

WELFARE REFORM COMMITTEE

THE FUTURE DELIVERY OF SOCIAL SECURITY IN SCOTLAND

WRITTEN SUBMISSION FROM POLICY SCOTLAND WELFARE REFORM NETWORK

1. Scope and future-proofing

The focus of the Welfare Reform Committee is on the delivery/implementation of welfare powers in Scotland. However, the initial direction of policy development set out by the Smith Commission, which hands over some responsibilities to the Scottish Government, has to be set alongside Treasury and DWP decisions in relation to benefits and tax credits, including the limit of Working Tax Credit for more than two children, the reduction of the Household Benefit Cap (which previously only affected a small number of claimants) and changes to the value of ESA (reduced in line with JSA, removing the addition paid for extra costs of disability) which affect Scottish claimants. These, along with the slow progress in implementing Universal Credit, mean that reserved benefits such as JSA and ESA-WRAG, will continue to affect the incomes of people living in Scotland.

- We encourage the Committee to consider intergovernmental mechanisms which govern the overarching financial settlement, and mechanisms for agreeing arrangements including ongoing rules for transferring funds and fair treatment for Scotland. Efforts to ensure future proofing might include year-on-year updates, allowing for demographic changes that may become important in future years.

2. Housing-related benefits

The context for considering the housing-related benefits associated with the Smith Agreement is the extent to which poverty is impacted on by housing costs and the reasonable inferences we can make about welfare reform and its impact on Scottish households' housing costs. We know that, before housing costs (BHC), 14% of those living in Scotland are in poverty and that after housing costs (AHC), this increases to 18% (2013-14). The rate rises from 14-22% for children and from 14-19% for working age adults. Taking account of housing costs, this adds a net 210,000 people in poverty in Scotland. Scottish Government research¹ suggests that after a period when the relationship between BHC and AHC poverty had been stable it has diverged since 2011-12 due to the twin factors of rising rents in both social and private renting and because of Housing Benefit cuts.

The Smith Agreement's welfare provisions may constrict the ability of the Scottish Parliament to influence subsequent significant welfare reforms. The powers proposed speak to the 2012 Welfare Reform Act but not to substantive proposed reforms that have subsequently been suggested (e.g. after the 2015 UK General Election). For example, the likely future change to render 18-21 (childless) year olds ineligible for Housing Benefit cannot be mitigated by the Scottish Parliament under the Smith proposals because they cannot alter what counts as a disqualified group; the powers allow the Parliament to alter existing levels of eligible rent only². It is also the case that there will be significant legislative delay before the Scottish

Government will have access to the key levers of welfare benefit power that they can access - mitigation beyond existing powers will take years to arrive (and will also depend on the pace of roll-out of Universal Credit).

Turning to the housing costs elements of Universal Credit, there are a number of points to consider. First, we agree with the Chartered Institute of Housing that while it has been important to mitigate the impact of the under-occupation charge (or bedroom tax) this is costly to administer and diverts attention from other important losers from HB welfare reform e.g. private tenants and particularly those with children in the PRS.

- We agree that there should be an equalities impact assessment to assess the wider fairness impacts of who does and does not get prioritised for mitigation.
- We also concur that powers to retain direct payments should be used for those likely to or known to face problems managing their budgets. Equally, there should be the discretion to shift to fortnightly rather than monthly frequency (though Spicker noted the significant cost associated with these variations³). Split payments, where requested, might be facilitated by at the same time providing for direct housing payments before splitting the non-housing cost part of UC⁴. Using the powers to reduce the bedroom tax impact directly should be pursued so that there can be more flexibility with the use of Discretionary Housing Payments which might thereby help address the other disadvantaged groups who have lost out because of HB cuts since 2010.
- We endorse the proposal 'to change the frequency UC payments, vary the existing plans for single household payments and pay landlords direct for housing costs in Scotland' (para 44). We recommend the default position should be:
 - weekly benefit payments
 - housing costs paid direct to landlords
 - payments are made flexibly to ensure that main carers receive child elements directly

3. Back-to-work support: Jobcentre Plus and the Work Programme

- We welcome the principles of 'dignity, respect, support, equality and common sense' in guiding the design and delivery of employment services and welfare-to-work programmes in Scotland. This could be strengthened by measures to counter anti-welfare myths and the harmful stigmatisation and shaming of benefit recipients. Before and after the 2007 global financial crisis, almost everyone in Scotland who could work was in employment – creating record high employment level.
 - 76% of working age adults were in employment in 2007, outperforming most other rich nations even after the start of the recession in 2008.
 - Following recession, employment rates in Scotland recovered to an all-time high and remain very strong (currently 73.6%).
 - Self-employment and under-employment played a key role in economic recovery.

- For the decade preceding the financial crisis, on average unemployment was very low by historical and international comparisons.
- Following recession, unemployment returned to a remarkably low level (currently 5.6%).

There are two important implications of these facts:

- 1) The punitive UK welfare reforms (introduced in 2010, with harsh sanctions since 2012) were not necessary to produce high employment levels, which already existed.
- 2) Employment rates are strongly determined by economic conditions, not welfare cuts.

An approach to employment services based on the assumption that service users claim benefits legitimately, want to work and are receptive to interventions that offer genuine support in response to their needs (e.g. help with form-filling, flexible appointments, high-trust adviser relationships based on empathic listening)⁵ is both feasible and desirable in Scotland.

As transitional Work Programme arrangements progress, it would be prudent to review performance in comparison with employment services quasi-markets in Australia, Denmark, the Netherlands and Germany, where similar approaches have faced enduring challenges⁶. Research in these countries and Britain shows that the contracting-out (in practice mainly meaning privatising) has frequently failed to deliver the stated aims of: saving money, reducing bureaucracy, stimulating innovation, enhancing respect for service users. Instead negative consequences are common: 'creaming' those closest to the labour market and 'parking' those who most need help; standardisation of quick fixes in response to job outcome payments.

As an relatively low spender in per capita terms on employment services⁷, the British system is mainly 'self-help' in character (support is mainly via self-service online use of Universal Jobmatch) and does not provide the types of direct job creation and training that are common in some other countries. In recent years Jobcentre Plus has been affected by by persistent cost-cutting and headcount reductions. Combined with the use of call centres, digital claims and strategies to 'minimise footfall', many job seekers 'receive very little support' and benefit 'off flow' targets (which can function as implicit sanctions targets) influence the dynamics of adviser-user relationships.

While Work Programme performance has improved with economic recovery, less is spent on the 'harder to help' than is needed and 70% still return to Jobcentre Plus. Previous schemes such as Working for Families Fund were far more effective than the Work Programme and made better use of the voluntary sector and local arrangements⁸. As a result there are major gaps in the system of support for benefit recipients looking for work and in our view significant scope, resources permitting, for the creation of alternative services in Scotland.

The Smith Commission proposes the transfer of the Work Programme and Work Choice responsibilities but not other DWP functions such as benefits administration or Jobcentre Plus. This imposes constraints on the extent to which overall system

redesign is possible but should not lead to an approach that limits itself to tinkering round the edges or seeking merely to achieve marginal gains in performance improvement. The objective should be to provide the best programme that can possibly be put in place, supporting people into the right jobs, at the right time and then supporting progression in work.

Currently about 10% of employability funding which, following implementation of Smith, would be routed through the Scottish Government is accounted for by the Work Programme and Work Choice (around £70 Million) with over £600 Million being spent through other budgets e.g. via Skills Development Scotland, further education colleges, local authorities etc. It would be good to have a holistic approach to consider what can be delivered from this bigger package of expenditure under the aegis of the Scottish Parliament rather than concentrate narrowly on the Work Programme and Work Choice budget.

There are at least three alternative geographic models for the management of the programme: a national framework, a system based on the four Jobcentre Plus districts or distribution to the 32 local authorities. Either of the first two options would be preferable to the third, which would create a risk of a postcode lottery. Smaller authorities lack capacity to run a programme on this scale and many larger authorities would struggle. For reasons of scale, especially in more rural areas, it would make sense to combine the Work Programme and Work Choice, rather than have them separately run. This would enable consistency in commissioning and delivery.

The procurement timetable, given that current contracts expire in April 2017, is very tight. If the Scottish Parliament/Scottish Government wishes to do things differently in the next contractual round, it should urgently move forward discussions with providers on the basis of a PQQ followed by an invitation to negotiate rather than an invitation to tender.

One option, which would sit well with Scottish Government policies on poverty and tackling in-work poverty in particular, is to look at alternative measures of success which include moving people to the living wage rather than merely whether they are still in employment after a specified period. Another focus might be on including improvements in health or occupational health amongst measures of success.

The current payment arrangements for providers under the Work Programme are heavily back-loaded, so that providers only get paid well after they have provided the intervention. This favours large private sector companies with deep pockets over smaller organisations (including Scottish based providers). Moving to a different set of arrangements, such as the payment mechanism used by the UK Ministry of Justice for its Transforming Rehabilitation programme could result in a more level playing field and ease some of the pressures in cash flowing a large programme, but maintaining an element of payment by results.

4. Forthcoming research findings

University of Glasgow researchers are conducting a major five year ESRC project on 'Welfare Conditionality: Sanctions, Support and Behaviour Change' (involving six universities). Its central aim is to inform policy and practice by researching the

¹ Scottish Government (2015) Poverty and Income Inequality in Scotland: 2013/14. Edinburgh: Scottish Government

² See Stephens, M and Gibb, K (2015) Limiting the impact of housing costs on poverty. Mimeo - available on request.

³ Paul Spicker - submission to the WRC

⁴ Chartered Institute of Housing Scotland - submission to the WRC

⁵ Wright, S. (2015) Conceptualising the active welfare subject: welfare reform in discourse, policy and lived experience. Policy and Politics; Wright, S., and Haux, T. (2011) On the Receiving End: Perspectives on Being Out of Work and Claiming Benefits. Project Report. Child Poverty Action Group, London.

⁶ Wright, S. (2008) Contracting Out Employment Services: Lessons from Australia, Denmark, Germany and the Netherlands. Series: CPAG policy briefing. Child Poverty Action Group: London;

Larsen, F., and Wright, S. (2014) Interpreting the marketisation of employment services in Great Britain and Denmark. *Journal of European Social Policy*, 24(5), pp. 455-469;

Wright, S., Marston, G., and McDonald, C. (2011) The role of non-profit organizations in the mixed economy of welfare-to-work in the UK and Australia. *Social Policy and Administration*, 45(3), pp. 299-318.

⁷ Bonoli, G. (2010) 'The Political Economy of Active Labour Market Policy', *Politics & Society* 38(4): 435-57.

⁸ McQuaid, R., Bond, S. and Feurtes, V. (2009) Evaluation of the Working for Families Fund (2004-2008), Edinburgh: Scottish Government.