



**SELECT COMMITTEE  
OF  
TYNWALD COURT  
OFFICIAL REPORT**

**RECORTYS OIKOIL  
BING ER-LHEH TINVAAL**

**PROCEEDINGS  
DAALTYN**

**Poverty**

**HANSARD**

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**Members Present:**

*Chairman:* Hon. J P Watterson SHK  
Miss T M August-Hanson MLC  
Mr J R Moorhouse MHK

*Clerk:*

Mrs J Corkish

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## Select Committee of Tynwald on Poverty

*The Committee sat in public at 10.30 a.m.  
in the Legislative Council Chamber,  
Legislative Buildings, Douglas*

[MR SPEAKER *in the Chair*]

### Procedural

**The Chairman (Mr Speaker):** Good morning and welcome to this public meeting of the Select Committee of Tynwald on Poverty. My name is Juan Watterson, Speaker of the House of Keys and I chair this Committee. With me are Miss Tanya August-Hanson MLC and Mr Jason Moorhouse MHK.

5 If we could ensure that our mobile phones are on silent or are off so that we do not have any interruptions, and for the purposes of *Hansard*, I will be ensuring that we do not have two people speaking at once.

This is the first stage of our inquiry and we have invited you here today because we would like to talk to you about the work of the Social Metrics Commission.

10 Baroness Stroud, Mr Oakley, welcome and thank you very much for taking the time for coming to talk to us today.

### EVIDENCE OF

#### **Baroness Philippa Stroud and Mr Matthew Oakley, Social Metrics Commission (SMC)**

**Q293. The Chairman:** Baroness Stroud, if I could call on you first, would you like to introduce yourself and make an opening statement?

15 **Baroness Stroud:** Yes, thank you very much.

I would just like to start by thanking the Committee for your interest in our work and in your commitment to poverty as well. So thank you so much for having us.

20 I wanted to start just by outlining, really, what the Social Metrics Commission is all about. We are an independent commission. We have sought to draw the membership of the Social Metrics Commission from a diverse range of backgrounds across the political spectrum. The Commission is made up of experts in poverty ranging from academic experts, data experts, poverty experts – all coming together to develop a new measure of poverty for the UK.

25 Our goal was a better measure that would better identify who was in poverty and better identify the characteristics of those in poverty as well. We wanted to bring to an end – I do not know whether you have had the same experience here – but the kind of war that has existed over the measurement of poverty. We wanted to develop a measure that had a consensus to it, so that actually we could move from – instead of debating how we measure poverty, we could actually move on to developing a really good strategy for addressing the issue of poverty.

30 How we came about? It came about because in 2016 the UK abolished its official measure of  
poverty. That measure – the 60% median income – had lost some support in Government  
because of the way in which it behaved. So just to describe that for a moment; when we went  
into recession, a number of children were lifted out of poverty by that measure; whereas  
actually that is counterintuitive. You would anticipate that when a nation goes into recession the  
number of children in poverty would increase, but because of the relativity of the measure, it  
35 worked the other way round.

Another way in which it behaved was that if you invested in pensioners, then children would  
be put into poverty statistically, when actually no child's actual life had either been improved or  
deteriorated. So there were numbers of ways in which it was behaving in a way that  
policymakers were finding difficult, and government officials were finding difficult because this  
40 line that they were aiming for in trying to improve outcomes for people was kind of moving all  
over the place.

So it came about that the desire was to address that, and we had two failed attempts in  
government to address and to develop a new measure of poverty. I was part of both of those  
failed attempts, and what concerned me was that it left Treasury and government departments  
45 unaccountable for their policymaking. I really drew the conclusion that government could not  
create its own measures and then hold itself accountable to them. There needed to be some  
sort of independent body that created the measure to which the government would then be  
held accountable. So I am sure we will go into way more detail as we go on, but that is a little bit  
of the detail about how and why it came about.

50 What has it achieved? It has genuinely brought Left and Right together and we are really  
careful about maintaining that consensus. It provides greater insight into who is in poverty, and  
the lived experience of those people in poverty. We have been absolutely delighted seeing how  
people have responded to this, and the fact that the UK government has now announced that it  
is going to bring forward experimental measures as the first step towards adopting this as an  
55 official measure of poverty.

So that is a little bit about the background and where we have come from.

**Q294. The Chairman:** Thank you.

60 Mr Oakley, would you like to introduce yourself and tell us a bit about your role in the  
Commission?

**Mr Oakley:** Sure. I am Matthew Oakley. I head up the Secretariat for the Social Metrics  
Commission. That involves helping the Commission make decisions, presenting evidence,  
detailed analysis and policy-thinking. I have been with the Commission since it started.

65 I think the only thing I would add to what Baroness Stroud has already said is that what has  
been really impressive for me through the course of the Commission is that I think most of the  
Commissioners probably came to the table with an idea of what they thought poverty meant,  
but actually by starting from scratch and going through all the steps together, I think everyone  
has pretty much changed their position. We have come to a situation now where, as Philippa  
70 was saying, from the Left and from the Right, we have developed a consensus of what we think  
poverty is and how to measure it better in the UK, and indeed internationally.

**Q295. The Chairman:** Well, going back to those early days, what do you think were the initial  
problems faced by the Commission itself when looking to identify a definition of poverty for the  
75 UK?

**Baroness Stroud:** Oh, there were so many. I will start with a few and I am sure that Matt will  
then come in with some other ones.

80 I think the first was a philosophy as to what poverty actually is, and then connected with that, was it possible to build trust that would actually mean that the Commissioners would trust one another to genuinely go on this journey together?

85 So when I was in government, it was obviously a Conservative-Liberal Democrat government anyway – it was a coalition – and Alan Milburn was Chair of the Social Mobility and Child Poverty Commission – he was Labour. So we worked very closely – the three parties – together, and what was remarkable was that behind closed doors you could probably get those on the Right to say that poverty is about the social factors, about family, education, educational failure, addiction, indebtedness, welfare dependency, worklessness, but it is also about money. You could get the Right to say that. Behind closed doors you could get the Left to say it is about money, but it is also about the social factors of family breakdown, failed education, addiction, debt and welfare dependency.

90 Beyond closed doors, you could not get them to agree on that, and really that was a huge challenge to bring that together into one metric where everybody would say, ‘We really recognise that not having enough money is what poverty is about, but do you know what, it is also about the social factors – do I feel part of the society that I exist within and can I do anything about my circumstances?’ So that was the first big challenge.

95 The second big challenge was that we really wanted a new measure to move in the right direction if government did the right thing, and to move in the wrong direction if government did the wrong thing. That is actually quite hard to achieve because there are lots of other factors that influence a poverty measure. But we wanted decision-makers to have this sense of, ‘Do you know what, if we do do the right thing and we improve people’s lives, actually it would get rewarded in the measure?’

100 Another challenge was the availability and stability of data. One of the preconditions that we set for ourselves was that – it would have been very easy for us to have used highly innovative sources of data that the Treasury would not have gone anywhere near – so right from the outset we set ourselves the task of restricting ourselves to data sets that the government would feel comfortable using, and would have the credibility and trust of civil servants. And that was an important foundational stone for us.

105 And then a couple of other challenges: one was that we wanted this to be with reference to society. So we wanted it to have an element of relativity so that people who were in the lower income brackets could feel part of the society that they exist within. But we did not – as I said at the beginning – want that line to be going all over the place. So how do we stabilise a relative measure? – which is something I am sure we will go into.

110 And then another challenge was equalisation. The more you go into this, the more you realise that some of the building blocks of what we all take for granted in all of our creation of statistics are not quite as robust as you think they are at the outset.

**Mr Oakley:** Can I just add a couple of points, probably to build on what Baroness Stroud has said?

120 I think for me, as a Secretariat, one of the biggest challenges was sitting in a room with 15 people who wanted to explore everything, and so really about narrowing that down. This has been really important, actually, in terms of how we have engaged and taken this forward with others and I think what has been really helpful is being really explicit that we are measuring poverty. We are not measuring social mobility, we are not measuring income inequality, we are not measuring someone’s ability to provide for themselves in 10 or 15 years’ time. What we are trying to measure is someone’s experience of poverty right here, right now today; so their ability to make ends meet with what they have available to them today.

125 And once you set that definition of what you are trying to achieve, and what you are trying to measure, that really helps in terms of narrowing down the conversation and focusing on what is really important to that one specific thing.

130 Moving on from that, I think that is also really important because that means that this is not a  
measure of everything. What the Commission is not saying is that you use this measure to track  
all social progress or all social outcomes. What you do is use this measure to understand  
someone's experience of poverty today. If you want to understand pension adequacy, if you  
want to understand social mobility, you measure those things too.

135 But our belief, as a Commission, is that this is the best measure of poverty today and really  
narrowing down that focus at the start was really key to developing that.

**Q296. The Chairman:** Has there been a general acceptance not just within the Commission,  
140 but from government as well, that there was a need for a robust definition of poverty, or is that  
a battle that you had to fight as well, about just even the need for a definition?

**Baroness Stroud:** I think it depends who you are talking with. So if you are talking with civil  
servants the answer to that question would be absolutely yes, because one of their frustrations  
is that with every new minister that comes in, they have had to almost redefine what poverty is.  
145 If that is the situation then you never really get to make any progress with the lived experience  
of people in poverty.

One of the things – and I am sure we will come onto it – but when you look at the progress  
that has been made with pensioners, that has been made over a long period of time with  
sustained effort by numbers of different governments of different colours. That can only happen  
150 when you have an agreed definition of poverty.

I think many people in the world of politics, and I would include MPs and ministers in this,  
were not sure that an agreed definition could ever be reached. This has been so fought over for  
such a long period of time and I think there is a sense of relief that maybe, just maybe, we may  
have found a way through on this.

155 **Q297. The Chairman:** You mentioned earlier about what the metric is and is not for; it is not  
about massive pension adequacy or society's ills. So how should the measure be used? How  
should this metric be used, by governments, by the press, by people sitting at home thinking,  
does this apply to me? How is this measure designed to be used?

160 **Baroness Stroud:** So we would like this (a) to be adopted by government, and then used by  
government to track their own progress and to keep them accountable for a strategy to really  
change the lived experience of people in poverty. We know that in order to achieve that, it  
requires sustained effort over a long period of time.

165 The measure itself leads to a framework of thinking. So you have the total resources available  
to a family against the inescapable cost – it is like a balance sheet measure. So that is your  
income space. But then you have the persistence of poverty and the depth of poverty. So one of  
the ways that we would like it to be used would be to focus on shortening the amount of time  
that somebody is in poverty for, and also even if you cannot get somebody up and above the  
170 poverty line, to reduce the depth of poverty that they are in.

So any step forward will be rewarded in the measure, and then in the Lived Experience  
Indicators, which are the third section of the measure, it is improving what we have called the  
'resilience gap' between those in poverty and that not in poverty. So it can be used to try to  
improve the lived experience of those actually in poverty on all those elements.

175 **Q298. The Chairman:** You also mentioned about previous metrics – and there have been a  
few and there are different ways of measuring poverty around the world – you mentioned  
earlier about the 60% of median earnings and some of the pros and cons of that. What makes  
the SMC measure better than other ones that you have seen around the world or even over the  
180 years in the UK?

185 **Baroness Stroud:** I think – do pitch in, Matt, if you want to – there are a number of ways in which this improves. It better identifies who is in poverty. So one of the things that we did with this, I do not know how much you have been through, I imagine you have been through it and round it and over it and all sorts – yes. So you will see that it much better captures debt and assets. It much better captures disability, and things like child care. So it is much more responsive to the whole life that somebody is experiencing.

190 We think it is better, therefore, because it better identifies who is in poverty, and we did a cross-referencing at the end of this whole process. We had lifted two and a half million people out of poverty and actually brought in another two and a half million into poverty who were not previously there. So we kept the number the same, but then we looked at those that we had moved in, and we compared them with the Material Deprivation Index and found that most of them did feature in the Material Deprivation Index, whereas those that we had lifted out – not so much.

195 So we felt that we were much better identifying who was in poverty.

200 **Mr Oakley:** I think for me – I am not going to give a technical answer here, surprisingly – what I am going to say is that actually, I think it makes sense. If you speak to people about what they think poverty is, and you explain to them that if you look at the World Bank type definitions, here in the UK that just does not make sense. That level of money is not poverty; that is something completely different.

205 Equally, if you talk to them about relative low income, they will say to you that actually, someone has a load of money in the bank, or actually, they have childcare costs or a disability. Those are all the things which the Commission has taken on because we have talked about them and actually agreed a way forward.

So I think one of the key things is that it just makes sense. We did some polling with the public towards the end of the work we did to develop the measure, and the vast majority of the public agree that you should take those things into account, but we have not done that before.

210 Two more things where I think this really improves the situation – it goes back to what Baroness Stroud was saying about policymaking – this provides a really, really good framework. I have sat in the Treasury, in teams developing policy for poverty in the UK, and we have funnelled money into benefits largely ineffectively, in terms of how that really attempts to get people out of poverty.

215 What we were never able to do was target housing, or childcare, or disability costs, or the sorts of things which might improve people's lives, or an education, all those sorts of things. This provides a framework where all of those kind of policy options become available to policymakers to tackle longer term issues around poverty, and show how that can really be reflected in the poverty measure itself, so it provides the right incentives.

220 And finally, I think – again non-technically – that a real bonus advantage of this measure is that people agree with it. We have brought together Left and Right, and people have a fairly strong belief that this is the right way to go. That consensus is incredibly important because as Baroness Stroud was saying right at the start, this is about not measuring poverty but actually moving on from that and starting to tackle it, and with consensus around the measure, we can do that.

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**Q299. The Chairman:** The things you mentioned that are obviously built into the measure, things such as child care, disability, savings – these are things that are already factored into the benefits system, so what makes the measure so much better or so much different from the benefits system?

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**Baroness Stroud:** So, in terms of just comparing it with the previous measure for example, none of those things were captured in the previous measure. I can remember sitting with Department for Work and Pensions (DWP) officials and dissecting the 60% median income

235 measure, and saying, 'Well, what about households that have debt?' and them looking at me  
saying, 'Well, it is not in there.' And I said 'No, no, this is a key driver of poverty and are you  
telling me that it is not in there?' And they said, 'Yes, it is not in there'.

And I said 'Okay, well how about liquid assets then? Surely some of the people may have a  
low income but may have substantial liquid assets?', and they said 'No, that is discounted in  
here as well.'

240 So I think the more I went and dissected the old measure, the more inadequate I felt that it  
was for actually capturing the genuine lived experience of people in poverty.

**Q300. The Chairman:** In the Isle of Man we have a system that is not a million miles away  
from what the DWP does in terms of social security benefits, in terms of income support,  
245 unemployed person's allowance, some of these things you will recognise. Is this system of  
benefits just not fit for purpose in terms of solving the ill of poverty?

**Baroness Stroud:** So it is not the system of benefits; it is how that is then captured in a  
measurement. So a lot of those benefits were left out of the system of measurement. For  
250 instance, child care was only counted as income in the old measure, but not offset against the  
costs. Disability benefits were counted as income but not offset against the costs.

So in the old measure, you are not giving a true picture of that family's household income. In  
fact, you are distorting it. You are saying that this income, childcare income and disability  
255 income, can be used for anything, whereas actually the government is giving it to that household  
for a precise purpose, saying, 'You have costs of childcare, and you have costs associated with  
your disability, so that cannot go on your rent or your food'.

It is not so much a statement about the benefit system; it is more about how that is then  
captured in a measure.

260 **Mr Oakley:** And more broadly it is not just about the benefits system; this is about –  
(**Baroness Stroud:** No – work.) Yes, it is about work, it is about the cost of housing rather than  
just how the benefit system manages those. It is about the lived experience of poverty, it is  
about how long someone has been there – all of those things which are much broader than the  
benefit system – as I was trying to say earlier. This provides policymakers with options other  
265 than tweaking a lever to try and move people to one side or other of what is a fairly arbitrary  
line.

This is about trying to improve the lived experience of people right across the income  
distribution.

270 **Q301. The Chairman:** I am conscious, and I will flag it now, that this may be a slightly unfair  
question but if it is, just say so and I will move on – but do you think that this is a metric that is  
entirely scalable? I mean you are used to dealing with millions of people coming in and out of  
your measure; we have a population here of 85,000.

275 Do you think the measure would be able to scale easily up and down to a country the size of  
the Isle of Man?

**Baroness Stroud:** Yes I do, I have thought about this quite a lot obviously in preparing to  
come in and talk with you. Basically, the measure is a framework. You then put your numbers  
through it, but all the measure is is just a framework, in a way, with empty boxes that you then  
280 have to fill with the value of whatever you have and the number of people that you have.

So it can easily be used either at a local level – and in fact, we would love to take it in the UK  
down on to a much more local level – or on a very large national level. We have started having  
conversations with the OECD as well, about their exploring how it works which is very exciting.

285 **Mr Oakley:** I think that point is really interesting because what you can do, when you are thinking about this as a framework, rather than a set of strict rules about how you measure poverty, is actually different things in different countries might be measured in different ways.

So the obvious example, if we are including the cost of child care as an unavoidable cost, in the USA you might want to include the costs of health care. So you can adapt it and pull it  
290 around to include things in different countries which are more relevant to those countries. So it is not just a strict, every country must measure poverty in this way; it is saying, there is a framework here for understanding the extent to which people are able to meet their needs today, and you apply that to your own country in your own way.

295 **Q302. The Chairman:** Absolutely.

Has the metric been piloted anywhere other than the UK to see if some of these unintended consequences and some of these local variations would pop out? Is it something that has, as you know, at the moment only been done within the UK?

300 **Baroness Stroud:** Yes, I do not think it is been done anywhere else yet. We only published it a few months ago. So yes.

**Q303. The Chairman:** Okay.

Baroness Stroud, you have said that, and I will quote you here:

The lack of an agreed measure has left the Government unaccountable for their policy action on reducing poverty.

305 And:

The lack of a measure, and an agreed measure, prevents Government making a sustained effort on the issue of poverty.

What is it that has prevented that work until now?

**Baroness Stroud:** So I think it is probably best in answering that question if I just talk about my observation of how the government worked as I saw it.

310 When I was in the DWP, I used to do a lot of the negotiation with the Treasury on the big budgets and spending review settlements. It was my observation that on the economics decision-making side, you had the OBR as a point of accountability and you had, externally from government, the IFS – the Institute of Fiscal Studies – and they genuinely, on economic decision-making, provided a sense of accountability. I can remember being in conversations  
315 where the last conversation before the budget was locked would be: what would the IFS think of this? Just wanting to check that their understanding when they commented the morning after the budget would have been the same as that that the Government was about to announce.

On the social policy side of decision-making, I saw no such accountability. What it leads to is short-term decision-making for something that requires a long-term strategy. One of the most  
320 complex and difficult things to change is the life of somebody in poverty. Yet we think that we can do that with a six-month programme, or a one-year programme, or a spending envelope that is time limited. There is a reason why – our poverty data goes back to 2001 – and actually whilst the composition of the ‘who’ has changed in that time, the 14.2 million people in poverty has remained pretty static the whole way through. So what that says to me is that if you think of  
325 all the noise around poverty, all the debate, just all the policy attempts during that time, none of them have really moved that stubborn 14.2 million. You may have had 200,000 that have moved up one way and then 200,000 have moved back down the other way.

So the reason why I wanted to put this Commission together was I felt something of a different order, a different step change, a different accountability structure, was needed to drive  
330 a long-term sustained effort against poverty that was more than just redistributing a bit to the

welfare state here, and a little bit more there, that actually was looking at changing the trajectory of lives.

**The Chairman:** Miss August-Hanson.

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**Q304. Miss August-Hanson:** Thank you.

Just in relation to that static nature of poverty, do you think that is because of the way that the benefit system is structured, in that it does or does not move people out of poverty and on, creating that social movement? And if so, was that then the prompt to look into defining poverty itself?

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**Baroness Stroud:** I think there is actually quite a lot of movement that goes on. So whilst there is a stubborn 14 million people, the top part has quite a lot of movement in and out, and in and out, and in and out. So I think, not in our numbers, but in another report the DWP did, it shows that about 50% of people who are in poverty one year, are not in poverty the next. But then this is an up down, up down, up down – so in our numbers 10% of those who are above the poverty line, very, very small number changes would bring them down, and 10% below, very small changes would take them up. So you have a lot of churn in that sort of space as people are probably moving in and out of temporary jobs, in out, in out, that sort of churn.

345

The much harder to shift is the 8 million, 7.7 million, who have been there for two out of the last three years and are in that kind of persistent space. So they are the ones that I am actually really concerned about. One of the exercises that we did was to try and find out how we could break that entrenchment. At the end of the day, the only indicator that was really consistent was that those who have been in poverty in the past and those who have been there longer term are more likely to be there in the future. I know that is a statement of the blindingly obvious, but when you test it on the data it really shows you that that is the case.

350

So actually, the best way of shrinking your group who is in poverty is never allowing them to come in in the first place. Is it a reflection of the welfare state? I think we have made a lot of changes to try and make that trajectory out smoother. One of the things that this does show is that it is full-time work, not part-time work, that lifts a family out of poverty. And I think we have had the narrative around the fact that it is work – actually, part-time work gets you so far, but if you really want a family lifted out, it is full-time, sustained work that changes the trajectory of a family.

355

**Mr Oakley:** And I am going to say like a broken record, but this is exactly why this measure is so much better than what came before, in terms of really targeting an anti-poverty strategy.

365

Take the depth of poverty, for instance. What we have is a way of understanding – which has not, to my knowledge, been done before – how far below the poverty line people are, and how far above the poverty line people are. What we know is that the closer you are to the poverty line, the more likely you are in future to fall below it. So what this provides is a framework for saying, 'Okay, yes, we want to move people closer to the line than above the line, but actually we do not want to stop there. What we want to do is move people as far away from that line as possible, because that means they are much less likely in future to fall below it.'

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And that provides, again, a much longer-term strategy and a much wider range of tools you need to use to try and reduce poverty in the long term.

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**Q305. The Chairman:** And I suppose this goes back to the earlier point as well does not it, about the fact that this has not really succeeded before now is because a lot of these things fall into different silos. So education would fall into that department over there, housing would fall into that department over there. So there is not really an effective scrutiny mechanism either, to look at the whole metric of poverty. For example, the DWP Select Committee is only going to get you so far because it is really only going to look at benefits. That is where you have got that

380

ability to take a step back and look at the whole suite of metrics outside of the department silos, in a way that cannot seem to be done within Whitehall. Is that a fair reflection?

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**Baroness Stroud:** Yes, and the only way of moving the previous measure was either through increasing benefits, or through work – employment – so you are increasing the income. You had no other tool available to you. Whereas this measure basically enables you to use every tool at your disposal to help a family, and that is actually a much more realistic picture of someone's life as well.

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**Q306. The Chairman:** So is that the ambition then for the Legatum Institute? To be that thing that will hold government's feet to the fire across the suite of metrics and it will be adequately resourced and have that moral authority to do that scrutiny work?

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**Baroness Stroud:** So the Social Metrics Commission is an independent Commission that is housed at the Institute, but is focused on the development of metrics.

Yes, the Legatum Institute would like to do that very detailed work of holding to account.

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**Q307. The Chairman:** Just a few extra points.

Again, we talked earlier about 60% of median earnings, whereas in this metric we are talking about 55% of total resources available when comparing it to the three-year total resources available average. Why have we gone for a different percentage there? We have moved.

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Is it because you are just finding that people are ...? How did consensus arrive around the 55% of total resources available? I suppose it is as much of an arbitrary figure as the 60% of median income, isn't it?

**Mr Oakley:** I think you just answered the question for us. *(Laughter)*

410

**The Chairman:** Thank you. I will try to ask fewer leading questions.

**Mr Oakley:** No, no – I mean this was one of the most difficult things that the Commission had to decide, and it was one of the last choices the Commission made, shortly before this time last year.

415

We did an awful lot of work as a Secretariat and technical team to try and pinpoint what that threshold should be. So can we scientifically say if you are one side of a line then you are not in poverty, and if you are on the other side of line then definitely, yes, you are in poverty and your experiences are completely different? That does not exist. 60% of median income is an arbitrary line and we could not find any evidence about why or when that was decided upon.

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So with that in mind, the Commission essentially decided that it had no better information about the number of people in the UK than what we currently had. What we currently had was a measure of poverty which suggested that 14.2 million people in the UK were in poverty. The Commission did not want to falsely claim that it thought that poverty was lower or higher than it was before. What it wanted to do was focus attention on the types of people and the types of groups who were in poverty underneath the line that it drew.

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So essentially, the 55% figure – the choice was made to make sure that the number of people in poverty was the same in the UK as it was estimated to be before. That allowed the Commission then to focus on the sorts of people in poverty and their experiences, rather than having this continued fight about the number overall.

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**Baroness Stroud:** And obviously it is a percentage of a different number.

**Q308. The Chairman:** Yes, I get that. Hopefully that has come across clearly.

435 But in terms of the number that was picked, how does that correlate to a lived experience of poverty? Obviously I appreciate that is going to be different for everybody, because there are so many more values going into this, but is that basically a judgement about saying that this is something that you can live on, even to go as far as to say is an acceptable standard of living, that 55% of total resources available? What does it represent?

440 **Mr Oakley:** I think for us this goes back to the argument that this is a poverty measurement framework; it is not just about this one number. I think the Commission, again, has accepted that where you draw the line is arbitrary, and our work to date has suggested that, actually, people just above the poverty line are probably in a very similar – well, they *are* in a very similar – situation to those just below the poverty line. What the framework allows you to do is  
445 say, okay, so let's look at people at different depths of poverty, let's look at the experiences that they have – the lived experience of poverty that they have – and see how they are different, and see how different policy measures can be targeted to improve the lives of those 50% plus below the poverty line or just below the poverty line.

450 Equally, as I was saying earlier, let's try to move people from just above the poverty line, where we know their experiences are fairly similar, to much further beyond the poverty line. By doing that, actually, it is focusing less on the specific overall number, and saying actually there are a range of things we need to do here to improve, and help improve people's lives and their experiences, whether they are 50%-plus below, whether they are just below or whether they are just above. It kind of provides you a whole framework for doing that.

455 **Baroness Stroud:** I really wrestled with 22% of the population being in poverty. That was something I found, and that is the same under 60% median income or ... I really thought, can we really, as a Commission, make that statement? At the time – this was in August and I just happened to be driving around the north of England – I was in Middlesbrough when I was on a  
460 call to Matt, and we were having to make this decision, and we had gone backwards and forwards on it and I just started googling, 'no educational qualifications in Middlesbrough', and then in Hull and just some of the northern towns, and it was coming out around the 20-25% mark.

465 I thought, actually, if that is the number of people with no educational qualifications, and the percentage, then we have got to believe that is about the right level. But certainly you drive back into London and people say, 'You have got to be kidding, 22% of the population!' But actually, when you start putting that against those Lived Experience Indicators, you start realising actually that there are a lot of people *really* struggling out there.

470 **Q309. The Chairman:** In terms of the breadth of the problem, we mentioned earlier about the silos of government, just can you give us a flavour of what departments in the UK government are affected by your measurement and which ones you are working with?

475 **Baroness Stroud:** So the main ones that I have been working with on this have been DWP, and Treasury, and Number 10, just because that is where the decision-making nexus for this sits. But the Department for Education obviously is going to be crucial because of the educational outcomes. DWP has got the family, skills, employment agenda. The Department of Health has got the health, and mental health agenda, and then – I always get this one wrong since they changed the name of it – I want to say DCLG but it is not called that any more ... (**Mr Oakley:**  
480 MHCLG.) MHCLG, that has also got the housing.

Those are the ones that we would mainly been working with.

**The Chairman:** Thank you very much.  
Miss August-Hanson.

485 **Q310. Miss August-Hanson:** Thank you.

You have settled on two different data sets. Obviously those have been expanded on via the Office of National Statistics. But can I ask why – for the record – they were chosen, and how they interact with each other within the confines of the metric?

490 **Mr Oakley:** Sure. So I think Baroness Stroud had mentioned earlier that what the Commission wanted to do was use data that the Treasury and government more generally would be comfortable with using and accept as a good set of data to be using. At the moment, in the UK, the best way of measuring incomes and families lives around those incomes, is the Family Resources Survey. That provides us with a pretty good understanding of incomes – although it  
495 does have its limitations – the benefits people receive, and a much broader range of questions like family composition and things like disability costs – those sorts of things. So that, for us, was the most obvious data set to be using to measure poverty now, as we describe it, and the depth of poverty.

The problem with that is it is a snapshot, so it takes a sample of households in the UK once a year and does not follow up with them afterwards. Obviously if we are looking at the persistence of poverty, as we wanted to do, that required us being able to track families over time. In the UK the best data available to do that in a sustained way is the Understanding Society data set, which captures a sample of households and follows them from year to year and captures the same sorts of questions which allows us to understand whether people have been in poverty for  
505 a sustained period. So we have managed to use those two data sets together to create the measurement framework.

Ultimately, with my kind of analyst, economics data hat on, if all of those data sets could be brought together into a bigger data set which tracks more households overtime that would be great. If it could be combined with data from the Department for Work and Pensions – from  
510 government itself – around people's earnings and incomes and the benefits they receive, even better. We are pushing quite hard for some of those things to happen, and for those data sets to be improved.

But at the moment what we are using is pretty much the best available in the UK.

515 **Q311. The Chairman:** Could I just chip in there and ask what proportion of the population that picks up? I appreciate they will be a relatively small sample, but you are picking up numbers like a fifth of the population out of it, so I was just wondering how big that sample is?

**Mr Oakley:** That is a question I would have to come back to you on –

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**The Chairman:** That is okay.

**Mr Oakley:** As a proportion it is not huge. Household surveys in the UK are typically between 40 and 60 thousand households. So in context here pretty large, but the context of the UK not a  
525 huge proportion.

**The Chairman:** Okay. Thank you. Sorry.

530 **Q312. Miss August-Hanson:** You said that the metric itself better defines who is in poverty, and what their life experience is, and the characteristics of those living just above or below the poverty line. Could we just sort of go over how it does so?

**Baroness Stroud:** So, if we start with those above and just below the poverty line, the fact that we even capture 10% above the poverty line and 10% the poverty line is new. Historically  
535 that has not happened.

In terms of it better capturing the 'who', as I was kind of unpacking a bit before, it now for the first time include those with assets, it includes those with disabilities. I think the big take-home when we did the first cut of this last year was that nearly 50% of those in poverty are either in households with a disabled adult or a disabled child. That has never even featured before, so the role that disability plays in poverty has never been brought out so starkly.

We are able to clearly demonstrate the work status and the fact that it is full-time work. We have brought into this measure those who are rough-sleeping: that may be surprise to you, but those who are rough-sleeping were not part, because they do not feature on household survey data, funnily enough, they do not sit there filling in household surveys. They did not feature in any poverty statistic; they now feature in this one.

**Q313. Miss August-Hanson:** May I just ask actually, is that through qualitative analysis then in that case?

**Baroness Stroud:** No, it is just that we added them in. We just said we are going to take the national number of those who are caught in the rough-sleeping survey.

**Q314. Miss August-Hanson:** Do we know how accurate then that data is? Obviously it is very difficult to capture individuals that are living like that in surveys and such like, because they are not necessarily very apt to – **(The Chairman: More off-grid.)** yes, they are off-grid.

**Baroness Stroud:** So, I believe that I am right in saying this – there is a rough sleeper survey done which is a physical survey, where people actually go around counting those who are rough-sleeping, and I think the count is done once a year. I believe I am right in saying that.

**Mr Oakley:** It is done once a year.

**Baroness Stroud:** It is done by the homeless charities themselves.

**Mr Oakley:** Yes, it is.

So I think that the point here is not ... so the number we have got on the measure is 5,000. Whether it is 6 or 10,000, or 4,000, or 3,000, is not really the point here. In the overall measurement of 14.2 million, that does not really make much of a difference. What is important is that we are including that number in there **(Baroness Stroud: Yes.)** so actually, again, this is about making sure that government is held to account for reducing the number of people who are rough-sleeping, because obviously those people are in poverty. We cannot disagree with that, but they have not appeared in this before, or even been explicit that they should be in there. So that is a really important step.

**Baroness Stroud:** And there is an overcrowding element in the measure as well. So that if, by taking an extra room that in and of itself would put you into poverty, then you are included within the figure, because if you are living in an overcrowded household.

**Q315. Miss August-Hanson:** Thank you.

Is the metric and the Legatum Institute as judgement-free as those who will be rolling it out, I mean is there culture change that is also needed, do you feel?

**Baroness Stroud:** Sorry, can you?

**Miss August-Hanson:** Is there a level of culture change that is also needed within government that might run alongside whatever the Legatum Institute is doing to hold government to account?

590 **Baroness Stroud:** I would say yes. I would say that if we can reach some form of consensus around the measurement of poverty; the next step is to reach some form of consensus around strategy. If you can reach some form of consensus around strategy, then you can achieve that long-term sustained support for people who are disadvantaged. That I think is what is really required.

595 So if you are looking at education for example, it needs long-term support of young children going through the education system, probably throughout their time in the education system, if they are going to have a different trajectory from their parents' experience, and just chopping and changing programs the whole time is not helpful to a child.

600 Mental health, for example, if you want to achieve long term sustained changes – if you have been brought up in a household that has very bad mental health – then that is not going to be turned around in a moment, that is going to require longer term support, if you are going to become an adult with strong resilient mental health. So there is a culture change I think that is that is required, and I think it is a genuine understanding of what it takes to turn a life around.

605 **Q316. Miss August-Hanson:** And just on that point quickly before we move on. Mental health: we have found in an awful lot of the work that we have perhaps done, and the evidence that we have taken, that mental health does play a rather large part. Is that something that is reflected in your own data and research?

610 **Baroness Stroud:** So yes, in the lived experience measurement at the back, we have got the differential between those who are in poverty, and those who are not in poverty, and you have a higher mental ill-health amongst those who are in poverty.

So our challenge is, actually, let us at least have as a goal to bring it up to the same level as those who are not – that should be goal number one – as those not in poverty.

615 **Q317. Miss August-Hanson:** So just moving back to the Legatum Institute and it holding government to account. How important is it that it is done independently of government? I know that you touched on it so far already, but what work has the Legatum Institute done so far, and what obstacles have they encountered along the way?

620 **Baroness Stroud:** So I do think that I have probably learned by watching the role that the IFS play on economic policymaking. I do think that having a well-respected, independent body commenting regularly – budget spending review, budget spending review – on economic decision-making of a government does provide some form of accountability. But it has to be rigorous and non-politicised for it to play that role.

625 That is what I would like to see us playing on the social policy side, that kind of rigorous, independent commenting on budgets, spending reviews, but also on policy announcements by any government of any colour without favour just like this is – modelling it, saying this will be the outcome of it. Yes.

630 **Mr Oakley:** I think that more broadly as well, the major step forward here ... Well, let us take a step back and say, 'Okay, so the IFS can do what they do because we all agree what GDP is, or we kind of all agree what productivity is'. Whether it is the IFS, or whether it is Legatum, whether it is IPPR, other think tanks, whoever it is, we can all make a statement based on an understanding of what the measure of GDP or productivity says.

635 What the Commission has done is try to take forward the same approach to measuring poverty, and once that measure has been agreed, and once there is a consensus around it, whoever wants to can use that to hold Government to account and we would look, I think, more broadly for the wide range of organisations, whether that be poverty charities themselves, or think tanks from the Left or from the Right – whoever – to use this measure and actually take forward and hold government to account to actually delivering a strategy to tackle it.

640 **Q318. Miss August-Hanson:** Thank you.

So we have talked about previous income-only measurements not offsetting disability issues that might crop up. What kind of an effect has this had on those living within limited means? Do we know? And the metric that was established appears to have a long-term plan for those individuals, having read the report. So could you explain what that is and also what is meant by  
645 Lived Experience Indicators?

**Baroness Stroud:** The Lived Experience Indicators are really there to describe the experience and what it is like to live in poverty. We would have liked to have had an even broader range of them, but we were not able to do that from the data. So the ones that are there are the most  
650 robust ones that we were able to do with the data.

We feel that they are important because whilst poverty is about money, having a lack of money has an impact on your life, particularly if you are living there for a long period of time. That is what we were beginning to see, and there will always be debate around whether or not it is family breakdown that causes people to go into poverty, or whether or not poverty causes  
655 family breakdown. But what there cannot be disagreement on is that there is a differential between those in poverty, and those not in poverty.

That is when I said the first goal, at least, should be to close that resilience gap of the Lived Experience Indicators. I think that is one of the reasons why we wanted to include the Lived Experience Indicators: (a) because it improves people's lives; but (b) because it gives  
660 governments of any philosophy the opportunity to really move the dial for people in poverty. So some will have an approach whereby they really want to focus on mental health. Well if they really do that, that will be rewarded. Others will say no, no, no, it is all about income redistribution. Well, that will be rewarded. So it is like, you can choose your approach, but it will get rewarded in the measure if you are really improving people's lives.

665 **Q319. Miss August-Hanson:** And you say a broader range of indicators, what kinds of broader range of indicators? Can you say?

**Baroness Stroud:** So – can you remember the other ones? There was a criminal justice one and an environmental one as well, I think. Yes.  
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**Mr Oakley:** And more broadly, we have had to draw from the data that is available to us. I think if we were designing the surveys ourselves, we would probably choose slightly different questions or more robust questions. These are indicators of the underlying issues we  
675 are trying to get at.

Obviously we would love the data to be better, but again that is something we are working on with the department and others at the moment.

**Baroness Stroud:** It is interesting actually because all of the Lived Experience Indicators go the way that you would expect apart from two. So the two are the alcohol consumption and the drug-taking, which are higher for those not in poverty than those in poverty.  
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All of them go exactly the way you would think they would do, apart from those two which are the other way round.

685 **Q320. The Chairman:** Which does actually undermine some of the stereotyping you get around people in poverty.

**Baroness Stroud:** Yes absolutely, absolutely, and shows that middle class alcohol consumption and drug-taking is unfortunately alive and well.  
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**Q321. Miss August-Hanson:** Going from these indicators, to references to inescapable or unmanageable, unaddressed costs: could you expand on the need to track those, please?

695 **Mr Oakley:** Yes sure, so I was going to say earlier – I started describing the Commission’s measure a bit differently recently, and I think it works here. What we looked at before is just people’s incomes, rather than their ability to turn incomes into living standards that meet their needs effectively. That is what the inescapable costs are about. It is about understanding where specific households and families have different needs to other families that they cannot avoid.

700 So if you have to meet the extra cost of disability, that money is not available to spend on the day-to-day things that other families without those costs would need to spend the money. So we cannot assume that family needs the same amount as a family that does not have that level of disability. So taking those into account really allows us to understand the extent to which someone has the income that they have and that actually meets their needs.

705 In the same way, families with child care costs have to spend that money. They have to spend that money on child care in order to go out to work, or to take on other caring responsibilities for instance, and that means that money is not available to spend on putting food on the table, or clothes on their backs – whatever else you might want to say. So understanding, and taking account of those things is vital. Again, it also provides government with a different way of tackling poverty. If you can reduce, or meet the extra costs of disability, if you can reduce the cost of child care, if you can reduce the cost of housing, all of those things will have a material impact on our measure of poverty now, rather than just trying to redistribute income.

710 So it is both a better reflection of poverty, or the extent to which people can really meet their needs, but it also provides a really good way of tackling poverty – a kind of lever that government can pull.

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**Q322. Miss August-Hanson:** I would imagine that in looking into inescapable costs, or unaddressed cost, there were some surprises in twinning, cross-departmentally, some of that data together.

720 **Mr Oakley:** So, again, with everything we have done, what we have tried to do is just take the data that is in front of us because we wanted to use data that the government would accept and understand and recognise. So everything we have done, is just to take what people report they spend, from the Family Resources Survey, so we are not making assumptions about what people spend. We are not saying, ‘Okay, you have got two children, and they are aged x, y and z, so we think that you have child care costs of this’, or we think that ‘your extra costs of disability are this’; what we have done is just take the data that is reported to us. In that way we are being objective, we are not making value judgements, we are just really analysing what is put in front of us.

730 **Q323. Miss August-Hanson:** You said that, in the reports, you will see that there are figures of people that are 10% below the poverty line, 20%, 30%, 40%, 50%-plus below the poverty line, those below that might be living in destitution, what work is underway by the Social Metrics Commission to address that?

735 **Baroness Stroud:** Yes, so the Social Metrics Commission is a creator of metrics, rather than commissioning any work. But one piece of work that we do want to take forward is who is that 50%, those four million people living 50% below the poverty line. Some of those will be that destitution group. Some of that – no system of measurement has ever really identified who is there, and so what we do not know is whether that is a data issue, or whether that is the number of people living 50% below the poverty line. We have actually put in for a grant to be able see whether or not – we have not got this grant yet so we do not know – but to be able to

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really get underneath that ... that is one of the things that concern me the most: 50% below, that is a long way below, and what needs to be done in order to really find out who is there.

745 **Q324. Miss August-Hanson:** What does the metrics suggest about households – you have touched on this already – in full-time work?

**Baroness Stroud:** The date clearly shows – the measurement clearly shows – that it is full-time work, and it is all adults in the household having full time work that lifts a family out of poverty. I think it is 91% – it is only 9% of those who have full-time work who are still below the poverty line. So it is still the surest way out. That drops quite substantially down to something like 50% plus for those in part-time work and nearly 70% for those who are unemployed being in poverty. So it sends a very, very clear message that it is work that is the way out.

750 I think historically we have always thought that any work could get you out of poverty, I think what this shows is that is not the case. It is full-time, sustained work that gets you out of poverty.

**Q325. The Chairman:** Just to come in on that. In terms of where the lumps of figures are within this report; really it is the correlation between full-time work and disability that seems 760 (**Baroness Stroud:** Yes.) to be where the volume opportunity is to take people out of poverty.

**Baroness Stroud:** Yes, I would agree with that.

I spoke on this in Parliament, and one of things I said is that actually one of the best ways of lifting people out of poverty would be supporting people with disabilities to work full time, particularly when we know that so many of them want to, and we need to be really creative around the support that we give to people with disabilities.

765 Also, the other thing is, they may have a child who is disabled. What kind of child care support which will give a parent the confidence to actually leave a child in child care when they are disabled to actually go out to work? Is there something in that policy space that is required as well? Lots of parents just do not ever feel emotionally free to make that sort of choice.

**Q326. Miss August-Hanson:** And pensioner poverty was shown to be lower, am I right? Could you explain that a bit further, please?

775 **Baroness Stroud:** Yes, we think this is because of the inclusion of assets. This is liquid assets. This is not property or anything; this is liquid assets – so we think that is what is lifting a number of pensioners out. Pensioner poverty, by any measurement of poverty, was already falling.

780 So whichever way you measure it, we are making progress with pensioner poverty, but we think this measurement, because of the inclusion of assets, shows that progression even stronger.

**Q327. Miss August-Hanson:** Cheeky question here, I am afraid, I am sorry – can you give us any indication as to what changes there would likely be to the report next month?

785 **Mr Oakley:** Oh, that is a very good question. What I will do is a politician reverse shimmy and say, well –

**Baroness Stroud:** Not bad for a civil servant. *(Laughter)*

790 **Miss August-Hanson:** Very good.

**Mr Oakley:** Let's take a step back and I think what the Commission outlined last year was a framework which it wanted to take forward as a way of measuring poverty. You will have seen if

795 you have read – well, you read the report – you will have seen there are certain areas that we were not able to take forward, and could not measure and we will continue to work on. Those include improvements over the extra costs of disability. We currently used a proxy for those which we think is the best we can do with existing data, but we want to take that forward and improve in the future.

800 We want to include debt, which is not currently measured in the Family Resources Survey in the UK. We wanted to include a measure of the social care costs, so matching what we do with child care and also kind of echoing what we are doing on the extra costs of disability. And we wanted to do one more thing which was to tackle or improve the approach to equivalisation that Baroness Stroud mentioned earlier. That is the process through which we account for different households, different sizes and composition in poverty measures.

805 Just to give a flavour for, in my view, of how wrong that currently is – essentially we are assuming that the needs of a 14-year-old, a 54-year-old, and a 104-year-old are the same. That does not sound necessarily like it is right. Also assuming that the needs in financial terms of a one-month-old is the same as a 13-year-old. Again, that does not necessarily sound right to me. So that is a really big thing that, again, we have just hidden in previous measures and not really thought about for 20 or 30 years which fundamentally changes our understanding of poverty. So we want to improve.

810 All of those things are fairly big pieces of work. Some of them require collecting new data, which we are currently talking to the Department for Work and Pensions, and the ONS about, and really pushing them to move as quickly as possible on that. Others require significant research agendas. So I am not saying that I can sit here now and tell you how to develop a new measure of equivalisation for the UK and indeed internationally, because let's not forget that a large number of countries use the same, so-called, OECD approach to equivalisation, which is not actually the OECD approach.

820 Essentially this is a big programme of work. We have had, I think nine months since the launch – 10 months – since the launch of the last report. We have not got there yet. We started the work, so I think it is fair to say you should not expect too many massive changes or massive changes to methodology in next year's report. What I will say is that we will be publishing a short note this week explaining some fairly small tweaks to the methodology that will be included in this year's measure. So watch this space.

825 **Baroness Stroud:** Just to give you more of a tantaliser, there are some other interesting aspects in it. Last year we only had the Lived Experience Indicators by whole poverty cohort, whereas this time we also have them by depth, which is –

830 **Q328. The Chairman:** Sorry, break that down for me in terms of what you mean by that? I was doing fine until that point, but now you have lost me on a definition that I do not remember.

835 **Baroness Stroud:** That is okay. So we use the Lived Experience Indicators only against the 14.2 million – (**The Chairman:** Right.) whereas this time, it is actually against persistence, isn't it? This time we have actually got it against a further breakdown against those in persistent poverty. We are also including race, which we just did not have last time – I do not know why we did not. We have cut the data that way as well this time. So there are some additions this time round too.

840 **Mr Oakley:** So there are those who are also including a more detailed breakdown on disability, to breakdown by families with a disabled adult and disabled child, also cutting it by individual disability and by gender, and also looking at the cross-breaks of persistence and depth. So looking at how persistence of poverty varies by people at different depths of poverty.

845 There are some new cuts and some new bits of analysis that you will see in the report, but also a couple of changes to methodology which you can see this week.

**Q329. The Chairman:** Is that also going to give you more information about the persistence and depth of this disability that is being suffered in terms of then correlating that in?

850 **Mr Oakley:** It is certainly something we – (**Baroness Stroud:** Yes.) that is not something which we will have feature on the report, but certainly if you could cut the data in that way, yes.

**The Chairman:** Thank you.

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**Q330. Miss August-Hanson:** You made mention of the OECD. What is their interest?

**Mr Oakley:** We have had a really good conversation with the OECD for the last couple of years on measuring poverty. I think they recognise some of the same issues that we do. I mentioned earlier that the OECD do not use the OECD approach to equivalisation, they use something different. So we have had conversations with that.

860 I was at a fascinating conference – spoke at a conference – which they had in Paris a couple of months ago, looking at some work they are doing across seven different countries to do a bottom up approach to understanding how you measure poverty. They have undertaken some participatory research with people in poverty, or with lower incomes, to understand how they would measure poverty, and developing a framework for doing that.

865 What was really interesting is that chimed incredibly well with the approach that we are taking at the Social Metrics Commission, so that was really reassuring to see, and it was really reassuring to see that we managed to put a framework for actually measuring those things with data, which they have not managed to do yet. So I think it is a case of, watch this space. There are ideas about how you might use international data on these things. We are a small team, we are doing as much as we can to do international work as well as UK domestic work.

870 So again, watch this space and we will continue to push.

**Q331. Miss August-Hanson:** Thank you.

Does the rollout of the metric require legislation as a foundation stone?

**Baroness Stroud:** I do not believe that it does require legislation, although it may well end up being legislated for, if that makes sense. We were asked by the Work and Pensions Select Committee to draw up legislation, but this was before the Government announced that they were moving forward with experimental stats.

880 So we do have draft legislation on the books ready and prepared to go, were it required, but I do not think it is going to be needed.

885 **Q332. Miss August-Hanson:** Would you be able to share that with us at all?

**Baroness Stroud:** Yes.

**Mr Oakley:** Yes, no reason ... yes.

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**Miss August-Hanson:** Thank you.

**Q333. The Chairman:** It does strike me as being a rather data-hungry metric, it is something that is not just take one number that we all collect, times by an arbitrary figure, and then look, we can see who is either side of the line. Has that been a difficulty in terms of dealing with DWP

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and others in terms of the sheer outlay it is going to cost in order to work out how many people are affected here?

And again, I am possibly thinking ahead about how scalable that is going to be for a smaller community?

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**Mr Oakley:** I do not think so, no.

So far what we have done is use data that is ordinarily available in household surveys. I will talk about UK first – so the large part of what we have done so far is use data that is available in household surveys. There are a few additions that we think would be helpful, so the extra costs of disability, social care costs – those two things – which will require probably more questions to be added to those surveys.

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Having been a user of these surveys, I think that is not necessarily a problem, in that some of the questions may not be needed. There is always a challenge of trying to reduce the size of household surveys, so we need to do that carefully. So I do not think it is a massive problem.

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In terms of scalability, I know that you have, or at least I think still do have your Household Income and Expenditure Survey. **(The Chairman:** Yes.) That feels to me like something which could be fairly easily adapted, and changed to capture some of these things. From what I understand about that, you will capture quite a large part of what we are talking about already, I think it includes a diary of people's expenditure – so actually you are probably even further advanced than we are, in that you could probably capture the extra costs of disability and child care better, and some of those things that we are struggling to capture right now.

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So actually you have got the framework for really developing a measure with the data you currently have. I do not know all the details of that survey, but from what I understand from reading about it, that is currently the case.

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**Q334. The Chairman:** I think the thing with our Household Income and Expenditure Survey is that it is only done every five years and that might not be adequate in terms of tracking some of the trends that you follow in terms of a three-year average and things like that. It is going to be – **(Mr Oakley:** Yes.) but again, it –

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**Baroness Stroud:** I always get into trouble with the Secretariat team because I always say, 'Oh well, it is just the creation of code, isn't it? And then you just run the code and it gives you the number at the end' – so I do get into trouble. But I think I am right in saying this, Matt, that once the code has been created, that is half the battle and then you can ... This is where I am going to get into trouble! *(Laughter)* So yes.

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**Mr Oakley:** Sorry, just to add to your point – I think this goes back to what we were saying earlier, that what we have created is a framework for understanding poverty measurement and doing it in what we think is a more comprehensive way than was typically the case in the past. It is up to local areas, individuals, countries to apply that in the best way they can and in the most sensible way you can for your own circumstances.

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I do not think we are going to act like the Social Metrics Commission police and say, 'You are not doing it exactly like we have said'. What we would love to see is you applying it in the best way you can. So understanding someone's resources, their ability to make ends meet, and following some of the principles that we have outlined. That does not necessarily mean you have to apply 100% of everything to your own circumstances.

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**Q335. The Chairman:** And just another point, we have mentioned about the lived experience of poverty. Does that include soft skills in terms of independent living, so things such as the ability to cook, the ability to budget – the things that it is not always easy to check up on a form but is definitely part of that lived experience of poverty, **(Baroness Stroud:** Yes.) and also your capacity to escape from it, I suppose?

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950 **Baroness Stroud:** It doesn't. It can only include the questions that get asked. So if those were the questions that were asked in the survey then we would be able to include those as well. But it does have skills, so it is not just education level, it does also have skill level, but not those soft skills.

955 **Mr Oakley:** What it does pick up on are households who are behind on paying the bills. (**Baroness Stroud:** Yes.) So we touched on some of those things. We do talk about material deprivation as well in there, so there are bits in there which touch on some of those issues, but as Baroness Stroud is saying, not directly on some of those, I guess wider capability measures.

960 **Q336. The Chairman:** Some of the things we have been talking about in our Committee is about the capacity of people to fall into poverty and the capacity of people to get out and obviously the more capable and competent you are for independent living in the first place, then you are more likely to be able to get to the escape velocity in order to find yourself (**Baroness Stroud:** Yes.) the side of the line.

965 So it is just the case that these are not factors that are in this? We cannot start to yet test the capacity of people to get themselves in or out or which direction they are headed?

**Baroness Stroud:** It does ask questions like do I have relationships that I can trust? How secure do I feel supported by my family or relational environment? So it is hinting at the kind of social capital of a family –

970 **Q337. The Chairman:** That stability, (**Baroness Stroud:** Yes.) rather than the capacity. Yes.

**Baroness Stroud:** Yes, that is probably about as close as it gets.  
But that is why we called those Lived Experience Indicators 'closing the resilience gap', because they are the sort of things that we felt came as close to that resilience. And when we first sat down as Commissioners – and I think you have seen that kind of wordle at the beginning of the Report – there were three elements. One was material – the financial; second was the social – the relational; and then the third was, how capable am I of moving my circumstances? And that was kind of where we were going to with our concept of what poverty was – the material, the social and the empowerment factor.

980 **Q338. Miss August-Hanson:** Just a quick question actually, if we just stick with the Lived Experience Indicators. When we talked about the broader range earlier on, you made mention of the criminal justice system. Would you be able to expand on that ever so slightly for me, please?

985 **Baroness Stroud:** I think it was more how safe people feel in their community. We have not included this – we were not able to – but like, have I been a victim of crime? We do know that people in poverty and in poor communities are actually more likely to be a victim of crime than people in more affluent areas and that has a deep impact on their sense of security and safety. Safety and security is one of the primary building blocks of a life without poverty. So yes.

990 **Q339. Miss August-Hanson:** And that being the other side of the fence as well with those that actually do commit crimes, because we have found ... We have had a lot of conversations with our Prison Governor, with the prisoners themselves as well and with the Probation Service and talked about poverty in relation to the criminal justice system as a whole.

Is that something that you have looked into from the other side of the fence there?

**Baroness Stroud:** So we looked at being able to do that but I do not think we could cross-reference that with the same – because we wanted this to be the same people and not like

1000 taking bits of random data from everywhere. So we actually limited it to those that we could tell  
were the same people, the same story and so we could actually really see what was going on in  
their lives.

They are all things that would be good to do and we have actually been approached – we are  
not doing this work – but we have been approached by an organisation wanting us to develop  
1005 new criminal justice measures using a similar sort of approach and philosophy. I think we have  
got enough on our plate just for the moment (*Laughter*) but that would be a way to go as well,  
because they would they would argue that actually the current crime stats do not properly  
reflect either.

1010 **Miss August-Hanson:** Broader subject matter.

**Baroness Stroud:** Yes.

**Mr Oakley:** What I think this identifies – the last few questions – is that I think we feel,  
1015 certainly I feel, that we have basically uncovered about 30 years of research agenda. If you  
change your definition of poverty and what you think poverty means, you essentially have to,  
not redo, but rethink some of the work we have done in the last 30 years, unpicking it, drawing  
correlations and causation between different kind of social ills or whatever, and so there is a  
huge, huge, huge research agenda here which we would encourage people to take forward and  
1020 be imaginative about.

**The Chairman:** I suppose by reciprocal measure then we will give you a copy of our Criminal  
Justice Strategy from 2012.

1025 **Baroness Stroud:** Excellent. (*Laughter*)

**The Chairman:** Mr Moorhouse.

**Q340. Mr Moorhouse:** Thank you.

1030 When looking for solutions, you have identified the importance of keeping people out of  
poverty. How realistic is this as a target?

**Baroness Stroud:** So obviously the measure picks up on how close people are to a poverty  
line and the measure in and of itself is not the policy that will address that. But actually, if you  
1035 start at the other end and you work on the basis that if you educate somebody and they are able  
to achieve qualifications, they are born into a family that just about tolerates them – they do not  
have to absolutely love them, but tolerate them and think that they are reasonably okay – they  
do not get into debt and they have a job, that combination of factors means they are very, very  
unlikely to fall into poverty. So there is a huge amount of work that can be done to prevent  
1040 people from coming into poverty in the first place.

My own personal view, and I am not expressing here the views of the Commissioners, is  
that – our data goes back to 2001 – I suspect if we ran those families, particularly that 7.7 million  
in persistent poverty, back generationally we would find that those are the generational  
families, many of them, who have been there for a very long time and that we have had very,  
1045 very little success at actually moving. That should really concern us.

I think we have probably got more opportunity at success of keeping out of poverty those  
closer to a poverty line who are already going in and out and I do think it is an aspiration that we  
should have – I mean, the whole purpose of creating this was so that we would challenge  
ourselves and we would just say, 'This just is not okay'. It is not okay that people round the  
1050 edges of the poverty line are not able to get themselves up and free with better support, and it  
is not okay that we just have allowed families to sit in this place generationally.

**Q341. Mr Moorhouse:** There is an incredible realism to what you have done in terms of looking at the source of money and the spending of money. How do those ideas link with things like the minimum wage and the living wage and the benefit levels? How do they all interact?

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**Mr Oakley:** I think I am being looked at here as the ex-civil servant to answer that one. I think – no, no it is fine – I will give the technocratic answer and you can perhaps give –

**Baroness Stroud:** The more political.

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**Mr Oakley:** Yes indeed.

So I think – let's take a step back – what the Commission has done is created a framework for understanding that question and, as you said, providing a realism for understanding who we think is in poverty. We then need to do a whole host of research to understand, is changing the minimum wage or the National Living Wage or whatever, the living wage more generally, is that the best solution to tackling poverty – as an example, for instance, that is not going to necessarily touch all people, is not going to touch someone in a disabled household who is out of work and not able to work? So is that the best way to go? That is a question for researchers and for policy analysts.

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What we have done is create a framework for understanding those questions in a more comprehensive manner. So it is not supposed to directly link to benefit levels or to National Living Wage or whatever else it might be. What it is supposed to do is provide a way to analyse those sorts of questions so you can develop that anti-poverty strategy in a more comprehensive and robust manner.

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**Q342. Mr Moorhouse:** In terms of that uncomfortable position of the individuals and the benefits and everything else interacting in many, many different way and the government's attempts to restructure the benefits system several times in the last few decades, is that going to be a core ingredient in actually resolving poverty? And will a government be brave enough to actually identify the solutions and bring those solutions into actual the marketplace?

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**Baroness Stroud:** I think whether or not a government will be brave enough or whether or not, again, that will need to be done externally to government and then potentially reflected back or maybe the government of the Isle of Man would like to lead the way in being courageous and inspiring us to go further.

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One of the ways of answering the question that you asked, and that Matt just answered, is that historically the measurement of poverty has been around one element – income – only, which then implies that poverty is very, very simple and it is all about just solving the income of a household. What we have sought to do with this measure is to show that, actually, poverty is a lot more complex than that, and that different families will respond to different parts of this – which is why you need a holistic strategy.

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I definitely believe that for those who are not able to work, either through disability or whatever, that the welfare state needs to be set at a level that provides dignity and adequacy for them. And then, for those who can work, they need to be supported to work up to their work requirement. So if that is full-time, then they should be able to be supported to work full-time, and that if somebody is doing everything right and they are working full-time, that that should be enough to lift that household out of poverty.

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I think that will come in a number of different ways. You have mentioned the living wage, I am an advocate of the living wage, though I do think that there needs to be a sense of commitment restored between employer and employee. My observation has been in a way we have subsidised wages – government has subsidised wages – and as such, in doing so, for all the best of intentions, have almost broken that commitment between the employer and the employee. Historically, an employer would have had to have said, 'Can my employee actually

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1105 provide for his family or her family on the back of this salary?’ That question does not need to be asked any more.

I think that part of us having a really comprehensive poverty strategy is that every person in society plays a role. The employer plays a role, the government plays a role and we will not actually see families lifted out without that comprehensive response.

1110 **Q343. Mr Moorhouse:** A recurring issue is those generations that go beyond, in terms of history, and how those families linked to those individuals are still finding themselves because of circumstance or choice to be locked out of the workforce and trapped in poverty, and potentially your only disappointing aspect to your report and research is that these people are still potentially being left.

1115 You focus on people who have come forward, the new poor, who can be improved, but the old poor, do they actually need additional support, additional routes out of poverty?

1120 **Baroness Stroud:** So who – I am interested in that – who do you feel we have missed? I am interested in your new poor/old poor, because the people who we have missed out of the poverty figures, it is not that they are the old poor; it is that we did not find them to be in poverty. So they are people with assets.

1125 **Q344. Mr Moorhouse:** It was really those people who – when you made the reference to keeping people out of poverty – those people who are kind of just clicking into the problem area – and perhaps I was wrong by differentiating those from the group who have long-term poverty and those people who have almost institutionalised into that, through the schools they have gone to and their life chances.

1130 **Baroness Stroud:** Yes. I would say that that is the group I am most concerned about. I would not say we have left them at all. I would say that actually really needs to be an area of focus.

I was looking at your unemployment levels: you have next to no unemployment – so these are not people who are just parked on the side on the Isle of Man. These are people who, if they are still in poverty, the chances are that they have some form of work, even if that is not stable work.

1135 I would just be interested in your perspective on that, because your unemployment numbers are so ... I think ours are amazing at 3.8%; yours at one point something –

**The Chairman:** 0.7%, if I remember.

1140 **Baroness Stroud:** Yes, it is like ... !

1145 **Q345. The Chairman:** But I think if you look at the number of people who on disabilities, you will find a number three times that. So it is not just about joblessness; it is about ... that is just the claimant count, for example, to use the –

1150 **Baroness Stroud:** Yes. And then it is about understanding who of those with disabilities want and are able to work. We did a survey in the UK where a million people who were on disability benefit said they wanted to work. Well, if they are saying they want to work, then that is the first place that we need to be providing support to.

So how many of yours who are on disability benefit actually would say to you, ‘We want to be able to work, can we have the support to enable us to do that’?

1155 **Q346. The Chairman:** So that is interesting then, you are looking at something around six million people with disabilities who are in poverty, and you are potentially saying there is a million people who are leaning on the door, trying to get to access more help.

1160 It would be quite a brave thing to differentiate, I suppose, but is there a differentiation between sort of soluble poverty and insoluble poverty? There will be, I suppose, an element of this that just will be eternally persistent, that will either through capacity or some people that we have been talking about in terms of their bad life choices will mean that they have effectively opted for poverty, which seems strange to others, but it is almost a choice that they have sort of boxed themselves into.

Do you feel that there is a sense of soluble or insoluble poverty and to what extent the balance is?

1165 **Baroness Stroud:** So, the classic example of that would be say, a drug addict, who, however much you invest in disability benefits or extra income for that family – in a way you may even be potentially damaging that household in terms of giving them more opportunity to buy drugs or whatever. But as someone who has worked with drug addicts for numbers of years, I would say our responsibility is to make sure that the way out is there and that the support is there for the day that they are able to take it and that there is a really developed and visible pathway out.

1170 None of us can make decisions for other people and in fact one of the key principles of the poverty measure was that we are going to be neutral on how people got themselves here. So if you are a gambling addict and you have got yourself into poverty – if you are poor today as a result of that decision-making – we will still count you as being in poverty today. That was an important principle to us as Commissioners.

**Q347. The Chairman:** I suppose I am asking a different question, because, for example with the gambling addict it may be that they are a highly qualified individual with lots of skills, they have made some really bad choices, but they actually have the capacity to get themselves out of that poverty – it would be less likely to be persistent poverty, I suppose.

Have we identified through the survey to the groups any that there is no other self-help way out of poverty? That the state will actually have to provide far better either in financial terms or support terms for this group?

1185 **Mr Oakley:** I think the answer is, the data can only take you so far on the persistence. I think what you are saying is really long-term, persistent families in poverty – we just do not have the data to say that. Of course anecdotally one would think that is the case. What I would hope, through the way we have developed the measure, is that those are the sorts of questions that can be answered in future. Assuming that Understanding Society, the UK's longitudinal survey, continues, in 20 years' time we will have close to 30 years of longitudinal data, which would be a fantastic source of evidence to answer that question.

1190 More generally, of course, if you are looking at things like education, like indebtedness – the full range of Lived Experience Indicators that we have developed – you start to be able to give a picture of those people's lives anyway, because you would imagine, potentially, you are talking about people with lower qualifications, more likely to be in households have taken on debt, more likely to be in households who are materially deprived, and if you start trying to tackle those things, actually, you think in 20 years' time maybe the group that you think are a problem group might be smaller because you are starting to tackle some of things you know were important for that group.

1200 It is bad that we cannot say yes or no to your answer now, but I hope we have developed a framework that allows us to do so in future and start to take action now to tackle some of the things we know will be a problem amongst those families.

1205 **The Chairman:** You can come back in 10 years and answer the question ... ! *(Laughter)*  
Mr Moorhouse.

**Q348. Mr Moorhouse:** How does the assessment of housing adequacy work?

1210 **Mr Oakley:** Sure, so the Commission decided that it wanted to take account of housing adequacy. Housing adequacy can range from anything from the quality of housing to whether it is damp, whether it is kept, whether it is safe – all of those things are very, very difficult to measure using household surveys. The one element of housing adequacy that the Commission was able to measure was the extent to which people are living in overcrowded accommodation. We judge that using what is called the bedroom standard. There is a legislated number of rooms which is classed to be adequate for the number of people in the household and the composition of that household.

1215 What we as a Commission have decided is that where a family is judged to be living in overcrowded accommodation but they are above the poverty line, if they were to spend or rent another room to meet their housing needs, if that tipped them down into poverty we would judge them to be in poverty, regardless of the fact that based on the data we have they are not in poverty.

1220 That is quite a complex explanation, I realise, I do not know if Baroness Stroud has a better way of explaining it but that was my best attempt.

1225 **Baroness Stroud:** I thought you did really well actually. Basically what we are saying is that if you are in overcrowded accommodation by the legal definition and to get an extra room to get you out of that overcrowded position would tip you into poverty, we would deem your circumstances to be the equivalent of being in poverty.

1230 **Q349. Mr Moorhouse:** How significant is the ownership of the house and the legislation of the quality of what is going on in that house in terms of the impact of the poverty? Is there a strong link?

**Baroness Stroud:** Between the ownership of the house?

1235 **Mr Moorhouse:** Yes, and the legislation that places an emphasis on the quality of the environment.

1240 **Baroness Stroud:** We cut it by ownership, don't we? Do you want to comment on the cutting by ownership?

1245 **Mr Oakley:** Yes I think there is more detail on this in this year's Report. Certainly poverty rates are correlated with homeownership. Amongst people who own their property outright – I cannot remember the exact number – but very, very few people are in poverty, (**Baroness Stroud:** Yes.) they go up a bit for people in mortgage-owned property, the highest rates of poverty, I think, are between 30% and 40% of people in social and private rented property. So far, far higher rates of poverty amongst those people who rent either socially or privately.

1250 What we cannot do within the measure is – and we have not done because of data availability – is look at the kind of quality measures you are talking about around the actual physical quality of the property. As I say, the only element of housing adequacy that we look at is the extent to which a household has the right amount of rooms for the number of people and the sorts of people within that family.

1255 **Baroness Stroud:** And that was partly because the Commissioners did feel that in terms of a child's ability to learn and in terms of mental health as well, that housing adequacy was an issue for poorer households and therefore they wanted that to be a visible element.

**Q350. Mr Moorhouse:** In terms of the disabled people – that became a key focus of the report – in terms of identifying the inescapable cost of disability, how did you identify the group

1260 and get a response from them? They can be quite anonymous and difficult to actually focus on.  
How were you able to open that dialogue up?

**Baroness Stroud:** Yes. So these are people who appear in the survey, have self-declared as disabled, and have self-declared as to being on disability benefits. Therefore, historically, their disability benefits would just have been added to their income. So in that respect we can just add their disability benefits to their income. Now for a proxy measure – because what we want is for, in the next rounds of the surveys, the actual questions to be asked – but for a proxy measure, what we did is put in the disability benefits and then we removed the disability benefits so that they offset one another.

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**Q351. The Chairman:** You assumed that the cost equalled income?

**Baroness Stroud:** Equalled income. Now what we anticipate, once you have the actual amounts, is that for some households they may have a few pounds leftover at the end of the week from their disability benefits, but for some, their disability benefits will not cover what they actually need, and that once we can put in the actual numbers that there will be some shimmering in that in that space. But we think we are roughly in the right ballpark to at least be making that decision.

1280 **Mr Oakley:** Yes. Yes. *(Laughter)*

Sorry, just to clarify – sorry to be a pedant – we are talking only about the extra cost disability benefits, not about disability benefits on the whole. We have income-replacement benefits for disabled people and families and extra cost disability benefits. The income replacement benefits are regarded that as an income (**Baroness Stroud:** Income.) and left as they are there.

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**Baroness Stroud:** Yes.

**Q352. Mr Moorhouse:** With regard to the resilience gap, how important is it to measure it, in terms of going forward and identifying that core area?

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**Baroness Stroud:** For me, it is absolutely crucial and I think the Commissioners would say that it was absolutely crucial as well. It was interesting when the government announced that they were going to move to the creation of experimental stats, one of the things that we were absolutely explicit about is that if you are going to call it a Social Metrics Commission measure of poverty, that it needs to have total resources available versus inescapable costs, persistence, depth and Lived Experience Indicators. We did not want them cherry-picking any part of that out and saying, 'Oh, poverty is just about this'. If they had done that, the consensus around the measure would have collapsed, because to get consensus around poverty it needs that broader definition. And actually, to really support people out of poverty, I believe you need the broader definition as well.

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**Q353. Mr Moorhouse:** Previously, you had identified 10% of the people on the edge of poverty by looking at the resilience gap. One of the groups that appeared favourably in the Report was the older age group. If the television licence were to go, would that have a significant impact on the older age group and potentially more than 10% will find themselves in poverty?

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**Baroness Stroud:** What we could do would be to do a resilience gap test on it, because actually if you found that those above a certain age not in poverty were all paying for a TV licence and those below were not able to then you would have to ask the question, does this actually have an impact on the lived experience of those in poverty the most? If, though, you

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found that it was such a priority to people on both sides that they were replacing it – although you might find that other things dropped as a result because money was being used in that way ... So that would be that would be an interesting resilience gap, but that is the sort of thing that you could test by adding it to your survey.

**Mr Oakley:** It also opens up the question about equivalisation. Part of this is the sorts of money that a typical household would need to buy day-to-day things – I would probably class a TV licence as a day-to-day thing, to be honest – which you could probably argue, across the whole range of households, that that is needed.

So you would put that into an equivalisation question. Now the question then is, to what extent people in older families need more than people in younger families and I think that is the sort of question that we really want to unpick with this equivalisation work, to understand whether the existing approach to what we are doing is the one or whether we need to be more detailed.

**Q354. The Chairman:** Can I just follow up on that then, in terms of whether you have had the ability to do stress-testing within the metric – in terms of, if interest rates went up a quarter of a percent, what would that do to debt and how many people would that suck into the measure? If inflation went up by another half a percent, in terms of the cost of living rise, how many people would that bring in or pull out? If benefits went up above inflation, what –

**Mr Oakley:** You are making me very excited. *(Laughter)*

**The Chairman:** It is not yet possible, I am gathering then?

**Mr Oakley:** We are working on it.

This goes back to what we have been able to do in the past. Again, sat in the Treasury in the team running poverty policy 10 to 15 years ago, what we would look at is how to change benefits, taxes and incomes and put that through a tax and benefit model and say, ‘We can reduce poverty by 100,000 people by doing this – great.’ What we could not do is say, actually, if we change macroeconomic policy or if we change policy around housing or change policy around education or whatever else you might have, how would that change poverty rates, both in the short-term and the long-term?

We are taking steps, the Legatum Institute is taking steps to be able to do that –

**Baroness Stroud:** To build our own policies in later.

**Mr Oakley:** So in due course that will be able to be possible and certainly we have taken the first steps to be able to incorporate the measure of poverty we have into that tax-benefit model. We are now working on being able to have all of those levers that we can pull so it is not just about tax and benefits and incomes, it is about childcare, it is about disability, it is about housing, all those other things.

**Q355. The Chairman:** It is so important to be able to stress-test it when you have got so many different elements to it.

**Baroness Stroud:** It is really interesting, I am sure you will be aware of the debate around the last £12 billion that was taken out of welfare in the UK and I can remember that in the Department we had huge spreadsheets with just about every single choice in, every single cut possible. But – and this is what led me to seeing the importance of this – outside, none of the poverty organisations had that and therefore they could not even put alternative combinations

together. They could not challenge and say, 'You do not need to do it that way, it could be done this way.'

1365 And so what we are wanting to do with this is really put those sorts of accountability tools outside so that there is visibility and then you can have a more balanced conversation. You can actually have the conversation around, okay, government says this needs to be done, but actually, what is the best way of achieving that objective.

1370 **The Chairman:** Sorry.

**Q356. Mr Moorhouse:** No worries.

How do you find and engage with the people who are classified as hard to find and how do you build a robust and reliable data set?

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**Mr Oakley:** Good question.

So again, what the Commission has done is developed a framework that says we need to do that. The first step that we have taken to doing that is including that 5,000 people who are living on the streets. We are equally aware that there are other forms of homelessness in the UK – people living in temporary accommodation, people being rehoused – who have may have similar challenges, who again probably are not being covered by household surveys equally. Sofa-surfers are not covered by household surveys and a whole range of people in different institutions, whether that be hospitals or those sorts of things, are not covered by household surveys typically.

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So we are aware there are a whole range of people who are not being covered by household surveys who may be more likely to be in poverty. I think what we would like to do is see much, much more effort and work and research into how you can actually incorporate some of those people. As I say, we did we took the first steps but we recognise we have not gone all the way there yet.

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**Q357. Mr Moorhouse:** Are you aware of any best practices from anywhere in the world in dealing with poverty that you could draw our attention to in helping deal with our issues?

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**Baroness Stroud:** Obviously we think ours is better – (*Laughter*) but we were interested in a new US model. I cannot quite remember how they were doing it now, but when we were trying to do our inescapable costs element we –

**Q358. The Chairman:** The consumption-based model.

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**Baroness Stroud:** Yes – was it the consumption or was it the plus 20%?

**Mr Oakley:** So it is their supplementary measure – (**Baroness Stroud:** Yes.) which was developed, I think, about 10 years ago.

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**Baroness Stroud:** And we found the thinking behind that really interesting and it provoked and challenged us and probably was a stepping stone along the way to us developing our measure. But the Commissioners did not like it in the end, even though it led to a lot of debate. At one point we when we came across we thought, 'Oh wow, this is really interesting!', but actually it provoked us to go further, which is probably what we needed at that moment in time.

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I think thing that I would just like to draw out is the stabilised relative threshold. I do not know whether you have picked up on the three-year rolling threshold and why we made that decision and whether it be helpful to understand that at all?

1415 **Q359. The Chairman:** Yes, it is in here, but yes, if it is something you particularly want to flag up, then that would be useful.

1420 **Baroness Stroud:** I think so because – in fact I think in our next report we are going to state it a bit more clearly because we feel like we probably did not communicate it as clearly as we could – at first glance the measure looks like a relative measure of poverty. At second glance, I would call it a stabilised relative measure of poverty. It is a kind of hybrid between a relative and an absolute and the reason we did the three year rolling threshold was to try and say, actually, living standards do not just fall that quickly or rise that quickly in line with the median for those on the bottom. How do we stabilise that so that government policy can really be shown to have impact and yet not leave a group behind?

1425 So we actually really like our three-year rolling threshold because we feel like it acknowledges that we want all of society to move forward together, but it is not erratic and does not move all over all over the place so that government policy can actually hit more of a stable target.

1430 **Q360. The Chairman:** One of things your one does is to actually track the same cohort of households over multiple years – which is, I think, what is going to be key to this. I do not think we are going to have the ability to that annually but we will be able to see what government is able to deliver. But are you seeing that actually what it has demonstrated is that for those people in poverty it is a relatively low volatility scenario for the vast majority of the people that you are dealing with?

1440 **Baroness Stroud:** Yes, and that if there is a change in living standards at the median, say suddenly at the median everybody has laptops or whatever, that change does not happen in one year. It takes a while for that to be so incorporated into society that it becomes an issue of exclusion. So what we were mindful of is wanting to keep everybody moving together but not wanting the median to be so volatile that sustained government effort could not move people's lives.

1445 **Mr Oakley:** And equally, the other way round, if you see a recession and median incomes fall, that does not mean that tomorrow people below that line need less. They still need the same food, clothing, housing, whatever else it might ... They still need the same, so why would we see the poverty line fall?

1450 **Q361. The Chairman:** So looking at median income would be a pretty poor measure of government performance?

1455 **Baroness Stroud:** Not now that we have stabilised the line. But historically, yes, and it is that that I was trying to explain at the beginning when I was talking about the fact that the line behaved in a confusing manner, so that when we went into recession children were being lifted out of poverty statistically. We wanted the poverty line to behave in an intuitive way rather than a counterintuitive way.

But we still wanted all of society to move forward together and it was combining those two things that we felt we achieved by having a rolling threshold.

1460 **Mr Oakley:** Which – as an aside – was one of the things we borrowed from the USA, (**Baroness Stroud:** Yes.) So they have taken a similar approach – I think – with a five-year smooth, rather than a three year smooth.

1465 **Q362. Mr Moorhouse:** My final question is, if the new Prime Minister was to phone later this week and offer you the job of dealing with poverty in the UK, what priorities would you identify and push in the next 12 months?

**Baroness Stroud:** What priorities? (**Mr Moorhouse:** Yes.) I would say there are a number of priorities. Disability and employment would be, I think, my number one.

1470 My second one would be employment full stop, and poverty – the fact that if you are doing the right thing and you are working full-time, you should be able to lift your family out of poverty. I just think that that has to be a given in a fair society.

And then I would do everything I could to shorten the persistence – so get people out as quickly as possible to avoid entrenchment.

1475 I think those would probably be three of my objectives.

**The Chairman:** This may be a slightly more surprising phone call for you, Matthew, but – (*Laughter*)

1480 **Mr Oakley:** You would be surprised. (*Laughter*)

**Baroness Stroud:** I would recommend him for that job.

1485 **Mr Oakley:** Can that be taken on the record? (*Laughter*)

**Q363. The Chairman:** And again, I presume that is what the data is showing, but that last point that you made there about perhaps – instead of some of the measures that we see to prevent poverty being a safety net, it would be better if they were trampoline, (**Baroness Stroud:** Yes.) and the matter of how you make that happen, I think, is going to be a real challenge.

1495 **Mr Oakley:** So for me, I would actually echo ... I have written quite a lot on disability and disability employment. The way that has gone in the UK in recent times in terms of the support and programmes available has not been in the right direction and so turning some of that around and actually providing much more support to disabled people to get back into work where they want to would be a key priority for me – obviously not as Secretariat of the Commission, but with a ‘me’ hat on.

1500 **The Chairman:** A personal hat on? (**Mr Oakley:** Yes.) Thank you. Everyone?

**Miss August-Hanson:** I am content.

1505 **The Chairman:** Are you happy?

**Mr Moorhouse:** I am happy, yes.

1510 **The Chairman:** Well, thank you very much for your time. I appreciate in your busy schedules with so much research to do and I must come and have your spreadsheets sometime, it would be fascinating. (*Laughter*) Really appreciate the time you have given to us this morning and the time you are going to give, in terms of giving Members a briefing as well about the work that you do. It is very much appreciated.

At this point, I conclude the formal oral evidence session and the Committee will now sit in private.

*The Committee sat in private at 12.33 p.m.*