HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: DWP's response to the coronavirus outbreak, HC 178

Tuesday 2 February 2021

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Watch the meeting

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

Questions 357 - 402

Witnesses

I: Minesh Patel, Principal Policy Manager, Citizens Advice; Laura Peters, Head of Advice and Information Services, Rethink Mental Illness; and Peter Tutton, Head of Policy, Research and Public Affairs, StepChange.

II: James Heywood, Head of Welfare and Opportunity, Centre for Policy Studies; Professor Donald Hirsch, Director, Centre for Research in Social Policy, Loughborough University; and Iain Porter, Social Security Policy and Partnerships Manager, Joseph Rowntree Foundation.

Written evidence from witnesses:

Citizens Advice SWP0053

Joseph Rowntree Foundation SWP0045

Examination of witnesses

Witnesses: Minesh Patel, Laura Peters and Peter Tutton.

Q357 **Chair:** Thank you very much for joining us for this meeting of the Work and Pensions Committee, and a particularly warm welcome to our witnesses. We have six witnesses—two panels of three—who have joined us at quite short notice for this meeting. We are grateful to you all for doing that. Would each of the three witnesses in the first panel say who you are so that those who are watching the broadcast know that information?

Minesh Patel: Thank you, Stephen, and thank you to the Committee. My name is Minesh Patel and I am Principal Policy Manager at the charity Citizens Advice.

Laura Peters: I am Laura Peters and I am Head of Advice and Information Services at Rethink Mental Illness.

Peter Tutton: Good afternoon, everybody. I am Peter Tutton. I am Head of Policy at StepChange Debt Charity.

Q358 **Chair:** Thank you again for being here. I will start with a question to all of you. All the organisations you represent have called for the £20 a week rise in Universal Credit and Working Tax Credit to be extended. Why do you think that that is better than other possible increases in social security? Have you have seen any effects on the people you work with from the rather extended uncertainty about what is going to happen to the rates of those benefits at the end of this month?

Minesh Patel: We really welcome the change by Government to introduce that uplift to Universal Credit and Working Tax Credit. At Citizens Advice we have seen at first hand the real impact it has had on supporting people where those who have come to us for advice on benefits did not need advice previously. From our own data, three quarters of the people who hold debt simply will not be able to cover their costs if that financial support is removed, and people tell us that the extra £20 a week can be the difference between food on the table and having to go to foodbanks. People tell us that they can put the heating on during the daytime and they can pay for broadband for schooling for their children.

I will touch very briefly on three key reasons why we think the uplift is the best way to support people in the months ahead and looking forward. First, as I have mentioned, this crisis has had a huge impact on people and the uplift has really supported families, but it is clear that it is going to be a rocky road ahead as we recover from this crisis. The furlough scheme comes to an end in April, unemployment is set to peak at 2.6 million in the summer, and unemployment levels are set to remain above 7% by spring next year. The scale of this crisis means that we need a benefit system that provides people with the basic support to cover their costs and make ends meet so that they don’t fall into hardship.

We think this is about ensuring a fair recovery from this crisis. Some of the most deprived parts of the country have been really been badly hit by the labour market challenges, such as in coastal towns and parts of northern England that rely on industries like leisure and tourism. In the 10% most deprived parts of the country, the average increase in people on benefits is twice that in the least deprived parts. This is about ensuring that parts of the country are not left behind if we want to level up the country going forward. We think that having an extra £20 a week in people's pockets is good for local economies and local businesses. Removing that is money that is not spent in local supermarkets and local economies, particularly at a time when local businesses have really struggled during this crisis.

For us, on the scale of the crisis and the number of groups that it has impacted, at Citizens Advice we have seen new groups of claimants come into the benefit system—younger people; people in self-employment. We think that maintaining that support and making it permanent is going to be crucial as we recover from this crisis.

Q359 **Chair:** Thank you, Minesh. Are you seeing any effect from the uncertainty, or are people just taking it in their stride that they will wait until the final announcement?

Minesh Patel: We are definitely seeing it. Anecdotally, advisers are telling us that people are budgeting with that £20 in their pockets and a lot of people we support manage their budgets really tightly. There is real anxiety about whether people will be able to cover their costs and pay their energy bills. It is definitely something we are seeing where having that certainty now will allow people to plan ahead and prepare for the future.

Laura Peters: I definitely echo what Minesh has said. A lot of our beneficiaries have told us—these are people who have mental illnesses and usually a money problem as well, because we run the mental health and money advice service—that they have felt very grateful for the uplift during this time and it has made them feel very well supported. A lot of people with mental illness struggle with self-esteem, and feeling external support through this extra money has helped with other money problems as well. A lot of our clients have been struggling for a long time with balancing their budgets, so it has always been very difficult for them to make sure that they have enough money to pay their utility bills and put food on the table—and that was before the pandemic.

They have seen increases in their spending since the pandemic. A lot of people with mental illness are classed as clinically vulnerable and it has given them less choice in things like where they shop, for example. Some of our beneficiaries do not want to get on the bus and go to a supermarket. Some of them are ordering in their shopping, which they would not normally do. They are shopping at more local places, which can be more expensive. They have seen a real increase in their outgoings because they are clinically vulnerable. This money has been really important to them.

On the uncertainty, it is the same with our beneficiaries, as Minesh said. A lot of our clients have to budget very strictly and it causes a lot of anxiety when people don't know what is going to be happening. We think about money and mental health problems as being in a cycle. When people are feeling more anxious about their money, that makes their money problems worse, because sometimes they get into an avoidance cycle, for example. They are feeling more anxious and their money problems get worse, and it keeps going round and round. I think that people need an answer quite quickly.

Peter Tutton: I agree with what both of my sector colleagues have said. At StepChange Debt Charity, like the service that Laura was talking about, we deal with people with debt problems and we spend a lot of time working with people to try to get them to a place where they can have a sustainable budget that at least balances and means that they can afford to pay their ongoing essentials like rent, food and bills. That is the starting point—the first thing we try to do in debt advice—but we can't always get people there, and we can't always get people who are on Universal Credit there. It is not a perfect safety net in the sense that it allows everyone we see to be able to keep up with all their bills, but the uplift has made a real difference to that. We estimate that without the uplift about three quarters of our clients on Universal Credit would have a negative budget, and I will talk a bit in a minute about why that is important. The £20 uplift reduces that and means that over half of our clients on Universal Credit can make ends meet and can afford to pay their ongoing bills.

That is really important because with the negative budgets, without that not only will we not be able to deal with people's current debts and help them to arrange repayments on things they owe, but their debts are likely to continue to grow because they will not be able to pay their rent, their council tax or their fuel bill, or buy food for kids and all that kind of stuff. The point of a negative budget is so important and the £20 uplift addresses that directly. It is money into people's budgets that they don't otherwise have that enables them to pay for essentials that otherwise they will not be able to do. The support is direct and meaningful.

There are probably two different bits to the uncertainty. First, as Minesh said, people are budgeting with it. For some of our clients, that might include making payments to some of their creditors, particularly priority creditors like rent arrears and council tax where there could be significant consequences if they default on those payments. It could end eventually in them being more likely to be evicted, or they could have a bailiff turn up or action from a bailiff that is more expensive. There is an uncertainty. In knowing that may change, people will have to go back for advice. We might have to re-advise them, and they have the uncertainty of debts that they thought they were on top of suddenly becoming an issue again.

More generally, there will be an uncertainty about how people are going to make ends meet. As Laura said, we have feedback from clients we survey who have told us how important Universal Credit is and how important the uplift is, but there is all the time nagging uncertainty about, "How am I going to pay for things? How am I going to make ends meet?" We know that there is a very strong relationship between debt and poor mental health, and declining physical health through things like stress and anxiety. In a recent survey, two thirds of our clients reported struggling with anxiety and 62% reported having depression. That kind of uncertainty of, "Will I be able to make ends meet?" drives a lot of mental health problems and other problems.

We know that a high proportion—about 56%—of our clients who are in receipt of Universal Credit have what we call an additional vulnerability. By the time they come to us, they are already struggling with mental health problems or have a physical disability, mental capacity issues, or something else that makes it hard for them to manage and make ends meet. Adding extra uncertainty on top of that about where they are now with their ability to make ends meet, and that being affected by the withdrawal of the extra support, is only going to make those problems worse.

Chair: Thank you all.

Q360 **Selaine Saxby:** You have already touched on quite a lot about what would be the impact of removing the £20 increase now. I am interested in understanding how that would vary between different groups of claimants when looking at different groupings, in particular those people who are new to Universal Credit linked to the pandemic as opposed to those who have perhaps been on it for a longer period.

Minesh Patel: To answer the first part about the impact on particular groups, there is strong evidence to suggest that certain groups will struggle more if the uplift was removed. In research we carried out prior to the pandemic with people who were on frozen benefits, we found that disabled people and families with children were more likely to be behind on rent or mortgage payments, and more likely to have gone without essentials. We also know that disabled people we are supporting with debt are facing higher costs for things like energy compared to non-disabled people.

Coupled with that, you have a situation where groups like disabled people, carers and parents are at least twice as likely to have faced redundancy or to be facing redundancy, from our own research. You have a double whammy of an increased likelihood of falling out of the workplace coupled with higher costs, which creates a perfect storm for lots of groups that we are supporting. Removing the uplift would have a real impact on those groups as well as claimants overall.

The differences between people who are new to the system and people who were on benefits previously is a really interesting point. Anecdotally, we are seeing cases where for people who have had some close proximity to the job market or experience of work, there is likely to be a greater ability to be able to move back into work, because they have been out of work for a shorter period, but that needs to be seen in the context of the labour market challenges that lie ahead. We have seen a huge slump in vacancies. Currently we have almost five people on out-of-work benefits with work-related requirements for every vacancy that is available. While they may find it easier to move back into work—we welcome the Government scheme to kickstart the labour market interventions—we think the support through benefits and the £20 uplift is going to be crucial—very important.

Laura Peters: On groups, I want to talk about people specifically with mental illnesses and also people more widely who are considered disabled. As I mentioned earlier, it is clear that there have been increases in costs for people with disabilities at this time and that is not going to change for quite some time. That is one of the reasons why for that specific group of people it is really important to keep the uplift.

On people who are newer to Universal Credit, a lot of our beneficiaries are on legacy benefits—they are on ESA. They are people with mental illnesses who have been out of work for a long time because of their illness and they are unlikely to go back to work, or there might be a significant period of recovery before they can go back to work. The people on legacy benefits who have not benefited from the uplift have still had the extra costs associated with the pandemic that I mentioned earlier. Those people in particular are finding it really difficult at the minute.

Peter Tutton: Those among our clients with negative budgets who would be most affected by the reduction in support are quite well spread across different types of client. Both groups of people with children or single people have large numbers of negative budgets among our clients. There is not a particular group among our UC recipient clients that you can pick out and say they are in a better position to withstand the removal of the uplift than any other group. We have a similar thing to what Laura said about legacy benefits with additional vulnerabilities being more concentrated.

When we survey our newer claimants, they tell us about a sense of shock. They have had a big income shock. They are probably dealing with other things like other debts, and you can’t adjust all costs with the move to benefits. Being able to initially make ends meet when you can’t easily adjust fixed costs is a particular difficulty for them. As Minesh said, there is reason to believe that once the economy recovers and we get through lockdowns, these are people who will get back to work quickly, we hope, because they have been pitched out by unusual circumstances and they can get back in.

The difficulties with making ends meet are slightly different for our clients who have been on benefits for longer, and particularly thinking about legacy benefits. They do not have adjustment costs for shock—large costs that they can’t get out of—but on the other hand they are more likely to start having lumpy expenditure that is not well catered for in their weekly and monthly support. Having to buy new clothes or if the boiler breaks down—that kind of stuff won’t be catered for. Both these groups are vulnerable to not being able to make ends meet, but there are slight differences to the things that they are vulnerable for.

Q361 **Siobhan Baillie:** I was thinking back to when the uplift was put in place and the Treasury and the Chancellor were really clear that it was a temporary measure due to Covid as well as a response to dealing with the pandemic. How did your organisations make sure that people understood that it was a temporary measure and to think through those things when budgeting? Which groups did you find really struggled with the nature of what was being proposed and provided by the Government? It would be helpful to understand for future schemes.

Laura Peters: We run an advice service, but we also have a website that is specifically for people with mental illnesses, which gives information about all things money through a mental health lens. We are doing very regular budget sheets with direct clients through our advice support anyway. Some people with mental illnesses are perfectly well able to budget and can easily see forward six or 12 months in advance, but for some people, the symptoms of their mental illness might cause cognitive problems, for example, or confused thoughts, and sometimes they are budgeting month to month anyway. At this point they are worried about what is going to happen next month, especially because they might have this money taken away, but they are always thinking month to month and how difficult that is.

I think that it is important that organisations like ours are really clear with our beneficiaries, and support them and give them enough information so that they can be clear as to what might happen in the future and they have enough information to plan for themselves as well.

Minesh Patel: At Citizens Advice, our local offices and advisers support people every day and they have been advising people about the uplift and giving them clarity about how long it is in place for now, and we have information on our website. This also needs to be seen in the context of a huge erosion of benefit levels prior to this crisis. While we recognise that it is a temporary measure, it has uncovered some of the real challenges that people are facing, where people were struggling to make ends meet on Universal Credit or frozen benefits prior to this crisis. That is part of the reason why there is a big push to maintain that support going forward to rectify what we have seen in an erosion of support.

But on the advice, we have been doing our best to make sure that people are aware of that and I echo what Laura said. I am sure that all advice charities want to give accurate information on this to the people they are supporting.

Q362 **Nigel Mills:** Has the panel seen the reports that the Government might be thinking of a one-off payment of £500 or £1,000 rather than keeping the weekly increase? What are your thoughts on that as a possibility and how claimants might react to it across the various groups?

Minesh Patel: We have seen those reports about the potential for a one-off payment and we don’t think it is a feasible option for people on Universal Credit. I have three brief points to touch upon.

First, we find that having a stable regular income is the best way to support people to budget and manage their money. In research we have carried out, people tell us that having a stable income is the thing that gives them most security in life. We think that the best way to do that is through maintaining a regular payment through Universal Credit rather than a lump-sum payment, which can throw off people's budgets and how they manage their money.

Secondly, we think that it risks creating a two-tier system within Universal Credit because that payment would only benefit people on Universal Credit now; it would do nothing to support people who lose their jobs or see a drop in their hours in the months to come. We have seen the rise in things like insecure work, people on zero-hours contracts and the likelihood of more people needing to top up their income with Universal Credit. We think the benefit system really needs to wrap around and reflect changing labour market trends.

Thirdly, to take a step back—I have touched on this a little bit—removing the uplift so suddenly, even with that one-off payment, would put benefit levels to their lowest since the early 1990s, while we are in recession, and prior to unemployment peaking and the furlough scheme coming to an end. We think that having ongoing support is the best way to support people in the months ahead.

Q363 **Nigel Mills:** That is pretty clear. Thank you. Laura, do you have any views?

Laura Peters: For some people where overspending might be a symptom of their mental illness—for example people with bipolar disorder—there is a real risk that they could receive a lump sum at a point where they would spend it in ways that are not sensible. That is one thing. Also, often mental health problems can co-exist as substance abuse problems and there is a real risk that a lump sum could even cause somebody to relapse into substance abuse problems. There are very particular risks with a lump sum for people with mental ill health.

Q364 **Nigel Mills:** Peter, do you have any different views on this? Would it help people pay down their debts?

Peter Tutton: I tend to agree with what colleagues have said. Some people who have had a negative financial impact because of the coronavirus are going to need help with some aspects of debts. You may have seen that the Governments in Scotland and Wales are thinking about schemes to help people clear rent arrears in an affordable way. I think that we are going to need things like that in England as well as we see more people building up debt—and serious debt with things like rent arrears as a result of Covid. But that is a different thing to people having a regular income to make ends meet.

On the one hand, as Laura said, more generally because people have very tight budgets, even with the uplift, that lump sum is likely to be used up and people will not have the support they need later on. As Minesh said, it will not help people who newly need support if we see more unemployment, more reduced hours and so on going forward. It would set a moment in time when actually the impact of Covid is still unfolding and it is not done yet. In some ways, the more direct monthly support is more reliable for households.

On repaying debts, clients with Universal Credit coming to us will have debts. Some of them have debts that were manageable before they lost their jobs and some will have debts that have built up as a result of trying to manage, for instance average overdrafts of £1,300 and credit card debts of £5,000. There is some danger that a lump sum might get snarled up in debt repayment. That is potentially useful, but if that is repaying their credit debt, which debt advisers call non-priority debt, and as a result people can't pay their rent because their monthly income has dropped and they have a budget deficit, they are worse off than they were before. It would be an odd situation if people's credit debts were being paid but they were falling behind on things like rent and council tax and could not pay for food. That is the worry about that.

Q365 **Nigel Mills:** It is very clear that none of you is particularly keen on this as an idea. It might be better than nothing, but not really. What do you think would be the impact on claimants' behaviour? Presumably if the Treasury announced at the start of March that a £1,000 bonus would be available at the end of April UC payment, people would not be in a rush to take a job or do extra hours or whatever else during that period for fear they might miss out on their bonus. Would it drive some perverse behaviours among the claimant community?

Minesh Patel: In response to that, Nigel, I think I have mentioned it previously, but what we have seen with the people we are supporting is that when they are looking for a job or looking to increase their hours, it is not just the level of income that is important. It is the stability of income and how they have regular monthly payments. The risk of a one-off £1,000 bonus is what that does for people's income and Universal Credit risks fluctuating and changing. We think the best way is giving people stability and reassurance with budgets that have been set already and tightly managed so that they have the security and bandwidth to move forward. We think it risks disincentivising moves into the labour market.

Q366 **Nigel Mills:** Can I ask you for some legal advice? That is what the CAB is there for. We have just paid people a £10 Christmas bonus and we have not uplifted all benefits by the same £20 a week as we claim the system could not cope with increasing all the legacy benefits. What would be the arguments for why we could not pay a one-off bonus to people on legacy benefits when we have just paid a one-off bonus to people on legacy benefits? That argument would not be sustainable at all for the Government, would it?

Minesh Patel: For us, the same argument would stand on legacy benefits. You have groups there who may have lost their jobs or may have seen a drop in their income, and people who may face similar challenges to budgeting. Similar to what Laura and Peter have said, we think that mirroring the uplift in legacy benefits is really important, but it is about doing it in a way that is sustainable in having a regular payment to help people to budget. The same arguments would stand as I have outlined for people on Universal Credit as to why we do not think a one-off payment is feasible.

Nigel Mills: I am not sure that we as a Committee agree that they could not do uplifted legacy benefits at the same time. It would be very hard for the Government to sustain an argument that the system could not pay a one-off bonus to people on legacy benefits when we have paid a one-off Christmas bonus. The system works, doesn't it? I am sure we would all expect equal treatment in that situation that would make this far more expensive for the Treasury than perhaps it would think it would be. Perhaps that is not a legal issue you want to get into. I think I am finished.

Q367 **Sir Desmond Swayne:** Given that this was a quick fix at the outset but now we are considering extending it potentially permanently, should we be thinking of targeting it more directly for those who need it most rather than £20 to every single recipient of the benefit, or is the limitation of the system such that that creates an administrative overhead that would undermine or make it not worthwhile?

Chair: Is there a more targeted way of doing this? Does anyone want to comment on that?

Peter Tutton: I think it will be difficult to sort out who is in most need without digging deep. As I said before, from what we see among our clients on UC and generally, those in the greatest need from our perspective are those who have the deepest negative budgets—those who cannot make ends meet. However, they are not all one sort of person. There will be families with children, single parents and single people. It depends on their other circumstances—on where they were before an income shock happened or other vulnerabilities. For us to assess all that is quite a long advice process with an adviser, and the cost of trying to do that kind of targeting by the DWP would outweigh the savings. What we see of clients on both Universal Credit and legacy benefits is that many of them are in that greatest need category with negative budgets and those who are have only very small surpluses.

Compare furlough payments, which are not so tightly targeted. They are targeted on something that has happened rather than means testing. These are very tightly targeted benefits anyway and in trying to drill down further into that, the gain probably will not be worth the candle.

Laura Peters: I agree with what Peter says. Also, simplicity is a real benefit in this uplift. The benefits system is complicated. It is very difficult for a lot of people to navigate. A simple uplift like this is very easy to understand and it makes it easier for people to understand that they have a right to claim it. The simplicity of it not being targeted is a bonus.

Minesh Patel: To add to those two points quickly, it is important to emphasise the point of the economic context in the situation that we are in. Having support that supports anybody who has lost their job or seen a drop in their hours is important, and then it is having a review, as we recover from this crisis, as to which groups get left behind and thinking about where else we need investment in the benefit system for groups like disabled people and larger families. It is not a case of either/or. At this stage, we need to do both, but right now ensure that people have that smoothing of income and that support post-April.

Q368 **Shaun Bailey:** I know one of the big issues in the feedback that I get locally is the wider support around budgeting and debt advice. I know we touched on it in response to Nigel Mills's question earlier. I want to understand, particularly on frontline engagement, what impact you think the withdrawal of the £20 uplift would have in supporting those who might have budget problems.

I know that one of the big things that my local stakeholders have noticed, particularly more so with those who have transitioned on to Universal Credit as well, is that there are budgetary issues when you have gone from weekly to monthly. Do you think there is going to be any exacerbation by withdrawing that that perhaps might lead to further strain on the services that you offer or the support given on the front line? I am curious to understand what the impact might be.

Peter Tutton: That is a good question and there are probably a couple of bits to it. The first bit is that withdrawing the support pushes more people into negative budgets. We track and monitor and do surveys of clients after advice and we know that most clients who have negative budgets are much more likely to have to continue using credit up to 15 months after advice. Four in 10 of them are falling behind on essential bills 15 months after advice. We know with working-age benefits that 43% of our clients are using credit to pay for essentials, and 10% say that they have gone to illegal lenders, loan sharks or been exposed to credit scams when trying to make ends meet.

On the impacts of this and what it does, first, it means that the support we can give people to get them back to being able to make ends meet is much harder to do—the basic intervention of debt advice. Secondly, where they have priority debts it is going to make it harder to deal with those as well. Thirdly, it means that after debt advice their problems are likely to carry on.

The Government have done some good stuff on debt advice at the moment. We have the breathing space scheme coming in on 4 May and that gives people protection from creditors and enforcement to give time for us to help them get into a long-term debt solution. That is brilliant and we welcome that. It is very much harder to give people that help if they have deep negative budgets and are continuing to struggle to make ends meet.

In addition to that, it is likely that people who we have advised in the past will come back, and have to be re-advised and have their budgets redone. There will be a cost to that. There are implications for the effectiveness and resource requirements for frontline advice services from a dropping down of the temporary uplift.

Minesh Patel: I mentioned previously that three quarters of people who we are helping with debt on UC or working tax credit are on the cusp of falling into debt. These are people whose budgets are really tightly set on the financial standard that is agreed with creditors, so it would be hard to cut those budgets even further. As Peter said, the risk of people facing eviction and homelessness are all real worries for the people whom we are supporting right now.

Q369 **Chris Stephens:** A question to Peter. I know StepChange does some great work in Glasgow and Peter will have come across these issues before. When we took evidence about advance payments and Universal Credit, we heard that receiving a lump-sum payment can be destabilising for people experiencing addiction problems. What are the risks of paying lump sums to people who, for example, have addiction problems or any other people in a vulnerable group?

Peter Tutton: I am not super expert in addiction problems so I cannot say exactly. Addiction is a relatively small proportion of our clients. It is probably about 2% who have addiction problems and probably a few more with gambling problems. Obviously for those groups there are some potential problems. There are other potential technical problems about people getting a large lump sum. For instance, it may push people over the asset threshold, potentially, for things like debt relief orders, which are very important in England, Wales and Northern Ireland. Scotland has its own equivalent debt solution. There are potentially some destabilising things.

As I said before, for clients who have debts, the lump sum may just get swallowed up if it is paid into a bank account that is already unstable, unless it is paid into a basic bank account or something like that. It could be swallowed up and creditors could take it. There are some questions there. I am not expert in addiction. It is a significant problem that affects a small number of our clients. Laura may be able to say more about that. I can see it could have consequences, but I am not expert in that.

Laura Peters: Even for people in recovery from a substance abuse problem, there is a risk associated with a lump sum being received. That is not to say that there are people who recover from addiction problems who would not experience the temptation to use that money, but I definitely think there are risks for people, first, with substance abuse problems and, secondly, with spending problems that are associated with mental illness, like manic spending in bipolar disorder, for example. There is a real risk that the money could be used in a way that is not good for that person.

Q370 **Chris Stephens:** Bearing in mind personal issues like worsening mental health and mounting debt problems, have the risks of paying a lump sum increased, decreased or stayed the same since the onset of the pandemic?

Laura Peters: I can probably only speak to this anecdotally because I do not have any data. I can say that the anxiety level of the population is heightened. That means that people who have fluctuating mental illnesses, like bipolar disorder and schizophrenia, are going to be at risk of going into an episode of psychosis or mania. Equally, the mental health services are working really hard to provide people with mental illnesses with the right support during this time, but ultimately there is a bit less access to services at the minute because more people are experiencing mental health problems than usual and also it is harder to see people face to face and so on. Definitely the risk of people with quite severe mental illnesses, like bipolar disorder and schizophrenia, going into a crisis is much higher at the moment.

Q371 **Chris Stephens:** Minesh, welcome back to the Committee and thank you for all the work that Citizens Advice is doing in the Glasgow South West constituency and beyond. You will recall that our predecessor Committee in July 2018 had concerns that Universal Credit payments being paid into a single bank account can create serious problems for victims of domestic abuse. Does a single lump-sum payment exacerbate those kinds of problems?

Minesh Patel: It is definitely a real challenge. What is not clear is whether you would be able to feasibly split a one-off payment for two members in a household. Compare that to something like Universal Credit where people can apply for a split payment and, importantly, you can ensure that a higher proportion of that award goes to the primary caregiver in the household to ensure that costs are covered for children, the children are fed and so on. We think that there is already a mechanism in place through split payments in Universal Credit to better promote financial independence compared to a one-off payment.

There is also the risk with things like financial abuse where somebody could take a huge chunk of money when going through a lump-sum payment, compared with smaller payments through the weekly uplift. That is still problematic—I am not diminishing that fact—but we think that the Universal Credit uplift and the design of Universal Credit is a much better way to deal with instances of financial abuse or domestic abuse.

Q372 **Chris Stephens:** Laura or Peter, do you have any views or comments you would to make on this?

Laura Peters: Reiterating what Minesh said, there is already a risk of financial abuse with the Universal Credit system and that would be worsened by people receiving a lump sum.

Peter Tutton: The point of financial and economic abuse is a good one. Perhaps the most disproportionately over-represented group among our clients are single parents. Some research that will come out next week that we have done with Gingerbread highlights economic and financial abuse and the experience of that by single parents is far from uncommon. I am not sure how that relates to a lump-sum payment. But the baseline worry is a reality in many financially vulnerable people's lives. That extra layer of economic abuse seems to be very real among people who are experiencing debt problems, so it would definitely be worth looking at that further.

Q373 **Chris Stephens:** Thanks, Peter. Are there any alternatives to paying into a single account that StepChange would recommend, or any discussions that have been had with the Government on that? Obviously it is something the Committee is continuing to look at.

Peter Tutton: That is something we would have to look at more and come back to you. We have just uncovered evidence among our clients of economic abuse and we will look into that over the next few months and come back to you.

Chris Stephens: That would be helpful, thank you.

Q374 **Steve McCabe:** You were all fairly dismissive of the idea of targeting when it was raised earlier, but I notice that the Centre for Policy Studies claimed that it thought the £20 uplift was rather poorly targeted. It said that it damaged work incentives. Perhaps more importantly, it said that it disproportionately benefited the young, the single and the childless, so by implication it seems to be suggesting that people with children would be a better place to target the money? Does it have a point?

Minesh Patel: As I have mentioned previously, this crisis has had a huge impact across the income spectrum, across different groups and across our own data. We are supporting younger people, people who are in some form of employment and people who are new to the benefit system, so people who are young, childless and single will have been impacted by this crisis. Again, to reiterate the point about the financial challenges that lie ahead for labour market recovery, we think that having that baseline of support is going to be crucial for all people, irrespective of specific characteristics or circumstances. We absolutely think that there is a need to think about how support further down the line for groups like disabled people and large families, for instance, is put into the system, but right now we think that support is important across the system.

On the point about incentives around work, two fifths of people on Universal Credit are already in some form of employment, so it is not fair to say that the Universal Credit uplift disincentivised work. People on benefits can work and want to work, and what is important is making sure that people have the income stability and right level of income to progress in work and have more people move on to the benefit. We do not think that a hardship payment such as being suggested by the Centre for Policy Studies is the way forward.

Peter Tutton: I agree with Minesh. When we look at our clients who are, from our point of view, in most need—those struggling to make ends meet—it does not break down between households with children and single people. Particularly among the single people we see, often very large numbers of them have other vulnerabilities. One of the reasons is they are in precarious situations anyway and we see young adults being particularly and disproportionately affected by the consequences of the coronavirus emergency. Also single people with other vulnerabilities might find it a bit harder to get back into work or, being single, proportionately some costs will be harder to deal with. Replacement rates for lost income tend to be lower proportionately if you are a single person, so the adjustment costs are harder to make as well.

Universal Credit and very targeted means-tested benefits, as Minesh said earlier, are at historically quite low levels. Targeting within that does not seem to be as important to me as ensuring that that safety net gives people a basic level of protection so that they are not falling further into debt while they getting back into work. Surveys of our clients show that worrying about debt—the anxiety—makes it harder for people to do things like look for work because they are so stressed. The bandwidth is so compressed and they are worrying all the time about making ends meet and are depressed and anxious. That makes it harder for people to get back into work.

Targeting among people who are all in a very bad place does not seem to add very much at the margins and there are probably other issues about work incentives that might be more important, going back to the issues of single parents, work incentives, and childcare costs and the way that works that make it hard for people to take on more hours. Within the cohort of people who are poor and on the margins of making ends meet, further targeting may do much more harm than good.

Q375 **Steve McCabe:** I only raise this point about children because the Resolution Foundation said that the withdrawal of the uplift would leave another 820,000 children falling into poverty. I accept your point about why everyone is impacted by this, but nearly another million children seems a pretty astonishing figure. Laura, do you want to add anything?

Laura Peters: Yes, to echo Peter's point that being in poverty does increase feelings of depression and anxiety. You have lower wellbeing and it absolutely is harder to look for work. For people who are on the severe end of mental illness, getting into secure, stable work can be a big part of recovery and most people want to recover from their mental illnesses, so I don't think there is not a lot you can do to disincentivise people from working. For our particular beneficiaries, the fact that it is not targeted is not a problem in disincentivising work, but they are disabled and they have higher costs associated with living with a disability. Some of them do not have children; different people in different situations have different levels of need.

Q376 **Steve McCabe:** What strikes me, if we are honest, is that this is an argument about money. If money was no object, we would not be having this discussion, I assume. The CPS proposals are about £3.5 billion less than maintaining the uplift in its present form. If you think its proposals are wrong, do you have any alternatives, or do you think there should be another £3.5 billion found?

Minesh Patel: Our position remains that the uplift should be made permanent to recognise—

Steve McCabe: Find another £3.5 billion?

Minesh Patel: Yes. This is about preventing costs longer term. By not having that uplift in place, the real worry is what it means for people falling into debt and falling into further hardship, with costs that will be picked up and arise elsewhere in the system, even if we do not see them immediately. At the very least, if the uplift is not made permanent, we think it needs to be in place for at least 12 months while we go through the tricky part of recovery from this crisis. I have mentioned several times about unemployment—

Steve McCabe: At least 12 months?

Minesh Patel: At the very least, yes. There are no indicators at this stage to show that we are going to be out of the woods for labour market recovery by the autumn, so we think having security of income is going to be important for lots of people supported by charities like Citizens Advice, Rethink Mental Illness and StepChange.

Q377 **Steve McCabe:** Thank you. Do you have anything you want to add, Laura or Peter? Would you find any other way of saving money, or do you think we just have to find another £3.5 billion?

Peter Tutton: I agree with Minesh here in the context of what we are seeing and the need we are seeing, and also in the context of the overall spend on Covid, which is very much larger. We are talking about targeting in a scheme that, to be honest, is not helping all the people currently on it to make ends meet and a scheme that is there to protect people against major income shocks like losing their job or falling ill. Compare that extra £3 billion to the estimated £400 billion that the whole Covid thing will spend. Furlough was £9 billion a month at some time, I believe, which is very untargeted. It is very important—extremely important—but untargeted.

It is about weighing things up. It is a big number and it sounds like a big number, but it is a big and very important need. Without that platform and safety net when people lose their job or fall ill to help people recover, to get back into work, to get over their illness and not to fall further into debt—we have estimated that at any one time there is about 3 million people struggling with severe problem debt. That has external social costs of up to £8 billion in mental costs, lost employment and so on. If you look at the benefits of keeping people out of debt and helping people recover, you might find some cost savings in the sorts of things that will not have to be spent on treatment for mental health, lost productivity from people worrying about debts, homelessness and so on. That all adds up to a very large amount of money.

Q378 **Neil Coyle:** Given the rising public concern about food poverty, especially child food poverty, which we have seen through recent support for campaigns, direct involvement in mutual aid groups and even through schools, and of course businesses and individuals being involved in tackling the problem, and given the Government's humiliation in reacting to the Rashford campaign, with a £20 reduction causing an exacerbation of the problem, as other colleagues have raised, where do you think that would take the number of children living in poverty and public perceptions about Government action or inaction on the issue?

Minesh Patel: From our data, Neil, we do not have exact figures to indicate what the impact would be on foodbank usage, but we have seen a rise in people looking for advice on foodbanks during this pandemic compared to the same time last year. It is definitely something that is a clear concern for lots of people we are supporting.

This pandemic has highlighted lots of gaps in the social safety net that existed prior to this crisis. I have mentioned the erosion of benefit levels and people who were struggling prior to this crisis. Things like the Marcus Rashford campaign have shone a light on some of the real difficulties people are facing. For many people we are supporting those troubles risk getting exacerbated if the financial support goes. That is why we are urging Government to do the right thing and to keep that support through the £20 a week uplift.

Peter Tutton: It is a good question. I guess it is a bit more textured than that. There are bits of support that are really good. We mentioned furlough schemes. If it was not for those, foodbanks—who we refer to and do a fantastic job—would be completely inundated. We would have unbelievable levels of unemployment at the moment. Things that the Government have done, perhaps partly in response to the Marcus Rashford campaign, the Covid winter grant scheme and things like that, are providing much needed and important support for households.

It is not a question that there is nothing there. The question for UC clients is if you take away the £20 uplift, which is another bit of targeted support, it will push households that are just about managing now, or managing without a foodbank now, into a situation where they will not be able to pay for food and will have to rely on things like foodbanks.

As Minesh said, the landscape for support, and particularly crisis support and support for people who are bumping along the bottom, is quite complicated now. In addition to benefits like Universal Credit, there are foodbanks and things like social tariffs for fuel. It is complicated. There are various different grants—local welfare; discretionary hardship grants. It is quite a complex matter. It does not fit together very well.

The £20 uplift is quite simple and it is certain. It gets paid in and people do not have to go and search for it in a complicated way. You are right that more needs to be done. More needs to be done in ensuring that people have enough to make ends meet but also, where there is support, that that framework of support is navigable and fits together in a better way than it does now.

In a sense, the UC and the uplift is a bit of Covid support. Covid has exposed how Universal Credit is not really helping everyone to make ends meet. That is something that is quite simple to apply to people and helps them very directly. It is not that nothing else has happened—it is not an either/or thing. We can welcome these things without saying that they are necessarily anything by themselves sufficient, but they are all necessary.

Laura Peters: I reiterate Peter's and Minesh's points that we have seen an increase in foodbank use, and that simplicity in the system is good.

Q379 **Debbie Abrahams:** The point I want to make very briefly before my question is that we must remember that £33 billion has been taken out of working age support—social security support—since 2010. We need to look at the £6 billion that has been used to support people who are in extreme hardship over the last year in the context of that.

My question is about what modelling the panellists may be aware of in the different scenarios that we are exploring today: the £1,000 lump sum; the £20 uplift; and nothing. Are we aware of any modelling that has been done on eligibility, debt, foodbank use and poverty?

Chair: Does anyone know of any modelling? It may be a point for our next panel.

Debbie Abrahams: Policy in Practice, for example, has been very good at doing this sort of thing. Are you aware of anyone else who might have done something on this?

Minesh Patel: Not off the top of my head, Debbie, in modelling the specific impact of some of the scenarios and some of the things you mention there. We are happy to follow up with anything that we come across, but I am sure that panellists in the next session might have more on that one.

Chair: We will see what the next panel has to say, but if any of you do come across anything, do let us know. That concludes this session. Thank you all very much indeed for joining us and giving us some very helpful perspectives on the choice that is ahead for the Government. We are grateful to you for coming at such short notice.

Examination of witnesses

Witnesses: James Heywood, Professor Donald Hirsch and Iain Porter.

Q380 **Chair:** We move on to our second panel. A warm welcome to the three witnesses joining us for this. Can I ask each of you very briefly, as we did at the start of the last panel, to tell us who you are?

James Heywood: I am James Heywood and I am Head of Welfare and Opportunity at the Centre for Policy Studies, a think tank in Westminster.

Iain Porter: I am Iain Porter, Policy and Partnerships Manager at the Joseph Rowntree Foundation, and I lead on our social security policy.

Professor Hirsch: I am Donald Hirsch, Director of the Centre for Research in Social Policy at Loughborough University.

Q381 **Steve McCabe:** Good afternoon. Could I go to James first? Did you have the benefit of hearing the previous panel, James? If you did, you would have heard Minesh Patel say that your comments about disincentives to work did not make a lot of sense if two thirds of those receiving Universal Credit are in some form of work. What is your reaction to that?

James Heywood: It is patently true that a blanket uplift in benefits across the board does have an impact on work incentives. It is not just us saying that. You will see that the Institute for Fiscal Studies has also said that in the work it has done recently on the temporary £20 uplift. It simply does that because it means that out-of-work incomes are higher relative to in-work incomes. In our proposals that you will have read and that we have set out, we say that you would be reinvesting some of the savings from phasing out the £20 blanket support into improving work incentives in the system, through cutting the taper rate and increasing work allowances. Our proposals would very much improve work incentives within the UC system and put making work pay back at the heart of the system where it belongs.

Q382 **Steve McCabe:** Why did you arrive at retaining the uplift for six months? If I am right, that takes us to around the end of the second quarter, at a time when most people are predicting unemployment might be just about to reach its highest level.

James Heywood: Six months was a simple round figure. It would be down to policymakers to decide whether that would be the best timeframe. Our feeling was that that is the sort of time where we are expecting that once the vaccination programme has been properly rolled out, the economy should be gradually returning to normal and employment should be rising again. We did of course also say that there would be an extra three-month period of phasing out the support, to try to cushion the impact on people's incomes because obviously for some claimants it would be very hard.

Ultimately, the important thing is not how long the coronavirus hardship payment scheme that we propose lasts. The important thing is that keeping the £20 as a permanent feature of the benefit system would add £7 billion to the annual welfare bill in a way that would be, as was discussed at the last session, very poorly targeted. We would like to see a less expensive but still considerable increase in the generosity of the system, but in a way that increases work incentives, particularly rather than simply increasing benefits across the board.

Q383 **Steve McCabe:** In adopting that approach, are you discounting what the previous panel said about the problem of mounting debts and the other social consequences that it will lead to?

James Heywood: No, not at all. I certainly would not dispute for a minute that £20 for many people who are on Universal Credit is a huge amount of money. What we need to appreciate here is that we are talking about two things. On the one hand, is there a case for a higher level of support while pandemic conditions are still in place and restrictions are in place in the economy? All the witnesses who you have heard today, including me, believe there is a case for that.

The second issue is if you were to look at the welfare system in February 2020 and ask what changes would we make to this system—if we are going to make the welfare system more generous, how would we do it—very few people would be saying that a £20 cash uplift for everybody across the board for the standard allowance would be the best way of doing that. The only reason people are talking about it now as a permanent thing to be kept forever is because it is in place and it is very difficult to take things away once they have been given to people.

That is why, while we appreciate that it is very difficult to do that, we have put forward this idea of replacing it with a hardship payment so that hopefully you can prepare the ground with claimants for eventually removing that support and moving to a different model.

Q384 **Steve McCabe:** Thank you. Iain Porter and Professor Hirsch, you are both in favour of retaining the uplift. What is your reaction to what the CPS is proposing?

Professor Hirsch: Can I say that I do not agree with this thing about work incentives? Yes, technically there is a specific way in which giving everybody on Universal Credit £20 produces a work incentive. That is if somebody goes from not working to working but not needing Universal Credit—earning quite a bit—they will lose that £20. However, for that sort of person, income will go up by at least a third, and probably double in most cases. I can provide figures for that if you want.

In fact, this is doing two things. First, it is helping people who are not working, by strengthening the safety net, but it is also helping families, particularly with children, who are working and who are getting the so-called national living wage, but are still not making ends meet because they have lots of costs because Universal Credit was cut at the time that wages were increased by restoring some of those cuts.

We have a thing called the minimum income standard, which the real living wage is based on, which is where the public think you ought to be. We have worked out that this is very helpful because in combination with better minimum pay, it means that somebody who is on the minimum wage—a family where you have one person working full time and one working part time with two children—will for the first time be able to get to a decent standard of living, to our minimum income standard. It is making the national living wage more of a real living wage in that case. It is helping people who are in work as well as people who are out of work.

There are other ways of helping people in work, but the way that the proposal would work would be you take away this extra support for people who are out of work except for a very token, one-off, unsystematic 2.5% increase, with no stability in their future uprating being proposed, and it would make people worse off than they are now if they are not working.

You have to do two things. You have to make sure that you help people who are in work and you help people who have nothing. Yes, it has been quite a blunt instrument and there is a way of restructuring it, but if you wanted to restructure it over time to get rid of the untargeted nature, it would not be about only helping people in work and not out of work. It would be about making it a bit more proportional to the size of family and so on. That would be my main answer.

Iain Porter: If I may pick up on Professor Hirsch's point there, this point about work incentives being a big issue to worry about at the moment is wrong. As he explains, and as we say and as your previous witnesses said, Universal Credit—credit to the Government and credit to DWP for what seems to have been quite a successful operation system during the pandemic—is quite well designed to be very effectively targeted, so I would like to scotch this idea that it is not a targeted support mechanism.

Universal Credit has been designed to be responsive to income and therefore it does focus support on those on the lowest incomes. That includes families in work and out of work as well. It helps a lot of people in the lowest-paid jobs. Universal Credit is helping to be the anchor for the low-paid workers, like the workers and cleaners who are getting us through this pandemic, in difficult times, particularly where people have not only faced job loss but where people have faced income losses or reduced hours, now, but in normal times as well. Our modelling on the effect just this year if the £20 lifeline were to be taken away, is that, for example, 60% of the people who would lose out from that are in the bottom third of the income distribution.

I also want to pick up on a point. James made a valiant effort at trying to defend a cut to millions of families at this point, but it makes no policy sense to us at the moment and it would work against the economic recovery. It is people who we are talking about here and we have spoken to lots of families throughout the pandemic of what the impacts of the cut mean.

What does £20 mean to people? James alluded to that, but I want to read this out from someone who has experienced this. They say, "I believe that those who set all these laws don't see how much difference a sum like £20 makes. To them it's only £20 but if you're on Universal Credit, you know exactly the figure you're getting, you know exactly what figure your bills are, you know exactly where all your money is going. £20 seems like a small amount. When I was working I might not have thought about that £20 but now I am on Universal Credit I really feel it."

A man from Leeds said, "If it wasn't for that £20 I don't know how I'd survive. Living on Universal Credit is hard, it's extremely hard. It's literally living day to day and working out where my next food is coming from. How do I put the electric and gas on? It's horrible. It's a matter of surviving." That is the kind of support that people are getting from

Universal Credit and from that £20 uplift specifically. It has helped to protect people's incomes through the worst of it, which was the policy intent behind it.

When the Chancellor first announced it last year, he said the purpose of it was to provide extra support through the welfare system, to strengthen that system and to protect people's incomes if the worst happens. Anyone who suggests whipping away that lifeline now or even in the next three or six months, even a short extension, does not explain how in any way that helps, when we know that unemployment is still yet to rise—to peak further in the year and stay high for at least the next year.

The Joseph Rowntree Foundation makes a strong case for why the uplift should be made permanent and should be extended, as I believe this Committee has recommended, to people who have been wrongly and unjustly left out who are on legacy benefits. But there is no case that makes any public sense or economic sense to whip that uplift away within the next year. It should at least be kept for the next full fiscal year and beyond.

Q385 **Selaine Saxby:** You have already started to touch on this, Iain, but I am interested in the views of everybody else. What would be the impact of removing the £20 now and how does that vary among different groups of claimants? Particularly, what is the difference between the people who are new to Universal Credit and those who were on it before the pandemic?

Professor Hirsch: One of the points that James is making is that proportionately it makes a lot more difference to a single person, unlike Universal Credit where the main part is geared towards how many people are in a household. The £20 uplift is obviously the same for everybody so that is going to be proportionately a lot more for a single person than for a family with two adults and two children, for example.

However, what you must bear in mind about that group is just how badly they have done in recent years. During Stephen Timms's time in government, Labour did a lot to raise incomes for families with children, but from the start of when we have been measuring this, the rates that you get if you are a single person are well under half of what you need for a decent standard of living.

Let's put this in context. We are talking about people who have then had further cuts because of the benefits freeze and who without the £20 were having to live on £10 a day, £70-odd a week, and this is allowing them to live on £13 a day. It is a significant proportionate boost to an incredibly low income. I think that they would definitely see it proportionately the most.

The other point that has been made a lot of times here is that all the families who we talk to on low incomes are planning very intricately and a small amount can so often upset that balance. That is why stability is needed and that is why the one-off nature of the lump-sum payment does not particularly help.

Iain Porter: Can I add to that point there? It is a fair point made in James's paper that because you have a flat rate that is obviously a proportionately higher amount for someone on the single rate. However, we do need to remember, and our modelling shows this, that this cut affects a broad swathe of families, those without children but those with children too. Three million families with children would be heavily impacted if this £20 lifeline were taken away. If you look at proportionately how many families are helped, cutting that lifeline disproportionately impacts families with children.

As I have said already, it disproportionately impacts those on the lowest incomes, because of the targeted nature of Universal Credit. It also disproportionately affects some people, such as those who are disabled. Around half of people who would lose this £20 are in a household with someone who is disabled. As your witnesses in the previous panel explained, it is not so simple to say it affects just this group or that group. It would be a broad cut that would affect a lot of different people, but our modelling shows it still disproportionately impacts some of those groups that people would be extremely worried about.

James Heywood: As Iain alluded to, and it is a point that I have made in the paper, the £20 uplift is worth a lot more to certain claimants than others, which is one of the key reasons why it does not make sense as a permanent measure. It constitutes a 36% increase in the standard allowance for a single claimant under 25. It is only a 19% increase in the standard for a couple over 25. That is before you account for people who have housing costs, people who have children and people who get extra money because they may be living with a disability.

It is perfectly true when people make the point that if the £20 were to be removed that for some claimants, it will constitute a reduction in their weekly income by a quarter, but that is only because they had an increase in their payments of a third when it was introduced. While it is entirely proven that it would be a big cut - and I think we should not be talking about this as a cut would be a policy change to extend it or to keep it in place because, as Siobhan Baillie said in the last session, the Chancellor was clear when it was introduced that it was a temporary measure. It would be a big reduction, but only because it was a big bazooka when it was introduced to make sure that people's incomes were going to be cushioned through the crisis.

Chair: Debbie, do you want to make your point about modelling that you raised in the previous panel?

Q386 **Debbie Abrahams:** You may have heard my question to the previous panel, which is if you are aware of or if you have yourself done any scenario modelling on the different options that we are discussing—retaining the £20 uplift, replacing it with a £1,000 lump sum or reverting to nothing—and what the impacts would be on eligibility, debt, foodbank use and poverty?

Iain Porter: I have mentioned a couple of times some of our modelling at the Joseph Rowntree Foundation. That has been very much focused on the what would be the immediate impact of the planned cut this year. That is scary enough, because it has shown that 6 million families would see the lifeline whipped away. It would pretty much immediately pull around 500,000 more people into poverty and 200,000 of those would be children, so it would particularly be bad for child poverty. I am also aware of other modelling that looks a bit further forward—for example from the Resolution Foundation—that shows child poverty figures increasing further in the future partly as a result of the £20 cut.

I do not have the figures to hand but I am also aware of, and you may be interested to look at, work by the Trussell Trust who, for its own very good operational reasons, tried to project what foodbank use might be. It identified that there would be a substantial increase in need for foodbank use specifically as a result of the £20 lifeline being cut away. All the modelling that is being done out there, by us and others, points in the same direction of what a significant cut that is and what a significant impact that has on families.

You asked have we modelled specifically some of these other options, like a one-off payment. We have not done that. The costings are probably quite simple because of the simple nature of some of it; something that is a six-month extension would roughly halve the cost in this year.

It is really important to mention the one-off payment. I cannot believe that idea is still even on the table. It should have been taken off the table a long time ago. It makes no policy sense whatsoever in protecting incomes, which was the point of this uplift, through the worst point, for the same reasons that a short extension of three or six months would not make sense.

A one-off payment at a point in April or whenever it is makes no sense. First, people who lose their job or lose their income after whatever random cut-off date is picked—we know that unemployment will rise further this year and will stay very high at least for the year—will be missing out on that support altogether. Secondly, it has very perverse effects. For example, someone may get this one-off payment at that point and then manage to secure a job the next day. In a policy sense, that £1,000 bonus or whatever it is would be wasted.

Similarly, there are all sorts of issues that Universal Credit responds to income that goes up and down, naturally. Particularly at the lower end of the labour market, income is very variable and there is lots of insecurity around jobs. You can see issues like when someone is entitled to that bonus. Their income may momentarily dip and allow them to claim that bonus, and then rise again. There are all sorts of issues with a one-off payment and I do not think we should be giving it the time of day.

Professor Hirsch: Can I add something on the modelling? I do not have any detailed study that you want, but a general point about modelling. We must remember that before the beginning of 2020 all of the people who were doing projections were showing child poverty going up quite a lot, for the very simple reason that many of the cuts that had been made over the last few years were still in the pipeline.

As an example, eventually every family is going to lose not just £20 but an extra £10.45. That is because of what used to be called the family element of child tax credit. It is the first child addition in Universal Credit. Every family gets that amount. That is being phased out for any child who is born after 1 April 2017, four-year-olds now, so if you have any children under four you already have £10 less. What the £20 cut does, if it is implemented, is it takes you back to that historically awful position that we had at the beginning of 2020 with benefits at a historic low because they have been allowed to erode with inflation. With some of the forecasts, you have to be careful not to mix up the projections of what is going to happen overall with just the effect of the £20, because there are other things that are rolling in to move in that direction, sadly.

Q387 **Siobhan Baillie:** I want to start by saying it is important, for anyone listening, that if people are challenging how to spend £7 billion of taxpayers' cash, it does not mean they are disrespectful of how much £20 a week means to an individual. We are all incredibly mindful of that. James, you may feel like you are getting a bit of a battering because you are the only person on both these sessions who has put forward alternative thinking through. I, for one, think that is really important.

James, we have to think about the increase to the welfare budget generally while the country is in strained economic times. I know the CPS has looked in other reports at the post-Covid economy. How does the £20 increase, if it was to be made permanent, swell the welfare budget? In your experience with the Treasury and looking post-Covid, what could that do and what difficulties could it present?

James Heywood: It is a huge amount of money—£6 billion to £7 billion would be added to the structural liability from the working-age welfare bill. The £20 uplift on its own would increase the ongoing cost of the Universal Credit system by 10%. First, I think that people within the welfare community—these are the sorts of people you have had to these sessions—need to be responsible about the fact that ultimately £6 billion or £7 billion is a huge amount of money. If they are simply going to say, "We should keep this £20," I think most people seem to be accepting that it proportionately benefits a lot of people more than others. It is a very blunt policy tool.

The point that we have made in our report is that there is a reasonable case to say that. We did polling a few years ago, where the public agreed that the Universal Credit system seems to be not generous enough, but you should be thinking about where you want to target that because the public also said in that polling that the focus of tax and benefit policy should put making work pay at the heart of everything that Government are doing.

The proposals that we have put forward would mean that the system overall for everybody would be at least a little bit more generous than it was pre-Covid, but it would transform the way that the system rewards work and ensures that it is worthwhile for people to go out and work. One would do so at a fraction of the cost of keeping the £20.

Professor Hirsch: I agree that you need to think things out in the longer term rationally: how you are going to spend your money? The problem is if that does not happen. James has suggested that there is a one-off 2.5% increase just so that people do not lose out, for people who are not in work, and no real sort of plan for reassuring people about what is going to happen to their incomes after that.

There has also been another very helpful development, a parallel development, which is the increase in the local housing allowances, which has made a huge difference, particularly to people in London. An average of £34 a week more is the limit to what you can get in help for housing. They have now announced that they are going to keep it, but freeze it.

If you listened to the people in the last session saying how important stability is, I think people would accept more a long-term plan to restructure potentially how this £7 billion—or something like it—is spent, but which, as I said earlier, doesn't only help those people in work. At the beginning of this crisis, Rishi Sunak said that we need to strengthen the safety net. Why did you need to strengthen the safety net if it was already adequate?

I think that some plan that is addressing what we have learned and spending a certain amount more in creating a better safety net would feel much more acceptable for people than saying, "We just have to put it all into work incentives," or, "We can't quite tell you whether this improvement in the housing allowances is going to remain or we are going to just do what we did before, which is to let it erode through inflation." It is a good time to start this long-term thinking. I think people would be more amenable to the arguments that James is making if we could see signs of that.

Iain Porter: I agree with James and Professor Hirsch that it is right to think about the long term. That is why—at least the way that the Joseph Rowntree Foundation sees it from the evidence that we have seen—there is an extremely strong case for keeping this uplift and making it permanent, for the reasons that others have said about going into the pandemic. The value of the social security system that is supposed to be there to protect us from these risks of being pulled under has been subjected to years of cuts and freezes that have eroded the value of the support that you get. It is at the lowest level since around 1990 in real terms. For the support you get if you lose your job, as a proportion of average earnings or even minimum earnings, it is pretty much at the lowest point ever. They are the kind of longer-term reasons.

Not only do we think that there is a growing consensus around that now, but the public appears to agree that this £20 uplift should be kept permanently as well. Very recent good polling from the Health Foundation found that 59% of the public agree that it should be kept permanently. In fact, I think 42% strongly agreed and only around 20% disagreed with that. There is growing public support for the understanding of just how threadbare some of our support had become going into the pandemic.

I want to raise one other angle that I don't think we have touched on yet, which is about the broader economic effects of introducing a cut like this at this time. Our economists have done a lot of work on this. It showed that one of the other good parts of the policy when the Chancellor brought in this £20 at the start of the pandemic was that it was a very effective boost to the economy. The reason is that because of its targeted nature, because it goes to those on the lowest incomes, that acts as a very potent fiscal stimulus compared to broader-based support. That is because people on the lowest incomes and with the lowest wealth are less likely than those who are on higher incomes to save that money; they need to spend that money. That goes into local economies, and it supports local economies and the broader economy.

We think it makes no economic sense to pull money out of the economy at such a difficult time, particularly when the economic crisis is probably going to be at its worst. If for some reason the Chancellor felt that now was the time to cut money out of the economy, to do it in this way through a cut to Universal Credit is very targeted. It would be almost one of the most targeted ways to pull money from those who need it most and therefore be a pretty potent anti-stimulus to the economy. It is not the right time to cut the lifeline now, nor in this year. We believe it should be kept permanently as well.

Q388 **Shaun Bailey:** I want to pick up on a very interesting point that Iain made about the way UC was constructed and that it allowed for a much more targeted intervention. I am conscious that what we have talked about today in the nature of the intervention, with the £20 uplift and the £500 one-off payment that has been talked about as well, is quite broad brush. Do you think that we are perhaps missing an opportunity here to refine the interventions that we are talking about? We have heard that the uplift and a one-off payment would impact people in different ways. I am curious to understand whether you think we are missing an opportunity there. In what ways could we perhaps maximise that targeted approach to ensure the maximum impact of those interventions?

Iain Porter: Thanks, Shaun. Yes, Universal Credit is a targeted system. It has been designed particularly, for example, with the taper rate so that if you increase the £20 for those who are out of work, those in work and on low pay get a £20 increase too, but you have that taper designed into the system. It doesn't make a huge difference for working incentives. People still see that same taper as they try to move into work. There are different elements within the system. There is a child element, for example, and a basic element but, as I said, our modelling shows that that basic element, that standard element, addresses the point that the basic underlying level of Universal Credit is already pretty low and has been cut in real terms due to freezes. Keeping it as a bolstered, strengthened, basic level targets that money at those on the lowest incomes and goes to all of those groups too.

Q389 **Shaun Bailey:** That is interesting. James, you were nodding a little bit when I was asking that question. Do you have some insight on that as well and are we missing an opportunity here?

James Heywood: Yes, certainly. To reiterate what I said before, it is a very blunt policy instrument to just give a £20 cash uplift to everybody. It is worth a lot more to some claimants than others. We have heard a lot in this session and the last session about people having particular issues if they are living with a disability or the impact it might have on child poverty. If those are the things that you are concerned about, there are very simple ways in the Universal Credit system to focus your support and use money much more efficiently than a blanket uplift.

Iain and Professor Hirsch have talked about the impact that freezes have had over the last 10 years, about what has been done to LHA and so on. What people are saying about the £20 is effectively because people are loss averse. The Government know that people are loss averse and that is why they freeze things. If you end up increasing Universal Credit spending by £6 billion or £7 billion, the Treasury is going to start trying to freeze things because it is going to have to find savings somewhere. You are going to have things like LHA being frozen because it has pumped a huge amount of extra money into the welfare system. For a single out-of-work claimant, that £20 is worth more than the increase in their entitlement over the last 45 years. I think we have to be conscious that we should not always just be keeping things as they are and avoiding anybody losing anything, because that kind of loss aversion can have a perverse impact on the longer-term policy outlook.

Professor Hirsch: I find it a bit difficult to swallow that the reason why they have frozen LHA is because they are spending money elsewhere in the welfare system. I do not see any sign of putting the brakes on in other parts of public expenditure at this very difficult time.

Could I say something about targeting? I think the problem we have here is that there is not any neutral way of targeting: target to whom? Iain has made the general point that it is not really right that this £20 is going to any old person. All the people on it have been means tested and shown to have a low income, so that is in general terms where we should be a bit less concerned about the rough edges of this. But there are two issues about targeting that have to be thought about and there is not any one answer.

The first one is which groups do you give it to, and obviously if we wanted to replicate the way in which money is targeted and weighted between groups in the existing system, we would do it differently. It would not just be a flat rate, and obviously families with children would get a lot more, as they historically have. I made the point earlier that the people who it is helping most are the people who the system is meanest to at present. In our terms, it is giving people less than half of what they need, rather than closer to two thirds if you are in a family, which is still a big shortfall. That is a subjective thing. Are we getting to the point where this is so inadequate—this £10 a day that we have had for somebody? Even the over-25s are getting that. If you are a single young person trying to live on that amount, it has become so disproportionate that we don't mind too much if it is a bit too weighted towards them. That is one issue that society has to think about. Are we going to continue always to put families with children first and completely ignore those without?

The other thing that very much comes up from what James is proposing is about the balance between helping people who are working, creating so-called work incentives, which means allowing you to keep a bit more of your benefits when you are working, compared with putting it into the basic rate when you are out of work. Again, I think that over the years things have arguably become too disproportionate towards helping the working and we have accepted an out-of-work rate that is just getting lower and lower with more and more constraints on it, like benefit caps and two-child limits and so on.

I think what has come out of this crisis is that when people are finding themselves out of work, it seems that the public understand more why people are out of work. Rishi Sunak understood that when he made his announcement on 20 March last year. He said, "But the truth is we are already seeing job losses. And there may be more to come...So we will also act to protect you if the worst happens. To strengthen the safety net, I'm increasing today the Universal Credit..." If that isn't an admission that the safety net is too low to live on if you are not working, I don't know what is. We have a chance to reflect on that and not always to make it about, "Oh well, we have to create rewards for work," as opposed to security of something that can be called a safety net if you are not working.

Shaun Bailey: That is very helpful. I have nothing more to add to that, Chair. Thank you.

Q390 **Chris Stephens:** I have a number of questions. We have explored the advantages and disadvantages of a one-off payment, but I want to ask our three colleagues who have joined us similar questions to those I asked the first panel, which is the different impact you can have on different groups. I am thinking specifically of people with addiction problems, or where there is domestic or economic abuse and the like. How do you think a one-off payment would impact on those groups or other claimants?

Professor Hirsch: It is very difficult to generalise. There are certainly a lot of people, on being given a dollop of money and saying, "Let it last a year," who are going to find that very difficult, but you can't generalise. Some will be able to pay down their debts. For others it is not a question about debt but a question of living on very little month to month. I strongly agree with what was said in the previous session, because our research evidence shows this. What people need is a steady income where they can plan and not something that is suddenly there and then it is going to go away. Even if you thought it was efficient for some people to pay down their debts, by giving that amount to everybody, it is not going to be targeted towards people for whom that is the solution.

Q391 **Chris Stephens:** Thanks, Professor. James, some disadvantages were put forward by the first panel on a one-off payment, particularly around addiction issues, economic abuse and things like that.

James Heywood: Yes, I would echo what other witnesses have said about that. You can see very clearly why it could have a perverse impact on particularly claimants who suffer problems with substance abuse, for example. From the way that the one-off payment idea is being reported and the reasons some people in the Treasury, in particular, seem to like, the idea is that people will go out and spend it, and that it will be a good immediate boost for the economy because people will just go out and spend all the money. If the point is that that is replacing a £20 uplift that was being used to help people with their living costs week to week, surely that is, if anything, an admission that it is a very poor way of continuing that support.

That is why we suggested that if you are going to extend support, just giving people a big cheque is not the best way of doing it. You should continue to give people regular support. We know that people have struggled with moving on to the Universal Credit system because it is paid monthly instead of weekly, so giving people six months or even a year's worth of their £20 in one go would be a silly way of doing things, as well as having other unfairnesses in the flow in and out of the system and meaning that some people lose out and other people gain disproportionately.

Q392 **Chris Stephens:** Thanks. Iain, I know in response to Debbie's question that you saw some problems with the one-off payments. I presume that some of the issues I have raised there are just some of the problems that the foundation can see with a one-off payment.

Iain Porter: Yes, exactly. I think we have agreement among the witnesses here about the difficulties policy-wise of that payment, but I don't think I could add more to some of the witnesses in the first panel, who clearly have some real direct experience with groups such as those with addictions. What I would add is that from all the conversations and people who we work with at the Joseph Rowntree Foundation, the point that people want and need certainty and security, not uncertainty, and stable, certain income is very important, just as the level is.

I have another quote here from someone who we spoke to. Talking about their thoughts about a temporary extension and a one-off payment, they told us, "This a bad choice for the Government to consider making. Everything they do seems to be on a temporary basis and we don't live on a temporary basis, we live permanently. We need commitment and we need certainty." I think that was kind of an expression of the importance of certainty and security for people. That is what I would add, and to extend that to the Government's decision, an important point to make is, yes, there is uncertainty about the economic situation. We believe there is general economic consensus that unemployment is going to get worse this year and it is going stay high for some time, but there is uncertainty around that.

In an environment of economic and policymaking uncertainty, the job of policymakers is to bring some certainty and stability into that environment. Trying to plan for the best-case scenario—overly optimistic in planning for that when that is challenging—has all sorts of problems. You can probably draw parallels with other pandemic policy responses, like what we saw with furlough, when it was going to end in October and then suddenly at the last minute it had to be extended. There was no certainty for businesses or families. We saw that with schools at the beginning of this year. There was no certainly for families with children when schools were definitely going to be open and then at the last minute suddenly they were closed.

It is super important with the £20 uplift that that sort of approach is not taken because, as we have heard from people, this lifeline is so important for them. I think the Government should plan for the realistic economic scenario. That means not putting in place a one-off payment or an inadequate short three or six-month extension. The way to get certainty is to say, "Yes, we are going to at least extend this for the full fiscal year". Then there is a time to come where the Government—on a more considered basis—might want to think about what they want to do beyond that, but to fit in with the usual way of saying, "We are going to decide tax and benefit rates on a fiscal year basis," makes sense, to give that certainty for this fiscal year at least. Then maybe the autumn is the more appropriate point, if there is more certainty in the environment, to say, "Let's now set out and give people good notice about what is going to happen beyond that."

Q393 **Chris Stephens:** That brings us back to the modelling, doesn't it, Iain? I was quite struck with the foundation's model on removing the uplift and how it would disproportionately affect BAME families and families with at least one disabled person. Have you shared that modelling with either the DWP or the Treasury, and has there been any reaction to that so far?

Iain Porter: Yes, we have published all our modelling. We have shared that with people in Government as well. They said they take all of these into consideration, so I hope they are listening to the compelling nature of that.

Q394 **Chris Stephens:** Do you have any plans to look at the one-off payment and redo the modelling of what the impact would be on that?

Iain Porter: As I said before, there are too many other reasons why it would be bad policy to bother doing it, but it would shift who would get some money and who would not. The important thing is it doesn't work for the reasons that the policy was put in place in the first place. It doesn't protect the incomes of people who are losing jobs at this one-off point during the period, particularly later in the year and beyond, when we know that unemployment is going to get worse and stay bad. We have no plans to do the modelling on the one-off payment. It makes no sense.

Chris Stephens: Thanks, Iain. I will hand you back to the Chair, thank you.

Q395 **Chair:** James, can I pursue the point about targeting? A response to the direct criticism you have made about targeting in the £20 uplift would be to reduce that £20 figure a bit, but then to increase the child additions instead. In that way you would be disbursing a similar amount of money but biasing it more in favour of families with children rather than single people. From your point of view, how complete an answer to the targeting criticism would that be? Obviously that is not what you have suggested, but would that would deal with your targeting point if that was done instead?

James Heywood: It would certainly be an answer to the question at least and would mean that it was less of a blanket policy. I think ultimately policymakers need to sit down and say, "What are the places of need and where are the particular financial concerns within the claimant population?" In response to the point that I have been making—that the £20 uplift particularly benefits single and younger claimants—people have pointed out that those are the people who, over the last couple of decades, have particularly lost out on welfare policy.

That is why in our paper we suggested that if the Government were to look at work allowances, they could look at work allowances specifically focused on childless claimants. If you remember 2015-16, there were big changes to tax credits, which also impacted on Universal Credit by taking out all the work allowances. That group of people lost any work allowance at all. When work allowances were increased a couple of years ago, there was an increase in work allowances but only for people who already had one.

Those people have particularly lost out because they have already lost out on the work allowance point, and they would also be losing out proportionately more from the £20 being phased out because they benefited more in the first place from it being introduced. We suggested an option could be to have a specific increase in the work allowance for that group. Sorry, I couldn't make out what you were saying there.

Chair: Targeted at single childless people, was that the group you meant?

James Heywood: Childless claimants who are not living with a disability are the claimants who currently do not get any work allowance at all and have particularly lost out from the work allowances changes that have been made since the 2015 general election, essentially.

Q396 **Chair:** Donald or Iain, any more comments on this targeting issue?

Professor Hirsch: Only that that particular proposal does help a specific group of single people: those who have jobs and who are working part-time. But, by the time they are working full-time, even with the work allowance, they will not be getting Universal Credit. We need to be concerned about those who are not working.

Q397 **Neil Coyle:** James, I read your paper and I think there would be quite a lot of support for a more generous uplift and for changes to tapers, for example. I think there would be cross-party support for those elements. Can you talk me through how much this separate element you are suggesting for the coronavirus hardship payment would cost and how long it would take to deliver?

James Heywood: Sure. What we have proposed is that it would effectively mirror what the £20 is doing now, so the cost of it would be effectively exactly the same as what the £20 doing. The point of it is to draw the distinction between the standard ongoing Universal Credit entitlement and the pandemic-specific support packages that the Government have put in place. The point is it is quite unfair that there will be some claimants—you have to remember the claimant population has increased a lot over the last year—who will think this is their normal entitlement.

Q398 **Neil Coyle:** I think you are slightly missing the point of the question. You are specifically proposing a separate element, so that is doing something very different to what the existing payment does. You are suggesting it is the same cost when you are not taking into account that to introduce a separate element takes IT changes, which the Minister tells us can take two years to implement and has its own costs attached. Where does this fit within the Universal Credit infrastructure and why wouldn't you use something like universal support or the Flexible Support Fund as a means of delivery to cut costs?

James Heywood: We are not particular at all about the delivery. It would be better to have it as a separate payment to make it very clear that it is a temporary measure. If Ministers are telling you that it would be administratively difficult to pay £20 a week, or to pay it monthly to everybody who receives Universal Credit, I think that they are being slightly disingenuous, because it would not.

Q399 **Neil Coyle:** I am not suggesting Ministers have been disingenuous. Your paper suggests that your proposals would mean a £3 billion cost as opposed to the £6 billion-plus cost of retaining the £20 uplift, but your paper does not include the administrative costs of changes. You mentioned higher housing costs potentially being one of the elements for the targeting of the additional support. Who makes that decision and how is it assessed? That is where the cost lies, so talk me through your proposal.

James Heywood: The costs of the proposals are the ongoing costs, and by that I mean when we talk about £3 billion versus £6 billion, we are not talking about the cost over the next financial year and we are not factoring in the cost of the coronavirus hardship payment. Ultimately, costs over the next year are largely irrelevant. What matters is what is added to the welfare bill in three, five or 10 years' time. What matters is the impact that whatever we are going to do with the welfare bill is going to have on structural borrowing. The cost of the hardship payment and the cost of administering that are largely irrelevant, because I think most people, including the Treasury, have accepted that we can borrow a lot more short term. What matters is: are we going to have ongoing, much higher structural borrowing than we had before the pandemic?

Q400 **Neil Coyle:** But your paper says if things are left as they are, it would represent a 10% increase in Universal Credit expenditure. Your proposal suggests a 5% extension would be acceptable, but your proposal makes no cost assessment for the adviser discretion and the departmental time, the IT changes that the Minister tells us are very expensive and take up to two years to deliver. You have no vehicle to deliver what you are suggesting, you don't have the costings for what you are suggesting and it does not appear that you understand how Universal Credit is delivered. Why should Ministers and civil servants listen to the CPS on this?

James Heywood: Making changes to rates and to the taper rate and to work allowances is not something that takes two years for the Department to implement. Those sorts of changes have been implemented on much shorter timeframes than that in the past.

Q401 **Neil Coyle:** But you are acknowledging that there is no costing for any of those changes within your proposals?

James Heywood: Sorry, what are the specific adviser costs that you are referring to?

Neil Coyle: If an individual adviser has to manually change and manually assess every single person coming through based on their housing costs, number of children, an impairment or a health condition, that causes delays and takes time out. Ministers are very keen to tell us that they want a much more digital system. If you do not understand those costs, perhaps go away and think a little bit, but I know Iain is waiting to come in.

Iain Porter: Thanks, Neil. To quickly pick up, I agree with James. What we have heard is that rate changes, simply changing the rates of the standard allowance, changing the rate of an existing element is very simple to do. There is some time that is needed operationally to build it into the right timeframe, but it is very simple to do.

Our understanding of the systems and everything we have been told is that creating a new element—for example changing the structure of Universal Credit—is something that takes time to do and is difficult to fit into the operational schedule. We have continuously been given the steer that we need to think about things that are simple and work with the structures. It may be, James, that your proposal is more a branding thing or how you would brand the standard allowance, but if it is an extra element in the system, that is something that I understand would be difficult to do.

I think it adds to the reasons why even doing a short extension would not be the right thing to do from the point of view of the economic situation or bringing that cut in at the wrong time for millions of families, but also it doesn't make sense with the policy systems. It is simple to extend for a full fiscal year. That can easily be done; that is the simplicity of it and that is why it should be seriously thought of.

Q402 **Neil Coyle:** The paper says it might have been wiser to implement the policy as a separate temporary element of Universal Credit, failing to acknowledge that people who were being made unemployed or facing coronavirus in 2020 would not then get a payment until 2022. Professor, do you want to add anything before I hand back to the Chair?

Professor Hirsch: No.

Chair: Thank you. I think that then concludes our questions. I thank all three witnesses very much indeed for joining us this afternoon and for the very interesting and helpful answers that you have given to us. It has been very helpful to have a variety of views expressed and that will be very useful to us in drawing some conclusions quite quickly ahead of the benefit uprating debate next week. Thank you all very much. I will now formally close the meeting.