

# Briefing: Poverty in Wales 2020

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This report looks at what has happened to poverty in Wales before and during the coronavirus outbreak. Our analysis underlines the importance of work, social security and housing costs in solving poverty in Wales, as well as how much the coronavirus storm has unleashed strong currents sweeping many people into poverty and others deeper into poverty.

## Joseph Rowntree Foundation

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### What you need to know:

- Even before coronavirus, almost a quarter of people in Wales were in poverty (700,000) living precarious and insecure lives. The risk for children alone was higher with 3 in 10 children living in poverty.
- Wales has lower pay for people in every sector than in the rest of the UK. At the start of the coronavirus outbreak, more than a third of jobs were furloughed and some local areas face a much higher risk of losing their furloughed jobs altogether, due to the types of work in the area. There is a need for a targeted job stimulus in local authority areas which are at highest risk of seeing high job losses, which are often areas that are already struggling economically.
- For low-income families, one factor in being unable to escape in-work poverty is the need to balance paid work with caring for children. Two in five local authorities in Wales report that there is not enough childcare for those working atypical hours. The supply and affordability of childcare, for children of all ages (not just nursery) is important if women are to be able to fully enter the labour force and move out of poverty.
- The importance of Wales-specific social security measures should not be under-estimated. Although the UK social security system plays an important role in solving poverty, Welsh support schemes also play a vital role. With the number of Universal Credit claimants doubling from the start of the year it is likely that more people will be looking to rely on additional Welsh support. It is therefore even more important that the Welsh Government establishes a clear, effective and fair benefits system, which complements the social security system that already exists in the UK.
- Retaining the temporary uplift of Universal Credit and Working Tax Credit allowances, as well as extending this to legacy benefits is key. For instance, of the 180,000 children in poverty, 140,000 live in families that receive income-related benefits.
- Rent increases in the social rented sector have led to a concerning dramatic increase in poverty in that sector, particularly in working households, undermining its role in protecting people in poverty. As things stand, this issue will continue to be a problem in Wales as the Welsh Government has permitted rents to increase above inflation for a further five years. Increasing the supply of social housing is also necessary.
- The private rented sector remains smaller than in other UK nations, however, increasing reliance on expensive private rents puts many poorer households at additional risk of poverty. Poverty rates among private renters are higher in Wales than elsewhere in the UK.
- As the furlough scheme ends and unemployment rises, the strain on households is likely to increase. The gaps in the benefit system will become increasingly apparent for those struggling financially and arrears in housing payments and other necessary bills may begin to build. Work needs to be done to mitigate the potential long-term consequences.

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## Overview of poverty in Wales

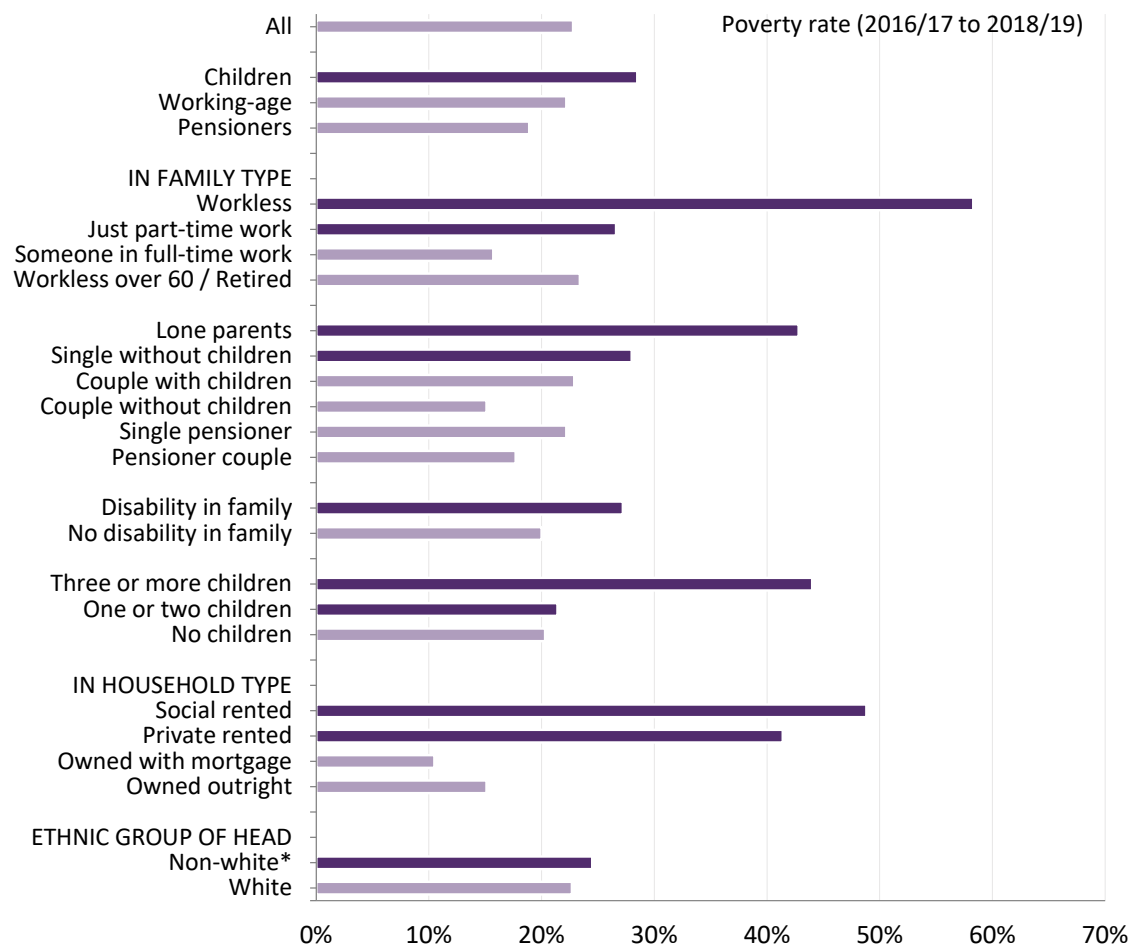
Over the last decade, the overall proportion of people in poverty in Wales has hardly changed from an unacceptable one in four. This flatlining is partly a result of two trends cancelling each other out: child poverty has been on a downward trend falling from 33% in 2009-12, to 28% in 2015-18, while pensioner poverty has risen from 14% in 2009-12, to 19% in 2015-18.

The precise impact of coronavirus is uncertain, although it is clear that it will have had a dramatic effect on poverty levels, with bigger effects on some of us whose daily lives were already a struggle. We can already see differences in economic effects linked with existing disadvantages, leading to higher poverty rates in poorer areas, with people working in certain low-paying sectors likely to be hit worse by job losses.

The chart below shows how poverty levels vary by groups. It is important also to think about the composition of who is in poverty. Groups indicated by darker blue bars have a higher poverty rate but sometimes do not make up the biggest group in poverty. As an example, we can see that people in lone-parent families have a high poverty rate of over 40%, but they only make around an eighth of everyone in poverty due to the small size of the group in the population. See Annex A for a table showing poverty risk and composition in Wales.

Across work statuses, people living in a household with a full-time worker have the lowest rate of poverty at around 16%, but because 6 in 10 households in Wales contain a full-time worker, it is still the case that 4 in 10 households in poverty contain a full-time worker and over half have someone in work, showing that while work reduces the risk of poverty, it often isn't enough to allow someone to escape from poverty.

## Poverty levels vary greatly by characteristics



\* Based on small sample size

Source: JRF analysis of Households Below Average Income

We can compare the groups with highest rates of poverty to those who we know have felt either the health or economic impact of coronavirus hardest. We know the number of cases and health outcomes are worse for many BAME groups, those living in deprived areas, and for people in some low-paid employment sectors, as are poverty rates. But sometimes the relationship is less direct: we see above that pensioners tend to have a lower poverty rate (although it is increasing) but are much more likely to suffer a more profound health impact from the coronavirus. Similarly, furloughed individuals were protected from catching the virus at work, but are vulnerable to the economic after-effects.

Fundamentally, there is a clear relationship between health inequalities and income inequalities, with people in poorer households tending to have poorer health, and those with poorer health tending to be more likely to have lower incomes. This, combined with what we know about the groups worse affected, suggests that the health and economic impacts of the coronavirus will be felt most by poorer households, and while we are all in the same storm, poorer households will face far greater headwinds.

The remaining sections look at work, social security and housing in Wales, starting with the situation before the coronavirus outbreak, but then looking at the latest available data to look at the emerging current picture.

## Work and poverty in Wales

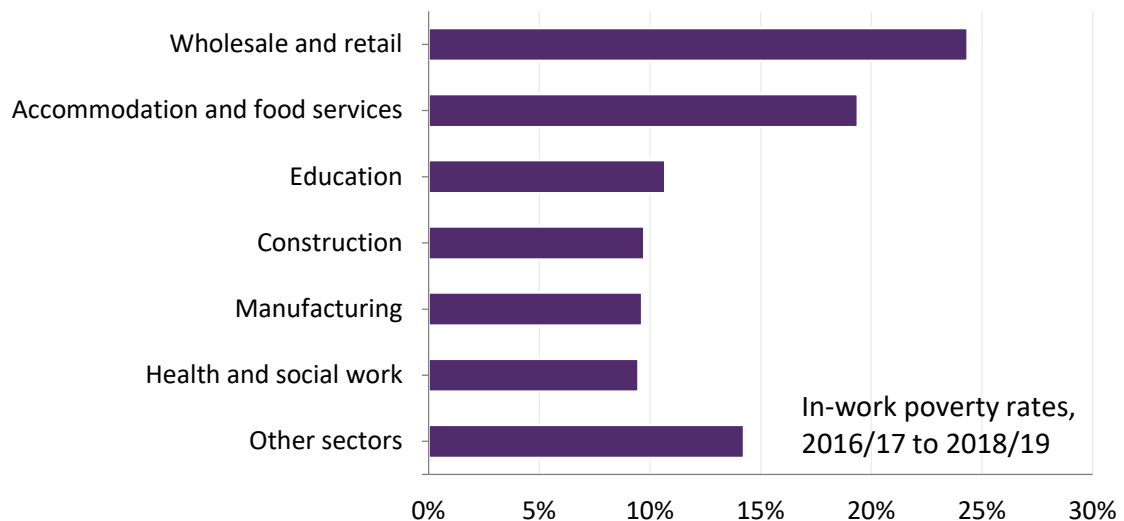
The pandemic has had a profound impact on jobs and financial security, with workers on a low wage or in poverty most affected. While the full labour market shifts are still unknown, it is important to understand and assess what these initial changes have meant for workers in poverty, as well as the labour market they face during recovery.

Setting out the pre-coronavirus picture on poverty and work in Wales is essential, as certain factors that impact a person's ability to escape in-work poverty were exacerbated during the pandemic. It is important to properly explore these factors, such as underemployment, so we can discuss the policy actions needed to help those currently in poverty and to prevent a rising tide of in-work poverty.

### In-work poverty before coronavirus

In-work poverty in Wales (defined here as the proportion of workers who are in poverty) stands at 14% for 2016/17 to 2018/19. However, compared to other nations and regions in the UK, it is one of the highest in-work poverty rates, other than London (17%). Workers in food, wholesale, and retail faced amongst the highest in-work poverty rates by industry.

### There is a great variation in in-work poverty rates by sector



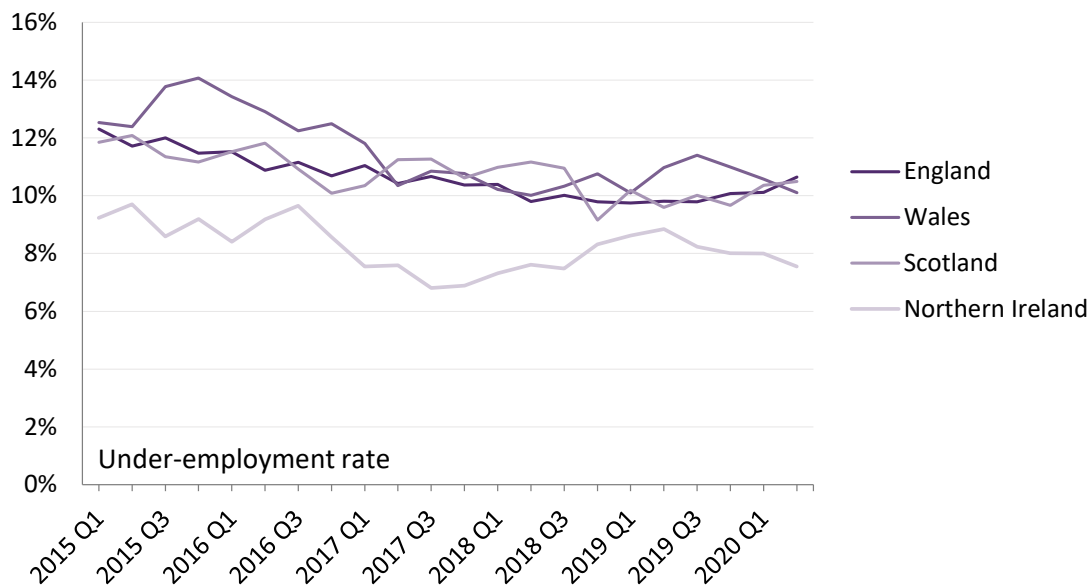
Source: JRF analysis of Households Below Average Income and Family Resources Survey.

Another factor of in-work poverty is pay. In the first quarter of 2020, Wales had the lowest median hourly pay, compared to all other nations and regions, at £10.73. Across the UK, workers in hospitality and retail experience lower pay than other sectors and are more likely to be under-employed

## 1. Under-employment

Our previous work has highlighted that an important factor driving in-work poverty is workers not being able to work as many hours as they would like to, known as under-employment. Under-employment is a problem for workers in poverty, as being restricted in the number of hours a person can work restricts their choices and income. Pre-coronavirus, Wales (10%) had a similar under-employment rate to other nations in the United Kingdom, other than Northern Ireland (8%). Working fewer hours while also being on low pay can make it very difficult to escape in-work poverty.

**Before the pandemic, Wales had a similar under-employment rate to England and Scotland. However, at points over the last five years, Wales has been higher than other areas**



Source: JRF analysis of the Labour Force Survey.

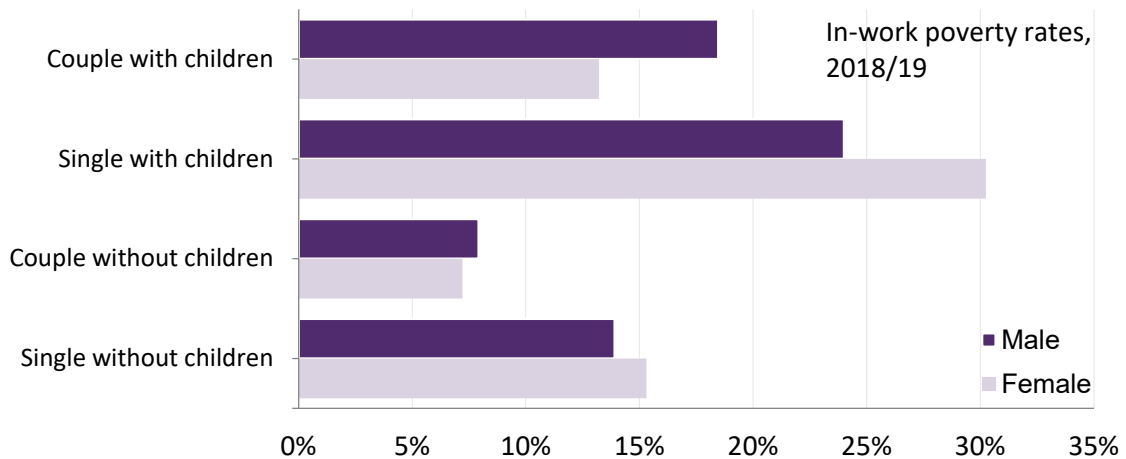
## 2. Gender, families and ethnicity

Some groups are much less likely to find a route out of poverty than others, particularly women, single parents and people from some BAME groups. Women are over-represented in sales and customer service occupations, as well as the health and social-work sector, where poverty rates are higher than in many sectors more dominated by men. Women are also more likely to work in hospitality and retail, which have higher poverty rates. Although the in-work poverty rate for single parents in Wales (27%) is lower than for the rest of the UK for the same time period (30%), like the UK, single parents have the highest in-work poverty rate than all household types. Also like the UK, single parents are more likely to be single mothers.

Overall, poverty is higher among black and minority ethnic people, particularly black and Asian groups. This is partly linked to lower employment levels among some of those groups. However, in-work poverty is also higher among black and ethnic minorities due to them being concentrated in low-paid sectors and lower-paid roles<sup>i</sup>.

Ethnicity is also strongly linked to employment and pay. Black (56%) and Asian (62%) populations have lower employment rates than the White population (74%)<sup>ii</sup>. The White Other group, which include those born in Europe, have the highest employment rates in Wales, at 80%<sup>iii</sup>. The non-British White group are also more likely to be working in industrial sites, hospitality, social care, and food packaging plants<sup>iv</sup>, which historically have lower wages. These labour market inequities are shown in higher overall poverty rates, but also higher in-work poverty rates for black and ethnic minority workers.

### Single parents have highest in-work poverty rates



Source: JRF analysis of Households Below Average Income and Family Resources Survey.

For low-income families, one factor in being unable to escape in-work poverty and/or under-employment is the need to balance paid work with caring for children, and the ability to find childcare to match hours worked. Parents should be able to rely on affordable childcare options, that match their hours, but unfortunately this is not true for all families. According to the Family and Childcare Trust, in Wales, the average price for a part-time childcare place for a child aged under two at a nursery is £116.87, compared to a childminder which costs £111.85<sup>v</sup>. Although this is lower than England (£134.65), with a small increase from 2019, this is still more than many families on a low income can afford.

After children enter school, the average cost of childcare decreases, but can still be a hefty bill for working families. The weekly price of an after-school club for 5 to 11-year-olds is £61.16, for childminders it is £70.02. For some families in poverty, they will need to make a choice about working hours and childcare due to affordability. According to the National Survey for Wales, while 58% of all families use childcare, most parents use free childcare options, either from family or friends. For children aged nought to four, only 38% of families use formal childcare. Not only is the cost of childcare a barrier for workers, but the availability of childcare for the hours/shifts needed is a challenge.

Welsh local authorities report whether they have enough childcare in their area for all types of families. Forty-three percent of the local authorities report that there is not enough childcare available for parents who work atypical hours. Furthermore, availability of childcare in Wales has reduced since 2019, especially for those eligible

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for the Flying Start<sup>vi</sup> programme. The Flying Start programme is extremely limited, and at most covers three hours a day. Sufficiency for children entitled to the Flying Start programme has continued to decline in all areas from 59% of local authorities in 2019, to 29% in 2020<sup>vii</sup>. In the 2019 report, the Coram Family and Childcare Trust noted that available childcare in the Flying Start programme had declined that year from 65% in 2018<sup>viii</sup>. However, this trend is not only seen in the Flying Start programme. Availability of childcare for parents of children of under two-, three- and four-years old with universal entitlement, and disable children, has declined in most areas in the last year. For working families, availability of childcare that matches working hours/shifts is a distinct barrier for escaping in-work poverty<sup>ix</sup>.

The Welsh Government has a system that offers funding for 30 free hours of childcare for three- to four-year-olds. To qualify, a parent must work an average of 16 hours a week at minimum wage. Many families in poverty who are in work but for fewer hours than this find themselves locked out of receiving the free childcare, which can prevent them building up experience and skills to gain further work. Coverage of the 30 free hours entitlement across all local areas has declined over the last year, with only 23% of local authorities reporting enough childcare for children entitled to the 30 free hours compared to 33% in 2019. For low-income families, childcare availability is a distinct barrier to escaping in-work poverty.

### **Coronavirus impact**

After a lockdown was announced all non-essential shops and other public places were closed. This restriction led to significant falls in economic activity, and many people were ordered to stay at home. The UK Government introduced policies, including the Job Retention Scheme (JRS) to support jobs. The JRS helped protect jobs at the start of the crisis, including those in Wales.

As of August 2020, 31% of eligible jobs in Wales were furloughed, with 35% of jobs furloughed in Conwy and 36% in Gwynedd. This is closely related to the industries that were most likely to be fully shut down due to the nature of the lockdown, with 77% of Arts, Entertainment, Recreation, and Other services being furloughed, and 78% of Accommodation and Food services being furloughed. This contrasts with Finance and Insurance and Education which both had 7% of jobs furloughed in Wales.

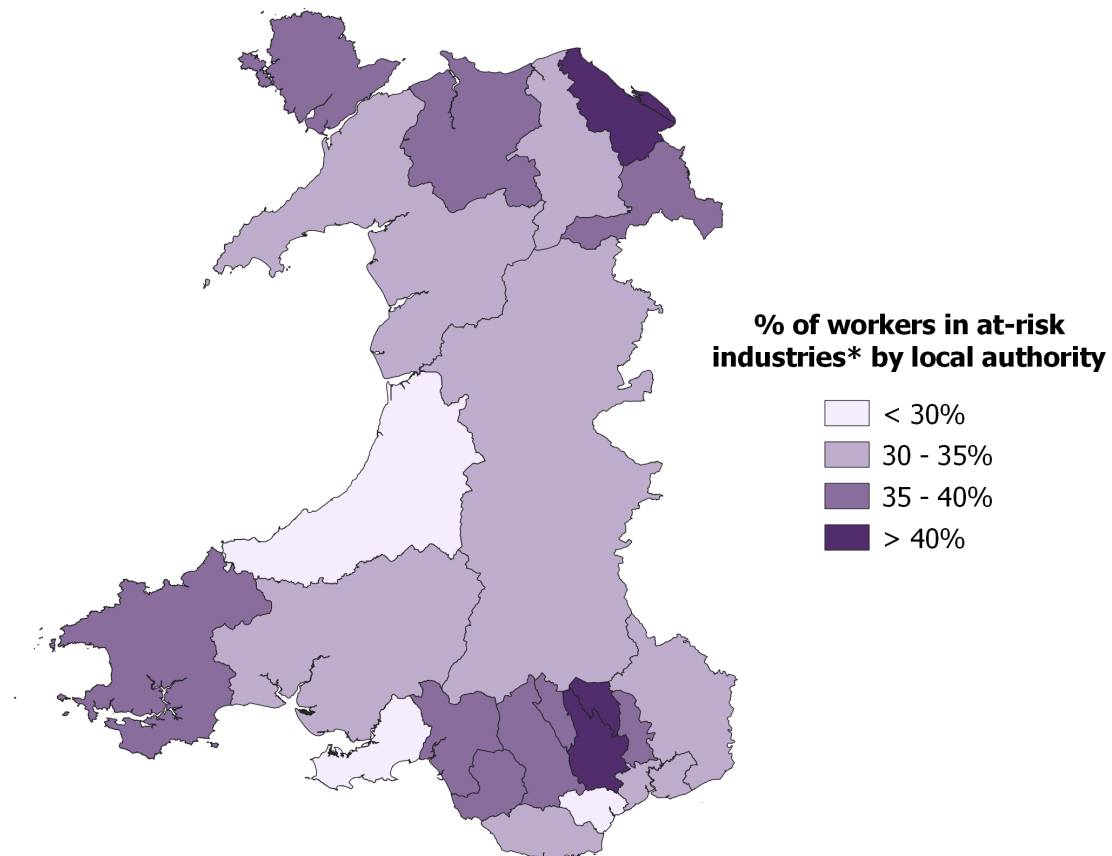
It is important that new jobs are created so that those who are made redundant have the chance to move back into work quickly. The best measure of whether there are enough jobs for those made redundant to move into is the number of unemployed people claiming benefits compared to the number of vacant jobs available. Analysis shows that some areas of Wales have very high numbers of unemployed claimants per vacancy: Rhondda Cynon Taf (37 claimants per vacancy) and Merthyr Tydfil (35 claimants per vacancy) are the areas with greater than 30 unemployed claimants per vacancy.

Some local areas face a much higher risk of many people losing their jobs than others, due to the types of work that in that area. JRF has constructed a Pre-Vaccine Job Risk Index to estimate the impact the pandemic may have on jobs. From this, research has calculated that sectors where it is easy to work in a socially distant manner are least

impacted, such as Construction and Manufacturing. Other sectors, such as Accommodation, Food, and Beverage and Retail Trade sectors have a high risk of job losses. Some local authorities in Wales have a much higher proportion of workers in these at-risk industries than others.

Again, Merthyr Tydfil and Rhondda Cynon Taf are higher risk, but so are Caerphilly, Blaenau Gwent, and Flintshire with over 40% of jobs in the at-risk industries. Furthermore, the less someone earns, the more likely they are to be working in a job that is at high risk. Accommodation, Food and Beverage and Retail Trade have higher in-work poverty rates than other sectors and are highly impacted by social distancing; it is low-income workers who are most likely to face the negative consequences of this.

### The percentages of workers in at-risk industries varies greatly by local authority



At risk industries have been defined as those with the highest proportion of jobs at risk before a vaccine is found<sup>x</sup>. These are Accommodation and food, Retail trade, and Personal services sector (such as hairdressers). Source: Business Register and Employment Survey 2018, OS data © Crown copyright 2020.

## Social Security and poverty in Wales

In Wales, some 700,000 people were locked in poverty pre-coronavirus, a level that has persisted over recent years. Alongside this, poverty amongst children in particular has remained problematic. Whilst it has fallen in recent years, the level remains unacceptably high, with three in ten living in poverty – around 180,000 children.



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One of the roles of the social security system is to provide a lifeline to support those who are struggling financially. In Wales, over two in ten of working-age adults are in receipt of income-related benefits. Despite this lifeline, poverty rates amongst those in receipt of income-related benefits within Wales stands at 45%, thirty percentage points above those not in receipt of income-related benefits. Amongst children who live within a family in receipt of income-related benefits, just under half live in poverty - around 140,000 children. In other words, of the children living in poverty, over seven in ten live in a family in receipt of income-related benefits. Clearly, for many, social security is not providing the financial support needed to prevent them being locked in poverty.

Within Wales, administration of social security is currently reserved to the UK Government. However, some devolved powers are available through a small number of grants and allowances for low-income families, totalling an annual spend of over £400 million, a level on par with the total spend in Wales for Job Seekers Allowance and Universal Credit combined. The largest of these schemes is the Council Tax Reduction Scheme (CTRS), which replaced the Council Tax Benefit scheme on 1 April 2013. Since then, there has been a consistent fall in the number of households in receipt of a reduction to their Council Tax Bill, so that by 2019/20, some 275,000 households received a discount, down from 317,000 households in 2013/14. Whilst the reasons for the fall in claimants are varied, there is anecdotal evidence to suggest that the migration of income-related benefit claimants onto Universal Credit, with its lack of automatic assessment for CTRS eligibility, has resulted in many households dropping out of the CTRS through lack of understanding of how the system works.

The provision of Free School Meals (FSM) also represents a significant policy lever for the Welsh Government, with just under one in five pupils (over 85,000) eligible in 2019/20. A continuing issue is that take-up amongst those who are eligible has historically been relatively low, with just under eight in ten of those eligible (around 65,000) taking a FSM in 2019/20.

The Discretionary Assistance Fund (DAF) provides non-repayable grants in times of crisis to those on low incomes. Originally designed to provide support as a last resort, the DAF is increasingly relied on to provide support on a longer-term basis and has grown notably since its introduction.

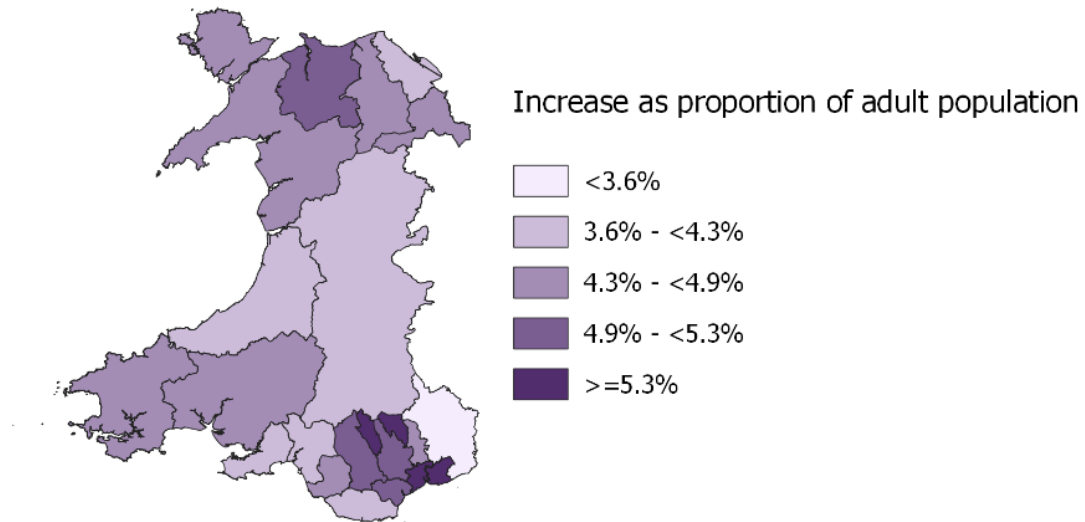
### **Post coronavirus landscape**

The changes made to benefits by the UK Government in response to the coronavirus outbreak (particularly the £20 uplift to core Universal Credit payments and Working Tax Credits), alongside emergency financial measures such as the Coronavirus Job Retention scheme and the Self-Employment Income Support Scheme, were available in Wales, with many taking advantage of the support available as the financial impact of coronavirus started to pull them under.

As a result, the scale and nature of the social security landscape changed within Wales. By May 2020, there was a 63% increase in the number of households in Wales in receipt of Universal Credit from the start of the year. This overall figure hides some significant variations by area, with larger increases often seen in places that already

had relatively high proportions in receipt of Universal Credit before the outbreak. As a proportion of the adult population, the largest increases were seen in Newport and Merthyr Tydfil, local authorities that pre-coronavirus had a relatively high proportion of the adult population in receipt of Universal Credit and, as highlighted in the Work section, saw large proportions of jobs at risk during the outbreak.

### Increase in Universal Credit claims as proportion of population varies by area



Source: Department of Work and Pensions, OS data © Crown copyright 2020.

There have also been some notable changes to family type and the demography of individuals who are claiming. Historically, families with children make up around 43% of all households in receipt of Universal Credit. However, as coronavirus hit, claims amongst those without children increased at a higher rate than amongst those with children. By August 2020, the number of Universal Credit claimants in Wales had almost doubled from the start of the year to an estimated 270,000, around one in ten of the adult population. By the same point, those who were either employed or searching for work made up just under eight in ten claimants, an eight-percentage point increase from the start of the year, as those who had either had their hours reduced or had been furloughed sought to make-up the financial shortfall.

Later this month, the UK Government will decide whether to keep or cut the lifeline of an extra £20 a week in Universal Credit and Working Tax Credit from April 2021 onwards. This temporary uplift has kept many families from going under as they have struggled to get through the coronavirus storm. Those on legacy benefits – Employment and Support Allowance, Income Support and Jobseeker’s Allowance – have already been left behind in this pandemic without this crucial financial support, and they should also be given this lifeline.

In response to the coronavirus outbreak, the Welsh Government made available additional funds to provide a range of support to those who needed it. On 30 August 2020, a further £2.8 million funding was made available to support the increased demand on the CTRS since the start of the coronavirus outbreak, roughly 10% of the

total 2019/20 budget for the scheme. Whilst this was welcome, it is not yet clear what the take-up rate was amongst those who were eligible, particularly with the disconnect between Universal Credit and the CTRS.

Since the start of the outbreak, there has been a significant increase in the number of DAF awards made, with the majority being a result of the impact of coronavirus. Between 18 March and 3 September, over 60,000 COVID-19-related payments were made, with a total value of £4.1 million<sup>xi</sup>. This represents nearly a third of the entire outlay for DAF in 2019/20 and demonstrates the urgent need for support as people found themselves in crisis.

### **There has been a significant increase in the number of Discretionary Assistance Fund awards made since the start of the outbreak**



Source: Statistics Wales.

Welsh local authorities have been supporting an increasing number of pupils who found themselves eligible for FSM as a result of coronavirus, whilst also adapting arrangements for provision during the pandemic. By the end of May, an additional 5,000 pupils had become eligible since the start of lockdown<sup>ix</sup>, and on the 22 April, Wales became the first UK country to guarantee funding for FSM throughout the summer holidays, with an additional £33 million being made available, more than the estimate cost of £29 million for FSM in 2019/20. In October, a further £11 million was made available to provide FSM in all school holidays up to and including Easter 2021. This additional spending both during the pandemic and beyond represents a tangible commitment from the Welsh Government to try and mitigate some of the effects of the financial impact of COVID-19 felt by children.

Further to the additional funding outlined above, food parcels were made available until 16 August to help those who were highly vulnerable to infection and therefore 'shielding'. By the time the scheme ended, over 200,000 weekly deliveries had been attempted, providing much-needed support.

What became apparent during the outbreak was the Welsh Government's willingness to use their devolved powers to mitigate the financial hardship that many were experiencing. What is not yet apparent is whether the scale of the funding made

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available matches the demand for these schemes, both in the immediate aftermath of the outbreak and beyond into recovery. The outbreak has also brought the current shortcomings of these devolved powers into sharp focus. The system is currently disjointed, with potential claimants having to make multiple applications. The support that is available is often insufficient to lift people out of poverty, and complex eligibility criteria can put people off from claiming what they are entitled to. Yet it doesn't have to be this way. There have been calls for the establishment of a Welsh benefits system that is coherent, effective and fair, and which complements the social security system that already exists in the UK. The period as we emerge from the coronavirus pandemic represents a real opportunity to drive this call for change forward, leading to a scheme that more effectively helps people to break free from poverty.

## Housing and poverty in Wales

The housing situation in Wales has historically been characterised by high levels of homeownership, which has helped to keep average housing costs lower in Wales than some other parts of the UK. However, like the rest of the UK, the last two decades have seen the Welsh housing situation begin to shift as more households turn to the private rental sector (PRS) amid growing house prices and lack of available social housing.

The PRS has grown steadily in Wales over the past two decades from 7% of all households in 2001 to 14% in 2019, although the rate of growth of the sector has slowed significantly over the past five years. Meanwhile, homeownership fell from 76% to 70% over the same period as fewer and fewer households were able to enter the housing market. The Welsh PRS remains smaller than in other UK nations and homeownership rates have remained high, but increasing reliance on expensive private rents puts many poorer households at additional risk of poverty, due in part to average earnings falling well below the UK average.

Slow rent growth over the past decade has helped many private renters in Wales avoid being pulled into poverty, as rent increases consistently fell below inflation and households saw a real-terms reduction in housing costs of 2% between 2009-12 and 2016-19. This helped to lower the rate of poverty, from 44% in 2012-15 to 41% in 2016-19, but affordability in the PRS in Wales remains an issue for many households and poverty rates amongst private renters remain higher in Wales than elsewhere in the UK. As of 2016-19, only the North East of England (45%) had a higher proportion of private renters in poverty.

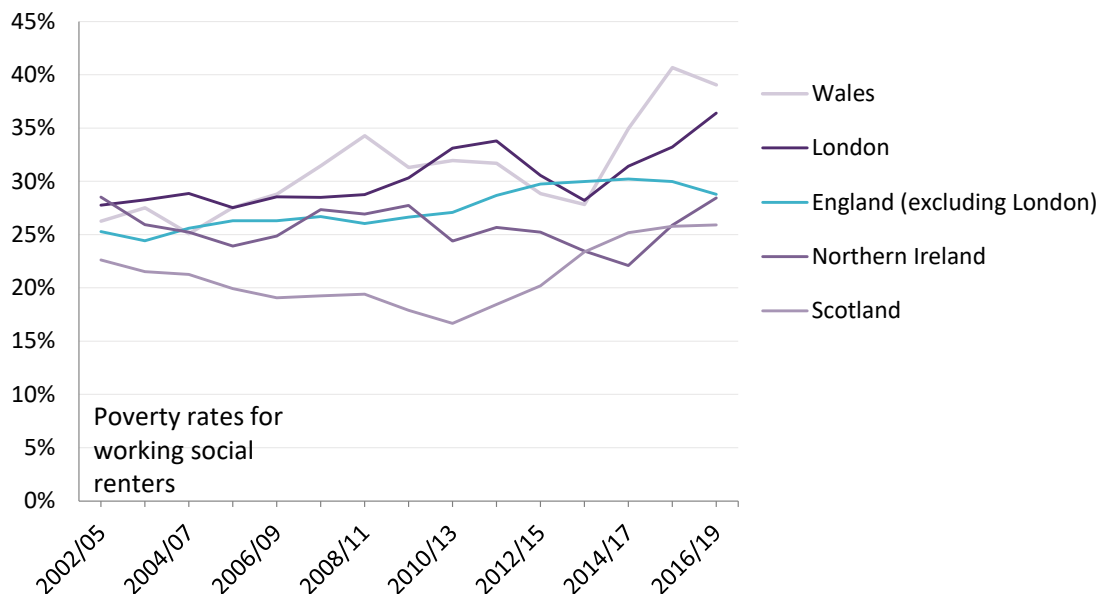
Affordability issues disproportionately impact renters in Cardiff, where private rents are both most expensive and most common. For a worker in the bottom quarter of earnings in Cardiff, the rent on a two-bedroom property in the bottom quarter of market rents in Cardiff cost around 35% of earnings. In Blaenau Gwent, an equivalent property cost around 21% of earnings. While there is no agreed definition of affordability, JRF believe that where lower-income households are spending in excess of 30% of their incomes on rent, they are in danger of having to cut back on essentials, and this puts people at additional risk in the event of an income shock.

The poverty rate in the social rented sector (SRS) in Wales is also much higher than the rest of the UK. In 2016-19, 49% of social renting households were in poverty – only London had a higher proportion of social renters in poverty – and this has risen in recent years. Much of this is down to sluggish income growth over the past five years, with the average social renter’s Before Housing Costs income rising by just 2.6% over the five years (compared to 3.6% in London, 4.9% in Scotland, 4.7% in England excluding London, and 8.5% in Northern Ireland).

While social renters in Wales tend to pay less in rent than social renters in England, they have seen significant rent increases in recent years. Social rents in England have fallen since 2015/16, but the Welsh Government permitted rents to increase by CPI inflation + 1.5% plus an additional £2 per week, and this has resulted in a real-terms increase of 8% in social rents over the past five years. As social rents outstripped incomes, a further 40,000 social renters were pulled into poverty.

For some social renters, the financial impacts of rent increases are balanced out by increases in housing benefit, but for working social renters this is not always the case, and households often need to find the money to meet the additional cost through earnings. This has led to a dramatic increase in in-work poverty for social renters, increasing from 29% in 2012-15 to 39% in 2016-19. This surge in in-work poverty accounts for around 25,000 social renters being pulled into poverty over the past five years. As things stand, this issue will continue to pose a problem in Wales as the Welsh Government has permitted rents to increase above inflation for a further five years.

**Poverty amongst working social renters has risen faster in Wales than elsewhere in the UK as Welsh social rents have increased.**



Source: JRF analysis of Households Below Average Income.

Social rented homes are intended to be a lifeline for those most in need of housing support, so higher poverty rates in that sector would be expected compared to homeowners, in particular. However, the recent sharp rises in poverty in the social rented sector are concerning, as is the rising number of low-income families pushed

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into the private rented sector where rents tend to be higher and conditions often worse. A decent supply of affordable housing and social rents is an important way in which we can reduce the pressure on those struggling most with their housing costs.

This has largely been acknowledged by the Welsh Government, who had previously committed to an additional 20,000 affordable homes being built over their term in government between 2016 and 2021<sup>xi</sup>. To date, they have been able to keep up with this commitment, and the Government is broadly on track to deliver the amount of affordable homes promised by 2021. However, it is important to note that this target includes Help to Buy homes which will be unattainable for many low-income households who cannot afford homeownership. Going into the crisis, an adequate supply of social housing will have helped many low-income families weather the storm, as they would have been able to access affordable and secure housing, as opposed to expensive and insecure private rents. Going forward, it is important that the Welsh Government maintain this level of affordable home building, while also setting more stretching targets for homes that are built specifically for social rent, to provide secure and affordable tenure for low-income families across Wales.

### **The impact of coronavirus**

While high rates of homeownership and low housing costs likely acted as a protective factor for many households in Wales, the precarious situation many private and social renters found themselves in pre-crisis meant that many struggled to meet their living costs once their income dropped. With almost a third of Welsh workers on furlough during the first wave of the coronavirus - and many more facing a loss of hours or redundancy – many families found themselves struggling to keep afloat.

By June 2020, approximately 400,000 adults (16%) in Wales had fallen behind on at least one bill, with 200,000 (8%) falling behind on their rent or mortgage payments. The proportion of adults in arrears was higher in Wales than much of the UK, with only London facing similar levels of arrears. However, families in arrears represent the most severe cases of financial difficulties. Beyond this, many families (particularly renters) were managing to keep up with their bills but found that they were struggling financially.

## The proportion of adults in arrears in Wales is higher than elsewhere in the UK (with the exception of London)



Source: JRF analysis of Understanding Society COVID waves (Wave 2).

By July, only 58% of social renters said that they were keeping up with rent payments without any difficulties. Private renters also faced difficulties, though the early impacts seemed to be less pronounced. Among private renters, 72% said they were able to keep up with rent payments without difficulties. In contrast, 87% of all mortgage holders were able to keep up with their mortgage payments without difficulty, and only 2% of mortgage holders had fallen behind on payments.

To help keep renters afloat during the crisis, the UK Government increased the local housing allowance (the rate of Housing Benefit paid to people in the private rented sector) to the 30th percentile of rents in an area. This change will have provided a much-needed boost for housing benefit claimants in Wales. The latest data on Universal Credit shows that in May 2020, 270,000 households in Wales claimed some form of housing benefit, representing one in five (20%) households in the country. Between February and May, there were an additional 20,000 households claiming housing benefit in Wales – an increase of 9%.

However, this uplift still leaves gaps between rent and income for any family renting a property above the 30th percentile of rents and facing financial hardship. For those living in a median-rent privately rented two-bed property in Gwynedd (within the South Gwynedd Broad Rental Market Area), this difference could equate to a shortfall of £25 per week. In four Local Authorities around Wales, the shortfall is over £15 per week, which could result in families needing to find an additional £390 over a six-month period to meet their housing costs.

The impact of these increases in housing benefit is also often undone by policies such as the benefit cap, which limit these uplifts for those of us most in need. The proportion of housing benefit claimants falling under the benefit cap as of May 2020 is still lower in Wales (2%) than in England (3%), but remains higher than in Scotland (1.2%) and has increased since the start of the crisis with an additional 2,000 households falling under the cap between February and May 2020.



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The biggest proportion of these capped households are in Cardiff where rental prices are highest. As of May 2020, 3.4% of all households claiming housing benefit in Cardiff were capped and faced an average of £58 per week deduction in benefit income. The cap also disproportionately hits single-parent households. As of May 2020, 6.4% of all single-parent households in Cardiff had their benefit income capped by the policy.

To help support families struggling with their housing costs, local authorities in Wales can use Discretionary Housing Payments (DHP) to make up any shortfalls. However, these payments must be applied for separately to the Universal Credit application, and take-up of the payments for those who need it is often low. Research by Park (2019) showed that DHP had a number of availability issues, including lack of awareness of the payment amongst those who may be eligible and significant variability in the application process amongst councils.

Wales also has significantly less in DHP funding than Scotland, where the payment is devolved. In 2019-20, the amount paid out in DHP in Wales (£8.5 million) was only an eighth of the amount paid out in Scotland (£66 million), while the population in Wales is more than half that of Scotland, meaning that per head of funding it is less than a quarter of the amount in Scotland. As a result, Welsh local authorities are in a significantly worse position to plug the gaps in Universal Credit than those in Scotland. The Welsh Government have the option of topping up the amount available for local authorities, but only up to a cap, whereas the Scottish Government have full control of DHP spend. This has allowed the Scottish Government to fully mitigate the impact of some UK policies (for example the bedroom tax) while the Welsh Government are still left unable to fill the gaps. In addition, while many Welsh local authorities make full use of adding extra money to the DHP pot, research by Shelter Cymru has shown that some councils have failed to add additional money, while others have underspent<sup>xii</sup>, leading to money that could have been used to alleviate financial difficulties for struggling households being returned to the UK Government.

The Welsh Government have also made available the Tenancy Saver Loan scheme to work alongside DHP, where renters who fall into arrears are able to borrow from the Welsh Government to pay off arrears and pay the loan back over time. However, while this may save many renters from imminent eviction, it does not relieve the burden of increasing debt for those in arrears. The use of the loan scheme also does not guarantee a tenant will not be evicted, as landlords are still able to begin the eviction process through a section 21 after the loan is received. As a result, poverty, severe debt and eviction may be merely postponed through the scheme.

As the furlough scheme ends and unemployment rises, the strain on households is likely to increase. The gaps in the benefit system will become increasingly apparent for those struggling financially and arrears in housing payments may begin to build. To protect renters from immediate eviction, notice periods have been extended to six months, and the Welsh Government have agreed this will remain in place until 31 March 2021. This is an important step in providing some security to renters, but given the current levels of rent arrears in Wales, evictions may begin to mount in the near future.



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So far, the Welsh Government have made important strides in homelessness prevention and their action on housing rough sleepers has been especially positive. In August, it was confirmed that an additional £40 million has been made available for local authorities to work on long-term solutions for homelessness with the aim of ensuring that everybody who was provided with emergency accommodation during the pandemic has a route to permanent housing<sup>xiii</sup>. The ambition of the Government here is highly commendable, but it is also extremely important that the situation of those struggling with their housing costs over the coming months is monitored closely, so that they can take action where needed to keep renters in their homes and avoid a wave of new homelessness before it occurs.

In addition to the struggles of social and private renters, mortgage holders who lose work may see the financial pressures building in the coming months. As of July 2020, 11% of mortgage holders in Wales were on a mortgage holiday with their lender. When the deadline for applying to these holidays ends on 31 October, some households may struggle to find the money to pay these costs, and risk falling into arrears and facing repossession in the near future.

## Conclusion

This report has shown that even before coronavirus almost a quarter of people in Wales were in poverty, living precarious and insecure lives. In many instances, coronavirus will have swept them deeper into poverty, as well as dragging others under, many of whom will not have experienced this situation before.

Both the Welsh and UK Governments have responded with some bold and compassionate actions, but too many of these are temporary. What is clear is that much depends on decisions at Westminster: in a world where both the furlough schemes and temporary benefit increases are withdrawn, poverty will be higher. But there is much the Welsh Government can do in supporting areas and people hardest hit by poverty or coronavirus, as well as galvanising actions from employers, housing providers and local public services. By doing so, we can build on how we have responded as a society to meet the challenges of coronavirus. It is now right and necessary to do the same to make sure poverty starts to fall, and that those of us on low incomes, who are worst affected by the economic storm of coronavirus, see their lives improve by being given a lifeline.

In terms of UK Government action, at a time when we need certainty and stability, in the face of a wave of unemployment, restrictions and hardship, keeping the £20 uplift to Universal Credit and Working Tax Credits and extending it to families on legacy benefits is critical. Keeping the lifeline will keep many families afloat; cutting it will cut many families adrift. The UK Government should carry on showing compassion and taking bold action to strengthen social security and support our society.

Specific actions that we advise the Welsh Government to take to help address issues around work, social security and housing are:

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- Develop a new childcare offer based on seamless provision for children of all ages. We propose this new childcare offer should comprise of: a core of free, part time childcare and early years education for pre-school children, irrespective of the work status of parents (with additional hours available on a sliding scale of fees); look at options to increase provision of affordable before-school, after-school and holiday childcare for children from school age to 14, such as those proposed by the Bevan Foundation<sup>xiv</sup>.
  - Focus its economic strategies on job creation and retention in the areas of Wales with the weakest local economies and those which are being hardest hit by the pandemic, including the south Wales valleys and rural Wales.
  - Actively consider the merits of the Bevan Foundation's proposals<sup>xv</sup> to improve and bring together the existing devolved grants and allowances into a coherent and effective 'Welsh Benefits System'. This could mostly be established within the powers already devolved to the Welsh Parliament and would complement the UK social security system. It would offer cash or in-kind services that reach the people who need them, are easy to access, are efficiently and consistently administered and, crucially, improve people's lives by helping them escape the grip of poverty.
  - Build 20,000 homes available for social rent over the course over its five-year term.
  - Ensure that social rents are affordable by ensuring that rents do not outpace wages or benefits.

**Annex A: Rates of poverty and composition of those in poverty and in Wales overall, 2016/17 to 2018/19**

Group	Poverty rate (Percent of group in poverty)	Poverty composition (Percent of people in poverty in group)	Population composition (Percent of all people in group)
Children	28.5	25.5	20.4
Working age	22.2	57.4	58.9
Pensioners	18.9	17.1	20.7
IN FAMILY TYPE			
Workless	58.3	26.7	10.5
Just part-time work	26.6	11.0	9.4
Someone in full-time work	15.7	41.4	59.9
Workless over 60 / Retired	23.4	20.8	20.3
Lone parents	42.8	13.1	7.0
Single without children	28.0	20.9	17.1
Couple with children	22.9	34.1	33.9
Couple without children	15.1	13.0	19.6
Single pensioner	22.2	7.6	7.8
Pensioner couple	17.7	11.3	14.5
Disability in family	27.2	46.6	39.0
No disability in family	20.0	53.4	61.0
Three or more children	44.0	17.7	8.9
One or two children	21.4	30.1	32.8
No children	20.3	52.3	58.3
IN HOUSEHOLD TYPE			
Social rented	48.8	34.6	16.0
Private rented	41.4	27.2	15.0
Owned with mortgage	10.5	16.5	36.0
Owned outright	15.1	21.7	33.0
ETHNIC GROUP OF HEAD			
Non-white*	24.5	2.3	2.1
White	22.7	97.7	97.9
TOTAL FOR WALES	22.8	100.0	100.0

## Notes

- <sup>i</sup> UK Government (2020) Ethnicity facts and figures. [Online] Available at: <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area><https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area> [Accessed: 9 October 2020].
- Bevan Foundation (2020) Coronavirus and fair work. [Online] Available at: <https://www.bevanfoundation.org/wp-content/uploads/2020/07/Coronavirus-Fair-Work-Final.pdf> [Accessed: 21 October 2020].
- <sup>ii</sup> UK Government (2020) Ethnicity facts and figures. [Online] Available at: <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area><https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area> [Accessed: 9 October 2020].
- <sup>iii</sup> UK Government (2020) Ethnicity facts and figures. [Online] Available at: <https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area><https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment/latest#by-ethnicity-and-area> [Accessed: 9 October 2020].
- <sup>iv</sup> Bevan Foundation (2020) Shared Ground: integrating migrants in Wales. [Online] Available at: <https://www.bevanfoundation.org/wp-content/uploads/2020/04/Shared-Ground-report.pdf> [Accessed: 21 October 2020].
- <sup>v</sup> Coleman, L, Dali-Chaouch, M, Harding, C (2020) Childcare survey (2020). Coram Family and Childcare [Online] Available at: [https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Coram%20Childcare%20Survey%202020\\_240220.pdf](https://www.familyandchildcaretrust.org/sites/default/files/Resource%20Library/Coram%20Childcare%20Survey%202020_240220.pdf) [Accessed: 9 October 2020].
- <sup>vi</sup> Flying Start is a Welsh Government funded programme available in targeted disadvantaged areas to support families of nought to three-year-olds. It provides free part-time childcare for two to three-year-olds. It equates to 2.5 free hours a day for five days a week, during term-time.
- <sup>vii</sup> Wales has only 22 local authorities, so changes in a small number of authorities can have a large effect.
- <sup>viii</sup> Coleman, L and Cottell, J (2019) Childcare survey 2019. Coram Family and Childcare [Online] Available at: <https://www.familyandchildcaretrust.org/childcare-survey-2019> [Accessed: 9 October 2020].
- <sup>ix</sup> Joseph Rowntree Foundation (2020) UK Poverty 2019/20. York [Online] Available at: <https://www.jrf.org.uk/report/uk-poverty-2019-20> [Accessed: 26 October 2020].
- <sup>x</sup> Sandher, J and Innes, D (2020) Storm ready – how to keep us afloat as unemployment hits. Joseph Rowntree Foundation. York [Online] Available at: <https://www.jrf.org.uk/report/storm-ready-how-keep-us-afloat-unemployment-hits> [Accessed: 9 October 2020].
- <sup>ix</sup> Welsh Government (2020) Free School Meals (FSM) in Wales on 20 May 2020. Data Cymru [Online] Available at: <https://www.data.cymru/covid19/free-school-meals.pdf> [Accessed: 9 October 2020]. [Accessed: 26 October 2020].
- <sup>x</sup> The Bevan Foundation (2020) A Welsh Benefits System, how it can help solve poverty. Bevan Foundation [Online] Available at: <https://www.bevanfoundation.org/wp-content/uploads/2020/09/Welsh-Benefits-System-Final-Report-1.pdf> [Accessed: 9 October 2020].
- <sup>xi</sup> Welsh Government (2016) Taking Wales Forward 2016-2021 [Online] Available at: <https://gov.wales/sites/default/files/publications/2017-08/taking-wales-forward.pdf> [Accessed: 26 October 2020].
- <sup>xii</sup> Shelter Cymru (2020) Waste not, Want Not... making the most of discretionary housing payments. Shelter Cymru (2020) [Online] Available at: <https://sheltercymru.org.uk/waste-not-want-not-making-the-most-of-discretionary-housing-payments/> [Accessed: 9 October 2020].
- <sup>xiii</sup> Welsh Government (2020) Press release: Welsh Government unveils package of support to keep people in their homes and end homelessness [Online] Available at: <https://gov.wales/welsh-government-unveils-package-support-keep-people-their-homes-and-end-homelessness> [Accessed: 26 October 2020].
- <sup>xiv</sup> Bevan Foundation (2020) Transforming Wales: how Welsh public services and benefits can reduce poverty and inequality [online] Available at: <https://www.bevanfoundation.org/wp-content/uploads/2020/10/Transforming-Wales-through-public-services-and-benefits-FINAL.pdf> [Accessed: 26 October 2020].
- <sup>xv</sup> Bevan Foundation (2020) A Welsh Benefits System, how it can help solve poverty [Online] Available at: <https://www.bevanfoundation.org/wp-content/uploads/2020/09/Welsh-Benefits-System-Final-Report-1.pdf> [Accessed: 26 October 2020].

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## About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from [www.jrf.org.uk](http://www.jrf.org.uk)

To meet one of our experts to discuss the points raised please contact:  
Peter Matejic: Deputy Director of Evidence and Impact  
0798 921 0233