

Ending poverty in early years

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December 2024

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Summary

Child poverty is a significant problem in Wales. It affects one in three children and has a lasting impact on their lives as poverty is associated with many outcomes including lower educational attainment, poorer health and homelessness.

Despite the Welsh Government publishing successive child poverty strategies very little progress has been made in reducing rates of child poverty in Wales. One of the key weaknesses has been that children are treated as a homogenous group, with one-size-fits-all actions. Instead, the needs and circumstances of different groups of children should be recognised.

More than half of all children living in poverty in Wales live in a family where there is at least one child aged 0–4. Making progress in solving poverty among families with a baby or toddler is therefore the key to making broader progress in reducing child poverty. The report has identified four key drivers of poverty among families with younger children.

First, the birth of a baby often leads to a drop in household income at the same time that household costs increase. Taking action to put more money into family pockets (e.g. by raising maternity pay) or to reduce costs associated with having a baby (e.g. by delivering a baby bundle) is therefore crucial to reduce poverty rates among families with young children.

Second, the number of adults that work in a family does make a real difference to child poverty rates. Getting a second adult (usually mothers) back into work is crucial to boost household incomes and to reduce child poverty rates. To enable this, there is a need for action to remove barriers to work (e.g. increase the availability and affordability of childcare) and provide specialist support to help parents to find and keep paid work.

Third, the social security system currently pushes families with young children into poverty and traps them there. Addressing these challenges will require enhanced UK-wide reforms. Strengthening the UK benefits system to meet the essential needs of all families is crucial, including families in Wales who face distinct challenges - as set out in this report. Whilst powers over social security per se have not been devolved to the Welsh Government, they should also take action to ensure families have access to the support they need where it is in their gift to do so. For example, the Welsh Government should expand targeted support through mechanisms like the Discretionary Assistance Fund. Where necessary, additional flexibility and powers should be devolved to the Welsh Government to develop responsive, tailored solutions such as the establishment of a Welsh Child Payment.

Fourth, families with young children face the same broader living costs as the rest of the population, but these costs are often heightened and can affect families differently. Without action to address high living costs, in particular high housing costs, many families will continue to struggle to make ends meet.

1. Introduction

Child poverty has been described as ‘the biggest issue affecting children in Wales’.¹ It affects one in three children and has a lasting impact on their lives as poverty is associated with outcomes such as lower educational attainment, poorer health and homelessness.²

Reducing child poverty has been a priority of the Welsh Government for some time, with the Children and Families (Wales) Measure 2010³ requiring it to prepare and publish a ‘strategy that contributes to eradicating child poverty’.⁴ Yet over the lifetime of a child born in the year that the landmark legislation was passed, poverty has remained stubbornly high.

One of the key weaknesses of successive child poverty strategies has been that children are treated as a homogenous group, with one-size-fits-all actions. Yet Wales’s 190,000 children in poverty are incredibly diverse. They include children in couple families with a working parent (typically dad) and stay-at-home parent (typically mum) as well as children in lone parent families; children without a brother or sister as well as those with two or more siblings; disabled children; and children with one or more parent of minority ethnic heritage. Recognising and addressing the different circumstances of children in low-income families is, in the Bevan Foundation’s view, one of the keys to reducing poverty.

One of the largest groups in terms of both the number and the proportion of children in poverty are families with a baby or toddler. More than half of all children in poverty live in this type of household, some 100,000 children.⁵ However, many of the actions taken by Welsh Government to tackle child poverty have limited direct relevance to families with young children: these families are unable to benefit from free school meals or school essentials grants nor can parents of under-3s benefit from the childcare offer.

This report, prepared in partnership with Barnardo’s Cymru, looks at the reasons why so many families with a young child live in poverty. It considers their experiences of low income, the characteristics of families, the role of the social security system and participation in paid employment, and the additional costs families with a baby or toddler face. Most evidence cited in each section is from government and other official statistics, and this report also draws on the findings of a roundtable discussion held by the two organisations in July 2024, evidence from Barnardo’s Cymru’s services, and a survey conducted by YouGov on behalf of the Bevan Foundation and Barnardo’s Cymru in September 2024.

2. Experiences of child poverty in Wales

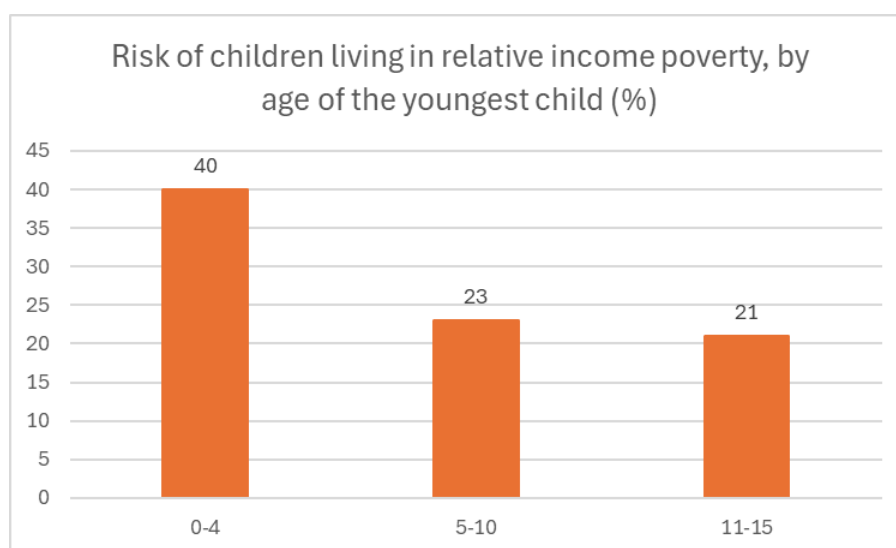
To understand why child poverty among families with younger children is such a significant issue in Wales, there is a need to consider which children live in poverty and what their experiences are. This section paints a picture of people's experiences of child poverty in Wales today.

2.1. Child poverty in numbers

The number of children living in poverty in Wales is virtually unchanged in more than a decade. In the three years to 2023, 190,000 children lived in relative low income, some 30 per cent of all children. The proportion of children in poverty in Wales is higher than in Scotland (24 per cent) or Northern Ireland (23 per cent), but is the same as the proportion in England (30 per cent).

Child poverty is strongly linked with the age of the youngest child in a family. More than half (54 per cent) of all children in poverty in Wales live in a household with a 0-4 year old, some 100,000 children.⁶ Poverty decreases sharply as the age of the youngest child in a household increases (Graph 1): the poverty rate amongst children in families whose youngest child is aged 5-10 years more than halves to 23 per cent, and falls to 21 per cent amongst children in families whose youngest child is aged 10 – 15 years. With poverty amongst working age adults standing at 21 per cent, child poverty among families with older children is broadly consistent with the broader population. The high rate of child poverty in Wales is therefore almost entirely because of poverty amongst children in households with a 0-4 year old.

Graph 1 – Number of children in poverty by age of the youngest child (2019/20 to 2022/23) (Wales)

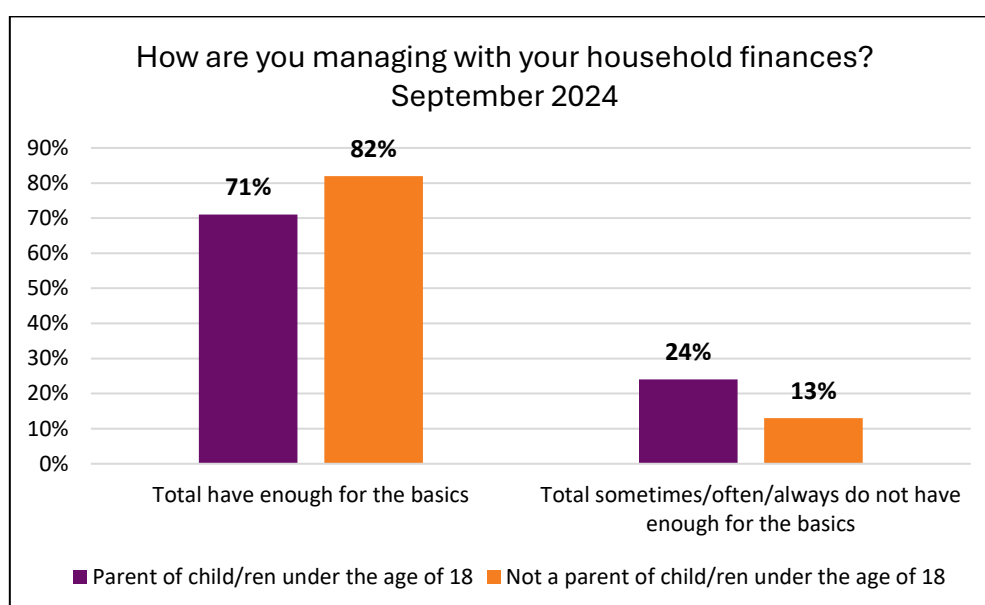


Source: Stats Wales, Children in relative income poverty by age of youngest child in family, available at - <https://statswales.gov.wales/Catalogue/Community-Safety-and-Social-Inclusion/Poverty/children/childreninrelativeincomepoverty-by-ageofyoungestchildinfamily>

2.2. The impact of high rates of child poverty – the data

The official measure of child poverty is limited because it only takes into account household income and is based on average figures over three years. To complement this data, the Bevan Foundation has worked with the polling company YouGov to produce a “snapshot of poverty” in Wales. The most recent data show that in the three months to September 2024 almost a quarter of Welsh parents (24 per cent) sometimes, often or always struggled to afford essentials such as food, heating and transport.⁷ This is more than 10 percentage points higher than the position for people who are not parents of a child under 18.

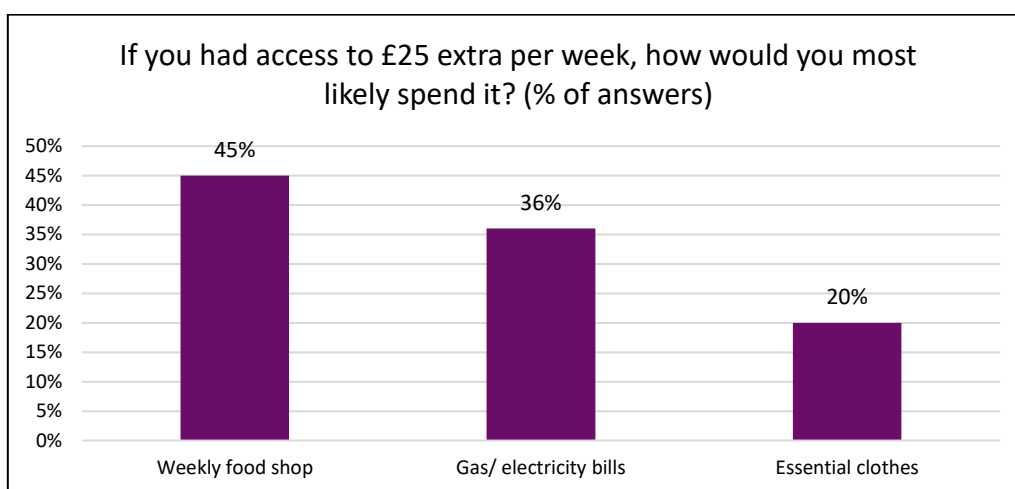
Graph 2 – Proportion of people who have enough to money to cover the essentials in the three months to September 2024 by parental status



Source: Data gathered by YouGov on behalf of the Bevan Foundation and Barnardo’s Cymru

The impact of this financial squeeze can be demonstrated in another way. In the same survey parents were asked to select what three things they would do if they had access to an extra £25 a week. While some parents did say that they would place this money in a savings account (15 per cent) or to pay down debt (9 per cent) by far the most frequent answers were to spend the money on household essentials, with 45 per cent of parents saying that the extra money would be spent on their weekly food shop, 25 per cent saying that they would spend the money on gas and electricity and 20 per cent saying it would go on essential clothes. Around a third (36 per cent) would spend it on social activities for their children. No parents (0%) said that they would spend the money on activities for themselves such as gym membership fees or going to the cinema.

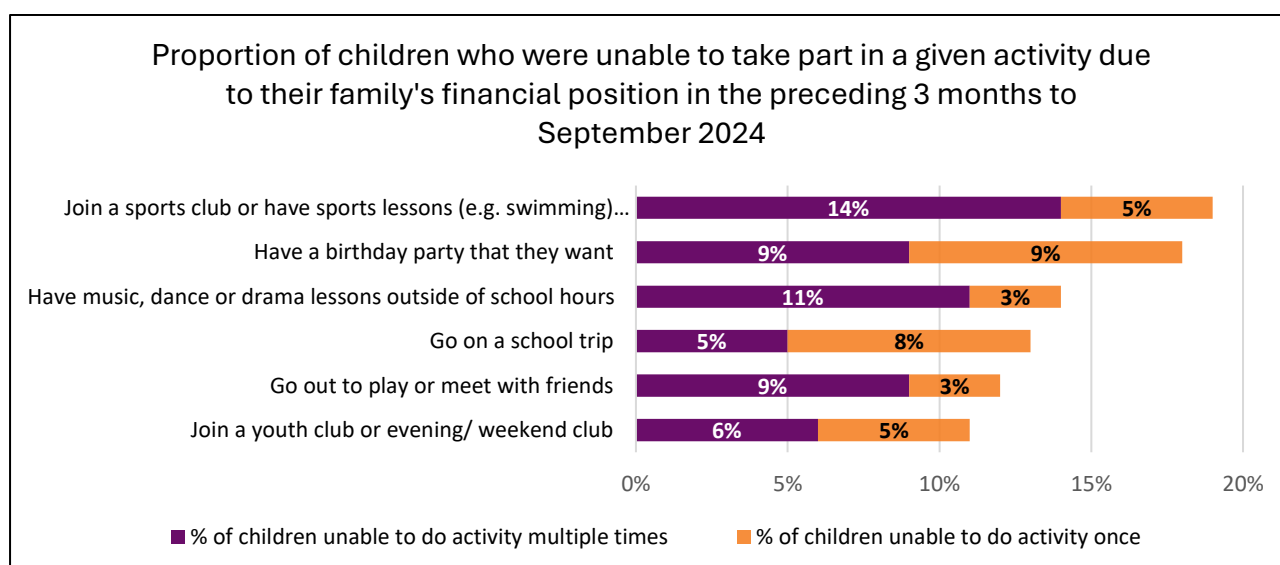
Graph 3 – What essential items would parents of children under 18 purchase if they had access to an extra £25 per week



Source: Data gathered by YouGov on behalf of the Bevan Foundation and Barnardo’s Cymru

The impact of child poverty extends beyond missing out on day-to-day essentials. Our latest *Snapshot* survey found that children all over Wales are missing out on activities such as sports classes (19 per cent), drama and music lessons (14 per cent) and going on school trips (13 per cent) due to their parents’ financial position. Missing out on such activities has an impact on a child’s health, their wellbeing and their educational attainment, affecting a child’s long-term life chances. Perhaps most sad of all is the fact that 18 per cent of parents in Wales said that their child did not have the birthday party they wanted, because they could not afford it.

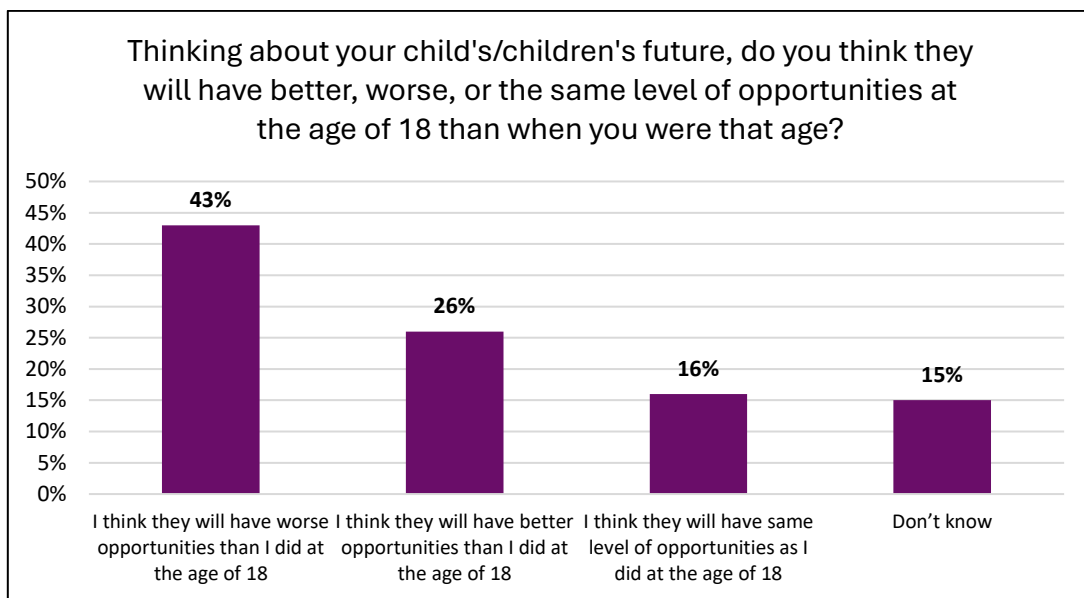
Graph 4 – Proportion of children who were unable to take part in activities due to their family’s financial position in the three months to September 2024



Source: Data gathered by YouGov on behalf of the Bevan Foundation and Barnardo’s Cymru

Parents are acutely aware of the impact that missing out on the essentials and on broader opportunities is having on their children’s life chances. All parents dream that their children will have an opportunity to achieve more and to enjoy better living standards than they did. Concerningly, many parents do not hold out much hope that their children will have a better quality of life than they did. Over four in ten parents in Wales (43 per cent) believe their children will have worse opportunities than they did at the age of 18. By contrast, only a quarter of parents (26 per cent) believe their children will have better opportunities.

Graph 5 – Proportion of parents who think that their children will have better, worse or similar levels of opportunity as they did at the age of 18.



Source: Data gathered by YouGov on behalf of the Bevan Foundation and Barnardo’s Cymru

2.3 The impact of high rates of child poverty – people’s experiences

While government statistics and polling data provide us with vital tools to better understand child poverty in Wales, it is also important to take into account insights shared by people with direct experience of poverty, or who work in front line roles supporting families living in poverty. These show that in communities across the country, families are facing incredibly painful decisions.

Poverty can have a huge impact on a family. Barnardo’s Cymru’s emergency funds have been used to buy cots, beds, baby basics and white goods for the hardest-hit families, as well as providing supermarket vouchers and energy support. The charity has seen many families with children sleeping in cots that are too small because their parents cannot afford to buy a bed. They have also seen broken beds and children sleeping on mattresses on the floor, and even on the floor itself, as well as reports of overcrowding.

Concerningly, insights shared by Sarah Rowe, a Children's Services Manager for Barnardo's Cymru with 10 years' experience supporting families, points to a deteriorating picture:

"I have never seen things this bad. Parents are often reluctant to admit just how bad things are as they feel ashamed, they cannot feed and clothe their children or keep them warm. Only when we visit the home do we discover just how much they are struggling.

"One family were sharing one plate and one fork between them. They had nowhere to keep milk or fresh food cool and no sterilising equipment to keep their baby healthy. The house was bare, and we had to provide them with absolute basics like crockery and cutlery.

"We've had a mum who escaped domestic abuse and says she spent her days in bed under the duvet through the worst of last winter as she could not afford to heat the house until the children came home from school and not always then."

Barnardo's Cymru has found that many children and young people are themselves acutely aware of the impact that poverty and financial hardship is having on their lives. In a focus group, one young person told Barnardo's Cymru:

"You're doing everything you can to get the bare minimum to survive. You need money but there is none. You need money but there is nowhere to get it, but some people have more than enough."

As with the data gathered by YouGov on behalf of the Bevan Foundation and Barnardo's Cymru, the experiences of families point to the broader social impact of poverty. Families supported by Barnardo's often struggle with social isolation. This is a particularly acute problem for families living with complex health needs, who can feel unable to leave home leading to social isolation for both parents and children.

Given the all too clear impact that poverty is having on children and families across Wales, understanding why child poverty rates are so high, in particular among families with children aged under 5 years, is crucial to effective solutions.

3. The root causes of child poverty in Wales

There are a number of factors that push and trap people in poverty in Wales. This section pays special attention to the factors that contribute to the high levels of poverty amongst children in families with a child aged 0 – 4.

3.1. Maternity and child poverty

Maternity is an important feature of life in families with children aged 0-4, and a key contributor to poverty amongst children in this age group. Maternity and maternity-related benefits are key.

Maternity benefits

New mothers who are employees can take up to a year of maternity leave and can share any unused maternity leave with their partner as shared parental leave. New fathers are eligible for up to two weeks of paternity leave in their own right.

While on leave, women who are eligible can receive Statutory Maternity Pay (SMP) for up to 39 weeks. SMP is paid at 90 per cent of average weekly earnings for the first six weeks and £184.03 a week (or 90 per cent of average weekly earnings if lower) thereafter. Statutory Paternity Pay (SPP) is payable to new fathers at the same rate as SMP for two weeks. Parents with No Recourse to Public Funds are eligible to receive SMP or SPP provided that they meet the employment requirements. Some employers pay enhanced maternity and paternity pay to their employees, but the vast majority of women do not receive additional benefits.⁸

If a woman is not eligible for SMP, for example because she has not worked for her employer for long enough, she may be eligible for Maternity Allowance (MA). MA is the same as the lower element of SMP, i.e. £184.03 or 90 per cent of average weekly earnings (whichever is lower) and for the same period i.e. a total of 39 weeks. However, as Maternity Allowance is deducted in full from any Universal Credit that the woman may receive, there is no financial benefit to claiming MA for women in receipt of Universal Credit. Unsurprisingly, the number of claims for MA is falling. MA can be claimed by mothers with No Recourse to Public Funds if they meet eligibility criteria.

Other benefits

Women who are not eligible for either SMP or MA may be eligible for Statutory Sick Pay (SSP), new-style Employment Support Allowance (ESA) or Universal Credit. All three are paid at even lower rates than maternity pay, at £116.75 a week for SSP, £90.50 a week for over-25-year olds for new-style ESA. Universal Credit standard allowance is £393.45 a month for over-25-year-olds plus £287.92 a month for a child (a total of £157.24 a week for one parent and child). Mothers on maternity leave who have No Recourse to Public Funds can claim SSP and new-style or contribution-based ESA if they meet the eligibility requirements. However,

they are not able to receive Universal Credit, even if they are not eligible for maternity or contributions-based benefits, or if those benefits are not enough to live on. More detail on Universal Credit is in section 3.3.

Maternity and child poverty

The low levels of maternity, child and other benefits paid during the first year of a child's life contribute to high levels of child poverty amongst families with young children. All benefits paid to new mothers are less than 60 per cent of median income – the weekly amount below which a household is said to live in relative low income. The poverty threshold for households with two children aged five and 14 is £392 a week for a single parent family and £530 a week for a couple family (after adjustment for housing costs).

Research by Unison has pointed out that SMP is less than half of the minimum wage and just over a third of women's median earnings.⁹ It found of the 1,394 mothers who had taken maternity leave at some point between January 2021 and December 2022, half had bought less healthy food, one quarter had gone without food to feed their children, and that seven out of ten worried 'a lot' about money during pregnancy or maternity leave.¹⁰

3.2. Child poverty and parents' employment

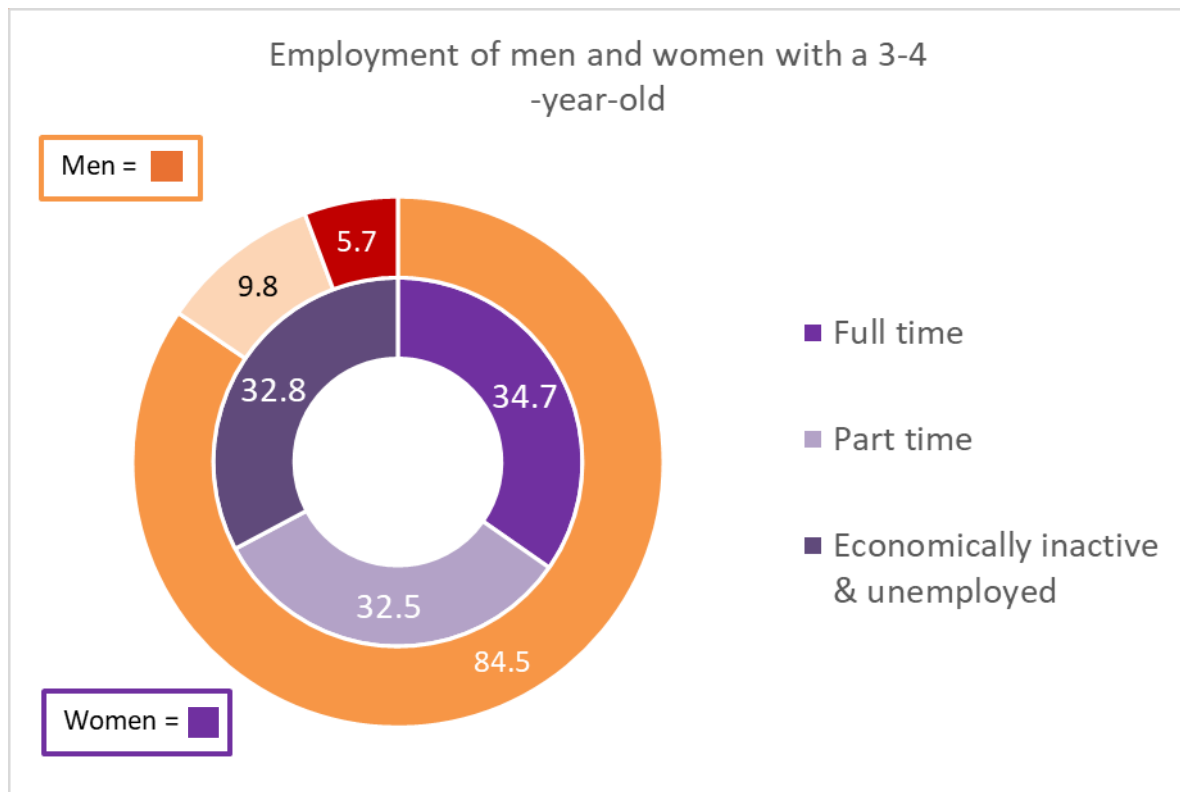
Employment is an important factor in whether a household lives in relative income poverty. Having one or more adults in paid employment, even if part-time, significantly reduces the risk of children living below the poverty threshold. This section shows that, in general, the more work that is done in a family, the lower the risk of poverty, but that parents (and specifically mothers) of young children are less likely to work than others.

Parents and employment

Overall, more than eight out of ten parents with dependent children in Wales were in employment in 2022. Approximately one in five were not working, mainly because they were looking after the home. Employment rates were slightly lower for parents of young children than for parents of older children.

The lower employment rates for parents of young children are entirely due to a significant proportion of mothers not being in paid work. More than a quarter of women with a dependent child aged 0-4 years do not have a paid job, mainly because they are looking after the home. As a result, fathers of a 0-2 year old were twenty percentage points more likely to be in paid work than mothers. Amongst parents of a 3-4 year old the gap was even bigger at 25 percentage points. The impact on employment of having a dependent child is greater still for mothers of Indian, Black African, and Chinese heritage.¹¹

Graph 6 – Percentage of men and women with a 3-4-year-old in employment (2021) (Wales)



Source: Office for National Statistics, Families and the Labour Market: main reference tables, Wales

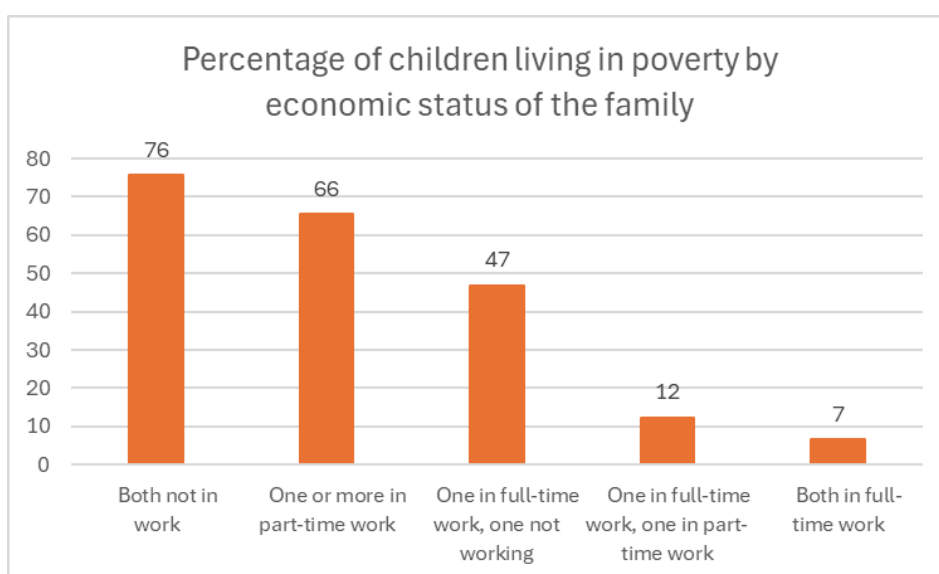
The lower employment rate of women with young children is the result of multiple, inter-related factors. For some, not having a paid job is not necessarily a choice. Research by the Equality and Human Rights Commission found that in Britain 11 per cent of mothers reported that while they were pregnant or on maternity leave they had been either dismissed, made compulsorily redundant where others in their workplace were not, or had been treated so poorly they felt they had to leave their job.¹²

Social attitudes are also very important, with many people believing 'that women should be available to their children in the pre-school phase'.¹³ Views about the optimum time that a mother should return to work vary but are often when a child can attend nursery for free or starts primary or secondary school. Low pay, lack of job/work flexibility, low job satisfaction when working, and the health or behaviour of the child can all make it less likely that a mother will return to work.¹⁴ When mothers return to work, they often face significant barriers and experience life-long career penalties. Lower-earning mothers, single mothers and mothers of Black and minoritised heritage experience the greatest career penalties.¹⁵

Paid work and poverty

As noted earlier, there is a very strong association between paid employment and the risk of being in poverty: the more work that is done in a household the lower the risk of poverty. Unfortunately, some of the data for Wales are of low quality, but UK data shows the link very clearly. In workless families, 76 per cent of children are in poverty, falling to 66 per cent if one or more adults is in part-time work, and falling again to 47 per cent if one adult works full-time but the other does not (Graph 7). The greatest decrease in the risk of poverty occurs when there is a second adult in work in the household: if the second adult works part-time, just 12 per cent of children are in poverty and if both adults work the risk falls to 7 per cent. While getting any adult into employment therefore helps to reduce poverty, the biggest percentage fall occurs through a second adult (most commonly the mother) being in employment.

Graph 7 – Percentage of children living in poverty by economic status of the family (2022/23) (UK)



Source: Office for National Statistics, Households Below Average Income, 2022/23, Children (Time Series)

This finding is all the more important for child poverty amongst households with a 0–4-year-old. In Wales, approximately 60 per cent of children in low-income families with a 0–4-year-old live in a household where just one adult works and a further 20 per cent live in workless households. The large number of children in these two high risk groups is a key factor in the high levels of child poverty in Wales.

Because there are so many children in poverty in households where one but not all adults work, increasing parents' employment could have a big impact on child poverty. If a second adult in one-worker households took up employment, even if part time, there could be roughly 50,000 fewer children in poverty in Wales.¹⁶

This is much greater than the likely impact of getting one or even two adults in a currently workless household into employment.

There is an important gender dimension to be taken into account: because women with young children are much less likely to be in employment than men, the vast majority of second adults whose paid work could help to lift a family out of poverty are women.

While all adults in a family being in work greatly reduces the risk of poverty, it is important to remember that working does not eliminate the risk of poverty completely. For children of all ages in Wales, around one in seven children (13 per cent) are in poverty even though all adults in the household work. This is almost twice the proportion of children in poverty in all-working households in the UK as a whole, which is 7 per cent. The causes of poverty amongst children in households where adults are in work include being in self-employment or working in low-paid sectors such as administrative and support services and accommodation and food service. Low pay is a particularly significant problem in Wales, with the median full-time worker in Wales earning £43.90 a week less than the median UK full-time worker, equivalent to £2,282.80 over a year.¹⁷

Employment support

Some parents entering employment may need support to boost their confidence, job search, and in developing new skills. People who receive Universal Credit (and certain other benefits) are often required to search for work – typically a parent of a 0-2-year-old is not expected to look for work, but parents of a 3-12-year-old are expected to work up to 30 hours a week (or spend the same time on work-related activities such as applying for jobs). People required to work receive help from a 'work coach'. In a recent review,¹⁸ the Learning and Work Institute Wales concluded that while there are many excellent employment support programmes there are also shortcomings, with poorer outcomes for some people, lack of flexibility to meet different needs and high coach caseloads. In addition, skills provision and careers advice, which are the responsibility of the Welsh Government, are not always integrated into local employment support offers.

As well as UK Government employment support services, there have been a number of EU-funded employability schemes in Wales, including the Parents, Childcare and Employment (PaCE) project.¹⁹ PaCE helped more than 1,500 people into work and provided additional benefits to children and families. A key factor in its success was that support was tailored to the specific needs of parents, and included help to understand and navigate the childcare system and the benefit system from staff who understood the needs of families. The PaCE project has now ended.

The UK government has announced a fundamental reform of employability support services,²⁰ with greater decision-making at local level. The Welsh

Government has long delivered employability support alongside UK government schemes, with its 2022 employability plan setting out the different devolved options – however there is no specific option for parents. Devolution of UK Government schemes would create an opportunity to deliver a more seamless service, and to include the needs of parents seeking to work.

Employment and child poverty

The relationship between employment and child poverty is clear. Increasing the proportion of parents with a child aged 0 – 4 that are in work by providing appropriate support for their circumstances, is vital to reduce the number of children living in poverty. This is especially true for mothers, who are much less likely to be in work than fathers.

In taking action to boost employment, support organisations should not overlook the pressures faced by families living in in-work poverty. Whilst increasing employment within a family significantly reduces a child's risk of living in poverty, with one in seven children living in poverty where all adults work, it is also not a guaranteed solution.

3.3. Social security benefits

The social security system provides a vital lifeline for families when hard times hit. Some families with a 0-4-year-old may be eligible to claim various benefits to provide an income if they are unable to work, or to top up low wages.

Universal Credit

Universal Credit is the main benefit paid to low-income households with children. The roll-out of UC to replace former benefits is relatively well advanced, with 72 per cent of households due to switch having done so by April 2024.²¹ Approximately 265,000 children of all ages in Wales live in UC households.²²

Rates of Universal Credit are low. A couple both aged 25 or over, with two children born after 6 April 2017 with no disability in the household would receive a total of £275.41 a week to live on (£1,193.44 per month), plus possibly some help with their rent and Council Tax. These rates are well below the poverty threshold.

The amount a household can receive in Universal Credit is reduced even further by important UC rules that affect how much a family might receive.

First, no UC child allowance is paid for the third or subsequent child in a family born after 6 April 2017. In Wales, 11 per cent of all children - 69,000 - are in households which are affected by the two-child limit.²³ Of these, the Bevan Foundation estimates that 19,000 are children aged 0-4 years. The two-child limit leaves larger families significantly worse off – the Institute for Fiscal Studies calculated that a lone parent with three children who lives in social rented

accommodation costing £500 per month and not working receives £3,455 a year less than they would have done, a 14 per cent loss of income.²⁴

Second, the Benefit Cap means that no household can receive more than £423.46 a week from certain benefits, including Maternity Allowance, Universal Credit, Child Benefit, Child Tax Credit, Employment and Support Allowance, plus any Housing Benefit. This figure is fixed irrespective of the number of children in a family or their housing costs. In May 2024, 2,409 single parent households and 797 couples with children in Wales were subject to the Benefit Cap. The majority (eight out of ten) of households affected by the benefit cap had three or more children.

Third, new claimants for Universal Credit must wait a minimum of five weeks for their first payment, and around one in five households wait even longer. Claimants may receive an Advance Payment (in effect an interest-free loan) but around two in five families are unable to meet their basic living costs during the five-week wait.²⁵ The wait has been identified as a driver of increased food bank use.

Fourth, the amount of benefit received by a household may be affected by deductions from their Universal Credit. Deductions can be made to repay debt, for example gas or electricity, or to repay a UC Advance Payment. To March 2025, up to 25 per cent of a households' UC standard allowance can be deducted to repay these debts (due to fall to 15 per cent from April 2025). The Child Poverty Action Group estimates that around half (51 per cent) of all children in households receiving UC have deductions for debt, at an average of £74 per month.²⁶ In Wales that could mean that around 66,000 children are hit by deductions.

Fifth, if a family does not comply with government requirements in respect of their UC claim they can be 'sanctioned' i.e. some or all of an adult's UC can be withheld for a period. Sanction rates have doubled in the last three years, with people being sanctioned being twice as likely to have caring responsibilities (including care for children) than those without caring responsibilities.²⁷

Child benefit

Eligible parents can claim Child Benefit, which is paid at £25.60 for the eldest or only child, and £16.95 per child for an additional child or children. Unlike most benefits, it is available to parents with an 'adjusted net income' of up to £60,000 a year, after which it is gradually withdrawn. Parents with No Recourse to Public Funds cannot claim Child Benefit.

Social security benefits and child poverty

There is a strong link between income benefits and poverty. In the UK, more than eight out of ten children in relative low-income households relies on some sort of state support.

The combination of the low rates of UC and deductions, coupled with the two-child limit and benefit cap, can make affording everyday essentials impossible. The Joseph Rowntree Foundation has found that nine out of ten people receiving UC go without at least one basic such as such as food, a warm home, adequate clothing or toiletries.²⁸ Citizens Advice similarly report people who have been sanctioned going without food or heating, falling into debt and arrears, and suffering acute mental health problems.

Parents with No Recourse to Public Funds are at especially high risk of poverty because they cannot claim many income-related benefits.

3.4. Costs

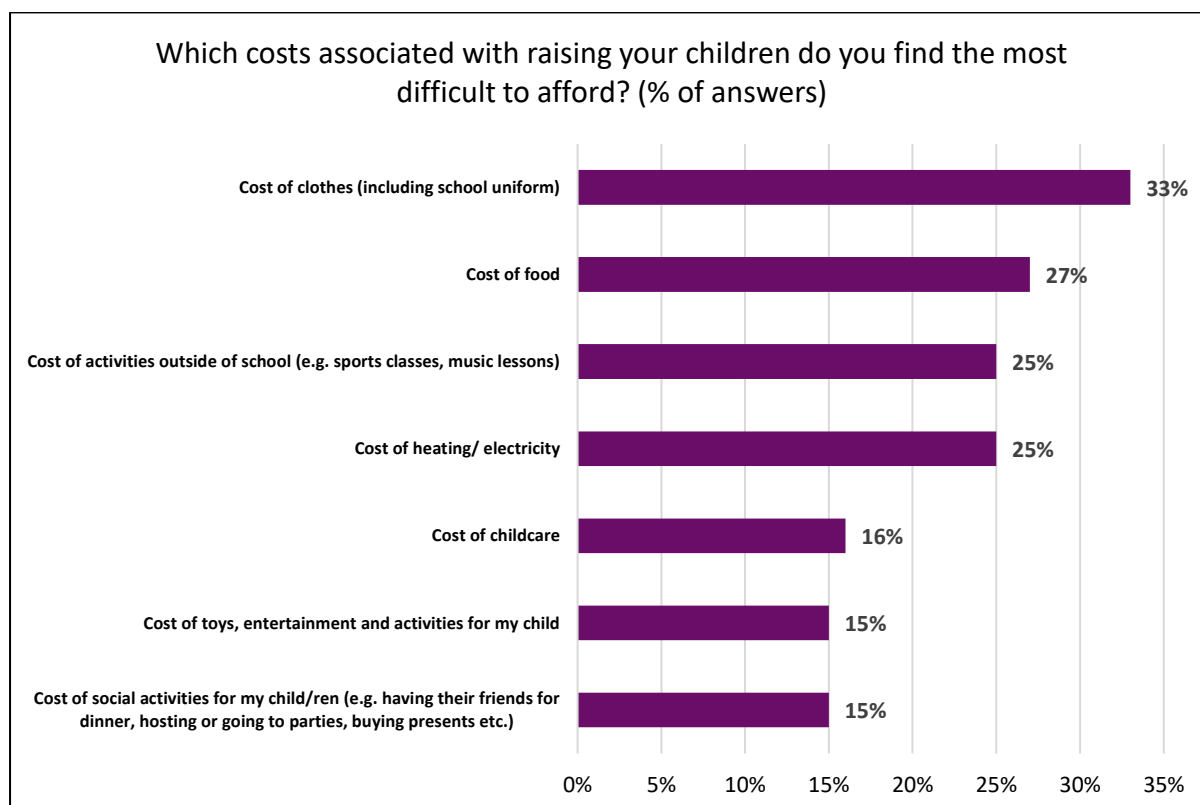
There are significant costs associated with raising young children. And while costs are not taken into account in measures of relative income poverty (other than housing costs), increased expenditure can cause families to experience considerable financial hardship.

General costs of children

Estimates of the cost of a baby or toddler vary considerably, depending on assumptions made about a family's standard of living. It is estimated that the absolute basics of a cot, nappies, clothing and equipment total around £500 in the first month of a baby's life, with ongoing costs amounting to around £95 a month thereafter. Costs rise with the number of children in a family. As well as the direct, additional costs of having a child, there are also indirect costs such as additional energy costs to keep the home at an acceptable temperature for young children and household costs such as laundry.

In our most recent Snapshot survey, parents of children under 18 in Wales were asked which cost associated with raising their child/ren they find most difficult to afford. Parents were presented with a list of options and were asked to select the three costs they found most difficult to afford. The cost of clothing (including school uniform), was the most common item (chosen by 33 per cent of parents) with the cost of food, the cost of activities outside of school (e.g. sports classes, music lessons) and the cost of gas/ electricity being selected by 25 per cent or more of parents.

Graph 8 – Which costs associated with raising children do parents find most expensive (September 2024)



Source: Data gathered by YouGov on behalf of the Bevan Foundation and Barnardo's Cymru

Parents on low incomes (measured as receiving Universal Credit or another means-tested grant) may be eligible for a Sure Start Maternity Grant of £500 if there are no other children under the age of 16 in the household. In effect this means that only the first baby in a low-income household can receive the grant.

In 2019 the Welsh Government announced it would be piloting a Baby Bundle as a 'welcome to the world gift',²⁹ with a pilot programme to be rolled out. In 2022, the Welsh Government committed to provide all new parents with a 'Baby Bundle / Bwndel Babi' comprising a blanket, clothing and other items.³⁰ A procurement exercise in July 2023 sought tenders to source, manage and deliver baby bundles from January 2024. However, the Welsh Government's 2024/25 budget cut £3.5 million from the programme's budget and it was announced that provision would no longer be universal.³¹ In March 2024, the Minister confirmed that 'steps will be taken to build a geographically targeted programme'³² during the financial year 2024/25. To date, six years after the first announcement, and despite an update in the Senedd on 1 October 2024 by the Minister for Children and Social Services, Dawn Bowden MS, there have been no further details, nor does it appear that any baby bundles have been provided since the pilot.

Help with costs faced by pregnant women and young children is also provided by the Healthy Start scheme. The scheme is based on the 1988 Social Security Act

which provides for schemes which improve nutrition for pregnant women, mothers and children. It is an England, Wales and Northern Ireland scheme with separate arrangements for Scotland, although the Welsh Government has powers to specify the foods that can be included within it. The scheme provides a weekly allowance, via a digital voucher, that can be used to pay for infant formula and milk, fruit and vegetables, and pulses.

The value of the voucher is £4.25 a week from 10th week of pregnancy to childbirth and for each child aged 1-4 years, and £8.50 a week from birth to one year. Take up in Wales in March 2022 was around 78 per cent - more recent figures are not available due to issues with source data.³³ Take up ranged from a low of 67 per cent in Powys and 69 per cent in Anglesey to 85 per cent in Blaenau Gwent and 86 per cent in Merthyr Tydfil.

Housing costs

The largest item of spending by a typical Welsh and UK household is housing costs.³⁴ Housing costs loom especially large in the outgoings of low-income households, accounting three and half times as large a proportion of their income as high-income households.³⁵ High housing costs help to push around 50,000 children in Wales into poverty: before housing costs are taken into account, 22 per cent of children live in relative income poverty while after housing costs the proportion rose to 29 per cent.³⁶

Thousands of families in Wales face a shortfall in the help provided by the social security system towards the costs of renting their family home. Around 19,000 households with children in private rented accommodation in Wales did not have their rent covered in full by Local Housing Allowance in May 2024, and a further 6,400 households with children in social housing had a 'spare bedroom' and so the rent eligible for support is reduced by between 14 and 25 per cent. Analysis of Universal Credit statistics suggests that families with a baby or toddler in a private rented home are more likely than other types of households not to have their rent covered in full by LHA – almost six out of ten of families with at least one young child had a shortfall.

Costs of disability

Poverty statistics are based on relative income and so do not take into account the additional costs that are faced by a household in which an adult or child is disabled. While the type and amount of extra costs vary depending on the type of impairment, Scope has found that on average, disabled households (i.e. households with at least one disabled adult or child) need an additional £1,010 a month to have the same standard of living as non-disabled households. This is extra expenditure that is inescapable because it is needed to manage conditions and support accessibility, for example electricity and hot water, specialist foods, or

housing adaptations.³⁷ Higher costs mean that families with a disabled child were more than twice as likely to have below-average resources than families where no-one was disabled.³⁸

The social security system provides additional help for disabled children and adults, such as Personal Independence Payments and Disability Living Allowance, but the allowances do not offset the additional costs in full. As a result, many families with a disabled adult or child report financial hardship, falling into debt and cutting back on essentials such as food or heating.

Cost of childcare

Parents returning to work have additional costs of caring for their child. While many families rely on a partner or wider family to look after their child while they are at work, some use formal childcare such as creches or nurseries and childminders.

There is a patchwork of Welsh and UK government help with childcare available, depending on the age of the child. For babies and 1-year-olds, there is no state provision other than tax breaks on childcare costs (worth 20 per cent of the amount spent, up to £2,000 per child per year). For 2-year-olds, the Welsh Government has committed to rolling out 12.5 hours a week of funded childcare through Flying Start by 2025, although it is unclear if that commitment will be fulfilled.³⁹ It is only at the age of three years that provision increases, with the Welsh Government providing funded childcare and early years education for 30 hours a week for 48 weeks a year for parents of 3-4 year olds who work at least 16 hours a week or are undertaking training. There is no provision for parents who do not work but who may be required to spend 30 hours a week looking for a job or risk losing their Universal Credit.

Before the age of three, parents who use formal childcare need to pay providers to look after their children. The costs can be high: Coram estimates the typical cost of full time childcare for a child aged 0-1 at £1,132 a month or £13,700 a year.⁴⁰ Even with a tax break, the cost is high.

Table 2: Childcare costs for children in Wales by provider type and number of hours accessed

Age	Nursery 25 hours a week	Nursery 50 hours a week	Childminder 25 hours a week	Childminder 50 hours a week
Under 2	£139.94	£261.33	£121.38	£234.21
2	£137.83	£258.82	No data	No data
3 and 4	£55.95*	£102.81**	£47.97*	£92.49 **

* Estimate based on child accessing 10 hours funded childcare through Foundation Learning but not the 20 hours Childcare Offer

** Estimate based on child accessing 30 hours funded childcare through Foundation Learning and the Childcare Offer

Source: Coram Family and Childcare, *Childcare Survey 2024* (March 2024) available at - <https://www.coram.org.uk/wp-content/uploads/2024/03/Childcare-Survey-2024.pdf>

Universal Credit provides some help with childcare costs for low-income families, covering 85 per cent of childcare costs up to £1,014.63 a month for one child and £1,739.37 for two or more children. Parents must find the other 15 per cent of costs, equivalent to £27 per week for one child in average cost care and £121 a week for two children in average cost care. This is a considerable sum for a low-income family relying on Universal Credit.

4. Policy options

Child poverty remains stubbornly high in Wales. As this briefing has demonstrated, if the Welsh Government is to deliver on its priority of reducing child poverty then it has to make meaningful reductions in the number of children aged 0 – 4 living in poverty.

A blanket approach to reducing child poverty is unlikely to be effective. As we have demonstrated, there are causes of child poverty that specifically affects families with young children. This final section sets out policy options that should be pursued by both the UK and Welsh Governments if they are serious about lifting children out of poverty.

4.1. Changes to the UK social security system

Changes to the social security system are one of the most important ways of boosting the incomes of low-income families and helping to reduce child poverty. Although there is pressure on UK public finances, there are reforms that would make a significant difference to all families including those with 0-4-year-olds.

Enhancing maternity benefits would provide additional income for women who rely on Statutory Maternity Pay or Maternity Allowance. Unison and Maternity Action are calling for statutory maternity pay to double to £364.70 a week, equivalent to receiving the (then) national minimum wage, although this uplift would not be specifically targeted at low-income mothers.⁴¹

Reforms to Universal Credit have the potential to make the biggest difference of all. Modelling by the Institute for Fiscal Studies (IFS) shows that the single most cost-effective reduction in poverty would be achieved by removing the two-child limit,⁴² which would reduce child poverty in the UK by 4 percentage points – equivalent to a reduction in the child poverty rate to 26 per cent in Wales. Abolishing the benefit cap and increasing the child element of Universal Credit by £26.70 a week (equivalent to the Scottish Child Payment) alongside abolishing the 2-child limit would result in UK child poverty falling even more, by around one quarter.

The IFS notes that even where families are in such deep poverty that an increase in social security benefits would not be sufficient to lift them above the poverty threshold, the additional benefits payments would nevertheless make a significant difference to the hardship that families face.

We therefore recommend that the UK Government should:

- **Remove the two-child limit as a matter of urgency, providing extra income for 19,000 babies and toddlers, and 50,000 of their siblings;**
- **Lift the benefit cap so that households receive their benefit entitlement in full;**
- **Plan to increase the child element of Universal Credit by £26.70 a week.**

4.2. Devolved grants and allowances

The Welsh Government is responsible for a number of devolved grants and allowances that give cash help to low-income households, but none are specific to families with young children. In contrast, the Scottish Government has used its powers over aspects of the social security system and the ability to introduce new benefits without affecting UK means-tested benefits to introduce several benefits aimed at reducing child poverty (Figure 1).

These payments have helped to reduce Scotland's child poverty rates to 24 per cent - six percentage points less than in Wales. The Joseph Rowntree Foundation expects the Scottish Child Payment to achieve a further reduction in child poverty, of around four percentage points in the next few years, and has also questioned whether the data on child poverty in Scotland take sufficient account of the impact devolved payments have made.

Figure 1 – Social security measures taken by the Scottish Government to reduce child poverty

- Scottish Child Payment of £26.70 a week for children aged 0-15.
- Best Start Pregnancy and Baby Payment (in place of Sure Start Maternity Grant) of £754.65 on the birth of a first child and £377.35 on the birth of subsequent children;
- Best Start Foods payments (in place of Healthy Start) of
 - £21.20 every four weeks during pregnancy and for each child aged between one and 3 years old;
 - £42.40 every four weeks for each child from birth to 1 year.
- Early Learning payment of £314.45 for each child aged two to three years and six months old (even if they do not attend nursery).
- Child Winter Heating Payment (in place of Cold Weather Payments) of £251.50 for disabled children and young people with high care needs.

The Welsh Government does not have powers over social security to deliver an equivalent programme to the Scottish Government's, but it has some powers to provide support in cash or in-kind to families with babies and toddlers.

We therefore recommend:

- **The Welsh Government fulfils its commitment to deliver the Baby Bundle / Bwndel Babi by March 2026, targeted at new parents on low-incomes.**
- **The Welsh Government develops a new Baby Grant to help new low-income parents to afford essential equipment. This could be delivered through the Individual Assistance Payment of the Discretionary Assistance Fund.**
- **The Welsh Government should continue to call on the UK Government to devolve powers related to the administration of the social security**

system, as per the cooperation agreement, with a view to developing a Welsh Child Payment. The development of a UK Child Poverty Strategy and the UK government's commitment to work with devolved administrations in its development could be an opportunity to call for this.

4.3. Parents' employment and childcare

There is a close relationship between low levels of employment amongst parents of 0-4-year olds and the poverty experienced by children in families with young children. Having a second parent in a family in paid work seems to have a particularly strong impact on poverty.

Several studies show that increasing parents' employment reduces poverty, although the scale of the impact depends on which adults move into work, how many hours of work they do and earnings from the jobs they take up. The position is further complicated as some benefits are withdrawn as incomes rise, and because the poverty threshold increases as median wages go up.

Nevertheless, increasing the employment of parents – and specifically a second adult in a couple household with a baby or toddler – seems highly likely to reduce (though not eradicate) child poverty both for individual households and for the population as a whole.

The availability and cost of childcare are real barriers to parents before they can access the funded childcare offer when their child is three. Flying Start (Childcare) for two-year-olds is not yet fully rolled out and the hours of care included in the offer are very unlikely to be sufficient to enable a parent to work sufficient hours to lift the family out of poverty. The Bevan Foundation and Joseph Rowntree Foundation have previously urged the Welsh Government to ensure that funded, good-quality, part-time (approx. 16 hours p.w.) care is available for 48 weeks a year for all 0-4 year olds.⁴³

We therefore urge the Welsh Government to:

- **Meet in full its commitment to rollout Flying Start (Childcare) to all 2 year olds by 2025.**
- **Extend the rollout of Flying Start (Childcare) to children aged 9 months to 2 years from 2026-2029.**
- **Join up the separate elements of childcare provision into a single system for parents to navigate.**

The anticipated reform and devolution of UK government employment support programmes provides an opportunity for the Welsh Government to strengthen and enhance its offer, and to include specific provisions to help parents into paid work and reduce child poverty.

We urge the Welsh Government to establish an employment programme to help parents into work that builds on best practice and learning from the PaCE project.

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