

# An examination of the impact of policy interventions designed to reduce poverty in Wales

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## Foreword

For more than two decades no progress has been made in reducing poverty in Wales. Not only have poverty rates stagnated over the past two decades, but deep poverty has increased significantly, meaning more and more people are forced to turn to foodbanks, or struggle to find a warm, secure home.

The lack of progress in reducing poverty has come despite the advent of political devolution. Over the last two decades successive Welsh Governments have published strategies and implemented policies designed to reduce poverty, yet still no progress has been made. The reasons are complex, with responsibility shared between the UK and Welsh government. Many of the key policy levers that could be used to address poverty have not been devolved to Wales. Changes to the UK social security system, for example, mean that the benefits system does not provide an adequate safety net to people when they need it. There are concerns that this situation could deteriorate further if the UK Government push ahead with their plans to reform disability benefits.

As attention turns to the next Senedd election, the Bevan Foundation and its partners have been eager to consider what actions the next Welsh Government could take to finally turn the dial on poverty in Wales. This is why we decided to work with Policy in Practice to model the impact of different policy interventions on poverty. Our aim was to better understand which interventions would make the most difference, to inform the next Welsh Government and the current UK Government's efforts.

The work produced by Policy in Practice makes for essential reading and should inform the thinking of all political parties as they form their manifestos for the Senedd election. The report looks at the impact of policies as diverse improving access to childcare and providing more adequate support for people with their housing costs.

There are three particularly important messages. First, there is no one single measure that ends poverty. The Welsh Government needs to use all the tools at its disposal if it is to make progress. Second, it is only possible to make long term substantial changes to poverty if action is taken to remove barriers to work and boost social security. Focusing on one at the expense of the other is unlikely to be effective. Third, there are policy levers at the disposal of Welsh Government that could be being used more effectively both to reduce poverty and to lessen its impact. It is imperative that the next Welsh Government makes more effective use of these levers if there is to be real change in poverty in Wales.

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## Executive summary

### Overview

Poverty in Wales remains persistent and disproportionately affects children, with rates that exceed the UK average. Although the Welsh Government has reaffirmed its commitment to tackling deprivation, particularly child poverty, there is still limited clarity about which policy interventions can deliver the most meaningful impact.

Funded by the Bevan Foundation and its partners, and produced by Policy in Practice, this report evaluates the effectiveness of six anti-poverty policy interventions. Using administrative data from two Welsh local authorities, we model the potential impact of each intervention and compare their effectiveness in reducing poverty.

The interventions are assessed across four key dimensions:

1. The number of households affected (breadth of impact)
2. The extent to which households are lifted above the poverty line (reduction in relative poverty)
3. The severity of hardship for those remaining below the poverty line (depth of poverty)
4. The effect on child poverty

The six policy scenarios, selected by a project steering group, reflect current priorities and practical feasibility. While interventions vary in scale and target different groups, comparing their impact across multiple poverty dimensions helps identify the most effective approach for specific policy goals.

The analysis focuses on households claiming means-tested benefits and Council Tax Reduction. The data used in this research represents roughly 10% of Council Tax Reduction recipients in Wales and so provides a meaningful analysis of the impact of policy interventions for families experiencing the greatest financial hardship.

A baseline was established using current administrative data, and the effects of each policy were modelled using Policy in Practice's microsimulation engine to assess the change in poverty outcomes.

While funding constraints are beyond this report's scope, the findings offer a robust, data-led analysis of the impact of various anti-poverty initiatives.

## Key findings

Among all the interventions modelled, the introduction of a **Welsh Child Payment** emerges as the most powerful and effective. Based on the Scottish Child Payment, this intervention would provide support for each child in low-income families, with no deductions from existing benefits. It reaches nearly one-third of households that are in poverty within the data and reduces child poverty across the sample by almost 23%. Larger families and households with young children benefit particularly strongly.

**Employment-based interventions** also yield substantial benefits for those who are able to work. Enabling people without barriers to employment to move into full-time work results in 87% of affected households crossing the poverty line, with a dramatic 70% reduction in the depth of poverty for those who remain in hardship. Although the reach of this measure is relatively limited due to a low proportion of households that are reliant on benefits having no barriers to work (such as illness, disability, or caring), it delivers significant gains for those affected.

A similar model that supports parents with young children into part-time work has a transformative effect for the families it reaches. While it only affects around 8% of the lowest income households in poverty, it cuts child poverty across the low-income households in the data by over 11%. Lone parents are particularly supported by this policy intervention.

Other interventions examined include **removing housing support deductions**, such as the Bedroom Tax and Local Housing Allowance (LHA) caps. This has a wider reach, benefiting nearly 30% of low-income households that are in poverty within the data. However, its ability to lift families out of poverty is limited, as increases in support are often too small to make a decisive difference and benefit increases are constrained by the benefit cap.

The **removal of the two-child limit** on benefit payments is another highly targeted intervention with a significant impact. Though it affects just over 6% of working-age households in poverty that are represented in the low-income dataset, nearly one-third of these households are lifted out of poverty, and child poverty among larger families within the data falls by almost 20%. As with the removal of housing support reductions the impact of this measure on household income is constrained by the benefit cap.

In contrast, increasing the **National Minimum Wage** to £15 per hour produces only modest effects among the lowest-income households. Many of the households that have earnings within the dataset work part time. Because of this, the impact of an hourly increase in wage is low. In addition, some of this additional income is not realised due to the taper mechanism within Universal Credit. As a result, the wage increase does little to lift families that are reliant on benefits out of poverty.

In comparing all six interventions, the Welsh Child Payment not only has the broadest reach amongst households reliant on benefits but is also the most effective across most poverty dimensions, including child poverty. Employment support models deliver deep impact for specific groups. But as the majority of the lowest income households have barriers to work, or are already in work, impact is narrowly focused. Reforms to regressive welfare policies also show value but are restricted by the benefit cap.

## Policy recommendations

The capacity of the Welsh Government to implement many of these policy changes is constrained by the division of powers between Westminster and the Senedd. Although social security powers largely rest with the UK Government, the Welsh Government retains control over areas that can significantly influence poverty, such as housing, employability, early years, and local welfare support.

The urgency of action is amplified by a changing UK policy landscape. Planned UK Government reforms to disability and sickness benefits are expected to disproportionately impact Wales, potentially increasing poverty among disabled people and carers and increasing child poverty.

At the same time, ongoing debate about the future of the two-child limit introduces significant policy uncertainty. Should the UK Government retain this policy, it will continue to affect thousands of Welsh children and exacerbate poverty among larger families.

Based on the evidence from this analysis, the Welsh Government should:

1. Explore mechanisms to introduce a Welsh Child Payment, the powers of the Welsh Government may not extend to the introduction of a Welsh Child Payment. However, the Welsh Government should explore mechanisms, such as grant-based schemes or top-up payments, to deliver direct financial support to children in low-income households. This intervention offers the most significant reduction in child poverty and supports vulnerable families most at risk.

2. Expand access to childcare and flexible employment support, particularly for single parents and carers, to enable part-time work and help families transition out of poverty.
3. Advocate for reform or devolution of key UK welfare policies, including the two-child limit and housing support rules, to gain greater flexibility in designing a system that meets the needs of Wales.
4. Enhance discretionary housing support, such as through expanded Discretionary Housing Payments, to offset the impact of housing support restrictions.
5. Prepare for the impact of UK-wide disability benefit reforms by targeting responsive support measures at those affected.
6. Embed a multi-dimensional poverty strategy, focused on both the scale and severity of poverty, with clear prioritisation of child poverty reduction.

## Conclusion

This research highlights that while no single policy can eliminate poverty in Wales, targeted interventions, especially those focused on children, can drive meaningful progress. The urgency of action is amplified by planned UK Government changes to disability benefits, which are likely to disproportionately increase poverty in Wales.

Amongst the policies assessed, a child-focused support payment and tailored employment assistance are shown to be the most effective. However, employment-based measures are limited by the significant barriers to work faced by many low-income households. The reversal of welfare policies like the two-child limit and the reduction in housing support would help to reduce poverty but their impact is limited due to the interaction with the benefit cap.

Reducing poverty in Wales will require a dual approach: using existing devolved levers to full effect while seeking the power and funding necessary to address systemic failures in the UK-wide social security system.



## Summary and comparison across all modelled policy interventions

Model	Breadth of impact on poverty	Fall in deep poverty	Fall in relative poverty	Fall in child poverty	Advantages	Disadvantages
<b>1:</b> Households with no barriers to work move to full-time work	10.5%	70.0%	3.7%	3.0%	Most people who move to full time work move out of poverty. We see a big drop in depth of poverty for those remaining in poverty	Few households affected as most have barriers to work. This narrow focus means minimal impact on child poverty
<b>2:</b> Households with a child under 13 move to part-time work	7.8%	53.1%	1.8%	10.9%	Half of those who move to part time work move out of poverty. We see a big drop in depth of poverty for those remaining in poverty and a noticeable drop in child poverty	Only 8% have a child under 13 and no barriers to work so the policy affects few households, with a limited impact on relative poverty overall
<b>3:</b> Remove housing support restrictions	29.7%	11.9%	2.5%	3.7%	Big impact affecting 30% of households in poverty. Likely impact on the risk of homelessness and LA cost of homelessness prevention	Interaction with the benefit cap reduces the impact. Limited impact on number of households in relative poverty or on children in poverty
<b>4:</b> Introduce a Welsh Child Payment	32.9%	16.4%	2.8%	22.8%	Big impact. Affects 1 in 3 low-income households. Child poverty falls by a quarter. Many children in larger families move out of poverty. Noticeable impact on households in relative poverty	May act as an incentive to remain in receipt of means-tested benefits with a cost to the Welsh Government.
<b>5:</b> End the two-child limit	6.1%	19.7%	1.9%	11.1%	Big drop in child poverty, including in large families. Noticeable drop in the depth of poverty in affected households	Affects relatively few households. Interaction with the benefit cap reduces impact
<b>6:</b> Increase National Minimum Wage	8.7%	4.5%	0.6%	2.1%	Some households, particularly those that work full time, move out of poverty	Limited impact on relative poverty as many poor households are not in work, or are more likely to work part time. Benefit withdrawal limits impact on take home income, and limited impact on child poverty.

## Introduction

### Background

Poverty in Wales is deeper, more persistent, and more entrenched than in the UK as a whole. After housing costs, 21% of the Welsh population lives in relative poverty<sup>1</sup>. Although this is only slightly above the UK average of 20%, the disparity is particularly stark in the lives of children: 31% of children in Wales grow up in relative income poverty, compared to 29% across the UK<sup>2</sup>.

Child poverty in Wales is not only more widespread but also more enduring. Between 2017 and 2021, 17% of Welsh children experienced persistent poverty, defined as living in poverty for at least three out of four years, compared to 13% UK-wide<sup>3</sup>.

The welfare system, intended to provide a safety net, often fails to lift people out of hardship. Support through benefits has been significantly weakened since 2010, with a decade of benefit caps and freezes.

By 2021, the poorest 20% of households were 6% worse off in comparison to levels pre-2010<sup>4</sup>. In Wales, over half of working-age adults receiving Universal Credit or legacy benefits remain in poverty, higher than the UK average of 47%<sup>5</sup>.

For decades, UK government policy has focused on employment as the primary route out of poverty. This has shaped the design of welfare benefits such as Universal Credit and the promotion of a “work-first” approach. The logic underpinning this focus is that employment leads to financial independence and reduced benefit dependency.

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<sup>1</sup> Relative income poverty: April 2020 to March 2023, Welsh Government, March 2024, <https://www.gov.wales/relative-income-poverty-april-2022-march-2023-html>

<sup>2</sup> Children in relative income poverty: April 2021 to March 2024; Welsh Government, <https://www.gov.wales/relative-income-poverty-april-2022-march-2023-html>. Households Below Average Income (HBA1) statistics, 2020–23, DWP, <https://www.gov.uk/government/collections/households-below-average-income-hbai--2>

<sup>3</sup> Persistent Poverty in Wales, Welsh Government, <https://www.gov.wales/persistent-poverty>; Income Dynamics: Income movements and the persistence of low income, 2010 to 2022, DWP, <https://www.gov.uk/government/statistics/income-dynamics-2010-to-2022/income-dynamics-income-movements-and-the-persistence-of-low-income-2010-to-2022>

<sup>4</sup> How our benefits system was hollowed out over 10 years, NEF, <https://neweconomics.org/2021/02/social-security-2010-comparison>

<sup>5</sup> Poverty in Wales: 2024 Evidence Summary, Welsh Government, March 2024. Households Below Average Income: 2020–23, DWP

At the same time, over 60% of people living in poverty in the UK are in households where at least one person is employed<sup>6</sup>. This trend reveals a growing disconnect between employment and economic security for some households.

A focus on employment as a means of moving out of poverty also overlooks groups for whom employment is not a realistic option in the short or medium term without significant support. These groups include people with disabilities or long-term health conditions, single parents, particularly those with young children, and unpaid carers. Without adequate and sustained interventions, many of these households will remain dependent on inadequate levels of social security and will be in persistent poverty.

Welfare rights organisations have consistently advocated for a more generous and responsive social security system and Universal Credit has faced strong criticism for failing to meet the basic needs of recipients.

There has also been continual pressure to reverse regressive policies such as the two-child limit, the bedroom tax, Local Housing Allowance (LHA) caps, and the benefit cap. Reversing these policies could substantially reduce poverty among households reliant on welfare support. Devolved nations have limited powers to mitigate the impact of inadequate benefit support. The power to make these changes lies with the UK Government in Westminster and carry a cost.

Nevertheless, there have been recent initiatives in devolved nations to tackle poverty. In Wales there has been a focus on developing a Welsh Benefits System to sit alongside UK benefits<sup>7</sup>.

In Scotland, the Scottish Child Payment, introduced nationally in 2021, provides low-income families with a direct weekly payment of £25 per eligible child under 16. Early evaluations suggest this intervention is having a measurable impact on reducing child poverty<sup>8</sup>.

In 2024 the Welsh Government reiterated its commitment to addressing poverty, particularly child poverty, through the publication of the Child Poverty Strategy for Wales

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<sup>6</sup> UK Poverty 2025, JRF

<https://www.jrf.org.uk/uk-poverty-2025-the-essential-guide-to-understanding-poverty-in-the-uk>

<sup>7</sup> The Welsh Benefits System - what is it, and what are the latest developments?, Welsh Government, <https://research.senedd.wales/research-articles/the-welsh-benefits-system-what-is-it-and-what-are-the-latest-developments/>

<sup>8</sup> Scottish Child Payment; Interim Evaluation, Scottish Government, <https://www.gov.scot/publications/interim-evaluation-scottish-child-payment/>

2024<sup>9</sup>. This strategy outlines a comprehensive framework aimed at supporting children and families in poverty, with one of the key objectives being to "create pathways out of poverty to help children and families realise their potential."

Minister for Social Justice and Chief Whip, Jane Hutt, has underscored the importance of this work, stating at the launch of the child poverty strategy that "tackling child poverty is at the heart of everything we do."<sup>10</sup> Complementary efforts such as the Welsh Benefits Charter<sup>11</sup> further exemplify the government's focus on providing a Welsh solution to Welsh poverty.

The attempt to tackle poverty in Wales is a dynamic challenge. Levels of poverty are likely to be heavily influenced by the recent UK Government proposals on reforming disability and sickness benefits, announced in the Spring Statement 2025. The proposals indicate that nearly 190,000 people in Wales, 6.1% of the population, will be affected, with an estimated £470 million lost from the Welsh economy<sup>12</sup>.

These reforms are forecast to significantly increase poverty significantly in Wales. A report from Policy in Practice in May 2025 indicated that implementation of the reforms, as outlined in the Green Paper, would see poverty rise by 19.8% amongst the working-age benefit recipients in Wales<sup>13</sup>. There are also persistent rumours in Westminster of the Government's intention to remove, or at least amend, the two-child limit<sup>14</sup>. If true, this will offset some of the rise in poverty expected to occur due to disability benefit reform.

The persistence of poverty in Wales is undeniably underpinned by the UK Government's policies and, in particular, the social security system. However, this doesn't mean the Welsh Government is powerless to effect change. There are factors that drive poverty that are within the Welsh Government and local authorities' remit. These include the supply and cost of housing, delivery of employment and disability support, benefit take-up initiatives, local discretionary support, and the further development of a comprehensive and cohesive Welsh Benefits System to sit alongside UK-wide benefits.

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<sup>9</sup> Child Poverty Strategy for Wales, Welsh Government, 2024, <https://www.gov.wales/child-poverty-strategy-wales-2024.html>

<sup>10</sup> Tackling child poverty is at the heart of everything we do, Welsh Government announcement January 2024, <https://www.gov.wales/tackling-child-poverty-heart-everything-we-do-vows-minister>

<sup>11</sup> Welsh Benefits Charter, Welsh Government, <https://www.gov.wales/welsh-benefits-charter>

<sup>12</sup> How Disability Benefit Changes will affect your area, Policy in Practice, May 2025, <https://policyinpractice.co.uk/blog/new-analysis-how-disability-benefits-changes-will-affect-your-local-area/>

<sup>13</sup> The impact of disability benefit reforms in Wales, Policy in Practice, May 2025 <https://policyinpractice.co.uk/publication/the-impact-of-disability-benefit-reforms-in-wales/>

<sup>14</sup> The Guardian, May 27 2025, <https://www.theguardian.com/society/2025/may/27/bridget-phillipson-labour-two-child-benefit-limit>

Despite the persistent nature of poverty in Wales and the Welsh Government's commitment to reduce poverty, particularly child poverty, there is little consensus on the most effective way to achieve this. It is hoped that this research into the impact of a number of anti-poverty policy interventions will help to provide an understanding of how different policies will affect the income of some of the poorest households in Wales.

## **Research objectives**

In 2024, the Bevan Foundation provided a grant for Policy in Practice to carry out analysis to assess the impact of various policy interventions aimed at reducing poverty in Wales.

The project seeks to evaluate how different measures affect the proportion of people living in poverty, the depth of poverty and child poverty, with the goal of informing future strategies and actions by the Welsh Government, local authorities, and other public bodies.

Given that poverty is most prevalent among households receiving state benefits, the research focuses specifically on households in receipt of these benefits, assessing how policy changes affect both the breadth and depth of poverty for these households.

This research does not examine the funding implications of anti-poverty interventions, an important consideration for the Welsh Government and other public bodies. Instead, it provides an evidence based assessment of the effectiveness of various policies, with a particular focus on households with the lowest incomes.

## Methodology

### Representative nature of the data used for the analysis

This analysis uses local authority benefit administration data. This data holds household characteristics and income for low-income households in receipt of Council Tax Support or Housing Benefit from two Welsh council areas. It has coverage of low-income householders (those with a Council Tax liability) but excludes non-householders (e.g., those living in the household of a relative or friend).

In addition, households that have income that is too high for either Council Tax Reduction or Housing Benefit, as well as those who have not applied for benefit support, are not represented. Some of the households not represented within the data may also be in poverty. The data, therefore, represents a subset of those in poverty, the lowest-income householders.

Poverty amongst the lowest income households represented in the data is approximately double that in the general Welsh population. For example, 40% of households in the dataset are in relative poverty (Before Housing Costs - BHC), compared to 19% in poverty (BHC) across the Welsh population<sup>15</sup>.

For child poverty, 66% of children in the dataset live in households in relative poverty (BHC), compared to the Welsh average of 31%<sup>16</sup>. By concentrating on benefit recipients, this research provides an insight into the impact of interventions on the very poorest households.

The data is put through our policy modelling engine to calculate all available benefits and to assess household income. This produces the baseline results. Parameters within the policy engine are amended for each model, and levels of poverty and household income are recalculated and compared to the baseline results.

Two Welsh councils have provided benefit administration data for this research. This data covers 26,500 low-income household and represents approximately 10% of households

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<sup>15</sup> State of Wales Briefing: Affordable Housing, Bevan Foundation, 2019

[www.bevanfoundation.org/wp-content/uploads/2019/10/State-of-Wales-Briefing-Affordable-Housing.pdf](http://www.bevanfoundation.org/wp-content/uploads/2019/10/State-of-Wales-Briefing-Affordable-Housing.pdf)

<sup>16</sup> Relative Income Poverty: April 2020 to March 2023, Welsh Government,  
<https://www.gov.wales/relative-income-poverty-april-2022-march-2023-html>

receiving means-tested benefits and CTR across Wales<sup>17</sup>. The data therefore provides a good representation of the lowest income households across Wales.

Full methodology is provided in **Appendix A**.

## Baseline results

In order to understand the impact of disability benefit reform in Wales, a baseline analysis of the current situation was undertaken. This provides an understanding of poverty prior to the application of any potential anti-poverty interventions. Baseline results for levels of poverty across the whole low income population within the dataset, broken down by household type, are provided at Appendix B. All baseline figures are before housing costs (BHC).

## Modelling interventions

Interventions to reduce poverty are modelled using late 2024 / early 2025 baseline data on household circumstances provided by two Welsh local authorities. Interventions to be modelled were decided by the project steering group. These are:

### **1. Moving those without barriers to work into full-time employment**

Modelling moves 50% of householders currently out of work, but without barriers to work, into employment. Income from employment is based on 35 hours at the National Minimum Wage. Lone parents are considered to have no barriers to full-time work when the youngest child is aged 13 or over.

### **2. Removing childcare-based barriers to work**

This model assumes 50% of individuals with a child under 13 and without other barriers such as caregiving or health issues, take up part-time jobs.

The model calculates earnings based on 16 hours at National Minimum Wage taking account of age-specific rates.

### **3. Removing restrictions to housing support**

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<sup>17</sup> Council Tax Reduction Annual Report, Welsh Government, 2024  
<https://www.gov.wales/council-tax-reduction-scheme-annual-report-2023-2024>

Modelling presumes that benefit support is based on full rental costs i.e. the bedroom tax and the LHA cap are not applied.

#### **4. Addition of a Welsh Child Support Payment**

A Child Support addition of £26.70 a week per child is added to household income where qualifying means-tested benefits are already being claimed by the household. This additional income is ignored for benefit purposes so does not reduce Universal Credit. This mirrors the Scottish Child Payment<sup>18</sup>.

#### **5. End of the two child limit**

Restrictions on means-tested benefit support to two children is removed. Maximum Universal Credit and Applicable Amounts are adjusted to include a child allowance for each child in the household.

#### **6. Increase in the minimum wage**

An increase in the minimum wage from current levels to £15 an hour across all age groups.

Current levels are:

- |                   |        |
|-------------------|--------|
| • Age 21 and over | £12.21 |
| • 18-20 years old | £10.00 |
| • 16-17 years old | £7.55  |

Further information on these proposed policy interventions and the methodology for modelling change for each specific model is provided later in this report.

## **Poverty metrics**

For this research, we focus on Relative Poverty (Before Housing Costs) as the primary metric. This measure, commonly used in poverty research and by organisations working to reduce poverty, defines a household as being in relative poverty if its income is below 60% of the UK median household income.

Poverty is multi-dimensional, and policy interventions can influence both its depth and breadth. Many households receiving benefits have incomes far below the relative poverty

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<sup>18</sup> Scottish Child Payment How It Works, Scottish Government, <https://www.mygov.scot/scottish-child-payment>



threshold, meaning that interventions may not lift them above the poverty line. However, changes in policy can still reduce the severity of poverty and improve the household's ability to cope.

To reflect the different dimensions of poverty, we use the following key metrics:

- **Breadth of impact:** The proportion of low-income households in poverty (BHC) affected by the intervention policy
- **Change in depth of poverty:** The average monetary change in the depth of poverty, measured as £ per month below the relative poverty line (BHC), among households affected by the policy
- **Change in relative poverty:** The change in the proportion of households in relative poverty (BHC) after applying the intervention, measured across the entire low-income population and compared to the baseline. This allows for comparison across interventions that may target different groups (e.g., working-age vs. pension-age households)
- **Change in child poverty:** The change in the proportion of children living in households in relative poverty (BHC), assessed across the full low-income dataset

Given the Welsh Government's commitment to reducing child poverty, we also examine the impact of interventions on groups of children particularly at risk of poverty. Specifically, we include:

- Change in the proportion of households in relative poverty with a child under the age of four
- Change in the proportion of households in relative poverty with three or more children

This research evaluates multiple policy interventions. Comparing their effects across the breadth and depth of poverty, as well as child poverty, presents a complex picture.

This research presents the findings separately for each policy intervention, followed by comparison across the interventions. To facilitate comparison, we also use a composite measure that aggregates the results of the four core poverty metrics.

## Findings

Household-level data, compiled from benefit administration data from two Welsh councils, is put through our policy modelling engine and the policy interventions are applied. Poverty measures are compared to levels of poverty before the policy change (baseline results – Appendix B). Poverty measurements for both the baseline and for all models are before housing costs (BHC).

### Model 1: Moving to full time employment

This model explores the effect of unemployed households, without work barriers, moving to work. Limited data exists on unemployment duration, but the 2018 Annual Population Survey shows 44% were jobless for less than 3 months and 75% for under a year. While most job seekers find work quickly, a notable minority remains unemployed beyond 12 months. The model assesses the poverty impact if a portion of these individuals gain employment sooner. The Welsh Government could support this transition by offering additional employment assistance.

### Methodology

The model examines the impact of moving half of working-age householders currently out of work, but without any barriers to work, into employment. For modelling purposes, income from employment is based on 35 hours at the National Minimum Wage and age gradations in the National Minimum Wage are taken into account. For lone parents, it is assumed there are no barriers to working when the youngest child is 13 or above. This is in line with Department for Work and Pensions (DWP) expectations of 35 hours per week of work when the youngest child in a household reaches 13 years.

### Findings

#### Breadth of impact

This measure has a narrow impact as only 15% of working-age households within the dataset are unemployed with no barriers to work. With half of these moved into work, the intervention affects 4.9% of all households within the low-income dataset and 7.8% of working-age households.

Of households that are already in poverty in the baseline scenario within the whole low-income dataset, 10.5% move into work.

### Impact on the depth of poverty

Moving to full-time work moves 87.1% of affected households above the poverty line. It also significantly reduces the average depth of poverty amongst affected households that remain in poverty. These households see a reduction in the distance from the poverty line from £645 per month to £197 per month, a 70% reduction. Those who still remain in relative poverty after gaining employment move considerably nearer to the poverty line.

Across all households initially in poverty within the dataset, the average shortfall from the relative poverty line decreases from £448 per month to £380 per month, a reduction of 15.3%. This represents a relatively large impact on poverty depth across the whole low-income population, given the limited number of affected households.

### Impact on the proportion of households in relative poverty

Moving half of those without barriers to work into full-time work reduces the low-income population in the dataset that are in relative poverty by 3.7%. Moving to work only affects working-age job seekers, and across the working-age cohort, the proportion of households in relative poverty reduces by 5.7%.

This is a relatively high reduction in the proportion of households in relative poverty, given that the intervention affected a limited number of working-age households. This is because a high proportion of affected households move out of poverty as a result of the move to full-time work.

The largest reduction in poverty through moving to full-time work is seen amongst couples. Amongst couples with children the proportion in poverty is reduced by 6.6%.

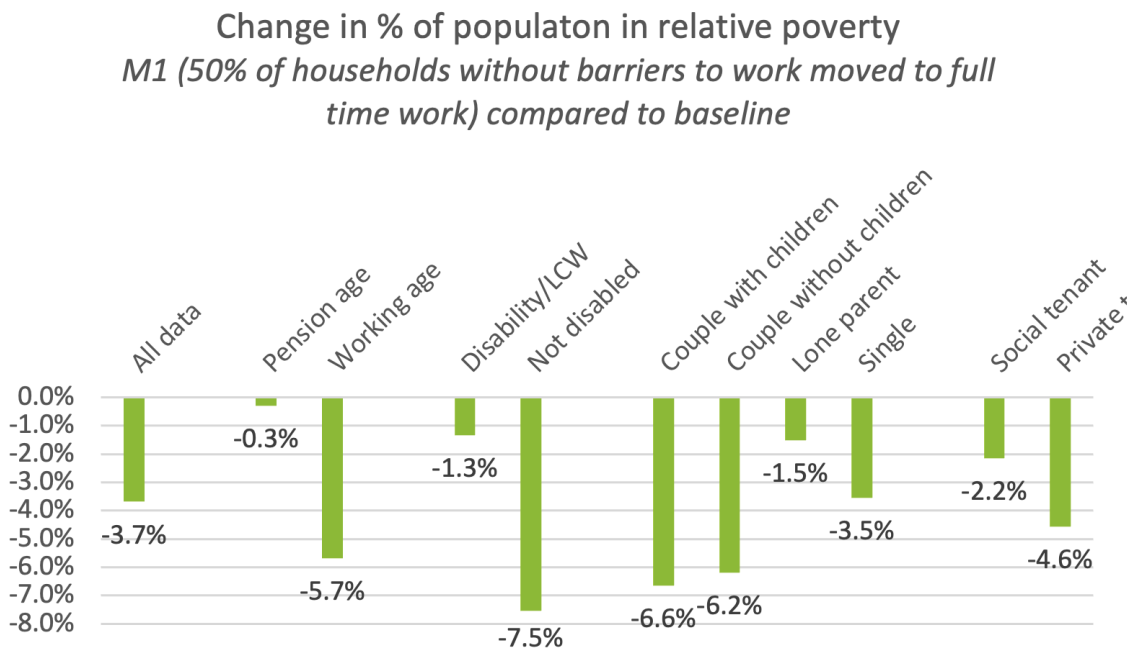


Figure 1: Change in the % of households in relative poverty, by household characteristic, after half of households without barriers to work (Jobseekers) are moved to full-time work (Model 1)

### Children living in households that are in relative poverty

Moving half of unemployed individuals who do not have barriers to work into work has minimal impact on the number of children living in households in relative poverty. This is due to many households with children having childcare-based barriers to work, and so not being affected by the intervention, as well as the narrow breadth of impact across all low-income households in receipt of benefits.

- The proportion of children in households that are in relative poverty reduces from 66.2% to 64.2%, a reduction of 3%
- The proportion of households with 3+ children in poverty reduces from 77% to 76%, a reduction of 1.3%
- The proportion of households in poverty with a child under 4 reduces from 73% to 72%, a reduction of 1.4%

## Model 1: Summary

Moving half of unemployed individuals without work barriers into employment affects relatively few low-income households, as most benefit recipients either face work barriers or are already employed.

However, for those moving into work, a significant proportion move above the poverty line, and for those remaining in poverty, the depth of poverty decreases dramatically.

The impact on child poverty is negligible as households with children under 13 were excluded from the move to full-time work, in line with DWP expectations.

## Model 2: Overcoming childcare barriers to work

Households with childcare responsibilities in the UK face multiple barriers to employment, stemming from systemic issues in childcare provision, financial disincentives, and inflexible work environments.

These challenges disproportionately affect low-income families, single parents, and mothers. Barriers to employment due to childcare responsibilities are not uniform across the UK. For example, in 2021/22, Wales had the highest rate of children in poverty living in work-constrained families at 65%, compared to 60% in England. These disparities highlight the need for region-specific policies to address unique challenges<sup>19</sup>.

Approximately 10% of the low-income population in the dataset is unemployed with a child under 13 and with no other significant barriers to work. The DWP does not expect those with a child under 13 to seek full-time work, although they are expected to take part-time work or prepare for work.

Although the Welsh Government does not have the power to change childcare support payments within means-tested benefits, it could facilitate a move to employment for those with childcare-based barriers through interventions in childcare provision and through employment support for parents wishing to enter employment.

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<sup>19</sup> Note these figures are relative poverty After Housing Costs as comparable Before Housing Costs figures are not available. Figures from Child Poverty and Barriers to Work, Scott Compton, Action for Children, Feb 2024 <https://www.actionforchildren.org.uk/our-work-and-impact/policy-work-campaigns-and-research/policy-reports/child-poverty-and-barriers-to-work/>

## Methodology

This model examines the impact on poverty if unemployed parents with children under 13 moved into part-time work. It assumes 50% of these individuals, without any other barriers such as caregiving or health issues, take up part-time jobs.

Part-time work is modelled in preference to full-time work for a number of reasons; firstly, barriers to childcare (cost and availability) mean that full-time work may not be feasible for many. In addition, part-time work aligns with DWP expectations of working hours for those with a child under 13.

The model calculates earnings based on 16 hours at the National Minimum Wage and it takes into account of age-specific rates.

## Findings

### Breadth of impact

This measure has a reasonably narrow impact as only 7.8% of working-age households within the dataset are unemployed with a child under 13 and with no further barriers to work. If half of these are moved into part-time work, the intervention affects 3.3% of all households in the low-income dataset, or 5.2% of all working-age households within the dataset.

7.8% of all those in poverty in the baseline across the whole low-income dataset were moved into part-time work.

### Impact on the depth of poverty

Moving to part-time work moves 54.6% of affected households above the poverty line. For households remaining in poverty, the average depth of poverty decreases from £558 per month to £262 per month, a 53.1% reduction.

As with Model 1 (moving those with no barriers to work into full time work), those who still remain in relative poverty after gaining part-time employment move significantly closer to the poverty line.

Across all households initially in poverty, the average shortfall from the relative poverty line decreases from £448 per month to £434 per month, a reduction of 3.2%, this comparatively low level of impact on poverty depth across the whole low-income population is a result of the limited number of affected households.

## Impact on the proportion of households in relative poverty

If half of those with childcare barriers to work move into part-time work, the low-income population in the dataset in relative poverty is reduced by 1.8%.

This model only affects working-age households with childcare-based barriers to work. Across the working-age cohort, the proportion of households in relative poverty reduces by 3.0%. This low reduction in the proportion of households in relative poverty following this intervention is primarily due to the low proportion of households affected by this intervention.

The move to part-time work has the greatest impact on lone parent households who see a significant reduction in households below the poverty line of 8.9%.

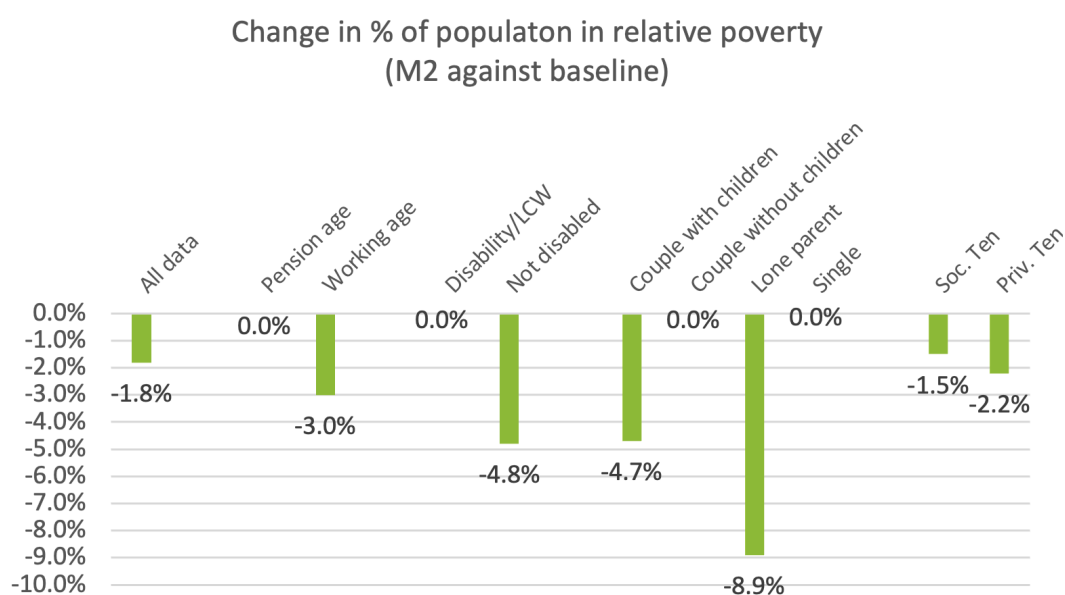


Figure 2: Change in the % of households in relative poverty, by household characteristics, if half of households with childcare barriers to work, and no further barriers, move into part-time work (Model 2)

## Children living in households that are in relative poverty

If half of parents with a child under 13, and no other work barriers, started part-time work this would have a significant impact on the rate of child poverty. However, there would be minimal impact on large households (3 or more children) as the income increase isn't enough to lift many larger households above the poverty line.

- The proportion of children in households that are in relative poverty reduces from 66.2% to 59%, a reduction in the proportion of children living in poverty of 10.9%.
- The proportion of households with 3+ children in poverty remains at 77%.
- The proportion of households in poverty with a child under 4 reduces from 73% to 61%, a reduction of 10.9%.

### Model 2: Summary

If half of those with a child under 13 moved to part-time work, the impact on the proportion of low-income households in poverty would be relatively low due to both the limited proportion of households with childcare-based barriers to work (and no other barriers), and the insufficiency of the additional income to move some affected households above the poverty line.

Nevertheless, among households moved into work, the impact is considerable. Half of the households moving to part-time work move out of poverty and for those remaining in poverty, the depth of poverty significantly reduces by 53%. Additionally, the move to part-time work reduces the proportion of children in poverty by 10.9%.

Overall, a policy intervention to encourage parents with a child under 13 into work would have a limited impact on poverty levels across the entire low-income population but would make a considerable difference to affected households. It would also strongly support the Welsh Government's commitment to addressing child poverty.

### Model 3: Removing housing support deductions

In the UK, housing support provided through the benefits system is subject to restrictions that can significantly affect the amount of help individuals and families receive with their housing costs. These restrictions are the Bedroom Tax and the limits set by the Local Housing Allowance (LHA).

The Bedroom Tax, officially known as the under-occupancy penalty, affects working-age tenants in social housing who receive either Housing Benefit or the housing element of Universal Credit. If a household is deemed to have more bedrooms than it needs, according to criteria set by the government, housing support is reduced.



For those renting in the private sector, housing support through the benefits system is limited by the Local Housing Allowance (LHA). This is applied to both working-age and pension-age claimants. The LHA is the maximum amount of rent that can be covered by Housing Benefit or Universal Credit, based on the 30th percentile of rents in a given area.

These measures to limit housing support mean that many low-income tenants face a shortfall between their rent and the support they receive. These restrictions have a disproportionate impact in Wales.

In Wales, over 40,000 private rented households in receipt of Universal Credit are affected by the LHA restrictions. This is 60% of private tenants claiming Universal Credit and means that Wales is the most affected region in the UK, even surpassing London, where rents are significantly higher. The Bedroom Tax has an impact on over 8,000 households in Wales (8% of social rented tenants that are in receipt of Universal Credit), and Wales is the second highest affected all regions.

This model examines the impact on poverty if housing support through the benefits system were provided at the level of rental cost, with non-dependent deductions applied in the normal manner. Any deduction in benefit support caused by the Local Housing Allowance (LHA) or the bedroom tax is removed.

It is not within the devolved power of the Welsh Government to amend the housing benefit or Universal Credit regulations to remove housing restrictions. However, this is modelled should the Welsh Government wish to make a case for removal or consider additional payments, outside the main means-tested benefit systems, to offset reductions due to housing restrictions.

## Methodology

Any deduction in benefit support applied in relation to the Local Housing Allowance (LHA) or the bedroom tax is removed, and the impact on poverty is measured. Full housing data is only visible for one of the two councils that provided benefit administration data for this research. Therefore, the impact on poverty is obtained through comparison with baseline data from that council.

## Findings

### Breadth of impact

This measure has a relatively broad impact, affecting 28.5% of all low-income households within the dataset. It applies to both working-age and pension-age households.

The removal of housing deductions also affects a high proportion of those in poverty; 29.7% of all households in the dataset that are in relative poverty in the baseline are affected by the removal of housing deductions in this model.

### Impact on the depth of poverty

The end of housing support restrictions within means-tested benefits lifts 19.9% of those affected above the poverty line.

For households that remain below the poverty line, the average depth of poverty amongst households that see housing deductions removed reduces from £313 per month to £276 per month, a reduction of 11.9%.

Across all households that were in relative poverty before application of this measure, the average shortfall from the relative poverty line reduces from £390 per month to £361 per month. This is an average reduction in shortfall from the relative poverty line of 7.4%.

### Impact on the proportion of households in relative poverty

Removing limitations to housing support reduces the low-income population that is in relative poverty by 2.5%. Although the impact is relatively widespread, the increase in housing support is insufficient to move many households out of poverty. This is partially due to the low level of housing reductions, but also due to the interacting nature of the benefit cap, which prevents benefit income from increasing beyond the benefit cap threshold.

The largest reduction in the proportion of households in relative poverty is unsurprisingly seen amongst private tenants (-4.7%).

Change in % of populaton in relative poverty  
M3 (Removing housing support deductions) compared to  
baseline

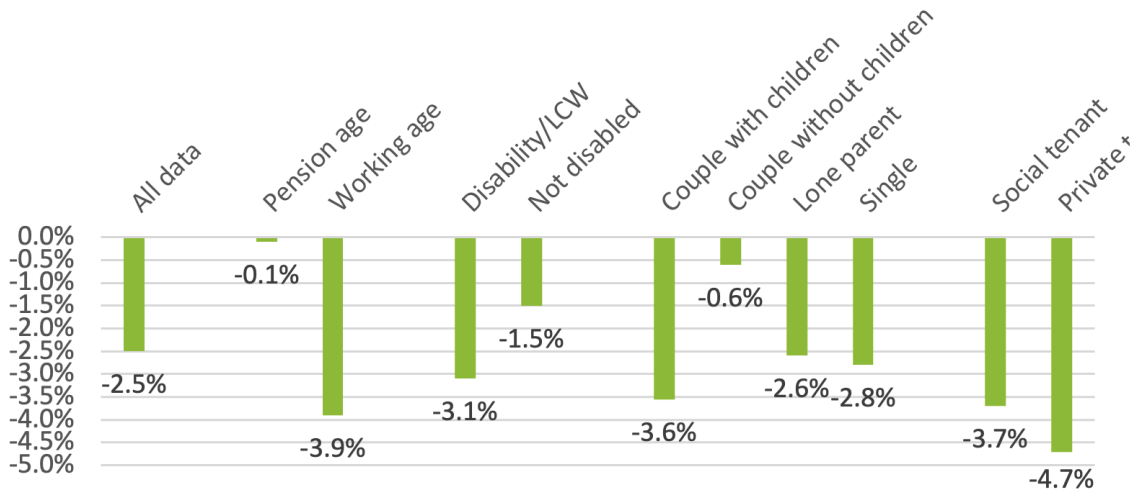


Figure 3: Change in the % of households in relative poverty, by household characteristics, if housing support deductions were removed from means-tested benefits (Model 3)

### Children living in households that are in relative poverty

This measure has little effect on the number of children living in households in relative poverty as the increase in household income is insufficient to move many households above the relative poverty line. In addition, the amount that benefit income can increase, following the removal of restrictions to housing support, is limited by the benefit cap.

- The proportion of children in poverty reduces from 61.5% to 59.2%, a reduction of 3.7%
- The proportion of households in poverty with a child under 4 is reduced from 68.7% to 65.8%, a reduction of 4.2%
- The proportion of households with 3+ children in poverty reduces from 74.3% to 73.8%, a reduction of 0.7%

### Model 3: Summary

There is little doubt that benefit restrictions for rent support create affordability gaps and leave many low-income households at heightened risk of homelessness. However, the impact on poverty is less clear.

Removing housing restrictions has a widespread impact, affecting over a quarter of the low-income population within the dataset, but has little impact on poverty levels. This is due to the change in housing support being insufficient to move households out of poverty, or reduce depth of poverty significantly. The impact of ending restrictions on housing support will also be limited by the interacting effects of the benefit cap.

It is worth noting that should the Welsh Government provide separate support to offset the restrictions for housing support, for example by increasing Discretionary Housing Payment (DHP) funding to councils, the interaction with the benefit cap will not apply. In this case, the impact on poverty is likely to be greater than provided in this model.

### Model 4: Adding a Welsh Child Payment

This policy intervention is based on the Scottish Child Payment. The Scottish Government introduced the Scottish Child Payment (SCP) in February 2021 as a targeted measure to combat child poverty. Evaluations of the Scottish Child Payment's impact indicate positive outcomes<sup>20</sup>.

However, there have been challenges to this policy, with particular concern about the potential disincentive to work, as benefits are tied to Universal Credit eligibility. Despite this, the Scottish Child Payment represents a significant investment in Scotland's efforts to reduce child poverty.

Wales has not been given the same social security powers as Scotland, and it is unclear whether the Welsh Government could introduce a similar Child Payment under its devolved powers.

To introduce a Welsh Child Payment, it is likely that the government would need to use its own budget (from the Welsh block grant or other devolved funding) and design the

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<sup>20</sup> Scottish Child Payment - estimating the effect on child poverty, Scottish Government, March 2022, <https://www.gov.scot/publications/scottish-child-payment-estimating-the-effect-on-child-poverty>

scheme as a grant or support payment, rather than a full "benefit." The Welsh Government would need to seek legislative clarity or extension of powers to introduce such a payment.

## Methodology

To model the impact of a similar intervention in Wales, a Welsh Child Payment addition of £26.70/week per child is included within household income. This additional income is ignored for benefit purposes and does not reduce the level of Universal Credit or other means-tested benefits received by the household. This exactly mirrors the level and benefit interaction of the Scottish Child Payment in the financial year 2024 - 2025<sup>21</sup>.

## Findings

### Breadth of impact

The Welsh Child Payment is applied to both working-age and pension-age households that have at least one child within the household and are in receipt of Universal Credit or Pension Credit. The spread of additional support is relatively wide, as it applies to over 20% of all households in the low-income data set.

The payment has a broad impact amongst households currently below the poverty line; 32.9% of households in relative poverty before the intervention is applied within the low-income dataset would qualify for the additional Welsh Child Payment.

### Impact on the depth of poverty

Introduction of a Welsh Child Payment lifts 13.7% of affected households previously in poverty above the poverty line. For the majority of households that receive a Welsh Child Payment, the increase in household income is insufficient to lift them above the poverty line.

Amongst those still below the poverty line, the average depth of poverty reduces from £427 per month to £357 per month, a reduction of 16.4%.

Across all households in the dataset that were in relative poverty before application of this measure, average shortfall from the relative poverty line reduces from £448 to £400. This is an average reduction in shortfall from the relative poverty line of 10.6%.

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<sup>21</sup> Scottish Child Payment How it works, Scottish Government, Nov 2022  
<https://www.mygov.scot/scottish-child-payment>

## Impact on the proportion of households in relative poverty

An additional Welsh Child Payment reduces the low-income population that is in relative poverty by 2.8%. Although the impact is relatively widespread, the increase in support is insufficient to move many households out of poverty.

This intervention only affects households with children. The largest reduction in the proportion of households in relative poverty is seen amongst couples with children (-12.9%). Lone parents show a similar reduction (-11.9%).

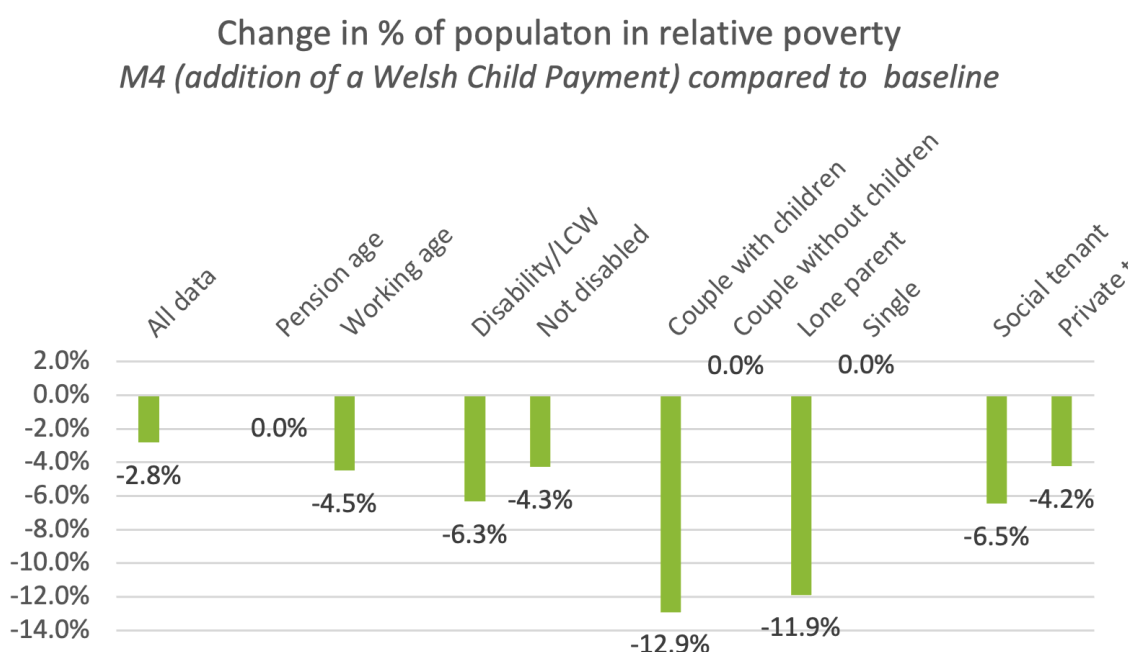


Figure 4: Change in the % of households in relative poverty, by household characteristics, if a Welsh Child Payment were introduced (Model 4)

## Children living in households that are in relative poverty

Introducing a Welsh Child Payment has a significant impact on the number of children living in households that are in relative poverty with a 22.8% reduction within the low-income dataset. The payment has a disproportionately positive impact on larger households with three or more children (26.6% reduction in poverty). These findings indicate that the payment goes some way to offsetting the impact of welfare restrictions for more than two children.

- The proportion of children in poverty reduces from 66.2% to 51.1%, a reduction of 22.8%

- The proportion of households in poverty with a child under 4 reduces from 73.3% to 58.0%, a reduction of 20.9%
- The proportion of households with 3+ children in poverty is reduced from 76.8% to 56.4%, a reduction of 26.6%

### Model 4: Summary

Findings from this model suggest that a Welsh Child Payment for all children living in households in receipt of means tested benefits could have a significant impact on poverty.

It reaches a high proportion of households in poverty (32.9% of households in poverty see an increase in income) and would lift approximately 14% of the poorest households, currently in poverty, above the poverty line.

For households remaining in poverty, the depth of poverty amongst those receiving the payment is reduced by 16%.

Most importantly, this intervention has a significant impact on child poverty, with children living in households in poverty reduced by nearly a quarter. This effect is seen particularly amongst larger families in which there are 26.6% fewer children living in poverty. A Welsh Child Payment would go a significant way in supporting the Welsh Government's commitment to the reduction in child poverty.

### Model 5: Removing the two child limit

The two-child limit was introduced in April 2017 as part of wider welfare reform to cut spending and reduce budget deficits. The policy was justified as encouraging households in receipt of benefits to "*make the same financial choices as families supporting themselves solely through work*"<sup>22</sup>.

Under the policy, households with a third or subsequent children lose more than £3,000 per year per child. As of 2024, the implementation of the two-child limit had affected over

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<sup>22</sup> DWP Impact Assessment, 2015

<https://www.parliament.uk/globalassets/documents/impact-assessments/IA15-006E.pdf>

422,000 families<sup>23</sup>. Since the introduction of the two-child limit there has been widespread opposition to the policy. In 2019 the Work and Pensions Committee recommended that the two-child limit should be abandoned<sup>24</sup>, citing concerns that the limit would increase the number of children in poverty. Despite strong opposition the policy remains in place with no current political commitment to repeal it.

The Welsh Government cannot currently remove the two-child limit in Wales as welfare and social security policy (including Universal Credit and Child Tax Credit) are reserved powers held by the UK Parliament in Westminster. Even so, it may be able to use its own funding to provide additional payment to larger families or expand additional schemes such as the Discretionary Assistance Fund to provide targeted support.

The Welsh Government could also lobby Westminster for reform or call for greater devolution of welfare powers, including the ability to shape benefits in line with Welsh needs.

At the time of writing this report, there is speculation that the UK Government is planning to remove the two-child limit, either in whole or in part<sup>25</sup>. There has not yet been official confirmation or denial of these rumours from the Government.

## Methodology

This model examines the impact of removing the two-child limit from means-tested benefits. The restriction of means-tested benefit support to just two children is removed and maximum Universal Credit and Applicable Amounts are adjusted to include the appropriate child allowance for all children in the household.

The data required for this model is only visible within the dataset from one council. Therefore, the impact of the removal of the two-child limit is derived through comparison with baseline figures for that council only.

## Findings

### Breadth of impact

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<sup>23</sup> The impact of the two-child limit in Universal Credit, HoC Library  
<https://researchbriefings.files.parliament.uk/documents/CBP-9301/CBP-9301.pdf>

<sup>24</sup> Two-child benefit limit inquiry, Work and Pensions Committee, UK Parliament, 2018  
<https://committees.parliament.uk/work/5438/twochild-benefit-limit-inquiry/>

<sup>25</sup> The Guardian, 27<sup>th</sup> May 2025  
<https://www.theguardian.com/society/2025/may/27/bridget-phillipson-labour-two-child-benefit-limit>



This measure is narrowly focused. It affects 2.9% of all households in the low-income dataset. The two-child limit applies only to working-age benefits. Pension Credit, which is the main benefit for pensioners, is exempt from the limit. Amongst working-age households within the dataset, the measure affects 4.4% of households.

The removal of the two-child limit affects 6.1% of all households in poverty within the dataset.

### Impact on the depth of poverty

Removing the two-child limit moves 30% of affected households above the poverty line. Among households with more than two children that remain in poverty, the average depth of poverty reduces from £329 per month to £264 per month, a reduction of 19.7%.

Across all households in the low-income dataset that were in relative poverty before application of this measure, average shortfall from the relative poverty line reduces from £390 per month to £382 per month. This is an average reduction in shortfall of 2.1%.

### Impact on the proportion of households in relative poverty

Removing the two-child limit reduces the low-income population that is in relative poverty by 1.9%. This low-level of impact across the whole is due to the targeted nature of this intervention affecting relatively few households.

This intervention only affects households with children. Similar levels of reduction in the proportion of the population in poverty are seen between lone parents (-3.5%) and couples with children (-3.4%).

Change in % of populaton in relative poverty  
M5 (Ending the two child support limit) compared to baseline

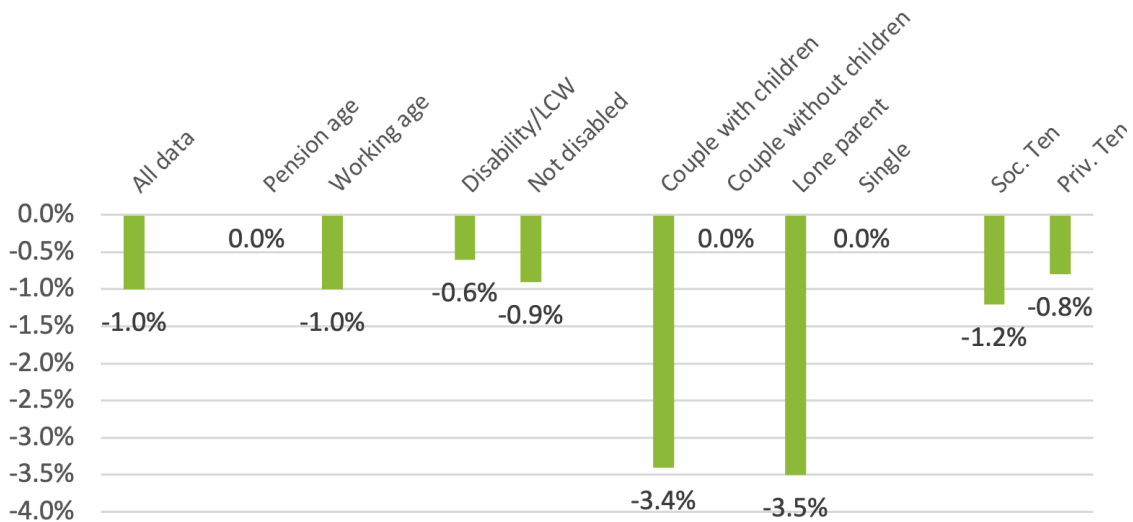


Figure 5: Change in the % of households in relative poverty, by household characteristics, if the two-child limit was removed (Model 5)

### Children living in households that are in relative poverty

Although the removal of the two-child limit is narrowly focused, it does have a noticeable impact on the proportion of children living in a household that is in relative poverty, with a decrease of over 11%. The reduction in poverty amongst children from larger families is significant (-19.5%).

- The proportion of children in poverty reduces from 61.5% to 54.7%, a reduction of 11.1%
- The proportion of households in poverty with a child under 4 reduces from 68.9% to 59.7%, a reduction of 12.9%
- The proportion of households with 3+ children in poverty is reduced from 74.3% to 59.8%, a reduction of 19.5%

### Model 5: Summary

Although the removal of the two-child limit is narrowly focused, affecting less than 5% of working-age households, the impact on these households of its removal is considerable.

Modelling the removal of the two-child limit suggests that just under a third of affected families would move out of poverty. For those remaining in poverty, the depth of poverty would reduce by 16%.

Removing the two-child limit would also have a significant impact on children living in poverty, particularly amongst children living in larger families. Children living in larger households would see a 19.5% reduction in children living in poverty.

The removal of the two-child limit would support the Welsh Government's commitment to reducing child poverty.

## Model 6: Increasing the National Minimum Wage

Raising the National Minimum Wage is a key tool for tackling in-work poverty, ensuring that employment provides a genuine route out of hardship. As the cost of living continues to rise, increasing the minimum wage helps protect the lowest-paid workers.

Current National Minimum Wage (NMW) levels are:

- Age 21 and over      £12.21
- 18 to 20 years old    £10.00
- 16 to 17 years old    £7.55

The Living Wage Foundation advocates for an increase in the National Minimum Wage to one based on the cost of living<sup>26</sup>. Currently, over 60% of people living in poverty in the UK are in households where at least one person is employed. This suggests that an increase in the National Minimum Wage would be likely to have an impact on poverty levels in Wales.

The Welsh Government currently cannot introduce a separate Welsh National Minimum Wage, because the power to set minimum wage rates is reserved to the UK Parliament in

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<sup>26</sup> What is a Living Wage, Living Wage Foundation

<https://www.livingwage.org.uk/news/living-wage-foundation-responds-governments-increase-national-living-wage>

Westminster. However, the Welsh Government could campaign to the UK Government for a change to the levels of the wage.

## Methodology

This model examines the impact of increasing the minimum wage from current levels to £15/hour across all age groups. The dataset used for this analysis does not hold the number of hours worked for all affected households. To model the impact, earned income for all households with earnings is increased by a percentage that is equivalent to the change in the minimum wage to reach £15 per hour.

Complete earnings data is only visible within the data from one of the participating councils. Therefore, the impact of increasing the minimum wage is derived through comparison with baseline figures for that council only.

## Findings

### Breadth of impact

The change in the minimum wage affects both working-age and pension-age households. The dataset used for this analysis contains data on the lowest income households, the vast majority of which do not have earnings. Amongst households represented in the dataset this measure is narrowly focused. It affects only 6.2% of all households in the low-income dataset.

Employed households are less likely to be in relative poverty than other low-income households within the dataset and only 8.7% of all households in poverty within the dataset are affected by the increase in the National Minimum Wage.

### Impact on the depth of poverty

Increasing the National Minimum Wage to £15 per hour results in 16.7% of those receiving a wage increase being lifted out of poverty. For households that remain in poverty, the average shortfall from the relative poverty line decreases from £368 per month to £352 per month, representing a reduction of 4.5%.

This modest reduction in poverty depth can be attributed to several factors. Firstly, the income increase is relatively small (in comparison to total household income) as a significant proportion of the lowest-income workers, who rely on benefits to supplement their income, work part-time. Secondly, any increase in earned income is partially offset by

a reduction in benefits due to the application of a benefit taper (in Universal Credit, the taper rate is 55%).

Across all households that were in relative poverty prior to the increase in the National Minimum Wage, the depth of poverty changes from £390 per month to £384 per month. This represents an average reduction in shortfall from the relative poverty measure of 1.4%.

The minimal impact is due to both the slight reduction in poverty depth among those affected by the change and the low proportion of households within the dataset that are in employment and thus impacted by the measure.

### Change in the proportion of households in relative poverty

Increasing the minimum wage to £15/hour reduces the low-income population that is in relative poverty by 0.6%. This is because the measure only applies to a small proportion of the low-income households in the dataset, and the impact on households affected is small.

This intervention primarily impacts couples with children. Within the low-income dataset, these households are most likely to have someone in work. This cohort sees the proportion in relative poverty reduced by 3.2 % points.

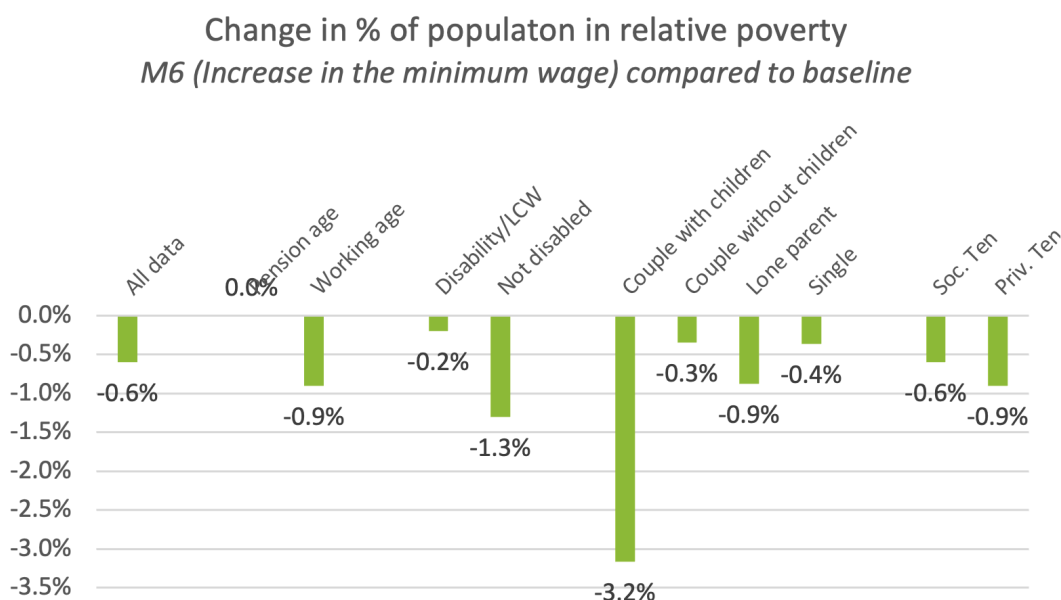


Figure 6: Change in the % of households in relative poverty, by household characteristics, following an increase in the National Minimum Wage (Model 6)

### Children living in households that are in relative poverty

Amongst the lowest income households, represented within the dataset, increasing the National Minimum Wage to £15 per hour has little impact on the number of children living in households in relative poverty.

- The proportion of children in poverty reduces from 61.5% to 60.2%, a reduction of 2.1%
- The proportion of households in poverty with a child under 4 reduces from 68.9% to 66.6%, a reduction of 3.3%
- The proportion of households with 3+ children in poverty is reduced from 74.3% to 73.5%, a reduction of 1.1%

## Model 6: Summary

Increasing the National Minimum Wage can be effective in moving households above the poverty line, as 16.7% of households modelled as receiving an increase in wages move out of poverty.

However, the impact of this measure will depend on the number of hours worked. Across the lowest income population, represented by the dataset, comparatively few households are employed and many of these households work part-time.

The measure therefore has little impact on the total population in relative poverty or the proportion of children in relative poverty.

Given that 60% of households in poverty in the UK have at least one person in work, there is little doubt that an increase in the minimum wage would have a positive impact on poverty levels across the whole population of Wales.

However, the impact would be minimal for the very poorest households who may only work part-time and who rely on benefits to top up wages. These households would not benefit fully from any increase in the minimum wage as, above the Universal Credit work allowance, Universal Credit income is reduced by 55p for each additional pound in earnings.

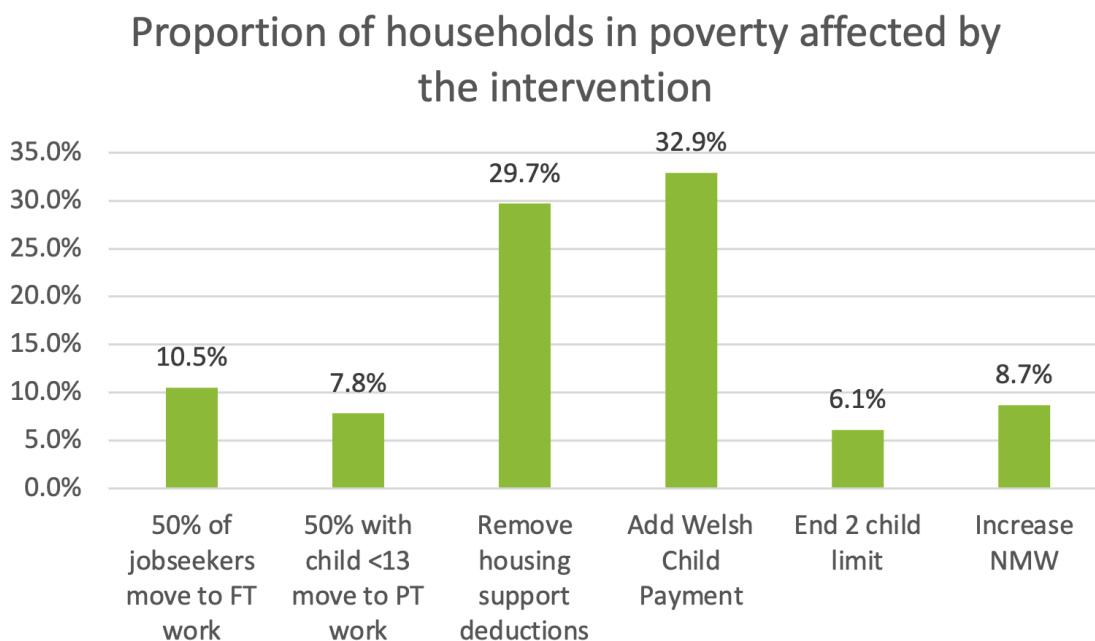
## Comparison across models

Comparing policy interventions is complex and contingent on policymakers' goals. For instance, a targeted policy might not significantly reduce overall poverty but could be highly effective for a specific group. To achieve a wider impact of poverty, an intervention affecting many households in poverty may be more relevant.

Comparing the impact of different policies across the different dimensions of poverty helps policymakers identify which intervention is most effective to meet a particular objective.

## Comparison of breadth of impact

Breadth of impact across the lowest-income Welsh households is best achieved through a Welsh Child Payment or through ending housing support restrictions. The Welsh Child Payment impacts 32.9% of households in poverty, the highest among the modelled policy interventions. Ending housing support restrictions affects 29.7% of low-income households. In contrast, removing the two-child limit has a narrower impact, affecting only 6.1% of households in poverty.



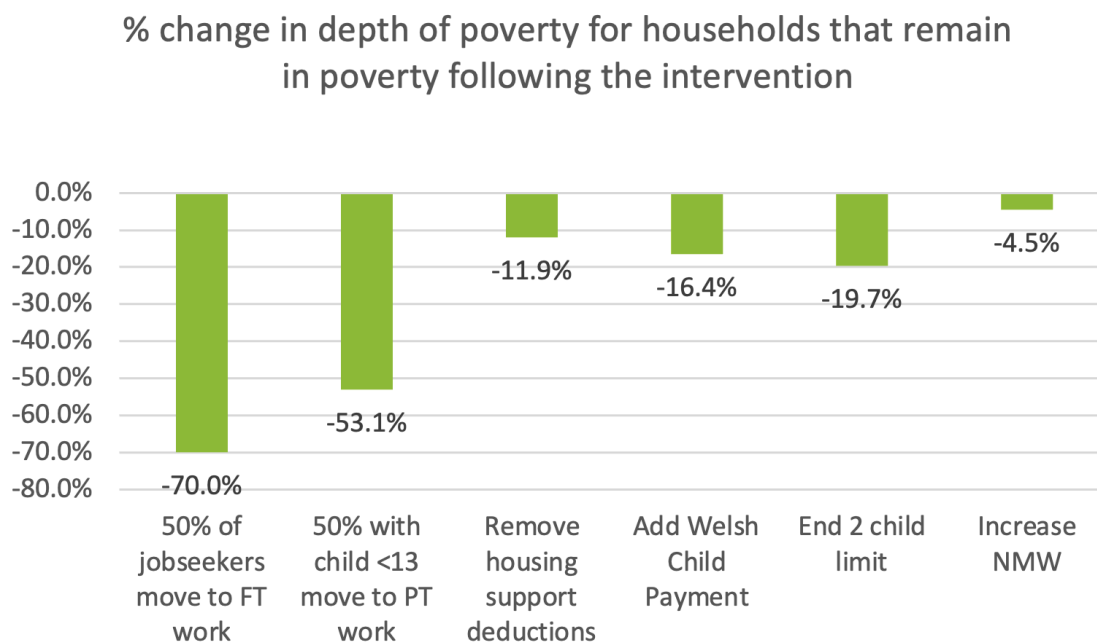
*Figure 7: Comparison across models of the proportion of households in poverty within the low-income data set affected by the intervention*



## Comparison of impact on depth of poverty

Many low-income households on means-tested benefits fall well below the relative poverty line. The standard poverty metric, the proportion of households below the relative poverty line, does not capture the impact on those that remain below this line following a policy intervention. In these cases, policy interventions may not move households out of poverty, but they can reduce its severity.

The graph below shows the proportional change in poverty depth after implementing modelled policy interventions for households remaining in poverty.



*Figure 8: Comparison across all Models of the % change in distance from the relative poverty line following intervention amongst households remaining in poverty*

Employment is highly effective in reducing the depth of poverty. For job seekers moving to full-time work, the depth of poverty is reduced by a sizeable 70%. Ending the two-child limit and the introduction of a Welsh Child Payment also have a noticeable impact on reducing the depth of poverty of affected households.

## Comparison of impact on the proportion of households in relative poverty

The proportion of households in relative poverty is a key indicator used to assess the effectiveness of welfare reform and anti-poverty initiatives across various Government departments. Consequently, any intervention's impact on the proportion of households in relative poverty holds significant political importance.

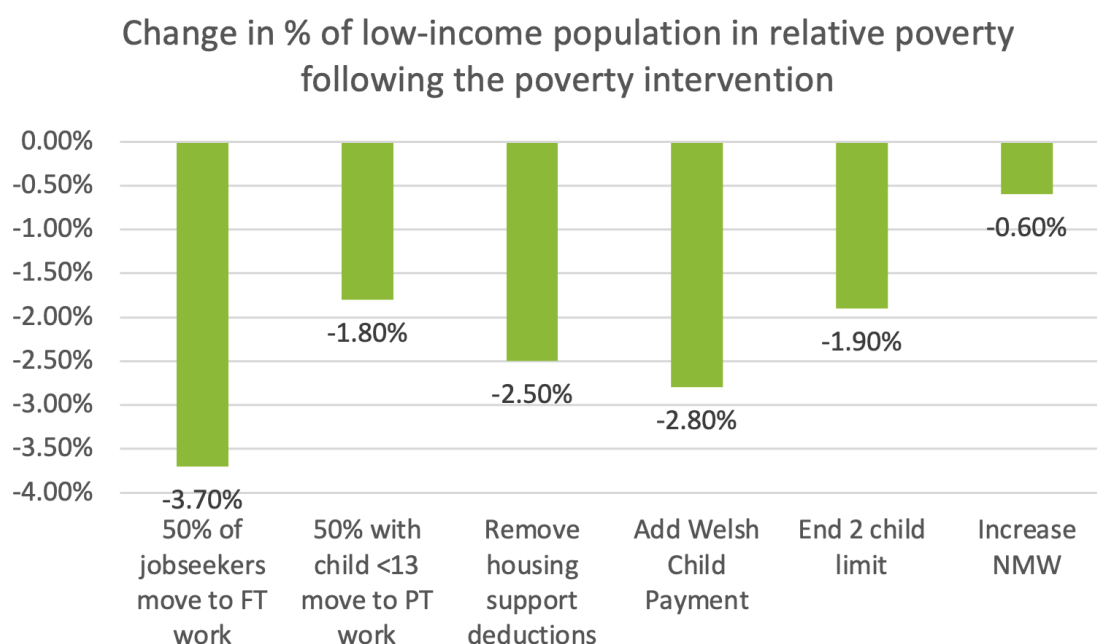
For this research, the measurement of change in the proportion of households below the relative poverty line is conducted across the entire low-income data set. This approach enables comparisons across different models, as some models impact all age groups, while others only influence working-age households.

Full-time employment has the most significant effect on reducing the proportion of low-income households in relative poverty, decreasing it by 3.7%. This is because, even though the intervention is narrowly focused, the increase in income for affected households is sufficient to move many households moving to full-time work above the poverty line.

Broader measures, such as the removal of housing deductions or the increase of a Welsh Child Payment, although affecting the depth of poverty, are generally insufficient in value to move many households in deep poverty across the poverty line.

Measures that affect a smaller proportion of the population, such as addressing childcare barriers to enable part-time work or removing the two-child limit, have a limited impact on the overall population's relative poverty levels.

Increasing the National Minimum Wage has the least impact on the proportion of households in relative poverty. However, this analysis focuses on the poorest households reliant on means-tested benefits. The effects on those whose earnings are too high for benefits but who still experience financial difficulties are not included in this modelling.



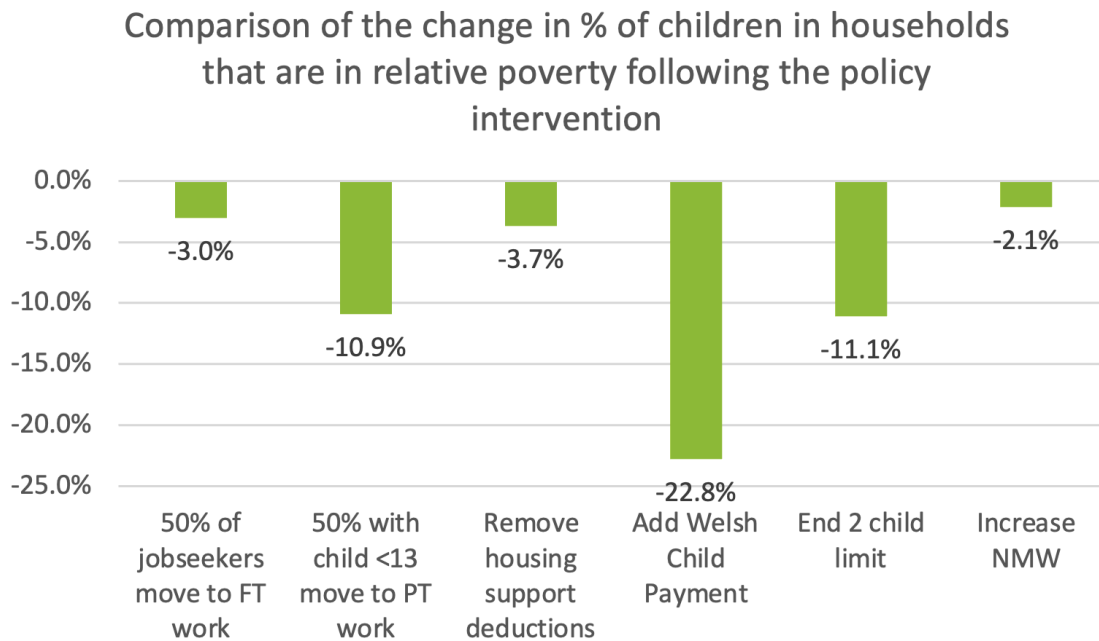
*Figure 9: Comparison across all models of the % fall in households in relative poverty following policy interventions*

## Comparison of the impact on child poverty

The Welsh Government has made a commitment to reduce child poverty. Comparison across poverty interventions provides an understanding of the most effective interventions to meet this policy commitment.

Unsurprisingly, policy interventions specifically targeting children or households with children have the greatest impact on reducing child poverty.

The introduction of a Welsh Child Payment reduces the proportion of children living in poverty by 22.8% within the low-income data set. This reduction is nearly twice as large as the changes resulting from ending the two-child limit or moving to part-time work for parents with a child under 13, both of which also have a considerable impact on child poverty. The Welsh Child Payment applies to all children within the low-income population, making its impact broader compared than the other child-focused policy interventions examined for this research.



*Figure 10: Comparison across all models in the change in the % of households in relative poverty following intervention*

The addition of a Welsh Child Payment is also most effective in reducing poverty amongst households with three or more children and in households with a child under 4.

Amongst households with a child under 4, a Welsh Child Payment would reduce poverty by -20.9% compared to -12.9% for the removal of the two-child limit. Amongst larger households with three or more children, the Welsh Child Payment addition reduces the proportion of households in poverty by -26.6% compared to a reduction of 19.5% for the removal of the two-child limit.

## Comparison of impact across all poverty metrics

Comparing different dimensions of poverty (spread, depth, relative poverty, and child poverty) helps determine if a policy meets specific objectives. If the goal is to address all dimensions, a combined metric is useful.

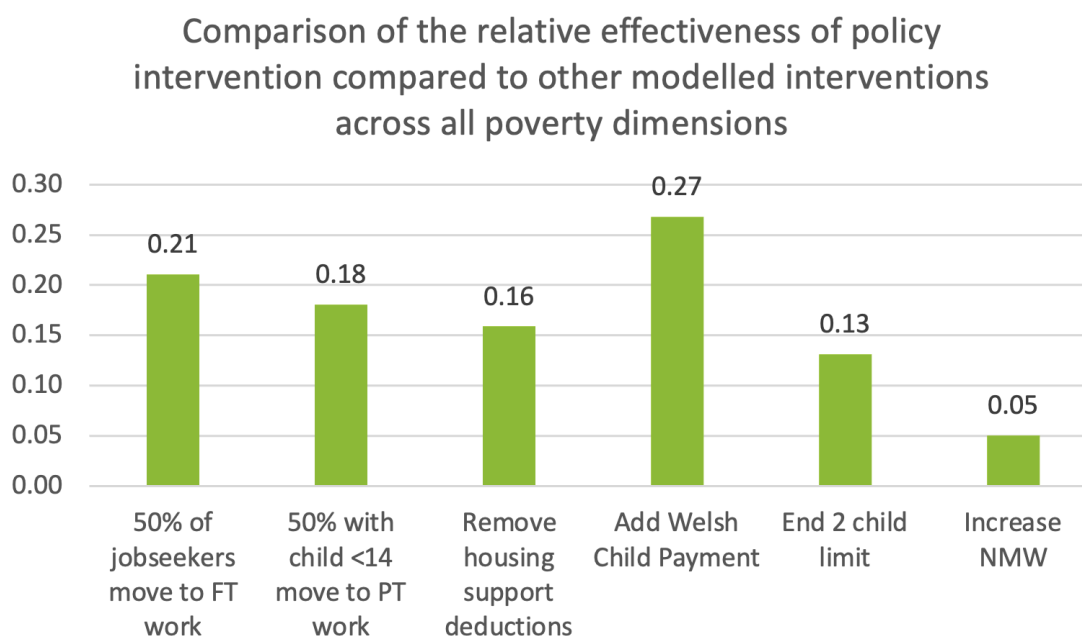
This metric assumes equal importance for:

- Breadth of impact across households in poverty
- Depth of poverty for those affected by the change
- Change in the proportion of households in relative poverty
- Change in the proportion of children in households in poverty

For each of the poverty dimensions, results from the various models are compared. The impact of each model, relative to the others, is expressed as a proportion of 1. These impacts are then aggregated across all dimensions of poverty and recalibrated to yield a final score out of 1.

A step-by-step guide to the development of the combined effectiveness measure is provided at Appendix C.

The resulting comparison of impact, accounting for all poverty dimensions, is provided in the graph below.



*Figure 11: Comparison of the relative effectiveness of policy interventions, compared to other modelled interventions, across all poverty dimensions measured as part of this research*

If all the poverty dimensions have equal importance, then the addition of the Welsh Child Payment is comparatively the most effective in tackling the multi-dimensions of poverty. The next most effective measures are moving to full-time or part-time employment.

## Summary of findings and comparison across all models

Model	Breadth of impact on poverty	Fall in deep poverty	Fall in relative poverty	Fall in child poverty	Advantages	Disadvantages
<b>1:</b> Households with no barriers to work move to full-time work	10.5%	70.0%	3.7%	3.0%	Most people who move to full time work move out of poverty. We see a big drop in depth of poverty for those remaining in poverty	Few households affected as most have barriers to work. This narrow focus means minimal impact on child poverty
<b>2:</b> Households with a child under 13 move to part-time work	7.8%	53.1%	1.8%	10.9%	Half of those who move to part time work move out of poverty. We see a big drop in depth of poverty for those remaining in poverty and a noticeable drop in child poverty	Only 8% have a child under 13 and no barriers to work so the policy affects few households, with a limited impact on relative poverty overall
<b>3:</b> Remove housing support restrictions	29.7%	11.9%	2.5%	3.7%	Big impact affecting 30% of households in poverty. Likely impact on the risk of homelessness and LA cost of homelessness prevention	Interaction with the benefit cap reduces the impact. Limited impact on number of households in relative poverty or on children in poverty
<b>4:</b> Introduce a Welsh Child Payment	32.9%	16.4%	2.8%	22.8%	Big impact. Affects 1 in 3 low-income households. Child poverty falls by a quarter. Many children in larger families move out of poverty. Noticeable impact on households in relative poverty	May act as an incentive to remain in receipt of means-tested benefits with a cost to the Welsh Government.
<b>5:</b> End the two-child limit	6.1%	19.7%	1.9%	11.1%	Big drop in child poverty, including in large families. Noticeable drop in the depth of poverty in affected households	Affects relatively few households. Interaction with the benefit cap reduces impact
<b>6:</b> Increase National Minimum Wage	8.7%	4.5%	0.6%	2.1%	Some households, particularly those that work full time, move out of poverty	Limited impact on relative poverty as many poor households are not in work, or are more likely to work part time. Benefit withdrawal limits impact on take home income, and limited impact on child poverty.

## Conclusion

This research provides a detailed and comparative analysis of six potential policy interventions aimed at reducing poverty in Wales, using household-level administrative data to assess outcomes across multiple dimensions: the breadth of impact, the proportion of households in poverty, depth of poverty, and the incidence of child poverty. By using real-world administrative data and robust microsimulation modelling, we have evaluated the effectiveness of interventions on households most impacted by poverty and benefit policy.

Our findings demonstrate that while no single policy measure can eliminate poverty, targeted interventions can significantly reduce its impact and severity.

The addition of a Welsh Child Payment emerges as the most powerful intervention overall, delivering the greatest reductions in child poverty and making a marked difference for larger families and households with young children. It offers a broad reach, affecting nearly one-third of low-income households in poverty, and has a measurable effect on both lifting families out of poverty and reducing its severity.

Employment-based interventions, particularly moving individuals into full-time work or easing childcare barriers to facilitate part-time work, also demonstrate substantial benefits. These models significantly reduce the depth of poverty for those affected and support the principle of work as a route out of poverty, though they are limited in reach due to the prevalence of employment barriers amongst households on the lowest incomes.

The removal of regressive welfare policies, such as the two-child limit and housing support deductions, also shows measurable improvements, especially in households with children. However, their impact is restricted by the narrow cohort they affect and by constraints such as the benefit cap.

Meanwhile, raising the National Minimum Wage, while symbolically and politically important, has a relatively modest effect on the lowest-income households in this dataset due to the interaction with Universal Credit taper rates and the prevalence of part-time work.

Ultimately, the modelling confirms that multi-faceted and targeted approaches are essential to effectively reduce poverty in Wales. A combined strategy, incorporating both income-based support (such as a Welsh Child Payment) and support into suitable employment, would yield the most substantial outcomes. In doing so, the Welsh

Government can make meaningful progress toward its strategic objective of reducing child poverty and improving the life chances of low-income households.

However, the capacity of the Welsh Government to implement many of these policy changes is constrained by the division of powers between Westminster and the Senedd. Powers over most of the social security system, including Universal Credit support levels, remain reserved to the UK Government. This limits the Welsh Government's ability to address some of the root causes of poverty through benefit reform.

Nevertheless, the Welsh Government has powers over housing, local welfare assistance, early years provision, employability support, and elements of childcare and social care, all of which can be leveraged to mitigate the impact of poverty.

The urgency of action is amplified by a changing UK policy landscape. Planned UK Government reforms to disability and sickness benefits are expected to disproportionately impact Wales, potentially increasing poverty among disabled people and carers and increasing child poverty.

At the same time, the ongoing debate about the future of the two-child limit introduces significant policy uncertainty. Should the UK Government retain this policy, it will continue to affect thousands of Welsh children and exacerbate poverty among larger families.

## Policy recommendations

Based on the modelling results and current policy context, we recommend that to tackle poverty the Welsh Government:

### **1. Introduce a Welsh Child Payment**

Explore mechanisms, such as grant-based schemes or top-up payments, to deliver direct financial support to children in low-income households. This would offer the most substantial reduction in child poverty, especially among the most vulnerable groups.

### **2. Invest in childcare access and flexible employment support**

Expand affordable childcare provision and employment programmes specifically tailored to parents with young children. This would support part-time employment and help reduce child poverty while respecting child care responsibilities.



### **3. Campaign for reform or devolution of key benefit policies**

Advocate for the removal of the two-child limit and for greater devolved control over aspects of the social security system, including disability benefits and housing support mechanisms. Wales should be empowered to design a system that reflects its distinct demographic and economic challenges.

### **4. Mitigate housing-related poverty through discretionary support**

Given restrictions on changing Housing Benefit rules directly, the Welsh Government should consider expanding Discretionary Housing Payments (DHPs) or developing a complementary rent support scheme to offset losses from the bedroom tax and Local Housing Allowance caps.

### **5. Prepare targeted support for households affected by disability reforms**

As changes to disability and sickness benefits roll out, develop monitoring systems to identify at-risk households and offer interim financial or support interventions through local welfare assistance or third-sector partnerships.

### **6. Continue developing a multi-dimensional poverty strategy**

Ensure future poverty strategies explicitly account for both the breadth (number of households affected) and depth (severity of deprivation) of poverty. Prioritise interventions that achieve meaningful improvements even when poverty cannot be fully eliminated.

Reducing poverty in Wales will require a dual strategy: using existing devolved levers to full effect while seeking the power and funding necessary to address systemic failures in the UK-wide social security system.

The evidence from this report strongly supports focused investment in child-centred support, removal of benefit restrictions, and holistic employment support, with particular emphasis on the households most at risk of entrenched poverty.

## Appendix A: Methodology

### The data sources

This project makes use of benefit administrative data from two Welsh local authorities. The data represents approximately 10% of the working-age population in receipt of Council Tax Reduction and means-tested benefits across Wales. Administrative data is generated whenever people interact with public services, and the data for this analysis covers all households in the relevant council areas in receipt of locally administered benefits, specifically Housing Benefit and Council Tax Reduction. Households in receipt of Universal Credit are present in the dataset only when they are also in receipt of Council Tax Reduction. Further information received by local authorities about these UC households in their area in receipt of CTR was also used, where such data was available.

Due to the data sources, our analysis covered households in receipt of locally administered benefits, not the whole population of the areas involved. We can assume that these households are more likely to be in poverty and on a low income than the wider Welsh population. These are the households most likely to need support, and who are most impacted negatively or positively by any changes to national or local policy.

The analysis was conducted using data from November 2024 and January 2025. All data processing adheres to DWP data protection procedures. All Personally Identifiable Information (PII) is redacted, and datasets are matched using the benefit claim reference number.

### Methodology

All modelling was carried out by running benefit administrative data through Policy in Practice's policy microsimulation engine, which models the full application of the national and local benefits system at a household level. A baseline snapshot of poverty (Before Housing Costs) in the current scenario was taken for comparison purposes.

Policy in Practice's engine was then re-coded to apply the relevant changes to each model, and the base data was run through the specific engine for each model. Fresh breakdowns of poverty (Before Housing Costs) and living standards were produced for each specific model for the purpose of comparison.

Our analysis of poverty is based on the relative poverty line, which is set at 60% of national median income as determined by the OBR. For both baseline analysis and modelled interventions, poverty is measured before housing costs (BHC).

## Appendix B: Baseline results

Baseline results for the proportion of households in relative poverty (Before Housing Costs) and the average shortfall (£ per month) below the relative poverty line for those in poverty are provided in Figure A1, below.

	% of cohort in poverty	Avg. shortfall for those in poverty/month
Households in poverty	40%	-£448
Age		
Pension age	20%	-£357
Working age	51%	-£470
Receipt of Disability Benefit		
Disability/LCW benefit	24%	-£330
No disability/LCW benefit	65%	-£522
Economic activity		
In work	61%	-£469
Barriers to work*	33%	-£399
No barriers to work	53%	-£546
Household type		
Couple with children	66%	-£403
Couple no children	37%	-£411
Lone parent	62%	-£433
Single no children	32%	-£473
Tenure		
Private	38%	-£337
Social	29%	-£310

\* This consists of carers of people with a disability, carers of children under 13 years, and people with illness and/or disability.

Figure A1: Proportion of households in relative poverty – baseline results

## Children in poverty

- 66% of children in the low-income cohort are in households in relative poverty
- 77% of households with 3+ children are in relative poverty
- 73% of households with a child under 4 years of age are in relative poverty

## Appendix C: Methodology for combined effectiveness comparison

### Step 1: Compare impact for each poverty dimension across models

	M1	M2	M3	M4	M5	M6
Poverty Breadth	10.50%	7.80%	29.70%	32.90%	6.10%	8.70%
Depth	70.00%	53.10%	11.90%	16.40%	19.70%	4.50%
Relative poverty	3.70%	1.80%	2.50%	3%	2%	1%
Child poverty	3%	10.90%	3.70%	22.80%	11.10%	2.10%

### Step 2: Convert impacts to a proportion of 1 for each poverty dimension

	M1	M2	M3	M4	M5	M6
Poverty Breadth	0.1097	0.0815	0.3103	0.3438	0.0637	0.0909
Depth	0.3986	0.3024	0.0678	0.0934	0.1122	0.0256
Relative poverty	0.2782	0.1353	0.1880	0.2105	0.1429	0.0451
Child poverty	0.0560	0.2034	0.0690	0.4254	0.2071	0.0392
Total	0.8425	0.7226	0.6351	1.0731	0.5259	0.2008

### Step 3: Recalibrate as a proportion of 1 by dividing the total score for each model by the number of dimensions (4)

	M1	M2	M3	M4	M5	M6	Total
Poverty Breadth	0.0274	0.0204	0.0776	0.0859	0.0159	0.0227	0.25
Depth	0.0997	0.0756	0.0169	0.0233	0.0280	0.0064	0.25
Relative poverty	0.0695	0.0338	0.0470	0.0526	0.0357	0.0113	0.25
Child poverty	0.0140	0.0508	0.0173	0.1063	0.0518	0.0098	0.25
Total	0.2106	0.1806	0.1588	0.2683	0.1315	0.0502	1

### Final combined impact across poverty dimensions to 1dp

	M1	M2	M3	M4	M5	M6	
	0.21	0.18	0.16	0.27	0.13	0.05	1

## About Policy in Practice

Policy in Practice is a social policy software and analytics company that helps hundreds of thousands of people each year to access nationally administered benefits, local support including Council Tax Support, a range of discretionary support schemes, support offered by the Scottish, Welsh and Northern Ireland devolved administrations, and a wide range of social tariffs offered by companies in regulated industries.

We believe it should be easy for people to access support. We built the award winning Better Off platform to close the unclaimed support gap we identified.

### Better Off Calculator

A smart, easy calculator to help you maximise your customers' income, increase engagement and save time and resources

### Low Income Family Tracker

Intelligent data analytics software to help you maximise your residents' income and reduce your costs

### Multi Agency Safeguarding Tracker

Simply clever software to help safeguarding professionals securely share headline data and make more informed safeguarding decisions

### Policy analysis

Essential expert social policy analysis to help you make better evidenced decisions

Each tool is powerful alone, and they're even better together, making it easy for organisations to get support to their residents. Contact [hello@policyinpractice.co.uk](mailto:hello@policyinpractice.co.uk) to learn more.