

Working but struggling: single parents in the recession

One in four children in Britain today is brought up by a single parent. But single parents are still more likely to be poor than any other family type. This briefing looks at what is happening to single parent families in the recession.

What is happening to our economy?

After experiencing 15 years of economic growth, the UK economy officially entered recession in January 2009.¹ What began as a shortage of credit for inter-bank lending in the financial markets in the summer of 2007 has now become a global crisis. Huge intervention packages from central banks and governments have largely prevented the collapse of major banks. However, while banks have mostly been saved, house prices, interest rates, stock markets and levels of spending have all been falling. Prices of food and fuel have increased with rising inflation and unemployment has soared.

How are single parents being affected?

Single parents have continued to move into work.

- Single parents have moved into work in ever greater numbers in the last ten years, and last year saw a small increase in their employment rate.
- Changes in Government policy mean that single parents with children over 12 must look for jobs or face benefit cuts.
- Single parents in some parts of the country are doing better than others. Single parents in the North East, the Midlands and Wales are struggling to find and keep jobs.

But low pay and rising costs means that single parents are struggling to make ends meet.

- Moving into work doesn't mean escaping poverty. Low pay and high costs mean a third of children with a working single parent are still poor.
- Single parents spend a bigger proportion of their income on fuel and food than other families. Rising costs in these areas are hitting them hard.
- Incomes are more unstable in the recession. Cuts in hours and loss of child maintenance are hitting parents' budgets.

Children in single parent families are still twice as likely to be poor.

- 70% of single parents told us that they had had to go without something for themselves to make ends meet, and 33% have had to go without something for their children.²
- Half of single parent families are poor.³

Single parents are continuing to move into work

Many more single parents have moved into work in the last ten years; single parents have increased their employment rate faster than any other disadvantaged group.⁴

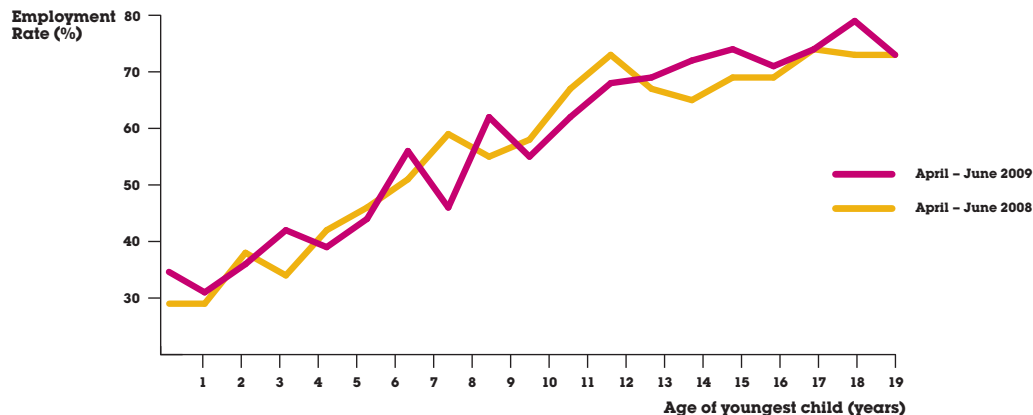
Data from the Office for National Statistics shows that despite the recession this trend has continued, with the employment rate for lone parents standing at 56.7%, up 0.4 percentage points from the previous year.⁵

The recession came alongside a change in the rules for single parents claiming benefits. Single parents with a youngest child aged 12 or over must now look for work or have their benefits cut. This change will be extended to those with children aged 10 and up from October this year. Preliminary research from Gingerbread suggests that these changes have placed pressure on single parents to find jobs. While some have been successful, we are also hearing from parents who are demoralised by failure to find work, and disappointed at a lack of support from the Jobcentre.

The graph below shows how the chance of being in paid work in 2009 increases dramatically with the age of parents' youngest child – from under 35% when children are aged under two to over 70% by the time the youngest child reaches thirteen. The figures suggest that the gains in employment over the past year are restricted to lone parents with older children, and that those with younger children are in fact slightly less likely to be in work in 2009, compared with 2008.

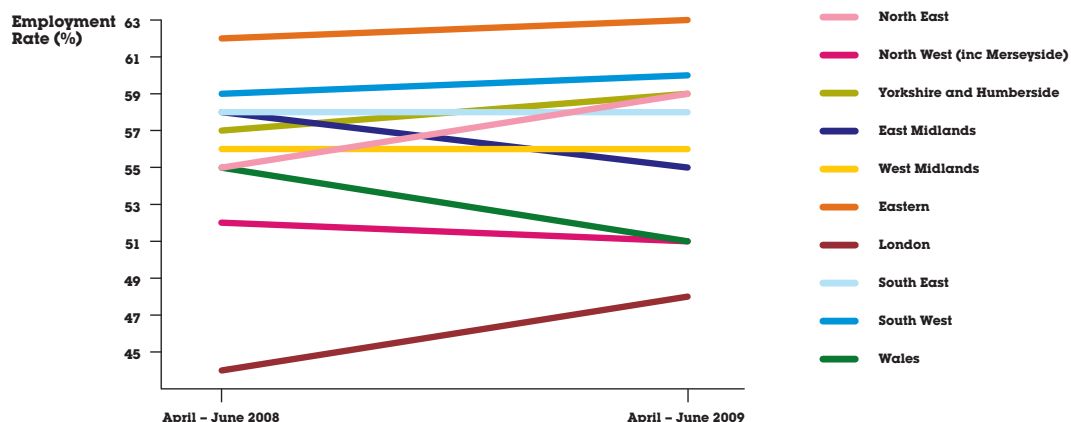
Source:
Labour Force Survey
data commissioned by
Gingerbread

Lone parent employment rate by age of youngest child



Increases in single parents' employment have not been spread evenly around the country. Single parents in the North West, East Midlands and Wales have all seen employment rates fall between 2008 and 2009, while single parents in other areas have seen employment rates rise. Single parents in London remain significantly less likely to be able to find jobs than those outside the capital.

Regional employment rates



But low pay and rising costs mean single parents are still struggling to make ends meet

Paid work is not always a secure route out of poverty, and 32% of children whose single parent works part time remain below the poverty line.⁶ Many single parents tell us that they don't feel better off in work.

"It does not pay to work... I am just £20 a week better off because I'm no longer entitled to free school dinners and have to pay full fares. Plus my rent is very high, and I no longer receive child maintenance as children's father has been made redundant."

Rising costs are bringing additional strain for single parents in and out of work.

Single parents typically have low incomes and low expenditure, and food and fuel costs take up a bigger part of their weekly spending⁷ than for other families – over 30% (compared to 26% for all households). Because single parents are less likely to be able to afford a mortgage, fewer benefit from low interest rates. Only 35% of single parents own their home, compared to 79% of couple families.⁸ Increases in food and fuel costs are therefore hitting single parents hard:

Food prices have risen by 4% from last year⁹

Fuel prices have risen by 8.3% from last year¹⁰

Childcare costs have risen by 5% from last year¹¹

Single parents in paid work face the additional cost of childcare – where prices are also rising. An annual study of local authorities across England by the Daycare Trust found that the average cost for a nursery place for a child under the age of two is £167 a week, a 5% rise on the figure for 2008.¹² In a survey by the Department for Children, School and Families, around one in five families reported that they struggled to meet their childcare costs, and this was particularly the case for lone parents, and those on a low income.¹³

School costs add to the burden

Single parents tell us that they are struggling with the cost of school uniforms and school meals. A study from Save the Children and Family Action found that 56% of families with incomes under £15,000 would not be able to buy everything their children needed for school, with 24 per cent expected to go into debt to pay for essential items.¹⁴

Drops in hours mean a loss of financial support

Single parents whose hours are cut in the recession are losing out on financial support. Those in jobs of more than 16 hours a week have their wages topped up by Working Tax Credit. But once hours fall below 16, single parents are not always better off in work.

Mrs Allen has two children aged 5 and 7, works full time and is in receipt of tax credit. Mrs Allen called Gingerbread to find out if any help was available. Unfortunately, as her child is under 5, there is no additional benefit available to Mrs Allen now.

Children in single parent families are still twice as likely to be poor

Despite many more single parents moving into work over the last ten years, children in single parent families still face twice the rate of poverty of children living with two parents. We know that poverty has a scarring effect on children's educational attainment, health and wellbeing.

In a Gingerbread survey 70% of single parents told us that they had had to go without something for themselves to make ends meet, and 33% have had to go without something for their children.¹⁵

“We are struggling to buy even the most basic things for our everyday living such as coats and school shoes...school trips are too expensive for our family to attend because as a working single parent I am not entitled to any help”¹⁶

Reduction in hours

Mr Mitchell rang the Gingerbread helpline to get a benefits check. Mr Mitchell is a single parent of a 5 year old daughter. He used to work 16 hours a week and has recently had his hours reduced to 12 hours a week. He is concerned about how this will affect his Working Tax Credit and other benefits. He used to earn £91.60 per week and received £71.96 in Working Tax Credit. His income has now been reduced to £68.76 and he can no longer receive any Working Tax Credit. Mr Mitchell's Housing Benefit and Council Tax Benefit have increased slightly but the removal of Working Tax Credit will leave Mr Mitchell £30.49 worse off each week.

One of the reasons that single parent families are poor is because only one third receive child maintenance from the child's other parent. The recession means that many non resident parents who have lost their jobs are ending child maintenance payments, taking away a vital source of income. Last year Gingerbread warned that changes to the child maintenance system could result in fewer payments, as lone parents on benefits are no longer compelled to use the Child Support Agency.

Access to financial education has traditionally been low for single parents¹⁷ and banks and building societies often target help to those with large amounts of money. Money management and budgeting in a time of recession is key to how low income groups maximise their income and get the most out of what income they do have. When Gingerbread surveyed single parents 36% had had to borrow money to stay afloat.¹⁸

Redundancy of ex husband

As Allen's ex-husband has recently lost his job and can no longer pay child maintenance payments, child maintenance did not affect any tax credit, housing benefit or council tax benefit, there will be no

What can policy makers do?

As the economy begins to show signs of recovery, policy makers and politicians must put in place measures to ensure that the most vulnerable in society are supported.

One in four children grow up in single parent families, and half are in poverty. Gingerbread is most concerned with single parents who are struggling to stay afloat financially and wants to see a package of measures to address the lack of good quality part-time work, the difficulty single parents have moving from benefits into paid work, and the cost and availability of childcare.

Gingerbread believes that government should:

Help all families through investing in benefit and tax credits

Invest in Child Benefit and Child Tax Credit

This continues to be the quickest, most cost-effective way of making a real difference to the lives of families and children. The Institute for Fiscal Studies has estimated that Government would need to invest £4.2bn to meet the 2010 target to halve child poverty.¹⁹

Help working families with rising costs

Increase support to meet the costs of childcare

The childcare element of the Working Tax Credit should be raised to cover 100% of costs. Increasing to 100% would cost around £420 million²⁰ but would have a much lower net cost to Government as it would help parents to access employment.

Extend free school meals to families on Working Tax Credit

The cost of school meals remains a significant outgoing for low-paid working parents, and can make the difference between being better off in work or claiming benefits. Families who have been forced to reduce their hours could particularly benefit from this measure. The School Food Trust has estimated that to increase entitlement to all children in poverty would cost £102 million.²¹

Help families who have their hours cut

Enable parents to work in short hours jobs

Government has promised to pilot an increased disregard in means tested benefits to help single parents who want to work in jobs of less than 16 hours. A third of all Jobcentre Plus vacancies are currently for jobs of this type, but families who want to take these jobs cannot receive support through Working Tax Credit. Government should fast-forward rolling out the pilot nationally. Research in 2007 suggested a disregard allowing lone parents to work 16 hours at the National Minimum Wage would cost Government £791 million, but increase lone parents' incomes by £1.1 billion and have a significant impact on child poverty.²²

Help families to access free credit through the social fund

Families in low paid work find it difficult to find low cost credit. Families who are reducing their hours are likely to be at risk of increased debt. Extending access to the Social Fund for those on Working Tax Credit to provide a secure form of zero cost borrowing for those on low incomes would be a clear way to minimise debt problems. One proposal to achieve for those on low incomes (in and out of work) has been costed at £351 million per year.²³

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Single parents, equal families

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- ¹ See <http://news.bbc.co.uk/1/hi/business/7521250.stm>
 - ² Gingerbread (2008) Standing up for single parents against poverty and prejudice. Gingerbread collected responses from 770 single parents via our membership and website.
 - ³ Table 3.7ts of DWP (2009) Households Below Average Income – An Analysis of the Income Distribution 1994/95-2007/08 available at http://www.dwp.gov.uk/asd/hbai/hbai2008/pdf_files/full_hbai09.pdf
 - ⁴ Department for Work and Pensions (2009) Department for Work and Pensions Three Year Business Plan 2009-2012 available at http://www.dwp.gov.uk/publications/dwp/2009/3yrplan/three_year_plan_2009.pdf
 - ⁵ 'Work and Worklessness among households 2009' Office for National Statistics Statistical Bulletin <http://www.statistics.gov.uk/pdfdir/work0809.pdf>
 - ⁶ DWP (2009) Households Below Average Income – An Analysis of the Income Distribution 1994/95-2007/08 available at http://www.dwp.gov.uk/asd/hbai/hbai2008/pdf_files/full_hbai09.pdf
 - ⁷ Family Spending and Expenditure Survey. 15 September 2009. Table 3.6 Expenditure of two adult households with children by gross income quintile group, 2007. Spent £66 per week out of a total average weekly expenditure of £635 is 10.39% spent on food. Table 3.7 Expenditure of one adult households with children by gross income quintile group, 2007. spent £40.80 per week out of a total average weekly expenditure of £332.20, which is 12.28% spent on food.
 - ⁸ Conolly A and Kerr J, Families with children in Britain: findings from the 2006 Families and Children Study (FACS) DWP Research Report 486
 - ⁹ Office of National Statistics. Focus on Consumer Price Indices. RPI 12 month comparison from July 2008 to July 2009 http://www.statistics.gov.uk/downloads/theme_economy/Focus_on_CPI_July09.pdf
 - ¹⁰ Office of National Statistics. Focus on Consumer Price Indices. RPI 12 month comparison from July 2008 to July http://www.statistics.gov.uk/downloads/theme_economy/Focus_on_CPI_July09.pdf#2009
 - ¹¹ Daycare Trust Childcare costs survey 2009 <http://www.daycaretrust.org.uk/pages/childcare-costs-surveys.html>
 - ¹² Daycare Trust Childcare costs survey 2009 <http://www.daycaretrust.org.uk/pages/childcare-costs-surveys.html>
 - ¹³ Childcare and Early Years Survey of Parents 2008. Department for Children's Schools and Families. July 2009
 - ¹⁴ Families Struggle with back to school cost. Family Action. <http://www.family-action.org.uk/section.aspx?id=8066>
 - ¹⁵ Gingerbread (2008) Standing up for single parents against poverty and prejudice Gingerbread collected responses from 770 single parents via our membership and website.
 - ¹⁶ Standing up for single parents against poverty and prejudice. Gingerbread 2009
 - ¹⁷ A Guide to the Provision of Financial Services Education for Consumers. Financial Services Authority. Jane Vass. 1998 Page 39
 - ¹⁸ Standing up for single parents against poverty and prejudice. Gingerbread 2009
 - ¹⁹ M Brewer, J Browne, R Joyce and H Sutherland, Micro-simulating child poverty in 2010 and 2020, Institute for Fiscal Studies, 2009
 - ²⁰ This estimate assumes no eligibility changes, and is factored up from existing tax credit spending, see HM Revenue and Customs, Child and Working Tax Credit statistics, April 2009, 2009
 - ²¹ London Economics, Assessing current and potential provision of Free school meals, June 2008
 - ²² K Bell, M Brewer and D Phillips, Lone parents and 'mini-jobs', Joseph Rowntree Foundation 2007
 - ²³ This estimate is based on a calculation of the ratio between the net and gross costs of the Crisis Loans Scheme. Using the latest figures available for 2008/9 the ratio of net costs to gross costs for crisis loans was 50%.

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