IMPACT OF ECONOMIC AND FINANCIAL CRISIS ON CHILDREN & YOUNG PEOPLE: SOME EVIDENCE

In this short policy analysis, Eurochild aims to provide:

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

OVERVIEW OF THE CURRENT SITUATION ACROSS THE EU

According to Eurochild’s members, the global economic and financial crisis continues to have a severe impact on the lives of children and young people in Europe.

1) The number of people and children experiencing poverty is increasing, often in consequence of the significant rise in unemployment which is felt across the EU.

In France, recent official statistics for 2008 show that the population experiencing poverty remains stable at around 13%. Single parents families continue however to be the most affected with a slight increase as from 2005 data. While poverty in families with two parents and two children occurs in 7.7% of the population, this number rises to 30% for single-parent families.

The unemployment rate in May 2009 was the highest in the last 10 years for the euro area, while for the EU27 it is the highest since June 2005 ranging from 8.9% in Belgium to around 20% in Latvia and Spain. Young people are being particularly affected since they are not able to find jobs once training ends as job offers have decreased. In Wales, 45% of the unemployed are under 25 years old.

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.

- In Estonia, where unemployment rose to 18.6%, young people are the most affected. There is also an important effect on young people’s mental health including rising drug and alcohol abuse.
- In Latvia according to researchers, significant growth of child mortality is expected in all age groups as a consequence of high unemployment, decrease of GDP as well as heath budget per capita. Strong correlation exists between child mortality and the mentioned macroeconomic figures.
- Unemployment in Slovenia 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

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1“Unemployment rate, monthly average”, Eurostat, last update: 21-09-2010
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 rising unemployment affects 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).

- Although official statistics are not yet available, a study prepared by UNICEF and World Bank estimates that in Romania the impact of the economic crisis in the country will result in an increase in the proportion of children living in absolute poverty from 7.8% in 2008 to 10.7% in 2009.

- In Hungary a 1992 Data Protection Act imposing strict safeguards on data related to ethnic or racial origin of the individual, by making access to and processing of such data subject to authorisation by law or the written consent of the individual, is still in force. Viewing that unemployment touches mostly Roma citizens, the lack of reliable data concerning them may have a negative impact on their access to social benefits.

2) Many member states face further (announcement of) cuts to the budgets in services affecting directly children, health and education in particular.

- In The Netherlands governmental working groups set up for advising on possible cost reductions in the order of 20% included cuts on schemes for children. The newly elected government (June 2010) in now to decide whether to apply the working groups’ recommendations. In 2009, child related budget and family allowances were not increased according to the inflation rate due to the crisis. Moreover, it was evenly agreed to lower the upper ceiling of families’ income eligible for the child related budget.

These cuts to the budgets on national level will furthermore impact on local structures, such as municipalities. The latter, responsible for youth policy, are/will therefore also experience budgetary shortages, which will directly affect service provision.

- In June 2010 the German government enacted a so-called “Sparpaket” (saving package) in reaction to the crisis. This package amounts to €82 billion and has resulted in severe cuts particularly with regard to the social field (€30 billion - equating to 37% of the whole package). Cuts affect measures concerning social care for job seekers; promotion of employment; housing subsidies; parents’ money and pension funds. The abolition of parents’ money for the unemployed is supposed to result in yearly savings of €440 million. In turn, the lowering of parents’ money by 3% for parents with a monthly income of more than €1,240 each is supposed to result in a saving of €200 million per year.

- The emergency budget announced in July of the current year in the United Kingdom is “clearly regressive”, according to an analysis undertaken by the Institute for Fiscal Studies, as, on average, it hits the poorest households to a greater extent than those in the upper-middle of the income distribution in cash, let alone percentage, terms. In substance, child tax credits has been withdrawn for families earning more than £40,000 a year, rather than £50,000, while child benefit will be frozen for the next three years. The health in pregnancy grant of £150 will be scrapped from April 2011. Additionally, housing benefit is to be cut by £1.8bn by the end of the current term of the Parliament.

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4 http://www ifs.org.uk/publications/5245
The Independent Budget Review was commissioned in February 2010 to conduct a review of public expenditure in Scotland. Published end of July 2010 the report basically do not specifically mention children. Nevertheless, it proposes rethinking universal benefits including university tuition fees and is indicates that no area of expenditure, e.g. education, should be exempt. In addition, it questions the importance of investing in preventive services! It does suggest that spending on the Health Service should be ring-fenced.

- 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 the approved Crisis Management Plan cancelled child universal allowances as well as free of charge child meal in primary schools. Those measures are now means-tested.

- In Sweden social services and local authorities are facing growing costs due to the crisis.

- Recently in Romania the National Authority for Child Protection, the National Authority for Disabled Persons, the National Agency for Equal Opportunities and the National Institute for the Prevention and Combating Social Exclusion of Disabled People have been abolished to be included into the Ministry of Labour structure. This restructuration entails numerous adversities to the childcare system: it is not clear who will manage strategic projects funded by European Social Fund and how to access these funds.

- Staff ratio to children per residential services is now considerably reduced as well as food allowance per child. The criteria of cost per child per service being the overarching governmental preoccupation represents a genuine threat to the overall de-institutionalisation plan and family based system to be created in Romania.

- In Bulgaria, while education and child protection need heavy investments, the government also planned to dissolve the State Agency for Child Protection to transform it to a parliamentary commission. If implemented, this decision would undoubtedly constitute a step backward in child protection, degrading the specialized agency into a parliamentary commission, putting an already very vulnerable part of the population even more at risk. Notwithstanding this initial austerity undertaking, the Bulgarian government altered its position, in consequence of an ardent protest and lively advocacy action lead by national NGOs.

- The Irish Government has slipped to an overall D-grade in the Children's Rights Alliance Report Card 2010\(^5\) (respected audit, verified by an external assessment panel) published in January 2010, which grades Government on progress in its own commitments to children in the areas of Education, Health, Material Wellbeing and Safeguarding Childhood. This-year report introduced an F-grade (Fail) in the policy areas of alcohol, primary care and financial support for families (such as the child benefit payment). The new grade is indicative of the way in which children are the casualties of the recession. Nearly all grades either stay the same or are worse than those awarded in Report Card 2009.

Cuts in budgets are also resulting in **lowering available funds for the activities of NGOs**. In consequence, many of them are obliged to reduce/shut down some of their projects. In many cases, their daily activities now centre on the fight for survival instead of the substantial work.

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• In Romania, many NGOs that assure prevention or alternative services are being obliged to close them because of the lack of financial support from local and state authorities. Numerous small organizations running day centres for children, families and young mothers will no longer be able to provide their services unless they receive at least small support from the local authorities.

• In England, cuts are affecting projects which are not considered a priority such as Action for Children Participation Project, which had been running since 2002 making a real difference to many children, young people and families. The project was supported by the Government’s Local Area Based Grant for preventative services and was closed in October. The project was among the overall national cuts the Gloucestershire County Council decided to focus the cuts on children and young people services.

3) There is growing evidence that the economic and financial crisis has serious consequences on family life, in terms of its quality, relations among family members as well as childcare arrangements.

• Financial deterioration of leaving conditions result in increased family tensions. As a governmental survey\(^6\) indicates three-quarters (75%) of British adults are concerned about the impact of the economic downturn on their family life. 35% of women and 26% of men reported that the downturn has reduced the quality of their family life, rendering their family life more difficult by the need to live within a tighter budget, due to either a decrease in income or an increase in the amount spent on bills. Worries about job security, income and problems at work due to the downturn are cited as reasons for tension in family relationships. Two-thirds of women (67%) and six in 10 men (61%) agreed that they have cut down their spending as a result of the economic downturn.

One in five mothers (20%) with children aged 16 and under say they are concerned that they will have to change their childcare arrangements due to the downturn. Overall, some 6% of all parents indicate that they have already adjusted their childcare arrangements and a further 17% said it is very or fairly likely that they will have to do so.

There was also a perceived knock-on effect for formal and informal providers of social care for children and the elderly. One respondent noted that for the most vulnerable in society, the downturn was a very difficult time, and that “foster carers were becoming busier because obviously a lot of these families…take it out on the children, can't cope…and that's when the children end up in social care”.

4) 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.

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• 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 loose 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.

5) Changes in income and household consumption are also likely to affect the **quantity and quality of children’s nutrition** as well as declines in the **quality of education** they receive, not to mention declines in school attendance.

• Cost is a key factor in choosing not to eat a school meal for 21% of primary and 31% of secondary school pupils, according to an evaluation run by the Scottish pilot free school meal programme and universal free school meal programme in Hull. It was furthermore identified that universal provision massively boosts take up of healthy school meals, with real potential for boosting children’s health and learning, as well as relieving pressure on family budgets.\(^7\)

Moreover, with the phenomena of reduced family budgets, many women have had to switch to a less expensive supermarket. In consequence, nowadays, more children might suffer because of parents buying lower-quality food\(^8\).

Evidence shows how social issues, in many cases in consequence of the crisis, impact on pupils’ education on a daily basis in schools. Increased pressure on parents’ working time reduce the time available for nurture and care of children, and can be expected to reduce the level and/or quality of education participation. In more severe cases, emotional well-being can be seriously undermined. A report by the Glasgow City Council\(^9\) provides a telling example:

In a city’s east end school class 21 pupils out of a total of 24 were identified as having significant needs, ranging from parents with drug and alcohol problems to having to cope with domestic violence. Many were either struggling because of comprehension or communication difficulties, or spoke little or no English.

If pupils are not emotionally stable, teachers find it almost impossible to help them develop even basic educational skills, such as reading, writing and numeracy.

• In **Romania**, 19% of the children are dropping out school before the **8th** grade, while there is no prevention system developed and thus many children are neglected or in at risk situation without receiving any kind of supporting services.


\(^8\) “Children in times of economic crisis: Past lessons, future policies”, Background note, Overseas Development Institute, March 2009

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-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.

SUGGESTED POLICY ORIENTATIONS

At times of crisis, the well-being of children must more than ever 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 all.

- **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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10 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
• 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 principals should be seen as an investment not a financial cost.

• Establish mechanism 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 supporting a road map towards the adoption of a Recommendation on child poverty and well-being at EU level in 2011 and to include child poverty as a priority in the European Platform on Poverty and within the broader Europe 2020 strategy. Such initiatives 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.

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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: http://ec.europa.eu/employment_social/progress/index_en.html