



## Welsh Affairs Committee

### Oral evidence: [The benefits system in Wales](#), HC 337

Thursday 21 October 2021

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Members present: Rt Hon Stephen Crabb (Chair); Tonia Antoniazzi; Simon Baynes; Ruth Jones; Ben Lake; Robin Millar; Rob Roberts; Beth Winter.

Questions 54 - 99

#### Witnesses

I: Dr Mike Brewer, Deputy Chief Executive, Resolution Foundation; Dr Victoria Winckler, Director, Bevan Foundation; Charlotte Pickles, Director, Reform; Anvar Sarygulov, Senior Research Fellow, Bright Blue.

Written evidence from witnesses:

- [Bevan Foundation \(BSW0025\)](#)
- [Bright Blue \(BSW0024\)](#)



## Examination of witnesses

Witnesses: Dr Brewer, Dr Winckler, Charlotte Pickles and Anvar Sarygulov.

*[Evidence from Dr Winckler was taken by video conference]*

Q54 **Chair:** Good morning and welcome to this session of the Welsh Affairs Committee, where we are continuing our inquiry into the benefits system in Wales. We are delighted to be joined this morning by four expert witnesses. We are joined by Dr Mike Brewer, who is deputy chief executive and chief economist of the Resolution Foundation. We are joined by Ms Charlotte Pickles, director of the Reform think tank. We are joined by Anvar Sarygulov, senior research fellow of the Bright Blue think tank. Dialling in virtually from South Wales, we are joined by Dr Victoria Winckler, who is director of the Bevan Foundation. Thank you to all of you for making your time available to this Committee this morning.

I would like to kick off the discussion by asking the panel very generally and concisely to give us your assessment of the benefit system in the UK as it stands in 2021. How would you characterise the UK benefit system, bearing in mind the pandemic that we have been through and all of the mounting challenges and pressures on the benefit system? Dr Brewer, would you like to respond first?

**Dr Brewer:** Thank you. Taking an even bigger picture and looking internationally, we have a comprehensive benefit system, with fairly few gaps for people to fall between, but it is not an enormously generous welfare system. We saw the implications of that when the pandemic hit and many people lost their jobs. The Government recognised that to let people fall on to the benefit system would not be adequate and that is one reason why we had the Job Retention Scheme.

Looking back over the past decade, I would give DWP credit for the enormous amount of modernisation that they have done. Universal Credit is part of that but the increased move to make things digital was also an enormous benefit when we went into the pandemic. The other long-term trend I would point to is the decreasing spending on welfare benefits over the last decade and within that, though, a large tilt towards pensioners and away from those of working age and children.

**Chair:** That is a very helpful start, thank you very much. Mr Sarygulov.

**Anvar Sarygulov:** I will discuss it in two terms. First is the design of the system, which has shown itself to be very resilient in response to the pandemic. As Mike has referred to, the digitalisation of the system has made sure that the more than a million increase in claims, which happened in the course of the last weeks, the new Universal Credit system effectively responded and was able to pick up without much issue. The legacy system would not have been able to respond to that.

The Universal Credit system itself is quite effective and resilient in responding to crises. Levels are another story. It is quite clear that the



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previous decade of fiscal consolidation has left levels of benefits too low, both internationally speaking but also in absolute terms how many people are facing challenges and issues. I will leave it at that.

**Q55 Chair:** Thank you very much. Ms Pickles, can I broaden the question and also throw in something that I struggle with whenever I see the sheer numbers of people claiming Universal Credit? Why do we have so many people caught up on benefits in the UK?

**Charlotte Pickles:** It is a great question. In part it is because of the trajectory that the benefit system has taken over a couple of decades, which is that we have moved towards a system that gets involved with people who are in work as well as people who are out of work, so a significant proportion of the people who are on Universal Credit and benefits more broadly are working people on very low incomes. That partly explains the numbers.

I would like to add, in complete agreement with my colleagues, two additional points in terms of where we are at the moment. First—and I am sure we will come on to this, given how topical it is—as has been pointed out, there are issues around adequacy, but that can be seen in two ways. One is adequacy in terms of poverty alleviation; the sheer amount of money that a family who is struggling is getting. The other is adequacy in terms of a something-to-something system. What we saw in the pandemic was people falling onto the benefit system, where we might like to have seen a better degree of security or protection because this was people who needed a temporary period of relief in a crisis, so there are two questions on adequacy there.

As a brief final point, part of the challenge we have on expenditure in terms of the benefit system—albeit that we have seen cost constraint over the last decade—is that we are increasingly paying larger and larger sums to cover the extra cost side of the benefits. Housing costs and disability extra costs have massively driven up expenditure. Therefore, you have to look at it not just in terms of income replacement but, also, in terms of the quite significant drivers of spend that might be putting additional pressure on how generous we can be in terms of the standard allowance.

**Q56 Chair:** That is helpful. Thank you. Dr Winckler, from a Welsh perspective, would you agree with the analysis that your fellow panellists have just provided, or would you point to additional characteristics of the Welsh society and Welsh economy that should shape our thinking about the benefit system as it applies in Wales?

**Dr Winckler:** I would agree with my colleagues around it being an extensive system. We also saw in Wales that there were some significant holes and gaps in that system. For example, around access to benefits for self-employed people and people who were working some hours but not full hours and found significant deductions from benefits because they were in work.



It is not only a measure of the inadequacy of benefit levels that colleagues have referred to that required the UK Government top-up, but we also saw that the Welsh Government had to step in and make significant efforts to plug some of those gaps, whether that was around provision of cash in lieu of free school meals, support from the discretionary assistance fund and many other measures as well. While the pandemic proved the vital importance of having a social security system, it also highlighted some of the significant weaknesses within what we have.

**Chair:** Thank you very much. That was a very helpful introduction to the discussions. I am going to bring in colleagues now.

Q57 **Robin Millar:** Thank you for coming along today. I know you all have different perspectives on this, and I have a general question for each of you. Mindful of time and given the general nature of the question, if you could try to be concise. It is a simple one and some of you have touched on it already. How would you characterise the Government's overall approach to welfare over the last decade since 2010? Dr Winckler, could we start with you in Wales?

**Dr Winckler:** I think the emphasis has very much been on reducing expenditure. That has unfortunately compromised some of the good intentions that lay behind the principles of Universal Credit. Rather than getting a trampoline—to use an analogy—where people who were temporarily on Universal Credit could bounce back, that has become much more of a trap. In many ways hardship has become hardwired into the design of Universal Credit. That is a huge shame because some of the principles that underlay it in the first place were very strong.

**Anvar Sarygulov:** Again, dividing it between the design itself, there has been a single clear trajectory for Universal Credit, developing and rolling out an efficient, simple and personalised system that it was designed to be. Overall, that has been quite successful: the goal of having the system personalised. Each complex need being met for each different claimant is still a work in progress and something I can develop, but the whole trajectory on the policy design has been quite direct and straightforward and unchanged.

What has shifted a bit is the issue around levels. As has been previously referred to, the uplift has been an acknowledgement that the levels had fallen too low in the previous decade; definitely to handle a crisis. We are also seeing a shift in the way the discourse is conducted around benefit claimants and public opinion in terms of how much hardship there is the system. That has meant there has been a bit of a shift away from the focus on austerity to focus on meeting more of those needs. We are now moving back to consolidation, but I think that trajectory has shifted across the last decade.

Q58 **Robin Millar:** Before I ask Ms Pickles a question, I should declare that we used to be colleagues some years ago, so I have some knowledge of this and we have met before.



**Charlotte Pickles:** Many years ago.

**Robin Millar:** Many years ago. When you get to my age it all seems very recent.

**Charlotte Pickles:** What colleagues have said is obviously very true, which is that, after the financial crash, the decisions taken by the Government in terms of fiscal consolidation, trying to get the public finances on track, meant that there was a significant pressure. I was in the Department for Work and Pensions as an adviser to the Secretary of State for those first couple of years of the coalition. The pressure to take money out of the system was huge and not altogether welcome at all times.

We should not ignore the fact that making work pay was a massive driver around delivering Universal Credit. Partly because of the cost constraints, the success of that is not what we would like it to have been, but work still does pay better than it did. That is an important principle to remember within the system and a real plus. It is also considerably simpler. There are still complexities. The very odd decision to keep council tax support out is not a helpful one, but the fact that it is much simpler, it is easier to claim—and we saw that it did not fall over during the pandemic—is again a strong plus that sometimes does not get acknowledged as well as it could do.

Otherwise, in terms of characterising—as your first question was—the last decade, it is worth reflecting on the fact that a lot of what was done was a continuation of the trajectory that had been happening since the mid-1990s and, therefore, went through Conservative, new Labour and then into coalition and Conservative again, so it was a significant shift away from universal and contributory benefits towards means testing. In part, that explains some of the deficiencies now within the system for some groups of people.

It was also a significant increased focus on activation and, therefore, conditionality as well as the work side of things. That was very much something that new Labour emphasised. If you go back and read speeches given by Secretaries of State at that point, getting people into work and using the system as effectively as could be done to get people into work was a real priority. That continued through into the coalition, so there is a continuation but also some pluses and some minuses in terms of the reductions in spend.

Q59 **Robin Millar:** I will come to lessons learnt in just a moment. Dr Brewer, you have not been left with much; those were three very comprehensive answers.

**Dr Brewer:** That is right. I would say it has not always been clear what the Government strategy has been, or rather it has not always been clear that the DWP has had a strategy other than one forced on it by austerity and the need to reduce spending. Of course, we have also had three different Governments in the last 10 years, and they do not need to be



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consistent with each, even if two of them have been Conservative dominated, or all of them have been Conservative dominated.

There is one difference with the previous decade: Charlotte is right that the conditionality agenda, the focus on work incentives is a continuation of new Labour, but what has been different has been the switch in spending away from families with children. In the 2000s the big gains from the welfare system were pensioners and families with children. In the last 10 years it has been just pensioners. Families with children have lost out considerably with child benefit, the shrinking back of tax credits as well as the two-child limit.

**Q60 Robin Millar:** Thank you. I know you have covered some of this in your previous answers, but could you elaborate a little on the lessons learnt. Limit yourself to one or two key lessons that you think have been learnt through this key period? Dr Brewer, I will start with you this time.

**Dr Brewer:** Let's go back to the modernisation and the move to make things digital. We have learnt in the last couple of years what an enormous resource that can be and how resilient that makes the benefit system. Although I am sure the architects of Universal Credit did not anticipate a pandemic when they were starting on this journey 10 years ago, thank goodness they did.

**Charlotte Pickles:** There is a set of questions learnt in terms of the very major change delivery over the last decade but, if you are meaning lessons learnt more in terms of the policy approach, I would agree with what has already been said around the digitalisation, which has been a huge plus.

The big lesson is that if you are trying to do a very principled reform—which is what Universal Credit was—and the aim is to make it as supportive of moving into work as well as alleviating poverty in terms of encouraging uptake through simplification, you cannot do that at the same time as taking billions out of the welfare system. You are quite significantly undermining the core principles that you were trying to embed within the system by simultaneously doing reductions.

I would add on the children's point that there is obviously a very real and live debate around the two-child policy in child tax credits, but if you are going to take money out of the system, means testing child benefit or reducing the upper level at which you can get child tax credits is a progressive thing to do. Therefore, it is adding that little bit to the fact that we have hit children.

**Robin Millar:** I will not let us digress into that. Mr Sarygulov.

**Anvar Sarygulov:** Very quickly, I fully endorse the point about the combination of cutting spending and large-scale reform being a very unhealthy combination that has caused a significant number of problems. To expand on that, it is the importance of softening the transition in any kind of reform like this. Quite a lot of the issues that people have



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experienced during the pandemic and before, particularly before the pandemic, were around the transitioning from the legacy system to the new system. When a new system is established, the hard edges, the hard definitions of the system, are quite set in stone. It is important to soften those edges when people transition to the new system, otherwise people with complex needs have to face a new set-up. They can face a lot of issues to doing simple things. Softening that as much as possible is key to making the transition smooth.

**Dr Winckler:** I am going to spoil the mood of congratulation, I am afraid. While we recognise that the system has achieved a great deal, there are also lessons—both from the last 10 years but particularly from the pandemic—that highlight some of the challenges that are in the system. We must not forget those because if the social security system is not reaching everybody that it is meant to, we have a problem.

While the move to digital helps those with the skills and the devices and the data, there are significant numbers of people who do not have those things. While some people can cope with the five-week wait for any benefits, there are significant numbers of people who cannot. While there are some people who can meet shortfalls, for example because of local housing allowance, there are large numbers who cannot.

What we see is lots of community groups picking up the pieces. We have been working with a community group in Ely in Cardiff for the last week in Challenge Poverty Week. The numbers of people that they are dealing with in crisis—whether that is food or fuel prices, needing help to navigate the benefit system—are huge.

We should also not forget that about four out of every 10 benefit claimants have deductions made from their benefits. Therefore, it is not only the headline adequacy that we are talking about; it is the actual cash in the pocket. While it might be working at a large scale, there are still some significant questions for us about its effectiveness in doing what it should be doing for everybody.

Q61 **Robin Millar:** That is a fantastic lead into my final question about effectiveness. Having said these things, having characterised Governments' approach over the last 10 years, and having said that there are challenges that remain and lessons that have been learnt—I will try to pin you to a yes or a no—do you think that this has been effective?

**Dr Winckler:** Yes for most but not all.

**Anvar Sarygulov:** Yes for most but some specific groups have suffered more difficulty than others.

**Charlotte Pickles:** I agree with the other answers.

**Dr Brewer:** Given the fall in welfare spending, it is surprising we have not seen poverty rates go up by more, so I will give it a qualified yes.



**Chair:** Thank you. I am going to bring Rob Roberts in for a supplementary.

Q62 **Rob Roberts:** I want to pick up something that Ms Pickles said. You started off by saying that the principle of UC was making work pay as a fundamental thing. You also said that there was too much pressure on the Government in the early days to take money out of the UC scheme, which caused problems. In your opinion, had funding not been stripped out of the system in the way that it was, how do you feel the benefit system would look now and how do you think that would relate to the current claimant count and the absolute poverty level in the UK? Just a small question.

**Charlotte Pickles:** That is a very complicated question. The first answer is a slight way of avoiding the answer, which is that we do not know what the dynamic effects would have been but if you think about when we went into government the aim was a 55% taper rate. That would have been much more generous in terms of the speed at which you take away benefits as people move into work. Therefore, the presumption is that that would have encouraged more people and supported more people into work.

The earnings disregards were also more generous and that was one of the things that was in the 2015 Budget. That got cut. We would have seen more incentives around second earners. Given that we know that children in families who are in work are the biggest group of children who are in poverty now, second earners could have made quite a big difference to that.

I do not know the exact answer and, as with anything that relies on behavioural change, it is slightly uncertain, but I think we would have seen a system that would have encouraged more people into work, kept more people in work and, therefore, helped with some of the levels of poverty, particularly in-work poverty that we are seeing now.

Q63 **Tonia Antoniazzi:** We have talked about the adequacy of the system, but what is your assessment of the adequacy of the benefit system? If you believe it is not adequate, what rates would be adequate? I will go to Dr Winckler.

**Dr Winckler:** I don't think it is adequate—is the simple answer—at current levels. We have very clearly seen the hardship. The uplift of £20 was a result of benefits having been frozen for many years. How you decide what is an adequate level is a vexed question, of course. As a starting point, nobody should be destitute by design. There are calculations that show the minimum income threshold that people need in order to avoid destitution. That is to have enough food on the table, a roof over their heads and a minimum level of clothing and toiletries. The Joseph Rowntree Foundation calculates those levels.

There is a discussion to be had about the level above which you go from that. An ideal would be to set benefits close to the poverty threshold but, given that we already have people who are in work and below the poverty



threshold, that raises a lot of difficult issues, particularly in the short term. I know what we might be wanting to aim for in the long term.

The carry-home is that, at the moment, the benefit levels are way below adequate levels. That is further compounded by additional constraints in the system, notably the benefit cap and local housing allowance not reaching rent levels that people actually pay. We have all sorts of unforeseen consequences from that, which you may want to come on to later.

Q64 **Tonia Antoniazzi:** Could I follow on with my other question? You have given such a comprehensive response that it makes more sense. What metrics would you use to determine this adequacy?

**Dr Winckler:** I would say the destitution level as a minimum, absolute minimum, and ideally above that towards the poverty threshold. On top of that there needs to be annual uprating. Wherever you start from, you can invest a lot of time in it, but prices and other costs and wages go up. We are building in inadequacy through the freezing of levels.

**Tonia Antoniazzi:** Thank you very much. I will go to Anvar.

**Anvar Sarygulov:** Yes, my answer is quite similar. The particular levels of uplift are not at adequate levels and there are particular groups of claimants who are suffering from it, particularly families, which was one group that was singled out. While cost has been the driver for that, it is the freeze in benefit levels. I want to reiterate the local housing allowance point. Given that that was uprated to the 30th percentile a year ago in the pandemic, it is now frozen once more. Once again we are seeing those values being eroded over time, as there is no commitment to keep those values, with inflation and with rent price rises.

The system is inadequate. Whether the uplift is the correct way to address that adequacy or whether you could spend that money better is a different question. I imagine that we will explore that later, so I will not comment further. In terms of what is a measure, it comes back to destitution; to basic needs around food, energy and housing.

**Charlotte Pickles:** There are two bits I want to flag on this. The basic question of: is it adequate? No. You look at poverty levels, you look at use of food banks and you look at destitution. I would be amazed that anyone would argue that that was a situation we want to be facing.

However, it is important—and others have touched on this—to think about what it is that is driving that and about which bit we want to focus on in the system in terms of adequacy. People tend to focus on the standard allowance and the slightly totemic £75-odd, but very few people are on £75-odd. Therefore, you need to think about the system in its entirety, which is that most people on benefits are also receiving support for housing, potentially disability, potentially children. There are other benefits



in the system, whether it is cold weather payments or benefits in kind via a passported benefit.

It is important that we reflect on the state of the system in its entirety, because that also enables you to understand what the big drivers of costs for families on low income are. Both my colleagues have mentioned the housing issue. There was a Joseph Rowntree Foundation piece of work, last week or the week before, talking about the fact that there are a million people who are in the private rental sector who cannot afford their rent. Therefore, we have a system that is not adequately supporting housing and that is often the thing that is driving people into destitution. It is important to think about that in the round.

I also want to briefly reflect on the fact that people associate the £20 uplift with filling the gap of the reductions in uprating during the coalition period and the freeze. It went well beyond that: £20 as an uplift is far higher than compensating. We already had inadequate levels pre-2010 when the coalition Government came in and started to cut, so we need to think again about the longer trajectory and, therefore, the principles that we want to build into the system, rather than assuming that it was just the result of a set of cuts that were done. I am very clear that the freeze was absolutely the wrong thing to do, and we should not have done it, but, even if we had not done it, we would still need to have a conversation about adequacy and how we want to support people properly to prevent poverty.

**Dr Brewer:** I don't think that anybody would argue that the benefit system is generous. You just have to look at the figures on food insecurity that we had before the pandemic started. Our own research in February this year showed that one in five Universal Credit claimants have fallen behind on essential bills. There is also research out this morning from the Joseph Rowntree Foundation again on arrears and debt among beneficiary recipients. I do not have the exact figures to hand.

Knowing exactly how you assess what is adequate or using a measure of adequacy to determine the level of benefits is very difficult, for all the reasons that our previous speakers have mentioned. There is a huge variety of circumstances among those who are in the benefit system, ranging from those people who are in desperate short-term need—for whom of course we should be avoiding destitution—but then we have long-term beneficiary recipients, maybe somebody in work on Universal Credit.

For them we should be doing more than trying to avoid destitution. We should be providing them with something like an adequate income to live and raise a child on. Ms Pickles is right that we should be looking not just at the standard allowance but also at the way we help those with extra costs, whether that be children, housing costs or those with disabilities.

Q65 **Chair:** Can I come back to your previous answer there, Ms Pickles, about whether the £20 uplift compensated for the reductions? I am not sure that I understood your answer fully. Could you rehearse that argument again?



**Charlotte Pickles:** Yes. If you take it as a percentage that the £20 represents, it is a lot higher. If you simply said that we want to go back and on the standard allowance we want to effectively undo the shift in uprating, the cap of 1% and then the benefit freeze, if we just wanted to undo the impact of that, the payment would have been a lot lower than £20 to compensate it. That is what I meant by saying there were already challenges around adequacy prior to that that obviously significantly exacerbated it; the coalition cuts to the level.

Q66 **Chair:** That is very helpful. Before I bring in Ruth Jones, I am going to ask Dr Brewer a question that flashed through my mind as I was listening to your previous answers. Some of the recent data that we have started to see around wage increases—and the Prime Minister’s big call to industry to start paying their employees a lot more—does that make you feel optimistic that the dial can be shifted on poverty numbers in this country or are you concerned that inflation, price rises, the increase in energy costs will just wipe that out and we will continue to be stuck with this stubborn rate of poverty that, as Charlotte said, has barely moved in years?

**Dr Brewer:** I think the short-term outlook is bleak, for sure. Undoubtedly, the cost of living will continue to rise and will increase in the rate at which it is rising. We are going to see inflation at 4% or more this winter, which will be outpacing the rate at which benefits should go up next April, so the short-term outlook is bleak.

We know what the Government want to achieve in a higher-wage, higher-skills economy but we do not know exactly how they are going to bring that about. I do not think that is going to happen. In the long run, the way to sustainably bring down poverty and to increase living standards generally is to have a high-wage, high-productivity economy. Whether that is through affecting people’s living standards directly or by providing more tax revenues, which can be spent to keep the benefit system going up in line with wages, that is going to be a good thing over all.

Q67 **Chair:** So those of us who are desperate to see things improve for people on the lowest incomes in this country should not be cheering too wildly at some of the wage increases that we are seeing coming through, because—

**Dr Brewer:** It is not happening yet. It is an aspiration that has not happened yet. What has happened in the short run is that people on benefits have lost £20 a week, which is 5% of their overall income among the 4 million people who have had that Universal Credit cost and we know that the cost of living is going to be tough this winter. Yes, there will be a benefit uprating in April but probably only 3%, and it is in April. It is some way away.

**Chair:** That is very helpful. Rob Roberts wants to ask a brief supplementary before I bring in Ruth.

Q68 **Rob Roberts:** Very briefly, thank you. I have heard the term “destitution levels” a couple of times in answers to the last question. Am I right in saying that the destitution level is the same as the absolute poverty level?



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If that is the case—and that seems to be the preferred terminology—would I also be right to conclude that the absolute poverty level is a better metric than relative poverty, which we have been sucked into over the last few years?

**Anvar Sarygulov:** These terms have slightly different definitions, slight technicalities. On destitution, JRF in particular has developed a destitution metric but its absolute poverty level differs from it. I will be honest that I do not remember the exact specifics on it.

**Dr Brewer:** Dr Winckler introduced the term, so she may know what she was referring to.

**Rob Roberts:** Indeed. I was going to come to Dr Winckler last, so let's go to Dr Winckler now.

**Dr Winckler:** The destitution level is calculated by the Joseph Rowntree Foundation as the minimum amount needed to meet a person's absolute basic needs. It does also calculate other figures such as a minimum income standard, but the destitution level is one that it calculates. It is different from absolute poverty, which is a measure used by the Department for Work and Pensions. That benchmarks current incomes against the 2010 relative income measure. It is very complicated but absolute poverty is different from destitution.

Q69 **Ruth Jones:** Thank you to the panel for your time today. One thing the pandemic has focused attention on—certainly in this place—is things like statutory sick pay and how much people are able to live on. One of the biggest questions we had was, "Can you survive on £95 a week?" That was a big question. The question for me is, "Should there be greater earnings replacement in the event of unemployment or sickness?" Some of you have better knowledge of the international situation on this, so you could bring in your experiences on that. I will start with Dr Brewer.

**Dr Brewer:** It is very clear that the UK provides low levels of insurance or earnings replacement when people lose their jobs, when you compare it to other comparable countries. A single person on an average wage who loses their job will get—the OECD think—about 12% of their income back through the benefit system compared to 55% across the OECD on average. That is an extreme example where the UK does really poorly, but it is true for other family types. Our estimate going into the pandemic was that the average replacement rate was about 50% across all UK employees. If you lost your job and you fell on to benefits, your family would be living off 50% of what you had before you lost your job.

We saw the Government's recognition of the inadequacy of that in the introduction of the Job Retention Scheme. They could have taken the approach that we did not need anything else to get us through the pandemic. That the benefit system was there. They very sensibly decided that was not enough. The Job Retention Scheme came in, and the typical replacement went up to 90%. If you were put on furlough, typically your



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family was surviving on 90% of your previous earnings, which is hugely different from the 50%.

I am not immediately going to say that that means we are definitely inadequate. The question that raises is about how we put up with the previous system for so long. The answer is that we had in our mindset that it was not the state's job to provide insurance in the case of unemployment. Successive Governments and successive policymakers have taken the approach that, while we have a flexible, fast-moving labour market, if you are hit by unemployment, you can find a job quickly and, therefore, the state does not need to step in and provide it. I know it showed us the danger of thinking that. Even in normal times unemployment can hit people for a variety of circumstances that are no fault of their own. It would come as much of a shock to them as did the pandemic.

Therefore, yes, we should be looking very closely at the level of insurance provided, not just for unemployment but also in the case of sickness, as you alluded.

**Q70 Ruth Jones:** Thinking about the sickness aspect in particular, do you have anything to add?

**Charlotte Pickles:** I am not an expert on sick pay. I would probably echo what most people say, which is that it is very low. That might be okay if you are sick for a very short period of time but what we tend to see is people going on to sick pay and then moving on to incapacity-related benefits—ESA or the UC element. I think the whole system is not just about the level. It is dire. We are not supporting people during that period in a way so that they do not end up being stuck on a benefit for life. There are other issues there.

What I would briefly add in terms of the social insurance question is that CJRS—it is in the title—was job retention as opposed to the aim being an income replacement. That is an important distinction. In a lot of those countries that have more formal social insurance models in Europe, individuals pay a lot more into the system, so it is not comparable with the mixed rates that we pay.

We have two questions: do we think the system is inadequate for someone? That comes to my earlier point around, if your objective is security or protection for people who temporarily need relief, would you want to have an earnings-related support there. Possibly—in fact likely—but I don't think you can move quite to where other systems are unless you are going to require people to pay a lot more in themselves. Given the multiple pressures on taxes, and we are being told we need higher taxes for climate change, we need it for health, there is a very big question around public finances and how you allocate your resources within that.

**Q71 Ruth Jones:** Let's hold the contributory-based ideas at the moment and keep with the insurance system. Mr Sarygulov.



**Anvar Sarygulov:** It is quite tricky to move the discussion to keep it from contributory systems because most Government income-replacement schemes would require some kind of contributory element for their funding. Technically, there is already a contributory benefit in place, a contributory Jobseeker's allowance, a contributory ESA, which pay at exactly the same level as the legacy benefits and that are probably understood, probably known and do not do the job they are supposed to do at all.

The Job Retention Scheme has shown that there is definitely a case to be made that greater income replacement benefits need to be provided, but that is a discussion that is wedded to the discussions around contributory benefits because the only way you can fund that system is by making sure that people pay into that system.

Coming very quickly to the point about public confidence in the system, reciprocity is a major part of why a lot of people buy into the welfare system in the first place. They pay into it and they expect to be supported back. The current really low levels of replacement without the Job Retention Scheme undermine the public faith in the welfare system over all and also make a case for greater income replacement.

Q72 **Ruth Jones:** Dr Winckler, in terms of the actual levels for unemployment and sickness, is it adequate?

**Dr Winckler:** I want to pick up on the sick-pay issues, because it is a real Cinderella area of the social security system and it is one that people on low incomes really, really suffer from. We did work recently with people working in hospitality, social care and retail. It was the biggest concern that they had. We came across people going into work when they should have been at home recovering. It is not something that is on the public policy agenda and it should be.

It is not just a benefit issue, it is a public health issue as well in that people are going into work, spreading infections of whatever sort, sometimes to vulnerable people as well. I would very much urge a rethink of the sick-pay scheme, not only in terms of the level of it but also the duration for which it can be paid and the interface with other benefits, as has already been mentioned.

On income replacement when someone becomes unemployed, as Dr Brewer said, the Job Retention Scheme showed us that that could make a big difference. We think it is a big missed opportunity to have got rid of that system. If the economy is going to be going through major changes as many people think it will as a result of withdrawal from the EU, automation and so on and so forth, there will be very likely significant turnover in the labour market.

We have to ask ourselves what as a society do we want people to have to live on when they go through that process. Linking some income replacement perhaps for the short term with retraining and learning



requirements could be transformative, not only for the people who need to claim for that but also for our economy and wider society.

**Q73 Ruth Jones:** Thank you very much. We have all had constituents talking to us about sickness levels and payment adequacy, so you have highlighted an important point from a public health point of view there. Would you advocate a shift back towards more contributory-based benefits, bearing in mind what is going on in other countries?

**Dr Brewer:** Ms Pickles basically highlighted the trade-off here. That most of these other countries that we have been talking about that have higher levels of unemployment benefits also have higher levels of taxation. That is the choice that we need to make. If you asked me where the immediate priority in the welfare system is, I probably would not say higher unemployment benefits, which basically end up going to middle and high earners. I might say something else about poverty levels and adequacy of benefits. As part of our reflections on what has the inquiry taught us about the resilience of the UK economy and the resilience of the welfare system, we should think about whether it is worth having higher earnings-related benefits.

Two terms get used—contributory and earnings-related. It would be good to have unemployment benefits and sickness benefits that had a stronger link to your previous earnings. That is where the pandemic showed us we had a weakness. We do not protect middle- and high-earning people from sickness or unemployment. That is the earnings-related bit that is important. “Do you have to have paid things in to get some money out?” is the contributory bit and that bit I am less bothered by. I would more prefer universal but earnings-related benefits in the event of unemployment or sickness.

**Q74 Ruth Jones:** Thank you for clarifying the two terms. It is very helpful to us.

Ms Pickles do you have anything else to add? You highlighted it earlier on.

**Charlotte Pickles:** Yes, I would be supportive of thinking again about the contributory principle, for the reason that was pointed out around the legitimacy of the system. We have long talked about something-for-something system. Back a couple of decades we talked about trying to make that reality. But the bit of the something-for-something that we have forgotten is the something that the state gives to the person as opposed to the something that the person has to do in return for receiving the benefit.

While, yes, the level of the contributory benefits of the new-style JSA and ESA are now the same as the UC standard allowance, they were not during the pandemic. You were worse off during the pandemic if you had paid into the system and had to rely on those contributory benefits, because they did not get the UC uplift. That is pretty unconscionable if you are saying that is the model that you want.



It is absolutely true that the CJRS was a phenomenally successful programme. It is also true that, at least anecdotally, there is quite a lot of evidence that people were very reluctant to come back off furlough because being on 80% of your wages without doing any work can be quite attractive. If you were going to do something like a higher level of earnings replacement, you would have to think carefully about what the impact on work incentives was in that scenario. Like most European countries, you would want to time limit that in some sense and have for the first six months you get X%, then it drops down for the next 12 months and then you are back to a what that base payment looks like. You would have to think about multiple challenges and disincentives and incentives that you are building in with that.

**Anvar Sarygulov:** To slightly expand on Charlotte's point, but first of all I think it is discovering there is a shift back. Our view is that, considering the adequacy levels of the existing system, we cannot take away from it. Any kind of earnings-replacement contributory system has to be built on top of it, in addition to it, which is why it requires significant contribution from workers themselves or from businesses.

To expand on Charlotte's point, there are multiple aspects of the system that you have to think about. You have to think about whether it is voluntary or compulsory where people pay into it. We have a previous proposal as an organisation around the design of that. You have to think about how time limited it is, about what percentage of earning placement it is. There are multiple levers in play that you have to think about and play around with. Also, how much more taxation will people tolerate if it is a compulsory scheme? There is an amount of trade-offs here.

**Dr Winckler:** There is a risk that talking about contributory schemes and schemes related to earnings take us away from the people who are still very, very squeezed by the current system. Children cannot contribute, disabled people cannot contribute. While there is an argument and there is a case—and I would not disagree—for introducing an earnings-related element, particularly around unemployment and sickness, that must not take us away from the fact that there are people in society who cannot meet those requirements and at the moment are living on incredibly low incomes.

Q75 **Ben Lake:** It has been mentioned earlier about some of the gaps in the system or where perhaps the system has not been quite as effective. Dr Winckler, you mentioned the self-employed. I am conscious that the Bevan Foundation has been conducting some research into this. Could you elaborate a little bit on any of the preliminary findings of that research and to the broader question of how effective is Universal Credit in supporting the self-employment?

**Dr Winckler:** Thank you for the question. Yes, we are part way through it; we are not at the end yet. What we are finding is that people in low-income self-employment suffer a double whammy in that their incomes are low. Setting aside issues around declaration, median incomes of self-



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employed people are below those of people who are employees. For the most part, they do not have access to the safety net and they are not in a position to make private provision through things like sickness insurance or business insurance.

As we have been doing case studies with individuals, what we have found are people who have had to use their savings, which were set aside to pay future tax bills, but they breached the requirements for Universal Credit so they have been using their savings. They have been selling their vehicles and their tools in order to get by. There are significant gaps in the system. To some extent, those have been filled by devolved schemes that have met the requirements of particular groups but there have been issues around individuals knowing about them and being able to apply for them.

We must not forget that there are more self-employed people in Wales than there are who work in manufacturing. There is a big chunk of the economy—around a quarter of the workforce in parts of Wales—in rural areas. The safety net that we worry about that is there in the benefit system for the most part is not available to them.

There are technical aspects around the interface between self-employment and Universal Credit that I am not qualified to talk about, but we have highlighted an area where we feel that the social security system is not quite working as well as it could.

**Ben Lake:** Thank you, Dr Winckler. I can certainly endorse the point about rural areas. In Ceredigion I think 28% of the workforce are self-employed, so it is a big concern locally. Dr Brewer, could I turn to you for your comments on the topic?

**Dr Brewer:** Yes, the very long run—to zoom back several decades—the approach of the welfare system to the self-employed has traditionally been, “You do your thing, and we’ll do our thing, and there’s no need for the two to interact”. In other words, we thought self-employed people should take care of their own sickness insurance, their own unemployment insurance and they should be the ones taking responsibility for adverse outcomes.

We started to move away from that when we paid in-work benefits in the 1990s and 2000s and of course self-employed people could and should get those. Again, the pandemic has exposed that we don’t have our approach right to supporting self-employed people when things go wrong. They cannot get contributory JSA so, as Dr Winckler was describing, people who suffered sudden employment losses in the pandemic fell on to Universal Credit. Then they might have hit capital limits, which arguably should be different for self-employed and employed people. The Government need to look at how they treat the self-employed.

In the other direction, we have also criticised the self-employment grant scheme. That had to be introduced at pace, otherwise there would have been severe destitution among some people, but it also had a great many flaws in it and in some cases was paying out too much money. That shows



the risks of doing things quickly. Ideally, we would like the Government to think about how they want to ensure and protect self-employed people in the event of shocks, and get those systems in place before the next economic crisis.

**Q76 Ben Lake:** To follow up on that, you mentioned that perhaps in the past few decades there has been an assumption that the self-employed will do their own thing. Is there anything that you have come across in more recent times to suggest that perhaps that attitude is changing in government or in the Department for Work and Pensions?

**Dr Brewer:** In the welfare system over the last 10 years not really, no. What the pandemic showed us is that, ultimately, that position is not sustainable through all economic circumstances. There are some shocks where it is just not feasible for the Government to say, "That's it, you're on your own." Therefore, the Government did have to step in, and it was right that the Government stepped in, but they did so in a way that was pretty clunky, and we probably wasted taxpayers' money paying out grants that were not needed. There were also thresholds that meant that those who did need money went without. It would be nice to get this right in advance of the next big crisis.

**Charlotte Pickles:** Very briefly—because I am not an expert on the self-employed and Universal Credit, and forgive me for always banging on about how you pay for these things—there is a part reason why self-employed get less in the system, which is that they pay less in. They pay a lower level of national insurance contributions. That is part of the rationale. I would agree that that is part of history that we should get rid of and we should equalise and then provide benefit support for them.

Both colleagues have also mentioned the savings or capital rules. That is one area, if you wanted to look at enabling people to access greater support, where you might want to look at the fact that the £16,000 I do not think has been updated since 2006. You could enable more people to access the system by changing or increasing that capital rule so that you are not cutting so many people out.

**Anvar Sarygulov:** We did quite an extensive report on Universal Credit in 2019, just before the pandemic. The self-employed are one of the groups that we identified as those who are much more likely to struggle than others.

I want to point out two things that are issues. First is how work coaches provide support to self-employed claimants. The support is poor in terms of quality. Work coaches often do not have the skills or the knowledge to support self-employed people, especially those who have niche businesses. That creates problems for self-employed claimants, who feel like the work coaches are not giving them the support that they need.

The second and slightly more technical point is on the minimum income floor. That is that self-employed claimants after a year of being on benefits



are expected to earn a specific amount. They will not get the benefit if they are earning less than that because of the assumption that self-employment is sustainable. Of course, businesses—especially start-up businesses—often have big ups and downs. We would argue that there needs to be a lot more flexibility around minimum income floors. I think there needs to be an additional 12 months' exemption. We noticed that happening during the pandemic, and even now where workers have the discretion to provide several additional months of exemption for the minimum income floor. We think that should be something that is a permanent fixture of the system to help low-income self-employed people.

**Ben Lake:** Thank you, that is very helpful.

Q77 **Ruth Jones:** I am going to go to Dr Winckler specifically here because I am looking at the relationship between the DWP and the Welsh Government. What is your assessment of the effectiveness of the collaboration between the two and how the benefits and grants are delivered in Wales?

**Dr Winckler:** I am not party to any discussions at all so I cannot comment on that, or even if there are discussions between the two. In terms of the DWP's delivery of the benefit system in Wales, there is a liaison group and what I hear is that the delivery is no different—no better, no worse—in Wales than in other parts of the UK. What we are interested in, though, is the ways in which the social security system, as determined by the UK Government, butts against devolved policy areas and devolved benefits.

There are three broad ways in which they interact or certainly have an effect. The first one is around interface issues in terms of things like passporting, where eligibility for Universal Credit might open the door to eligibility for things like free school meals or council tax reduction scheme. There are certainly concerns about the effectiveness or otherwise of how that works. There are issues around data transfer and so on and so forth.

There are also then ways in which changes in benefits affect demand for particular devolved services, around demand for advice and guidance on homelessness, for example. It has been established that changes in LHA levels have increased levels of homelessness. There is that kind of change and it has consequences downstream.

At worst there is a potential conflict and undermining of devolved strategies, policies and targets by changes in the benefit system. You can see these happening around housing, around education, around care leavers, domestic abuse, economic development, digital and financial inclusion, health and wellbeing. There is a huge, long list of areas where decisions taken by DWP have potentially very significant consequences for devolved policies.

Q78 **Ruth Jones:** Thinking about Wales in particular, are there any barriers specifically in Wales between the DWP and Wales?



**Dr Winckler:** I suspect the different political persuasions of the respective Governments may well be a factor. I know, for example, that the Welsh Government have been very strongly opposed to the use of sanctions. It is not clear to me the extent to which DWP would take into account or change its decisions in respect of any representations made by the Welsh Government. The ideal I would see would be that there is consultation between the two Governments so that, if the UK Government are intending on a certain reform, there is consultation with the Welsh Government about how that will play out and about what the consequences for that might be and potentially with mitigation put in place. I am thinking particularly around housing, for example. As you know, the Welsh Government's expenditure operates within a predetermined chunk, so their ability to flex to take account of decisions is very limited.

Q79 **Beth Winter:** Given some of the difficulties that Dr Winckler has already picked up on, in terms of the relationship between the UK Government and the Welsh Government, I want to focus on the devolution of benefits and ask what you feel are the key benefits and risk of devolving benefits. I would like to ask Dr Brewer first, please, maybe drawing on some of your experience and knowledge of Northern Ireland and Scotland and the practical implications of devolving social security.

**Dr Brewer:** Yes, I will say a bit. I think existing devolution has gone fairly well, although it has probably helped that the Scottish Government have always had tendencies to be more generous than the UK Government, rather than less generous than the UK Government. It is not clear how a devolution of benefits would work if that situation were reversed, for example but so far it has gone well.

I would not say it is always a good idea. Devolution of benefits does have the potential to get complicated and messy, where the two Governments want to do different things and where decisions made by one interact badly with those made by the other.

In Scotland the ability to add on benefits on top of other things, is perfect. That has deliberately been set up in a way to try to reduce interactions between Scottish-administered benefits and UK-administered benefits, which is a helpful principle. However, it does mean operational difficulties may arise were the Scottish Government or Welsh Government to be given more powers over more of the benefit system.

Complexities arise when you have two different benefits interacting with each other. If the Scottish Government invented a benefit that then fed back into the calculation of Universal Credit that is when devolution becomes difficult and messy. The ability to add benefits on top of the existing system is a relatively simple thing to do and so far that has been successful. Sorry, it was a very long answer not saying too much.

Q80 **Beth Winter:** Do you think it is a good idea?



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**Dr Brewer:** Yes, it is a good idea, and it is good that benefit policy is linked. As Dr Winckler was saying, in many areas policies, which interact so much with the benefit system and benefit policy, have already been devolved. If skills policy and economic development is devolved to Cardiff and Edinburgh then arguably, for example, so should the design of Universal Credit and the sanctions regime. Housing support should be devolved to go alongside housing policy, for example.

Yes, in principle, devolution can be a good idea. However, we have to think carefully about exactly what benefits are being designed where and where there is potential for horrible interactions.

**Charlotte Pickles:** The principle of having decisions taken as close to the citizen as possible is a very important and positive one. On that basis, absolutely, I think the more devolution the better. Where it gets complicated is, again, how you fund that. Yes, there is a positive in the sense Scotland is being more generous in some respects and Wales has indicated it would like to be.

Both Scotland and Wales are net recipients of revenue from Westminster. If you want to devolve benefits and then the Welsh Government decide to make them more generous, that would make them more costly. Obviously, there are then fiscal powers that the Welsh Government have to raise more tax to pay for those more generous benefits. I think it was the Wales Centre for Public Policy that did a short paper last year on this and pointed out that—using their words—given the nature of the tax base in Wales it might be challenging to be able to fund it.

We tend to focus on the nice part, which is that you could be more innovative, try more things, be more generous and you could design a system to be more appropriate to the local labour markets that you have in different parts of Wales. All that is great. However, the reality that benefits are very costly things to pay out is bit of a reality check given, as I say, the devolved Governments tend to want to spend more rather than spend less. That is a challenge. I very much support what has been said around if you are devolving the key levers by which you can bring people out of benefits you should probably also devolve the benefits bill.

As a very final comment, one of the things I think was interesting about the Clinton reforms, back in the 1990s, was that in a block-grant model they devolved the funding for paying the benefits as well as the control at state level for getting off benefits. They could keep some of the savings then, so there was an incentive to be more effective in the way you helped people off benefits into work and there were also some disincentives. There are lots of shortcomings in the American system that we will not get into, but you have that kind of push and pull: if you can get more people into sustainable and high-paid work you keep some of the savings you have made.

There are different questions, but I think the cost of it is the big question for Wales.



**Anvar Sarygulov:** I will comment a bit on the Scottish case. Has the Scottish devolution been a success so far? Yes, but that needs to be nuanced with the fact that so far the main principle of the Scottish devolution is basically that for each benefit they copy the system as it is, perhaps make minor modifications, rename it and run it themselves or plan to run it themselves. They have plans, for example, for more significant reform for the carers' benefit in Scotland, which is forthcoming. How it will go and interact with the system and the Scottish-designed bespoke system—if they design a bespoke system—is still an open question.

I think where Scottish devolution has been shown to be a clearer success as a Scottish-choices system is the fact that in Scotland Universal Credit claimants are able to make an immediate choice about how often they receive their benefit and whether it goes directly to their housing, which is planned to be the default choice. That is something that can be learned by a system. Where there is potential with devolved systems is perhaps the type of different lessons they can teach each other.

Whether devolution is a good or bad thing—we will make an agnostic point here—depends on how it is conducted.

Q81 **Beth Winter:** Finally, Dr Winckler, what are the risks and benefits of devolution, please?

**Dr Winckler:** First of all, we must not think of the benefit system that it is all or nothing. Much of the debate in Wales has assumed that we have to talk about the whole benefit system, and we do not. We have learnt that from seeing the devolution to Scotland. There are some parts of social security that should not be devolved, because they genuinely are part of the social union. That is things like state pensions, child benefits and, arguably, some disability benefits too. It is not all or nothing.

I think there is a strong case for devolving those parts of the benefit system or the social security system that align with devolved responsibilities. That is things like the housing element of Universal Credit and Jobseeker's allowance, particularly for 16 to 24-year-olds. There is a strong case there for at least giving more power and control over the design and delivery of those bits of the system, even if it is not full devolution. We need to be clear what we are talking about.

There is also a case where there are concerns about the appropriateness of the current system to devolved circumstances. We have major concerns about the determination of local housing allowance, which appears to not reflect local circumstances even within the parameters of the 30th percentile and so on. Local knowledge and local insight will tell the system that there is something not quite right here.

What I would say is that any devolution would need to make sure that the Welsh Government had the fiscal powers in order to cope with fluctuations. I anticipate that any devolution would need to bring with it a financial envelope of current levels, as is in Scotland. If there is then fluctuation



around that the Welsh Government need to be able to do that and they do not have those at the moment.

**Beth Winter:** Thank you. I have a specific one for you, Dr Winckler, in terms of Welsh Government allowances and grants. How effectively do you feel the local authority provision and Welsh Government grants complement reserved benefits? I know you have done a bit of research on this and you have spoken about a Welsh benefit system as an alternative. I would like some insight into that research, please.

**Dr Winckler:** There is a huge number of devolved grants and allowances that complement and supplement the UK social security system. That is everything from free school meals, to the education maintenance allowance to discretionary housing payments, which technically are part of the DWP system, the council tax reduction scheme and so on. The value of those benefits in cash terms is quite significant, as well as being of considerable benefit to people who claim them. They are not normally seen as part of the benefit system. They are administratively scattered through different bodies, different ministerial portfolios and are often delivered with different requirements depending on which local authority you live in.

We have argued that there is potential to strengthen the importance of that system by bringing them together into a coherent system that is easier to access so, not unlike Universal Credit—when you apply for one you can access all of them and not have to make multiple separate and different applications to different bodies in order to get them.

We have also argued that, as with Universal Credit, there are questions about the adequacy of the level of support. For example, the education maintenance allowance, which is hugely important to low-income earners in further education, has not increased for 15 years, it has been frozen at its previous level.

Not dissimilar to the UK benefit system, we think it is around the efficiency of administration and effectiveness in terms of the level.

Q82 **Beth Winter:** Who do you think should fill the gaps, the UK Government of the Welsh Government?

**Dr Winckler:** We are focusing on the Welsh Government, as a Welsh-based think tank we are focusing on them to establish such a system. There are questions about where that system is filling shortfalls in what is being delivered by the UK Government. For example, more and more discretionary housing payment is filling the gap because of the inadequacy of the local housing allowance in meeting people's rents. We have come across an example recently of a local authority that has increased its discretionary housing payment with its own funds in order to give some sort of compensation to households that have lost the £20 Universal Credit uplift. There are, perhaps, ethical questions about the extent to which the Welsh Government could and should be doing that. Nevertheless, for individuals receiving it, it makes a big difference.



**Beth Winter:** Thank you, Dr Winckler. Thank you, Chair.

Q83 **Rob Roberts:** We are going to move on and look at universal basic income. As a very, very broad overview—we will drill down into specifics as we go on—I am interested to know what the panel's thoughts are on universal basic income generally, in terms of the potential benefits and risks of it. I shall start with Dr Winckler, if I may.

**Dr Winckler:** Rather than give you a view of the strengths and weaknesses, there are real questions that need to be answered before you can even get to that point. UBI means different things to different people. An absolutely key question is what the value would be of any UBI. Proposals range from a UBI of £35 a week to £240 a week. That is absolutely key because that then affects all the other arrangements one might put in place.

There is also a question about how you could cope with people with differing needs, people with high housing costs, a lot of children or the costs of a disability. That is not something that tends to be addressed by some of the proponents.

There is a question about how you would avoid increasing inequality for people who work. At the end of the day, about three-quarters of the population is in work and earning an income. How would you avoid giving UBI to high earners, particularly a generous UBI to high earners? There are questions about how it would be paid for. In the case of Wales, if it was devolved, whether the Welsh Government would have the power they need not only to deliver a UBI but also to cover the costs through increased taxation. There are big questions for us.

**Rob Roberts:** Definitely big questions.

**Charlotte Pickles:** I have a similar response to Dr Winckler. How universal is it? How basic is the income? If you are really going to go back to the original concept of a UBI, which is that you could live on it, it is entirely unaffordable. Even if you were to say, "Let's maybe not be as generous", so it is a maybe 60% of median income or poverty line UBI, you would end up then taking money away from certain groups in the current system that get more, such as disabled people. If you have someone with a severe disability at the moment, they will rightly be getting quite substantial top-ups.

Are you going to say to them that they now have to level down their income in order to do this? If you are not, and you are going to say, "No, we will still keep top-ups and the way we deal with the high earners is that we will tax it out of existence", you are recreating the benefit system. Therefore, the question is, "Why are we having a conversation about UBI at that point and why do we not just fix the social security system?"

People argue it helps remove stigma. You asked what the pros are. It helps to remove stigma; it helps with uptake, because you are not requiring people to apply, and you obviously have barely any administration costs



because presumably the taxman just sends out the cash. There are—not necessarily entirely marginal—some benefits there. However, I think overwhelmingly the negatives and the challenges outstrip those benefits.

**Anvar Sarygulov:** I am not going to talk about different needs, I think the previous panellists have covered that pretty clearly. The main issue has been identified and why it is that we are sceptical of UBI.

What I want to add as an additional issue is the way it is likely to undermine confidence in the welfare system. We have not done polling in Scotland but it is very likely that it is similar across the country. People like conditionality. When asked, the majority of people support that the welfare system is a safety net. To give people money without any conditionality, without any requirements, will simply undermine faith in the system. It will be very difficult to increase the taxation that is likely to be needed to deploy it with any kind of sufficiency in the first place.

Therefore, on top of the different needs points that have been raised very clearly, it is very problematic from a public-support-for-system view.

Q84 **Rob Roberts:** About six months ago, Dr Brewer, your Resolution Foundation said, “it is difficult to tailor support to the circumstances of particular households, and without doing that, the cost of providing support that even matches what is done by our existing social security system becomes prohibitive”. That seems to echo the comments we have heard. Is that something you still stand by? Can you expand on that position?

**Dr Brewer:** Yes, I do still stand by that. I am sorry, you seem to have four UBI sceptics on your panel.

When engaging in debates about UBI, my approach is to try to find out what the goals are of the proponents of a UBI and then I think, “How can we better achieve that by reforming the existing welfare system?”

First of all, it is very difficult to embark on debates about UBI without knowing what the intended objectives are, how generous it is going to be, whether it is replacing or supplementing the existing welfare system and how it is going to be paid for. When we know all of those then we can have a really good, helpful and constructive debate. Until we know the answers to those questions it is difficult to say up front whether I am particularly a fan or particularly not a fan.

What I was thinking about in that report was whether a UBI can do what our existing welfare system does. The answer was, no, not without spending huge amounts of money that would require tax rises of a sort I cannot imagine the UK Government ever introducing.

Q85 **Rob Roberts:** In the course of that study did you have a figure? Did you put a number on what you expect that would cost?



**Dr Brewer:** No, we did not do that. I am aware other organisations, other researchers, have tried to do that. I can send the Committee a note on that. We did not do it ourselves.

**Rob Roberts:** That will be superb, thank you.

**Charlotte Pickles:** I think there was some work done in Scotland where if you set it at the 60% poverty rate it would need another £9 billion, or something like that, which would be 8 percentage points on tax. If you were to set it at the JRF's—Dr Winckler mentioned it before—I think it is minimum income standard. You would need another £38 billion. If you think about the context of expenditure in Scotland it is prohibitively high.

Forgive me, I forgot to say in my earlier answer I think there is also something important here about work incentives. For many decades now we have talked about work incentives. That is partly because work tends to be, for the majority of people, really good for their health and wellbeing. Although trials that have been done around UBI are undecided on the impact of work, at the sort of level that would get you to being a true UBI—not just a top-up of the social security system—it would be difficult to avoid disincentivising work. If you were to get to that point I think that would have massive societal impacts.

Q86 **Rob Roberts:** Thank you for that. The societal impacts are something I want to touch on in my second part, and we will start with Dr Winckler again, on what you think about the Welsh Government's proposed UBI pilot. The First Minister has recently said—I think this week—he intends to press on with a pilot for care leavers. Do you agree there is no real way to pilot UBI, because the whole purpose is that it generates societal change, and you cannot do it with a small sample because it is neither universal nor provides a basic income? What are we going to gain from a small-scale trial?

**Dr Winckler:** We need to know more about what the Welsh Government intend. I agree, it is not universal. It arguably is not a trial of the whole UBI approach. Nevertheless, there are probably lessons that can be learned in terms of supporting a group that can be quite difficult to reach and to engage with them, particularly in terms of access to work. I think while perhaps UBI is not the right name for it, there will nevertheless be lessons to learn.

I want to come back, if I may, on some of the answers to your previous question as well. What is important in the discussion about UBI is not to lose one of the drivers that underpins some of the arguments, there is merit in remembering and hanging onto that, which is about the fairness and equity of it. We have an element of UBI in the state pension and child benefit at the moment. If we could introduce that sense of dignity and that sense of it being fair and reasonable for people to apply for working-age benefits as well, we might meet some of the concerns of people who are arguing for UBI. I have put two in one there, sorry.



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Q87 **Rob Roberts:** That is fine. You have previously said yourself that there are, “immediate and deliverable actions” that can be taken to help meet people’s basic needs that are, “more practical, but much less headline-grabbing” than UBI. I could not agree more. What do you think those actions are?

**Dr Winckler:** I would say the restoration of and uplift to basic benefit levels—whether that is restoring the £20 cut to Universal Credit and making sure the local housing allowance covers people’s rents.

Q88 **Rob Roberts:** Thank you very much. Out of the corner of my eye I see furious nodding from Ms Pickles to your answer.

Touching on those responses, Ms Pickles, and what you have said previously, are you therefore of the opinion that a small-scale pilot is, of course, going to be useful because it is targeting a particular bunch of people to whom increased income would be beneficial? What would doing a pilot on that basis actually tell us?

**Charlotte Pickles:** I agree with the previous answer. It would not tell you anything about UBI because it is not UBI. Although that is a trendy tag to add to it, I think it is profoundly unhelpful. It is a great pilot to do because we know that care leavers are a really vulnerable group. We know that on the whole their outcomes are desperately poor and nowhere close to where we would want them to be, so why not trial temporary additional support for this group to help them get on their feet? However, do not call it a UBI. It is not a UBI. It is not going to tell you anything about a UBI. It could tell you something really important and you might get more support for it by addressing what it is, a great initiative to support a particularly vulnerable group of people.

**Rob Roberts:** I see more nodding. Dr Brewer, you are in agreement? I like accord.

**Dr Brewer:** Yes, I feel a bit bad the First Minister is not here to defend himself. We had a discussion about devolution of benefits earlier and, of course, Ms Pickles rightly raised the issue of funding benefits. A full UBI in Wales is probably the most difficult thing you could imagine the Welsh Government actually doing and the most expensive thing. It is probably implausible it will ever happen.

I agree with the previous two speakers, a support grant for care leavers sounds like a fantastic idea and it should definitely be piloted. It is, also, definitely not a UBI.

Maybe, in the First Minister’s defence, one of the things that people sometimes say is the advantage of a UBI is that it catches people who fall between the gaps between various benefits, always providing some sort of subsistence or even below-subsistence payment to people can be helpful. This might be a group to whom that applies. This could well be a group where there is an advantage in having a conditions-free automatic payment that ensures they do not fall between the gaps in the welfare



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system. However, it is different from UBI as put forward by other groups, which is for certain.

**Rob Roberts:** There have been lots of very comprehensive answers so you may well have had your thunder stolen by some other witnesses. Anything else to add?

**Anvar Sarygulov:** I am in complete agreement with everything the previous panellists have said. The only thing I will add is with things like support for care leavers, for example, and with UBI generally, the question should often be simply: why can we not use a Universal Credit system and modify it to take care of whatever need or desire we want? Agnostically, what do you want to achieve? Do you want to support a particular group of people? You may well be able to do it through Universal Credit by adding a new element to it in the same way there is already a housing, caring and childcare element. Do you want to make it less conditional? If that is your desire you can modify the conditionality of the Universal Credit system as it stands.

Therefore, I think any question about UBI is really a question of, “Why can we not simply modify the Universal Credit system to achieve this goal?”

Q89 **Rob Roberts:** Thank you. I will try to get a yes or no from everybody. Appreciating what you said, Dr Brewer, about the First Minister not being here to defend himself, a Welsh Government Minister will be here in future sessions and I am sure they will defend themselves adequately at that point.

A reasonable yes or no then. If I made a statement that said rather than—to quote Dr Winckler—something that is headline-grabbing, such as saying they are going to trial a UBI, should the Welsh Government perhaps drop the idea of a small-scale pilot of UBI and say they are going to actually do targeted support for care leavers, as a different thing? Should they change their marketing around it, drop the idea and call it what it is? It is, hopefully, a relatively simple yes or no.

**Dr Brewer:** The Welsh Government are entitled to make the case for a UBI, but they are probably not doing themselves any help by labelling a payment to care leavers a UBI.

**Charlotte Pickles:** Yes.

**Anvar Sarygulov:** Yes.

**Dr Brewer:** I agree with Mike Brewer. They can call it what they like but I would prefer a label on the tin that gave you a clue as to its contents.

**Rob Roberts:** Thank you all very much—wonderful answers.

Q90 **Chair:** Thank you, Rob. I am going to bring in Simon Baynes in a moment. Can I come back to Dr Winckler? A few moments ago, you were speaking about potential devolution of further benefits to Wales. We are not talking about the UBI now, we are talking about the earlier part of the discussion.



If the UK Government were to go down that road, of looking to devolve some portion of the benefit system to the Welsh Government—you have talked about wanting to see benefits enhanced—do you think, as a point of principle, the Welsh Government should use the tax levers that are available to them to raise additional revenue to pay those enhanced benefits?

**Dr Winckler:** I think the argument about the devolution of benefits is one of principle. It should not be assumed—as it often is by proponents of the devolution argument—that a Welsh Government would do something more generous because that is contingent on a whole host of things.

The argument is about alignment and transparency. The best example is in the case of housing. Around about £1 billion comes from the UK-benefit system into the private rented sector in Wales in the form of housing benefit. That shapes housing markets and it shapes tenants' experiences in a way that local authorities and the Welsh Government have no control over. If that financial envelope was devolved in a different way it could be used to meet people's housing needs quite differently, if a Welsh Government chose to do that. It could be used to increase the stock of housing, used in all types of different ways.

Even within that there is variation in demand that the Welsh Government do not have the ability to meet. If they wanted to spend £1.5 billion on housing support, they need the fiscal powers to do that and they simply do not have those at the moment. Any significant devolution of benefits has to go hand in hand with additional fiscal powers.

Q91 **Chair:** I completely take your point, but the Welsh Government have available to them a number of fiscal levers, albeit limited. There are benefits and grants that they have discretionary responsibility for. We have talked about some of the pressures on the adequacy of the benefit system. We have talked about some of the specific needs in Wales. I will ask you again: is your organisation calling on the Welsh Government to use their fiscal levers, raise additional revenue to enhance grants and benefits that the Welsh Government are currently responsible for?

**Dr Winckler:** We have called for new devolved taxes. Although, as you will appreciate, the process for the Welsh Government introducing new taxes is incredibly complicated. To cut a very long process short, basically they need Treasury approval. My understanding is that that has stalled. As you will appreciate, the tax take from raising the rate of income tax—because they do not have the powers to vary the bands—is quite modest because of the make-up of the tax base in Wales. The potential to raise revenues at the moment is really quite limited but, yes, they should absolutely use the powers that they have. We have advocated a tourist tax, land tax, and a couple of others as well.

Q92 **Chair:** A penny on income tax in Wales would raise an additional £200 million, in the most recent estimate, which is sizeable. What many—including myself—find dismaying at times in Wales is there is almost a



constant call for more expenditure, but looking to Westminster to take the difficult decisions around raising tax. We have just taken a difficult decision in recent weeks that will increase the tax burden on working families through increases in national insurance. If we are to pursue a discussion around further devolution of benefits, personally, I feel there needs to be a parallel discussion about when the Welsh Government will take difficult decisions themselves to use the fiscal levers that are available to them. Perhaps that is for another day.

**Dr Winckler:** Possibly, but I think the debate is changing. The debate does reflect the block grant system.

Q93 **Robin Millar:** I have a quick supplementary. It is within the powers of the Welsh Government not to spend money in other areas. There is always an assumption that additional money is required but, of course, they could divert funds from other areas. Dr Winckler, are there any areas where you think the money could be usefully diverted from in order to achieve greater benefit through supplementing the benefit system?

**Dr Winckler:** We have always been very clear that we think the focus of Welsh public expenditure should be on the bottom half of the income distribution. There are undoubtedly areas that could be cut back, but it is difficult because it is within a very tight overall settlement. As I am sure you have realised, Welsh public finances are very different from UK public finances. There is just not that wriggle room. It is all within a very small box. If you want me to say, "Stop spending on X", sorry, I will not do that.

**Robin Millar:** No, it was a genuine question because, as the Chairman has just indicated, that conversation is the one that we have to have as a UK Government with taxpayers. The fiscal accountability question at the back of this is that some 80% of Welsh Government funding comes direct from the UK Government. The question then about where the money comes from—and Dr Brewer mentioned in one of his answers about how something is funded—is sometimes overlooked in the debate.

As the Chairman suggested, I concur that this could be a fruitful line of inquiry, but it would have to include that question. Perhaps a Member of the Welsh Government needs to be here to give proper account for that. Thank you.

Q94 **Simon Baynes:** Thank you to the witnesses for your excellent contributions. I am the last part of the question process. To sum things up, we want to look at priorities for UK-wide reform. Also, please place that within a Welsh context in your answers. The key point is what you feel the key lessons are that we can take from the pandemic regarding welfare policy. There are also two sub-points to that. Are there any quick wins that could be addressed immediately? That is my first question. Secondly, if you could make one overarching recommendation—and that can be UK-wide or you can focus on the Welsh context—about how the benefit system could be improved, what would it be?

If you could set that within the context of the last part of our discussion



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about fiscal responsibility, because it is important that we hold this discussion with regard to those who are paying for the benefit at the end of the day. As other speakers have said, sometimes that part of the equation is not so prevalent in discussions in Wales because that is the responsibility of the Westminster Government. With that caveat, I ask Dr Brewer to answer first, please.

**Dr Brewer:** Thank you. Two things I would like the Governments to reflect on after the pandemic is: one, about adequacy and/or uprating. The two go together. One of the reasons we probably have inadequate benefits is because they have been frozen, or have not increased with inflation very rapidly over the last 10 years. A specific example is that the Government very sensibly increased local housing allowance when the pandemic hit back to the 30th percentile, but have frozen it since. What are they going to do next? In 10 years' time, are they going to be as ungenerous as they were in 2019?

Adequacy and uprating are one. The second one is reflecting on the debates we have had about insurance and earnings replacement. Is the welfare system adequate to cope with a decade of what we think will be unprecedented change in the economy? We had the net zero strategy two days ago. That is going to involve an awful lot of economic change, much of which will be felt in Wales as well as across the UK. Do we have the right welfare system for that? That is a question that we at Resolution Foundation have been asking ourselves and we will be looking at that over the next couple of years.

Given the urge to be fiscally responsible, I am not going to call for huge amounts of extra welfare spending. However, I would say that over the last 10 years we have seen rebalancing of Government spending basically towards health services. We are increasingly a health-dominated Government and welfare spending has fallen from about 15% of GDP to 11% of GDP over the last 10 years. I cannot see it falling again by 4% of GDP, so at some point the Government will have to make the case to taxpayers that we do need to raise taxes in order to pay for a welfare system.

Q95 **Simon Baynes:** Thank you for that answer. Can we go back to the point you were making about the green revolution and the changes, which I think is a very good point? That is obviously what we all want to happen, but it has an impact on households. Could you dig down a little bit into that?

**Dr Brewer:** I was thinking about the changes to our industrial processes. Some sectors will thrive in the net zero transition. Other sectors are going to decline under a net zero transition. I am not pretending that it is a jobs' bonanza. There is going to be change. My question is: do we have the right welfare system to support people through that change? We are not going to need as many gas engineers in 10-years' time as we have now. We are going to need a lot more different kinds of people. Do we have the right skills structure? There are big debates for the skills sector but, also, big



debates for the welfare system and how we support people through change. That is my point.

**Simon Baynes:** That is a very good point. Thank you. Dr Winckler.

**Dr Winckler:** I think the lesson from the pandemic is that the social security system really matters and that it can matter to any of us. It should not be regarded as something that is only the province of people who do not draw their curtains in the morning. I would say that the quick win is around adequacy. I absolutely echo Dr Brewer's comments. The overarching recommendation is that we need to start from a basis that any one of us could need to access the system at any one time, so the lack of dignity and the stigma associated with the system, and the hardships that are hardwired into it, need to be designed out of it.

Q96 **Simon Baynes:** I was very interested in your remarks, and those of the rest of the panel, on the UBI. It struck me—and please correct me if I am wrong here—that perhaps it would have been wiser for the Welsh Government to look at welfare from a different angle. That in a sense looking at UBI, which does not seem to command a great deal of support among experts, has in a sense set back constructive discussion about how we might improve the welfare system in Wales. How do you feel about that?

**Dr Winckler:** There is popular support for UBI. There is considerable popular support, which I suspect is what drove the Welsh Government to embark on a pilot. I do not perceive that that has changed the discussion. There is still a lively debate about both Universal Credit and about devolved grants and allowances as well. Let's see what the pilot's results are.

**Anvar Sarygulov:** I think we can learn two lessons from the pandemic. One is around adequacy. As it is now, the benefit system is inadequate. Of course, uplift is expensive. At £6 billion a year, there are probably better ways to spend that money, but more money needs to be spent and there are multiple ways it could be done. It could be done around giving more grants immediately to new UC claimants, so that they do not have to go into loans, into advance payments. It could be done around modifying the taper rate, but more money needs to be put into the system. That is really the quick win that can be made.

The second point is the effectiveness of income replacement during a period of crisis. A pandemic is a crisis of a unique scale and type, but there is definitely space now to think and reflect in the next couple of years about how we can provide income replacement support and how we can fund it, particularly during periods of future economic or other crises. We are currently doing a large research project involving these questions, so come back to me in a year for specifics.

**Charlotte Pickles:** I don't think it is lessons from the pandemic; I think the pandemic exposed things we all knew before: the system was not working as well as it should. The conversation that we do not have enough



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is how you reduce demand in the first place. We tend to focus our energies on discussing how we manage demand. If we only focus on managing demand we get into these situations where we cannot give enough, we cannot be generous enough, we cannot be supportive enough, and we cannot invest the time and enough money into people who need it because there are so many people and the cost is so high.

That links to your fiscal envelope question. If I was sitting in the Department for Work and Pensions right now, I would be having a conversation about disability and how you get disabled people into sustainable employment. The green paper we have is not ambitious enough, but we clearly do not have time now—the last question of the day—to talk about how you would do that.

If you want to talk about poverty, if you want to talk about high costs in the benefit system, disabled people are the area that we have repeatedly failed. We need to find a way of moving the dial on that. You could significantly reduce costs in the system if you could support more disabled people into work and to stay in work.

The second area—which we have touched on a lot but largely in the context of paying LHA—is housing. We have such a large housing benefit bill now, getting on for £30 billion, partly because we do not have enough social housing. Unless the Government are going to get serious about building social housing, you will continue to have people in very expensive, unaffordable private rental properties. Incidentally, a high proportion of those are not even decent standards, which will then impact on them being able to work, their health, and so on. You could massively reduce that bill if you started building social housing. Then they would pay lower rent, and you would pay lower rent as a Government.

The third area is about the drivers. We have all talked about low pay as one of the big drivers of cost in the system because of the tax credits or the UC top-up model; again, about £30 billion. There is a genuine conversation—Mike Brewer was talking about this—about where we go in terms of a higher-wage economy and boosting productivity. There are a lot of big questions on that. There is also something around making work pay, work incentives and disregards.

If you are asking me about the quick win: rather than giving you all the massive, big things that I think you should do, the quick win is to look at something like incentives for second earners because we know that in-work poverty is such a massive challenge. How do we do something quite quickly to help the children and the adults in those families to earn more themselves and, therefore, come out of dependency but also, hopefully, be more prosperous in the process? Work incentives, tapering, or disregards are good things to look at.

**Q97 Simon Baynes:** Could you expand a little bit, quickly, on that last point? What sort of incentives do you have in mind?



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**Charlotte Pickles:** For second earners probably something like the work allowances. The earnings disregards are where I would focus. In general, trying to do something about the taper rate, not just for second earners, but generally for people in work. The 65% is so much higher than was desired when Universal Credit was designed.

If you are really saying to people that they are better off in work—and we should want that to be the case, not just for the financial implications but for the social inclusion and the health and welfare of people—being able to keep more of that money they earn for a bit longer would be a very good investment by the taxpayer.

Ultimately, if you want to be more generous, you have to drive down the costs because you cannot just keep expanding the total expenditure, as we have heard, because of all the other pressures. Are you going to take it from education? Are you going to take it from policing? Are you going to take it from health? Are you going to take it from social care? Or are you going to massively increase taxes? I do not think any of those options are particularly palatable, therefore, we have to have a conversation about reducing demand.

Q98 **Chair:** I am not going to allow you to go just yet because I think this is a fascinating line of discussion. Ms Pickles, what you were describing there sounds to me like a coherent shopping list to put to the Treasury for how it could make good on its decision to take £6 billion out of Universal Credit. We have seen how resolute the Treasury and No. 10 are about that decision. For those of us who are having conversations with colleagues and trying to put together arguments as to why we should invest back into Universal Credit, it is interesting that you did not say, “Put money back into the standard allowance”, which is where the money has been taken from. Are you saying there is a better way? You get more bang for your buck in terms of a better system of poverty reduction by looking at things like the work allowance and work taper rates, rather than standard allowance?

**Charlotte Pickles:** I think it depends on the timeframe you are looking at. If you are looking at what you can do tomorrow to help a family that is struggling to make ends meet with spiralling living costs, the standard allowance might be an effective way of doing it. It is an effective way of doing it. If the conversation is, “Over the next few years, how do we create a system that is much more fit for purpose both in terms of adequacy for poverty alleviation but, also, support for that group of people who temporarily fall out of work and need that crisis amendment support?” you have to be able to reduce demand in order to be more generous. That is where I find it highly frustrating that we still do not seem to be having conversations around how you drive down that demand.

The challenge with a standard allowance versus taper rates is that there are still going to be a group of people for whom moving into work is going to take longer. You could ask how we are investing better in the employment support side of things.



Going back to disabled people—and we really have not touched on disabled people in this conversation yet, and they are probably the group that we should spend most of our time focusing on, particularly in the context of poverty—we do not do enough. We are not nearly innovative enough. We are not trying enough things to support this group of people. If I were sitting in the Treasury and I was looking at what the drivers are of the big bills within the social security system, I would be looking at disability, as I say, housing, and the low pay, getting people not just into work, but up the earning scale, which I know the Department is looking at in terms of in-work progression.

I agree, on the standard allowance £20 answer, that spending £6 billion is bit the most effective. I think it is a blunt tool. The quick win for me is either the taper rates or the work allowances. Ultimately, you have to look at how you create a more sustainable system for the future that genuinely support people when they need it.

**Q99 Chair:** Do you think the benefit system subsidises low-wage jobs? The Prime Minister put out that characterisation during the Conservative party conference: that we have so many people claiming, which is where you get the big benefit bill coming from, because the benefit system has let employers off the hook, so they do not pay decent wages. I will put that same question to you in a moment, Dr Brewer, drawing on your macroeconomic expertise.

**Charlotte Pickles:** He is probably better to answer this. Yes. Let's take a step back. We have a disproportionate number of people in low-skilled, low-paid work in this country, if you compare it internationally. That has improved, not least by initiatives the Government have taken, like the national minimum wage and national living wage. That has made a big difference but, ultimately, yes, I think we are subsidising employers to pay low wages. That has meant that they do not have to invest in skills for their employees. We have a very low level internationally, again, of investment by employers in skills development.

They also do not have to invest in technology that might be productivity boosting, because you can just bring in low-skilled people to do those things at cheap cost. That is a problem. Clearly, the answer cannot be that we just stop paying tax credits, or whatever, because the impact is on the low-income families at that point. There does have to be a serious conversation that says, "You have relied on low-skilled, low-paid labour rather than doing things that would, quite frankly, be in your interests as a business, to invest more in productivity-boosting skills or technology". That has been one of the unintended consequences of what clearly was a positive thing, topping up low wages. In the process, we have let too many employers off the hook, and they are just getting by with that.

**Dr Brewer:** The best evidence is that some of the gains of an in-work benefit go to employers. They can end up paying lower wages than they would in a world without in-work benefits. There are two very big buts to that. Number one is that if you think employers are not paying enough, we



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have this great thing called the national living wage, and that is the backstop. If you do not think that employers are paying enough, you put the national living wage up and make them pay more. The second point is that most of the people who are getting Universal Credit while they are in work are getting it because they have additional needs, such as children and housing. You would never expect employers to cover the cost of having children, or for renting compared to owning your own house.

**Chair:** That is very helpful. Dr Winckler, do you want to add anything to this discussion?

**Dr Winckler:** The only point I would add is that there is an issue around hours, in that it is not just a question of hourly wage rates but also the number of hours that people work. I cannot remember the figures off the top of my head, sorry, but if you look at the work patterns of claimants that are in work, many of them work less than a standard full-time week. That is an individual's choice, combining their working hours so they can look after children or look after other people that they care for, but also the nature of the low-pay labour market. Many, many jobs are less than full time. We have that interface between pay and hours.

**Anvar Sarygulov:** I do not have a macroeconomic background, so I do not want to comment in too much detail. I am slightly sceptical because of the nuances Mike has raised, but also because of the other side of the equation around specific living costs, particularly housing and childcare—the two that are very high and have outpaced wages and earnings, from the data that I have seen. There are low wages, yes, but it is also about living costs and how that interacts with the wages.

**Chair:** Thank you very much. Unless there are any final supplementary questions from colleagues, a huge thank you to all of you. It has been a really helpful, informative, and very interesting discussion. Thank you very much for your time. Enjoy the rest of your day. Thank you, all.