

# Towards a Wales free from poverty: emerging ideas

The Joseph Rowntree Foundation is working with the Bevan Foundation and others on a major programme to identify 'what works' to reduce poverty and to develop an anti-poverty strategy for the four UK nations based on that evidence. This paper outlines the most effective approaches beginning to emerge. The ideas are at an early stage and further work is needed to test and turn them into costed, firm policy proposals. Nevertheless, there are some very promising approaches which we are sharing with a wider audience at this early stage to encourage discussion and debate.

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# 1. INTRODUCTION

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The Joseph Rowntree Foundation is working with the Bevan Foundation and others on a major programme to identify ‘what works’ to reduce poverty and to develop an anti-poverty strategy for the four UK nations based on that evidence. Our UK-wide proposals are in preparation ready for launch in the first half of 2016. We shall then work with civil society and policy communities to develop a Welsh response by the end of 2016.

We firmly believe that poverty in Wales can be eradicated in a generation. ‘The Wales We Want’ shows how much people in Wales thirst for change. They – and we – want children to have the best start in life, growing local economies, reducing inequalities and public services that respond to people’s needs. We look forward to a Wales where everyone who wants to work can find a job, and where wages are enough to enable families to put food on the table, pay the bills without getting into arrears and afford a modest home. We welcome a Wales where younger generations are able to fulfil their potential, no matter what their background. And we want older people to avoid poverty through an adequate pension, living in a home fit for their needs able to enjoy an active social life.

Our ambitious aim will need strong leadership from the Welsh Government, as recommended by the Assembly’s Communities, Equality and Local Government Committee. Eradicating poverty will also need robust, evidence-based action at a scale sufficient to achieve a step change in people’s resources. It will need to bring together other public bodies, employers and the third sector working towards a shared goal. The difference between this aim and previous targets is that it is accompanied by clear and robust evidence of ‘what works’ across different aspects of people’s lives not just fiscal transfers, and it addresses all age groups.

The rest of this paper outlines the most effective approaches beginning to emerge from the Joseph Rowntree Foundation’s work which could help to realise this ambition. The ideas are at an early stage and further work is needed to test and turn them into costed, firm policy proposals. Nevertheless, there are some very promising approaches being identified which could make a useful contribution to the debate about how best to reduce poverty. We are sharing them with a wider audience at this stage to encourage discussion and debate. Taken together, they address four dimensions of a poverty strategy:

- **Pockets** – boosting household resources.
- **Prospects** – improving life chances.
- **Prevention** – insuring against a slide into poverty when people are at risk.
- **Places** – recognising that where people live shapes their lives.

## 2. REDUCING POVERTY IN CHILDHOOD

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Child poverty in Wales is virtually unchanged since 2002/03-2004/05. There is a wealth of evidence on the negative effects of child poverty on children's immediate experience as well as their future prospects.

Our work shows that low educational attainment is the key way in which poverty in childhood affects outcomes for adults. JRF's review of the evidence suggests that the following measures will improve the prospects of children living in poverty.

### 2.1. Increasing Household Income

The evidence shows that increasing household income increases children's attainment – an extra £7,000 a year closes the attainment gap at age 16 by half. The source of income, e.g. whether it is from benefits or earnings, does not make a difference to outcomes, but who receives the money does – income received by the mother makes more difference than receipt by the father.

This stark and powerful evidence suggests that there would be benefit in the Welsh Government intensifying its efforts to increase family incomes through:

- increasing labour market participation of mothers – including the need for a coherent and easy to understand offer on childcare;
- maximising the take-up of in- and out-of-work benefits, including education-related benefits such as free school meals and school uniform grants
- action on improving the quality of work (see 3.3).

### 2.2. Supporting Parental Relationships

There are clear links between poverty and the type of household in which a child grows up, which are partly but not solely linked to income. Various types of action to support family relationships are proven to help to reduce poverty, and include facilitating fathers' involvement in with their child and access to relationship counselling for low income couples. This evidence suggests that the Welsh Government could:

- encourage employers in the public, private and third sectors to offer better parental leave for fathers;
- encourage couple counselling that is accessible to low income families;
- develop ways to support non-resident parents to maintain good relationships with their child, e.g. after divorce or separation.

### 2.3. Parenting

Parenting explains less than half of the educational disadvantage faced by children from low-income backgrounds, however specific parenting practices do make a

difference to outcomes. The Welsh Government could build on this evidence by establishing a national, evidence-based parenting programme.

#### **2.4. Early years (pre-school) education**

High quality early years education can help to overcome some of the disadvantages faced by children from poor families, with the amount of money allocated making a difference to outcomes. Access to early years education is variable across Wales as is quality – with the poorest children often having the least good provision. This suggests that the Welsh Government could:

- establish a consistent approach to early years learning across Wales;
- protect expenditure on early years provision;
- continue to drive up quality especially in disadvantaged areas.

#### **2.5. Primary and secondary education**

High-quality teaching has been shown to be the most important school-level factor affecting attainment and is particularly significant for children from low income backgrounds. For these pupils, having a good teacher compared to a bad teacher leads to an additional year's progress.

The evidence on how best to improve teaching quality suggests that funding affects pupil outcomes, while school structures do not have an impact. Other important factors affecting pupil destinations include good quality careers advice, acquisition of social and emotional skills, and active monitoring of pupil destinations (not just their achievements). Based on this, the Welsh Government could:

- increase its focus on improving the quality of teaching especially in schools with a large number of pupils from low-income households;
- continue and if possible enhance the Pupil Deprivation Grant;
- make a step change in the provision and quality of careers advice, with active employer involvement, a stronger understanding of local labour markets and a focus on children from low-income families;
- include the acquisition of social and emotional skills by children in the curriculum;
- monitor pupil destinations not just attainment.

#### **2.6. Post-16 learning**

Further education and apprenticeships are much more important to the post-16 learning of children from low-income families than those from better-off homes, yet the quality of provision is typically lower than in schools. Despite efforts to widen access, many fewer low-income children enter higher education than high-income children. Emerging recommendations are that the Welsh Government could:

- establish parity of funding between FE and post-16 provision in schools;

- improve the quality of provision in further education and apprenticeships;
- base interventions to reduce the number of young people not in education, training or employment on evidence of 'what works';
- set universities more challenging targets to widen participation and require a collaborative rather than institutional approach.

### 3. WORKING AGE ADULTS

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Nearly one in four adults in Wales (24%) lives on a low income, a proportion virtually unchanged since the mid 1990s. What has changed is the marked increase in the proportion of adults in poverty where one or more members of the family is in work, with adults in working households now comprising the majority of those in poverty.

The evidence highlights that a pre-requisite for reducing poverty is a stable and growing economy and a fair tax and benefits system. While the Welsh Government does not influence UK economic trends or fiscal policy, it can do a great deal through its own economic development strategy, which should, as the Assembly's Communities, Equality and Local Government Committee, be closely aligned with efforts to reduce poverty.

#### 3.1. Moving into Work

Movement of unemployed people into work has been a focus of government policy for many years, yet has low rates of success. The success rate for young people and people with characteristics that make job entry difficult (e.g. disability, long-term health conditions or poor skills) is particularly low.

JRF's review of evidence points to an active labour market policy that addresses the very varied circumstances of job seekers, from those who are job-ready to those who are some distance from the labour market, with different pathways of support and sanctions. While many elements of the suggested approach are not devolved (e.g. unemployment benefits and the Work Programme) others are within the Welsh Government's remit (e.g. additional support for job seekers, skills and training).

Emerging recommendations envisage a 'whole system' approach which would include refocus or replace the Work Programme with one which focuses on the reduction of poverty and is tailored to the distance of a job seeker from the labour market. Because of the close relationship with devolved responsibilities for skills and training there would be merits in the Work Programme (or its successor) being devolved to the Welsh Government. The Welsh Government could:

- establish its own 'moving into work' strategy, in which the Work Programme or its successor is a part;
- ensure provision is tailored to the very different needs of individuals, from young, job-ready but unemployed graduates to young people not in education, employment or training and with no or low qualifications, to people who are some distance from the labour market e.g. because of disability or a health condition;
- focus the strategy on reduction of poverty not just moves off benefit / into work.

### 3.2. Getting on in work

Progression in employment is key, but the changing shape of the labour market means that routes into better skilled and paid work are increasingly absent and training for people aged 25+ has declined sharply. Evidence suggests that the Welsh Government could:

- establish a 'progress at work' framework to increase access to training and learning amongst over 25 year olds;
- provide learners with a personal training budget, financed by employers, the government and European funding.

### 3.3. Better quality work

Many of the main levers are not devolved - the evidence that exists suggests that the Welsh Government could:

- actively promote the adoption of the Living Wage;
- support the development and improvement of job quality through innovation and increased productivity in key low-skill and low-paid sectors such as retail and social care;
- implement the '**one in a £1m challenge**' in all public procurement, in which one year of work-with-training for a young or marginalised person is required for every £1m in contract value;
- work with others to increase take-up of in-work benefits.
- The recommendation of the Assembly's Communities, Equality and Local Government Committee that procurement and conditions on grants be used to improve job quality is also important.

## 4. REDUCING POVERTY IN LATER LIFE

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The reduction in poverty amongst pensioners is one of the success stories of the last 20 years, with the proportion on a low income down from 26% in the mid 1990s to 14% today. But although the risk has fallen, about 85,000 pensioners live on low incomes in Wales. Pensioners are also at much greater risk than other age groups of living in poverty for a long period of time, and of living in deep poverty. The harm done by having insufficient income to meet needs is no less serious for older people than others.

Most of the evidence suggests that the main policy levers for this age group lie in benefits and taxes, particularly an adequate state pension level plus enrolment into a private or occupation pension. There are some ways in which state pensions and other benefits could be adjusted to reduce the risk of poverty further.

While pensions are not devolved, there is scope for the Welsh Government to develop innovative approaches to reducing the risk of poverty. The evidence on these is at an earlier stage than other age groups, but promising approaches could include:

- Targeted action to encourage older people to take up benefits to which they are entitled.
- Action to encourage saving for later life.
- Action to reduce the cost of living for low-income older people.

## 5. COST OF LIVING

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The more it costs people to meet their essential needs the more income they require to escape poverty. Analysis shows that people on low incomes spend a greater share of their budget on essential goods and services (such as food, housing, bus fares and heating) than those on high incomes, and that the cost of essential goods has risen very much more rapidly than other items since 2008. The emerging recommendations fall into the following areas.

### 5.1. Creating active consumers

Well-informed and empowered consumers actively shop around, switching suppliers of everything from energy to food to reduce their costs. Yet low income households are often less likely to do so – the Which? Consumer Insight Tracker shows that in the energy market, the proportion of those switching supplier is 40% higher in the top than in the bottom quintile, while the proportion of households who have never switched broadband providers is 50% higher in the bottom quintile than the top.

Many of the emerging ideas relate to UK-wide regulation of markets. Other actions proposed by the JRF review include:

- developing the roles of trusted intermediaries – organisations such as advice centres, credit unions, and collective purchasing can help and support individuals to shop around for the best deals;
- strengthening financial capability - particularly around life events which are often associated with a change in circumstances e.g. redundancy, retirement, birth of a child, and also as part of a ‘citizen’s curriculum’;
- developing low-cost, accessible financial products – bank accounts with low charges, low-cost credit, incentives to save and affordable basic insurance can improve the ability of low-income consumers to get the best deal.

We recognise that the Welsh Government has an active programme on financial inclusion covering most of these types of interventions; the evidence suggests that this should be enhanced further.

### 5.2. Specific goods and services

#### 5.2.1. Energy

The worst-off fifth of households spend 8% of their budget on energy compared with 4% of the best-off fifth. The options for making energy affordable for low income consumers involve:

- reducing the costs of energy;
- reducing the consumption of energy e.g. through energy efficiency measures;
- compensating households e.g. discount schemes.

Fuel poverty is currently within the portfolio of the Minister for Environment. The 2010 fuel poverty strategy predates the recent rise in fuel poverty and in relative income poverty. While there has been some success, it is likely that all the targets will be missed by a considerable margin. The Welsh Government should consider:

- developing new, achievable targets to reduce fuel poverty;
- developing actions based on evidence of ‘what works’ of sufficient scale to achieve the targets;
- locating responsibility for action on fuel poverty alongside other ‘tackling poverty’ measures.

### 5.2.2. Food

Food accounts for 20 per cent of the expenditure of the poorest fifth of households compared with 11 per cent of the richest fifth. Some low-income neighbourhoods are some distance from affordable supermarkets, with only lower quality and higher cost food available locally (if at all).

We have previously urged the Welsh Government to review its policies and actions on food as they straddle several different portfolios (e.g. agriculture, public health and education), to ensure that they focus on improving access to affordable, nutritious food for low-income families. There is potential for the Welsh Government to be much more innovative in its approach.

## 6. PEOPLE WITH COMPLEX NEEDS

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'Complex needs' refers to the ways in which poverty is complicated by some people's additional requirements for support with, for example, substance misuse, or the trauma associated with experiences of violence, abuse or neglect. It also includes people whose additional disadvantages are associated with legal status (for example, immigration status restricting employment or welfare rights).

Work undertaken to date suggests it is unlikely that poverty amongst these groups of people will be reduced in the short term. Instead, the focus should be on reducing the additional disadvantages they face so that they are closer to the position as other income groups, enabling them to access mainstream services and support.

### 6.1. Adults with complex needs

Work on the most promising approaches has already identified that:

- Adults often have overlapping complex needs (e.g. homelessness, substance misuse and a history of offending) which should be addressed in a holistic way rather than as separate services. This suggests that the Welsh Government should bring together these functions, currently located in three different portfolios, under a single Minister and be addressed in a single, 'complex needs' strategy.
- Approaches based on people's assets are more effective than those based on their deficits – so approaches such as Housing First or recovery models of substance misuse are typically most effective. This suggests that the Welsh Government may wish to review and refresh its approaches.
- Community-based support is typically more effective than institutionally-based services. This suggests that the Welsh Government may wish to review and refresh its approaches.
- For a minority, intensive, personalised and open-ended support is required.

In the longer term, the close association between persistent family poverty and many complex needs such as substance misuse, and disadvantaged communities and offending needs to be broken. The most effective 'primary' prevention measure is to reduce poverty itself, especially amongst unemployed young men living in disadvantaged areas. This suggests that the Welsh Government should target future anti-poverty actions on this group of people.

## 6.2. Refugees and Asylum-seekers

Emerging proposals to reduce poverty amongst refugees and asylum-seekers include non-devolved issues such as changes to the asylum process and benefits eligibility. Areas of relevance to the Welsh Government include:

- Improved access to the labour market, so that refugees and asylum seekers can reduce the risk of poverty by working.
- Improved access to housing, particularly on transition from Home Office accommodation to the private rented sector.
- Access to ESOL (English for Speakers of Other Languages) provision.
- Better access to health care services especially for pregnant women and access to rehabilitation and psychological support.
- Work in ongoing on effective approaches for families with complex needs and domestic violence.

## 7. MAKING IT HAPPEN

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The quality of implementation is critical to any strategy. Given the extent of poverty, the challenge for Wales is delivering and sustaining action at a scale which will have a big enough impact. This requires an absolute focus on boosting people's resources through mobilising action across government at all levels, across communities and across all sectors of the economy.

In various ways the Welsh Government has been developing the 'infrastructure' needed to achieve change. This includes:

- explicit inclusion of poverty in a Ministerial portfolio;
- an all-ages action plan to reduce poverty, with targets and regular reporting;
- an integrated approach with champions across government, and in local government.

Yet there is still more to be done. The Welsh Government's approach has to broaden and deepen if we are to make the progress we need over the next Assembly. To achieve lasting change that affects people's lives, the evidence suggests that:

- there must be a strong political commitment to eradicating poverty;
- there should be a commitment to eradicating poverty in all Ministerial portfolios but in particular in those covering the economy and labour market, education and early years, and housing;
- the problem of poverty should be better understood, both through robust research and through listening to the experiences of people in poverty;
- the support and active engagement of all stakeholders, including local government and the private sector, is key;
- any strategy or action plan should follow best practice in having clear and measurable objectives, action of sufficient scale, and the means of delivering the action;
- a strategy should distinguish between targets which the Welsh Government can achieve (such as education) and those which it hopes to influence (such as household incomes);
- progress should be tracked by throughout the next Welsh Government term by a standing Assembly Committee and the Welsh Government should be accountable for achieving targets.