

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### WELFARE REFORM BILL

*Ninth Sitting*

*Tuesday 5 April 2011*

*(Morning)*

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#### CONTENTS

Written evidence reported to the House.

CLAUSES 11 to 13 agreed to.

CLAUSE 14 under consideration when the Committee adjourned till this day at half-past 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)                                     | † <b>attended the Committee</b>   |

## Public Bill Committee

Tuesday 5 April 2011

(Morning)

[MR JAMES GRAY *in the Chair*]

### Welfare Reform Bill

#### Written evidence to be reported to the House

WR 34 Craig Clark  
WR 41 John Stockley

9 am

**The Chair:** I wish to make a point about the deadline for tabling amendments for consideration in the week when we return after Easter. The deadline for tabling amendments to be considered on Tuesday 26 April is Tuesday 19 April. Equally, the deadline for tabling amendments to be considered on Thursday 28 April is 4 pm on Thursday 21 April. Amendments must be submitted in hard copy to the Public Bill Office. In other words, amendments must be submitted in hard copy to the Public Bill Office a week before the sitting in which they are to be considered. I thought that it might be convenient for hon. Members to know that, because of the Easter break.

**The Minister of State, Department for Work and Pensions (Chris Grayling):** On a point of order, Mr Gray. May I raise two matters relating to debate on the Bill before the Committee begins its deliberations today? First, I apologise to Committee members, because regulation notes for clauses 25 to 30 are not yet with the Committee due to an oversight. We intend to provide them by lunchtime. Secondly, I want the Committee to be aware that the Government will publish at 9.30 a written statement setting out our intent to introduce an amendment to the Bill at a later stage to encompass the child poverty commission. Obviously, I do not want to anticipate that statement before it is laid before the House, but I wanted Committee members to be aware that it is coming. It will be published at 9.30 and will provide further details for the Committee about the Government's plans.

**The Chair:** Neither of those is technically a point of order, but I know that the Committee will be grateful to the Minister for that information.

**Stephen Timms (East Ham) (Lab):** Further to that point of order, Mr Gray. I am grateful to the Minister for his assurance about the regulations coming later today. We had an exchange at the beginning of our debate last Tuesday, when I asked him to reassure us that his usual intention will be to provide information to us earlier than the night before the debate. The notes on regulations that we have received came, yet again, just before 7 o'clock last night and, as he said, some of the notes have not yet reached us at all. I would like to press him again to give us an assurance that we will receive information earlier than the night before the sitting in which we are to discuss it.

**The Chair:** Again, that is not technically a point of order, but the Minister will have heard what the right hon. Gentleman said and will no doubt take those points into consideration. It might be helpful to the Committee if we assume that in future the two sides of the Committee will convene to discuss such matters privately outside Committee. We take the point that the Opposition are keen to see the regulations as soon as possible. We are keen to press on, in which context right hon. and hon. Members on both sides of the Committee have agreed that we want to make speedy progress on consideration of the Bill today. I know that if, during any hon. Member's contribution, I am grumpy and interrupt, everyone will forgive me for doing so. It will be for the best possible reasons.

#### Clause 11

##### HOUSING COSTS

**Ms Karen Buck (Westminster North) (Lab):** I beg to move amendment 25, in clause 11, page 5, line 29, at end add—

'(c) provide for payments made under this Clause to be paid direct to a landlord.'

It is a pleasure to convene this morning under your chairmanship, Mr Gray. I am sure that you will appreciate that the reason for my saying that the pleasure is heightened is that this is the final day before the recess. We all greatly appreciate that.

We tabled the amendment pursuant our discussions last week regarding the method of payment for housing costs. It proposes that an option be retained in the Bill to enable direct payments to be made to landlords. I think that hon. Members on both sides of the Committee agree in principle with the notion that there should be choice in the system and that there is no intrinsic reason why tenants should not be able to manage their own payments and housing costs wherever possible. However, the practical reality can sometimes be different and, in relation to both private and social tenancies, there are specific problems.

The Department for Work and Pensions has accepted a shift to greater flexibility in the direct payment of rent to private landlords. I believe that a two-year provision exists in the current system—I am referring to the local housing allowance—to that end. That was done in recognition of the fact that the cuts in housing benefit, which take effect from this week, make it necessary to take steps to keep landlords in the market and to give them some incentive to continue to rent out their accommodation to people who need assistance with housing costs—and, in some cases, possibly as a means of trading it off against cuts in housing benefit. Does the Minister envisage that the provision for private tenants will roll forward into the Bill? How does he intend to monitor the system for the next two years? Is he completely confident about the technical capacity of the IT system?

On the question of social landlords, the Bill seems to be silent, although the White Paper suggested that it would remain an option to allow direct payments to landlords. The Minister will be aware that it causes a great deal of concern, particularly among social landlords and those in the financial sector who are lending to

them. For instance, the Council of Mortgage Lenders has stressed the fact and said:

“Our members have lent over £60 billion to the sector...although lenders and investors are fundamentally confident of the financial strength of the sector, this could be affected by the impact of proposals within the Welfare Reform Bill on the way in which housing benefit is paid....Lenders and housing associations are extremely concerned that making payments to tenants could lead to an increase in rent arrears that would jeopardise a stable source of income, damage lender confidence and threaten to end a crucial source of private finance...the uncertainty is unhelpful”.

The National Housing Federation said in evidence that it, too, was concerned about the uncertainty, as the regulations are due to be published at a later date. It stressed the real danger that rent arrears could undermine their ability to secure money on the private market. We discussed last week the importance of new social house construction, but that very much depends on the sector being able to draw in financial assistance. Worryingly, last week, Moody’s investment service said that the way in which housing costs are to be dealt could prove to be credit negative. That cannot be left to the long term, because uncertainty already risks damaging the sector.

The amendment merely seeks to require the choice to be made available, and I urge the Minister to tell us how he will take this forward. However the system is designed, will he assure us that there will be a capacity to pay money directly to landlords? We may return to the question at a later stage, because we need to untangle the thorny question of what happens if the universal credit payment goes to one person in a household but another person there is the tenant. How on earth can the provision be constructed, both technically and legally, to ensure that this option can be pursued? I look forward to the Minister’s response.

**Paul Uppal** (Wolverhampton South West) (Con): As always, Mr Gray, it is a pleasure to serve under your stewardship. Mindful of the fact that I do not want to incur your grumpiness or wrath, I shall try to be brief. Some of the points that I wished to make have been covered by the hon. Member for Westminster North.

It would be remiss of me not refer again to the mythical bookshelf alluded to by the hon. Member for Edinburgh East last week. I shall carry on with that brief tradition. I do not know whether it was a metaphorical reference—it seems to be in the dim and distant past—but perhaps a suitable periodical for that bookshelf would be *Good Housekeeping*. That is the last of my flippant comments. I now turn to the meat of what I wish to say.

The essential point is that allowing tenants get into significant rent arrears is bad for them, but I seek the Minister’s guidance on a few points. Debt can increase the risk of tenants losing their homes. It can also affect landlords’ income, and in extreme cases it can jeopardise their investment in servicing their mortgage. For taxpayers, it means that money intended for housing benefit is being spent on other things. Essentially, that will add to the cost, as claimants will have to be rehoused.

Something about the amendment slightly troubles me. Before the nationwide introduction of local housing allowance in April 2008, tenants of private landlords had a choice as to whether housing benefit was paid directly to the landlord. Tenants are essentially the best people to judge their ability to pay their rent. I would appreciate guidance on how we could develop an early-warning system to alert councils of any late payments and how that might work. At the moment, an eight-week

provision applies when rent is in arrears. The issue of private and social landlords has already been mentioned by the hon. Member for Westminster North. Finally, how will the Government ensure that landlords of vulnerable low-income tenants can continue to be paid for the service they provide if the tenant falls into difficulties?

Almost all the expert witnesses who have given evidence to the Committee could see merit in a system where rent was paid directly to the landlord. The Citizens Advice Bureau, Crisis, the National Landlords Association, the Residential Landlords Association, Shelter and the British Property Federation can all see merit in that system. However, I am raising this issue mainly because a couple of my constituents have come to my surgery and said, “Look, we’re aware of our own limitations. We have no wish to get into trouble ourselves; we would actually prefer to have a situation where we could pay the landlord directly”. As a result of those concerns, and in view of the issues raised both today and by expert witnesses, would the Minister provide guidance?

**Sheila Gilmore** (Edinburgh East) (Lab): In 2009, I was part of a research team undertook some work on landlords for the Scottish Government. We looked at ways of encouraging landlords to accept homeless people who were presenting to local councils. In many parts of the country—certainly in my own city—the number of people presenting in a year exceeds the number of council and housing association lets. The Scottish Government wanted us to look at what had been done up and down the UK, not just in Scotland, to bring more private rented accommodation into play, rather than having a big back-up of people in temporary accommodation, which is very expensive. There are disadvantages in doing that, to do with supply. I do not want to suggest that this is the answer to homelessness because I do not think that it is. It creates another financial problem.

Nevertheless, if it is a choice between expensive temporary accommodation and the private rented sector, clearly the latter is better: it is a more settled home. Landlords were asked what would encourage them to become part of this process. One issue was rent guarantees and deposits; some tenants cannot produce deposits. Another was certainty of rental income. Direct payment was far and away the method that landlords would most welcome.

I am trying to encourage landlords, therefore, to become part of this process and to offer their accommodation to meet that need. The theoretical point that people should have full control of their own money is laudable. However, many of us specifically set up direct debits to ensure that our payments go out, so that we can manage our lives in an organised way. The trouble for many low-income people is that they have limited access to bank accounts. Not everybody can get even a basic bank account; sometimes they have a Post Office payment card, for example, with no direct debit facility. If they do have a basic bank account there may still be difficulties with direct debits. People are very wary, because if a payment is mistimed and they have a bank charge of £25 or £30, that completely throws their financial calculations.

**Jenny Willott** (Cardiff Central) (LD): It was the Labour Government who introduced this change in the previous Parliament. At the time, I was a member of

[Jenny Willott]

the Select Committee on Work and Pensions, which examined the impact of the measure. To play devil's advocate, evidence shows that paying money to claimants, rather than directly to landlords, can assist people in getting back into work, because it enables them to begin to manage their money better and to take more responsibility for their own finances. In pilots, that has been shown to assist them by helping them to have the confidence to get into work. Does the hon. Lady not have concerns that going back to direct payments will undermine something that can be helpful for people on low incomes?

9.15 am

**Sheila Gilmore:** It is precisely that kind of thinking that lay behind the development. The important thing is to give people that level of choice. We have to look at things in the round. Looking at how most of us manage our money, we have a facility to ensure that payments are made on time on a regular basis, without our always having to remember to make them. How much easier it is when you have that set up!

**Yvonne Fovargue (Makerfield) (Lab):** I was part of a pathfinder pilot for the LHA when I worked at a citizens advice bureau. We were one of the most successful LHA areas. We received £35,000 from the local authority to work with vulnerable people and to give them financial capability. We all accept that that money is not there for every local authority. That project succeeded because we worked with it to identify people who were vulnerable and who needed their rent to be paid directly. We also worked with those who could manage with assistance from the bureau, and helped them to budget, set up direct debits and open bank accounts. We accept that not every local authority will have such a sum of money.

**Sheila Gilmore:** I thank my hon. Friend for her important information, which comes from her experience.

In designing legislation, we have to be careful that we do not have conflicting policy aims. Clearly, seeing how housing benefit intersects with other housing aims is extremely important. If one aim is to enable more people to secure accommodation in the private rented sector, for the reasons I have already given, we have to ensure that we do not set up a conflicting and more difficult situation. The on-costs of that, in having to provide short-term, inadequate and much more expensive temporary accommodation, would undermine the policy initiative. It would also increase the housing benefit bill, because temporary bed and breakfast accommodation is an extremely expensive way of providing accommodation.

There is a particular problem for council and housing association landlords. They have said strongly—I have discussed this with the Scottish Federation of Housing Associations—that although for many, half or sometimes slightly more than half their tenants are not on housing benefit, they have a large number who are. The certainty of rental income through the direct payment route has the advantage not only of reducing the prospect of arrears accruing and all the work that goes into that, but of being advantageous to lenders, who have said so in relation to the lending packages that they are prepared to offer. The better the deal that a housing association

can secure, the more that it can build and provide, which is extremely important. I have been on an association board—I am not so currently—and I know that that becomes an important part of discussions about lending opportunities.

Where people make their own payments, there is clearly a cost involved as well. The best landlords of all kinds—particularly councils and housing associations—put in a lot of effort to ensure that people do not get into arrears, but that is an expensive process. We know from experience that the best way of ensuring that arrears do not get out of hand, which is bad for the organisation and for the individual, is a lot of early intervention work, face-to-face contact and keeping people up to date, but that creates administration costs. From that point of view, I urge the Committee to support the amendment.

**Chris Grayling:** We well understand the arguments that hon. Members on both sides of the Committee have made articulately and on the basis of considerable experience. The hon. Member for Edinburgh East has extensive experience in that field, as does my hon. Friend the Member for Wolverhampton South West, who has a long track record of arguing the case on housing issues.

Let me set out briefly where the Government stand. We recognise that there are advantages to paying the housing component to individuals, in contrast to the current system where payments are routinely made direct to landlords. The reason for that, as the hon. Member for Edinburgh East articulated well, is that we are reluctant to see those in the benefit system being treated in a way that is materially different from the situation that they would experience in working life. The greater the difference, the more of a barrier there is to returning to a normal working existence. We also recognise the importance of stable rental income for social landlords to support the delivery of new homes and, as the hon. Lady rightly says, to ensure an adequate supply for the market. We therefore intend to develop universal credit in a way that protects their financial position.

My hon. Friend the Member for Wolverhampton South West made a sensible point about arrears, and a valuable suggestion about an early warning system which, if I may, I will take away to feed into our discussions. The key point is that we are not closing doors in this Bill. We intend to promote the use of bank accounts and direct debits to tenants—that point has been well made. We are retaining a facility for direct payments to landlords, and we will look at how we can introduce a protection mechanism that safeguards landlords' incomes. Schedule 2 makes provision for the way in which universal credit is paid, including the housing element, and it amends section 5 of the Social Security Administration Act 1992. Section 5(1)(i) of that Act states that regulations may provide

“for the person to whom, time when and manner in which a benefit to which this section applies is to be paid and for the information and evidence to be furnished in connection with the payment of such a benefit;”.

**Kate Green (Stretford and Urmston) (Lab):** On that point, and in relation to another issue raised by my hon. Friend the Member for Westminster North, would it be possible in the legislation for Ministers to explore payment

to someone other than the main claimant of universal credit, where a different member of the household has the housing obligation?

**Chris Grayling:** It would. In addition, clause 97 of the Bill allows claimants to nominate the person to whom universal credit payments should be made. There is an ability to make appropriate adjustments, but the philosophy underlying the Bill is that we should leave it to individuals and individual couples to decide how their affairs are handled.

**Kate Green:** I understand the Minister's point about individuals and couples having choices. Will it be possible to split payment of universal benefit and the elements within the household, so that one half of the couple receives most of the credit, while the person who has the housing obligation keeps the housing element?

**The Chair:** Order. Can we focus on amendment 25 and the payment of rent direct to landlords? That has nothing to do with clause 97.

**Chris Grayling:** We will return to those matters during our deliberations on the Bill. We are seeking to leave both options open. We recognise that in some circumstances, direct payments to landlords may be necessary, and the Bill makes provision for that. Where possible, our preference is for direct payments to individuals for the reasons that I have set out, but I reassure the Committee that the Bill provides the flexibility to meet both objectives. That is important; hon. Members on both sides of the Committee have articulated well the need for such flexibility, given the particular circumstances that can affect some individuals. The amendment is unnecessary, because the provision is already there, and I hope that the hon. Member for Westminster North will not feel the need to pursue it.

**Ms Buck:** I do not intend to press the amendment to a vote, and I am reassured to some extent by the Minister's assertion that there is clearly capacity to respond. My purpose in tabling the amendment was to stress—this is a genuinely important issue—that universal credit with its strengths and some weaknesses must be compatible with broader policy objectives, particularly access to private rented accommodation and the continued delivery of social housing. The level of uncertainty that exists has been highlighted by some of the amendments, and it is a genuine issue. I am not sure that a message of greater certainty has been sent out today, and perhaps more work should be done. The important point is that for the moment, no options are technically closed off in the Bill, and therefore I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

*Question put forthwith (Standing Orders Nos. 68 and 89), That the clause stand part of the Bill.*

*Question agreed to.*

*Clause 11 accordingly ordered to stand part of the Bill.*

## Clause 12

### OTHER PARTICULAR NEEDS OR CIRCUMSTANCES

**Ms Buck:** I beg to move amendment 26, in clause 12, page 5, line 32, leave out 'such' and insert 'childcare costs in prescribed circumstances (up to a maximum of not less than 80 per cent. of the prescribed allowable amount) and such other.'

As is the case with housing costs, child care costs are one of the largest items of expenditure for low-income families, so the interaction of those costs with the work incentive measures of universal credit is critical. Worryingly, as with housing costs and passported benefits, those areas of greatest expenditure that could have the most important impact on family budgets are the least developed in the Bill. The Minister has said that the Secretary of State will come forward with proposals before the end of the Bill's proceedings, but there is a little clarity about what that means. Will there be a consultation exercise or will we get specific regulations? When will we get them?

I shall make a few introductory remarks before I ask the Minister a series of specific questions. If he can answer some of them today, that would be much better, but if not, we would like a firm undertaking that we will get clear responses that will inform us about what will be brought forward under the Bill.

As things stand, the whole principle of universal credit and our understanding of its effectiveness are fundamentally weakened by the omission of such important areas of expenditure. The child care element of the tax credit system is not perfect, and I represent an inner London constituency in which it has tended to not work as well as I would have liked. I am absolutely comfortable with the idea that we bring a child care element into universal credit to build on and improve the child care elements of the existing working tax credits. However, in pursuit of the universal credit's laudable objectives, we must not worsen the predicament of working parents.

Some 486,000 families receive the child care element of the working tax credit, getting on average £76 a week—more in some cases. Changes in last year's Budget have already reduced the maximum percentage that parents are able to claim towards their costs, which is one reason why the amendment specifically states that we would like the universal credit's commitment to child care to be based on no worse than the existing 80% entitlement. As the proposals work their way forward, more will need to be considered.

Apart from reducing the maximum percentage, the Government aim to stretch the investment in child care further by bringing in working parents who are working fewer than 16 hours a week, who are not currently included in the working tax credit. In addition, child care demands will rise because of the conditionality extension, thus bringing in lone parents whose child is five rather than seven. Total child care costs are rising, but the total amount available to support those costs is falling. We do not yet know much about the structure of, or investment in, child care in the universal credit.

**Charlie Elphicke (Dover) (Con):** I am puzzled by one thing. The hon. Lady says that the Government have reduced the amount from 80%. Will she tell the Committee what the Government have reduced it to? How much would the difference be if it was put back up to 80%?

9.30 am

**Ms Buck:** The way in which the Budget changes have been introduced, as I understand it, is that there is a cash maximum for which parents are able to apply if they have one child, with a higher maximum if they have two children. At present, people are able to claim

[Ms Buck]

up to 80% of the maximum—although there is another caveat that I will come on to in a minute—which is being reduced to 70%. I do not have the notes in front of me on what the cash difference is on the Budget line, but clearly there is certainty that there will be parents who receive the cash element that goes towards their child care now but will not receive that in future. We do not know exactly how that will be taken forward under the Bill, however, which is why we are discussing it.

We know that parents who are receiving the higher level will tend to be those parents in higher-cost areas, particularly London and the south-east, where child care costs are much higher than they are in other parts of the country. We also know that there is a pool of parents who are receiving disregard for council tax and housing benefit and can also receive a higher level of assistance towards their child care, which in some cases can go up to 97% of their child care costs. Those parents will, by definition, be among the poorest because they are receiving the disregard. We do not know exactly how that will be taken forward into the child care tax credit, but at the moment that disregard will disappear. The pool of parents who receive higher levels of support will therefore lose that as things are currently constructed.

The worry is that although this is scored as a Budget savings line, which I understand, it will inevitably mean one of two things: either parents cannot continue working; or they will have to use what is, in many cases, a substantial amount out of their working income to meet the costs of child care. In some cases, as the Child Poverty Action Group, the Daycare Trust and others are saying, if the situation is not addressed, there will be parents whose marginal rate of deduction is more than 100%. There will therefore be people who will be paying to go to work, which contradicts everything the universal credit is about, and that worries me.

We do not have the details in front of us and we do not have an impact assessment, so we are not able to make judgments about the process. I completely agree, as I am sure that my hon. Friends do, that it is a good thing that we provide assistance with child care costs for people who are working fewer than 16 hours. However, we need to be able to have a clear means of judging, given the reduced financial envelope, whether that is the right thing to do. Who will be the losers? Are they people who we would want to be losers? Are they people who, as a consequence of losing, will end up costing the state more in other ways, because they will no longer be able to pay for their child care?

**Charlie Elphicke:** I have a lot of sympathy with the hon. Lady's argument, but we are in constrained times. According to measure i in table 2.2 on page 44 of the Red Book, the cost of her position would be some £350 million.

**Ms Buck:** My amendment is not a suggestion—this is not the purpose of the debate—that the system should not change, although in an ideal world it would not change. However, given that the financial envelope is reducing and given the total number of people to whom the child care support is intended to stretch, is the Government's approach sensible—is it the right thing to do? If members of the Committee had the impact

assessment in front of us, we might say, "Yes, absolutely. Let's take child care support away from those people currently receiving up to 97% because of the council tax and housing benefit disregards, because we do not think that that is worth it. Let's not support women working full time, because full-time child care costs are expensive and this will hit people with full-time child care." The whole point is that we cannot have that discussion because we do not have the information, or details of what the costs will be if people fall out of employment because we cannot make work pay for them.

The whole point of universal credit, rightly—as we keep saying—is to make work pay for everybody. The top line and the tapers are absolutely marvellous, but we know that they are not real. Last week we discussed how they are not real, because they do not include council tax benefit. Today we are discussing the fact that they are not real because they do not include any real assessment of what is happening in child care costs. There will be other examples. We are not having a real and honest discussion about meaningful work incentives, about who fails to get the advantage of the universal credit and what that will mean for people falling out of employment and their costs to the state. I suspect—we do not have an impact assessment—that those costs could cancel out a lot of that £350 million, but we need to have an honest debate.

I have some specific questions for the Minister. First, the Committee would like to know exactly where we stand on bringing forward regulations. When will they be brought forward and how does the process tie in with what the Secretary of State told us about a consultation? How will those timings work together and how will the Committee be able to take forward that discussion?

Given what we know about the financial envelope for funding child care support, as we have just discussed, will the Minister tell us who will lose from the reduction in the maximum child care support from 80% to 70%? How many households will lose, and by how much on average? What do we know about their characteristics? I suspect that there is a regional bias and that there might be a concentration at the lowest deciles because of the housing benefit and council tax disregard.

What exactly is the thinking behind structuring child care to assist parents who work fewer than 16 hours while removing support from parents with higher costs? I think that there is an emerging theme of reducing parents' full-time employment and increasing part-time employment, which is not necessarily wrong, but something that we need to understand. If that is the case, may we have an informed strategy on that for the labour market, particularly in relation to women?

We have talked a lot about the concept of job entry via the mini-job. I am not unhappy about that in principle, but do the Government intend actively to support down-sizing among parents—mostly though not always women—who are working more than 16 hours and more than part time? Given what we know about the funding envelope, will the Minister confirm that there will be parts of the country in which it will be financially impossible for parents to work more than part time? It is worth remembering that a part-time child care place in London now costs £113 a week, so the way in which the envelope is constructed means that it will not always be possible to get part-time work in London, given the reduction in support.

Are the Government actively considering offsetting any changes in the percentage cover—this is the principal thrust of the amendment—with a reduction in the cash maximum to which parents will be entitled? I understand that that approach is on the table. We might get back to 80%, in line with the proposal in the amendment, but that would be 80% of a lower cash entitlement, which would have massive implications, particularly for parts of the country in which costs are higher. If that is to happen, will there be an impact assessment before proposals are introduced to the Committee setting out any proposed cash reduction in the maximum entitlement for child care? Who would be the losers, and what would the impact be in different parts of the country?

Is it the Government's contention that parents with the highest child care costs—costs that are no longer met due to the reduced level of child care support—should be expected to meet this additional shortfall from their incomes and perhaps be exempted from the otherwise positive drive to improve work incentives? Are the Government expecting parents to meet a larger share of holiday and out-of-school costs, as well as ongoing nursery and equivalent provision? How can that be justified? We know that work has to pay, but if people are expected to meet shortfalls—we discussed this in the context of housing and now we are discussing it in the context of child care—it will shoot a hole right through the heart of the universal credit, and that worries us a great deal.

Ministers intend to extend conditionality to cover those in employment as well as those without it. If someone has to reduce their hours because of reduced child care support, will they be subject to any form of conditionality as a consequence? If someone is unable to continue work because of an increased shortfall in child care costs, or if they come into the system and their child care costs cannot be covered, would they then become liable to the overall benefit cap? That is a real worry. If people are actually priced out of employment for reasons that are not within their control, will they fall foul of the cap that we will be discussing later in the Bill?

How will the Department for Work and Pensions administer sanctions and conditionality rules for those parents whose child care costs mean that their marginal rate of reduction would be above the 65% level that is the basis of the universal credit? What assessment has the Minister made of the number of households that receive more than 80% of their child care costs because of the housing benefit and council tax disregards? How does he envisage that being treated in the future under the universal credit when that element of disregard seems to disappear? Will he accept that that group in particular could be subject to marginal rates of deduction of 100% or more, and that that is not reasonable for any household to have to endure?

Has the Minister made, or will he make, an assessment of the capacity of the child care sector to provide the changed provision that he is considering? We have discussed this point before. I am worried that the mini-job will not necessarily be compatible with what the child care sector is able to offer as sessional provision. It would be a great shame if entry into a mini-job by those new to the labour market was undermined because no capacity was available for them.

We intend to table a new clause to provide for a detailed strategy at a later stage, but obviously it would be infinitely preferably if the Government put before us a comprehensive impact assessment setting out all the winners and losers, all the implications and all the impacts on work incentives. We could then understand what, apart from simply a reduction in child care costs, is driving the Government's approach to universal credit, and therefore ensure that the incredibly important, central role of child care support delivers on what universal credit is designed to achieve, rather than undermining it.

**Kate Green:** I shall be brief because, as ever, my hon. Friend the Member for Westminster North has made an extremely comprehensive case on our concerns. I shall highlight just three additional questions that I would be grateful if the Minister could answer, the first of which relates to child care costs for disabled children, which are typically higher than those for children without disabilities. Is it intended that the same cap and same cash limitations will apply to families with disabled children who are eligible for child care costs as will apply to those with children without disabilities, or will there be extra assistance when those extra costs are necessarily incurred?

My second question relates to my hon. Friend's point about the purpose of meeting child care costs through the universal credit. It has long been said by those of us who are advocates of extending formal child care provision that it is particularly beneficial to the most disadvantaged children that they spend time in good-quality, formal child care settings. Of course, the opportunity to spread the pot to those working fewer than 16 hours may offer that possibility, but I ask the Minister to tell us whether any impact assessment has been carried out in relation to child outcomes, because it is equally the case that short periods of stop-go formal child care are likely to be quite damaging and unsettling for children. I would be extremely interested to know what discussions DWP Ministers have had with their colleagues in the Department for Education about the impact on child outcomes of their proposals.

My third question relates to the point that my hon. Friend made about provision for child care costs when children are out of school, for example. We know from the long and painful history of tax credits that child care costs were probably the largest contributor to some of the problems that we had when changes of circumstance caused changes in entitlement to occur so frequently. Some hon. Members who have not had direct personal exposure to the problem might be surprised by how often people's child care needs, and therefore their child care entitlements, change. The Minister should tell us how, in the context of the proposed real-time information system and the overall administrative cost envelope for administering universal credit, he intends to ensure that universal credit is responsive to frequent fluctuations in child care hours and child care costs, and whether a more generous cap has been considered as one way of cushioning some of that concern.

**Sheila Gilmore:** The huge change over recent years in the ability of people with children to enter employment and to get good child care should not be underestimated. It is very different from what was available in the past,

[Sheila Gilmore]

and the tax credit system's payment for child care has played no small part in that. It is not the only factor by any means, but it has been one important factor, particularly in areas of lower income and higher deprivation.

9.45 am

When my older children were young, after-school care really did not exist. At best, parents had to find a private child minder for during those hours. The importance of after-school clubs and so on has mushroomed in the past few years and should not be underestimated. It has made a major contribution to one of the great successes of the last Government: enabling many more parents, and particularly single parents, to enter employment than was the case when Britain had a bad record.

Working even part time has always been difficult without child care. Most people probably know that in my city, the normal part-time place offered at a nursery school is two and a half hours. It is virtually impossible to carry out any kind of work within such a time interval, which would also include the time to get to work and back. Very few jobs allow anyone to work for an hour and three quarters in between running backwards and forwards. Even with nursery care for three to five-year-olds, parents still need additional child care. It is much the same when children are at school. School hours and holidays can cause difficulties that can make or break people's chance of entering employment.

I was interested to hear one of our witnesses—I do not have the reference—discussing the possibility that providers could make child care available at hourly rates and therefore fit in with shorter working hours. That is attractive, although I have some concerns, as I know that it would severely undermine many providers' viability. My son's after-school club was open from the close of school until 5.30 pm. Parents could collect their children early, but the club was not in the business of saying, "If you only want an hour and a half out of two and a half, you can pay for an hour and a half." The club still needed to pay for its premises, staff, training and all the rest of it, so parents had to buy the package. If they were able to arrive early and wanted to, that was fine, but the financial viability of the place would have folded if they had not paid for all the time.

If that is true for after-school care, it will also be true for a lot of nursery care. About five years ago, a colleague of mine carried out a piece of research on the child care available in some more deprived areas of Edinburgh that were regarded at the time as social inclusion partnership areas. Child care was one of the things that had been developed by the partnerships, and the research found that the biggest barrier was still cost. Even with the provision made through the tax credit system, cost was clearly an important issue. This goes back to the viability of provision. Empty places can make providing a nursery difficult. Providers cannot carry empty places and be viable, so cost becomes important. One recommendation of my colleague's report was to increase levels of child care support through tax credit, which was done to a degree by the previous Government in order to meet the gap.

The issue is important and complex, and we must bear in mind that there is a relationship between what can be made available and what is affordable. If no child

care exists, all arguments about cost disappear completely, because people cannot find anything suitable and of good quality for their children.

**Chris Grayling:** I have listened carefully to Opposition Members' contributions. I will start by taking us back to what the clause will do and what the amendment seeks to do. To revisit the bookshelf quickly, the clause is no more nor less than a mechanism to allow the Government to pay a child care element of universal credit. As always with child credits, the detail is handled outwith primary legislation. The amendment would write into primary legislation a financial commitment and remove the flexibility of this or any future Administration to make changes. For that reason more than any other, we could not possibly accept the amendment.

My hon. Friend the Member for Dover made the valid point that the amendment represents a significant spending commitment by the Opposition. Although the amendment is probing in nature, if it were to pass into statute, it would require significant additional spending, which opens the question of where that money would be found.

I will answer some questions that have been asked today, but some of the others are not material to the clause or the amendment. We will undoubtedly return to them in a new clause later on, and there will clearly be extended debates about regulations as and when they emerge.

We accept that this is a complicated area. There have been a number of changes. Some issues arise from the Budget last year and some from our desire to reduce the threshold, from the current 16 hours, below which child care costs cannot be paid, because we recognise that the mini-jobs that we have discussed are a vehicle to get many people back into the workplace. By definition, that leaves us with some hard challenges.

We are committed to retaining the current spending on child care; that is important to do. We do not want to make further changes—further reductions in the money made available for child care. The Government are strengthening the pre-school offers within the education system. The hon. Member for Stretford and Urmston raised the issue of disabled children. We have considered increasing nursery provision in the school system for two-year-olds with disabilities, which is an important step to take.

We need to consider carefully how to structure the best system of child care. The Secretary of State for Work and Pensions said in the House of Commons last week that he intended to hold a consultation on this. I hope that that consultation will involve Members on both sides of the House, given the substantial expertise among Opposition members of the Committee, let alone those elsewhere. We welcome cross-party engagement on how best to structure a new system. We intend to hold a number of seminars over the next few weeks to discuss this. Opposition Members are welcome to take part. We want to get the best possible solution that balances the financial realities of the moment with our desire to achieve our aims.

On timing, we intend to complete the work as quickly as possible. I am expecting hon. Members to table a new clause before our consideration of the Bill ends in late May. It is my aspiration that we should be able to

complete at least a goodly part of that discussion with them before we get to that point, so that we can have a much more informed debate.

I will not give an absolute commitment today that every detail will be in place by the time that we get to that point. For the purposes of primary legislation, there is no need for that to happen, but for the purpose of doing the right thing by the Committee and informing its debates and discussions, we will do as much as we possibly can to ensure that the nature of the debate is open, that the issues are open and that the details of the different impacts are as clear as possible.

It is important that I make a couple of points. First, marginal deduction rates cannot change. The rate will apply to all elements of universal credit. Hon. Members are suggesting that, in reality, the changes might lead to a higher marginal deduction rate. That is not a given. We need to work through and discuss the best system. The actual marginal deduction rate within universal credit will taper off, as will all the different elements of universal credit.

It is not our intention to force people into part-time work rather than full-time work. We have made it clear that universal credit should focus on the first earner in the household, as that is the most important part of starting to lift households out of poverty. We believe that individuals should have choice in how to manage their working lives—and child care if they have reached that point. There is no conscious intent to push people from full-time to part-time employment. That would not be right. This is about supporting individual choice.

Other points were raised. Parents of disabled children already benefit from higher disregards under the tax credit system, with a higher child amount for severely disabled children. It is right and proper that such support should be provided. Local authorities make additional provision in support of disabled children.

The hon. Member for Westminster North will be aware that conditionality is focused particularly on moving households out of worklessness altogether. It is not our intention to impose severe or stringent conditionality upon households where the right thing is being done—where people are working more, and where the main earner is moving up the income scale. Our goal is to ensure that we have a system that lifts households out of worklessness. As I said last week, that is our prime concern, and the conditionality regime that applies to universal credit will focus particularly on that objective.

The hon. Lady is right that today's child care system is not geared up towards mini-jobs, but that will change. We will see a greater willingness for child care providers to provide short-term placements, precisely because the system will be more geared towards mini-jobs. That is one of the benefits that we seek to achieve, and I would be surprised if the market did not respond. At the same time, the hon. Lady must remember that child care support for mini-jobs can be delivered within families. Informal child care will enable quite a lot of people to take the first few steps back into work, before moving on to something more substantial—longer-term work with increased hours.

The hon. Lady asked about holidays. As everyone knows, arranging child care during the school holidays is always a big headache. It is, and will remain, a challenge. The conditionality that applies to lone parents does not require them to work hours that are unreasonable,

given their responsibility for bringing up their children—in particular, the obligation for lone parents of children at primary school.

The hon. Lady referred to the impact on child care costs of the reduction in the age threshold from seven to five. However, lone parents in that position are obliged not to work way outside the normal school hours, as that would add considerable additional complication to their lives. For instance, we do not expect lone parents of kids at primary school to work night shifts. The conditionality is not designed to work like that. When possible, we are trying to help them move on to job opportunities that fit alongside their child care responsibilities.

Opposition Members referred to increased provision in and around schools. There has been a tremendous amount of innovation in this area. It is a great example of schools and other organisations delivering improved child care support without necessarily having the hand of the state on their shoulders. I think that we will see much more of that as time goes by. It is my intention to set out as much detail as we sensibly can, as we go through this process. We are not required to set out everything in primary legislation—indeed, we actively want flexibility for the future—but I shall do my best to help.

The hon. Member for Stretford and Urmston asked about the technical ability of the system to deal with rapidly changing circumstances. A central hallmark of the systems that we are developing will be an ability to respond to an individual's circumstances when moving into or out of short-term or part-time jobs. That will have to be built into the system. Child care entitlement will have to be set against the number of hours worked and the money coming in.

We will return to the matter, and I hope that Members on both sides will engage in discussions about how best to go about it. We shall certainly face some difficult challenges in trying to balance things that we would like to do against the resources that will be available. That is why we made a point, following the Budget changes last year, of saying that we do not intend to make any further changes to the amount of money available for child care. We will consider how best to use that in the context of other changes taking place elsewhere—in the Department for Education and in our school system, for example. I hope that we can have a constructive dialogue on that, and I am sure we will return to it when Opposition Members table their new clause in a few weeks' time.

10 am

**Ms Buck:** I do not intend to press the amendment to a vote today—there will be other opportunities. Obviously, it is absolutely true that there is a savings line in the Budget that has to be considered in this context, but it is incumbent on the Government to bring forward a comprehensive impact assessment to help us understand the implication of that savings target. I still do not understand, and nothing the Minister has said has helped me understand, how a reduced sum of money for child care can be combined with the desire to stretch it—morally a good thing, but practically questionable—to cover 16 hours.

I was slightly alarmed, and perhaps the Minister can make sure I have understood this correctly, when he

[Ms Buck]

said that the concept of the mini-job could be an opportunity for the greater use of informal child care. In practice, of course, that it sometimes true: people will use grandmothers and others for informal child care, particularly for a few hours. I just hope that the child care strategy in universal credit is not in any way predicated upon that.

I am grateful to the Minister for confirming, as I understood it, that the marginal rate of deduction that is the backbone of universal credit will apply and will be the test for job entry, including whatever child care element the Minister brings forward, and that nobody will be expected to pay a higher rate of deduction, including whatever he brings forward for child care in the future.

**Chris Grayling:** There is a common taper for all the elements of universal credit. All the different elements in these various clauses are put together and the rate of support tapers away at a consistent rate.

**Ms Buck:** I am grateful to the Minister for that, because I am still unclear—particularly when it comes to those households which, because of the disregard system, will be getting above 80% with their assistance—as to how that will be factored in at the same time as reducing the money and increasing the level of coverage. The key point is that child care, along with housing, is a central element in making universal credit work.

It is an enormous shame—although it is difficult and I have sympathy with any Government who are struggling to make this work—that in a long-planned welfare reform Bill with such important elements, not necessarily sorted out in every single detail, we are without any impact assessment to help us make informed choices. The Committee may decide that it is absolutely inevitable that the levels of child care support for full-time workers or people in high-cost areas will be sacrificed in order to provide child care for those working fewer than 16 hours, but we need to know the exact facts and figures upon which decisions should be made. I do not think that we do and my hon. Friend the Member for Stretford and Urmston has obviously got some other questions, particularly around provision for disabled children and impacts upon the sector, that we need to consider. We will return to this.

This has been a helpful debate and we have had some greater clarification from the Minister, but I urge the Minister to make sure, if nothing else, that we have a comprehensive impact assessment in front of us that incorporates these financial savings and the extended hours so that we can see exactly what choices we are being asked to make. I beg leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Ms Buck:** I beg to move amendment 27, in clause 12, page 5, line 33, leave out ‘may’ and insert ‘shall’.

**The Chair:** With this it will be convenient to discuss amendment 28, in clause 12, page 5, line 38, at end insert—

‘(d) the fact that a claimant has children in receipt of school meals.’

**Ms Buck:** This is the third in a trilogy of complementary amendments that explore the same area of weakness in universal credit. We have discussed housing and child care without being able in this Committee at the moment properly to appraise what the consequences of universal credit will be—who will potentially lose, how they will be dealt with, who will gain and so forth. That is also true, I am afraid, when it comes to the element of clause 12 looking at how additional needs will be met within the universal credit system. One area about which the Government are unclear and on which we have no strong steer as to how it will work is that of free school meals. Amendment 27 would replace the discretionary “may” with the mandatory “shall”, in respect of the different needs and circumstances. Amendment 28 adds a particular example of free school meals.

We know the introduction of universal credit will replace the out-of-work benefits and tax credits that currently entitle children to free school meals and other passported benefits. We know and agree that the key strengths of universal credit are intended to be integration, simplification and the removal of cliff edges. We strongly support that dimension of the Bill. However, yet again we are being asked to judge the aims of universal credit without reference to this crucial and complex element.

The Bill makes provision for the entitlement to free school dinners to be based on universal credit, but provides no details as to who will be entitled. The White Paper suggested that entitlement would be removed at a fixed income threshold, which would clearly impact on work incentives and family budgets, and undermines the thinking behind universal credit reforms, which is that households should gain equally from each extra pound earned, withdrawing entitlement at a fixed income or earnings threshold instead of a so-called benefits cliff edge. I seek to draw out a little more of the Government’s thinking to help us understand how passporting, in particular free school dinners, will be compatible with the central aims of universal credit.

Free school meals are an important financial benefit to families on low incomes, worth on average £366 a year for a single child; and over £1,000 for larger families. Under the current system, parents who are in work for more than 16 hours, and therefore entitled to working tax credits, will lose their free school meals. We discussed possibly having a more generous system; indeed, there were pilots looking at a more generous system. The gains from working are offset by the loss of free school dinners. Most families are still better off in work because of the working tax credit that becomes available at that point. That seems a real challenge for universal credit. I do not think that the Minister has made clear that he anticipates the same number of people as now being entitled to free school meals. There is a challenge, given the change in the structure of the benefits, which removes the 16-hour jumping-off point—potentially for a good reason—and the working tax credit that smoothed and eased the way off passported benefits.

The loss of free school meals, as we understand universal credit, could create a severe benefit cliff edge. As a result of tax and universal credit withdrawal, a family will not achieve a similar equivalent level of income after paying for school meals until they earn an additional £87 a week—£4,500 a year. That substantially undermines any financial incentives to earn above the

rate of income at which free school meals are withdrawn. That brings us straight into conflict with the potential of the mini-job.

Universal credit is designed to include all working-age means-tested benefits in one family assessment and one single rate of benefit withdrawal or taper. It is also designed to recognise a family's extra needs and include higher earnings disregards to take account of the size of the family and the extra needs of members with disabilities. It would, therefore, make sense to align the structure of support for school meals closely to reflect the structure of universal credit, or even include a school meal element within universal credit.

The most comprehensive option to ensure those principles are coherently delivered would be to include a per child school meal element in universal credit, which is paid to schools via local authorities to provide meals, and in effect passports children in receipt of universal credit to school meals. That would, of course, potentially extend eligibility, and we know that extended eligibility is not the Government's intention. It is not anyone's intention currently. Although the Government and Ministers have said that they are sympathetic to the argument for an extension to free school meals—the Under-Secretary of State for Education, the hon. Member for East Worthing and Shoreham (Tim Loughton) has announced that the coalition would consider extending free school meal eligibility—that expenditure is not actually in the budget. As things stand, universal credit needs to be able to accommodate a provision for school meals that does not extend eligibility, but that leaves us, of course, with the cliff edge problem.

There are a number of different models to eliminate the high marginal deduction rate. It is important, as we have discussed in terms of housing and of child care, for the Government to give us an impact assessment and the modelling, so that we can appraise seriously the pros and cons of the different technical models to deliver this in a way that avoids cliff edges.

Although the amendment centres on free school meals, the same principles apply to other passported benefits. I know that the Government are considering a phased tapering away of other passported benefits, so that there is no single withdrawal at a particular level of income. Will the Minister tell us how the thinking behind that is proceeding? The difficulty with doing that is that we might end up with a degree of confusion, because people will not know exactly how benefits will be tapered away.

**Guto Bebb** (Aberconwy) (Con): I am interested in the hon. Lady's comments about the passported benefits and the way in which they might be tapered away. Five members of the Committee are from Scotland or Wales, which have free prescriptions. Does the hon. Lady have any ideas about how that should work in the universal credit system?

**Ms Buck:** I intend to end with a few questions, one of which centres on the exact issue of how the aims of universal credit interact with the roles of local authorities, which are the delivery agencies for free school meals, and of the devolved Administrations. They will have to be worked through, and important, practical questions need to be understood. That is yet another area in which the Bill as drafted contains a fundamental lack of clarity.

When does the Minister expect a decision to be made about how free school meals in particular and passported benefits in general will be addressed, so that we can consider the pros and cons of the different delivery options? How does he think we can avoid the cliff edge? Does he accept the view of Citizens Advice that the risk is that a family could, in certain circumstances, end up in gaining an extra £1 at work, but losing £18 a week in free school meal entitlements? That is obviously an extreme case, but it is a real one.

If the intention is broadly to assist as many people as now, which is, I believe, the stated intention with free school dinners, how does that interact with the expectation that universal credit will also increase take up, and what are the financial implications for school meals? If we are working within a fixed financial envelope but universal credit extends take up, will eligibility then be lower for families who currently receive assistance?

How will the technical side and IT be able to deliver passported benefits, given that we do not have clarity on the decisions? How does that interact with the devolved Administrations and local authorities, which are on the front line of providing delivered services? It is a question, once again, of a major gap at the heart of universal credit that does not allow us to make a proper judgment about its reliability for delivering on work incentives or for achieving all its stated aims, particularly smoothing the passage from out of work into work and avoiding cliff edges. Although, as always, it is possible for regulations to advance some of the most technical elements of the delivery, this is now the third example of an area of policy that is important and financially significant to low-income families, on which we are being asked to trust universal credit at a time when it is being undermined by the Budget's financial cuts. That is not satisfactory and it is not a good way to judge the effectiveness of the policy. I hope that the Minister will answer those questions and give us some reassurance.

**Kate Green:** I will be brief because, again, I follow an extremely comprehensive presentation by my hon. Friend the Member for Westminster North. First, I want to reinforce her point about the significance of school meals for people moving into low-paid work. Research carried out by the Child Poverty Action Group several years ago when I was its chief executive, together with the Low Incomes Tax Reform Group and Community Links, revealed that parents felt that one of the biggest shocks of moving into work was the loss of free school meals. Therefore, in the context of universal credit as a single in and out-of-work benefit, I am interested in hearing how the Minister intends, if at all, to use the credit to lessen that shock for people in low-paid work. My hon. Friend rightly stressed that we have a limited envelope for spending, so will there be losers as well as winners, and if so, what quantification has been made of that?

10.15 am

The second issue is that the price of school meals varies, between local authorities and between schools. The latest figures show that the minimum cost in primary schools is £1.20 and the maximum cost £2.30, and for secondary schools the figures are £1.55 and £2.45 respectively. I say latest figures, but I assembled this briefing just before I read the weekend

newspapers, which revealed that many local authorities have put their prices up, so the figures might be on the modest side.

Can the Minister assure us that people who are entitled to free school meals will be entitled to them in full? We do not want to be in a position in which people are able to access only a partial entitlement, and in the context of tapering and disregards I am particularly concerned to hear the Minister's thinking on that. We cannot get into a situation in which a child can afford to eat dinner on Monday, Tuesday and Wednesday but by Thursday has run out of universal credit entitlement. That would be extremely disruptive, for both the school and the child and his or her family.

**Chris Grayling:** The hon. Members for Westminster North and for Stretford and Urmston have identified the issue as complicated, and in many ways it is probably one of the most complicated that we are dealing with, because things such as free school meals and prescription payments sit outside the benefits systems. They are not an integrated part of the system and are, in many cases, devolved issues, which introduces additional complications.

First, though, I shall quickly deal with amendment 27. I ask the hon. Member for Westminster North to withdraw it, because it would remove the flexibility to deal with different needs. For example, we now expect to carry forward the rules that apply to the existing premium for carers, but the amendment would require us to return to primary legislation if a better way to deliver that support were identified.

As the hon. Lady knows, there have been cases—for example, concerning people who are blind or visually impaired—of a need to return to primary legislation to make changes. On the category of people who are deemed to have limited capability for work or work-related activity, if there were a policy change on how to deliver support to people in the work-related activity group, the amendment would require us to return to primary legislation.

“May” is used instead of “shall” purely to ensure that a future Administration, from whichever side of the House, have the flexibility to make entirely positive changes without necessarily having to return to primary legislation. That is the sole reason for us taking this approach, so I ask the hon. Lady not to press the amendment. One can envisage the nature of support changing or needing to respond to different circumstances in society, and we should not tie the hands of future Governments over reacting quickly to the need for change.

On amendment 28, hon. Members are right that the withdrawal of free school meals could create a cliff-edge problem. That is certainly a challenge for us, but I am not convinced that the amendment represents the only, or necessarily the best, approach. We are looking at the issue carefully, and the Secretary of State has said that he will ask the Social Security Advisory Committee to consider it and make recommendations. I should offer my congratulations to that committee's recently appointed new chairman, one of whose first tasks will, I hope, be to respond on this matter. We will also ask the Cabinet Social Justice Committee, which draws in participation from across Government and the relevant Departments, to make recommendations.

The hon. Lady is absolutely right to talk about the problems with a taper for free school meals and about the amount of money the young person has available to use each week. As she rightly said, that is complicated still further by the variations in cost and in systems. In many schools we now have electronic systems that disguise whether a young person is receiving free school meals, which is admirable. It is important that young people are not stigmatised by the financial circumstances of their parents.

That issue does not always apply to people from traditionally low-income backgrounds, as children from previously prosperous backgrounds can suddenly find themselves in this bracket when the family breaks up or the mother is left with children and very little income. Therefore, the issue is not simply one of deprivation: it can affect all parts of society, perhaps unexpectedly. The systems put in place to remove stigma have been positive, but that adds to the complication of how we address this specific issue in relation to passported benefits.

We said in the White Paper that we aimed to stagger the point at which different passported benefits are withdrawn to reduce the impact on incentives to work. We are working with the devolved Administrations and with the Department for Education, looking at how to reduce the risk of a cliff edge in the eligibility criteria for those benefits.

**Jenny Willott:** The Minister mentioned the electronic forms of payment for free school meals. Does that not give a potential opportunity for tapering the amount that a family gets in that area of benefit, so that, rather than having a cliff edge, the Government could gradually reduce the amount paid to that family through the electronic payment system?

**Chris Grayling:** The theory of what the hon. Lady says is right. The complication comes from the practicalities on the ground. Some schools have such systems, some do not. Schools may have systems that are not interoperable. The theory might be fine, but I am not certain that it could work in practice.

**Kate Green:** Is the Minister aware of an estimate, based on Department for Education figures, that suggests that there are 24,605 schools in England alone, and even if a full 43% of them had a cashless system, which is the impression that we have, that would mean 14,000 schools without a cashless system, as described by the hon. Member for Cardiff Central? The estimated cost of putting such a cashless system into those schools is £308 million.

**Chris Grayling:** The hon. Lady makes a good point: sometimes, sensible theory and practical reality do not meet as we might wish. Although we can see more such systems being put in place, these are difficult issues to deal with right now.

The hon. Lady is right: we freely admit that some aspects of the current system make it complicated to create the perfect outcome, so we have to work as carefully as we can and take the time to do this properly to try to ensure that we deal with some of the complexities, whether it be child care or these issues.

In this particular case, we thought it would be sensible to ask the Social Security Advisory Committee for recommendations. Our discussions with other Departments

are progressing well. The approach we take has to be simple and affordable. The issue will inevitably come back—if, indeed, it moves within the ambit of universal credit at all. Given that all these benefits lie without the benefit system, there is no certainty that they will move into the universal credit system; there is no particular need for them to do so. We have to ensure alignment between the work incentives in universal credit and the situation outside those systems.

We are working closely to try to get this matter right. We will certainly provide information to the Committee as we discuss it—as, indeed, it passes into the other place. The issue will not necessarily impact on social security regulation or legislation. The Bill contains the flexibility for it to do so, were that to be the decision, but at the moment our goal is simply to align what other Departments are doing with what we are trying to do, so that we do not create the cliff edge to which the hon. Member for Westminster North rightly drew attention.

**Ms Buck:** We are at one in accepting that this is a very complex and difficult area. I do not think that anyone has it exactly right. It is quite disturbing that we have three massive areas of policy—housing costs, child care costs and passported benefits—where we do not know how the Government intend to deal with them, despite this being our third week in Committee. Whether they are integrated in universal credit or aligned with universal credit is probably not the most important issue. However, the centrality of the universal credit's purpose in improving work incentives and creating a single taper cannot be judged effectively when we do not know what the Government's approach will be.

**Chris Grayling:** Does the hon. Lady not accept that, within complex projects such as this, where there are issues that are difficult to resolve, it is better for the Government to be open and upfront in saying that, to be open and upfront in saying also that we want discussions across the political spectrum with expert groups that may be able to offer advice to find the best solution, and to do that without rushing? Does she not accept that that is a better way forward?

**Ms Buck:** I agree with that totally, but I do not know why we are here. The Government introduced the Bill and they have been busy spinning its virtues, some of which we are completely comfortable with, but why are we in Committee if, as the Minister rightly says, there are so many areas of policy that fundamentally challenge, or present fundamental challenges to, its effective delivery? I am very uncomfortable with that.

Free school meals are passported benefits. As we know, and as my hon. Friend the Member for Stretford and Urmston said, free school meals are very important calculations for working parents, so it is critical that we get this right, but we are not in a position to be able to judge the extent to which any of it is compatible with the shared stated aims of universal credit.

**Chris Grayling:** I spent quite a lot of time over the past decade sitting in Committees in which Labour Ministers explained why they were building frameworks within which regulations could subsequently be fitted and debates on detail could happen. What has changed?

**The Chair:** Order. That is an interesting general point, but we want to focus on the question of school meals.

**Ms Buck:** School meals are an aspect of public policy that is so critical and so integral to universal credit that it is very hard to have a thoughtful discussion or to make judgments on it without having that information in front of us. We need to be assured, and I am not sure that we have been yet, about exactly when we will have in front of us a set of models and an impact assessment that enable us to judge the advantages and disadvantages—difficult though they are, as we all agree—of the different ways of making this work and how those will be compatible with the work incentive and the tapers that are the heart of the universal credit.

I do not intend to press the amendment to a vote, but I am very uncomfortable indeed with what is a third critical area of policy within universal credit on which we do not have satisfactory answers even as we approach the Committee's halfway point.

I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Margaret Curran** (Glasgow East) (Lab): I beg to move amendment 29, in clause 12, page 5, line 38, at end insert—

'(d) the fact that a claimant is a severely disabled person.'

It is a pleasure to serve under your chairmanship, Mr Gray. My comments will be made in parallel with the comments I made last week with reference to disabled children. The amendment is about disabled adults, so this debate is very much a continuation of last week's. I would not wish to induce any grumpiness, so I will be brief and not repeat what I said then.

Government policy in this field has developed since I tabled amendments, so, if the Committee will bear with me, I will refer to the policy as developed, rather than the context of the amendment. In some ways, I will be continuing the point that has just been made by my hon. Friend the Member for Westminster North. I accept that when the Government produce such policies, they do not, and nor would any Government, necessarily wish to include the details in the Bill or in primary legislation. I accept that levels of benefit would perhaps not be referred to directly, but I again make a claim for more detail to be given to the Committee. As my hon. Friend said, we are being asked to judge whether we support universal credit, but that judgment and our support will be determined by how universal credit impacts on certain groups of people.

I am sympathetic to the case for universal credit and to strong efforts being made to ensure that people work and play their part in society, so that they are not just passive recipients of benefits. I am supportive of that, but my conclusions about universal credit will be determined by how it works for people and whether it is fair and effective. My perspective is particularly on issues of disability and how universal credit affects disabled people. I will make my comments with reference to that.

10.30 am

**Chris Grayling:** It might help the hon. Lady if I invite her to look at clause 12(2)(b). It says:

"the fact that a claimant has limited capability for work and word-related activity".

Such claimants are those who are in the support group, who are categorised as severely disabled.

**Margaret Curran:** I am about to address that, because I recognise that the Government's efforts have been concentrated in that area. My argument relates to the implications of the measure for other people, especially disabled people, and their benefit and income levels. I recognise that levels of income will not be specified in legislation, but it is legitimate and reasonable for us to ask whether other people's incomes will be substantially reduced. I have a number of questions to put to the Minister on that matter. I ask him to come back to us with some more information, because my concern is not simply about the detail of policy and benefit levels; it is about policy shifts, and shifts in principle between how disabled people are treated under the current benefit system and under the changes with universal credit.

The Minister has indicated that one of the big shifts in policy will be an emphasis on providing more support to severely disabled people, which is very reasonable. It is incumbent on us to say, however, that the implication of that policy shift is less support for those with moderate and middle levels of disability. The measure has a huge implication for the living standards, quality of life and opportunities of such disabled people and their families. It raises questions about how universal credit is being developed and will be managed.

**George Hollingbery (Meon Valley) (Con):** To explore further the general principle behind the measure, is the hon. Lady saying that she does not believe that in difficult times resources should be focused on the most disabled? Is she saying that we should maintain the same level of budget as before and that the impact should be felt across the spectrum of disability?

**Margaret Curran:** I refer the hon. Gentleman to the comments that were made last week. Unsurprisingly, I think that the previous Government's approach to the matter was reasonable and positive. I caution him that in any discussion about disability, the disability movement will say, assertively, "Yes, of course you must look at the needs of the most severely disabled, but you must be very careful how you define that." If we do so at the expense of those who have moderate disability, such as learning difficulties, or those who are, perhaps, autistic—I shall provide examples as I make my comments—we do them a profound disservice. We should look at disability in the round rather than simply at the most severe cases.

**Kate Green:** My hon. Friend is absolutely right. Does she also agree that one of the reasons for ensuring adequate financial support for people with less profound disabilities is that they are precisely those who may be able to enter paid employment? To remove the extra financial support that might enable them to make that move—because they are required, or choose, to do so—seems short-sighted in the context of the universal credit.

**Margaret Curran:** I thank my hon. Friend for her comments. Such concerns will be one of the strands of comment about the Government's attitudes and practices in relation to disabled people and the division drawn in the disability community. Disabled people feel strongly about that. We are developing our understanding of disability, perhaps most significantly in relation to autism. People associated with autism would urge us strongly not to dismiss their experience or say that they are not

worthy of support because the disabilities are not noticeably as severe as those of others. It is a controversial area, but one that is worth considering. I take the point that the hon. Member for Meon Valley has made.

I shall focus on the issues that relate to the amendment. As has been said, in any change of benefit there will be winners and losers. That is to be expected. I have a number of questions to ask about the winners and losers under the provisions. As the Minister himself indicated, the clear winners from the Government's proposals are those who are in the support group but currently do not get severe disability premium. That group will do particularly well. At the end, I will ask the Minister about the numbers. Perhaps we can come back to that, if he is willing to help us work them out. The losers are those in the work-related group and those who currently get the severe disability premium.

I urge hon. Members to look at the figures in the briefings made available to us, particularly this morning. For the families and individuals who will be losers, the sums of money involved are substantial. I ask hon. Members to consider the experience of disability and what it does to family income and opportunities; losing substantial amounts of income as well is a significant step. I note what the Minister said last week about the impact assessment, which the Government feel covered those issues, but I press him on it again. In light of the implications for certain groups, I think that it is necessary to spell out in more detail what impact the measures will have. We must know the implications for disabled people in the support group who do not currently have carers. We recognise that individuals who do not have carers in their family incur significant costs. They might have to do many extra things and face extra costs.

Many groups are particularly concerned about that. Family Action has drawn our attention to young carers who do not attract the carer's allowance and therefore fall within that category. If they now receive money, they will lose it if they enter those circumstances. Family Action says that the measures will have a particular impact on young carers. I hazard a guess that most of us here want to support families who include young carers; I have heard hon. Members talk in the Chamber about caring issues, particularly the burdens faced by young carers. I do not think that any of us would want to cause difficulties for such families. Those issues must be spelled out for us.

We must think through the implications for people in the work-related activity group, who will lose significant sums. Citizens Advice has drawn our attention to blind people, who might be in that group and could lose money. People whom I think most of us would recognise as being in need or clearly disabled could lose money as a result of the measures. We must ask the Minister about those key groups.

Can the Minister come back to the Committee today or at another time with answers? What specific groups will be affected by the changes, and how many people are involved? What will the impact on those people be? In reference to a point that I made last week, he told the Committee that all the resources lost to disabled children will be recycled within the disability group. Can I therefore assume that those resources will be spent on disabled adults, and that more money will be spent on that category of people? Will he spell out the amounts and tell us which group of disabled adults will benefit?

Finally, what discussions have been held with disability organisations about the Government's proposed changes? There is a scale of concern among disability organisations about the proposals. In light of what the Minister has said about wanting to be constructive and come forward with solutions to the challenges of universal credit, I am sure that those organisations and any other key stakeholders are willing to participate to resolve some of the difficulties, particularly for young carers and those without carers.

**Chris Grayling:** We recognise that the issue is extremely important. We seek to create a simplified system to mirror the structure within the existing employment and support allowance structure, which we inherited from the previous Government. It made a sensible split into three groups: those fit for work, those in the work-related activity group and those in the support group. It makes logical sense to align the support that we provide to disabled people with those three areas. Generally speaking, those in the support group are those who need the most intensive long-term care. As you are aware, many of those are not even invited to take part in a work capability assessment, such is the nature of their condition, and rightly so. She made a particular point about young carers. I would expect that, where the disability was sufficiently severe for a child to have to provide the support, that family would have an adult in the support group.

**Margaret Curran:** If that were not the case and there were circumstances in which the adult was not in the support group, would you think that resources would be made available?

**The Chair:** I would not.

**Margaret Curran:** The Minister, I am sorry.

**Chris Grayling:** One never says never to any situation, but my expectation would be that in almost all cases there would be an adult in the support group. I am open to discussing that particular issue with my colleague, the Minister for Disabled People, but that is my expectation where a young carer is looking after an adult who is sufficiently immobile that they are not even judged to have limited capability for work and therefore the child needs to provide the level of intense caring that we do see in many families.

These people are hugely to be admired. The young people in this country who care for disabled parents lose many aspects of their childhood as they grow up and deserve our admiration and support. Our focus is on increasing the level of support for those in the support group. We intend to increase the amount of universal credit for people in this category—subsection (2)(b) in this clause. That is why we also do not need the line that she has proposed in her amendment, though I suspect it is in order to stimulate the debate. That is the group we envisage as being the most severely disabled—those who do not have the ability to go to work and those who receive ongoing unconditional support from the state. They will be the focus of the financial support we provide. It is our goal to increase the support provided to people in that group to £74.50 a week over time from the current rate of £31.40. That is more than double what is provided at the moment. We think that is a better approach than multiple additions which give no clear income guarantee to those who need it most.

**Margaret Curran:** I take the point about simplification, and I accept that the Government are sympathetic to young carers. However, families with young carers would not technically be registered as having a carer because of the age of the carer, but they could be in receipt of a severe disability premium, which might be higher than the measures in the Government proposals, so the family could ultimately lose a significant amount of money. I would draw the Minister's attention to those circumstances.

**Chris Grayling:** I note the hon. Lady's comments and I am happy to make a commitment to look at that situation. It is my view that households where a parent is disabled to the extent that they do not have even a limited capability for work are unlikely to be in the position of households with young carers whose parents depend on them utterly for basic day-to-day support for the basic routine in the home, let alone anything outside the home. We are sympathetic and mindful of the needs of young carers and I am happy to commit to having that discussion with my colleague.

In these measures, we have taken steps to ensure that no current claimant loses out. The transition protection will protect people in this position. The people who notionally might have been losers had we not built in transitional protection are likely to be single people who are fit for work; or who could do some work-related activity; or people who would be entitled to both enhanced and severe disability premiums. Our intention is that a single person in the work-related group would get £91.40 a week; the support group would get £139.95 a week.

The hon. Lady asked about the numbers, but we will not know for sure until we have completed the incapacity benefit migration exercise. However, we have the initial findings from that work, and she will have seen that they were reported in the past few days, as information is available on the Department's website. We have discovered that roughly a third of people have been found fit for work. A little under 40% have been found to have limited capability for work, and the remainder have been placed in the support group. The work-related activity group is slightly smaller so far, based on the experience to date, than we anticipated. There are more people in the support group and more people in the fit-for-work group. We will only know for certain what the impact and changes are numerically once we are further into the national migration and have a real sense of the long-term balance between those three groups. We will, as a matter of routine, continue to provide information to hon. Members as the months go by about the experience of the full national roll-out that began yesterday. Broadly, we expect that there will be fewer people in the work-related activity group.

10.45 am

The focus of our support, and the place we have chosen to invest the resources available, is the support group. There are a small number of cases where, as a result of programmes such as Work Choice, which is operated by the Under-Secretary of State for Work and Pensions, my hon. Friend the Member for Basingstoke (Maria Miller), some people have the opportunity to get back into work despite having a severe disability, although there is no obligation on them to do so. People in the work-related activity group are judged to have

some potential to return to work, either now or in future, and they have an obligation to take part in work preparation activities.

We have made a conscious policy decision to concentrate our support on people in the support group, to increase the resources available to them and create a simplified and more streamlined system. Where adjustments must be made because people are moving around between different categories of support, we have put in place transitional protection to ensure that nobody loses out in cash terms. That is our approach and we have made provision in the Bill to help the most severely disabled people. Should any future Government wish to withdraw that support, they would have to come back to Parliament through primary legislation—that is one hurdle that a future Administration should certainly have to jump. What the hon. Lady asks for is already in the legislation, and I hope that on the basis of those remarks, she will allow the Bill to proceed in its current form.

**Margaret Curran:** I am happy to withdraw the amendment in light of the policies outlined by the Minister, which my amendment was designed to extract. I thank the Minister for saying that he will look again at issues that affect young carers, and the interaction between the support group and those who currently receive payment for severe disabilities. There could be some losers in that group, which we may have to address. I take the point about the numbers, which will undoubtedly be an ongoing discussion. Perhaps the Minister could think again about an impact assessment. It may not necessarily look at numbers, but it could look at key groups and who will be the winners and losers in those groups.

My final point is that significant groups of people with disabilities will lose out under this legislation. They may not have the most severe disabilities, but they have extra costs and require support. They are currently supported through the benefit system, but they will lose that support under the universal credit system. Those people will be distressed by the outcome of the legislation, and we must give much greater consideration to that matter. In light of those remarks, 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:** I hope hon. Members will feel that we have discussed the salient issues in the clause, so I am happy for the question to be put.

*Question put and agreed to.*

*Clause 12 accordingly ordered to stand part of the Bill.*

### Clause 13

#### WORK-RELATED REQUIREMENTS: INTRODUCTORY

**Anas Sarwar** (Glasgow Central) (Lab): I beg to move amendment 43, in clause 13, page 6, line 8, at end insert—

‘(1A) The Secretary of State shall, when imposing work-related requirements with which claimants must comply, ensure that claimants have the necessary type and level of personalised support, and access to localised support, to enable them to obtain employment, or to undertake work or work related activity.’

**The Chair:** With this it will be convenient to discuss amendment 59, in clause 22, page 10, line 32, at end add—

‘(4) The Secretary of State must, except in prescribed circumstances, provide a claimant with access to personally tailored work-related support.

(5) Regulations are to specify, or provide for, minimum standards for provision of personally tailored work-related support.’

**Anas Sarwar:** It is a pleasure to serve under your chairmanship, Mr Gray. As a fellow Glaswegian, I know that people from the west of Scotland should never be made grumpy, so I will be brief and to the point.

The amendment seeks to probe the Government’s plans to provide personalised and localised support to enable individuals to obtain employment and equip them with the skills to undertake work. Some recipients of universal credit will no doubt come from difficult backgrounds, and they will require a certain type and quality of support. It is crucial that the Government recognise that some claimants require intensive, individual support to assist them in obtaining employment. It would be helpful if the Minister provided details to confirm and clarify what type and level of support specifically designed to identify and address barriers to employment will be made available to claimants. If universal credit and other reforms are to have a true effect and become a pathway to fulfilling and lasting employment, it is essential that an holistic approach takes into account individual circumstances and needs. That is particularly important for groups that face the greatest barriers to employment, such as young people, those with disabilities, single parents and the long-term unemployed.

One example I have witnessed working in my constituency is the Youthbuild project, supported by Action for Children, which provides training and employment opportunities for young people in the construction industry. Support includes interview and induction preparation, work experience, training courses, skills development and direct personal support from the staff. Youthbuild provides services to young people who may have come from a disruptive background, who may have been previously in care, who have had to deal with chaotic lifestyles, such as drug dependency in the family or teenage pregnancy, and who may also have been in contact with the criminal justice system.

This is exactly the kind of targeted support we need to roll out across the country. At a time of budget cuts across local government, and with voluntary sector organisations having to tighten their own budgets, we run the risk of seeing that support being withdrawn right across the country. That does not feed into the Government’s vision of a big society. I would appreciate it if the Minister told us what support would be available for individuals to turn their lives around and to end their dependency on the state. In his winding-up speech on Second Reading, the Minister said that the Government would provide more individualised support to help people move back into the workplace. So far we have seen little or no detail on that.

Does the Minister accept, first, that some claimants will require targeted personalised support to participate in schemes to assist them in obtaining employment or to undertake work or work-related activity? Secondly, what type and level of assistance will be made available

to support individual claimants to access work to make sure that they stay in work placements as part of the welfare proposals? Thirdly, what funding, if any, will be made available as part of these proposals to provide such support? I look forward to his detailed reply.

**Kate Green:** I would like to speak to amendment 59. As an Edinburgh girl I certainly do not want to do anything that would make anyone grumpy, so I will be brief. I know that the Minister will probably not welcome or agree with the amendment, because I am well aware of the Government's enthusiasm for what they call the black-box approach to state support for people who are preparing to return to employment. I tabled the amendment because there are concerns about that approach, which can work only if one believes in a perfect market for labour market services. As evidence around the world shows, that market does not always work perfectly or for ever. It is important that the most vulnerable individuals can feel confident that there will be a minimum level of personalised, tailor-made support.

We are particularly concerned about that because, as the Minister will be aware from his recent appearance before the Work and Pensions Committee during our inquiry on the contracting structure for the Work programme, there are concerns that even within the incentive model that has been designed for the new Work programme contracts, there is still a residual risk of creaming and parking. It has long been the experience in the delivery of employment services that that always occurs and that providers always find a way to do some of that, whatever incentive structure is designed. My amendment seeks to ensure that that is mitigated at bottom and that providers are restrained from doing so. I do not expect the Minister to welcome the amendment, but I would be interested to hear his comments.

**Chris Grayling:** Let me deal with the hon. Lady's comments in reverse order. I am well aware of the issues to which she draws attention. It has been a matter for concern for us in shaping the contracting structure of the Work programme. She is right to raise the question of creaming and parking, which have undoubtedly happened on a number of occasions over the years. The two measures we have taken to address it will, I hope, address her fears. We required every bidder in the contracting process to set a minimum standard of support that they will provide for everyone referred to them. We have not sought to dictate what that standard should be. In assessing the bids, we looked at the quality of what was on offer from the different bidders. We are satisfied that there is a contractual requirement not simply to send half the people down the corridor to sit reading the paper while the other half get the back-to-work support. Any organisation that took that approach would be in breach of contract and I have made it clear that I will have no compunction at all about terminating contracts if we need to do so.

**Kate Green:** I am grateful for that assurance. Will the Minister explain what monitoring procedures are being put in place?

**Chris Grayling:** There will be routine monitoring of contracts and contract performance by the Department, but not on an overbearing basis. We will have systems in

place to monitor contracts, contract performance and what is happening. Most importantly, we will also listen to those people who go along and then come back to us. There is a formal right to complain about the standard of provision. There is a provision for the independent case examiner to look at each particular case and if we begin to receive successful complaints about the standard of provision, or about the provision that is not being provided, we will take significant and immediate steps to address the issue.

If I believe that any provider is failing to live up to their contractual commitments, we will act quickly to deal with that situation. We will fire a firm shot across their bows and if they do not respond, I am very happy to see contracts terminated. One of the things that I find most encouraging, given the highly competitive nature of the bidding for the Work programme, is that if somebody falls by the wayside and does not deliver what they have said they will deliver, there are others willing to step in and take their place.

I give the hon. Lady my clear assurance that we expect and ask for commitments about what will be provided within the black box. We have not sought to dictate its contents, but we will be rigorous about ensuring that what has been promised is delivered.

**Sheila Gilmore:** I am slightly puzzled as to how the Minister can be clear that there are minimum standards if he has not sought to specify what those standards are. How is it possible to monitor something that is so open-ended?

**Chris Grayling:** The hon. Lady has put her finger on a key difference between the approach of the current Government and that of the previous Government. We have not sought to tell the bidders how to do the job. They have told us what they intend to do and we expect them to live up to that. I cannot accept the proposals about setting requirements in regulations because we no longer believe that Whitehall should dictate the structure of programmes. We believe that individual organisations should tailor the programmes to best suit the individuals or groups of individuals they are working with, but we expect them to tell us in broad terms what they are planning to do and if they do not deliver what they say they will deliver they should expect to lose their contract.

**Ian Swales (Redcar) (LD):** Does the Minister agree that he is talking about the managerial control of the system and that putting a word such as "necessary" into the legislation opens the door for all kinds of judicial challenges from people about whether they have had what they regard as the "necessary" support?

**Chris Grayling:** Absolutely. The lessons from the past decade are that the more that we seek to dictate, structure and create frameworks, the less effective the support networks are. That is the point that I wanted to make to the hon. Member for Glasgow Central, who rightly raised legitimate concerns about the need to provide flexible and individualised support. That is what the Work programme is designed to do and it is also what the support systems that we have put in place for the earlier days of job search in Jobcentre Plus are designed to do.

[Chris Grayling]

In Jobcentre Plus, for example, for those who are relatively new to being on benefits, we have removed a lot of the guidance, frameworks and the instructions from the centre about how the funds that are available to Jobcentre Plus in the front line can be used. I would much rather that Jobcentre Plus managers said, “The key issue in our area is this”, and that they divert resource towards it. If there is a large problem with youth unemployment, there is a need to provide additional training support, and the funds available to managers can be used for that purpose. In other areas, the problem might concern older workers, or transport. However, we must allow our front-line staff the discretion to adapt to localised circumstances and individual circumstances. In Jobcentre Plus, we have taken very clear steps to ensure that that is the case.

**Anas Sarwar:** I fully understand what the Minister is trying to say about localising support. I just wonder what level of training will be given in Jobcentre Plus offices to people at the front line to identify the barriers for certain individuals who come through their door. How will that process take place so that those individuals receive the personalised support that they need? If staff are dealing with people who come from very difficult backgrounds and who need that personal support, I wonder what training they will have.

**Chris Grayling:** The hon. Gentleman makes a very interesting point. Funnily enough, the training is not what he thinks it should be. In my conversations with Jobcentre Plus staff, I have not found that the issue is about their not knowing what needs to be done on the ground. The issue is much more about their understanding the flexibility that is now available to them, so that they can respond to what needs to be done on the ground. The organisation is still a bit inclined to be trapped in a way of thinking, “What does the guidance from the centre say”? I had a conversation just a few weeks ago with a group of Jobcentre Plus staff who were surprised to discover that they had the flexibility to do some of the things that they had wanted to do. I see the education process as being about changing the culture of the organisation, so that people realise that that flexibility is there, and not about deciding how that flexibility should be used.

In the case of the Work programme, in my view the combination of the black box approach and the payment by results regime incentivises the likely focus on the needs of the individual to the best possible degree. The providers cannot be paid unless they find an individual the right job, because if they do not, that individual is much more likely to drop out, and they are not paid in full. So, within the system we have established a real incentive to ensure that the provider matches an individual to an opportunity, builds close relationships with local employers so that they understand their needs, and can take an individual with a particular skill set and match them to the employer’s requirements.

11 am

The hon. Member for Glasgow Central rightly makes the case for the role of local voluntary sector groups in his own constituency. One of the things I was most

pleased about in the outcome of the Work programme contracting basis was the fact that we had a really good mix of voluntary sector organisations. We do not simply have the private sector investing £580 million in back-to-work support in the next 12 months—money that they are putting in at their own risk, with a commitment to deliver for unemployed people up and down the country. Alongside them, we have a really good mix of voluntary sector organisations, ranging from big national organisations such as Mind and Mencap, which have real skills that they can bring in helping some of the most challenged people on welfare to get back into work—some of those people are in the work-based activity group—to organisations that can deliver localised support on the ground. There are some good projects in Scotland that will be part of the mix in future.

**Sheila Gilmore:** It is precisely that point that I would like the Minister to address. Perhaps I have misread the letter that he sent out this week, but it appears that the proportion of the contract going to the voluntary sector in Scotland is in the region of 6%.

**Chris Grayling:** No, that is not my understanding. I do not have the figures with me, but across the whole country, the amount of business that is likely to go to the voluntary sector is between 40% and 50%. There is a good spread of organisations in the voluntary sector in Scotland, ranging from a small, local, third sector organisation in the Hebrides, to established organisations in the big cities.

**Sheila Gilmore:** I am struggling to understand, because we received a letter from the Minister this week that appeared to break down the proportions in each contract. There are two large contractors in Scotland, Igneous Recruitment and—

**Chris Grayling:** Working Links.

**Sheila Gilmore:** For each there was a breakdown of the proportion that was private sector, voluntary sector, and so forth. As I said, I was very concerned about the apparently low level of provision by the voluntary sector in Scotland, which appeared to be in the region of 6%.

**Chris Grayling:** That is not my memory of the situation, but I will check the position, and if the hon. Lady wishes we can discuss it this afternoon, before the Committee sits. I am very pleased that across the whole of the UK the average percentage of business that will flow to the voluntary sector is between 40% and 50%, and while there is some variation I do not remember it being as varied as she describes. Indeed, I can remember a very long list of organisations in Scotland that will benefit from these contracts, but I will give her an answer on that after lunch. I hope that the nature of the support provided through the Work programme, the flexibility given to front line staff, and the safeguards—I have said that we will make absolutely sure that that is there—in the process of dealing with Work programme contracts will reassure hon. Members that the support they are looking for will be there.

**Anas Sarwar:** I thank the Minister for his reply, and for the details he has given about the Work programme and about the localised support that will be provided at job centres. We still need to see how that process would

work. We do not have clear details on how the Work programme, job centres, and front-line staff will work in practice in local communities. We need to see more detail as the Bill progresses, and I look forward to hearing more during our debates and beyond. With that, I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

**Kate Green:** I beg to move amendment 68, in clause 13, page 6, line 20, at end insert—

‘(4) A decision by the Secretary of State as to which of the work-related groups the claimant falls into is a decision of the Secretary of State for the purposes of the Social Security Act 1998, in particular sections 8, 9, 10 and 12 of that Act.’.

The amendment is rather techie, and it might not be obvious what on earth it is about. However, it is simple and I can explain it briefly. Which work-related group claimants are placed into is up to the decision maker, and under the amendment such a decision would attract a right of appeal. At present, the position is not clear, but it seems that decisions about which work-related group claimants might fall into will be solely for the Secretary of State. It is not clear whether there will be a right of challenge in respect of those decisions.

A good example of what such a provision would mean in practice leads me to clause 19, which we shall debate later, as it sets out the different groups into which a claimant might be put when he or she is not required to undertake work-related activity. That is particularly likely when someone has undertaken the work capability assessment, for example, and it has been found that they might or might not be fit for either work or preparing for work. As the Minister knows, that has been hotly contested territory since the work capability assessment was introduced.

We certainly look forward to some improvements on that front as the result of the reforms that the Government are introducing in the wake of Professor Malcolm Harrington’s report, but it is fair to say that a decision left entirely to the Secretary of State, when there is so much worry and doubt about how such decisions are taken, will cause disquiet to claimants, whereas a right of challenge would offer them some reassurance about the process. Claimants will not naturally fall into a particular group, and in many instances, wrongly or rightly, they may believe that they should be in a different work-related group with no or a lesser work requirement, while the Secretary of State thinks otherwise.

The amendment would make the decision on which group claimants are placed into subject to existing social security adjudication machinery. It would not create a new set of appeal rights. The claimants would therefore have the right to appeal such decisions to a first-tier tribunal and, when necessary, to the upper tribunal and beyond. I suspect that the Minister will not welcome the amendment, but it is important because it would introduce a new landscape and offer reassurance to claimants that their rights and interests were fully protected. It is in that spirit that I move the amendment.

**Chris Grayling:** Let me assure the hon. Lady that the legal powers in such matters rise far higher than the Bill. Under the Human Rights Act 1998 and article 6 of the European convention on human rights, there is a statutory right of appeal, which has been endorsed by the Supreme

Court. In decisions following the outcome of the work capability assessment to place someone in the fit-for-work group, the work-related activity group or the support group, there is indeed a statutory right of appeal.

The hon. Lady will be aware that, later in the Bill, we have included a provision—I shall return to it—that will require someone to seek a reconsideration with Jobcentre Plus before they make the appeal. That has been included purely for technical reasons because people can do both at the same time and forget that they have done the other one, but there is an absolute right of appeal that goes beyond the Secretary of State. I assure the hon. Lady that that right will not change as a result of the Bill. It is linked with the Human Rights Act and the powers under article 6, so I hope that she will be reassured that the rights are in place.

**Kate Green:** I am grateful to the Minister for that assurance and for highlighting the role of the Human Rights Act in protecting claimants’ rights in such a context. It would do no harm for the amendment to be accepted, given that it would not create a new right but would merely highlight and articulate its existence. However, I accept what the Minister says, and 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:** This requires only a few moments of explanation. The Bill restates the position that was established by the previous Government with the different categorisation of claimant groups. We do not seek to change that. The clause simply paves the way for the more detailed clauses that follow, which will enable us to debate the details of our proposals. I hope that the Opposition are happy to accept the clause.

*Question put and agreed to.*

*Clause 13 accordingly ordered to stand part of the Bill.*

## Clause 14

### CLAIMANT COMMITMENT

**Kate Green:** I beg to move amendment 1, in clause 14, page 6, line 23, at end insert

‘and a statement of the responsibilities of the Secretary of State with regards to that claimant.’.

**The Chair:** With this it will be convenient to discuss amendment 2, in clause 14, page 6, leave out lines 32 and 33 and insert—

- ‘(c) a statement of the responsibilities of the Secretary of State with regard to that claimant,
- (d) details of how the claimant may appeal the contents of the claimant commitment,
- (e) any other information the Secretary of State considers it appropriate to include.’.

**Kate Green:** This is quite an important philosophical amendment, and it will be interesting to hear the Committee debate it. We are moving into fundamentally new territory with the introduction of universal credit, and Ministers and Government Members have expressed great enthusiasm

[Kate Green]

for what they clearly regard as a transformational step forward in the design of social support through the welfare state. I feel that some of the claims that are made for universal credit in the context of the history of the welfare state are a little exaggerated, but none the less we are certainly moving into a new world, given the financial support that will be provided and the introduction of the Work programme and a much more—we are told—personalised approach to providing support for claimants to move into employment. Ministers argue that that is a significant step forward in welfare reform.

In that spirit, it will be extremely unfortunate if these reforms are understood to be something that is being done to claimants because they will not comply otherwise. That is completely the wrong mindset with which to embark on such reforms, and it is completely unnecessary. The vast majority of people who are on out-of-work benefits would love to be in paid employment. I am aware that that is not the popular prejudice, but it is undoubtedly true. The reason why so many lone parents are unable to work is not that they are lazy or that they do not like the look of the jobs on offer. All too often, that they cannot take those jobs because suitable child care is not available. When they can find someone to look after their child, their employer might not be prepared to say that they can go home when their child suddenly needs them. The reason why so many disabled people are unable to be employed is not that they do not want to be, but that the workplace is not well adapted to their needs, or that employers do not want to employ them or cannot see past the disability to the skills and attributes that disabled people can bring.

**Charlie Elphicke:** I have a lot of sympathy with the hon. Lady on that point. The other day in Deal, in my constituency, I bumped into a lady who told me that she used to be a child minder but that she is no longer one because madcap regulations have increased the prices for all the people for whom she used to do child minding. Is it not really important to make access to child care easier, cheaper and simpler, particularly for lone parents?

**Kate Green:** I could not agree more about the importance of child care that is accessible and affordable, but to that I would add that it must be good quality. That is why it has been so important to put regulatory standards into the child care market that the Government funds. It will take only one child protection disaster for politicians to realise the importance of regulation and to cause a public outcry. Although I absolutely understand where the hon. Gentleman is coming from—it is a debate that we have had many times over many years—I think that when the state is paying for child care, it should set minimum standards for the quality of care that children receive. I am sure that all hon. Members agree with that.

For working-age adults in ethnic minority communities an ethnic penalty exists in the labour market. The employment gap of about 15% is difficult to account for when we strip out things such as skill and education levels and the communities in which people often live. Certain minorities are concentrated in low-work areas, where few job opportunities are on offer. When we strip out all that, it is difficult to think that the ethnic penalty in some way reflects the fact that those people do not want to work. It is therefore important that we start by

understanding that the role of the welfare system is rightly to go with the grain of most people's aspirations. The vast majority of people would like to be in work that enables them to support themselves and their families. We should set up the procedures and structures around these reforms to support and reinforce that message.

11.15 am

**George Hollingbery:** Has the hon. Lady heard any Government Member say anything that makes her think that we want to do anything less?

**Kate Green:** Absolutely not. From time to time, Ministers from all parties have been guilty of a little bit of rabid rhetoric, which, whatever its intention, certainly puts the wind up claimants. I do not accuse current Ministers of being especially guilty of that—I have seen it across parties and over many years—but pandering to popular opinion is sadly something of which politicians are occasionally guilty. Whatever that may translate into in the practical administration of our welfare system, there is no doubt that claimants hear that kind of language, too, and they feel concerned, disconcerted and upset by it. I do not want to stray too far from the amendment—I am sure that you will not allow me to do so, Mr Gray—but a good example is the concern that disabled people are expressing about the range of policy changes that the Government are introducing. They feel, wrongly or rightly, that such changes see them as scroungers or undeserving. None of us intends that that message goes out to disabled people, but that is why it is important to have positive reinforcing messages that make it clear what Ministers' intentions truly are.

Amendment 68—my other amendments that you have selected, Mr Gray, develop and amplify the theme that I am advocating—goes to the heart of the old Labour message about welfare reform, which was to balance responsibilities and rights. The amendment substantially says that the claimant commitment should be a two-way deal. The claimant should give a commitment to participate in the activities that will prepare her or him for a return to employment, where that is possible; but equally, the Secretary of State has a responsibility to provide the support that the claimant needs.

The amendment seeks to put that balance of obligations, responsibilities and entitlements into the regulatory and legislative framework that underpins the welfare reforms. That may seem like a matter of semantics or decoration, but it goes to the heart of the kind of enabling welfare state that we all want and that, I understand, Ministers intend the reforms to create. It will send a strong signal, as the Minister will know, to decision makers throughout the Jobcentre Plus hierarchy. They should understand that the framework in which they work is one that they must discuss and agree with the claimant in a spirit of mutual respect and sharing of information, concerns and ambitions. That conversation should, as much as possible, be on an equal footing, but it cannot be entirely equal, because the Secretary of State ultimately retains certain controls over the claimant.

All the evidence that we have received from Jobcentre Plus advisers and from advisers in the voluntary and private sectors shows that a relationship between the adviser and the claimant that is genuine and built on a basis of mutual respect and joint assessment of what is in the claimant's best interests and what the claimant

needs to support him or her in achieving their aspirations delivers the best employment outcomes and most quickly. We all want to see such relationships.

I proposed the amendment to create that balance of the shared aspiration of claimant and Government and also to protect claimants' interests in what is an intrinsically unbalanced bargaining relationship—the might of the state on the one hand versus the individual on the other. It is always right that we should seek to balance and temper that inequality of bargaining power, and that is what the amendment seeks to do. It is important that we get a better balance between the commitments of the claimant and of the Department and that we create a genuinely two-way commitment in which the claimant is clear about the support to which he or she has a right. As we alluded to earlier, it is important that that support is personalised, tailor-made and appropriate to claimants' needs. That is especially important for vulnerable claimants, such as homeless people, who have particular support needs, or parents, whose support needs relate to child care or working hours and so on.

Finally, Ministers often like to tell us that a virtue of universal credit is that it will make the system clearer and more transparent. A claimant commitment in which rights and responsibilities on both sides are clearly articulated and documented would add to that transparency and clarity. I hope that we all agree that that would usefully reinforce the policy intent. I am interested to hear the Minister's comments. I have a number of other amendments that fill out the detail of the proposals, but I hope that hon. Members will support the spirit of the amendment.

**Sheila Gilmore:** We are all very much aware of the huge improvements that have been made in how what are now called Jobcentre Plus offices operate, compared with the bad old days. We have made progress from the time when the seats were screwed to the ground, there were glass panels between customers and members of staff and the whole atmosphere was one of fear and dread. They are now seen as being open and personal, and the physical surroundings make people feel much more at ease. That enables Jobcentre Plus staff, who are very enthusiastic, to do their job better, because they have a better relationship with the person whom they are trying to help. How the office is set out and arranged is obviously part of that. Physical factors matter, because they tend to create the right atmosphere. It is also important that people feel motivated to co-operate, that they do not simply feel that there is a list of things that they have to do and that, from the beginning, they do not feel that they are being treated as someone who is not reliable.

When I raised an aspect of that earlier in Committee, the Minister or one of his hon. Friends said, "The other

part of the contract is that we give people money. There is a contract: the claimant has a commitment; the state gives the money, and that's it. We don't need anything further to amplify that contract." I think that that is profoundly wrong. If we want people to work with the grain of what the Government are trying to do, this is one way to ensure that people are fully engaged. The system will work better because people will be better motivated, which must be what we all want.

**Chris Grayling:** We have just a couple of minutes before we wind up, so I will deal with those remarks quickly.

First, there is a lack of a meeting of minds over the core of this issue. My view is straightforward: we are providing claimants with significant financial support; in return, we want them to make a real effort to get into work. That is what lies at the heart of the claimant commitment. Of course, Jobcentre Plus and Work programme providers have an obligation to provide satisfactory support to claimants as they look for work.

We have set out clear guidance internally, through our customer charters and our guidance to employees about the nature of the support that should be provided. I am reluctant to set out in regulations or law what the nature of that support should be, because that would remove the flexibility that I described earlier as being so important to advisers when delivering the right approach for an individual. The more that we prescribe, the more difficult that it is to deliver the right approach. Big public sector organisations have a tendency to default to the regulation, rather than having independence of mind on the front line.

Most fundamentally, however, the claimant commitment is about that two-way bargain: we will provide people with financial support when they are down; in return for that financial support, we expect them to do everything that they can to get back on to their feet. That is the essence of this part of the Bill, which is why I cannot accept the amendment.

**Kate Green:** I am very disappointed with that response. It is an extremely narrow view of what an enabling welfare state should look like and the principles on which it should be based. It appears to ignore the common human interest that we all have in a welfare state that adequately supports people and in which we all have a stake. Irrespective of our circumstances, we have a right to appropriate support.

11.25 am

*The Chairman adjourned the Committee without Question put (Standing Order No. 88 and Order of the House, 29 March).*

*Adjourned till this day at half-past One o'clock.*

