



The impact of Coronavirus on poverty and social exclusion in Wales

Executive summary

This briefing is one of three briefings that provide an overview of past, current, and possible future trends in poverty and social exclusion in Wales. It should be read alongside the other two briefings in the series, on poverty in Wales and social exclusion in Wales.

These briefings form part of the Wales Centre for Public Policy's work to deliver a review of international poverty and social exclusion strategies, programmes and interventions for Welsh Government. They are intended to inform and shape this wider project by providing insight into the scope and trajectory of poverty and social exclusion in Wales.

The findings in the three briefings draw on evidence from Welsh Government reports and statistics, the Well-being of Wales reports mandated by the Well-being of Future Generations (Wales) Act 2015 and reports by organisations including the Bevan Foundation and Joseph Rowntree Foundation.

Introduction

The Coronavirus pandemic is having a comparatively greater impact on people living in poverty and on those who are socially excluded.

The impact of the Coronavirus pandemic has two aspects – the health impacts of the virus itself and the impact of the measures taken to contain it.

With regards to poverty the Coronavirus pandemic has had three main impacts in Wales. Firstly, it has increased the number of people

living in poverty. Secondly, it has deepened poverty for those people already living in poverty. Thirdly, the pandemic has worsened the consequences of being on a low income.

This briefing outlines key findings related to the impact of Coronavirus on health, work, housing, social security and support, bills and debt, digital exclusion as relates to poverty and social exclusion in Wales as well as the future of poverty and social exclusion in Wales.

Poverty and social exclusion are long-term issues in Wales, and predicting their trajectory is complicated by the uncertain future of the pandemic and the impact of Brexit

Impact on health

Public health data shows that people in the most deprived areas are twice as likely to die from Coronavirus as people in the least deprived areas of Wales. The elevated risk of Coronavirus mortality in deprived areas is exacerbating the existing health inequalities experienced by these populations.

Impact on work and income

The Coronavirus pandemic has had two main impacts on work and income – a reduction in income and job loss.

About 16% of the Welsh labour force work in sectors that were completely shut down during lockdown. People with low incomes or who were already likely to be living in or close to the poverty threshold were seven times more likely to be working in one of these completely shut-down sectors.

Wales has the lowest proportion of people in the UK able to work from home as a result of the structure of the Welsh economy. Low paid workers are less able to work from home than those in high paying roles.

24% of households in Wales have seen a reduction in income since the pandemic began in March 2020, with 11% of households having had their income fall by 'a lot'.

The impacts of the Coronavirus pandemic on work have not been felt evenly within Wales. Some groups and geographical areas have been harder hit than others.

Projections suggest that if just one in four workers in sectors that were shut down during the pandemic lose their jobs, unemployment in Wales would reach levels higher than those seen during the 2007/08 recession.

Impact on housing

Many households in Wales have fallen behind on housing payments, both rent and mortgages, as a result of Coronavirus. From the start of the pandemic to December 2020 more than 120,000 (9%) of households in Wales had fallen behind on at least one bill.

Existing issues with housing quality have taken on new importance during the pandemic. People living in poverty are known to be more likely to live in housing that is of poor quality and/or is overcrowded which can limit their ability to practice social distancing or to self-isolate when necessary.

Impact on social security

25% of people in Wales have applied for or expect that they will have to apply for benefits as a result of the Coronavirus pandemic.

There has also been a surge in demand for devolved social security schemes including Free School Meals and the Discretionary Assistance Fund during the Coronavirus pandemic.

Impact on bills and debt

The Coronavirus pandemic has increased household expenditure on utility bills for many households in Wales as people are spending more time at home. Around 15% of people in Wales have fallen or expect to fall behind on fuel bills and 13% expect the same to occur for water bills.

By April 2020, more than 10% of people had fallen or expected to fall behind on their internet or mobile phone bill, therefore risking being cut off from internet access.

Impact on digital exclusion and education

Digital exclusion has had significant impacts on children's ability to continue their education at home during lockdown. Children living in the most deprived areas of Wales are the most likely to have had their education interrupted by the pandemic even when remote learning opportunities have been available due to digital exclusion issues.

The future of poverty in Wales

The future of poverty and social exclusion in Wales remains uncertain. It is clear that poverty is likely to increase in 2021 (and possibly beyond) however the precise future trajectory of poverty in Wales remains unclear. Measures to control the Coronavirus pandemic are likely to continue well into 2021 and the economic ramifications of the pandemic will be felt far beyond that. The economic situation is further complicated by the ongoing ramifications of Brexit, the possible impacts of which are not yet completely clear.

The Joseph Rowntree Foundation and Bevan Foundation highlighted rising living costs, reduction of benefits, poor quality work, a lack of

educational attainment and limited personal savings as the key future drivers of poverty in Wales prior to the pandemic and these remain key factors in the future trajectory of poverty in Wales.

However, the pandemic has also introduced complicating factors with regard to work which need to also need to be considered. Wales provides free universal education and health services which results in overall high levels of access and take-up, although there are groups for whom access could be improved. Quality of provision and outcomes are also inconsistent.

A summary of potential future trends in poverty in Wales, in relation to work, housing, social security and support, bills and debt, and Brexit is shown below:

- The future of poverty in Wales will be influenced by what happens when government support schemes related to the pandemic come to an end. Projections suggest unemployment will increase however the magnitude of this increase is not yet clear and will be affected by government decision making and support in the coming months and years.
- The risk of unemployment is higher for women, young people aged 16-24 and people with the lowest levels of qualification. Large scale redundancy is also a concern for industries who were shut down during the pandemic.
- In-work poverty is expected to continue to increase as the pandemic eases.
- Housing is the key area where debt as a result of the Coronavirus pandemic has built up for many families. A number of organisations have expressed concern about a possible spike in evictions once government protections are lifted.
- There is uncertainty as to what will happen after the temporary changes to social security introduced in response to the pandemic come to an end. This will be particularly important given the higher

number of people claiming benefits as a result of labour market changes that have been brought about by the pandemic.

- The financial impacts of the pandemic are expected to result in more households falling behind on bills and becoming cut off from key utilities.
- More than 25% of people on low incomes in Wales have borrowed money to cover everyday costs during the pandemic. This could lead to long-term financial issues for individuals and households unable to service their loans.
- As Brexit has coincided with the Coronavirus pandemic experts have suggested that it will be difficult to identify the impacts of Brexit on poverty until the full impact of the Coronavirus pandemic is known.
- People and households that are socially excluded and/or living in poverty have limited resources and as such have lower resilience in the face of economic shocks like Brexit and the Coronavirus.

Conclusion

Poverty and social exclusion are long-term issues in Wales. Prior to the Coronavirus pandemic almost one in four people lived in poverty. The Coronavirus pandemic has only exacerbated poverty and social exclusion for those already affected in Wales and has pushed many people into poverty and led to them experiencing social exclusion for the first time. The uncertain future of the pandemic and the impact of Brexit further complicate any attempts to predict the trajectory of poverty and social exclusion in Wales.

It is clear that the future of poverty and social exclusion in Wales will be deeply influenced by the course of the pandemic and how the Welsh and UK Governments handle the recovery period. While many have praised the actions taken by these Governments to support people during the pandemic so far, this support is

temporary and will not be sufficient to tackle the long-term impacts of the pandemic.

Unemployment/under-employment and housing remain key issues in Wales, which have been made more acute by the pandemic. The pandemic has also increased uptake of social

security support and highlighted the need for improvements of this system. The long-term (physical and mental) health impacts of Coronavirus and the disruption of education because of the pandemic are also likely to be key issues affecting the future of poverty and social exclusion in Wales.



Find out more

For the full report see Cartier, I. (2021). *Poverty and social exclusion in Wales*. Cardiff: WCPP.

About the Wales Centre for Public Policy

Here at the Centre, we collaborate with leading policy experts to provide ministers, the civil service and Welsh public services with high quality evidence and independent advice that helps them to improve policy decisions and outcomes.

Funded by the Economic and Social Research Council and Welsh Government, the Centre is

based at Cardiff University and a member of the UK's What Works Network.

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