

Updated 9th October, 2009

Based on a survey of members in January, April & September

Impact of economic and financial crisis on children & young people

In this short policy analysis, Eurochild aims to provide:-

1. A short overview of the actual situation in member states
2. An insight into the impact on children & mitigating factors
3. Suggested policy orientations

1) OVERVIEW OF THE CURRENT SITUATION ACROSS THE EU

According to Eurochild's members¹, the global economic crisis is already impacting on the lives of children and young people in Europe and the future prospects are bleak. The following analysis gives a snap-shot of recent developments.

a) In many member states there is concern about severe **cuts to the budgets** in services directly affecting children, health and education in particular.

- In **Cyprus** the income revenue on taxes dropped 10% in 2009 but there is no visible impact on children so far. The Minister of Finances is considering budget cuts in 2010, including social services which will have an impact on children.
- In **Estonia** support for books and materials in kindergartens has been reduced.
- In **Finland** the global economic and financial crisis is posing challenges to child welfare. Many families with children face a fall in their income. Municipalities are facing economic difficulties, which will probably be reflected in the provision of and access to social, health and school services. Even before the economic crisis the inadequate staff resources e.g. in the services for children and youth caused concern.
- In **France**, family policies have been hit by the economic downturn. No substantial cut has been implemented so far, but budgets and benefits to families have remained stagnant.
- In **Hungary** the Government is cutting back on subsidies provided to the local authorities on meals in kindergartens and schools by two thirds. They plan to compensate the most deprived sub-regions but otherwise it has to be resolved locally. At the same time only one member of each family is eligible to receive certain benefits and access supported temporary employment. This means that in some families they can lose one third of their former income - not enough to cover basic needs. In many of these families the children were already experiencing extreme poverty before the crisis.
- Already by mid October 2008 the **Irish Government introduced an emergency budget which cut back agencies with a poverty or rights focus** and introduced serious cuts that will affect children living in poverty. In April 2009, the Irish government delivered a supplementary budget to block the drain on public finances. Whilst there were some positive outcomes to this budget (ring-fencing resources for health staff critical for children, introduction of a one-year free pre-school place for all children, investment in school buildings), families with young children will be among the hardest hit by the crisis. The budget committed to taxing or means-testing the child benefit payment in 2010, it reduced the rent supplements payment to poor families, and announced a cap on social spending for the next five years. By bringing the lowest paid into the tax net (by introducing a levy on all earned income) the Budget risked disincentivising work and increasing in-work poverty. The Report of the 'Special Group on Public Service Numbers and Expenditure', known as 'An Bord Snip' proposes cuts worth €5, 3 billion. Its recommendations would cut childhoods short, with almost one quarter (€1.28 billion) of the total proposed cuts directly impacting on children and those in

¹ Eurochild is a network of organisations and individuals promoting the rights and welfare of children and young people in Europe. The network currently has 83 members in 27 European countries. Our work focuses particularly on the fight against child poverty in Europe. Members participate actively in thematic working groups, focusing i.a. on early years; family and parenting support; child participation and children without parental care. Eurochild is supported by the European Community Programme for Employment and Social Solidarity (2007-2013). For more information see: http://ec.europa.eu/employment_social/progress/index_en.html.

disadvantaged families. Cutting Childhood Short² shows overwhelmingly how the recommendations will have a negative, deep and life-long impact on children. Also there is a risk of merging the Office of the Ombudsman for children with a wider general ombudsman role. The Children's Rights Alliance has produced two reports looking at the impact of the cut (or the proposed cuts) so far on children, which include: huge cuts in education, increase in class size, cut in language support teachers, special needs teachers, cut to library grants, and grants for school books for poor children, increase in the cost of school transport, and in the cost of staying overnight in hospital or accessing accident and emergency.

- In **Latvia** GDP has decreased by 19,6% since 2008-2009. The distance from losing job to bankruptcy for middle-class families is one month and 12 days. Only less than 10% of the families have savings. Many schools are closing, from 1st September 2009 salaries of teachers decreased by 51%, salaries in high school decreased by 30%, school lunches are not provided free of charge. (except for a low number of children)
- In **Lithuania** government measures are based on saving and cutting governmental spending. The project underway suggests reducing social benefits and pensions. This will weaken the ability of grandparents to support children - intergenerational solidarity has played an important role in alleviating poverty risk. Living in multi-generational households and/or relying on inter-households transfers whether in cash or in kind have partly compensated the lack of governmental support for the parents in the most vulnerable situations. The number of working poor is increasing. Net wages fell by 6,4% in second semester of 2009 compared to the same semester in 2008. Swedbank analysts forecast that average wages will fall this year by 10-12%. According to a World Bank report the number of people below poverty line (101 Euro/person/month) will increase in 2009 by 49,6% compared to 2008. Children will be seriously affected by the approved Crisis Management Plan which cancels child universal allowances 50 Lt (14.5 €) as well as free of charge child meal in primary schools. From now on those measures will be mean-tested. The crisis is deepening every month more and more people are asking for social benefits.
- In **Romania** social services and NGO's are experiencing financial problems – currently most receive from external sources and there is no serious policy from the government to allocate public funds. As a result many children are deprived from necessary services.
- In **Sweden** social services and local authorities are facing growing costs due to the crisis.
- A recent **UK Government** report warned that the recession could undermine investment in education and related services. The report warned that, as the private sector struggles to obtain credit and grapple with tougher financial times, it may be far less willing to invest in long-term building projects, such as school building programmes. Impact likely will be greater on NGO's. One possible good practice in the **UK** is the ring-fencing of £20M hardship fund for the voluntary & community sector – recognising the central role of NGOs in service delivery & the increase demand for services. In **Scotland**, the impact of the April budget promises to take around £500 million out of public spending. This is likely to have a significant impact on education and health and will probably impact more on preventive and supportive services, e.g. it is likely that little will be done in terms of implementing the early years' framework and non-statutory work with parents is likely to suffer. There has been an increase in child tax credit but (leaving aside the confusing and complex system of claiming) is estimated to work out at 38p per child per week. **Wales** was hit harder than other devolved governments, as growth has been slower since recession in the 80's. Young people were particularly affected with a 45% of the unemployed being under 25 years old. Also there is an increasing demand on family centres, debt advice centres, housing services in the midst of budget cuts that hit first the voluntary sector.

b) **Unemployment has risen significantly** (e.g. across the UK, Ireland, Latvia, Sweden, Spain, Slovenia and Slovakia) and is continuing to grow as a direct result of the international financial crisis. The result is that there are more children in jobless households. This, naturally, has an impact on children's material well-being, as well as on their emotional health and the relationships and atmosphere at home. Moreover, within the rise in unemployment, young people will predictably find it difficult to access work once current training ends.

- In **Estonia** young people are overrepresented in unemployment figures. Also there is an important effect on young people's mental health including rising drug and alcohol abuse.
- In **Latvia** since 2008/2009 the unemployment rate has increased to 18.6% (official rates do not reflect the hidden unemployment – persons working without agreement). According to researchers, significant growth of child mortality is expected in all age groups as consequence of high unemployment, decrease of GDP as well as health budget per capita. Strong correlation exists between child mortality and the mentioned macroeconomic figures.

² See: Children's Rights Alliance www.childrensrights.ie Bord-snip recommendations will cut childhood short, 07/2009

- In **Lithuania** unemployment has recently increased from 9,9% to 13,6%.
- Unemployment is increasing in **Slovenia**. This is expected to have an indirect impact on child well-being and will most strongly affect the already under-privileged families (especially lone parent's households) by reducing their direct income from labour market activities. So whilst the welfare system and policies are still intact and performing as they did before the crisis, the direct loss of families' income due to unemployment will affect families.
- In the **UK**, the impact of the crisis on children is not measured and not direct but unemployment is rising, affecting particularly women and rural areas. More than 30% of unemployed people are youngsters leaving schools. The most affected are between 16-25 years old. A Government committee also voices concerns over the impact on young people in their quest to secure apprenticeship placements once qualified. 1 out of 5 young people in the UK is 'Not in Employment, Education or Training (NEET).

c) The number of people living in relative poverty is growing because of **increased inequality of income** (i.e. in Finland, Belgium). The population groups with the lowest income are generally young single households and single-parent families.

- **Lithuania** even before the crisis has been a country with high child poverty rate in the EU. 25% of children were under the poverty line. This number was higher to compare to adults, 20%. Lithuania was among the countries where the majority of children living in poverty were found in families with unemployed parents. Combined with low in-work incomes the poverty rate of 2 bread winners' households was among the highest in EU when at the same time the level and efficiency of social spending was among the lowest in the EU.
- For instance, in **Finland** every fourth member of single-parent families has a low income, whereas every tenth member of two-parent families with children has a low income.

d) Evidence suggests **increasing demands on child protection services**.

- In the **Czech Republic** there is a noticeable increase in the number of children being taken into care as families face increasing hardship. More children are coming into care and there is no policy to help people facing the crisis, affecting increasingly and disproportionately those who were already discriminated against, namely the Roma community – 90% are now facing unemployment.
- In **Hungary** school violence, segregation and discrimination is a fast growing problem as a consequence of the increased tension, anger and scape-goating closely related to the economic crisis.
- The incidence of child abuse among Lithuanian families living abroad (primarily in the UK and Ireland) has increased significantly. In 2005 the State Child Protection Agency received 10 cases from child protection agencies in foreign countries, whereas in 2008 60 cases were reported.
- In **Romania** there is a growing number of families *asking* to place their children in institutions.
- In the **UK**, there are additional concerns around children being more vulnerable in relation to broader protection and safeguarding issues, with a Government minister fearing that cuts will be made in vulnerable children's services as local authorities look to make efficiency savings. Social workers are also bracing themselves with higher caseloads. Moreover, with the rise in certain crimes, there is the added risk to community safety, particularly in disadvantaged areas. In **Scotland** there has been a 30-40% increase of referrals to the child protection system;
- In many countries migrant families are the first to lose their jobs – some are returning to their home countries (e.g.: Romania) and children particularly find it hard to reintegrate and there is no support to help them.

2) AN INSIGHT INTO THE IMPACT ON CHILDREN & MITIGATING FACTORS

Research carried out during and after the deep economic recession that hit Finland in the early 1990's demonstrated the critical importance of parenting in buffering the effects of the crisis on children's well-being³. Children's ability to understand, adjust and cope with the situation depends heavily on the quality of parenting – which in turn is deeply dependent on resources and circumstances. Economic stress inevitably has an impact on family relations. Parents may not have the time or emotional health to guide and nurture their children in a way that sets clear boundaries, monitors progress and gives positive response to children's development and progress. This is critical for building children's self-esteem and sense of identity.

³ Leinonen, Jenni, Families in Struggle, Child Mental Health and Family Well-being in Finland – During the Economic Recession of the 1990s: The importance of parenting, STAKES Research Report 143, 2004

3) SUGGESTED POLICY ORIENTATIONS

At this time of crisis, the well-being of children must be at the forefront of policy makers' minds. Children will bear the burden of the growing public debt. How children understand and adjust to the current financial and economic crisis will shape their confidence, self-esteem and interest and ability to be active, responsible citizens in the future. We therefore call on governments throughout Europe to:

- **Increase public investment in children**, particularly in high quality education services for all. This includes strengthening schools as meeting places for children to understand and cultivate democratic principles, promote diversity, and strengthen self-esteem and identity. We need urgently to increase service provision for pre-school – not only as a service for parents who want to work, but also (and most importantly) for children's development. Early childhood services must be conceived on the basis of children's best interest. Staff must be well-trained and valued, parents must be involved and supported, and services must be accessible and affordable for all⁴.
- **Strengthen early intervention and prevention services for families.** Levels of stress in families will inevitably increase during the crisis, with likely impacts on the quality of parenting. It is crucial that families and parents are given the necessary support *before* problems escalate and children's well-being and mental health is at risk. The long-term consequences of children's self-esteem, personal identity and emotional and cognitive development are unquantifiable. Services exist to support parents through difficult times, to help them develop better coping strategies and understand the importance and value of good parenting. Now is the time to step up investment in these services. Parenting is not something to be left to chance.
- **Maintain and increase support for the most vulnerable.** The economic crisis has tended to focus attention on those families that risk a change in circumstances, due to unemployment, debt and/or housing difficulties. Families already facing severe poverty before the crisis hit are facing a worsening situation with rise in the cost of food, fuel, and other necessities and increasing demand on services. Furthermore there are hundreds of thousands of children unable to grow up with their biological parents – these are the most vulnerable to abuse, neglect and exploitation. Despite efforts to increase provision of family- and community- based care solutions, the number of children in residential care settings remains steady – if not increasing. This situation requires urgent structural reform and investment in services to ensure all children are able to fulfil their true potential.
- **The implementation of the CRC is a tool to ensure the common language, understanding and standards to measure the well-being** of children and provide a policy framework to tackle poverty, exclusion and handling the crisis. Application of its principles should be seen as an investment not a financial cost.
- **Establish mechanisms** which limits International Monetary Fund and World Bank, allowing them to lend money to countries in economic crisis only if the credit-taking government gives significant guarantee that it will enforce the fundamental rights of children and families as declared by UN CRC, World Declaration on Development and Survival of the Child, and by the European Charter on Fundamental Rights.

Common objectives and cooperation at EU level in the field of child poverty and well-being add much value to member state efforts. It strengthens political commitment, facilitates mutual learning and provides tools for benchmarking and monitoring progress. Work carried out within the Open Method of Coordination on social inclusion and social protection has already proven its worth. Now it is time to step up that effort to ensure implementation and accountability within member states. Eurochild is calling for a **Recommendation on child poverty and well-being** at EU level to be adopted in 2010 the European Year against poverty and social exclusion. Such an initiative will give a huge boost to member state action and ensure the necessary urgency to policies intervention that mitigate the effect of the crisis on children's well-being.

Contact: Jana Hainsworth, Secretary General, +32 2 211 05 50, jana.hainsworth@eurochild.org

⁴ For more detailed discussion on the development of early years education and care services in Europe, please go to Eurochild's web pages on this thematic priority: www.eurochild.org