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GENERAL COMMITTEES

Public Bill Committee

WELFARE REFORM AND WORK BILL

Second Sitting

Thursday 10 September 2015

(Afternoon)

CONTENTS

Examination of witnesses.

Adjourned till Tuesday 15 September at five minutes to Nine o'clock.

Written evidence reported to the House.

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The Committee consisted of the following Members:

Chairs: ALBERT OWEN, †MR GARY STREETER

† Atkins, Victoria (<i>Louth and Horncastle</i>) (Con)	† Scully, Paul (<i>Sutton and Cheam</i>) (Con)
† Bardell, Hannah (<i>Livingston</i>) (SNP)	† Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con)
† Blenkinsop, Tom (<i>Middlesbrough South and East Cleveland</i>) (Lab)	† Thornberry, Emily (<i>Islington South and Finsbury</i>) (Lab)
† Churchill, Jo (<i>Bury St Edmunds</i>) (Con)	† Timms, Stephen (<i>East Ham</i>) (Lab)
† Coyle, Neil (<i>Bermondsey and Old Southwark</i>) (Lab)	† Turley, Anna (<i>Redcar</i>) (Lab/Co-op)
† Green, Kate (<i>Stretford and Urmston</i>) (Lab)	† Vara, Mr Shailesh (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>)
† Heaton-Jones, Peter (<i>North Devon</i>) (Con)	† Whately, Helen (<i>Faversham and Mid Kent</i>) (Con)
† Hinds, Damian (<i>Exchequer Secretary to the Treasury</i>)	† Wilson, Corri (<i>Ayr, Carrick and Cumnock</i>) (SNP)
† Milling, Amanda (<i>Cannock Chase</i>) (Con)	
† Opperman, Guy (<i>Hexham</i>) (Con)	Marek Kubala, Ben Williams, <i>Committee Clerks</i>
† Patel, Priti (<i>Minister for Employment</i>)	
† Phillips, Jess (<i>Birmingham, Yardley</i>) (Lab)	† attended the Committee

Witnesses

Paul Smee, Director General, Council of Mortgage Lenders

Paul Broadhead, Head of Mortgage Policy, Building Society Association

Octavia Holland, Policy Director, Gingerbread

Tony Wilson, Director of Policy & Research, Centre for Economics and Social Inclusion

Charlotte Pickles, Senior Research Director, Reform

Kirsty McHugh, Chief Executive, Employment Related Services Association

Gareth Parry, Director of Strategy, Remploy

Matt Oakley, Senior Researcher, Social Market Foundation

Roy O'Shaughnessy, Chief Executive, The Shaw Trust

Sophie Corlett, Director of External Relations, Mind

Elliot Dunster, Group Head of Policy, Research and Public Affairs, Scope

Laura Cockram, Policy and Campaigns Manager, Parkinson's UK

Public Bill Committee

Thursday 10 September 2015

(Afternoon)

[MR GARY STREETER *in the Chair*]

Welfare Reform and Work Bill

2 pm

The Committee deliberated in private.

Examination of Witnesses

Paul Smee and Paul Broadhead gave evidence.

2.3 pm

The Chair: We welcome Mr Smee from the Council of Mortgage Lenders and Mr Broadhead from the Building Societies Association. Thank you for coming to give evidence to our panel this afternoon. We have until 2.30 pm and we have quite an afternoon ahead of us so we are going to be fairly tight on time. Could I ask you to introduce yourselves for the record?

Paul Smee: Good afternoon. I am Paul Smee, director general of the Council of Mortgage Lenders.

Paul Broadhead: I am Paul Broadhead, head of mortgage policy at the Building Societies Association.

The Chair: Thank you. We will now, if we may, engage you with some questions. We turn to Kate Green for the first set of questions.

Q44 Kate Green (Stretford and Urmston) (Lab): Good afternoon and thank you for coming. I want to start by asking you if you support the change that the Government are proposing in relation to support for mortgage interest, and if you agree with their contention that the cost of the existing scheme has become unsustainable?

Paul Smee: Lenders have taken the view that the mortgage interest scheme has worked well in the past. We appreciate, particularly at a time of rising house prices, that the need to reflect on how that support is provided becomes important. Lenders can understand the rationale behind the decision to move to a loan-based system.

Paul Broadhead: I would echo what Paul said. I think it is a vital part of the safety net, as it has proven to be in the past few years of the financial crisis. One area about which we have some concerns is the change of the waiting period from 13 weeks back to 39, but we are relatively supportive of making it a loan.

Q45 Kate Green: Why is there a problem around the 39 weeks?

Paul Broadhead: What we have seen over the past few years, in terms of the 13-week waiting period, is that the earlier people can engage with their lender, the more tools there are at the lender's disposal to help them. A waiting period of 39 weeks seemed a bit odd once. If it has been moved off the Government's balance sheet

and the Government expect that they will get 75% of it back, it also seems odd to give the double-whammy of moving the support from 13 weeks back out to 39. Clearly, there may well be the situation after 39 weeks that somebody has missed nine months of mortgage payments, which have been added to their debt. There are far fewer tools available at that time than at 13 weeks, so we believe that 13 weeks is the right time to engage people with this process.

Q46 Kate Green: That is very helpful. Thank you. One of the things we are obviously concerned about is the way in which, after somebody has taken advantage of such a loan, the Government are eventually repaid. Obviously, that would not be required while the person is not working. It would be when they return to work or when the asset is sold. Do you have any observations on whether there is a risk to people's ability to retain their homes, given the model that the Government are proposing?

The Chair: Just before you answer that, one or two of us older folk are having a bit of trouble hearing, and we are told that they cannot turn the sound up. Could you speak directly into the microphone and be as clear as you can? It is not your fault at all; it is the age of some of us at this end.

Jess Phillips (Birmingham, Yardley) (Lab): I'm 33 and I can't hear it.

The Chair: My apologies.

Paul Smee: And the age of some of us at this end, too. Sorry, I lost the thread after that intervention. Would you mind repeating the question?

Q47 Kate Green: The question is about the way in which the Government seek to restructure their ability to recoup loans made. One way they could do that is when the house is disposed of. Do you have any concerns about people's ability to keep their house? Is there a risk of repossession, and what analysis have you made of that?

Paul Smee: From what we see at the moment—we have not yet seen the entire detail of how the Government will go about recouping the loan once somebody returns to work—the charge that the lender has over the property will remain in place. Incidentally, during all times, when somebody goes into arrears, they will be handled in accordance with usual practice and they will be given the sort of support that lenders offer to anybody who is behind in their mortgage payments.

We will want to look very closely at how payments will be recouped. I do not believe the intention is that it will be done in such a way that the continued ability of the householder to make mortgage payments will be jeopardised, so I think there will be some planning around that.

Q48 Kate Green: I did not hear that, Paul. I beg your pardon.

Paul Smee: I do not believe that there is any intention that the way in which loan payments are recouped will impact on somebody's ability to keep up with their mortgage once they are back in work. That will be taken into account, but we will be looking at the detail of that very closely.

Paul Broadhead: Very briefly, the mortgage lenders charter remains in place and remains prior to any security of this loan. In the current market, if a borrower has a second-charge loan, which is how this will be structured as we understand it, repossession can be instigated by the second-charge lender, and the first-charge lender will have the remainder. For this to threaten people's ability to remain in their homes, it would require the Government to commence repossession proceedings, not the first-charge lender. As long as the Government do not do that, the first-charge lender will deal with it in accordance with the way they do today.

Q49 Kate Green: May I ask one last question? It has been suggested that some people who do not return to work—perhaps people who are on long-term sickness or disability benefits and do not become well enough to return to work—will never make repayments of the loan as a result of returning to employment, but will be able to do so when the house is sold. For some of those people, the sale is likely to take place at the point when they become so disabled that they need to make adaptations and perhaps downsize to release equity to do so. How will the market respond and what are the risks of those people being unable to fund a move to more suitable supportive housing?

Paul Smee: I think that any lender would want to talk to the borrower about the circumstances in which they found themselves. There might be ways, using conventional lending instruments of one form or another, to find a way through. Whether the Government at that point decide to exercise their second charge and in effect demand repayment of the loan would be up to them, but I believe the lending industry would want to work with the borrower to come to some sort of acceptable outcome.

Q50 The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara): Welcome, gentlemen. It would be the Government's intention to have comprehensive advice for claimants who are in the position of having interest that is to be converted into a loan—by way of advice on the accrual of interest and on the impact of the second charge. It could be a third or fourth charge depending on how many debts they have. It is our intention to give comprehensive advice. Is there anything that we should be mindful of when considering the advice to give? What would you emphasise that we should make clear to claimants?

Paul Smee: The first point I would make is that the advice that you will be giving will not be regulated advice within the regulatory framework to which my lenders are subject.

Mr Vara: I appreciate that. This is just to inform them of the consequences of what we are doing.

Paul Smee: Yes, and lenders would be constrained if that was the case so we accept that. In the giving of advice, people should understand where the Government are coming from in being able to claim repayment of the loan and where they stand with their mortgage lender—they should understand that the Government do not take the place of the mortgage lender as a first charge holder. There is some basic understanding around the framework.

There will then be a need to explore whether it is in the financial interests of a particular individual, particularly at the end of a waiting period, to claim support for

mortgage interest. It will be important to ensure that the provider of that advice has the ability to walk a borrower through the available options so that they come to the best solution in their circumstances.

Paul Broadhead: It is ensuring that the advice is available in a way that people want to receive it and can understand it. I agree with my colleague that this is not regulated advice and is more about guidance and understanding the impact of taking what was a benefit and is now a loan. I would equate it more to the money advice out there at the moment if somebody is in financial difficulty. There are channels that do that face to face, online and over the telephone. A study of how that market works currently would be helpful in finalising the channels for providing that advice to consumers. One thing I would say is that 167,000 people are in receipt of this as a benefit now. That is a big group of people to get through advice between now and April 2018. Care needs to be taken there.

Mr Vara: I am happy with that. For the sake of good order, I refer the Committee to the Register of Members' Financial Interests.

Q51 Hannah Bardell (Livingston) (SNP): Thank you, gentlemen, for joining us. Why should homeowners be forced into extra debt when the renting sector has access to housing benefit? That seems somewhat iniquitous given that many of those people are already struggling financially and are on benefits. Will the measure mean that people on low incomes and in insecure jobs will be disadvantaged or excluded from getting on to the housing ladder as a result of the change?

Paul Smee: On the first point, I think that the rationale is that the individual concerned has an asset, and that that asset is realisable and, at the moment certainly, appreciating in value. I can understand when, at a time when policy choices are being made, the argument is that, given the existence of that asset, it is better to have some claim back of any money that is paid out.

When it comes to getting on the housing ladder, particular checks are already in place to ensure that people do not over-borrow and get into financial problems. That is enforced by the regulators of the financial services system. I do not believe that the change in SMI proposals will in any way add to the protections or inhibitions that the current regulatory system imposes.

Paul Broadhead: I agree with what Paul just said. The only thing I would add is that, in a case where it is not repaid from the sale of an asset—either on death, on the sale of the property or whatever it may be—and someone moves back into work, it is vital that they are not put under undue pressure, having been in financial difficulty and got themselves back on their feet with their mortgage payment, to make contributions that are perhaps not affordable in their circumstances at that time. Because we are in primary legislation mode, the detail of that is not yet clear, but it is an important consideration for later down the line.

Q52 Hannah Bardell: Do you think it is therefore very important that, if we end up with this in legislation, there are guarantees and stipulations on Government that people do not end up in that position? So many people's circumstances change and fluctuate.

Paul Broadhead: In the way that mortgage lenders have requirements to assess the affordability of a mortgage loan when someone takes it out, that same mechanism

ought to read across to their ability to repay the loan once they are back on their feet. If they can afford it, clearly they ought to be repaying it.

Q53 Amanda Milling (Cannock Chase) (Con): Welcome. Paul, I want to pick up on a point you raised about advice. Mortgages are complex, as are the legalities around housing. You talked about accessibility and ensuring that we give people channel preferences so that they can get advice. From an industry perspective and knowing this whole area, do you have any other advice in terms of things we need to consider? That question is for either of you.

Paul Smee: When we talk about channels of advice, it will be important that face to face is an option. I think a lot of people would want to receive this in a personal situation, and it will be important to have probably a single body as the focal point for providing that advice, which can then ensure that it is of the required standard and that those giving the advice have been trained appropriately.

Paul Broadhead: The other thing to consider when giving people this advice is whether it is in their best interests to remain in home ownership and wait for the 39 weeks, if that is right. It may well be that if they are in a situation where they cannot get back on their feet, and if they are in an environment where house prices are not rising and their debt is rising, nine months later they may be in a worse situation, having waited for that benefit, than they would be if they faced facts and took active steps to market the property and seek another form of residency. I do not think we should automatically favour remaining in homeownership as absolutely right for that person. They need to know the pros and cons to make an informed choice, because repossession or selling the property is not always the wrong thing for a borrower and their family.

Q54 Jess Phillips: Apologies for being a bit late; I was stuck in the Chamber.

My questions have been largely answered, but I have some real concerns about the advice sections you are talking about. In my experiences of women and domestic violence, their husbands leave and they are left with the mortgage of a property. They have never worked and would find it difficult to get into work.

I am concerned about the advice, but I am also concerned about what detail is not in the Bill. I am confused. It is confusing enough, let alone if you are a vulnerable person in a difficult situation. I wonder if you have some concerns about the detail and whether you will need more detail before you can give firm conclusions about whether this is going to be terrible for the claimants.

Paul Broadhead: Yes, the detail will tell us the exact process—how this will work, who will provide information and all that final detail. That is not here at the moment. We are talking at a bit of a conceptual level, but I think we are generally supportive. Both parties are supportive of moving this to a loan in most cases, but we have concerns about the mechanism for delivering that advice and ensuring that there are not unintended consequences. There is a lot still to be worked out in the secondary legislation.

Paul Smee: We have offered to get down and work closely with DWP Ministers on the detail. We have a lot of experience within the lending community of how to deal with people who are in arrears and how to handle them sympathetically. We will be very keen to work with officials to come up with detailed proposals that work for the industry and for the claimants.

Q55 Anna Turley (Redcar) (Lab/Co-op): Building on that point about the lack of detail in the Bill, one of the biggest concerns you have raised is the huge number of existing claimants, but there is no detail on how they will be dealt with. What are your thoughts on how they should be dealt with? How serious is it that the detail is not there?

Paul Broadhead: Many, in fact more than half, of the existing claimants are in receipt of pension credit, so we are talking about a certain type of individual and we need to ensure that the advice is right. Many of these people have been long-term claimants, so we need fully to understand that change. The timetable for delivery is challenging. There could be an argument—I am not saying there is, because it depends on the Government's delivery plans—for saying, "Okay, on 1 April 2018, this applies to new claimants," and we then make sure that we take our time to ensure that everyone understands the effect of the change on their circumstances. Perhaps we could put that back 12 months or so for existing claimants, but it needs to be considered very carefully so that we do not end up with unintended consequences. We have talked about debt—whether it is debt or not and whether it is going to be repaid—and many of these people will not like the thought of debt and might put themselves in a more difficult position than is needed.

Paul Smee: I hope that the Government can come to an early conclusion about the channel through which the advice will be given, because we would want to work with those who are giving the advice in order to understand their position.

Q56 Corri Wilson (Ayr, Carrick and Cumnock) (SNP): What effect, if any, would the potential increase of sanctions have on the entitlement period? If there were breaks in claims, would that have an effect?

Paul Smee: I am not sure I can answer that off the top of my head. I would not expect there to be any, but if I find that there is, I will drop you a note.

Corri Wilson: Thank you.

Q57 Kate Green: I want to follow up on something that was said a moment ago about both existing and, once the legislation is in place, new claimants. I was struck by the statistic that more than half of claimants are in receipt of pension credit, which I suppose means that they are much less likely to achieve repayment by going back to work, as opposed to the eventual disposal of the property. What is your critique of that as commercial lenders, both in the abstract and in relation to SMI?

Paul Smee: Right across the population, we are increasingly seeing people borrowing into later life. The industry is now working on new ways to approach that sort of borrower. There are ways in which the value in a house can be unlocked. It depends on careful advice and helping people to understand the implications of what they are doing, but I think we are going to see

more and more people borrowing into retirement, so the industry is getting itself into a position where it can help them to make the right choices. Bearing in mind that at some point people may well want to downsize, or an estate may well dispose of a property, in which case the funds become available.

Kate Green: Do you wish to add anything, Paul?

Paul Broadhead: No—I agree with all that. We should remember about the quantum of debt here, and the payments. For most of these people, we are looking at very low levels of debt and very low levels of support—perhaps £20 or £30 a week. There may well be other options for them, rather than taking it as debt. If they are looking at leaving the asset to a family member, it may well be that they will step in and give them the necessary support at the time. In the past, I do not think people considered other options that might be better for them, but this change might focus them on those options.

Q58 Kate Green: Given those drivers and the nature of the case load—the fact that many of them are on pension credit; the likelihood that their borrowing at that point will be quite low so the amount of SMI that they might need to acquire through a loan would be low, and the fact that there are other options for them to repay the loan—do you think that the Government's anticipated savings of £255 million a year are realistic?

Paul Broadhead: It is difficult to say whether that is realistic. The Government expect to get about three quarters of that back. If that figure is about three quarters of the money that is spent now, that shows you. Clearly the majority of people on pension credit will have lower amounts, but the others have not insignificant amounts of debt because of what we have seen happen to house prices in recent years. It is difficult to say yes or no, but if the Government calculate that they will recoup three quarters, I have no reason to doubt those numbers.

Paul Smee: I suspect that the main driver will be the way in which the Government are able to recoup the loans. That will be the real determinant of the figure. Many people in this position have equity within their houses, so they have a source there.

Q59 Kate Green: Do you expect any customer backlash from people who expected to be able to retire and leave a house to a child? This will be their property. Do you expect any consumer reaction?

Paul Smee: Some of the reaction in other bits of the market has been that it has changed some of the dialogue within families and the conversations about how an older person can be supported by other members of the family. There is a big question about how people view their home and the fact that they can only use the money within it once, as it were. I have no evidence of a backlash, but we have to say that such issues raise emotions within families as well as in society.

The Chair: There are no further questions and we are drawing to the conclusion of our half hour, so I thank Mr Smee and Mr Broadhead for some clear and concise answers, which are much appreciated. Thank you for taking the time to give us evidence today.

Examination of Witnesses

Charlotte Pickles, Kirsty McHugh, Octavia Holland and Tony Wilson gave evidence.

2.27 pm

The Chair: We now have witnesses from Gingerbread, the Centre for Economic and Social Inclusion, Reform and the Employment Related Services Association. We are grateful that you are here. Starting with you, Charlotte, could you read yourselves into the record so that we know exactly who you are?

Charlotte Pickles: I am Charlotte Pickles, senior research director at Reform, a think tank.

The Chair: Thank you. You may need to speak up, because some of us at this end are very decrepit and the microphones are not working well today.

Kirsty McHugh: I am Kirsty McHugh, chief executive of the Employment Related Services Association. We are the membership body for organisations delivering employment support services.

Octavia Holland: I am Octavia Holland, director of policy at Gingerbread, which is the national single parent charity.

Tony Wilson: My name is Tony Wilson, the director of policy and research at the Centre for Economic and Social Inclusion. We are a research and policy centre that specialises in labour markets, welfare and skills.

The Chair: Thank you. We have a good hour for this session, so we have quite a lot of time, but there are four of you. I ask for concise and fairly loud answers, but do not feel that you all have to answer every question unless it is specifically your bag or you have something to say. We will start with a number of questions from Stephen Timms.

Q60 Stephen Timms (East Ham) (Lab): I have three questions to ask at the beginning. I think the first one is mainly to Octavia. We heard this morning from Women Like Us that the agreed flexibilities in the conditionality around lone parents at the jobcentre are being withdrawn. What is the experience of people who have been in touch with Gingerbread about the application of the lone parent flexibilities? I do not think that there has been any change of policy. Are there things that could be done to ensure that lone parents can benefit from the flexibilities that they should benefit from?

Octavia Holland: The feedback that we have had through our advice line and through our membership body, which is now some 60,000 single parents, is that there is huge variability in how the lone parent flexibilities are applied. To put that in context, the lone parent flexibilities were traditionally in secondary legislation—in regulations. With universal credit, they are being taken out of secondary legislation and put into guidance. The feedback from single parents is that they have felt pressure to take jobs at hours that do not fit with their caring responsibilities, such as night shifts at the weekends or working in the evenings, and that sufficient consideration has not been given to the childcare that is available or to the type of jobs that they might be able to take. We are having an ongoing discussion with officials at the Department for Work and Pensions about this but it is difficult to get any clarity about the steps that are being taken to ensure that the flexibilities are applied consistently.

That presents a particular concern about the proposals around conditionality. Without those lone parent flexibilities, single parents, with three and four-year-olds, who are required to work, have fewer safeguards to be able to say, “It is not reasonable for me to work at the weekend because there is not any childcare at the weekend.” Our feedback through the advice line is definitely that it is a growing concern; that the flexibilities are not being applied consistently.

The other thing I would add quickly is that there are now far fewer lone parent advisers than previously. There are some left but the trend is that work coaches should have expertise in lone-parent issues. The feedback we have had is that that is contributing to the issues. Obviously, single parents have a number of factors that need to be considered. When you had lone parent advisers, the evidence was that they were really helping to get single parents into sustainable employment. That expertise does now seem to be lacking. That is certainly a concern.

Q61 Stephen Timms: To clarify, in your discussions with Department for Work and Pensions officials, there is still the intention that those flexibilities will be available but your experience, in practice, is that they are quite often not?

Octavia Holland: Yes, absolutely. To clarify, it is even quite difficult to establish where in guidance those lone parent flexibilities are now. They are in disparate pieces of guidance that are given to jobcentres and work coaches. It is not like you can get your hands on one piece of guidance that says, “Look, if you want to support a single parent into a decent job, these are the kind of things you want to consider.” There is a real lack of clear information.

Q62 Hannah Bardell: Thank you very much for coming to speak to us. On that point about lone parent flexibilities, do you not believe that those important flexibilities should therefore be brought into statute, so that they are very clear and people can understand them?

Octavia Holland: At Gingerbread, we absolutely feel that the lone parent flexibilities should be in regulations, as they were previously, because that makes it very clear to jobcentres and work coaches the best way they can support single parents into employment. Single parents are generally very keen to work and over 60% of them do, but you do need to consider the fact that they are not going to have childcare in the evenings or the weekends. You do need to think about that kind of thing. Yes, we do support that they should be back in regulations.

Q63 Stephen Timms: This is a question mainly for Tony. We are told that there is evidence that the benefit cap has encouraged some people to go into work who would not otherwise have done so. Can you tell us how compelling you think that evidence is, and how big an effect there appears to have been from the application of the benefit cap?

Tony Wilson: The Department published some ad hoc analysis about a year ago on the estimated impacts of the benefit cap. That was peer-reviewed by the Institute for Fiscal Studies. That was a good piece of work and it did show a statistically significant positive impact on some people in households affected by the benefit cap,

on the likelihood of their moving off benefit and in to work. It showed some interesting things. It showed that those impacts were greater where the financial impact of the cap was greater. They were greater in London than in other parts of the country, so things you would intuitively expect to see.

However, there are a couple of points. One is that the total numbers moving into work are very low. This is a group where the likelihood of entering work, where you have been capped, is very low. A percentage increase in the likelihood of moving into work, you might see a 30% or 40% increase in likelihood of entering work. But if your likelihood was originally one in 20, then that might increase to only about one in 15 and still look like a very large impact. The research found percentage points. If you like, the absolute impact of the cap on the likelihood of entering work was pretty small—it was three or four percentage points. In other words, out of every 100 people capped, an additional three or four may move into work. That was the average. It was greater where the financial impacts were greater, which is what one would expect.

The benefit cap is probably one of the only measures in the last Parliament that created a really strong financial incentive to move into work. Out of all the welfare reform measures, if you move into work, you get your benefit back, essentially. You get your £200 or £300 income back. To some extent, it might be surprising that there was not a greater impact. The impact in terms of actual numbers was relatively small.

More interesting still, we evaluated a programme called the Brent Navigator. Brent Council invested in adviser support to help capped households back into work. We used a statistical technique to try to find the additional impact of that, and we estimated that that had about a 50% positive impact. Having intensive, adviser-led support to help people move back into work led to a larger-again impact on the likelihood of people moving into work. It highlights the importance of joining up the support you deliver and ensuring that those who are affected by reforms also get access to appropriate support to move back into work.

With the lowering of the cap, there will be more people with quite small losses compared with what happened under the previous cap. In those groups with small losses, the evidence found a far smaller impact. It was a negligible—pretty much a zero—impact on people whose losses were £10, £20 or £30 a week. That is consistent with the impacts of many of the other reforms such as the spare room subsidy, or the bedroom tax, or the lower uprating of benefit, which add quite small impacts and probably did not have a behaviour effect.

The Chair: I wonder whether the other witnesses would like to comment on that question as well. Is there any evidence out there in your world about what has happened in relation to the benefit cap?

Kirsty McHugh: Not dissimilar to Tony in many ways. In terms of our members, obviously the work incentives are increased. The differential between being out of work and in work has increased. That has come through in some of the anecdotal evidence from the provider base. At the moment, it is anecdotal. I do not think we have hard figures that could be shared. Many providers are investing more and more in the off-benefit

calculators. They are being very clear with individuals what their options are and how much better it is going to be for them to move into the workplace. Generally, we find that it is about other barriers stopping people going into work, which is more around skills and health and so on, so concentrating on those is the way to make the bigger uplift.

Q64 Stephen Timms: A final question from me to Kirsty. The note we had from the Clerks tells us that the proportion of Work programme participants who have secured sustainable job outcomes has been almost 25% for people on jobseeker's allowance, but less than 10% for people on employment and support allowance. Looking back on the experience of the Work programme, why do you think performance has been so poor for that particular group? What are the lessons for the future design of the Work programme to try to do a better job next time round?

Kirsty McHugh: The first thing to bear in mind is that the majority of people on ESA who are put into the Work programme have not received any support before at all. The targets put in place were best guesses by the officials, based on a far better economic scenario than we had at the beginning of the Work programme. Performance has been improving in relation to ESA. In fact, all targets have been met across all the providers—it is quite difficult to say bad performance or good performance, because we did not actually know what to expect in relation to performance. We need to do things differently next time in relation to people on employment and support allowance. We know that, once they get into work, they stick in work. We have far more information about their distance from the labour market, so there is some real learning about how we put in place a financial model that means we are able to invest more up front and perhaps less in the sustained employment element, because ESA people do stick in employment once they are there.

The Chair: Charlotte, do you want to come in on that point?

Charlotte Pickles: The only thing I would add is that there is a common perception that the Work programme is failing ESA claimants, which I think is a little unfair. In its last report, the National Audit Office said it was broadly in line with previous programmes. One of the challenges, which Kirsty touched on, is that we really do not know very well what works for these cohorts. I think it is less about saying the Work programme has not worked. Broadly, it has, as Kirsty has said, met expectations. We need to be investing, looking at and experimenting in what will actually help quite a diverse group of people.

Q65 Stephen Timms: One of the interesting things about this discussion in the context of the Bill is the Government's objective to halve the disability employment gap. Is it not clear that we would have to do much better than the 10% that has come out of the Work programme if we were to get anywhere close to halving that gap?

Kirsty McHugh: It is a hugely positive move from the Government to say that they want to do that. It is hugely ambitious. At the moment that means an additional 1.1 million people with disabilities into work. That means looking at the assessment regime, the interaction of the assessment regime with the employment support

regime and the finances. It also means looking at the demand side from employers. There is some interesting work going on with the behavioural insights unit and others about how we actually change the mindset and de-risk it, potentially, in their minds—it should not be risky but sometimes it is perceived as being so—so that they are more likely to take on people with disabilities. It is not just one thing, but a whole series of things. It is a huge cultural shift but I am very pleased that the Government have said that they want to do it.

Q66 The Minister for Employment (Priti Patel): Kirsty, you have touched on a broad range of themes, in particular on the Work programme and ESA. I know from discussions within the Department and, you will be aware, with Work programme providers, that this is a challenging area but one that we are ambitious about. Do you have any learnings or thoughts from the providers that your organisation represents? For ESA claimants in particular, what are those game-changing interventions? What else do you think the Government could focus on in terms of spending for support—bringing people closer to the labour market but, importantly, helping them to continue their journey of long-term sustained employment, not just getting them into work? What kind of health interventions could we look into? Do you have any insight or experience of seeing fruitful outcomes?

Kirsty McHugh: We did a piece of work for the Department bringing together a range of our members looking at ESA. We have actually done that more than once over the course of the past few years, as you can imagine. We have a lot of the big disability charities in membership—last year it was two-thirds not-for-profit—but we also have all the Work programme primes and Work Choice primes. A lot of the best practice comes from the other programmes, not just the Work programme.

The big thing is staff skills and confidence. For somebody who is presenting to them, it is them knowing about that right mix of support and challenge as a front-line adviser. They may have been out of work for 11 or 12 years so their confidence is on the floor. They have a huge gap in their CV and the mindset is not there in terms of, "I want to work and I can work." Often, the providers say that once you switch that mindset it is almost job done.

How do you get to that attitudinal change so that people feel really positive about themselves and want to change their lives and those of their families and communities? It takes a while. It is about one-to-one relationships with front-line staff—none of this is rocket science. It is about long-term relationships and trust. Therefore, lower case load is really important for people with disability and health conditions. There has been a lot of investment in cognitive behavioural therapy-type approaches and talking support. Group therapy seems to work very well. There is never one magic bullet. A lot of this will be quite familiar to you. The good adviser will have a personalised referral to a range of different services in that area but staff skills are more important than anything else.

It is then about selling in—a horrible term—that individual to an employer. If somebody has a big gap in their work history, that can be quite an ask of an employer. Therefore, getting them work experience, or something that fills the hole in the CV that proves to

them and to the employer that maybe they are a bit less of a risk, is really important. We know a lot now about the prevalence of mental health difficulties, which often co-exist with other physical conditions. It is often not just one condition. Often, the barrier to work is not health but the fact that they have got a lack of work history and a lack of skills.

I think there is a good consensus between the officials and the sector about what has worked and what has not worked and what we want to do going forward. As I said, there is quite a lot of evidence that the sustainment rates for people on ESA who get into work are high. What we definitely need to do is bring more money up front, which then means the specialist providers, charities and so on can do more up front with that individual and maybe we will have less on sustainment payments than we have currently. It is not about increasing the overall unit cost but about remodelling it.

Q67 Emily Thornberry (Islington South and Finsbury) (Lab): You gave a long, interesting and detailed answer to the question asked, which is essentially about how we get people on ESA into work. You have not said—I wonder if you overlooked this—that it might be an incentive and make it more likely for those on ESA in the support group to get into work if their benefits are cut by £36.20 a week, which is what is said in the Bill.

Kirsty McHugh: You are talking about the work-related activity group changes at this point in time. Again, to be up front, we are concerned about that. One of the issues is that if somebody has been through the work capability assessment and they have been put into WRAG, often they appeal. When they are going through the appeal, they are not actually engaging with the Work programme or Work Choice or whatever they have been put on. We have got to get to the stage where, actually, it is a really positive thing for somebody to think, “Work is an option for me.” If they are worried about their benefit levels, often that can get in the way of having that discussion. I understand that there are macro issues that the Government are facing in relation to that and we do not know quite what the impact of the measure will be at this point in time, but it is a concern.

The Chair: A number of colleagues have caught my eye and there is a clear list in my mind, but, before I come to Hannah, did you want to chip in on that question, Charlotte?

Charlotte Pickles: Yes, sure. We at Reform actually recommended the reduction in the rate for WRAG ESA down to the JSA rate just ahead of the summer Budget and obviously that is what has gone through. That is for several reasons. First, because there is evidence—the OECD has looked at this—that the generosity of a benefit does have an impact in terms of incentives, whether you are trying to get on to that benefit or not. There is also evidence around duration and the impact it has in terms of work incentives, because if it is a higher benefit rate, your work incentives are reduced.

However, what I would say is that—I entirely agree with Kirsty—the work capability assessment does not work. It is broken and I think that most people would agree with that. That is different and separate from the issue around the rate. We at Reform argued—I think the Government are trying to move towards saying this—that there has to be a series of reforms, one of which is the

rate and one of which is looking at the gateway. Kirsty is absolutely right to say that, if you are conflating eligibility for a benefit—the income-replacement part—and the condition, which then links to the conditionality applied, you are going to have a perverse incentive built into that. I 100% agree with that, but I do not think that is the same point as talking about the rate reduction.

Q68 Emily Thornberry: When did you stop being an expert adviser to Iain Duncan Smith?

Charlotte Pickles: I was an expert adviser to Iain Duncan Smith for the first two years of the coalition. If by your question you are asking am I biased, I would take offence to that. I am absolutely not. I am a policy person. I work at an independent think-tank and I analyse the evidence that is available. I am coming to give evidence in the same way that I assume everyone around the table is asking questions around the evidence and not based on a particular political perspective.

Q69 Emily Thornberry: I appreciate that. I just wondered how much your thinking has influenced the Bill when you are here giving evidence in relation to the Bill. It is important to see it in that context.

Charlotte Pickles: Sure. We published our paper on this just after the election, so I think it would have been early June. I assume that would have been significantly after when conversations started taking place about what to do, but certainly in the conversations I have had with people, both on and off the record, most would say that there is a perverse financial incentive built into ESA as it currently exists.

Q70 Hannah Bardell: I have a number of concerns about the kind of language and terminology that is used. First, you are saying the perception is that ESA programmes are successful and hugely ambitious. I am not sure that a 10% success rate would be deemed by me or anyone else on this side of room a success. When the number of people being sanctioned on the Work programme is twice as many as those getting employment, I would again question whether that is a success.

I put this to everyone on the panel: we are not clear about the impact that the cap has had already, although we have a lot of concerning figures, particularly about single-parent families. Before we cap people further, should we not be looking at the Work programme and having a full-scale review of it to make it more effective for people moving off ESA, before we cut their benefits?

The Chair: That is a good question. Who are you asking?

Hannah Bardell: Everyone.

Tony Wilson: The 10% is a good example of what I was trying to describe earlier, probably in a slightly confusing way, about percentage versus percentage point impact. You might think of it as potentially a successful programme if what you would have achieved was 8% of people into work. You would say, “Actually, we got an extra 2% into work, so we’re a quarter more successful than we were,” and we would probably pat ourselves on the back and think we are doing a good job. But the reality would be that nine out of 10 people would be going through two years of employment support and

coming out the other side without a job. Many of those may not be any closer to a job than they were when they joined.

Do we need to be more ambitious? Do we need to understand what works much better? Do we need to be more systematic in how we test, trial and learn from what works? Yes. Do we need to make sure that, alongside changes to welfare and reductions in benefit, we are offering appropriate employment support? Absolutely, yes. One of my biggest concerns here is that people who are affected by welfare changes, quite apart from whether those changes are right or wrong, are not, for example, automatically entitled to support through the Work programme. Many of them will not be supported through the troubled families programme. Many of them will not have access to advice or support. Many of them will be outside the ambit of Jobcentre Plus.

Q71 Hannah Bardell: Specifically on that, what would be the cost of providing a radical, tailored, personal employment service, because clearly that is what is needed? These are some of society's most vulnerable people who need that support.

Tony Wilson: But it need not necessarily be—to be honest, unit cost is not necessarily the issue. The Work programme is very tightly funded.

The other substantive point I want to make is that we just do not help very many people. We are talking about ESA and disability. Fewer than one in 10—we published research on this last year—disabled people who are out of work are receiving any kind of employment support, whether that is through the Work programme, Work Choice or anything else. Nine out of 10 simply are not in programmes. When we talk about ESA claimants in the Work programme, it is 300,000 over two years against a case load of 2.5 million. People on ESA are not in the Work programme. People on ESA are mostly in the support group, and they are in a support group where they get no support—they do not get employment support. They do not go to Jobcentre Plus. They do not have a personal adviser. They have voluntary access to programmes that they do not enrol in because of the negative perceptions of those programmes and their effectiveness.

There is a lot more we can do in terms of bringing programmes to people and being much more proactive about how we engage with people and how we make programmes voluntary and supportive. Yes, that does mean investment, but it also means, for example, looking at social investment models, at invest-to-save models and at how we recycle some of the savings we would achieve if we did actually engage with disabled people who are a long way from work. At the moment, we are not engaging with those people at all, quite apart from whether they are finding work in the Work programme.

Q72 Hannah Bardell: Should we not have that first, though, before we drive more of the more vulnerable people into poverty?

Tony Wilson: We should do both, in my view, ideally. Let's not let one be the enemy of the other. We should do both.

The Chair: Some of the questions and answers are getting a little long. Octavia is very keen to come in, and then we will go along the panel because this is an important question.

Octavia Holland: I want to pick up on the reference you just made to the benefit cap and to single parents, to make sure that everybody is clear on the stats. Over 60% of people capped so far have been single parents; 70% of them have children under five and 34% have children under two. DWP's own research shows really clearly that the younger the child is when the parent is capped, the harder it is for them to get into work.

When we are talking about the benefit cap and supporting people into work, we really also need to be looking at the contradiction between the benefit cap and the conditionality policy that exists and the one that is being proposed. If you are capping up to 20,000 single parents who have children under two, there is no childcare support available for that group at present. There is also evidence that there is a real shortage of childcare available, so there are really clear reasons why that group of single parents will not be able to go into work. DWP's research, again, has shown that where those people who are capped do not find work, it is likely that 40,000 more children would be pushed into poverty. When we are looking at the benefit cap we need to look at the circumstances of the family and the age of the child.

Q73 Emily Thornberry: I would like to ask you a few questions about the benefit cap. Is it not right that those who are affected most by the benefit cap have until now been those who live in private accommodation in London?

Octavia Holland: Yes.

Q74 Emily Thornberry: Those who live in private accommodation in London are quite often homeless families where the local authority has not had sufficient social housing to be able to put them into council housing, and so has had to put them out to the private market. Is that right?

Octavia Holland: Yes.

Q75 Emily Thornberry: What happened with the previous cap was that those who lived in private rented accommodation as homeless families in central London had to move to outer London in order to be able to have sufficient money, once the rent had been paid, to be able to feed the children.

Octavia Holland: I think there is some evidence that that has happened, but I know that the IFS has said clearly that it is very difficult to ascertain exactly what the families affected have done.

We have done some work closely with two London local authorities. Often what is happening is that local authorities are managing to use discretionary housing payments to support families, so that they can stay where they are. Families are often doing all sorts of things to ensure that they do not have to move. So there is some evidence that families are moving, but there is lots of evidence that particularly single-parent families are going to all sorts of lengths to try to ensure that they can stay put, particularly if they have kids at school and do not want to uproot their children.

What is clear is that for a lot of the people affected going into sustainable employment is not an option. There is no evidence that that is happening for families with young children. Part of the reason for that is that there is a lack of support and childcare.

Q76 Emily Thornberry: Are you aware that in Islington, for example, 1,000 families have moved out so far because of the benefit cap?

Octavia Holland: Yes, I am aware of that. I know that it has happened to some extent in some other central London boroughs. The point I would make is that it is clear from the evidence that we have not yet seen the full impact of the benefit cap, so it is highly likely that we will see a lot more of that kind of outcome over the coming years, because there has been a bit more flexibility with discretionary housing payments so far.

Q77 Emily Thornberry: The point I want to make is that that has been in central London. Now that the benefit cap is being applied more harshly and being brought down further, do you anticipate that not only will those who are in unstable arrangements to remain in central London continue to be affected, but it will now start affecting people in private accommodation in outer London who have families?

Octavia Holland: Yes, I think it is quite possible that that could happen. The other examples we had through one central London local authority were of single parents who were basically trying to get any possible job they could—for example, a local cleaning job—so that they could escape the benefit cap. They were leaving their children in informal childcare, perhaps with a neighbour, because they could not afford the cost of it. Then they were obviously churning back out of those jobs very quickly. In terms of the long-term job prospects for those parents, the benefit cap was not supporting that. That is what needs to be looked at—how do we support single parents into sustainable employment? What is the long-term plan? Because at the moment there really is not one.

Emily Thornberry: So, you do not believe—

The Chair: Emily, I am going to interrupt you, if I may. I have got a list. We will come back to you towards the end—there is plenty of time. Victoria Atkins, followed by Corri Wilson.

Q78 Victoria Atkins (Louth and Horncastle) (Con): This question is picking up on the evidence Octavia has just given. Is it right that the £26,000 benefit cap in place at the moment is equivalent to approximately £34,000 of gross income if you are working?

Octavia Holland: That is my understanding.

Q79 Victoria Atkins: What help is given to people with gross incomes of £34,000?

Octavia Holland: Obviously, the help given to people varies greatly depending on their circumstances. If you were a single parent or a couple-parent family living in a high-rent area with several children, you could well be receiving support with that amount. *[Interruption.]*

Victoria Atkins: Forgive me, the ladies opposite are not giving evidence. *[Interruption.]*

The Chair: Order.

Q80 Victoria Atkins: The point is that £34,000 gross income is, for most people, getting on for a decent salary

Octavia Holland: I think it very much depends on their circumstances. If you were a single parent or a couple-parent family living in central London in a high-rent area on a £34,000 income, you would receive some kind of support and you would be struggling to make ends meet.

Q81 Victoria Atkins: If I may say so, you have hit the nub of why this legislation is being introduced in this format. In my constituency, which is not in London—a lot of people live outside London—the median salary is £490 a week. The fact that the different rates of living are now going to be reflected in the different rates of benefit caps in the new legislation is fairer across the country, both in terms of the cost of living in London and outside London, and also to those people who are getting up in the morning and going to work and earning £490 a week in my constituency.

Octavia Holland: What is important is that benefits reflect the needs of a family. The benefit cap is making a break in that, so the needs of a family and the support it receives are broken. There are all sorts of reasons why a single parent or a couple-parent family could find themselves out of work. It might be for a short-term period. If the benefit cap pushes a family in central London, with several children in a school part-way through their education, to move away from that area, that is going to have all sorts of long-term costs for the state further down the line, because there will not be the support network that they have there. There is evidence that suggests that if children have to keep changing schools, their results suffer, so I think we need to think about the needs of these families.

Q82 Victoria Atkins: I want to follow up with one last question. Approximately four in 10 households earn less than £23,000 in London, and less than £20,000 outside London. Do you accept that?

Octavia Holland: I would be interested in seeing a breakdown of how many children those families have got and where they live. It is difficult to reach those ballpark conclusions without looking at the details.

Victoria Atkins: I am sorry, I was just asking about the rate of the salary.

Tony Wilson: There is an important point here. What drives the experience of the benefit cap is having children and living in the private rented sector. Families with children often have quite high entitlements to tax credits. For example, a family with earnings of £26,000 and three children would receive £5,500 in tax credits. They would also receive £2,500 in child benefit, and they would likely be receiving housing benefit if they were in the private rented sector. So benefits do exist for people on low pay as well as for people out of work. Essentially, a lower benefit cap brings more people into the benefit cap, but these are often people with large families in the private rented sector who would be receiving support in work.

Q83 Corri Wilson: This is a question for Kirsty and Tony. How can you incentivise people who have been assessed as ill to get back to work? When we are capping people who receive severe disablement allowance, how is this treating people fairly?

Tony Wilson: Can I make two quick points to add to Kirsty's really good, comprehensive list of what works in supporting disabled people and those with health conditions? One further thing is early intervention. One thing we could do much better to incentivise and support is to intervene much earlier. We intervene very late. By the time somebody has got through the work capability assessment and the ESA, they have probably been out of work for a year or more, although they might have been previously in work. Early intervention is really important. The earlier we can engage people, the easier it is and the more effectively we can incentivise a quick return to work.

In terms of financial incentives, for example, one thing that was abolished in 2011 was the in-work credit, which was a payment made to people who were claiming incapacity benefit or ESA when they returned to work. The in-work credit was paid at about £50 a week for 26 weeks. We did a qualitative evaluation of that; there was never a formal impact assessment of it. There is very good literature around financial incentives to individuals when they move into work, internationally. It is not something tested very well here. We should look at how we create financial incentives. It is a behavioural tool to support people to make the transition into work and help to meet the transitional costs of work.

As others have said, I have significant concerns around the incentive and disincentive effects of the changes to the ESA WRAG. As much as anything, the most likely effect is to further increase the cliff edge between the support group and the rest of the benefits system. It will probably make the WCA even more of a mess. It will clog up the system even more with appeals and problems. We need the fundamental reform that Charlotte talked about.

Kirsty McHugh: One of the positive things over the past few years has been the introduction of the Health and Work Service. We need to stop people becoming long-term sick to begin with. The early intervention with the employer is important so that when somebody becomes ill, they are prepared to keep them in work. We need to keep an eye out to ensure that that is doing what we want it to.

A lot of people get assessed to death. They go through the personal independence payment assessment and the WCA. They are assessed by the employment providers. We could probably streamline some of that process—that is the outsourced sector and the DWP element. At the moment we are not sharing those assessments in a sensible way. We could probably take some costs out of the system and make life much easier for the people who are subject to it if some of those system issues were more effective than they are currently.

Q84 Jo Churchill (Bury St Edmunds) (Con): I will try to be succinct, because you have covered a lot of this. My major interest is in how we help occupational health outcomes that would aid employees, particularly those who, for example, suffer from cancer and, through no fault of their own, end up in a situation where they are claiming. Many of them, after Question Time yesterday, asked me why we could not do something like invoke a conversation between a doctor and the employer to avoid them falling between the cracks. They are okay to work and they want to work, but it is an all-or-nothing scenario. Is there any mileage in a better dialogue or a service where doctors can help to inform—this leads

into long-term conditions, an ageing population and so on—so that we have a better conduit of information between different services?

Kirsty McHugh: Short answer—yes. We know that the NHS is not brought into the conversation as much as it should be. Again, a positive: employment is now one of the NHS framework outcomes in a way that it was not before. That should be a big step forward for us. Where things work well, the GP is part of the conversation. We often find people who have been on ESA for a long time and whose medicine has not been reassessed. The prescription keeps on running, which cannot be good for them and does not help that idea of work being good for people.

Q85 Jess Phillips: I am just going to go back to some of the discussion about the benefits cap. My colleague, Emily, pointed out the effect on the cost of housing and on those people living in the private rented sector. Do any of you perceive that the changes in the rates that will be offered will have an effect on the market, thus pushing down the costs of rents for those landlords? If not, will it potentially just affect—

Tony Wilson: Categorically no; it will not have any impact on rents. I can say that fairly categorically because the Department produced a really good evaluation of the local housing allowance reforms in the previous Parliament, which, I think, found that 92% of the impact was borne by the tenant and 8% by the landlord. Essentially, landlords did not have to adjust their prices; tenants just had to pay.

Q86 Jess Phillips: Thinking about the local housing allowances rates, now that those allowances have been localised and councils can put rules in place to decide them—for example, you have to have lived in Birmingham for one year or Sandwell for five years before you can qualify to go on housing lists and access those services—I have a concern. Octavia, I wonder if you could comment on it. The idea of people moving to places with cheaper rents will be immediately stopped by that. Emily's lovely residents in Islington could move to Birmingham and, let me tell you, there are lots of London boroughs trying to do that. Of course, what they will find when they get there is that they are not able to come in. Might that be a problem for some families?

Octavia Holland: Yes, I think it could well be but, as I said before, it is difficult to be very precise about exactly how the outcomes of the benefit cap will play out over the next few years.

The other point I want to make in relation to the benefit cap is that all the evidence we have had, and some evidence released by the Joseph Rowntree Foundation yesterday, shows that single parents who are working are by far the worst-hit group among all types of families and individuals. I am sure members of the Committee know that there are 2 million single-parent families—that is one in four families. I think the support given to those parents to get into work and stay in work needs to be looked at. There is a severe shortage of part-time work, for example, and I do not know what plans there are to make sure there is enough suitable work for single parents.

The Chair: Well, Ministers are here and are listening. A point well made.

Q87 Emily Thornberry: You were talking earlier about a single mother who might be offered a job at night but finds there is no childcare available. Just to spell it out, if she did not accept that job, would she get sanctioned?

Octavia Holland: We gave evidence to the Work and Pensions Select Committee last year about sanctions. Single parents are much more likely to be sanctioned than other people. In the 12 months preceding the Work and Pensions Select Committee, 60,000 single parents were wrongfully sanctioned. That was often because they were told, “Come on, can’t you take this shift job? Haven’t you tried the childminder down the road? Surely she’ll look after your son until 9 o’clock at night”—a real, fundamental lack of understanding of the kind of challenges that single parents are facing. Ultimately, the outcome can often be that they are sanctioned. That sanction is then hopefully overturned, but it can take time and causes an enormous amount of stress. In some circumstances, it means the single parent stops receiving support for that period.

Q88 Emily Thornberry: The question I wanted to ask was about the benefit cap. Quite a lot has been said about it, but I would like comments from anybody on the panel on this. If we were to take out of any benefit cap housing costs that are not under the control of people who live in London—people who do not own houses and are in the private rented sector because there is not enough council housing for them to live in—and instead assess people on the basis of need, given the size of their family, would that result in a fairer outcome? Would it have any adverse impact on their willingness to work?

Tony Wilson: To be honest, that sounds a bit like the old housing benefit system before LHAs were introduced in the mid-2000s. The assumption when the local housing allowance was introduced was that it would enable tenants to shop around and that it might bring down prices and help make the housing market work better, and it has not done any of those things. We really should look again at that.

Q89 Helen Whately (Faversham and Mid Kent) (Con): We know that many people in the work-related activity group desperately want to work. Kirsty and Tony, you have both talked about the help for that group and people who are further from work—things like lower case loads, talking therapies and much more personalised attention. Clearly, all of that costs something.

The savings from aligning ESA with JSA are substantial. I have seen a figure of £640 million. Some of that can be used to fund the additional support, and the Government have made a commitment to fund additional support. Kirsty, you also said that those individuals, once in work, tend to stay in work, which is a very good outcome. I want to test this with the panel: is it not better to be helping that group of people into work, as this Bill is proposing, than to keep them in receipt of slightly higher benefits but not in work?

Kirsty McHugh: I accept what you are saying. I completely understand that, and it is a political decision at the end of the day about where the cut-off points are. The majority of people do want to work, and many can with the right support, but it might take a while to get them there. Early investment in that support is therefore probably going to make more of an impact than varying the benefit level. There was an announcement that there

would be some more investment in jobseekers with ESA, which we very much welcome. We are looking forward to seeing more details about that.

Tony Wilson: The Government’s commitments to more investment support for ESA are absolutely welcome. Actually, quite a lot of money is being spent through the Work programme on supporting ESA claimants: probably in the order of £200 million.

Charlotte Pickles: I would like to make a couple of points. First, it is excellent that the Department is piloting support via Jobcentre Plus for ESA claimants in certain areas essentially as soon as they claim, rather than waiting for them to go through the WCA. My understanding is that those ESA claimants who have responded to that support have found it very helpful. So the point about early intervention is essential with this group, and as we all know, the longer someone is on a benefit, the longer they are likely to stay on it. ESA is a relatively new benefit, but we are already seeing people in the WRAG group who have been on it for two or more years at around 65% of those people. So we need to be doing stuff a lot earlier to help them.

I would also add, which I think probably links in with what Kirsty and Tony have said, that with the Work programme we are now in a 100% PBR model, and there were good reasons for that. However, I think there are equally good reasons now to look at whether the ESA cohort should have an attachment fee that would help with that cash flow, which for a lot of providers is proving very difficult. We know that per-head expenditure by provider on ESA claimants is actually lower than on JSA claimants. So there is a cash problem in the system—that is certainly true.

Kirsty McHugh: I do not accept those figures at all. My providers, whether they are subcontractors or prime contractors, are subsidising the ESA heavily from the JSA. That is the way that it was intended to be.

Charlotte Pickles: Anecdotally, if that is true, that is fine. The data that is out says that it is a lower per-head case load. Tony is nodding his head.

Tony Wilson: You are both right.

Charlotte Pickles: Either way, I think what we are saying is there is not enough money in the system as it is currently modelled, and therefore restructuring that payment model may help to tackle that.

Q90 Helen Whately: I have a second question. Earlier on there was some criticism of jobcentres’ support for lone parents and questions about flexibility. One of the things my local jobcentre in Maidstone was doing recently was celebrating a young woman—I think she had five children under seven—who had just got into work. She really wanted work and it worked hard to help her, even during the summer holidays. I wonder whether you recognise that jobcentres are managing to help some single parents—Octavia, you must have quite a lot of experience and feedback from single parents on this. When jobcentres are successfully helping lone parents and you combine that with the plans for 30 hours’ free childcare for three-year-olds, surely things are moving in the right direction for single parents who want to go back to work. I have heard that from my constituents.

Octavia Holland: There are a number of points to raise in relation to that, starting off with the childcare. Of course, the 30 hours of free childcare is welcome by

any parent across the country with a three or four-year-old or a younger child. It is a great step in the right direction, but I am sure that a lot of you already know that there will be all sorts of practical problems experienced with that 30 hours of childcare. You will have providers who will say, “You can access your 30 hours only if you pay for a full-time place.” There are examples in London boroughs that I know of where providers say about the current 15 hours, “You can only get it for three-hour slots a day.” When you look at those practical problems—they could be term-time only offers or two-day only offers—it does not really effectively support work always. Although it is a step in the right direction, there is a lot more to be done to really support parents into work.

Another point I would make in relation to childcare is that, through the proposed conditionality to require parents on universal credit of three and four-year-olds to start working, 220,000 carers will be affected. At the moment, the Government have not announced any plans to expand the amount of childcare offered, so the 30 hours is being proposed, which is a subsidy for parents—a really welcome subsidy—but we are not aware of any plans to expand provision. Family and Childcare Trust evidence shows very clearly that there is a real shortage of provision: fewer than 50% of local authorities say that they have got enough childcare in place at the moment and only 70% of primary schools offer before and after-school care. Yes, we are moving in the right direction, but if we are really serious about supporting parents into long-term, sustainable employment, a lot more needs to be done in terms of childcare.

Q91 Helen Whately: The point about the implementation of that 30 hours is important—how it is done.

Octavia Holland: It is. I think a lot of lessons need to be learnt from the 15 hours. There are providers who will say, “Okay, I’ll offer the 30 hours, but I’ll offer only two 30-hour-only places. The rest will be full-time at a much higher rate.” If you are trying to help low-income families, you really need to address those issues.

Charlotte Pickles: Can I answer that? The 30 hours, and the increase from 70% to 85% coverage in UC, is a very positive step forward. However, I agree that, if the 30 hours is a term-time only offer, it is a problem, given that you do not just work in term time.

However, to go back to your point about Jobcentre Plus and the flexibility and freedoms that individual jobcentres have, I would say that more work needs to be done to understand the difference in quality of that provision from jobcentre to jobcentre. Some jobcentres are excellent, provide fantastic support and do everything that they possibly can using their flexibility and discretion to do positive things with all sorts of cohorts. Some jobcentres are doing a lot less. One challenge I encourage the Department to look at is measuring jobcentres based on job outcomes and not off-flow from benefits, because we are holding providers to account in a way that we are not holding jobcentres to account. That is a real problem for understanding the performance of jobcentres.

Octavia Holland: I just wanted to point out that over two thirds of single parents enter the three lowest-paid occupation groups, and that training to upskill adults has been cut by 20% over the last five years. Actually, what needs to be looked at is the quality of jobs that people are moving into, and how that benefits their

long-term independence and the support that they can give their families. Talking about work is obviously important—single parents want to work—but if it is a low-skilled job and they will be trapped in a low-income job with no prospects for moving on, the benefits that that will bring their family are not as profound as they could be.

Charlotte Pickles: Can I add briefly to that? It is absolutely true that we need to support people to progress when they are in work, but the evidence clearly shows that a job is better than no job, so I do not think we should be disparaging entrance in to low-skilled jobs, but we should be focusing on helping people progress once they have gone into them.

Q92 Hannah Bardell: Should we not be stipulating that it be decent and fair work, rather than any work? The current statistics are one hour in any work in the week before. Should the legislation not stipulate another term of reference?

Charlotte Pickles: I do not think so. I think you need to focus on getting people into work. As we know, for some people, doing a few hours of work is a very positive thing. Also, the evidence base shows us that a job is better for people’s wellbeing than focusing on trying to get a—[*Interruption.*]

The Chair: Order. I have four people on my list. There will be time.

Neil Coyle (Bermondsey and Old Southwark) (Lab): That is not what the evidence says at all.

The Chair: Order. This is not a discussion; this is evidence taking. We will now call Paul Scully, followed by Hannah Bardell—you have let me down slightly there, Hannah, if I may say so. Then we will move to Peter Heaton-Jones and Corri Wilson. Neil, you can come in after that.

Q93 Paul Scully (Sutton and Cheam) (Con): When you were talking about sanctions, did you say that single parents were wrongly sanctioned?

Octavia Holland: Single parents are much more likely to be wrongfully sanctioned, yes.

Q94 Paul Scully: What are you basing “wrongfully” on? You talked about some thoughts when you spoke about not being able to take particular jobs. Are you basing that on appeals statistics?

Octavia Holland: Yes. It is based on sanctions that were applied and then overturned. That is the evidence.

Q95 Paul Scully: Fair enough. You also mentioned work coaches at the beginning. Do the rest of the panel believe that the additional help that the Government are giving in terms of additional work coach resources and flexible support funds allow parents to participate better in the labour market?

Tony Wilson: Lone parent personal advisers, as they used to be called, or lone parent work coaches, are one of the great success stories of Jobcentre Plus over decades. The work that Jobcentre Plus advisers and contractors pioneered on engaging with lone parents in

a specialist and intensive way, and joining up access to childcare, training and reskilling and employment support has been fantastically good. We need more of it, and we need to cherish and protect it. The problem is that the flexibilities within Jobcentre Plus mean that we are seeing an increase in generalist rather than specialist advisers. We are seeing some loss of lone parent specialist resource. We are not seeing the same approach to having lone parent advisers in every office, for example. However, Jobcentre Plus has done a fantastic job over the years supporting lone parents into work.

The Chair: The clock is ticking, and I have four colleagues to get in.

Q96 Hannah Bardell: Very briefly, this was a question I asked of the previous panel but we did not get a chance to come on to it. On the two-child policy in limiting child tax credit, one aspect that I and my colleagues are very concerned about, though there is no detail, is that there will be exceptional circumstances for rape. As we understand it, we are potentially going to be in a position where women are questioned and have to justify if they have a third child as a result of rape, or indeed if their first or second child was a result of rape and they go on to have further children. What are your views on that and its implementation, even at a basic human level?

Octavia Holland: From our perspective, limiting the number of children for whom a family can receive tax credits, or in future universal credit, is obviously problematic. There are all sorts of reasons why you can often have a single parent who would not have anticipated that they would be a single parent and in receipt of tax credits. There are a number of reasons why people have not necessarily planned that they were going to have a higher number of children, and they definitely should not be penalised for it.

In terms of single parents and the cuts that are going to be made to tax credits and universal credit, our analysis, which we commissioned through the Institute for Public Policy Research, has shown clearly that the reduction to the work allowance is going to have a really severe effect on incentives to work. That is very concerning because the analysis shows that the loss for a working single parent is going to be more than the loss for a non-working single parent. In terms of support for people going in to work and incentivising that, it is not adding up at the moment.

Tony Wilson: It is really concerning. There are no answers to it, are there?

Q97 Hannah Bardell: Leave it out?

Tony Wilson: Yes, not to do it is the simplest one. It will be a really tough one for the Committee to grapple with. We know that rapes tend not to be reported; we know that prosecution rates are very low. How do you do it in a way that does not rely essentially on the outcomes of criminal cases? It is quite unpalatable to think how that might work in practice. I do not think there are any easy or straightforward ways to resolve it.

Q98 Peter Heaton-Jones (North Devon) (Con): I will be brief. I just want to clarify a couple of figures, if I may. The latest figures I have for the number of ESA

claimants in the work-related activity group is just shy of 500,000, I think. Do we have any figures for what percentage of people successfully come off WRAG and get into paid employment?

Kirsty McHugh: We could look at the Work programme figures and ERSA collates job start figures as well as the job outcome figures, which are produced by the Government. We can share all of those with the Committee if you want us to.

Q99 Peter Heaton-Jones: It would be interesting to know what percentage of people who have been in receipt of ESA in the WRAG have come off that and in to employment. Does anyone else have anything?

Tony Wilson: The only indicators that the Department publishes are benefit offloads at 65 weeks—the proportion who have left benefit after 65 weeks. You have put me on the spot because I cannot remember what the figure is. It is not a lot—it might be 40% or 45%.

Charlotte Pickles: It is not job outcomes.

Tony Wilson: It is not job outcomes.

Charlotte Pickles: Which is the problem and the point I was making earlier.

Tony Wilson: It is not beyond the gift of the Department to work that out, essentially matching with HMRC and its own data. I think that is something we would all find invaluable.

Q100 Corri Wilson: I just wanted to touch on the carer's allowance and the widow's pension in part of the cap. Those are obviously groups of people who are already under a strain: they have either lost a partner or have a caring responsibility 24/7. Should they be part of the cap? Should they be included?

The Chair: Any takers?

Tony Wilson: There is a good argument to exempt them. The groups we most focus on exempting from the cap would be those that are least likely to be able to respond by moving into work or moving home. In particular, those are parents with very young children. We would not expect parents with a child aged one or nought to be moving into work or moving home in response to the cap. Therefore, their only option is to see their income reduced. Focusing exemptions on those groups where a labour market or housing response is not possible or feasible is critically important. Some of those may be widows and carers, yes.

Q101 Neil Coyle: Apologies for my lateness. I was unfortunately unable to change another meeting, because we only got these days late. In response to a previous question from Hannah Bardell, Charlotte, you mentioned that there was evidence that any job was better than no job, with specific reference to someone who was given only one or two hours per week. What evidence is there specifically about those on zero-hours contracts and those who are unable to work more than a few hours a week or who are given few hours a week—specific evidence?

Charlotte Pickles: As you said, you came in a bit late, so you may have missed the start of that conversation. The discussion was about the type of—

Neil Coyle: I am referring to the specific question, in answer to which you said there was evidence.

Charlotte Pickles: May I finish? [*Interruption.*]

The Chair: Order. Let Charlotte finish, please.

Charlotte Pickles: The discussion—this is why I wanted to contribute to that particular question—was about Octavia saying that we need to make sure that lone parents are moving into quality jobs. I was saying that, yes, we want to make sure they progress, and there is definitely a training and skills issue. It is about making sure that we are supportive and making sure that there is enough funding to do that. My point was that there is evidence that moving into a job is good for your wellbeing, above not moving into a job. I also said, which again you may have missed, that it is important to help those people to progress upwards once they have moved into a job. That could be about working with employers and skills. It could be all sorts of things.

Q102 Neil Coyle: With specific reference to the question, is there no evidence to suggest that someone working just a few hours would benefit?

Charlotte Pickles: I have no comments on zero-hours contracts, if that is what you are asking me.

Octavia Holland: I think that what Charlotte is saying is perhaps not as applicable to single parents as it might be to some other groups, because single parents are much more likely to get stuck in low-paid work with no prospects. I am not aware of any evidence that shows that it is beneficial for a single parent family for that single parent to be in a low-paid, unskilled job with no prospects, leaving their child in informal childcare and still struggling to make ends meet. I am not aware of any evidence that demonstrates that that is beneficial.

Kirsty McHugh: I am not going to comment on zero-hours contracts specifically. However, there is evidence that you are more likely to get a better job—a better-paid job—if you are in work or have been in work. That does not necessarily even mean paid work. The work placements are really important. Work experience gives you far more in relation to that, and entry-level jobs are important because then you are more likely to progress up the ladder.

Octavia Holland: But much less likely if you are a single parent.

Charlotte Pickles: I entirely agree with the point about being stuck in low-paid work, to quote Octavia. Clearly that is not what we want for anyone, and we need to look at it. At the moment there is lots of discussion on whether the new version of the Work programme might incentivise progression. There is all sorts of work being done by various charitable organisations on how you incentivise progression. I absolutely agree that we need to do that.

There is very strong evidence—if you look, for example, at the Burton and Waddell work or at lots of work internationally—that work is good for people's health and wellbeing. There is also a lot of evidence that it is good for children. Children in workless households do worse than children in households where somebody is in work, so it is actually not just about the adult's outcomes but about the child's outcomes. I disagree that it is better for a lone parent not to be in work and

to be waiting for a high-quality job than moving into work and hopefully progressing towards a high-quality job.

Q103 Neil Coyle: Has Reform done any specific research on the knock-on costs or on this specific issue of those on very limited hours of low-paid work?

Charlotte Pickles: We have not done anything on zero-hours contracts.

The Chair: Colleagues, we are approaching the end of our time for this session, and you have all been fairly well behaved. Are there any final questions?

Q104 Hannah Bardell: On that final point about adults and working families, the evidence is that the impact of some of these cuts, particularly the benefit cap, is going to be on 200,000 children versus 81,000 adults. How can we justify that? How can we balance that without saying that this is going to disproportionately affect children and young people through the cuts that are going to happen to their parents? They have no way of protecting themselves in those situations.

Octavia Holland: That is absolutely right, which is why it is particularly shocking that the Joseph Rowntree Foundation research and the IPPR analysis have shown that, actually, the benefits for working families are less significant than for those who are not working. The impact of those cuts, as you say, will more often be on families that have children, so it is a real concern.

Tony Wilson: We will end up where we end up on the benefit cap. One thing I really hope we see is that those parents who are affected by the cap are given access to employment adviser support that is available through the troubled families programme, which they currently do not have. They should be prioritised for the Work programme, which they are currently not. They should be given an adviser in Jobcentre Plus, which they are not. Discretionary housing payments, which at the moment are basically just cash transfers to patch up a short-term problem, could also be invested in people, advisers and resources to help people to get into work or to deal with their housing problem.

There will be a lot of debate and political argument about whether the cap is right—fine—but let us make sure that those affected by the cap actually get support to move back into work, to change their housing situation or to deal with the consequences. Yes, let us try to exempt those with very young children, where this is not going to be practical or desirable. There is research on negative impacts on the wellbeing of adults with very young children when they move into work, but there is also a lot of research that says that work is good for your health. It is not a straightforward thing.

The Chair: Thank you very much indeed to all four witnesses. This has been a very interesting discussion. Thank you for your evidence, Charlotte, Kirsty, Octavia and Tony. We are very grateful to you. The next session will start in five minutes. We will have a very short comfort break.

3.35 pm

Sitting suspended.

Examination of Witnesses

Gareth Parry, Matt Oakley, Roy O'Shaughnessy, Sophie Corlett, Elliot Dunster and Laura Cockram gave evidence.

3.40 pm

The Chair: A warm welcome to our six experts. We have people from Remploy, the Social Market Foundation, the Shaw Trust, Mind, Scope and Parkinson's UK. Would you please like to read yourselves into the records by telling us who you are?

Sophie Corlett: I'm Sophie Corlett, director of external relations at Mind.

Matt Oakley: Matthew Oakley from the Social Market Foundation.

Gareth Parry: Gareth Parry, director of strategy at Remploy Ltd.

Laura Cockram: Laura Cockram, policy and campaigns manager at Parkinson's UK.

Roy O'Shaughnessy: Roy O'Shaughnessy, chief exec of Shaw Trust.

Elliot Dunster: Elliot Dunster, group head of policy research and public affairs at Scope.

Q105 Kate Green: I would like to focus my initial questions on the provisions in the Bill that relate to work incentives and the work-related activity group. Some of you may have more of an interest in this issue than others. We heard in the last evidence session—I am not sure if you were able to follow it—that there is international OECD evidence to suggest that there would be a significant work incentive by reducing the amount of payment in the WRAG. What is your comment on the impact on individuals and work incentives of people losing £30 a week? Shall we start with Parkinson's UK?

The Chair: By the way, don't all feel you have to answer every question, but do chip in if you have something to say.

Sophie Corlett: We have a real concern about that, as far as mental health is concerned. If you have been assessed as being in the WRAG group, you have been assessed as being unfit for work—not that you should be looking for jobs, and not that you are ready to work and are just not in a job yet, but that you are not fit for work and that you are able to do some work-related activity. This is a group of people who it is acknowledged are not ready. It is not acknowledged that they lack motivation. In fact, we know that people with mental health problems are highly motivated to get back into work, so we do not think that the argument about incentives is at all appropriate.

The other thing we know about people in the WRAG group, and certainly people with mental health problems, is that they spend a lot of time in that position, on that benefit. To reduce it to a level that is really just bumping along at the bottom of survival is hugely detrimental to not just their ability to get by but their mental health problem and their ability to have enough in order to recover. We feel it is a massive undermining of their ability to get back into work, rather than the reverse.

Laura Cockram: In terms of people with Parkinson's, we believe that the Government currently fundamentally misunderstands the term "progressive condition", which

Parkinson's is, along with a number of other neurological conditions. Putting people into the work-related activity group in the first place, we believe, is not correct, and 30% of people with Parkinson's have been put into that group since 2008.

In terms of your question, Kate, we do not believe it is an incentive. If people have been found to be unfit for work—particularly with a progressive condition, they will have been found unfit for work by independent assessors and will potentially have been given some information from their neurologist or healthcare physician that they are unwell and not well enough to go into the workplace—we feel it is quite unfair to say that there is some kind of incentive. It is cruel, in some respects. Most people with Parkinson's would like to or are eager to continue working for as long as they can, and there is evidence that the average length of time people stay in work following a diagnosis of Parkinson's is between 3.4 and 4.9 years. We know that people want to stay in work, but cannot, potentially, because of their condition.

Elliot Dunster: I would just like to add a few more thoughts from Scope about how we think the change might act as a disincentive. We very much support the Government's aim of halving the disability employment gap, and we really want measures that will see us progress towards that goal, but we do not think that this will do that, and I will explain a bit more about why.

First, there are half a million disabled people in the WRAG, and there is a very real risk that by making a slightly more binary distinction between jobseeker's allowance and employment and support allowance, you will create a disincentive for people in the WRAG to move into work, because if they fall out of work—and we know that disabled people are more likely than non-disabled people to fall out of work because of the barriers of their condition—they may fear that they will be reassessed and placed back in the WRAG at a lower financial award. So we have a concern there.

Similarly, in the support group, we are concerned that people in the support group who may want to work may feel that it is a big leap for them to enter the world of work. They may fear that once the change takes place, if they do fall out of work, they will be put back into the work capability assessment and reassessed, and if they are then placed in the WRAG, they will be £30 a week worse off than they were before.

We hear at Scope some examples of that happening already in the existing system. I can think of a lady I spoke to recently who had fought quite hard for her further education and had got a master's degree. She was in the support group and receiving employment and support allowance. She had been offered a full-time job for a fixed period, and she came to us because she was concerned about what taking the job for the first time—a full-time, paid job—and then falling out of work again might mean for her, and whether she might end up being placed in the WRAG. If that happened, although financially she would be in the same situation as she was at that time, she would be subject to some of the conditionality that is placed on people in the WRAG. We know that that is happening a bit at the moment, and we fear that this change might exacerbate some of that.

The Chair: I should have said at the outset that because there are six of you, we will have to have fairly concise answers. Matt, did you want to come in on this?

Matt Oakley: Yes. I look at this from a slightly different perspective. We have to remember that ESA, like JSA, is an income replacement benefit, and so from a principle perspective, it makes sense for those two things to be of a similar level. On top of that, we cannot forget that there is personal independence payment, which should be accounting for the extra costs that disabled people or people with ill health face when they become unemployed or long-term sick and disabled. We really cannot consider ESA on its own.

That said, I think that the focus on work incentives—I have not seen the evidence from the OECD, but I very much support the Government's approach of saying that they are very keen to increase support by helping people tackle the barriers to work that they face and get back to work where they can. As we have heard already, a lot of people want to get back to work, and giving them the support that they need to do that is really important. That has to come, I would say, through reform of how the Work programme currently works, and through reform of Jobcentre Plus.

Gareth Parry: Remploy is not an organisation that will be campaigning about views on benefit structures. What we do is focus on getting disabled people into sustainable, long-term employment. Whatever the decisions are about benefits regimes, the important thing is that people have access to high-quality, personalised support to help them to achieve their aspirations. As an organisation, we see a paucity of aspiration among a lot of our disabled customers, for all sorts of reasons in their background and in the communities where they live. Either they do not believe that they can get work, or they do not believe that anybody will employ them. I think the key issue here is not to stigmatise people with the benefits label, but to make sure that everybody who has an aspiration to work has access to high-quality support.

The Chair: It would be unfair not to bring Mr O'Shaughnessy in on this as well, if you would like to say something.

Roy O'Shaughnessy: I will not repeat anything that has been said. The only thing that we would like to propose is possibly an amendment to the Bill that would allow for an annual review, so that we could assess the changes and ensure that vulnerable groups are getting the right support based on an evidenced approach.

The Chair: Thank you. Sophie, did you want to come in very briefly?

Sophie Corlett: On Matt's point about ESA and JSA being considered the same, fundamentally there is a misunderstanding of the nature of ESA. It is an income replacement benefit in the same way as JSA, but the assumption is that JSA is something that you get for a short term while you try to get a job. ESA is something you will get for a long term because you are not yet able to get a job because you are still not well enough. Of the people on ESA, 60% are on it for two years. JSA is not enough to replace a coat, to buy new shoes, to be sure that you can pay your bills. You need slightly more if

you are going to be on it long-term. That is a really important point, and these are people who are not fit to work. They are not out of work because they have not got one yet or are not looking hard enough. They are not well.

The Chair: We will come back to Kate Green with some more questions, but first Anna Turley, because she has to go at four o'clock.

Q106 Anna Turley: The Disability Benefits Consortium submission made reference to possible knock-on effects in other areas as a result of the abolition of the WRAG. Do you agree and what do you think the knock-on implications could be?

Sophie Corlett: I don't know whether you meant just within the DWP area or more broadly, but our anecdotal information is that since the welfare changes there has been a big knock-on effect in health terms in the number of people who have become much more unwell, partly because of the stress of sanctions and expecting to lose their money, but also because people who have less money are more likely to fall into debt, and that has a very toxic relationship with mental health problems. We are aware of that link.

The Chair: Anna, are you happy with that?

Q107 Anna Turley: I was thinking more broadly: anything from mental health to housing.

The Chair: Let us have a quick answer from everyone on this important question.

Roy O'Shaughnessy: First, none of us wants to see anyone disadvantaged by the changes that are coming in the Bill. That is first and foremost. I do not think there is enough actual evidence yet to make conclusions about how significant the changes have been or will be going forward. There were two community hubs that we self-financed, where we literally took a health-based approach to the challenges that our customers were facing. We provided food and meals. We had a JCP desk in the centre. The Work Foundation just concluded their report a few days ago. We have not assimilated it all yet, but the thing that stood out was that we have achieved a statistically important uplift in the results of those hardest-to-reach customers, the ones with the greatest barriers to employment, with illness.

Two main things stood out. There is a significant difference. The vast majority of the customers in those two hubs have a much better experience than those in our other centres, and our staff are happier working with those customers because they have more resources to deal with their needs. So my view is that organisations like ours at the table will need to work very closely with Government to take that learning and try and put it into practice, to mitigate those cases where it would be adversely affecting individuals.

Elliot Dunster: I would echo some of those points. It might be a useful time to think a bit about disabled people's lives as well. Lots of disabled people are in receipt of social care, for example, and a third of social care users are disabled people. It would be interesting, as part of the discussions the Committee has, to think about how those systems interact with the back-to-work support that disabled people get. How do the conversations that local authorities have about the provision of social

care for disabled people interact with the employment support that disabled people get? Currently, those two things feel quite far apart from the disabled person's perspective. That might be an example of where two different parts of two different systems could work better together to support people into work.

Laura Cockram: Just building on Elliot's point, a number of different cuts have happened, and there has been no cumulative impact assessment of the cuts that have taken place since 2010, whether that is the closure of the ILF or the social care cuts to local authority budgets. So I think there is a wider concern. If we are pushing people who are not ready to work, as Sophie has said, back into work earlier or too early, there could be some knock-on impacts on the healthcare system, where we know there are already funding concerns. We might be pushing problems around the systems, rather than dealing with them.

Gareth Parry: Our view would be that disabled people do not get jobs because they are disabled; they do not get work because of a whole series of barriers that get in the way, some of which are disability-related and many of which are not. I would certainly support, from other things that have been said, the idea of a more holistic approach to somebody—the idea of a key worker-type approach, where somebody helps that individual to overcome all their barriers.

We have some evidence in our organisation that about two thirds of the barriers that disabled people say they face and stop them getting work are actually nothing to do with their disability. It is about transport, housing, debt, health—a whole load of issues. It is going to be interesting to see the evidence base that comes out of the three Jobcentre Plus pathfinders that are running. They are using the concept of a specialist employment adviser, who is going to take that more rounded, holistic approach. The evidence that comes out of that pilot is going to be really interesting.

The Chair: Matt, do you want to have a final say on this?

Matt Oakley: Yes, just a quick one. I am sure we will talk about lone parents and other groups later, but the general point is that any changes you make to benefits are going to have an impact on people. The key question is how the Government, the Opposition, people in jobcentres and people in the sector can work together to make sure that those impacts are mitigated, that people are moving back towards work, that people have the support they need when they get into a crisis and that people have the support they need to tackle the barriers that they face to getting into work. That, for me, is the much bigger question, because you could equally raise that kind of question for any of the groups that we talk about today, whether they are disabled, lone parents or in work. So the key question for me is this: how do we tackle that? How do we mitigate the impacts? How do we improve the chances of someone finding work, staying there and getting more pay?

Q108 Hannah Bardell: Thank you very much for your contributions. On those points and the work programmes, would it not therefore make sense to do a wide-scale review of the work programmes and how we enable people with disabilities of all types to get back into employment before cutting their benefit and reducing it to the level of JSA?

Sophie Corlett: We would be very keen to see much better support to help people back into work. The Work programme does not—

Hannah Bardell: Or, indeed, not cutting them at all.

Sophie Corlett: Yes, definitely. The Work programme is not successful for people with mental health problems: 8% of people with mental health problems are helped back into work through the Work programme; that is not a great result. Other methods that people use include IPS—individual placement and support—which is a voluntary scheme. It works with people on their aspirations. In a very key way, it looks at what the other barriers are that stop them getting to work, and it works with employers to help them to overcome the stigma of employing people with mental health problems, because employers are not keen to take people on. It looks at all these things. It works with people in a voluntary way, without all the threat of sanctions, which can be very worrying for people.

If you have really good systems, people who want to get back into work can get back into work, but to have a system that is both punitive on people as if it is their fault and then does not actually help them is grossly unfair.

Gareth Parry: The Department did lead a pretty comprehensive review in 2013, when it produced the disability and health employment strategy. There is quite a lot of good content in that strategy, but it does seem to have lost the focus a little bit over the last 18 months. Our organisation would recommend going back to that strategy and seeing what was in there that could still be progressed, because that was sort of the review you are talking about.

Matt Oakley: I was there for a speech the Secretary of State made a couple of weeks back, and it seemed very much to be the start of a new discussion about how we can help disabled people and people with illnesses first of all to stay in work where that is appropriate, and secondly, when they leave work, to get back in more quickly—when they are out of work, to get back to work. I would be a huge advocate of significant changes to the Work programme to make sure it is putting more money into those people who need the greatest help. At the moment, it is not targeted enough; it is not personalised enough. We need to make sure we are targeting as much money as possible at those people furthest away from the labour market, of which this is one of those groups.

Q109 Kate Green: The Government had hoped that the number of people on long-term incapacity benefit and employment and support allowance would be reducing. In fact, it has been increasing, and particularly the numbers in the support group have been increasing. What is your analysis of the impact of a very sharp distinction between the level of benefit that you will receive in the support group and the level of benefit that you will receive if you are not in the support group? Is there any incentive, perhaps, to present yourself as more severely unwell or disabled, and therefore having to go into the support group?

Elliot Dunster: We have to look at the confidence in the WCA as well. The speech that the Secretary of State made a few weeks ago, which has been mentioned

already, talked a little bit about that. Disabled people are concerned about the WCA and how accurate it is. In Scope's view, this will mean that people will continue to appeal those decisions because of this slightly more binary distinction.

We agree with the Secretary of State's assessment that it is not very helpful to think about people being fit for work or not fit for work. That is not a particularly helpful way of looking at things, but of course we have an assessment in which we have to try to draw lines, effectively, about what support people receive. We would like to see the WCA reformed along a number of principles that we have submitted to the Committee, which would make it much more about back-to-work support. However, we think that making a slightly binary distinction between jobseeker's allowance and ESA will make people more likely to appeal decisions if they think they should have been awarded the support group rather than the work-related activity group, because there is a financial incentive for them to appeal.

Q110 Emily Thornberry: Eighty-five per cent. Islington Law Centre has an 85% success rate for people who are appealing ESA assessments, when they take them to tribunal. That means that people who are assessed as being fit for work are then being reassessed by the tribunal as not being fit for work, or are put into an employment support group. Would it not be important for the Government to iron out clearly unfair decisions in the work assessment before changing the goalposts?

Elliot Dunster: I have probably covered most of that in my previous answer. We do think that the WCA should be reformed, and it feels like there is starting to be more of a consensus around that. It seemed as though the Secretary of State was talking along those lines as well. Yes; it needs to be reformed, more accurate and more focused on what someone can do. At the moment it is too medical, and that is where it feels like those decisions have not been made in the right way. Whether someone can pick up a pound coin is not necessarily a good indicator of whether they can do a job or not.

Laura Cockram: On the work capability assessment, we would echo the comments from Elliot and Sophie about it not being fit for purpose. The assessment is a snapshot on a particular day. You have mentioned the success rate of appeals. I believe that the figure is that 38% of all fit for work decisions have been appealed across the UK from 2008 to 2013—that is the June 2015 figure from the DWP—and 51% of decisions from January to March last year were overturned. That is a good demonstration that we are putting unwell people through unnecessary assessments and tests. If they are not well enough to work, they should not be forced or, potentially, bullied back into work, which these kinds of assessments are doing.

Gareth Parry: It is hugely difficult to generalise on so many things. We could ask ourselves, "What is work in the 21st century?" Technology has made a difference—people can work from home now, and do flexible working and different hours. There are so many different interpretations of what work constitutes that to have a relatively black-and-white regime around benefits is not flexible enough. If we have a direction of travel, the right way must be to have a direction of travel that is more of an assessment of needs-based support as opposed

to labelling people with a particular benefit. The labour market is so versatile and changeable these days that there is no simple threshold at which you say somebody is fit for work or not fit for work. The world does not work like that any more.

Sophie Corlett: Could I just add a really important point? That is absolutely true, but if you are assessed as being fit for work because you could do a very particular type of work in a very particular setting, the person who works with you to find that job needs to be aware of that very particular need of yours. And there is no real link in terms of your assessment and how you are then helped to get a job; you might be expected to get just any job, when you have very specific needs.

Gareth Parry: We completely agree with that; personalised employment support needs to link in to a needs-based assessment. The problem at the moment is that everybody focuses on the benefits infrastructure rather than on the objective of attaining and sustaining employment.

Q111 Kate Green: We have slightly lost sight now of the effect that you think cutting £30 a week will have on people's propensity to go into work and on the disability employment gap.

Sophie Corlett: I can answer some of that. I think there is a complete misunderstanding of what keeps people with mental health problems out of work. It is not that they find it financially beneficial; it is that if they are in the ESA group—the WRAG or the support group—they have been found not fit for work. They are not well enough for work; the money is neither here nor there. Having less money will merely make you more likely to be debt-ridden, and depressed and stressed and unwell.

Elliot Dunster: I have been quite clear from Scope's perspective that we think it will be a disincentive, for the reasons that I have already explained. Also, building on what Sophie said, we know that disabled people have less financial resilience than non-disabled people; we know, for example, that disabled people have on average over £100,000 less in savings and assets than non-disabled people. So they are less able to cope with big financial shocks and long periods of time out of work. Because of the lower financial resilience of disabled people, a long period of time on a very low income will have a very serious effect, which we are concerned about.

Q112 Helen Whately: Mental health is a particular issue of interest or concern to me. In my constituency, I recently visited the local Mind and I saw really effective delivery of parts of the Work programme by it. I joined in a session and spoke to one client who told me very openly how enormously helpful she found Mind's support, even though she was clearly some way off being able to get back into work. So, because I think the conversation about the support for people with mental health problems has been relatively negative, I just wondered whether there are any positive experiences you could talk about regarding the support that people are receiving.

Sophie Corlett: There are some very successful mechanisms for supporting people to get back into work. Some of our local Minds are involved in individual placement and support, which is quite different from the Work programme. Individual placement and support works with people on a voluntary basis, so it starts from

the point of view that you want to get back into work, which, in fact, is the case. So it works with people; it is not saying, “We’re sanctioning you because we’re assuming you don’t want to get back into work.”

IPS works with the flow of where people are going; it encourages them to aspire to work. So, as Gareth said earlier, it is about helping people to boost their confidence, rather than assuming they do not want to get back into work and actually undermining their confidence. It is working with people, working with their aspirations and helping them unravel the things that are stopping them getting to work, whether that is transport, debt, caring responsibilities or other things going on in their life. It helps them to get those things in order, which might be very difficult if they are not well and cannot really organise those sorts of things.

Then it is working with the employer, which is very important from the point of view of mental health problems, both to unravel the employer’s potentially discriminatory attitudes and to support the employer if the employee is not necessarily going to be working at full throttle initially. So you can say to the employer, “It’s all right. We’ll work with you and we’ll stick with you, so that if things aren’t good initially we will still be there to help you.” So, very importantly with IPS, the support carries on.

Some of our local Mind projects have a 32% rate of getting people back into work, which is phenomenal. I think that 82% or 85% of people are still in work after six months, which is a very good success rate. So there are ways of doing that, but importantly they are individually tailored, they understand mental health, they work with the employer and they work on the positive model, not the negative one.

Q113 Helen Whately: Do you think that it would be possible for those successful models that you are describing—as I said, I saw something that seemed to be succeeding—to be extended?

Sophie Corlett: I absolutely believe it would be possible to extend that model, but it is a very different model because it is not based on sanctions, conditionality and an assumption that you are just on the scam and trying to take the money. It is based on an assumption that you want to get back into work and that there are real barriers to your doing so, and we will help you to overcome them. Fundamentally, that is a different relationship that you have with your adviser.

Q114 Helen Whately: Although that is not what I had seen from—

The Chair: Order. Helen, you will get some new answers now, if you will just hold a second.

Matt Oakley: I probably came across a bit too negatively about the Work programme. Just to be clear for the record, the Work programme is better than all the programmes that came before it, in terms of both its performance and value for money. ERSA—Kirsty—was here in the previous session. She will give you examples from each of the main providers—the subcontractors—of the fantastic work that they have done with individual cases, individual people and the distinct programmes that they have for small groups of people, as we have heard here. I would like to see the Work programme be better at scaling that up and turning that 8% into 16%, 24%, 32% or perhaps even 50% of people with a disability

or ill health problem getting a job from the Work programme. That is the challenge. We need fundamental reform of how the Work programme is financed, how the money is focused on people with the most distinct needs and how some of the contracting relationships work. Hopefully, in the next round of contracts coming this year, that will happen. It will take quite a bit of work before then to get that right.

Gareth Parry: I think that IPS is a proven model. It is established and it has recognised statistics that show it works. It is relatively expensive, and that is what holds back the scalability of IPS, but it is a fantastic programme. If the Committee or the Department are looking for opportunities to invest some of the money that is being made available in bringing together health and employment agendas, IPS is absolutely the place to start. Investing more money in IPS to see how it could be turned into a scalable model could have significant returns on investment for a significant number of people with mental health issues. We would very much advocate consideration of that.

There are lots of other programmes that are highly successful for people with mental ill health. The Access to Work mental health support programme delivers a 92% success rate of sustaining people in work. That is stopping people falling out of employment and on to benefits in the first place, which is an important part of the agenda. If we are going to halve the employment gap for disabled people, prevention is just as important as cure. You will also see fantastic evidence around the Work Choice programme about how people with mental health conditions are supported. The issue is that these things do not get shouted about enough and there is not enough awareness about them. There are a lot of successful programmes out there.

Q115 Helen Whately: We have been talking about the trade off in that these are successful programmes but they cost money. I am interested in your view. When you have a choice, do you keep paying somebody a slightly higher benefit or use some of that money instead to enable them to get closer to work, which is the situation we have here? Is it not better to support someone with that money, so that they can get into work? That is what most people with mental health problems who I know want. Is that not important?

Sophie Corlett: It is really important that it is both. What we know about mental health problems is that—perhaps obviously—stress and depression are very common, and increasing somebody’s anxiety, particularly around their financial sustainability, is not a great place to start. To go back to the point that I made before, if people are in the WRA group, they have been assigned to a group of those not yet fit to work, so work-related activity is to get them towards work and to support them towards work. However, that is not necessarily going to make them well. There is a health aspect to this, to which a financial incentive or a timetable is not conducive; it will take the time that it will take. Work-related activity might help, but it might be nothing to do with it, and to require people to live on less, because they might get a job at some future point, is inequitable.

Q116 Neil Coyle: My questions follow Helen’s quite neatly and are primarily for Sophie, Gareth and Elliot. The Government have a commendable target to reduce

the employment gap for disabled people. There are opportunities in the Work programme, where it is supposed to be changing to focus in on that. Some of that has been touched on. A bit more information and specific recommendations from you on disability employment advisers, apprenticeships and Access to Work would be useful. It should be noted that although Access to Work costs money up front, it saves money in the longer term, not just in reducing benefits, but in income tax and national insurance contributions.

Secondly, Laura, you mentioned the impact of changes on disabled people and how they had not been taken into full consideration previously. Can you say a bit more about what measurements and reporting you would like to see in the Bill, including knock-on costs if the Government are potentially getting things wrong, if you have recommendations now?

Thirdly, a wider question: disabled people are known to have higher costs of living and fewer opportunities and the Government have repeated the statement that disabled people have been protected from previous cuts. Would you like to see an exemption for disabled people from benefit and tax credit freezes in the Bill to ensure that that statement is accurate?

The Chair: You are asking Gareth and Elliot—is that right?

Neil Coyle: The first question is to Sophie, Gareth and Elliot, the second one is to Laura and, for the third, take your pick.

Sophie Corlett: I do not remember the first question because you went through them so quickly. I would be grateful if you would repeat the first question.

Elliot Dunster: I think I remember, so I can start. I think the point you are making, Neil, is the importance of specialist employment support. I think it would be really helpful in the course of the Committee's deliberations for the Minister to commit to a future specialist employment support service for disabled people.

The Work programme, while it has been effective for some groups, has not been effective for disabled people in the way that we would have liked to see. Work Choice has done some very good things in supporting disabled people into work and it has a much better success rate than the Work programme.

We would like to build on some of the good things that Work Choice does: for example, the ability for small, specialist organisations who know local employers and the barriers that disabled people face, to work with them individually to make some of those adjustments with employers that I think Sophie was talking about earlier. That has a much higher success rate, so let us build on some of the success of Work Choice. I think that we will need to change some of the nature of the contract so that small organisations can take them on. We would like a bit longer to work with disabled people, to get some of those outcomes that we all want to see. So we think there are some good things with Work Choice that we would like to see built on with a new specialist employment support programme going forward.

You asked a bit about apprenticeships. Absolutely, they have got to be part of the picture for getting disabled people back into work. We have to start as young as possible and make sure that disabled people have all those opportunities. That is something that the Government should look at.

The Chair: Mr O'Shaughnessy, I know that you are involved in some of these things. Do you want to answer one of those questions?

Roy O'Shaughnessy: May I just throw in that there is a specialist employment service programme that will double the number of disabled people with the most severe barriers to work on work-related courses and activities? It is a two-year contract that started last week. Shaw Trust is one of six organisations in England, Scotland and Wales doing it. It is a voluntary programme for those who want to participate and it has a completely innovative approach to delivering an employment service to disabled and disadvantaged groups. It is obviously too early to say and many of the areas may have only one or two customers who are accessing it, but we hope to dramatically change, in line with many of the comments and concerns here, 735 people's lives through the programme in the next two years. That, I think, will be a model.

We do 52% of the Work Choice delivery in the UK. I think that combining the lessons of Work Choice and the Work programme—we are the prime for east London—with my colleagues' very astute comments will allow us to collaborate in a way that we have not done in the past as the third sector, civic society, Government and for-profit organisations. We have to do this because I am sure that there is not one person in this room who is not committed to halving the disability employment rate. We are committed to doing our part in that. We see the specialist employability support contract as an ideal opportunity to blend many of the things that we are talking about today.

The Chair: Laura, do you want to come in on any of these questions?

Laura Cockram: I do not know if Sophie wants to come in on the first question before me.

Sophie Corlett: Very much as I have been saying before, if you invest in something that works, it might appear to be more expensive, but actually it is going to be cheaper. That is my answer to your first question.

On the final question about the freeze, Iain Duncan Smith was very clear initially when introducing the Bill, "We will freeze working age benefits for two years from April 2016, with exemptions for disability and pensioner benefits". But the ESA WRAG is a disability group. I keep going back to this point. This is a group of people who have been assessed as unfit for work and they should not be subject to that freeze.

Laura Cockram: On that final point, in terms of ESA. With ESA, the main rate of the benefit is being frozen for four years, whereas the top-up is not being frozen. So to say that disability benefits are going to be protected is not actually accurate, I would suggest.

You asked whether people with disabilities should be exempt. Yes. In terms of the second question about the measurement, I was racking my brain when everyone else was thinking about a particular measurement to come up with. I cannot think of anything but we will certainly put something into our evidence that we send to the Committee.

There has not been a cumulative impact assessment of all of the different cuts in terms of people with disabilities. That is certainly something that would be useful and that the Government should urgently look at. With things such as mortgage interest, which does come into the Bill, in clauses 16 to 18, there are concerns

that the equality impact assessment has not mentioned the impact on disabled people of having potentially to pay back interest and also accrued interest on what starts as a benefit and then turns into a loan.

Again, if people with Parkinson's are not able to go back to work and pay that back earlier, it is going to be an extra debt hanging over them. A fuller impact assessment across the whole of the Bill is crucially and urgently needed, I would suggest.

Gareth Parry: Full employment will only be achieved if the disability employment rate is significantly increased. Reporting on full employment is fine but that cannot omit a detailed report on what is happening to the disability employment rate.

I think there was a question about the number of DEAs. In the whole system, both in terms of Jobcentre Plus and the provider side, there is a paucity of skill, expertise and experience of how to work with disabled people with complex needs. One of the reasons that not enough disabled people are moving into work on the Work programme is because the levels of expertise on how to work with disabled people on the Work programme is not as high as it should be. That is one of the differentiators from Work Choice, where you do have specialist organisations.

Whatever the new contracting frameworks are in 2017, having that involvement of specialist organisations is key. Otherwise there is not a chance of hell of getting the disability employment rate halved.

On the DEA side, yes, we would like to see more DEAs, but not the old-fashioned, old-style DEAs. I think the specialist adviser role that is being experimented with is the way forward on that. In terms of apprenticeships, if I am right, I think the last time I knew, only 8.7% of apprenticeships have self-declared a disability. Young disabled people are massively under-represented on the apprenticeship programmes.

There are some real obvious reasons why that is. There is lots of evidence out there to support the main reason, which is that we know disabled people by and large will do the technical certificates and the national vocational qualifications; an awful lot of them will struggle with the numeracy and literacy standards. There are no adjustments in the apprenticeship programmes to accommodate that. If something could be done about some more flexibility around those standards for people who, because of their health conditions, struggle with reading and writing and numeracy, you will see a lot more disabled people moving into apprenticeships, and we would very much advocate that.

Linked with that is the Skills Funding Agency, with strongly performance-managed apprenticeship providers, so apprenticeship providers screen out disabled people because of those numeracy and literacy requirements. They are too risk averse because of the way they are performance-managed by the Skills Funding Agency. We do not have a problem with performance management, but there is no flexibility in there and it is young disabled people who are losing out as a result. Anything that can be done to free that up would help.

There is an interesting comparison. If you look at DWP activity and the efforts going in from DWP on the employment agenda and initiatives to support disabled people, they are many and varied. Some are better than others but there is a huge effort going into it. That effort

is not replicated in BIS and on the skills side. Disabled people continue to be discriminated against in all sorts of ways on the skills agenda. That area needs to be part of it if we are talking about joining up health and employment skills.

The Chair: Gareth, thank you. There are many more questions yet to come. Matt.

Matt Oakley: I want to respond quickly to your last point about the protections for disabled people. Obviously, the Bill lays out that the WRA group is going to be subject to the freeze, but I guess, once you have made the decision that you are equalising that rate, it would not make sense to do anything else, really. So it comes with that first decision, and once you have made that decision, you do as much as you can to protect the rest of it.

You talked about protections around tax credits, etc. There are a number of protections, obviously, in the Bill around tax credits, so I will not list them. The explanatory memorandum lays out the protections for disabled people with disabled children. There are lots of them in there for tax credits, including for the changes to tax credits which limit the number of children to two.

So there are, I think, a significant amount of protections in there, given that you have frozen that WRA element.

The Chair: I have Corri Wilson, Peter Heaton-Jones and Hannah Bardell. Ask your brief question now, Neil, then Corri can ask hers.

Q117 Neil Coyle: I am intrigued by the point made by Laura and Matt: you are saying it is nonsensical to exclude disabled people from this, and "Make sure that the Prime Minister, when he next says disabled people are protected, is telling the truth." Have you suggested, Laura—when you have heard Ministers say disabled people are protected—and have other charities you are aware of communicated that disabled people have been affected by previous changes, and that this Bill will also directly affect disabled people? Have you made that communication to DWP, so that Ministers and MPs know that disabled people are not protected under previous changes and will not be protected by this?

The Chair: Brief answers, please.

Laura Cockram: I believe so.

Sophie Corlett: Yes, I am sure,

The Chair: So the answer is yes.

Q118 Corri Wilson: I should like to challenge the assertion that the changes to ESA and universal credit will save the Government money. It may be just the welfare budget, but surely it will put a strain on other parts of the system: the NHS, charitable organisations and local authorities. That is for anybody who wants to answer.

Sophie Corlett: Yes, I agree, and since the welfare changes that we have already had we have had an enormous increase in calls to our information line from people who are in debt or worried about debt, or worried about how they are going to be able to make ends meet.

The Chair: Any advance on yes from Sophie? Is that the general feeling?

Roy O'Shaughnessy: The only thing that I would add is that Shaw Trust has taken a position that we are all in this together and that, once the Government process has determined an appropriate way forward, we will work tirelessly to achieve the objectives of halving the rate. So for us it is much more about how we can deal with the problems that people are highlighting. For example, our commitment in the next five years is to work with Whizz-Kidz, which represents 74,000 16 to 24-year-olds who are in wheelchairs. They get very low job outcomes. We have committed to help them get 2,000 young people in wheelchairs into placements, and then, over five years, to get 20,000 of those young people into jobs.

I am sure that there are incredible problems in how we are going to deliver all this, but by the time we host the global congress on rehabilitation in Edinburgh next year, we plan on being able to report that 700 of these young people in wheelchairs are in placements and highlight that at least 20 or 30 are now in sustainable jobs.

My view is that the civic society and the legislative process and business now need to come together, in some kind of shared framework, to make this work—all of us recognising that there would probably be a much better way to do this if there were unlimited resources. But based upon where we are, we are going to take the best of what we have and work with those individuals, and we are delighted to have Whizz-Kidz on board with us.

Gareth Parry: I think the answer is yes, if nothing changes. But if some of the money saved in that Bill is reinvested in the provision of high quality, easily accessible, personalised employment support, it has a chance of succeeding.

Q119 Peter Heaton-Jones: I have two brief, but separate, points. As Helen shared with us earlier, I also take an interest in people with mental health conditions being able to get back into work. There is one town in my constituency, Ilfracombe, where there is a particular issue. There are a lot of groups, both statutory and third sector, doing a lot of work. I am interested to hear your perspective on the effect you think some of the measures in the Bill will have on that. In particular, one of you—forgive me, I think it was probably Gareth—mentioned a holistic approach being necessary for this. Looking outside the scope of the Bill to the work the DWP is doing, such as the Disability Confident programme, how do you think all that in its entirety will help with this challenge?

Gareth Parry: On that specific point, one of the points we wanted to make is that the Bill does not strongly feature the role of employers in a lot of this. It is not all down to employers, but employers need support and education in the same way that disabled people need support. There should not just be a continuation of Disability Confident but a significant ramp-up of Disability Confident not only to make employers aware of disability issues in the workplace and to encourage them to employ disabled people but to help equip them, provide them with training and give them the capability to employ disabled people, rather than continuing to

create dependency on specialist organisations to do everything for the individual and the employer. If Disability Confident could be promoted and turned into a capacity or capability building programme, that would be fantastic. I confess that I cannot remember the other bits, so I will hand over to colleagues.

Sophie Corlett: I can comment on the first part of your question about impacts. Before coming today, we went out to people and asked, “What would be the impact for you, for the people you know or for the people you work with?” We have had more than 500 emails from people. That is on top of the work we have done over the last decade or so on benefits and their importance to people. To give a bit of an insight into how people use their income, isolation is a big issue for many people with mental health problems. Particularly in rural areas, whether you are able to go out to get on the bus to go to places or to see your family is an issue. You may need to have a car.

We heard from one person who said that, if they had less money, they would have to give up their transport. They really struggled with public transport because of their mental health condition. There are different things for different people, but there is an acknowledgment from a number of people, including from a welfare benefit adviser, who said, “For all these people, £30 less a week would mean not being able to pay essential bills, not eating properly, or both, increasing their anxiety and making it less likely that they will be well enough to work.” It is just chipping away at some of the things that help people to stay well or to recover. Some of those things are really important.

On the other side, in terms of improving how people are getting back into work, we now know some well evidenced things about how to get people with mental health problems back into work. We talked a bit about them earlier, but it is about working with people on their aspirations and tailoring to their particular needs and circumstances. It is about having a good understanding—Gareth talked about people’s skill level—and working with employers. There is Disability Confident and other mechanisms. We are involved in the Time to Change campaign, which is looking at employers and how they work. We cannot wait for all those things. Employment advisers themselves will have to work with employers on a one-to-one basis for each individual, because if we wait until employers as a whole are ready to take people, we will be waiting quite a long time.

Q120 Peter Heaton-Jones: I will be brief because I am aware of the time pressures. I just want to talk about the work-related activity group, which contains about half a million people. The Government are allocating extra funds for that—£60 million rising to about £100 million—and I am interested to hear the view on how that money would be best spent. I choose Matt.

Matt Oakley: Can I avoid the question?

Peter Heaton-Jones: No.

Matt Oakley: I will answer in a different way. I am not sure that it is necessarily a question of money. I am not sure that £60 million or £100 million, in the grand scheme of things, will raise that 8% to 16%, 24%, 32% or whatever. At the moment we are treating people too much by their benefit type when they go through to the Work programme, which means that they have a set

amount of money attached to them. Frankly, that is not accurate enough. What we need to do is say, “Okay, you’re in the ESA WRA group. You’ve been there for a very long time. You’ve had huge problems in the past. You’ve never been employed. Let’s get a huge amount of money to you,” versus the person who potentially has far fewer barriers to work, has just moved into the WRA group, is very keen to work and has a prognosis that is actually very good. Why are we paying the same amount in the Work programme for those two people? It just does not make any sense. Extra money is great, but we need to fundamentally rethink how we are funnelling that money to the hardest-to-help people.

Q121 Emily Thornberry: I may have misunderstood your evidence, because you seem to be accepting that there are people in the WRA group—the employment support group—who will not be able to find work because there is something wrong with them; they really will not be able to find work and have been unemployed for a long time. You heard Sophie’s evidence about how hard it is to live on JSA for any period. As a matter of humanity, do you not think it is wrong in those circumstances for people who we know are on long-term sick leave or are long-term unemployed to be put on to jobseeker’s allowance? They simply will not be able to cope.

Matt Oakley: I would make the same argument for jobseeker’s allowance. There are people going on to jobseeker’s allowance who go into a jobcentre on day one and frankly, we should know that they are not going to be employed for the next three years. There is no more reason to give them less money than the WRA group people you are talking about. My point is that, money aside, we should be making sure that the employment support they are receiving is fit for purpose and that we are targeting support at them on day one, day two and day three to make sure they are tackling the barriers to work they face, so that people are not spending three or four years either in the ESA WRAG or on JSA.

Q122 Emily Thornberry: But you have just accepted that there are people who will be. It is your own evidence I am picking up on. It was your evidence that said you accept there will be people who are unemployed because of their physical or mental disabilities for a number of years. Given that you recognise that, all I am asking you is: as a matter of humanity, is it not wrong to push those people on to a level of jobseeker’s allowance and expect them to live on it?

Matt Oakley: What I am saying is that there will be people in the ESA WRA group who are, under the current system, likely to be unemployed for an extremely long time. There are similarly people in the JSA group who are classed as ready for work but who will be unemployed for a very long time. I am agreeing with other people on the panel that we should stop classing people through a basic system of “ready”, “not quite ready” or “ready for work,” and start looking at tackling their barriers in a much more flexible way. That means re-targeting employment support and the very hardest to help.

Elliot Dunster: It is really important to remember that people in the work-related activity group are disabled people, and disabled people face additional barriers to

get into work. There is nothing wrong with that person; they don’t need to be fixed. They just have additional barriers that they face to get back to work. That can be employers’ attitudes. That can be structural barriers where they live—perhaps the transport infrastructure is not accessible and they find it difficult.

The biggest barrier that disabled people tell us they find is a lack of flexibility in the workplace and the right jobs available. If you have an injury and have done a manual job all your life, you are probably not going to go back to that same job, and you will need a period of rehabilitation. The statistics bear that out: 10% of unemployed disabled people are unemployed after five years. That figure is only 3% for people on jobseeker’s allowance, so there is a difference and it is because of the additional barriers that disabled people face to get back to work.

To address your question about the additional funding available, we have a range of ideas that we suggested to the Committee through our written evidence. One of them, which we would like the Committee to explore, is to join up “holistically”—to use your word—across Government and to look at the Chancellor’s focus on devolution, for example, and regional growth. What can we learn from some of the youth unemployment programmes in the last Parliament? We should target some of that money at areas where there is high unemployment among disabled people, and use some of the things we already know to work—for example, small disabled people’s organisations working with disabled people intensively to find them jobs that they can stay in, progress in and build careers in. That is where we think that money should go.

Laura Cockram: Just briefly, I think it would be useful to address the issues we talked about earlier in terms of the work capability assessment and reforming it. Actually, if we are assessing people correctly to go into the right groups that is a very good use of the money that is extra there.

Q123 Hannah Bardell: I will follow on from Emily’s points, because my question is really very similar. The numbers from the House of Commons are that we have 492,000 people on the ESA WRA group, and half of them—250,000—have very serious mental or behavioural issues. They have very different requirements and some of them will probably never work. How can we justify in any kind of humane way putting them on to a level of income that they will have no option of getting off, because they will never be able to work?

There is a bit about categorisation, and while I realise we are talking about all being in it together, and there are some very good ideas coming out, we have to look at, for example, a radical vision to provide employment support that is tailored and personal. We do not have that at the moment, as many of you have already suggested; so surely we have to look at that first, before cutting anybody’s benefits. People have to have the opportunities and the support has to be out there before we put people further into poverty.

Sophie Corlett: Absolutely we do, but I think we also have to recognise that for some of those people it does not matter how much help you provide them with, because they might not be well enough; and a cut in their benefit not only may subject them to poverty, but

it may subject them to worse mental health, for which they are then punished, for not getting more of a job. So there is a responsibility not just to give people a decent amount of living, but to give people an opportunity for good health. We know that having appropriate work is good for people's wellbeing, but actually having enough money not to be socially isolated, to be stress-free about whether you pay the rent, the heating, or put food on the table—those things are important for people's wellbeing.

Gareth Parry: I think, if I may—it is not helpful to talk about people who will never work. That shows a culture of a lack of aspiration. Everybody should have the potential to work—

Hannah Bardell: Okay, let me rephrase that, because I do not want to be misquoted: people who will not be—

Gareth Parry: No, let me finish, please. I think that there is something about a culture of aspiration around disabled people, families, advocates, parents and the professionals who work round them, and society generally, that says there is a culture of dependency—that there is a lack of aspiration. I am not going to get drawn into a political decision on where a benefit should be cut, or not. What I would say is we have all got collectively to have a greater level of aspiration for disabled people in our communities and our society; and we have to put the support processes in place, and the labour market opportunities in place, for them to have somewhere to go; and we do not focus enough on that. We focus on the negative stuff; we do not focus enough on the aspirational stuff.

Hannah Bardell: And I do not want to be misquoted in any way; so what I am talking about is those people who will find it very difficult, or not be able to do it, because of a physical or mental disability. I am not denying that we need to be more aspirational or have greater ambition. However, there is a very great difference. You say you do not want to get into political discussion. We are talking about those people who have found it very difficult to get into work having benefits cut and having very little quality of life in comparison with being supported to a level where they could have a quality of life, and they will be able to engage better in society. That is specifically what I am talking about.

The Chair: Okay, this sitting is about asking questions. We will have the debate when we get into Committee properly.

Roy O'Shaughnessy: I completely agree that there must be a safety net for those that are the most vulnerable. We see them every day and none of us wants that to be left out. I guess that is the whole point of this process—to look at how we get that safety net. We cannot deny that the support group has gone up from 10% to 65% through June 2014; so how we achieve the halving of the disability unemployment rate and how to be a responsible civil society—that is the challenge that we face. So I too want to qualify that I did not mean that there should not be a safety net for the very kind of individuals that you are talking about.

The Chair: Kate Green now, and then anyone who wishes to catch my eye for a final question or two had better do so in the next 30 seconds.

Q124 Kate Green: I thought we were going on for hours yet. Sorry, Mr Streeter.

I want to ask about something entirely different that has not come up at all today. It relates to the disability employment gap. Ministers have spoken positively about self-employment as an important opportunity for disabled people. Others have also said that that could be seen as lacking ambition for disabled people and that self-employment is a disguise for something of quite poor quality in some cases. Can you reflect on the role of self-employment for disabled people in reducing the disability employment gap? We could perhaps start with Roy, because I see that you are taking a bit of interest in this question.

Roy O'Shaughnessy: Wherever there are legitimate opportunities for a person to be self-employed, that is fantastic. We have been leaning more towards a social enterprise model for individuals who, because of their particular challenges, may not fit into certain types of work. We could create a national social enterprise structure with 50,000 or 100,000 people running local coffee shops, for example, but with all the support services provided behind that. We need a couple more years to see how self-employment develops.

We know that most small businesses struggle with financial planning, book work, tax things and all of that, so we are looking to create an entity for individuals with a particular skill who have a disability and who want to work. It would almost be like a franchise model that could be replicated exponentially with some serious structures around it. We believe that that is the future for creating new jobs above and beyond what the economy can create in a normal way.

Q125 Kate Green: How can the Government support that?

Roy O'Shaughnessy: We have been having some discussions. First, the Government could support it by being unequivocal in our joint commitment to halving the disability unemployment rate. Secondly, they must be realistic about the challenges that many of the individuals face when dealing with their life situations and circumstances while they are moving into that journey of employment. We like this model, because whether you can work three or four hours a week or whether you can only work a day a week, this allows us to structure something that is fair and equitable that would hopefully bridge the gap of the four to five hours' decrease in the benefits in a way that would work.

This is us just putting our thinking caps on and saying, "Hey, how can we contribute to this debate?" We will have to put some significant funding into it, but we also believe that business and Government will come together to help us get a disability-confident approach. We completely agree that making Disability Confident much more centre to this whole discussion about halving the unemployment rate for disabled individuals is the way to go.

Gareth Parry: Just a brief point. Our experience is like everything that Roy said. Self-employment is a really important tool, particularly for people who have fluctuating or episodic conditions, who may be able to work more on some days, weeks or months than they are on other days, weeks and months. It gives them control over when they are able to work. Self-employment is a really important part of the overall solution.

Elliot Dunster: Self-employment can absolutely be brilliant for some disabled people, particularly those with fluctuating conditions, but it is also worth reflecting on some thoughts about the health benefits of work. We know that good jobs are good for people's health and that poor jobs are not very good for people's health, particularly disabled people's health. We also know that disabled people are more likely to take up lower-paid and more insecure jobs. Let us think about how we can progress disabled people when they are in work, so that they are in good, secure, stable jobs.

I would add one other word of caution, about the danger of isolation. I do not think that we would want to self-employment to mean isolation. One of the great things about going to work, and one of the big health benefits, is the fact that you work alongside colleagues, you are out of the house and you are participating fully. There is a danger that lots of disabled people working at home in isolation would not necessarily be a good outcome for all disabled people.

Q126 Emily Thornberry: I want to pick up on the point about isolation, but it is also important to bear in mind how completely inappropriate it is for a lot of people with mental health problems to become self-employed. My concern and experience is that I have constituents who have been pushed into self-employment whose mental health is not sufficiently robust to be able to be effectively self-employed, and they get into all sorts of debt as a result. I hate to say this, but I get the impression that the people in the jobcentre are happy that they have been signed off as employed, but it is reckless for these people to be setting up cake-making businesses, or there was another case where someone was supposed to be designing websites. Their mental conditions were such that it was really difficult for them to be able to think through what setting up a business would mean. I suspect that my experience with my constituents is not isolated. I am very concerned about pushing people into self-employment, particularly those with mental health problems. I do not know whether that is right, Sophie.

Sophie Corlett: Yes, I know many people with mental health problems who are self-employed and it is the perfect thing for them, but it depends. I suspect you are talking about people who are perhaps affected by stress or bipolar disorder and so at certain periods do not engage with bills, or who will in certain periods—

Emily Thornberry: Have periods of great energy and then absolutely none.

Sophie Corlett: Yes, exactly. In those cases, it is not for them. If social isolation is going to be a problem and the kind of self-employment you are involved in does not involve a great amount of social contact, that is not going to work for you. Or it might just be that the technical aspects of self-employment are not going to work for you. It can be a fantastic solution for people with fluctuating conditions if they also have the other aspects that would make self-employment good for any of us, but self-employment is not a one-size-fits-all for anyone with a fluctuating condition. That is why it is important that we are able to work with more employers to help them to accommodate people with fluctuating conditions.

The Chair: I notice that everyone on the panel is nodding in agreement with that.

Q127 Kate Green: I have two more questions on two other subjects. First, I would like to explore Disability Confident a little further, because a number of you have been positive about that initiative. Indeed, I am about to experiment with it and host a Disability Confident event myself in a couple of weeks. I am concerned that there currently appears to be no tracking of the effectiveness and impact of the programme. How would you measure its role and contribution to improving disability and employment rates?

Roy O'Shaughnessy: That is a really good question. I suppose that if we did it at the macro level we would tie it in with the goal to halve the disability unemployment rate over the five-year Parliament and come up with a step-by-step, quarter-by-quarter approach, similar to what we are doing with Whizz-Kidz, to assess it. Several of our events have been tied in with that, in the sense of monitoring and evidence-basing what we are doing. In my view, if Disability Confident is used as the central sphere of many of the issues we are discussing, and if there is a really fair, evidence-based reporting mechanism, it will hold us all on track, quarter by quarter and year by year, so that we can celebrate having done it in five years.

Gareth Parry: Part of the question depends on what resources can realistically be made available, but there is something about a journey that an employer goes on. They may start at a point of ignorance—I do not mean that in a critical sense, but they just might not know anything, or there might be fear there. The next point of the journey might be about how you get that employer to a point where they say, "Okay, I'm starting to change my mind and am prepared to give it a go." How do you then translate that into them starting to access services? How do you translate that into them starting to employ disabled people, becoming advocates and then becoming exemplar employers? There is almost a journey, and if you could measure where various employers were on that journey and the progress they made over a period of time, and relate that to Disability Confident, that might give you a pipeline of how many employers you would take on a process.

One big challenge for Disability Confident—we are all scratching our heads on this—is that it is not so much about when you hold your events, because you often get employers coming along who are already engaged with the agenda, and who are already interested and want to employ disabled people. It is about how we get Disability Confident out to all those other employers who have never heard about it, do not have the interests and do not have the same opinions at this stage. That is the challenge for Disability Confident: how can we break through to those employers that do not know about it?

Q128 Kate Green: I would just like to go back to something that Neil Coyle raised about Access to Work. How important is it and how well is it working by contributing to reducing the disability employment gap?

The Chair: Let us have an answer from everybody, and this will be our final flourish.

Sophie Corlett: It is hugely important and much underused in mental health, and it could be much more widely understood as being really useful, particularly if people are able to use it before they apply for a job so that they can take a package with them. That would be

the ideal, really, so that they could go to an interview and say, “This is what I can bring with me.” That would be the best use of it.

Matt Oakley: I will defer to delivery colleagues.

Gareth Parry: It is a fantastic programme. I would massively advocate mental health support services, because we deliver one. It is a great programme, which is significantly underused, at creating awareness and promoting not only mental health service support but all of Access to Work. It remains a challenge, but overall it is a fantastic programme. I should declare that I already gave evidence at the Select Committee last year, and I do not want to repeat any of that evidence.

Looking forward, it is probably the one area in the employment arena where personalisation could be looked at to a much greater degree. It is as close as we have got in the employment agenda to personalised budgets. It is not personalised budgets—it is not personalisation as we know it today—but it could be, and it could be a really interesting arena just to take the next step towards giving more choice and control over people’s employment journeys.

Q129 Stephen Timms: Can you give us an example of the use of Access to Work for people with mental health problems? What are the kinds of things that you are able to do to help?

Gareth Parry: A whole range of things. I am just wondering, in the interests of brevity, whether that is something that I should do outside this meeting. We can send you a whole load of case studies and examples of what we did.

The Chair: If you could write to the Committee, that would be great.

Laura Cockram: Personally, we have some examples of where it has been really useful, but it is not something

that is widespread in terms of people with Parkinson’s. It has been positive where we have heard about it.

Roy O’Shaughnessy: I have heard of many positive experiences. It is underutilised by individuals who could make use of it, and it is virtually unknown by the employers. Matching those two things up is important.

The Chair: Final word to Elliott.

Elliott Dunster: I would echo Sophie’s point entirely. If we have the problem that employers feel that disabled people are risky hires, we need to think about what we can do to make them feel that that is not the case. Some of that might be Disability Confident, which we have talked about, but some of that might be things like making Access to Work something that goes with the disabled person to their job, so that they can say, “Look, I am here at an interview. If you offer me the job, here is what comes with me.” You reduce some of the bureaucracy for organisations and businesses, and you build on some of the success of the programme, which is fantastic and, as everyone has said, underused.

The Chair: Thank you very much indeed. It has been a long but fascinating session. You need to know, expert witnesses, that the Minister whispered in my ear 10 minutes ago, “This has been a really helpful session.” Your words of wisdom are getting through. I thank Gareth Parry, Matt Oakley, Roy O’Shaughnessy, Sophie Corlett, Elliott Dunster and Laura Cockram for all their expertise and their evidence this afternoon.

Colleagues, the Committee will meet at 8.55 am—yes, 8.55 am—on Tuesday 15 September.

Ordered, That further consideration be now adjourned.—(Guy Opperman.)

4.58 pm

Adjourned till Tuesday 15 September at five minutes to Nine o’clock.

Written evidence reported to the House

- WRW 01 Homeless Link
- WRW 02 Taxpayers Against Poverty
- WRW 03 Elina Rigler
- WRW 04 Disability Benefits Consortium
- WRW 05 Manchester and Warrington Area Quaker Meeting Social Justice Group
- WRW 06 Local Government Association
- WRW 07 NAT (National AIDS Trust) and HIV Scotland
- WRW 08 Zacchaeus 2000 Trust (Z2K)
- WRW 09 Melissa Ball
- WRW 10 Macmillan Cancer Support
- WRW 11 Leonard Cheshire Disability
- WRW 12 Timewise Foundation
- WRW 13 Association of Colleges
- WRW 14 Professor Jonathan Bradshaw
- WRW 15 Joseph Rowntree Foundation
- WRW 16 Action for M.E.
- WRW 17 Mencap
- WRW 18 Quakers in Britain
- WRW 19 Scope
- WRW 20 Unite
- WRW 21 Crisis
- WRW 22 Centre for Mental Health, Hafal, the Mental Health Foundation, Mind, Rethink Mental Illness, the Royal College of Psychiatrists, Scottish Association for Mental Health
- WRW 23 National Housing Federation