

Poverty and Inequality briefing Wales



Updated March 2021
by Gethin Rhys

“Poverty is not only about shortage of money. It is about rights and relationships; about how people are treated and how they regard themselves; about powerlessness; exclusion and loss of equity.”

Participant at local poverty hearing held in Bradford

Before the Pandemic

Poverty and inequality were already huge problems before the pandemic. In 2019 almost a quarter of people in Wales (700,000) were experiencing poverty, including 28% of all children¹. Across the UK, the experience of poverty had become more difficult – with 2.5 million people in the UK experiencing destitution, the most extreme form of poverty, an increase of 35% from two years previously².

Income inequality was high but had stopped rising – inequality was still increasing, however, as assets such as houses, pension pots or other stocks and shares increased in value. The poorest rarely own such things and so were locked out of these gains in national wealth³.

¹ JRF, *Poverty in Wales 2020* (Nov 2020) <https://www.jrf.org.uk/report/poverty-wales-2020>

² JRF (2020) <https://www.jrf.org.uk/report/destitution-uk-2020>

³ ONS Wealth and Assets Survey (2019) <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/totalwealthwealthingreatbritain>

After the Pandemic

The pandemic pressed down on the inequalities already present in society. The lower your income, the more likely you were to lose your job or be furloughed. Alongside these drops in income, families' costs went up especially for those with children. With public transport restricted and people being instructed to stay at home, many families were left with little option but to shop at expensive local stores.

Churches and advice agencies such as CAB have seen that people who were struggling financially at the start of lockdown were having their carefully constructed budgets shattered, and often needing to take on debt simply to survive⁴. Part of the legacy of the pandemic in Wales is £73 million arrears built up on household bills like energy, rent or council tax. 280,000 people in Wales report that they have fallen behind on payments⁵.

This inequality is made starker by the fact that higher income families who were more likely to be able to work at home and keep their income made substantial savings as their spending opportunities were restricted. Across the UK, this group was therefore able to pay off around £20Bn in unsecured debt as well as saving over £100Bn in additional bank deposits.

⁴ Reset the Debt (2020) <https://resetthedebt.uk/> , JPIT & CAP (2020) <http://www.jointpublicissues.org.uk/corona-virus/gleanings/>

⁵ CAB Wales, *Coronavirus debts: Estimating the size of lockdown arrears in Wales* <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Wales/Coronavirus%20Debt%20Wales.pdf>

How could these elections lead to positive change?

MPs, who are not up for election, make most of the decisions around benefits and minimum wages. The Senedd, however, can make huge differences to family's budgets, people's opportunities and importantly in humanising the experience of living with a low income. The Welsh Government spends more than £400m a year on various grants, allowances and in-kind provision for low-income households, such as the Council Tax Reduction Scheme, provision of Free School Meals and help through the Discretionary Assistance Fund. These schemes complement the UK social security system⁶.

Financial Support

Council Tax rates are set by Local Authorities. This year, rises of around 5% are expected across Wales. That is 10-fold greater than the 0.5% inflation rate used to uprate most benefits. Welsh Government has a Council Tax Reduction Scheme to reduce the bills for low-income families. As Council Tax is one of the most regressive taxes – levied without reference to ability to pay – this reduction scheme is very important. However, there are strict eligibility limits.

The Welsh Government's Discretionary Assistance Fund offers limited cash help in times of crisis.

The new Senedd which is being elected on 6 May will set the rates and the conditions for these schemes in future. It is worth going to your Local

⁶ <https://www.bevanfoundation.org/publications/a-welsh-benefits-system/>

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Authority website to see what help is provided to low-income families in your area.

An inclusive community

If you have no money to spend there are often few opportunities to meet and share in community life. The Senedd provides most of the funding for Local Government, which has a key role to play in ensuring that there are places where people can socialise and be part of the community which are available to all, including those with limited means.

Access to shared non-commercial spaces, such as libraries, leisure centres, playgrounds has reduced as local authorities have sought to cut budgets. Some sections of society can afford to buy these services from the private sector, but many cannot.

The Scottish Government and some local authorities in England have supported Poverty Truth Commissions to better include those who battle poverty day to day in the decisions that affect their lives. These have shown that the most diligent and well-intentioned political leaders are surprised by how poverty affects lives – and how services often don't respond to that reality. The Scottish Government has used panels of people experiencing poverty advising on policy that affects them.⁷

⁷ E.g. <https://www.gov.scot/publications/social-security-experience-panels-faqs/>

Suggested questions for candidates

1. How can the low-income families be better protected by the benefits under the control of the Senedd, such as the Council Tax Reduction Scheme and Discretionary Assistance Fund?
2. How do you plan to include people living on poverty in your decision-making processes?
3. Do you support the devolution of administration of some or all welfare benefits from Westminster to the Senedd?

Further reading

1. [Reset the Debt](#) – which looks at the effects of the pandemic on low-income families
2. [Report by the Children's Commissioner for Wales](#) on child poverty (pre-pandemic)
3. [HuManifesto](#) – Leeds Poverty Truth Commission's proposals for change.

Contact

We would like to know how this guidance was useful and what should be added or changed for future publications.

If you have questions, suggestions or comments please write to:

Joint Public Issues Team enquiries@jointpublicissues.org.uk

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