HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Welfare safety net: follow-up, HC 1539

Wednesday 16 January 2019

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Watch the meeting

Members present: Frank Field (Chair); Heidi Allen; Rosie Duffield; Ruth George; Steve McCabe; Nigel Mills; Chris Stephens.

Questions 1 - 107

Witnesses

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

II: Professor Suzanne Fitzpatrick, Director, Institute for Social Policy, Housing and Equalities Research, Heriot-Watt University and Julie Jarman, Principal, Living Standards Programme, Equality and Human Rights Commission.

Written evidence from witnesses:

Social Metrics Commission

Institute for Social Policy, Housing and Equalities Research, Heriot-Watt University

Equality and Human Rights Commission

Examination of Witnesses

Witnesses: Baroness Stroud and Matthew Oakley

Q1 **Chair:** I could say and should say welcome home, because you are regular appearers and activists in this whole big debate. Philippa, might you begin just by introducing yourself and then we will ask Matthew to do so.

Q2 ***Baroness Stroud:*** Yes, of course. Thank you so much for welcoming us today, particularly on such an auspicious morning. My name is Philippa Stroud and introduce yourself and then we will ask Matthew to do so?

I am the Chairman of the Social Metrics Commission. I am also the CEO of the Legatum Institute, which is taking forward some of the policy work and implications of the actual metric itself.

Matthew Oakley: I am Matthew Oakley. I have been the Head of the Secretariat for the Social Metrics Commission for the last three years, so leading the research, the background methodology and development of the measure itself.

Q3 **Chris Stephens:** In looking at this issue, the UK Government do not appear to have a single definition of poverty. Do you think that is a problem? How is your definition of poverty an improvement on what is already there?

Baroness Stroud: Let me start with whether or not that is a problem. I do not think it will surprise you if I answer yes to that question. The lack of an agreed measure has left the Government unaccountable for their policy action on reducing poverty. One of the most concerning graphs in this summary report is on page 25. We back cast the numbers to 2001, so you have successive Governments—the Labour Government, the coalition, Conservative Lib Dem, and then a Conservative Government—and while the composition of poverty may have changed over that period of time, the actual numbers and the scale of poverty really has not. This should concern us. The lack of a measure, and an agreed measure, prevents Government making a sustained effort on the issue of poverty.

There is another reason why I think it matters, and this is why I was led to create this Social Metrics Commission in the first place. My observation of how Governments behave at big moments, big fiscal moments at Budgets and at spending reviews—

Q4 **Chair:** May I just interrupt for people watching at home? Can you explain you were on the inside watching?

Baroness Stroud: Yes, I was. I was a special adviser and I was involved in negotiating a number of those budgets and spending reviews at DWP between 2010 and 2015.

My observation was that when it came to the big economic decisions, what you had was clear measures that were held accountable, first of all by the OBR and then externally by the IFS. When it came to social policy decisions and particularly the issue of poverty and the fact that there was no agreement over a poverty measure, there was no such direct accountability. That really concerned me, which is why I founded the Social Metrics Commission.

Thirdly, I think the reason why—

Q5 **Chair:** Before you go on, given that we have had an example over the last few years of Governments not stretching out in any meaningful way to get an agreement, before you finish Chris's question, could you tell us about your efforts to get that agreement? Sorry, you were giving us a chronological—

Baroness Stroud: No, it is absolutely fine. Between 2010 and 2015 we were aware that there was little agreement over the existing poverty measure and that it would need to be replaced. Inside Government we made two attempts to introduce and to establish a new measure of poverty. It became obvious that it is very difficult for Government to create their own measures that they are going to hold themselves accountable to because the temptation to make those metrics something that they can move and that they know they can move is so great. It is a little bit like being a poacher and gamekeeper all at the same time, it just does not work.

This is why when I came out of Government I thought an external body was so much better at creating a metric that could then hold Government to account.

Q6 **Chair:** Wow, you have tried twice inside?

Baroness Stroud: Twice inside, yes. The life chances agenda would have been one illustration of that attempt to create new poverty measures, but were not connected with income. One of the dynamics when we first sat down and started looking, as a commission, at what we felt was important about poverty, the first thing we put on the table was that poverty is about income, it is about money, it may be about other factors as well, but poverty without there being some form of income metric is not poverty.

Q7 **Chris Stephens:** If the UK Government cannot measure poverty, it just makes me wonder—and I am sure I am not the only one—how the Government can shape social security policy to eradicate poverty.

Chair: It could not and will not measure it, isn't that what you are saying?

Baroness Stroud: What I am saying is that over successive Governments it has become too easy to have an argument about the measurement of poverty and not to have a discussion about the strategy for addressing poverty. That was my major concern. I wanted to remove the argument about the measurement of poverty so that we could get on to having the proper discussion about how you address the issue of poverty.

I was going to also say that historically Britain has been a world leader in the development of measurements and of tackling poverty.

Q8 **Chair:** Before you go on—sorry, I am a bit slow this morning—were you not therefore trying to design a checkmate situation against the Treasury, so they could not come out with their old arguments why we are not going to attend to the issue because they were saying we must get the real definition first?

Baroness Stroud: I, and the commission, did want to create a measurement that would hold Government to account at the big fiscal moments—budgets and spending reviews—and would make the impact of Government decisions visible. This is really important. I felt when I was in Government that there was not enough visibility around the impact of decision-making.

Q9 **Chair:** Before we come back to Chris, to help things along—and I am not saying the Committee would want to do it—could you draft us a Bill that would put into law what you are seeking so we have an agreed basis?

Baroness Stroud: It would be an absolute pleasure to draft you a Bill that put into the law the measure that we are talking about.

Q10 **Chris Stephens:** Matthew, do you have anything to add on the measurement side, looking at improvements?

Matthew Oakley: Not really. I think the one thing I would like to say and focus on is what Philippa has said about the agreement, building consensus and how important that is. For me, sitting a bit outside of the table, also talking commissioners through what we were saying about how we should start to measure policy, the big thing for me was how much of a journey—and it sounds quite corny, but it really was a journey—each of the commissioners have been on. We started from a blank page. Each of the commissioners probably came with their own views about how to measure poverty and what it should look like for themselves, but by working through each of the arguments, by working through each of the elements of poverty measurement, we have been able to get to a point where people with fairly different views on how you might tackle poverty are now agreeing wholeheartedly about how we measure it.

It is that agreement on how we measure it that means, as Philippa was saying, we can stop fighting across party lines about whether it is this measure or that measure and start saying, "Let's have a real conversation about how we tackle poverty that we all know is existing in the UK. Let's start tackling it".

Q11 **Chris Stephens:** I am thinking back to my college days, Matthew, when there were debates about, "Is poverty a relative concept?" That used to be a major debate in the 1990s. For the benefit of people watching, obviously a number of phrases get used: poverty, destitution, hardship. In your view, are they the same thing or are there differences between those phrases? Maybe Matthew could answer first.

Matthew Oakley: Sure. Again, we asked this question of our commissioners right from the start. The first thing we talked about is how you measure poverty and, "What does poverty mean to you?" That was an interesting conversation because some of the concepts that commissioners came up with would have been very familiar to people around the room who are experts in poverty; others were slightly different. Everyone had their own views. Where the commission came out is we recognised there are already a range of measures of living standards, of social mobility, of destitution, of hardship, of life chances; all of those measures are incredibly important. They tell us something about the lives of people living in the UK, but they are all different. To pretend they are the same thing is not the way forward.

Equally, what the commission was focused on was measuring poverty. It did not want to conflate measuring poverty with measuring living standards, life chances or destitution. Very much what the commission was about was saying there is a distinct thing that we think of as poverty and that is different from each of those other measures. To take that forward, we thought about how we could measure poverty and took that work forward. I think the one thing I would say is that, although the commission's measure of poverty is not a measure of destitution, there are things within the measure from which you can probably make inferences about destitution.

In the reports you will see that we publish figures of people who are 10% below the poverty line, 20%, 30%, 40%, 50%-plus below the poverty line. Our hunch is that those who are further down that scale will be closest to the sorts of people that you would imagine being in destitution, but certainly I think it is something where certainly myself and the rest of the commissioners would think more work is needed to get a strong definition of destitution.

Q12 **Chair:** Are you doing more work, Matthew?

Matthew Oakley: In terms of the poverty itself, yes, we will continue to do more work.

Q13 **Chair:** No, on the destitution side, the overall work that you are doing.

Matthew Oakley: That is probably a question for Philippa.

Q14 **Chris Stephens:** I was just going to ask as well, just before you answer the Chair's question, just for the benefit of people watching, what is the most important difference between poverty and destitution?

Matthew Oakley: I can give a personal response; it is not an issue the commission tackled head on. As I said, the commission recognised that each of the measures were something different and it decided to focus on poverty, creating a definition and an approach to measuring that. My view on poverty—and I know the Joseph Rowntree Foundation has published work on this recently—would be that destitution is more akin to some of the deeper levels of poverty. It would be a subset of people within poverty.

Baroness Stroud: One of the numbers in the report that really concerns me, because we do not know who they are sufficiently, is that there are 4 million people 50% below the poverty line. That is an extraordinary number. What we need to do is separate out whether that is partly a data issue or who these people actually are. That is work that at the Legatum Institute we are wanting to take forward.

Q15 **Chair:** When you say "wanting to", are you dependent on money to do that?

Baroness Stroud: We will need to raise funds to do it, yes.

Q16 **Chair:** It is a hugely urgent question.

Baroness Stroud: It is a hugely urgent question. There are several key findings that we were not expecting to find when we put the measurement together.

Q17 **Chair:** Can you remind us of the ones you did not expect to find?

Baroness Stroud: We did not expect the issue of disability to be such a strong theme in the report, and then for those so far below the poverty line, the depth issue was something that really struck us as well. Those were two things that as we built the measure were things that had not historically been seen by a poverty measure.

Q18 **Nigel Mills:** Just to continue on the theme of the impact being disabled had on being in poverty, why had that been missed quite so much before? Instinctively we would all think that there is a problem getting disabled people into work and the Government have been trying on that, so you think it was an issue that was quite well known. Why was it quite so badly missed?

Baroness Stroud: I think it was badly missed because of the way the old measurements of poverty were constructed. Because they were an income-only measurement, what happened was that the disability benefits that somebody received were added on the income side and they were added as pure income, whereas because one of the improvements that we have made to the measure is to make it a balance sheet, in effect, it is your income versus your inescapable costs. The Government give disability benefits with the explicit intention of that money covering the extra costs of disability. It is not just extra income, there are costs that it covers, yet in the old measurement of poverty, there was nothing offsetting that. Our measure not only captures the income given but also the inescapable costs of that household. That is why it is so much more visible in this particular measurement.

Again, the thing that struck us was that 6.9 million out of 14.2 million were in households with either a disabled adult or a disabled child. That should really concern us. My view is that any serious poverty strategy would have a sustained and long-term plan for supporting disabled families—those who can work—into work and those you can't into a dignified and stable existence.

Q19 **Nigel Mills:** Were there any other hidden forms of poverty that were missed that your measure picks up?

Baroness Stroud: When you start looking at the old measurement of poverty it is surprising what it does miss. One of the groups of people that the old measurement of poverty has missed is people who do not show up in household data and household surveys. The people who most come to mind as being poor—homeless people, people who are rough sleeping—do not appear in the old poverty measure. We have captured that group of people and put them into this measure. The new measure now captures those very vulnerable groups.

Q20 **Chair:** That should help with your definition of destitution, shouldn't it?

Baroness Stroud: Yes, absolutely. It also includes some families where their housing needs are not being met. Where there is overcrowding—not every overcrowded household, but where the cost of an extra room would put that family into poverty—we have included those households as well.

The other main group that shows up in this measure is working families. That is particularly because we have included childcare costs. For most families with young children to go out to work, their childcare costs act a little bit like the costs for a disabled household; they are inescapable costs. They have to pay those costs if they are going to go out to work. The old poverty measure did not include childcare costs so households could look as though they were across the poverty line, but they would be paying large sums of money in childcare costs, which took them back below. Our measure of poverty includes childcare costs and therefore it shows a greater proportion of working households.

I have always argued that work is the best route out of poverty and I think most of us in this room—I do not think that is a contentious issue. What this poverty measure shows is that full-time work is the best route out of poverty and that just taking part-time work is not going to be enough to get you over the line. It is an interesting and important finding of the metric.

Q21 **Chair:** Although I am a great critic of Universal Credit—

Baroness Stroud: I know you are, Frank.

Chair: —that is one of its real advantages, it did not institutionalise part-time work.

Baroness Stroud: Yes, it removed the 16-hour rule, yes.

Q22 **Nigel Mills:** You were talking about getting people over the line. I suppose what you have done is produce a metric of a scale of people in their wealth or otherwise, as you define. Presumably at some point you have to pitch where you draw the poverty line. How did you choose where to put that?

Baroness Stroud: We had huge discussions around where to put the poverty line. One of the great strengths of this measure is that it much better identifies who is in poverty—a much clearer sense of that group. What we said was we want to identify the who. The characteristics of those people just above the line and just below the poverty line in historic measurements are not that different. What we said was we did not want a huge row over the numbers of people in poverty because the lifestyles are so similar around that line. What we did was we matched it to the same number as before, 14.2 million, and we therefore set the threshold at 55% of the total resources available to a household.

What we did then is we checked, "Do we have the right group of people?" We looked at those that we had moved out of poverty, and the majority of those did not show up in any multiple deprivation indicator, and we looked at those we had moved into our new measure and they did show up. We felt that we had better identified the group of people who were in poverty.

Matthew Oakley: The important thing here is that we spoke to the OECD, to academics from across the world, to people in the USA who developed a new measure a few years ago, and academics in the UK, and there was a fairly broad consensus that there is not a magic number here that would define whether somebody is in poverty or not. It is fairly arbitrary how we have set it in the past, so what we wanted to do, as Philippa said, was not to make the argument about how many but very much focus on who it is and making sure that at each stage we incentivise Government and others to help people move up that ladder from 50% below all the way up to 50% above. Very much that is our approach.

Q23 **Nigel Mills:** I have read through the report and I was quite horrified to read how little savings almost anybody in your measure will have ever had. I know you factored that into the calculation by spreading them over a year or something. Was that a surprise to you, just the lack of resilience quite large numbers of people have?

Baroness Stroud: Unfortunately it was not a surprise to me or to the experts that we had as our commissioners. I think the story of the lack of savings among all British families, but particularly those on low income, has been quite well documented. We wanted it to be visible in the measure. This is another way in which the measure much better captures people's vulnerability. We wanted assets to be visible. If somebody does have assets that they can draw on, we wanted that to be visible in the measure, but we also wanted household debt to be visible. This may have been something that everyone in this Committee was well acquainted with, but I can remember the day that I sat down with officials at the DWP and they explained to me that household debt was not included in the poverty measure. I thought, "How can you have a measure of poverty that is blind to a household's debt?"

The big challenge here is that the data isn't properly collected yet. Matthew is working with—

Q24 **Chair:** Before we go on to Matthew, Philippa, when you say about household debt, I have always thought it is not so much household debt but whether it is growing. Some people can have debt and they keep it at that level and they manage it at that level. The real worry is when circumstances snatch that ability out of people's hands. Household debt is going up.

Baroness Stroud: Yes, I think we know the connection between household debt and mental health issues and we know the lack of resilience that getting into debt drives in a household. I would agree with you, it is really the unmanaged or the unmanageable levels of household debt.

Q25 **Chair:** Yes, there are two different sorts there.

Baroness Stroud: Yes, absolutely. If you are managing your debt well, as most of us do, then it is not so much of a challenge, but when it becomes unmanageable then it is a huge issue.

Matthew Oakley: That is one of the reasons why our measure looks at debt in two different ways. It looks first at—or would do if the data were available—the debt repayments that people have to make each month, so the money that they have to pay out each month in debt repayments, and take that off what we think they have available to them to meet their day-to-day needs.

The other area that the measure captures in terms of debt is looking at it through the lived experience indicators that we have created, which look at a family's ability to pay bills, whether they are behind on bill payments. That will identify a group of people who are in our poverty measure and also are struggling to pay bills so they are increasing that level of debt. Very much what the Commission's framework is doing is saying, "Let's not just look at who is in poverty, but let's look at their life experience and other factors that can influence their ability to make ends meet, their ability to manage their resilience" and relook at the whole picture rather than looking at a snapshot.

Q26 **Nigel Mills:** A question around the ability to manage this. I think your metric shows that the level of pensioner poverty is much lower than previously thought. Once you have retired, your scope to improve your financial position is very limited; you cannot really go back to work and increase your income. Do you worry that perhaps the way you have done this underestimates the issues that pensioners might have? A change to inflation or something that dramatically increases their outgoings when they cannot increase their incomings would see them cascading down the measure quite quickly. Do you think it is a sufficiently robust way to treat them?

Baroness Stroud: The key reason behind why there are fewer pensioners in our measure is a good reason. It is that historically in previous measures assets were not included. You would have pensioners who were on a pension, a relatively low income, with nothing, and the visibility of their assets that they were drawing down on was not there. This is liquid assets, this is not like their house or things that they cannot access. One of the terms that we used around this measure was that it is poverty now. It needs to be something that people could draw down today. It would not be okay if they had access to that money in three months' time, it has to be something that they could access today. The only assets that we have included in this are things that they could genuinely draw down on today.

Q27 **Nigel Mills:** The reason I ask that is that if I am going to retire and I have savings, I think I am going to live for 15 years and I am going to spread those savings over 15 years to boost my income. Doesn't your calculation just spread them all over one year and say I am fine for this one year? If I did that I would be completely stuffed for the next 14. I cannot quite see how it works.

Baroness Stroud: What it demonstrates is that you have the capability to draw down that money, therefore you are not now in poverty. If you did draw it all down then you would feature in the numbers of people in poverty in a couple of years' time, but at this moment in time you have the resources to meet your needs.

Matthew Oakley: There are a couple of other things there. It goes back to what I was saying earlier about there being a range of different measures we need to look at. What we are trying to capture, as Philippa said, is poverty right now, today. Of course we want to look at pension adequacy in 20 years' time and the ability for pensioners today to make ends meet in 20 years' time, but that is a different measure. That is something else we want to look at.

Q28 **Nigel Mills:** You chose in your calculations to spread somebody's savings over one year. I can understand that for somebody who is of working age and they can use that as a buffer if they hit trouble, but for somebody who can never make any more money, that just seems to me to be a rather strange calculation. I would just spread those savings over a longer period.

Baroness Stroud: We had huge debates as to how to handle—these are not savings that are, for instance, in a pension scheme that they do not have access to today. These are savings that are absolutely liquid today. We did look—

Q29 **Chair:** Philippa, do you have any data that would have answered Nigel's point? How people actually behave, rather than how we think they should behave?

Baroness Stroud: Yes. I am trying to think back to the exercise we did, because we did do this, didn't we, Matthew?

Matthew Oakley: We are thinking back 18 months here.

Baroness Stroud: We went through that exercise.

Matthew Oakley: To be fair, we had a long discussion and members of the commission, I think it is fair to say, had very similar views to you, Nigel. We went through a process of trying to think about what it was we were trying to measure. Right at the start of the commission, you will see in the report, we set out a bunch of principles for how we would tackle these quite difficult, often quite subjective questions about how you approach some of these things. As Philippa said, one of the key things in those principles was that we are measuring poverty now: your ability as a household or as a family to put bread on the table, clothes on backs and so on right now, today.

Although of course the commission recognised that for pensioners in particular there is a longer-term consideration that needs to be taken into account, right now today if a pensioner household has £2,000 and a cash ISA they can spend that £2,000 and the cash ISA more so than a similar pensioner household that does not have that £2,000 and a cash ISA. That is what the measure is looking at—poverty today. As I said, we need obviously as a country to measure other things like pension adequacy and wider measures of financial resilience. That should go alongside our measure, but this is very much looking at people's experience of poverty right now, today.

Q30 **Nigel Mills:** Okay, but I suppose the aim of doing this was to have something that drove policy. As a final comment, there is a danger that one of the conclusions of this was, "Pensioners are fine. We have fixed them".

Can I just ask, have you had a wonderfully warm and glowing reception from the Government, who are desperately keen to rush to adopt your measure and start using it to assess their policies?

Matthew Oakley: I fear it has not quite gone that well.

Baroness Stroud: We have been working with the Government. To be honest, it has been a really positive experience. We have been working with the Department for Work and Pensions and we have been working with the Treasury, but all the way through the process we were also working with the Office for National Statistics. Sir John Pullinger, the

National Statistician, was one of the advisers to the project as well. We have been working constructively with officials and just a few weeks ago received a letter from the Prime Minister encouraging us to keep working with officials to work towards whether or not this could become an official statistic.

Q31 **Chair:** Was there a cheque written out?

Baroness Stroud: No, there was not a cheque with that, but they have obviously put officials behind it to really understand the measure. Every time we have asked to meet with them they have been incredibly well-informed in the Government Departments. I have a debate in the House of Lords on Monday, a question for short debate, and the Government Minister will be responding to the measure as well.

Q32 **Chair:** Which Minister?

Baroness Stroud: I imagine it will be Baroness Buscombe from the DWP. The Government have told us that DWP will have the lead on the measure.

Q33 **Nigel Mills:** There is a difference between something becoming one of the myriad statistics that is measured and it becoming the measure that the Government use to test whether their policies are going to help or hurt. Do they say, "We think this is the right way for us to measure poverty and we are going to use it to decide whether we are succeeding or not" or are they just saying, "Add it to the 43 million statistics we have"?

Baroness Stroud: The objective of the commission is to see the measure adopted as the official Government measurement of poverty. That is our objective and we would welcome any assistance from the Work and Pensions Select Committee in achieving that particular goal. One of the reasons why we have invested so much energy and effort into building consensus around the measure is that once all the different poverty organisations start using the metric, which they are beginning to do, it will become common currency anyway and the Government will have to start modelling for it in their responses because they will start getting PQs and FOIs about it.

Our recommendation to the Government is that they do pay serious attention to the adoption of the measure. They need a new poverty measure. This has cross-party agreement; it has support from the lobby. If they were to adopt it and hold themselves accountable to it, it would show a sincere commitment to genuinely tackling the social challenges of Britain.

Q34 **Nigel Mills:** The warm letter from the Prime Minister, did that suggest that she was keen to do that as well or did she just say, "Keep going and make it a statistic"?

Baroness Stroud: She invited us to engage with her officials. I do not want to over-claim what she stated, but for a commission that is non-governmental that is a good first step forward.

Q35 **Chris Stephens:** I am just going to take you back to what you said earlier about work and measuring work, full-time work, part-time work and all that. To me, one of the issues is secure work versus insecure work. Have you done anything on that? It is something the Committee is looking at in terms of zero-hour contracts and how Universal Credit affects that. I am just wondering if there was any measurement about secure and insecure work or if there was a difference made in some of the calculations.

Baroness Stroud: When we were creating the measure we wanted to create another part to it, which would be like a measure of future risk. We cut the data every which way we possibly could to try to find particular social issues or income issues that would lead to a clear indicator of future risk of poverty. The only one that we could come to with any certainty was that the future risk of poverty was best indicated by whether or not you had been in poverty historically and for how long you had been in poverty historically.

Q36 **Chair:** It was like the glue people could not get away from?

Baroness Stroud: Yes. I know this is a slightly long-winded way, but the best way of reducing poverty is to make sure that people never get there in the first place. Therefore, insecure earnings that leave people vulnerable to dipping down into poverty are one of the ways in which people will fall into poverty.

Q37 **Nigel Mills:** Have you assessed some of the Government's future policy changes to see how they would impact on your measure, perhaps issues like the Universal Credit rollout and some of the changes that are coming? Do they show the Government going in the right direction or do they suggest it might make it worse?

Baroness Stroud: What would be helpful would be just to explain what moves the measure. Anything that increases a household's income, be that through earnings, be that through welfare, reduces poverty. Flipside, anything that decreases a household's income will have the opposite impact. Anything that reduces the costs of a household, because this is a balance sheet metric, will also reduce poverty. Anything that shortens the time that somebody is in poverty for will address the issue of persistence. Anything that causes people to progress from deep below the poverty line up will also be visible. Then if you go on to the lived experience measurements, anything that tackles mental health, skills levels, family stability, debt or financial security will be visible in the measurement.

If you look at something like Universal Credit, for example, the Chancellor's decision to reinvest in the work allowances at the last Budget is poverty-reducing, or perhaps just stabilising, given that it was going to cause poverty to increase if that was not addressed. That is a move in the right direction.

Q38 **Nigel Mills:** The two-child limits on welfare?

Baroness Stroud: The two-child limit is more complicated to know how it will or will not show up in the measure, now that it has been addressed. Before Amber made the changes, it would probably have increased child poverty. Now that it is for new births it is obviously a dynamic metric, not a static metric. It will depend on behavioural responses to the policy.

Matthew Oakley: I think the key thing here is that as a commission we have not taken forward that modelling on purpose, in that we do not want to get involved in a policy debate. We want to say, "This is the measure. Let's hand it over to other people to go and have that debate about what you do with policy based on a clear understanding and a clear consensus on what we are trying to achieve in terms of the measurement of poverty". That for us is key here.

The second thing is that—

Q39 **Chair:** On that, Matthew—the Prime Minister's letter, no cheque. She might ask you to undertake that analysis, might she not?

Baroness Stroud: It is important to differentiate here between the work of the commission and the work of the Legatum Institute. The work of the commission is purely around the creation of a poverty measure. The Institute is housing the metric with a view—and we would encourage other organisations to do this as well—to commenting at Budgets and spending reviews, providing that accountability that you have just asked about, so that—similar to the IFS on economic policy—we are able to say at moments of Budgets or spending reviews, "The impact that this policy decision would have on poverty is this".

Matthew Oakley: It is also important to recognise the commitment the commission has made to making available the code that underpins all of our assessment methodology. It is open access. Anyone can use it, take it on and do that modelling themselves. Very much what we are pushing for is for anyone possible to take this forward and start holding Government to account.

Q40 **Nigel Mills:** The final question, if I am allowed one, Mr Chairman, is that this inquiry we are doing is called "welfare safety net". We are looking at whether we still have an effective welfare safety net throughout the UK. Do you think a safety net is a great analogy? I picture that as being for the guy on the high wire. It is there if he falls off, which is not really how we use the welfare system. What is your general assessment of how effective our welfare policies are in achieving the real measures of helping those who cannot help themselves, but also keeping people out of poverty?

Baroness Stroud: It will not be surprising to hear that I have given this a huge amount of thought over the years. What is the role of the welfare state? For me, with a 21st-century labour market that is so different from what it was when the welfare state was first created, the first thing that the tax and benefit system—in effect, the welfare state—is designed to do is that it has to reward the move into work and it has to reward in-work progression because those are the healthy, strong life choices that people make. That is an absolute essential building block, but it also needs to help people to avoid poverty. It needs to act more like a trampoline—you fall down and you get back up again—rather than just a static safety net. For those who cannot work, it needs to provide stable, uninterrupted income that provides for a dignified life. That is where the debate—

Q41 **Heidi Allen:** "Uninterrupted." How did it get to that word? I do not think we have managed that terribly well.

Baroness Stroud: We have not managed that terribly well, no. It is finding where that dividing line is too, which is always complicated.

Q42 **Heidi Allen:** And always changing.

Baroness Stroud: Yes, always changing.

Q43 **Chair:** It does suggest on Universal Credit at another stage of its life, Philippa, that if we are trying to reward people for progressing in work, the taper should be such that it rewards them more for climbing further up the pole rather than giving equal rewards for every little step.

Baroness Stroud: Yes. A really integrated system would be where the tax system dovetailed with the Universal Credit system.

Q44 **Heidi Allen:** Is the taper rate not a bit like a tax system?

Baroness Stroud: Yes, it is. Obviously when Universal Credit was first designed the taper rate was set at 55% or maybe it was 50%. In fact, I think Amber may have even made comments the other day that she would like in future to see it at 60%. People are beginning to understand the power of Universal Credit to reward progression in work, because it is the work allowance that rewards the move into work and the taper rate that rewards progression in work.

Chair: Or it does not.

Baroness Stroud: It is designed to by those who were involved in the design.

Chair: Designed to, before Osborne got his hands on it.

Q45 **Heidi Allen:** Apologies for being late, and I may have missed part of the debate. Could I check one small question? When you were talking about assets before, you were very focused on what is liquid. Explain that to me. Why is somebody sitting in a £1 million house—

Baroness Stroud: One of the principles that we used when we were designing the measure was not to get overly-distracted by black swan scenarios that would then distort the measure to try to include them and reach them. We do know that there are some people who are income poor and in terms of property asset rich. But the emphasis of the measure is who is in poverty today and what their experience is today.

If you were to look at long-term poverty, you would say in two years' time or a year's time they could sell that property and liquidate their assets, but today they cannot put food on their table by selling their property. There were a number of things like vintage car collections and all sorts of things that we thought we could try to reach in a measure, but we would distort the measure, and there are not that many of them.

Chair: Culturally you are not able to shift their views about keeping their asset as 100% for most people. The idea that you are looking at the cash that they can draw on, rather than an asset they wish to give to people—it is all right to say it is wrong, it is irrational, but that is what the British people generally like to do. Either we try to push water up the mountain or we think the water should come down the mountain.

Q46 **Heidi Allen:** It is mean to try to draw you into policy because I know that is not what the commission does, but on the one hand that is very non-judgmental in saying that person will find the right way, they will sell it when they have to, whereas we are being quite judgmental, you might say, by the two-child policy, because we are saying, "You should have known better".

Baroness Stroud: We sought to be non-judgmental. One of the principles in establishing the measure was that we were going to be judgment-free as to how people had got into poverty. If somebody had got there through a huge gambling lifestyle, they were still poor today. We were not, as a commission, going to have a view as to how people had got there. We were going to measure whether or not they were in poverty today, and that was the objective of the development of the metric.

Q47 **Heidi Allen:** It is very easy for us visually to see when the welfare net is not working, because you see the foodbanks and people struggling with debt or mental health and everything that comes with that. It strikes me that your work is very much about measuring poverty, measuring the manifestation. How do we measure? How do we know, to flip it on its head, when the welfare safety net is working? What are the measures of that?

Baroness Stroud: The welfare state working would be when people are in work full-time there should be zero poverty. You are doing everything you can, you are doing everything right. You should be able to—

Q48 **Heidi Allen:** For those who can work—

Baroness Stroud: Yes, for those who can work. In our measurement, 90% of households in full-time work are out of poverty. What concerns me is the 10% who are not.

Q49 **Chair:** So you are not misrepresented on this other world out there on social media, you did say there would be large numbers of people at any one time who could not work and that we should protect and nurture and value them.

Heidi Allen: Yes, these are the ones who cannot.

Chair: This is the group, yes.

Baroness Stroud: The group who can. Obviously, to repeat what I said in terms of a welfare net working effectively, it is when those who cannot are well-cared for.

Q50 **Heidi Allen:** Well-cared for being not lighting up any of your poverty dashboard statistics. I was interested in your thinking around the additional costs, for example, that people have. Just because the income the welfare state might be giving them is enough, chances are the costs for extra heating or whatever it might be could be in addition to that. You are saying it is when those people are not lighting your poverty-measure dashboard, I suppose?

Baroness Stroud: Yes.

Q51 **Heidi Allen:** Is that achievable, given that the DWP is a machine?

Baroness Stroud: One of the conclusions that I came to from this work is that there needs to be a big national conversation about the issue of disability. I would love to see a disability commission seriously looking and doing the sort of work that we did. To create poverty measures took two and a half years, most people think, "Why did it take that long?" It took that long because we were bringing left and right experts, academics, lobby groups, the whole spectrum together, and we only had one intention, which was how do we really identify who is in poverty in the UK and how do we measure that?

If you were to do a disability commission, it should have one intention, which is to ask how you see people with disabilities genuinely thrive and be able to fully participate in the United Kingdom and what is the strategy that you would need to deliver that. We do too much of our policy-making piecemeal.

Heidi Allen: Don't we?

Baroness Stroud: Also we do too much of our policy-making at Budgets and at spending reviews, when there is no conversation because it is hidden before the announcement. For really healthy policy-making you need to bring people together, you need to allow your thinking to be challenged in this sort of environment, you need to genuinely work issues through until you come out with something that is a very real solution to a problem.

Heidi Allen: A lesson for Brexit, perhaps. Can I finish with one question?

Q52 **Chair:** No, I am anxious. Matthew, thank you, Philippa, thank you. It is really difficult to think of a more important project that should have further funding. I do not know how you will craft that for your applications, but I am sure members of the Committee would agree.

Baroness Stroud: I think you have just given us a beautiful quote that we can put on our application, thank you.

Chair: That was the intention. Also what was so fascinating was the insight. Because we do not have this work done and operative when the Budget manoeuvres are going on, one huge section of the population on low income do not have a force to be reckoned with in the Whitehall negotiations. That was fascinating, from both of you. Huge thanks.

Examination of Witnesses

Witnesses: Professor Fitzpatrick and Julie Jarman.

Q53 **Chair:** Welcome. Might you introduce yourself and we will ask your colleague to do the same? Then we will ask Steve to kick off the questions for us.

Professor Fitzpatrick: Thank you. My name is Suzanne Fitzpatrick. I am Director of the Institute for Social Policy, Housing and Equalities Research at Heriot-Watt University in Edinburgh. Probably of greatest relevance to this Committee is I am the lead author on the "Destitution in the UK" study, recently published, funded by the Joseph Rowntree Foundation.

Julie Jarman: I am Julie Jarman. I am from the Equality and Human Rights Commission and my area of work is on living standards, which includes social security.

Q54 **Steve McCabe:** Good morning. I am interested to know what you think are the main weaknesses in the UK's welfare safety net and what you think Government should do about trying to address them.

Julie Jarman: I will start. We think that there are a lot of weaknesses in the welfare safety net. We have concerns about the impact on protected characteristic groups. Echoing what Philippa Stroud was saying, we know disabled people are some of the worst impacted by welfare changes. There are other elements as well. The way the sanctions and conditionality system is working as an integrally linked thing, the problem often being conditionality, is not achievable so people are sanctioned for things that they never could have achieved.

Another element is the way that the hardship fund works or does not work and people's ability to access that. There are a very significant set of concerns around a lack of reasonable adjustments within the system. We think there are serious systemic problems around a lack of reasonable adjustments, including conditionality, but things as simple as people physically not able to access jobcentres, alternative formats, British sign language and so on. Also we think that potentially the UK welfare safety net does not comply with international human rights standards. The Government have signed up to international UN treaties, but regularly the UN bodies that monitor that express concern.

Q55 **Steve McCabe:** Are you thinking about this report that was released recently?

Julie Jarman: The Special Rapporteur's report, do you mean?

Steve McCabe: Yes.

Julie Jarman: He spoke in very clear language about it, but over years the UN Committee for the Rights of Disabled People has made formal representations to the UK Government and also the Committee on the Covenant on Economic, Social and Cultural Rights. Those are the two big treaties that are relevant for this. They regularly say that the Government are not providing benefits that support an adequate standard of living.

I will give one little quote. In 2016 the UN Committee on the Rights of People with Disabilities found evidence of "grave and systemic violations" of disabled people's rights to an adequate standard living and social protection. It is not just one visit from the UN Rapporteur; these comments have been made over years.

Q56 **Steve McCabe:** Thank you. Suzanne, do you want to add anything to that?

Professor Fitzpatrick: Yes. The main point that I want to get across to the Committee is that the chronic problem that is driving destitution and indeed poverty is that working-age benefits are paid at far too low a level now and have been for a number of years. Obviously, that has been exacerbated by the benefit freeze, so they are losing value year on year. What that means is that people living on these benefits, on the working-age benefits, are unable to withstand any kind of minor—even very minor—income or expenditure shock.

When you impose things like sanctions or deductions for public sector debt, which I know we will talk about later in the session, or if you have a gap or a delay in your benefits, including of course the five-week delay in receiving your first Universal Credit payment, it is more or less inevitable that people will be pushed into not just poverty but absolute destitution, so that they cannot meet their most basic physiological needs. It is really quite an extreme situation we find ourselves in now in terms of the inadequacy.

Q57 **Chair:** Suzanne, we heard from our first session, which I felt was most important, about Rowntree's original study, where he did not just look at income, he also worked out necessary expenditure. If we had had those two sides of the balance sheet, as was described in the first section, these issues you are describing would have shown up a lot earlier, wouldn't they?

Professor Fitzpatrick: I think that is absolutely right. I only caught the end of the last session, but I think this point about having to look at both sides of the balance sheet—both people's income and their necessary expenditure—is absolutely critical. Looking at hardship in an objective sense, looking at the real deprivations that people are suffering because of the imbalance between their income and expenditure absolutely lies at the heart of our analysis of destitution as well as the work you have been hearing about in terms of poverty more generally.

Q58 **Steve McCabe:** Obviously, I was asking initially what you thought Government should do about these problems. What about if you turned it around and looked at the local state? What things could the local state do better to tackle some of the issues, particularly the destitution issues that you are referring to?

Julie Jarman: The local state in many ways has actually taken on a bigger role, certainly since 2010, as the mainstream central welfare state has reduced its protection, particularly for people at the most extreme end of poverty. You had the abolition of the social fund, the discretionary social fund, and particularly within that crisis loans, which have traditionally been the last line in defence in the social assistance scheme for people in emergency and crisis situations.

In England what we have seen is a very rapid reduction in the protection offered by local welfare assistance funds, with those being decentralised to local authorities, cash-strapped local authorities, because they have borne the burden of austerity, particularly in the poorest parts of the country and they do not have a statutory duty to deliver local welfare system funds.

Evidence we have just gathered through our "Homelessness Monitor" series—not yet published, but we have done the analysis—shows that almost of a fifth of local authorities now in England have no local welfare assistance fund at all and many others will have reduced the support through it. In England you have an increasingly patchy and inconsistent last line of defence, which is why you are seeing people having to go through the utter humiliation of throwing themselves on the mercy of foodbanks and so on.

That is very different to the position in Scotland, Wales and Northern Ireland, where a national scheme has been preserved. It is delivered locally in Scotland, it is delivered nationally in Wales. In Scotland there is local delivery of a national scheme, and the protection offered by the local state is, as a consequence, much stronger. I think the main point here is not to criticise local authorities. Local authorities are left trying to do their best in very difficult circumstances.

Q59 **Steve McCabe:** I accept what you are saying about the overall lack of resources and how cash-stretched councils are, but is it fair to say that we have very inconsistent approaches from local authorities? Some seem to deliver their welfare policies more efficiently than others. Some seem to reach a wider group of people and seem to have a better network for connecting with people. Is there an argument for asking for a bit more consistency from the way local authorities do the job?

Professor Fitzpatrick: Absolutely. It is certainly the case that some local authorities do this job much better than others. We have certainly come across good practice where local authorities integrate their local welfare assistance fund scheme with debt advice, welfare advice, into work advice and so on for people. In other areas they do much less of that. But it is an inevitable consequence of the localisation of welfare that you are going to have inconsistency across the country.

For me, that is a very strong argument for a central framework, adequate funding and minimum standards that has to come from central Government, locally delivered and co-ordinated, but with central Government imposing the standards and adequately funding what it wants local government to do. Yes, some do better than others, but we do need that national leadership, which we do not have at the moment.

Steve McCabe: Fair enough. Julie, do you have anything to add to that?

Julie Jarman: Can I come back on what the Government should do? One of the things that we are interested in is that there is not regulation of the delivery of the Department for Work and Pensions services, in the sense that we do not have an Ofsted or a Care Quality Commission. That is because the Department for Work and Pensions directly delivers a lot of the work itself. We would be interested in introducing clear, publicly available service standards because we think it would be a very good preventative measure. As we know, advice services are absolutely creaking anyway at the moment.

Heidi Allen: That is a really good idea.

Julie Jarman: Thank you. That was my idea.

Q60 **Heidi Allen:** Would you do it per region, per jobcentre, per work coach?

Julie Jarman: I think you would probably do it per jobcentre and then you could measure it and you could report on it in a transparent way. For example, if you are a mental health trust, you have a set of measures, like 95% of people should get access to IAPT within a certain number of weeks. That was the idea that I had, that you could transfer that. If we are saying that Universal Credit should take five weeks to claim, there should be maybe a target initially of 80% should get it within five weeks, 95% within six weeks. Then you could measure and compare jobcentres across the country.

The other sort of thing that I would have thought could be in some fairly basic service standards is if you have been sanctioned you should be informed first that you have been sanctioned; secondly, why you have been sanctioned; thirdly, that you have a right to appeal and what it would be; and fourthly, relevant for this conversation, what your route is to hardship funds and how you would go about applying for them. You could make a service standard to say that in the event of being sanctioned all of those things would happen. Then jobcentres would be measured.

Q61 **Steve McCabe:** That is something this Committee has looked at before. You are suggesting a kind of fairer and more consistent approach to any sanctions policy, whereas at the moment it seems to be a fairly capricious system, I suppose.

Julie Jarman: Yes, but it is also about the system, isn't it? It is making sure that the system is functioning. We know from your own report into work capability assessment and PIP how long it can be to wait for appeals and how onerous the appeals process is. You could set some service standards around that. The principle of it is that it is publicly available and measured, that the Department is publishing statistical evidence of its performance, as we do with other services.

Steve McCabe: A kind of Ofsted for Work and Pensions.

Chair: I am trying to work out what the initials should be for the new service. I will tell you at the end of the meeting.

Heidi Allen: It would argue it is doing some of that already. Getting statistics out of the DWP is like getting blood out of a stone sometimes. It is starting to, but I like the idea of it being very localised. In that jobcentre or—not call centre—processing centre, what is their sanction hit rate? Link it to poverty indicators or whatever they might be.

Chair: That was a good Freudian slip, the call centre.

Q62 **Steve McCabe:** You can see what culture is going to be at the centre of the Universal Credit approach and that sort of thing. We are constantly asking, "How do you know these people can do this job and are properly trained?"

Let me ask you one last thing. It would appear that the new Secretary of State is looking again at Universal Credit. We have had a slowdown on managed migration, we have had our views on the two-child policy and there are obviously some changes in the wind. How far they go I think remains to be seen. What kind of effect do you think the changes she is introducing will have on general poverty trends and is there any single bit of advice you would want her to take on board?

Julie Jarman: From our perspective, we welcome the fact that she is trying to address it and make Universal Credit work in the way that it should and in the way that it was designed to. For us, the single most important thing would be to do a proper equalities impact assessment, ideally a cumulative impact assessment, of the impact across the board of all of the welfare changes. Very specifically for the rollout of Universal

Credit, there has not been a published and proper impact assessment since 2011-12, which we find really shocking. I know that Alok Sharma said that they do them internally, but that does not provide much assurance to other people when they are not publicly available and we do not see them.

Q63 **Chair:** We could ask for them though, could we not, as a Committee?

Julie Jarman: I think you have and have not had them. I think Ruth did and did not get them.

Q64 **Chair:** Have they not given them to us? Then we should do a freedom of information, shouldn't we?

Julie Jarman: She did.

Chair: The Committee collectively.

Julie Jarman: We have spoken a lot about disabled people, but we also know that the welfare reform programme has impacted badly on lone parents and on some ethnic minorities and you need to be precise about which ones. In particular, Pakistani and Bangladeshi communities have been very badly impacted. Of course they are also impacted disproportionately by the two-child limit as well. We think that it is really important that they should do a high-quality equality impact assessment that is published, and that we can see that the implications have been taken into account.

Q65 **Steve McCabe:** I hope I am not going to be shot down in flames for asking this, but are they badly impacted because those are two communities or ethnic groups that tend to have larger families at the moment, whereas the trend has changed for some other groups?

Julie Jarman: It is partly that. Also I think statistically there is under-claiming in Pakistani and Bangladeshi communities and a high proportion of people are in work, but very low-paid work, in those communities.

Q66 **Chair:** Can I interrupt on that point? Voluntary bodies, 50-odd bodies, are coming together on Saturday in Birkenhead. One of the powers behind this runs the local mosque and he is very concerned about Bangladeshis not having the IT skills to get themselves registered for anything, let alone be discriminated against because of the size of their families. It is a mega-important point that you make.

Julie Jarman: Accessibility of IT. We talk about language and access to IT itself, but also we have very big concerns for people with mental health problems and in particular for people with a learning disability. It really requires them to go with some form of advocate to support them. Also the Gypsy, Roma and Traveller community. It is difficult to know because the data is not kept in order to be able to identify it, but their access to IT and their IT literacy is very low.

Steve McCabe: Thank you. Suzanne, is there anything you would want to add?

Professor Fitzpatrick: We have obviously very much welcomed the Secretary of State saying that she was in favour of unfreezing working-age benefits. I think the key point for the Committee to take on board is that simply unfreezing benefits from their currently gravely inadequate level is not going to be enough to move us away from mass destitution in the UK among working-age claimants, which is what we have at the moment. We have to recalibrate those benefits to take account of the expenditure point. What people need is a residual income in order to be able to—

Q67 **Chair:** It would be good at least to stop the freeze, wouldn't it?

Professor Fitzpatrick: It would be very good and it is certainly the absolute minimum. It is the absolute minimum that is required, but it is certainly not enough. As part of the destitution research, we asked a representative sample of the general public, "How much after housing cost income would it take to keep a household like yours out of destitution?" What people said is £70 a week if you are single person living on your own. That is higher than the JSA rate or Universal Credit rate for under 25s and not much lower than for over 25s, so we are already paying benefits at destitution level or sub-destitution level. That is the number one most important issue.

I think all these issues around the structure of Universal Credit, particularly the five-week gap at the beginning, and all the issues around deductions that we will talk about sanctions, are terribly important, but they are against this chronic backdrop of the overall level of benefits being too low.

Could I just add something on sanctions at this point in the discussion? If the Committee has had a chance to look at our report you will see that we estimate that there has been a reduction in levels of destitution between 2015 and 2017 in the UK. There are still 1.5 million people affected in 2017, but that is fewer than in 2015. We think the main reason for that is the reduction in sanctions. That tells you just how important sanctions are in driving people from severe poverty into absolute destitution.

What it also means is that these other gaps in deductions in benefit are now even more important than sanctions in terms of avoiding destitution. I think it is important to have sanctions front and centre in this sort of discussion, but not to lose sight of these other deductions.

Q68 **Chair:** Can you explain those other deductions for us, Suzanne?

Professor Fitzpatrick: I think there are gaps in benefits when people are moving between disability benefits or trying to claim disability benefits. We have heard a lot about disability, and I completely echo what colleagues have said on that. It is an incredibly important issue. Almost half of the destitute population that we surveyed had a serious health or disability issue. Trussell Trust research and foodbank users find the same, so that is absolutely critical. These issues in disability and sickness benefits are incredibly important, but there is a whole array of other deductions that are taken out of people's benefits.

Going back to the point Heidi made about DWP data, I think we need much better data on the array of deductions that are being taken out of people's benefits at source. They are largely for public sector debt, so DWP itself is clawing back benefit advances, social fund loans and so on, and benefit overpayments. Local authorities critically pursue fairly harsh debt recovery practices in relation to council tax arrears in particular.

Q69 **Chair:** Selling the debt on quickly so that the bailiffs come chasing?

Professor Fitzpatrick: They do that as well, so I think there is a really important co-ordination issue here between a number of public authorities, particularly local authorities and DWP, in co-ordinating their debt recovery practices. At the moment people can be hit with a whole array of deductions. The different public authorities are not speaking to each other.

Q70 **Heidi Allen:** HMRC are in the mix as well, of course.

Professor Fitzpatrick: Indeed, with the tax credits too, that is right, and also the housing associations and local authorities as landlords, although for the research that was done by the New Policy Institute for the Joseph Rowntree Foundation, which was on legacy benefits, DWP could not provide the information on Universal Credit claimants at this point. But on legacy benefits the most important deductions were DWP deductions for social fund loans and so on. The next most important were council tax arrears and then utilities, particularly water. People are being driven to destitution largely because of benefit advances and water and council tax arrears. This is not about consumer credit or store cards or people behaving irresponsibly.

Q71 **Chair:** So basic things?

Professor Fitzpatrick: These are debts that people cannot avoid having.

Q72 **Steve McCabe:** Water companies are all supposed to have some kind of special provision for people who get into difficulty, aren't they?

Professor Fitzpatrick: What they cannot do is cut people off, so they cannot disconnect people in the way that gas and electricity can.

Q73 **Steve McCabe:** I thought they were all supposed to have some kind of reserve fund or something that was meant to help people.

Q74 **Chair:** Utilities do have an approach to writing down or off debt, but you have to have someone to help you, to know that they are going to do this.

Professor Fitzpatrick: Certainly there are some measures in place, but the outcome is still that it is the third most important form of debt that drives people into destitution, but what I would also say is that the research that has been done again by NPI and others would suggest that the utilities companies perform rather better than local authorities and DWP in being sympathetic. So do private creditors, who tend to get the worst press, so local authorities and DWP have to take more seriously their responsibilities to people experiencing extreme forms of poverty and co-ordinate that debt recovery process.

One of the things we could ask local authorities to do is to really reconsider the minimum payments on the council tax for people at the bottom end of the income spectrum, because that is an important driver here.

Q75 **Rosie Duffield:** For the benefit of people watching, and I have noticed this, we seem to have gone from poverty, we are talking about poverty, throwing it away a lot in the Chamber as an everyday word, and you are using the word "destitution" an awful lot; extreme destitution, severe destitution. Is there a set of definitions or guidelines that you officially use to move your language into that, or is that your perception of how far this problem has come?

Professor Fitzpatrick: If I can respond on the destitution point, when I use the term "destitution" I mean a very specific definition that we developed as part of the research that I have been talking about. The definition of destitution that we use was developed after consulting with 50 experts across a whole range of relevant sectors—child poverty, disability, migration and so on—and then we tested that definition out with a representative sample of the general public. I would say that the definition of destitution that we use is not our definition; it is the general public's definition. We tested that with them and that is consistently and systematically what we use when we quote statistics on destitution.

What I would also add personally is that I see—as a research team we certainly see—destitution as part of a broader spectrum of poverty and hardship, so it is certainly not a replacement for discussions of poverty, but what it is doing is surfacing at that very extreme end, where people cannot even meet their most fundamental physiological needs to eat, stay warm and dry and keep clean.

Q76 **Rosie Duffield:** You are almost saying that we have moved on to that set of people who fall into that so much that you have to mention that word more. I think we should be really alarmed by that.

Professor Fitzpatrick: I think you should. One of the things that we did as part of that study is a literature review, and as late as 2011 in mainstream poverty literature and research in the UK, "destitution" was not used, certainly not with respect to UK citizens.

Q77 **Chair:** That is why some of us started using it.

Professor Fitzpatrick: Indeed.

Q78 **Chair:** It is what changed the debate, wasn't it?

Professor Fitzpatrick: Indeed.

Q79 **Chair:** People got tired and used to hearing these phrases and it did not represent the urgency and the horror.

Professor Fitzpatrick: The horror, the emergency, the crisis, the fact that people literally are starving. They cannot eat, and these are UK citizens. Three-quarters of the people that we identified as destitute or living in households affected by destitution in the UK are UK citizens, so in theory they are protected by the UK welfare state, but from about 2010 or 2011 destitution was not part of the mainstream poverty discussion in the UK. It has become part of that discussion, quite rightly, because the objective situation has moved on.

Chair: We must move on. Heidi.

Q80 **Heidi Allen:** We have touched on quite a bit of this already: you mentioned the IT issues in the Bangladeshi community, the two-child limit, that certain religions or cultures struggle with restricting to two children. You talked about the extra costs that people with disabilities often have, and Ruth's point that is mentioned a lot, this cumulative impact assessment. Do you think the DWP understands or measures the cumulative effect of its policy reforms and welfare system on particular groups—the disabled community, the BAME community, whatever it might be? Do you think there is any appreciation of how particular sectors are affected?

Julie Jarman: For me that is a difficult question. Whether they are aware of the impact I am not wholly sure. What I am sure is there is an impact and we have provided the evidence, so they should be aware there is an impact, but the extent to which they take that into account or produce any mitigating measures accordingly is not always wholly clear to me.

Q81 **Heidi Allen:** Have you identified, or have we as a Committee identified, any statistics? Is there any reporting that the DWP do on the particular groups? Women I suppose would be in there as well.

Julie Jarman: They do some. It is quite difficult to wade through the data and it is not always that illustrative. The work that we at the commission did with some micro-simulation economic modelling is what I am referring to really, which is what Ruth goes on about—the cumulative impact assessment. What it did was it modelled precisely all of the welfare changes both by income decile and by protected characteristics where possible. The data is not kept on some of the protected characteristics, such as the LGBT community. We were able to get sufficient data for many of the protected characteristics to model the impact, but that is why the equality impact assessment or lack thereof is very important, because that is where you look at the evidence you have and then you can take steps to mitigate.

For example, one of our concerns around sanctioning is that there are disproportionate sanctioning rates by ethnicity, by age particularly and by gender. Young black men are very disproportionately sanctioned, first because young people are very disproportionately sanctioned over older people, men tend to be disproportionately sanctioned over women and black people more than white people. They have known that. In the Department for Work and Pensions inequality impact assessment in 2011 they knew that those statistics were there, but they did not address them in any way. They did not say, "Therefore we will do this differently". They just noted it. I think they have the capacity to produce this analysis for themselves.

Q82 **Chair:** Do you think this is a race issue or a class issue? Birkenhead does have a small growing Bangladeshi population, but a lot of white, young males are sanctioned. If I represented an area that had a very large Bangladeshi community I would see a large number of young Bangladeshis sanctioned. It is the age and the class factor, I think, rather than the colour factor, that determines who shows up in the profile. We do something very wrong with young men in the whole of this area, and if you live in an area where, like Birkenhead, it is predominantly white, they are white faces. If you live somewhere else it is black faces, but it is the nature of young men and their engagement, which older society finds so difficult to encounter. That is my observation in Birkenhead.

Julie Jarman: I am not disputing that point, because if you look across the disproportion, young men are very disproportionately sanctioned, but within that statistically across 10 years, some ethnic minorities are more disproportionately represented.

Q83 **Chair:** You have data?

Julie Jarman: Yes, we have data from 10 years.

Q84 **Chair:** Could you show for a predominantly white area like Birkenhead that the sanction rate for young men is less than in an area where is a smaller proportion of white young males in the benefit system?

Julie Jarman: The data that the DWP holds and that we have analysed, along with a couple of academics, is that among 18 to 24-year-old men across the piece, across the country, 11.7% of white claimants are referred to sanction per month compared to 13.8% of black claimants. It is at the national level.

Q85 **Heidi Allen:** How often do you model that data?

Julie Jarman: That data has been modelled by David Webster from Glasgow University every three months, quarterly, every time the Department produces. He has this remarkable bank of statistics.

Chair: I am sorry for the noise outside. There is clearly a scaffold being erected.

Steve McCabe: I thought it was a spy from the DWP.

Julie Jarman: To come back to your point about poverty perhaps, of course from the commission perspective another thing that we think should happen is that the socioeconomic duty should be fully enacted—I cannot remember what the technical term is—brought into force. That is not going to immediately answer problems of destitution, but in terms of trying to build a system that prevents destitution, the socioeconomic duty and gradually making sure that those issues are taken into account as you go about planning your activities at a local authority level would help.

Q86 **Heidi Allen:** The modelling you are doing the DWP should be doing.

Julie Jarman: Yes, and/or the Treasury. We have recommended that the Treasury should do it for the spending review. The Treasury used to say that—

Q87 **Heidi Allen:** Why the Treasury?

Julie Jarman: Because they can pull it across all of the different Departments. They can do a cumulative impact assessment of changes to public spending as well as specifically benefits.

Q88 **Heidi Allen:** If we are interested in the DWP tweaking policy and maybe bringing it down to a grander local level, then surely they need to be churning this data out and going, "We have a problem in Birkenhead" or, "We have a problem with all ethnic minorities in the city centre", whatever it might be. They need to be picking at those things, surely.

Julie Jarman: Yes. What I am not sure of is maybe they do it but do not publish it.

Heidi Allen: That is a question for us as a Committee maybe, to ask exactly what they do.

Chair: We will.

Q89 **Heidi Allen:** The final part of the question, churning out the data, if you have the will and the analytical skill, is pretty straightforward, to look for themes and trends and all the rest of it. Harder, I suspect, to quantify is what we always call the knock-on effects, "If money is cut here, it will pop out somewhere else" whether it is a local authority dealing with it or an NHS issue or wherever it might be—a foodbank. It will pop. You bang the hammer here and it will pop up somewhere else. How on earth do we measure that?

Julie Jarman: We do not have any evidence on this, but I think you have hit on an important thing. I think we need a cost-benefit analysis to be done academically thoroughly on the impact on other public services of changes to benefits. I know this is an anecdotal thing, but I am also involved in a mental health trust, completely outside of my current job that I am here representing. One of our community mental health nurses told me he spends at least 20% of his time just dealing with the benefit system. That is one day a week that he just does that and nothing else. He is quite a highly skilled professional whose job it is to deal with mental health support for the people that he is working with. I am just saying that what is interesting is that you are absolutely right about the knock-on effect particularly to the mental health services, the housing sector, drugs and alcohol services, primary care.

Chair: Can we go on now, because we have two big questions still to ask? Ruth.

Q90 **Ruth George:** You mentioned the socioeconomic duty, Julie, which was designed to get Governments looking at the impacts of their changes going forward. It has been introduced last year in Scotland and I know that the HRC looked at this. Do you want to give us an overview of how effective you feel it has been in the limited time, but possibly what long-term impacts there may be?

Julie Jarman: We support the introduction of it and are really pleased that the Scottish Government have done that, but it is too early to know. They have only just introduced it. They have set a monitoring framework in place that the Scottish Government themselves are going to monitor. It is a bit too early to know, but I thought I would bring it to the Committee's attention that there is an interesting report by an organisation called Just Fair. It has looked at English local authorities that have voluntarily decided to use the socioeconomic duty in their planning—places such as Oldham, Newcastle and York. They are beginning now, I think particularly in Newcastle, to measure the impact on poverty of having done that.

The others are not at the stage where they are measuring the impact of the measures; they are looking more at their planning processes and identifying indicators that they want to monitor, but I think Newcastle is a bit further ahead of that. That is not work that the commission has done, but I thought you might be interested to know that it is out there. It is not very well known because it is a voluntary thing.

The other thing on the socioeconomic duty is that, as you are probably aware, the Welsh Assembly Government is considering introducing it as a separate measure. Currently it sits within their Well-being of Future Generations (Wales) Act, but the new First Minister is interested to introduce it in Wales.

Q91 **Ruth George:** Do you have anything to add about Scotland?

Professor Fitzpatrick: I am not an expert as my colleague here on the socioeconomic duty, but what I would say is that there are a lot of things going on in Scotland that are different from England with the devolution of parts of the social security system. I think what is really interesting is the ethos that the Scottish Government are trying to push on to social security, putting dignity at the heart of it and giving public authorities the responsibility to increase uptake among people who are entitled to benefits. I think the socioeconomic duty is part of a wider swathe of actions that the Scottish Government are taking to put quite a different slant on benefits and the relationship between claimants and the state.

I would certainly support the bringing into force of the socioeconomic duty and I supported it when it was debated in Scotland because I very much agree with the point that Frank Field is making about the very severe forms of disadvantage that certainly young white people—particularly young white men—in the most disadvantaged communities, the ones that have been left behind by economic change and so on, are experiencing. The protected characteristics are incredibly important, but class remains an absolutely fundamental driver of people's life chances, and I think the socioeconomic duty helps provide a focus for that.

On the broader equalities issue, I wanted to mention lone parents, because in this session I do not think we have touched on them. We talked about the two-child limit and so on, but also the overall benefit cap massively disproportionately impacts on lone parents, the great majority of whom of course are women. That is also of massive concern to people in the homelessness world because it is making it very difficult not just for certain ethnic minority groups, but also for many poor lone-parent families to afford any form of housing anywhere in the country. The overall benefit cap alongside the two-child policy should be something that we are very mindful of, as well as the gender implications and the implications for poor children.

Julie Jarman: On lone parents, the other measure that we are concerned about is that lone parents under 25 will have their basic allowance cut by £15 a week in Universal Credit, which is different to the legacy benefits.

Q92 **Ruth George:** Absolutely, and as someone who has just found out my own local authority has sent almost 10% of households to court in less than two years over council tax arrears, the trouble is we have this invisible group of people who are impacted by every sort of system, whether it be DWP, local authorities, as you say, or utility bills and feel they have no way of addressing that. I thought your suggestion, Julie, of having a local ombudsman or equality commission around services, particularly DWP, is really important.

Chair: Also from what you said, Suzanne, if we could get it over to local authorities that they are one of the worst offenders for collecting debt and destroying families. Most authorities would be absolutely shocked, wouldn't they, that they are at the top of the table? Any local monitoring needs to get them in view as well.

Q93 **Ruth George:** Absolutely, and it might be something around debt that this Committee wants to look at in future and the cumulative impact of debts from different organisations on people in poverty and how those organisations treat them, so thank you for highlighting that. Is there any particular reason why the socioeconomic duty could not be extended to the rest of the UK?

Julie Jarman: No.

Q94 **Chair:** Very good. Good answer. It should be, shouldn't it?

Julie Jarman: It should be. As I said, it is quite interesting that English local authorities are voluntarily beginning to look at that, partly I think because there is less resource. They have less resource, so they have to think very carefully as a local authority about how they are going to ensure it is targeted at the people who most need it. I think that is partly the driver that has been behind them wanting to take into account socioeconomic disadvantage.

Q95 **Chair:** Is it true, Suzanne, that why Scotland on so many fronts appears good compared with England is that Scotland has more money and there is no reason why English authorities with equal amounts of money would not behave equally well?

Professor Fitzpatrick: I completely agree. The point I want to get across to the Committee is I am not sitting here criticising English local authorities. They have borne the brunt of austerity and unconscionably the local authorities in the poorest parts of the country have been hit hardest. I think we see some of the outcome of that in these harsh debt recovery practices because they need the money, and I completely agree that the higher public spending in Scotland allows for more progressive policy.

Clearly the best way forward on that would be to ensure that local authorities in England are adequately resourced for the job that they have to do, which they are not, and that position looks likely to get worse with the regressive impact of the changes to local government finance that are going to happen between now and 2020. I do think that the swingeing cuts to the pro-poor services that local authorities provide in England is almost as big a problem as the cuts in welfare. If you look at the sorts of services, it is local welfare assistance funds, discretionary housing payments, the whole range of services that they provide to poorer children and so on, and poorer young people. Those have all been cut massively, inevitably, because local authorities are so short of funds and they have to pare back to their absolute statutory duties.

Q96 **Chair:** The bar has been raised for eligibility.

Professor Fitzpatrick: Local authorities are in an absolutely impossible position, particularly those under the highest pressure with the largest number of poorer households.

Chair: In England 10 years ago, Suzanne, for children to be hungry would have been a major trigger to action. It is now so common that it is taken for granted and one expects voluntary bodies to deal with that hunger. That is the transformation we have seen. Sorry, Ruth.

Q97 **Ruth George:** Obviously, yes, the policies are happening because they are short-term policies. I wonder whether any work has been done on looking at not just the wider impact on other organisations of severe poverty but the long-term financial impact of children growing up in hunger and what their life chances are. In my own local authority, they collect around onethird of the council tax that they put over to bailiffs.

Local authorities that have a more supportive policy with people in extreme poverty manage to collect more council tax and they do better, so I do not want us to be going down the avenue of saying that because there have been large cuts we have to have a punitive policy.

I wonder if there is any form of academic research that looks at the impact of a supportive policy and what the overall financial impact of that is; whether it is savings or whether it does cost more in the long-term.

Professor Fitzpatrick: Certainly the work that the National Policy Institute did for the Joseph Rowntree Foundation on how local policy in practice could help prevent or alleviate destitution reported on these findings and those local authorities that took a more progressive, more supportive policy on council tax arrears recovery tended to recover more arrears. There are good efficiency grounds for a more constructive approach, and I certainly think that cash-strapped as local authorities are, the last people they should be taking that out on should be the very poorest in the community. I would not want in any way to support harsh recovery practices. I think it just gives a context for them and we have to understand that.

In terms of local government financial cuts, not only have the finances of local authorities in general been cut but within that their housing budgets and within that again their Supporting People budgets have been cut by probably around two thirds in general, and more in some places in the country than others. That disproportionately affects people with what we call complex needs, who are also far and away the people most likely to be sanctioned under the benefit system too. We know from work that my colleague, Glen Bramley, and others have done, and economists have done, the very disproportionate impact that that group has on the public finances in general, so they are people who are not only poor but are also experiencing homelessness. They might be involved in the criminal justice system, they might be suffering from an addiction of some kind and we certainly do have academic analysis of the impact of the lack of support for that group on a whole array of parts of the public purse, including the NHS, but also the justice system and so on.

I would not say there is a comprehensive account of the kind that you are referring to, but I do think there are certainly lots of elements of the story there that we could pull together to show what the cumulative impact is on the public purse. The cumulative impact on the very poorest households is something that we really have to capture. DWP and HMRC and so on are not doing that at the moment. If you try to do a review of the evidence in this field you find one report on overpayments, another report on sanctions, another report on perhaps disability benefits.

What would be really valuable for this Committee to do is to ask DWP to bring together a cumulative account of the entire burden of deductions that people are experiencing on Universal Credit, but also on legacy benefits. Only then can we realistically know how much money people do have to spend on basic essentials. We just do not know at the moment.

Q98 **Heidi Allen:** Did we ever know it? Have previous Governments ever done this?

Professor Fitzpatrick: I do not think they probably did, but there were not the level of deductions that there are now.

Q99 **Chair:** They did not need to do it.

Professor Fitzpatrick: Exactly.

Q100 **Chair:** They knew perfectly well what they had to spend because they received the money that Parliament laid down they should get.

Professor Fitzpatrick: The level of deductions is much greater than it has ever been and also the level of benefits has lost value. If you had a higher starting point in terms of level of benefits, the deductions and the sanctions would not have the devastating impact that they have. The point is the devastating—

Q101 **Heidi Allen:** It is a tiny amount to start with and then—

Professor Fitzpatrick: If you are already paying people at destitution level or below destitution level and then you impose sanctions and deductions, that is why we call it destitution by design. It is absolutely inevitable that people will become destitute. I do not think we probably did need it to the same extent that we do now. I think the reality is just not clear to any of us, apart from in the studies like ours that show some of the outcomes of it, but the DWP could draw together that evidence about the cumulative impact of the whole array of sanctions and benefit gaps that people experience so we know how much people are being required to live on.

Q102 **Chair:** You would have to be brave and a good reformer to do that.

Professor Fitzpatrick: The other thing that we have not really touched on—

Q103 **Heidi Allen:** Aren't there two things that would not fix all of it, but for me it would be kill the five-week wait and lift the benefit freeze?

Professor Fitzpatrick: They are the most important. They are not enough, but they are the most important. The other thing that they have not touched on is the extent to which people are having to dip into these inadequate benefits to top up housing costs, because of the LHA freeze and also the bedroom tax, although that has been mitigated to a large extent by DHPs than for private sector tenants. Even once you take account of all of these deductions and sanctions and so on, whatever money people are left with very often they are also having to dip into that to top up their rent.

Those income maintenance benefits were never designed to cover any of their rent, because that was dealt with separately through the housing benefit system. If we were to have that kind of analysis that would also have to be factored in, the fact that people have to top up their rents too, and then we would have a really realistic picture of how much people are expected to live on in terms of food, clothing, heating, lighting and so on.

Q104 **Rosie Duffield:** I think we have covered this in different ways, but I want to ask Suzanne directly how do debt recovery practices in Government affect poverty and hardship and what changes would you suggest making to that?

Professor Fitzpatrick: As you say, I think we have touched on it. I think the key point to emphasise when we talk about debt recovery is that it is mainly public authorities that are the problem. They are a bigger problem for destitute people than private creditors. We have the wherewithal within public policy to do something about this and I also do not think it is a deliberate outcome or an ideological commitment of anyone to drive people into destitution this way. I think it really is something that should be fixable politically as well as practically.

What we need is co-operation between the different key creditors—Department for Work and Pensions, local authorities, utility companies, particularly water companies, and also HMRC, in terms of tax credits— in order that there is some minimum residual income that it is agreed that people will always be left with, that we calculate is sufficient for people to meet at the very least their absolutely essential needs for food, heating, lighting and clothing. That is the most fundamental thing we need; that individual households are left with enough residual income and that we have co-ordinated debt recovery practices for that reason.

Q105 **Chair:** You did stress that. That is so revolutionary now. It would not have been 20 years ago because they would have received the minimum income, but there is an income that the sharks cannot get at?

Professor Fitzpatrick: Absolutely. I think having a residual income is important. There is a cap on deductions under Universal Credit, there was a lower cap on deductions than there is under legacy benefits, but the problem is that the picture is quite complex and the cap does not cover all the deductions that might be taken out. Also, even if you look at the 40% cap, which is going to be reduced to 30% I think later this year under Universal Credit, if you are already talking about destitution level benefits and people are having to dip into it to pay for housing and so on, then if you are going to take 30% or 40% out of that, you are leaving people with barely nothing to live on. That is the most fundamental issue, to really get an agreement that there has to be residual income that we calculate is enough for people to meet basic essentials that is left after all the deductions.

There are some specific things particularly public authorities could do. We mentioned the council tax arrears issue from local authorities and there is a real agenda there that should be taken up in terms of minimum payments, recovery practices and so on. I think there is some very specific stuff for the DWP. Benefit advances and particularly the advances to cover this five-week gap at the beginning of Universal Credit are clearly incredibly important in driving people into destitution, because you have to repay them. The fact that severe hardship payments now have to be repaid, which they did not before, these are all things that are within the gift of DWP to do something about. Also there is probably more the utility companies could do, particularly the water companies. There is a general co-ordination and minimum residual income task here and then I think there are some specific actions for particular public authorities.

To touch on housing to finish with, one of the particular changes that has been made under Universal Credit is that DWP deducts between 10% and 20% for rent arrears, whereas before it was a maximum of 5%. Now it is between 10% and 20%. The National Housing Federation has said that that is too much, that it is unsustainable for many tenants, so you have the social landlords saying, "This is too much". I do not understand, given that the social landlords are not demanding such a high level of recovery, why the Government cannot reduce that particular threshold as a matter of urgency.

Rent arrears are not as important as council tax arrears in a quantitative sense in terms of the deductions, but they are still very important. I think there is an array of specific policy and practice changes and then there is an overall co-ordination and residual income task that we have in front of us.

Julie Jarman: It is not specific to this, it was an evidence gap that I thought in relation to destitution was an important one. There is not enough evidence around about the people who are dropping out of the system altogether. We have focused on the people who are in the system, the levels of deductions. I think the most recent DWP research was in 2011 or 2012 and I calculated that about 2,000 people a year had no visible source of income. They had been on benefits, they were found fit for work or for whatever reason came off benefits, but were not signing back on to another benefit. They had been found fit for work, left ESA and then not signed on to Universal Credit. There is a hole. People are falling into a hole.

Q106 **Chair:** If the DWP had a large sample that they kept relationships with, they would see that problem, wouldn't they?

Julie Jarman: Yes.

Q107 **Chair:** They would see the cumulative problem of sanctions and other cuts and therefore they would get a real feel of what was happening to real people, rather than giving us snapshots of so many on that deduction, so many on that. Awful as that is for an individual, it is the cumulative impact, is it not, and the time factor?

Julie Jarman: Absolutely.

Professor Fitzpatrick: In the most recent destitution study there was an increase in the number of people who reported no income from any source. A lot of those people are people who are probably not UK citizens and some of it will be about migration status, but there were certainly quite a number of people, particularly people with complex needs. I think people would argue that one of the almost explicit purposes of the increased conditionality and sanctioning regime within working-age benefits was in fact to dissuade people from staying within the system. Certainly that was an explicit policy objective in the United States. Before we went down that route in the UK, it happened in the US and lots of people left the system altogether and some would argue that is one of the purposes of increased conditionality.

Julie Jarman: I know from our voluntary sector stakeholders there are some people who become very visibly destitute, they are homeless or they are in A&E or they are readmitted to mental health, but I know that there are voluntary sector partners and stakeholders who are concerned that there is a hidden population who are not visible at all because they are being cared for by families at home. A family who are poorer anyway because they have been caring for someone who is disabled are then trying to support someone, particularly with mental health but other disabilities as well, who somehow has just not coped with the system. Something has happened, they have been declared fit for work or something has gone wrong with their claim and they disappear from the system.

I am not saying that happens. I am saying it is an evidence gap and that the voluntary sector raised concerns about that and there was some evidence from the Department for Work and Pensions when they did a detailed statistical analysis of it. As Suzanne says, your evidence is that there is an increase of people with no visible support. So it is not that we as a Commission have a position on it; an evidence gap is what I am flagging it as.

Professor Fitzpatrick: I think you do see a lot of those people turning up at foodbanks. The work that we have done, the destitution study, but also our multi-year analysis for the Trussell Trust of the users of foodbanks, shows that a great many of the users are people with disabilities and sickness. At least about half are people with quite serious health issues. A lot of them are social tenants, so I think the social landlords have a potentially useful role to play. Many of them are people, as you say, who are not necessarily visible on the street or visible in that very extreme way, but they are living often in social tenancies in such dire straits that they cannot afford to eat, so we see them in foodbanks.

I think one of the most shocking things about our destitution study is the extent to which the people affected are UK citizens and many of them are not necessarily homeless, but they are living in ordinary communities, often in social housing, increasingly in the private sector rental housing as well, but they cannot afford the basic necessities of life.

Chair: Thank you both. It has been a horrendous session, but you have shined a lot of brilliance on it for us. Thank you very much indeed.