

# CHILD POVERTY COSTS

## IN

# Wrexham



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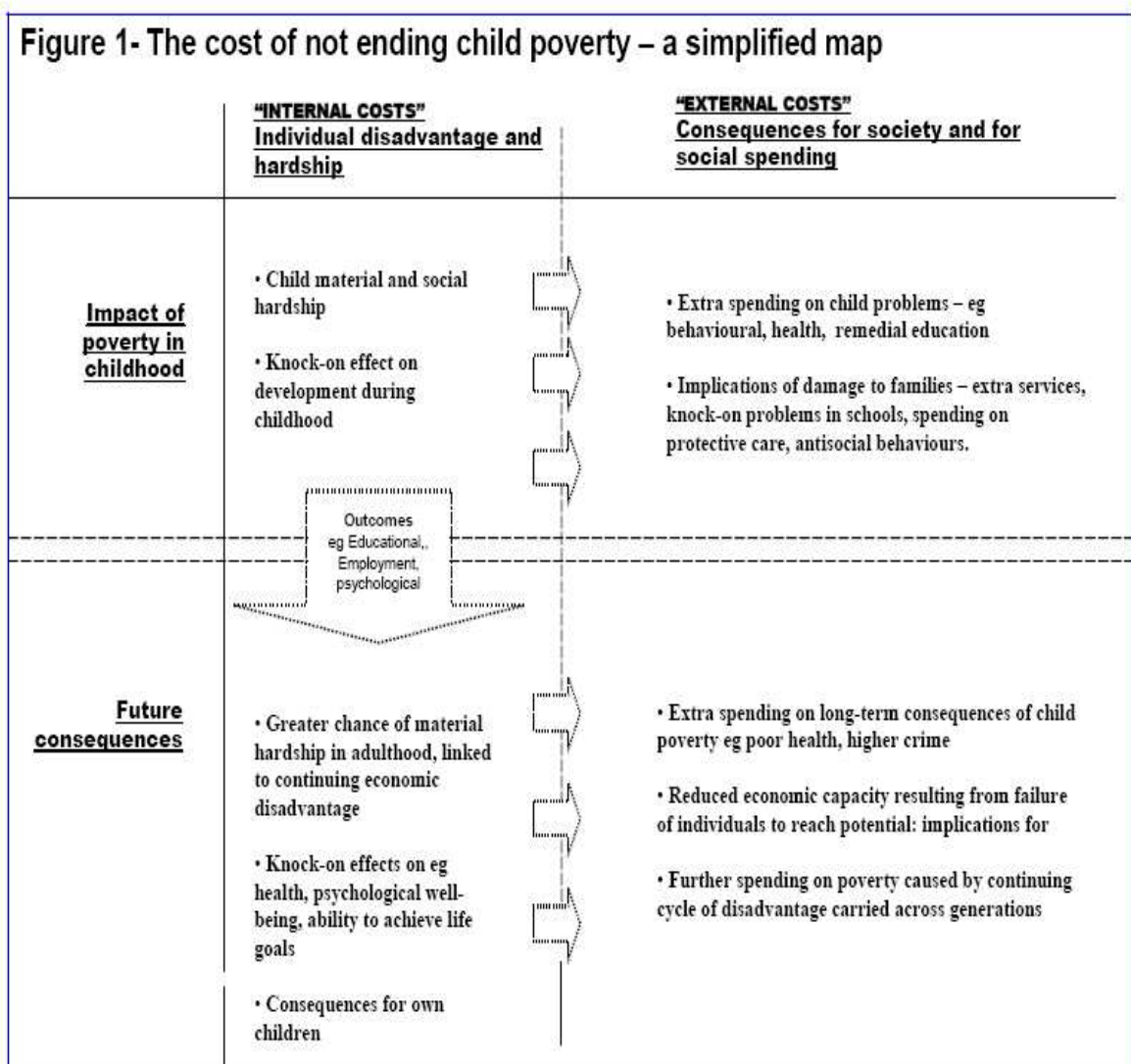
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# Child poverty costs in Wrexham

Child poverty carries several costs to society some more measurable than others. Tangible consequences are experienced by the children and young people, their families and by society. Extra money has to be spent helping people face the consequences of poverty. There is also less money put into the public purse as those who grow up in poverty are less likely to work and have lower earning expectations if they do.

The Joseph Rowntree Foundation have produced a simplified map of the costs of child poverty. (Hirsch, 2006)

The cost of not ending child poverty



Child poverty costs can be split into three categories:

## **1. Costs to Children and Young People**

Child Poverty limits future life chances for employment; training; enduring, positive family and social relationships; good physical and mental health and longevity and it affects childhood experiences profoundly. (Bradshaw and Mayhew, 2005)

### **Childhood Experiences**

Research indicates that children in low income families:

- Often miss out on activities such as after-school clubs, school trips and inviting friends for tea.
- 25% of these questioned went without warm coats in winter, proper meals and heat in the home.
- Poor children often have little or no space to play and live in areas with few shops or amenities. (Crowley and Vulliam, 2006)

### **Educational Costs**

- Children who grow up in poverty are far less likely to do well in school and are much more likely to leave the education system with no qualifications at all. (Rafo et. al., 2007)

### **Higher risks of unemployment.**

- Adults with poor basic literacy and numeracy skills are up to five times more likely to be unemployed or out of the labour market than those with adequate skills. (renewal.net)

### **Health Costs**

- Children from the lower socio economic groups are four times more likely to die in an accident and have nearly twice the rate of long-standing illness than those living in households with high incomes. (Bradshaw and Mayhew, 2005).
- Babies born into poor families are more likely to be premature and have low birth weight. (Palmer, 2005)
- Children in poorer families are more likely to suffer from respiratory infection, gastro-enteritis, dental caries and tuberculosis. (Dept. for Children, schools and families, 2007)
- Poverty can also affect the quality of a child's diet. (Dept. for Children, schools and families 2007)
- In terms of mental health, there is evidence that children from unskilled, working-class backgrounds are almost three times as likely to have a mental disorder as children from professional backgrounds (14.5% compared to 5.2%). The rate for families where the parents had never worked was more than four times higher at 21.1%. (Dept. for Children, schools and families, 2007)
- Children of parents who have never worked or are long term unemployed are 13 times more likely to die from unintentional injury and 37 times more likely to die from exposure to fire. (Dept. for Children, schools and families, 2007)

## **2. Costs to the Local Economy**

The cost of such problems is not just felt by those who are experiencing child poverty, it affects the economic performance and competitiveness of Wrexham, too. Research has estimated that annually childhood poverty:

1. Reduces productivity and economic output by about 1.3 percent of GDP.
2. Raises the costs of crime by 1.3 percent of GDP.
3. Raises health expenditures and reduces the value of good health by 1.2 percent of GDP.

(Holzer et. al., 2007)

- ***A shortage of skilled workers.***

Educational underachievement and shortages of relevant skills contribute to lower productivity.

- ***A reduction in customers.***

Low income or benefit dependency can reduce an area's spending power.

- ***Lost revenue***

Knock-on costs include lost taxes from adults with poor job prospects which are linked to educational failure in childhood. For example, the fiscal costs of labour market outcomes for those who are not in education, employment or training aged 16-18 is estimated at above £10 billion over the lifetime of a two-year cohort.

(Social Exclusion Unit, 2004)

### 3. Costs to taxpayers

The cost of child poverty is felt by everybody working and living in Wrexham through the taxes they pay. Each year in the UK £15 billion is spent on Tax Credits for low-earning families. (NAO 2003)

The Home Office have estimated that the cost to government agencies of dealing with reports of anti-social behaviour is £3.4 billion a year. (Home Office 2004)

As noted earlier there is a link between child poverty and infections. The cost of infections to the NHS is substantial. In 2003 the total annual cost for treating children aged between 0 and 14 years with infections in hospital was £360 million and the cost for GP consultation was £757 million. (Wilson et. al., 2006)<sup>1</sup>

At a Local Authority level the impact of child poverty on public finance can be illustrated by viewing Wrexham's Budgeted Gross Expenditure for 2008-2009:

	Rationale	Expenditure (Thousands)
<b>Children &amp; Families Services</b>	Less poverty seems to reduce the need for spending on children's social services. Case loads of families who encounter difficulties are disproportionately from deprived areas. Evidence suggests that 2-4 times as much is being spent per child in deprived than non deprived areas.	<b>£13567.308</b>
<b>Homelessness</b>	Youth and family homelessness which includes families with children and young people.	<b>£513.88</b>
<b>Youth Justice</b>	Young people growing up in disadvantage are more at risk of being involved in the criminal justice system. Evidence suggests that policing in the most deprived areas is 1.5 to 3 times higher than slightly deprived areas. (Contained within the Children & Families Services Budget)	<b>£1123.68</b>
<b>Council Funded Housing</b>	Social Housing is a public service that targets the economically disadvantaged, which includes families experiencing poverty.	<b>£29360.962</b>
<b>Housing Benefit payments and administration</b>	Housing benefit payments and enable the most affected to be housed.	Payments <b>£24185.001</b> Administration <b>£1026.99</b>
<b>Education</b>	Research suggests that poverty and deprivation are associated with higher spending on education overall. (In Scotland this figure is approximately 20% more, not including the costs of providing free school meals)	<b>£94308.717</b>
<b>Education Welfare Services</b>	A high proportion of pupils from poor, disadvantaged backgrounds receive support from education welfare services. (Gross expenditure for 2006-7)	<b>£473.514</b>
<b>Special Educational Needs</b>	Pupils experiencing poverty often encounter a greater amount of difficulty when at school. In Wales, in 2006-7 less than 20% of children with a statement of additional educational needs have autism or a physical impairment –the rest have social, emotional, behavioural, linguistic disabilities which can in some cases emanate from social background. In Scotland it has been estimated that tackling child poverty could potentially save a fifth of the special needs budget. (Gross expenditure for 2006-7)	<b>£13376</b>

The table is not extensive but when viewed from a costs perspective it can be seen that child poverty is expensive and is economically inefficient:

- It reduces the output that will be achieved by the workforce of the future.
- The consequences of poverty lead to extra spending on social services, health care and the criminal justice system.
- Poverty is inherited and the extent of social mobility is in decline, so these costs are re-cycled through the generations.

### **There is a strong economic/financial case for reducing child poverty**

Effort spent on poverty reduction can therefore be viewed as public or social *investments*, which generate returns to society over time in the form of:

- higher real gross domestic product (GDP)
- reduced costs to public services
- improvements in everyone's quality of life.

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