

# Rethinking poverty – implications for action

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## Contents

Summary.....	3
1. Introduction.....	4
2. The changing nature of poverty .....	4
2. Political Priorities.....	6
4. A new definition of poverty.....	7
4.1 60% median income .....	8
4.2 Redefine the poverty problem .....	9
5. Resources - raising low incomes.....	9
5.1 Get more people into paid employment.....	10
5.2 Create more and better jobs .....	11
5.3 Support for those who do not work.....	12
6. Meet minimum needs .....	13
6.1 What are minimum needs? .....	13
6.2 eradicate homelessness .....	14
6.2 Minimise fuel poverty.....	15
6.3 access to affordable, nutritious food .....	15
7. Social participation .....	16
7.1 Essential Skills .....	16
7.2 Digital Skills.....	17
7.2 Financial inclusion.....	17
8. A new approach.....	18

## Summary

The time is right to rethink how we 'tackle poverty' in Wales. The nature of poverty is changing, with the growth of in-work poverty, growing child- and working- age poverty and forecasts that poverty will soon start to rise again. New thinking is emerging about what we mean by 'poverty' and how best to address it.

There is a unique opportunity to rethink the approach as the Welsh Government's first Tackling Poverty Action Plan draws to an end and a new Plan is required from 2016. The political priority given to poverty and the legislation and administrative mechanisms in place provide solid foundations for a new approach. The prospect of new powers and tax-raising powers are additional tools.

- A new approach to reducing poverty should adopt a clear definition of poverty, which is based on resources and household needs, not just a narrow measure of relative income.
- A new definition points to a much stronger emphasis on three key areas of action, alongside existing strengths.

### Raising household incomes

'Raising household incomes' should be an explicit and important element in a new anti-poverty strategy, in which:

- responsibility for the Work Programme should be devolved;
- a radically new approach to helping people into work should be developed, which is joined up and matches the needs of individuals and local labour market conditions;
- the Living Wage should be introduced in the public sector and the private sector encouraged to adopt it;
- decent employment packages should be encouraged;
- support should be available for those who want to work additional hours to do so (for example by ensuring that child care is available and public transport operates);
- progression at work should be encouraged;
- a high profile, targeted benefit take-up campaign and comprehensive advice services should be established.

### Meeting minimum needs

The Welsh Government should ensure households' minimum needs of shelter, warmth and food are met, by:

- eradicating homelessness amongst families and amongst people not in priority need backed by action at a scale that makes a difference;
- eradicating fuel poverty by the end of the next Assembly, backed by action at a scale that makes a difference;
- addressing access to affordable and healthy food, starting with a review of existing food initiatives and work on an appropriate measure.

### Essential Skills

Having the skills to engage in everyday life and to cope with set-backs are crucial. The Welsh Government should:

- include essential skills learning as an integral part of its anti-poverty action to increase adult literacy and numeracy levels;
- set challenging targets for digital inclusion of people in low income groups;
- deliver comprehensive financial education, independent and sound financial advice, and a programme to reduce 'debt triggers'.

## 1. Introduction

The time is right to rethink how we ‘tackle poverty’ in Wales. Not only is the end date of Wales’s first all-ages ‘tackling poverty action plan’ just 18 months away, but the nature of poverty is changing and new thinking is emerging.

Poverty has had a high political priority in Wales for many years, and is backed by legislation, policy statements and implementation arrangements. Yet despite this there’s been little change in the number of people in poverty in Wales, with some organisations forecasting that the poverty rate will increase by the end of this decade. The nature of poverty is changing too, with the growth of in-work poverty, an increase in poverty that is relatively short-term and a marked shift in the age composition of those in poverty. The established approaches to reducing poverty of income transfers (through taxes and benefits) and reducing worklessness are increasingly being questioned following the worst recession in a generation, not only in terms of their effectiveness but also their affordability.

The Joseph Rowntree Foundation, amongst others, has recognised the need for a new approach. It has embarked on a major programme to produce an evidence-based anti-poverty strategy which can inform thinking in all countries and regions of the UK. In doing so, it is revisiting what is meant by the term ‘poverty’, exploring public and political perceptions of the term, as well as drawing on systematic reviews of evidence of ‘what works’.

This paper draws on the early outputs from the Joseph Rowntree Foundation’s work to suggest how policy and practice in Wales should move forward. It suggests that the approach in Wales needs to change, from one that is relatively broad-brush, to one that is focused on addressing specific aspects of poverty. As a first step, it argues that the Welsh Government needs to be clear about what it understands ‘poverty’ to be. It goes on to recommend that the Welsh Government should focus on increasing low incomes, meeting people’s minimum needs and ensuring their ability to participate in society.

**This is not a comprehensive blue-print – some of the policies proposed need further work and there may be others areas for intervention not addressed here. It also assumes continued urgency on well-evidenced priorities such as supporting early years development and improving the educational attainment of disadvantaged children. It focuses solely on devolved powers and resources – it does not address the many things which the UK Government could and should do to make a significant impact.**

Nevertheless, the approach offers the potential to achieve real, measurable improvements in people’s lives. It would not only ‘tackle poverty’, it would, importantly, *reduce* poverty and the damage it does to so many people’s lives.

## 2. The changing nature of poverty

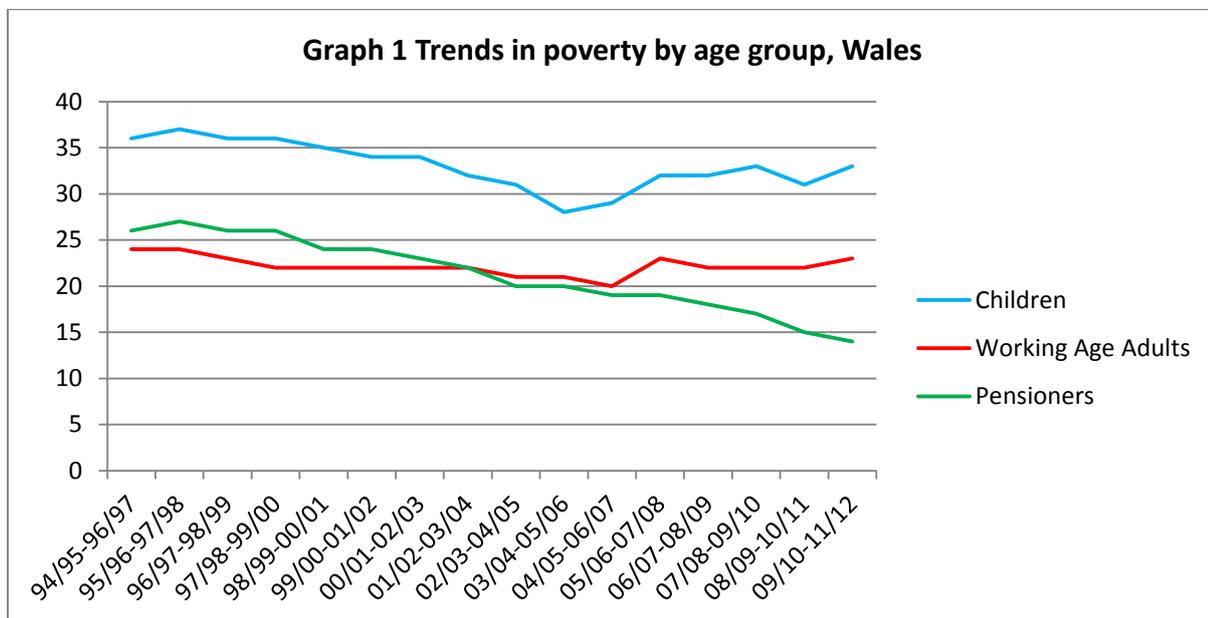
Poverty in Wales has proved stubbornly resistant to change. Over 16 years, the proportion of the Welsh population living on a household income of less than 60% of the median has decreased by just four percentage points.<sup>1</sup> While this decrease is very welcome, it is hardly sufficient to achieve the ‘transformative

<sup>1</sup> Department for Work and Pensions (2014) *Households Below Average Income 1994/95 – 2012/13*, table 3.17ts

impact’ desired by Welsh Ministers.<sup>2</sup> Even worse, almost all the decrease in poverty took place in the late 1990s and early 2000s – for the last eight years there has been no improvement at all.

Various forecasts suggest that in the next few years the proportion of the Welsh population living in poverty is set to rise. The Institute for Fiscal Studies<sup>3</sup> forecasts that child poverty in Wales could increase by around one-third by 2020. Save the Children Fund forecasts an even greater increase with the child poverty rate exceeding its early 1990 levels by 2020.<sup>4</sup> Whatever the precise figures, the trend is inexorably upwards. More widely, the Social Mobility and Child Poverty Commission predicts that 2010 to 2020 could be the first decade since records began to show a rise in absolute poverty across the UK.

The nature of poverty is also changing. There’s been a marked change in the groups of people at greatest risk of poverty - the risk of older people being in poverty has decreased markedly in the last 15 years, standing at a historic low of 14%, while the risk of being in poverty for children and people of working age has remained unchanged or even risen.



Other striking changes are underway too. The proportion of people in poverty where at least one person in the household is working has grown to such an extent the working poor comprised the majority of those of working-age who live in poverty for the first time in 2012.<sup>5</sup> At the same time, the prevalence of persistent poverty (where a household has a low income for three or more out of four years) has decreased while transient poverty (having a low income for one or two out of four years) has increased as many households’

<sup>2</sup> Welsh Government (2013) *Building Resilient Communities – taking the Tackling Poverty Action Plan forward*. Foreword

<sup>3</sup> Welsh Government (2012) *Analysing the impact of the UK Government’s welfare reforms in Wales – Stage 1 analysis, Summary of the key findings*

<sup>4</sup> Save the Children (2014) *A Fair Start for Every Child*, <http://www.savethechildren.org.uk/resources/online-library/fair-start-every-child>

<sup>5</sup>New Policy Institute (2013) *Monitoring poverty and social exclusion in Wales, 2013*. Joseph Rowntree Foundation

incomes hover around the poverty threshold.<sup>6</sup> The close and complex association between poverty and disability<sup>7</sup> and, in a different way, ethnicity<sup>8</sup> has also been recognised too.

Public policy is struggling to catch up with the significance of these changes. For example, the most recent Welsh Government Tackling Poverty Action Plan acknowledges the rise in in-work poverty but does not really engage with it :

*'Despite the worrying rise in in-work poverty work is still the best way out of poverty; it helps to prevent the impact of poverty on health and well being and prevents future generations of children living in poverty and feeling some of the shame that is sometimes felt about asking for help.'*<sup>9</sup>

We think Welsh public policy should reflect the reality of poverty in the mid-late 2010s. The threat of increases in poverty, the changing age profile, the rise of in-work poverty and the linkages between poverty and various individual characteristics mean that it is no longer enough to have a broad-brush, one-size-fits-all strategy.

**We suggest that a future Tackling Poverty Action Plan should reflect these new developments, recognising the very difficult economic and fiscal climate ahead, addressing the growing problem of in-work poverty, and taking on board the complex relationship between poverty and disability and ethnicity in particular.**

## 2. Political Priorities

The Welsh Government has made 'tackling poverty' a high political priority. The First Minister has said that that 'tackling poverty is our number one priority'<sup>10</sup> and it features significantly in the Programme for Government.<sup>11</sup> The ambition is huge – former Ministers have talked about creating a Wales where 'everyone is taken out of poverty'<sup>12</sup> with all portfolios having a role:

*'it is the business of every Minister and all parts of Welsh Government to tackle poverty relentlessly in every way we can.'*<sup>13</sup>

Individual Ministers in education, health and regeneration have embraced this commitment – for example Mark Drakeford, Health Minister said:

*'tackling poverty and reducing inequalities – both of which are linked to poor health – are key priorities for the Welsh Government.'*<sup>14</sup>

<sup>6</sup> New Policy Institute (2014) *The Dynamics of low income*. Welsh Government

<sup>7</sup> New Policy Institute (2013) *Monitoring poverty and social exclusion in Wales, 2013*. Joseph Rowntree Foundation

<sup>8</sup> Holtham, D., Bottrill, I. and Watkins, J. (2013) *Poverty and ethnicity in Wales*. Joseph Rowntree Foundation

<sup>9</sup> Welsh Government (2013) *Building Resilient Communities – taking forward the Tackling Poverty Action Plan*, p. 17

<sup>10</sup> <http://cymru.gov.uk/newsroom/articles/firstminister/6823953/?status=open&lang=en>

<sup>11</sup> Welsh Government (2011) *Programme for Government*. Available at: <http://wales.gov.uk/about/programmeforgov/?lang=en>

<sup>12</sup> Welsh Government (2013) *Building Resilient Communities – taking forward the Tackling Poverty Action Plan*, p. 4

<sup>13</sup> Welsh Government (2012) News - *We aim to tackle poverty relentlessly in every way we can*, 7<sup>th</sup> Dec. Available at: <http://wales.gov.uk/newsroom/articles/firstminister/6823953/?lang=en>

<sup>14</sup> Welsh Government (2014) News - *Mark Drakeford, Health Minister, £3.5m to develop primary care services in Wales*, 18<sup>th</sup> July. Available at: <http://wales.gov.uk/newsroom/healthandsocialcare/2014/140718primary-care/?lang=en>

The Welsh Government has backed its priorities with legislation, in the form of the Children and Family (Wales) Measure 2010, the forthcoming Well-being of Future Generations Bill and the call to enact in Wales the socio-economic duty in the Equality Act 2010. 'Tackling Poverty' is an explicit part of a Ministerial portfolio, and Wales is the only UK country to have a strategy to reduce poverty amongst all age groups. The Welsh Government has set targets against which it reports annually,<sup>15</sup> has established an internal implementation board, appointed Anti-Poverty Champions both internally and across other public bodies, commissioned external evaluations of its work, established an external advisory group and commissioned several research projects. Hardly surprisingly, two independent reviews have commended the Welsh Government for having the 'most coherent' approach in the UK<sup>16</sup> and for being 'more advanced' than others,<sup>17</sup> particularly in its use of monitoring and evaluation.

This political priority and administrative 'infrastructure' are huge strengths on which to build. To add to them, there is the prospect of new tax-raising powers and additional devolved areas of government. There is no question that **reducing poverty should remain a high priority in a future Welsh Government. The legislative and administrative mechanisms are also robust and should remain. In addition, through the work of UK bodies such as JRF and commissions by the Welsh Government, we have an evidence base on poverty which is growing in quality and extent. This creates a unique opportunity to build a new, evidence-based, focused anti-poverty strategy.**

#### 4. A new definition of poverty

The starting point of a new approach should be how poverty is conceived of and defined. This is not a technical or academic issue - how we understand poverty and measure it shapes what is done about it. As the ESRC's poverty and social exclusion project notes:

*Definitions of poverty really matter. They set the standards by which we determine whether the incomes and living conditions of the poorest in society are acceptable or not and are essential for determining questions of fairness. From these definitions follow all actions to help the poorest.<sup>18</sup>*

Yet despite the high priority afforded to 'tackling poverty', quite what the Welsh Government means by it is much less clear. Nowhere in the Programme for Government or the recent Tackling Poverty Action Plans is there a definition of poverty, nor can one be found in any of the many Ministerial statements in the Assembly on the subject. The position was eventually clarified when the then Deputy Minister, Vaughan Gething, wrote:

*'The existing definitions we use for people living in poverty [are] those living in a household with an income of less than 60 per cent of the median income of similar types of household and the free school meals measures'<sup>19</sup>*

<sup>15</sup> Welsh Government (2014) *Building Resilient Communities – taking forward the Tackling Poverty Action Plan Annual Report 2014*

<sup>16</sup> McCormick, J. (2013) *A review of devolved approaches to child poverty*. Joseph Rowntree Foundation, available at: <http://www.jrf.org.uk/publications/devolved-approaches-child-poverty>

<sup>17</sup> IPSOS Mori and New Policy Institute (2014) *Evaluation of the Welsh Child Poverty Strategy Final Report*. Welsh Government. Available at: <http://wales.gov.uk/statistics-and-research/child-poverty-strategy/?lang=en>

<sup>18</sup> Poverty and Social Exclusion Project (n.d.) *Definitions of Poverty webpage* <http://www.poverty.ac.uk/definitions-poverty> Accessed 16.10.14

The Tackling Poverty Action Plan contains a welcome set of targets on issues such as the birth weight of babies, and the educational attainment of children. Yet despite the stated importance of an income measure, it does not include includes targets which are measures of income.

The need to align analysis, evidence and targets is increasingly reflected across public policy, the aim being to ensure clarity about the problem that public interventions are trying to solve. In the health portfolio, for example, this has been expressed as ‘prudent healthcare’, defined as:

*‘healthcare which is conceived, managed and delivered in a cautious and wise way characterised by forethought, vigilance and careful budgeting which achieves tangible benefits and quality outcomes’<sup>20</sup>*

.So if there is to be “forethought and vigilance” in Wales’s approach to poverty, what should the definition of poverty be?

#### 4.1 60% median income

The most widely-used definition of poverty is *households whose income is 60% of the contemporary median*, either before or after housing costs, adjusted for household type. This definition is used by the Welsh Government in the Children and Family (Wales) Measure 2010 and is reflected in measures used by other UK administrations. But although this measure is internationally recognised, it also has significant disadvantages for policy makers.

Most obviously, it is a measure of household income and, while income is a very important aspect of poverty, it is by no means the only one. It doesn’t take account of sometimes significant variations in costs, for example, such as the above-average costs faced by disabled people or people living in a rural area, and it doesn’t take account of non-income resources such as goods or services provided by family members. So at best the 60% median is a narrow definition.

The 60% median is also a blunt measure. Everyone with an income below the threshold is classed as poor, without distinguishing between the depth or persistence of their low income. It cannot identify the many different types of households which are poor beyond the simplest of categories. The result is that at worst, people living in poverty – some 700,000 people in Wales – are treated as an undistinguishable mass, with the same, often stereotypical, characteristics. The idea that ‘the poor’ can include the father in a full-time job living with two children and a stay-at-home partner, a retired former journalist living on a meagre pension, a lone parent with no qualifications living in social housing and a refugee who cannot find work in Wales (to name just four) is simply absent from almost all public policy.

While it has important uses, the 60% median measure is simply not sophisticated enough to help policy makers and practitioners to respond effectively. As a recent Demos project concluded:

*The way poverty is currently measured, by looking purely at income, is both too abstract to relate to people’s everyday lives and not informative enough to help practitioners tackle entrenched poverty.<sup>21</sup>*

<sup>19</sup>Gething, V. (2014) *Action to Tackle Poverty*, Bevan Foundation Review, 24 pp 2-4

<sup>20</sup>Aylward, M., Phillips, C. and Howson, H. (2012) *Simply Prudent Healthcare – achieving better care and value for money in Wales – discussion paper*. Bevan Commission. Available at:

<http://www.1000livesplus.wales.nhs.uk/sitesplus/documents/1011/Bevan%20Commission%20Simply%20Prudent%20Healthcare%20v1%2004122013.pdf>

So what should be done?

#### 4.2 Redefine the poverty problem

We are categorically not suggesting that the 60% median income measure of poverty should be abandoned. It remains an extremely useful tool for tracking progress and comparing Wales with other parts of the UK and Europe. What we are suggesting is that it should be complemented by a more nuanced definition, and in particular that the definition developed by the Joseph Rowntree Foundation should have practical application, namely:

*'When a person's resources are not sufficient to meet their minimum needs (including social participation).'*<sup>22</sup>

This definition is valuable in that it not only reflects the varying minimum needs of households but it also fits better with people's lived experience of poverty. And, importantly for any public interventions to 'tackle poverty', it also opens up a broader range of possible solutions.

**The Welsh Government should be clear what it means by 'poverty'. While the 60% median income measure should remain, it should also embrace wider individual and household resources and needs.**

The rest of this section explores how poverty could – and arguably should – be addressed using this 'resources and needs' thinking.

## 5. Resources - raising low incomes

Despite the 60% median income measure being a blunt tool, household income remains a key resource. We suggest that the term 'low income' is more useful than 'poverty' when considering this element, because it makes crystal clear what is under discussion. It is also helpful because referring to low income gets away from the association of 'poverty' with conditions in the third world. The Welsh and UK public is sceptical about the existence of poverty here – witness the sometime vitriolic correspondence in the press whenever the 'p word' is used - and the term is sometimes rejected by people on low incomes themselves. The term 'low income' is much less charged. Crucially, it is *low income* that is closely associated with so many other poor outcomes, from low educational attainment of children to higher incidence of cancer and shorter life expectancy.

Being clear what is in question can only be helpful. **'Raising household incomes' should we suggest be an explicit and important element in a new anti-poverty strategy.**

The focus on household incomes then opens the question on how to increase those at the bottom of the income distribution. We suggest that there are at least three ways of doing so.

<sup>21</sup> Wood, C. et al (2012) *Poverty in Perspective*, Demos.

<sup>22</sup> Goulden, C. and Darcy, C. (2014) *A definition of poverty*. Joseph Rowntree Foundation.

### 5.1 Get more people into paid employment

'Helping people into work' is a central plank of the current Tackling Poverty Action Plan. It aims to offer 5,000 opportunities to adults in workless households (the LIFT programme) to find sustainable training or employment by the end of the calendar year 2017 (equivalent to 1,250 'opportunities' a year).

This is a constructive response, but is extremely modest against the scale of the problem. In 2012 there were 299,000 adults in workless households with at least one member of working age.<sup>23</sup> The LIFT programme sits alongside much larger scale interventions, notably the UK Government's Work Programme, but also projects run by other public sector bodies, the private and third sectors. These are not mentioned at all in the Tackling Poverty Action Plan.

'Helping people into work' is a very important area of intervention in which there ought to be coherence and consistency between providers, a close matching of provision to the needs of job seekers and economically inactive people, and clear pathways into local employment opportunities. Programmes to 'help people into work' need to recognise that worklessness is not only an issue for those out of work for many years. While the risk of being in income poverty for long-term workless households is very high, such households are a relatively small proportion of the total.<sup>24</sup> Focusing solely on reducing long-term worklessness will have only limited impact on reducing low incomes, and needs to be complemented by measures aimed at those out of work for relatively short periods.

We also know that helping someone to get a job is not enough alone. Not only is there a very strong propensity for people to repeatedly move in and out of work,<sup>25</sup> but getting a job only substantially reduces the risk of poverty if a household has someone in work consistently, over at least a four year period.<sup>26</sup> It is getting a *sustainable* job that is the key to escaping low income. This is a challenge not just for the individual job-seeker but for employers to create decent quality employment.

The challenges of helping workless individuals to find and keep a job is made all the more complex by the close inter-relationships between lack of work, low pay and characteristics such as disability, ethnicity, age and gender. Disabled people, people from black and minority ethnic communities, young people and women are all much more likely to be unemployed or economically inactive, to work fewer hours and at lower pay rates than other people. Some have specific needs, such as child-care, adjustments in the workplace or an end to discrimination, to enable them to participate fully in the labour market.

**This mounting body of evidence suggests that there needs to be a radical, new approach to interventions in the labour market in Wales.** The current split of responsibility between the UK and Welsh Government's responsibilities for the Work Programme and the wider skills, training and employment agenda is in this respect unhelpful. As a start, we suggest that responsibility for the Work Programme should be devolved, so that new interventions can be planned in a joined-up way, matching the needs of individuals with local labour market conditions. Following on from this, the Welsh Government needs to develop a new, effective approach to helping people, of all kinds and characteristics, into employment that offers realistic opportunities for escaping low income.

<sup>23</sup> Office for National Statistics (2012) *Workless Households for Regions across the UK, 2012*, Table B.

<sup>24</sup> New Policy Institute (2014) *The Dynamics of low income*. Welsh Government

<sup>25</sup> Goulden, C. (2010) *Cycles of poverty, unemployment and low pay*. Joseph Rowntree Foundation

<sup>26</sup> New Policy Institute (2014) *The Dynamics of low income*. Welsh Government

## 5.2 Create more and better jobs

'Helping people into work' is only part of the challenge. The discussion about worklessness has been dominated for too long by the characteristics of the workless person. All too often they are assumed to lack the motivation, habits and skills to find work, hence the focus on raising aspirations, getting work experience and brushing up job-seeking skills. There is much less discussion about the number and characteristics of jobs available.

Yet the uncomfortable truth is that Wales is that there is a long-standing shortage of jobs in relation to the population. There was an increase in employment in the 1990s and early 2000s, but this barely offset the jobs lost in the early 1980s, and there's been virtually no change in total employment in Wales since the mid-2000s – the number of employees in December 2013 was, at 1,168,000, actually **less** than ten years previously.<sup>27</sup> Over this period, there have been marked changes in the population looking for work. The number of people of working age has grown by 58,000,<sup>28</sup> women's state pension age has risen and people who in the past did not expect to work (such as women with young children and people over retirement age) now want employment.

Clearly, the ability of Wales to buck global and UK economic trends is extremely limited but it does have **some** powers – and indeed considerable ambitions – to support job creation.

Strategic sectors are a key element in the Welsh Government's economic strategy, comprising nine industries<sup>29</sup> which are believed to offer greatest economic benefit. These sectors have been carefully appraised and no doubt offer considerable potential. However, most low-paid and low-skilled workers, and those looking for work, do not work in these industries (with the exception of tourism and construction) and instead work in much less high profile industries and occupations such as caring, retail and distribution, manufacturing operatives and various elementary roles. Adamson and Lang have termed these economic sectors the 'foundational' economy, for they are the traded goods and services that support everyday life.<sup>30</sup>

Altogether semi- and unskilled occupations employ around half a million people in Wales. The people in these jobs are twice as likely to work part-time as people in professional and managerial roles,<sup>31</sup> earn as little as one third the gross weekly wage of people in professional jobs<sup>32</sup>, and are very vulnerable in economic downturns (Graph 2). It is highly likely that semi- and unskilled occupations in the 'foundational economy' account for a large number of the in-work poor. Ignoring these sectors and occupations means that there is no external stimulus to change.

An anti-poverty strategy which takes in-work poverty into account must address the circumstances of people who are in employment. **Further work needs to be done on what a devolved government can do to improve job quality but as a start we suggest that the Welsh Government should:**

- **introduce the Living Wage in the public sector and encourage the private sector to adopt it;**

<sup>27</sup> Annual Population Survey, data accessed via Nomis.

<sup>28</sup> Annual Population Survey, data accessed via Nomis

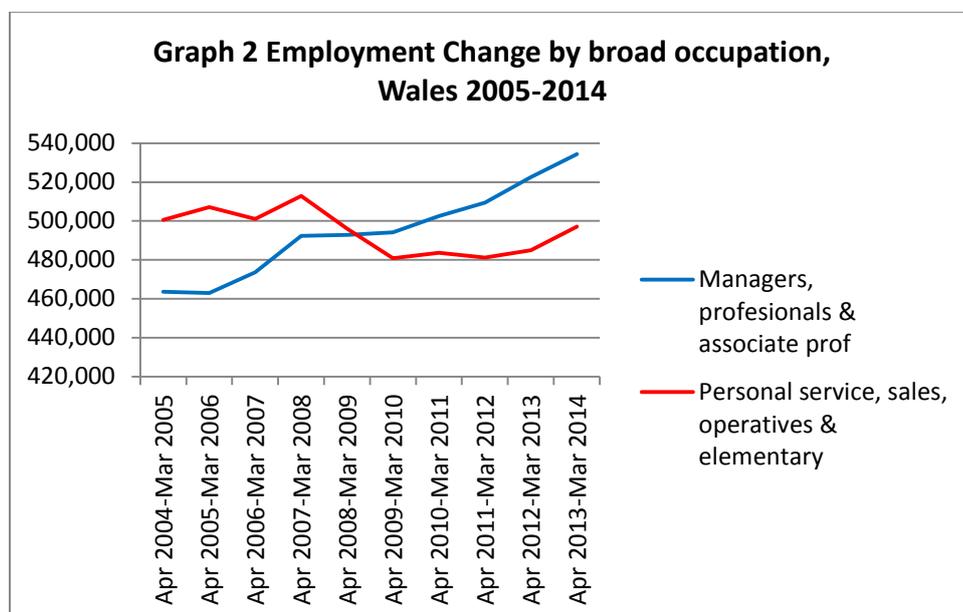
<sup>29</sup> Advanced materials and manufacturing, construction, creative industries, energy and environment, financial and professional services, food and farming, information, communication and technology (ICT), life sciences, tourism

<sup>30</sup> Adamson, D. and Lang, M (2014) *Toward a new settlement: A deep place approach to equitable and Sustainable places*. Centre for Regeneration Excellence Wales

<sup>31</sup> Annual Population Survey, data accessed via Nomis

<sup>32</sup> Annual Survey of Hours and Earnings, accessed via Nomis.

- support decent employment packages,
- enable those who want to work additional hours to do so (for example by ensuring that child care is available and public transport operates),
- and support progression at work.



### 5.3 Support for those who do not work

While work is an important route out of poverty, there are many people for whom this is not an option. It is unlikely that many of Wales's 100,000 pensioners on low incomes will take up employment to supplement their incomes, nor that severely disabled people or people with caring responsibilities will want to or be succeed in getting paid work. For these households, the rates of social security benefits, the ability to claim individuals' and households' full entitlement, and the timely and error-free payment of benefits will always be vitally important.

This is a large and sometimes vulnerable group of people whose circumstances are mostly overlooked in current 'tackling poverty' policy. In terms of their incomes, the most successful interventions are likely to be the provision of advice and support to claim benefits. The recognition of the need for advice in the current Tackling Poverty Action Plan is welcome, although many services are now under threat from spending cuts and not all are targeted on the specialist needs of some claimants, e.g. blind and partially sighted people.

**The importance of various social security benefits to a significant number of people on low incomes suggests that take-up campaigns and advice services should have a high priority, including services that are targeted at specific groups of people.**

## 6. Meet minimum needs

The importance of the JRF definition of poverty is that it takes into account people's needs, not just their incomes. It is the inability to meet minimum needs that is what matters. The idea of 'minimum needs' has strong public resonance. Research conducted by IPSOS Mori<sup>33</sup> has found that the public considers that poverty means not having the 'basic necessities' of life, such as enough food or shelter. People on low incomes themselves frequently say that their everyday experience is about more than just lack of money, and refer to insecurity about or difficulty obtaining life's essentials.<sup>34</sup>

The current Tackling Poverty Action Plan has a useful focus on 'mitigation' of poverty, but says less about minimum needs. It has been argued that the Welsh Government takes account of need in the Welsh Index of Multiple Deprivation (WIMD). The Index *is* a measure of 'lack of the opportunities or resources' which are generally accepted in society, but its purpose is as a tool for spatial targeting, not a measure of deprivation across the whole of Wales.<sup>35</sup> As the WIMD Guidance note points out, around 1 in 5 of the people in households dependent on benefits live in the most-deprived 10% of areas in Wales. Any policy which aims to reduce dependence on benefits by working only in the most-deprived areas will miss 80% of the target group who live in the other, less deprived areas. Moreover, as a composite index which combines multiple different aspects of deprivation, it cannot tell us much about specific features, such as homelessness or fuel poverty.

### 6.1 What are minimum needs?

There is a strong public consensus about what constitutes 'minimum needs'. Extensive research by Bristol University's Poverty and Social Exclusion project<sup>36</sup> has identified that more than 90% of the population agree that for adults the essential items are:

- warmth in living areas of the home (96%)
- a damp-free home (94%)
- two meals a day (91%).

And for children the essential items are:

- a warm winter coat (97%)
- fresh fruit and vegetables once a day (96%)
- new, properly fitting shoes (93%).

The research also shows that, nearly as important as material goods, are some social activities. For adults these are visiting friends/family in hospital (agreed by 90% of respondents) and being able to afford to attend a wedding/funeral or other such occasions (agreed by 79% of respondents). For children the essential social activities are having books suitable to a child's age (92% said this), a garden or outdoor space to play safely (92% said this) and a hobby or leisure activity (agreed by 88% of respondents).

<sup>33</sup> Hall, S., Leery, K and Greevy, H. (2014) *Public attitudes towards poverty*, Joseph Rowntree Foundation.

<sup>34</sup> Ridge, T. (2009) *Living with Poverty - a review of the literature on children's and families' experiences of poverty*. Department for Work and Pensions.

<sup>35</sup> Welsh Government and Office for National Statistics (2011) *Welsh Index of Multiple Deprivation – Guidance on Use*.

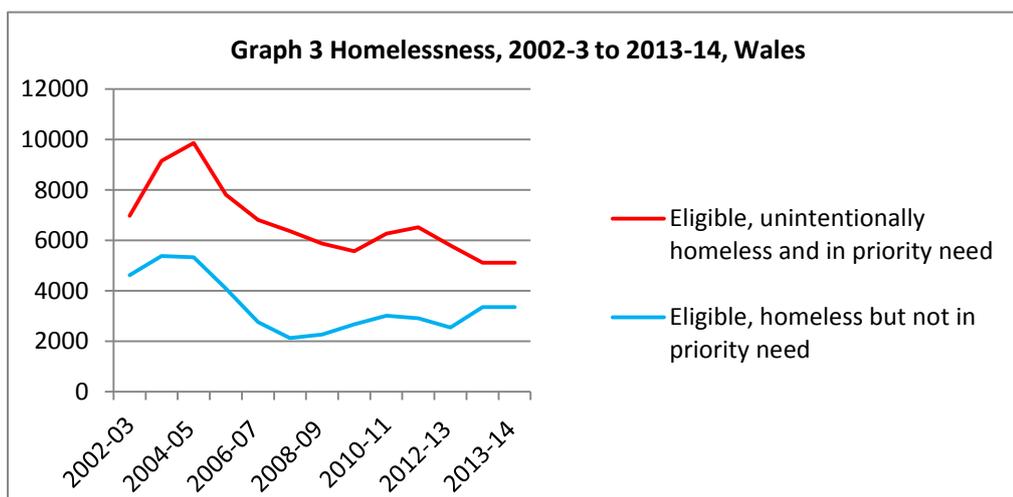
<sup>36</sup> Poverty and Social Exclusion Project (n.d.) *What do we think we need?* Webpage <http://www.poverty.ac.uk/pse-research/what-do-we-think-we-need> accessed 16.10.14

The advantages of basing public policies and interventions on these aspects of minimum needs are several. First, they have strong public support and move debate on from whether or not people on low incomes have 52-inch televisions to the very basics of life – a warm, damp-free home and enough to eat. Second, because they are the basics of life, their absence has severe consequences in terms of physical health and ability to work or learn. And third, and very importantly, they are mostly issues which are within the Welsh Government’s powers. Indeed it has recognised the importance of some of these for some time - enabling all children to have access to play, leisure and cultural opportunities was a key element in the Welsh Government’s child poverty strategies of the mid 2000s, and it has a strong commitment to eradicating homelessness, for example.

Using the public consensus about minimum needs as a starting point, the Welsh Government should aim to take action in three key areas – homelessness, fuel poverty and access to food.

## 6.2 eradicate homelessness

The 2013 Tackling Poverty Action Plan’s aim in respect of mitigating poverty is to ensure ‘*fair and equal access to high quality ... housing ... regardless of where people live or what their incomes are*’,<sup>37</sup>(incidentally, a somewhat odd qualifier given that the Action Plan is supposedly targeted on people on low incomes). It includes targets to increase the supply of affordable housing and bring empty homes back into use, along with the percentage of homeless households which include dependent children. Along with the drive to improve the quality of the private-rented sector, these rightly reflect the importance of housing as a tackling poverty issue. Eradicating homelessness for all people is not a target in the plan although elsewhere the Welsh Government has committed to eradicating homelessness amongst families by 2019.<sup>38</sup> While the headline number of people who are ‘statutorily homeless’<sup>39</sup> is falling, albeit with an increase in 2011-12, the number of households that are homelessness but not in priority need – essentially single people or couples without children – has increased by 50% in just four years (Graph 3).<sup>40</sup> Unfortunately the idea of removing the concept of ‘priority need’ was not followed through in the Wales Housing Act (2014).



<sup>37</sup> Welsh Government (2013) *Building Resilient Communities – taking forward the Tackling Poverty Action Plan*, p.4

<sup>38</sup> Welsh Government (2012) *Homes for Wales - A White Paper for Better Lives and Communities*.

<sup>39</sup> Those who are eligible for help, have not made themselves homeless intentionally and are in priority need (i.e. households that include dependant children or pregnant women, people aged 16 and 17, care-leavers aged 18-20, and people who are vulnerable due to domestic violence, leaving prison or the armed forces, or mental or physical ill-health).

<sup>40</sup> Welsh Government (2014) *Homelessness, January – March 2014*. SDR 104.2014

A home is a fundamental, minimum need that any nation wishing to be 'poverty-free' must address, for all its citizens not just some. **The ambition of eradicating homelessness amongst families is very welcome and should be incorporated into a new anti-poverty approach. A new Welsh approach to reducing poverty should aim for a substantial reduction in homelessness amongst people not in priority need by 2019.**

## 6.2 Minimise fuel poverty

A home with sufficient warmth in living areas is also considered to be important by the general public. A warm home is also good for people's health and well being. Perhaps surprisingly, the 2013 Tackling Poverty Action Plan does not include any specific commitments in respect of fuel poverty, despite eradicating fuel poverty by 2018 being a long-standing Welsh Government objective.<sup>41</sup> The Plan instead refers to 'energy efficiency' programmes, Nest and Arbed, as helping to mitigate the effects of poverty in deprived areas, and proposes a study of fuel poverty in rural areas. The Tackling Poverty annual report highlights the progress made with the Nest scheme which improved over 4,900 homes in 2013-14, bringing the total number of low income homes improved by Nest since 2011 to over 13,400.<sup>42</sup>

Welcome though the progress is, the achievements are modest against the scale of the problem. The most recent estimates are that 386,000 households in Wales – about 30% of all households – were in fuel poverty in 2012<sup>43</sup> - a figure which has almost certainly risen since then. At the current rate of progress it will take the Nest scheme 78 years to reach all fuel poor homes in Wales.

**Fuel poverty needs to be integrated into a future tackling poverty action plan, accepting that eradication by 2018 is not realistic but that eradication by 2020 might be feasible, supported by an energy efficiency programme of sufficient scale and reach to achieve its commitment and targets.**

## 6.3 access to affordable, nutritious food

The public and professionals alike regard two meals a day for adults and three meals and fresh fruit and vegetables daily for children as essentials. It's well known that low-income families have to spend a larger proportion of their incomes on food than other households<sup>44</sup> and that the rising cost of food (especially healthy food) coupled with static or falling incomes have reduced food affordability by over 20% for the lowest income households.<sup>45</sup> Many low-income households report cutting back on food spending and even skipping meals as a result - 61% of parents in poverty say they have had to cut back on food and 26% say they have skipped meals in the past year.<sup>46</sup> At its most extreme, households are forced to rely on food aid, with 79,000 households doing so in Wales in the year to May 2014.<sup>47</sup>

We recognise the inclusion in the 2013 Tackling Poverty Action Plan of various food-related schemes, such as the School Milk Scheme and Free Breakfasts, Free School Meals, the Healthy Start Scheme (for pregnant

<sup>41</sup>Welsh Government (2010) Fuel Poverty Strategy.

<sup>42</sup>Welsh Government (2014) *Building Resilient Communities – taking forward the Tackling Poverty Action Plan Annual Report 2014*

<sup>43</sup>Welsh Government (2012) Fuel Poverty Projection Tool. Available at <http://wales.gov.uk/topics/environmentcountryside/energy/fuelpoverty/researchreports/?lang=en>

<sup>44</sup>Cooper, N. and Dumpleton, S.(2013) *Walking the breadline - the scandal of food poverty in 21st century Britain*. Oxfam

<sup>45</sup> Department for Environment, Food and Rural Affairs (2013) *Food Statistics Pocketbook*, p.20

<sup>46</sup>Whitham, G. (2011) *Child Poverty in 2012: it shouldn't happen here*. Save the Children.

<sup>47</sup> Cooper, N., Purcell, S. and Jackson, R. (2014) *Below the breadline - the relentless rise of food poverty in Britain*. Oxfam

women on low incomes), Community Food Co-operative Programmes and FareShare. The schools-based schemes do reach a proportion of a relatively high proportion of low-income children, although only during school terms. But other the programmes are small scale and, with the exception of Healthy Start, are not specifically focused on low-income adults. For example, only about 4,500 customers buy bags of fruit, vegetables or salad from 300 community food co-ops each week.<sup>48</sup> Other food initiatives, such *Love Food*, *Hate Waste*, are not mentioned in the Tackling Poverty Action Plan.

This is a missed opportunity. We think that the Welsh Government should include access to affordable, healthy food for people on low incomes in its future actions to tackle poverty. It should bring together disparate initiatives into under a common anti-poverty umbrella, and establish a suitable measurement framework and appropriate targets.

## 7. Social participation

Being unable to participate fully in society is a very important aspect of living in poverty. While the Bristol research identified very specific circumstances which the public regarded as constituting poverty (such as being unable to attend a family wedding or a child having access to play space), there is also the wider question of whether an individual has the skills and competencies that they need to participate. Having essential skills not only means an individual can participate in society, the skills also better equip people to cope with sudden changes, such as loss of a job.

### 7.1 Essential Skills

Every aspect of daily life requires the ability to read, write and do basic maths – it is simply impossible for an individual without functional literacy and numeracy skills to prosper in contemporary society. Digital skills sit alongside literacy and numeracy and are increasingly recognised as key to full participation in social, economic and cultural life.

The Welsh Government is strongly committed to improving the literacy and numeracy of children, and to closing the attainment gap between the most and least well-off. This is critically important and robust action in early years and formal education needs to be maintained. There remains, however, a gap in provision of essential skills for adults.

Although there has been a dramatic improvement in adult literacy and numeracy skills, it is nevertheless estimated that there are 216,000 working age adults across Wales with poor literacy skills (i.e. below Level 1) – equivalent to 12% of the working age population - and nearly 1 million (918,000 – more than 50% of the working age population) have numeracy skills below Level 1.<sup>49</sup>

The Tackling Poverty Action Plan recognises essential skills for adults in Communities First and the Essential Skills in the Workplace programme. However provision outside these schemes has been affected by dramatic reductions in adult further and community education provision and participation. We suggest that the provision of essential skills learning should have a higher profile than this in a future Welsh Government anti-poverty strategy, along with appropriate resources.

<sup>48</sup> Welsh Government (2012) *Tackling Poverty Action Plan 2012-2016*

<sup>49</sup> Miller, N. and Lewis, K. (2010) *National Survey of Adult Skills in Wales 2010*. Welsh Government.

## 7.2 Digital Skills

Digital skills are an important adjunct to literacy and numeracy, as more and more services are either available only online, or offer time and/or cash savings if accessed online. The shift towards online benefit claims is a particularly strong driver of change. People without access to the internet and without the skills to use it are disadvantaged. There is a marked income-effect in digital exclusion - in 2013, only 1 in 10 (9%) of those in managerial and professional occupations did not use the internet compared to more than three in ten (31%) of those who had semi-routine and routine occupations.<sup>50</sup>

It is very welcome that digital skills have a relatively high profile in the 2013 Tackling Poverty Action Plan. The plan includes the Digital Inclusion delivery plan's targets, the targets for which have mostly been met. The commitment to digital skills and inclusion should continue, with challenging targets for people in low income groups, with programmes of sufficient scale and impact to achieve them.

## 7.2 Financial inclusion

The ability to manage a modest budget, take informed financial decisions and have access to fairly-priced financial products mean people are more resilient to sudden changes in their financial circumstances, such as redundancy. Evidence on people who move into poverty and on those who fall into debt shows that the triggers are typically sudden changes in circumstances, such as the end of a relationship, birth of a child, loss of a job or onset of ill-health, coupled with unexpected bills.<sup>51 52</sup> While debt does not *cause* poverty, there is undoubtedly a close relationship between low income and the risk of being over-indebted and in financial difficulty.<sup>53</sup>

The 2013 Tackling Poverty Action Plan includes a welcome and substantial investment in the provision of advice services and support for credit unions to increase access to low-cost products. The challenge is to avoid households getting into financial difficulty in the first place. Ensuring that individuals have good financial skills, from a young age and whatever their circumstances, is key. In addition, the Welsh Government should ensure that households are not pushed into borrowing by the payment arrangements that are difficult for people on low incomes to fulfil. Demands for payments in advance, even of relatively modest sums, for example for school bus fares, or the requirement for costly school uniforms or equipment can tip low income families into debt. Public bodies should do their utmost to reduce costs to low income households including making payment by instalments easy.

Similarly, errors or delays in processing benefits by public bodies can cause significant hardship. Advice services can offer some redress but the point is to avoid error and delay in the first place. This is not just a matter for the Department for Work and Pensions – local authorities process housing and council tax benefit claims as well as claims for other help such as school uniform grant and have an equal role to play.

The proposals in the Financial Education and Inclusion (Wales) Bill<sup>54</sup> currently progressing through the Assembly are welcome – the provision of comprehensive financial education, independent and sound financial advice, and a programme to reduce 'debt triggers' should be included in future anti-poverty policy.

<sup>50</sup> Welsh Government (2014) *National Survey for Wales, 2013-14 - Internet use*. SB 74/2014

<sup>51</sup> New Policy Institute (2014) *The Dynamics of low income*. Welsh Government

<sup>52</sup> Money Advice Service (2013) *Personalising the debt sector*.

<sup>53</sup> Winckler, V. (2014) *Over-indebtedness in Wales*. Public Policy Institute Wales

<sup>54</sup> National Assembly for Wales (2014) *Financial Education and Inclusion (Wales) Bill*.

## 8. A new approach

We believe that the time is right for the Welsh Government – and indeed other public bodies in Wales - to adopt a new approach to poverty. The strong political will and the administrative infrastructure are welcome and must be retained. What is needed now is a strategy that reflects the new challenges we face, as the nature of poverty changes and public finances continue to be severely constrained.

We have outlined here an approach that would focus policy and expenditure on those aspects of ‘poverty’ which are the most important, both to society as a whole and to individuals affected. The approach is based on a clear and robust understanding of what poverty is, drawing on the work of the Joseph Rowntree Foundation. This, with further evidence, points to the areas that public bodies should prioritise.

There are three key areas:

- raising individual and household incomes (increasing employment, improving job quality and maximising benefits);
- meeting individual and household essential needs (in terms of a home, warmth and food);
- equipping people with essential skills (literacy and numeracy, digital skills and financial inclusion).

We are aware that this is a more limited list of policy areas than in the current Tackling Poverty Action Plan. This is deliberate – our focus is on eradicating the fundamental condition of poverty, not the many and various consequences of poverty (bad though these are). The Welsh Government, other public bodies and the third sector cannot do everything, especially in austere times. But if the decisions are difficult, we would urge Ministers, Assembly Members and officials to remember the truly shocking scale and extent of poverty in Wales - nearly a quarter of a million people in Wales want a job but do not have one,<sup>55</sup> more than 8,000 households were homeless in 2013 and 79,000 people needed food aid, one in three children lives in a low income family. This stark reality, more than anything, must focus minds and action.

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<sup>55</sup> In June 2014, 104,300 people were unemployed and a further 119,700 were economically inactive but wanted a job (source: Annual Population Survey via NOMIS)

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