

# How the economic and financial crisis is affecting children & young people in Europe

Report by Eurochild based on evidence collected through its membership

## Summary

Two years after the crisis broke out its impact on the daily lives of millions of families, children and young people is clearly perceptible. Although the impact of the crisis is by no means uniform across the EU, evidence suggests that children and families are being disproportionately affected.

Despite first signs of economic recovery, the recession continues to claim victims as the public and private sector adjust to new financial and economic uncertainty. But perhaps the greatest concern for Eurochild and its member organisations is the raft of public spending cuts introduced by governments to reduce public debt. We are particularly concerned about cuts

to vital benefits and services on which millions of families and children rely, including (but not limited to) high quality public education from an early age.

Before the economic crisis one in five children within the EU lived at risk of poverty. High levels of relative poverty are associated with high levels of inequality in society. More often than not, children born into poverty find it difficult to escape poverty as adults.

The economic crisis, and governments' response to it, is an opportunity to reflect on the type of society we want in the future. We believe that high levels of public investment in families and children, in particular when children are small and when families face challenges such as poverty, exclusion, ill-health or disability, will make a difference to the whole of society in the long-term. We believe that supporting every child to realise their full potential is not only a moral obligation, but also an economic necessity. Policy responses to the crisis must therefore be looked at through the lens of their impact on children's chances in life, recognising each child as an individual with unique potential independent of the circumstances into which they are born.

In the following analysis, we draw upon reports from Eurochild members and partners to illustrate how the crisis is affecting children and briefly outline our main policy recommendations.

***Crisis “(...) is no excuse to shy away from taking action. On the contrary, it is a call to act and shape our future.”***

***Commissioner László Andor<sup>1</sup>***

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<sup>1</sup> “Commission presents plan to close skills gap”, 26 November 2010 (updated), EurActiv.com, <http://tinyurl.com/4ewquzk>

## Introduction

Eurochild is a network of organisations and individuals working in and across Europe to improve the quality of life of children and young people. Its work is underpinned by the principles enshrined in the United Nations Convention on the Rights of the Child. Since 2008 Eurochild has regularly surveyed its member organisations to find out how the crisis is affecting children and families and their work with them.

This paper aims to present (1) an up-to-date analysis of the impact of the economic crisis on children and young people in Europe; (2) an assessment of the government spending cuts; (3) some policy recommendations we believe are necessary to reduce child poverty and create more equal societies in the future<sup>2</sup>; and (4) our views on the added-value of EU action.

## Part 1: How the crisis is impacting on children and young people

According to Eurochild's members, the global economic and financial crisis continues to have a severe impact on the daily lives of children and young people in Europe. Consequences are multiple and of different nature:

### ***Absolute poverty levels are on the rise***

The most immediate consequence of the crisis is an increasing number of people (including children) experiencing poverty, as a consequence of rising unemployment across the EU or falling salaries. In **Romania**, according to a study prepared by UNICEF and World Bank<sup>3</sup>, the impact of the economic crisis was estimated to result in an increase in the proportion of children living in *absolute* poverty from 7.8% in 2008 to 10.7% in 2009.

### ***Unemployment hits marginalised groups hardest***

In October 2010 the unemployment rate reached 9.6% for the EU 27 and 10.1% for the Eurozone, ranging from 4.4% in **Luxembourg** to 14,1% in **Ireland**, 14,7% in **Slovakia** and 20,7% in **Spain**. For many countries (as for the overall EU27) these are the highest rates since many years<sup>4</sup>.

Migrant workers – both documented and undocumented – are particularly vulnerable in an economic downturn. Those who migrated with their children are often forced to return home, and children can face many challenges reintegrating into an unfamiliar education system, especially (as is usually the case) if left without any professional support.

Other marginalised groups – for example the Roma – are still more likely to be excluded from the labour market in an economic crisis. In the **Czech Republic** it is estimated that 90% of the Roma working age population faces unemployment.

### ***Salary cuts increase in-work poverty levels***

Many people in work face salary cuts leading to rising levels of in-work poverty. In **Latvia** public sector wages were cut on average by 25%. From 1st September 2009 salaries of school teachers fell by 51%, while those of high schools by 30%. Many schools had to be closed as a consequence. Similarly in **Romania** state wages were cut by 25% and up to 70,000 public sector jobs were to be abolished in 2010. **Bulgaria's** austerity measures aimed at reducing public sector jobs by 10% and a freezing wages for up to three years<sup>5</sup>. **Lithuania** introduced, among others, a two year freeze in public sector salaries.

### ***Young people lack job prospects***

Worsening labour market conditions impact particularly severely on young people. In **Wales, UK**, 45% of the unemployed are under 25 years old. Overall in the **UK**, more than 30% of

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<sup>2</sup> Unless otherwise referenced, the country-specific information is provided through the Eurochild membership in written and verbal reports.

<sup>3</sup> "Romania - Rapid assessment of the impact of economic crisis on poverty", Joint note of UNICEF and the World Bank, <http://tinyurl.com/34xukqc>

<sup>4</sup> Unemployment rate, monthly average, **Eurostat**, update: 03-01-2011, <http://tinyurl.com/2wmp25o>

<sup>5</sup> Jennifer Pietras, **European Institute**, <http://tinyurl.com/334tnwy>

unemployed people are school leavers, and 1 in 5 young people is 'Not in Employment, Education or Training' (NEET). Lack of prospects for young people is characteristic also for many new Member States, for example for **Estonia**.

A growing concern in the UK is the increasing social divide between young people in 'better-off' and 'worse-off' neighbourhoods. In many impoverished, 'gang-affected' areas, young people feel a growing sense of alienation. Faced with no employment prospects they may turn to crime and informal economies as a means of survival. It is usually in these areas that authorities are worst hit with budget cuts, with inevitable consequences on services that are designed to support these young people.

### ***Growing numbers of children at risk or in the public care system***

The growing hardship faced by many families puts increasing pressure on parents' ability to provide for their children both materially and emotionally. Many members refer to an increasing demand for social care services resulting from the economic downturn: Swedish social services and local authorities have reported growing costs; in **Scotland** there has been a 30-40% increase of referrals to the child protection system; in **Romania** we hear that a growing number of families are *asking* for their children to be placed in institutions; in the **Czech Republic** too children are more likely to be taken into public care as opposed to supporting families who have difficulty in coping with economic strain.

### ***Children's mental health is suffering***

There is some evidence to suggest children and young people's overall emotional well-being and capacity to learn is being negatively affected by the crisis. Falling school attendance is observed in some countries, for example in **Romania**, 19% of the children drop out before the end of secondary school. A report issued by the **Glasgow** City Council<sup>6</sup> highlighted how pupils' emotional stability underpins their ability to learn basic educational skills, such as reading, writing and numeracy. In **Estonia** a notable rise in drug and alcohol abuse among young people is evenly reported.

### ***Squeezed family budgets affect children's diet and health***

A varied healthy diet, regular meal times and eating with family members are important to children's health and well-being. Family stress and irregular working hours can affect this. Reduced family budgets can force families to buy less nutritious food<sup>7</sup>.

### ***Rising family tensions and discrimination***

Economic strain affects relationships, be that at micro-level within the family or within the wider community or nation. In the **UK**, a governmental survey<sup>8</sup> showed that worries about job security, income and problems at work due to the economic downturn are cited as main reasons for tension in family relationships. In some countries, a notable increase in xenophobic and nationalistic discourses can be observed, which further marginalizes migrant or minority families and children, already often living in a precarious situation. 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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<sup>6</sup> "Stark reality of frontline teaching", **Herald Scotland**, 5 September 2010, <http://tinyurl.com/3xyclj7>

<sup>7</sup> "Children in times of economic crisis: Past lessons, future policies", Background note, **Overseas Development Institute**, March 2009

<sup>8</sup> The economic downturn – the concerns and experiences of women and families. Qualitative and quantitative research. Main report", **Government Equality Office**, March 2009, <http://tinyurl.com/34pyczx>

## **Part 2: How government spending cuts are increasing pressure on services affecting children**

### ***Universal child allowances are being abandoned or cut***

Advantages of universal child benefits are already fully demonstrated: they avoid the poverty trap, they are simple to administer, can be paid directly to the main carer (usually the mother), and can help to provide a ladder out of poverty if paid at the same rate to parents whether in work or not<sup>9</sup>. Meanwhile, many governments are cutting child benefits to ensure budgetary savings. In **Lithuania** the approved Crisis Management Plan cancelled child universal allowances, while in **Denmark** within the austerity measures child benefits are to be reduced by 5%. The **Irish** the 2011 budget introduces a cut of €10 (€20 for the third child) to the Child Benefit Payment. In **Spain** a €2,747 baby bonus subsidy will be cut. In October 2010, the new coalition government in the **UK** announced their decision to withdraw child benefits from higher rate tax payers, a decision which, for the relatively small savings that will be made, may be potentially disastrous for many families that find themselves just above the income threshold.

### ***Other benefits affecting children are also at risk***

A whole range of other benefits touching upon child well-being are also at stake: in **Hungary** a housing subsidy introduced by the previous government in 2009 has been suspended; in **Lithuania** parental-leave benefits are expected to fall; in **Denmark** unemployment benefits are now available for two years compared to four.

Most countries report that social spending is bearing the brunt of public spending cuts, for example the “*Sparpaket*” (savings package) introduced in **Germany** in June 2010 requires that 37% of the savings are drawn from social spending. Cuts include social care for job seekers; support back into the labour market; housing subsidies and parents’ benefits.

### ***Child and family services at local level are under threat***

Much of the direct funding for child and family services comes from local authorities. Faced with reduced budgets from central government and falling income from local taxation, they too are looking to make savings where possible. Where spending on families and children is left at the discretion of local authorities, services can suffer. In **England, UK**, the future of several children’s centres run by local authorities is under threat, for example the Newstead Children’s Centre in East Finchley<sup>10</sup>.

In the **Netherlands** the Ministry for Youth and Families has been dissolved and responsibility for the child and youth care system devolved to local level. Whilst almost all the 441 municipalities in the Netherlands now have a family and youth centres - as a result of a national strategy started in 2007, it is unclear to what extent they will remain loyal to their original purpose: to provide a low threshold service giving access to integrated support services to young people and families on growing up and parenting.

It is often civil society organisations, working directly for and with children and young people at a local level, which are dependent on local funding. Many organisations are struggling for survival and closing down projects, with evident effect on the recipients of services. For instance in **Romania**, many NGOs that assure prevention or alternative services, including day centres for children, families and young mothers are no longer able to provide their services because of the lack of financial support from local and state authorities. Similarly in **England, UK**, an Action for Children Participation Project run since 2002 had to be closed in October 2010. Many similar examples from across Europe can be found.

### ***Governments are renegeing on past commitments to children and families***

In **Northern Ireland-UK** a central government co-ordinating unit for implementation of the UNCRC is being dismantled due to staffing cuts. This will have a major impact on the ability

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<sup>9</sup> “Call for an EU Recommendation on Child Poverty and Child Well-Being. June 2010”, Background paper to the EU Presidency Conference: Child poverty and Child Well-being, 2-3 September 2010, <http://tinyurl.com/3xmd3ca>

<sup>10</sup> “Council could cut Sure Start provision by one third”, Melanie Defries, 15-12-2010, <http://tinyurl.com/392m62j>

of the government to give a high priority focus to strategic, cross government policy development for children and young people and calls into question the government's commitment to implementation of the UNCRC in Northern Ireland. The development runs counter to the recommendation of the Committee on the Rights of the Child which stated that across the UK each devolved nation should have '*a well resourced and functioning co-ordinating body*'.

Also in **Northern Ireland-UK** a unique and much praised integrated system of health and social care is likely to be dismantled. Current proposals promise to retain the health element, but cut the personal social services component that funds many critical services for vulnerable children and families. Failure to protect the entire health and social care system will have a potentially devastating impact on many essential family support and early intervention initiatives.

### **Part 3: Policy recommendations**

The well-being of children must be at the forefront of policy makers' minds. How children understand and adjust to the current financial economic crisis will shape their confidence, self-esteem, interest and ability to be active, responsible citizens in the future. It is governments' *obligation* to protect the rights of children and to ensure they have the right conditions to grow up happy, healthy and confident. Children will carry the burden of the public debt in the future. Unless children's well-being becomes a driving force in the inception and implementation of national policies, we risk a 'lost generation'.

Our policy recommendations are therefore to:

**Ensure a quality work/family life balance for parents.** Having a job remains the best safeguard against poverty. However precarious employment, unsociable working hours and low pay, are not conducive to parents being able to create a positive, caring environment for their children. Activation policies are at the centre of current recovery from the crisis policies. However unless they give due attention to parents' family responsibilities they are likely to have an overall detrimental impact on children's well-being. Jobs should pay enough to lift families out of poverty. Flexible working arrangements are important to enable parents to balance work and family commitments. More attention must be given to parental leaves and statutory leave periods must be dove-tailed with provision of accessible, affordable high-quality education and care services including pre-school and after-school care.

**Strengthen early intervention and prevention services for families.** 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. To support children's growth and development there is a need to put preventive measures in place that strengthen parental responsibility, support and empower families most at-risk and avoid escalation of problems that may push children further into poverty and risky situations. Investment in services to support parents, that helps them develop better coping strategies and understand the importance and value of good parenting, must be strengthened. Services for families with pre-school age children must be available regardless of parents' employment situation. Support services for parents of teenagers is also a crucial social investment.

**Ensure access to high quality inclusive education for all.** Education plays a crucial role in preventing and breaking the poverty cycle. That is why in times of crisis it is so important to scale-up efforts to guarantee high quality, *inclusive* education for *all* children and young people, promoting the emotional, social and physical development of the child in addition to academic achievement. This includes strengthening schools as meeting places for children to understand and cultivate democratic principles, promote diversity, and strengthen self-esteem and identity.

Moreover, 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 – should be strengthened. Early childhood education can help reduce the educational, developmental and behavioural challenges faced by disadvantaged children. The services must be conceived on the basis of

children's best interest and be based on clear quality criteria including professional qualifications and recognition, training, staff/child ratio, educational philosophy and values<sup>11</sup>. Particular attention must be given to improving working conditions in the childcare sector, where jobs are typically poorly paid, unstable and dominated by women.

**Invest and protect children's mental health and well-being.** Evidence suggests that an early exposure to risk factors (e.g. alcohol consumption) and poverty and inequality in youth (e.g. living in low-income households, growing up in a disadvantaged neighbourhood) can increase mental health problems and lead to poorer outcomes later in life<sup>12</sup>. Services that involve and empower children and young people can have an important impact on strengthening children's self-identity, confidence and communication skills. Reinforced investment is needed in projects and structures that support children's active participation, particularly among children who may be traditionally excluded or at risk including migrant groups, ethnic minorities, children with disabilities etc.

**Protect and increase budgets targeting children and families.** Social transfers have already proved to have an important impact on reducing child poverty (over 60% of reduced child poverty in Sweden or in Finland, 39% in the EU). Investment in universal, high quality education, early years, family support and health promotion (among other services) provide the bedrock of a more equal society and will save costs in the future. Universal services must be coupled with targeted interventions for the most vulnerable ensuring a strong safety net for all children. Governments can and should strive to improve service efficiency and impact, but never at the cost of undermining their ability to deliver a quality service to all. Governments must invest in training and capacity building of professionals working with and for children and families. Failure to preserve social spending and investments risks translating the effects of the crisis into permanent harm for children<sup>13</sup>.

**Strengthen family- and community-based care for children in alternative care.** Children who are unable to grow up with their biological parents are particularly vulnerable. Residential care settings rarely provide the necessary nurturing environment for children and very often result in long-term damage to children's overall physical and mental health. It is crucial that services are strengthened to prevent children from unnecessarily being taken into public care. Furthermore efforts on de-institutionalisation must be reinforced, including investment to improve the provision and quality of foster care services.

Provision of the afore-mentioned services must be seen by governments as an *investment* and not as a financial cost. Investment in services for children is not just important because of the benefits for children in the longer-term and the savings to society by not having to deal with the consequences of failure, but also because investment in public services contributes to economic stimulation and growth. The effects of the crisis will be felt in society long after the economy has started to recover. Investing wisely in children today could help mitigate the long-term negative impact of the crisis, from which the whole society would benefit.

## **Part 4: The added-value of EU action**

Common objectives and cooperation at EU level in the field of child poverty and well-being add much value to member states' efforts. It strengthens political commitment, facilitates mutual learning and provides tools for benchmarking and monitoring progress. Three recent initiatives are of particular importance, which if strongly used and correctly implemented can significantly contribute to the mitigation of the effect of the crisis on child well-being.

Firstly, a new **Europe 2020 strategy** foresees a quantitative objective of reducing the number of people living at risk of poverty by 20 million by 2020. While this overall European objective has to be translated into national targets, a specific target on the reduction of child poverty should be adopted by Member states.

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<sup>11</sup> "Call for an EU Recommendation on Child Poverty and Child Well-Being. June 2010", *op.cit.*

<sup>12</sup> *Idem*

<sup>13</sup> Recommendations presented also at the 7<sup>th</sup> Eurochild Annual Conference "Brighter future. Building Effective Partnerships To End Child Poverty" held 3-5 November 2010, in Örebro in Sweden, <http://tinyurl.com/2u75lbj>

Secondly, one of the flagship initiatives to be put in place within the EU 2020 Strategy is the **European Platform Against Poverty and Social Exclusion**. Child poverty and social exclusion is identified as one of the Platform's priorities. We hope that the tools provided within the Open Method of Coordination on social inclusion and social protection will be retained and reinforced within the Platform.

Finally, postponed until 2012, **Recommendation on child poverty and well-being** would demonstrate a firm commitment to the fight against child poverty. Through its adoption the EU should further pressure Member States to adopt specific targets to reduce child poverty and provide policy guidance. All these initiatives have a considerable potential to boost Member States' actions and ensure the necessary urgency to policies intervention that mitigate the effect of the crisis on children's well-being.

*In times of crisis, a strong and genuine commitment to child well-being is more urgent than ever. Investment in services that protect children from the harmful consequences of the economic downturn is absolutely necessary. The recession cannot be used as an excuse to cut social benefits and to place blame and responsibility on to the individual. Unemployment is due to a complex combination of lack of jobs, inadequate pay and working conditions, lack of accessible, affordable and high quality care services for dependents, as well as the individual's level of knowledge, skills and overall confidence. Furthermore, a parents' employment or income situation must never be allowed to compromise their children's chances to grow and develop. Children's well-being and eradication of child poverty must therefore be a priority of government policy in efforts to learn the lessons from the economic crisis.*

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**Eurochild** is a network of organisations and individuals promoting the rights and welfare of children and young people in Europe. The network currently has 90 members in 32 European countries. Our work is underpinned by the United Nations Convention on the Rights of the Child.

Eurochild is supported by the European Community Programme for Employment and Social Solidarity (2007-2013). This programme is managed by the Directorate-General for Employment, social affairs and inclusion of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

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://tinyurl.com/249bxpc>

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