

Briefing Paper: UK Government Budget 2009

The **End Child Poverty Network Cymru** is calling on the UK Government to invest at least £3 billion on benefits and tax credits in time to reach the joint UK and Welsh Assembly Government target of halving child poverty by 2010. With official figures now showing that 29% of children in Wales are in poverty, the UK Government's Budget on April 22nd provides the UK Chancellor and Prime Minister with the opportunity to keep their historic promise and protect family security from the scourges of recession - poor families need help **now!**

Child Poverty (UK) levels

		Before housing costs	After housing costs
Baseline year	98/99:	3.4 million	4.4 million
Latest figures	06/07:	2.9 million	3.9 million
Current estimate for	10/11:	2.4 million	3.4 million
Govt target for	10/11:	1.7 million	2.2 million (AHC equivalent target)

Child Poverty (Wales) levels

	After housing costs
1998-99:	36%
2005-06	28%
Latest figures	29%

Key requirements from UK Budget 09

- Target at least £3 billion needed on benefits and tax credits in time to reach the 2010 target of halving child poverty – **an immediate investment in low income families**
- Raise benefit levels to alleviate poverty for families losing jobs or unable to access work.

3 Good Reasons why investment is required NOW !

1. Recession and families

- As recession hits, most financial crisis meetings are taking place not in boardrooms, but around kitchen tables.
- Long before the UK Government had a rescue plan for the banks, it announced a rescue plan for poor families not sharing in national economic growth by committing to halve child poverty by 2010 and eradicate it by 2020
- A culture of inequality began in the early 1980s, which leaves millions of UK people behind and impairs the life chances of millions of children. The same culture of inequality encouraged the financial sector excesses that led to the credit crunch and triggered recession.

2. Fiscal stimulus

- The VAT cut to 15% at a cost of £12.5bn was timely, but not targeted and did nothing to cut the price of a basket of groceries or a school uniform for struggling families.
- At least £3bn to keep the 2010 child poverty promise is a timely and targeted injection for deprived communities: £5m for the average constituency and much more for those most affected by poverty.
- Fiscal stimulus through poor families using tax credits and benefits, is timely, targeted and transparent. It is focussed on poor families who spend immediately on the things their children need in local businesses; existing benefit and tax credit distribution structures allow investment to reach families quickly; and as an investment mechanism it is clear and simple for tax payers to understand.
- Investment in benefits and tax credits particularly supports jobs in labour intensive sectors, like retail and services, and in the most deprived communities where job protection is of greatest importance.
- The Obama administration's recovery package significantly increases spending on support for basics like food and on the Child Tax Credit for the poorest families:

"Putting money in the hands of the poor can help reduce the severity of a recession. And reducing the severity of the recession is the most important step we can take to mitigate any increase in poverty" – **Jason Furman, Economic Adviser to President Obama** ('Fiscal Stimulus and Poverty', Pathways, Stanford, Summer 08).

The **US Centre on Budget and Policy Priorities** has called for fiscal stimulus through unemployment benefits, tax rebates and other poverty measures. ('The four pieces of effective fiscal stimulus', January 2008). They also state: *"each dollar in tax cuts for low and moderate income families – and each dollar in increased benefits ... will generate more of an increase in demand during a recession, and hence more jobs, than each dollar in business tax cuts or tax cuts for affluent households"* (Economic Recovery Watch, January 2009).

- **Mark Zandi, Chief Economist of Moody's Economy** has stated: *"Increased income support....is the most efficient way to prime the economy's pump"* – (Moody'sEconomy.com, January 21st 2009).
- **Oxford University** economists believe the same fiscal stimulus methods should be used in the UK: *"A significant part of the package should be used to boost the child tax credit and working tax credit."* ('A fiscal stimulus package for the UK?' Centre for Business Taxation, November 08)
- The **Brookings Institute** also believes benefits and tax credits are the most effective way of delivering fiscal stimulus and increasing demand in the economy - ('If, When, How: A Primer on Fiscal Stimulus' The Brookings Institute, 2008).

3. Economic recovery

- The financial crisis poor families continuously strive under comes at a tremendous cost to us all. Recent JRF research reveals economic costs of educational failure, health inequality, disability and social breakdown from child poverty of over £25bn a year - or £1,000 for every UK household.
- Reaching the target of halving child poverty by 2010 will cost around £3bn more. Far from being unaffordable, it may be the most affordable part of the economic recovery package compared to government interventions in the financial sector.
- Instead of breaking its promise on child poverty, the UK Government must go further, and faster, to keep the recession short and shallow. If we put at least £3bn in the pockets of poor families, research shows they will immediately spend it on the things their children need in their local businesses - helping keep them afloat as well. The staff and owners of those businesses can then keep spending too, all of which will help the banks grow in confidence to lend to our small businesses again.

Public Support

- Public support for keeping the 2010 and 2020 promises has never been higher. In October 2008, 10,000 people, including children and families from across Wales, attended the Keep the Promise rally in London, the largest ever public event in the UK calling for an end to child poverty.
- Longer term initiatives in areas like employment and education are necessary too, but will not bring results in time to meet the 2010 target and protect family security from the scourges of recession - poor families need help **now**.

There is not a choice to be made between keeping the economy afloat and keeping families afloat: the most effective fiscal stimulus and economic recovery package does both.

Wales's future economic security now depends on protecting family security and investing in all our children.

The UK Government must act NOW!



This bulletin has been produced utilising key information contained within the UK Campaign to End Child Poverty budget 2009 bulletin **KEEP THE PROMISE ⇒ BOOST THE ECONOMY** – www.ecp.org.uk

End Child Poverty Network Cymru

The **End Child Poverty Network Cymru** is a coalition of concern focused on the eradication of child poverty in Wales, co-ordinated and managed on a day-to-day basis by Children in Wales. Its steering group include representation from across the voluntary and statutory sectors and the Network has an increasing number of supporting members from a broad cross-section of agencies

Steering Group members include

Barnardo's Cymru, Children in Wales, Save the Children Wales, NEA Wales, Action for Children, NSPCC Cymru, WLGA, Citizens Advice, NPHS Wales, Catch 22, Shelter Cymru, the Frank Buttle Trust, Fairbridge Cymru, Consumer Focus Wales and the Office of the Children's Commissioner for Wales.

The **End Child Poverty Network Cymru**, operational since 2001, is supporting the Governments vision that no child in Wales should be living in poverty by 2020, and is working to achieve this by

- Increased public and professional understanding of child poverty in Wales
- Public and professional support for measures to tackle child poverty
- Ensure that policies are in place at all levels of Government (local, Assembly and Westminster), which contribute to eradicating child poverty in Wales.



www.endchildpovertycymru.org.uk