

# Proposals for a National Programme to Spread Prosperity and Improve Life Chances by 2020

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## The Problem

The next Welsh Government needs a radical new approach of sufficient scale and impact to spread prosperity and improve life chances.

The latest estimate is that around 700,000 people in Wales (23% total) have household incomes that are so low that they go without many of the things that most people take for granted. Approximately 450,000 people (15% of the population) have incomes that are such that they have difficulty affording the basics of life - food, shelter and warmth.

The problem is forecast to get worse over the next five years.

## The case for spreading prosperity

Low income damages lives and limits people's achievements and prospects. Children from low income families do not achieve their full potential at school while adults on low incomes are much more likely to suffer long-term illness and disability.

Low family incomes are a cost to business – it affects workers' productivity, sickness absence and skills, affects bad customer debts and also limits the market.

Low income also costs the Welsh public purse dear, both through action to deal with the impact of low income and lost potential – an estimated £3.5 billion a year.

## The Solutions

The next Welsh Government needs a new radical, new approach which:

- is of sufficient scale to achieve a measurable improvement in the distribution of income and life chances;
- recognises the specific needs of people at different stages in their lives;
- is pan-Wales in scope and impact;
- includes action by all key organisations – including business, the public sector and third sector.

The next Welsh Government should develop a comprehensive, new programme to help low income households to meet their most basic needs when they cannot do so themselves. It should aim to:

- reduce the number of people on low household incomes by 50,000 people a year to 2020,
- reduce the number of people on very low household incomes by 20,000 a year.

The impact would be to increase the number of people living in households with incomes above 60% of the median by 250,000 so that by 2020 around 80% of the Welsh population has an income above this figure.

### 1. Meet Basic Needs

Coherent action should be put in place to meet the basic needs of a growing proportion of people in Wales - this should include:

#### 1.1. Affordability of housing:

Provide an 'additional housing allowance' for households affected by the spare bedroom subsidy or benefit cap, for whom a move to a smaller property would cost the public purse (e.g. because their home has been adapted, because an affordable rent would result in statutory overcrowding, or because the family is within two years of being entitled to an additional bedroom).

**Benchmark:** 30,000 affected households

**Target:** 15,000 households assisted

**Indicative cost:** estimated by the Assembly's Public Accounts Committee at £600 million.

**Financed by:** refocusing help offered with Council Tax and savings in cost of re-housing.

### 1.2. Affordable warmth:

Establish an 'affordable warmth' programme which includes refocusing the NEST energy efficiency scheme on low income households, including those in privately rented accommodation, with criteria to include cost reduction as well as energy efficiency.

**Benchmark:** 425,000 households in fuel poverty

**Target:** 25,000 households out of fuel poverty a year

**Indicative cost:** no change.

**Financed by:** existing budget and investment by energy suppliers.

### 1.3. Affordable food:

Establish a Welsh Food programme to ensure low-income households have access to sufficient, nutritious food.

**Benchmark:** not known

**Target:** requires scoping

**Indicative cost:** requires scoping but a rough estimate of £2 million is included.

**Financed by:** requires scoping

## 2. Make Wales a living wage nation

More than half of people below pension age who are on low incomes live in households where someone is working. The majority of them earn less than the Living Wage of £7.85 an hour. The next Welsh Government should:

- Introduce the real Living Wage (as determined by the Living Wage Foundation) across the public sector, and
- Encourage its adoption in the private sector and third sector through procurement and grants.

**Benchmark:** 261,000 earn below the Living Wage (2013).

**Target:** raise the earnings of 50,000 people over the Assembly term (10,000 people a year) to reduce the proportion of employees paid less than the real Living Wage to the UK average (from 24% to 20%).

**Indicative cost:** cost neutral

**Financed by:** Covered by a 'pay-back' mechanism with the UK Treasury so that savings in welfare benefits resulting from the Living Wage are remitted to Welsh Government to offset the costs. Increased productivity and reduced turnover and absenteeism.

### 3. Productivity and innovation strategies for low-paid sectors

A substantial number of those on low pay are employed in sectors such as caring, retail & distribution and food / hospitality. These sectors are dogged by low productivity, downward pressure on costs and limited innovation. The next Welsh Government should develop **productivity and innovation strategies** for the following industries:

- Caring
- Retail
- Food (including agriculture, food processing, and hospitality).

**Benchmark:** approx. 500,000 worked in these sectors in 2014

**Target:** raised output, productivity, innovation and quality of jobs, benefitting 10,000 employees a year.

**Indicative cost:** £1 million a year.

**Financed by:** refocus of economic development budget

### 4. Moving into Work Framework

Support to help people to find work is often 'one-size fits all' and is highly fragmented. The next Welsh Government should establish a new 'moving into work' framework, in partnership with the private sector, which would co-ordinate all actions to help people

into work. It would bring together UK Government initiatives, including the Work Programme, along with existing interventions such as LIFT, apprenticeships and the plethora of third sector initiatives.

It would set high standards of provision and robustly monitor outcomes, with detailed planning and delivery to match local travel to work areas.

**‘Moving into Work’** should be targeted on, tailored for and easily accessible to those at greatest risk of falling into poverty including:

- people or people with long-term health conditions;
- parents of young children seeking work (including lone parents);
- people facing redundancy;
- young people with few or no qualifications;
- people facing a substantial drop in income e.g. from changes to benefits.

**Benchmark:** 226,000 people who are unemployed or economically inactive and want a job (2014). Approx. 83,000 people a year are referred to the Work Programme of which about 10% (8,000) get jobs. The LIFT programme provides 5,000 places over 3 years.

**Target:** minimum of 25,000 people additional people a year into sustainable jobs.

**Indicative cost:** to be confirmed,

**Financed by:** refocusing Work Programme, EU funding, Welsh Government, charitable funds.

#### **4.1. A new Jobs for Adults programme**

A new **Jobs for Adults** Programme should be included in the Moving into Work framework. It would contribute 50% of the cost of employing someone for 6 months. It should focus on people who have been workless for 6 months or longer, and who face specific barriers accessing work such as disabled people and people with long-term health conditions, lone parents and people with few or no qualifications. Provision should include support and mentoring, training and progression.

**Benchmark:** 150,000 people aged 25-64 are unemployed or economically inactive and want a job.

**Target:** 10,000 jobs a year (50,000 over 5 years).

**Indicative cost:** approx. £20 million a year (based on Jobs Growth Wales costs).

**Financed by:** EU and Welsh Government

## 4.2. Youth Pledge

Approximately 65,000 people aged 16-24 are Not in Education, Training and Employment. The Moving into Work framework should include a **Youth Pledge** to offer all 16-24 year olds who are not in education or training appropriate employment or work-related activity. It should include a mix of options (such as voluntary, residential, creative and supported provision). This will require:

- Increasing the number of apprenticeship starts by people aged 16-24 by 6,000 a year.
- A new Youth Jobs programme to create 7,000 jobs a year, building on Jobs Growth Wales, by offering a wage subsidy of 50% of the cost of employing a young person for 6 months.
- Establishing a youth volunteer programme, linked with acquisition of qualifications, to include a cost of living allowance for 7,000 participants a year.

**Benchmark:** 4,000 Jobs Growth Wales places p.a. to 2014; approx. 50,000 apprenticeships p.a.

**Target:** total 20,000 participants in Youth Pledge a year.

**Indicative cost:** additional cost of **£75 million** (based on £24 million for additional apprenticeships at £4,000 cost per place), £30 million Youth Jobs (based on cost of Jobs Growth Wales); £21 million youth volunteer programme (based on £3,000 per participant).

**Financed by:** EU, Welsh Government and employer funding.

## 5. Free childcare

To remove barriers to work, Welsh Government should offer a minimum of 21 hours a week (798 hours a year) free child care for 3 and 4 year olds in all areas of Wales, in a variety of childcare settings.

**Benchmark:** 36,000 3 year olds in Wales

**Target:** free childcare for 36,000 3 year olds and 36,000 4 year olds each year.

**Indicative Cost:** additional cost of **£180 million** for three-year olds (based on cost in England of £5,000 per year per child for 15 hours extra provision).

**Financed by:** funded by employer training levy, EU, Welsh Government and employers.

## 6. Close the educational attainment gap

The Welsh Government should increase further its efforts to raise attainment so the number of school leavers with fewer than 5 GCSEs at grades A\*-C is halved (3,500 more children each year) through:

- Increasing the pupil deprivation grant by £200 per pupil;
- mandatory professional development in 'what works' in closing the attainment gap.

**Benchmark:** approx. 15,000 pupils a year do not get 5 GCSEs at A\*-C including Maths and English / Welsh

**Target:** each year 3,500 more children will achieve 5 GCSEs at grades A\*-C.

**Indicative Cost:** £17 million p.a.

**Financed by:** refocus of education budget.

## 7. Building Resilience

Evidence shows that avoiding debt, maintaining healthy emotional relationships, and access to good quality advice services make a real difference. Basic literacy and numeracy skills are essential too. The next Welsh Government should enhance its support for advice services, support a network of relationship support services, and ensure basic skills provision is available in every community.

**Benchmark:** needs scoping

**Target:** 25,000 additional counselling and support services.

**Indicative cost:** needs scoping – provision for £5 million.

**Financed by:** Welsh Government

## Funding

The estimated additional cost of the new programmes is **£300 million** a year.

We recognise the significant pressure on public finances. However, the scale of the additional resource required should be seen against the total cost of low income in Wales of over £3.5 billion a year.<sup>1</sup> Spreading prosperity to the least well off and increasing life chances are a sound investment.

There is scope to meet these costs by re-focusing the Welsh Government's current expenditure and by innovative financial mechanisms. These include:

- making more effective use of public procurement e.g. requiring contractors to offer one appropriate job opportunity for each £1 million contract value - as a contribution to the Moving into Work programme;
- encouraging employers to make effective contributions to the costs of job creation and training programmes, either through co-financing of job creation schemes or levies – as a contribution to the Moving into Work and Jobs for Adults programme;
- making best use of the full range of EU funding programmes – not just structural funds;
- including the private sector, local authorities, further and higher education providers and the third sector as key partners;
- negotiating pay-back arrangements with UK Treasury so that savings made to the UK benefit bill as a result of Welsh public sector actions are repaid to the Welsh public purse.

In addition there are savings that will arise from the spread of prosperity and improved life chances from reduced demands on public services.

Only by adopting a bold, evidence-based comprehensive programme that is of sufficient scale will the Welsh Government be able to lead a renaissance in prosperity and life chances that its people deserve.

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<sup>1</sup> Based on JRF's estimate that child poverty costs the UK £29 billion a year for 3.7 million poor. Wales' 200,000 children in low income families cost £1.56 billion. If adult poverty costs half children's poverty, then the cost of 500,000 poor adults is £1.96 billion (500,000 x (£1.56/2)). Child poverty cost £1.45 bn plus adult poverty cost £1.88 bn = £3.33 bn.



Summary of estimated numbers and costs

Numbers on low incomes	Approx. no. in poverty 2013/14	Basic needs	In work	Moving into Work Framework			Children			Target reduction by 2020 on 2013/14	
		Living Wage	Sector support	Youth Guarantee	Jobs for Adults	Moving into Work other provision	Free child care	Attain 5 GCSEs A*-C	Resilience		
<b>Children</b>	200,000	tbc						36,000	3,500	50,000	
<b>In in-work households</b>	220,000		10,000	10,000	10,000					100,000	
<b>In out-of-work households</b>	200,000	tbc			15,000	10,000	10,000		25,000	80,000	
<b>Pensioners</b>	80,000	tbc								20,000	
<b>Total</b>	700,000	tbc	4,000		25,000	10,000	10,000	36,000	3,500	250,000	
<b>Indicative cost (£ million)</b>		<b>2</b>	<b>0</b>	<b>1</b>	<b>75</b>	<b>20</b>	<b>-</b>	<b>180</b>	<b>17</b>	<b>5</b>	<b>300</b>

**Bevan Foundation**

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The Bevan Foundation develops new ideas, based on evidence, to make Wales fair, prosperous and sustainable. It is a registered charity no. 1104191 and company limited by guarantee.

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