



A cost of children crisis?

The heightened impact of the cost of living crisis on families with children

18 October 2023

Summary

Families with children have been hit particularly hard by the rising cost of living. In this briefing we have used the latest data from the **abrdn Financial Fairness Trust's** Financial Impact Tracker (May 2023) to dig into the impact on children and their families.¹

Families with children are more likely to be experiencing financial hardship:

- **One in five households with children – an estimated 1.5 million –** are in serious financial difficulties (19% compared to 13% of families without children.)
- Families with children were **six times as likely** to have had a pre-payment meter installed in the six months between November 2022 and May 2023 – affecting **475,000 households** (6% compared to 1%).
- They are **three times more likely** to have fallen behind on bills (27% compared to 9%) and debt repayments (25%; 7%). And **six times more likely** to have had to turn to unlicensed or informal lenders (6%; 1%).
- They are **twice as likely to be behind on rent or mortgage payments** (10% compared to 4%) **and to have gone without food or missed multiple meals** (15%; 8%).

They are more likely to say their health has been affected by financial worries:

- Families with children are around **50% more likely** to report that their mental health (47% compared to 31%) and their sleep has suffered due to their financial worries (45%; 29%).

Not all families with children have experienced the cost of living crisis equally:

- **Single parents are particularly struggling to meet their basic needs**, as they're markedly more likely to be behind on household bills, to be going without food, to report problems with their housing and ability to pay their debts.

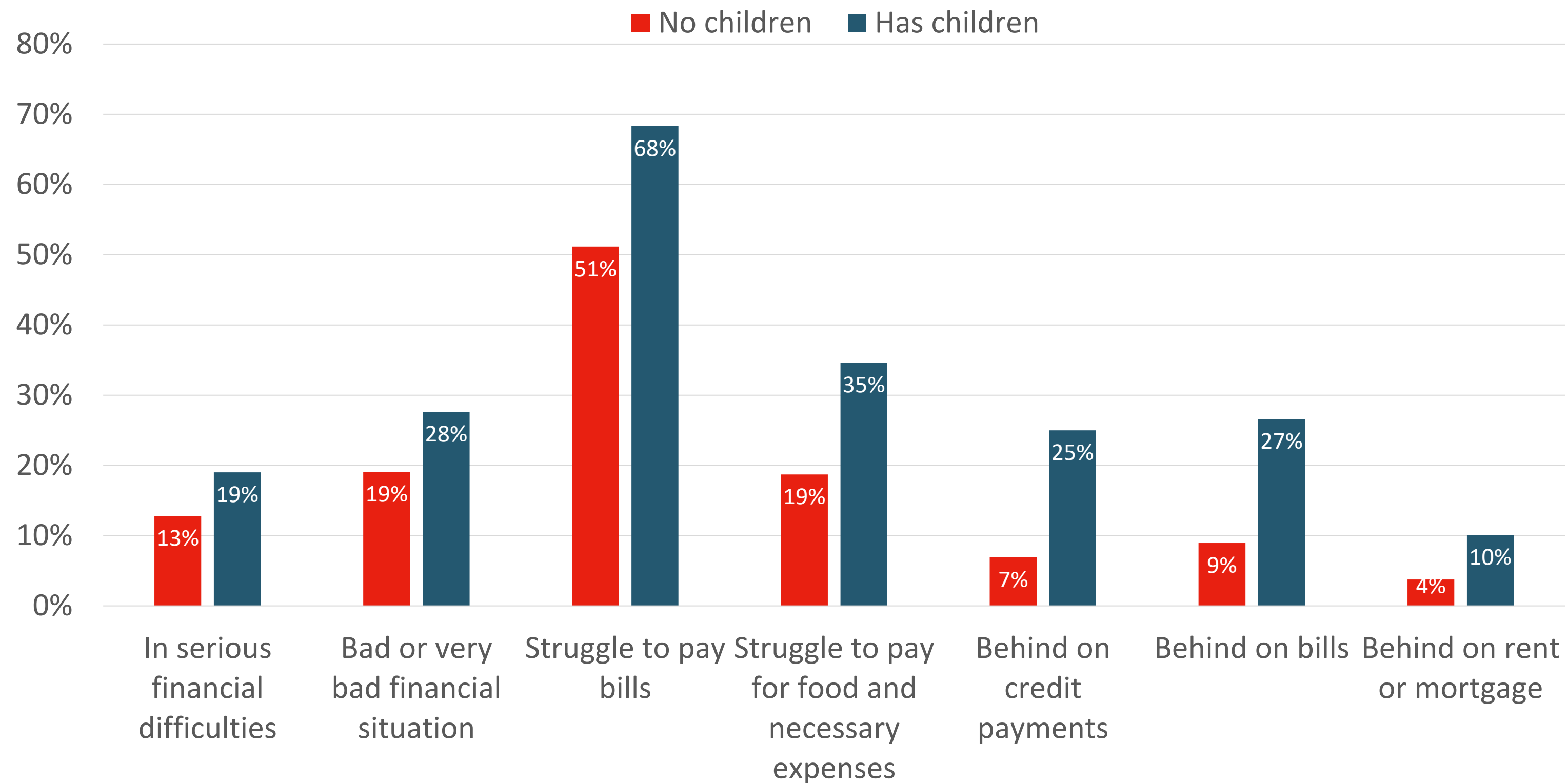
Our recommendations:

- Increase social security levels in line with inflation and reform Cost of Living payments to account for family size.
- Boost family incomes by increasing the child element of Universal Credit by £15 a week and abolishing the benefit cap to lift around 320,000 children out of poverty.



Families with children are doing worse across a range of financial insecurity measures during the cost of living crisis.

We looked at how households with children compare to those without children across a range of financial insecurity and hardship measures and found that families with children are consistently doing worse.



More vulnerable to shocks...

Families with children have more mouths to feed, clothes to wash and people to keep warm and typically have less in savings than those without children.

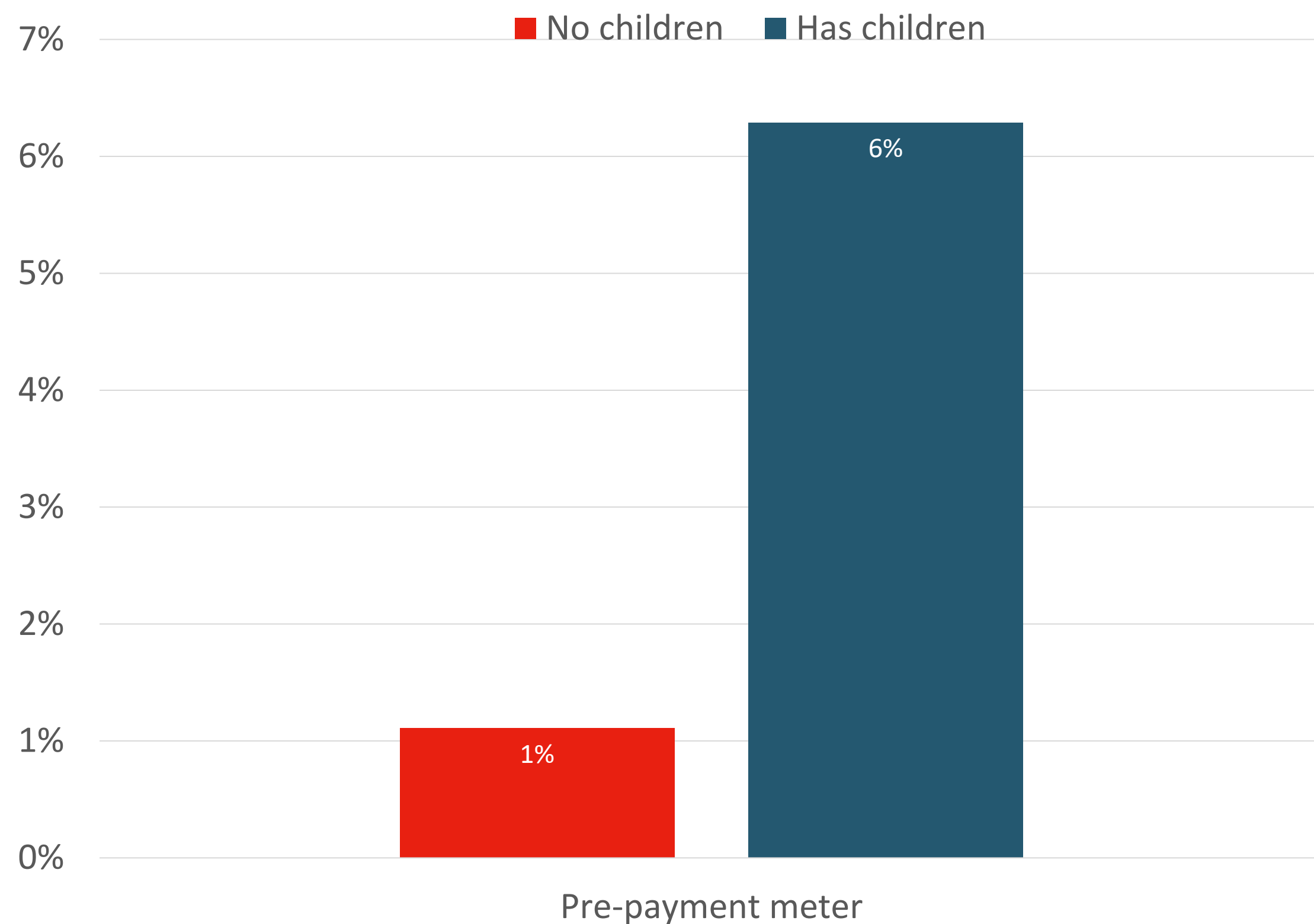
That means they are more vulnerable to financial shocks like the pandemic and the ongoing cost of living crisis.

As this graph shows, families with children do worse across a wide range of measures:

- Two in 10 households with children are in serious financial difficulties (19%) compared to 13% of those without children.² That's an estimated **1.5 million households** that are experiencing the most severe form of financial insecurity.³
- **Two-thirds of families** with children are struggling to pay bills (68%) and over a quarter have fallen into bill arrears (27%). Families with children are **twice as likely** to be behind on rent or mortgage payments compared to those without children.

Families with children are six times as likely to have had a pre-payment meter installed in the last six months.

The proportion of households who had a pre-payment meter installed in the last six months (November 2022 to May 2023).



Pre-payment meters...

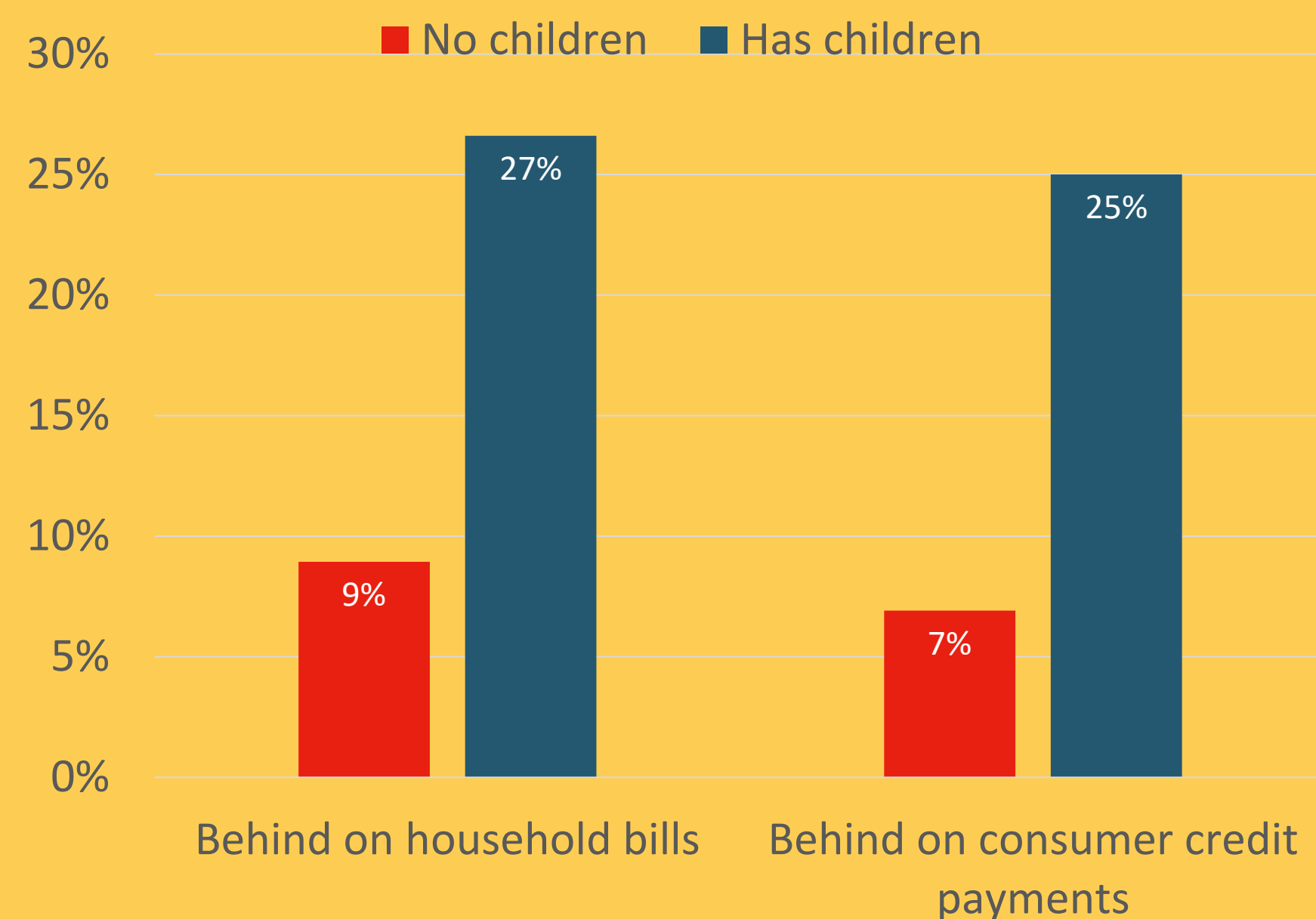
More than 1 in 20 households with children – **around 475,000** – had a pre-payment meter installed in the six months between November 2022 and May 2023. If that rate held true over a full year, it would be equivalent to more than 1 in 10 households with children.

Recently, the government has funded a discount for households on pre-payment meters, so that they no longer pay more on average for their energy than direct debit customers. But families on traditional pre-pay meters remain at risk of self-disconnection, where a lack of money to top up the meter causes it to cut out. This can cause severe financial and emotional distress.

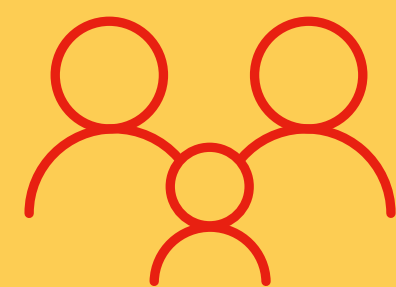
Fuel poverty can also have longer-term consequences. Children in cold homes are more than twice as likely to suffer from a range of respiratory problems compared to children living in warm homes. It can negatively impact a baby's growth and development. And can leave older children at greater risk of multiple mental health problems.⁴

Families with children are around three times more likely to be behind on repayments and bills.

What proportion of households are behind on debt repayments?



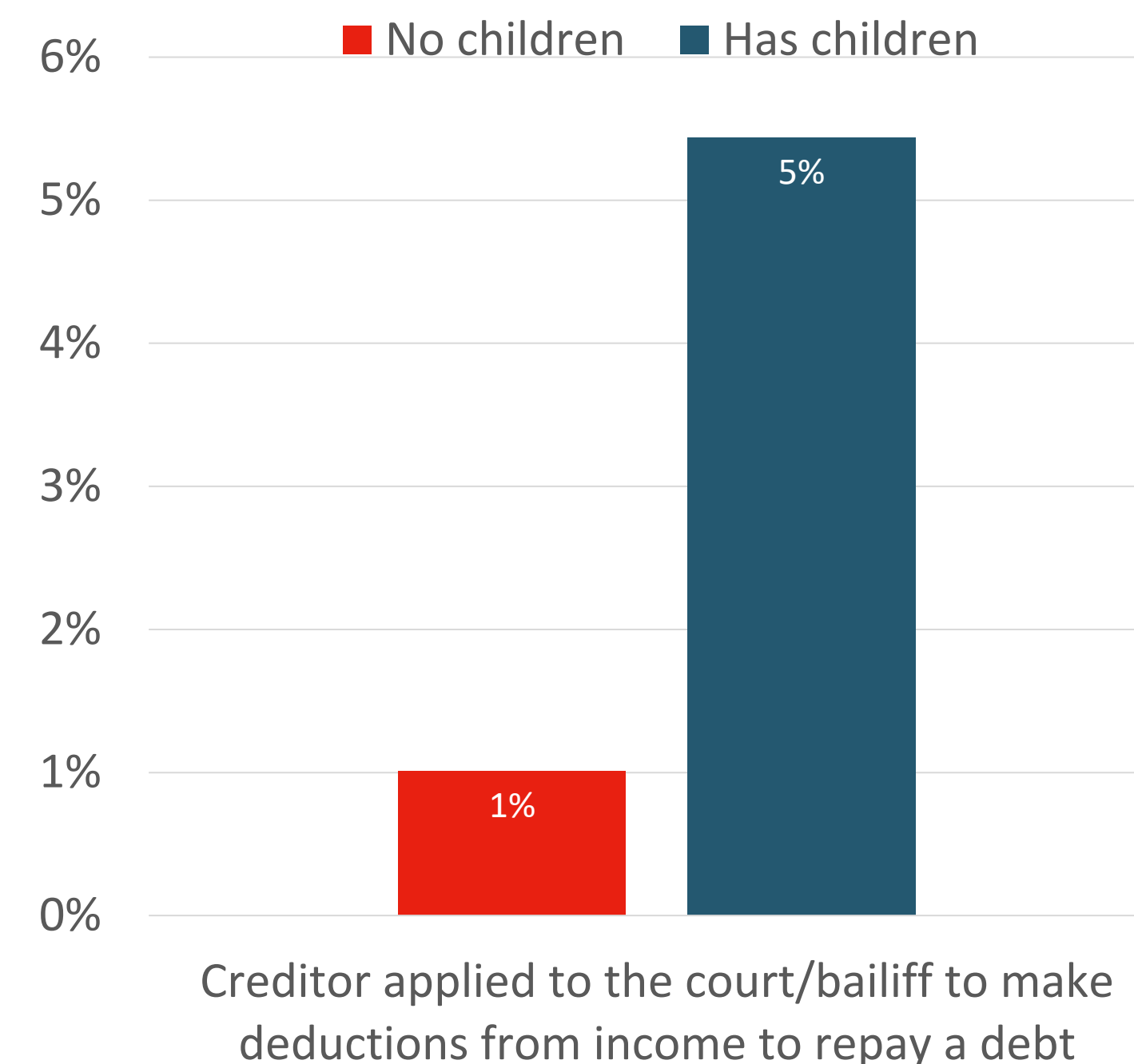
2.1m



families with children are behind on household bills.

And five times as likely to have faced a deduction from their income due to debt in the last six months.

What proportion of families have had deductions from their income due to debt in the last six months?

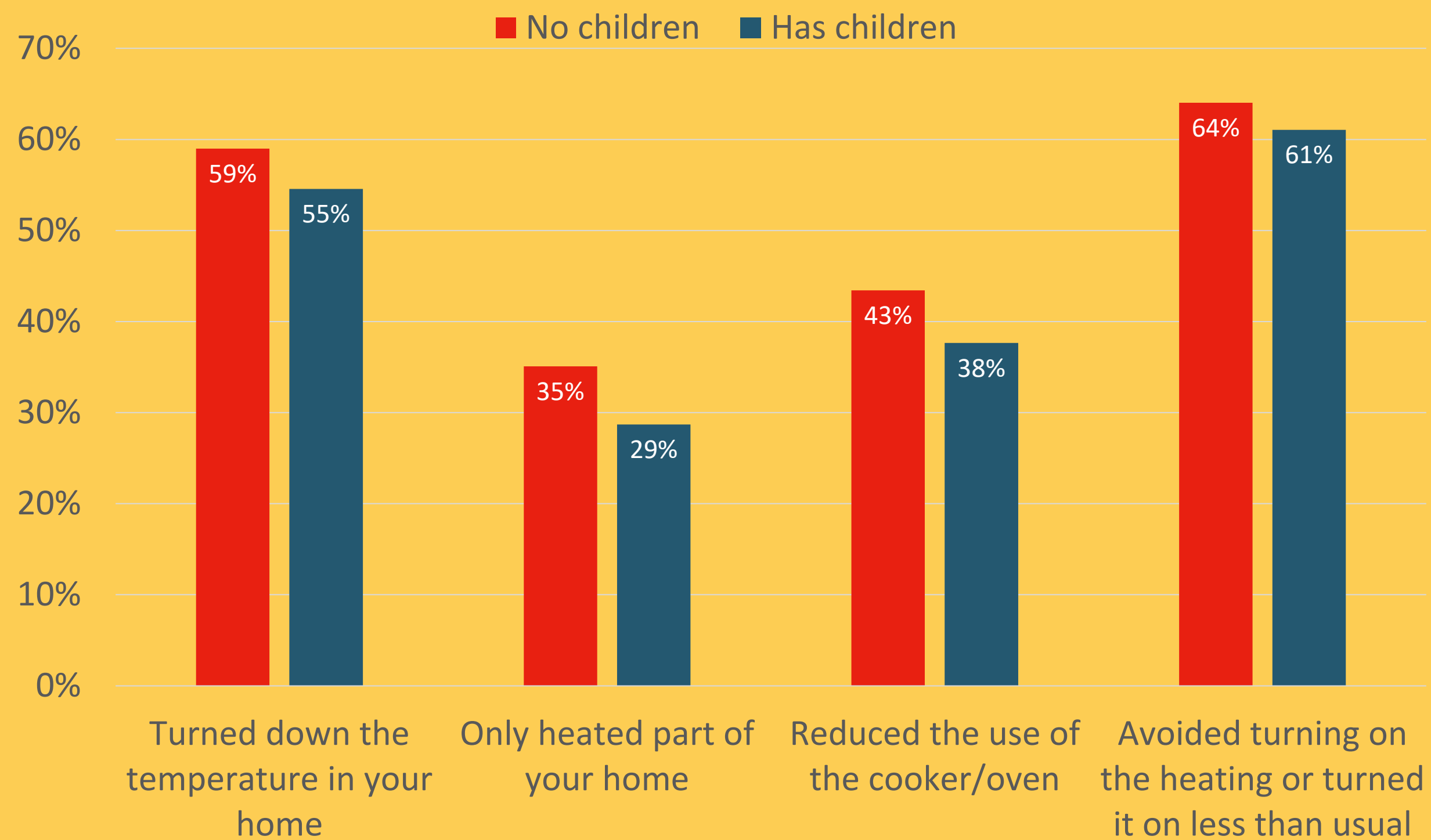


395,000

families with children experienced deductions from their income in the previous six months.

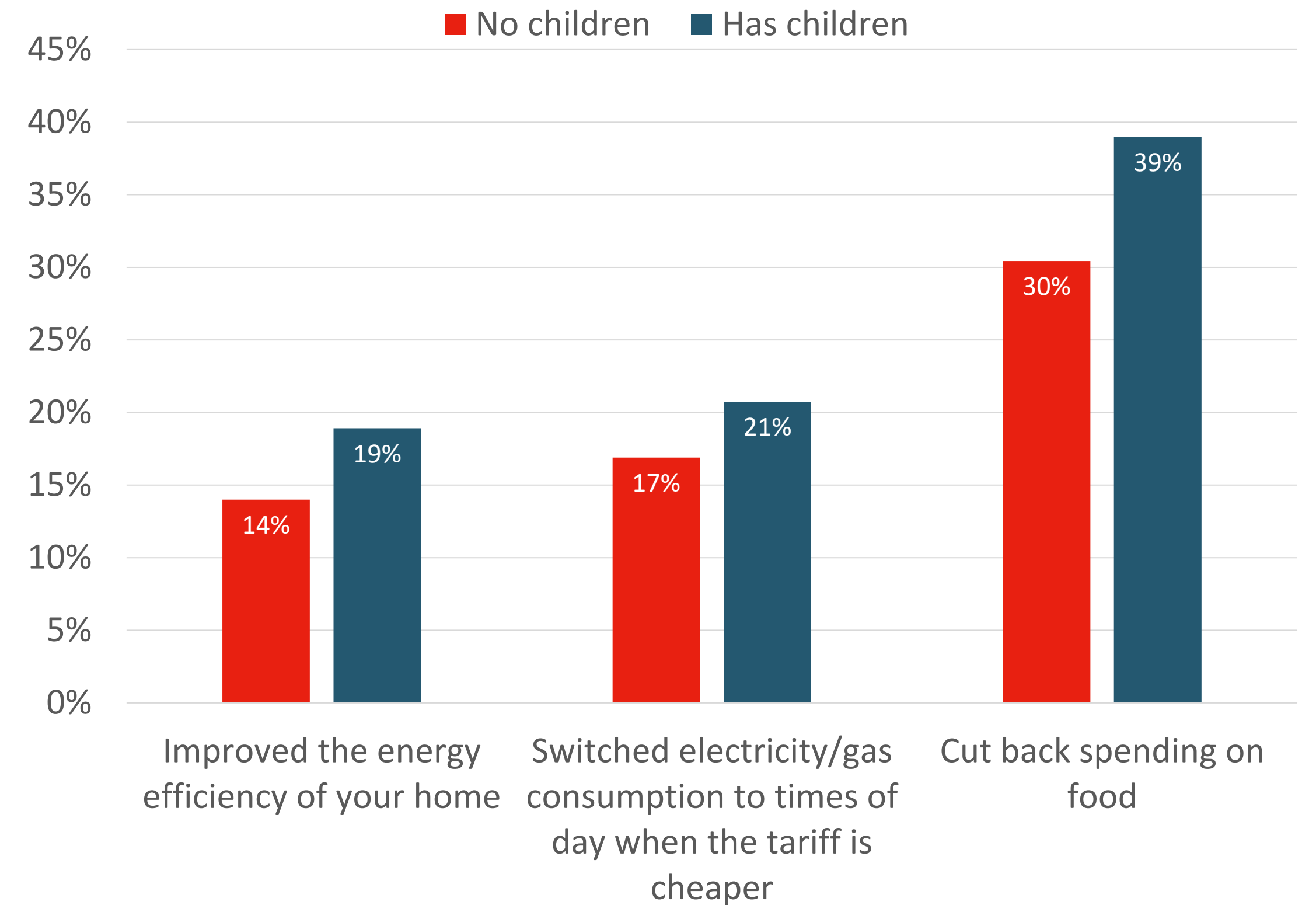
Families with children find it more difficult to reduce their energy usage...

In the last six months, have you done any of the following to help you afford your electricity or gas bill?



...despite being more likely to do what they can to cut costs.

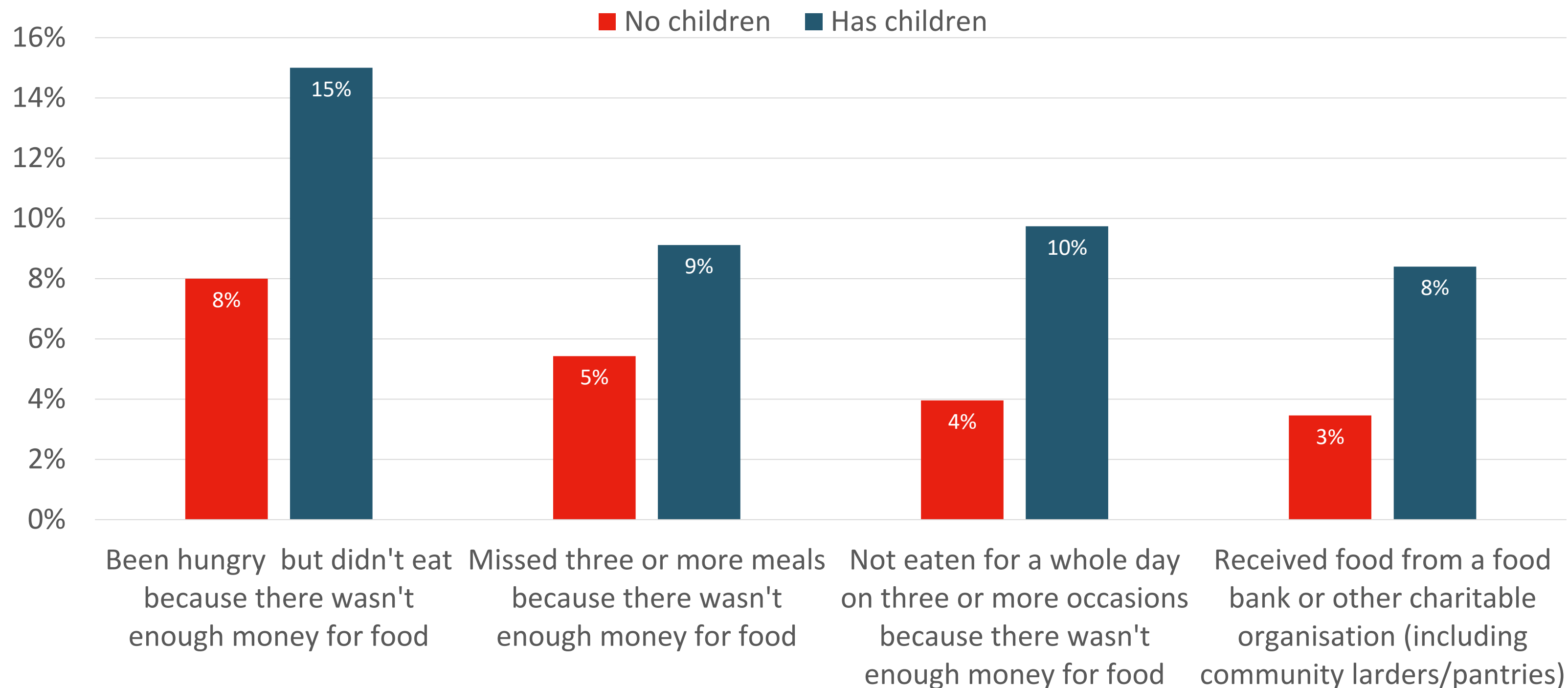
In the last six months, have you done any of the following to help you afford your electricity or gas bill?



Households with children are less likely to say they have been able to reduce energy bills by cutting back on their usage, which can be harder to do when children are involved. But they are more likely to try and reduce their costs in other ways, such as cutting back on food spending.

Families with children are more likely to be struggling to afford food.

In the past month, which, if any, of the following, have you done in order to afford food for your household?



Food insecurity... and its impact on children

With more mouths to feed, families with children are more likely to have difficulty affording food, go without meals or find themselves turning to food banks.

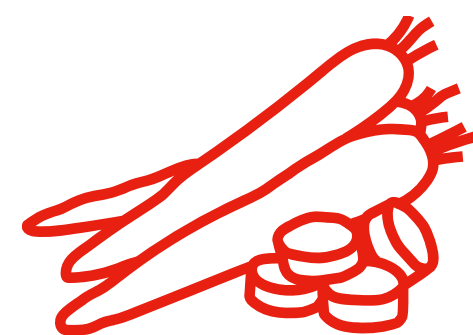
Child hunger is associated with poorer health and social outcomes⁵ and a higher risk of depression and suicidal thoughts in adolescence.⁶

Other data sources suggest that food poverty has worsened during the cost of living crisis, particularly among families with children:

- The Trussell Trust distributed a record 1.1 million food parcels for children in 2022/23, a 36% increase on the previous year.⁷
- The Food Foundation has been tracking food insecurity since the start of the pandemic. In June 2023, 23% of households with children reported experiencing food insecurity (up from 12% in January 2022) compared to 15% of households without children.⁸

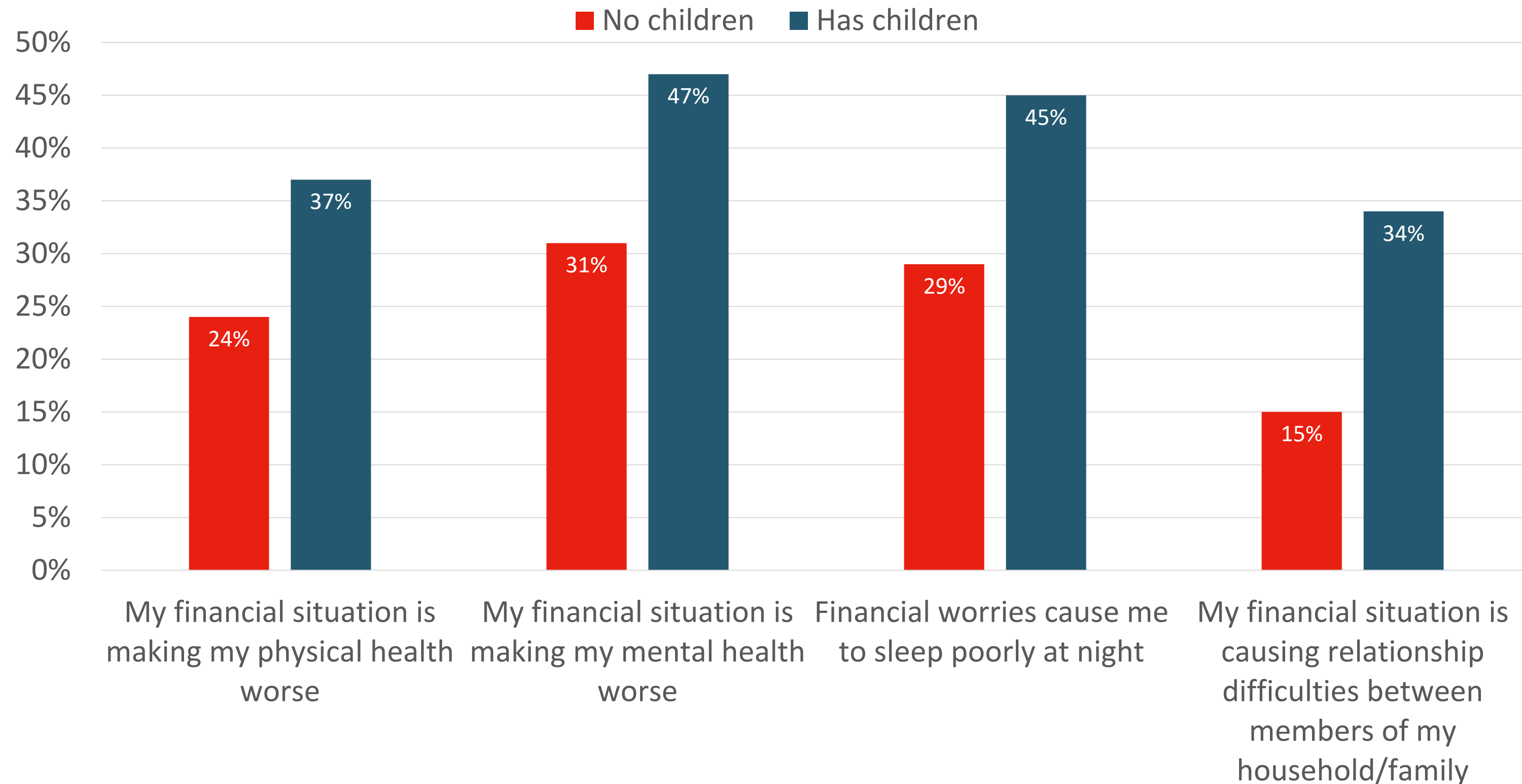
1.2m

families with children had been hungry and gone without food in the past month.



Consequently, families with children are around 50% more likely to report their mental health and sleep has suffered.

How well does the following statement describe your current situation?



Figures show the proportion of respondents who felt the statement fit their situation either 'very well' or 'fairly well'.

Mental health and poverty...

Almost half of households with children – an estimated **3.7 million** – report that their financial situation is making their mental health worse or causing them to lose sleep.

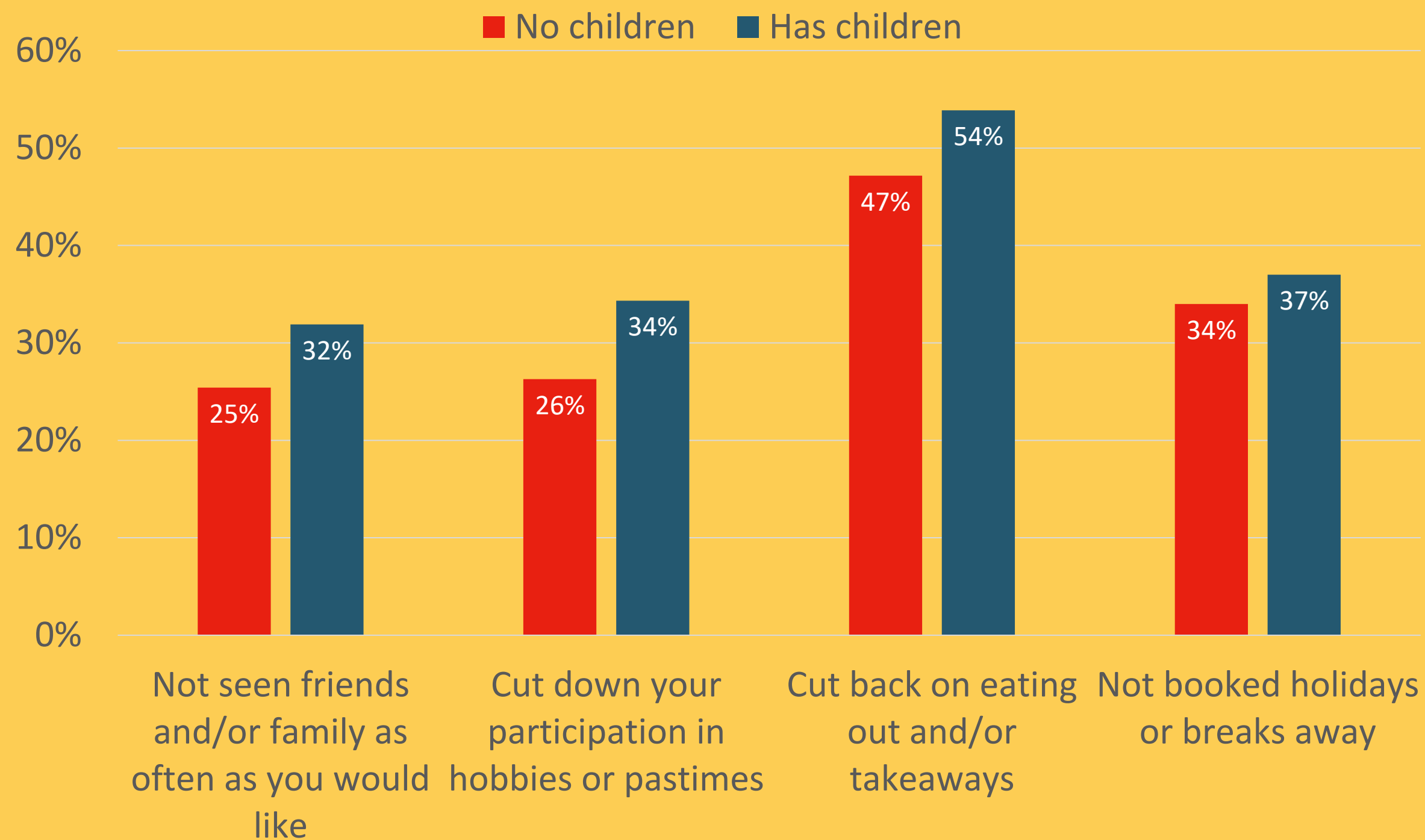
There is a well-established link between poverty and increased mental ill-health and lower mental well-being. People living in financial stress are at greater risk of mental health problems, including depression.⁹

Growing up on a low-income can also impact the mental health and well-being of children in the family. Analysis of the Millenium Cohort Study found that children from the lowest income families are 4.5 times more likely to experience severe mental health problems than those in the highest income families.¹⁰ Polling conducted by Action for Children in January 2022 showed that 30% of all children were worried about having enough money to live comfortably, but this rose to almost half of children from low-income backgrounds (47%).¹¹

Other recent evidence from the Centre for Mental Health has also highlighted the negative impact the cost of living crisis is having on both adult and child mental health.¹²

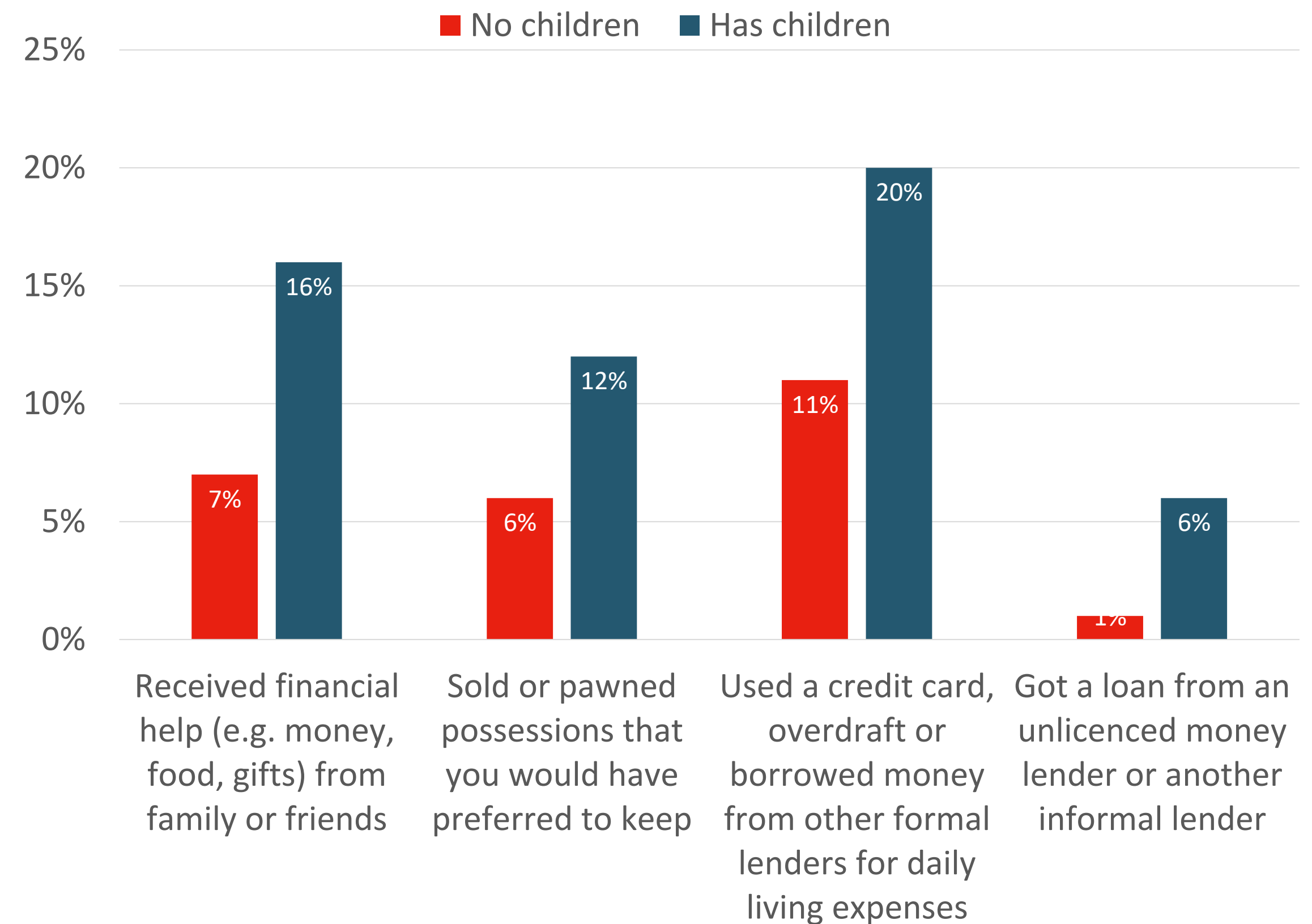
Families with children also experience other impacts on family life.

In the last six months, which, if any, of the following have you done because of concerns about cost?



And they're more likely to turn to borrowing and other means to make ends meet.

In the last six months, have you done any of the following to help make ends meet?

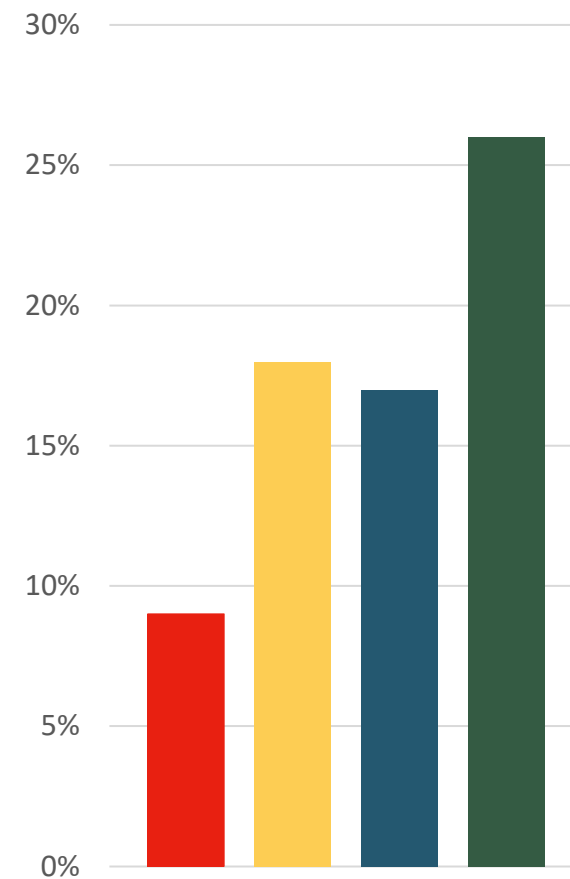


Single parent families are finding it particularly difficult to meet their essential needs.

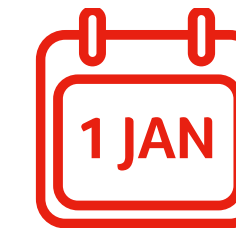
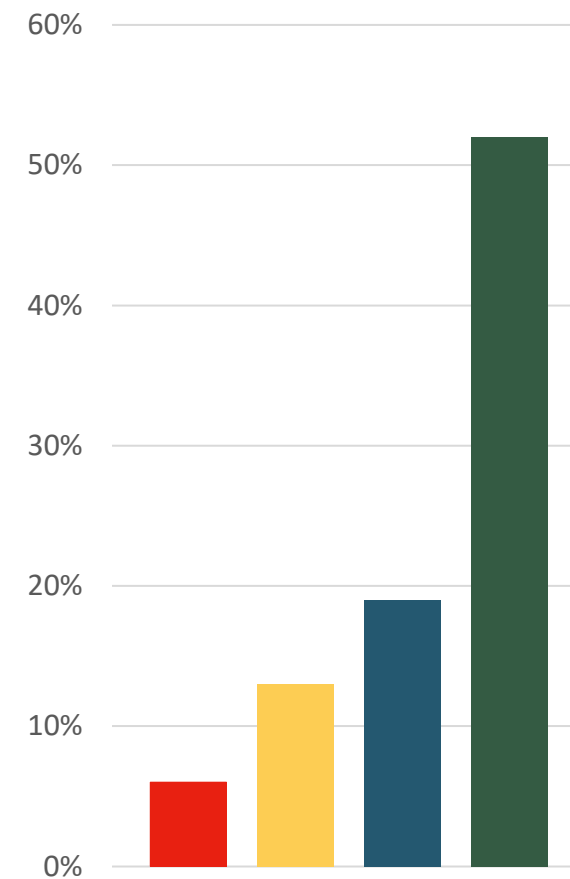
■ Couple without children ■ Single without children ■ Couple parents ■ Single parents



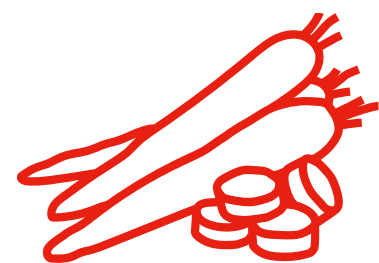
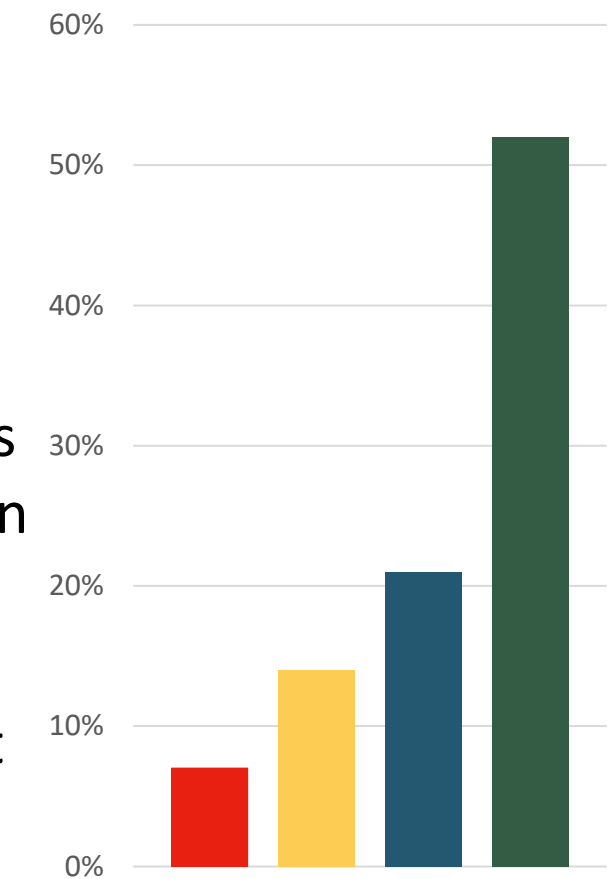
In serious financial difficulties



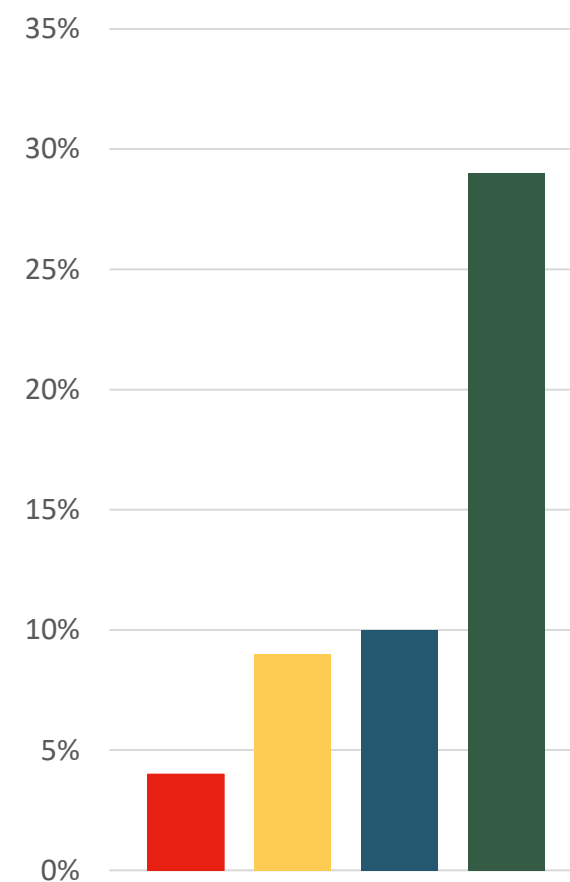
Behind on at least one household bill



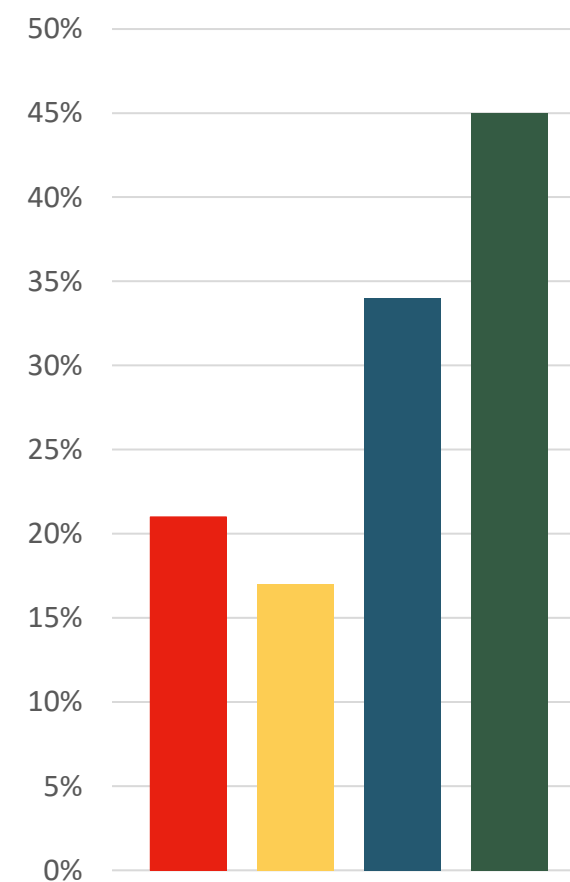
Had discussions with creditors in last six months about being unable to meet payments



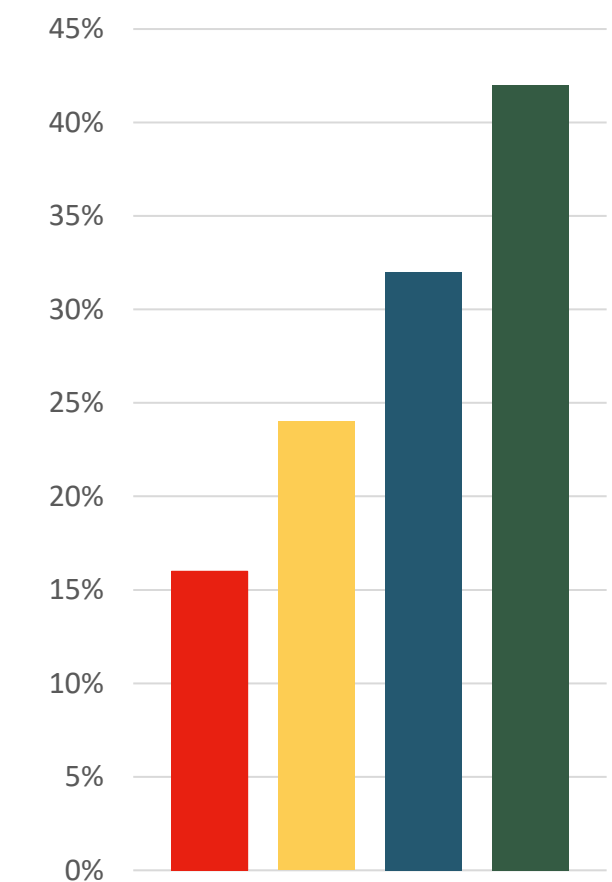
Have run out of food and been unable to afford moreⁱ



Home has problems with condensation, damp or mouldⁱⁱ



Quite or very worried about ability to meet housing costs



ⁱ Figures refer to those who reported running out of food 'very often' or 'somewhat often'.

ⁱⁱ Figures refer to those who said that the statement 'fits very well' or 'fits fairly well' with their situation.

Spotlight on single parents...

More than a quarter of single parents are in 'serious financial difficulties' (26%), higher than any other family type. They are markedly more likely to be behind on household bills, to be going without food, and to report problems with their housing and ability to pay their debts.

As the main carer for a child, and often the sole source of income, single parents are much more exposed to financial shocks and rising prices. This is further supported by recent analysis from the ONS, which found that almost half of single parent households were struggling to afford rent or mortgage payments (47%). And nearly three in 10 had run out of food and been unable to afford more (28%, compared to only 4% of households without children).¹³

Single parents are also more likely than coupled families to experience barriers to work due to their caring needs, lack of childcare or other potential barriers like having a disability or health condition.¹⁴

Charlene's story

Charlene, 36, from Devon has a six-year-old daughter and is a single mum.

"I can't work because of health issues, so I rely on Universal Credit. The money I get doesn't go far enough. I've cut back on absolutely everything, but I've still had times when I've looked in the cupboards and they're empty. I skip meals several times a week and often just eat cereal for a main meal as that's all I have left from the food parcel.

"Keeping up with my gas bill has also become a huge problem. I have a chronic lung condition called COPD, and my daughter has asthma, so I have to keep the house warm in the winter. It makes me feel awful that I can't provide basic things for her. It's just degrading as a parent. When you're hungry and worrying about feeding your child, you can't focus on anything else.

Action for Children has helped me with things like food parcels, loans to pay for school uniform and advice on budgeting and bills. I don't know what I'd have done without the staff at the children's centre. They're always there to talk to, and I never feel judged."

Action for Children



Conclusion

These findings paint a stark picture: families with children are particularly exposed to the sustained and ongoing pressures on household finances. That pressure is felt most acutely among those on low-incomes, and single parents in particular.

Every day, frontline workers in our services are applying to our Crisis Fund for emergency grants to support families in their care with basic essentials like food, cooking equipment and utility costs.

While inflation is finally falling and pay is starting to see real terms growth, the cost of living crisis is far from over. Prices across the economy are still rising, with food inflation remaining particularly high. The intense pressure on rent and mortgage costs are set to only get worse as interest rates continue to climb. The Bank of England does not expect to reach its 2% inflation target [until early 2025](#), and energy prices remain volatile and above normal levels.

So it's vital that policymakers stay alert to the very real pressures on households with children, especially those on the lowest incomes. We've made several recommendations for how the social security system could be strengthened to achieve this.

Our thanks to **Abrdn Financial Fairness Trust** and the **Personal Finance Research Centre at the University of Bristol** for their support and collaboration with this briefing.

Our recommendations

- **Increase all social security benefits** in April 2024 by Consumer Price Index (CPI) inflation in the usual way.
- **Reform the Cost of Living payments** made to those claiming means-tested benefits so that they vary by family size. Families with children are particularly disadvantaged by flat-rate payments. The government should also be prepared to make additional payments if living standards continue to deteriorate.
- **Boost family incomes by increasing the child element of Universal Credit by £15 a week. The benefit cap should also be abolished**, so that every family on Universal Credit can benefit from these changes. Both policies together would lift around 320,000 children out of poverty.¹⁵
- **The Two-Child Limit in Universal Credit, another major driver of rising child poverty, must also be scrapped.** This alone would lift 250,000 children out of poverty overnight.¹⁶
- The Department for Energy Security and Net Zero should **proceed with plans to consult on a social tariff in the energy market** to protect vulnerable consumers from the impact of high energy costs. This was announced at the Autumn Statement 2022 and reconfirmed subsequently, but was absent from the department's [recently published vision for the future of the energy market](#).

Endnotes

¹ abrdn Financial Fairness Trust (2023) 'Financial Impact Tracker'. June 2023. Available at: <https://www.financialfairness.org.uk/en/our-work/coronavirus-financial-tracker>. The Financial Fairness Tracker, commissioned by the abrdn Financial Fairness Trust and analysed by a team at the University of Bristol, has been monitoring the personal finances of households since the start of the pandemic via data collected from YouGov's panel. This briefing reports findings from secondary analysis of Tracker data from May 2023, undertaken by Action for Children.

² The University of Bristol segmented survey participants into four categories, based on the extent to which they could meet their financial obligations and the resources they had to meet an economic shock. 'Serious financial difficulties' is the most severe category and refers to those households with a score of less than 30 out of 100.

³ Population estimates have been calculated using the latest ONS estimates for families and households in the UK, based on the 7.9 million households with dependent children.

ONS (May 2023) 'Families and households in the UK: 2022'. Available at:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2022>

⁴ The Institute of Health Equity (2011) 'The Health Impacts of Cold Homes and Fuel Poverty'. Available at: <https://www.instituteoftheequity.org/resources-reports/the-health-impacts-of-cold-homes-and-fuel-poverty/the-health-impacts-of-cold-homes-and-fuel-poverty.pdf>

⁵ Aceves-Martins M, Cruickshank M, Fraser C, Brazzelli M. (2018) 'Child food insecurity in the UK: a rapid review'. NIHR Journals Library. Available at:

<https://pubmed.ncbi.nlm.nih.gov/30475559/>

⁶ Ke, J. & Ford-Jones, EL. 'Food insecurity and hunger: A review of the effects on children's health and behaviour'. Paediatrics Child Health. Available at:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4373582/>

⁷ The Trussell Trust (2023) 'End of year stats'. Available at: <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

⁸ The Food Foundation (2023) 'Food Insecurity Tracking'. Round 13. Available at: <https://foodfoundation.org.uk/initiatives/food-insecurity-tracking#tabs/Round-13>

⁹ Guan, et al. (2022) 'Financial stress and depression in adults: A systematic review.' Available at: <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0264041>

¹⁰ Gutman, L., Joshi, H., Parsonage, M., & Schoon, I. (2015) 'Children of the new century: Mental health findings from the Millennium Cohort Study'. Centre for Mental Health.

¹¹ Action for Children (2022) 'Brighter future ahead?'. Available at: https://media.actionforchildren.org.uk/documents/Brighter_Future_Ahead_report.pdf

Endnotes

¹² Centre for Mental Health (2023) 'Mental Health and the Cost-of-Living crisis: another pandemic in the making?'. Available at: <https://www.mentalhealth.org.uk/sites/default/files/2023-01/MHF-cost-of-living-crisis-report-2023-01-12.pdf>

¹³ ONS (2023) 'Impact of increased cost of living on adults across Great Britain: February to May 2023'. Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/impactofincreasedcostoflivingonadultsacrossgreatbritain/februarytomay2023>

¹⁴ Action for Children (2023) 'All Worked Out? The limits of work as a route out of poverty and hardship'. Available at: <https://www.actionforchildren.org.uk/our-work-and-impact/policy-work-campaigns-and-research/policy-reports/all-worked-out-the-limits-of-work-as-a-route-out-of-poverty-and-hardship/>

¹⁵ *ibid.*

¹⁶ CPAG (July 2023) 'Official statistics reveal 1 in 10 children hit by two-child limit'. Available at: <https://cpag.org.uk/news-blogs/news-listings/official-statistics-reveal-1-10-children-hit-two-child-limit>



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