

## **Council for Economic Renewal**

### **Tackling Poverty**

#### **Introduction**

1. This paper sets out the Welsh Government's approach to tackling poverty, through its Tackling Poverty Action Plan and the Revised Child Poverty Strategy for Wales. The paper highlights the importance of taking forward a collaborative approach and working with key partners. The paper poses a series of questions on how the Welsh Government could work with the Private Sector, social partners and the Council for Economic Renewal to ensure an ongoing focus on tackling poverty and improving the outcomes of low income households.

#### **Background to the Welsh Government's Approach to Tackling Poverty**

2. The Children and Families (Wales) Measure 2010 provides the legislative framework for tackling poverty in Wales. This placed a duty on Welsh Ministers, Local Authorities and other public bodies to set objectives for improving the outcomes of low income families and to develop strategies for tackling child poverty. Welsh Ministers fulfilled this duty in 2011 when they published a Child Poverty Strategy for Wales, which set three specific objectives. These were: 1) To reduce the number of children living in workless households; 2) To increase the skills of parents and young people to enable them to secure well paid employment; and 3) To reduce the inequalities which exist in the education, health and economic outcomes of children and families living in poverty, by improving the outcomes of the poorest.
3. In 2012, the Welsh Government published its Tackling Poverty Action Plan. This set out key actions and commitments to tackle poverty across all age groups in Wales, not just children and young people. The Tackling Poverty Action Plan was refreshed in 2013 and for the first time, set specific targets and milestones for all Welsh Government Departments. This included targets and milestones relating to the early years of a child's life; improving educational attainment amongst pupils eligible for Free School Meals; reducing the number of young people aged 16-18 and 19-24 who are NEET; tackling worklessness through the Welsh Government's Lift programme (which aims to provide 5,000 new employment and training opportunities to workless households); tackling health inequalities by addressing the inverse care law; and targets to increase the availability of affordable and quality social housing.
4. In terms of defining poverty, the Welsh Government uses the following definition: By poverty, we mean a long-term state of not having sufficient resources to afford food, reasonable living conditions or amenities or to participate in activities (such as access to attractive neighbourhoods and open spaces) which are taken for granted by others in their society.

5. The key indicator used to measure poverty is the percentage of households living below 60% of the median UK household income (After Housing Costs). Income matters as it is a key resource which enables households to meet their needs.
6. There are other factors beyond household income, however, which also need to be considered. As a result, Welsh Government uses a wider set of indicators to measure the outcomes of low income households, as part of the Tackling Poverty Action Plan and Annual Report. These indicators reflect the policy levers available to the Welsh Government and are focussed on education, health, housing and skills.

### **Revised Child Poverty Strategy for Wales**

7. The 2011 Child Poverty Strategy covered the period 2011 to 2014 and so in November 2014, the Welsh Government consulted on the content and direction of a revised Strategy.
8. Revising the Child Poverty Strategy provided the Welsh Government with the opportunity to consider whether the current approach to tackling poverty is the right one, whether the strategic objectives currently in place will deliver the ultimate goal of eradicating child poverty, and whether Welsh Government is currently delivering change at the pace and scale which is needed to make a difference.
9. The Revised Child Poverty Strategy reaffirms the Welsh Government's ambition to eradicate child poverty by 2020, whilst at the same time recognises the challenges ahead, especially in light of the impact and scale of welfare reforms and public expenditure cuts. The Strategy also reaffirms the Welsh Government's commitment to deliver the three strategic objectives of the 2011 Strategy, set out in paragraph 2 of this paper. These objectives reflect what the current evidence tells us around where the Welsh Government can have most impact, in terms of improving the outcomes of low income families. These objectives, however, are more likely to have an impact in the longer term. As a result, the Revised Strategy also includes two new objectives which focus on improving the circumstances and outcomes of low income families "here and now".
10. The two new objectives in the Revised Child Poverty Strategy are:
  - To use all available levers to create a strong economy and labour market which supports the tackling poverty agenda and reduces in-work poverty in Wales.
  - To support families living in poverty to increase household income through debt and financial advice, action to address the "poverty premium" (where households pay disproportionately more for goods and services) and action to mitigate the impacts of welfare reform.

11. The evaluation of the Welsh Government's approach to tackling child poverty (published in July 2014) highlighted more needs to be done to link the aims of our Child Poverty Strategy with the Welsh Government's overall economic strategy. This was also a key issue raised by external stakeholders, including the Welsh Government's Tackling Poverty External Advisory Group, during the consultation period on the Strategy. A strong economy and labour market, and a focus on job creation and the role of different employment sectors, is fundamental. This is now reflected in the strategic objectives highlighted above.
12. In addition to setting new objectives, the Revised Strategy identifies five key priorities for supporting low income households "here and now". These priorities are: tackling food poverty; tackling in-work poverty; increasing the availability and affordability of childcare; mitigating the impacts of welfare reform; and housing and regeneration.
13. The Child Poverty Strategy should not be seen in isolation. The Tackling Poverty Action Plan remains the key mechanism by which the Welsh Government will deliver the aims of our Child Poverty Strategy. The Welsh Government's Annual Report on the Action Plan (due to be published in July 2015) will include new actions and commitments to deliver the priorities identified as being most important for tackling child poverty. Working with partners from across the Public, Private and Third Sector will continue to underpin the Welsh Government's approach.

### **Current Levels of Poverty in Wales**

14. Poverty in Wales remains stubbornly high. While some progress was made in the 2000s to reduce the number of households living in households below 60 percent of the median UK income, more recently it has been difficult to achieve the level of change needed. The most recent Households Below Average Income (HBAI) data show us an estimated 700,000 people are living in poverty, of which 200,000 are children. For the three year period 2010/11 to 2012/13 (After Housing Costs), 31 per cent of children, 24 per cent of working age adults and 14 per cent of pensioners were living in poverty in Wales.
15. Rates of poverty in Wales are consistently higher than those in England and Scotland across all age groups.
16. Workless households are particularly at risk of living in poverty. However, it is important to recognise the characteristics of poverty in Wales are changing. Although being in employment offers the most sustainable route out of poverty (and is also highly protective against living in persistent poverty) work does not always guarantee a move above the poverty line. Evidence from analysis undertaken by the

Joseph Rowntree Foundation suggests there are now more people in Wales living in households where someone is working, than not.

17. Since devolution, Wales has seen faster growth in Private Sector jobs than the UK as a whole and is also maintaining an employment rate well above its historical average. While the number of people entering employment has continued to increase, factors such as the types of jobs available (e.g. low skilled / part-time), the seasonality of employment opportunities and wage levels are all likely to impact on whether households are earning enough to lift them out of poverty. Addressing these issues and reducing the number of people living in in-work poverty needs to be an important part of the Welsh Government's overall approach. Increasing the employability of young people and adults in Wales is crucial, however, so too is the availability of employment opportunities.

### **Taking Forward a Collaborative Approach**

18. The Welsh Government has consistently recognised it cannot tackle poverty alone, collaboration and a focus on delivering common outcomes remains a top priority.
19. The Revised Strategy recognises Private Sector partners have much to offer, particularly in terms of job creation, supporting low income households into employment which pays a living wage, flexible working arrangements, childcare and in-work progression. The Lift Programme, Jobs Growth Wales and apprenticeship schemes are just a few examples of where the Private Sector can make an important contribution. Social clauses and community benefits approaches to procurement, as well as financial support for local communities and community groups are also vital.
20. Within the Revised Strategy, the Welsh Government makes a commitment to engage with a range of different representatives from the private and business sectors in Wales, with the view to identifying opportunities for collaborative working and a focus on the key objectives of this strategy. Discussing the tackling poverty agenda with the Council for Economic Renewal, in the first instance, provides an opportunity to take this work forward.

## **Key Questions for Discussion**

1. There is a new strategic objective in the Welsh Government's Child Poverty Strategy which recognises the importance of a strong economy and how different sectors can contribute to tackling in-work poverty. How can the Welsh Government work with the Council of Economic Renewal to tackle the growing issue of in-work poverty in Wales and address social mobility?
2. The Welsh Government's Tackling Poverty Action Plan and Revised Child Poverty Strategy includes a specific emphasis on taking forward a community benefits approach to all aspects of public procurement contracts in Wales. How is a community benefits approach being delivered by Private Sector partners? How can the Council for Economic Renewal further support this agenda?
3. The issue of zero hours contracts and the importance of a Living Wage were key themes to emerge during the recent consultation on the Revised Child Poverty Strategy. How are these issues currently being considered by the Council for Economic Renewal?
4. How can we work with social partners, the Private Sector and the business community to mitigate the impacts of poverty? How are Private Sector partners currently supporting disadvantaged communities? How can we build on this work? How can we work together on tackling issues such as food poverty?