

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

WELFARE REFORM BILL

Seventh Sitting

Thursday 31 March 2011

(Morning)

CONTENTS

Written evidence reported to the House.

CLAUSE 9 agreed to.

CLAUSE 10 under consideration when the Committee adjourned till this day at One o'clock.

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The Committee consisted of the following Members:

Chairs: MR JAMES GRAY, † MR MIKE WEIR

- | | |
|--|---|
| † Baldwin, Harriett (<i>West Worcestershire</i>) (Con) | † Miller, Maria (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| † Bebb, Guto (<i>Aberconwy</i>) (Con) | † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) |
| † Buck, Ms Karen (<i>Westminster North</i>) (Lab) | Paisley, Ian (<i>North Antrim</i>) (DUP) |
| † Curran, Margaret (<i>Glasgow East</i>) (Lab) | Patel, Priti (<i>Witham</i>) (Con) |
| † Elliott, Julie (<i>Sunderland Central</i>) (Lab) | † Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab) |
| † Ellison, Jane (<i>Battersea</i>) (Con) | † Sarwar, Anas (<i>Glasgow Central</i>) (Lab) |
| † Elphicke, Charlie (<i>Dover</i>) (Con) | † Smith, Miss Chloe (<i>Norwich North</i>) (Con) |
| † Fovargue, Yvonne (<i>Makerfield</i>) (Lab) | † Swales, Ian (<i>Redcar</i>) (LD) |
| † Gilmore, Sheila (<i>Edinburgh East</i>) (Lab) | † Timms, Stephen (<i>East Ham</i>) (Lab) |
| † Glen, John (<i>Salisbury</i>) (Con) | † Uppal, Paul (<i>Wolverhampton South West</i>) (Con) |
| † Grayling, Chris (<i>Minister of State, Department for Work and Pensions</i>) | † Willott, Jenny (<i>Cardiff Central</i>) (LD) |
| † Green, Kate (<i>Stretford and Urmston</i>) (Lab) | |
| † Greenwood, Lilian (<i>Nottingham South</i>) (Lab) | James Rhys, <i>Committee Clerk</i> |
| † Hollingbery, George (<i>Meon Valley</i>) (Con) | |
| † McVey, Esther (<i>Wirral West</i>) (Con) | † attended the Committee |

Public Bill Committee

Clause 9

STANDARD ALLOWANCE

Thursday 31 March 2011

(Morning)

[MR MIKE WEIR *in the Chair*]

Welfare Reform Bill

Written evidence to be reported to the House

WR 34 Residents at St Bridget's Home

WR 35 Daycare Trust

WR 36 Association of British Insurers

WR 37 Kinship Care Alliance

WR 38 Crisis

WR 39 Ferret Information Systems

WR 40 Barnardo's

9 am

The Minister of State, Department for Work and Pensions (Chris Grayling): I beg to move,

That the Order of the Committee of 17 March shall be amended as follows—

in paragraph (1)(e) leave out '10.30 am and 4.00 pm' and insert '9.00 am and 1.30 pm'.

Welcome to your first sitting of the main part of the Committee, Mr Weir. Next Tuesday is the final day before the Easter recess, and the hours of the House are not normal Tuesday hours. Therefore, we have to adapt the hours of the Committee accordingly, which is the purpose of the motion.

At the original meeting of the Programming Sub-Committee, we discussed the possibility that the Committee would not sit on Thursday 5 May, because people have engagements elsewhere in the country. I shall therefore move a manuscript amendment to delete Thursday 5 May from the programme order. I do not intend to amend the programme order to put in an extra slot but, since Thursday morning sittings last an hour and a half, I intend that on another Thursday the closure motion should not be moved until an hour and a half later than the hour to which we would normally sit on a Thursday afternoon. We will have an informal discussion across the Committee to work out which Thursday would suit us all best.

Manuscript amendment made: at end insert the words 'and leave out paragraph (1)(i)'.—(Chris Grayling.)

Main Question, as amended, put and agreed to.

Ordered,

That the Order of the Committee of 17 March shall be amended as follows—

in paragraph (1)(e) leave out '10.30 am and 4.00 pm' and insert '9.00 am and 1.30 pm and leave out paragraph (1)(i)'.

Kate Green (Stretford and Urmston) (Lab): I beg to move amendment 3, in clause 9, page 4, line 25, at end insert

'such regulations will make reference to an independently determined Minimum Income Standard.'

Good morning, Mr Weir. The amendment proposes that, in setting levels for the universal credit, Ministers should make reference to an objective and independent minimum income standard. I will expand on this point later, but I say at the outset that the amendment should not be seen as a request for another spending commitment. The wording is careful—to "make reference" to minimum income standards. It is not necessarily to set benefits at such a level, although in the long run that might be an aspiration that we could all share.

For the uninitiated—I apologise for being something of a junkie for minimum income standards—I will explain a little of the background to what the amendment is substantively about. I do not know if this is still the case, but in the old days people used to receive, with their benefit payment, a statement from the Government: "This is what the Government believe you need to live on". The figure was never actually true, but only more recently have we been able objectively to test the accuracy of such statements.

It is important that we understand how much a person needs to live on if we are to construct a social security system that delivers a minimum safety net, through which we would not want anyone to fall. In moving the amendment, my contention is that we need to be aware, as we develop the universal credit, that current levels of out-of-work benefits fall well short of what that safety net should be. As we move into a totally new world of social security and financial support for families and individuals, we have an opportunity to rethink what we mean by safety net benefits. At the same time, we will, rightly, think about what we mean about levels of in-work support and the appropriate balance between rewards from working and the financial support offered to people who are either unable or, in some cases, unwilling to work.

The minimum income standard seeks to answer the question of how much people need to live on. For clarity, I should say that that is not the same as the official poverty line, although they are clearly connected. It is worth noting in passing that adult out-of-work benefits fall well short of the official poverty line, too.

However, I am not talking about setting benefits in relation to the poverty line this morning. This point is a little different. Most crucially, what is different and what is important and valuable about considering a minimum income standard, is that the work done to develop such a standard has been based on what the public think. That is a crucial point, which is about not only the legitimacy of the benefits system, but how to build popular support for a benefits system that is adequate, as well as being about removing the stigma from the benefits system—[*Interruption.*] It is nice to have a little applause for my argument. As we all agreed earlier this week, removing that stigma is an important objective of what universal credit could achieve.

Work that was done to identify a minimum income standard for this country in 2010 stated that for a single adult with no children, the income required to meet an acceptable minimum standard of living is £14,400 a year—and it will be uprated shortly, of course. For a couple with two children, that amount is £29,200 a year. It is clear from those figures that the minimum income standard is able to take economies of scale into account. It does not give the same amount per head, then add and add, for each member of the household. It is a subtle measure. In a few moments, I will explain what goes into it and discuss some of the things that get counted into the minimum income standard, as well as how it can be subtle in assessing the needs of different kinds of households and their different characteristics.

George Hollingbery (Meon Valley) (Con): Is the minimum income standard set at a national level?

Kate Green: Yes, it is. I should say that the minimum income standard is still a work in progress, which is another reason why we might not want to use it as our direct read-across for benefit levels now. Benefit levels are, of course, set on a national basis. We do not have regional benefits, except in the case of payment for housing costs, which reflects the variations of local housing markets now, and will reflect them to some degree in the future, although we are concerned that that will be to a lesser extent.

Charlie Elphicke (Dover) (Con): I am listening carefully to the case advanced by the hon. Lady, who said that the minimum income standard for single people is £14,400, and for couples, £29,200. Is her case that benefits should be set at those levels in a similar way to the minimum income guarantee for pensioners?

Kate Green: With the greatest respect to the hon. Gentleman, I do not think that he listened to my opening remarks, because I was not suggesting that we should use the minimum income standard as a level for benefits payments. It might, however, be a long-term aspiration, and I put on the record that it is a long-standing aspiration of mine. Those who have watched my campaigning efforts over the past decade will be aware of my personal commitment to the minimum income standard, but that is not what the amendment proposes. We are merely saying that Ministers should make reference to the minimum income standard when determining what benefit levels should be, for the reasons that I have mentioned—public buy-in, legitimacy, and so on—which I will develop as I go through my arguments.

It is important that we understand how far short basic out-of-work benefits levels leave families, compared with the minimum income standard. That might interest the hon. Member for Dover, because he will see the extent of the gap that we are talking about and why it might not be realistic, even for those of us who are very keen on the minimum income standard, to move straight to it in one big, expensive jump. What we see today is that a minimum income standard for an adult with no children is more than twice the rate of existing out-of-work benefits. Families with children, who are on out-of-work benefits only, would achieve an income of about two thirds of the minimum income standard that has been assessed, as at April 2010—I am using April 2010 figures. We have not uprated the minimum income standard, or the benefits levels—we will do the latter

next week. The standard does not jump significantly from year to year—although, as I will show, it does move significantly over time—so the figures will be in that broad ballpark.

Interestingly, the income that pensioners receive from pension credit and other sources brings them pretty much up to the minimum income standard, provided that they take up all the benefits to which they are entitled. That is a big caveat, however, because they are often reluctant to claim means-tested benefits, and concern about that is shared across the House. Labour Members very much look forward to seeing Ministers' detailed proposals for a foundation pension, and to seeing how well that might address some of the concerns.

Stephen Timms (East Ham) (Lab): I pay tribute to my hon. Friend's expertise, and to her campaigning in this area. I was aware of the relativity between family income and the minimum income standard, and between the pension rate and the standard. Can she tell us how much contention there is about the levels? Are they broadly agreed on, among people who have looked into the matters? Who is the current custodian of the figures, and who uprates them? Are they uprated every year? I think she is indicating that they are.

Kate Green: Perhaps it will assist my right hon. Friend if, in answering those important questions, I talk the Committee through the methodology for constructing the minimum income standard, and talk about who has been involved in its construction, what has happened in the past with seeking to uprate the standard, and what it is hoped will be the case for the future.

On the question of whether anyone in this country makes use of this kind of approach to setting income standards, it is interesting to note in passing that the Mayor of London, in setting the London living wage, is adopting a similar philosophy. He is not necessarily using the standard but he is saying that the minimum wage is plainly not a living wage, that it does not mean the minimum living standard in London. We have there a sort of philosophical example, at least, of practical use being made of the approach in this country, and I will come on to examples from other countries.

How do we construct the minimum income standard? That is an important question, because it would clearly be difficult for me to advocate for a standard in which people do not have faith and about which they can feel sceptical, believing that it is a standard for a life of luxury on benefits. I fully acknowledge that that would present a serious concern. A team at the university of York has managed the construction process, with input from teams at a range of academic institutions, and it is important to understand how the standard has been built up under that team's leadership.

First, the public were asked. I know that there is some scepticism about focus groups. Some concerns were raised in last week's evidence sessions about qualitative research, but I think that it has been well accepted, over many decades of academic research, as a valid way of advancing and testing policy theory. Representative samples of the public—focus groups—from the different kinds of family structures for which the attempt has been made to construct a minimum income standard, are brought together. They are asked not to say how much money they think X, Y or Z family needs, or how much

[Kate Green]

money their own family needs, but to construct, bottom up, what items of household expenditure they think particular kinds of households need to incur: for example, an adult and two children, a pensioner, and a young man who is not working but is looking for a job.

Not surprisingly, the focus groups say some obvious things. They say that households will need to buy food and drink, items such as cleaning goods, furniture and bedding, and electrical appliances. I know that electrical appliances are contentious, with people saying, “Oh, they’ve all got flat-screen TVs,” and this research helpfully asks the public what electrical items they think a family with two children needs.

9.15 am

Charlie Elphicke: I am fascinated by the case that the hon. Lady advances for asking the public about how much money is needed. Might setting the level of benefits be a matter on which the public ought to be consulted? Perhaps it could go to a public vote. Is that her case?

Kate Green: That is an interesting question. I suggest that it would be wrong to ask the public that question today without their having the benefit of a very wide understanding of the minimum income standard approach that I advocate. An educated public are likely to make a better assessment, and that, fundamentally, is my argument. This is an opportunity for all of us who care about a valid and legitimate social security system to begin to bring the public onside. We should, and will, all welcome that. The hon. Gentleman and I anticipate a rosy future on many fronts, given the sittings over the past couple of days, and perhaps, in some rosy future, we may have such shared understanding of minimum income standards that it becomes possible to arrive at a consensual agreement on what the levels of benefits ought to be. I regret to say that we are a long way from that position today.

I was explaining what items the public would use to construct a minimum income standard. I have said food and drink, basic household goods and electrical appliances, which are contentious. Someone might not feel that a DVD player was necessary for a family with two children, but today the public think that it is. Interestingly, and perhaps not surprisingly, they also think that a computer and internet connection at home are essential. In 2008, researchers asked the public why they thought a household needed a computer; the response was that it helped children’s education. In 2010, the public said something a bit different. They still said that it helped children’s education, but they also said that it was vital for a job search. That is an interesting reflection of the labour market and economic circumstances in 2010.

It is interesting that all the groups, except pensioners, agreed that a computer and internet connection in the home were necessary for education, job search or whatever. The public, including pensioners, do not believe that home internet access is a necessity in constructing a minimum income standard for pensioners, and based on the experience of my father crossing the road to the local library to access the internet, I think that is probably right. However, we are concerned that that service is about to be removed from the library because of the cuts. It will be interesting to see what happens to the internet connection element of the minimum income standard when it is next reviewed.

Also in the standard, which, again, is possibly contentious—it is what the public say—is the idea that there should be opportunities for social occasions, tea parties for children, birthday presents and a one-week, self-catering holiday once a year. That is not perhaps an absolute necessity to escape destitution, but the public see it as essential to an acceptable minimum standard of living today.

George Hollingbery: The hon. Lady makes a very powerful case, and I do not think that anybody on the Government Benches or elsewhere would disagree that those things are what families ideally wish to have. However, I have enough experience of market research to know that how the question is framed is desperately important to the answer. Were the questions put in the context, “If you found yourself in financial difficulties, what are the minimum things you ought to have?”, or were they more broadly framed, “Ideally, what do families need to live a modern life?”

Kate Green: I will be perfectly frank. It was an open question of, “What in today’s world constitutes an acceptable minimum standard of living?” It was not, “If you were really struggling and on the breadline, what would you do without to get by?” That too is a question that can vary for different families. It might be a short-term situation, and we could all forgo a holiday for one year, and I suspect that many of us would in difficult financial circumstances, provided we could see the way out. We are talking about a more abstract construct of a life course: what should happen in a year of a life course? I accept exactly what the hon. Gentleman says, but this does not mean that families will not cut their coat according to their cloth in some years. These are what families in general circumstances today see as necessities, but that is in the context of the current economic situation.

Interestingly, I am reminded by the hon. Gentleman’s question that when people were asked in 2010—a time of straitened circumstances for many families—what items they would put in the basket as minimum essential items, they did not take anything out just because times were hard. They sought necessities such as phones and an internet connection, and one week’s holiday remained, even in difficult times. That is because the public understand that it is a more objective assessment. It is meant to assess not a particular crisis point but general needs.

George Hollingbery: May I press the hon. Lady a little further? Does she not believe that context is extraordinarily important to the questions being asked? I repeat that nobody would deny that the basket that she describes is what everybody would wish to have as a minimum if they found themselves in certain circumstances, but how those circumstances apply to the family is crucial. I contend that she would receive a different answer if she changed the nature and context of the question.

Kate Green: I am sure that that is correct, but that does not mean that the question asked is the wrong one. Quite the contrary: I venture to suggest that it is the right one. It is about identifying the norm for today that delivers a minimum but acceptable standard of living. I suggest that a civilised and large economy such as this

country's would want to offer safety-net benefits at a level that enables people to participate in the norms of society. That has been the view of economists as far back as Adam Smith; I know that Conservative Members will be pleased to hear me cite him.

Ian Swales (Redcar) (LD): I admire the hon. Lady's expertise and experience in these matters. I am finding her speech extremely educational. If we take the figure that she mentioned for the couple with two children and add tax and national insurance for somebody in work, we arrive at an income somewhere north of £40,000 a year for a family. She mentioned a net figure of £29,000, which is presumably a net figure of cash in hand. There are many families in this country living on an income of less than £40,000 a year.

Kate Green: I will have to come back to the hon. Gentleman on that point, as it is an interesting one. I am absolutely clear that the methodology does not suggest an income of £40,000 a year. I will come back to him on exactly what the treatment of tax is.

Ian Swales: That is a key point. Is the figure pre or post-tax and national insurance?

Kate Green: With respect, we are missing the point. We are discussing families who are likely, in many cases, to be below the net for tax entirely, although not all will be. That is why we are trying to set safety-net benefits. I think that we all share an aspiration—I must admit that it has not been particularly well achieved in recent years—not to allow people in and out of the tax system so that they both receive benefits and pay tax. The hon. Gentleman raises an interesting but probably a minority point.

Charlie Elphicke: Will the hon. Lady give way?

Kate Green: I will not, if the hon. Gentleman will forgive me. I want to finish telling Members what is in the minimum income shopping basket, as I sense that they are interested.

Transport costs are also in the shopping basket, although not cars, interestingly. Cars have never gone into the shopping basket for any kind of family. I find that interesting. We might all think that most families would tend to regard it as a necessity for taking their kids to school, doing the weekly supermarket shop, visiting their parents and so on. However, cars are not in the minimum income standard and never have been.

Mobile phones are also in the basket. Some items in the basket, it must be admitted, push the level up. That is important, too. It answers the question asked earlier by the hon. Member for Meon Valley about how one would cut expenditure in bad times if one had to. It is recognised that the standard is transparent. People understand what goes into the basket. In speaking to the amendment, I am saying that we have the opportunity for that public debate, which is important.

Sarah Newton (Truro and Falmouth) (Con): This is an incredibly important debate, but I wonder whether this is the appropriate forum for it. The hon. Lady is asking what a living wage and an acceptable standard of

living are in Britain, a civilised society, today. Does she agree that it would be more appropriate to address the issue through the work of the Cabinet Office under the Prime Minister's leadership on well-being and measures of well-being in our society? It is an evolving agenda that is still being developed by academics and people working in this field, so we should be continuing the debate in that context, rather than in this Bill Committee.

Kate Green: I am grateful to the hon. Lady, because she brings me to my next point. I am conscious that this is a debate that goes wider than merely setting the level of the universal credit, but in a consideration of where the universal credit fits in and the implications of the financial support that we provide to families through it, well-being is important, exactly as she says. It is important for health outcomes and to enable children to participate in education—I mentioned earlier the reasons the public believe people need computers and so on. It is also a very important issue when we think about helping families to avoid falling into debt, which I know is an issue of great concern across the House.

Jobseeker's allowance, currently £51.85 a week for a young person aged 18 to 25, will rise to £53.45 next week. For a working age adult of 25 or over it is currently £65.45 a week, which will go up to £67.50 in the next few days. Hold those figures in mind, because the minimum income standard says that a single adult needs £45.65 for food alone. So, if a young person aged 18 to 25—currently on an income of £51.85, going up to £53.45 next week—is spending the minimum income standard correctly, then £45.65 of that is going out on food bills.

That food bill has been validated. I said earlier that the minimum income standard was constructed by asking the public, "What do you think people need?" Obviously they said that people need to eat, among other things. I am sure that there will be questions in hon. Members' minds as to what people are eating. Is it all junk food, takeaways, and far too much booze? The answer is that the food standard in the minimum income standard has been validated by independent nutritionists. They went out and asked, what is the minimum needed for a young person, a working age adult, and so on, to have a healthy diet? So the food standard is objectively validated, and then it is price-checked at Tesco—I can tell you—both in the supermarket and online. It was observed that it is cheaper to shop in the supermarket than online, so the minimum income standard can reflect all of that; it is a very subtle standard and I like it a lot, as hon. Members will notice.

It does allow for alcohol in modest amounts, which I am sure is in the minds of hon. Members. It assumes—rather worryingly—that if you are a single adult you will drink at home rather than go out. It assumes couples might go out socially to the pub, but the amounts allowed for alcohol are actually very modest—around £4.50 a week. It is a transparent index, which is important because it addresses concerns such as "Oh, well, they're burning it all off on booze and junk food."

A young person aged 18 to 25 gets £51.85, of which £45.65 is spent on food if they meet the minimum food standard. That would leave them with considerably less than £20 a week for fuel; for the household items and transport costs that are in the standard; for the computer and phone, which the public say are essential, whatever

[Kate Green]

hon. Members might feel; for the essential electrical goods; and for the social and holiday activities, which, again, hon. Members may feel are not essential. My point is that benefits already completely fail to allow for those potentially debatable items from the standard, so I venture to suggest that we have a wide margin in which to operate.

John Glen (Salisbury) (Con): I am interested in what the hon. Lady is saying, and I understand what she is driving at, which is to establish a benchmark that all Governments can be measured against. However, in order to establish clearly what this means I think we need an assessment of what the aggregate cost to the country would be. Given the current state of the public finances, in order to have credibility we need a clear case of where that money would come from, and where it would not be spent. She has been very careful in the amendment not to say what those levels should be at this point in time, but in terms of broader public understanding it would be helpful to know the opportunity cost of going down this route.

Kate Green: This has been a refrain from members of the Committee. As the hon. Gentleman rightly says, I am not proposing that we spend money on this benefit and put such a restriction in the Bill today, but we have a real opportunity to compare the cost of securing an adequate safety net for people when they are out of work with the information that we also have available about the costs that fall to society as a whole from poor health, poor educational attainment and the strain on our other public services such as criminal justice and so on, for which we have some estimates. One estimate in 2006 suggested that the cost of child poverty on that sort of assessment was some £25 billion a year. So I agree with what the hon. Gentleman said: it would be right to cost out what it would cost to get all the way there today and to cost out, if we wanted to do this over time, steps on the way to achieving it. But that cost would need to be offset by the evidence of costs saved elsewhere in the public expenditure on families and households.

I am trying to push our social policy thinking a little further this morning. Here is a whole area of research for which the hon. Member for Salisbury opens an argument, which is not there to support us at all. I am simply trying to open a debate. We are probably not ready with the science yet to put the whole measure in place, and that is why, in part, I am not proposing it today.

9.30 am

Paul Uppal (Wolverhampton South West) (Con): Nobody doubts the hon. Lady's expertise in this area—obviously, she is very knowledgeable—but I have to say that my heart has sunk as the debate has gone on today. Specifically in relation to one of the points that she raised, one of my constituents recently approached me. She is one of two families in her road who work. She has not had a holiday for three years. Both parents work to support their children. Neither of their children has a mobile phone, and yet neighbours next to my constituent have children who continually tell her children that they have

mobile phones. I come from a humble background. My parents never had a holiday and I did not have a holiday until I was 18. We will probably not agree, but I honestly believe that the very ethos of the hon. Lady's idea about expanding the debate on social thinking actually entraps in poverty the people that she seeks to help.

Kate Green: I would say two things to the hon. Gentleman. First, it is wrong to extrapolate policy on the basis of two families in one street. We politicians have a tendency to do that because it gets us popular support. It is how the public currently view the experience of poverty and disadvantage in this country, but it is unfortunately an overall misrepresentation of the way in which families in poverty live.

Paul Uppal: I specifically referred to my constituents because I did not want to refer to my personal experience. I am being genuinely honest and speaking from experience, but I will broaden it out. I meet youngsters from abroad, particularly those from the Indian subcontinent, who experience genuine poverty. I will quote my grandmother, as I frequently do in the House. When I was a young child, she would say that nobody in this country is poor compared with the childhood that she had when she would not know where the next meal was coming from for the next 72 hours. Poverty is always relative. We are talking about the poverty of ambition and aspiration.

Kate Green: As the hon. Gentleman says, I am afraid we are going to disagree. I do not think that we are talking about a poverty of ambition and aspiration, but a poverty of resource. I mentioned Adam Smith earlier, because the point that hon. Gentleman makes about poverty in other countries is one that we hear often, and it is an important one to address, but we address poverty in this country by making sure that people can participate fully in the society in which they live. That is why Adam Smith has always explained to us the way in which we need to think about poverty in time and in place. In talking about how necessity should be defined with reference to present-day standards within a particular country, he says:

“By necessities I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without. A linen shirt, for example, is, strictly speaking, not a necessary of life. The Greeks and Romans lived, I suppose, very comfortably though they had no linen. But in the present times, through the greater part of Europe, a creditable day labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty which, it is presumed, nobody can fall into without extreme bad conduct.”

Sheila Gilmore (Edinburgh East) (Lab): Does my hon. Friend agree that one of the reasons why the previous Government introduced the tax credit system—to a large extent, some of the issues around the universal credit are a development of that—was the understanding that people who were working and were trying to do so on low wages should also get support?

Kate Green: My hon. Friend reminds me of another point that I wanted to make. We are all aware of the discrepancy, perceived in many cases, between the lifestyles of people who are out of work and the lifestyles of

those in work. Many people on low incomes and in work are also in receipt of benefits, and rightly so: they get housing benefit and tax credits under the current system, and they will be in receipt of universal credit under the future system. We should look at this minimum income standard not as something that simply determines what happens to people when they are not working, but what happens to people on low incomes as a whole.

Ms Karen Buck (Westminster North) (Lab): The hon. Member for Wolverhampton South West made an important point about the extent of absolute poverty in the developing world and sometimes in this country. Is it not also the case that the Conservative party signed up to and continues to endorse the Child Poverty Act 2010, which commits us to continuing to deal with the issue of relative poverty? Will my hon. Friend reflect on that?

Kate Green: We are very much looking forward to the Government's child poverty strategy. It is a few days overdue now, but I believe it is heading our way very shortly. We expect it will reaffirm the Government's commitment to the targets and the definitions of poverty in that Act which, pleasingly, secured cross-party support during its passage in 2010. We can be confident that we will see that reaffirmation from the Government because the Prime Minister himself said in 2006:

"We need to think of poverty in relative terms—the fact that some people lack those things which others in society take for granted."

I want the message to go out loud and clear that the Conservative party recognises, will measure, and will act on relative poverty. I think the hon. Gentleman will find that his party leader is perhaps in the same headspace as I am on defining poverty, not in a global context but in the context of what is going on in this society.

Charlie Elphicke: The hon. Lady speaks movingly about child poverty. Will she confirm that the latest figures show that in 2004-05, relative child poverty was 3.6 million and in 2008-09 it was 3.9 million. Is it not the case that the previous Government's child poverty strategy was a total and utter failure?

Kate Green: I am so pleased to have the opportunity to talk about this. The hon. Gentleman has done me a tremendous personal favour. He is absolutely right. We had several years of substantial progress in reducing child poverty under Labour Administrations and then we had two very bad years when child poverty rose. It is crucial that hon. Members understand why that happened. Child poverty fell until 2006-07 because we were pumping money into family budgets. We were using tax credits and benefit increases to lift more and more families with children above the poverty line. The two years when poverty rose are the two years in which, regrettably, the previous Labour Government did not significantly increase benefits or tax credits either for families in work or out of work.

Conservative Members can often be heard saying that the Labour Government's strategy is completely discredited, but what I think is completely discreditable is the years in which Labour failed to apply its own strategy. The strategy works and the years in which it

did not work are the years when we were not using it. We need to get back to using it again if we are to have any chance of meeting the target to which I am very pleased the Government parties are signed up.

My right hon. Friend may wish to defend the record of the Government of which he was a part before my entry to Parliament.

Stephen Timms: Indeed. I am keen to do so. Will she remind the Committee that there was a substantial net fall in child poverty over the term of the previous Government? Is she looking forward, as I am, to the next update on the child poverty statistics, which I think are due any week now? They will, I think, provide an interesting additional data point to the series that the hon. Member for Dover was referring to.

Kate Green: My right hon. Friend is absolutely right. After two years of fall, we flat-lined for a year. I hope that we will start to see a slight improvement as the effects of Labour's realisation of its error and actions to begin putting money back into families are fed through. We have a long lag in receiving the child poverty data; as my right hon. Friend says, next week we will receive the figures that will take us up to the end of 2009-10. We are always looking a long way back at our child poverty figures, and we will not know for some considerable time—until 2012—how well Labour did overall in working towards the target to halve child poverty by 2010. Hon. Members are raising a thousand important points, but we are perhaps still in slightly unknown territory.

Sarah Newton: This is an incredibly important debate about poverty and about how we can help people get out of poverty. There is a lot of strength of opinion from everyone in the room today. However, is this forum the right one? Because of the importance of the issue, hundreds of Members in the House would like to join the debate, not just the 13 of us privileged enough to serve on this Committee. Will the hon. Lady join me in making representations to the Backbench Business Committee to see whether we can secure a debate in Parliament, perhaps at the publishing of the report and the Government strategy? That would probably be a more appropriate way to tackle such a fundamental issue.

Kate Green: I am extremely grateful to the hon. Lady for that suggestion, which I would certainly like to pursue with her outside the Committee. I think such a debate would be widely welcomed in the House. I take her point about the much broader front that I am opening up, so perhaps I should draw my remarks to a close by highlighting one other aspect of my arguments for looking at the minimum income standard as part of the way in which we set the levels of universal credit. That is quite salient—it is not on the wider and interesting social policy territory that we have been treading on over the past few minutes, but the issue of the level at which the universal credit is not just set, but uprated.

I suspect that we will have quite a lengthy debate later on uprating, but to inform that debate, it might be of interest to hon. Members, who I know have been taking a keen interest in my description of the minimum income standard, to know what effect its uprating over

[Kate Green]

the past 10 years has had. In the year to April 2010, the items in the minimum income standard, and therefore the standard itself, rose by between 3% and 4%, which was broadly in line with general inflation. In one year, it was a good indicator of rising living costs for families and households. However, over the whole of the preceding 10 years back to 2000, because of patterns of rising food costs, public transport costs and the costs of some other items that were in the basket, the minimum income standard's budget came in at 38% upwards of the 2000 figure, compared with a general inflation of 23% over that time.

That is my other argument for using the minimum income standard in the context of the way in which the universal credit will be managed over time. We are, as I said, looking forward to a debate later this morning or this afternoon—depending on our speed—on uprating, and it would be useful for hon. Members to bear that fact in mind and, when we discuss the right measure of uprating and how we approach uprating of the universal credit, be aware of the socio-economic context that the minimum income standard helps to expose. I know that hon. Members would like the debate to continue extensively, but we have others matters to address.

I am not proposing today that we set benefits at the minimum income standard, although hon. Members will be interested to know that some in other countries are exploring such a thing, including the mayor of New York, who has been doing some interesting work on it. Inevitably the Nordic countries are looking at it, as are a number of other European countries, New Zealand and Australia. It is an important debate to have when introducing a radical change to our social security system, which the universal credit undoubtedly is. It is an important opportunity for us to open up a wider debate about the purpose and the structure of our social security system. To do that in a way that genuinely involves the participation of the public, as the minimum income standard has done, I would argue, very effectively, helps to lower the stigma of the benefit system. It helps to legitimise in the public's mind the way in which we structure and pitch financial support for families, and, importantly, it will give us the opportunity to compare the input costs of benefits with the returns on outcomes.

9.45 am

Chris Grayling: Let me respond to the issues that the hon. Lady raised in her lengthy, thoughtful and knowledgeable contribution. No one in the Government doubts her experience and commitment or the passion and energy that she has put into these causes over the years. We value that experience, and the Committee will benefit from it.

On this matter, however, we simply do not agree with the hon. Lady. Most fundamentally, the purpose of the changes, and the intent of the introduction of universal credit, is to deal with poverty by moving more people out of the benefit trap in which many of them live and into the workplace. There is no doubt that some of the figures that we see in this country are scandalous, such as the number of children who are being brought up in workless households. The cycle of generational worklessness has a hugely damaging effect on the generations as they come through—young people who have grown up in an

environment where their parents and grandparents did not work—and in many of our most deprived areas the generations pass pretty quickly these days. The received wisdom of life as it perhaps once was—the working day, elements of family responsibility and the kind of structure of life that most of us have experienced to a greater or lesser degree—simply is not there. We have a big challenge to help those young people and their families to take a step into what for many is the unknown: a life of work, where there is a different focus in their days and their weeks and they are taking a step out of the poverty trap in which they now sit.

That really is the core purpose behind the Bill. At its heart, and I suspect that there is a philosophical difference between us and the Opposition, we are passionately of the view that the best and most powerful way to deal with poverty and deprivation in our society is to help people to make that move into the workplace. That is why we are moving ahead with the Work programme and the universal credit, and why they are so central to what we want to do.

Ms Buck: I completely agree with the Minister about the centrality of work and the value of the universal credit, among other things, in improving taper rates and incentives. Is it not true, however, that half of children in poverty live in households where someone is in work? That is also something that we have to address, which is why the fundamental arguments that my hon. Friend the Member for Stretford and Urmston is advancing are important.

Chris Grayling: I have never doubted the importance of the issues that the hon. Member for Stretford and Urmston has brought before the House. Although it is always a delight and a pleasure to see a newly elected Conservative—indeed, now Liberal Democrat—Member of Parliament, the hon. Lady's arrival in the House has added genuine value to it. She has brought expertise from outside that will inform debates in the House in the years ahead, and we welcome her being here.

That does not mean, however, that we shall always agree. The central point in the hon. Lady's proposal is that it would have a significant adverse effect on the likelihood of people moving from benefits into work, and my hon. Friend the Member for Wolverhampton South West set out the position clearly and plainly. The hon. Lady helpfully provided some figures for the Committee. She talked about an income of £29,000 for a family, and my understanding is that that is net of tax and national insurance. Whether or not it is net of tax or national insurance, the figure is higher than the typical wage of the average household in the UK. Likewise, the figure for a single person of £14,400, or some £270 a week, which is equivalent to 45 hours work on the minimum wage, is higher than would be experienced by someone moving into the workplace. We have recognised that in the structure of the universal credit, which is designed to address the point that the shadow Minister made about poverty in work.

The integration of the in-work and out-of-work benefits system is designed to create a smoother flow with a clearer ladder. The taper is designed to constantly encourage people to take further steps in work, to have a dynamic effect that encourages people to work more hours, to be more ambitious and to end up with more money for their family at the end of the week. That will help lift more children out of poverty.

Ian Swales: Does the Minister share my regret that figures show that of the jobs created under the previous Government, of which there were many, some 70% were filled by immigrants to this country?

Chris Grayling: The hon. Gentleman is absolutely right. That is one of the great challenges that we face. In many of our city centres, service businesses are manned by people who have come to the UK from other countries and found jobs. I could take Committee members to places in the UK where we could walk from those businesses to entire streets where no one is working. We have to end that. It was a scandal.

Sheila Gilmore: We all recognise that there are completely workless households, but is there not a danger of conflating the arguments about the numbers of people on benefits of various kinds as all being generationally workless? I represent a seat where the fourth most deprived ward in Scotland happens to be situated, although there are lots of wealthy bits as well. My experience is that many of those people are in and out of work. Not all of them are, and I am sure we could all point to such cases. It is not right to imply—perhaps the Minister was not doing that—that the number of people out of work at any snapshot in time are long-term, intergenerationally workless.

Chris Grayling: The hon. Lady is right to say that there is a mix, but I stand by my comments. There are a large number of people out there, who are long-term, intergenerationally, out of work. She is right: some people move into and out of work. One of the strengths of the universal credit is that it makes it easier for people to move into and out of work without having to reapply for benefits every time, in a system that is much more likely to encourage them to keep looking for work and to keep taking the steps that will build up more substantial work in their lives and help lift their family out of poverty.

Ms Buck: This is not fundamentally contradicting the Minister's point, but in our evidence session with the Secretary of State, I asked him whether he would supply us with figures from the Department for Work and Pensions on the number of intergenerationally workless and put them in context. It is an important point, and one with which we totally agree. It is also important, as my hon. Friend the Member for Edinburgh East said, that we understand the relationship between long-term and intergenerationally workless, and the much larger pool of people who are on the borders and are moving constantly in and out of employment.

Chris Grayling: Both those problems exist. I do not have the number to hand. If I recall correctly, there are, for example, 900,000 people on incapacity benefit, who have been on benefits for many years. We would all agree that many of those people, with the right help, can get back into the workplace. That is what the Work programme will aim to deliver. We are describing a multifaceted problem, but at the core, the best way of helping all these people, whether they are intergenerationally workless—when nobody has worked for a long time—or whether they drift in and out of work and go through all the challenges of getting a job for a short term, losing it and reapplying for benefits, is the system that

we are putting in place for a universal credit. What is common in all those cases is that if we have a welfare system that seeks to replicate the situation that a family might experience in working life, it will create a disincentive for people to move into working life.

George Hollingbery: The hon. Member for Stretford and Urmston made a very telling point when she talked about the number of children being lifted out of poverty in the past eight or 10 years, and Labour's success in doing that, which is difficult to deny, while regretting that they had not put in enough money in the past two years to continue that progress. Does that not demonstrate that pumping money into the system is an artificial way of dealing with the problem? When the money falls away, as it inevitably does in economic cycles, it is revealed that the structural problems of unemployment still sit underneath and that poverty is still there.

Chris Grayling: I have a simple view on the issue. I do not believe that the solution to poverty in this country lies in the welfare state itself; it lies in helping people to move out of dependency on the welfare state.

Kate Green: We all agree that, wherever possible, moving people into paid work is the best route out of poverty. Does the Minister not agree, therefore, that one of the elements of success in Labour's policies for reducing child poverty was the increase in the employment rate until 2008? Lone parent employment, for example, rose from 44% in 1994-95 to some 57% by 2007-08. Does the Minister not agree that it is a twin-track approach?

Chris Grayling: I am afraid that I do not agree. If people look at what happened under the previous Government, we went through a decade in which between 3 million and 4 million new jobs were created in the UK. Thanks to the determined work of the hon. Lady's colleague, the right hon. Member for Birkenhead (Mr Field), who chipped away at it month after month and year after year, what emerged was a picture showing that the vast majority of those jobs had gone to migrant workers from overseas. Through those years we consistently had some 5 million people on out-of-work benefits, as well as the other underlying issues relating to children growing up in workless households, which the hon. Member for Stretford and Urmston has described. That is the point of difference between us.

Julie Elliott (Sunderland Central) (Lab): I am slightly confused by what the Minister and the hon. Member for Redcar are suggesting about migrants coming to do jobs in this country. I would be interested to know whether they are talking about people coming from the European Union or from outside. All the employment statistics for the European Union show that more people leave this country to work in other parts of the European Union than the other way round.

Chris Grayling: The hon. Lady needs to take a closer look at the migrant worker figures, because the statistics come from the previous Government when her party was in power. I remember a particular exchange with the previous Secretary of State after which he phoned

[Chris Grayling]

me to apologise for getting the figures wrong and said that, actually, the number of jobs going to migrant workers was higher than the Government had previously stated. I am afraid the issue plainly exists.

That is not the key point; the key point is that over the next 10 years I do not want it to happen again. Between 4 million and 5 million people are still on out-of-work benefits. Our central goal is to begin to reduce the total of people on out-of-work benefits. The Office for Budget Responsibility forecasts that 900,000 new jobs will be created in this country, an increase in employment, over the next few years. As jobs are created, I want as many of them as possible to be taken up by people we have helped out of poverty, out of the welfare state and into employment, building a better future for themselves and their family.

Charlie Elphicke: My right hon. Friend is being extraordinarily generous in taking interventions. When it comes to the 1.2 million people who in recent years have come from overseas to work in the UK, does he agree that half a million are from the EU8 states, and the other 800,000 are from elsewhere, particularly the Indian subcontinent? Would he not also agree that the influx of people from overseas has sold the pass on a generation in our country? Working-age relative poverty has risen from 6.5 million people in 2000-01 to 7.8 million on the latest figures. Is that not a disgrace?

Chris Grayling: My hon. Friend is right to raise those figures. The point about migration levels from outside the EU being higher than those from inside the EU is often missed. There is a belief that the issue is all about movements within the EU, when it is not. The focus now is on ensuring that over the next 10 years we move people off welfare and into work.

I am afraid the reason why I cannot agree with the hon. Member for Stretford and Urmston, and why I cannot support her amendment—I encourage her not to press it having made an articulate speech in defence of her point—is that we believe the measures would reduce the incentive to work, rather than increasing it.

10 am

Stephen Timms: I am a little worried about the way the discussion is going. Does the right hon. Gentleman agree that the UK economy has benefited greatly from the contribution of people coming from overseas, including the Indian subcontinent? He is right to draw attention to the fact that many people have come from the Indian subcontinent to the UK, as I was reminded when I got off the train at East Ham underground station last night and encountered two large crowds, one of Pakistani origin and one of Indian origin. One crowd was cheering and the other crowd was lamenting the upshot of yesterday's cricket match. I am sure that he values the contribution that such people are making to the UK economy. It is important to do so.

Chris Grayling: Of course that is the case. There are some wonderful people living in this country who have come from other parts of the world. They do a really valuable job for us and for our economy. They have

built successful businesses and provide excellent service. My frustration is that some people who have grown up here are out of work and sitting down the road from those who are doing an excellent job. I want to ensure over the next few years that we use the benefits that they could bring to our economy as well. We will generate huge benefits for society and our economy if we can move more people who are on welfare into sustained employment, and that must be our goal.

Sheila Gilmore: We all share the aspiration that most people should be in employment, but is it not a fact that the Office for Budget Responsibility has predicted that unemployment will in fact rise over the next period? Does that not make it extremely difficult for the aims that the Minister describes to be achieved?

Chris Grayling: The OBR forecasts an increase in private sector employment between now and 2015 of 1.3 million and a reduction in public sector employment of about 400,000, which is a net increase in employment of 900,000. My goal is to ensure that as those 900,000 new jobs are created, a substantial number go to people who are on welfare in this country, and that goal is central to what the Government are trying to achieve.

I have listened carefully to the hon. Member for Stretford and Urmston and although we disagree, I know that she feels passionately about the issue. However, I hope that she will not press the amendment to a Division.

Kate Green: I wish briefly to pick up a couple of points made by the Minister. However, for reasons of clarity, I should say that the purpose of our discussion was to air an issue about which I feel strongly. It was useful for us to have such an effective policy debate. I welcome the interest that members of the Committee have shown, and I do not intend to press the amendment to a Division.

However, the right hon. Gentleman referred to some important issues that coalesce around the argument that people should be better off in work, which is a point that Ministers have been making throughout the presentation of their proposals. We entirely endorse such a position and want to achieve it, but not at the expense of forcing people who are not able to be in paid employment into a position of poverty. Perhaps that is the real difference between our approaches.

The Minister said that he was worried that the £29,000-plus figure that I cited for a family with two children was way in excess of the typical wage of a low-earning household. Helpfully, I have received advice that enables me to respond to the point made by the hon. Member for Redcar. That £29,000 is a gross figure, so the stretch is perhaps not as large as might have been feared. None the less, the Minister makes the important point that we need to ensure that people are better off in work. The minimum income standard has a useful application for setting wage levels, and I have mentioned the work of the Mayor of London in that context, too.

However, I fundamentally disagree with the Minister that inadequate, low safety-net benefits propel people into work. All the evidence is to the contrary. If benefits are inadequate, people do not move into work, because the effort, the strain, and the drain on one's personal

resources and capacity to look for work are so substantial. A person's health might be compromised. People's time is certainly compromised as they seek desperately to make ends meet. They might be devoting themselves to fending off creditors and shopping around for the cheapest items that can enable them to feed their family. Mothers, in particular, will often go without food themselves in such situations, clearly depleting their own energy and damaging their health, and therefore their ability to move into paid work.

Paul Uppal: Will the hon. Lady give way?

Kate Green: I will not, if the hon. Gentleman will forgive me, because we probably want to reach the conclusion of the debate.

There is a fundamental point that I want to put on record: far from increasing the likelihood that people will move off benefits and into work, inadequate benefits reduce the likelihood of that happening. It is very important that we bear that point in mind.

I will not press the amendment to a Division. I am delighted that we have had the opportunity for this discussion, and I am grateful to the hon. Member for Falmouth and Truro—I think that I have got her constituency right—

Sarah Newton: Truro and Falmouth.

Kate Green: Geography has never been my strongest point. Nevertheless, I am grateful to the hon. Lady for suggesting that we should look for further opportunities to debate this matter in this House. If we can have such debates, it would help to support Ministers in their objective of legitimising our benefits system. I am very grateful for the time that we have had to debate the matter. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Stephen Timms: I beg to move amendment 18, in clause 9, page 4, line 25, at end insert—
'and arrangements for its annual uprating.'

The Chair: With this it will be convenient to discuss the following:

Amendment 19, in clause 10, page 4, line 33, at end insert—
'and arrangements for their annual uprating.'

Amendment 20, in clause 12, page 5, line 40, at end insert—
'and arrangements for its annual uprating.'

Stephen Timms: I welcome you to the Chair, Mr Weir.

We have had an interesting opening debate, thanks to the contribution of my hon. Friend the Member for Stretford and Urmston. Amendments 18 to 20, which relate to the regulations to be tabled, are simple, so I do not imagine that we will spend very long debating them. It is worth making the point, however, that my hon. Friend was absolutely right to table amendment 3 and initiate our previous debate. If we look at the note on the regulations under clause 9 that has been circulated, we see that appended to it is a list of the current

applicable amounts in jobseeker's allowance. It is right that we reflect on the amounts that are currently being paid to people on benefit and the amounts that are likely to be paid in the future to people on universal credit in the light of the objective research that my hon. Friend described.

Amendments 18 to 20 relate to the question of how the amounts that are paid out will be updated in the future. They would oblige the Government to set out in the forthcoming regulations how the amounts payable would be annually updated.

The Government and Labour take different views on this subject. Given the scale of the deficit, we have accepted that there should be a more modest formula for uprating benefits in the next three years that is linked to CPI. For many years, the uprating has been linked to RPI, but I understand that the Government believe that the CPI uprating formula should be adopted permanently. Will the Minister confirm that the Government intend permanently to use CPI uprating for universal credit? The procedure in the past, which was adopted by the previous Government, was an uprating in line with RPI, and it is important to draw attention to the fact that that is very different from uprating in line with earnings.

Let us look at the figures in the annexe to the note that has been circulated to us on the regulations. My hon. Friend the Member for Stretford and Urmston referred to some of these figures in her speech earlier. It is worth bearing in mind that the figures have most certainly not been uprated in line with earnings for many years, but they have been uprated in line with RPI. As I understand it, the Government want to move away from that form of uprating and permanently to put in place what has generally been a significantly lower index—the CPI—for the future.

All the amendments would do is to require the mechanism to be explicit in the regulations so that it would be subject to debate. If we felt, as Labour Members do, that a different procedure ought to be adopted, we could argue for that and have a permanent arrangement that everybody understood. The Minister circulated the current figures for jobseeker's allowance as an indication of how the regulations under clause 9 are likely to look. Will he tell us whether he expects that the standard allowance for universal credit will be the same as the figure in the regulations that have been circulated? The present amount is £51.85 although, as my hon. Friend said, it is about to go up next week. Is that the figure that the Government have in mind for the standard allowance for universal credit? Does the Minister expect that the differential between the single and the couple rate in universal credit will be as it presently is for jobseeker's allowance? Does he expect that the list of the different payments to be made—for example for dependants and for a couple with both members aged under 18—will be precisely the same for universal credit as it has been for jobseeker's allowance? The substantial point is that permanently linking these benefits to a rate that is generally lower than the rate that households have to contend with due to inflation—that is to say RPI—is a matter of great concern.

Jane Ellison (Battersea) (Con): The right hon. Gentleman and I had exchanges in the House during the debate about the uprating. I invited him to say whether it was

[Jane Ellison]

his intention to commit his party to return to uprating by RPI after this temporary period. At the time he refused to make that commitment. He sounds as if he is trying to have it both ways again. Will he make the commitment that that will be his party's policy for the future?

Stephen Timms: I can affirm, as I did on that occasion, if I remember rightly, that tying us to CPI uprating for good would be a serious mistake. We have talked already about the real implications of the current levels of JSA. It would be a mistake to tie ourselves permanently to a rate of indexation that is less than the rate of inflation that people actually experience.

Kate Green: As my right hon. Friend says, the amendment requires the Bill to provide for a mechanism for uprating. That is important, because even the mechanisms that have been used up till now—the retail prices index and the Rossi index—have been shown to have deficiencies. Earlier this month we learned that the consumer prices index should probably have been 0.3 of a percentage point higher each year between 1997 and 2009 than Office for National Statistics figures had stated. That was because of a discrepancy between the figures recorded by the ONS and the actual rise over that period in the cost of certain goods, such as clothing and footwear.

Again I emphasise the point about ensuring that we have a benefits system that enjoys perceived legitimacy and credibility. When there is concern about inflation indices, as I think is the case is in the light of the information released earlier this month, it is important that the Government are absolutely committed to a mechanism for uprating that is accepted and understood by the public. Amendment 18 requires that the Bill is transparent about that, which is why I support it.

10.15 am

Chris Grayling: As the right hon. Member for East Ham has said, amendments 18 to 20 seek to link arrangements for annual uprating to the regulations on the standard allowance under clause 9; payments made in respect of children or qualifying young people under clause 10; and payments made in respect of other particular needs or circumstances under clause 12.

I begin by reassuring the Committee that we already intend to make such a link. Paragraph 22 of schedule 2 amends the Social Security Administration Act 1992, which is the current mechanism for the routine uprating of benefits, to provide arrangements for uprating universal credit. The mechanism that the right hon. Gentleman seeks to introduce will operate under schedule 2.

Under those arrangements, we are committed to reviewing the amounts of the standard allowance, and other additions within universal credit, to ascertain whether they have retained their value in relation to the general level of prices. Following such a review, the Secretary of State may decide to increase the amounts of universal credit in the annual uprating order. The arrangements are the same as those that apply to all existing out-of-work benefits and to the state pension credit. The Committee should be reassured, therefore, that the Bill provides suitable arrangements for the standard annual uprating.

Neither the amendment nor the existing provisions for uprating, which we will use for universal credit, specify how the general level of prices is to be estimated. As the right hon. Gentleman has said, in the past, the RPI has been the basis for uprating income-related benefits, excluding housing costs, and different elements of the tax credit system have been uprated in different ways.

We have decided that the best way to establish universal credit is to use a standard index, which should be the consumer prices index. Of course, however, the whole structure of the Bill is sufficiently flexible. My bookcase will make its first appearance of the morning—we built the bookcase to enable a future Government of whatever persuasion to do things differently, should they choose to do so. Nothing in the Bill would prevent that from happening.

For the time being, however, and certainly for the foreseeable future, we have formed the view that the CPI will be the basis on which we uprate benefits. We have no plan to change that, but the matter will be open for another Government to argue for something different in future, although they would have to explain how they intended to pay for such a change. I hope that my explanation reassures the right hon. Gentleman about the nature of the Bill and its intent.

The right hon. Gentleman has asked specifically about the standard allowance. Essentially, the standard allowance for universal credit is intended to mirror the comparable standard rates in JSA and employment and support allowance, which, as he has rightly said, go up in the next few days. In the standard adult rate of JSA and ESA, the basic component will be approximately £67 a week. That is the building block that we intend to use for the universal credit. In two years' time, once the universal credit has been established, that amount will be different, because it will have been uprated. The intention is to transpose the elements that he has described into the universal credit system. I hope that I have reassured the Committee and that the right hon. Gentleman will withdraw the amendment.

Stephen Timms: The figure to which the Minister has referred—£67.85—does not appear in the annexe to the regulations.

Chris Grayling: That is because it has not been introduced yet.

Stephen Timms: I want to understand which figure the Minister is saying will be read across to be the standard allowance for universal credit. The figure that appears most frequently in the table that has been circulated to us is £51.85 a week.

Chris Grayling: If the right hon. Gentleman looks down the table, the number to which he refers is the young person's rate. The rate for 25-year-olds in paragraph G is currently £65.45, which is the biggest number involved—and that is only one item in the list in paragraphs A to H.

Stephen Timms: The Minister refers to the figure as it will be uprated next week, I take it.

Chris Grayling: The figure is currently £65.45 and it rises to just over £67 when the uprating takes effect in early April.

Stephen Timms: I am grateful to the Minister. He therefore expects that to be the figure for the universal credit standard allowance, which will subsequently be uprated, too. I am a little disappointed that he is not inclined to place the mechanism that he proposes to use in regulations.

Charlie Elphicke: I understood the hon. Gentleman as saying there should be a change back to RPI after a temporary period. When should that change back to RPI take place, in his view? Is it 2012-13, or 2013-14?

Stephen Timms: As I have previously told the Committee, we have accepted that, for a period of three years, it is appropriate to use the lower index. Subsequent to that, we will review the position. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

Chris Grayling: There is not much to add following the previous debate. I have explained the nature of the standard allowance so, if the Committee will allow me, I will leave my remarks there.

Question put and agreed to.

Clause 9 accordingly ordered to stand part of the Bill.

Clause 10

RESPONSIBILITY FOR CHILDREN AND YOUNG PERSONS

Margaret Curran (Glasgow East) (Lab): I beg to move amendment 21, in clause 10, page 4, line 30, leave out 'may' and insert 'shall'.

The Chair: With this it will be convenient to discuss amendment 22, in clause 10, page 4, line 31, at end insert—

'(2A) Regulations shall make provision for the inclusion of an additional amount if such a child or qualifying young person is severely disabled, in addition to the amount referred to in subsection (2).'

Margaret Curran: Thank you, Mr Weir, and may I say that it is a particular pleasure to serve on this Committee and to be here this morning under your guidance? We share many interests in our commitment to our country, so I am particularly pleased that you are chairing this morning as I speak for the first time on the Committee.

Since amendments 21 and 22 were tabled, there have been developments in Government policy, on which, if I may, I will comment, as it will explain the context. As a

result of the significant change that the Government are proposing, the direction of travel of the amendments has altered. As Members are aware, during last week's evidence sessions I raised with a number of witnesses the question of the importance of these provisions within universal credit. I hope that Members will recall that many witnesses said that these are vital provisions and will matter a great deal to the people concerned. The amendments are in specific reference to children, so I will refer specifically to the Government's proposals about children as they have been indicated to us thus far. I have a range of questions, and the Minister's responses will determine our response.

I am somewhat surprised by the Government's approach to informing us about such significant developments. We had the Secretary of State's statement at last week's evidence session. It was perhaps not entirely his fault, but it was somewhat rushed and many of us were not entirely clear exactly what was being proposed. I therefore made it my business to dig out the detail of the Government's proposals. I eventually found, on the DWP website, a paper, "Additions for longer durations on Universal Credit", which details significant changes to universal credit and to the current provision. I was a wee bit concerned that I had to dig that out from the DWP website. I do not want to be self-righteous: I appreciate the scale of the changes the Government are introducing and the pace of legislation; I was a Minister for a number of years, as you know, Mr Weir, in the Scottish Government, and I appreciate that Governments sometimes have to work to perhaps not the most perfect time scale.

Jenny Willott (Cardiff Central) (LD): I must confess that I did not find it difficult to find the briefing document because the Clerk sent us an e-mail with a link to it on the DWP website. I found it quite simple to track down the information to which the hon. Lady refers.

Margaret Curran: I live and learn. I am new to this House and perhaps I need more guidance in these matters, but a number of charities found it equally hard. None the less, a link to the DWP website, however easily that can be uncovered, is not necessarily the best way for a Government to introduce policy of this order. I would have thought that it should have been formally drawn to the attention of the Committee in a much clearer and more substantial way, but, as I say, I will leave that standing.

There are many questions and substantial concerns about the Government proposals as I understand them. The central question I want to ask the Minister this morning—

10.25 am

The Chairman adjourned the Committee without Question put (Standing Order No. 88).

Adjourned till this day at One o'clock.

