



House of Commons
Work and Pensions Committee

Welfare safety net

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*Report, together with formal minutes relating
to the report*

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Work and Pensions Committee

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Contents

Summary	3
1 Introduction	7
Our work so far	8
2 Levels of poverty and destitution	12
How does the Government measure poverty?	12
Background to the current approach	14
The Social Metrics Commission	15
How should the new measure be used?	18
Other measures	21
Next steps: debt and deductions	23
3 Drivers of poverty amongst different groups	26
Older people	26
Disabled people	28
Gendered and child poverty	32
Single payments of Universal Credit	36
4 The benefit freeze and up-rating changes	37
Up-rating changes	37
The five-year freezes	38
The 2018 budget	39
Local Housing Allowance	40
The combined impact	43
5 Impact and accountability	47
Understanding the impact of DWP policies	47
What claimants can expect from DWP	50
Introducing service standards and an independent regulator	55

6 Conclusion	59
Conclusions and recommendations	60
Formal minutes	67
Witnesses	68
Published written evidence	69
List of Reports from the Committee during the current Parliament	73

Summary

Delivering a speech at Kennington Jobcentre on 11 January 2019, the Secretary of State for Work and Pensions, Rt Hon Amber Rudd MP, set out her belief in the importance of the “welfare safety net”:

As a nation, I believe we all want a decent safety net: if you’re facing a difficult moment in life, the state should be there to help you. Whether that’s becoming unemployed, falling ill, or facing bereavement—nobody should find themselves alone in desperate circumstances. But it is vital that people are supported by this safety net, not trapped beneath it.¹

Since 2010, Britain’s welfare system has undergone substantial reform. This has changed both the benefits available to claimants, and the levels at which those benefits are set. The Department for Work and Pensions (DWP/the Department) says that those changes are intended to encourage and incentivise work—rather than benefit receipt—and to alleviate and prevent poverty. But we have heard repeatedly in our recent inquiries that the Department’s reforms are pushing some people not only into poverty, but into hunger and destitution. The “welfare safety net” is not fit for purpose for people living on the breadline.

People rarely approach select committees when everything is going well. Even allowing for that, the contrast between the Department’s characterisation of the effect of recent reforms, and the evidence we have heard, is stark. It is difficult to avoid concluding that the Department simply does not understand the impact of its reforms on some of the most vulnerable people it supports. DWP’s policy decisions have a direct impact on the incomes of millions of people. There is no excuse for a lack of understanding or transparency about the effects of those decisions.

Measuring poverty and destitution

The Department’s announcement, in June 2016, that it will develop a new measure of poverty is encouraging. The Government’s existing measures of poverty focus on household income. It has no way of capturing whether that income is adequate for a household to live on. The new measure, based on work by the Social Metrics Commission (the Commission)—an independent, non-partisan commission—offers a more sophisticated understanding of who is “poor” and why. The Commission’s innovation is to view household finances like a profit and loss account, with income on one side and “inescapable costs” (such as childcare, housing or the costs of a health condition) on the other. We commend the Department for adopting the Commission’s measure. We are concerned, however, that it intends to use it alongside its existing measures, which will remain the “official” measures. To avoid accusations that it cherry picks which poverty data to use, we recommend the Department makes the new measure its official, central measure of poverty.

¹ DWP, [Speech by the Secretary of State for Work and Pensions at Kennington jobcentre about the future of Universal Credit](#), January 2019

The Commission's measure is of poverty, not destitution. These two terms are distinct. Some of the most worrying evidence we have received is from, and about, people who are "destitute": chronically lacking basic resources such as food, stable housing or fuel because of a lack of money. The Department acknowledges that it would be helpful to understand these issues better, but the Government does not measure, or even define, "destitution" officially. The Commission's approach shows that it is possible to take the debate away from arguments about terminology, towards a more constructive approach to tackling major, sustained hardship. The Department should replicate this approach, setting up an independent commission to develop a measure of destitution.

Risks of poverty

The Commission's measure finds approximately the same number of people in poverty as the Government's measure. But the composition of poverty—who is poor—is different. Under the Commission's measure there are more disabled people and working-age families in poverty, but fewer pensioners, than the Government's measure suggests.

Some people are more at risk of poverty than others. That is because they have "inescapable costs". Disabled people often need to spend more than non-disabled people just to make society accessible and to have a similar standard of living. Parents—especially lone parents—who want to work frequently cannot avoid the costs of childcare. Those same groups may also find that their ability to increase their income through work is limited. This is where the safety net is needed most. The Department should do more to understand whether the benefits it offers to offset these costs are adequate. It has already said that it will review caps on childcare support. It should also commission an independent survey of the additional costs of disability, and use this when setting rates for disability benefits.

Governments' successes in halving pensioner poverty since 2001 highlight just how important positive welfare policy can be in improving the living standards of people who cannot work, or are not expected to work. But unlike pensioners, working-age people have seen substantial reductions since 2010 in the value of some of the benefits that they may be entitled to.

The benefit freeze and uprating changes

'Uprating' is increasing the value of benefits to account for inflation. In 2011, the then-Government changed the measure of inflation used in uprating, from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). From 2013, most working-age benefits (including payments for people in work, for disabled people in the ESA-WRAG group, and for housing benefit claimants in the private sector via Local Housing Allowance [LHA]) were uprated by just 1%.

Even without any further changes, this would have contributed to a reduction in financial security for many of the households DWP supports. This includes people who need benefits to top-up income from low-paid work. But in 2015, the then-Chancellor announced that those same benefits would be frozen in cash terms for five years at 2015/16 rates. The Government said this was necessary because benefit growth had

outstripped wage growth following the 2008 financial crisis: the freeze was framed as necessary to ensure “that it always pays to work”. The outcome is that already low rates of benefit have become divorced from the real costs of living.

By 2019, the Department had already saved £4.4 billion via the freeze: £0.9 billion more than it intended. It rejected our request to end the freeze early, however. Doing so would have lifted 200,000 people out of poverty; the Department’s regrettable decision means that very disadvantaged people are still losing out. When the freeze ends in 2020/21, a substantial chunk will have been taken out of the incomes of some of the country’s most vulnerable households.

Lifting the freezes as planned in 2020/21, therefore, is not enough. From 2020/21, the Government should increase the rates of frozen benefits by CPI plus 2%. That would mean that benefit rates would, after four years, reach the level at which they would have been set if they had not been frozen. From that point, the Department should commit to uprating benefits at least in line with inflation. In addition, the Department should produce a medium-term plan for linking the rate at which benefits are set with the real cost of living.

Understanding the impact of DWP policies

Universal Credit is the Department’s flagship reform: when it is fully rolled out, it will be claimed by seven million people. It represents a huge cultural and system change in itself. Its implementation alongside other reforms means that many thousands of people will be coping with multiple changes to the benefits they receive. DWP told us that it does not assess the cumulative impact of these changes, because such assessments do not usually take into account the effect of policy on behaviour. We think a full assessment is vital nonetheless: it is only by looking at changes in the round that the full impact of reform on household incomes can be understood. We recommend that the Department commissions and publishes a cumulative assessment of welfare reform since 2010 on claimant incomes.

The Social Metrics Commission’s approach to measuring poverty is underpinned by a conviction that “what gets measured gets done”. That also applies to the service that claimants receive from DWP. The Department is clear about what it expects from claimants, but vague about what claimants can expect from it in return. It lacks any kind of publicly available, measurable targets for its own performance. It claims this is because it wants to maintain flexibility in its service delivery. But that applies equally to other public services such as health and education, where standards are independently monitored and measured. DWP is not a special case.

The Department is concerned that people are being put off applying for Universal Credit by what it has called “scaremongering”. Unless it defines what is “acceptable” and measures whether that is being achieved, it cannot confidently claim to be delivering a consistently high-quality service, and in so doing refute the “scaremongering” allegations. It will also struggle to reassure sceptical claimants that they will be well-supported, especially as they move to Universal Credit. The Department should work with its stakeholders and delivery partners (including Citizens Advice) to agree and implement clear, measurable, published performance measures. In the longer-term,

it should consider whether there is a case for introducing an independent regulator for working age benefits to ensure that specific service standards are met—mirroring arrangements in other parts of the welfare state, such as health and education.

The welfare safety net is about more than income, and more than DWP's policies. But DWP has a vital role to play in maintaining its integrity, simply because its decisions affect the incomes of so many households and particularly the poorest. Successive Governments have made huge savings from almost a decade of changes to uprating policies and freezes. The outcome, however, is an increasingly patchy safety net, which is failing to support some of those who need it most. The Department has made an important first step in committing to measure poverty differently. It must now stand ready to act on what it will find.

1 Introduction

1. Delivering a speech at Kennington Jobcentre Plus on 11 January 2019, the Secretary of State for Work and Pensions, Rt Hon Amber Rudd MP (the Secretary of State), outlined “three fundamental principles” that she said should underpin the UK’s welfare system:

First: work—those who can, should; and those who cannot should be protected from poverty. Second—work should always pay. And third, the system should be fair. Fair for taxpayers who pay for it and fair to those who receive it, and fair to future generations—who do not deserve to become trapped in it.

As a nation, I believe we all want a decent safety net: if you’re facing a difficult moment in life, the state should be there to help you. Whether that’s becoming unemployed, falling ill, or facing bereavement—nobody should find themselves alone in desperate circumstances. But it is vital that people are supported by this safety net, not trapped beneath it.²

2. Since 2010 the UK’s welfare system has undergone substantial reform. We have already reported specifically on, or are in the process of inquiring into, several of these changes. They include:

- The roll-out of Universal Credit (UC). UC merges six separate benefits into one single, monthly household payment. It aims to simplify the welfare system and to improve incentives to work.³ When UC is fully rolled out (currently scheduled for 2023) it will be claimed by around 7 million households.⁴
- Changes to the conditions that people have to fulfil to receive benefits (“conditionality”), and the associated sanctions (loss of benefits) for failing to fulfil those conditions. The Welfare Reform Act 2012 and subsequent changes made sanctions “longer, more severe and applicable to more people than ever before”.⁵ The Department for Work and Pensions (DWP/The Department) has also experimented with conditionality for UC claimants who are working, conducting an in-work conditionality pilot.⁶
- The introduction of a “two child limit” in UC and Child Tax Credit. This limits the per child element of both benefits to the first two children in a household for new births from April 2017.⁷

2 DWP, [Speech by the Secretary of State for Work and Pensions at Kennington Jobcentre about the future of Universal Credit](#), January 2019

3 Work and Pensions Committee reports including [Universal Credit: the six week wait](#); [Universal Credit: supporting self-employment](#); [Universal Credit and domestic abuse](#); [Universal Support](#); [Universal Credit: managed migration](#); [Universal Credit: support for disabled people](#); [Universal Credit: childcare](#), [Universal Credit: tests for managed migration](#).

4 Kennedy, S., Keen, R., McInnes, R., Wilson, W., Mackley, R., [Opposition Day Debate: Universal Credit](#), House of Commons Library debate pack CDP-2018-0221, October 2018, pp.1-2

5 Work and Pensions Committee, [Benefit sanctions](#), Nineteenth report of Session 2017-19, HC 955, November 2018, p.3

6 Work and Pensions Committee, [In work progression in Universal Credit](#), Tenth report of Session 2017-19, HC 549, May 2016

7 Work and Pensions Committee, [Two-child limit](#), Twenty-third report of Session 2017-19, HC 1540, January 2019, p.3

- The introduction of a cap on the total amount households can receive in benefits: the “benefit cap”. The cap limits the amount some households can receive in benefits to £20,000 per year outside London and £23,000 in London.⁸
 - The replacement of several centrally run welfare support schemes with local alternatives, administered by local authorities in England and by the devolved governments in Scotland and Wales.⁹
 - The introduction of size criteria in the social rented sector (known as the “bedroom tax”).¹⁰
3. These policy changes have been accompanied by changes that have affected the value of individual benefits. Those include:
- Changes to benefit up-rating: the amount benefits are increased each year to account for inflation. In 2016 the Government introduced a five year freeze at 2015/16 rates for most working-age benefits. It introduced a parallel freeze on Local Housing Allowance (LHA) rates, which determine the amount of housing benefit that people in the private rented sector can receive.¹¹
 - The Coalition Government announced in the June 2010 Emergency Budget that it would shift from using the Retail Price Index and “Rossi” Index to the (usually lower) Consumer Price Index for benefit up-rating.¹² The Coalition also capped increases to most working-age benefits, child benefit and elements of tax credits to 1% from 2014/15. This was superseded by the freeze.¹³
 - The introduction of a “triple lock” on state pensions in 2011, ensuring that benefit increases each year by whichever is the largest: 2.5%, the rate of inflation, or average earnings growth.¹⁴
 - Changes to disability and incapacity benefits. These include the replacement of Disability Living Allowance (DLA) with the Personal Independence Payment (PIP), and the decision to pay new claimants in the Employment and Support Allowance Work-Related Activity Group (ESA-WRAG) and its UC equivalent (the “Limited Capability for Work” [LCW] component) at the same rate as Jobseeker’s Allowance claimants from April 2016.¹⁵

Our work so far

4. Our predecessor Committee reported on the welfare safety net in 2016. That inquiry found that reductions to benefit levels and changes to entitlements and support, including some of those outlined above, had left people on the lowest incomes “more vulnerable

8 Work and Pensions Committee, [The benefit cap](#), p.5

9 Work and Pensions Committee, [The local welfare safety net](#), Fifth report of Session 2015–16, HC 373, January 2016, p.6

10 Work and Pensions Committee, [Support for housing costs in the reformed welfare system](#), Fourth report of Session 2013–14, HC 720, April 2014

11 See Chapter 4

12 The Rossi Index is similar to RPI but excludes housing costs. For this reason, it more closely tracks changes in CPI than RPI does.

13 See Chapter 4.

14 See Chapter 3.

15 See Chapter 3.

to financial crises”.¹⁶ The Committee recognised clear potential advantages in devolving responsibility for delivering support to local or regional governments. It found, however, that the expansion of local discretion combined with budgetary pressures had “given rise to concerns about the coverage and adequacy of the safety net, particularly in England, where variation in available help is widest”. The Committee also said that the Department lacked a “robust evaluation strategy for the welfare safety net as a whole”. It concluded:

Regardless of responsibility for delivery, central government maintains an ongoing obligation to ensure provision of a safety net which prevents vulnerable people from falling into severe hardship and destitution.¹⁷

5. Giving evidence to this inquiry, the former Minister for Family Support, Housing and Child Maintenance (the Minister), Justin Tomlinson MP, told us that there are “challenges” in the welfare system. He identified people not claiming benefits they are entitled to as a key issue.¹⁸ He also emphasised, however, that there is a “glass half full” interpretation of recent reforms:

We do have record employment; income inequality falling; incomes rising; the poorest fifth in society in real terms is better off since 2010; we have made changes, removing the tax credit 16, 24, 30-hour cliff edges and removed the artificial barriers to work; wages are rising; the rapid extension of the free-childcare offer; 1.8 million more children at “good” or “outstanding” schools, unlocking the next generation’s potential and so on.¹⁹

6. The Minister’s characterisation stood in stark contrast to the concerning evidence we have received, over multiple inquiries and from multiple organisations, of the impact of the Department’s reforms on people’s incomes, and on indicators of poverty, hardship and destitution (including foodbank usage and homelessness). Some examples from previous inquiries are set out in Box 1.²⁰ Claimants, and the organisations that support them, have told us repeatedly that the Department is failing in its duty to prevent claimants falling into hardship.²¹ We also heard repeatedly that the Department lacks both the will and the means fully to understand and evaluate of the impact of its reforms on claimants.²² This may, to some extent, explain the disconnect between the Department’s view and those of many of our stakeholders.

Box 1: Evidence from previous inquiries

Benefit cap: Paula, a single mother of three children who was subject to the cap, told us: “You can’t afford to eat, you can’t afford to put your heating on, it’s a case of heating or eating basically [...] My eldest lad used to leave food because he knew I ate the leftovers [...] You don’t want to take food away from the children as you don’t

16 Work and Pensions Committee, [The local welfare safety net](#), p.3

17 Work and Pensions Committee, [The local welfare safety net](#), p.4

18 [Q188 \(Justin Tomlinson\)](#)

19 [Q187 \(Justin Tomlinson\)](#)

20 See, for example, [Universal Credit: the six week wait](#); [Universal Credit: support for disabled people](#); [Universal Credit: childcare costs](#); [Benefit sanctions](#); [Two-child limit](#); [The benefit cap](#); [The local welfare safety net](#).

21 Ibid.

22 Ibid. See also, for example, National Audit Office, [Rolling out Universal Credit](#), HC 1123, Session 2017–2019, June 2018, p.49; Equality and Rights Commission ([WSN0111](#)), Citizens Advice ([WSN0114](#))

know when you'll next be able to [buy it], because you're robbing Peter to pay Paul at this stage ... Do you pay rent or do you pay your council tax? Do you buy food, or do you pay your electric?"

Benefit sanctions: Citizens Advice told us that their clients who had been sanctioned “more commonly borrowed money, cut back spending on food and other essentials, or fell into arrears with bills” than increasing their income through employment. Samantha, a single mother, described how the pressure of working full-time [and] struggling to meet the costs of childcare led to “serious stress and low moods as it seemed [she] was not able [to keep] up with it all”. She said that her “lack of childcare made it just impossible”, and she moved to a part-time job. She explained her circumstances to her Work Coach and provided confirmation from her doctor, but she was sanctioned for voluntarily leaving employment.

Samantha described the immediate impact on her income, which fell from an average of £800 per month to £300. She said that after “paying for food and a small amount of heating, I had quite literally no money.” She fell behind with rent and said she felt lucky to be given food parcels from friends, so she could “spend less on food and more on heating, or paying some of my rent arrears”.

Childcare costs: Upfront costs for childcare pose a challenge for parents who want to start work. Thuto Mali, a single parent with a young son from London, told us she had to turn down a job as “work did not pay”. She explained: “On a salary of £32,000, we would not be entitled to any Universal Credit, any housing benefit or any help. Having paid our rent, council tax and £1,500 per month for full-time childcare, plus the £500 deposit on top, we would be left with £60 for the entire month for all our bills. That is effectively £2 a day. Unfortunately, I was not able to take the job because it just did not work. Work did not pay for us. [...] We were at the foodbank last Christmas because it got that bad. It is not that I do not want to work; it is just that work does not pay in this situation.”

Disabled people: We heard that changes to eligibility for disability premia—additional benefit payments for some disabled adults without a paid-for carer—under UC are “likely to increase disabled parents’ need to rely on their children”. In turn, this could “negatively affect the life chances of children of disabled people”. The Children’s Society said:

“Ben has been a young carer for his mother, Andrea, for many years, carrying out a range of household tasks as well as helping his mother to get around... The only support/respite he gets is from attending his young carers group and some sport activities he is involved in. Andrea is very concerned about the abolition of the Severe Disability Premium, particularly about the impact this loss in financial support would have on her son’s quality of life. She worries that without this, Ben would not be able to go to his young carers group and the social activities they can only just afford to take him to. His life would just involve school and carrying out his care responsibilities.”

Survival sex: K, a single parent with a disabled child, told us: “I am about to be moved on to Universal Credit. I will lose £200 a month, approximately. [...] I don’t have any

savings. I am scared that I will have to wait weeks before I get any money. I have just been trying to scrape together £1,500 to cover my mortgage and loans. I need to save some money so I am planning to escort or massaging or something similar. [...] The thought of going into debt and having no money is really frightening. I have children. I can't do that. I will sell my body.”

Source: <Committee reports and Q9 (K)>

7. We launched this inquiry to follow up our predecessor Committee’s report. We also wanted to take a wider look at the integrity of the UK’s welfare safety net, as changes announced since 2010 have continued to take effect. We received a large volume of evidence on the impact of reforms on different groups of people (including disabled people, lone parents, older people and children) and on the prevalence of different issues (such as hunger, homelessness and debt),²³ and we visited a primary school, the Charles Dickens School in Southwark, to understand more about how families and teachers were managing the day to day impact of poverty and hardship. We also received evidence on more technical issues. Those included the way that poverty is measured—and, correspondingly, the extent to which DWP understands the impact that its policies have on claimants’ incomes and living standards.

8. People and organisations rarely approach select committees—or their MPs—when everything is going well. Even allowing for that, the contrast between the Department’s characterisation of poverty and hardship since 2010, and the evidence we have heard repeatedly across multiple inquiries, from front-line organisations and claimants, is stark. It is difficult to avoid concluding that the Department lacks the tools and insight fully to understand and evaluate the impact of its reforms on some of the most vulnerable people it supports.

23 All of the written evidence received for this inquiry is published on the Committee’s website: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/inquiries/parliament-2017/inquiry12/>

2 Levels of poverty and destitution

9. The launch of this inquiry coincided with a visit to the UK in November 2018 by the United Nations Special Rapporteur on extreme poverty and human rights, Professor Philip Alston, during which he met with members of this Committee.²⁴ Following that visit, he gave his interim assessment of the overall impact of welfare reform, echoed in his full report in May 2019.²⁵ Professor Alston said that “the changes to taxes and benefits since 2010 have been highly regressive, and the policies have taken the highest toll on those least able to bear it”.²⁶ Citing data from the Social Metrics Commission—an independent commission, chaired by Baroness Philippa Stroud, aiming to develop a new approach to measuring poverty—he reported:

14 million people, a fifth of the population, live in poverty. Four million of these are more than 50% below the poverty line, and 1.5 million are destitute, unable to afford basic essentials. The widely respected Institute for Fiscal Studies predicts a 7% rise in child poverty between 2015 and 2022, and various sources predict child poverty rates of as high as 40%. For almost one in every two children to be poor in twenty-first century Britain is not just a disgrace, but a social calamity and an economic disaster, all rolled into one.²⁷

Drawing on evidence from the Equality and Human Rights Commission, Professor Alston further commented that “the bottom 20% of earners will have lost on average 10% of their income by 2021/22 as a result of [changes since 2010]”. Women, families with children and households with a disabled person are particularly likely to be negatively affected.²⁸ That analysis was reflected in evidence we received for this and previous inquiries.²⁹

How does the Government measure poverty?

10. The Department does not fully agree with Professor Alston’s analysis. It initially cited its own data in response (see Box 2: How does the Government measure poverty?). Responding to an Urgent Question on the UN Report on 7 January 2019, the Minister said:

A lot was said [in the UN report] about measures of poverty and what the reality is out there. What we do know is that there are 1 million fewer people in absolute poverty—a record low—including 300,000 children. On the different measures of relative and absolute poverty before and after

24 Work and Pensions Committee, [Welfare safety net inquiry terms of reference](#), inquiry announced 15 November 2018

25 [Statement by United Nations Special Rapporteur on extreme poverty and human rights Philip Alston on UK welfare reform, November 2018](#)

26 *Ibid*, p.18

27 *Ibid*, p.1

28 [Statement by United Nations Special Rapporteur on extreme poverty and human rights Philip Alston on UK welfare reform, November 2018](#), p.18

29 See, for example Work and Pensions Committee [Universal Credit: support for disabled people](#); [Universal Credit: childcare](#); [Benefit sanctions](#). Equality and Human Rights Commission ([WSN0111](#)), UK Women’s Budget Group ([WSN0024](#)), Disability Rights UK ([WSN0083](#)), Parkinson’s UK ([WSN0106](#)), Inclusion London ([WSN0053](#)), Just Fair ([WSN0042](#))

housing, all are no higher than in 2010 and three are now lower. The average income of the poorest fifth in society under our Government has increased by £400 in real terms.³⁰

The Minister acknowledged that people “on both sides of the debate will cherry pick the [figures and data] that work best for them”—a point also made by the Secretary of State.³¹ He also observed that MPs’ constituency case work demonstrates that headline figures “do not necessarily relate to real lives [...] if you start talking about relative poverty measures and things like that it bears no resemblance to what is actually happening in [constituents’] lives”.

Box 2: How does the Government measure poverty?

There is currently no single measure of poverty in use in the UK. Various poverty measures based on household income are used by the Government, however. Two common measures are:³²

- People in *relative* poverty—living in households with income below 60% of the median in that year; and
- People in *absolute* poverty—living in households with income below 60% of (inflation-adjusted) median income in some base year, usually 2010/11.

Income can be measured before or after housing costs (BHC or AHC). Poverty levels generally appear higher when income is measured after housing costs are deducted. This is because poorer households tend to spend a larger proportion of their income on housing.

In 2016/17, using the “poverty lines” above:³³

- 10.4 million people—around one in six—were in relative poverty BHC. 14.3 million—more than one in five—were in relative poverty AHC.
- 8.9 million people—around one in eight—are in absolute poverty BHC and 12.4 million—almost one in five—AHC.

Official statistics on relative and absolute poverty are published by the Department in its annual *Households below average income* (HBAI) survey. HBAI data is derived from the *Family resources survey*: a weighted annual survey of over 19,000 UK households.³⁴

The Government announced in May 2019 that it would develop new statistics alongside its existing poverty measures. These would draw on the approach of the Social Metrics Commission. This approach “looks at a family’s total available resources—including income and savings” after any inescapable costs, such as childcare or disability, are accounted for. The Department hopes to publish experimental statistics based on the

30 HC Deb, 7 January 2019, vol. 652

31 Q185 (Justin Tomlinson)

32 Francis-Devine, B, Booth, B and McGuinness, F., [Poverty in the UK: statistics](#), HC Library briefing paper 7096, July 2019, p.3

33 [Poverty in the UK: statistics, p.10](#)

34 DWP, [Households Below Average Income: An analysis of the UK income distribution:1994/5–2017/18](#), March 2019, p.1

measure in the second half of 2020. The Minister explained they will be published after the HBAI data, which “will continue to be the main measure of poverty in the UK”.³⁵

11. In its written evidence to this inquiry, the Department cited data on material deprivation—whether households can afford certain essentials and activities—that suggested decreases in deprivation since 2010 amongst both children and pensioners.³⁶ The Minister told us that this data is “probably the closest to what it is like on the ground”.³⁷ The Department’s evidence said:³⁸

- In 2010/11, 13% of children were estimated to be in families which had low income and were in material deprivation. In 2016/17, this had fallen to 11%. In both 2010/11 and 2016/17, 4% of children were estimated to be in families which had severe low income and were in material deprivation; and
- In 2009/10, 10% of pensioners aged 65 or over were estimated to be materially deprived. By 2016/17 this had fallen to 7%.

Background to the current approach

12. Under the Child Poverty Act 2010, the then Government adopted four measures and accompanying targets on child poverty. These included targets on relative and absolute poverty, on material deprivation, and on “persistent poverty” (the proportion of children that experience long periods of relative poverty). The child poverty targets were abolished through the Welfare Reform and Work Act 2016.³⁹ Announcing the change, Rt Hon Iain Duncan Smith MP, Secretary of State for Work and Pensions from 2010 to 2016, said that “how we measure things matters because it influences what Governments focus on and what we target”.⁴⁰ He claimed that focusing on income—especially relative low income—failed to acknowledge the root causes of poverty. He also set out a criticism that we heard repeated by witnesses during this inquiry: that focusing on an arbitrary “poverty line” (whether relative or absolute) can incentivise policy responses that try to lift those just below the threshold to just above it—without necessarily making a substantive difference to their lives.⁴¹ Mr Duncan Smith explained that for these reasons, the Department would continue to gather and publish data on poverty via the HBAI survey, but would no longer seek to meet targets on child poverty (or any other kind).⁴²

13. Witnesses to our inquiry were somewhat critical of this approach. While generally agreeing that income is not the only determinant of someone is “in poverty” or their experiences as a result, we heard that household finances matter.⁴³ But we heard a range of views on how a household’s financial resources could be better measured. For example:

35 DWP, [Press release: New poverty statistics developed to help government target support](#), May 2019

36 DWP ([WSN108](#))

37 Q185 ([Justin Tomlinson](#))

38 DWP ([WSN108](#))

39 [Welfare Reform and Work Act 2016](#) S1.7(1)

40 Iain Duncan Smith MP, [Statement on Child Poverty](#), July 2015

41 [Ibid.](#) See also Q5 ([Baroness Stroud](#))

42 [Ibid](#)

43 See, for example Q6 ([Baroness Stroud](#)) [Q56–57 \(Suzanne Fitzpatrick\)](#); [Q123–131 \(Sumi Rabindrakumar, Deborah Garvie and Peter Tutton\)](#)

- Housing charity Shelter told us that any official measure of poverty must take housing costs into account.⁴⁴ Deborah Garvie, Shelter’s Policy Manager, argued it is “absolutely vital” that the Department measures poverty after housing costs “in order to see how much housing costs are pushing people into poverty”.⁴⁵ Shelter also pointed out that, since HBAI is a household-based survey, it does not capture some groups who would usually be thought of as being “poor”: for example, people who are sleeping rough.⁴⁶
- Disability charities Scope and Parkinson’s UK drew our attention to the additional costs associated with being disabled or having a long term health condition.⁴⁷ Scope’s 2019 research found that, on average, disabled adults in the UK face additional costs of £583 per month. These additional costs can act to reduce household financial resources.⁴⁸
- Save the Children told us that working, or taking on more hours, can boost a household’s income.⁴⁹ But the cost of childcare can restrict those options. Save the Children’s research with the Centre for Social Justice noted that high childcare costs reduce parents’ earning potential, disposable income, and hence their ability to stay out of poverty.⁵⁰
- StepChange, a debt support charity, told us that levels of household debt and unavoidable repayments reduce household income, can increase poverty levels, and make families more vulnerable to financial shocks. This means that even those not “in poverty” now may be vulnerable to falling into poverty in the future.⁵¹ The Department’s existing measures fail to capture the impact of debt on household income.⁵²

The Social Metrics Commission

14. The work of the Social Metrics Commission (the Commission) draws together several of the concerns we heard. The Commission was established by Baroness Philippa Stroud, Iain Duncan Smith’s former adviser at DWP, in 2016 with the aim of finding a more accurate way of measuring poverty in the UK. The Commission’s final report on measuring poverty notes that coming up with a metric is only part of the challenge.⁵³ Any

44 Shelter ([WSN0107](#)). See also: The Equality Trust ([WSN0039](#)), University of York ([WSN0117](#)), CPAG ([WSN0116](#)), Zacchaeus 2000 Trust ([WSN0115](#)), Citizens Advice ([WSN0114](#)), London Plus ([WSN0096](#)), Ulster University ([WSN0068](#)), Shelter Scotland ([WSN0045](#)), Crisis ([WSN0099](#))

45 [Q119](#)

46 Shelter ([WSN0107](#)). See also [Social Metrics Commission: A new measure of poverty for the UK](#), p.25

47 Scope ([WSN0054](#)); Parkinson’s UK ([WSN0106](#)). See also: Mind ([WSN0095](#)), Leonard Cheshire ([WSN0072](#)), UK Women’s Budget Group ([WSN0024](#)), Thomas Pocklington Trust ([WSN0021](#)), MND Association ([WSN0055](#)), CPAG ([WSN0116](#)), Equality and Human Rights Commission ([WSN0111](#)), MS Society ([WSN0082](#))

48 Scope, [Disability Price Tag policy report 2019](#), p.2

49 Save the Children ([UCR0278](#)).

50 Save the Children and Centre for Social Justice, [A bright start](#), November 2018. See also: Centre for Social Justice ([UCR0266](#)), Save the Children ([UCR0257](#)), UK Women’s Budget Group ([WSN0024](#)), CPAG ([WSN0116](#)), Equality and Human Rights Commission ([WSN0111](#))

51 StepChange Debt Charity ([WSN0059](#)). See also Citizens Advice ([WSN0114](#)),

52 StepChange Debt Charity ([WSN0059](#)); [Q111](#). See also [Social Metrics Commission: A new measure of poverty for the UK](#) report p.34

53 [Social Metrics Commission: A new measure of poverty for the UK](#), p.9

measure would also need to “gain widespread support” across the political spectrum and from the range of organisations interested in poverty measurement.⁵⁴ The Commission describes the intended users of its measure as:

Charities representing specific individuals and groups, academics and researchers, the groups representing and working for people in poverty and civil servants across the UK’s administrations.⁵⁵

Accordingly, the Commission describes itself as “rigorously non-partisan”, with members drawn from across the political spectrum and from various expert backgrounds.⁵⁶

15. The Commission told us that a tendency to focus on “incomes only” (whether from work or benefits) means policy-makers have “failed adequately to consider the impact that a lack of financial resilience, and high essential costs have on families’ lives”. It argued that this has led to a “flawed understanding” of poverty levels amongst different groups of people.⁵⁷ The Commission’s measure of poverty attempts to obtain a more accurate understanding of who is in poverty, and how deep or persistent that poverty is (see Box 3 and Box 4). Its key innovation is to measure household resources “like a balance sheet”.⁵⁸ Its measure considers the income coming into a household (and liquid assets that households can draw on immediately). It sets this against “inescapable costs”, such as those resulting from housing, childcare, or disability, to measure the disposable income a household has (see Box 3).

Box 3: What is the Social Metrics Commission’s poverty measure?

The Social Metrics Commission’s measure considers “poverty now”: the extent to which the material resources that someone has available to them now meet the needs that they currently have. The Commission’s measure of poverty aims to move “beyond the traditional focus on incomes”. This is because many families “both have access to non-income material resources” (such as liquid assets), and also “need to spend a portion of their resources on outgoings over which they have no short-term control” (inescapable costs).

Their measure works like a profit and loss account, setting resources against inescapable costs to come up with a measure of “total resources available”. This includes:

- Net income (earnings, benefits, and income from other sources, such as rent or interest);
- Other resources that can be freely accessed immediately.

And should take account of:

54 Ibid.

55 Ibid.

56 A full list of commission members is available at <http://socialmetricscommission.org.uk/about/our-people/>

57 [Social Metrics Commission: A new measure of poverty for the UK, p.5](#)

58 [Q18](#)

- “Inescapable costs”. The requirement to pay these means that resources to meet day-to-day needs are reduced. The three costs that the Commission has included in its measure are housing, childcare, and the additional costs disabled people experience.

Source: [Social Metrics Commission: A new measure of poverty for the UK](#)

16. Using their measure, the Commission found that overall poverty levels in the UK have been largely unchanged since 2001. The composition of people in poverty has changed, however. When household incomes from work, benefits or other liquid assets are offset against “inescapable” costs there are fewer pensioners, but more working-age households with children and more disabled people “in poverty” than the Government’s existing official measures suggest (see Table 1).⁵⁹

Table 1: Comparison of poverty levels: Social Metrics Commission and Government measures, 2016/17

		SMC Available Resources Poverty (55% threshold)	AHC relative low- income poverty (60%)
People living in....			
Working-age families	Single families, no children	22%	21%
	Lone-parent families	18%	17%
	Couple families, no children	10%	11%
	Couple families with children	40%	37%
Pension-age families	Pension-age families, single	5%	7%
	Pension-age couple family	6%	7%
		100%	100%
Presence of a disabled person	Those living in families where no-one is disabled	52%	56%
	Those living in families where someone is disabled	48%	44%
		100%	100%

Source: Social Metrics Commission - [A new measure of poverty for the UK](#), p.44

17. In May 2019, the Department announced that it would develop new poverty measures and statistics based on the Commission’s analysis. It intends to publish the first data in 2020, and will assess “whether and how this [data] can be developed and improved further to increase the value of these statistics to the public”. The data will be published “after and alongside” the Department’s annual official HBAI publication.⁶⁰ Announcing the

⁵⁹ Social Metrics Commission, [A new measure of poverty for the UK](#), September 2018

⁶⁰ DWP, [Press release: New poverty statistics developed to help government target support](#), May 2019

new measure, the new Minister for Family Support, Housing and Child Maintenance, Will Quince MP, said that the HBAI measures—relative and absolute low income—will continue to provide a “strong statistically robust picture of levels of poverty in the UK”. He explained that they will “continue to be the main measure of poverty in the UK”. He said, however, that the Commission makes a “compelling case” for looking at poverty more broadly to “give a more detailed picture of who is poor, their experience of poverty and their future chances of remaining in, or entering, poverty”.⁶¹ In the long run, the Minister said this approach could “help [the Department] to target support more effectively”.⁶²

18. How poverty is measured matters: the measurement itself defines who is “poor” and therefore who might be helped. Financial resources are important, but the Government’s existing official measures focus on one side of the profit and loss account: household income. They make no allowance for the inescapable costs that different households face: from childcare, to housing, to debt repayments, to the costs of having a long-term health condition. All of these costs mean that households with the same incomes can find themselves in very different financial positions. Failing to consider inescapable costs—the other side of the account—results in a skewed understanding of who is “in poverty”, who is vulnerable to poverty, and how those households should best be helped and supported.

19. By including “inescapable costs” in its calculation, the Social Metrics Commission’s measure goes some way to addressing these weaknesses. We commend the Department for its decision to adopt and develop the Social Metrics Commission’s measure.

How should the new measure be used?

20. We heard that there would be value in the government adopting the Commission’s measurement as its new, central measure of poverty.⁶³ Baroness Stroud summarised that “the lack of an agreed measure” both leaves the Government “unaccountable for their policy action on reducing poverty” and “prevents Government making a sustained effort on the issue of poverty”.⁶⁴ Multiple witnesses told us that, without a single, central measure of poverty, it is very difficult to track trends in poverty over time.⁶⁵ It is therefore also difficult for either Parliament or external stakeholders to hold government to account for the effect of its policy decisions on poverty levels.⁶⁶ Baroness Stroud compared the extensive independent scrutiny of the Government’s fiscal policies with a relative lack of accountability for social policy decisions. She explained:

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 Office for Budget Responsibility and then externally by the Institute for Fiscal Studies.

61 DWP, [Press release: New poverty statistics developed to help government target support](#), May 2019. See also Will Quince MP, [New statistics will aid out understanding on supporting those on low incomes](#), PoliticsHome, May 2019

62 DWP, [Press release: New poverty statistics developed to help government target support](#), May 2019

63 [Q8–12](#) (Baroness Stroud and Matthew Oakley); [Q109](#) (Deborah Garvie); [Q111](#) (Sumi Rabindrakumar); [Q111](#) (Peter Tutton); [Q163](#) (Fran Bennett). See also: SHAL Housing ([WSN0048](#)), Just Fair ([WSN0042](#)),

64 [Q3](#) (Baroness Stroud)

65 [A new measure of poverty for the UK](#), September 2018, p.9, Just Fair ([WSN0042](#)), Community Links ([WSN0076](#)), [Q109](#) (Deborah Garvie)

66 [A new measure of poverty for the UK](#), September 2018, p.9

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.⁶⁷

21. Baroness Stroud explained that allowing Government to create its own poverty measures is “very difficult”. She told us that:

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.⁶⁸

Matthew Oakley, Head of Secretariat for the Commission, explained that the Commission’s central concern was creating a measure of poverty that would be acceptable across the political spectrum, in and outside Government. He told us that each of the Commissioners—drawn from different political and expert backgrounds—“probably came with their own views about how to measure poverty”. By “working through each of the arguments” and “working through each of the elements of poverty measurement”, they had been able to reach a point where “people with fairly different views on how you might tackle poverty are now agreeing wholeheartedly about how we measure it”.⁶⁹

22. The Department intends for the Commission’s measure to sit alongside its existing poverty measures. The existing measures “will continue to be the main measure of poverty in the UK whilst [the new measure is] developed”.⁷⁰ We heard support from a range of groups and organisations not involved in the Commission for the government adopting the Commission’s measure as its central measure of poverty—instead of the existing measures. For example:

- Professor Suzanne Fitzpatrick, lead researcher on the *Destitution in the UK* study, told us that it is “absolutely critical” that any measure of poverty can account for both income and inescapable costs.⁷¹ She explained that such a calculation also “lies at the heart of” the analysis of “destitution”, which results from an ongoing and substantial gap between income and essential costs.⁷²
- Peter Tutton, Head of Policy at StepChange, said that the idea of a central measure that can account for differing costs was “a good one”. In addition to including inescapable costs, he explained that policy-making would benefit from a measure that captures the position of people just above a “poverty” line who, although they may not be included in poverty statistics, are nonetheless very vulnerable to financial shocks (see Box 4).⁷³
- The Trussell Trust said that the Commission’s approach was “robust”, particularly as it takes into account the additional costs of disability and childcare.⁷⁴

67 [Q4](#)

68 [Q5](#)

69 [Q10](#)

70 DWP, [Press release: New poverty statistics developed to help government target support](#), May 2019

71 Q57. See also: The Trussell Trust ([WSN0105](#)), Community Links ([WSN0076](#)), SHAL Housing ([WSN0048](#))

72 [Q57 \(Suzanne Fitzpatrick\)](#)

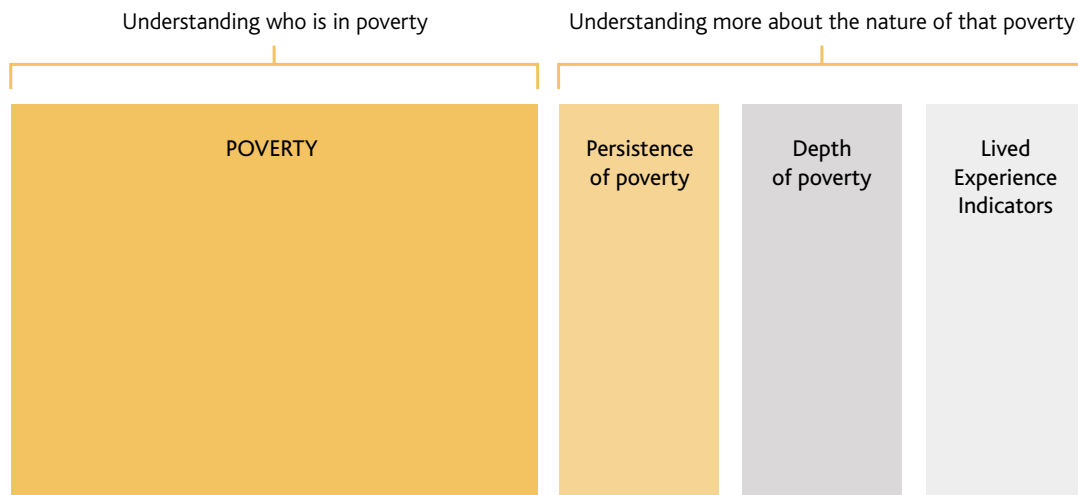
73 [Q111–112 \(Peter Tutton\)](#)

74 [Q111, The Trussell Trust \(WSN0105\)](#)

- Shelter praised the inclusion of housing costs in the Commission’s measure. They also commended the measure because it includes people who are sleeping rough, who are not captured in HBAI poverty data.⁷⁵
- Professor Alston urged the Government to “adopt [the Commission’s approach]”, noting it had received an “impressive degree of cross-party support”. His report criticised the Government’s existing suite of measures from the HBAI survey on the basis that these allow government “to pick and choose which numbers to use”.⁷⁶

Box 4: The Social Metrics Commission’s wider measurement framework

The Social Metrics Commission’s “single measure” fits within a wider measurement framework. In addition to measuring the incidence of poverty, Commissioners identified a “large range of factors they wanted to be able to measure as they affect the experience of poverty, influence the future likelihood of poverty, or are consequences that flow from being in poverty”.



Alongside its central measure of poverty (Box 2), the Commission therefore also reports on three other areas:

- **Depth of poverty.** This avoids creating an “arbitrary measure of deep poverty” (such as an income threshold), and instead measures how far above or below the poverty line families are. It enables policy-makers to understand the scale of the challenge families face in moving out of poverty, and how close others are to falling into poverty.
- **Persistence of poverty:** This assesses how long families in poverty have been in poverty for. This should allow the cumulative impact of poverty over time to be measured and tackled.

75 [Q119](#). See also: The Equality Trust ([WSN0039](#)), University of York ([WSN0117](#)), CPAG ([WSN0116](#)), Zacchaeus 2000 Trust ([WSN0115](#)), Citizens Advice ([WSN0114](#)), London Plus ([WSN0096](#)), Ulster University ([WSN0068](#)), Shelter Scotland ([WSN0045](#)), Crisis ([WSN0099](#))

76 [Statement by United Nations Special Rapporteur on extreme poverty and human rights Philip Alston on UK welfare reform, November 2018](#), p. 16

- **“Lived experience” of poverty:** This assesses factors and characteristics that affect a family’s experience of poverty, make it more likely that they will become trapped in poverty, or are likely predictors of their experience of poverty. “Lived experience” factors include health, education levels, whether someone is in or out of work, and their family lives and relationships.

Source: Social Metrics Commission, p.14

23. Prior to the Department’s announcement that it would develop the Commission’s measure, we put it to the Secretary of State and former Minister that introducing a single measure that has wide political support could allow more effective independent scrutiny of Government policies on poverty, enable greater accountability and could result in better, more sensitive policy-making. It could also help bolster DWP’s case for spending allocations from the Treasury. The Secretary of State told us that such a measure would be “useful” to the Department, “in addition to the [existing measures]”.⁷⁷ The then-Minister, Justin Tomlinson, told us that the data could be useful in providing “evidence to demonstrate why it should be us, not perhaps other Departments, who benefit from that additional money”. It might also allow the Department “to identify where we can go across Government to bid for funding”.⁷⁸

24. Clear metrics ensure that Government is held accountable for its spending decisions. Yet the multiple different measures of poverty in use within and outside Government mean there is no such direct and effective accountability for social policy choices. Without a clear, agreed and central measure it is difficult to track trends in poverty over time, and still more so to understand how government policy helps or hinders poverty rates.

25. The Department has agreed to develop and publish experimental data based on the Social Metrics Commission’s measure, from mid-2020. But it intends to do so alongside its existing poverty data—and for those data to remain the “official” measure of poverty. The Commission’s measure offers the prospect of an improved, nuanced understanding of who is in poverty, and how they can best be helped. Adopting it as a central measure would also protect the Department against claims that it picks and chooses which poverty data to use in response to different issues. We recommend that Government adopts the Social Metrics Commission’s metric as its official, central measure of poverty. It should continue to collect its existing poverty data alongside this, to maintain a long-term dataset. We also recommend the Department provides us with an update on the progress of its work developing the Social Metrics Commission’s measure by the end of 2019.

Other measures

26. There are various other measures of poverty and hardship in use in the UK. These are compiled by multiple different sources, including Government. Some of these consider factors instead of, or in addition to, household income and make specific reference to their relationship with income poverty. They include:

77 [Q124–126](#) (oral evidence: Benefit freeze)

78 [Q272](#) (oral evidence: Welfare safety net)

- a) “Destitution”: measured, for example, in the annual *Destitution in the UK* report and survey.⁷⁹ The 2019 report notes that destitution typically occurs “against a backdrop of sustained poverty and long-term hardship”. Households are “pushed from severe poverty [...] by some combination of debt, benefit and health problems”. The survey defines someone as ‘destitute’ if they lacked at least two of six ‘essentials’ over the past month because of a lack of money.⁸⁰
- b) Material deprivation, such as a lack of food, fuel or housing. DWP announced in February 2019 that it would seek to measure “hunger and food insecurity”—the extent to which households skip meals or are unable to afford food—via the *Family resources survey*.⁸¹ It expects to report its first data in 2021.
- c) Measures of homelessness and rough sleeping are published by the Department for Housing, Communities and Local Government.⁸² Crisis, the homelessness charity, also produces an annual *Homelessness monitor* survey.⁸³
- d) Living standards, and the income needed for an “acceptable” standard of living. Research on the “minimum income standard” (MIS) produces budgets for different household types, based on what members of the public think is necessary for a minimum acceptable standard of living in the UK.⁸⁴ MIS research is used for various purposes: for example, to calculate the “real Living Wage”,⁸⁵ and as part of the Scottish Government’s measure of fuel poverty.⁸⁶
- e) Life chances: The Welfare Reform and Work Act 2016 amended the measures in the Child Poverty Act 2010, replacing them with a set of indicators based on household employment/unemployment, educational attainment, and family stability.⁸⁷

27. We questioned whether the SMC’s measure could be used to measure other types of hardship, such as destitution, or could be extended to include other metrics.⁸⁸ Matthew Oakley told us that the Commission viewed concepts such as destitution and life chances as vitally important, but distinct from “poverty”.⁸⁹ The Commission felt that “to pretend they are the same thing is not the way forward”, and Commissioners “did not want to conflate measuring poverty with measuring living standards, life chances or destitution”.⁹⁰

79 Joseph Rowntree Foundation, [Destitution in the UK 2018](#), June 2018

80 The six essentials used in the survey are: shelter/housing (sleeping rough for two or more nights), food (fewer than two meals a day for at least two days), heating and lighting (unable to heat or light their home for five or more days), having appropriate clothing and footwear, and having basic toiletries.

81 The Guardian, [UK hunger survey to measure food insecurity](#), February 2019

82 Ministry of Housing, Communities and Local Government, [Homelessness statistics](#), Last updated May 2019

83 Fitzpatrick, S., Pawson, H., Bramley, G., Wood, J., Watts, B., Stephens, M. and Blenkinsopp, J, [The Homelessness monitor: England 2019](#), May 2019

84 See Centre for Research in Social Policy, Loughborough University, [Minimum Income Standard for the United Kingdom](#), accessed July 2019

85 The National Living Wage is the statutory minimum wage which is paid to those over the age of 25. The NLW is currently set at 55% of median earnings (£8.21- 2019/20) and is targeted to reach 60% of median earnings by 2020. The “real” Living Wage is calculated independently and is based on the cost of living according to a basket of goods. The RLW for 2018/19 as calculated by the Living Wage Foundation was £9 for the UK and £10.55 in London. More information can be found here: <https://www.livingwage.org.uk/what-real-living-wage>

86 Scottish Government, [Draft Fuel Poverty Strategy for Scotland 2018](#), June 2018

87 Ulster University ([WSN0068](#)); [Welfare Reform and Work Act 2016](#)

88 [Q11](#) (Matthew Oakley); Social Metrics Commission ([WSN0084](#))

89 [Q11](#) (Matthew Oakley)

90 [Q11](#) (Matthew Oakley)

It chose instead to focus on finding agreement over measuring poverty itself. Matthew Oakley acknowledged, however, that “there are things within the measure from which you can probably make inferences about destitution”—such as the Commission’s measure of the depth of poverty.⁹¹ The Department acknowledged that “looking at the lower end is [...] very important”, including whether people have access to “shelter, food, heating, lighting and so on”—all commonly included in measures of “destitution”.⁹² Several witnesses agreed that an official measure of destitution—as a severe and chronic form of poverty and deprivation—would be similarly helpful in policy terms as a single measure of poverty.⁹³

28. The Government measures poverty in multiple different ways: its transparency and accountability would benefit substantially from adopting a central measure. Other stakeholders gather and publish data on wider, connected issues, including destitution, hunger, homelessness, life chances and living standards. Some of the most striking and concerning evidence we have received is from and about people who are “destitute”. But the Government does not currently measure, or even define, “destitution” officially. The Commission’s approach shows that it is possible to take the debate away from arguments about terminology, towards a more constructive approach to tackling major, sustained hardship.

29. We recommend that the Department develop a measure of “destitution”. This should build on the Social Metrics Commission’s approach, establishing an independent commission to come up with a common, widely-accepted understanding of destitution and how it can be measured.

Next steps: debt and deductions

30. The Commission explained that within its measure, the choice of metrics was constrained by the availability of “robust data”.⁹⁴ Crucially, this data needed to be suitable for cross-referencing with other data used in the measure. In practice, this meant in most cases that the data for the central measure needed to be taken from the *Family resources survey*.⁹⁵ Data on net income, liquid assets, housing costs and childcare are included in the survey. As such, the Commission was able to include these costs in its measure.⁹⁶ The Commission was also able to provide a usable proxy for the additional costs disabled people experience.⁹⁷

31. The Commission told us there were some metrics they would have liked to include in their measure but were unable to. In particular, Commissioners believed that debt repayments should be considered an “inescapable cost”.⁹⁸ We heard agreement on this point from several other witnesses, and have reached a similar conclusion in previous inquiries.⁹⁹ Our recent report on *Universal Support*, for example, found that unmanageable

91 [Q11](#) (Matthew Oakley)

92 [Q185](#)

93 [Q11](#) (Matthew Oakley); [Q113](#) (Peter Tutton); [Q114](#) (Sumi Rabindrakumar); [Q119](#) (Deborah Garvie). See also: Church of England and the Children’s Society ([WSN0046](#)), Shelter Scotland ([WSN0045](#)), The Equality Trust ([WSN0039](#)), The Trussell Trust ([WSN0105](#)), NHS Health Scotland ([WSN0074](#))

94 [A new measure of poverty for the UK](#), September 2018, pp.16–17

95 Social Metrics Commission ([WSN0084](#)), [A new measure of poverty for the UK](#), September 2018, pp.16–17

96 [Q23–25, A new measure of poverty for the UK](#), September 2018, pp.16–17

97 We return to this in Chapter 3.

98 [A new measure of poverty for the UK](#), September 2018, p.16.

99 See Work and Pensions Committee, [Universal Support](#).

debt repayments (including to DWP) can force households into a “downward spiral of debt and hardship”.¹⁰⁰ We have also previously highlighted the limitations of DWP data collection on debt levels, including on sources of debt and on deductions.¹⁰¹ This lack of robust, accessible data on debt has meant that it was not possible for the Commission to include debt repayments in its “inescapable costs”.¹⁰²

32. The Social Metrics Commission believes debt repayments should be included in the “inescapable costs” that affect household income. We agree. Debt repayments—including of debts to Government—can push people into a spiral of poverty, hardship, hunger and destitution from which it is difficult to escape. Without a good understanding of household debt, the prospect of well-targeted policies that help households alleviate and manage that debt is remote. But the data DWP collects on claimant debt is piecemeal, and not suitable for use with the Commission’s measure. We recommend the Department introduce questions on household debt to the Family Resources Survey for 2020/21, so that it can include debt repayments in its calculation of the inescapable costs that households face.

33. Around 60% of recipients of UC see deductions made from their payments.¹⁰³ These may be for repayment of Advances, overpayments, or other debts, including to Government and other public sector bodies. These deductions can be up to 40% of the UC standard allowance.¹⁰⁴ Derbyshire County Council told us that these deductions can mean that claimants are, in some cases, left with as little as £20 per week to cover their bills, food and other essential costs.¹⁰⁵ The Department has proposed to reduce the maximum deduction to 30% of the standard allowance from October 2019, and for Advances to be repaid over 16 months from October 2021.¹⁰⁶ StepChange, a debt support charity, modelled the effect of different levels of deductions on benefit claimants who are in debt. They explained that even a 5% deduction would leave almost half of their clients unable to meet essential expenditure.¹⁰⁷ The National Association of Welfare Rights Advisers (NAWRA) told our Universal Support inquiry that, all too often, DWP decision makers set deductions at the maximum rate possible, without giving due consideration to claimants’ individual circumstances.¹⁰⁸

Box 5: Our previous recommendations on deductions

Our report on *Universal Support* recommended that the Department gather and publish data on deductions for debt from Universal Credit awards. This should include data on deductions as a proportion of the overall award. It should use this, alongside commissioning advice from debt experts, to review its maximum deduction caps and ensure they are set at levels that would be sustainable for most claimants. We concluded that this would help to ensure that the design of Universal Credit does not prevent it from achieving its objectives.

100 Work and Pensions Committee, [Universal Support](#), p.3

101 Work and Pensions Committee, [Universal Support](#), pp. 19–24

102 Social Metrics Commission, [A new measure of poverty for the UK](#), p.16 and p.18

103 NAO, [Rolling out Universal Credit](#), p.32

104 NAO, [Rolling out Universal Credit](#), p.42

105 Derbyshire County Council ([WSN0119](#))

106 HM Treasury, [Budget 2018](#), Table 1.8 and HC Deb, 28 June 2019, cW

107 StepChange ([UCR0261](#))

108 National Association of Welfare Rights Advisers ([UCR0262](#))

We found that the Government's approach to debt collection currently lags behind best practice in the retail debt sector. We recommended that the Department introduce a flexible, discretionary approach to debt deductions that learns from the best examples in the retail sector. This should include:

- a) Improved communication with claimants about what deductions are being made, for what purpose, and for how long. This should be issued before the deductions start, giving claimants time to prepare and understand their budget;
- b) Changing guidance to DWP decision makers, setting out clearly how they should go about assessing affordability of debt repayments;
- c) Clear guidance on the circumstances in which deductions should not be applied owing to a risk of harm to the claimant, and on assessing requests for reduced deductions and payment breaks.

Source: <Work and Pensions Committee, [Universal Support](#)>

34. The Department's decision to reduce the maximum deduction cap in Universal Credit from 40% to 30% is a small step in the right direction. But if the Department continues to set deductions at the highest possible rate—without due consideration for claimants' circumstances—it will continue to drive claimants into severe hardship. We have previously recommended that the Department introduce a flexible, discretionary approach to debt collection that takes affordability of repayments as its starting point, and that it takes steps to better understand the impact of deductions on claimant incomes and debt. We reiterate both of these recommendations, and further recommend the Department assess the impact of reducing the maximum deduction cap to 20%.

3 Drivers of poverty amongst different groups

35. The Social Metrics Commission’s measure of poverty accounts for both some of the “inescapable costs” of living (including those relating to childcare, disability and housing), and the resources that households have available to meet those costs. Through measuring poverty in this way, the Commission’s measure takes account of both the way in which inescapable costs affect people’s ability to make ends meet, and the way that people can use liquid assets to “meet their current needs”.¹⁰⁹

36. Under the Commission’s measure 14.2 million people in the UK are in poverty. This compares with 14.3 million in relative poverty, measured after housing costs, using the Government’s relative low income measure.¹¹⁰ Despite the number of people in poverty being similar across both the Government and the Commission’s measures, the composition of people in poverty differs. The Commission, and other witnesses, told us this is largely to do with the inescapable costs of living (for example, as a result of disability, housing or childcare costs); the ability of households to increase their income to meet those costs (for example, through work), and the adequacy of Government support for households that cannot meet their costs.¹¹¹

Older people

Box 6: The triple lock

There is a statutory requirement for the Government to uprate both the new State Pension (introduced in 2016) and the “basic” tier of the previous state pension annually, at least in line with earnings.

The triple lock is a commitment over and above this requirement, to uprate by whichever is the highest: earnings, prices, or 2.5%. It was announced in 2010 by the Coalition government, and has been in place since April 2011.

Source: <[House of Commons Library](#)>

37. The Commission’s measure suggests that poverty rates amongst pension-age adults fell from 20.8% in 2001 to 11.4% in 2017.¹¹² The Commission attributes this to “all the hard work done to improve the lives of pensioners” over the last two decades, and to “concerted policy action” by Government.¹¹³ Our predecessor Committee reported in 2016 that the decision by the then-Government to protect older people from “spending cuts that have been largely been felt by younger groups” has played a significant part in this reduction.¹¹⁴ This includes the “triple lock” on state pensions (see Box x) and the

109 Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.7

110 The Social Metrics Commission uses the Government’s relative poverty AHC measure as a comparator in its report. See Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.97 and [Poverty in the UK: statistics](#), p.10

111 Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.43; [QQ.18–20](#) (Baroness Stroud); [Q111](#) (Sumi Rabindrakumar); [Q160](#) (Sally West)

112 Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.123

113 Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.4

114 Work and Pensions Committee, [Intergenerational fairness](#), Third report of Session 2016–17, HC59, November 2016, p.3

exemption of pensioner benefits from the benefit freeze.¹¹⁵ Older people have also retained universal (ie. non-means tested) access to a range of additional benefits that can reduce their costs of living, including free TV licenses (up until 2020), bus passes and the Winter Fuel Payment. Pensioners are also exempt from paying National Insurance if they decide to work.¹¹⁶

38. The Commission’s estimate of 11% of pensioner households in poverty compares favourably with the Government’s own measure, which places pensioner poverty at 14%.¹¹⁷ Baroness Stroud, the Commission’s Chair, told us that the “key reason” for this discrepancy is the inclusion of liquid assets (assets that are readily converted into cash) in their metric. She explained that pensioner households often have low incomes, but tend more than other types of household to supplement income by drawing down on assets. If these assets are not included in the balance sheet, then pensioner poverty appears to be higher.¹¹⁸

39. The Commission acknowledged that the decision to include liquid assets in their calculations had an impact on perceived levels of pensioner poverty. Baroness Stroud told us that there were “huge debates” over how to consider liquid assets in poverty measurement in general.¹¹⁹ Matthew Oakley said that a decision had been made to try to capture “poverty right now”, rather than trends that may arise in the future. He explained that the Commission recognised that “for pensioners in particular, there is a longer-term consideration that needs to be taken into account”.¹²⁰ He said, however:

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.¹²¹

40. Age UK, a charity supporting older people, agreed that the number of pensioners living in poverty has fallen substantially over the last twenty years.¹²² They cautioned, however, that since 2010/11 the numbers have remained “more or less the same until 2015/16 when, worryingly, numbers rose”.¹²³ This is reflected in the Commission’s measure.¹²⁴ Age UK also reported concerns over the financial resilience of older people in the shorter term. They said that a key driver of poverty amongst this group is “the impact of an unexpected expense”: they cited, for example, the case of a woman in her mid-80s who they had supported who needed a new boiler. She was struggling on a “small private pension”—which meant her income was too high to claim benefits. She had no savings,

115 See also House of Lords Select Committee on Intergenerational Fairness and Provision, [Tackling intergenerational unfairness, Report of Session 2017–19, HL Paper 329, March 2019](#)

116 Thurley, D., Kennedy, S. and Keen, R. Pensioner benefits, [House of Commons Library briefing SN06354](#), June 2017

117 Social Metrics Commission, [A new measure of poverty for the UK](#), p.134

118 [Q26](#) (Baroness Stroud)

119 [Q28](#)

120 [Q.27–29](#) (Matthew Oakley)

121 [Q29](#) (Matthew Oakley)

122 Age UK, [Poverty in later life](#), April 2018; [Q164](#) (Sally West)

123 Age UK, [Poverty in later life](#), April 2018, p.3

124 Social Metrics Commission, [A new measure of poverty for the UK](#), p.123

and family members could not meet the cost of a new boiler.¹²⁵ We and our predecessor Committee have also heard large amounts of evidence on the long-term adequacy of pensions and retirement savings.¹²⁶

41. Pensioner poverty has fallen in the last two decades. That is thanks, in part, to successive governments agreeing the scale and nature of the problem, and taking concerted action to fix it. But the Government cannot afford to be complacent. Set against this success are concerns over older peoples’ financial resilience, and questions about whether policies that have delivered real improvements in poverty rates are sustainable. We intend to return to these issues in our future work.

Disabled people

Box 7: Estimating the costs of disability

Witnesses to multiple inquiries have told us that disabled people face “inescapable costs” that increase their cost of living.¹²⁷ These might include the costs of extra support and help with daily living, meeting mobility needs, or increased costs for basic essentials like fuel, food or housing.

The Commission’s measure uses the value of benefits intended to help cover the additional costs of disability as a proxy for those costs (PIP, DLA and Attendance Allowance). The value of these benefits is subtracted from the income of households where a disabled person lives (irrespective of whether they are claiming the benefits), as a reflection of the “inescapable costs” of disability and its impact on a households’ disposable income.

Source: < Social Metrics Commission, [A new measure of poverty for the UK](#), p.17 >

42. Since 2010, several changes to the welfare system have affected the benefits that are available to disabled people. They include:

- a) The replacement of Disability Living Allowance (DLA) with the Personal Independence Payment (PIP) in 2013, for people aged 16–64. As of early 2019, the Department had processed 4.2 million PIP claims (1.5m reassessments from DLA to PIP and 2.6 million new claims). 43% of new claimants, and 72% of former DLA claimants have been awarded PIP, often after appeal.¹²⁸
- b) The decision to pay the ESA “Work-related activity group” (WRAG) component and its UC equivalent (the Limited Capability for Work/LCW component) at the same rate as Jobseeker’s Allowance from April 2016 (currently £73.10 per

125 Age UK, [Poverty in later life](#), April 2018, p.7

126 See, for example, Work and Pensions Committee, [Intergenerational fairness; Work and Pensions Committee, Automatic enrolment, Eleventh report of Session 2015–16, HC579, May 2016; Work and Pensions Committee, Self-employment and the gig economy, Thirteenth report of Session 2016–17, HC 847, May 2017](#)

127 [Q18](#) (Baroness Stroud); [Q111](#) (Sumi Rabindrakumar) ; [Q158–160](#) (Michael Griffin) ; [Q158–160](#) (Sally West); [Q163](#) (Fran Bennett, Elliot Kent). See also Work and Pensions Committee, Universal Credit: [support for disabled people](#); Work and Pensions Committee, [PIP and ESA Assessments](#), Seventh Report of Session 2017–19, HC829, February 2018; Work and Pensions Committee, [Disability employment gap](#), Seventh report of Session 2016–17, HC56, February 2017; Scope ([WSN0054](#)); Parkinson’s UK ([WSN0106](#)), Mind ([WSN0095](#)), Leonard Cheshire ([WSN0072](#)), UK Women’s Budget Group ([WSN0024](#)), Thomas Pocklington Trust ([WSN0021](#)), MND Association ([WSN0055](#)), CPAG ([WSN0116](#)), Equality and Human Rights Commission ([WSN0111](#)) , MS Society ([WSN0082](#))

128 DWP, [Personal Independence Payments: official statistics to April 2019](#), June 2019

week).¹²⁹ The WRAG is intended for people who are not currently well enough to work, but who are expected to take steps to prepare to return to work. This was a reduction of £29.05 per week on the previous rate.¹³⁰ Both the WRAG and LCW rates have been frozen since 2016/17 (see next chapter).

- c) Changes to the various top-ups available to disabled people on, or moving to, UC. For example, the Severe Disability Premium (SDP—worth up to £64.30 per week for single people, or £128.60 for couples) and the Enhanced Disability Premium (EDP: £16.40 per week/£23.55 per week) are not available to new claimants, or those who migrate “naturally” to UC due to a change in their circumstances.¹³¹
- d) Changes to the benefits available to households where there is a disabled child. Under the legacy system, parents with a disabled child receiving DLA could receive an additional £273 per month via Child Tax Credit. Parents whose children receive higher-rate DLA or PIP could also receive a further £110 per month. Under UC, only children with either a severe visual impairment, or who receive the higher-rate of DLA or the enhanced rate of PIP’s daily living component, will be able to receive the higher rate “disability addition” in UC. Families with a child on the lower rates of either benefit will receive substantially less. Their entitlement is halved to £126 per week for new claimants and those migrating “naturally”.¹³²

43. The Department has argued that changes to disability benefits will allow it to better target support. Defending the removal of the SDP and EDP from UC for new claimants, the Department explained that it intended to “recycle the savings” back into support.¹³³ Specifically, it would enable people in the Support Group equivalent in UC to claim an additional amount “that is substantially higher than the current Support component in ESA”.¹³⁴ It said that this would offer additional help to “the most severely disabled” people.¹³⁵ The UC “limited capability for work related activity” (LCWRA) component—the equivalent of the ESA Support Group component—is more generous than the benefit it replaces. It will be increased in value by around £38 per week, to be worth £76 in 2018.¹³⁶ Similarly, households with children who remain eligible for the higher rate disability addition under UC will receive slightly more than they would have under the legacy system. But DWP’s own research shows that at least 100,000 households with a disabled child will receive less support under UC.¹³⁷

129 Work and Pensions Committee, [Disability employment gap](#), p.22

130 House of Commons Library, [Abolition of the ESA Work-Related Activity Component](#), p.3

131 Claimants already receiving the premia should now receive transitional protection payments (including backdated payments, if necessary) if they move to Universal Credit without a change of circumstances (via “managed migration”). As of July 2019, however, the Government had not yet brought forward regulations to allow these payments to be made. For more detail see Work and Pensions Committee, [Universal Credit: support for disabled people](#).

132 Work and Pensions Committee, [Universal Credit: support for disabled people.p.22](#)

133 DWP, [Welfare reform bill: Universal Credit, Equality impact assessment](#), November 2011, p.9

134 The Support Group is intended for claimants who are too unwell to work, or to undertake steps to prepare for work (ie. “work related activity”). Claimants in the Work Related Activity Group (WRAG) are those assessed as too unwell to work now, but who are expected to take steps to prepare for work in the future.

135 DWP, [Welfare reform bill: Universal Credit, Equality impact assessment](#), November 2011, p.9

136 Gov.uk, [Universal Credit: what you’ll get](#), December 2018

137 Cited in Contact a Family, [Universal Credit and cuts to the disabled child element \(research briefing\)](#), April 2016

44. Under the Commission’s measure, nearly half of people in poverty (48.3%)—6.9 million—are living in families with a disabled person.¹³⁸ This compares to 44% under the Department’s relative low-income measure, after housing costs.¹³⁹ Of those classified as being in poverty under the Commission’s measure, but not under the Government’s current measure, 67.1% are living in households where at least one person is disabled.¹⁴⁰ The Commission says that this is in part related to the way that their metric measures household income. Disabled people often have higher living costs than non-disabled people. This reduces their disposable income. Reflecting this, the Commission’s analysis shows that disabled people are amongst the most likely to be in “persistent poverty” (being below the poverty line for at least two of the last three years).¹⁴¹

45. Several witnesses told us that the recognition of the extra costs of disability in the Commission’s measure is, therefore, useful. Sally West, Policy Manager at Age UK, told us that the Commission’s decision to make a reduction based on the “extra” income provided by disability benefits was “perfectly reasonable”. She said that if the Department is giving additional financial support to disabled people to cope with the extra cost of living with a disability, “you need to take [away] the extra costs or ignore the income”. She explained, however, that even this will not “give the complete picture”.¹⁴² Disabled peoples’ costs may be higher or lower than the value of disability benefits, and they may not be in receipt of these benefits at all (meaning they would be substantially poorer than the metric suggests).¹⁴³ Basing the calculation on benefit rates could also mean that that poverty levels amongst disabled people appear to rise or fall in response to changes to benefit levels—rather than because of changes to peoples’ material circumstances.¹⁴⁴ Michael Griffin of Parkinson’s UK explained that the Commission’s measure is, therefore:

A good start but it is difficult because if you are basing it on the Government’s payments, if the Government cut PIP in half you would not see an increase in the levels of poverty but we know in reality there would be an increase in levels of poverty and particularly hardship.

He continued:

What we would like to see is a regular independent survey to see and check what those extra costs of living with a disability are.¹⁴⁵

46. The Department told us that disability benefits are “intended to act as a contribution” towards the additional costs of disability, and are paid “according to a claimant’s overall level of need”.¹⁴⁶ Disabled people and organisations that support them told us that these benefits often fall short of the real additional costs of having a long-term health condition.¹⁴⁷ The Commission itself recognised that using PIP, DLA and AA as proxies can only

138 Social Metrics Commission, [A new measure of poverty for the UK](#), p.7

139 Social Metrics Commission, [A new measure of poverty for the UK](#), p.135

140 Social Metrics Commission, [A new measure of poverty for the UK](#), p.137

141 Social Metrics Commission, [A new measure of poverty for the UK](#), pp. 97–98

142 [Q160](#) (Sally West)

143 [Q91](#) (Sally West, Michael Griffin).

144 [Q91](#) (Michael Griffin)

145 [Q91](#) (Michael Griffin). See also CPAG ([WSN0116](#)), Equality and Human Rights Commission ([WSN0111](#)), Parkinson’s UK ([WSN0106](#)), Leonard Cheshire ([WSN0072](#)), Thomas Pocklington Trust ([WSN0021](#)), Scope ([WSN0054](#))

146 [WQ232968](#)

147 [Q160](#) (Sally West); [Q160](#) (Michael Griffin), CPAG ([WSN0116](#)), Equality and Human Rights Commission ([WSN0111](#)), Parkinson’s UK ([WSN0106](#)), Leonard Cheshire ([WSN0072](#)), Thomas Pocklington Trust ([WSN0021](#)), Scope ([WSN0054](#))

provide a “best estimate”.¹⁴⁸ Scope’s 2019 *Disability price tag* research, for example, found that disabled adults face average additional monthly costs of £583 per month. For people with some conditions, the costs can be much higher than average: one in five disabled people face costs of over £1,000 per month.¹⁴⁹ PIP—the most widely-claimed of the three benefits—pays between £23.20 per week (approximately £100 per month) and £148.85 per week (approximately £645 per month).¹⁵⁰ Mind, the mental health charity, concluded that benefits for disabled people have “not kept pace with the costs of essentials, particularly for people who need long-term support from the social security system”.¹⁵¹ Parkinson’s UK said that, compared to a decade ago, “there is much less support to prevent people [...] falling into poverty and destitution”.¹⁵² The Child Poverty Action Group recommended the Department focus on the “valuable preventative role” that such benefits have in relation to poverty and destitution—particularly when increasing household income through work is difficult or impossible.¹⁵³ This is reflected in the evidence we have received across several inquiries.¹⁵⁴

47. Disabled people are at higher risk of falling into, and becoming trapped in, poverty than non-disabled people. That is, in part, because disabled people frequently face additional living costs. These range from basic essentials like food and fuel, to the costs of the adaptations and support that are needed to make society accessible. Disability benefits such as PIP are intended to help cover those costs and ensure that disabled people can participate in the economy and society on an equal footing. But benefit rates often fall short of the real costs of disability—and for many disabled people, boosting income through work can be difficult or impossible.

48. We recommend that the Department commission an independent survey of the additional costs of disability and long-term health conditions. This should be developed alongside its new poverty measure as a means of understanding where benefits are falling short, and informing policy to address poverty amongst disabled people.

49. The Department says that some of the most severely disabled people will receive more support under the current welfare system than they would have before 2010. But it has come at the cost of support for people with conditions that, while not the “most severe”, can still have a substantial impact on their day-to-day lives and living costs. This includes people in the ESA WRAG group and Universal Credit equivalent. These claimants have also been subject to freezes and reductions in the generosity of benefits they are entitled to—despite the Department itself finding them not “fit for work”. We return to this issue in the next chapter.

148 Social Metrics Commission, [A new measure of poverty for the UK](#), p.46

149 Scope, [Disability Price Tag 2019](#), February 2019

150 £23.20 per week is for the standard rate mobility award only (with no daily living component paid). £148.85 per week is the enhanced rate for both the mobility and daily living components. See Gov.uk, [PIP](#).

151 Mind ([WSN0095](#))

152 Parkinson’s UK ([WSN0106](#))

153 Child Poverty Action Group ([WSN0116](#))

154 See, for example, Work and Pensions Committee, [Universal Credit: support for disabled people](#); Work and Pensions Committee, [PIP and ESA Assessments](#); Work and Pensions Committee, [Disability employment gap](#).

Gendered and child poverty

50. Witnesses told us that women are more susceptible to poverty than men.¹⁵⁵ The Women’s Budget Group explained that a key driver of poverty amongst women is the “earning differentials between the sexes, gendered contributions to households and typical patterns of household finance management”. These mean that poverty affects women disproportionately. They told us that caring responsibilities (including childcare) are “at the crux” of this inequality:

Gendered expectations about who should take on care responsibilities have a significant impact on the employment patterns of women. Women are more likely to work part-time or to be economically inactive, and so to earn less from paid employment. Women are therefore more likely to be financially dependent on men and/or the state.¹⁵⁶

Professor Fran Bennett, a member of the Women’s Budget Group, explained further that women are “more likely to depend on benefits themselves [than men]”, but they are also vulnerable to policy changes because “they are more likely to get benefits for other people”—including children.¹⁵⁷ Analysis by the House of Commons Library estimated the impact of budget measures on men and women since 2010. That showed that, at the end of 2017, “86% of savings to the Treasury through tax and benefit changes since 2010 will have come from women”.¹⁵⁸

51. We have already reported on, or are in the process of taking evidence on, several of the changes that witnesses identified as leading to particular hardship for women and children. They include:

- a) The benefit freeze and changes to various up-rating policies. We return to these in the next chapter.
- b) The benefit cap, which limits the total amount that households can receive in benefits. The majority of households subject to the cap are single-parent households (74%), of whom 96% were women.¹⁵⁹
- c) The two-child limit.¹⁶⁰ From April 2017, most children born into households where there are already two or more children are not eligible for an additional child payment under either Child Tax Credit or UC. The Department announced in January 2019 that it would not apply the cap retrospectively (ie. to children who had been born before April 2017). CPAG nonetheless told us that “you could not design a policy better to increase child poverty than this one”.¹⁶¹

155 [Q91](#) (Suzanne Fitzpatrick), [Q177](#) (Fran Bennett); [Q132](#) (Deborah Garvie), Women’s Aid Federation ([WSN0049](#)), UK Women’s Budget Group ([WSN0024](#))

156 UK Women’s Budget Group ([WSN0024](#))

157 [Q177](#) (Fran Bennett)

158 Keen, R. and Cracknell, R., [Estimating the gender impact of tax and benefit changes](#), House of Commons Library briefing paper SN06758, December 2017, p.7

159 Work and Pensions Committee, [The benefit cap](#), p.13

160 Work and Pensions Committee, [Two child limit](#), Twenty-Third Report of Session 2017–19, HC1540, January 2019

161 [Q4](#) (Josephine Tucker)

52. The Commission’s analysis shows that poverty rates vary substantially between different family types.¹⁶² Lone parent households are much more likely to be in poverty than other types, for example: 52% are poor, compared to just 11% and 9% of couples without children and pensioner couples respectively. Rates also vary by work status, with 68% of households where there is no adult in work being in poverty, compared to just 9% of households where all adults are in work (this will include households without children).¹⁶³ Overall, this equates to around 33% of children living in households below the poverty line in the UK 2016/17, compared to the Government’s estimate of 30%.¹⁶⁴ The Commission noted that while the proportions in poverty are similar between its measure and the Governments, it found “large shift” in the composition of poverty towards “working age families and in particular, couple families with children”. They explained that the composition also shifts towards people with childcare costs.¹⁶⁵

53. Childcare costs are one of the “inescapable costs” that the Commission uses in its metric. The Commission argues they are “inescapable” in the short-term because many families have “little choice but to pay them”, given their working patterns.¹⁶⁶ Witnesses also drew our attention to the impact of childcare costs on households’ disposable income, and on their capacity to work in order to increase their income. The London Child Poverty Alliance told us that a lack of affordable childcare represents a “significant financial risk to parents in low paid or insecure employment as they face upfront and on-going costs, regardless of their earnings or employment status”.¹⁶⁷ We have previously concluded that making childcare support work well for low-income parents should also be a priority for the Government. If DWP is to achieve its aim of getting mothers to contribute the vast majority of additional hours in work hours under UC, for example, it will be vital that they can access good quality, affordable childcare.¹⁶⁸

54. We published our report on UC childcare support in December 2018.¹⁶⁹ We received a very brief and dismissive response from the Department in March 2019.¹⁷⁰ After returning the report, asking for it to be reconsidered, we received a reply in June 2019.¹⁷¹ We were grateful to the Secretary of State for her personal intervention. The Department rejected our central recommendation of paying UC claimants’ childcare costs up-front, but made a number of concessions. They included:

- a) Re-iterating a commitment made by the Secretary of State in January 2019 to ensure that UC claimants are able to access the Jobcentre Plus Flexible Support Fund (FSF)—a discretionary fund, controlled by Work Coaches—to cover the up-front costs of childcare, if these would otherwise present a barrier to work.¹⁷² The Secretary of State told us this did not represent a change of policy: the FSF

162 Social Metrics Commission, [A new measure for poverty for the UK summary report](#), September 2018, p.27

163 Social Metrics Commission, [A new measure for poverty for the UK summary report](#), September 2018, p.30

164 House of Commons Library, [Poverty in the UK: statistics](#), p.12

165 Social Metrics Commission, [A new measure for poverty for the UK summary report](#), p.44

166 Social Metrics Commission, [A new measure of poverty for the UK](#), p.40

167 London Child Poverty Alliance ([WSN0065](#))

168 See Work and Pensions Committee, [Universal Credit: childcare](#), p.5

169 Work and Pensions Committee, [Universal Credit: childcare](#)

170 Work and Pensions Committee, [Universal Credit: childcare](#), December 2018; Government [Response to the Committee’s report](#), March 2019, pp.8–13

171 Work and Pensions Committee, [Universal Credit: childcare - Government response to the Committee’s Twenty-second report](#), HC2078, April 2019 and [Universal Credit: childcare - Government response to the Committee’s Twenty-fifth report](#), HC2422, July 2019

172 Work and Pensions Committee, [Universal Credit: childcare - Government response to the Committee’s Twenty-fifth report](#), p.9

could already be used for this purpose. She did not believe, however, “that the policy was being implemented as intended”.¹⁷³ Lucy Collins, a Beauty Technician and single parent, suggested the Secretary of State’s belief was correct: she told us that the FSF is “the biggest secret in the Jobcentre”.¹⁷⁴

- b) Committing to report annually on spending and uses of the FSF, including for childcare, to give greater transparency over how it is spent.¹⁷⁵ The FSF has been underspent in every year since its introduction.¹⁷⁶ Witnesses to multiple inquiries echoed the concerns we heard about the FSF and childcare support: in particular, that the FSF is not being consistently made available for its intended purposes.¹⁷⁷
- c) A commitment to provide analysis on the impact of the UC childcare costs cap in Summer 2019.¹⁷⁸ The caps—the maximum amounts that claimants can receive in reimbursement for childcare via UC—have not been uprated since 2005.¹⁷⁹ The Joseph Rowntree Foundation told us that since then, the costs of all types of formal childcare across the UK have risen well above the rate of inflation, and have outstripped earnings.¹⁸⁰ This “makes it extremely difficult for families with low earnings to afford full time child care”, because costs can exceed the maximum cap.¹⁸¹

55. The Department rejected our recommendation, however, that it should also investigate the impact of the maximum reimbursements for childcare in UC.¹⁸² The maximum reimbursement currently stands at 85% of costs up to the cap—more than the 70% available under Working Tax Credit.¹⁸³ But the Resolution Foundation told us that in practice, when combined with support via council tax and housing benefit, around 100,000 of the poorest households on Working Tax Credit were receiving up to 96% of their costs under that system. They will face losing some support when they move to UC.¹⁸⁴

56. The Centre for Social Justice and Save the Children told us that the Government could afford to increase childcare support for low-income households by reducing the support available to higher income households: specifically, through Tax-Free Childcare (TFC).¹⁸⁵ TFC can be claimed by households earning up to £200,000. The Resolution Foundation noted that despite “very welcome” improvements to UC work incentives in the 2018 budgets, there is still “some way to go before [UC’s design] sufficiently incentivises work

173 Letter from the Secretary of State to the Chair, 31 January 2019

174 Work and Pensions Committee, [Universal Credit: childcare](#), p.18

175 Work and Pensions Committee, [Universal Credit: childcare - Government response to the Committee’s Twenty-fifth report](#), p.5

176 Letter from the Minister to Committee Chair, 15 Nov 2018

177 See, for example, Work and Pensions Committee, [Disability employment gap](#); Work and Pensions Committee, [Assistive technology](#), Tenth report of Session 2017–19, HC673, April 2018; Work and Pensions Committee, [The future of Jobcentre Plus](#), Second report of Session 2016–17, HC57, November 2016

178 Work and Pensions Committee, [Universal Credit: childcare - Government response to the Committee’s Twenty-second report](#), p.11

179 Joseph Rowntree Foundation (UCR0258), CPAG (UCR0263)

180 Joseph Rowntree Foundation (UCR0258)

181 Ibid.

182 Work and Pensions Committee, [Universal Credit: childcare - Government response to the Committee’s Twenty-second report](#), p.11

183 Work and Pensions Committee, [Universal Credit: childcare report](#), December 2018, p.21

184 Resolution Foundation (UCM0018)

185 The Centre for Social Justice and Save the Children, [A bright start: improving childcare for disadvantaged families through Universal Credit](#), pp.41–44

for single parents and dual-earning families, and supports pay progression”.¹⁸⁶ The Centre for Social Justice and Save the Children modelled the impact of allowing reimbursement of 100% of allowable costs on these households. They demonstrated that this would result in improved work incentives, including for second earners (who are usually women).¹⁸⁷ The Department told us, however, that it would not consider diverting funding from TFC. It said:

The £100,000 per parent cap on Tax-Free Childcare ensures that support is targeted at the working families who require the most support in order to return to work or work more.¹⁸⁸

Median earnings in the UK in 2018 were £569 per week: approximately £29,500 per year.¹⁸⁹ It is not at all clear to us how households earning up to £200,000 per year “require the most support” in order to increase their incomes through work.

57. Universal Credit claimants are required to pay for childcare upfront, and claim the money back from DWP. Initial costs, including deposits, can run to hundreds of pounds: costs that may be prohibitive for people with no savings or immediate income. The Flexible Support Fund can be used to meet these costs, but the Secretary of State has admitted that she cannot be confident that the Fund is being consistently used for its intended purposes. The Department’s announcement that it will publish annual data on the Fund is very welcome, and will be helpful in understanding how the Fund is being used. But it will not, in itself, ensure that it is being used correctly.

58. Universal Credit allows working parents to claim back up to 85% of their childcare costs up to a maximum cap. The Department has agreed to analyse the effect of the maximum caps, which have not been updated since 2005. This is very welcome. It will not look, however, at the maximum reimbursement rate, which for around 100,000 of the poorest families in the system Universal Credit replaces was almost 100%. That means that some of the households who need support with childcare the most will lose out under Universal Credit.

59. We recommend the Department extend its plans to publish data on the Flexible Support Fund to include research on Work Coach and claimant awareness of the Fund and its uses. The Department should use this opportunity to find out whether current guidance on the Fund is effective, how it can better publicise the Fund, and how it can ensure the Fund is being used to its full potential.

60. Childcare is expensive, no matter who pays for it. But DWP could afford to increase support for the poorest households—and in doing so, offset an inescapable cost of working—if it reduced support to the better off. We have already recommended that it diverts funding from Tax Free Childcare, which can be claimed by households earning up to £200,000, into Universal Credit. The Department says it will not do this, because these households “require the most support in order to return to work or work more”. This is absurd.

186 Resolution Foundation ([UCM0018](#))

187 The Centre for Social Justice and Save the Children, [A bright start](#), p.43

188 [Universal Credit: childcare - Government response to the Committee’s Twenty-fifth report](#), para.38

189 Full time weekly earnings. See Smith, R., [Employee earnings in the UK: 2018](#), Office for National Statistics, October 2018

61. ***We recommend the Department reconsiders its decision not to divert funding from wealthier families claiming Tax Free Childcare, into Universal Credit. It should also provide in response to this report any analysis it has carried out to inform this decision, particularly relating to changes to in work incentives for high earners on Tax Free Childcare.*** We will return to issues relating to childcare and poverty in our joint work with the Education Committee.¹⁹⁰

Single payments of Universal Credit

62. UC claimants receive their monthly payment in one, single payment per household—including couple households. Our inquiry on Universal Credit and domestic abuse heard that single payments of a whole household’s UC award to one member of a couple can exacerbate or encourage financial abuse in a relationship. This can mean the abused partner suffers severe hardship, which in turn makes it even more difficult for them to leave the relationship.¹⁹¹ The Secretary of State announced in a speech in January 2019 that she would like to see all UC payments go to the main carer, and that the Department would look to introduce this provision “later” in 2019.¹⁹² This change of policy would not, however, do anything to help people in abusive relationships who do not have children. According to a written response to Baroness Lister in February 2019, the Department intends to “encourage” couple households with children to use the main carer’s bank account for their UC award. It said it would do so by “[improving] the claimant messaging on the service”.¹⁹³

63. ***As millions more people transfer onto UC, it is essential that payment arrangements do not exacerbate financial control within a relationship. The Government needs to act with urgency to devise a method for splitting payments fairly within a couple and to proceed with it. In the meantime, we recommend that all household Universal Credit payments for couples with children should be to the main carer. The Government has said only that it will “encourage” claimants to take this option. That means it is unlikely to have the wholesale impact the Secretary of State intends, and couples where abuse or coercive control is a problem are unlikely to respond to “encouragement”. We recommend that, while it devises a system for splitting payments, the Department makes all UC payments to main carers by default.***

190 See Work and Pensions Committee, [School holiday poverty](#). Inquiry launched June 2019

191 Work and Pensions Committee, [Universal Credit and domestic abuse](#), pp.18–21

192 Rudd, R., [Universal Credit: personal welfare](#), 11 January 2019

193 [HL13997](#)

4 The benefit freeze and up-rating changes

64. Some groups of people are more at risk of falling into poverty than others. This is due to “inescapable costs” associated with their circumstances. Disabled people frequently have higher living costs than non-disabled people, which are not always covered by disability benefits.¹⁹⁴ Childcare support and payments intended for children are available to low income households, but having children can still strain household finances.¹⁹⁵ In both cases, it can be difficult or impossible for households to make up their income through work. The welfare safety net is intended to help offset these risks, and prevent households from falling into or becoming stuck in poverty. Supportive policy aimed at pensioner households, for example, has been instrumental in reducing poverty for that demographic.¹⁹⁶ But witnesses told us that, for other groups, the safety net has been substantially eroded by policy decisions since 2010.¹⁹⁷

Up-rating changes

65. Up-rating (increases to account for inflation) of benefits usually takes place in April each year, based on inflation in the previous September.¹⁹⁸ In April 2011, the Coalition government decided to switch the mechanisms for uprating from the Retail Prices Index (RPI) and “Rossi” Index to the Consumer Prices Index (CPI).¹⁹⁹ In 2011, the House of Commons Library forecast that this measure would save £1.2 billion in its first year, increasing to £5.8 billion in 2014/15 and exponentially thereafter.²⁰⁰ Announcing the switch, the then-Chancellor argued that increases in welfare spending were “one reason why there is no money left” and that excessively generous welfare support (including spending on tax credits) was leaving “an increasing number of our fellow citizens trapped on out-of-work benefits for their entire lives”.²⁰¹ Several organisations responding to this inquiry noted that the switch has contributed to gradually eroding the value of benefits, both collectively and for individual households.²⁰² The Resolution Foundation described the shift to CPI as “skimming small amounts each year from the budgets of lower-income households, in the hope that you’ll be out the door before they notice”.²⁰³

194 Scope ([WSN0054](#))

195 Women’s Budget Group ([WSN0024](#))

196 Social Metrics Commission, [A new measure of poverty for the UK summary](#), p.4

197 Child Poverty Action Group ([WSN0116](#)), Newcastle City Council and Your Homes Newcastle ([WSN0092](#)), Mr Joel Halligan ([WSN0081](#)), Citizens Advice Newcastle ([WSN0079](#)), Nordic Model Now! ([WSN0064](#)), PCS Union ([WSN0063](#)), Thomas Pocklington Trust ([WSN0021](#))

198 McInnes, R., [2019 Benefits up-rating](#), House of Commons Library briefing paper CBP84578, March 2019

199 The CPI tends to rise more slowly than either RPI or the “Rossi” index (RPI without housing costs included. See Hood, A. and Norris Keiller, A., [A survey of the UK benefit system](#), Institute for Fiscal Studies, November 2016

200 Cracknell, R., [The CPI: up-rating benefits and pensions](#), House of Commons Library research paper 11/05, SN5830, 2011

201 Osborne, G., [Transcript of the Chancellor’s speech \(2010 Emergency Budget\)](#), June 2010

202 Child Poverty Action Group ([WSN0116](#)), SHAL Housing ([WSN0048](#)), Depaul UK ([WSN0089](#)), Chartered Institute of Housing ([WSN0078](#))

203 Plunkett, J., [The Coalition’s £11bn stealth cut: switch from RPI to CPI](#), New Statesman, September 2011

66. In the 2012 Autumn Statement, the Chancellor announced that increases in most working-age benefits (including benefits for people who are in work) would be limited to 1% for three years from 2013/14.²⁰⁴ This was expected to deliver a further £3.7 billion saving. CPAG told us that this change, and the RPI-CPI shift, had contributed to “the greatest losses to children and families” of all policies since 2010.²⁰⁵

67. The value of benefits, for people in and out of work, has been steadily eroded by uprating changes: the shift from RPI to CPI in 2011, and the 1% limit from 2013. Even without any further changes, this would have contributed to a reduction in financial security for many of the households that DWP supports. This includes people who are wholly reliant on benefits, and people who need benefits to top-up income from low-paid work.

The five-year freezes

68. The 1% up-rating provision was due to end in 2015/16. After that, Government would usually have acted to increase working-age benefits in line with inflation.²⁰⁶ The “benefit freeze”, however, was introduced via the Welfare Reform and Work Act 2016. The Act provided for a freeze on most working-age benefits (excluding some disability and carer benefits, but including benefits paid to people in work: see Box 8) at 2015/16 levels for five years until 2020/21.²⁰⁷ The benefit cap, which limits the total amount that some households can receive in income from benefits, has also been frozen in cash terms up to 2020/21.²⁰⁸

Box 8: The benefit freeze

The benefits included in the freeze are:

- Jobseekers’ Allowance;
- ESA personal allowances and the Work-related activity component;
- Income Support;
- Child and Working Tax Credit (non-disability-related elements);
- Housing Benefit Local Housing Allowances (LHA); and
- The equivalents of the above in Universal Credit.

69. The Government justified the various freezes by saying that, since 2008’s financial crisis, most benefits had risen in value by 21%, compared to a rise in average earnings of 11%. The Government therefore said that the freeze was necessary “to ensure it always pays to work”.²⁰⁹ When it was announced in 2016, the Treasury said it expected to save £3.5 billion via the five year freeze alone by 2019/20.²¹⁰ The Resolution Foundation says that the Department’s savings as a result of the freeze will total £4.4 billion up to 2019/20,

204 HM Treasury, [Autumn statement 2012](#), CM8480, p.56

205 Child Poverty Action Group ([WSN0116](#))

206 McInnes, R., [2019 Benefits up-rating](#), March 2019

207 [Welfare Reform and Work Act 2016](#) 7 (s.11)

208 Ibid.

209 Kennedy, S., Honeysett, L., Thurley, D., McInnes, R. and Mackley, A. [Spending of the Department for Work and Pensions](#), House of Commons Library debate pack CDP-2019-0053, p.23

210 HM Treasury, [Budget 2016](#), Table 2.2

compared to if the frozen benefits had been uprated in line with CPI. This is £0.9 billion more than projected. The increase in savings is largely due to CPI being higher than forecast during the period in which the freeze has applied.²¹¹

70. Analysis by the House of Commons Library shows that the effect of the freeze is that benefits are worth 6.1% less in cash terms in 2019/20, compared to what they would have been worth had the freeze not been introduced.²¹² Conversely, if frozen benefits had been allowed to rise in line with CPI inflation, they would have risen by 6.5% by 2019/20 compared to 2015/16. The Library measured the cumulative effect of the various benefit caps and freezes on lone parent and couple households with one or two children, who were both in and out of work.²¹³ They showed these households are:²¹⁴

- a) between £888 and £1,845 per year worse off in 2019/20 than if benefits had been up-rated consistently in line with inflation from 2015/16;
- b) are between £36 and £723 worse off in real terms in 2019/20 compared to 2010–11; and
- c) have seen a real terms fall in income of between 0.7% and 6.7% between 2010/11 and 2019/20.

71. Despite substantial losses to claimant households, and the Department having saved more than expected, the Secretary of State rejected our request to end the freeze a year early, in 2019/20.²¹⁵ She reiterated that the various freezes are part of the Department’s strategy to “put welfare on a more sustainable footing and to shift the balance away from benefit dependency towards employment”.²¹⁶ The Joseph Rowntree Foundation estimated that ending the freeze early would have lifted 200,000 people out of poverty, and increased the incomes of 13.7 million people by £270 in 2020/21.²¹⁷

72. Most working-age benefits—including some for people who are too unwell to work—have been frozen since 2015/16. For three years before that, the same benefits were limited to a 1% increase. The Department has already saved £0.9 billion more than it intended via the freeze. Its regrettable decision not to lift the freeze early—and lift 200,000 people out of poverty—means that very disadvantaged people are still losing out. When the freeze ends in 2020/21, a substantial chunk will have been taken out of the incomes of some of the country’s most vulnerable households. Simply lifting the freeze is not enough.

The 2018 budget

73. The 2018 Budget announced additional spending on UC. This included a £1,000 increase to UC work allowances (in addition to normal up-rating by CPI: work allowances are not frozen): the amount that a household can earn before benefits start to be tapered away.²¹⁸ This means that some households will receive more UC in 2019/20

211 Resolution Foundation, [The Living Standards Outlook 2019](#), February 2019, page 20

212 Kennedy, S., et al. [Spending of the Department for Work and Pensions](#), pp.23–24

213 Ibid.

214 Ibid.

215 [Q35–38](#) (Amber Rudd)

216 [Letter from the Secretary of State to the Chair of the Committee](#), 14 March 2019. See also Q35 (Amber Rudd)

217 Joseph Rowntree Foundation ([WSN0077](#))

218 HM Treasury, [Budget 2018: Universal Credit](#), April 2018

than they would otherwise have done, despite some UC components or ‘elements’ being frozen. Responding to our questions on lifting the freeze early, the Department told us that it is spending the money it has saved in other areas of its budget. Donna Ward, Policy director for Children, Families and Disadvantage at DWP, said:²¹⁹

If you add up the reduction in the taper, the increase in the work allowances and other changes like the HB run-on and everything in 2019–20 [the Department] actually does spend as much money as the benefit freeze if we lifted that, so it is around £1.5 billion extra in 2019/20 from all of those measures.

74. The Department told us, however, that it recognises its additional spending is “aimed primarily at people in work”.²²⁰ Peabody, a housing association, told us that “claimants who cannot work, or who struggle to work” (for example, due to disability/illness or caring responsibilities, including for children) are “far less appropriately supported by UC” than claimants in work.²²¹ CPAG also pointed out that the money the Department has put back into UC in the 2018 Budget—£1.7 billion—is much less than the £3.2 billion that was removed from it in the 2015 Budget.²²²

75. The Department has invested £1.7 billion in restoring Universal Credit to its pre-2015 generosity. This is much-needed, but it falls short of the £3.2 billion that was taken out of the system in 2015. Moreover, the additional spending is tilted towards those who are in, or able to move into, work. Investing in Universal Credit work allowances and tapers will offer little comfort to people whose capacity to work is limited (for example, by their health or by the cost and availability of childcare), and who rely solely or largely on benefits to meet the costs of living and keep them out of poverty.

Local Housing Allowance

76. Local Housing Allowance (LHA) is used to determine how much housing benefit claimants in the private rented sector are eligible to receive. From its introduction in 2008, LHA rates were determined in relation to the cost of private rentals in the local area. They were capped at the median—50th percentile—of local market rents. In 2010, the then-Government announced changes to LHA in the June Budget and October Spending Review.²²³ They included:

- a) reducing the cap from the 50th percentile to the 30th percentile of local market rates;
- b) changing the method for uprating LHA rates. The existing system of monthly uprating was ended, and April 2012 rates were frozen for one year. In April 2013, LHA was uprated at the 30th percentile or at CPI (whichever was lower). For 2014/15, LHA was uprated by the lower of CPI or 1%. Since then 2015/16, LHA has been frozen, and not uprated.²²⁴

219 [Q38](#) (Donna Ward)

220 [Q38–39](#) (Donna Ward, Amber Rudd)

221 Peabody ([WSN0066](#))

222 CPAG ([WSN0116](#))

223 See HM Treasury, [Budget 2010](#), HC61, June 2010 and [Spending review 2010](#), Cm7942, October 2010

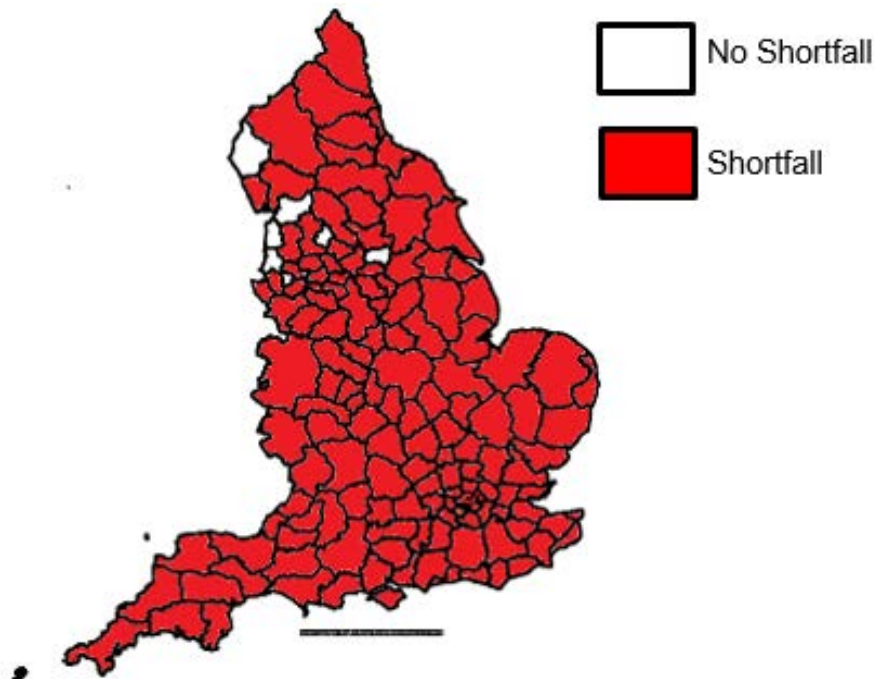
224 HM Treasury, [Budget 2016](#), Table 2.2

77. The Chartered Institute of Housing told us that the cumulative effect of the changes to LHA rates and uprating is that “an increasing majority” of private tenants are finding there is a “widening gap between the rent they pay and the help they get in their benefit to cover it”.²²⁵ It said that private tenants are expected to make up any shortfall from income or benefits other than housing benefit, because LHA rates are declining in real terms and have been since LHA was frozen in 2016.²²⁶ Zacchaeus 2000 Trust (Z2k), a London-based charity, told us that changes to LHA rates even before the 2015/16 freeze, amongst other changes to housing benefit, had contributed substantially to poverty amongst people they support. They said that the “vast majority” of tenants affected had been unable to reduce their housing costs, and so:²²⁷

Were left with a choice of either trying to make up the shortfall from other social security benefits, or [allowing] themselves to start falling into arrears and face possession action, eviction and potentially homelessness.

78. Analysis by Shelter set out the wider geographical extent of the problem.²²⁸ Their research examined rent levels across England. It found that, in 2017/18, there was a shortfall between LHA and rent levels in 92% of the England for one-bedroom properties. This increased to 95% of the country for a two bedroom property (see Figure 1), and 97% for three bedroom properties. Shelter described widespread shortfalls relating to LHA rates as “the biggest problem” with UC overall.²²⁹

Figure 1: Areas in England where there is a shortfall between the LHA rate for a two-bedroom property and local market rents



Source: Shelter ([WSN0107](#))

225 Chartered Institute of Housing ([WSN0078](#))

226 Ibid.

227 Zacchaeus 2000 Trust ([WSN0115](#))

228 Shelter ([WSN0107](#)). See also: Crisis ([WSN0099](#)), Local Government Association ([WSN0094](#)), Refuge ([WSN0086](#)), Chartered Institute of Housing ([WSN0078](#)), St Mungos ([WSN0070](#)), Homeless Link ([WSN0067](#)), Peabody ([WSN0066](#)), Shelter Scotland ([WSN0045](#)), Zacchaeus 2000 Trust ([WSN0115](#)), Citizens Advice ([WSN0114](#))

229 Shelter ([WSN0107](#))

79. Some households may be able to cover the shortfall: for example, through moving into work or increasing their hours. As Z2k identified, however, others will struggle to do so.²³⁰ Shelter told us that this is not a trivial problem: they explained that “recent reforms to LHA are contributing significantly towards the rise in poverty and homelessness in the UK”. Their evidence set out the extent of the shortfall that some tenants face.²³¹ Deborah Garvie, Policy Manager at Shelter told us that shortfalls that occur as a result of LHA not covering the full cost of rent are often “not something you can budget around”.²³² She cited data showing that in 25% of areas in England, families who need a two-bedroom home will find that the shortfall is over £100 per month.²³³ She concluded that “this is not a matter of shaving a couple of pounds off your shopping bill or something like that, and this is [happening] month after month”.²³⁴

80. StepChange, the debt support charity, told us that many of the people that they support who have difficulties with debt and housing arrears also have “other vulnerabilities, like mental health problems [or] physical health problems”.²³⁵ Peter Tutton, Head of Policy at StepChange, estimated this applied to around one third of their clients who live in the private rented sector. He characterised this group as a “highly vulnerable poor who are likely to be in persistent poverty struggling to meet their basic needs”.²³⁶ He, and other witnesses, concluded that the “problem seems to be growing”.²³⁷ Shelter drew attention to other groups that are increasingly vulnerable to homelessness as a result of the freeze, including single parent households.²³⁸ Multiple witnesses told us that due to barriers related to disability and to childcare, these groups are amongst those who are less likely to be able to make up the shortfall consistently by moving into work, or by working more hours.²³⁹

81. The Secretary of State acknowledged that there is a gap between LHA rates and rent prices in some regions of the UK. She told us that she has “concerns about Local Housing Allowance and the impact on affordability in certain areas”.²⁴⁰ She explained that she would be working with the Secretary of State for Housing, Communities and Local Government, James Brokenshire MP, to address the issue. Her proposed solution involved working with the Ministry of Housing, Communities and Local Government so that “we address supply and demand together to try to get a better outcome for our constituents”.²⁴¹

82. The Local Housing Allowance freeze means that there is now a gap between housing benefit rates and rent prices in the private sector in the vast majority of English local authorities. These shortfalls are not trivial. In some areas, families needing a two-bedroom house face a shortfall of over £100 a month. Bridging a gap of this size would be hard enough for many people in work. For people who cannot work, it may be

230 Shelter ([WSN0107](#)), Zacchaeus 2000 Trust ([WSN0115](#))

231 Shelter ([WSN0107](#))

232 [Q127](#) (Deborah Garvie)

233 [Q125](#) (Deborah Garvie), Shelter ([WSN0107](#))

234 [Q125](#) (Deborah Garvie)

235 [Q126](#) (Peter Tutton)

236 Ibid.

237 Ibid. See also: St Mungos ([WSN0070](#)), Homeless Link ([WSN0067](#)), Peabody ([WSN0066](#)), Shelter Scotland ([WSN0045](#)), Zacchaeus 2000 Trust ([WSN0115](#)), Citizens Advice ([WSN0114](#))

238 Shelter ([WSN0107](#)). See also: Crisis ([WSN0099](#))

239 Child Poverty Action ([WSN0116](#)), Newcastle City Council and Your Homes Newcastle ([WSN0092](#)), Mr Joel Halligan ([WSN0081](#)), Citizens Advice Newcastle ([WSN0079](#)), Nordic Model Now! ([WSN0064](#)), PCS Union ([WSN0063](#)), Thomas Pocklington Trust ([WSN0021](#))

240 [Q57](#) (Amber Rudd)

241 [Q57](#) (Amber Rudd)

simply impossible. The Secretary of State acknowledged the problem. Her solution—addressing supply and demand—is necessary, but it will take time. Tenants need help now. They are not to blame for a mismatch between supply and demand in the housing market, and should not be bearing the brunt of it.

The combined impact

83. Witnesses told us that the uprating changes and freezes have had a substantial impact both on poverty levels amongst certain groups, and on wider indicators of “destitution” such as foodbank use and homelessness.²⁴² We heard repeatedly that benefit levels have been low in comparison to living costs for many years, in part due to the impact of other, overlapping reforms.²⁴³ The current Government’s approach to uprating and freezing policies has exacerbated this problem, pushing households into poverty and creating additional stresses on household finance.²⁴⁴

84. The Child Poverty Action Group (CPAG) said that the five year freeze and the decision to uprate benefits by CPI have delivered “the biggest benefit savings” to Government, but have “seriously hampered” the UK’s welfare safety net.²⁴⁵ CPAG explained that “already low levels of support have been reduced further by [benefits] failing to keep pace with rising costs”.²⁴⁶ Professor Suzanne Fitzpatrick, Director of the Institute of Social Policy, Housing and Equalities research at Heriot-Watt University explained further the implications for people who rely on working age benefits for all or most of their income:²⁴⁷

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 this 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.

85. Shelter and the Joseph Rowntree Foundation emphasised that the risks of poverty and homelessness related to the LHA freeze are not confined to households where no one is in work.²⁴⁸ The Social Metrics Commission’s measure shows that while poverty rates are much higher in households where no one works, almost one in ten households with children where all adults work full-time are in poverty. This increases to 37% in couple households with children where at least one adult is in part-time, and one in full-time work, 68% where adults work part-time only, and 88% of couple households where no adults works (see Figure 2).²⁴⁹ Shelter’s research further demonstrated that 55% of

242 See, for example, iSphere ([WSN0112](#)), Crisis ([WSN0099](#)), Shelter ([WSN0107](#)), The Prince’s Trust ([WSN0103](#)), Nottingham Trent University ([WSN0102](#)), Parkinson’s UK ([WSN0106](#)), Highland Council ([WSN0093](#)), End Hunger UK ([WSN0088](#)), Community Links ([WSN0076](#)), Advice Nottingham ([WSN0069](#))

243 [Q56](#) (Suzanne Fitzpatrick), CPAG ([WSN0116](#)), Citizens Advice ([WSN0114](#)), Shelter ([WSN0107](#))

244 Child Poverty Action Group ([WSN0116](#)), Newcastle City Council and Your Homes Newcastle ([WSN0092](#)), Mr Joel Halligan ([WSN0081](#)), Citizens Advice Newcastle ([WSN0079](#)), Nordic Model Now! ([WSN0064](#)), PCS Union ([WSN0063](#)), Thomas Pocklington Trust ([WSN0021](#))

245 Child Poverty Action Group ([WSN0116](#)), The Trussell Trust ([WSN0105](#))

246 Ibid.





247 [Q56](#) (Suzanne Fitzpatrick)

248 Shelter ([WSN0107](#)), Joseph Rowntree Foundation ([WSN0077](#))

249 Social Metrics Commission, [A new measure of poverty for the UK summary report](#), p.31

homeless families are employed.²⁵⁰ More widely, Crisis told us that their research showed that, had the various reductions in generosity of welfare support planned for 2016 to 2021 not gone ahead, projected homelessness levels would be 42% less by 2041, assuming that no further reductions were implemented in the 2020s.²⁵¹

Figure 2: Poverty rates for people in working-age families, by family type and work status

People in...	Full working families	Full/part-time working families	Families working part-time	Workless families
 Single families, no children	8.8%	21.3%	49.0%	66.2%
 Lone parent families	26.0%	41.0%	63.3%	79.4%
 Couple families, no children	3.3%	16.8%	44.8%	68.5%
 Couple families, with children	11.5%	37.1%	67.7%	88.4%

Source: [Social Metrics Commission](#), p.31

86. We also heard that freezes and welfare reform were contributing to the use of food banks and to hunger and “food insecurity”—people being unable to consistently access or afford good quality, healthy food.²⁵² The Department has announced that it will start to measure food insecurity in the Family Resources Survey from 2019; a recommendation that some of our witnesses made to this inquiry prior to the Department’s announcement.²⁵³ Until this data is available, the clearest large-scale data on hunger in the UK comes from food bank networks such as the Trussell Trust—although the Trussell Trust themselves cautioned that this data was “unofficial and piecemeal”, likely to understate usage, and represented only part of a problem that is “far greater in scope”.²⁵⁴ The Trussell Trust told us that the people most likely to need emergency food parcels are “those who have been particularly adversely affected by recent welfare benefit reforms”. This includes lone parents, disabled people, and households with three or more children.²⁵⁵ They identified the benefit freeze and reductions in the value of benefits available to disabled people (for example, those in the ESA-WRAG group) as some of the key factors driving food bank usage.²⁵⁶

250 Shelter ([WSN0107](#))

251 Crisis ([WSN0099](#))

252 Trussell Trust ([WSN0105](#)), Child Poverty Action Group ([WSN0116](#)), Zacchaeus 2000 Trust ([WSN0115](#)), End Hunger UK ([WSN0088](#))

253 The Guardian, [UK hunger survey to measure food insecurity](#), February 2019. See A Menu for Change ([WSN0091](#)), Trussell Trust ([WSN0105](#))

254 Trussell Trust ([WSN0105](#))

255 Ibid.

256 Ibid.

87. We heard overwhelmingly that the various freezes currently in place must end as scheduled in 2020/21.²⁵⁷ Several organisations also supported our request to the Secretary of State to end the freezes earlier.²⁵⁸ Shelter told us that a failure to lift the freezes would mean that the welfare safety net would continue to be weakened “in its ability to stop people falling into debt, destitution and homelessness”.²⁵⁹ They said that the LHA freeze, in particular, must end, with benefit rates recalibrated back to the 30th percentile “at the very least” and uprated thereafter.²⁶⁰ The Trussell Trust, and many others, told us that the Department should end the wider freeze and continue to uprate benefits in line with inflation.²⁶¹ They recommended the Department particularly focus on restoring value, and ensuring adequacy, in benefits for children and disabled people. They said this was necessary due to “the additional inescapable costs upon families” that result from caring for children, or from having a health condition.²⁶²

88. Crisis, the homelessness charity, pointed out that lifting the LHA freeze without also lifting the freeze on the benefit cap will mean that “a greater number of people’s overall income will exceed the benefit cap”.²⁶³ This could also apply to unfreezing other benefits that are included in the cap. Crisis recommended that to address this, there should be “increased flexibility to lift the benefit cap” in some circumstances: for example, where a claimant subject to the cap is expected to need long-term support via Discretionary Housing Payments to avoid becoming homeless. They said that this is “likely to include single parents with young children” and “people at risk of homelessness where illness and disability create a barrier to entering work”.²⁶⁴ Other witnesses advocated uprating the cap in line with inflation. We have already recommended to Government that the cap should not apply at all to people who the Department does not expect to look for work (for example, because they have small children or are disabled).²⁶⁵

89. Most benefits for working-age people have been frozen since 2015/16. The outcome is that already low benefit rates have become divorced from the real costs of living. People who cannot boost their incomes sufficiently through work—and who may find that work itself incurs additional costs (such as childcare)—face enormous, on-going challenges in simply meeting their basic day-to-day needs. The welfare safety net is not fit for purpose for people living on the breadline.

90. The Government plans to lift the benefit freeze in 2020/21. That is a necessary first step, but it will not be sufficient to reconnect benefit rates with the cost of living. Nor will it allow those who have built up debts during the freeze to begin to pay them off.

257 Joseph Rowntree Foundation ([WSN0077](#)), Zaccheaus 2000 Trust ([WSN0115](#)), Trussell Trust ([WSN0105](#)), Parkinson’s UK ([WSN0106](#)), Citizens Advice Newcastle ([WSN0079](#)), Peabody ([WSN0066](#)), PC Union ([WSN0063](#)), Women’s Budget Group ([WSN0024](#)), Advice NI ([WSN0007](#)), Shelter Scotland ([WSN0045](#)), Child Poverty Action Group ([WSN0116](#))

258 Joseph Rowntree Foundation ([WSN0077](#)), Zaccheaus 2000 Trust ([WSN0115](#)), Trussell Trust ([WSN0105](#))

259 Shelter ([WSN0107](#)), Women’s Budget Group ([WSN0024](#)), Shelter Scotland ([WSN0045](#))

260 Shelter ([WSN0107](#))

261 Trussell Trust ([WSN0105](#)). See also: Joseph Rowntree Foundation ([WSN0077](#)), Zaccheaus 2000 Trust ([WSN0115](#)), Citizens Advice Newcastle ([WSN0079](#)), Women’s Budget Group ([WSN0024](#)), Chartered Institute of Housing ([WSN0078](#))

262 Trussell Trust ([WSN0105](#))

263 Crisis ([WSN0099](#))

264 Crisis ([WSN0099](#))

265 Work and Pensions Committee, [The benefit cap](#).

91. *We recommend that, from 2020/21, the Government should increase the rates of frozen benefits by CPI plus 2%. That would mean that benefit rates would, after 4 years, reach the level at which they would have been set if they had not been frozen. From that point, the Department should commit to uprating benefits at least in line with inflation.*
92. *We also recommend that the Department unfreeze Local Housing Allowance as planned in 2020/21, and restore rates to at least the 30th percentile of local market rates. Thereafter, the Department should commit to uprating Local Housing Allowance in line with rental prices.*
93. **We remain of the view that the benefit cap should not apply to people who the Department does not expect to work, including single parents with small children and disabled people. We recommend that where the benefit cap does apply, it should be unfrozen and uprated in line with inflation.**
94. **These measures, while necessary in the short term, will not address the fundamental problem: that benefit rates and caps have been set without reference to real household costs—the amount of money that people actually need to live on. We recommend that the Department produce a medium-term plan for linking the rate at which benefits are set with the real cost of living. It should set out how it plans to identify a method for doing this, and how long it expects this work to take.**

5 Impact and accountability

95. The Department’s decision to adopt and develop the Social Metric Commission’s poverty measure should help it to improve its understanding of poverty levels amongst different groups. Witnesses, including Baroness Stroud, also told us that adopting the measure would, in itself, help the Department focus on the impact of its policies on poverty by providing clear accountability for its decisions.²⁶⁶ But several organisations told us that the Department needs to demonstrate a greater commitment to transparency and to fully understanding the impact of its policies—throughout their implementation.²⁶⁷ In relation to UC and some disability benefits, we heard that a lack of clarity and transparency has damaged claimant confidence in the Department to such an extent that some people who would be entitled to benefits are not applying for them.²⁶⁸ The Department itself recognises that a lack of trust in its services poses a risk to its stated goals of improving take-up of benefits and ensuring that vulnerable people do not fall through the safety net.²⁶⁹

Understanding the impact of DWP policies

96. An impact assessment is an analysis of a proposed new policy, or of a substantial change to an existing policy. Government impact assessments generally set out the problem the policy is intended to address; the objectives of the policy and its intended effects; and the other options that were considered when deciding on the policy. Equality Impact Assessments (EIAs) are also analyses of policy proposals. They consider specifically whether the policy has a disproportionate impact on people with protected characteristics under the Equality Act 2010. Protected characteristics include disability, age and gender. Public authorities are not required to carry out EIAs, but they are one way in which an authority can demonstrate that it has complied with the Public Sector Equality Duty. This is the part of the Equality Act which requires public authorities to “have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities”.²⁷⁰

97. Our recent inquiries into UC have demonstrated a lack of confidence among claimants and stakeholders (such as charities or support organisations) that the Department fully understands the impact that the policy is having, including on groups with protected characteristics.²⁷¹ The Equality and Human Rights Commission (EHRC), the non-departmental public body that is responsible for promoting equality in England, Scotland and Wales, pointed out that the most recent EIA for UC was carried out in 2011; there have been a great many changes to UC since then. It “contained limited detailed evidence on specific protected groups”.²⁷² The section on impact on poverty, for example, was just

266 Q3 (Baroness Stroud); Equality and Human Rights Commission ([WSN0111](#)), Citizens Advice ([WSN0114](#))

267 Citizens Advice ([WSN0114](#)), Equality and Human Rights Commission ([WSN0111](#)), Liverpool City Council ([WSN0100](#)), London Plus ([WSN0096](#)), Inclusion London ([WSN0053](#))

268 Q11 (M - Universal Credit and survival sex), Q78 (Blair Buchanan), Ulster University ([WSN0068](#)), Inclusion London ([WSN0053](#))

269 Q187 (Justin Tomlinson)

270 Gov.uk, [Review of public sector Equality Duty](#), accessed July 2019

271 See, for example, Work and Pensions Committee, [Universal Credit: Support for disabled people](#), Equality and Rights Commission ([WSN0111](#)), Citizens Advice ([WSN0114](#)), Inclusion London ([WSN0053](#)), NHS Health Scotland ([WSN0074](#)), London Child Poverty Alliance ([WSN0065](#)), Women’s Aid Federation ([WSN0049](#)), London Plus ([WSN0096](#))

272 Equality and Rights Commission ([WSN0111](#))

two paragraphs long, and provided little in the way of context or detailed forecasts of the impact of the policy.²⁷³ The 2012 impact assessment contains some further detail, but policy changes since then mean this is now out of date (see Box 9).²⁷⁴

Box 9: Impact assessments and evidence: Universal Credit

DWP's 2012 impact assessment of UC said that once UC was in a "steady state": "approximately 2.8 million households will have notionally lower entitlement than they otherwise would have done as a result of Universal Credit, although the majority of these will have a reduction of less than £100 per month. The average reduction in entitlement for this group is estimated to be £137 per month."

Since 2012 there have been various changes to UC, including to the generosity of work allowances, and to the taper. In 2017 the [Resolution Foundation](#) claimed that UC "will, overall, make working families worse off than the current system". 2.2 million families were expected to make a net average increase of £41 per week and 3.2 million families with an average loss of £48 per week (almost £200 per month). Following the 2018 Budget changes to UC—namely the £1,000 increase in work allowances—the [Resolution Foundation](#) predicted that the number of families gaining from UC would increase to 2.4 million. [Policy and Practice](#) predicted, however, that even after changes were made in the 2018 Budget, 39.9% of households would lose income under UC, with 30.3% gaining.

Source: < DWP, [Universal Credit: impact assessment](#); Resolution Foundation, [Universal Remedy](#); Policy in Practice, [Autumn Budget report](#)>

98. The Department told us that it has a good understanding of the impact of its policies. It said in correspondence that, although a full impact assessment of UC has not been published since 2012, the Department has published assessments of changes to the new system.²⁷⁵ These include a 2015 assessment of the impact of changes to conditionality for carers, and an assessment of the "two child limit".²⁷⁶ The Department has also published two surveys of UC claimants' experiences with the benefit, and an early analysis of its employment impact.²⁷⁷ Donna Ward, Policy Director for Children, Families and Disadvantage at DWP, told us that the Department is "very transparent" about "the impact of its policies on people".²⁷⁸ Neil Couling, Director General for Universal Credit, also pointed to "an evaluation of Universal Credit strategy which we have published", which he claimed was "very comprehensive".²⁷⁹

99. The EHRC disagreed. They said that since the main impact assessments for UC were published in 2011 and 2012:

Significant changes have been made to the new benefits system which make it extremely difficult for the implications of Universal Credit on the

273 DWP, [Universal Credit: equality impact assessment](#), November 2011, p.14

274 DWP, [Universal Credit: impact assessment](#), December 2012

275 [Letter from the Secretary of State to the Committee Chair](#), February 2019

276 DWP, [Impact assessment of the change in conditionality for responsible carers on Universal Credit](#), July 2015; DWP, [Impact assessment of Tax Credit and Universal Credit, changes to Child Element and Family Element](#), July 2015

277 DWP, [Universal Credit employment impact analysis: update](#), September 2017; DWP, [Universal Credit Full Service omnibus survey](#), February 2019; DWP, [Universal Credit Full service survey](#), June 2018.

278 [Q229](#) (Donna Ward)

279 [Q264](#) (Neil Couling); DWP, [Universal Credit evaluation framework 2016](#), July 2016

lives of people sharing protected characteristics to be understood and for mitigating measures to be put in place to protect people falling into severe hardship as a result of welfare reform measures.²⁸⁰

100. We also heard that it is important not to look at changes to UC in isolation. Witnesses including Citizens Advice and the EHRC pointed out that UC—and the changes to it since its introduction—is just one part of a much wider programme of welfare reform.²⁸¹ Citizens Advice said that “a significant number of claimants will have been or will be experiencing more than one change to the benefits they receive”. They noted that claimants’ ability to “cope with the cumulative impact of these changes will vary depending on individual circumstances, but many thousands of people will have seen their income reduced, in some cases substantially”.²⁸² We heard that if DWP is to fully understand the impact of its reform programme, it needs to conduct a cumulative impact assessment.²⁸³ When we put this to the Department, however, it said that cumulative assessments are done by “other people”.²⁸⁴ The Department does not conduct its own cumulative assessments because:

That kind of analysis looks at those policy changes in isolation and does not take any account of people changing their behaviour—most importantly in this situation, going in to work.²⁸⁵

101. DWP’s decisions have a direct impact on the incomes of millions of people. Universal Credit (and the changes to it since impact assessments were published in 2011/12) may be the highest profile of these decisions, but many hundreds of thousands of people if not more will be coping with multiple changes to the benefits they receive. DWP says it does not conduct cumulative impact assessments because they do not look at the effect of reform on behaviour. It also says that it has a transparent evaluation strategy for Universal Credit. But we are not convinced that these arguments justify a lack of transparency or understanding of the cumulative effect of reforms on households’ incomes.

102. We recommend the Department publish an updated impact assessment of Universal Credit, taking into account policy changes since 2011/12. It should illustrate this with anonymised case studies and worked examples which demonstrate the impact on individual claimants with a range of different circumstances. We also recommend that the Department commission and publish a cumulative impact assessment on the effect of welfare reform since 2010 on claimant incomes. This should set out clearly the impact on incomes of people with protected characteristics (for example, health/disability, gender, and age).

280 Equality and Rights Commission ([WSN0111](#))

281 Equality and Rights Commission ([WSN0011](#)), Citizens Advice ([WSN0114](#)), Inclusion London ([WSN0053](#)), Local Government Association ([WSN0094](#)), Changing Lives ([WSN0043](#))

282 Citizens Advice ([WSN0114](#))

283 Equality and Rights Commission ([WSN0111](#)), Citizens Advice ([WSN0114](#)), Inclusion London ([WSN0053](#)), Just Fair ([WSN0042](#)), Parkinson’s UK ([WSN0106](#)), Liverpool City Council ([WSN0100](#)), MS Society ([WSN0082](#)), Community Links ([WSN0076](#)), NHS Health Scotland ([WSN0074](#)), London Child Poverty Alliance ([WSN0065](#)), Women’s Aid Federation ([WSN0049](#)),

284 [Q265](#) (Donna Ward)

285 [Q265](#) (Donna Ward)

What claimants can expect from DWP

103. DWP has a “Customer Charter”. The Charter briefly sets out what claimants can expect from the Department under four headings: “right treatment”, “getting it right”, “keeping you informed” and “easy access” (see Figure 3).²⁸⁶ The Charter has been in place since 2014. Up until December 2017, it was accompanied by a leaflet: *About the Department for Work and Pensions: our service standards*. This set out in slightly more detail what claimants could expect from DWP. It included some time-bound commitments: for example, maximum times for responding to letters, complaints, and letters from MPs, and for the Department to provide interpreters for claimants who require them. It also included detail on home visits and accessibility for disabled claimants, and told claimants how they could complain if they needed to.²⁸⁷ The leaflet was withdrawn in 2017. Visitors to the Gov.uk site looking for the service standards are currently redirected to the less detailed Charter.²⁸⁸

286 DWP, [Our customer charter](#), updated March 2014

287 DWP, [\[Withdrawn\] About the DWP: our service standards](#), updated November 2014

288 Gov.uk, [About the DWP: our service standards: leaflet](#), updated December 2017

Figure 3: DWP's Customer Charter

Right treatment

You can trust us to:

- do what we say we will do
- be helpful, polite, and treat you fairly and with respect
- try to understand your circumstances
- follow processes correctly
- tell you what to do next if you're not satisfied with how you've been treated
- protect your personal information (our personal information charter (<https://www.gov.uk/government/organisations/department-for-work-pensions/about/personal-information-charter>) tells you more)
- investigate all reports of fraud, to protect public money

Getting it right

We will:

- provide you with the correct decision, information or payment
- explain things clearly if the outcome is not what you'd hoped for
- say sorry and put it right if we make a mistake

Keeping you informed

We will:

- deal with your request the first time you contact us, or as soon as we can
- tell you what will happen next, and by when
- keep you updated of progress

Easy access

We will:

- make more of our services available online, to use at a time that suits you
- publish information about benefits and services online at GOV.UK
- explain clearly how to contact us in other ways

In return, we need you to:

- give us the correct information at the right time
- tell us when something changes
- be on time for any appointments
- treat our staff with respect

Source: <https://www.gov.uk/government/publications/our-customer-charter/our-customer-charter>

104. The Department also has a Single Departmental Plan which sets out its objectives and how it aims to achieve them. The Single Departmental Plan was last updated in April 2019.²⁸⁹ The EHRC told us that the Single Departmental Plan does include a list of objectives that DWP could, if it was minded to, use to measure its own performance.²⁹⁰ For example, it contains objectives on “efficient benefit processing”.²⁹¹

105. The EHRC told us it was concerned that the current Customer charter “does not contain specific measures such as targets or minimum standards”.²⁹² For example, where the *Service standards* leaflet contained some timeframes for responses to customer complaints, comments or queries, the Charter simply says that the Department will try to deal with issues “the first time you contact us, or as soon as we can”.²⁹³ Similarly, the objectives in the Single Departmental Plan are not accompanied by any targets, timeframes or specific commitments. For example:

- On “efficient benefit processing”, the plan says that DWP will “improve further the service we offer claimants within Universal Credit by changing how jobcentres and service centres work together, as well as developing our outreach offer locally”. The Department collects and publishes data on aspects of UC, including the proportion of claimants paid on time and in full. The Plan, however, contains no commitment to specific levels of payment timeliness.²⁹⁴ There is therefore no penalty for poor performance. For example, the National Audit Office estimated that between 270,000 and 338,000 UC claimants would be paid late during 2018.²⁹⁵
- Under “[Completing] the roll-out of Universal Credit”, the Department says it will complete transfer of claimants via managed migration “by 2022” [sic.] and will implement support for claimants announced in the Autumn 2018 budget.²⁹⁶ The Department has so far refused to say what successfully transferring claimants to UC would look like, nor how it will judge whether the additional resources are giving claimants the support they need.²⁹⁷
- On providing “an outstanding service to our customers and claimants”, the Department says it will “deliver a highly capable, engaged workforce”, and will “design and deliver high performing and financially efficient digital services”.²⁹⁸ It measures this via the Claimant service and experience survey (see below). There is no indication of what the Department considers to be an acceptable or unacceptable level of service.

289 DWP, [DWP Single departmental plan](#), updated April 2019

290 Equality and Human Rights Commission ([WSN0124](#))

291 DWP, [DWP Single departmental plan](#)

292 Equality and Human Rights Commission ([WSN0124](#))

293 DWP, [Our customer charter](#), updated March 2014

294 DWP, [DWP Single departmental plan 2018 to 2022, headline indicators](#), updated April 2019

295 National Audit Office, [Rolling out Universal Credit](#), p.8

296 DWP, [DWP Single departmental plan](#)

297 See Work and Pensions Committee, [Managed migration](#), Twentieth report of Session 2017–19, HC 1762, November 2018 and Work and Pensions Committee, [Tests for Managed migration, Twenty-sixth report of Session 2017–19](#), HC 2091, April 2019

298 DWP, [DWP Single departmental plan](#)

106. Each year DWP publishes a Claimant service and experience survey.²⁹⁹ The Survey records satisfaction with various aspects of DWP services among claimants of 10 different benefits. These include communication, digital services, and Jobcentre Plus. While the most recent survey (2017/18) does “[highlight] which of the four areas of DWP’s *Customer charter* the data relate to” (“ease of use”, “getting it right”, “keeping you informed” and “right treatment”), there is no inherent link between the data and the Charter, and no minimum standards or targets are set out.³⁰⁰


107. The Department is much clearer about what it expects from people who are claiming benefits. When it is fully rolled out, UC will have the largest caseload of any working-age DWP benefit. All UC claimants are required to sign a “Claimant commitment”. This sets out in detail what the Department expects claimants to do in order to keep receiving UC. The Commitments are specific and time-limited (see Figure 4). People cannot claim UC without signing a Claimant commitment. Failure to keep to the conditions set out in the Commitment can lead to a sanction, the terms of which are also set out in the Commitment.³⁰¹

299 DWP, [Claimant service and experience survey 2017 to 2018](#), January 2019

300 DWP, [Claimant service and experience survey 2017 to 2018](#), January 2019, p.1

301 An example [Claimant commitment is available on gov.uk](#).

Figure 4: An example Claimant Commitment



If, without good reason, I don't do all these things, my Universal Credit payments will be cut by £10.20 a day for up to 91 days.

I will also:

- complete all the actions and activities in Section 2 of my work search and preparation plan
- attend and take part in appointments with my adviser when required

If, without good reason, I don't do all these things, my Universal Credit payments will be cut by £10.20 for each day until I:

- complete each action or another activity I've been told to do instead by my adviser; or
- arrange a new appointment

Once I've done this, my payments will be cut by £10.20 a day for a further period of up to 28 days.

If, without good reason, I don't apply for any specific jobs my adviser has told me to, as listed in Section 2 of my work search and preparation plan, my Universal Credit payments will be cut by £10.20 a day for up to 3 years.

I understand that Universal Credit may ask employers for feedback on:

- my applications for jobs
- job interviews I'm invited to.

Claimant Commitment

Joanne Brown
National Insurance number: AB123456C

1. My commitment

I'll do everything I can to get paid work, and will receive Universal Credit payments to support me in this. The things I'll do are set out in this Claimant Commitment.

2. Finding and taking work

I'll look for and take any work I'm able to do, that:

- pays £6.19 an hour or more
- is within 90 minutes' travel from my home

I'm available for work for 40 hours each week. I can work on any day at any time.

I will:

- apply for vacancies I'm told to apply for by my adviser
- attend and take part fully in job interviews I'm offered
- take up offers of paid work that I'm able to do

If, without good reason, I don't do all these things, my Universal Credit payments will be cut by £10.20 a day for up to 3 years.

I will be available to:

- attend a job interview immediately
- start work immediately

If, without good reason, I'm not available as described, my Universal Credit payments will be cut by £10.20 a day for up to 91 days.

3. My actions for getting into work

My work search and preparation plan lists the things I'll do to give me the best chance of finding work quickly. This means I will normally spend 35 hours each week looking and preparing for work.

I will:

- complete all the activities in Section 1 of my work search and preparation plan
- provide evidence that I've done my regular work search activities when required

Page 1 of 4

4. Changes in my circumstances

I'll tell Universal Credit immediately about any changes in my circumstances that could affect my claim.

If I'm in paid work at any time, I'll tell Universal Credit if my job ends, within 5 days of leaving. I must make sure all my earnings are reported to Universal Credit, either by me or by my employer.

If, without good reason, I leave paid work or lose pay, either by choice or because of misconduct, my Universal Credit payments could be cut by £10.20 a day for up to 3 years.

If, without good reason, I don't tell Universal Credit within 5 working days that I've left a job, my Universal Credit payments will be cut by £10.20 for each further day that I don't tell Universal Credit I've left that job. Once I've done this, my payments will be cut by £10.20 a day for a further period of up to 28 days.

If I also have earnings from self-employment at any time, I'll tell Universal Credit the details of my self-employed income and expenses. I'll do this each month through the Universal Credit phone service. I'll be told what date I have to do this by each month, and I won't get my Universal Credit payments until I've done it. If I still haven't reported my self-employed income and expenses one month after this deadline, my Universal Credit claim will be stopped.

I must give Universal Credit information that I believe is correct and complete. I understand that if I don't report any changes that affect my Universal Credit claim as soon as possible, I may be prosecuted or other action may be taken against me. I also understand that I may have to pay a £50 penalty if there is an overpayment of Universal Credit to me and it was my fault.

5. Meeting my commitment

Jobcentre Plus will give me help and advice to support me in doing the things set out in my Claimant Commitment. I know how to contact Jobcentre Plus.

I'll phone Universal Credit in advance on 0845 600 0723 if I can't attend an appointment when I should.

If I don't meet all the requirements set out in my Claimant Commitment, I understand that my Universal Credit payments will be cut. The number of days they're cut for will depend on:

- how many times I haven't met my requirements in the previous 12 months
- which requirements I haven't met

I understand that the penalty rates for Universal Credit may change from time to time. The current rates at any given time will automatically apply to this Claimant Commitment. If there is any doubt about my claim it will be reviewed, which could lead to my Universal Credit payments being reduced or stopped. If a decision is made to reduce or stop my payments, this will be explained to me. If I disagree with the decision, I have the right to have it reconsidered or to appeal against it.

Signature.....Date.....

Page 2 of 4

My work search and preparation plan

I'll spend 35 hours each week looking and preparing for work. This will include all the activities and actions in this plan.

Section 1: Regular work search activities:	How often
• Check the Nottingham Post on a Wednesday and Saturday and apply for any suitable jobs	2 times a week
• Keep in contact with RetailChoice Employment Agency and take suitable jobs that arise	2 times a week
• Check the "Fish for Jobs" website and apply for suitable jobs	2 times a week
• Cold call employers located within 90 minutes travelling distance of my home by visiting, telephoning and sending speculative written applications/CVs	4 times a week
• Check Universal Jobmatch account and apply for all suitable matched jobs	2 times a week

Section 2: Specific actions I will take:	By	Review
• Attend IT course starting w/c 11 Feb 2013 – one day per week	11/02/2013	06/03/2013
• Present a tailored CV to premises – Costcutter, Highland Pharmacy, The Fine Plaice and Turrets Hotel	06/03/2013	06/03/2013
• Present a tailored CV to each of the retail shops in Gallowtree Gate and the High Street	06/03/2013	06/03/2013

Section 3: Other work-related activities:	By	Review
• Do voluntary work at Help For Heroes 2 days per week (8 hours)		
• Attend community work club – Grass Street (Tue/Thurs)		

108. The Social Metrics Commission’s approach to measuring poverty—which the DWP has adopted—is underpinned by a conviction that “what gets measured gets done”. That also applies to the service that claimants receive from DWP. The Department is clear about what it expects from claimants, but vague about what claimants can expect from it in return. It lacks any kind of publicly available, measurable targets for its own performance. Unless the Department defines what is “acceptable” and measures whether that is being achieved, it cannot confidently claim to be delivering a consistently high-quality service.

Introducing service standards and an independent regulator

109. The EHRC concluded in its evidence submission to our inquiry that DWP’s existing methods of monitoring standards are inadequate.³⁰² It described the Department’s current system—covering the Single Departmental Plan, the Customer Charter and the Claimant Service and Experience Survey—as “not fit for purpose in terms of monitoring standards and driving improvements”. The EHRC pointed out that DWP’s working-age services are also not subject to the consistent “external or independent scrutiny in the same way that other Departments are”.³⁰³ Other major components of the welfare state do have this kind of scrutiny via external regulators and clear performance measures. Ofsted monitors the Department for Education’s services, for example, while the Care Quality Commission and NHS Improvement monitor the Department for Health and Social Care.³⁰⁴

110. The Department has told us several times that it believes UC has an “image problem”. In some cases, this is putting people off applying for it all. The Minister identified improving take-up amongst people who are eligible for UC as one of the key challenges that the Department faces, and an important element of reducing poverty.³⁰⁵ Neil Couling told us that the Department has “further to go” in reassuring claimants that they will be supported under UC. He explained he was keen to see more stories about “the reality of Universal Credit and Jobcentres rather than the way they are depicted in the media”.³⁰⁶ To this end, the Department has been hesitant to accept evidence of claimant difficulty that it regards as “anecdote”, and which the former Secretary of State, Rt Hon Esther McVey MP, described as “scaremongering”.³⁰⁷ It has also recently invested in a series of advertisements in the Metro newspaper, setting out “myths” and “facts” about the benefit (see Figure 5).³⁰⁸

302 Equality and Human Rights Commission ([WSN0111](#) and [WSN0124](#))

303 Equality and Human Rights Commission ([WSN0124](#))

304 Equality and Human Rights Commission ([WSN0124](#))

305 See, for example, Q187 (Justin Tomlinson); Work and Pensions Committee, [DWP questioned on advertising spend to boost UC image](#), May 2019

306 [Q267](#) (Neil Couling)

307 See, for example DWP (UCX0015); NAO, [Rolling out Universal Credit](#), p.49; HC Deb, 15 October 2018, c391

308 Work and Pensions Committee, [DWP questioned on advertising spend to boost UC image](#), May 2019

Figure 5: DWP's Universal Credit advertorial



Source: Metro newspaper, 22 May 2019

111. We put it to the Department that unless it is clear and upfront about what it thinks is acceptable service and whether and how it is delivering this, there is a risk that claimants and would-be claimants will continue to view its services with suspicion. Neil Couling responded:

The 2000s, and indeed the 1990s and 1980s, were a very target-driven world, and that is deeply engrained into the culture of Jobcentre Plus, having led it for two years. We have been trying to turn that around. Universal Credit really helps with that because it gives Work Coaches greater powers to do things and make judgments based on the people in front of them rather than what it says in the book. You have heard me in this Committee before perhaps occasionally baulk at a suggestion that is very well-intentioned but might inadvertently reinforce that latent target culture.³⁰⁹

112. The Department's lack of specific service standards and measurable performance targets was a concern for the EHRC. They noted that currently, Jobcentre staff have a "high degree of discretion": for example, in deciding whether to refer a claimant for a sanction, or deciding whether to apply an easement to their claim.³¹⁰ They agreed with Neil Couling that some discretion and flexibility can be helpful (for example, in setting conditionality). They said, however, that the current way of working had led to "significant variation" in the service offered in each Jobcentre. This "can also lead to a wide variety of practice which is experienced by claimants as unfair".³¹¹

309 Q267 (Neil Couling)

310 Equality and Human Rights Commission ([WSN0124](#))

311 Equality and Human Rights Commission ([WSN0124](#))

113. The EHRC told us that “one way of ensuring non-discriminatory access and fair treatment” is to introduce clear service standards that set out what claimants can expect from the Department.³¹² Julie Jarman, Principal for the EHRC’s Living Standards programme, argued that introducing such standards could also have the effect of driving up service quality and acting as a “preventative measure” against poverty and destitution.³¹³ She explained that the key principle behind service standards and targets is that they are “publicly available and measured”.³¹⁴ EHRC recommended DWP should publish “statistical evidence of its performance”, as is the case with services such as health and education.³¹⁵ The EHRC’s initial suggestions for service standards are set out in Box 10. They said, however, that specific targets would need to be “developed by the Department with relevant stakeholders”.³¹⁶

Box 10: Suggested service standards

The EHRC suggested the following service standards for DWP:

- Claim processing times for each benefit, and for Work Capability Assessments and PIP assessments;
- Appeal and Mandatory Reconsideration processing times;
- Response times for claimants contacting the Department: for example, how soon a letter will be replied to; a maximum call waiting time; or responses to UC journal entries;
- The proportion of people who request home visits that receive them, and in what timeframe;
- Accurate call logging of, for example, claimants’ explanations of why they cannot attend an interview, and a system of assurance that this information is passed on to the relevant Work Coach;
- A series of communication standards informing claimants about available easements; home visits; getting information in accessible formats; the availability of private rooms in Jobcentres to discuss any sensitive information; and
- Information for claimants who are sanctioned within 48 hours in their preferred format (email, text, letter). This should include the reason for the sanction, their right to appeal, and how to apply for a hardship payment.

Source: Equality and Human Rights Commission (WSN0124)

114. We also heard there “could be a case” for establishing an independent regulator to monitor the quality of service provided by DWP—especially in Jobcentre Plus.³¹⁷ The EHRC said, however, that this idea would require “further scoping and research”. They suggested that in the interim:

312 Equality and Human Rights Commission ([WSN0124](#))

313 Q59 (Julie Jarman)

314 Q61 (Julie Jarman)

315 Equality and Human Rights Commission ([WSN0124](#))

316 Equality and Human Rights Commission ([WSN0124](#))

317 Equality and Human Rights Commission ([WSN0124](#))

Service standards could be monitored by a distinct internal review body within DWP, working closely with Jobcentre Plus (akin to NHS Improvement). The introduction of an external advisory board would increase confidence in the impartiality of this body. Over time, the functions carried out by this unit would be transferred to a distinct agency or non-departmental body.³¹⁸

115. Without clear, measurable standards of service, claimants have little way of understanding whether the service they have received from DWP is acceptable. The Department also lacks the tools to understand whether it is consistently delivering a good service—because it has not defined what “good” is. We, the National Audit Office, and the Social Security Advisory Committee have all repeatedly asked the Department to do this. The Department, reasonably, wants to maintain flexibility in the service it delivers to claimants. But that applies equally to other public services such as health and education, where standards are independently monitored and measured. DWP, and Jobcentre Plus, is not a special case.

116. We recommend the Department work with its stakeholders including claimants and delivery partners, including Citizens Advice, to establish suitable performance measures for its working-age benefit delivery and to implement these. The measures should be published and accompanied by clear targets, and monitored initially by an internal review body and external advisory board. We recommend that alongside this the Department scopes whether there is a case for establishing an independent regulator for working age benefits and services. It should set out an interim assessment in response to this report.

6 Conclusion

117. **The welfare safety net is about more than income, and more than DWP's policies. But the DWP has a vital role to play in maintaining its integrity, simply because its decisions affect the incomes of so many households. Successive Governments have made huge savings from almost a decade of changes to uprating policies and freezes. The corollary, however, is an increasingly patchy safety net, which is failing to support some of those who need it most. The Department has made an important first step in committing to measure poverty differently. It must now stand ready to act on what it will find.**

Conclusions and recommendations

Introduction

1. People and organisations rarely approach select committees—or their MPs—when everything is going well. Even allowing for that, the contrast between the Department’s characterisation of poverty and hardship since 2010, and the evidence we have heard repeatedly across multiple inquiries, from front-line organisations and claimants, is stark. It is difficult to avoid concluding that the Department lacks the tools and insight fully to understand and evaluate the impact of its reforms on some of the most vulnerable people it supports. (Paragraph 8)

Levels of poverty and destitution

2. How poverty is measured matters: the measurement itself defines who is “poor” and therefore who might be helped. Financial resources are important, but the Government’s existing official measures focus on one side of the profit and loss account: household income. They make no allowance for the inescapable costs that different households face: from childcare, to housing, to debt repayments, to the costs of having a long-term health condition. All of these costs mean that households with the same incomes can find themselves in very different financial positions. Failing to consider inescapable costs—the other side of the account—results in a skewed understanding of who is “in poverty”, who is vulnerable to poverty, and how those households should best be helped and supported. (Paragraph 18)
3. By including “inescapable costs” in its calculation, the Social Metrics Commission’s measure goes some way to addressing these weaknesses. We commend the Department for its decision to adopt and develop the Social Metrics Commission’s measure. (Paragraph 19)
4. Clear metrics ensure that Government is held accountable for its spending decisions. Yet the multiple different measures of poverty in use within and outside Government mean there is no such direct and effective accountability for social policy choices. Without a clear, agreed and central measure it is difficult to track trends in poverty over time, and still more so to understand how government policy helps or hinders poverty rates. (Paragraph 24)
5. The Department has agreed to develop and publish experimental data based on the Social Metrics Commission’s measure, from mid-2020. But it intends to do so alongside its existing poverty data—and for those data to remain the “official” measure of poverty. The Commission’s measure offers the prospect of an improved, nuanced understanding of who is in poverty, and how they can best be helped. Adopting it as a central measure would also protect the Department against claims that it picks and chooses which poverty data to use in response to different issues. We recommend that Government adopts the Social Metrics Commission’s metric as its official, central measure of poverty. It should continue to collect its existing poverty data alongside this, to maintain a long-term dataset. *We recommend that Government adopts the Social Metrics Commission’s metric as its official, central measure of poverty. It should continue to collect its existing poverty data alongside*

this, to maintain a long-term dataset. We also recommend the Department provides us with an update on the progress of its work developing the Social Metrics Commission's measure by the end of 2019. (Paragraph 25)

6. The Government measures poverty in multiple different ways: its transparency and accountability would benefit substantially from adopting a central measure. Other stakeholders gather and publish data on wider, connected issues, including destitution, hunger, homelessness, life chances and living standards. Some of the most striking and concerning evidence we have received is from and about people who are “destitute”. But the Government does not currently measure, or even define, “destitution” officially. The Commission's approach shows that it is possible to take the debate away from arguments about terminology, towards a more constructive approach to tackling major, sustained hardship. (Paragraph 28)
7. *We recommend that the Department develop a measure of “destitution”. This should build on the Social Metrics Commission's approach, establishing an independent commission to come up with a common, widely-accepted understanding of destitution and how it can be measured. (Paragraph 29)*
8. The Social Metrics Commission believes debt repayments should be included in the “inescapable costs” that affect household income. We agree. Debt repayments—including of debts to Government—can push people into a spiral of poverty, hardship, hunger and destitution from which it is difficult to escape. Without a good understanding of household debt, the prospect of well-targeted policies that help households alleviate and manage that debt is remote. But the data DWP collects on claimant debt is piecemeal, and not suitable for use with the Commission's measure. *We recommend the Department introduce questions on household debt to the Family Resources Survey for 2020/21, so that it can include debt repayments in its calculation of the inescapable costs that households face. (Paragraph 32)*
9. The Department's decision to reduce the maximum deduction cap in Universal Credit from 40% to 30% is a small step in the right direction. But if the Department continues to set deductions at the highest possible rate—without due consideration for claimants' circumstances—it will continue to drive claimants into severe hardship. *We have previously recommended that the Department introduce a flexible, discretionary approach to debt collection that takes affordability of repayments as its starting point, and that it takes steps to better understand the impact of deductions on claimant incomes and debt. We reiterate both of these recommendations, and further recommend the Department assess the impact of reducing the maximum deduction cap to 20%. (Paragraph 34)*

Drivers of poverty amongst different groups

10. Pensioner poverty has fallen in the last two decades. That is thanks, in part, to successive governments agreeing the scale and nature of the problem, and taking concerted action to fix it. But the Government cannot afford to be complacent. Set against this success are concerns over older peoples' financial resilience, and questions about whether policies that have delivered real improvements in poverty rates are sustainable. We intend to return to these issues in our future work. (Paragraph 41)

11. Disabled people are at higher risk of falling into, and becoming trapped in, poverty than non-disabled people. That is, in part, because disabled people frequently face additional living costs. These range from basic essentials like food and fuel, to the costs of the adaptations and support that are needed to make society accessible. Disability benefits such as PIP are intended to help cover those costs and ensure that disabled people can participate in the economy and society on an equal footing. But benefit rates often fall short of the real costs of disability—and for many disabled people, boosting income through work can be difficult or impossible. (Paragraph 47)
12. *We recommend that the Department commission an independent survey of the additional costs of disability and long-term health conditions. This should be developed alongside its new poverty measure as a means of understanding where benefits are falling short, and informing policy to address poverty amongst disabled people.* (Paragraph 48)
13. The Department says that some of the most severely disabled people will receive more support under the current welfare system than they would have before 2010. But it has come at the cost of support for people with conditions that, while not the “most severe”, can still have a substantial impact on their day-to-day lives and living costs. This includes people in the ESA WRAG group and Universal Credit equivalent. These claimants have also been subject to freezes and reductions in the generosity of benefits they are entitled to—despite the Department itself finding them not “fit for work”. (Paragraph 49)
14. Universal Credit claimants are required to pay for childcare upfront, and claim the money back from DWP. Initial costs, including deposits, can run to hundreds of pounds: costs that may be prohibitive for people with no savings or immediate income. The Flexible Support Fund can be used to meet these costs, but the Secretary of State has admitted that she cannot be confident that the Fund is being consistently used for its intended purposes. The Department’s announcement that it will publish annual data on the Fund is very welcome, and will be helpful in understanding how the Fund is being used. But it will not, in itself, ensure that it is being used correctly. (Paragraph 57)
15. Universal Credit allows working parents to claim back up to 85% of their childcare costs up to a maximum cap. The Department has agreed to analyse the effect of the maximum caps, which have not been updated since 2005. This is very welcome. It will not look, however, at the maximum reimbursement rate, which for around 100,000 of the poorest families in the system Universal Credit replaces was almost 100%. That means that some of the households who need support with childcare the most will lose out under Universal Credit. (Paragraph 58)
16. *We recommend the Department extend its plans to publish data on the Flexible Support Fund to include research on Work Coach and claimant awareness of the Fund and its uses. The Department should use this opportunity to find out whether current guidance on the Fund is effective, how it can better publicise the Fund, and how it can ensure the Fund is being used to its full potential.* (Paragraph 59)
17. Childcare is expensive, no matter who pays for it. But DWP could afford to increase support for the poorest households—and in doing so, offset an inescapable cost of

working—if it reduced support to the better off. We have already recommended that it diverts funding from Tax Free Childcare, which can be claimed by households earning up to £200,000, into Universal Credit. The Department says it will not do this, because these households “require the most support in order to return to work or work more”. This is absurd. (Paragraph 60)

18. *We recommend the Department reconsiders its decision not to divert funding from wealthier families claiming Tax Free Childcare, into Universal Credit. It should also provide in response to this report any analysis it has carried out to inform this decision, particularly relating to changes to in work incentives for high earners on Tax Free Childcare.* (Paragraph 61)
19. As millions more people transfer onto UC, it is essential that payment arrangements do not exacerbate financial control within a relationship. The Government needs to act with urgency to devise a method for splitting payments fairly within a couple and to proceed with it. In the meantime, we recommend that all household Universal Credit payments for couples with children should be to the main carer. The Government has said only that it will “encourage” claimants to take this option. That means it is unlikely to have the wholesale impact the Secretary of State intends, and couples where abuse or coercive control is a problem are unlikely to respond to “encouragement”. *We recommend that, while it devises a system for splitting payments, the Department makes all UC payments to main carers by default.* (Paragraph 63)

The benefit freeze and up-rating changes

20. The value of benefits, for people in and out of work, has been steadily eroded by uprating changes: the shift from RPI to CPI in 2011, and the 1% limit from 2013. Even without any further changes, this would have contributed to a reduction in financial security for many of the households that DWP supports. This includes people who are wholly reliant on benefits, and people who need benefits to top-up income from low-paid work. (Paragraph 67)
21. Most working-age benefits—including some for people who are too unwell to work—have been frozen since 2015/16. For three years before that, the same benefits were limited to a 1% increase. The Department has already saved £0.9 billion more than it intended via the freeze. Its regrettable decision not to lift the freeze early—and lift 200,000 people out of poverty—means that very disadvantaged people are still losing out. When the freeze ends in 2020/21, a substantial chunk will have been taken out of the incomes of some of the country’s most vulnerable households. Simply lifting the freeze is not enough. (Paragraph 72)
22. The Department has invested £1.7 billion in restoring Universal Credit to its pre-2015 generosity. This is much-needed, but it falls short of the £3.2 billion that was taken out of the system in 2015. Moreover, the additional spending is tilted towards those who are in, or able to move into, work. Investing in Universal Credit work allowances and tapers will offer little comfort to people whose capacity to work is limited (for example, by their health or by the cost and availability of childcare), and who rely solely or largely on benefits to meet the costs of living and keep them out of poverty. (Paragraph 75)

23. The Local Housing Allowance freeze means that there is now a gap between housing benefit rates and rent prices in the private sector in the vast majority of English local authorities. These shortfalls are not trivial. In some areas, families needing a two-bedroom house face a shortfall of over £100 a month. Bridging a gap of this size would be hard enough for many people in work. For people who cannot work, it may be simply impossible. The Secretary of State acknowledged the problem. Her solution—addressing supply and demand—is necessary, but it will take time. Tenants need help now. They are not to blame for a mismatch between supply and demand in the housing market, and should not be bearing the brunt of it. (Paragraph 82)
24. Most benefits for working-age people have been frozen since 2015/16. The outcome is that already low benefit rates have become divorced from the real costs of living. People who cannot boost their incomes sufficiently through work—and who may find that work itself incurs additional costs (such as childcare)—face enormous, on-going challenges in simply meeting their basic day-to-day needs. The welfare safety net is not fit for purpose for people living on the breadline. (Paragraph 89)
25. The Government plans to lift the benefit freeze in 2020/21. That is a necessary first step, but it will not be sufficient to reconnect benefit rates with the cost of living. Nor will it allow those who have built up debts during the freeze to begin to pay them off. (Paragraph 90)
26. Most benefits for working-age people have been frozen since 2015/16. The outcome is that already low benefit rates have become divorced from the real costs of living. People who cannot boost their incomes sufficiently through work—and who may find that work itself incurs additional costs (such as childcare)—face enormous, on-going challenges in simply meeting their basic day-to-day needs. The welfare safety net is not fit for purpose for people living on the breadline. (Paragraph 88)
27. The Government plans to lift the benefit freeze in 2020/21. That is a necessary first step, but it will not be sufficient to reconnect benefit rates with the cost of living. Nor will it allow those who have built up debts during the freeze to begin to pay them off. (Paragraph 89)
28. *We recommend that, from 2020/21, the Government should increase the rates of frozen benefits by CPI plus 2%. That would mean that benefit rates would, after 4 years, reach the level at which they would have been set if they had not been frozen. From that point, the Department should commit to uprating benefits at least in line with inflation.* (Paragraph 91)
29. *We also recommend that the Department unfreeze Local Housing Allowance as planned in 2020/21, and restore rates to at least the 30th percentile of local market rates. Thereafter, the Department should commit to uprating Local Housing Allowance in line with rental prices.* (Paragraph 92)
30. We remain of the view that the benefit cap should not apply to people who the Department does not expect to work, including single parents with small children and disabled people. (Paragraph 92)

31. We remain of the view that the benefit cap should not apply to people who the Department does not expect to work, including single parents with small children and disabled people. *We recommend that where the benefit cap does apply, it should be unfrozen and uprated in line with inflation.* (Paragraph 93)
32. These measures, while necessary in the short term, will not address the fundamental problem: that benefit rates and caps have been set without reference to real household costs—the amount of money that people actually need to live on. *We recommend that the Department produce a medium-term plan for linking the rate at which benefits are set with the real cost of living. It should set out how it plans to identify a method for doing this, and how long it expects this work to take.* (Paragraph 94)

Impact and accountability

33. DWP's decisions have a direct impact on the incomes of millions of people. Universal Credit (and the changes to it since impact assessments were published in 2011/12) may be the highest profile of these decisions, but many hundreds of thousands of people if not more will be coping with multiple changes to the benefits they receive. DWP says it does not conduct cumulative impact assessments because they do not look at the effect of reform on behaviour. It also says that it has a transparent evaluation strategy for Universal Credit. But we are not convinced that these arguments justify a lack of transparency or understanding of the cumulative effect of reforms on households' incomes. (Paragraph 101)
34. *We recommend the Department publish an updated impact assessment of Universal Credit, taking into account policy changes since 2011/12. It should illustrate this with anonymised case studies and worked examples which demonstrate the impact on individual claimants with a range of different circumstances. We also recommend that the Department commission and publish a cumulative impact assessment on the effect of welfare reform since 2010 on claimant incomes. This should set out clearly the impact on incomes of people with protected characteristics (for example, health/disability, gender, and age).* (Paragraph 102)
35. The Social Metrics Commission's approach to measuring poverty—which the DWP has adopted—is underpinned by a conviction that “what gets measured gets done”. That also applies to the service that claimants receive from DWP. The Department is clear about what it expects from claimants, but vague about what claimants can expect from it in return. It lacks any kind of publicly available, measurable targets for its own performance. Unless the Department defines what is “acceptable” and measures whether that is being achieved, it cannot confidently claim to be delivering a consistently high-quality service. (Paragraph 108)
36. Without clear, measurable standards of service, claimants have little way of understanding whether the service they have received from DWP is acceptable. The Department also lacks the tools to understand whether it is consistently delivering a good service—because it has not defined what “good” is. We, the National Audit Office, and the Social Security Advisory Committee have all repeatedly asked the Department to do this. The Department, reasonably, wants to maintain flexibility in

the service it delivers to claimants. But that applies equally to other public services such as health and education, where standards are independently monitored and measured. DWP, and Jobcentre Plus, is not a special case. (Paragraph 115)

37. *We recommend the Department work with its stakeholders including claimants and delivery partners, including Citizens Advice, to establish suitable performance measures for its working-age benefit delivery and to implement these. The measures should be published and accompanied by clear targets, and monitored initially by an internal review body and external advisory board. We recommend that alongside this the Department scopes whether there is a case for establishing an independent regulator for working age benefits and services. It should set out an interim assessment in response to this report.* (Paragraph 116)

Conclusion

38. The welfare safety net is about more than income, and more than DWP's policies. But the DWP has a vital role to play in maintaining its integrity, simply because its decisions affect the incomes of so many households. Successive Governments have made huge savings from almost a decade of changes to uprating policies and freezes. The corollary, however, is an increasingly patchy safety net, which is failing to support some of those who need it most. The Department has made an important first step in committing to measure poverty differently. It must now stand ready to act on what it will find. (Paragraph 117)

Formal minutes

Wednesday 17 July 2019

Members present:

Rt Hon Frank Field, in the Chair

Heidi Allen	Nigel Mills
Ruth George	Chris Stephens
Steve McCabe	

Draft report (*Welfare safety net*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 117 read and agreed to.

Resolved, That the Report be the Twenty-eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 24 July at 9.45am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 16 January 2019

The Baroness Phillipa Stroud, Chair, Social Metrics Commission, **Matthew Oakley**, Secretariat of the Social Metrics Commission [Q1–52](#)

Professor Suzanne Fitzpatrick, Director, Institute for Social Policy, Housing and Equalities Research, Heriot-Watt University, **Julie Jarman**, Principal, Living Standards Programme, Equality and Human Rights Commission [Q53–107](#)

Wednesday 13 February 2019

Peter Tutton, Head of Policy, StepChange Debt Charity, **Sumi Rabindrakumar**, Head of Policy and Research, The Trussell Trust, **Deborah Garvie**, Policy Manager, Shelter [Q108–136](#)

Sheila McKandie, Benefits and Welfare Manager, Highland Council, **Veronica Dunn**, Cabinet member for Resources, Newcastle City Council [Q137–156](#)

Michael Griffin, Senior Policy and Campaign Adviser, Parkinson's UK, **Sally West**, Policy Manager, Income and Poverty, Age UK, **Elliot Kent**, Member, National Association of Welfare Rights Advisers, **Fran Bennett**, Member, Policy Advisory Group, UK Women's Budget Group [Q157–183](#)

Wednesday 27 March 2019

Justin Tomlinson MP, Parliamentary Under Secretary of State, Department for Work and Pensions, **Neil Couling**, Director General, Universal Credit Programme, **Donna Ward**, Policy Director, Children, Families and Disadvantage [Q184–284](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

WSN numbers are generated by the evidence processing system and so may not be complete.

- 1 A Menu for Change ([WSN0091](#))
- 2 Adrian Venditti ([WSN0008](#))
- 3 Advice NI ([WSN0007](#))
- 4 Advice Nottingham ([WSN0069](#))
- 5 Association of Pensions & Benefits Claimants CIC ([WSN0027](#))
- 6 Banburyshire Advice Centre ([WSN0013](#))
- 7 Bangor University ([WSN0004](#))
- 8 Bright Blue ([WSN0126](#))
- 9 British Red Cross ([WSN0123](#))
- 10 Cathedral Food Bank, Bangor ([WSN0040](#))
- 11 Centre for Cities ([WSN0122](#))
- 12 Centrepoint ([WSN0058](#))
- 13 Changing Lives ([WSN0043](#))
- 14 Chartered Institute of Housing ([WSN0078](#))
- 15 Child Poverty Action Group ([WSN0116](#))
- 16 Christine Williams ([WSN0020](#))
- 17 Church of England's Mission & Public Affairs Council and The Children's Society ([WSN0046](#))
- 18 Citizens Advice ([WSN0114](#))
- 19 Citizens Advice Newcastle ([WSN0079](#))
- 20 Citizens Advice Swansea Neath Port Talbot ([WSN0052](#))
- 21 Citizen's Basic Income Trust ([WSN0037](#))
- 22 Community Links ([WSN0076](#))
- 23 Crisis ([WSN0099](#))
- 24 Daylight Centre Fellowship ([WSN0014](#))
- 25 Dean Hawkins ([WSN0022](#))
- 26 Department for Work and Pensions ([WSN0108](#))
- 27 Depaul UK ([WSN0089](#))
- 28 Derby County Council ([WSN0119](#))
- 29 Disability Rights UK ([WSN0083](#))
- 30 End Hunger UK ([WSN0088](#))
- 31 Equality and Human Rights Commission ([WSN0111](#))
- 32 Equality and Human Rights Commission ([WSN0124](#))
- 33 Homeless Link ([WSN0067](#))

- 34 Humans of the Streets ([WSN0098](#))
- 35 Inclusion London ([WSN0053](#))
- 36 individual terence jolley ([WSN0031](#))
- 37 I-SPHERE ([WSN0112](#))
- 38 Joseph Rowntree Foundation ([WSN0077](#))
- 39 Just Fair ([WSN0042](#))
- 40 Leonard Cheshire ([WSN0072](#))
- 41 Liverpool City Council ([WSN0100](#))
- 42 Lloyds Bank Foundation for England and Wales ([WSN0101](#))
- 43 London Child Poverty Alliance ([WSN0065](#))
- 44 London Plus ([WSN0096](#))
- 45 London School of Economics ([WSN0109](#))
- 46 Medact ([WSN0104](#))
- 47 Mind ([WSN0095](#))
- 48 MND Association ([WSN0055](#))
- 49 Mr Joel Halligan ([WSN0081](#))
- 50 Mrs Jan Thomas ([WSN0030](#))
- 51 Mrs Marjorie Bahhaj ([WSN0026](#))
- 52 Ms Kate R ([WSN0023](#))
- 53 MS Society ([WSN0082](#))
- 54 Mulberry Community Project ([WSN0003](#))
- 55 Name Withheld ([WSN0005](#))
- 56 Name Withheld ([WSN0006](#))
- 57 Name Withheld ([WSN0010](#))
- 58 Name Withheld ([WSN0016](#))
- 59 Name Withheld ([WSN0017](#))
- 60 Name Withheld ([WSN0018](#))
- 61 Name Withheld ([WSN0025](#))
- 62 Name Withheld ([WSN0028](#))
- 63 Name Withheld ([WSN0029](#))
- 64 Name Withheld ([WSN0036](#))
- 65 Name Withheld ([WSN0056](#))
- 66 Name Withheld ([WSN0062](#))
- 67 Name Withheld ([WSN0120](#))
- 68 NAWRA ([WSN0121](#))
- 69 Newcastle City Council and Your Homes Newcastle ([WSN0092](#))
- 70 NHS Health Scotland ([WSN0074](#))
- 71 Nordic Model Now ([WSN0064](#))

- 72 Norton Outreach Centre (part of Stockton and Billingham Foodbank) ([WSN0033](#))
- 73 Nottingham Trent University ([WSN0102](#))
- 74 Nottingham Trent University ([WSN0125](#))
- 75 Parkinson's UK ([WSN0106](#))
- 76 Peabody ([WSN0066](#))
- 77 Public and Commercial Services Union ([WSN0063](#))
- 78 Refuge ([WSN0086](#))
- 79 Refugee Council ([WSN0050](#))
- 80 Reverend Paul Nicolson ([WSN0044](#))
- 81 Scope ([WSN0054](#))
- 82 Scottish Federation of Housing Associations ([WSN0057](#))
- 83 Scottish Government ([WSN0080](#))
- 84 Scottish Unemployed Workers' Network ([WSN0038](#))
- 85 SHAL Housing ([WSN0048](#))
- 86 Shelter ([WSN0107](#))
- 87 Shelter Scotland ([WSN0045](#))
- 88 Social Metrics Commission ([WSN0084](#))
- 89 Southampton Anti-Poverty Network ([WSN0073](#))
- 90 St Mungo's ([WSN0070](#))
- 91 St Vincent de Paul Society in Harrogate ([WSN0034](#))
- 92 StepChange Debt Charity ([WSN0059](#))
- 93 Stephen Baxter ([WSN0011](#))
- 94 Sustain: the alliance for better food and farming ([WSN0047](#))
- 95 T Rees ([WSN0041](#))
- 96 Taxpayers Against Poverty ([WSN0009](#))
- 97 Teesside University ([WSN0060](#))
- 98 The Equality Trust ([WSN0039](#))
- 99 The Highland Council ([WSN0093](#))
- 100 The Local Government Association ([WSN0094](#))
- 101 The Matthew Tree Project ([WSN0019](#))
- 102 The Prince's Trust ([WSN0103](#))
- 103 The Royal British Legion ([WSN0090](#))
- 104 The Trussell Trust ([WSN0105](#))
- 105 Thomas Pocklington Trust ([WSN0021](#))
- 106 Tim Merricks ([WSN0118](#))
- 107 UK Women's Budget Group ([WSN0024](#))
- 108 Ulster University ([WSN0068](#))
- 109 Understanding Society, the UK Household Longitudinal Study ([WSN0051](#))

- 110 Univerity of Essex ([WSN0110](#))
- 111 University of York ([WSN0117](#))
- 112 WASPI ([WSN0032](#))
- 113 Wheatley Group ([WSN0085](#))
- 114 Women's Aid Federation of England ([WSN0049](#))
- 115 YMCA England & Wales ([WSN0035](#))
- 116 Young Women's Trust ([WSN0071](#))
- 117 Zacchaeus 2000 Trust ([WSN0115](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2017–19

First Report	Universal Credit: the six week wait	HC 336
Second Report	A framework for modern employment	HC 352
Third Report	Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill	HC 404
Fourth Report	PIP and ESA assessments: claimant experiences	HC 355
Fifth Report	Universal Credit Project Assessment Reviews	HC 740
Sixth Report	British Steel Pension Scheme	HC 828
Seventh Report	PIP and ESA assessments	HC 829
Eighth Report	European Social Fund	HC 848
Ninth Report	Pensions freedoms	HC 917
Tenth Report	Assistive technology	HC 673
Eleventh Report	Universal Credit: supporting self-employment	HC 997
Twelfth Report	Carillion	HC 769
Fourteenth Report	Appointment of Professor Sir Ian Diamond as Chair of the Social Security Advisory Committee	HC 971
Fifteenth Report	The Motability Scheme	HC 847
Sixteenth Report	Collective defined contribution pensions	HC 580
Seventeenth Report	Universal Credit and Domestic abuse	HC 1166
Eighteenth Report	Universal Support	HC 1667
Nineteenth Report	Benefit Sanctions	HC 955
Twentieth Report	Universal Credit: managed migration	HC 1762
Twenty First Report	Universal Credit: support for disabled people	HC 1770
Twenty-Second Report	Universal Credit: Childcare	HC 1771
Twenty-Third Report	Two-child limit	HC 1540
Twenty-Fourth Report	The benefit cap	HC 1477
Twenty-Fifth Report	Universal Credit: childcare: Government Response to the Committee's Twenty-Second Report	HC 2078
Twenty-Sixth Report	Universal Credit: tests for managed migration	HC 2091
Twenty-Seventh Report	Universal Credit: natural migration	HC 1884

First Special Report	Child Maintenance Service: Government's Response to the Committee's Fourteenth Report of Session 2016–17	HC 354
Second Special Report	Self-employment and the gig economy: Government Response to the Committee's Thirteenth Report of Session 2016–17	HC 644
Third Special Report	Disability employment gap: Government Response to the Committee's Seventh Report of Session 2016–17	HC 652
Fourth Special Report	Victims of modern slavery: Government Response to the Committee's Twelfth Report of Session 2016–17	HC 672
Fifth Special Report	Employment Opportunities for Young People: Government response to the Committee's Ninth Report of Session 2016–17	HC 872
Sixth Special Report	Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill: Government Response to the Committee's Third Report	HC 858
Seventh Special Report	A framework for modern employment: Government response to the Second Report of the Work and Pensions Committee and First Report of the Business, Energy and Industrial Strategy Committee	HC 966
Eight Special Report	PIP and ESA assessments: Government Response to the Committee's Seventh Report	HC 986
Ninth Special Report	British Steel Pension Scheme: The Pensions Regulator Response to the Committee's Sixth Report	HC 987
Tenth Special Report	Pension freedoms: Government response to the Committee's Ninth Report	HC 1231
Eleventh Special Report	Carillion: Responses from Interested Parties to the Committee's Twelfth Report	HC 1392
Twelfth Special Report	Universal Credit: supporting self employment: Government Response to the Committee's Eleventh Report	HC 1420
Thirteenth Special Report	Employment Support for Carers: Government Response to the Committee's Thirteenth Report	HC 1463
Fourteenth Special Report	Carillion: Government Response to the Committee's Twelfth Report	HC 1456
Fifteenth Special Report	Assistive technology: Government Response to the Committee's Tenth Report	HC 1538
Sixteenth Special Report	Universal credit and domestic abuse: Government response to the Committee's Seventeenth Report	HC 1611

Seventeenth Special Report	Universal Support: Government Response to the Committee's Eighteenth Report of Session 2017–19	HC 1862
Eighteenth Special Report	Universal Credit: managed migration: Government Response to the Committee's Twentieth Report of Session 2017–19	HC 1901
Nineteenth Special Report	Benefit sanctions: Government Response to the Committee's Nineteenth Report of Session 2017–19	HC 1949
Twentieth Special Report	Universal Credit: support for disabled people: Government Response to the Committee's Twenty- First Report of Session 2017–19	HC 1998
Twenty-First Special Report	Two-child limit: Government Response to the Committee's Twenty-Third Report	HC 2174
Twenty-Second Special Report	The benefit cap: Government Response to the Committee's Twenty-Fourth Report	HC 2209
Twenty-Third Special Report	Universal Credit: childcare: Government Response to the Committee's Twenty-Fifth Report	HC 2422
Twenty-Fourth Special Report	Universal Credit: tests for managed migration: Government Response to the Committee's Twenty-Sixth Report	HC 2091