

Agenda – Equality, Local Government and Communities Committee

Meeting Venue:

Committee Room 2

Meeting date: Wednesday, 5 July 2017

Meeting time: 08.55

For further information contact:

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Committee Clerk

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Pre-meeting (08.55 – 09.05)

1 Introductions, apologies, substitutions and declarations of interest

2 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 1

(09.05 – 10.05)

(Pages 1 – 58)

Kirsty Davies-Warner, Head of Oxfam Cymru

Victoria Winckler, Director, Bevan Foundation

Lindsey Kearton, Policy Officer Wales, Citizens Advice Bureau

3 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 2

(10.05 – 11.05)

(Pages 59 – 69)

Professor Karel Williams, Professor of Accounting and Political Economy, Alliance
Manchester Business School, Manchester University

Professor Anne Green, Birmingham Business School, University of Birmingham

Professor Caroline Lloyd, School of Social Sciences, Cardiff University



Break (11.05 – 11.10)

4 Inquiry into poverty in Wales: making the economy work for people on low incomes – evidence session 3

(11.10 – 12.10)

(Pages 70 – 75)

Dr Rod Hick, Lecturer in Social Policy, School of Social Sciences, Cardiff University

5 Paper(s) to note

Letter from the Chair of the Children, Young People and Education Committee to the Cabinet Secretary for Education in relation to Community Focussed Schools

(Pages 76 – 77)

Letter from the Chair to the Cabinet Secretary for Communities and Children in relation to fire safety in high rise blocks in Wales

(Pages 78 – 79)

6 Motion under Standing Order 17.42 (vi) to resolve to exclude the public from the remainder of the meeting

7 Inquiry into poverty in Wales: making the economy work for people on low incomes – consideration of evidence received under items 2, 3 and 4

(12.10 – 12.20)

8 Consideration of forward work programme

(12.20 – 12.30)

(Pages 80 – 93)

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By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

National Assembly for Wales
Equality, Local Government and Communities Committee
Inquiry into Poverty in Wales: Making the economy work for people on low incomes (Strand 3)
Response from Oxfam Cymru

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Oxfam works with partners to overcome poverty in three ways:

1. By developing projects and programmes with people experiencing and living in poverty that improve their lives and show others how things can change
2. By raising public awareness of poverty to advocate and create pressure for change
3. By working with policymakers to tackle the causes of poverty.

For further information about Oxfam's work, please see www.oxfam.org.uk

Oxfam Cymru welcomes the opportunity to provide evidence to the Equality, Local Government and Communities enquiry. Over the last decade we have accrued a vast amount of experience in working with partners to help people raise themselves out of poverty and build sustainable livelihoods. We work at a grass-root level, pan Wales and actively campaign at a National level for real and positive change.

We believe our programming work in Wales provides a unique perspective on this agenda and our response will address areas where Oxfam Cymru can provide authoritative guidance and direction.

1. Introduction

Oxfam believes that economic and employability policies need to move beyond current orthodoxy if they are to deliver an economy that works for all, including those currently on low incomes. We need to move beyond narrow measurements used to determine economic success (notably GDP and GVA) and instead focus on a broader set of measurements.

Women are disproportionately likely to find themselves in positions in lower income and less secure jobs and a specific focus on gender is needed in government policy to respond to the specific factors faced by women in society.

Oxfam Cymru has recently commissioned research looking at the position of women on low incomes in the labour market, which will be publishing in the autumn of 2017. Many of the questions asked in this consultation are pertinent and require further discussion and assessment of evidence in the devolved context. In his speech to the 2017 Welsh Labour Conference, the First Minister announced a new 'Fair Work Commission' for Wales. It is vital that this body tackles many of the key issues raised in this consultation and is responsible for ensuring that, in future years, government report backs on progress.

2. How do we create more inclusive economic growth?

While the United Kingdom remains one of the wealthiest countries of the world, economic inequality remains a real challenge, with one in five people in the UK living in poverty. Closer to one in four in Wales struggle with everyday essentials such as paying bills and putting a hot meal on the table.

Many of the levers to tackle such inequality lie at Westminster and, of course, economic inequality across the UK is starker than the inequality within Wales due to lower levels of extreme wealth here. Nonetheless, the gap between the haves and the have-nots remains stark. Oxfam's call to action¹ on economic inequality includes companies giving staff greater representation on boards and government incentives to employers to encourage them to up skill staff, both of which it would be possible for Welsh Government to take action on.

An inclusive labour market, delivering an economy that works for everyone, would offer people and their communities across Wales the opportunity to participate in rewarding, well paid, secure work that brings both social and economic benefits.

To achieve this, the Welsh Government must first measure success differently. Traditional methods of measuring economic success have a narrow focus, looking at GDP/GVA and employment levels. Measuring only these factors provides an incomplete picture as to how the economy is really working. The Welsh Government should look to monitor the economy more broadly, for example the New Economic Foundation's working on "Five Headline Indicators of National Success"² or Oxfam's Humankind Index, which has been used to measure prosperity in Scotland.³ The Welsh Government has produced a series of indicators to guide the Well-being of Future Generations Act and these need to be considered when looking at the impact of our economy on those with low incomes.

Job creation alone is no longer ample in tackling poverty and the Welsh Government need to move beyond this and look more broadly at the quality of work provided, not to mention the impact poor jobs have on mental health and family life which has consequences will be picked up by wider public sector.

Three decades of high level inequality have had a profound impact, leading many people to believe that they have little stake in society and feel locked out of politics and economic opportunity⁴. The Government needs to support employers and in particular those in low paying sectors where a lot of women are employed, provide flexible employment and progression routes for women which combined for decent work for sustainable economic development. In particular, a focus on gender mainstreaming to improve the situation of women by undertaking gender impact assessments, which will significantly improve labour market outcomes in terms of poverty reduction (and the accompanying increases in social mobility and living standards).

To benefit women in particular, work also needs to enable people to take control of their own lives, not something that everyone experiences. Women in particular require skills, information and confidence to enable them to build a career and benefit to a greater degree from economic growth

than many currently do.⁵ Achieving economic outcomes will require a revolution in support for these groups – away from ‘work first’ towards ‘work in life’ (context); away from services and activities towards building and nurturing communities and networks.

Recommendation: The Welsh Government should move away from orthodox measurements of economic success and instead use a broader range of measures to ascertain how the economy is working for all, utilising the National Indicators created alongside the Well-Being of Future Generations Act.

Recommendation: The Welsh Government should undertake gender impact assessments to ensure economic growth is inclusive.

3. Inequalities, low income, job security & providing ‘Decent Work’

Just under a quarter, 23%, of people in Wales live in poverty⁶ and there remain stubborn barriers that prohibit people from maximising the employment opportunities they encounter. Decent work research from Oxfam Scotland shows that in-work poverty is the result of three overlapping variables: level of hourly pay, the number of hours worked and the value of in-work benefits.⁷

In Wales, low pay continues to be one of the significant factors with nearly a quarter paid less than the living wage⁸ and only 80 businesses accredited as living Wage employers⁹ (currently the Living wage is £8.45 and £9.75 in London¹⁰). In-work poverty is becoming an increasing concern as labour market changes have led to shifting working practices that include an increase in zero-hours contract and work that offers a lack of training routes¹¹ impacting on women and BAME the most.¹²

Rising in-work poverty figures show that work alone is not the route out of poverty it once was, and as a result working tax credits are vital for many on low incomes (which are effectively subsidies from the state to employers paying poverty wages).¹³ Low wages combined with fluctuating levels of work hours, cause budgeting difficulties and impact on tax credit income. The UK Government’s Welfare to Work Reform Act (2016)¹⁴ has further reduced vital social security support for women who have more than two children from April 2017.

Women continue to be overrepresented in low paid, part time insecure and temporary work and will likely be impacted to a greater extent by the new in-work progression requirements of Universal Credit than men, due to care responsibilities that traditionally fall to women to undertake. This issue is heightened across the UK as part-time work is regularly lower paid than full-time work, unlike in other countries.¹⁵

Unpaid care work is not counted or acknowledged as part of the economy and Women's unequal responsibility for this work, means they have less choice about how to spend their time - on work or education. Black, Asian and minority ethnic workers are over a third more likely than white workers to be employed in temporary or zero-hours work, according to the TUC. The study¹⁶ found that one in thirteen BAME employees is in insecure jobs, compared to 1 in 20 white employees. Black workers in particular face insecurity at work, and are more than twice as likely as white workers to be in temporary and zero-hours work.¹⁷

In the latest figures from March 2017 there were 1.5 million people employed in Wales¹⁸ but there still remains a gender pay gap. The median gross average weekly earnings for fulltime work in 2016 showed that men earned £525.00 and women £448.50. That's a difference of £76.50.¹⁹

Women's weekly earnings in the UK are now equal to 2005 levels, but still below what they were in 2010.²⁰ Furthermore, women are disproportionately likely to undertake additional responsibilities beyond the workplace around care.²¹

Employment law and minimum wage levels are not devolved matters. However, in Wales, the Welsh Government can, to some extent, improve and enforce basic employment conditions and create effective employment strategies. For example, the Welsh Government could establish a 'Business Pledge' model, similar to Scotland's approach, where the Pledge is a commitment by accredited companies to adopt fair and progressive business practices, based around various components.

The Welsh Government also has the ability to use public procurement and other financial incentives to deliver positive change in business practices, by working with businesses that deliver decent work for their staff or agree to improve their employment practices in return for public funds. This can all be enhanced through the Welsh Government's Code of Practice for Ethical Employment in Supply Chains.²²

Better labour market data is also essential to understand the extent to which people's needs are being met.

A Living Wage in Wales

The latest statistics highlight that there are 632,000 fulltime, 83,000 in temporary work and 387,000 part time workers in Wales²³ with nearly one in four earning less than the Living Wage.²⁴

In 2016 Oxfam Cymru and other commissioned the Bevan Foundation to carry out research into the Living Wage in Wales and how public policy could increase the proportion of jobs paying the Living Wage.²⁵ The report provides a number of conclusions, including reiterating the importance of Welsh Government procurement, supporting business-to-business recommendations and ensuring the availability of a dedicated resource to drive forward change.

The Welsh Government set out a series of claims within "Taking Wales Forward 2016-2020"²⁶, its Programme for Government, looking at the living wage and poor employment practices. Yet little detail has been forthcoming since the election. We could encourage the Welsh Government to be more open about how it plans to respond to these issues that it highlighted as important to work on.

Recommendation: The Welsh Government should specifically look at women's empowerment to make the economy work for women on low income - such as the Valleys Taskforce, City Regions and the Tidal Lagoon schemes by undertaking a gender analysis and specifically asking women - what kind of economy they want and need.

Recommendation: The Welsh Government should show leadership and actively promote the living wage and higher employment standards by limiting the use of exploitative zero hours contracts.

Decent Work²⁷

What makes Decent Work? A study with low paid workers in Scotland

Across 2015 and 2016 Oxfam Scotland, in partnership with the University of West Scotland, undertook a participatory research study to learn more about what those on low incomes saw as important from work.

The study involved focus groups, street stalls and one-to-one interviews, and polling was also commissioned. Approximately 1500 people were involved in providing information for the study.

The research focused in particular on people with experience in low-wage sectors or with low earnings and intentionally included demographic groups facing additional disadvantages in the workplace, such as disabled people and members of BAME communities.

It identified 26 principles that were ranked by participants deemed to be most or least important to make work 'decent'. The top three headlines were:

1. **Decent hourly rate:** An hourly rate or salary that is enough to cover basic needs such as food, housing and things most people take for granted without getting into debt
2. **Job security** and
3. **Paid leave:** Paid holidays and paid sick leave.

There was strong agreement among the participants that a decent hourly rate involves a wage or salary which not only covers basic needs, but which is also sufficient to participate in society and to save for a rainy day. Job security often meant having a permanent open-ended contract.

The final report in Scotland provided a number of recommendations for government and the private sector in Scotland. Notably, many of the issues raised by those on low incomes were linked to matters already guaranteed in employment law, highlighting a need to enforce such law more effectively.

Currently, a disproportionate number of low paid workers are in sectors that often feature a predominantly female workforce, such as social care, retail and hospitality. These sectors often undervalue work.

To take social care as an example, Wales has a large aging population and employment growth in social care is projected to be significant in the coming years.²⁸ The sector predominantly employs a large number of women in part time roles covering nursing care, residential care for adults and children and young people and people with disabilities, child day care and non-residential social care. Research undertaken by Public Policy Institute for Wales (PPIW) on 'what works' in harnessing growth sectors for poverty reduction, recognises that these sectors generate new opportunities for those who are out of work. However, while there is policy support to grow these sectors, there is little provided for the quality of work within them or the need to develop the skills of those working within the sector.

Whilst 'work' is a matter reserved for the UK Government, 'skills' is an area of policy that is devolved to Wales. The benefits of improving the standards of employment are not only a reduction in poverty, but could also lead to a reduced burden in other devolved areas, for example health. There is clear evidence that shows employers who invest in their workforce benefit significantly through fewer sick days, for example – added to the benefits of reduced staff turnover and increased productivity.²⁹

Therefore, developing sector strategies with low-paid industries to boost their productivity, Joseph Rowntree Foundation suggest including supporting innovation, enhancing management skills and encouraging businesses to add more value to their goods and services. This is the only sustainable way to increase pay in the long term.³⁰

Recommendation: The power of Welsh Government public spending and procurement would ensure leverage where contracts are issued to businesses and organisations that they actively stipulate basic employment practices by enforcing the requirement of the living wage and contracted hours of work for their employees ensuring security at work.

4. Interaction with the UK Government's Work and Health Scheme

In February of 2017, Oxfam Cymru advocated the embedding of a Sustainable Livelihoods Approach to the UK Government as part of the evidence submitted to the Department for Work and Pensions' consultation on the *Work, health and disability green paper: improving lives*.

Our key messages in response to that report highlighted that:

- Embedding a 'Sustainable Livelihoods Approach'³¹ can help people manage and improve their lives, ultimately help to lift them out of poverty for good.
- Training DWP staff in the Sustainable Livelihoods Approach would help to ensure the service fully understands the lived experiences of its users, and therefore be better placed to provide the tailored support needed – reducing the need for sanctions and enhancing people's ability to find and stay in work.
- To ensure people starting new jobs can not only stay in them, but thrive in them, the quality of work on offer must be considered.

The evidence stemming from Oxfam Cymru's programme work shows that that key to supporting people back into work, and helping them sustain that employment, is taking a holistic approach – not only to the individual, but to their family and wider situation. An individual starting a new job may have knock-on implications for other family members, for example, tax credits may be affected, and those who require care may need their situation reconsidered, and so on. It is often the case that an individual may face multiple barriers to employment – not only their own health and wellbeing, but that of their dependents. Key for many individuals is building confidence and self-esteem, in parallel to any skills development or training they may need. If an individual has been out of employment for many years, starting employment may be a huge cultural shift for them.

Recommendation: Embedding a 'Sustainable Livelihoods Approach' can help people manage and improve their lives to lift them out of poverty for good. The Welsh Government should ensure its programmes that work closely with the DWP employ an individual and holistic approach, based on the Sustainable Livelihoods Approach, and works closely with the DWP in Wales to ensure the department embeds the approach within its work.

¹Oxfam (2016), How to close Britain's great divide: The business of tackling inequality <http://policy-practice.oxfam.org.uk/publications/how-to-close-great-britains-great-divide-the-business-of-tackling-inequality-620059>

² New Economics Foundation (2015), Five Headline Indicators of National Success, <http://neweconomics.org/2015/10/five-headline-indicators-of-national-success/>

³ Oxfam (2013), Oxfam's Humankind Index, The new measure of Scotland's prosperity, second results <http://policy-practice.oxfam.org.uk/publications/oxfam-humankind-index-the-new-measure-of-scotlands-prosperity-second-results-293743>

⁴ Oxfam (2016), How to Close Great Britain's Great Divide, <http://policy-practice.oxfam.org.uk/publications/how-to-close-great-britains-great-divide-the-business-of-tackling-inequality-620059>

⁵ Mansour J, (2016), Work In Life: How an anti-poverty approach to employment support could be transformational for women <http://policy-practice.oxfam.org.uk/publications/work-in-life-how-an-anti-poverty-approach-to-employment-support-could-be-transf-618636>

⁶ Welsh Government (2017), Welsh Economy in Numbers May 2017 http://gov.wales/statistics-and-research/economic-indicators/poverty_wealth?slideId=0&lang=en

⁷ Oxfam Scotland (2016), Decent Work Scotland's Low Paid Workers: A Job to be Done <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>

⁸ Oxfam Cymru (2013), Even it Up: A Blueprint for Change <http://policy-practice.oxfam.org.uk/publications/even-it-up-a-blueprint-for-change-593008>

⁹ Cynnal Cymru, Living Wage accessed June 2017 <http://www.cynnalcymru.com/living-wage/>

¹⁰ Living Wage Commission, Living Wage, accessed June 2017 <https://www.livingwage.org.uk/>

¹¹ Public Policy Institute for Wales (2016) Supporting Progression in Growth Sectors <http://ppi.wales.gov.uk/files/2016/10/PPIW-Report-ESRC-Evidence-Review-Paper-Progression.pdf>

¹² Joseph Rowntree Foundation (2016), Breaking the links between Poverty and Ethnicity in Wales <https://www.jrf.org.uk/report/breaking-links-between-poverty-and-ethnicity-wales>

¹³ Oxfam (2013) Our Economy <http://policy-practice.oxfam.org.uk/publications/our-economy-towards-a-new-prosperity-294239>

¹⁴ UK Government (2016) Welfare to Work Act (2016) http://www.legislation.gov.uk/ukpga/2016/7/pdfs/ukpga_20160007_en.pdf

¹⁵ Resolution Foundation (2016), Low Pay Britain 2016, Resolution Foundation (2016) <http://www.resolutionfoundation.org/app/uploads/2016/10/Low-Pay-Britain-2016.pdf>

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- ¹⁷ TUC (2017) Insecure Work and Ethnicity https://www.tuc.org.uk/sites/default/files/Insecure%20work%20and%20ethnicity_0.pdf
- ¹⁸ ONS (2017) Statistical Bulletin May 2017 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2017>
- ¹⁹ ONS (2016) Gender Pay Differences in Wales <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Earnings/genderpaydifferenceinwales-by-year>
- ²⁰ JRF (2016), Monitoring Poverty and Social Exclusion (MPSE) <https://www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-2016>
- ²¹ Oxfam Scotland (2016), Decent Work for Scotland's Low Paid workers: A Job to be done <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
- ²² Welsh Government (2016), WG Code of Practice, Ethical Employment in Supply Chains <http://gov.wales/docs/dpsp/publications/valuwales/170309-ethical-en.pdf>
- ²³ ONS (2016), Regional Labour Market Wales Jan 16 – Dec. 16) <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/headlinelabourforcesurveyindicatorsforwaleshi10>
- ²⁴ Oxfam Cymru (2016) Even it Up: A Blueprint for Change <http://policy-practice.oxfam.org.uk/publications/even-it-up-a-blueprint-for-change-593008>
- ²⁵ Bevan Foundation (2016), A Living Wage <https://www.bevanfoundation.org/wp-content/uploads/2016/07/Wales-Living-Wage-report-Low-Res.pdf>
- ²⁶ Welsh Government (2016) Taking Wales Forward 2016-2020 <http://gov.wales/docs/strategies/160920-taking-wales-forward-en.pdf>
- ²⁷ Oxfam Scotland (2016) Decent Work for Scotland's Low Paid Workers: A job to be done <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
- ²⁸ Public Policy Institute for Wales (2016) Supporting Progression in Growth Sectors <http://ppi.wales.org.uk/files/2016/10/PPIW-Report-ESRC-Evidence-Review-Paper-Progression.pdf>
- ²⁹ Oxfam Scotland (2016) Decent Work for Scotland's Low Paid Workers: A Job to be done <http://policy-practice.oxfam.org.uk/publications/decent-work-for-scotlands-low-paid-workers-a-job-to-be-done-619740>
- ³⁰ JRF (2016) Prosperity without Poverty: A Framework for Wales <https://www.jrf.org.uk/report/prosperity-without-poverty>
- ³¹ Oxfam Cymru (2013), Sustainable Livelihoods Toolkit for Wales <http://policy-practice.oxfam.org.uk/publications/the-sustainable-livelihoods-approach-toolkit-for-wales-297233>

Inquiry into poverty in Wales: making the economy work for people on low incomes

Submission by the Bevan Foundation

1. The Bevan Foundation is an independent, charitable think tank that generates new ideas to make Wales fair, prosperous and sustainable. We have recently completed major projects on:
 - how growth sectors can support a reduction in poverty;¹
 - how to increase take-up of the voluntary Living Wage;²
 - how the economy can benefit all people and places ('inclusive growth').³
2. We welcome the Welsh Government's commitment in its Programme for Government to achieving prosperity for all. With no change in poverty amongst people of working age for more than a decade and forecasts that the position is likely to worsen, ensuring that people at the bottom of the income spectrum benefit will be crucial.
3. To achieve the aim of prosperity for all there needs to be a major shift in the Welsh Government's approach to economic development to ensure that all parts of the economy in all parts of Wales are valued and supported. This will mean addressing all economic sectors, stimulating the least well-off areas, and considering job quality. The Welsh Government also needs a comprehensive, joined-up set of policies to help create an inclusive labour market in order to improve access to employment, encourage progression and enhance the terms and conditions of work. An inclusive economy and an inclusive labour market must run in parallel – there can't be one without the other.

More jobs

4. The fundamental challenge in Wales is the lack of jobs. This not only affects the likelihood of someone being in paid work, it also affects pay. Analysis of UK data suggests that an increase in the total number of jobs in a local labour market is more important in influencing individuals' wage rates than growth in specific sectors,⁴ while research from the US has shown that when labour demand picks up strongly, both pay and hours of work improve.⁵ Action to boost employment in the parts of Wales with the weakest labour markets is therefore likely to have as much impact on employment rates and wage levels as action that is focused specifically on employability and pay.
5. Drawing on recent work with the Joseph Rowntree Foundation,⁶ effective ways of increasing employment in disadvantaged areas include:
 - **Area-based economic development initiatives:** such as designating new Enterprise Zones and growth poles at strategic locations.
 - **Excellent local connectivity:** good connections between disadvantaged communities and centres of employment are needed via fast, frequent and affordable public transport.
 - **Using public procurement:** to secure more and better job opportunities for disadvantaged workers, as well as other local benefits.

Better Jobs

6. Job quality should be a critical issue for the Welsh Government, not least because the nature of work exerts an important influence on individual well-being.⁷ Job quality encompasses many aspects of work, but pay is one of the most important.

The voluntary Living Wage

7. Low pay is endemic, with more than one in four workers not earning enough to meet their basic needs i.e. less than the voluntary Living Wage. Low pay occurs in all parts of Wales, affects men as well as women, and is found in all sectors of the economy.⁸ The areas with the highest proportion of the workforce paid below the Living Wage are mostly rural, the group of people most affected is women working part-time, and the sectors with the highest proportion of low-paid workers are accommodation and food services, residential care and wholesale and retail (where more than half the workforce earn below the voluntary Living Wage rate).⁹
8. The voluntary Living Wage offers a potential solution for Wales' low pay problem.¹⁰ The benefits for employers include increased productivity, improved staff recruitment, attendance and retention, and reputational enhancement, with the impact on wage bills and profits being very modest although they vary with the size and sector of the organisation.
9. The benefits for Wales' employees include increased income and reduced dependence on benefits, more time outside work and increased well-being. The extent of the gains depends on employees' working patterns, welfare entitlement and other household arrangements.
10. The benefits to the wider economy are increased tax and national insurance revenues and savings on benefits. Modelling of the impact on total employment suggests that at worst there is a very small risk of very limited job loss and at best some increase in employment. The impact on the headline rate of poverty is likely to be modest, but the benefits over people's life-course can be considerable.
11. The Living Wage has received support from almost all political parties, as well as trade unions and other campaigners throughout Wales. However, Wales has not had the same level of high-profile country-wide campaigning as in Scotland, nor has there been much innovation in terms of incentives for employers to become Living Wage accredited.
12. There has been some welcome recent progress in increasing the number of accredited and non-accredited Living Wage employers with both being at an all-time high. There is much more that could be done: half of Wales' local authorities do not yet pay the Living Wage, no Wales-headquartered employers in the key sectors of accommodation or retail have committed to pay it, and some local authorities have no accredited Living Wage employers headquartered in their areas.
13. A step-up in action is needed if there is to be significant change in the number of Living Wage employers and employees in Wales. We have recommended that the aim should be to reduce the proportion of people in Wales earning less than the Living Wage to the UK average (excluding London) within five years – requiring a cut of about 6,000 people a year. This should be achieved by:

- a robust strategy which mixes ‘quick wins’ such as amongst employers who are ‘natural sympathisers’ with sectoral approaches where low pay is widespread;
- using tactics that work – especially employer-to-employer messages and development of a Living Wage ‘movement’;
- local and Wales-wide policy and legislation to encourage employers to pay the Living Wage; and,
- a dedicated resource to champion and support the Living Wage, which brings together Welsh Government, trade unions, employer representatives and other campaigners.

Other aspects of job quality

14. Research by the Joseph Rowntree Foundation on what low-paid employees valued found that after a pay increase their priorities were work-related training; contributions to pensions; flexible working; paid breaks, training and overtime; paid sick leave and help with childcare.¹¹
15. We welcome the Fair Work Commission although more information about its remit and impact would be helpful. We also welcome the Code of Practice on Ethical Employment in the supply chain, but it will need rigorous enforcement and support for employers to have full effect.
16. In addition to strengthening these two initiatives, we are urging the Welsh Government to include a commitment to improving job quality in its forthcoming economic strategy, and to:
 - **Refocus Welsh Government business finance** so that a key criterion for support is job quality, and not business size or sector.
 - **Develop sector strategies** for low paid sectors, including those in the foundational economy, to encourage a shift away from low-pay / low-skill business models.
 - To develop ways of improving the quality of part-time work in particular.

Supporting people to get into work

17. Having someone in a household in paid work more than halves the risk of being in poverty. We welcome the Welsh Government’s intention to produce a comprehensive, all-age plan to boost employability. The evidence from research by JRF¹² and by Green et al¹³ shows that it is vital that the plan:
 - is based on job seekers’ needs not criteria such as age or benefit entitlement;
 - is based on the proven approach of providing a package of pre-employment training, work placement and a guaranteed job interview;
 - enables job advisors to be flexible and responsive to employers’ and job-seekers’ needs;
 - offers specialist support and an Intermediate Labour Market programme for those furthest from the labour market;
 - includes personalised careers information, advice and guidance for adults.
18. The focus on job entry is not enough on its own to reduce poverty. Working does not eradicate the risk of poverty, and so a focus on job retention and progression is a vital complement to employability. We have therefore recommended that the employability strategy includes support for progression as well as job entry.
19. Support for progression will need to take into account progression within sectors as well as progression across sectors. Within sectors, the likelihood of moving out of low pay varies: in accommodation and

food, 17.4% of employees left low pay in a year compared with 59.0% in finance and insurance services. Here, the evidence shows that creating clear progression pathways, with adequate support and communication with employees, can help. We have recommended that a pilot progression programme be developed in health and social care, both large sectors experiencing recruitment difficulties in higher-paid roles.

20. Many employees progress in work by moving between sectors. For them, access to tailored, personalised information, advice and guidance, coupled with general investment in workforce development and skills are key.
21. In terms of delivery, the evidence clearly shows that an employability plan should be comprehensive, bringing together all forms of provision (including the Work and Health Programme). It should also involve employers in the design and delivery of provision, and, crucially, it should be developed and delivered at local level to reflect different labour market conditions across Wales and have effective reach into the community.

The role of welfare benefits for people on low incomes

22. The social security system plays a key role in topping up the incomes of people in work and on low pay, as well as those who are unable to work for whatever reason.
23. For people in work, earnings-related benefits play a vital role in topping up household incomes. Working and Child Tax credits are claimed by 161,000 people who are in work while Housing Benefit is claimed by approximately 72,000 working households. In addition universal benefits such as child benefit and non-means tested benefits such as Personal Independence Payment are important to low income working individuals and families.
24. Social security benefits are the main source of income where people are not working. As at November 2016, 11.3% of the population of working age claimed an out-of-work benefit (216,000 people).
25. The Joseph Rowntree Foundation has made comprehensive recommendations to reform the benefits system, including increasing the work allowance whenever income taxes are cut, returning the work allowances to their levels in the original design of Universal Credit and allowing second earners in a household to keep more of their earnings; and increasing Job Seeker's Allowance to reduce the risk of destitution.¹⁴
26. The transition to Universal Credit brings additional challenges, because 'conditionality' will be applied to in-work claimants, who will be expected to seek additional hours and higher earnings. This will depend in part on jobs being available and employers being open to requests for extra hours or changes in job design.
27. While the bulk of the social security system is not devolved, there are important elements of the welfare system which the Welsh Government does control and which is mostly overlooked. This includes:
 - help with council tax
 - Discretionary Housing Payments

- Discretionary Assistance Fund.

28. In addition, the Welsh Government's decisions on issues such as social rents, charges for health care (prescriptions, dental and optical care), school meals and the availability of childcare affect the eligibility of households to claim help with costs.
29. We have previously recommended that the Welsh Government should seek the immediate devolution of Housing Benefit¹⁵ and help with childcare costs,¹⁶ and it should also ensure that the devolved elements of the social security system provide a coherent package of support for those on low incomes.

¹ Economic and Social Research Council project 'Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression' Grant reference ES/M007111/1. See <https://www.bevanfoundation.org/current-projects/will-take-pay-living-wage-wales/>

² See **What will it take to pay the Living Wage in Wales?** <https://www.bevanfoundation.org/current-projects/will-take-pay-living-wage-wales/>

³ See **Towards a Wales without poverty** at <https://www.bevanfoundation.org/current-projects/towards-wales-without-poverty/>

⁴ Green, A., Sissons, P. and Lee, N. (2017a) **Growth Sectors: Data Analysis on Employment Change, Wages and Poverty**. Cardiff: Public Policy Institute for Wales

⁵ New Policy Institute (2013) **Monitoring poverty and social exclusion in Wales**, Joseph Rowntree Foundation <https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/poverty-exclusion-wales-summary.pdf>

⁶ Bevan Foundation and Joseph Rowntree Foundation (2016) **Prosperity without Poverty**, <https://www.bevanfoundation.org/publications/prosperity-without-poverty-framework-action-wales/>

⁷ Green, A. et al (forthcoming) **Harnessing growth sectors for poverty reduction: the role of policy**. Public Policy Institute Wales.

⁸ Bevan Foundation (2016) **Fair Pay: a Living Wage for Wales** <https://www.bevanfoundation.org/publications/fair-pay-living-wage-wales/>

⁹ Green, A. et al (2017) **Growth Sectors: Data Analysis on Employment Change, Wages and Poverty**, <http://ppi.w.org.uk/files/2017/02/Growth-Sectors.-Data-Analysis-on-Employment-Change-Wages-and-Poverty.pdf>

¹⁰ Bevan Foundation (2016) **Fair Pay: a Living Wage for Wales** <https://www.bevanfoundation.org/publications/fair-pay-living-wage-wales/>

¹¹ Joseph Rowntree Foundation (2016) **UK Poverty: causes, costs and solutions** <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions> p. 151

¹² Op. cit.

¹³ Green, A. et al (2017) **Employment Entry in Growth Sectors**, <http://ppi.w.org.uk/files/2017/04/ESRC-Evidence-Review-Paper-Employment-Entry.pdf>

¹⁴ Joseph Rowntree Foundation (2016) **UK Poverty: causes, costs and solutions** <https://www.jrf.org.uk/report/uk-poverty-causes-costs-and-solutions>

¹⁵ Bevan Foundation (2016) **Making Welfare Work for Wales**, <https://www.bevanfoundation.org/publications/making-welfare-wales-benefits-people-working-age-devolved/>

¹⁶ Bevan Foundation and Joseph Rowntree Foundation (2016) **Prosperity without Poverty**, <https://www.bevanfoundation.org/publications/prosperity-without-poverty-framework-action-wales/>



Response to the Equalities, Local Government and Communities Committee Poverty Inquiries Making the economy work for people on low incomes (June 2017)

Introduction

- 1.1 Citizens Advice Cymru welcomes the opportunity to provide written evidence to the Equalities, Local Government and Communities Committee to help inform its latest poverty inquiry looking at 'Making the economy work for people on low incomes'.

We would also welcome the opportunity to discuss any of the areas raised in this paper with the Committee.

- 1.2 Citizens Advice is an independent charity, founded in 1939, covering England and Wales. In Wales we have a network of 19 local Citizen Advice, all individual charities, staffed by nearly 800 dedicated volunteers and staff.

We remove the barriers to advice by going to places where people need us most, delivering advice from over 375 community locations in Wales, as well as offering services over the phone and online.

- 1.3 During 2016 to 2017 local Citizens Advice in Wales helped **over 114,000 people** with **more than 436,000 problems**, the biggest issues being benefits and tax credits (42% of all problems) and debt (30% of all problems). Other common advice areas included financial services and capability; employment and Housing.

Nearly half of all clients we helped in 2016 to 2017 (49%) are disabled or have a long term health condition (compared to the population average of 23%). Internal analysis has also found that **around two-thirds of our clients in Wales are living below the poverty line.**

1.4 Citizens Advice contributes to the vitality of local economies by:

- training **2,800 new volunteer advisers** each year across England and Wales, plus many hundreds more volunteers to take on a variety of other roles. Every year, **30% of the volunteers that leave us do so for employment, further education or other training opportunities**
- tackling the barriers to paid work such as homelessness, unmanaged debt and relationship problems through our advice work. This is based on individual need rather than a one-size-fits-all approach, providing people with the different and appropriate types of support they need at various times in their life
- providing unrivalled insight into local economies gained through the evidence we gather from our advice work, which helps us to build an understanding of the barriers to work, as well as the difficulties many people face when unemployed or struggling to survive on a low income.

Welsh Government's economic strategy and employability plan

2.1 In this section of our response we focus specifically on the following aspects of the terms of reference: interaction with the UK Government's Work and Health Programme and addressing economic inequalities between different groups of people.

2.2 Being in regular, fairly paid employment is a critical factor to increasing prosperity and reducing poverty. However, in spite of the UK economy showing some signs of improvement, unemployment levels in Wales remain the second highest in the UK¹. Some areas have failed to recover from deindustrialisation and the nature of employment that has largely replaced heavy industry, or is prevalent in most rural areas, is such that many of those in work are still struggling financially.

2.3 Recent research by the Joseph Rowntree Foundation (JRF)² shows that the majority of those on low incomes in Wales now live in working households. A number of factors are contributing to this rise in in-work poverty:

- an increase in part-working families (i.e. part-time workers/self-employed) who now make up a bigger share of the labour market than 10 years ago
- irregular/seasonal work
- zero hours contracts

¹ ONS Regional Labour Market Statistics (April 2017)

² 'Prosperity without poverty', JRF (November 2016)

- lower than average pay - average gross weekly earnings for adults working full-time in Wales are the second lowest amongst the 12 UK nations and English regions - £492.4 compared to the UK average of £538.7³.

2.4 There are also some groups of people for whom finding a fairly paid job and/or remaining or progressing in work is more difficult. This includes those with protected characteristics.

Women are more likely than men to be low paid (and more likely to be earning below the living wage⁴). This is both a reflection of the sectors they generally work in (public administration, education and health) and the fact that almost three-quarters of all part-time workers in Wales (73%) are women⁵.

Working age disabled people or those living with long term health conditions are also much less likely to be in work than non-disabled people or those without health conditions.

2.5 Our recent briefing on [‘Work and health in Wales’](#) highlights some of the many challenges the latter group face when looking for and trying to stay in work:

- Wales has a **health and disability employment gap of 36%** - the UK equivalent is 32%
- **69,000** working age disabled people or those with health conditions don’t have a job but want to work
- the size of the health and disability employment gap can be dependent on where people live and is also larger for those with no or few qualifications and for those with particular conditions, such as mental health problems or multiple impairments
- disabled people in Wales are almost **3 times more likely to leave their job** than non-disabled people in any given year.

2.6 Many disabled people who leave their job are no longer able to work and therefore become economically inactive out of necessity, but a significant proportion (30%) move into unemployment and are still actively seeking work⁶. This suggests that policy changes and improvements to employer behaviour are both needed to better support disabled employees who want to find a job or stay in work.

³ Welsh Government Statistics, ‘Annual survey of hours and earnings’ (October 2016)

⁴ ‘Annual survey of hours and earnings’, ONS (November 2016)

⁵ ‘Regional labour market: headline indicators for Wales’, ONS (May 2017)

⁶ Citizens Advice analysis of the Labour Force Survey, England and Wales from 2013-2015

In our [response](#) to the recent UK Government work, health and disability green paper 'Improving Lives', Citizens Advice has highlighted:

- the importance of having a **reliable and responsive benefit system** to ensure working age disabled people and those with health conditions have access to a secure income, and are able to focus on their health and employment (also see section 4)
- the need to **expand and promote existing UK Government schemes** like Access to Work and Fit for Work. This in-work support is welcome but is currently not well linked up to other provision and both awareness and take up are low. Citizens Advice research with employers⁷ shows that only a third of respondents (33%) know a 'great deal or a fair amount' about Access to Work. More people should be referred into these schemes through their employers, healthcare providers and disability benefit claims
- the need for a **more nuanced approach** which takes account of the demographic and circumstantial barriers that disabled people face (such as living in an area with low employment rates or having fewer qualifications), as well as the diversity of impairments and health conditions.

2.7 We believe specific actions in Wales should include the Welsh Government working with the DWP to improve referral pathways between employers and healthcare providers in Wales to in-work support schemes available at a GB level, such as Access to Work and Fit for Work.

2.8 Working age disabled people and those with health conditions who are able to work have already been identified as a priority group within the Welsh Government employability plan, which is very welcome. To a large extent the 'nuanced approach' referred to above is already being taken forward under the Welsh Government's Communities for Work (CfW) programme - those with work limiting health conditions have also been identified as one of the target groups. Citizens Advice fully supports the aims of CfW. In particular the ambition to help those furthest away from the labour market to progress into **sustainable** employment, and recognition that to be most effective the support provided needs to be **personalised**, based on **individual needs** and **delivered at the local level** - all key features of our own advice provision.

We believe this is a good basis on which to build plans to increase employability in Wales. We do however recognise that this programme is currently undergoing an evaluation and any subsequent findings will also need to be considered as the programme progresses.

⁷ ComRes, Polling of employers, HR managers and line managers, Sample 1108, October 2016

The foundations of CfW also rely heavily on existing partnerships and structures built around the delivery of Communities First⁸. As referred to in our response to the Committee's previous poverty inquiry (Communities First: lessons learnt), as Communities First is phased out care must be taken to avoid any unintended consequences that may impact on the delivery of CfW, particularly in terms of the relationships Lead Delivery Bodies have with key partner organisations, including specialist advice providers.

- 2.9 Citizens Advice also believes there needs to be **a significant cultural shift and improved understanding among employers** and managers about how to support disabled employees. This includes thinking about innovative ways they can redesign jobs, design their sickness policies, redeploy employees and deal with different types of health conditions, particularly mental health and fluctuating or hidden conditions.

As part of their employability plan Welsh Government should work with employers in Wales, both large and small, to develop **more information and guidance** on how to better manage employees with health conditions and design jobs/policies for a **more inclusive workplace**. This should include raising awareness of the Disability Confident scheme. Only around 200 employers in Wales are currently signed up to the scheme⁹. Smaller employers in particular are also less likely to be aware of support that is available through GB-wide schemes such as Access to Work - a key source of financial support when making adjustments for disabled employees.

- 2.10 The Citizens Advice [Solutions for Equality and Growth report](#) highlights the value to both employers and employees of incorporating good equality practices into any business, with a specific focus on small to medium sized enterprises (SMEs). The report sets out a series of practical solutions to help SMEs use this approach to achieve growth and unlock the potential in employees. **We would recommend that these solutions are considered by Welsh Government to help inform their business support programmes.**
- 2.11 Citizens Advice evidence also highlights the important role advice plays in helping to address barriers to employment. For unemployed people seeking our help, the main concerns are around benefits, housing, employment issues and problem debt. Until these problems are solved or lessened in some way, looking for work can often seem an impossible task.

⁸ Evaluation of the Communities for Work Programme: Phase 1, Welsh Government (April 2017)

⁹ DWP Disability Confident - list of employers that have signed up (last updated in March 2017)

Advice intervention also helps to boost the local economy by creating additional income for our clients through securing benefits for which they are entitled, resolving their debts or sorting out a consumer problem. In 2016 to 2017 across Wales this amounted to financial gains of **over £76 million**, and **around £30 million** worth of debts written off or repayments rescheduled. **Case study examples of how local Citizens Advice are supporting improved employability can be found in the Appendix.**

- 2.12 More generally additional barriers to work can include a lack of appropriate skills and qualifications, poor access to public transport and affordable childcare, or managing other caring responsibilities.

Any economic strategy will need to be cross-cutting, and joined up with action, policies and programmes being taken forward by other Welsh Government departments including poverty reduction programmes (eg. Families First, Flying Start), work being taken forward by Public Service Boards to develop local well-being plans, and other work linked to meeting the goals of the Well-being of Future Generations (Wales) Act and Social Services and Well-being (Wales) Act.

Increasing the security of work in Wales

- 3.1 Citizens Advice analysis suggests **270,000 people** in Wales are in some form of insecure work, equivalent to **19% of all working people**¹⁰. The persistence of insecure work leaves many households at continued risk of economic shocks, and unable to plan for the future.
- 3.2 Work and a regular income are vital to our sense of security. A recent Citizens Advice [GB-wide survey](#) revealed that the **security of their income is as important to people as its overall level**. Income security was seen as more important than the job's location, or its opportunities for advancement. The majority of people also said a steady income increases productivity and their loyalty towards employers, and helps them cope with stress.
- 3.3 Our research also found that some groups are more likely to experience job insecurity - both in terms of their income and in employment more widely:
- People in smaller organisations are 29% less likely to have a job that provides a steady income

¹⁰ Analysis of ONS Labour Force Survey Feb-April 2017). 1.4 million people in Wales are in work. We define a worker as insecure if any of the following apply: zero hours contract; temporary contract; agency work; work more than 8 hours paid overtime per week; work variable shift patterns.

- Part-time workers are 22% less likely to be able to predict shift patterns and working hours.

3.4 Further analysis by Citizens Advice examines [how job security can exist in the modern world of work](#). As referred to in section 2, in recent years we have seen rapid change in how we understand the concepts of work and pay. The UK workforce is increasingly diverse and mobile – more people now work for themselves, via agencies and with hours that vary. The main benefit of this change is increased flexibility – for both employer and worker. Growing labour market complexity however also creates risks – particularly for the security of income people value so highly. Limited employment options can mean people have to settle for work which does not offer them the security they need. People in insecure jobs are more likely to earn less money and work longer hours.

At Citizens Advice, we also see **workers and their employers struggling to understand their rights and responsibilities**, many of which were developed in a very different labour market context.

3.5 In Wales, local Citizens Advice helped nearly **11,000 people** with more than **17,000 employment-related problems** during 2016 to 2017. The most common issues being pay and entitlements, dismissal, and terms and conditions of employment. Our data shows that poor treatment by employers and/or discrimination at work can also be more common for some groups of people. Disabled people or those with a health condition are more likely to require support on pay and entitlements or dismissal problems than non-disabled people or those without a health condition. Issues relating to sick leave, sick pay and unfair dismissal are all more common amongst this group. Women are also more likely than men to seek help on terms and conditions of employment, pay and entitlements, dispute resolution, and parental and carers rights.

3.6 Employment issues dominate the advice provided through our Wales-wide Discrimination Advice project¹¹, accounting for around **three-quarters of all cases** seen (983 clients). **A case study example can be found in the Appendix**. Services provided through this project include full casework services (from initial grievance to possible representation at tribunal) and a tribunal fee fund. The latter fund will pay upfront fees to ensure clients have access to justice (subject to a merits test). Fees may then be recovered when cases are settled or resolved and can be recycled.

¹¹ The Discrimination Advice project forms part of our wider Frontline Advice (FLA) Project funded by Welsh Government. It operates out of 2 local Citizens Advice 'specialist advice hubs' - Newport (covering mid & south Wales) and Flintshire (covering North Wales).

For many people, seeking formal redress through the tribunal system has become prohibitively expensive in recent years. Changes to employment tribunal fees introduced in 2013 have led to a **significant reduction** in claims. Claimants can now face charges of up to £1,200 to bring a type B claim to tribunal (such as unfair dismissal and discrimination). Since these fees were introduced the number of employment tribunal claims overall has fallen by 69%, while the number of discrimination claims has fallen by over 80%. This is not only an issue for **enforcing rights**, but also **restricts the development of the case law** through which employment law can adapt to changing contexts. Citizens Advice has also seen a **200% increase** in visits to our employment tribunal web pages since 2013.

3.7 Our research and insight suggests changes in a number of key areas could help ensure an increasingly flexible labour market offers benefits to both employers and workers. We are calling for the [new UK Government](#) to:

- Combine enforcement into one powerful Fair Work Authority that can tackle employers that break the rules
- Require large companies to publish information on how many staff they have on different types of contracts, to encourage employers to provide more secure jobs
- Place a £50 cap on Employment Tribunal fees so that people who are treated unfairly by their employer aren't denied access to justice
- Define self-employment in law to prevent exploitative employers restricting people's rights, including access to the minimum wage, holiday and sick pay, and give a better deal to the self employed by giving them equal parental leave to employees and extending pension auto-enrolment.

3.8 The roles of both the UK and Welsh Governments need to reflect changing labour market conditions. While many of the above issues aren't devolved, Welsh Government should review the levers it does have to shape the labour market in Wales. This could include:

- efforts to attract more highly skilled, fairly paid jobs to Wales, alongside improved support for smaller, locally based businesses
- continuing to adopt procurement policies which place requirements on Welsh public sector suppliers to act more ethically and be more socially responsible
- promoting the new Code of Practice for Ethical Employment in Supply Chains in the Welsh public sector (which is very welcome), and regularly monitoring adherence to the code once it's more established
- actively encourage other businesses and organisations based in Wales to sign up to the above code

- helping all businesses to adapt their practices to attract and support workers in a variety of employment types (eg. making better use of technology in areas such as rota and shift management to offer workers greater control)
- ensuring all employers are better informed and trained on their duties under law and how to support employees appropriately and empathically
- ensuring child care policy serves those on non-standard employment contracts, and
- ensuring appropriate, affordable transport infrastructure is in place to help people access the workplace.

The role of welfare benefits

- 4.1 Dealing with uncertain or insufficient income caused by benefit problems and delays can make it much harder for people to concentrate on work or look for a job, especially when they are also managing a health condition.

Over the last five years benefits-related problems have become the **biggest problem area** on which clients seek help from the Citizens Advice service. In 2016 to 2017 local Citizens Advice in Wales helped almost **55,000 people** with nearly **182,500 benefits problems** (42% of all issues). The most common issues relate to the two main disability benefits, personal independence payment (PIP) and employment and support allowance (ESA).

During 2016 to 2017 we helped over **28,000 people** in Wales with either their PIP or ESA claim - up **24%** on the previous year. This included helping more than **10,200 people** to challenge/appeal a PIP or ESA decision - up **34%** from 2015 to 2016.

- 4.2 One of the biggest ever reforms to the benefits system, Universal Credit (UC), is also due to be rolled out on a much larger scale over the coming months. UC is gradually replacing six in and out of work means-tested benefits. It's estimated that **over 7 million families** (28% of all working families) will receive UC by the end of rollout in 2022. The way this benefit is claimed and paid will mean major adjustments for many of these people.
- 4.3 As one of the largest advice providers in the UK Citizens Advice is uniquely placed to monitor implementation of UC. Since UC 'full service' began to be rolled out in May 2016 we have developed a specific monitoring programme.

During 2016 to 2017 local Citizens Advice across England and Wales helped nearly **29,300 people** (almost 1,500 in Wales), with over **45,800 UC-related problems** (nearly 2,300 in Wales). We are also seeing **quarter by quarter increases in people seeking help** - the number of UC clients is up 164% since 2015 to 2016, while the number of UC issues has risen 175%.

The increase in issues can partly be explained by UC 'full' service rollout, where some clients who previously needed help with legacy benefits now need help with UC. However, comparisons with UC queries in 'live' service areas (i.e. where Universal Credit is only available for fairly simple claims from single job seekers), indicates a disproportionate increase in overall benefit client numbers in UC 'full' service areas. Initial analysis indicates that we are likely to have **at least** a 5% increase in clients across the Citizens Advice service as UC 'full' service rolls out. This comes at a time when many of our local advice services are already overstretched.

- 4.4 Our evidence from across England (and now Wales)¹² suggests there are currently **a number of implementation issues with UC, as well as more complex policy design challenges.**

While we support the strong principles underpinning this benefit (i.e to simplify the benefits system; make the transition to work easier and make work pay), these issues need to be addressed before the planned acceleration of the UC 'full' service roll-out later this year. **A full analysis of our evidence will be provided in our forthcoming UC report which is due to be published in early July** (a copy of this report will be forwarded to the Committee once available).

- 4.5 **Making sure people can get benefits reliably and quickly is crucial in supporting people to find work or remain in employment.** While much of the policy responsibility around the benefits system is reserved to the UK Government, the impact benefit changes are having on claimants in Wales will continue to affect delivery of a number of key Welsh Government policies and strategies. This includes poverty reduction programmes and work to increase employability, as well as actions being taken forward as part of the Financial Inclusion Strategy for Wales and its Delivery Plan - including potentially increased demand on the Discretionary Assistance Fund, together with eligibility for other passported benefits and schemes (such as free school meals); the Information and Advice Action Plan, and policy around council tax reduction. Action to support people through any changes and help them manage the transition from existing to new benefits will need to continue, as well as actions to mitigate any potential negative impacts.

¹² Flintshire became the first local authority area in Wales to go 'full' service in April 2017

Citizens Advice are calling on the new UK Government to:

- Improve medical assessments for PIP and ESA so people get the financial support they need first time
- End repeat assessments for disability benefits for people with a lifelong severe condition to avoid unnecessary stress and ensure a secure income
- Reduce the 6 week wait for Universal Credit (UC) so people aren't left without the money to make ends meet
- Restore and strengthen people's incentives to work in UC by ensuring people keep more of what they earn when their hours or pay rise
- Expand the scope of Universal Support to make sure people claiming UC get the advice they need to manage their money and deal with any problems in the application process.

For further information regarding this response please contact:

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Appendix:

Improving employability case studies: Citizens Advice Pembrokeshire

Between 2014 and 2016 Citizens Advice Pembrokeshire delivered a programme of digital training and learning activities to increase people's employability via the DWP Flexible Support Fund (this funding has since ended). The programme was aimed at supporting the long-term unemployed and those furthest from the labour market. It was delivered from local job centres and libraries across Pembrokeshire.

The programme involved:

- Managing and supporting Work Clubs in 5 Libraries across the county. Activities ranged from how to use digital technology, perform effective online job searching; using email, and writing CVs and cover letters, depending on claimant requirements. Claimants were either referred to the service by DWP staff or were able to attend a 'drop in' service
- They also supported claimant job searches/ help surgeries at the three local job centres, and also helped job centre staff to become more confident in using digital technology to support claimants
- Group training sessions were also held with claimants on either 'Using Universal Job Match' or 'Meeting your day 1 conditionality'. This helped to reinforce the claimant commitment and provided immediate tips on successful job searching.

During a 12 month period they saw 881 individual claimants and fulfilled 2,713 claimant appointments. They provided 446 job clubs and 126 training sessions, helping claimants to create 554 Universal Job Match accounts and 252 new email accounts. The programme was supported by volunteers, totalling 701 volunteer hours over the year. If the digital team felt that clients needed help with other issues such as benefits, debts or housing they were signposted to the main Citizens Advice office or outreach for further assistance.

Claimants who attended job clubs, training sessions or individual appointments received encouragement and motivation to look for work. As well as learning new skills and increasing their confidence they learnt to understand the world of work, the different challenges to obtaining work, and navigating tricky application methods/requirements. This was all achieved in a supportive environment, with experienced and trained Citizens Advice staff, enabling claimants to identify their own barriers and navigate around or break through those barriers at a pace to suit them.

Positive feedback was received from both job centre staff and claimants alike - 9 out of 10 claimants said they felt much more able to deal with job searching after the sessions and the same proportion felt much more supported to look for work.

Citizens Advice Denbighshire

Advice Works

The 'Advice Works' project is run by Citizens Advice Denbighshire and funded via the Active Inclusion Fund (AIF). The AIF is managed by Wales Council for Voluntary Action (WCVA) supported by funding from European Structural and Investment Funds. It aims to reduce economic inactivity in Wales and improve the employability of disadvantaged people furthest from the labour market.

The Citizens Advice Denbighshire project is a strand 2 project in which they have undertaken to provide supported employment to 14 participants who are over 25 years of age; from jobless households in the county; and who are either long term unemployed, or economically inactive. They have placed some participants externally and some are working at their own sites. Participants work within supportive environments to develop their skills and confidence. They also receive training to improve their employability and also towards the project's cross-cutting themes of reducing poverty and social inclusion, promoting equality of opportunity and encouraging sustainable development. The overriding objective is that 60% of participants will secure longer term employment through their involvement in the 'Advice Works' project. To date the project is progressing successfully.

OPUS

Citizens Advice Denbighshire are also actively involved in the OPUS Project run by Denbighshire County Council, the local authority having drawn down European funding to deliver employability skills training. Citizens Advice has developed a good working relationship with the local authority on both this and previous employability projects. They provide match funding to carry out income maximisation checks for participants as well as 'better off' calculations for those considering employment once they have completed their training with the OPUS project.

Discrimination advice case study: Citizens Advice Newport

Our client was diagnosed with prostate cancer and initially it was deemed non aggressive so he worked up until he was scheduled for an operation. Only then did he take any sick leave and was signed off from May 2016 until November 2016 when his GP signed him fit to return. When he spoke to the company Managing Director (MD) and presented him with the sick note he was told 'returning wouldn't be that simple', he would not be covered by their insurance and his operation was not 'like having a tooth pulled'.

Following on from this he was referred to occupational health by the MD who also found him fit however, the client was still prevented from returning to work. He was paid Statutory Sick Pay as a goodwill gesture, despite being fit for work, until he received notice of his redundancy in December. The client had already submitted a letter in response to his redundancy selection when he turned to Citizens Advice for support. Citizens Advice assisted him in registering for early conciliation, preparing his claim for Employment Tribunal (submitted ET1, reviewed ET3, conducted preliminary hearing over the phone, reviewed witness statement etc) and successfully negotiated a settlement of £10,000 plus a factual reference via a COT3 agreement. The client was extremely happy with the outcome.

Response from:

Professor Anne Green¹, City-REDI (Regional Economic Development Institute), Birmingham Business School, University of Birmingham

Dr Paul Sissons, Centre for Business in Society, Coventry University

Dr Neil Lee, Department of Geography and the Environment, London School of Economics

Poverty in Wales: Making the economy work for people on low incomes

Introduction

1. This response draws primarily on the findings from a research project funded by the Economic and Social Research Council (ESRC) on 'Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression' (grant reference: ES/M007111/1). The project involved analysis of secondary data sources, international evidence reviews relating to employment entry, progression and job quality; case studies and workshops with stakeholders (led by the Bevan Foundation) to help inform and test policy messages.

Which sectors have highest rates of low pay and in-work poverty?

2. **Low pay and poverty are related but distinct.** Low pay relates to individual earnings in the labour market, poverty is determined by incomes at a household level.
3. **Low-pay is a problem across the economy, but most of the low paid are in a few large sectors.** The sectors with the highest rates of low-pay are Accommodation and Food Services (59.1%), Residential Care (40.0%) and Wholesale and Retail (39.1%). Almost half of those in low paid work in these three sectors². Employment projections suggest that some of the greatest employment growth over the medium-term will be in low-paid occupations in sectors such as accommodation & food services and in care.
4. **In-work poverty also exists in all sectors.** However the risk of poverty is much higher in some sectors than others. After housing costs, 36.5% of workers in Accommodation and Food were in poverty, 21.9% in Residential Care, 21.1% in Admin and Support Services, and 20.1% in Wholesale and Retail.³

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² Estimates from the Labour Force Survey (LFS), 2009-2014.

³ Estimates from the Family Resources Survey, 2009-2012.

5. Because poverty depends on household income, rather than individual earnings, the **number of workers in a family plays an important role in mediating the relationship between low pay and poverty**. At the household level the risk of poverty reflects both the combinations of individuals' labour market experiences and family characteristics. There is an association between employment in some low-paid sectors and an increased risk of household poverty.
6. **Individual characteristics matter** for both poverty and low-pay. Factors such as sex, age and qualifications influence the likelihood of low-pay and poverty.
7. **There is a 'sector effect' of being in low pay, in poverty and escaping low pay** which is independent of the individual characteristics of workers in different sectors. This is significant as it demonstrates the importance of the structural characteristics of the labour market. Controlling for individual characteristics the highest probabilities of low pay are in accommodation and food services, residential care, wholesale and retail, and agriculture, forestry and fishing.
8. **Local growth matters for individual wage increases**. Employment growth at a local level has a positive effect on individuals' wage growth. This underlines the importance of the level of the overall demand for labour locally for poverty reduction. Local employment growth is more important than employment growth in specific sectors in influencing individuals' wage growth.
9. The existence of specific 'sectoral effects' in determining patterns of low pay/in-work poverty once other individual and household factors have been taken into account, suggests that **a sectoral approach is a useful way to target low pay and in-work poverty**. Such a focus resonates with how the economy operates in practice and the current policy focus on key sectors. Yet the fact that it is the aggregate level of local labour demand change which is the key determining factor in wage increase indicates that a sector policy needs to be considered in a broader local ecosystem perspective and needs to be sensitive to place-specific factors.

Policy needs to consider retention and progression in employment as well as job entry

10. Active labour market policy has focused on getting people into work, but there is increasing recognition that **sustainable employment and career progression matter** if the prospects of people on low incomes are to be improved. Social care and hospitality are examples of sectors that have low barriers to entry but are characterised by low pay and limited opportunity for progression.⁴ Policies focused on these sectors need to focus on progression in work as well as job entry.

⁴ Green A., Sissons P. and Lee N. (2017) *Employment entry in growth sectors*, PPIW, Cardiff. <http://ppiwi.org.uk/files/2017/04/ESRC-Evidence-Review-Paper-Employment-Entry.pdf>

11. Even though a sizeable proportion of low-paid workers experience limited pay growth (as measured by increases in pay rates), generally **progression has received limited attention as a focus for employment policy**. However, this is changing with the introduction of Universal Credit, which includes a progression dimension. The UK Futures Programme which was run by the UK Commission for Employment and Skills (UKCES) also explored initiatives to enhance progression in two sectors characterised by low pay: retail and hospitality.
12. An international evidence review⁵ revealed relatively little evidence relating to initiatives targeting progression (that have been robustly assessed). The most robust evaluation studies come largely from the US. The US evidence is primarily from localised targeted initiatives which target entry into good quality employment opportunities, which are more likely to offer chances for career advancement. These are often designed as a **'dual customer' approach**, which involves tackling the needs and objectives of employers and employees through the same programme. These studies demonstrate that initiatives can be designed to support worker retention and progression.
13. The US evidence points to a **potential benefit of a sector-focused approach to progression**. However, there is insufficient evidence to identify the 'best' sectors to target. In some sectors, such as hospitality, the context to supporting progression tends to be more challenging than in other sectors.
14. To develop evidence to inform initiatives to support progression there is a **need to trial different types of activities**. Opportunities to do this include the introduction of Universal Credit, and the potential for local projects and pilot activities as part of devolution settlements with cities and local areas. Sector-focused initiatives appear a good place to start (e.g. the integration of health and social care offers opportunities), although they are not the only approach. Experimentation which includes testing across different sectors and sub-sectors would provide valuable learning about which approaches offer most value in tackling low pay.
15. Local provision of **careers advice** has an important role to play in raising awareness of opportunities for workers to move between jobs to increase their earnings.
16. Issues around the limited progression for workers on low incomes also highlights the importance of **considering employers' business models** alongside other elements of employment policy.

Policymakers should put greater emphasis on job quality

⁵ Sissons P., Green A. and Lee N. (2017) Supporting progression in growth sectors: a Review of the International Evidence, PPIW, Cardiff. <http://ppiwi.org.uk/files/2016/10/PPIW-Report-ESRC-Evidence-Review-Paper-Progression.pdf>

17. Tackling low incomes is not just an issue of supply-side policies to improve skills, etc.; rather **the nature of work available is important for both earnings and worker well-being**. Job quality should be a critical issue for policymakers. The nature of work exerts an important influence on individual well-being. Pay and conditions of employment affect overall household incomes and influence the likelihood of poverty. Opportunities for career development shape longer-term earnings. While flexibility and family friendly employment practices can be an important facilitator of dual household earning.
18. An international evidence review on approaches to job quality⁶ in growth sectors emphasises that **job quality is the outcome of a range of influences** at different levels. These influences include national level and other regulations, economic conditions, the role of institutions such as trade unions, individual employer practices and the characteristics of individual workers. There are gendered patterns of job quality, with women in part-time jobs tending to be amongst the most disadvantaged.
19. While some aspects of job quality have been the subject of significant policy consideration and action, such as **minimum wages**, other aspects such as job design have seen less attention. There is limited evidence on programmatic approaches to job quality in growth sectors. Where there is some evidence at sector level these studies highlight **the importance of staff training, development activities, the establishment of clear career pathways**, as well the importance of employer business models and job design.
20. Policy initiatives focused on job quality have tend to focus on seeking ways of linking job quality for workers with service improvement for employers; using procurement to improve job quality; encouraging changes in business models as a precursor to improving job quality; implementing voluntary living wages and, developing the potential of employer cooperatives to deliver worker empowerment and job quality.
21. The limited nature of the available evidence base suggests that there is a **need to pilot and trial different forms of activities aimed at driving improvements to jobs quality**. This includes placing an importance on linking local economic development policy with employment and skills policy.

Different stakeholders play important roles

22. Making the economy work for people on low incomes needs to involve **a multiplicity of stakeholders** (including employers, employers' organisations, trade unions, education and training providers, careers delivery organisations, local authorities, local economic development agencies and partnerships, third sector organisations, etc.)

⁶ Sissons P., Green A. and Lee N. (2017) *Improving job quality in growth sectors: a review of the international evidence*, PPIW, Cardiff. <http://ppiwi.org.uk/files/2016/11/Improving-Job-Quality-in-Growth-Sectors.pdf>

23. These stakeholders work at different geographical levels. Local stakeholders have an important role to play in working together to develop place-based industrial policy in large employment but low-wage sectors. However, it is crucial not to neglect the critical role of wider national factors in influencing job quality, so emphasising an important role for Government.

Consultation: Inquiry into poverty in Wales: making the economy work for people on low incomes

**Professor Caroline Lloyd
School of Social Sciences
Cardiff University**

An exploration of low pay sectors, and measures to improve pay of low-paid workers such as the living wage; Ways to increase the security of work in Wales

1. Low pay is a UK-wide problem

1.1 Twenty-five percent of jobs in Wales are low paid, a figure that has remained largely unchanged over the last 20 years¹. Low pay is a problem across the UK, and Wales is in a very similar position to many English regions, such as the North-East, North West, West and East Midlands, Yorkshire and Humberside and the South West. The major increase in low paid work in the UK took place between the end of the 1970s and the mid-1990s. Since the introduction of the National Minimum Wage, the overall level of low pay has remained relatively stable in Wales, although there has been a slight reduction in female low pay (currently 29%), compared to a steady increase in male low pay to 19%². While the level of low pay may not stand out in relation to many regions in England, it is high in comparison with a number of other countries, such as France, Italy and Denmark where approximately nine percent of workers are low waged³. The incidence of low pay, however, is similar to Germany and somewhat less than the US.

1.2 In Wales, there is considerable regional variation in the incidence of low pay. Caerphilly, Cardiff and Neath Port Talbot have rates of low pay (18-20 percent)⁴ that are not that different from London. However, in Gwynedd, one third of all jobs (in the Parliamentary constituency of Dwyfor Meirionnydd it is estimated as half of all jobs) are low paid, with rates at 28 percent in Pembrokeshire and Powys. Rural areas, alongside particular localities within the South Wales Valleys, such as Rhondda and Ogmore, are most reliant on low paid jobs.

¹ Below 2/3 median hourly pay. Clarke, S. and D'Arcy, C (2016) *Low Pay Britain*, London: Resolution Foundation, pg37

² <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-11-21/215522/>

³ Eurostat 2014 earn_SES_pub1

⁴ <http://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2014-11-21/215522/>

1.3 Low pay is not just as issue for young or part-time workers. Nearly half of all low wage workers in the UK (data is not available for Wales) are aged between 31 and 55. Although half of all part-time jobs (for both men and women) are low paid, 43% of all low paid jobs are full-time. These figures relate to employees, and estimates are that, in addition, around half of all the self-employed (in the UK) are low paid.⁵ Low pay is found in every sector, but for the UK as a whole, 46 percent of low waged workers are in the retail and hospitality sectors⁶. However, a further 20 percent work in education and health and social work; areas where government has greater leverage.

2 Solutions to Low Pay: Evidence from international studies

2.1 During 2002 and 2008, I was a member of a large international team that undertook a major comparative project on low waged jobs, funded by the US Russell Sage Foundation. It compared lower level jobs in five sectors (food processing, retail, hotels, call centres and hospitals) across six countries⁷. Our conclusion was that the most important determinant of the incidence of low pay was the inclusiveness of wage setting institutions. Inclusiveness refers to the extent to which wages, benefits and working conditions negotiated by those workers with strong bargaining power are able to be extended to those with less bargaining power. The main institutional mechanisms are systems of collective bargaining that cover nearly all workers and/or a relatively high national minimum wage.

2.2 High out-of-work benefits can also be important in restricting low wages, as they provide an effective wage floor, seen in Denmark where there is no legal minimum wage. Other factors, such as macroeconomic effects, i.e. recession and industry structure, mediated national institutional systems but were not the primary factor in shaping low waged work. Levels of education/training were also relatively marginal, for example 80% of Germany's low paid possessed an apprenticeship or a degree⁸.

2.3 For the last 30 years, education and training has been seen as key to tackling poverty and enhancing employment and growth in Wales, as in the UK. While there has been an increase in the proportion of the workforce in graduate and professional occupations in Wales since 2004 (up from 35 to 40 percent), there remain half a million jobs (close to 40%) that do not require a level 2 qualification (equivalent to five A-C GCSEs) on entry⁹. In comparison, less than 200, 000 people of working age in Wales (22%) do not possess a level 2 qualification. The result has been a growing concern about levels of over-qualification,

⁵ Broughton, N. and Richards, B. (2016) *Tough Gig: Tackling low paid self-employment in the London and the UK*, London: Social Market Foundation.

⁶ Clarke, S. and D'Arcy, C (2016)

⁷ J. Gautié and J. Schmitt (eds) (2010) *Low-Wage Work in the Wealthy World*, New York: RSF

⁸ Bosch, G. and Weinkopf, C. (2010) 'Minimum wage systems and changing industrial relations in Europe: National Report Germany', www.research.mbs.ac.uk/ewerc/Portals/0/docs/GermanReport_000.pdf

⁹ Felstead, A., Davies, R. and Jones, S. (2013) *Skills and the Quality of Work in Wales, 2006-2012*, Cardiff: WISERD.

poor skill utilisation and outward migration of qualified workers. Skills policy is an important part of any strategy aimed at tackling low pay and job insecurity, but in isolation the evidence suggests it has little impact on job quality.

3. Insecure Employment

3.1 Hourly pay is clearly an important factor in income, but it is becoming increasingly apparent that the number and the security of hours are major issues in relation to low pay and poverty. Working time security is also essential for workers to be able to participate effectively in society and organise work with other activities, such as childcare, social and sporting activities and other jobs. Although the data is unreliable on the extent of insecure working time, the use of zero hours contracts appears to be becoming more prevalent in retail, hospitality and care work, while greater use is being made of 'self-employment' status in areas such as delivery. Alongside these types of contracts, which have been prominent in the media, less visible is the use of involuntary part-time work, variable and core hour contracts.

3.2 I was recently involved in a comparative study of the café sector in the UK, Norway and France¹⁰ and we found a clear shift in the UK away from full-time or fixed part-time hours towards employers using variable hours contracts. A minimum number of hours would be specified in the contract – anything from 12 to 20 – with the promise that additional hours would normally be available. In many cases, employees worked full-time most weeks, but for any reason, hours could be cut back without notice. The variability and uncertainty in the number of hours created problems for workers in ensuring a minimum income, as well as making it difficult to manage in-work benefits. In similar organisations, in France and Norway, these types of practices were extremely rare. Employment regulation in both of these countries require hours worked to reflect contracts, notice periods for changes to shifts and, in France, a minimum of 24 hours per week contract for part-time work.

4. Research on low pay

4.1 A number of central conclusions can be drawn from the various research projects that I have been involved in around low paid work.

- Many private sector employers in the UK, for example large retailers, coffee and sandwich shops and hotels are highly profitable, yet still pay low wages. Profit rates in the UK are generally substantially higher than comparable companies in Germany and France.

¹⁰ Lloyd, C. and Payne, J. (2016) *Skills in the Age of Over-qualification: Comparing Service Sector Jobs in Europe*, Oxford: OUP.

- Employers are able to recruit workers without diverging far from the national minimum wage and there is little evidence of recruitment or skill shortages in these types of jobs.
- Lack of union organisation and representation makes it extremely difficult to pursue issues of unfair or illegal treatment at work, particularly in relation to working time issues.
- Some sectors are held back from investing in new technology or innovation due to their reliance on low wage workers. In some areas, we see an increase in labour intensive work, for example hand car washing, deliveries, human bill boards¹¹.
- There is little evidence that a more qualified or skilled workforce leverages a greater number of better paid jobs. For individuals, obtaining qualifications provides the opportunity to compete for a wider range of jobs but there is a lack of evidence to support the view that it pushes employers to change the way they organise work or what they pay.
- For smaller organisations or those squeezed by more powerful players in the supply chain, tight margins can lead to competition based on low labour costs. Outsourcing and subcontracting encourages more wage competition and enables the lead employer to reduce their responsibility for issues such as training, health and safety and employment law.

5. Policy measures on low pay & insecure working hours

5.1 International research would indicate that the widespread extension of collective bargaining or a high national minimum wage are central factors to reducing the incidence of low wages. Powers to intervene in these areas are only available at the UK level and with collective bargaining coverage at 26 percent, rebuilding these types of institutions is likely to be a long-term process. The recent introduction of the ‘national living wage’ will have some positive effects on wages at the lower end, but it is only available for the over-25s, with one third of low paid workers excluded. The minimum wage will not have any impact on the number and security of hours available to workers. The primary mechanism available to deal with working time issues is through employment legislation and enforcement, and these are very weak in the UK.

In the absence of Welsh government powers in these areas, there are a number of potential interventions to improve the pay and security of workers, although they are likely to have a much smaller impact. Some suggestions are made in relation to three main areas: the Living Wage, public sector procurement and industrial policy.

5.2 Living Wage

¹¹ See for example, Clarke, I. and Colling, T. (2016) ‘New insights into informal migrant employment: Hand car washes in a mid-sized English city’, *Economic and Industrial Democracy*.

- Extend further the use of the Living Wage in the public sector. The Living Wage is still not implemented by many local authority employers.
- The education and the health and care sectors account for 20 percent of low wage jobs and the government is the main funder. Consider how social care can be funded and managed to ensure care workers are paid the living wage.
- Implementation of the living wage should be linked to improving working time and employment security, an approach that will require more focus on enforcement.
- More high profile campaigns and ‘badging’ of employers, particularly in the retail and hospitality sectors.

5.3 Public sector procurement

- Use of public procurement throughout the public sector to extend current practice, for example measures used in the construction sector could be explored in other areas.
- Procurement processes that prioritise local employment and direct employment and encourage good quality training programmes, such as apprenticeships or retraining for older workers.
- Develop the procurement skills in the civil service and public sector more broadly to reflect a shift away from cost efficiency model to one built around quality of provision and enhancing the economy through higher wages.

5.4 Industrial Policy

- Supporting SMEs and embedded sectors in rural areas. Consider how planning applications for retail and hospitality outlets, for example, can be extended to include job quality measures.
- Government funding/support only for existing companies and inward investors that are long-term and sustainable, rather than ‘footloose’.
- A more targeted skills policy that supports an industrial strategy by focusing on those organisations and sectors which have the potential to create and sustain high value-added, intermediate and high skilled jobs.
- Link industrial policy support to new procurement practices that encourage local businesses to grow.

6 Limitations

The extent to which a more ambitious approach can be developed in Wales is restricted by austerity and the lack of resources held by Welsh government and the public sector more broadly. Limited economic and regulatory powers also limits the potential for intervention in the private sector where low wage jobs are more prevalent.

Agenda Item 4

Ymwilydd i'r Pwyllgor Iechyd, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-21-17 Papur 6/ Paper 6

Response from: Dr Rod Hick, School of Social Sciences, Cardiff University

Introduction

1. This submission draws primarily on findings from a recent Nuffield Foundation-funded study which I led on in-work poverty in the UK.¹

The nature of in-work poverty

2. In-work poverty occurs when a working household's total net income is insufficient to meet their needs.
3. In-work poverty is commonly, but mistakenly, assumed to be identical to low pay. Low pay is where the earnings of an individual worker fall below a certain threshold (typically, where their hourly earnings are below two-thirds of the median) while in-work poverty is about the balance between total resources and needs of working households.
4. This is significant because it means that the circumstances of the whole household matter and therefore the policy responses that can be used to try to tackle in-work poverty can be quite varied.
5. Effective policy responses to in-work poverty might include increasing levels of pay, especially for low paid workers, incentivising or enabling workers to take up additional hours of employment, or for additional adults within a household to take up employment.
6. Effective actions may also include increasing the non-labour market incomes of working poor households. This might include increasing the generosity of supports for low-paid workers (e.g. Working Tax Credit), supports for larger families (e.g. through Child Tax Credit or Child Benefit) or out-of-work payments for non-employed household members.
7. In addition, actions might be taken to reduce levels of need for working poor households. An example of the former would be action to reduce housing costs, especially for families living in rented accommodation.

¹ Hick, R. and Lanau, A. (2017). 'In-work poverty in the UK: Problem, policy analysis and platform for action', Cardiff, Cardiff University & Nuffield Foundation.
http://www.cardiff.ac.uk/_data/assets/pdf_file/0009/758169/Hick-and-Lanau-In-work-poverty-in-the-UK.pdf

In-work poverty is a growing problem in the UK

8. The risk of poverty amongst working-age adults living in households where someone is in employment in the UK has risen from 12.4% to 15.7% between 2004/5 and 2014/15 – that is, by 26.5%.
9. In 2014-15, 60% of people of all ages in poverty were living in households where someone is in paid employment. This is the highest figure observed in the Households Below Average Income data series.
10. In-work poverty is particularly associated with households with only one person in employment, people living in private and social rented accommodation, and those working in service-sector employment. Each of these groups have pronounced rates of in-work poverty and also account for a large share of people experiencing in-work poverty.
11. It is, to a lesser extent, associated with being a migrant, living in households with 3 or more children, and being a single parent. These groups all experience an elevated risk of in-work poverty, but they account for a reasonably small proportion of the total.
12. The rise in in-work poverty over the last decade has a distinctive tenancy pattern in that it is concentrated amongst renters.
13. Adults living in social housing face a greater risk of in-work poverty than those living in other tenures, with a risk of in-work poverty of one-third (33.9%). The risk of in-work poverty amongst private rented sector tenants is 27.3% - lower than for people living in social housing, but still substantial.
14. However, the risk of poverty for people in the private rented sector has been growing faster than for those in the social rented sector (+5 percentage points between 2004 and 2014, compared with +3.5 percentage points for social housing tenants).
15. There has also been a dramatic change in tenancy patterns amongst the whole population over the same period, with a ten percentage point shift from owner occupiers with a mortgage to tenants in the private rented sector. The growth of the private rented sector is problematic because it is a high poverty risk tenancy.

16. The combination of this shift towards private rented tenancy, and growing in-work poverty risk for these groups, means in-work poverty is associated with living in the private rented sector to a considerably greater degree than was the case a decade ago.
17. The continued growth of the private sector, and high housing costs more generally, is likely to generate upward pressure on poverty rates in the years to come.
18. Of the variables we considered, the number of workers in the household was consistently the strongest predictor of in-work poverty rates. Increasing household employment, in terms of encouraging additional workers, or facilitating additional hours of work, should be seen as the most effective way to reduce in-work poverty.

In-work poverty in Wales

19. A Wales-level analysis was not the central focus of our study. However, analysis we conducted showed that in-work poverty affected a somewhat smaller proportion of working-age adults in Wales than in the UK as a whole. Partly, this is the result of greater rates of worklessness in Wales. However, the rates of poverty for those in employment are also lower than might have been expected, which may be due to lower housing costs in Wales than in other parts of the UK, especially the South East of England.
20. However, while the rate of in-work poverty is somewhat lower in Wales than in the UK as a whole, it has been rising over the period post-2004/5. Moreover, this rise is associated, as elsewhere, with the growth of the private rented sector with the high housing costs this often entails. Thus, the incidence is somewhat lower, but the general trajectory is reasonably similar.

The relationship between low pay and in-work poverty

21. Low pay and in-work poverty are often assumed to be identical. However, most low paid workers are not poor. When we look at the distribution of low paid workers across the income distribution, we find that, far from the majority being poor, they are weakly concentrated in the middle of the income distribution.

22. The reason why most low paid works are not poor is because most are second earners within their families. Low pay is a risk factor for in-work poverty, but it is a secondary factor behind the number of workers in the household.
23. Just under one half of people experiencing in-work poverty have a low paid member in their household. Increasing pay levels for this group can thus help to improve the position of this subset of people experiencing in-work poverty.
24. There are of course good reasons to want to tackle low pay besides its impact on poverty. One such reason is out of a sense of fairness – that a fair day’s work is worth a certain amount. A second important reason is that low pay is highly gendered – most people on low pay are women, and increasing pay levels at the lower end of the earnings distribution is likely to make a positive contribute to gender equality.

The role that social security plays in supporting people in in-work poverty

25. People experiencing in-work poverty rely on quite a complex mix of income from work and welfare. Our research found that 28% of household income of those in in-work poverty came from social security, with 66% coming from work. This contrasted with 11% and 82% for all working households (the remainders are from other sources, including pension incomes).
26. Tax credits make up only a minority of the social security income of working poor households. Of the social security income received by households experiencing in-work poverty, about one-third comes in the form of tax credits, one third is comprised of Housing Benefit and Child Benefit, with a final third made up of a wide range of other payments, including out-of-work payments, such as Jobseeker’s Allowance and Employment and Support Allowance.
27. These figures are significant as they demonstrate that reductions in support for people out of work (e.g. cuts to Employment and Support Allowance) will also impact on working poor families.
28. More could be done to encourage take-up of tax credits. HMRC estimates that take-up of Working Tax Credit amongst entitled persons

without children is just one-third.² For all entitled persons in working families, take-up for Child Tax Credit and Working Tax Credit is 80% and 65% respectively.

Moving in and out of in-work poverty

29. Our study also explored how people enter and exit in-work poverty. In-work poverty transitions are more complex because a person can 'exit' in-work poverty by leaving poverty or by leaving work. The goal of policy should be to maximise poverty exits while minimising employment exits.
30. The headline finding from the longitudinal analysis we conducted is positive: people who experience working poverty in a given year are more likely to exit in the following year than to remain, and most exits are 'positive' ones (exiting poverty and still working).
31. But there are other trends which are more troubling. People in working poverty are three times more likely to become workless than those living in non-poor working households, illustrating, perhaps, their marginal attachment to the labour market even when in work.
32. Also, of people living in workless households where someone finds work, 25% will only go so far as to enter working poverty. Finding work does not always lead to exiting poverty.
33. If we examine who this group are we find that lone parents and families with three or more children are over-represented, suggesting the importance of developing policies which enable parents to reconcile work and family life.

Actions the Welsh Government might take to tackle in-work poverty

34. The action that the Welsh Government can take are of course limited by the lack of powers in relation to key levers (e.g. ability to set minimum wage rates; control over most aspects of social security, etc) as well the current funding arrangements from the UK government. Nonetheless, there are actions that could be taken to tackle working poverty in Wales.

² HMRC (2016), 'Child Benefit, Child Tax Credit and Working Tax Credit: Take-up rates 2014-15', London, HMRC.

35. Supporting the voluntary Living Wage is one way that the Welsh Government could help to tackle in-work poverty. The success of the voluntary Living Wage relies heavily on the esteem employers receive from being recognised as living wage employers. Celebrating employers who decide to pay the living wage, and publicly encouraging others who do not currently do so, can contribute to a public expectation that, wherever possible, employers should pay the living wage.
36. The Welsh Government has attempted to maximise take-up rates of social security benefits through investment in advice services. I have not seen estimates of whether this investment delivered the expected returns, but increasing social security take-up rates would contribute positively to the incomes of working households. As noted above, UK-wide take-up of Working Tax Credit in particular, especially for families without children, is not high.
37. As noted above, housing costs in the social rented and especially in the private rented sector are likely to lead to upward pressures on in-work poverty rates in the years to come. Without being too prescriptive about the nature of possible actions, policies which reduce housing costs for renters might at least offset some of the increase in in-work poverty than may otherwise occur.

Agenda Item 5.1

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-21-17 Papur 7/ Paper 7

Kirsty Williams, AM
Cabinet Secretary for Education
Welsh Government

26 June 2017

Dear Kirsty

Community Focussed Schools

The Children, Young People and Education Committee recently considered its forward work programme. As part of that work programme, Members agreed to write to you to seek information on the current position regarding community focused schools in Wales.

You may be aware that this is an area that the Committee discussed with HM Chief Inspector of Education and Training in Wales during its consideration of his 2015/16 annual report on 15 February 2017. Estyn subsequently provided a [note to the Committee](#) on what makes a good community focussed school.

The use of schools as wider community facilities was a particular feature of policy in the early years of the Assembly and devolution. In 2001, the National Assembly's (the Welsh Government's) ['The Learning Country'](#) strategy document stated:

We want to see a much closer relationship between schools and the communities they serve. We want schools to act as a community resource - not just in school hours but out of hours and in vacations as well. We see them as being integral to community capacity building - providing a base for delivering, not just education and training (with links to FE and HE institutions), but also a range of other services like family support, health and enterprise promotion. We want to see them rooted in a wide community context; capable of taking genuine pride in their achievements, and able to ensure they are publicly recognised.

Between 2005 and 2011, the Welsh Government provided the Communities Focused Schools Grant to local authorities for them to develop community focused school approaches in their areas. The funding was subsequently incorporated into other, broader funding streams. It is our understanding that the first aspect, support for school/community projects, was transferred into the School Effectiveness Grant which was in turn amalgamated into the Education Improvement Grant in 2015-16. We



understand that the second aspect, relating to childcare provision, was allocated to Families First budgets.

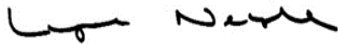
The Committee would be grateful for information on the Welsh Government's position regarding community focused schools, details of relevant policies and how any such initiatives are supported and funded. Could you also clarify whether Circular 34/03: [Community Focused Schools](#) (2003), which provides advice to schools, local authorities and other partners on how they can develop services associated with community focused schools, is still applicable and the extent to which it is used? Does the Welsh Government retain the following definition of community focused schools contained in the 2003 Circular?

A community focused school is one that provides a range of services and activities, often beyond the school day, to help meet the needs of its pupils, their families and the wider community.

The Committee would appreciate any other comments you have on community focused schools and action being undertaken in this regard.

This correspondence has been copied to John Griffiths, Chair of the Equality, Local Government and Communities Committee.

Yours sincerely



Lynne Neagle AC / AM
Cadeirydd / Chair



Agenda Item 5.2

Y Pwyllgor Cydraddoldeb, Llywodraeth Leol a Chymunedau
Equality, Local Government and Communities Committee
ELGC(5)-21-17 Papur 8/ Paper 8

Carl Sargeant AM
Cabinet Secretary for Communities and Children

30 June 2017

Dear Carl

Fire safety in high rise blocks

I am writing to let you know that we have agreed to hold a one day session looking at fire safety in high rise blocks in Wales on 13 July.

We are hoping to take oral evidence from local government, housing associations, fire and rescue services and residents. Due to the short notice we are not issuing a written consultation at this stage. We will be considering the following areas:

- What fire safety requirements/measures are currently in place in Welsh high rise blocks
- Are there any obvious gaps or weaknesses in the current system of regulation in Wales of fire safety in high rise blocks?
- Is guidance to residents of high rise blocks in Wales, in the event of a fire, appropriate?
- How are residents in Wales being informed about recent developments and reassured about fire safety measures in their block? More broadly, to what extent are resident's views about fire safety being listened to and addressed

After we have taken the evidence, we will have a clearer view on what further work we wish to do, but I want to make you aware that we may wish to invite you and



your colleague, the Cabinet Secretary for Environment and Rural Affairs, to give evidence to the Committee in the early autumn. I am copying this letter to the Cabinet Secretary for Environment and Rural Affairs for information.

If you want any further information about the inquiry, please do not hesitate to contact me.

Yours sincerely



John Griffiths AM
Chair

cc. Lesley Griffiths AM, Cabinet Secretary for Environment and Rural Affairs

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Agenda Item 8

By virtue of paragraph(s) vi of Standing Order 17.42

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