Introduction

Discussion about child poverty in the UK is often somewhat detached, offering statistical data on how far family income falls short of the Government’s poverty line and living in poverty the economies families have to make. This rarely captures the daily, grinding poverty that 4 million children in the UK currently experience.1 Barnardo’s year-long study2 followed 16 families living in poverty in the UK. By tracking these families over a period of time we reveal the details of how they deal with money and the challenges they face in making a low income meet the diverse, and sometimes unpredictable, needs of family life.

The families were Barnardo’s service users (or former service users) and were living in poverty at the start of the project. This was determined by an initial financial assessment based on income and family size and calculated using the Government’s poverty measure3. Barnardo’s works directly with over 100,000 children, young people and their families every year through more than 400 projects across the UK. We aim to reduce the impact of poverty on children, young people, families and communities through social, economic and community action. Around one-third of our work focuses on the alleviation of poverty and it is an inescapable element of nearly all our work.

UK policy context

In 1998/99, child poverty in the UK stood at 4.4 million children (using an after-housing costs measure) and 4.4 million before housing costs, one of the worst rates in Europe. At that time the Labour Government made a bold and historic pledge to the nation’s children: to halve child poverty by 2010 and to end it by 2020. Since 1998/99, about 500,000 children have been lifted out of poverty – a great achievement – but on current policies there is little prospect of the Government meeting its 2010 target. The estimated £4 billion cost of meeting the 2010 target4 is small compared to the estimated £25 billion that poverty costs the UK each and every year in reduced educational opportunities, lower productivity, increased spending on social security, and lower taxes.5

Continuing to reduce child poverty will require national and local government, front line workers and practitioners, the voluntary sector and the business community to work in partnership. Three pieces of legislation offer the potential for a range of players to make a real difference in local communities:

■ The Child Poverty Bill measures, to place a new statutory requirement on the Government to publish a child poverty strategy6
■ The Equality Bill, which places new equality and socio-economic duties7 on local authorities
■ The Welfare Reform Bill measures, to move Job Seeker’s Allowance claimants into work through greater support and ultimately sanctions.

The Government has acknowledged that fiscal measures alone will not eradicate child poverty by 2020. The building blocks of employment, and adult skills, financial support, services for children, young people and families; housing and the environment; and social inclusion, are all important in breaking the intergenerational cycles of poverty.8 But the principal requirement is for families living in grinding poverty (and half the children who live in poverty have a parent or parents working) to have a greater income. This is particularly the case when we can expect the poorest families to bear the brunt of the current recession.

Notes
1 There are 2.9 million children living in poverty before housing costs are taken into account (the Government’s preferred measure), and 4 million children living in poverty after housing costs are taken into account (Department for Work and Pensions (2009) Households Below Average Income 2007/8). In this report we refer to both measures. The after-housing costs measure gives a more accurate picture of a family’s disposable income, especially as there are wide geographical variations in housing costs. The Government’s 2010 target to halve child poverty is defined solely in terms of income measured before housing costs. Notes 3 and 4 below set out further details on the Government’s child poverty measures.
2 From January 2008 to January 2009.
3 This report uses the same definition of poverty as used by the Department for Work and Pensions in the Household Below Average Income series. The poverty line is 60 per cent of median income – where the median is the level of income after direct taxes and benefits, adjusted for household size, so that half the population is above the level and half below it. This definition is a standard that changes as median income levels change. It is a measure of relative poverty. People living in poverty are defined as those living on less than 60 per cent of median income. The Government’s 2010 target to halve child poverty is defined solely in terms of income measured before housing costs.
4 Brower, M et al (2008) Poverty and Inequality in the UK, 2009, Institute for Fiscal Studies. The IFS analysis, which takes account of the Budget 2009, shows that child poverty needs to fall by 1.2 million to meet the Government’s target of halving child poverty by 2010 (on the before-housing costs measure). On current spending plans the Government is likely to fall short of this target by about 600,000 children unless it can invest approximately £4 billion in taxes and benefits before the 2009 Pre-budget Report.
7 A Fairer Future: The Equality Bill and Other Actions to make Equality a Reality from the Government Equalities Office sets out how the Government will legislate to place a duty on public bodies to tackle socio-economic disadvantage and narrow outcome gaps for people from different backgrounds.
Ralph’s wife died in 2005 and he is now a single father to their five daughters aged between seven and 17. One of his daughters, Natalie, has a medical condition that is difficult to manage, and Ralph often gets called to collect her from school during the day. Ralph is a semi-skilled engineer, and had been in the same job for 11 years. When his wife died his boss told him to take time off; but that was three years ago and because he felt he needed to care for his daughters full-time he has not returned. ‘All I want to do in five years is have a job… I would want a job, but where do I get one? I don’t know.’

Ralph’s weekly income is £290 after housing costs, £112.38 below the poverty line.\(^9\)

Ralph does not like to borrow money. He prefers to live within his means and only spend what he has budgeted for. In the past he has had a loan from the Provident,\(^10\) and was horrified at the high level of interest which he paid back. ‘It was scary and it kept me awake at night.’ During the study, to meet unexpected costs, Ralph had to apply for a budgeting loan of £900 from the Social Fund. Payment for the debt was arranged to be taken out of his income support at £10 per week. He says that the Social Fund is his only means of buying the things the family need without resorting to a home credit company: ‘It’s a loan but not the same pressure… the good thing about the Social Fund, the money – they take it all out [at source] so you don’t have to worry about going down and paying the bill.’

Ralph is not able to get a bank account. He has tried every bank in his home town but has been told he cannot open an account unless he can provide a driving licence or a passport as proof of identity. He has never learned to drive and has not been abroad since he was 17 years old. His inability to get a bank account has a number of knock on effects. He has lost confidence in his ability to manage money in this way and one of his concerns about returning to work is that he will have to change the way he manages his finances. He routinely pays more for bills because he cannot pay by direct debit.

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\(^9\) The Government defines poverty as those living below 60 per cent median income. See note 3. For a single adult plus two children, over 14 and three children under 14, the poverty line is £402 after housing costs. Department for Work and Pensions, Households below Average Income 2007/8, May 2009.

\(^10\) ‘The Provident is a home-collected credit company offering small, unsecured loans and other related products’ www.providentfinancial.com
Research findings

This report draws on the experience of all 16 families in our study, and we have chosen to tell the stories of six families in detail. These dramatically highlight the families’ financial exclusion and how they can be mired in persistent debt.

The research also highlights the remarkable resilience and determination of the children in our study.

Jelani

When Jelani was asked how he had spent his 14th birthday, he said he stayed at home and they had a party, just for the family. Asked if he got presents, he said yes, from his friend, but not from his mother. Jelani gave the £10 he received from his friend to his mother, to help towards the cost of school uniforms.

Jelani tells us that he would like to be able to buy some of the things that his friends have, such as nice clothes: ‘You see other people with things you like… I wish I could buy some of the things that his friends have, such as nice clothes…’

Poverty and spiralling debt

The families’ low incomes mean that they struggle to meet the costs of basic living. Anything additional to that – be it birthday presents, school uniforms or replacing an essential household appliance – can derail even the most careful budgeting. The families manager their cash on a week-by-week basis. There is no slack: rarely any spare cash at the end of the week.

There are only three ways of meeting one-off or seasonal costs:

1) Absorb the cost – being below the poverty line means this is the ‘get cold and go hungry’ option

Pauline’s source of fuel is a large oil tank in her garden. Oil has to be purchased in bulk.

‘It’s terrible ’cos I got my money on Monday, I got £180 and had to get my oil and that’s £167 and I was just left completely skint all week, it’ll just have to do… I actually phoned up and asked them could I get 200 litres and they says no… it was 300 I had to pay for, so… I said to the girls we’re just gonna have a really bad week, it’s just been like spaghetti on toast and things and we’ve just had to make do.’ (Pauline, 39, mother of two primary school-aged children.)

2) Use savings, where they exist at all

Only four families in our study were able to save even the smallest amounts of cash. Three did manage to save a little each week. For example, Ralph, a widowed lone parent with five daughters, saved £10 each week from April for the school uniforms he needed to buy in September. None of the families were making any provision for pensions.

3) Borrow

‘You can’t get the money any place else, you can’t go to a bank.’

With Christmas approaching, Gary expected the Provident representative to visit and offer another loan to pay off the existing debt with a sum left over to pay for Christmas. He was determined to turn it down: I don’t want to go that way again. I want to get that cleared. I would rather not borrow at all but just have to, to stay alive.’ (Gary, 47, lives with his wife and two children, aged 13 and nine.)

Many of the families did not have a basic bank account, even though they had tried approaching high street banks. Some had been refused an account without explanation, whereas others had been told that it was because they could not provide a passport or driving licence. These forms of identification were prohibitively expensive for them to obtain. Without a bank account families are excluded from:

■ short-term overdraft facilities
■ discounts associated with direct debit arrangements
■ interest free purchase schemes (e.g. for furniture and white goods)
■ bank loans at affordable interest rates

Ominously, the families in our study found it relatively easy to obtain credit, usually from home credit companies. But, as a consequence, they faced punitively high charges or interest rates. For example, one of the families in our study had a loan of

11 See note 10.
12 Home credit companies collect the money in person from homes weekly, and do not charge for missed payments. The high default rate and cost of collecting the loan is factored into the high interest rates clients pay.
13 Gary and May, who have two children aged 13 and nine.
£100 over 31 weeks from the Provident at a rate of 367 per cent APR.

‘(I) borrow, borrow, borrow. It’s so easy… they tend to give it more to people on benefits… I mean I can get credit no problem and I’ve got it… I’ve got a lot of debt and I’m not… ashamed of it… ’cos everybody has debt. If somebody says they don’t have debt they’re telling lies… I am careful with my money and budget well. I pay all my bills and even though I have a lot of debt, I pay it.’ (Jane, 32, mother of five children aged between one and eight years.)

Our research findings show that although families had fallen into poverty for different reasons, they followed similar pathways into a cycle of severe and inescapable debt.

- Families receiving state benefits, which are intended to provide a ‘safety net’, in reality live significantly below the poverty line.
- Complexities in benefits administration, resulting in delays to new claims, late payment or overpayments, can lead to financial crisis for families whose financial situation is so finely balanced.
- Building up assets and savings from incomes well below the poverty line is near impossible.
- While income is static, expenditure is not and families are unable to manage seasonal financial pressures or unexpected expense, having no savings to draw on.

- The Social Fund14 is an invaluable source of support but can be inflexible and slow. Other low-cost borrowing options such as credit unions currently lack sufficient geographical coverage, and loan eligibility criteria vary – for example many require members to have saved with the union before being allowed to borrow.
- Unable to access mainstream credit, families are left no other option than to subsidise the benefits shortfall by resorting to the home credit market and doorstep lenders with very high interest rates.
- Families quickly amass debt that has to be serviced from their benefits payments on a weekly basis. The net result is that families are left trying to survive on even less than their benefit income and that taxpayers’ money administered in welfare payments goes more or less directly to finance companies.
- The reverberating effects of financial exclusion are that families pay more for essential services as well as for credit.

Persistence
The Government defines persistent poverty as living in poverty for at least three out of every four years.15 Using this measure, the majority of the families in the study were living in persistent poverty. Consistent with other research16 we found that income poverty was exacerbated by low educational achievement, disability or ill-health, unemployment, lone

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14 The Social Fund provides discretionary lump sum payments, grants and loans for benefit claimants. Because it is administered by Jobcentre Plus, payments are taken at source from the total weekly amount of benefit and no interest is charged.


15 The Department for Work and Pensions Household Below Average Income series defines persistent poverty as being in income poverty (below 60 per cent of median income after housing costs) in at least three out of four years.

Conclusion

This research provides an insight into the experience of 16 families, six of whom we detail in this report; but 4 million children in the UK are living similarly poverty-stricken lives. For both economic and moral reasons we need to help families find their way out of poverty. All of them want to do so. A clear message came from the parents in this study that they want to work and don’t want to depend on state benefits. The children have the same hopes as their friends – rich or poor – to live in decent warm homes, with safe places to play and with the same treats that other children have. Most value their education and want to go to university, get a good job and own a house and a car. This is not too much to ask.

parenthood, having a large family and having young children.

Despite a clear understanding of these factors, policies are not currently delivered in a way that enables professionals to work together to address a range of often interrelated problems. It will be difficult for the parents in this study to exit poverty unless a long term, broad perspective is taken to help them balance their caring responsibilities with sustainable employment.

Work is commonly cited as the best route out of poverty. Although the Government has introduced several policies to ‘make work pay’, far too many parents still do not earn remotely enough to lift their families out of poverty. More than half of children in poverty have a parent in paid work and 32 per cent of children in lone parent households, where the parent is working either full-time or part-time, are still living in poverty. A family of two parents with two teenage children aged 13 and 15, and one parent working full-time at the National Minimum Wage, is over £105 below the poverty line each and every week. Although the families in this study have strong aspirations for themselves and their children they need significant financial, practical and personal support.

I try to instil in my kids that school is the most important years of your life; listen to what you’re being taught because it will affect your life forever.’ (Jane, 32, mother of five children aged between one and eight years.)

‘I don’t want my children to end up like me. I want them to have a good education.’ (Fiona, 32, mother of three children aged seven, eight and 10.)

‘I would be disgusted if my children ended up living on benefits when they are older.’ (Pauline, 39, mother of two primary school-aged children.)

The parents in this research all wanted to work but many of them lived in areas of high unemployment. Some had come to accept that they would probably never find a local job. Without support to tackle this sense of hopelessness, government initiatives to move benefit recipients from welfare to work may be less effective.

This sense of hopelessness came across clearly from the women in our study, and highlighted the significant barriers they face to being able to work their way out of poverty. Ten were lone mothers, not infrequently emotionally and financially abandoned by the fathers of their children. Almost all had poor educational experiences and were now socially isolated.


19 This calculation uses the after-housing costs measure poverty line of £362.18 HBAI 2007/08: www.dwp.gov.uk/asd/1/HBAI/HBAI2008/contents.asp. The family income in and out of work is sourced from The Benefit Model (interim): April 2008: www.dwp.gov.uk/asd/1/TSMT_2008.pdf. The income from one adult working 30 hours per week at National Minimum Wages is £367.05, leaving the family £105.13 below the poverty line after housing costs. On the Government’s preferred before-housing costs measure, this family would still be £44.49 below the poverty line every week. If the family received benefit they would be £15.36 (after-housing costs) or £74.84 (before-housing costs) below the poverty line.
Below the breadline:
A year in the life of families in poverty

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Download the full report from: www.barnardos.org.uk/poverty

Some images posed by models.
Names have been changed to protect identities.

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