

## **Oxfam Cymru written submission to the Finance Committee consultation on Welsh Government Draft Budget 2021-22:**

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The following submission speaks to specific questions from the Finance Committee's consultation on the Draft Budget.

**6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2021-22 budget?**

**How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.**

Protecting people providing care in Wales from poverty, and valuing their contribution, must be a priority. Both paid and unpaid carers are at the forefront of our response to Covid-19, putting themselves at risk to protect us all. Yet, if you are a carer you are more likely to be living in poverty. It is estimated that 96% of all care in Wales is provided by unpaid carers, many of whom are struggling and in need of further support.<sup>1</sup> Polling carried out by YouGov on behalf of Oxfam Cymru also shows that 68% of adults in Wales think that care work is not valued highly enough by the Welsh Government.<sup>2</sup>

We would like to see the budget prioritise investment in the care sector as a low-carbon, gender-just foundation of the wellbeing economy, placing people with caring responsibilities at the heart of the recovery<sup>3</sup>, whilst ensuring that no carer is left in poverty.<sup>4</sup> This must include changes to procurement practices to ensure all workers in the paid care sector receive the real Living Wage as a minimum.<sup>5</sup>

**To what extent alleviating climate change should be prioritised in supporting economic recovery.**

In February 2020, the wettest one on record in Wales, the country saw some of the worst flooding on record from Storms Ciara and Dennis directly impacting more than 1,000 homes and 300 businesses.<sup>6</sup> It's widely accepted that climate change is happening – 93% of National Survey for Wales respondents recognised this.<sup>7</sup> In April 2019 the Minister for Environment, Energy and Rural Affairs, Lesley Griffiths MS declared a climate emergency in Wales.<sup>8</sup>

Unless governments across the world, including Welsh Government, prioritise action to tackle climate change, future generations will continue to pay the price through greater hunger, greater health risks and climate-related disasters that will result in mass displacement of people. As a globally responsible nation, it is vital that Wales takes urgent action on both territorial and consumptive emissions of CO<sub>2</sub>.<sup>9</sup> Our Welsh Doughnut 2020 report<sup>10</sup> showed that, in the case of climate change, planetary boundary emission limits in Wales are exceeded by 455% and in land-use change the UK figure is 200%. We are also facing an ecological emergency with one in six species in Wales at risk of extinction.

It is essential that alleviating climate change should be prioritised in supporting economic recovery. We are at a critical juncture. We have a choice between returning to 'business as usual' or learning

from this moment to begin again and build a fairer and more sustainable economy – there can be no long-term economic recovery without climate change alleviation.

Others have detailed how the Welsh Government budget could be used to help alleviate climate change, for example the Future Generations Commissioner's 10 Point Plan to Fund Wales' Climate Emergency<sup>11</sup>, WWF Cymru's manifesto<sup>12</sup> which calls for 1% of every departmental budget to be dedicated to restoring nature and combating climate change and Friends of the Earth Cymru's Climate Action Plan for Wales.<sup>13</sup>

### **Welsh Government policies to reduce poverty and gender inequality.**

We believe there is a clear moral and economic case for prioritising preventative spending resource allocation to eradicate poverty and inequality. The Bevan Foundation has estimated that poverty costs the Welsh economy £3.5 billion in 2016<sup>14</sup> – a figure that has no doubt increased in recent years, wasting people's potential, whilst hampering economic growth. For all these reasons, tackling economic inequality and poverty must be a top priority for Wales and needs a whole government approach. The Finance Committee needs to play a key role in assessing and scrutinising work to tackle poverty, reduce inequality and raise the living standards of those households with the lowest budgets.

Even before Covid-19, almost a quarter of people in Wales were in poverty (700,000 people) living precarious and insecure lives. The risk for children was higher with 3 in 10 children living in poverty.<sup>15</sup> People in Wales have lower pay across every sector compared with people in the rest of the UK. Wales's lowest earners are ten times more likely to have been affected by the Covid-19 shutdown than those on the highest salaries.<sup>16</sup>

Our Welsh Doughnut 2020 report sets out a 'social floor' below which, we believe, no person in Wales should fall.<sup>17</sup> The evidence brought together in the report paints a stark picture. Almost one-quarter of households in Wales were living in relative, income-related, poverty, which is also associated with lower levels of life expectancy and educational achievement and a greater proportion of disposable income being spent on housing costs. Whilst other indicators considered within the report do not allow for disaggregation by socio-economic status, inevitably the most disadvantaged parts of Wales' population will experience higher levels of poor connectivity, being victims of crime, fuel poverty, loneliness, hunger, a poor local environment and civic disengagement. These societal failures are intricately linked to the long-term and systemic issue of inequality. The virus and the response to it is widening existing inequalities, by reducing the incomes and increasing risks disproportionately for some groups of people.<sup>18</sup>

Gender inequality is one of the oldest and most pervasive forms of inequality in the world. It denies women their voices, devalues their work, and makes women's position unequal to men's – from the household to the national and global levels. Despite some important progress to change this in recent years, in no country have women achieved economic equality with men, and women are still more likely than men to experience persistent poverty.<sup>19</sup> In the UK, women retire with on average £100,000 less in their pension than men due to caring responsibilities and the gender pay gap.<sup>20</sup> There is also a body of evidence which tells us that when time poverty is taken into account, poverty rates substantially increase, particularly for women.<sup>21</sup> There are deep overlaps between the undervaluing of care and gender inequalities.

As mentioned previously, we would like to see the budget prioritise investment in the care sector as a low-carbon, gender-just foundation of the wellbeing economy, placing people with caring responsibilities at the heart of the recovery, whilst ensuring that no carer is left in poverty. This must include changes to procurement practices to ensure all workers in the paid care sector receive the

real Living Wage as a minimum and payment of additional costs, for example, travel and personal protective equipment should be covered so that wages are not eroded by other costs.

Wales has played a role in international development for many years through the Wales and Africa Programme and has an important role to play in responding to global disasters. Over the past 10 years the number of people affected by humanitarian crises has almost doubled.<sup>22</sup> However, with no increase in the Wales and Africa programme budget over the last decade, the financial value of Wales' contribution to international development is decreasing over time. An increase in the Wales and Africa budget to enable larger grants to partners, over a 3-year period would allow for greater sustainability and impact. With the UK Government cutting the 0.7% aid budget to 0.5%, it is vital that a globally responsible Wales steps up.<sup>23</sup> The people of Wales have responded generously to emergency appeals with successive Welsh governments playing an active role by raising awareness and vital funds. Welsh Government support for DEC Cymru to co-ordinate this effort must continue and be strengthened.

### **Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early)**

Our economic system is failing to deliver human and ecological wellbeing. The current economic system responds to the common needs of humanity and the planet in ways that do not address the heart of problems and do not make life better for all. In fact, often problems are made worse or at best responses act as 'sticking plasters'. In a wellbeing economy, responses should be person-centred, geared towards environmental protection and regeneration, positive and long-term. Short term political cycles, party politics and political football between local, devolved and national government do not lend themselves to dealing with the global challenges we face or the urgency with which we need to act.

We cannot continue to trade off long term gain for short term gain in decision making. All decision making needs to be evidence based and made on the principle of 'do no harm'. For example, it is easier to manage inequalities created by unemployment resulting from a decision to close a carbon intensive industry than it is to deal with the consequences of climate change. In such instances, investment could be made in retraining people for work in the other sectors and ensuring people have access to a basic level of income whilst retraining.

### **How the Welsh Government should use taxation powers and borrowing.**

We would like Welsh Government to raise new revenue, for example, through a Welsh social care levy<sup>24</sup>, and use this to significantly boost investment in the care sector to protect paid care workers from poverty and to relieve pressure on unpaid carers.

### **What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act)**

These are heart-breaking times. Since the World Health Organization declared Covid-19 a global pandemic, more than 1,313,919 people have died from the disease.<sup>25</sup> An estimated 495 million people, and disproportionately women, have lost their jobs.<sup>26</sup> Up to half a billion people could be pushed into poverty by the time the pandemic is over.<sup>27</sup> In Wales we face a post-pandemic jobs crisis, with an estimated 250,000 jobs in 'shutdown sectors' and women disproportionately at risk.<sup>28</sup>

We are at a critical juncture. We have a choice between returning to 'business as usual' or learning from this moment to begin again and build a fairer and more sustainable economy. The current crisis has shattered many central assumptions. It has illustrated our shared fate; demonstrated how deeply interconnected our economic, mental and physical health truly are; exposed who are the real essential workers; reinforced the need for effective governments; and highlighted the fragile basis of our economy.

Despite five years passing since the enactment of the pioneering Wellbeing of Future Generations (Wales) Act<sup>29</sup>, ending the Act's first implementation and reporting cycle, our systems are still failing to deliver human and ecological wellbeing. In a wellbeing economy, responses should be person-centred, geared towards environmental protection and regeneration, positive and long-term. The fact that Welsh Government has joined the Wellbeing Economy Government Network<sup>30</sup> is a positive step forward. We are proud of the Wellbeing of Future Generations Act but more needs to be done to realise the significant potential of the Act and ensure compliance and accountability.

Oxfam Cymru expects to see the Welsh Government budget reflect the goals and principles embedded in Welsh law by the Well-being of Future Generations (Wales) Act 2015. The Act requires all Welsh public bodies, including the Welsh Government, to act in accordance with the sustainable development principle. Given that the budget underpins the actions that Welsh Government will take in the next twelve months the budget must also work in accord with the principles. In general terms this means we would expect to see:

- A clear shift in expenditure towards programmes aimed at preventing problems occurring
- Financial arrangements, such as pooled budgets, that encourage and require collaboration among Welsh Government departments or among public bodies and facilitate the achievement of multiple well-being goals
- An emphasis on addressing long term problems such as tackling poverty and climate change

It is essential that such shifts in monetary allocations, and the reasons for them, are clearly explained in the narrative accompanying the budget, so that public bodies in receipt of funding are fully aware of how they will also need to change their approach to budget setting.

Through the Wellbeing Economy Government Network, there is much that could be learned from the New Zealand Treasury Living Standards Framework.<sup>31</sup> The budget is an important tool for communicating how we value Welsh assets (or 'capitals'), such as nature, human and social assets and how budget allocations help embed and grow these important asset bases.

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<sup>1</sup> Clifton, A. (2020). Coronavirus: Adult Social Care. Senedd Research, Welsh Parliament. Available at <https://seneddresearch.blog/2020/05/19/coronavirus-adult-social-care/>

<sup>2</sup> Oxfam Cymru, (2020). Political leaders urged to act as poverty crisis places 'intolerable pressure' on frontline of Coronavirus battle in Wales. Available at <https://oxfamapps.org/cymru/political-leaders-urged-to-act-as-poverty-crisis-places-intolerablepressure-on-carers-on-frontline-of-coronavirus-battle-in-wales/>

<sup>3</sup> Women's Budget Group, (2020). A Care-Led Recovery from Coronavirus. Available at <https://wbg.org.uk/analysis/reports/a-care-led-recovery-from-coronavirus/>

<sup>4</sup> Oxfam (2020) Care, poverty & coronavirus <https://oxfamapps.org/cymru/wp-content/uploads/2020/09/Care-Poverty-and-Coronavirus-in-Wales-ENG.pdf>

<sup>5</sup> <https://www.livingwage.org.uk/what-real-living-wage>

<sup>6</sup> <https://senedd.wales/Research%20Documents/20%20-34%20-%20Flooding%20and%20Coastal%20Erosion/2020-34-eng.pdf>

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- <sup>7</sup> Statistics for Wales (2019) National Survey for Wales, 2018-19 climate change and environmental action <https://gov.wales/sites/default/files/statistics-and-research/2019-10/climate-change-environmental-action-national-survey-wales-april-2018-march-2019-827.pdf>
- <sup>8</sup> <https://gov.wales/welsh-government-makes-climate-emergency-declaration>
- <sup>9</sup> There are two methods for measuring our consumption of CO<sub>2</sub>. Emissions can be measured on either a territorial or consumptive (footprint) basis. Territorial emissions are those relating only to the CO<sub>2</sub> produced within Wales. Consumptive emissions take a broader approach and include estimates of CO<sub>2</sub> embedded in our imports of goods and services.
- <sup>10</sup> Oxfam Cymru (2020) "The Welsh Doughnut: A framework for environmental sustainability and social justice" <https://policy-practice.oxfam.org.uk/publications/the-welsh-doughnut-2020-a-framework-for-environmental-sustainability-and-social-620979>
- <sup>11</sup> <https://www.futuregenerations.wales/wp-content/uploads/2019/06/10-Point-Plan-to-Fund-Wales-Climate-Emergency-Detailed-Report.pdf>
- <sup>12</sup> [https://manifesto.wwf.org.uk/cms-data/welcome/WWF-Manifesto-to-Wales-3\\_1.pdf](https://manifesto.wwf.org.uk/cms-data/welcome/WWF-Manifesto-to-Wales-3_1.pdf)
- <sup>13</sup> <http://foe.cymru/sites/default/files/ClimateActionPlanforWales.pdf>
- <sup>14</sup> <https://www.bevanfoundation.org/publications/putting-poverty-at-the-centre-of-the-welsh-governments-2020-21-budget/>
- <sup>15</sup> JRF (2020) "Poverty in Wales 2020" <https://www.jrf.org.uk/report/poverty-wales-2020>
- <sup>16</sup> Cardiff University (2020) "Covid-19 and the Welsh economy: Shutdown sectors and key workers." [https://www.cardiff.ac.uk/\\_data/assets/pdf\\_file/0017/2410343/Covid-19-and-the-Welsh-economy-shutdown-sectors-and-key-workers-briefing-paper.pdf](https://www.cardiff.ac.uk/_data/assets/pdf_file/0017/2410343/Covid-19-and-the-Welsh-economy-shutdown-sectors-and-key-workers-briefing-paper.pdf)
- <sup>17</sup> Oxfam Cymru (2020) "The Welsh Doughnut: A framework for environmental sustainability and social justice" <https://policy-practice.oxfam.org.uk/publications/the-welsh-doughnut-2020-a-framework-for-environmental-sustainability-and-social-620979>
- <sup>18</sup> Senedd (2020) <https://senedd.wales/laid%20documents/cr-ld13403/cr-ld13403-e.pdf>
- <sup>19</sup> National Education Union, (2019), Women are more likely to experience persistent poverty. Available at <https://neu.org.uk/advice/women-and-poverty>
- <sup>20</sup> Chapman, B. (2019). Women's pensions £100,000 less than men's due to gender pay gap and childcare commitments, Independent. Available at <https://www.independent.co.uk/news/business/news/pension-savings-gap-childcare-gender-pay-gap-women-a9000066.html>
- <sup>21</sup> Zacharias A. (2017). How time deficits and hidden poverty undermine the sustainable development goals, Levy Economics Institute. Available at [http://www.levyinstitute.org/pubs/pn\\_17\\_4.pdf](http://www.levyinstitute.org/pubs/pn_17_4.pdf)
- <sup>22</sup> Global Humanitarian Overview (2019) <https://reliefweb.int/report/world/global-humanitarian-overview-2019-trends-humanitarian-needs-and-assistance> Accessed November 2020
- <sup>23</sup> <https://www.theguardian.com/global-development/2020/nov/17/uk-aid-budget-facing-billions-in-cuts>
- <sup>24</sup> <https://gov.wales/sites/default/files/publications/2018-11/paying-for-social-care.pdf>
- <sup>25</sup> <https://covid19.who.int/>
- <sup>26</sup> [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_755910.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf)
- <sup>27</sup> Oxfam (2020) "Power, profits and the pandemic" <https://www.oxfam.org/en/research/power-profits-and-pandemic>
- <sup>28</sup> Learning & Work Institute (2020) "Understanding the impact of coronavirus in Wales" <https://learningandwork.org.uk/resources/research-and-reports/understanding-the-potential-impact-of-coronavirus-in-wales/>
- <sup>29</sup> Well-Being of Future Generations (Wales) Act 2015, Section 4 <http://www.legislation.gov.uk/anaw/2015/2/section/4/enacted>
- <sup>30</sup> <https://wellbeingeconomy.org/wego>
- <sup>31</sup> <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>