

BW 05

Ymchwiliad i Fudd-daliadau yng Nghymru: opsiynau i'w cyflawni'n well

Inquiry into Benefits in Wales: options for better delivery

Ymateb gan: Oxfam

Response from: Oxfam

**10<sup>th</sup> April 2019**

## **Context**

Wales faces the highest relative poverty rate in the United Kingdom, with almost one in four people living in relative income poverty. The latest data shows us that 710,000 people in Wales live in poverty. This figure consists of 185,000 children, 405,000 working-age adults and 120,000 pensioners. The poverty rate for Wales is higher than for England, Scotland and Northern Ireland.<sup>1</sup>

The UN Special Rapporteur on extreme poverty and human rights reported that employment has not proven to be an automatic route out of poverty in Wales. In-work poverty has grown over the last decade and continues to grow. Half of Welsh households experiencing poverty have someone bringing home a salary Twenty-five percent of jobs pay below the real Living Wage, and low-paid, part-time or insecure jobs are often disproportionately taken up by women, largely due to difficulties in balancing work and caring responsibilities. If we're to tackle poverty in Wales, we must also tackle gender imbalance.<sup>2</sup>

Forecasts of poverty in Wales predict that the situation is not set to improve. By 2021-22, it is estimated that 27% of the Welsh population will be living in poverty, and that 39% of children will live in poverty. The Welsh population living in poverty is expected to increase 3 percentage points (pp) by 2021-22. This is the third highest increase of all UK regions. The level of child poverty in Wales is projected to increase 10pp by 2021-22.<sup>3</sup>

That is why Oxfam works in Wales, to: tackle the root causes of poverty and inequality, create a fairer and more equal society and tell the truth about poverty in Wales, now and in the long term.

Oxfam Cymru believes any constitutional changes should be based on the fundamental objective of alleviating poverty within Wales. It is of paramount importance that any changes made to the social security system must be done with, and in, the best interests of those living in poverty in Wales.

## **Principles**

Social security should be seen as a valuable public service; with participation, human rights, dignity and a reduction in poverty and inequality, at its very core. Any constitutional change should have these principles at the heart of its development. This means involving those individuals affected by the system in its design and delivery. Participation and inclusion are core principles of Oxfam Cymru and our experience of delivering programmes in Wales demonstrates the importance of placing individuals voice at the centre. We therefore know the importance of raising the voices of those living in poverty.

This was the approach adopted by Scottish Government who brought together a 'core group of diverse people with lived experiences of claiming benefits' to 'co-produce a charter, describing what

<sup>1</sup> JRF, 2018 <https://www.jrf.org.uk/report/poverty-wales-2018>

<sup>2</sup> OHCHR, 2018 [https://www.ohchr.org/documents/issues/poverty/eom\\_gb\\_16nov2018.pdf](https://www.ohchr.org/documents/issues/poverty/eom_gb_16nov2018.pdf)

<sup>3</sup> WISERD, 2018 <https://wiserd.ac.uk/news/poverty-wales-are-we-getting-full-picture>



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people engaging with the system should expect. Involved too were a plethora of third sector organisations, academics and assorted stakeholders.’ By ensuring the charter was people led not just created ‘alongside’ service users; the Scottish Government not only recognised the importance of dignity and respect, but rooted lived experience at the core of the design and delivery of the Charter. This ensured a focus beyond economic growth and took into account the foundations individuals needed to build a life free from poverty. Any constitutional change which takes place here in Wales must also adopt these principles.<sup>4</sup>

### **Lessons learnt from Scotland and practical considerations**

Whilst Wales can learn from the principled approach of Scotland, we must also examine how this has translated into policy implementation.

**Capacity and skills:** Implementing the new financial and social security powers has been a large and complex operation. A considerable amount of work has been required to develop the ‘capacity and capability’ necessary to implement the necessary changes whilst simultaneously delivering on its existing responsibilities; all within a context of Brexit. Indeed, approximately ‘110 staff’ have been moved from other Scottish Government departments in order to meet the capacity need. Whilst steps were taken to assess workforce capacity this has still placed additional strain and pressure across a multitude of government departments. It is anticipated that the issue of workforce capacity will only increase given the government ‘expects the new social security agency to employ at least 1,500 people when fully operational.’<sup>5</sup> As a result, the government is currently developing a five year workforce model to plan for how it will deliver on its existing and new responsibilities given the lack of appropriately skilled staff. The staff capacity pressures that have been experienced by Scottish Government are almost certain to also be experienced by Welsh Government should a similar model be applied. Particularly given the Scottish Government has significantly more civil servants at 15,960 than the Welsh Government who have just 5,290. Welsh Government must therefore consider carefully and comprehensively how it would meet the required staff and skills gap whilst continuing to meet its current responsibilities.

### **Fiscal risks and opportunities**

Within Scotland a new role of Director General Scottish Exchequer was created with responsibility for fiscal policy and financial sustainability. Governance and organisational arrangements have had to be quickly created and implemented in order to manage the new risks and opportunities within the Scottish budget. Under the new fiscal framework, the UK Government contributes £200 million to the costs of implementing the new powers, however, it is not clear how much total implementation and delivery will cost. This means that any excess will have to be funded from the wider Scottish budget. Work is still ongoing to ensure the budgeting, financial monitoring and reporting processes are fully transparent in order to improve planning and decision making. The Welsh Government must therefore think carefully about its budget allocation and the potential impact and reduction this could cause to other elements of the Welsh Government budget. The Welsh Government would also need to consider transparent monitoring arrangements and how they would be created and implemented to ensure effective scrutiny.

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<sup>4</sup> Fabian Society, 2019 <https://fabians.org.uk/breaking-ground/>

<sup>5</sup> Auditor General, 2018 [http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180328\\_managing\\_scotland\\_acts.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180328_managing_scotland_acts.pdf)



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**I.T systems:** Successful delivery of devolved social security powers relies on the development and integration of a number of complex IT systems. The Scottish Government has been forced to rely on interim IT systems whilst long term solutions are considered. The Welsh Government will therefore need to consider the implications of administering such a system and ensure a system is able to be developed which fully takes account of ‘interdependencies, assurance activities, contingency arrangements, key decision points, and risk management.’ This is a potential lengthy process which will require a ‘comprehensive assessments of the risks and benefits of each option.’<sup>6</sup>

**Key relationships:** It has been recognised that central to the smooth implantation and operation of the new powers in Scotland has been the effective working relationships at an official level with UK Government bodies, such as the DWP and HMRC.

Within Wales, Oxfam delivers a successful programme with the DWP using our Sustainable Livelihoods Approach.

The SLA is a method of understanding the experiences of people living in poverty and of analysing and changing the lives of people living in poverty and disadvantage. It is a participatory approach based on the recognition that all people have abilities and assets that can be developed to help them improve their lives.

Oxfam has long been using the Sustainable Livelihoods Approach in its work to combat economic disadvantage globally and in the UK. This approach assesses and addresses all of the assets that people have, alongside the barriers that they are facing, to give a much fuller picture of a person’s situation. This means it is particularly suited to addressing women’s disadvantage, as women often face a wider range of barriers. It looks at:

- Human assets – e.g. skills, knowledge and physical and mental strengths
- Social assets – e.g. friendships, family, neighbours and networks
- Physical assets – e.g. housing, transport, white goods, a computer, a smart phone
- Public assets – e.g. community centres, libraries, involvement in community activities
- Financial assets e.g. income, savings, credit facilities, etc.

Between 2012 and 2016, Oxfam Cymru delivered the Building Livelihoods and Strengthening Communities in Wales<sup>6</sup> project (hereafter ‘Livelihoods Project’) which piloted the use of the Sustainable Livelihoods Approach (SLA) working with different groups experiencing poverty and marginalisation. The Livelihoods Project activities included working with participants in a range of ways including: one-to-one support and guidance (with the SLA tools used as a starting point with); peer mentoring courses (to provide participants with the skills to enable them to support others); training courses and workshops (with many participants welcoming the opportunity to receive accreditation following completion of a course - some gained employment as a result of training provided, for example being able to renew licences required to work on specific machinery); excursions (opportunities for participants to visit places locally and further afield, aiming at broaden their horizons); volunteering; and other group activities. A Value Analysis of the Livelihoods Project was undertaken, and was able to demonstrate a social return on investment of £4.43 for every £1 spent. The SLA can be scaled up to deliver improved health and employment outcomes for people. The SLA was used during the Livelihoods Project, which benefited over 1000 participants, and partnered with nine organisations, who worked with individuals who are part of different marginalised groups in society, including people with physical and / or learning disabilities; young

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<sup>6</sup> Auditor General, 2018 [http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr\\_180328\\_managing\\_scotland\\_acts.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_180328_managing_scotland_acts.pdf)



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families, single parents and those with mental or physical health issues; geographically isolated and long term unemployed people; families with primary school age children; people from black and minority ethnic (BME) communities; young people not in education, employment or training (NEETs); older people refugees and asylum seekers; and people at risk of homelessness.

One of the main project outcomes was that 'Marginalised people will develop skills and build confidence to improve their livelihoods and life chances'. The external evaluation, conducted by Arad, showed that all participants and project workers interviewed believed there had been many and varied opportunities to develop skills. In many cases, the type of impact included 'hard' outcomes' such as skills improved through certified training (for example, manual handling and first aid), but also those 'softer' impacts relating to raised confidence and career aspirations amongst participants. There was recognition that, in many cases, the support provided through the project had acted as the very first step towards obtaining employment and had the effect of helping breakdown whatever barrier participants had in taking part more fully in training or employment or in their community. The external evaluation also identified synergy between the various types of impact the project had, for instance, a participant may have been supported into an employment or training opportunity, but often this would be accompanied by an increase in confidence or higher self esteem generally, increased awareness of where to seek help should problems arise, better time keeping, and a network of others to share experiences.

The Livelihoods Project comprised a diverse mix of projects and activities. The main commonality across the partners was the use of the SLA, as well an emphasis on providing intensive support, a flexible budget, the development of peer mentors, and the fact that the projects are targeted at certain groups.

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, 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.

We are currently training Jobcentre staff in the SLA approach in Wales, enabling them to better understand people's situations and how they relate to finding and staying in work; understand the factors that create social exclusion and poverty and the impact that has on people's lives; increase awareness of both personal and organisational values, attitudes and behaviours which impact on frontline delivery; and consider the benefits of a holistic approach to support service users. The SLA toolkit provides the practical tools needed to help people address their issues in an effective and sustainable manner. The participatory approach is based on the recognition that all people have abilities and assets that can be developed to help them improve their lives.

Oxfam Cymru's hypothesis for the project is that a service that understands the lived experiences of its users will be better placed to provide solutions and support befitting their needs, thereby reducing the need for sanctions and enhancing the ability of service users to find and stay in work, and thereby to build more sustainable livelihoods.

An independent evaluation of the first stage of this partnership to date has shown the social return on investment is estimated at £5.31 for every £1 spent

Anecdotal evidence also shows positive feedback from JCP staff using the SLA Toolkit, and comments in the initial feedback collected from JobCentre Plus staff have included: "I will be using these tools



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in our peer support job club. I will also build this into my supporting claimants 45+ and with health condition Action Plans”; “All tools will be useful. Looking to develop more peer support groups and these tools will help develop sessions / delivery”; “[the tools] are extremely helpful in helping build a rapport and breaking down barriers”; “[the tools] help to build an individual’s life picture, to provide the correct support either by myself or able to signpost. To build a picture of what is positive for the individuals”; and “I believe [the tools] are a pathway to developing my role as a work coach. Being in the community it will be knowing my customer and making sure the tool is relevant to them

The SLA approach should be used more widely across the DWP, across government, and in other third sector organisations and be considered in the development and delivery of any new system in Wales. Many organisations, including individual government departments and other public sector institutions, look to address particular disadvantages – whether that’s homelessness, unemployment, lack of childcare, etc. They will often not have the capacity to address other disadvantages, and will instead refer or signpost individuals to other services. The Sustainable Livelihoods Approach provides a framework for understanding all of the assets and barriers a person faces, regardless of where the individual initially receives support, and makes partnership working between organisations substantially easier.

Working with the DWP on this project has led to a positive working relationship between the two organisations. This draws parallels to the experiences of the Scottish Government. Welsh Government would therefore need to invest the time and resource into cultivating or sustaining effective working relationships with the DWP and HMRC if a devolved system was to prove effective in Wales.<sup>7</sup>

### **Options for different forms of devolution**

In addition to the practical learning from Scotland, there are other questions to consider. For example, clarity over what exactly is captured when discussing devolution of social security, are we discussing policy or simply delivery? If Housing Benefit is devolved will it result in greater borrowing powers to finance house building programme? If Housing Benefit is devolved but others are not, what is the impact on Universal Credit and the Benefit Cap?

To tackle poverty and inequality, we require different policies in relation to social protection, taxation and work.

#### **1) Sanctions**

Since 2010, the scope and severity of benefit sanctions has been at the centre of the politics of welfare reform<sup>8</sup> Across the UK there is evidence of sanctions leading to hunger and hardship; it has also shown to be an ineffective tool in getting people back into work. Sanctions have also been found to drive negative personal, financial and health impacts. This system is locking people into poverty and destitution. A more humane system is needed whether that is in Wales or the UK. The JRF recommend two broad changes:

- Introduce a phased approach with a series of steps before financial sanctions are imposed. This should include warnings when people are likely to breach conditions rather than going

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<sup>7</sup> Oxfam’s Contribution to the Government Equalities Office’s Gender Equality and Economic Empowerment Strategy Call for Evidence – March 2019

<sup>8</sup> JRF, 2019, <https://www.jrf.org.uk/blog/sanctions-going-too-far-causing-destitution>



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straight to a financial sanction, with non-financial sanctions tried first, such as more frequent signing-on.

- Reduce financial penalties so people are not left destitute. For claimants of JSA, sanctioning can result in the complete withdrawal of benefits for 13 weeks or even up to three years. Most poorer households have no savings to fall back on in such situations. Sanctions, and the level of benefits in the first place, risk leaving people destitute.

Wherever social protection powers lie, there is a need to build a social safety net fit for the 21<sup>st</sup> Century. Part of this should involve an urgent review of policy and practice of applying sanctions.

## **2) Devolution of Universal Credit policy**

Universal Credit continues to impact upon in-work poverty. Universal Credit is not the same policy it was when it was introduced in 2012. There have been at least 57 separate changes and cuts to working age benefits since 2010, and this has had an impact on how much low income working households now receive. If this policy was to be devolved, Welsh Government could look at the following significant issues within the current policy: benefit rates; changes to eligibility such as the two-child limit; changes to the work allowance, taper rates and the way in which Universal Credit interacts with non-traditional forms of employment and fluctuating hours.

In April 2016, work allowances reduced from £222 to £192 per month for families with children who rent, and from £536 to £397 for those who do not rent. Work allowances were removed altogether for non-disabled adults without children, meaning benefits reduce as soon as they begin to earn. What this means is that low income households affected, do not begin to see the financial rewards of working until they are earning much more. This impacts on work incentives, but also has a significant impact on the numbers of people in in-work poverty.<sup>9</sup>

Oxfam's Future Skills and Skills for Life programme operates in multiple locations across the UK and has found that many of the participants were keen to work, but in some cases were concerned that their financial situation would not improve when they did find work: "When it comes to jobs, I worked all my finances out and I have to get [a job]... but any job I have looked at is just not going to match what I need" (Future Skills participant, unemployed on disability benefits talking about her current financial situation)

Skills for Life aims to help individuals overcome these barriers 'I've enjoyed being a part of something so great. Bringing women together who share similar barriers to getting in work and similar hopes and dreams and watching all of us achieve our dreams and continuing to.' (Welsh Skills for Life participant). However, fundamental structural concerns with the way in which the policy operates prevail.

This can be seen in interaction between Universal Credit and non-traditional forms of employment which can exacerbate in-work poverty. For example, if someone has fluctuating hours, their Universal Credit will fluctuate too, but because it is paid in retrospect, someone could experience an increase one month with very little to live on during other months. Similarly, if someone is paid weekly rather than monthly, and there are five weeks in a month, their income that month may

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<sup>9</sup> Oxfam Scotland response to the Smith Commission, 17 October 2014



bring them over the entitlement threshold, meaning their Universal Credit claim is automatically closed and they must make a new claim the following month.

The 'In-work progression' aspect of Universal Credit policy is also problematic as it places a requirement on claimants to seek to increase their hours and earnings up to 35 hours a week, whether or not they are already in part-time work. Progression is fundamental in ensuring that work acts as a route out of poverty, but Oxfam has concerns around how in-work progression policy has been conceptualised and implemented. There has been with insufficient recognition of the different experiences of men and women in the labour market, not least how caring responsibilities interact with employment. In-work progression policy fails to recognise women's unpaid care and domestic work as work, in and of itself, and as valuable economic activity that contributes to society. Oxfam research highlights growing evidence that governments and economies could benefit substantially from recognising unpaid care as a key policy concern, and from increasing investments to support households meet their unpaid care responsibilities.

### **3) Taxation**

The Welsh Government has limited tax-raising powers. It can raise some small taxes directly, but the bulk of its revenue comes from the UK Treasury, as a 'block grant' whose distribution across devolved responsibilities is determined in the Welsh budget. But the balance is shifting: around 20% of the Welsh budget will be raised from devolved taxes in 2019-20. When locally raised Council Tax is included, around £5 billion of devolved and local Government spending in Wales will be funded by Welsh-controlled taxes. This is an opportune time for Welsh Government to develop the use of tools for analysing the gender impact of taxation decisions and address shortfalls in the budget process. Gender budgeting is an effective tool that shows how decisions affect people differently, thus helping governments allocate resources more fairly and efficiently and advance gender equality. In its Tax Policy Framework<sup>54</sup> the Welsh Government states that it '*will use the tax system to promote fairness and economic growth*' and that Welsh taxes should '*raise revenue to fund public services as fairly as possible*'. This approach should be applied to all its decisions about taxation and spending, not just its recently devolved powers to set some small new taxes and the limited Welsh income tax. Tax systems and tax rules can have different impacts on women and men. So-called genderneutral taxation – which appears to be the approach adopted by Welsh Government – can actually undermine women's economic security.

A deliberately progressive tax system can have a positive effect

The UK income tax system is broadly progressive, i.e. as people move into higher income groups they pay an increasing share of gross household income in income tax. The opposite is true for council tax, even after including council tax reductions: people on low incomes pay a higher proportion of their household disposable income in council tax than those who have higher incomes. As there are more women in lower income groups<sup>56</sup> a more progressive council tax would benefit them. Council Tax levels have risen faster in Wales than in Scotland or England over the past decade<sup>57</sup>, increasing the burden on lower income households, though also easing cuts to local services. Welsh Government has provided local authorities with funding to maintain the Council Tax Reduction Scheme<sup>58</sup>, which is likely to have benefitted women in poorer households<sup>59</sup>. The discounts for carers may also benefit more women. Welsh Government has committed to making Council Tax fairer and can set policy. But local authorities set the Council Tax levels, although this is in response to Welsh budget allocations. Budgets are about making choices with limited resources. Gender budgeting, or gender-sensitive budgeting, allows governments to promote equality by considering a budget's differing impacts on the sexes as well as setting goals or targets for equality and allocating



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funds to support those goals. An Equality Impact Assessment of Welsh budgets is carried out annually but anecdotal evidence suggests this takes place at the end of the budget process to show compliance rather than at an early stage to inform decisions. This approach acts as a barrier to effective cross-government working on gender equality. A more proactive approach would be to outline how all Welsh Government spending is being used to advance equality.

**Welsh Government should:**

- Introduce gender budgeting to help determine spending;
- Use its policy-making powers to introduce a progressive Council Tax system;
- Carry out an Equality Impact Assessment of Welsh budgets at an early stage of the budget process to inform decisions;
- Develop tools for analysing the impact of the new Welsh income tax and other taxation decisions on women in Wales.

In addition, a recent report by Oxfam found that billionaire fortunes increased by 12 percent last year – or \$2.5 billion a day - while the 3.8 billion people who make up the poorest half of humanity saw their wealth decline by 11 percent. This combined with the billions of pounds lost in tax avoidance and evasion in the UK annually must be tackled.

Oxfam believes tax avoidance should be tackled through the pursuit of tax havens, offshore earnings and the closing of loopholes which allow avoidance. Business support, corporate social responsibility awards and government plaudits should be contingent on companies meeting their tax obligations. As well as funding public services, tax can be used to create the kind of society we want. Shifting the tax base so that entities undermining the collective good pay more e.g those businesses not providing decent work and entities contributing to environmental and social sustainability e.g those who invest locally, have a lightened tax load. One example of this is, a financial transaction tax. Wealth and land value taxes should also be explored. We need to introduce a system which enforces collection, redistributes wealth and promotes positive behaviour.<sup>10</sup>

**4) Economic Development: promoting good quality, satisfying, secure and suitable work**

In order for work to be a route out of poverty, workers must be paid at least the real Living Wage. More than a fifth of workers in Wales are earning less than this rate. More women than men are living in poverty, and we know that women are more likely than men to be paid less than the real Living Wage. Women are consistently over represented in low paid, part time, insecure and temporary work. Paying the real Living Wage is a tangible, important way to help lift people out of poverty. The Welsh Government can do more to ensure all public services, local government and private sector organisations pay the Living Wage. Oxfam is working to tackle poverty wherever we find it, and having more people paid the real Living Wage is an important step in tackling poverty in Wales. Work can only offer an effective route out of poverty if the income available is enough to cover the basic cost of living. It is not right that working families are choosing between heating and eating.

In-work poverty is partly a result of low-pay, but it is also due to other factors, including job insecurity and the lack of enough regular or predictable hours. It is therefore important to avoid viewing increasing hourly wages as the only solution. In-work poverty is also a deeply gendered issue, as women and men experience poverty and routes out of poverty differently. There is more that can be done by employers to demonstrate responsible practice including sharing work. This would involve changes to be made by Welsh Government in terms of regulation and remuneration at a policy level. Existing commitments on fair work should be maintained and, where possible,

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<sup>10</sup> Oxfam Scotland response to the Smith Commission, 17 October 2014





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strengthened. Welsh Government should offer incentives for employers to create progression routes for low-paid workers and consider how future devolved employability programmes can be designed in ways that recognise the different barriers faced by different groups – particularly women and lone parents – when entering the labour market.

### **Summary**

Wherever powers lie, significant policy change is needed to tackle the unacceptable level of poverty within Wales. Different policies are needed to: build a social safety net fit for the 21<sup>st</sup> Century; build a tax system that enforces collection, redistributes wealth and promotes positive activity; and promote good quality, satisfying, secure and suitable work.

There is no guarantee that a Welsh social protection system would be inherently better than a UK social protection system – this is dictated by policy decisions – Oxfam therefore does not take a position on this. However, we do believe further devolution needs to be considered carefully and in the round, learning from the experiences of other devolved nations. Any constitutional change must fundamentally be built upon the principles of: involvement with those who have lived experience, human rights, dignity and a reduction in poverty and inequality in Wales. We won't live with poverty.