Impact of economic and financial crisis on children & young people: some evidence

According to Eurochild’s members\(^1\), there is already evidence that the global economic crisis is impacting on the lives of children and young people in Europe.

1) In many member states (i.e. Ireland, UK, Lithuania, France), there is concern about severe cuts to the budgets in services affecting directly children, health and education in particular.

- 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 introduces taxing or means-testing of the child benefit payment, end of mortgage relief and reductions to rent supplements. Bringing the lowest paid into the tax net risks acting as a disincentive to work and increasing in-work poverty.
- 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.
- 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.
- 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 Lithuania, 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.
- In France, family policies have been hit by the economic downturn. Any substantial cut has been implemented so far, but budgets and benefits to families have remained stagnant and have not increased.

2) Unemployment has risen significantly (i.e. across the UK, Ireland, Latvia, Sweden, 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.

- Unemployment is increasing in Slovenia. This is expected to have an indirect 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 in-tact and performing as they did before the crisis, the direct loss of families’ income due to unemployment will affect families.
• In the UK, a Government committee also voices concerns over the impact on young people in their quest to secure apprenticeship placements once qualified. 1 in 5 young people in the UK is ‘Not in Employment, Education or Training (NEET).

3) 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.

• 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.

4) New evidence suggests a rise in the number of incidences of domestic violence, which is being linked to increase family stress within the home as a result of the recession.

• The incidence of child abuse among Lithuanian families living abroad (primarily in the UK and Ireland) has increased significantly. In 2005 State Child Protection Agency received 10 cases from child protection agencies in foreign countries, whereas in 2008 60 cases.

• In the UK, there are also 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 for higher caseloads. Moreover, with the rise in certain crimes, there is the added risk to community safety, particularly in disadvantaged areas where some types of crime are greatest.

5) There is worrying new evidence of an increasing number of families at risk of losing their homes.

• In Hungary, an estimated 10,000 families are at risk of losing their homes because of their inability to pay their mortgages. The dramatic drop in the value of the Hungarian Forint has increased the cost of some families mortgages by 30-40% where they have been taken in Euro or Swiss Francs. There is no support yet in place to ensure debt relief for these families, as the government struggles to manage its escalating debt and comply with the constraints of the IMF.

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-being. 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.

EUROCHILD’S KEY MESSAGES

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

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1 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
conceived on the basis of children’s best interest. Staff must be well-trained and valued, parents must be involved and supported, services must be accessible and affordable for all.²

- **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 the understand 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 in severe poverty before the crisis hit are facing a worsening situation rise in the cost of food, fuel, and other necessities and the 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.

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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 69 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.

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The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States’ commitments and efforts to create more and better jobs and to build a more cohesive society. To that effect, PROGRESS will be instrumental in:

- providing analysis and policy advice on PROGRESS policy areas;
- monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas;
- promoting policy transfer, learning and support among Member States on EU objectives and priorities; and
- relaying the views of the stakeholders and society at large

For more information see:

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² 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

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