



**Advance copy**

## **Families and the credit crunch 2008**

The credit crunch is in the news all the time. But how are ordinary families affected? The Family and Parenting Institute listens to the experiences of families of all kinds, on the key issues that matter to them, to inform policymakers and public debate.

The results of this survey, carried out by YouGov, show that rising bills and job insecurity mean families who might have considered themselves secure are now concerned about how they are going to cope. For others, struggling financially on a low income is nothing new, since the prosperous Britain of the past decade has hidden high inequality and child poverty.

Families find a range of ways to cope, such as searching for bargains in supermarkets, buying second-hand clothes, driving less and not taking holidays and day trips, but for some it is a bitter ongoing struggle.

The Family and Parenting Institute is a charity aiming to improve the wellbeing of children and families in the UK. We are a catalyst for change, working to make the voices of families heard.

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## KEY FINDINGS

- ▶ Money worries are affecting British families: A third (35 per cent) say money worries give them sleepless nights and 29 per cent say that in their family they often have rows about money.
- ▶ The household costs causing most concern are heating the home (47 per cent), followed by mortgage or rent payments (36 per cent), then food costs (31 per cent).
- ▶ Over a third (37 per cent) of families say they cannot afford an annual holiday (going away from home for at least one week, other than staying with relatives).
- ▶ Some 27 per cent of families thought their household income would not be enough to pay the bills in six months' time (not including 14 per cent who 'didn't know'). These families were intending to cut down on a wide range of spending, with three quarters (74 per cent) intending to have a more frugal Christmas.

## Who were surveyed?

YouGov surveyed 5,309 parents of under 16-year-olds across the UK, with a range of household incomes. The survey was carried out online between 23 – 28 October 2008. Figures are unweighted.

## Families face rising household bills

Of the 27 per cent of parents who do not believe their household's income will be enough to pay the household bills in six months' time, 73 per cent thought increases in fuel costs were a reason for this and 83 per cent other household bills (e.g. electricity, telephone, council tax, water etc.).

*"Fuel, food, household bills have all gone up, but wages haven't. We thought we were having trouble keeping our heads above water last year, but with the cost of living going up so much, we're really struggling now. Thankfully we don't have much personal debt, and feel really sorry for people who do; it's easily done. Whatever the reason it's going down, it is hopeful that petrol prices are dropping. For another year though, we can't afford to heat our house, and with a child with asthma the damp air is a worry."*

Families are most concerned about paying for the basics: fuel costs for their home (heating) (47 per cent), mortgage/rent (36 per cent) and food (31 per cent).

*"Utility bills are unmanageable and I go without food to ensure my children have food to eat. I have asked for help with heating bills or insulation and other energy saving measures but have been told that I am not eligible as I am not in receipt of benefits but have a low income."*

Some mentioned school costs:

*"We cannot afford new shoes or uniform and our children are wearing shoes that are too small, and uniform with holes in. The school have complained about my daughter's shoes not being part of the school uniform, but we cannot afford new ones yet."*

*"Having three children it would be really helpful if they done a scheme at school*

*where you could donate old (but in good condition) school clothes, and then to be able to buy these items at a greatly reduced cost. Two of my children started senior school this year, and with the list the school provided me with what they had to have, it was very costly to kit two kids out with it ...."*

## Job insecurity affects some families

Some also fear a reduction in household income. In particular, 10 per cent of all respondents think it is likely that the chief income earner in the household will be made redundant or become unemployed over the next six months.

Redundancy is already hitting some sections of the economy, as is clear from parents' comments:

*"Both my husband and I work in sectors that are at risk in the current climate (media and construction). [...] It is highly likely that we will both be made redundant just before Christmas, which will mean it will be at least February before we start to get any new work."*

*"Partner has recently been made redundant which puts pressure on me as the only income earner. We are able to cope on just the one income but it gets tighter the longer one of us is out of work. We're not overly worried at present but come the new year, if things haven't changed, it could be a bit more of a concern."*

## Struggling financially is nothing new for some

*"Credit crunch not much different to normal life. We have always been in poverty so I don't think we will have such a hard time adapting to the current financial difficulties, as we are well acclimatised to not having enough to live on."*

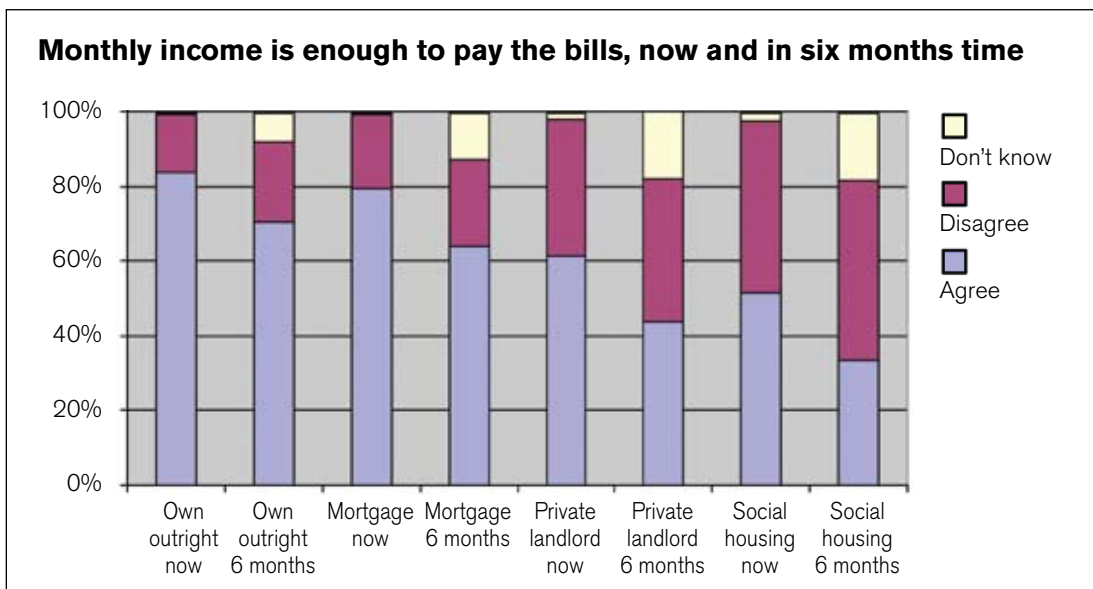
*"It is particularly difficult as I am a full time unpaid carer for our profoundly disabled son ... I cannot mix paid work with my caring responsibilities ... bringing up a disabled child costs seven times more than normal ... nothing to compensate*

*me for loss of earnings, apart from a paltry £50.55 carer's allowance"*

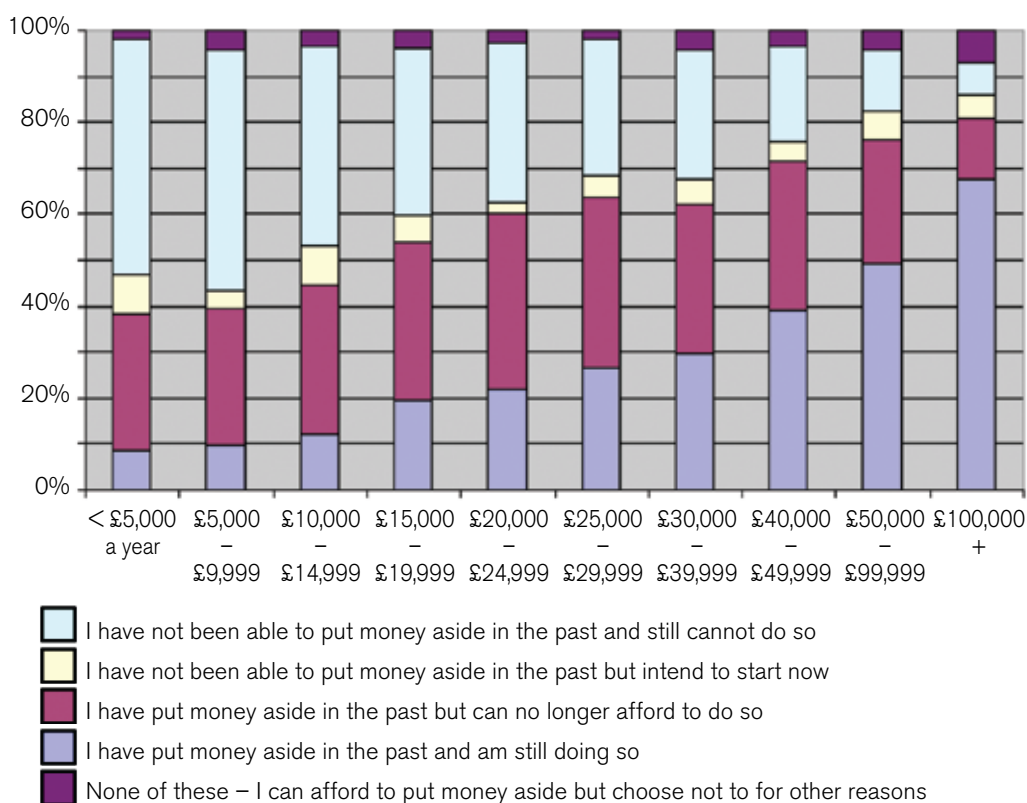
*"My financial situation is the same as it always has been for me, and the many other people like me, who are expected to live on money paid out by the various Social Security departments. It's not living, it's barely even existing – when you have to choose between toilet roll and a loaf of bread, or have £6 left after buying your pre-paid gas and electricity and paying your rent arrears because they messed up your Housing Benefit claim – again – and you have to spend that £6 on food for the week all the while trying to explain to your child(ren) that it doesn't matter if the school only want a pound for the non uniform day – you haven't got a pound left [...] it's been like it for years, but society in general wasn't being affected – so who cared? (and, before any assumptions are made – I'm not the stereotypical single parent on income support – I was married until I was 27, then I was widowed and now I'm receiving Widowed Parents Allowance – same money as Income Support – but I don't qualify to apply for Budgeting Loans etc."*

As the graph below shows, many families are uncertain about their financial situation in six months' time. However, it is likely that the majority of families who expect to have financial problems in the future are the same ones who are currently in financial difficulty. Families on low incomes will always find it difficult to balance budgets. Social housing tenants are most likely to be struggling, followed by private tenants, then mortgage holders. But even for those who own their home outright, there are a minority who say their household's total income is not currently enough to pay the bills each month.

Similarly, despite the credit crunch, many families are still in a reasonably comfortable financial situation: a third (32 per cent) say they have put money aside in the past and are still doing so. Unsurprisingly, this is very strongly correlated with household income (see graph overleaf). In the same way, a quarter (26 per cent) did not save in the past and still cannot. Across all income categories there are a significant proportion whose financial circumstances have changed: the 31 per cent who say they have put money aside in the past but can no longer afford to do so.



### Ability to save money by household income



### Housing and debt

In total, four in ten mortgage holders (43 per cent) and those with a private landlord (42 per cent) are concerned about being able to keep up with rent or mortgage payments.

Of all those who have a mortgage, one in thirty (3.6 per cent) think it is 'very likely' or 'fairly likely' that their home will be repossessed within the next 12 months.

Just over a third (35 per cent) of mortgage holders still owe between £100,000 and £200,000. A similar proportion (36 per cent) owe £50,000 to £100,000, with most of the remainder owing less than this. Just under 2 per cent said they owed more than £300,000 on their mortgage.

In all, a quarter (23 per cent) of those with a mortgage have remortgaged a property in the last five years to release equity (16 per cent of all parents surveyed in total). Of these, 43 per cent used the money at least partly to repay other debts.

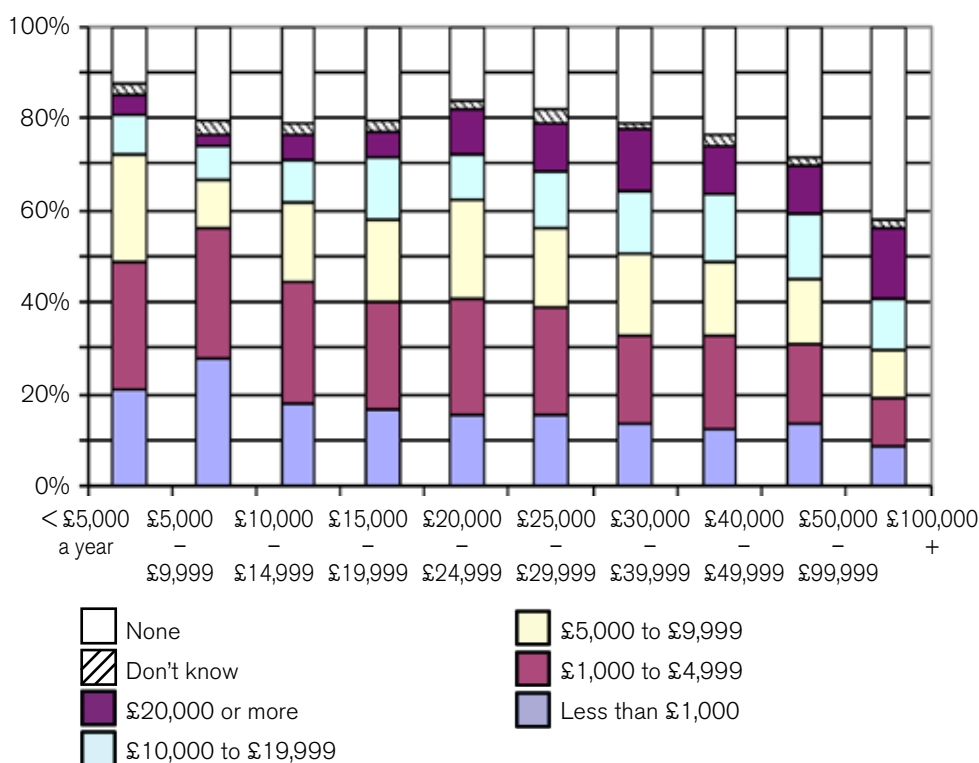
*"We are coping by getting more and more into debt. We hope to remortgage and repay most of the debt but are not happy that this will mean paying this back over 25 years and all the interest this will entail."*

Debt is widespread across all income groups in society. Excluding mortgages and student loans, three quarters of the households in our survey (76 per cent) have some debt, such as an overdraft, credit card or other loan. The average amount owed on these is over £8,300.

*"My overall indebtedness rises month on month but our standard of living is static or in decline. We are going without things we used to have and trying to stop the slide into further debt: just to live is causing friction in the family. We are considering selling up but it's a bad time so we just keep on borrowing although its unsustainable."*

Many respondents mentioned debt management plans:

### Debt (excluding mortgage or student loan) by household income



*"It is very difficult at present with the rising fuel costs to cope financially. We are currently looking into a debt management plan as we can no longer carry on"*

*"We are in a debt management programme, which has helped to lower monthly payments, although there is still very little left at the end of the month for food."*

Many of those who have avoided getting into debt criticised the 'buy now, pay later' culture.

*"We have always been sensible with money and have always saved what we can. The reason so many people are in financial straits is because they live beyond their means, over-stretch themselves and don't put anything aside for a rainy day."*

*"We make a decision NOT to be influenced by advertisements and opinion that states you must have a newer car/bigger house/expensive holidays/new mobile phone etc etc etc. In general the country would be in a better state financially if there was less greed and materialism in our society."*

### The tax and benefit system can help or hinder families

Some families find tax credits a lifeline:

*"Thank heavens for working tax credit and child tax credit without which we would have to decide between food and heating our house in winter."*

*"Child care tax credit is an absolute boon that I would find it very hard to do without."*

Others are experiencing real problems:

*"I have asked my employer for more hours so I'm working more than 173 hours a month now to help cover the repayments of over payments of working tax credit."*

*"As a divorced parent in the tax credit system I find that there is no incentive to work harder or for more money as every time I get a raise, it is taken off my tax credits, leaving us trapped in benefits poverty. Ah well. Guess I should be grateful, but sometimes it's hard to be so."*

There is a strong feeling among many parents that it is wrong that families where both parents work should still find themselves struggling.

*"We are coping but would do better if local housing and working tax credits were higher. We would be £45 per week better off unemployed."*

*"We have no help beyond tax credits but would in actual fact be better off if neither my husband or I worked as then the majority of our bills would be reduced (such as council tax)."*

### **Childcare costs can limit parents' ability to work**

The issue of childcare costs was mentioned in many parents' comments.

*"I work full time as does my partner however, because childcare costs are so extreme it is barely worth me working, so how does this encourage anyone to go back to work!"*

*"Childcare is a real struggle for me, I am going to have to consider going part-time because the Sure Start nursery my children attend will be upping their prices at Christmas. I will end up paying out more than I earn and the tax credits only cover £300 a week childcare."*

*"The lack of tax credits for childcare when you are studying rather than working is a real problem. Also, the lack of decent part-time work for parents (i.e. not just shop work etc)."*

In total, 38 per cent disagree with the statement: "My children are able to attend all the after school clubs they want – paying for them is not a problem".

*"I do not pay for childcare because I can't afford it and the child tax credit system says we have been overpaid so we don't receive any help from them. Although my parents and in-laws used to help with childcare they are no longer able to help out regularly due to their health [...] There is no after-school club at my childrens' school and therefore I would have to go out of my way to pick them up after work from a different school and the cost works*

*out at approx £80 per week which is ridiculous considering my children go to school. After school provision should be free."*

### **Grandparents often help out**

Of the parents in this survey, half (50 per cent) say their parents/parents-in-law help out by looking after the children sometimes, of which 17 per cent say they do this on a regular basis.

*"We are struggling to make ends meet. We can't afford new clothes/shoes for ourselves, just make sure my son is well provided for. Our rent has just gone up £20 per month, the gas has gone up £10 per month and we are expecting the electric to go up too as well as other bills. I work part-time 10-2 Monday to Friday and my mum looks after our son, without her I don't know what we would do because we cannot afford childcare."*

Grandparents also give financial help: a quarter (24 per cent) of all parents said they had been given money or borrowed money from parents or parents-in-law in the last year, including a third (35 per cent) of those on household incomes of less than £30,000). Of all these, 44 per cent received £1000 or more from their parents.

### **Impact on family life**

The survey findings make the emotional impact of financial trouble clear: 35 per cent of respondents say money worries give them sleepless nights and 29 per cent say that in their family they often have rows about money.

*"The stress of affording most things at the moment is a huge problem and causing a massive strain on my marriage and how I am with the children."*

*"Very difficult and challenging time. Arguments taking place as both husband and myself very worried about making ends meet. Just had a new baby and already have a four year old. Husband may be made redundant in future."*

*"We are coping financially but my husband is having to work all hours and is missing*

*out on seeing the children which is unfair to both the children, him and me.”*

## **Christmas is a worry for many**

Many people commented that Christmas would be a struggle this year. For those who did not feel that their household income will be enough to pay bills in six months' time, this was the most common area where they would cut back spending (see table opposite).

*“It's going to seem like I'm being mean this Christmas, as I can't afford to spend as much on family and friends as I usually would.”*

*“With Christmas coming up – TV adverts should be kept to a minimal otherwise it is just encouraging kids to want more and more, I have three children and with everything they see on the adverts they want us to spend an average of about £400 on each of them because they are being enticed to think that this is what every child has and I think this is wrong.”*

## **Many families are cutting back on spending**

Families whose income is falling are finding a range of ways to cope:

*“We now drive our cars slowly to save fuel and rarely take them out unless we have several errands to run. We have also spent some time insulating our house using cheap DIY materials, and already our fuel bills are dropping.”*

*“We struggle to meet the costs of e.g. school trips, clubs, but won't let the children not attend. Instead we cope by barely going out at all, other than for free activities like walking, having all our food home cooked including the kids' lunch-box snacks, not having a car, not buying clothes except for the children, and so on.”*

*“We rarely eat out and don't eat takeaways. We buy most clothes and shoes at car boot sales or have hand-me-downs. We shop around for food where the best deals are and don't buy many snacks or ready-made foods.”*

Of the parents (27 per cent) who thought that their household income would not be enough to pay the bills in six months' time, the following were the most common responses to the question: 'Which, if any, of the following will you consider cutting back on in the next six months?'

Christmas presents/spending	74%
Going out/socialising	73%
Clothes and shoes	67%
Holiday(s)	65%
Repairs and improvements to your home (e.g. furniture, decorating)	63%
Food and drink	57%
Days out with the child(ren)	55%
Heating	47%
Repair/purchase of major household appliances (e.g. fridge washing machine)	40%
Purchasing a new vehicle	37%
TV/broadband/phone subscription	31%

Several parents commented that they would be cutting down on spending, despite being financially secure for the moment.

*“Whilst we have no problems paying the bills at the moment, we are cutting down on what we are buying due to the current economic situation so we can be on the safe side.”*

However, several parents commented that they felt the situation had been exacerbated by the media:

*“I think the media is making everyone frightened about money – even if they don't need to be. This results in people spending less and in turn fuels a recession.”*

## **Conclusions**

This survey shows that many families are struggling with rising prices and paying their mortgage or rent. Government needs to ensure that when interest rates or oil prices

do fall, this is passed on to consumers to ease their household budget.

It is important to remember that as the child poverty statistics tell us, there is a proportion of the population for whom money worries are nothing new, and they have been struggling to meet their children's needs for long before the 'credit crunch'. Child poverty must continue to be a major government priority in both bad and good economic times. Tackling child poverty will not be easy, and needs both measures focused on families with children and also policies focused on the underlying income inequality among adults.

However, there are some simple measures that can be taken, for example guidance to schools, and funding where necessary, to ensure that parents in poverty do not have to worry about school costs such as uniform, school trips, books or equipment.

Poor children in working families need to be able to access free school meals, in a way that does not stigmatise them. Universal provision of free after-school clubs is also needed.

There have been significant improvements in childcare availability, but much more needs to be done to ensure that affordable high quality childcare is available to all those who need it. The childcare element of working tax credit is valuable for many families but urgently needs to be reviewed for those who fall through the gaps.

There also needs to be a review of housing and council tax benefits to reduce the unemployment trap created by the sharp removal of these benefits.

This survey highlights how common high levels of debt are across society. This is particularly worrying because heavy debt and mental health problems are closely linked.<sup>1</sup> People often find it difficult to talk about money, even to close friends and family. Outreach work on financial capability is important, with more accessible sources of advice, alongside regulation of companies offering credit.

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1 Mind (2008) In the red: Debt and mental health.

There is a temptation for governments to feel that in harder economic times, concerns such as work-life balance and affordable childcare are seen as softer issues. On the contrary, balancing earning an income with caring for children is even more important for families when there is less financial slack.

A time when families need most support is around the birth of a new baby, when, as reported by many in this survey, parents can be under both financial and emotional strain. As well as services that check the baby is developing healthily, health visitors, midwives and other family workers need to be able to support the couple at this time, when family break-up is more likely.

Finally, there is a striking contrast between an almost universal wish among parents at this time to cut down on unnecessary spending and prioritise what is really important, and pre-Christmas TV advertising which as in every year will be promoting expensive toys and capitalising on 'pester power'. It is vital that the Government's review on the commercialisation of childhood listens to parents on this issue.

Since being set up in 1999, the Family and Parenting Institute has commissioned a range of surveys to understand families' experiences and opinions. In October 2008, a new online group called Family Voice was launched to give parents from across the country a chance to have a say on the things that matter to them, and inform policymakers and public debate.

Recent findings from FPI-commissioned surveys:

Just 35 per cent of the poorest parents think they can do the best for their family in their neighbourhood, compared to 73 per cent of the richest (*Families and Neighbourhoods, 2007*)<sup>1</sup>

As many as 46 per cent of parents said they felt sad, unhappy and/or despondent following their child's birth: 57 per cent of women and 28 per cent men (*Health Visitors – an endangered species, 2007*)<sup>2</sup>

Three quarters of all children have a TV in their bedroom; 64% have their own video or DVD; 25% have their own computer (*Real Stories: How families spend time, 2005*)<sup>3</sup>

Find out more about Family Voice at: <http://www.familyandparenting.org/familyvoice>

1 Based on a YouGov survey

2 Based on a YouGov survey

3 Based on a MORI survey

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