

Written evidence submitted by Save the Children (BSW0042)

Save the Children UK

Founded in the UK in 1919, Save the Children is a global organisation helping children to survive and thrive in 120 countries, including here in the UK. In response to the COVID-19 outbreak, we launched an Emergency Response Programme and educational support for children in poverty in the UK, as well as responding at a global scale. To date, we have delivered over 7000 grants to UK families impacted by the pandemic, working with 94 organisations across 21 areas of the UK, ensuring that 15,000 children have the material items and resources they need to help play, learn, and develop at home.

At the onset of the pandemic, Save the Children recognised the impact it would have on the families we work with, and adapted our priorities to be able to support families quickly and urgently. Our Emergency Response for Parents and Children at Home (ER) was launched in April 2020 and supported families with immediate needs and their children's early learning. To date, we've worked with **13 partners** to deliver our emergency response across 4 areas in Wales and have **supported over 1,310 families and 2,876 children**.

The evidence presented here draws on what we have learned from delivering the programme, and feedback from families and partners in our Early Learning Community in Bettws, Newport. In addition, we have referenced existing published evidence from a variety of sources.

What are the key challenges for the benefits system in Wales and how do they differ from the other nations and regions of the UK?

Even before the COVID-19 crisis hit, nearly one in three (180,000) children in Wales were growing up in the grip of poverty. It is estimated that the cumulative effect of recent UK government welfare and tax reforms¹ would increase this figure to close to 40% of children in Wales by 2021-2022²³. The exact effects of the pandemic on child poverty levels remain unknown, but it is likely this will lead to an even greater increase in the number of children living in poverty.

The vast majority of families (93%) who have received support from our Emergency Response Grant programme in Wales to date (August 2021) were also in receipt of some form of welfare benefit. Most of these families (79%) were not in paid employment. However, a significant minority (almost 15%) were in some form of paid employment. Of these, 16% reported that they were also receiving some form of additional benefits.

¹ Beatty, C. and Fothergill, S. (2016) [The Uneven Impact of Welfare Reform – The Financial Losses to Places and People](#)

² Institute for Fiscal Studies (2017) Living standards, poverty and inequality in the UK: 2017–18 to 2021–22 (appendix). Available at: <https://www.ifs.org.uk/publications/10030>

³ Equality and Human Rights Commission (2018) [The Cumulative Impact of Tax and Welfare Reforms](#)

Wales's very high child poverty rates are primarily driven by low pay and a large number of people employed on temporary contracts. Wales has lower pay for people in every sector than in the rest of the UK. In addition, Wales' predicted typical household disposable income growth after housing costs (2016/17 – 2022/23) is significantly lower than Scotland, and every region in England⁴, at 4.8% compared to an average of 8% across the UK.

Therefore, how the benefits system supports lower income workers is particularly important in Wales. Many families in Wales are reliant on social security payments from tax credits and universal credit to top up their incomes. Unlike Scotland, Wales does not offer additional social security payments to families affected by poverty, meaning Welsh families feel the full effect of cuts of social security such as benefit cap, freezes to local housing allowances and the 2-child limit⁵

The levels of in-work poverty in Wales are amongst the worst in the UK. 71% of children living in poverty live in working households, a figure which has been steadily increasing in recent years⁶. When we asked families who received our Emergency Response Grants what could improve their children's lives in the future, a number noted the precarity of low paid work:

"I was disappointed [to need the support] as I work part time ... Money is tight I struggle to spread my money, I feel that if I was not working I would get more help. [It's] very stressful times at the moment as well my mother is not well."

Single parent of a three-year-old child from South Wales

The primary source of support comes from the UK Government, but local help has been available since the days of the Poor Laws⁷. However, within the boundaries of devolution the Welsh Government can offer a range of support services and funding that aim to mitigate the effects of poverty. In particular, access to high quality early education and care. Alongside the direct impact that high quality ECEC can have on children's development, the evidence also shows it can have an indirect impact by supporting parents, particularly mothers to work. While some mothers choose to take time out from working while their children are young, the combined evidence shows that external factors also influence their decisions, such as the labour market, qualifications and childcare. Our evidence shows that for too many children in Wales, particularly those living in poverty, access to high quality early years provision is still too often left to chance. Furthermore, some of the services aimed at targeting high quality provision are still failing to meet the needs of parents (both working and non-working) at a time when they are facing new and increasing pressures from changes to the economy and the welfare system. Brexit has meant a significant cut in community funding previously awarded via the European Social Fund. Wales received over £2.1 billion of EU funds – the highest level of support per person in the UK⁸ This constitutes a significant proportion of the public pot – by some estimates, from 2001 to 2006, EU expenditure represented around 22% of total public investment in Wales⁹.

⁴ Resolution Foundation (2018) [The Livings Standards Outlook 2018](#).

⁵ Child Poverty Action Group (2017) The Austerity Generation: [the Impact of a Decade of Cuts on Family Incomes and Child Poverty](#)

⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003977/State_of_the_nation_2021_-_Social_mobility_and_the_pandemic.pdf

⁷ https://www.bevanfoundation.org/current-projects/welsh_benefits_system/

⁸ <https://gov.wales/eu-structural-funds-programme-2014-2020-impact-and-benefits-people-communities-and-businesses-wales>

⁹ <https://www.lse.ac.uk/european-institute/Assets/Documents/LEQS-Discussion-Papers/LEQSPaper135.pdf>

Pre-pandemic, how effectively did the UK benefits system tackle poverty and socio-economic inequalities in Wales as compared to England and Scotland?

Prior to the pandemic, child poverty was already rising and projected to reach record levels within the next few years, and years of cuts and freezes to social security meant that unemployment support had hit its lowest level in real terms since 1990.¹⁰ In this context, the changes to benefits, while welcome, have largely served to make up for the pre-pandemic cuts, rather than tangibly improving families' living standards. Families came into the pandemic already facing high levels of financial difficulty, meaning that the additional support was needed to plug existing gaps in the system, rather than helping families with the additional challenges they faced due to Covid.

In addition to the levels of support being inadequate to meet families' needs, there are multiple problems with the design of the social security system which cause challenges for families.

The five-week wait in Universal Credit in particular causes high levels of hardship, as many families are not able to support themselves during this time. The five-week wait has been linked to rising food bank use.¹¹ Many families who we supported through our Emergency Response grants were referred to us while they were waiting for their UC payment to come in, as they struggled to make ends meet during this time.

'My partner lost his job we found ourselves really struggling. We often went without food so that the children could eat. It was also difficult to find money to buy household items to make it less stressful at home'.

Parent of four from South Wales

The payment of childcare costs in arrears is a further problem with the design of Universal Credit: The current design of the system means that parents are required to pay childcare costs upfront before submitting a receipt to be reimbursed up to a month later. This causes serious problems for parents trying to stay in or move into work, as many parents on low incomes do not have the income needed to pay these costs upfront. Save the Children research has found that this design flaw pushes parents into debt and hardship and has resulted in parents having to stop work altogether – the opposite of what UC was designed to do.¹²

The two-child limit and benefit cap further limit the amount that families receive in benefits and are key drivers of child poverty: The latest available statistics show that, in 2021, 14,400 households in Wales were affected by the two-child limit¹³ and 6,000 households in Wales were affected by the benefit cap (including 5,900 households containing dependent children)¹⁴. For families already struggling to manage on low incomes, having their benefit payments further reduced by these policies only serves to push them further into hardship. The data shows that the UK benefit system has not therefore been sufficient to effectively tackle poverty in Wales.

¹⁰ Porter, I. (2020) *Autumn Budget - why we must keep the £20 social security lifeline* Porter, I. (2020) *Autumn Budget - why we must keep the lifeline*

¹¹ <https://www.trusselltrust.org/wp-content/uploads/sites/2/2018/10/The-next-stage-of-Universal-Credit-Report-Final.pdf>

¹² <https://www.savethechildren.org.uk/content/dam/gb/reports/its-just-constant-debt.pdf>

¹³ Department for Work and Pensions, [Child Tax Credit and Universal Credit claimants: statistics related to the policy to provide support for a maximum of 2 children, April 2021](#), July 2021

¹⁴ Department for Work and Pensions, [Benefit cap: number of households capped to February 2021](#), June 2021

How has the COVID-19 pandemic changed the type and amount of support needed by people in Wales?

The impact of the pandemic in Wales has been to increase the struggles that many families were already facing and is also likely to be higher in parts of Wales due to the economic effects linked with existing disadvantages, leading to higher poverty rates in already poorer areas.

A survey of families on Universal Credit and Child Tax Credits in 2020 by Save the Children¹⁵ showed that many had suffered further hardship during the pandemic and had needed to rely on help from charities for essentials such as food or children's clothes. In Wales 43% found it more difficult to afford food since the start of lockdown, 63% had gone into debt and 68% said their children had had to cut back on or go without certain things because of financial issues caused by the pandemic.

As part of our Emergency Response Grant programmes, we asked recipients and the professionals supporting them about the impact of the COVID-19 pandemic. 88% of families who received an Emergency Response Grant were facing recent financial hardship as a direct impact of the coronavirus pandemic. In turn, in the judgement of professionals supporting the families, all of families included children who were at risk of falling further behind in their early learning due to the impact of the coronavirus.

Case study: One of our partners who provides advice and support to families in South Wales articulated the compounding impact of the COVID-19 pandemic.

"Initially we were being contacted by frantic families in receipt of free school meals who were worried about the additional food and fuel costs of having the children home, and how they could incorporate home-schooling into home life ... Sadly, there have been many families left without enough income for them to meet their everyday essential living costs and I am seeing an increased number of people needing support to access crisis support for food, fuel and emergency payments whilst having to navigate the complex benefit system that is alien to them ... They are finding that welfare support simply isn't enough to survive. There is significant worry about financial commitments that 9 months ago were manageable. Now they are not. Aside from finding themselves in material need, they are also facing mental health issues as their financial worries are becoming overwhelming causing stress and anxiety ... Experience of working in this role tells me that cutbacks will be made with fuel costs and food. Families will inevitably buy cheap food that doesn't necessarily provide any nutritional content simply because they can't afford anything else."

How effectively has the UK benefits system responded to these needs, and what else should the UK Government do to deliver the right support in Wales?

At the onset of the pandemic, the UK government recognised the importance of the social security system in protecting people's incomes in times of crisis. As a result of this they brought in several measures aimed at supporting those at risk of a fall in their income. These included a temporary £20 a week uplift to Universal Credit and Working Tax Credit, as well as the suspension of the Minimum Income Floor along with an increase in Local Housing Allowance rates. These interventions were highly welcome and have undoubtedly supported families through the crisis.

¹⁵ A Winter Plan for Children; 2020; <https://www.savethechildren.org.uk/content/dam/gb/reports/winterplanforchildren.pdf>

For families with children, the £20 uplift has been critical in providing them with additional income to spend on food, paying bills, and other essentials. Save the Children research in October 2020 found that almost half (45%) of families on low incomes had used the extra money to buy food, with a third (32%) using it to pay rent or other bills. Items for home-schooling and days out or travel were also commonly mentioned.¹⁶

However, as the £20 uplift was a flat rate increase and did not take into account the number of people in a household, families with children have seen less of a benefit than those without. Larger households have had to make money stretch further than households with fewer people, and it is estimated that a couple with two young children would need around 2.4 times the increase in income than a single adult to experience the same uplift in their living standards.¹⁷

Families with children have also been disproportionately affected by extra costs associated with the pandemic. 86% of families with children on low incomes reported that they had faced extra costs due to the pandemic¹⁸, and families with children are more likely to have increased their spending than those without children.¹⁹

This is due to a variety of factors: Most notably, having children at home all day while schools and childcare settings were closed meant that parents were spending more on food, electricity, heating, and internet. In addition, the costs of essentials rose due to needing to rely more on local shops (which were closer than larger and cheaper supermarkets), the extra costs of online shopping, and being unable to shop around for lower prices due to needing to shop locally or limiting travel.

Evidence from Save the Children's Emergency Response programme shows that extra costs frequently caused hardship and were a key reason for families to be referred to us for support.

"[The Emergency Response Grant] has helped me buy clothes for school and food for my children ... it's little relief from budgeting everything when what I have is not enough"

Father of two children in South Wales

The Job Retention Scheme (JRS) and Self-Employment Income Support Scheme (SEISS) were bold and ground-breaking policies, put into place quickly to support people at risk of losing their jobs and prevent a surge in unemployment. The evidence shows that these have been highly successful: rises in unemployment have been relatively muted, and over 10 million people benefited from the JRS at some point in 2020.²⁰ Without these schemes in place, many more people are likely to have lost their jobs and been pulled into poverty.

However, these schemes have not entirely prevented people from falling into financial difficulties. Gaps in the design of the scheme mean that many people have not been eligible for support, including around three in ten self-employed people²¹. For those who have benefited from the scheme, the drop in income

¹⁶ Save the Children (2020) *A Winter Plan for Children: Why families on low incomes shouldn't be left out in the cold*. London: Save the Children

¹⁷ Save the Children and Joseph Rowntree Foundation (2020) *A lifeline for our children: Strengthening the social security system for families with children during this pandemic*. London/York: Save the Children/ Joseph Rowntree Foundation

¹⁸ Save the Children and Joseph Rowntree Foundation (2020), *A lifeline for our children*

¹⁹ [1] Brewer, M. & Patrick, R. (2021) *Pandemic Pressures: Why families on a low income are spending more during Covid-19*. London: Resolution Foundation

²⁰ Brewer et al (2021), *The Living Standards Outlook*

caused by living on 80% of usual earnings has caused hardship in itself for those living on a very low income prior to the pandemic.

Evidence from Save the Children's Emergency Response Programme (ER) shows that many families referred to the programme were struggling due to being furloughed. For families already earning very little, seeing their incomes fall even a small amount under the furlough scheme caused serious financial difficulties and furlough was cited by many referral partners as a reason for families needing support through the ER. In addition, the design of the scheme meant that some families were not eligible or received less than 80% of their usual wage.

Case Study: A couple with three children from South Wales.

Prior to the pandemic, both parents were working but during the first lockdown the mother lost her job and father was furloughed, receiving 80% of his original wages. This drop in income has meant that the family were struggling to buy food and pay their bills. As well as the financial impacts, there has also been a negative impact on the mental health and wellbeing of both the parents and children.

As outlined above, many families still experienced high levels of hardship during the pandemic. Over 70% of families on low incomes had to cut back on food or other essentials during the first wave, with 60% taking on debt and 50% going into arrears with rent and other bills²², and the high demand for our Emergency Response shows that families were still in need of support to afford the most basic items. It is therefore clear that furlough did not entirely prevent families from falling into financial difficulties. In addition, the extra costs faced by families mean that even those who did not lose their jobs or face reductions in wages found themselves more stretched financially.

This is an inevitable result of a policy which was brought in quickly and in response to an unprecedented situation, and it is unrealistic to expect the furlough scheme to have protected all incomes in their entirety. However, this does demonstrate the need for additional support through the social security system to protect those on low incomes and those not covered by the scheme.

The evidence presented here demonstrates that, even with the changes brought in by the government, the social security system has not fulfilled its role of adequately protecting families' incomes in times of crisis. Following years of cuts and freezes, the benefits system was in severe need of investment, and the extra support has not been sufficient in making up for these gaps – especially for families with children who face additional costs and challenges. The system urgently needs reform to ensure that families have the support they need to give their children the best start in life.

These additional costs mean that, while families benefited from the additional £20 per week, much or all of this money will have been taken up with paying extra for essentials and families will therefore not have seen their living standards increase. Our research found that around three quarters of families on

²¹ Cominetti, N., Henehan, K., Slaughter, H. & Thwaites, G. (2021) *Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery*. London: Resolution Foundation

²² Save the Children and Joseph Rowntree Foundation (2020) *A lifeline for our children: Strengthening the social security system for families with children during this pandemic*. London/York: Save the Children/ Joseph Rowntree Foundation

low incomes estimated that these additional costs amounted to £20 per week or more²³ - meaning that they will not have felt any benefit from the additional support.

How effectively do the Welsh Government's allowances and grants meet the particular needs of people in Wales?

Welsh Government and local authorities offer a range of support services and funding that sit alongside the UK benefit system that aim to mitigate the effects of poverty and these provide much needed additional support to many families. However, we also know that due to the eligibility criteria, access and the amount of financial support offered means that there are still many who are missing out on vital support.

During the pandemic several additional measures have been introduced to combat the inequalities that children and their families in poverty faced. Of particular note was the continuation of Free School Meals (FSM) throughout school holidays and the acknowledgement that disadvantaged children are more likely to be digitally excluded learners²⁴.

What reforms are needed to the benefits system and should there be further devolution of powers?

Reforms to the UK benefits system: The most urgent step which the UK government should take is to make the £20 uplift to Universal Credit permanent. The £20pw uplift to Universal Credit was a welcome step taken by the UK government to support people on low incomes through the pandemic.

It boosted the incomes of 16 million people by over £1,000 for the year and has helped struggling families to afford the basic items they and their children need. Save the Children research found that parents who had received the uplift predominantly used it to buy food, followed by paying rent and bills, along with buying items for school, with 44% of families in Wales having used the additional money to pay for food.²⁵ While the uplift was put in place temporarily, the evidence we have laid out here clearly demonstrates that families rely on it to meet basic needs and will be pushed further into hardship if it is taken away. **Current plans to remove the uplift in October would mean that 6.2 million families would see an overnight loss of £1,040 a year and around half a million more people, including 200,000 children, will be pulled into poverty.**²⁶ Parents would once again find themselves unable to meet these basic needs, with two in five parents saying they may need to cut back on food and clothes, with over a third saying it would be harder to afford rent and bills.²⁷

Maintaining the £20 uplift is the very minimum which is needed to improve the social security system. As our evidence has shown, even with the uplift, families experienced severe hardship during the pandemic, and child poverty is projected to rise over the next few years even if the uplift is kept.²⁸ Years of cuts and freezes have left social security payments at historic low levels, meaning that maintaining the £20 uplift will not on its own be enough to prevent poverty. In the longer term, the UK government

²³ Save the Children and Joseph Rowntree Foundation (2020), *A lifeline for our children*

²⁴ See Welsh Government, 'Education and Childcare: Coronavirus' <<https://gov.wales/education-coronavirus>> accessed 4th May 2020

²⁵ Save the Children (2020), *A Winter Plan for Children: Why families on low incomes shouldn't be left out in the cold.*

<https://www.savethechildren.org.uk/content/dam/gb/reports/winterplanforchildren.pdf>

²⁶ Joseph Rowntree Foundation (2020) *Briefing: Spending Review 2020 - no plan to protect people from poverty in the economic emergency.*

<https://www.jrf.org.uk/file/57036/download?token=iuPnGkxt&filetype=briefing>

²⁷ Save the Children (2020), *A Winter Plan for Children: Why families on low incomes shouldn't be left out in the cold.*

<https://www.savethechildren.org.uk/content/dam/gb/reports/winterplanforchildren.pdf>

²⁸ <https://www.resolutionfoundation.org/publications/the-living-standards-outlook-2021/>

should look at the adequacy of the system and ensure that payments are in line with what families need to live on and prevent poverty.

Aspects of the system such as the five-week wait, upfront payment of childcare costs, the two-child limit and benefit cap also contribute to poverty and cause significant problems for families. The UK government must reform the system so that families are able to access the support they need and are not faced with long delays in payments. We are particularly concerned about the impact of poverty on children's wellbeing and outcomes.

Case study: Universal Credit

Becka is a single mother of one, who is working part-time, and received the £20 uplift last year.

Becka says: *“Living on Universal Credit is very challenging, especially for myself as a single parent with no family or friends to help. The £20 uplift has been very helpful to me. I can't say it's been life changing but I would certainly be worse off without it. I've been on UC for about a year and a half. Last year was a particularly brutal winter which saw us often in debt with no money for food. We found a charity that gave away out of date food from supermarkets and leftover Greggs, so we made it through. This year, with the £20 uplift, I can afford to spend £41 a month on a FarmShare scheme that gives us a small parcel of organic fruit and veg each week. This has made a huge difference.”*

The Role of Welsh Government and devolved powers

Although the main drivers for the benefits system lie with the UK government the role of Welsh Government and Welsh local authorities are crucial to make sure we are going in the right direction in reducing child poverty. We would like to see a renewed Child Poverty Strategy with a Delivery Plan, with clear measurable milestones and ambitious targets, and with transparent reporting arrangements to reflect these impacts and so ensure that no child is disadvantaged because of family income. We know that children living in poverty benefit most from a multi-agency approach. A delivery plan reflecting this approach would ensure clarity for local governments and public bodies and require that they assess the impact on disadvantaged children in decision making, building on the socio-economic duty.

We know that many low-income families with children often experience high living costs. Even paying for basics such as food, household bills or nappies for their children can be a daily struggle. Families shouldn't be faced with impossible choices over whether to put food on the table or money on the electricity meter.

Access to Free School Meals is a vital lifeline for many families. Disadvantaged children eligible for FSM are also entitled to the Pupil Development Access Grant, which provides £125 'to buy school uniform, equipment, sports kit and kit for activities outside of school.'²⁹ Although a welcome addition, there is

compelling evidence to suggest that the amount of financial help available through this grant is inadequate in providing children in poverty the essentials they need to take part in social, extracurricular activities in school. For example, a case study in A Charter for Change (2019) reveals that

²⁹ Welsh Government, 'Pupil Development Grant – Access' <<https://gov.wales/pupil-development-grant-access>> accessed 26th April 2020.

the grant often barely covers basic uniform costs.³⁰ The result is an inequality in opportunities for poorer children and feelings of social isolation, impacting heavily on their emotional wellbeing and academic performance. Furthermore, there are many children in poverty that do not qualify for FSM in Wales and as a result, miss out on achieving their full potential in school. These children marginally fall outside of the FSM threshold, but still struggle to afford food and admit to often going hungry through the school day.³¹ The current income threshold for this service, and access to the Pupil Development Grant, is £7,400 in Wales. Welsh Government could alleviate the pressures on family income by extending the eligibility for Free School Meals to all children, including over the school holidays, where a parent or guardian is in receipt of Universal Credit or equivalent benefits.

All young children in Wales should have access to and benefit from high quality education and care. Achieving this ambition rests on having an early year's policy that ensures access to a system that will provide high quality Early Childhood Education and Care (ECEC) to all young children whilst continuing to support families.

Although lockdown measures have eased over the last few months, the future is uncertain, and the impact of the pandemic is likely to continue for many months or even years to come. The experience of dealing with a fall in income, compounded by extra costs and other challenges, will have lingering effects far into the future.

August 2021

³⁰ Children's Commissioner for Wales, *A Charter for Change* 35

³¹ *Ibid* 13.