



August 2016

Poverty and Inequality in Wales

The Welsh Government has made poverty reduction (or ‘tackling poverty’) and reducing inequality a key priority and supported a range of programmes and interventions designed to achieve this. However, more than one in five people in Wales still live in poverty according to the standard definition and this has changed very little over the last 15 years. Factors such as the economic downturn have undoubtedly had an influence. However, this is not the whole explanation since poverty has been reducing more rapidly in some comparable regions of the UK.

Key messages

Poverty is one of the areas that the PPIW’s work has focused on and the evidence we have brought together highlights some key conclusions:

- There is a lack of robust evidence about the cost effectiveness of anti-poverty programmes in Wales.
- Better co-ordination between Government departments, local authorities, the third sector and business is needed to ensure that interventions provide value for money.
- In work poverty is on the increase so simply having a job isn’t enough. There is a need for sustainable employment which offer opportunities to progress to better paid positions.
- Area based approaches are a blunt instrument. It may be more cost effective to target groups known to be at greatest risk of poverty (including single women, young people, ethnic minorities and people with disabilities).
- Policies also need to reflect the different needs of those living a long way below the poverty line and those who are much closer to the poverty threshold.



- Health conditions are a significant contributor to long-term worklessness in Wales. Addressing this requires more joined up working with health services, particularly GPs.
- Individuals, households and communities experiencing poverty could be given a bigger say in co-producing policies that improve their wellbeing. Bottom up approaches focused on community assets and aspirations are being trialled in Wales and may offer a way forward.
- Much of the existing data on poverty is at an 'All Wales' level. There is a need for better data at household and individual level to understand the causes of poverty and target resources and interventions more effectively.
- Because poverty and inequality are multi-dimensional we need multi-dimensional measures which reflect access to housing, education, health, political participation, public services and jobs as well as a lack of financial resources.
- We also need dynamic measures which can reflect the way in which individuals and households may cycle in and out of poverty and provide a better understanding of how to support people to escape from the poverty cycle.

These conclusions have emerged from a range of studies and events that we have led. Brief summaries of some of this work are provided below. Further information can be found on the publications pages of our website (ppiw.org.uk).

Our work on anti-poverty strategies shows that:

[Strategies need effective leadership and a cross-government approach](#)

We commissioned Tom MacInnes from the New Policy Institute to give direct advice to the Minister from his review into the international evidence on anti-poverty strategies. The evidence showed the importance of strong political commitment with effective leadership and accountability across government. Effective strategies require a joined up approach across health, economy, housing and education, and joint action by local, regional and national governments. This calls for effective communication and clear lines of responsibility and accountability. It is also vital to link any anti-poverty strategy with economic development. New anti-poverty institutions, engaging external stakeholders and effective monitoring and evaluation tools are also important.



PPIW reports on debt and indebtedness show that:

[Indebtedness is a significant issue in Wales, particularly for those on low incomes](#)

There is a high level of indebtedness in Wales. It affects nearly half a million people and is particularly prevalent in the central and eastern valleys of Rhondda Cynon Taf, Merthyr Tydfil, Caerphilly and Blaenau Gwent. Indebtedness is strongly associated with socio-economic disadvantage. Low incomes do not cause indebtedness directly but they greatly increase people's financial vulnerability. Financial exclusion makes it more difficult to manage on a low income which contributes to the risk that individuals and households will become indebted.

[Alternatives to high interest credit](#)

Our work with the Young Foundation produced the report 'Credit Where's Credit's Due', which provides an in depth analysis of the reasons why people in Wales access high interest loans and examines alternative sources of credit. The study found that many households routinely use high interest credit and that in parts of Wales it is seen as the 'norm'. Young families with children are the largest users of high interest credit (with very little distinction in terms of employment status) and many users rely on high interest loans to get them through particularly expensive times of year (for example Christmas) and crises (for example if welfare payments are delayed or they lose their job). However many households routinely use it for everyday living costs and in parts of Wales this is seen as the 'norm'.

Our work on early years shows that:

[Early intervention programmes are likely to have long term benefits but unevenly and over varying timescales](#)

We produced a report with the Early Intervention Foundation which concluded that Wales provides a model of what can be achieved by a devolved administration in early intervention which English regions and others might want to emulate. Existing evidence suggests that initiatives like Flying Start and Families First, will have substantial long term benefits, though their outcomes will vary between localities, depending on the quality of implementation and effectiveness and continuity of the wider system of support for children and families. There will be lags between investment in early intervention and the realisation of its full benefits and the costs and benefits will accrue to diverse



agencies and levels of (national and local) government as well as to society as a whole and families and children themselves. This makes it very difficult to quantify the rate of return.

[There is strong evidence de-escalating interventions for troubled adolescents has benefits](#)

There is widespread support in youth justice, mental health and social services communities for ‘de-escalation’ of interventions in the lives of troubled adolescents. Ian Jones from the PPIW looked at the existing evidence and found that in practice this means avoiding ‘labelling’, working to address issues at an early stage, improving working across agencies (including through combined risk assessments), and equipping professionals to manage the risks of lower level interventions. De-escalating interventions is not always about doing less – it can mean doing things differently in order to use existing resources in a more timely and effective manner, freeing up specialist resources for those with the greatest needs.



[Extending free childcare for three to four year olds is unlikely to affect maternal employment rates or reduce poverty](#)

We worked with Dr Gillian Paull to model the impact of extending free childcare for three to four year olds in Wales to 30 hours on maternal employment and poverty levels, and the likely fiscal impact. We considered two scenarios – extending the offer to all parents and restricting it to parents working more than 16 hours a week. The results suggest neither policy would have a significant impact on maternal employment or poverty and that Welsh Government spending would lead to a reduction in the benefits which families receive (from the childcare element of Universal Credit and Tax Free Childcare), saving the UK Government £20m a year.



Community use of school facilities has benefits but schools need incentives to engage

Professor Alan Dyson and Dr Kirstin Kerr reviewed the international evidence which demonstrates that using school facilities to provide community based services can have a range of positive outcomes. They found that bringing services together in a single site can generate a cumulative ‘community school effect’, help address child poverty, and help mitigate cuts to council services. Ian Bottrill and Pam Boyd highlighted that Wales already has examples of good practice but most schools have limited capacity to work in community contexts, so the Welsh Government needs to be clear about what it expects of them and put in place structures and incentives to encourage links to the world beyond their gates. Our report recommends the formation of a Task Group to stimulate increased use of school facilities across Wales.

Our work on rural poverty shows that:

There is a lack of evidence about what works in tackling rural poverty

A range of interventions have sought to tackle rural poverty but there is a dearth of evidence about their effectiveness. Many of the studies that have been undertaken are dated and very few initiatives have been subject to rigorous evaluation. To help address this evidence gap, we have undertaken a review of the main causes of rural poverty which highlighted transport and access to services, the rural economy and employment, housing and the rural poverty premium as the four main issues. We found that whilst the causes of poverty are not dramatically different to other areas these four themes exacerbate the problem and make solutions more complex and resource intensive for those living in poverty in rural areas. We are now undertaking a review of interventions targeted on these issues which have been subject to independent evaluation.





Our work on poverty and housing providers shows that:

[Housing providers have a role to play in tackling poverty experienced by young people](#)

We commissioned the Cambridge Centre for Housing and Planning Research to examine the evidence on ways in which housing providers can help young people in poverty. They have produced a review of the international literature and are now conducting a series of case studies of potential good practice. Workshops with housing providers to test the initial findings highlighted the difficulties that housing providers now face due to the cuts in housing benefit for young people. The final report will be published later this year/early in 2017.

Our work on in-work poverty shows that:

Sector based approaches can play a role in poverty reduction.

The ongoing study into the role of growth sectors in tackling poverty is examining how creating sustainable employment and opportunities for career progression in growth sectors (such as financial and professional services, manufacturing, energy and environment, construction, social care and hospitality) can reduce poverty. Professor Anne Green from Warwick University (and her team) have found that employment is no guarantee of moving out of poverty and in work poverty is far more prominent in some sectors (e.g. accommodation / food services and residential care) in comparison to others (e.g. financial and insurance). The team have also found that in work progression is far more prominent in certain sectors and that employment projections indicate significant future growth in the low pay sectors such as accommodation and food services. This has implications for policy makers and the team will be working on recommendations as to how low rates of pay in 'poverty dense' sectors can be improved.