**HARD TIMES AHEAD: WCVA CONFERENCE**

**30TH MAY 2012**

**Opening words**

Thank you very much indeed for the opportunity to speak today.

The Bevan Foundation is very pleased to have worked with WCVA to organise this conference, because the likely increase in poverty is the biggest challenge facing the people of Wales in the next few years.

The Bevan Foundation is an independent charity, named after Aneurin Bevan, which seeks solutions to poverty, inequality and injustice in Wales. We carry out research, organise conferences and events, and publish articles and reports.

**Introduction**

Scarcely a week goes by without a new report demonstrating the plight of people on low incomes in Wales. Last week, Contact a Family’s report ‘Counting the Cost’ highlighted the severe pressures facing families of disabled children in Wales. The week before, Save the Children Wales pointed to the difficulties families face affording childcare if they want to work. A little while before that, MacMillan stressed the financial difficulties faced by people with cancer.

These are just three of the very many pieces of evidence on poverty in Wales today that happen to have struck me – there are many others that I could have chosen that are no less worthy in their cause or shocking in their findings.

This steady stream of reports is being generated not just because third sector organisations in Wales are effective campaigners – which they are – but because of the plight of hundreds of thousands of people that the third sector works with. To put it simply, we have so many reports on poverty because we have so many people in poverty.

So let’s be clear about where we are …..

**Poverty in Wales Today**

Today, there are about 650,000 people in Wales who are living on an income that is so low that they are deemed to be “in poverty”. This is about one in four of the Welsh population overall.

So who are the 650,000 people living in poverty in Wales?

Reports by third sector organisations, such as those I mentioned earlier, highlight the circumstances of particular groups of people, be they children, disabled people or older people. But at the same time as drawing attention to the needs of a particular group, they risk hiding the bigger picture.

So here is that bigger picture:

* Children – 29%
* W-Age Adults with children – 23%
* W-Age Adults without children – 32%
* Pensioners – 16%

There are three points to note from the poverty “pie chart”.

* **No one group of people has the monopoly on poverty** – whether children, their parents, working age adults or pensioners, there are more than 100,000 people in each group in poverty. I don’t think anyone can claim that any group is ‘better off’ faced with this picture. In terms of age at least, we ARE all in it together.
* **The groups of people are fluid –** people can and do move from one group of people to another: children in poverty grow up to be adults in poverty; working age childless adults may have a child; working age adults in poverty become older people in poverty. So we cannot solve the problem in one group without solving the problems of all groups.
* **We hear the least about the largest group of people in poverty –** childless working-age adults.

So this is poverty in Wales as measured by the Department for Work and Pensions in 2008/09. But we’re now in 2012, after four years of recession or economic stagnation and in a new era of austerity.

**What lies ahead?**

The outlook in my view is grim. People face a toxic combination of welfare reform, a weak labour market and rising prices, which are not only putting individuals and families under real pressure but also changing the shape of poverty in Wales.

What we have to deal with in the next few years will in my view be very different to what we have faced in the past.

**Welfare Reform**

First of all, social security benefits, which support about one in four people of working age in Wales, are being radically reformed with virtually no benefit being left unscathed.

It is impossible to understate the scale and impact of these changes. The basis of uprating benefits has changed, the rules governing eligibility of almost all benefits are changing – saving £18 billion, and a whole new system, Universal Credit, is being introduced from 2013.

The combined effect of changes to benefits and to taxation will hit **all** people hard. The Institute for Fiscal Studies estimates that on average, households in Wales can expect to lose 4.1% of their income by 2014/15. That’s everyone, no matter how rich or poor, losing 4p in the pound.

This is bad enough and it is the figure that is widely quoted. But look a little closer, into the depths of the report. Here we find a really startling figure.

IFS estimate that the poorest 10 per cent of households are expected to lose about 10 per cent of their incomes, with workless families losing up to 12 per cent. So someone on the poverty threshold of £119 a week will be £12 a week worse off.

In other words, the people who already have the very lowest incomes, the people who are already struggling to make ends meet, will lose the most.

Hardly surprisingly given this, IFS forecast that the number of children in poverty will increase by about 17,000 and the number of working-age adults by about 5,000, by the year 2014/15. Just two years away, this is an increase in poverty of about 1,000 people a month.

But this is only one likely effect of welfare reform. There are other, more invidious, changes that will profoundly change how people on benefits live – for example:

* Housing Benefit changes will force under 35s to share accommodation – no matter how inappropriate it may to their circumstances.
* Housing Benefit changes will force people of working age with a spare bedroom either to lose money or move – no matter that they might need that spare bedroom for a child on access visits
* The withdrawal of Disability Living Allowance will force people with no other income to rely on other members of their household.

There are many more.

**The Labour Market**

All these changes are coming at a time when the labour market in Wales is already weak and has a relatively poor outlook.

Even before the recession began, Wales had a relatively low employment rate and also had below average wage rates. The Welsh economy was making progress in the noughties, for sure, but it still had a long way to go to catch up with other parts of the UK.

The recession put paid to what progress there had been. Jobs were – and are still being - lost from a wide range of industries.

Whilst the pace of private sector closures hitting the headlines seems to have slowed, this is not to say that job losses have ended. We are now into the second phase of the recession, in which many of the job losses are in the public rather than the private sector. These don’t grab the headlines in the same way, but the consequence is still the same – fewer jobs to go round.

The combination of job loss and young people coming into the labour market has seen unemployment in Wales soar to 120,000 – a rate of just under 9%. Much is made of the month on month changes in unemployment, and some comfort is sometimes drawn if other parts of the UK fare slightly worse than Wales.

But there is no room for comfort at all. Because behind the headline rate of unemployment are some truly shocking figures:

* Unemployment amongst 16-24 year olds is over 30% in Merthyr Tydfil, Blaenau Gwent, Caerphilly and Rhondda Cynon Taf.
* Male unemployment is 15% in Merthyr and Blaenau Gwent, with Caerphilly, Newport, Swansea, Torfaen and Rhondda Cynon Taf not far behind.
* Female unemployment – traditionally well below male rates – is increasing rapidly.

And when economic conditions are tough and so many people are looking for work, wages, particularly at the bottom of the labour market, are static or even declining.

**Rising Prices**

As if this is not enough, there is a third turn of the screw – namely rising prices. Although it is not included in measures of poverty, there is no doubt that increases in prices are a major factor in putting pressure on families.

The general rate of inflation in the 12 months to March 2012 stood at 3.5% - at a time when wages are static or even declining. But the inflation rate for household basics is much higher – over the same period the cost of food was up 4.6% and the cost of gas and electricity was up 12%.

For the average household, facing a 4% reduction in income at the same time as a 3.5% rise in prices, this is no picnic. Few people on average incomes or below have lee-way in their budgets to cope easily with pressure of this kind.

But people at the very bottom of the income distribution face double whammy – not only are they likely to lose about 12% of their incomes, as forecast by IFS, they are also hit hardest by inflation because basics account for a much larger share of their expenditure.

**What next?**

There is no question that the outlook for the next few years is likely to be very tough indeed. There is every likelihood that there will be a significant increase in the numbers of people in Wales with incomes below the poverty threshold – as I have already said, IFS estimate 22,000 more children and adults of working age will be in poverty by 2014/15.

But the headline poverty ‘rate’ does not tell the whole story.

First of all, it is inevitable that the changes in social security will increase the number of people in crisis, in which they have no income at all. The re-assessment of eligibility and tough sanctions for non-compliance with benefit requirements are bound to mean that some people simply lose their benefits, as well as the ever-present risk of a DWP error during all the changes.

As a stark reminder of this, food banks are facing unprecedented demand and more are being set up across Wales every week.

These people in crisis are perhaps the most visible aspect of the poverty to come.

We can also reasonably expect that the number of people in **severe** poverty – defined as 50% of median income – will increase. If the poorest 10 per cent are to lose 10 per cent of their income, it cannot do otherwise. With this, we will see more people who simply do not have enough money to eat well, heat their homes or afford basics such as a warm coat or shoes.

On top of this, I think we are likely to see a very substantial increase in people living in hardship. This isn’t a technical or statistical term, but it usefully describes people who may or may not be living in poverty according to the statistical definition, but whose wellbeing is severely affected by rising prices coupled with static or declining wages and shrinking ‘top-up’ benefits such as Working Tax Credit and Child Benefit.

People in hardship like this are much less visible than those in crisis or in severe poverty – if people in crisis and severe poverty are the tip of the iceberg, people in hardship are the hidden underneath, but no less in need because of it.

But it’s not just about money - there are likely to be significant social costs ahead as people reliant on social security benefits are forced to change how they live to fit in with new benefit rules. This isn’t about people making a “lifestyle choice” – it’s about all choice being removed from anyone on a low income.

We should not under-estimate the risks to people’s mental health if they are forced to share accommodation, irrespective of their needs; the risks to children whose parents are forced to take inflexible work a long commute from home; or the risks to disabled family members who lose their benefit but cannot find work.

**What to do?**

The scale of the challenge is, then, enormous: the number of people in poverty today is a disgrace. But the change ahead is a game changer. The old ways of working are not going to be enough.

This is why the Bevan Foundation and WCVA thought it was so important that we organise today’s conference. Yes, partly it is try to begin to understand the huge challenges ahead. If you are shocked or depressed by what I have said – good. But the purpose is also to make sure the third sector is gearing up for the challenges.

* As organisations, are you ready for the possible increase in demand from service users? How will you respond if people have multiple and complex problems?
* Are your services the right ones– or are there new services and activities that you need to consider?
* And how do you do this at a time of pressure on public spending, a squeeze on charitable giving and huge competition for funding?
* As we go through the day there will be plenty of opportunity to learn, to think, to talk and, crucially, to plan what to do.

The challenge we face is immense. The third sector has to be ready to meet it.