, on average, have a negative impact on every type of vulnerable household analysed in this report. Tax and benefit changes will disproportionately hit the most vulnerable and their negative impact on family income will increase the more vulnerable you are.

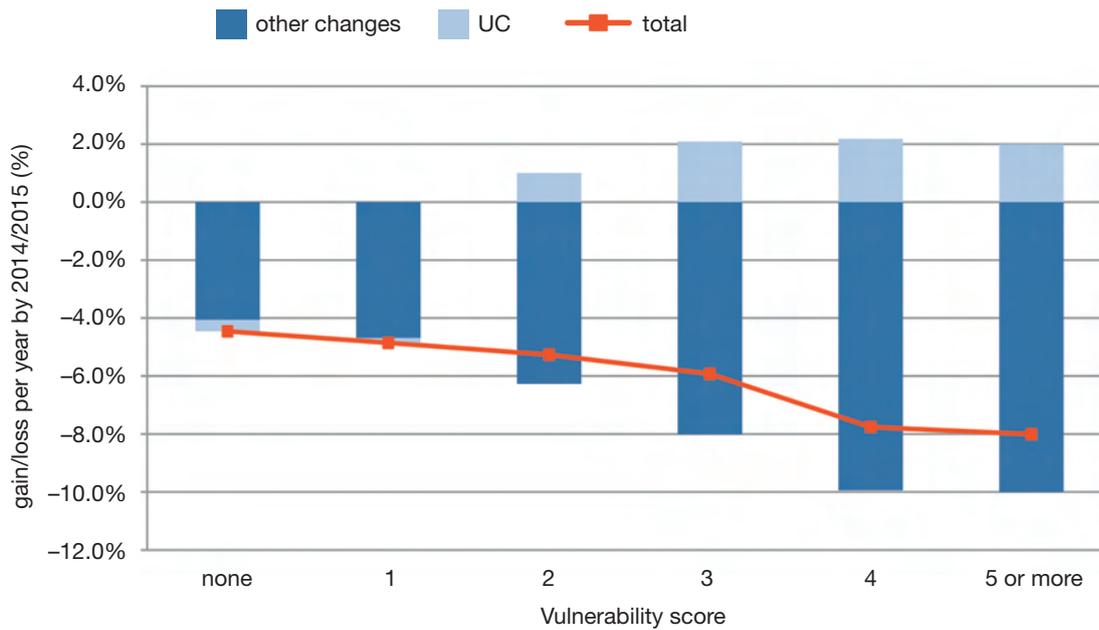
Figure S.1 below shows the average impact of tax and benefit measures as a percentage of net income according to the number of vulnerabilities each family has. The total impact of the measures is broken down into the effect of Universal Credit (in light blue) and the other changes to tax and benefits (in dark blue)².

¹ Including reforms to tax credits

² The results for Universal Credit have been presented separately because it will not be introduced until 2013 and will be phased in so inevitably it is difficult to be precise about its impact up to 2015

The introduction of Universal Credit will result in a gain in income for some of the most vulnerable families but this is not large enough to offset the losses resulting from other changes to the benefit system, such as changes to Housing Benefit and disability benefits. Overall, the negative impact is perversely greater for families with more vulnerabilities. Families with four or more vulnerabilities lose around 8 percent of their net income from the changes, compared to less than 5 percent for families with no vulnerabilities.

Figure S.1 Percentage impact of tax and benefit changes, 2010-15, by vulnerability “score”



The impact of spending cuts on vulnerable families, 2010–15

The research also estimated that the average value of all ‘in-kind’ public services (including health, social care, education, transport, housing, policing and welfare-to-work, but excluding tax credits and benefits) received across all families in 2008 was around £16,200.

As vulnerable families depend to a greater extent on public services than other families, the children in these families will be more greatly affected by cuts to provision. The government has introduced new measures, such as the pupil premium and the childcare offer for disadvantaged two-year-olds, which direct more spending to vulnerable families. However, they do not fully compensate for the overall cuts in spending. The impact in cash terms of the spending cuts on vulnerable families is between £1,000 and £2,400 on average per year by 2015.

The combined impact of tax and benefit measures and spending cuts

When you combine the changes to the tax and benefits system with spending cuts the overall impact on vulnerable families becomes clear. The research shows that families with five or more vulnerabilities lose approximately £3,000 per year by 2015. This represents a decrease in total living standards of around 7 percent.

Will the number of vulnerable children and families increase?

This report estimates there will be a substantial increase in the number of vulnerable families with children between 2010 and 2015 as a result of changes in tax and benefits, spending cuts and the on-going effects of the economic downturn.

Between 2010 and 2015 the incidence of several vulnerabilities is projected to increase as follows:

- 120,000 more workless families
- 25,000 more families with a mother suffering from depression
- 100,000 more families living on a low income (below 60% median income)
- 25,000 more families in material deprivation
- 40,000 more families living in poor quality or overcrowded housing

Not all vulnerable groups will increase in size, though. The simulation results suggest that the number of families where there is no adult with a qualification will fall by around 100,000, while the number of families where one adult has a limiting long-standing illness, disability or infirmity will remain unchanged.

However, between 2008 and 2015 it is estimated that the number of families with five or more vulnerabilities will increase from 130,000 to 150,000 – an increase of just over 14 percent. The number of children living in families with five or more vulnerabilities is set to rise by 54,000 to 365,000, an increase of around 17 percent.

Taking a slightly wider definition of vulnerability, the number of children living in families with four or more vulnerabilities is set to rise from 885,000 in 2008 to just over one million by 2015.

Particularly worrying is the projected increase in the number of children living in extremely vulnerable families – families with six or seven different risk factors. Although currently fewer than 50,000, the number of children living in extremely vulnerable families is set to almost double by 2015, to 96,000.

Overall, it is clear that, now, more than ever, we need a debate about the impact of Government policy on children. By 2015 there will be significantly more children living within vulnerable families than there were in 2008; they will be significantly worse off in terms of disposable income; and that the public spending cuts will have also hit them hard. This research brings into sharp relief the need to take further action to protect those vulnerable children and their families from the recession and the resulting austerity.

