

Work and Pensions Committee

Oral evidence: Measurements of poverty, HC 854

Wednesday 14 October 2020

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Members present: Stephen Timms (Chair); Debbie Abrahams; Shaun Bailey; Neil Coyle; Steve McCabe; Selaine Saxby; Dr Ben Spencer; Chris Stephens; Sir Desmond Swayne.

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Witnesses

I: Baroness Philippa Stroud, Chair, Social Metrics Commission, and Matthew Oakley, Commissioner, Social Metrics Commission.

Written evidence from witnesses:

Examination of witnesses

Witnesses: Baroness Stroud and Matthew Oakley.

Q1 **Chair:** Welcome, everybody, to this meeting of the Work and Pensions Select Committee. A very warm welcome to our two witnesses from the Social Metrics Commission: the Chair of the commission and one of the commissioners. I am going to ask them both very briefly to introduce themselves, first of all Baroness Stroud.

Baroness Stroud: Good morning, Chairman, and thank you so much for welcoming us this morning. My name is Philippa Stroud. As you have said, I am the chair of the Social Metrics Commission and also the CEO of the Legatum Institute and a Conservative peer, but it is in my capacity as chairman of the Social Metrics Commission I am speaking this morning.

Matthew Oakley: Good morning, everyone. I am head of the secretariat at the Social Metrics Commission. Alongside that, I am a director at WPI Economics. Like Philippa, I am here with my Social Metrics Commission hat on.

Q2 **Chair:** Thank you very much. Can I start with a couple of questions? First, can you tell us to what extent, before the coronavirus outbreak—on the basis of the work of the commission—would you say that UK Government policy was effectively tackling poverty?

Baroness Stroud: We have been calling for a framework through which to effectively tackle poverty. My concern in all of this is that in the absence of a poverty measure that is recognised by Government, it is very difficult for a Government of any colour to have an effective poverty strategy. In 2016 the previous measure was abolished as an official Government measure. From that moment on, I think it is true to say that it has been very difficult for Government to have an effective strategy.

That said, I think they have taken some very good steps. At the last Budget before the election, Philip Hammond reinvested quite significantly in universal credit. That was a very good move to have made and put some of the investment required back in. But if you think about it as we think about it, which is as a balance sheet and whether families have enough resources to meet their needs, that policy conversation is not taking place. If you think about it in terms of how we stop people being poor for a long period of time—persistent poverty—that conversation is not taking place. If you think about it in terms of the lived experience of poverty and in terms of family skills and education, although some of that conversation is taking place, it is perhaps not in the strategic way that the metric would point to.

Q3 **Chair:** What can we learn from the work of the commission and the monitoring of the metric that you have proposed about progress over the last few years in tackling poverty?



Baroness Stroud: The first thing we can learn is that Governments of all colours for the last 20 years have thrown what they think to be the kitchen sink at poverty, but the headline numbers of people who are in poverty have not changed very much: they have stayed at 14 million, 22% to 25%. If you think of all the arguments and discussions and debates and constructive policy that has been put on the table, we are still in that place over the last 20 years. We probably need to be moving to a different strategy. That said, when you look at what has happened with pensioner poverty, which has moved from 18% down to 11%, you see what can happen when there is unity across the political divide about tackling an issue.

One of the reasons why the measure is so important is it is an attempt to put an end to the most vulnerable people in society being used as a political football backwards and forwards and trying to establish unity and a one-minded approach to those in poverty so that we can stabilise our interventions over the long term. On what happened with pensioners, you can see that if we come together, we can do something significant. That has never happened for those of working age, children or single people. There has never been that kind of joint-minded coming together of the politicians to agree a way forward.

Q4 **Chair:** Can I ask you about some of the current policy choices that the Government are going to be looking at over the next few months? We have seen the additional support for people claiming universal credit introduced at the start of the pandemic. At the moment, that is due to be removed in April and it is not available to households claiming legacy benefits, JSA and ESA. First, do you have a view on whether that support should be extended to legacy benefits? Secondly, do you think the increase in universal credit should be extended beyond April?

Baroness Stroud: I am just glad I am not in the Treasury at this moment in time. I know you have spent numbers of days in the Treasury, but with all the competing demands for money at this moment in time, I think it is going to be one of the most difficult decisions. If I had an unlimited budget, would I want the investment that has gone into universal credit to stay where it is indefinitely? Yes. Would I want it to be extended to legacy benefits? Of course. But if there are choices that have to be made, and if that is not an option that is on the table, then the priority that I would have in my mind, if I were Chancellor, is stability. The last thing people need is to be given money and then to have it taken away from them.

I would probably leave the cohort who have it with it, because they were the new claimants. They are the most likely to cycle back into work once this covid pandemic is over, but I would not give and then take away, because that is destabilising to families in a place of vulnerability. I would probably grandfather that out, if that choice had to be made. Ultimately, I would like the original investment as universal credit was conceived to go back into universal credit.



Chair: Thank you. That is very helpful and interesting.

Q5 **Sir Desmond Swayne:** You say that being in employment is the key factor that prevents a household from falling into deep and persistent poverty. Explain.

Baroness Stroud: Thank you, Desmond. I think that the statistics and the findings of the Social Metrics Commission clearly show that it is not just employment that is the best defence against poverty, but that it is full-time employment that is the best defence against poverty. When we look at the numbers, it is only 9% of those who are in full-time work who are in poverty. Now, 9% is 9% too many and still implies something structural there, but the fact that it is only 9% who are in full-time work who are in poverty is significant. That rockets to 57% of those who are in part-time work and 68% of those who are workless. If you take those numbers—9%, 57% and 68%—you can clearly see the protection that full-time work is.

The challenge is that it is full-time work for all adults in the household. It is not just that you need one worker in a household; you need both workers if you have, say, two parents in a household working full-time. Lots of families have thought, “If I have one working full-time and one working part-time, I will be able to establish a decent living standard for my family even on the lowest wage,” but we see that that just isn’t quite the case that we would want it to be.

We also see in the covid environment that it is those who are deepest in poverty but still working who get hit the hardest. You see the frailty of those on a few hours losing those hours: 65% of those who were employed and in deep poverty have either been furloughed, lost their job or lost their hours during this crisis, and that is compared to 35% of those who are just above the poverty line. You can already see the fragility of those who are employed and in poverty.

Sir Desmond Swayne: I think we have addressed the second question.

Chair: Thank you very much. Neil Coyle would like to come in on this.

Q6 **Neil Coyle:** Thanks, Chair. There are of course many disabled people and others with long-term health conditions who can only work part-time. What do you see as the potential solutions to the poverty they face while trying to work as much as they possibly can? Do you accept that there is a case for greater intervention to provide care and support to prevent carers, be it of young children or of older parents with dementia, for example, having to take only part-time work?

Baroness Stroud: Thank you, Neil, for all the work that you have done on disability, particularly prior to coming into Parliament. One of the things that we deem to be important about the measure is that it exposes the impact of disability on poverty. In previous measures of—*[Inaudible.]*

Neil Coyle: Have we lost Philippa?



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Chair: We do seem to have lost—

Baroness Stroud: —of poverty, if you have more specific—

Chair: Hello, Philippa. Sorry, we lost you there.

Baroness Stroud: Am I here?

Chair: We lost you there for about a minute, so welcome back. I wonder whether you could go back to the beginning of your answer to Neil's question for us.

Baroness Stroud: Yes, of course. No problem. I was just saying that one of the things that we love about the Social Metrics Commission measure of poverty is that it exposes the vulnerability of people with disabilities to poverty. The old measure of poverty credited disability benefits to the household as pure income, without any recognition of the extra costs that that household was paying for being disabled, whereas in this measure we recognise the extra costs as well as the income.

We absolutely know that work for these households—and it is not just those adults with disabilities, but households with children who are disabled as well—is important. Two of the things that we have been asking for is greater support in the workplace for people with disabilities, and greater support in travelling backwards and forwards to work. But one of the things that is often overlooked is that the childcare for a family with a disabled child—that specialised childcare—just is not available to a family, or if it is, it is only available at a cost way above the sort of level that somebody on benefits or a low income could pay. We have been asking for that recognition of childcare costs for families with disabled children.

Matthew Oakley: To add to that, as a general point, the fact that half of all people in poverty either have a disability themselves or live in a family that contains someone else who is disabled just shows that you are right, Neil, that something is going wrong here. We need to do much more to help this group to be able to get incomes that lift them above the poverty line. It is a big issue that we have highlighted.

Q7 **Chair:** You did publish a report last year on equivalisation, which touched on these issues. For example, it looked at the extent to which poverty measures account for needs arising from disability and childcare. Can you say a little bit more to us about the background to that report and why you decided to undertake that work?

Matthew Oakley: Absolutely. We called this report a technical report for a reason, in that it is right in the nuts and bolts and the engine room of the poverty measure, so it is a complex issue. Essentially what equivalisation does is allow people who are measuring poverty to account for the different needs that a household has and to compare and contrast different households to understand whether they are in poverty. For the commission's purposes, what it allows us to do is construct poverty



thresholds for different sorts of families, so families with three children as opposed to families with one child, for instance. The challenge is that the approach that has been used in the UK for a long time now is based on work from the 1980s and a bit later than that and has not been looked at in an awful lot of detail.

What the commission's work shows is that there are different ways of equivalising. There are different choices that can be made over the relative needs of different sorts of families. There are different approaches used in America, in New Zealand, by the OECD itself. When you use those different approaches, you get very different results from the poverty measure. All else equal, if you use a different equivalisation scale or a different equivalisation method, you can get a different overall rate of poverty and you can also get different types of people experiencing poverty. What we have shown is that those differences are quite large. As I said, the fact that we have not looked at this as a country, as a set of analysts, in a huge amount of detail, is incredibly concerning.

Even more concerning is the current approach that we do use—namely, the modified OECD approach. The people who made that and recommended that themselves noted some 20 or so years ago that more research was needed in this area and that specific approaches should be designed for specific countries. That just has not happened, so what the report says is that this is an important area where—as we did with the overall SMC metric—we need to come together as a set of analysts within Government and outside of Government and start to think about how we design a better approach to equivalisation for the UK. Because it is so important—it does have such a large bearing on poverty results—we need to undertake quite a bit of work over the coming months and years to design a new approach that suits the UK.

Prior to covid, our understanding was that the ONS was taking forward some work in this area. Obviously, I would imagine covid has slightly derailed that, but we are hoping that that work will be picked up and taken forward in due course.

Q8 **Chris Stephens:** Matthew, picking up on a couple of things in relation to measurement, is any assessment made of how the pandemic has affected what the commission views as inescapable costs? I am thinking in particular of working from home and having children at home or changes to working arrangements. That being the case, how would that alter poverty levels among different groups?

Matthew Oakley: Specifically on the housing costs side of things, what the measure looks at is essentially rent or mortgage payments. My view on that would be that it would be largely the same as it was prior to the pandemic. Of course, the pandemic has brought new issues—the increased cost potentially of working from home—which we need to think about and understand what the impact of that might be.



As Philippa has also mentioned, obviously our measure includes childcare. Again, there have been changes in childcare costs over the pandemic. Obviously, for a long period many of us felt the strains of not having childcare and probably not paying for it either, so that will come out in the poverty measure in due course.

We are reasonably comfortable and confident as a commission that the set of inescapable costs that we outlined in the first report in 2018 covers what we would like it to cover. We will see the impact once that data is available. The challenge for us is that data will not be available for probably 18 months or so, which captures the covid period, so there is going to be a time lag in our understanding, which is why we put together the work we did with YouGov for the last report this year, showing what the most up-to-date experience of people had been from the March to May period in 2020. But I guess on the inescapable side of things, it is very much wait and see what comes out in the data in 18 months.

Baroness Stroud: I think it is going to be one of those things where some families, for instance, have been able to pay down their debt during this time and others are further into debt during this time. I think we are going to see that. It is like some families will have strengthened during this time and other families will have been put at risk during this time. It is going to be interesting, when we work through the impact of covid on all the data, to see where it falls.

I was reading a report on destitution the other day that the Joseph Rowntree Foundation is doing. It showed that for some of those who are in its destitute category, they have rediscovered their families or rediscovered sources of support that almost had not been there historically for them, whereas others have felt more vulnerable. I think this will be the story of covid—almost a story of two halves.

Matthew Oakley: That goes back to Philippa's earlier point, that this is the core reason why we need an agreed measure of poverty that has a consensus behind it. It allows us to tackle these issues, explore these issues and then develop policies to tackle them, whether that is the 22% to 25% of people who have been in poverty for the last 20 or so years, or whether it is the people who have seen a changing experience during the crisis. We need policies to tackle both those things and that is why we need the SMC measure to be in place and taken forward.

Q9 **Chris Stephens:** Thanks, Matthew. Philippa, you touched on debts there. Obviously the previous Committee had agreed with the commission that debt repayments should be considered an inescapable cost, and the Government had said they were going to consider introducing new corrections in the Family Resources Survey. Has the commission had any discussions with the Government about progressing that matter?

Baroness Stroud: There have been ongoing conversations with the Government and ONS about the whole creation of the measure and also



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on the debt metrics. I think there has been some movement on that with the ONS. Matthew may be able to say some more on that. Jump in, Matthew, and then I will come back in.

Matthew Oakley: My understanding is that the Family Resources Survey, which underpins the measure of poverty we use, has debt questions in it for this year, which would have been started to be collected, I believe, around the time of the onset of the pandemic. My understanding was that they were due to be included.

Baroness Stroud: Thank you, Matthew. We also need things like social care questions in there as well—the costs of social care. Our concern as a commission, to be quite honest, is that prior to covid we were making good progress with the Department on the creation of the experimental stats that Minister Will Quince had announced we would be doing. During covid, obviously and absolutely rightly, all the officials had to go out frontline, in order to take the volume of claims that were coming through. Although they have come back in and have started work on the measure again, we could do with more momentum on it, to be quite honest.

We should not be going into another Budget or another spending review without any agreed accountability on issues of poverty. I would be very nervous of making spending review decisions and Budget decisions without being able to clearly demonstrate the impact on poverty. At the moment, all of that accountability is coming from outside of Government by lobby groups with unagreed measures, rather than Government having their measure that they are holding themselves to account for.

Q10 **Chris Stephens:** Philippa, can you tell us or maybe comment on whether you believe robust data are going to be captured on issues like disability, childcare, housing costs and those sorts of issues?

Baroness Stroud: I do not see how, without an agreed measure of poverty, the robust data can be collected, or, if it is collected, it will be collected in a silo—so just people with disabilities—but not translated into the impact on poverty. It is the bringing together of those two elements that is important here. We need to understand what is happening for those on very low incomes and those who are experiencing the great challenge going through covid. The Government have to be in a position where they are able to say, “We understand this. We know what is happening and our strategies and policies are designed to address it. They are not just in the wind, they are not separate from the data; they are connected with it and we have a strategy for addressing and driving it down”. That is what is missing at the moment.

Q11 **Chris Stephens:** Thanks. That is helpful and that is something that we can take up, Chair, in terms of some of the Committee’s work in trying to have some policy formulation.

I want to ask Philippa about what impact you would expect the pandemic to have on households’ financial resilience.



Baroness Stroud: Thank you, Christopher. We are obviously the most concerned about those in the lower socioeconomic groups here and we are concerned that the pandemic will have an impact. It is hugely linked to employment, housing costs and disability. The housing costs and the disability elements, in a way, we are not so in control of as we travel through a pandemic, but the employment we are more in control of, and it is important that people who need to work are able to work during this time or are able to ensure that the equivalent of their earnings is secured at this time.

Q12 **Chris Stephens:** Obviously there is a resilience gap that the commission has identified. Obviously we have been through a period of disruption and uncertainty for many people. Do you feel that resources can be better targeted to help those who are close to a tipping point—that is, where there is little or no resilience?

Baroness Stroud: We have seen the resilience gap particularly in terms of a greater lack of family resilience, skill resilience and mental health resilience, and in terms of security in local communities. One of the things that is interesting is that children are getting to spend more time with their parents. Although that is challenging for some children and challenging for parents, it is doing some children the world of good as well. I am concerned about some of the narrative that comes out about it not being good for children to be with their parents. Obviously, where there is domestic violence, not good, but where there are healthy dynamics, even in a low-income family, spending more time together increases a child's resilience.

There are some things that will improve during this time, but as we said earlier, there are others where we will see the resilience gap widen. That is particularly where you are seeing families under pressure disintegrating, where you are seeing children not able to get to school—we know that that will have a huge impact on their future—and where you see mental health deteriorating. We have seen every indicator of mental health beginning to rise and increase with increased calls to call centres and increased applications for mental health interventions. These are all areas of real increase.

Matthew Oakley: I was going to add to that the concern that—and we will see how this plays out once the data becomes available to us—research outside of the Social Metrics Commission shows that it is those families who are already struggling who have been hit hardest by the mental health impacts of covid and the employment impacts of covid, as the Social Metrics Commission has also said. In fact, covid mortality is highest among deprived neighbourhoods, so all of these things are impacting on those who are already struggling. As Philippa said, while there may be some rays of light coming out of this in terms of resilience factors, all of the things we are looking at more widely are being most impacted on those who are most deprived and struggling the most already.



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Q13 Chris Stephens: One last question, if I may, Chair, because it is tied into this. Matthew, it is on the commission's work stating that those in poverty are more likely to have undergone increased loneliness. Do you have a view on the degree to which changes in social and mental health challenges are being measured?

Matthew Oakley: It is not something we have looked at in a huge amount of detail. Obviously the report looked at a range of issues around loneliness, around people's perceptions of society and whether they had changed their relationships over time and their attitudes and feelings towards others. As Philippa already said, there were some reasonably positive things that came out of there around people coming together, not feeling overly negative towards society and some improvement in those kind of views, which matches other evidence we have heard from the grassroots across the country, where communities have come together to support each other through what has been a pretty terrible six months.

As with anything, there is a lag on some of the issues around reporting mental health concerns and understanding the impacts that flow out of that. As my previous answer suggested, I think despite the rays of light we have highlighted in our report and from the grassroots organisations we speak to, there are for me real concerns around the impacts on mental health, as I have said. The evidence we have seen so far suggests that mental health impacts of covid have been most heavily impacting on those families that were already financially struggling the most. If that is the case, there is a clear link there back into the poverty measure, where they risk losing more income, they risk family breakdown et cetera and that risks both an increasing of the poverty rate overall and a deepening of poverty for those families who are affected. We are concerned by that, obviously, but as with everything we are waiting for the data to come through.

Baroness Stroud: Picking up on your question about loneliness, the stat that most concerned me is probably one of the most invisible in our lived experience indicators. Asked if they had seen any change, those were already lonely put, "Previously lonely, always lonely". I think it is heart-breaking that there is a sector of our very vulnerable community who said, "I don't see any change, because this is how my life has been for such a long time now", and that is not okay.

Chair: Debbie Abrahams wanted to come in here, I think, with a quick point.

Debbie Abrahams: I hope you can hear me okay.

Chair: We can.

Q14 Debbie Abrahams: That is fantastic. First of all, thank you so much, both Philippa and Matthew, for what you have said, particularly the acknowledgement about the real issues that disabled people are facing and their experience of poverty, which I do not think has been properly



acknowledged, and also for what you have said about covid and covid being a disease of poverty, like many of the infectious diseases of the past.

I wanted to make a point and get some clarity in terms of the importance of standardised poverty measures. I appreciate what Matthew was saying about it being important to extend and supplement existing measures, but the importance of time series data for comparison, whether that is politically convenient or not, is a very valid one, as is the importance of international comparison. Again, these are important principles that we have to acknowledge and stand by. We would not, for example, be suggesting that we want to get rid of the international classification of diseases, for example, which is recognised internationally. It allows us to compare the mortality rates and so on of different diseases, and that has to be acknowledged, surely.

I wondered if you wanted to comment on what the JRF has been saying about poverty, and on Professor Sir Michael Marmot and the importance of a minimum income standard in alleviating poverty, or, as Michael Marmot has said, the minimum income for healthy living. If I remember correctly, the 2019 analysis of the MIS was £314 a week for a single person and £789 per week for a family of four. Clearly, for people on the lowest incomes, that is not their experience and what is driving their living standards and livelihood.

Baroness Stroud: Debbie, thank you so much for the questions on time series, international comparisons and the minimum income standard. I will try to take them in that order. We absolutely agree with you over time series. The reason why we have backcast this measure to 2000 so that we can do the last 20 years is so that we can develop and time series. We would like to be able to backcast it even further than that, to be honest. The more you can backcast, the more interesting and the more you can learn from what has been going on. If we had only done 2018 onwards, we would never have seen the fact of how entrenched poverty is, in fact, and how little success we have had with it over the last 20 years. I absolutely agree with you about the need for a time series.

In terms of international comparisons, I would agree with you there, too. As we have talked with other nations, it has been really interesting. We have had New Zealand looking at what we are doing, we have had the US looking at what we are doing. Numbers of different people have been looking in at what we are doing, all interested and all thinking, "Oh my word, there could be something pretty special here". The UK has always been a world leader when it has come to poverty measurement, which is one of the reasons why we have exported our 60% median income kind of globally. We have credibility in this space. If we felt that this was a metric that could sit effectively alongside others, then I think you would find the international community coming with us as well. Just to say I think we should not be nervous of adding something if we think it is an



improvement because people do recognise the UK as a world leader in this.

Matthew Oakley: Can I just cut in there as well? That is absolutely right. Philippa is right that there are different measures for different purposes. There is no reason why we cannot have a standardised comparison across countries. At the moment the international poverty line for the UK is, I think, \$1.64 a day. I cannot remember the exact number, but obviously for the UK it is completely irrelevant for us, in that it is just not the kind of level of poverty that we would think of as being in poverty here in the UK. That is an important point, that poverty is specific to the country you are in, in that we think it is about how you compare and contrast to others in your country and it is tagged to other people's experiences and what they can afford in the specific country you are in.

The sustainable development goals themselves point out that it is completely right that countries develop their own measures of poverty that reflect the circumstances of the country that they are in. For our purposes, as the UK, it is completely right—even if others do not follow suit, which we hope they do—that we have the most accurate measure of what we think poverty is in the UK. That drives our policy responses to it, so that allows us to look at disability, housing costs and childcare. It allows us to look at the depth of poverty as well as the incidence of poverty and persistence of poverty. Alongside that, we can also have a measure that allows us to compare ourselves against international benchmarks, but right now, right here, we need to know as much detail about the people in poverty as we can so we can develop policies to help them.

Debbie Abrahams: Within that then, can I suggest that specifically—

Chair: Debbie, can I just cut in? Sorry, I think this conversation should go on a bit further, but I know that Selaine Saxby, who has some questions she wants to pose, has to leave us for a period at 11 am. Can I just bring Selaine in at this point and then come back to you, Debbie, once Selaine's questions have been answered?

Debbie Abrahams: Of course.

Chair: Apologies for butting in.

Q15 **Selaine Saxby:** Thank you, Chair and Debbie. Good morning. It was about working with the Department. When our predecessor Committee last took evidence from you, it understood that you were working with the Department to produce experimental statistics based on your measure. We just wondered if we could have an update on that work, please.

Baroness Stroud: Thank you so much, Selaine. One of the things that we have found is that, pre-covid, that work was progressing very well and there was a very healthy interchange between the Social Metrics Commission and particularly the secretariat and the officials in the



Department, who have been fantastic. During covid, they all went frontline and have now come back. I mentioned earlier that we are re-engaging, but it feels sluggish. It does not feel like it has the bigger verve or momentum on it that is needed to get a new measure ready for a Budget. It is the clarity of thinking. We definitely need—*[Interruption.]* Sorry about that: someone brought me a cup of tea! We definitely need to regain momentum on this. We have an opportunity to bring left and right together around this measure. We may then go on to debate strategy or whatever, but let us at least take this moment to agree how we are going to measure poverty. Selaine, thank you. Anything that you can do to ensure momentum on this we would welcome, definitely.

Q16 Selaine Saxby: Lovely, thank you. I wondered if you could also perhaps outline some of the problems that you see with measuring poverty against an arbitrary poverty line and how your measure addresses this.

Baroness Stroud: When I was a special adviser in Government, I can remember having conversations with the Treasury, where it said that it was very frustrating to have a single poverty line that was based on the median that moved more with the macroeconomic forces than any decision the Government could make. Also, the fact that there was one line to hit meant that if you were making improvements in people's lives and it did not get them over that line, then those improvements were invisible. We listened to that and we tried to take that on board, which is why we also measure 10% above a poverty line to highlight vulnerability. There are a couple of million people sitting there who, if things are not good for them, could come into poverty.

We also measure 10% below the poverty line, 20% below, 30% below and what we have termed deep poverty, which is 50% below the poverty line. This is partly to show degrees of vulnerability, but also to demonstrate that Government decisions can make progress and support people to move out of deep poverty, which is obviously the greatest place of vulnerability. We want to basically be able to reward success. It is why we have also created the lived experience indicators. If you can improve the lived experience of somebody, their mental health, their skills levels, their family stability, their debt levels, all of this should be credited as progress, as movement, because you are ultimately improving people's lives rather than just success or failure as one line, which we felt was flawed.

Chair: Thank you very much, Selaine. Debbie, did you want to come back on the discussion you were having a few minutes ago?

Q17 Debbie Abrahams: Yes, please, if I may. Again, I think Matthew makes a very valid point about making sure that when we are making international comparisons they are against statistically comparable countries. Again, I want to get back to the point that, at the end of the day, people are poor because they do not have enough money. Looking at why they do not have enough money is another point. For example, the EU and its at-risk-of-poverty rate clearly shows the importance of



social transfers. If you look at the Nordic countries, Ireland and Iceland, the risk of poverty is reduced by adequate social transfers.

Baroness Stroud: Debbie, thank you for that. We would not have any argument with what you have said. The reason why we wanted to bring left and right together on this was that, historically, poverty for the left, if I am going to trivialise it, as it were, has only been about income, but when I talk to people on the left, they also recognise, as you have just done, it is about skills and education, debt and work—it is about all these other things. Then when I speak to the right, they say, “Do you know what? Poverty is about skills, education, debt, family welfare”. It is about all of these things, but it is also about money. If we can just put those two things together for a moment and agree that poverty is about income and it is about these other things as well, we have an opportunity to come together on this.

I absolutely agree with you that poverty is about money, completely and utterly, and we are not trying to unpick that or unwind that in any way, shape or form. Obviously, Helen Barnard, who has been the temporary head of the JRF for a while—it now has a new head—has been working with us on this. Even her argument would be that the minimum income standard is important, but it is not a measure of poverty. We need these two different things: we need a measure of poverty and a minimum income standard, but let’s agree at this moment in time on the measure of poverty.

Q18 **Dr Ben Spencer:** In 2018 you told us that there needed to be a big national conversation on disability-related costs and poverty. We are awaiting a Green Paper on disability. What do you have to say on that?

Baroness Stroud: There are a number of things that I would like to see in that. Again, when I was in the Department, I think we did a piece of work that demonstrated that 1 million people who were disabled wanted to be able to work. This is why there needs to be a national conversation about this. Another piece of research demonstrates that when people with disabilities are given employment, they make incredibly effective and loyal employees, but that often the workplace needs to be adapted in order to make that a success for people with disabilities. We would like to see a conversation around what needs to happen in the employment space for people who have disabilities. What does it mean for travelling to and from work? Surely now that we have all become much more effective at working from home, for example, could that not favour people who have disabilities as well? Is this not a good moment to have that sort of a conversation?

Also, as I mentioned earlier on, it is not just people that need support for themselves to go into the workplace; it is parents who do not have disabilities but have disabled children and need support for that as well. What does that mean in terms of childcare? What does that mean in terms of skilled-level childcare? These are some of the things that we would be asking for that conversation to consist of.



Matthew Oakley: Taking that right back to the start, though, I think the first thing we would ask for is that the Green Paper recognises the SMC measure of poverty as the right measure of poverty and recognises that half of people in poverty are either disabled themselves or are living with someone who is disabled. That cannot be right.

Q19 **Steve McCabe:** Good morning. When our predecessor Committee last took evidence from you, it asked what you thought were the key indicators of a welfare safety net that is functioning effectively and whether you thought the UK's welfare state was meeting those aims. In light of the things that have happened with the pandemic and new policies, if we asked you that question now, what would your answer be?

Baroness Stroud: When I look at what an effective welfare state should be, I think it consists of certain key elements. First, I think it should reward the move into work and progression in work. Any welfare state that blocks that or stops that is damaging to people's natural life instinct to be able to provide for themselves. It obviously needs to be a welfare state that meets people's basic needs and also enables you to get out of poverty fast, which does not trap you there. It needs to be a system that has dignity, adequacy and stability. These are some of the characteristics of a healthy welfare state.

To be honest, if we look at which bits of Government have been performing well during this time, during this pandemic, we have to take a moment to say hats off to the DWP, whose caseload for universal credit has increased up to about 5 million now. It has done a huge job. Do I think that the welfare state is behaving as it should do? I absolutely do. Are there things that you can always improve? Yes. Food poverty, for example, is something that I think is becoming an issue, particularly among children. The prime job is getting that income out to these families, and I think a good job is being done there under incredibly tricky circumstances.

Q20 **Steve McCabe:** Do you think that is the same for everyone or are there particular concerns about how adequately the BAME community receive welfare services?

Baroness Stroud: You may be referring to something that I have not seen or possibly—

Q21 **Steve McCabe:** I think Social Metrics Commission has said that they were overrepresented in terms of poverty and you had concerns about the service.

Baroness Stroud: Yes. Thank you for that. I am not so much concerned about how the welfare state is providing for them, because the welfare state is neutral on issues of race and gender et cetera. It is, in effect, a delivery mechanism. What we are concerned about is the overrepresentation of the BAME community in the poverty statistics. I think we should all be concerned about that. It is something like 46% as opposed to about 22% and that rate is really high. We have done a little



bit of work to try to unpack what is driving that. When you look at where the BAME community lives, 50% live in London. Immediately you are in a high housing cost environment, which can explain some of it, but it does not explain enough of it. In fact, at Legatum, in a separate part of my work, we are going to be doing a race disparity commission to follow up on the audit, because it is not okay that we have this sort of disparity by race. It is something we need to be paying attention to.

Q22 Shaun Bailey: Two from me. In terms of looking at how you measure—particularly when you are talking about unavoidable or inescapable costs—how are you ensuring that that measure itself, when we talk about poverty, is as comprehensive as it can be? How do you perhaps avoid that criticism that it might be quite selective? In particular, I would be keen to understand how you go about looking at what to include and exclude when you are building up that measure.

Baroness Stroud: One of the things to note is that in previous measures there was not a concept of inescapable costs; the poverty was purely calculated on income alone. Whatever we have done in this space we feel is a huge improvement. We felt like we needed to include, ironically, things that are inescapable—for example, things like childcare. If a family is going out to work, you cannot just credit the income to them. Where they are paying childcare costs, you have to debit that childcare from it. Historically, childcare had been credited as income—on the income side only—so it artificially increased a family's income. Matthew can give you chapter and verse on the work that was done to look at the inescapable cost. Matthew, do you want to comment?

Matthew Oakley: Absolutely. Alongside that, if you look at housing, I think what we wanted to reflect was that if you are living in London versus living in other parts of the country or living in cities versus more rural areas perhaps, your costs of housing are going to be very different, so an otherwise similar family with exactly the same income would have a very different experience of life in a very high-cost area for housing as opposed to a very low-cost area for housing. That is what we wanted to reflect.

What the commission did—and this is scratching heads back to five years previous—is sit down and try to think about what we wanted those principles to be, around how we set those out. We went back to this idea of what the lived experience of people would be when they were making decisions and what opportunities they would have. This is very much about thinking, "Okay, it is inescapable, that means they have to pay it". They cannot get away with not paying it, they cannot make a trade-off not to pay that in order to put food on their table, so housing and the costs associated with that were, for us, very much an inescapable cost, in that you have to pay it and you have to have a roof over your head for your family, which means that you have to trade off other things to do it. In terms of the—*[Inaudible.]*

Chair: Matthew, we are losing you. In fact, I think we have lost you. We



have completely lost you.

Baroness Stroud: I think he has gone completely now! Just to pick up on what I think Matthew was about to say, what we tried to do here was create a poverty now measure. It would be very easy to argue that if you had capital in a house, you could sell that, but we thought no, because you cannot access the asset now, today. What do you need in order to put food on the table today? There were numbers of things that we included on both sides of the balance sheet, as it were, that were because you had access to them today, but we excluded them as a resource or as an inescapable cost if they could be delayed or put off for another time.

Q23 **Shaun Bailey:** That is great, thank you. One more from me, if that is okay, Chair. In regards to the wider public perception as to what poverty is, what work have you done to try to influence the realignment of that? How have you measured whether your metric aligns with that sort of general perception publicly of what poverty looks like? I know we sort of touched on it throughout some of your answers, but is there anything specific you have done as part of your work to see how that lines up?

Baroness Stroud: To be honest, there are 15 commissioners of the Social Metrics Commission, so what we have asked is that each one of these is constantly testing with their stakeholder groups whether or not this aligns with, first, what the public thinks, and secondly, what people in poverty think. One of the things that is interesting here is that you get a difference in perception around people who the public are concerned about and then people who the public think are definitely poor. Our 14 million people are definitely what the public is concerned about, but in the public's mind—the broader public, not those experiencing poverty—real poverty, as it were, kicks in at about the 7 million level: those who are in poverty persistently over a period of time.

The kind of picture that people have in their minds is not of someone who cannot afford something for a month; it is of people year in, year out. But we are concerned, as a commission, about those who are constantly coming in and out and whose lives are never really improving. They might be closer to the poverty line, so we are concerned about them. There is scope in that space for a slight difference between what the general public's views are and then who we, as policymakers, are concerned about.

Shaun Bailey: That is great. Thank you, Chair.

Q24 **Chair:** Thank you, Shaun. Matthew, welcome back. Sorry, we had a technical problem there, but I think Philippa picked up the point that you were commenting on.

Can I ask a couple of final questions? In setting up the commission, you embarked on a very ambitious task to define a completely new measure of poverty and then to persuade everyone that this was the right measure to adopt. Do you think you have won that argument now for the



new definition or is there still a battle to be fought, in your view?

Baroness Stroud: Can I start by saying why we started on this mission? In 2016, for many of the right reasons, the Government abolished as the official measure of poverty the old relative measures. The HBIA still collect it; it is still there.

Q25 **Chair:** This is the number of people whose income is less than 60% of the median income?

Baroness Stroud: 60% of median income, yes. Basically they said, "We are no longer accountable to this". The plan was always to bring forward a new measure of poverty, but there were two attempts while I was in Government to do that, both of which ultimately failed. They failed because ultimately the Government cannot set their own metric that they are then accountable to, because the temptations are always too great to set a measure that makes you look good. This is why it is very difficult for a Government. You need an objective group who can have this sort of conversation.

Secondly, without this measure or without a measure, Treasury decisions and departmental decisions are completely unaccountable. This is something that we should all be concerned about at this moment in time, but also, without political consensus, the most vulnerable will always be a political football. We have to put an end to that. There has to be consistent policymaking for vulnerable people over the long term.

Have we been successful in that? I have been delighted with the level of success we have achieved. I think people who have engaged with it have said, "We really like this". That is on the left and right, so there is a good caucus within the right who say, "We really like this". There is a good caucus within the left. To be honest, I have been delighted with the way in which the left have received this.

Our goal—and I think we were almost there, because the Work and Pensions Select Committee made a recommendation, the Government responded, saying that they would draw up experimental stats. The new Government have to make, and rightly, that decision all over again. We need consensus around it to help them engage. They have so many other things on—there is Brexit, there is covid, which they are trying to sort—but this is important. If you think covid is impacting on the most vulnerable, Brexit could impact on the most vulnerable, we have to have a measure of poverty that we all agree on to see us through, to help us navigate, to develop a coherent strategy to take us through into a good place as a nation with regards to the most vulnerable. I would say we are winning; we have not won. Any support that the Work and Pensions Select Committee can give us to get over the line, we would be really grateful for.

Q26 **Chair:** You have talked about the left and the right broadly buying into the work that you have done. Is there a significant body of opinion



somewhere that opposes the definition that you have proposed, or is everybody, as far as you can tell, pretty much content with it?

Baroness Stroud: I think that people who have engaged with it are content with it. I think that in Government at this moment in time, bandwidth is the critical factor, to be honest. I understand that. This is not a simple thing—a poverty measurement. Once it is set, a poverty measurement is really simple and almost invisible, but it does have consequences. The measure you choose to hold yourself accountable to has consequences on the strategy you then adopt. I do not necessarily think that there is resistance, but we need engagement.

Q27 **Chair:** Finally, can I ask you if you can give us an idea of what the work programme of the commission will be over the next year or two or however long you set it? What are the major tasks that the commission has in mind for the period ahead?

Baroness Stroud: There are three new buckets of work that we are focused on going forward. We have been working on the development of a model that will enable us to model every Budget, every spending review, every Government decision and every Opposition decision, using the SMC measure and being able to, after every decision has been announced, model the impact of that decision on poverty. We probably have about six months more to go before we have that model doing exactly what we need it to do, but the goal was always to create the measure, develop the model and then develop the accountability structures that would drive change.

The second thing that we are going to do as a commission is take this measure and look at all ways of moving it strategically to develop a full poverty strategy for the UK, again drawing on left and right, so that we can demonstrate, using the model, what it would take to reduce poverty in the UK using all the different levers.

Thirdly, we have signed up to the SDGs, which have made a commitment to eradicate extreme poverty by 2030. I do not see that work happening anywhere at the moment in Government. We do not have a measure of extreme poverty for the UK and we do not have a strategy for getting there by 2030. We, as a commission, would like to develop extreme poverty measures and develop a strategy for the eradication of extreme poverty in the UK. Those are the three things that we are focused on going forward, but our number one priority is to get the measure adopted.

Chair: Thank you very much indeed. Thank you for your very interesting evidence and for all the work that you and the other Commissioners have done and the very important contribution that you have made. That concludes our meeting.