



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 17 November 2016

Session 5



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Pàrlamaid na h-Alba

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SOCIAL SECURITY COMMITTEE

9th Meeting 2016, Session 5

CONVENER

*Sandra White (Glasgow Kelvin) (SNP)

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

- *George Adam (Paisley) (SNP)
- Mark Griffin (Central Scotland) (Lab)
- *Alison Johnstone (Lothian) (Green)
- *Gordon Lindhurst (Lothian) (Con)
- *Ben Macpherson (Edinburgh Northern and Leith) (SNP)
- *Ruth Maguire (Cunninghame South) (SNP)
- *Adam Tomkins (Glasgow) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Professor Steve Fothergill (Sheffield Hallam University)
- Professor Ken Gibb (University of Glasgow)
- Dr Helen Graham (Edinburgh Napier University)
- Professor Abigail Marks (Heriot-Watt University)
- Professor Nicola McEwen (University of Edinburgh)
- Professor Kirstein Rummery (University of Stirling)
- Professor Paul Spicker (Robert Gordon University)
- Dr Sharon Wright (University of Glasgow)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Social Security Committee

Thursday 17 November 2016

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Sandra White): Good morning and welcome to the Social Security Committee's ninth meeting in 2016. I remind everyone to turn their mobile phones and other electronic devices to silent mode, as they interfere with the recording equipment. We have received an apology from Mark Griffin, who is unfortunately experiencing travel difficulties. We hope that he will be here shortly.

Agenda item 1 is a decision on whether to take business in private. Item 4 is consideration of evidence that we will hear today. Does the committee agree to take that item in private?

Members *indicated agreement.*

Welfare Reforms (Impact on Scotland)

09:00

The Convener: Agenda item 2 is a presentation on Sheffield Hallam University research. In June, the committee agreed to commission the university to conduct follow-up research into the impacts of welfare reform. The report was published earlier this month, and today is our opportunity to consider the report formally.

I welcome Professor Steve Fothergill, who is from the centre for regional economic and social research at Sheffield Hallam University. Professor, I invite you to give your presentation.

Professor Steve Fothergill (Sheffield Hallam University): Good morning, colleagues. It is very much a joint piece of work that I am presenting, as you can see from the slides. It has been an effort by me and my close colleague Christina Beatty.

This is not the first time that I have given evidence to the Scottish Parliament on the welfare reforms. Tina Beatty and I compiled four reports for the committee's immediate predecessor, the Welfare Reform Committee. Back in 2013, we documented the expected impact in Scotland of the previous round of welfare reforms, and that was followed by a report in 2014 on the local impacts, which traced the impacts down to the electoral ward level. We produced a further report on the impacts on different types of households and, in 2015, we reported on the impacts on the Scottish labour market.

You might wonder why the Scottish Parliament keeps approaching Sheffield Hallam University for its studies. There are two reasons for that. First, we have accumulated a tremendous data bank and a lot of methodological expertise in picking apart the regional and local impacts of welfare reforms. Secondly, I have to say that you have got the work on the cheap, because you have been able to piggy-back work for Scotland on the back of some quite substantial research that has been conducted across Britain. Do not get the impression that you have somehow been profligate in shuffling money south of the border.

The Convener: You will know that Scottish people are quite careful with their money.

Professor Fothergill: To continue the tradition, the new report that the committee has today is another example of piggy-backing a piece of work for Scotland on something that has been done for Britain as a whole. The new report is the son of a document called "The uneven impact of welfare reform: The financial losses to places and people", which we published in March. That was the first

attempt to document in a quantified way the expected impacts of the new round of welfare reforms.

The report that we are presenting today zooms in specifically on Scotland and looks at how much—in terms of pounds and pence—claimants in Scotland can expect to lose as a result of the new welfare reforms that have been announced since the May 2015 general election. It also looks down to the local authority level, so there are figures that document the losses for each local authority in Scotland, and it compares Scotland with the rest of Great Britain.

All the figures are absolutely brand new. We published the GB report back in early March, but we were then wrong-footed by the Treasury because, two weeks later, the chancellor produced in his budget revised estimates of the financial saving that he expected from the welfare reforms that he announced in 2015. That required us to rejig all our calculations. Therefore, members will not find in the GB report from March 2016 the figures that I am presenting today and which are in the new report for Scotland—they are absolutely brand-new figures.

By the way, I should say that, when we document the impacts of the welfare reforms, we are not attempting to pass judgment on them. As you might expect, my colleague Tina Beatty and I have personal views on the pros and cons of the welfare reforms, but that is not the point here; the point is to sit back and objectively try to document what will be the impact on specific places—in this instance, Scotland. Our starting point is always the Treasury's estimates of the financial savings that are to arise from each element of the welfare reform package.

The main way in which we move from the national United Kingdom scale down to the local scale is by deploying benefit numbers. We know how many claimants there are of each benefit in each local authority area up and down the country, and we can get expenditure figures, so we can begin to translate the national figures down to the local level by using the claimant number and expenditure data. It sounds simple, but actually the task is a lot more complex, and we have to bring to bear quite a lot of other official data—for example, from the Government's impact assessments, which might say that the Government expects a reform to impact more severely on a certain type of household or a certain place.

That said, I must underline that it is an imprecise science, not because our methods are somehow flawed but because although we try to predict what the impacts of the reforms will be in terms of financial losses, the world is always uncertain and it never works out quite as the chancellor, for

example, might expect. Therefore, there can be quite a difference between what was initially expected to be the impact of reforms and what the outturn is. I will show the committee an example of that in a minute. We have to make the best possible assessment at this point in time.

I will take a step backwards and move away from the new reforms to refresh your memories on the pre-2015 reforms. There was a lot going on that impacted on Scotland. I have listed on the next slide the eight big Westminster-instigated changes that led to financial losses in Scotland and I will go through them quickly. One was the housing benefit changes to local housing allowance; that was about housing benefit for those in the private rented sector. There were also changes to non-dependant deductions, which are about contributions that, for example, grown-up children in employment should make towards the housing costs of their parents if they are still living at home. There was also the benefit cap, which I am sure members are familiar with. We had the changeover from disability living allowance to personal independence payments, and a raft of reforms to employment and support allowance, or what was incapacity benefit—ESA is the new incapacity benefit.

Some of those reforms came into effect in the post-2010 period and were actually initiated by Labour, but the coalition Government introduced an additional layer, particularly around means testing of ESA for those who were in the work-related activity group. There were changes to child benefit, such as its withdrawal from higher earners, and there were a lot of detailed changes to tax credits, which reduced entitlements. On top of that, we had the 1 per cent uprating of benefits, which the chancellor certainly intended to be a below-inflation uprating, although it did not quite work out like that, because inflation slowed a great deal.

The committee might think that one or two things are missing from that list, and they definitely are. Up here in Scotland, you managed to avert the impact of the bedroom tax and the impact of reductions in council tax support. In both cases, that was an aversion of the impact on claimants, because it was still a financial loss for the public sector up here—for the Scottish Government and local authorities.

What was also initiated prior to 2015 was perhaps the biggest reform of all, which was the changeover to universal credit. However, we need to understand that universal credit is a repackaging of existing benefits. In its original form, it was not intended to save money by reducing claimants' entitlements. That is changing, and I will show the committee some of the figures in a moment. There are also a number of detailed

changes that I will not go into. A lot of people zoom in on sanctions, for example, but they were not new; it is just that they were applied a bit more vigorously—quite a lot more vigorously, actually, in the post-2010 period.

I will stick with the pre-2015 reforms. First, we will look at what was expected to be saved—or taken from claimants—up here in Scotland and what is our best estimate of the outturn at the end of the day, or by March this year. Back in 2013, when we did the very first report for the Welfare Reform Committee—this committee's predecessor—we estimated that the reforms would lead to the loss in Scotland of £1.52 billion a year from claimants' pockets. However, the outturn was substantially less than that—we put the figure at £1.1 billion a year.

We can see on the slide what the big elements are and what elements resulted in smaller savings than were expected. What really stands out is employment and support allowance, where the outturn savings have been only a fraction of what was originally expected. That is not because we got the figures wrong; it is because the world did not develop in the way that the Government expected. The work capability assessment, for example, which I am sure all committee members have heard of, did not move large numbers off ESA as was expected. Even for those who stayed on ESA, a far higher proportion were placed in what is called the support group, rather than the work-related activity group. When the Westminster Government means tested the benefits to those in the work-related activity group, it saved far less money because far fewer people were in that group. There was therefore a major undershoot in those savings, which has a big implication for Scotland, because it has very large numbers of adults of working age who are out of the labour market on ESA.

We can see other things if we look down the list on the slide. When we first came to the Scottish Parliament, we expected the bedroom tax to impact up here, but the Scottish Government averted that. However, the committee will see on the slide the broad package. The uprating of benefits did not take as much money as expected from people, because inflation slowed down and there was therefore a smaller saving to the Exchequer. That rather underlines that this is a somewhat imprecise science.

We move to the slide on the new reforms; I will go through what they are. They are the reforms that the Westminster Government has introduced since the general election in May 2015. The changes to universal credit work allowances lower the threshold at which universal credit is clawed back from claimants as their income rises. George Osborne was originally going to introduce that

reform to tax credits as well, but he got knocked into touch on that one by his own back benchers. However, that reform is already operational in universal credit. Generally, people have been moved from existing benefits on to universal credit, so the ultimate effect is the same, although it is rather delayed.

09:15

There is a raft of changes to tax credits, the most major of which concern children. For example, the eligibility for tax credits for third and fourth children will be removed for births after March next year, and the family element is being removed, too.

Mortgage interest support is being changed from a welfare payment to a loan.

The local housing allowance cap that has been applied in the private sector will also be applied in the social rented sector. That will limit housing benefit entitlement, which will have a particularly large impact in Scotland, where there is a large social rented sector.

Housing benefit for unemployed 18 to 21-year-olds is coming to an end as an automatic entitlement.

On employment and support allowance—that hoary chestnut—the benefit rate for the work-related activity group is getting cut down to the jobseekers allowance rate.

The benefit cap is being extended—I believe that that came into effect last week or the week before—and is now set at £20,000 in Scotland, when it used to be £26,000.

The final new reform on the list is the four-year freeze in the money value of benefits, which, in real terms, will mean a significant reduction if inflation accelerates.

Do not forget that the changeover from DLA to PIPs—one of the big pre-2015 reforms—is still trundling along into the post-2015 era. That is not expected to be completed until 2018. Indeed, the existing claimants of DLA began to be reassessed only from October last year. That is an on-going reform from the pre-general election period. Westminster has also introduced some things that do not apply to Scotland, such as the pay-to-stay arrangements and the changes in social sector rents.

Let us get to the hard numbers. The slide on the financial loss from the post-2015 reforms is the most complex slide in the presentation. Unfortunately, it is also the most important. Parliamentary staff have produced a rather nice graphic that summarises the information—I see that members have that before them.

We will start with a look at the bottom line. How much do we expect to be taken from claimants in Scotland by 2021, when the new round of reforms will have come to fruition? We expect the annual loss to be a bit over £1 billion a year. To put that into context, we can think of the figures that I showed you earlier, which said that the rate of loss from the pre-2015 reforms was about £1.1 billion a year. That means that, if we take the decade as a whole, we are looking at just over £2 billion a year being taken from claimants. The pace of welfare reform is not slowing at all—there is only marginal slowing.

If you look down the columns, you can see big things and small things. We expect the big financial losses to come from the benefits freeze, the changes to universal credit work allowances, the continuing change from DLA to PIPs and the cuts to tax credits. By comparison, the changes to housing benefit for 18 to 21-year-olds represent tweaking at the edges, as they provide a relatively small financial saving.

The second and third columns are probably best looked at together, as some of the reforms hit large numbers of people but take only modest amounts from them, whereas other elements of the reform package hit small numbers of people but take quite large amounts from them.

The benefits freeze, which means that people's benefits do not rise with inflation, hits large numbers of households, but the average loss by the time we get to 2020 is relatively modest, although I think that it will still be quite painful for many people. We estimate that 700,000 households will be affected and that the average loss will be £450.

By comparison, if you look at the item that is third from the bottom on the list, you will see that 11,000 households are estimated to be impacted by the extension to the benefits cap, but the average annual loss is £2,400. That might not sound like many households, but it is interesting to compare that figure with the figures for the pre-2016 benefits cap, which tell us that only 900 households were affected. The lowering of the maximum amount from £26,000 to £20,000 impacts on a great deal more households.

We cannot add up all those numbers to give a total figure for how many people are affected by the welfare reforms because we need to bear in mind that some individuals are affected by more than one element of the reform package. Someone who is out of work because they are sick or disabled might be affected by the changes to employment and support allowance and also be hit by the changeover to personal independence payments. If they live in social rented accommodation, they might find that the new LHA cap impacts on them, and if they are claiming tax

credits for a child, they might find that there will also be a financial loss there. In some cases, several changes will impact on the same people.

It is important to bear in mind exactly how the reforms impact on people. In that regard, the Westminster Government has been really quite clever—or cleverer than it was last time round—because comparatively few people will find that their cash payment is reduced from one week to the next. The benefits freeze is a cut to the real value of benefits, and not to the cash value, and there is then a raft of reforms that impact not on existing claimants but on new claimants or claimants with revised claims. For example, the work allowances within universal credit come into effect only when someone is transferred on to universal credit for the first time or their circumstances change and they have to make a new claim for universal credit. Likewise, the lower ESA payment rates impact only on new claimants. The changes that are reducing people's cash payments from one week to the next are the change from DLA to PIP and the lower benefits cap; they are definitely reducing existing payments.

How does all that impact on individual local authorities in Scotland? The measure that we use in the list in the next slide is the financial loss to claimants averaged across the whole of the working-age population in each local authority area. That is the best measure of the intensity of the hit, virtually all of which is on working-age adults. It barely touches pensioner households. The loss per working-age adult is therefore the best measure.

In Glasgow, the average is £400 per adult of working age. That is not per claimant; it is the average of the financial loss across every adult between the ages of 16 and 64 in Glasgow. At the other end of the spectrum, in Shetland, we estimate that the loss is £160 per adult of working age. That does not mean to say that anyone losing money loses less in Shetland than they do in Glasgow; rather, it is a reflection of the fact that there are far more welfare benefit claimants and people in receipt of benefit in Glasgow than there are in Shetland.

If you look along the list, you will see that it is older industrial Scotland that is in the firing line—Glasgow, West Dunbartonshire, North Ayrshire, Inverclyde, Dundee and North Lanarkshire. At the other end of the spectrum are the hitherto prosperous oil locations—Aberdeen, Aberdeenshire and Shetland. Edinburgh is well towards the prosperous end of the spectrum these days, too.

We have seen that pattern before in our earlier studies for the Scottish Parliament. There is a

clear relationship between the scale and intensity of the financial hit and the extent of deprivation.

In the next slide, there is a little diagram of the type that economists like to produce. The vertical scale is the financial hit—the loss per adult of working age; the horizontal scale is the share of LSOAs—lower layer super output areas, which are basically neighbourhoods—among the most deprived 20 per cent in Scotland. The level of deprivation goes up as you move from left to right. Each of the dots is a Scottish local authority. The relationship is clear: the higher the level of deprivation, the bigger the financial hit from the welfare reforms. That is exactly what you would expect, because a deprived area almost by definition has quite large numbers of people who are reliant on welfare benefits, and if you are cutting benefits, it hits the poorest areas hardest.

How does Scotland compare with the rest of Great Britain? Scotland is more or less on—it is fractionally below—the national average. However, you need to bear in mind that at least one important element of the reform package that impacts England—the pay-to-stay arrangements under which better-off social tenants have to be charged market rents—does not apply up here in Scotland, and that is a reason why you are fairly well down the rankings.

In the next slide, £12,295 million a year is the Treasury's figure of what it expects to save. About £1 billion of that will be saved here in Scotland. On average, across all adults of working age in Scotland—those between the ages of 16 and 64—the financial loss will work out at about £300 a year by the time the reforms all come to fruition in 2021.

Before I wrap up my presentation, let me just ask a couple of questions. First, will the financial loss be offset? I think that if you had a Conservative minister here, they would say, "We are cutting welfare benefits, but we're also putting money back into people's pockets through other routes." Let us take a look at that. The present Westminster Government is planning to increase personal tax allowances. If it delivers on the promise that was published in last year's summer budget, that increase will be worth £380 a year per taxpayer by 2021. However, to be fair, it would be worth only about half that much if we allow for inflation.

You need to bear in mind when you are looking at welfare claimants that only a proportion of them pay tax. That even includes people who are in work and claiming benefits. A person who is in part-time, low-paid employment probably does not earn enough to pay income tax, so an increase in the personal tax allowance is not worth very much to them.

The national living wage has come in. There is no question at all but that that is good for the earnings of low-paid workers, but bear in mind that, as earnings increase for those in work, benefits are withdrawn, so there is a bit of an element of swings and roundabouts in this.

09:30

Then there are discretionary housing payments, which are on the table to assist people who hit problems with housing benefit entitlement in particular. The Westminster Government has put at least £800 million on the table for discretionary housing payments, but that is over a five-year period. That comes to £15 million a year in Scotland, which, in relation to the overall welfare cuts, is quite a modest sum. I imagine that, in Scotland, you have pretty much got that all committed already to offsetting the bedroom tax. There is also improved financial support for childcare—tax allowances and, up here in Scotland, you are going to introduce additional free childcare for three and four-year-olds—which is helpful.

Taking that package as a whole, some people will have some of what they lose through the welfare cuts offset through one or another of those routes. However, there is no guarantee that the full loss will be offset, and such positive changes sometimes impact on people who are not affected by the welfare reforms. For example, the childcare changes may help people who are in work and not claiming benefits at all.

Will more people find work as a result of the new welfare reforms? You had the Secretary of State for Work and Pensions here a couple of weeks ago, and I expect that he said that the welfare reforms will encourage more people to find work. Let us look at that claim. First, you must remember that, in the vast majority of cases, claimants were already financially better off in work long before all the welfare reforms. The tweaking at the edges and the new withdrawal rates in universal credit may affect just how much better off they will be, but it was always the case that the vast majority of claimants would be better off in work. Secondly, you must bear in mind that reductions in in-work benefits—which apply to the universal credit work allowances and to tax credits—have the perverse effect of making employment rather less attractive.

Bear in mind, too, that the big number of people who are out of work and on benefits these days are not on jobseekers allowance but are on employment and support allowance, which is the modern-day incapacity benefit. That is true across Britain as a whole, and it is particularly true here in Scotland. The barriers to getting people on ESA into work are rather more complex than those

affecting JSA claimants. Often, there are health issues that have to be addressed as well as issues of skills and the availability of appropriate employment. Furthermore, the highest claimant rates are in the places with the weakest local economies, and, in the work that we did for the Welfare Reform Committee, we could find no evidence—up to 2015—of the previous round of welfare reforms having had a positive impact on the Scottish labour market. Will more people find work? I am sceptical about that.

In conclusion, you should bear in mind that the pace of welfare reform is barely slowing. It is my observation—correct me if I am wrong—that welfare reform has dropped down the news agenda a little bit of late, probably because it has been obscured by other things such as Brexit but also because it seems like old hat: it is seen as an issue of 2012 or 2013 rather than of 2016 and 2017. However, that is not true at all. Welfare reform is proceeding full steam ahead. In Scotland, as in the rest of Britain, we are looking at financial losses both to people who are in work and to people who are out of work. There will be multiple hits for some households and individuals and, once again, the poorest places will be hit hardest.

I end with a plea to the committee: do not be blinded by the devolution of welfare powers. I know that there will be a natural tendency for the committee to focus on the powers that the Scottish Government now has over welfare issues—and I am sure that that will become a large part of your agenda, if it is not already—but Westminster is still a very big player in all of this and it is still having a huge impact up here in Scotland.

Thank you very much.

The Convener: Thank you. That was such an interesting presentation. I understand that we have you until 10 o'clock.

Professor Fothergill: I would like to sit in the background and listen to the professors, too.

The Convener: You will be more than welcome. Would you mind taking a couple of questions or hearing some observations?

Professor Fothergill: I would be delighted to.

The Convener: As you have said, Westminster still has power over 85 per cent of benefit spend, which leaves us with only 15 per cent. As I and others have argued, we would have been better off with 100 per cent, as that would have allowed us to look at the whole issue. However, we are where we are, and we will have to deal with the 15 per cent.

I would like to focus on the lower benefit cap and the huge jump in the number of Scottish households affected from 900 to 11,000. What

knock-on effect will that have on their lives? It is certainly not going to help them, even if they are trying to get back into work.

Professor Fothergill: I imagine that this will be a rather acute problem for a lot of households. It is not as if there had been no benefit cap before the Government introduced the £26,000 one; people's benefits were capped on the basis of the sum of their entitlement to individual benefits, and that was all very carefully worked out by looking at their claims for housing, the number of kids and so on. There was a cap before—although we did not call it that—and it was based on the sum of everything to which they were entitled.

With the progressive lowering of the cap—and we are talking about a big jump down from £26,000 to £20,000—we must remember that the benefits of these people were in effect already means tested through their being based on need and lack of other income or savings. I can only imagine that this move will be very painful.

In contrast, the changes to child benefit by the previous Westminster Parliament mostly impacted on high earners. They might have winced a little bit, but the changes themselves were not going to plunge relatively poor people even further into poverty. As for the benefit cap extension, however—woah! I do not know what the feedback on the ground is yet, but I can only imagine that it is going to hurt.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): It is quite interesting to analyse this issue from an economic as well as a social welfare perspective, and I noted with interest your point about £1 billion a year coming out of the system pre-2015 but over £2 billion a year coming out of it by 2021. Do you have any estimates for or analysis of the total demand that will be taken out of the economy as well as the impact on individual and collective claimants?

Professor Fothergill: For the GB as a whole, we are now estimating that, by the time we get to 2020, the whole package that has been introduced since 2010 will take £27 billion a year out of welfare claimants' pockets. I can put that into context by saying that that is about £1 in every £4 that used to be paid to working-age benefit claimants. In macroeconomic terms, £27 billion is a very large sum; it is equivalent to about half the current public sector financial deficit. Ministers would, of course, argue that had they not taken that money out through welfare cuts, they would have had to do it through other routes to move towards a more balanced budget and that, as a result, we would have had £27 billion of tax increases instead of £27 billion of welfare cuts. Perhaps that would have happened, but the tax increases would have fallen on different people

from those on whom the £27 billion of welfare cuts are falling.

Regarding the impact on the overall dynamics of the national economy, it depends on whether the financial savings would have been made through other routes. However, in itself, it is a lot of money and it has been taken out of the poorer economies, too, where it will add a particularly vicious downward twist to already difficult situations.

Ben Macpherson: Exactly. The UK Government analysis does not take into account the potential multiplier effects for the demand in those local economies.

Professor Fothergill: Yes. We did some rough and ready calculations in our GB report on the knock-on consequences for job losses. I would not put too much weight on them, but we are talking about significant numbers of thousands of knock-on job losses if that spending power is taken away. However, ministers would argue that that spending power might have been taken away through tax increases.

Alison Johnstone (Lothian) (Green): There is an apparent lack of consideration of the impact of the reforms on local economies. The graphic clearly highlights that, and Professor Fothergill said that, as a general rule, the more deprived a local authority area, the greater the per capita hit on households. We are looking at some excruciating impacts here, which seem to be very localised. If local people have less money in their pockets, other businesses will be hit.

Professor Fothergill: If I had brought a GB-wide presentation, I might have been able to show you a lovely map of where the impacts of the reforms are falling on Britain as a whole. That list of the poorer areas versus the more prosperous areas in Scotland can be writ large across Britain. A large swathe of southern England outside London is relatively lightly affected by the reforms, but across Britain—as in Scotland—the poorest local authorities are hit hardest. That has been rather glossed over by a lot of people, as if welfare reform affects everybody equally. However, it does not work out that way because welfare claimants are in some places rather than others. They do not sit in Theresa May's constituency or in David Cameron's old constituency; they sit in Glasgow, in Liverpool or in former mining villages in Yorkshire. Those places are in the firing line and, because more money is suddenly being taken away and welfare benefits are being cut, the reforms add an extra downward twist to local economies that are often struggling for other reasons. There is an amazing coincidence involving the electoral geography of Britain and the impacts of the welfare reforms. The places that escape relatively lightly from the welfare reforms

are those from which the Conservative Government in Westminster draws its political support.

Gordon Lindhurst (Lothian) (Con): You talked about a cut in the overall value of benefits, but not in cash payments. You also indicated that the approach of the reforms is that the ones who will be affected by lower payments will tend to be those coming new to the system. Do you agree that that is a better way to plan a system, as it lessens the impact on those who are currently on benefits and allows people to adjust to a new state of affairs?

Professor Fothergill: In terms of minimising the anger that is felt on the ground, it probably is a more sensitive way to handle things. For example, with the reductions in tax credits for people with large families, if people already have more than two children, the new changes will not affect their entitlement. However, if they have a third or fourth child after spring next year, they will not get the benefit that they would have received previously.

The net effect will be the same at the end of the day because it is still a reduction in what is paid to households or individuals. However, because in many instances the payment is not being reduced from one week to the next, or from one month to the next or whatever, the pain will probably be felt less—actually, the pain will not necessarily be felt less, but it will probably not generate the anger that a straight cash reduction in payments would. Having said that, I think that some of the changes, particularly around DLA, PIP and the benefit cap that we talked about a moment ago, will still have that cash reduction. It is a clever way of doing things because it averts some of the indignation.

09:45

Gordon Lindhurst: Is it not a way of lessening what might be considered a negative impact on people? The way in which you phrase it is almost a political statement—you talk about lessening the anger and so forth. I am talking about the actual effect on people and how they relate to the system, rather than a political statement attacking the Conservative UK Government.

Professor Fothergill: I do not think that I was trying to attack the Conservative Government; I was just trying to explain how the system works here. At the end of the day, it is still a cut, but the way in which the cut is experienced is different. It is implemented in such a way that some people will not realise that they are getting less now, or less than they would have done if the old system had stayed in place. However, they are still getting less.

The Convener: Can I just remind members, as I did the other week, that in this committee we treat everyone with dignity and respect?

Adam Tomkins (Glasgow) (Con): Thank you, Professor Fothergill, for the presentation, which I thought was very useful. However, would it be fair to say that there was a difference between the very detailed and very helpful data that you presented and some of the conclusions that you suggested, which were, if I may say so, altogether more speculative? In particular, I want to test you a little, if I can, on the conclusion that you reached that there is no impact on the labour market as a consequence of the programme of welfare reform, which has been on-going since 2010. I wonder where the data is that underpins that remark, given that, as we all know, there are now more jobs in the British economy than ever before, more disabled people in work in the economy than ever before, and more women in work than ever before. One might say, politically, that there is no impact on the labour market, but in terms of hard data, what is the evidence for that claim?

Professor Fothergill: That takes us into the territory that was covered by one of our previous reports to the Scottish Parliament's Welfare Reform Committee in the previous session. In our final report to that committee, we presented data on all of this. When we looked at the pattern of change in the Scottish labour market over the period from 2010 to about 2014, we found that claimant unemployment—the numbers on JSA—was falling fastest in the areas where the welfare reforms were hitting hardest. At one level, that would be consistent with the argument that the welfare reforms were actually moving more people into work. However, we then looked at other upturns in the economy and asked whether the same pattern could be identified at previous points in the economic cycle. We found that exactly the same effect went on in other economic upturns, even well before the welfare reform was introduced, which made it hard to conclude that the reductions in the numbers on JSA could be attributed to welfare reform.

It is more the case that, when there is an upturn in the economy, it is easier to bring down the numbers on JSA where the numbers are large than where they are fairly small. You can get a 4 or 5 percentage point reduction if the starting point is 8 or 9 per cent but not if it is 3 per cent.

We were therefore sceptical, on the basis of the evidence that we were able to assemble, about there being a positive impact on the Scottish labour market. We could not discern any clear relationships between the impact of the welfare reforms and changes in the numbers on employment and support allowance; it was only in relation to JSA where there was some potential

evidence. However, when we looked back in time, we thought, "No, this goes on every time the economy turns up." The last bullet point on the slide headed "Will more people find work?" is rooted in hard evidence, but the hard evidence is in an earlier report.

Adam Tomkins: I have spent 25 years as an academic and I understand that proving causes in social science is incredibly difficult, but we can, nonetheless, see a correlation between welfare reform and employment growth.

Professor Fothergill: No. We could not find a correlation with employment growth but we could find a correlation with the reduction in the numbers on JSA. The number of jobs in any locality is a more complex issue. Changes in employment and changes in the numbers on JSA in any one locality are not the same, because of commuting patterns and so on. Looking across the 32 local authorities in Scotland, we could find a correlation with changes in JSA. We also found a very similar correlation with changes in JSA in previous upturns.

Adam Tomkins: Can I ask another question or are there others who want to come in?

The Convener: Ruth Maguire wants to come in, and then George Adam.

Ruth Maguire (Cunninghame South) (SNP): Thank you, Professor Fothergill, for your presentation—it was very interesting. I was depressed but not surprised to see that my area, North Ayrshire, is one of the hardest hit. Money is coming out of local businesses, too, because the people who receive money spend it locally.

I would be interested to hear your reflections on the impact on other public services. Although the money comes out of the welfare budget, when there is pressure on it, additional pressure is put on local authorities, which have to pick up some of the slack, for example in relation to health. Do you have any data or information about that?

Professor Fothergill: Unfortunately, my simple answer is no. There are probably plenty of other people, including some of the academics you will be talking to later, who have a better handle on that knock-on impact. The same would apply to some of the agencies on the ground. One would assume that if the financial losses are bigger in some places than in others, the implications for local services will also be bigger in those places.

George Adam (Paisley) (SNP): Good morning. I was interested in the whole presentation but particularly the bit at the end, when you said:

"Do not be blinded by the devolution of welfare powers ... Westminster is still a very big player".

In addition, you say in your report:

“The devolution of welfare powers should not obscure the continuing and dominant role that the UK Government plays in determining welfare spending in Scotland.”

When we look at PIP and other benefits, we can see that by the time the budget lines come to the Scottish Government, there has already been a dramatic change. As the convener said, we are getting powers over only 15 per cent of welfare spend. If we had all, or more, of the powers, we could have a bigger impact and could try to make a difference in our local communities. With the powers that we have, the budget seems to be dwindling as time goes on.

Professor Fothergill: I do not think that it is my role to get into the merits or otherwise of what should or should not be devolved to Scotland. However, I can confirm that, as you have just said, by the time Scotland gets control of the personal independence payment budget, it will be smaller than it is now, because we are going through a period in which the spending on that package of benefits—DLA and PIP—is still being reduced. By the time Scotland gets control of the purse strings, it will be a smaller purse.

The Convener: Do you want to come back in, Mr Adam?

George Adam: No—I am fine, thank you.

Adam Tomkins: As we have five minutes left, can I ask my second question?

The Convener: It will have to be very short, Mr Tomkins, because there will be a changeover of witnesses shortly.

Adam Tomkins: Indeed, but you said that we would have the professor with us until 10 o'clock.

Professor Fothergill, you made the statement—which I think is absolutely right—that welfare reform is continuing; it is unfinished business. However, it would also be fair to say that it is significantly changing direction under the current secretary of state compared with the direction that was taken by the secretary of state who started the process a few years ago, Iain Duncan Smith. Have you had time to reflect on the changes that have been signalled recently in “Improving Lives”, the green paper that was published jointly by the DWP and the Department of Health, which picks up directly on a large number of the claims that you make in your research about ESA?

Professor Fothergill: I am not sure that I can comment in detail on the changes that have occurred between one secretary of state and another, but let us look at the green paper on work and health. I and my academic colleagues have done an enormous amount of work—separately from the work that the committee is hearing about today—on claimants of what was incapacity benefit and is now ESA. Our work on that extends

back over 20 years, and I believe that we have a pretty good handle on why quite so many people are out of the labour market and on those benefits. For the benefit of the uninitiated, I underline that, across Britain as a whole, around 2.5 million adults of working age are out of the labour market and on ESA—a small number are still on pre-ESA benefits—compared with the 600,000 or 700,000 who are now on unemployment-related benefits.

From looking at what is emerging from the DWP and the Department of Health on how to go about reducing those numbers, I do not think that their analysis of the cause of the problem is correct. That is because they do not look at the local geography of where all those claimants are and do not ask why in those places we had the sudden emergence of a large number of adults who were out of work and on incapacity benefit or, as it is now, ESA. Historically, we did not have 2.5 million people on those benefits. In the late 1970s and the early 1980s, there were about 750,000 people who were out of work and on the same sort of benefits.

It is not the case that the population has got that much unhealthier, but what becomes transparent when we look at the local data is that the claimants are concentrated in particular places. They are concentrated, in particular, in Britain's older industrial areas. This is not a problem of prosperous southern England. The research that we have done over many years has suggested that in the stronger labour markets down south, or even in places such as Aberdeen—the more prosperous areas—people with health problems and disabilities can find work, can stay in work and, if they lose their job, can find another one. However, in Britain's weaker local labour markets, poor health or disability is one of the great discriminators, which means that some individuals cannot find and retain work, with the result that they become marginalised.

I think that we would say that the fundamental solution to getting the number of people on ESA down is to rebuild the economies of the less prosperous parts of the UK—in particular, the older industrial areas—and that does not come through in the diagnosis of the problem that the DWP and the Department of Health have arrived at. I think that they misunderstand the problem, and I do not say that lightly.

Adam Tomkins: I am grateful for that—thank you very much.

The Convener: Thank you very much, Professor Fothergill. You finished at exactly 10 o'clock—I do not know whether you were watching the clock.

You said that you wanted to stay to listen to the next item.

Professor Fothergill: I would be delighted to sit at the back and listen.

The Convener: You are more than welcome to do so.

I suspend the meeting for a minute or so, to let our next witnesses come in.

10:00

Meeting suspended.

10:03

On resuming—

Work Programme Priorities

The Convener: I welcome our witnesses for agenda item 3. I thank you all for coming, as I know that there have been problems with transport. I also thank Professor Fothergill for his presentation earlier, which was absolutely excellent.

This agenda item is the concluding session in our series of sessions on our work programme. We will use the Sheffield Hallam report as the springboard for our discussions. We have a panel of academics. I ask them to introduce themselves, and then we will move to questions.

Professor Abigail Marks (Heriot-Watt University): I am professor of work and organisation studies at Heriot-Watt University and director of the centre for research on work and wellbeing.

Professor Kirstein Rummery (University of Stirling): I am professor of social policy at the University of Stirling and co-director of the centre for gender and feminist studies.

Professor Ken Gibb (University of Glasgow): I am professor of housing economics at the University of Glasgow and I am the director of policy Scotland there.

Dr Sharon Wright (University of Glasgow): I am a senior lecturer in public policy at the University of Glasgow. I lead the welfare reform network for policy Scotland and I am a co-investigator for the Economic and Social Research Council project, "Welfare Conditionality: Sanctions, support and behaviour change".

Professor Paul Spicker (Robert Gordon University): I am an emeritus professor of Robert Gordon University working as an independent writer and commentator.

Dr Helen Graham (Edinburgh Napier University): I am a research fellow at the employment research institute at Edinburgh Napier University.

The Convener: Thank you all very much and, as I said, thank you all for making it in on such a miserable day, when we have had problems with traffic and transport.

I have two basic questions for the panel. After you have answered, I will open up the meeting to questions from members. First, do you have any comments on the Sheffield Hallam report and its findings? Secondly, what should be the priorities for the committee over the five years of this parliamentary session?

Professor Marks: I broadly agree with the findings of the report. From my research, I think that they are accurate.

The committee's priority has to be to try to prevent people on ESA from getting into further trouble. As was mentioned, most people on ESA are in deprived post-industrial areas, and the great majority of them are on ESA because of mental health problems. Because of the way that the system operates, it further reduces their potential to work rather than increasing it. The majority of those people are also on DLA or PIP, so that is the only scope to facilitate a way of stabilising people's experiences in those communities.

Professor Rummery: This is a bit unfair, but I want to comment on things that are not covered in the report but which have an impact on people's lives. You have heard a little about the transition from DLA to PIP and the reduction in the budget that will come. We see an impact on health-related issues from the administration of that change. We are seeing targets to reduce spend, to take people off DLA and to use the PIP assessment process to reduce expenditure, which is contrary to the formative or initial aim of DLA, which was to give people income to offset the cost of disability. In particular, the process of going through the claim itself is deleterious to people's mental and physical health. The reduction in things such as mobility allowance leads to further reductions. For example, the lack of ability to access mobility cars leads to problems accessing transport, which are linked to problems accessing the labour market. The transition from DLA to PIP has a huge knock-on effect that is not really recognised.

Members might say, "We've only got control of 15 per cent of the budget," but actually you have control of the administration of how that budget is spent and delivered. That is potentially far more powerful than even this committee realises, because it is the administration of the scheme, not the sums of money involved, that is causing the most damage to claimants. An example is the cost to claimants of benefit sanctions and welfare conditionality, which my colleague Dr Wright might say more about. The cost of losing benefits and then coming back on to them has an absolutely huge and significant impact, particularly on low-income families and particularly those that are also claiming DLA or PIP and that have a disabled member or carer in the family. The impact on child poverty is also huge and significant.

You can change that by changing the way in which the benefits are administered. You can change it by looking at the cost of outsourcing assessment to companies such as Atos and bringing that back in-house or doing it in a lower-cost way. Substantial administrative savings could be made by running things differently and more

fairly in Scotland, which would release money for front-line claimants and additional services, such as health and social care services.

You must remember that people who claim DLA and PIP probably also claim self-directed support or social care support. Cuts to those benefits have been substantial; they predate welfare reform and are continuing. The shift from community care services to self-directed support is happening at the same time as local authorities are experiencing a sharp reduction in their social care budgets.

Again, I emphasise that the Scottish Government and local authorities have—and have always had—complete control over that area. By joining up systems and reducing the administrative burden from the way in which those systems work, and in particular by reducing the impact of sanctions—which, according to all the evidence that I have looked at and that we have gathered, do not save money but in fact cost more than they save—those issues can be addressed.

Looking at the qualitative impact of sanctions on families on the front line, it is clear that sanctions do not help them into work but instead act as an additional barrier for those who are struggling to find work—in particular, as Professor Fothergill said, where the local labour market cannot accommodate people with caring responsibilities or disability issues. The evidence suggests that we need to build up those local economies and get the economic circumstances right so that employers can accommodate people who need to work part time or who need additional support. Again, you have some of the powers—although not necessarily all of them—in Scotland.

That is my sense of what the priorities are. You need to look at the way in which the system functions and its administration, as you have substantial powers to make changes in that area.

The Convener: Thank you. We will go round the table as usual, starting with Professor Gibb.

Professor Gibb: First, the report is a model of clarity and a helpful contribution, given that we do not usually see a Scotland-level or local-authority-disaggregated analysis. The report builds on a body of work and helpfully enables us to look at the pre-2015 and post-2015 work and to make comparisons with GB as a whole.

The report sets out what it does not and cannot do, and outlines the limitations of the data with which the team was working, which is helpful. It also poses questions for further research. For example, we could look at an individual who receives different levels of benefit and how the changes impact on them. We cannot get that information, given the way in which the data is currently presented.

On the other hand, there is an imbalance in the report between its thorough analysis of the benefit and welfare changes and the much less detailed account that it gives of the positive changes in tax allowances and so on. I know that some of that information is not available in the same format and detail, but there could have been a bit more analysis and balance. Again, there will be distributional profiles attached to that across space, which will be very interesting to see.

As a minor quibble, I am not sure that it is safe to say that a proportion of the increase in the personal tax allowance would have happened anyway. These things are incredibly uncertain, and to push four or five years into the future, given the history of the change in the personal tax allowance, which is highly variable and uncertain, I would be slightly more generous about the size and scale of the impact of the increase. Overall, however, the report is a great piece of work.

Dr Wright: I, too, congratulate Professor Fothergill and his team on an excellent piece of research and an excellent report. Generally, the impact of welfare reform in Scotland must be the business of this committee, so the report is useful in many ways. I agree on the importance of considering benefits and services for disabled people, particularly in those areas that lie within the Scottish Parliament's remit.

In terms of priorities, it would be useful for this committee to consider the impacts on people who are in work as well as on those who are out of work. That is a growing area that is being hit by welfare reforms, and the related politics of how that affects people is of great relevance.

10:15

I picked up on a couple of points that were being made when I came into the meeting—I am sorry that I was late; it was due to the train. A point was made about anger, which was taken as a political criticism. However, our research on welfare conditionality was a qualitative piece of research, so it could speak to that point in more depth. We asked people how they were affected by welfare reforms, and most people told us that the emotional effects were negative. Those included anxiety, depression, health effects and even suicide attempts. We picked up anger, but we also picked up a lot of different emotional responses that showed that the welfare reforms were affecting people's lives in very deep ways.

Another point is that, when welfare reform means that people who are living in poverty have their income reduced even further, that is of great concern and it will continue to impact on people who are in work as well as on those who are out of work.

I agree with Professor Rummery's point about the importance of services. It would be good if the committee could consider different options for how services can be run in Scotland, including questioning the contracting out and the output payment models that have been common in the rest of the UK.

The Convener: I apologise for not going back to Ken Gibb. Would you like to come back on the second part of the question?

Professor Gibb: No, I will come back in later.

The Convener: Okay. That is fine.

Professor Spicker: I would like to separate out the contents of the report that you have just heard about from the question of priorities. I fear that there is often a tendency to respond to the current set and diet of benefits as a laid table. The terms on which benefits are delivered always determine what it is possible to think about for the future, and it becomes extremely difficult to adapt to change or to anticipate change because of the huge pressure to make up for what has gone before. We saw that in relation to the bedroom tax. For example, I have been asked by politicians what it might be possible to do in relation to tax credit cuts; however, I am afraid that it will not be possible to deal with most of the cuts. Quite simply, there is too much water coming through the dyke and you do not have enough fingers. It cannot work in that way.

It is important to look to the future and future priorities for the ways in which benefits are to be delivered in Scotland. There are some very large issues of huge importance coming at Scotland at great speed. The Scottish Government will take responsibility for what is, admittedly, a minor part of the total social security system but one that, nevertheless, represents a huge administrative, practical and financial challenge. That must be the priority for future work over the next five years.

In some ways, it is a minefield. Whatever happens—no matter how well the system works—we all know that, with a large system with multiple iterations that deals with tens of thousands or even hundreds of thousands of people, whatever can go wrong will go wrong, and the Scottish Government and the Scottish Parliament will get the blame when it does. We have to accept that as being part of the enterprise that we are engaged in. It is clearly important to try, as far as possible, to promote the kind of agenda that the Scottish Parliament has previously adopted relating to respect, dignity and fairness to ensure that the system works properly.

I know that it is tempting to focus on specific policies, because a committee such as this may feel—I was an adviser to the Welfare Reform Committee and was aware that this view was

strongly held—that it can have far more effect by selecting a small number of topics and focusing on that small number, so it will seek to have maximum impact in that way. However, you have a group of academics in front of you and I am fairly sure that each of us could come up with three priorities that did not overlap and that, by the time you had finished, you would have about 30 ideas for what might be taken forward.

More generally, you must understand that the process is already well under way. It will begin with the smaller benefits, and the maternity grant will almost certainly be high on the list. Yesterday, I attended a fascinating session about funeral poverty and the forthcoming patterns of funeral payments. Because they are stand-alone benefits and because they are specific, they will be developed in the very near future.

Disability benefits are clearly the largest part of what is being done, both financially and in terms of the number of people affected, and that must be addressed in the not-too-distant future. I would argue that, rather than trying to adapt specific policies on each and every thing, the focus should be on something that is fundamental to everything, and certainly to dignity and respect: developing the administration and mechanics of benefit delivery. Kirstein Rummery and many others have made that point. Without that aspect, we cannot have the dignity, respect and coverage or the ways to deal with the many pitfalls that will be faced in the near future.

Dr Graham: I thank Professor Fothergill for his forensic analysis of the numbers. It is always nice when someone does the sums that nobody really wants to do. My perspective on this comes from work looking qualitatively at welfare reform and its impacts on individuals and households, and I would say that time is of the essence when it comes to PIP. I understand that a motion has been lodged to delay the implementation of PIP in Scotland. That is all well and good, but people on DLA are a group who have been in limbo for a long time now. They were told that they would be entitled to DLA for the rest of their lives, but were then told that they would be subject to reassessment, without being sure what impact that would have. The implementation has been pushed back and pushed back, so the period of uncertainty has lengthened for them. As Sharon Wright mentioned, the emotional impact of that uncertainty is difficult to quantify, as is the financial impact, but it is undoubtedly having a huge impact.

I agree with what others have said about looking at the savings that can be made from joining up some of the processes. Claimants have said that they are expected to produce the same full folder of evidence for several different purposes. It should be considered whether it is necessary to

reassess people at all or to reassess them at intervals when they have a condition that is clearly deteriorating.

The Convener: Thank you. I open up the meeting to questions from members.

Ben Macpherson: This is a slight digression, but I am interested initially in why you think 15 per cent was selected as the percentage of welfare spending to be devolved to the Scottish Parliament. Do you have any thoughts about the practicalities of that? We heard at a private evidence session earlier in the week that there was an understanding that the 15 per cent might represent the easiest sections of the social security system to devolve. I would be interested in any thoughts that you have on that.

Professor Rummery: I was involved in the Smith commission, and I think that what is being devolved reflects a very strong grass-roots feeling from disability organisations in Scotland that we should have disability living allowance, carers allowance and associated matters devolved to Scotland. That message came through clearly among all the convoluted messages that came through the Smith commission, and it was relatively easily to implement. In policy terms, it looked like a win-win for everyone.

The political nature of that is an opportunity for the Scottish Parliament, no matter what its stance. If it can make those benefits work more effectively and efficiently and give people dignity, the right to an income and security, which we have heard across a lot of different evidence bases is a substantial part of the issue, it will prove its competence. Whichever side of the political divide people sit on, there is a view that we can get some relatively early wins in that regard, which will indicate that the Scottish Parliament is handling the budget in a clear, accountable and fair way.

Professor Spicker: I am sceptical of the view that the benefits that Scotland has been asked to replace are in any sense easy to administer. On the contrary, they seem to me to be deeply convoluted and often seriously problematic. A common distortion of perspective that people irresistibly have is the idea that benefits are all related to the world of work. Most are not; rather, they relate to the situation of elderly people. If we look at what has happened, we see the complete reservation of the national insurance system, which is the least problematic part of the many systems that we have.

We know that there has been a substantial failure of benefits in the past. I point in particular to DLA. It is difficult and complex in its own right, and DWP research on it has shown that claimants are generally baffled about the terms on which the benefit is delivered. They do not understand why

they should and should not claim and there is extremely poor take-up of the care component—I could go on with the problems. In effect, Scotland has been given as a test the task of finding some way through, despite all those complexities, for a system that the current move to the personal independence payment does almost nothing to resolve.

Ben Macpherson: Do you agree with the current approach, which has been part of the Scottish Government's narrative, that a safe and secure transition of the devolved benefits is paramount, given the complexity that you have touched on?

Professor Spicker: I certainly subscribe to the first part of that. It is clearly essential that the transition is safe and secure. However, we do not have to have these benefits. Scotland has had devolved to it the powers to create benefits for certain purposes. It does not follow that the pattern and structure of benefits must replicate those that currently exist. There are other ideas that could be considered. For example, I note that we are inheriting what was DLA and what might be PIP, along with attendance allowance. There is a strong case for trying to rationalise the relationship between those benefits. Personally, I believe that there is a case for going back to mobility allowance, which we used to have as a separate benefit. There are further complications in relation to severe disablement allowance. We have been handed a very small number of residual claims for that and the task of administrating that area, too.

There needs to be a form of rationalisation that will make the system practical for a population that, among many other things, is highly dispersed and often very vulnerable.

Professor Rummery: I want to add some evidence to the weight of Professor Spicker's argument. The devolution of the benefits to the Scottish context is, in effect, a lump sum that can be reorganised. This is an absolutely wonderful window of opportunity to do that and to learn from the mistakes that were made in setting up the benefits in the first place.

If we focus on DLA and PIP, because that will be one of the most difficult benefits to tackle, we need to remember that new claimants in Scotland are already claiming PIP; it is not the case that we are inheriting only DLA. People are already going through an assessment process that is highly flawed because it is based on a flawed theoretical understanding of what enables people to live independent lives. That can easily be addressed by either redesigning the system or designing a new benefits system with a much more up-to-date theoretical understanding that reflects what the academic evidence says, what the people on the

ground say and what the grass-roots movements say.

The quite collaborative style of policy making that is evident in the Scottish Parliament distinguishes it from the Westminster approach. Although the task is difficult, there is a window of opportunity to create a benefits system—particularly for the group of people who are on DLA or PIP and are likely to be on ESA—by taking a joined-up approach and considering what actually supports people to live independently and to access the labour market, if they can.

It is also important that we do not forget carers. We must ask what supports them, because we absolutely have to be able to rely on their continuing to care in Scotland. Whether we like it or not, the demographic tsunami is coming upon us. We must ask what supports carers to be able to continue to care, but also to access the labour market, work and do other things that enhance their independence and lead to economic growth and prosperity. Currently, the system is complex and there are many reasons why it acts as a disincentive and does not fulfil the aim of enabling people to live dignified lives.

10:30

Gordon Lindhurst: I am particularly interested in Professor Spicker's comments, but others may wish to respond to my question, too. If we take as the basis of the Scottish Government's approach the dignity and respect approach that it has set out, there are a number of ways of effecting or implementing what is intended, whether that is through guidelines, an act of Parliament or subordinate legislation such as a statutory instrument. As an advocate who has worked in the courts, I and many of my colleagues in the legal profession have, over the years, dealt with people who have had entitlements to benefits but, unfortunately, have had to come to us to make good those entitlements or to take advice on them.

It has been said that some acts of the Scottish Parliament read like wish lists as they are not specific and are not what we lawyers would call black-letter law. It is a bit like saying to a cabinet maker, "Build a table in this room" or "Build a desk in this room", but not giving them the dimensions or the size and then being disappointed with the result.

Do you agree that whatever is implemented needs to be anchored in clearly set out statute and subordinate legislation so that rights can be made effective when they are implemented and those who, unfortunately, do not receive their entitlement and therefore need some way of making that good can do so?

Professor Spicker: I agree on the importance of specifying the terms and getting regulations, but there is something to make a reservation about. The approach to benefits that has seen their administration in terms of adversarial legal decisions has not been to the benefit of the organisation. We should want the Scottish social security agency to be what I will call in the jargon a learning organisation. If redress is needed, which it will be if there is a complaint, it should be possible to take information back and improve what the organisation does with it.

It is regrettable that the current state of the benefits system, which depends on an obstacle course of mandatory reconsideration and extremely difficult access to judicial review, does not serve that purpose at all. Most local authorities now have complaints procedures in which it is possible to get complaints fed back to the organisation for it to review the operation and see how it has done. It is critical for that to be done if we do not want the system simply to replicate the vices of the systems that we are taking on.

Professor Rummery: I will comment on both UK-based evidence and international comparative evidence on the interface between disability allowance, carers allowance, care and support in the community, and other services that are intended to support people. I know about that area, so those are the examples that I will draw on.

We know that what works best in supporting people and what is relatively easy and fair to administer is, as Gordon Lindhurst said, a system that involves clear rights and entitlements that have a statutory basis rather than being discretionary, particularly in the case of those that are administered locally.

You should consider the difference between tribunals that can decide on welfare benefits and the really arcane and impenetrable system of appeals against community care assessments and self-directed support. Having sat on those tribunals, I can say that, in order to grant social rights and make the system easier and fairer, it is far better to have a system of nationally set criteria and benefits that are set out in statute. Those criteria will be open to interpretation but, with all due respect, we do not want to be funding lawyers when we should be funding people who are living in poverty.

Having a clear set of rights and entitlements that is not locally dependent is clearer and fairer and will not result in there being 32 different systems under 32 different local authorities. The Scottish Government has the power to create that by joining up budgets and creating clear sets of rights and entitlements, particularly around disability and carers allowances. We have a window of

opportunity to do that and to create a system that is clear, accountable and fair. That will be in everyone's interests and, eventually, it will save quite significant amounts of money in administration.

Professor Gibb: I would like to make a slightly different point that goes back to the previous question, although it is also relevant to the points that have just been made. In a sense, the 15 per cent of welfare spending that Scotland is getting control over is only what we know about. Paul Spicker alluded to the fact that we do not know about the capacity to create new or top-up benefits or the discretion to amend the existing rules, which, to me, is the most interesting aspect.

It is hard to put a number or scale on those issues. Obviously, the situation will evolve over time. It is interesting to note that, in the current session, the Scottish Parliament will have much more responsibility for the tax revenues that are raised, and the new welfare powers will have direct financial implications for the Scottish budget. The committee therefore has an opportunity to think hard about the fundamental choices and what the priorities will be, given that the creation of an additional benefit that you believe will really make a difference will have an opportunity cost for the Parliament. There is a chance to have a proper debate about that, which is quite exciting.

Because of the discretion that the Parliament will have and the breadth of the issues, that debate could cover all manner of things. My area of interest concerns the housing cost element of universal credit, the exemption from housing benefit of 18 to 21-year-olds and so on, but a range of issues could be involved in that debate.

The 15 per cent figure is a bit of a red herring. Given that we have a Government and a Parliament that are interested in justice, respect and so on, we have an opportunity to use some of our existing resources—and indeed additional tax revenue, if we are able to generate it—to make some of the positive changes that we want to make.

Dr Wright: On the legal aspects and people's rights, I believe that clear rights would be a valuable and helpful way of organising things. My on-going research into welfare conditionality has taken into account appeal processes and mandatory reconsideration, and what we have mainly found is that people find it difficult to navigate the existing systems. If the Scottish social security agency can have clear, transparent and independent appeals processes, that will be valuable. We have found that people who have undergone mandatory reconsideration have often been mistaken: they thought that they were involved in an appeal when they were not, and they were unaware that what they interpreted as a

final decision was something that they had a right to appeal against. A simpler and more independent system would be useful for any Scottish benefits.

I was going to say something else, but I have forgotten what it was.

Professor Spicker: I want to pick up on the word “simpler”. How does one provide a system that is practical and that meets people’s needs? It is important that the system is minimally intrusive. The current rules and regulations—I am thinking of the community care legislation—contain specific references to, for example, someone’s need for help to get their teeth brushed. We need to think about whether we should ever frame rules of that sort, given that they require tests that are appropriate to the task. The more we do that, the more intrusive the system becomes and the more likely we are to have failures of take-up and further problems. As a result, it is important to be prepared to accept that we are going for a more widely spread and less closely specified base than has otherwise been the case.

The Convener: Have you remembered the point that you were going to make, Dr Wright?

Dr Wright: No, but I have thought of something else that I want to say in response to the question.

The Convener: On you go, then.

Dr Wright: On the point about how we can make decisions without overspecifying things, the fact is that, if we are talking about disability, health and personal services, there is already a lot of information about health in people’s health records. Decisions could be made on existing evidence without any new tests being required or people having to undergo assessments that are blunter instruments than the more accurate specialist assessments that they have already had.

Professor Marks: The assessment issue is absolutely key. My research is on people who have mental health problems, and I know that every time a person has to go through an assessment, their mental health deteriorates as a result not only of the assessment but of the anticipation of it.

I specialise in mental health and employment, and I know of people preparing to go back to work who went through an assessment and whose mental health deteriorated to such an extent that work felt very far away to them. As has been widely documented, the way in which assessments are carried out has led to suicides, so looking at the assessment process is absolutely key.

Adam Tomkins: There are two really clear proposals on the table from Kirstein and Paul—if

you will forgive my using your first names. Paul says that we should look hard at the redesign of disability benefits and the rolling together of DLA, PIP and attendance allowance, while Kirstein says that we should look equally hard at the delivery and administration of disability benefits, given that so much of what I will call the respect agenda can be delivered not through entitlement or eligibility but through the actual interface between the user and the system.

I therefore have a question in several parts for the other four witnesses. First, is it possible and/or desirable to disaggregate questions of design from questions of delivery? Should we try to look at them serially or together? If we cannot look at them together and if, in your view, it makes sense for the committee to look at design on the one hand and delivery on the other, what you do advise the committee to look at first?

Does that make sense?

Dr Wright: It is an excellent question. I have done a lot of research on the implementation of employment services for all sorts of groups including disabled people, jobseekers and universal credit claimants. It is important to look at design first and then delivery, because those issues can be conflated, which can lead to accusations that the problems are just a matter of implementation when they might, in fact, be inherent in the system’s design. The current debate about sanctions is a good example of that. You hear criticism of Jobcentre Plus staff as being very harsh, but they are just following a pre-designed system.

My answer to your question, therefore, is that the committee should take those things serially, starting with design. It should then look really carefully at the governance of delivery, which comes between the two issues. It is easy for us to think in the UK context only about certain ways of delivering employment services, but I encourage us to look more widely at other countries to see what the different options are.

We are used to a policy pathway in which we contract out and use private companies on a for-profit basis and we are concerned with outputs and outcomes, such as job outcomes. For people who have health problems and capability issues, and for lone parents, for example, it is much more important to take into consideration the journey to work than just the output.

There is a lot of scope to save money, as Kirstein Rummery said, and to have better services by paying attention to the governance of the design.

10:45

Adam Tomkins: I am so sorry, but I forgot to say something, convener. I must remind the committee of my entry in the register of interests. I am a policy Scotland colleague of Ken Gibb and Sharon Wright. I should have declared that before I said anything. I apologise.

The Convener: That is quite all right. Does anyone else want to comment before I bring in Alison Johnstone?

Professor Gibb: Housing benefit is the benefit that I know best. I find it quite hard to completely disaggregate design and delivery because, in a sense, design determines the form of the delivery but delivery is a necessary component to make the design work.

In the same way that a lot of the benefits that we are talking about relate to the world of work and others relate to the world of healthcare and care, housing benefit has a massive impact on how the housing system works. It is incumbent on designers and thinkers of benefits to be careful about spillovers and unintended consequences. The ability of housing landlords and social housing providers to generate their rental income depends on how the tenants interact with the benefits system, as Sharon Wright knows very well. Equally, their ability to build the Government-set target of 50,000 homes critically depends on how people such as lenders think the benefits system will work in future, because they have to base their lending decisions and providers have to base their borrowing decisions on where the income streams will come from, and that relies heavily on the housing benefit system.

Those are all overlying complexities, and it is quite difficult to disentangle them all. There is also a third layer—the broader world in which the benefit operates—and that also has to be understood.

Professor Marks: I will return to a couple of Kirstein Rummery and Sharon Wright's points about contracting out. Contracting out has been a disaster. It has really damaged how the assessments are undertaken. If there is any scope to do so, it is really important to look at that issue.

Professor Rummery: Can I respond?

The Convener: Briefly.

Professor Rummery: The international evidence backs up that contracting out to third parties on welfare delivery has been an unmitigated disaster internationally. You have the opportunity to address that issue. That should be one of your priorities.

Professor Marks: That is really important.

Alison Johnstone: I have a couple of questions on design and delivery. The first one is to Professor Rummery; the second point is to Professor Marks.

Professor Rummery spoke about our having an opportunity to administer the system differently and the importance of our doing that. Last week, we heard from Citizens Advice Scotland and from those who work in local job centres. The insistence on applying digitally seems to be a major stumbling block for loads of people. I think that we were all fairly horrified to learn that some citizens advice bureau staff, who have great expertise, are having to spend their time giving people who would like to claim information technology lessons in order for them to access the system. That has to be fixed as a priority.

On the one hand, we have this insistence on some people applying digitally, and on the other, we insist that some people have to attend unnecessary assessments in person when they could apply digitally, on paper or over the telephone. We might want to look at the telephone as a means of communication. I would appreciate your views on that, Professor Rummery, in the first place. I then have a question on employment programmes.

Professor Rummery: That goes back to the idea that the system has to follow what the design intends to achieve. In order to get right the basic theoretical approaches and aims of the system to start with, we look at the evidence from community care claimants. They had to go through all sorts of hoops. Some of them had to apply digitally and others had to apply through social services assessments and so on, and they did not understand the system. Worse, the practitioners who were working in the system did not understand it, so were not in place to support people through it.

Alison Johnstone's example about citizens advice bureaux is absolutely salient. We can be diverted from what we are trying to achieve by other conflicting priorities. The move towards the digital economy and everything being done online is seen as being more administratively effective and efficient but, in effect, it cuts out a lot of people and does not necessarily simplify the system or make it fairer. Fairness, simplicity and accountability have to drive the design of the system.

As a sidebar, I want to raise a warning flag about administrative savings. In effect, such savings mean job losses among those who administer the complex system. As the system gets—we hope—simpler and easier, more resources should be made available, but that will probably be as a result of job losses among front-

line workers. That unintended consequence needs to be taken into account.

Dr Graham: That illustrates the importance of embedding user experience at every stage of the policy design and implementation process. If potential universal credit claimants had been asked about that before the introduction, the Government would have known that it was not feasible for them all to apply online. That illustrates the importance of involving at all stages the people who will be affected to get their perspective.

Professor Spicker: I emphasise the importance of flexibility and diversity of methods. One size never fits everyone. Regardless of whether the approach is digital, on the telephone or face to face, there are people for whom it will not work. Because of Scotland's peculiar geography, there are people who live in extremely isolated locations and who cannot practically get to centres for certain purposes. We have to think about the system flexibly. For example, flexibility might mean that we decide to deal with issues of identification or offering assistance through different routes. We know from the passport system that it is possible for teachers, doctors, bankers and local shopkeepers to help with identification. We can do things differently—we do not have to do them the way that they are currently done by the Department for Work and Pensions.

Professor Rummery: I reiterate Dr Wright's point that there is a substantial amount of information already in the system, particularly in the health system, that we are not using. We are not using doctors effectively. We are wasting money on third-party assessors who just replicate work that has already been done, probably more effectively and in a more user-centred way than the work that is outsourced. Any system design has to use the expertise of those who are already working with the users of the system. As has been said, it also has to be centred on the user experience. I welcome the fact that the process of designing a potential bill is drawing on users' experience, because that is absolutely key. They will tell you what works. That is an extremely efficient way of designing a system.

To reiterate, as long as the theory and the intended aims are right, and you get the user perspective and the governance level right, you will save a lot of hassle and you will be able to achieve the aims of independence, dignity and respect for all citizens, not only benefit claimants. There will be repercussions throughout the welfare system. If you can create something that is more accountable and fairer, there will be much more universal buy-in, and there will be a move away from some of the really damaging and distancing effects that we have had, such as the theoretical distance between people who pay in to the system

and people who take out of it. You would start to address some of those deep cultural issues.

Professor Spicker: I would like to add another general point that is important for design and delivery.

There are two large failings in benefits that we have seen repeatedly during the past 40 years. The first has been the use of extensive portmanteau unified benefits to cover everything. When they go wrong, it is catastrophic for claimants. The alternative is to go for smaller, better-defined benefits. The income package, which is the way that the benefits are put together, is what matters for benefits—there is a substantial comparative literature on that. There are countries that offer lots of little benefits rather than one big benefit, which has been the great vice of the British system. Benefits are fungible—a technical term—which means that they can be mixed together. Money is money, so money can be added to money. The important thing is that the benefits arrive on the same day, not that they are all administered to the same rules and terms. The French system is full of little benefits that are added together in different ways and arrive in the same account on the same day.

Alison Johnstone: Professor Marks, what are your views on employability programmes? Those programmes are going to be devolved to Scotland with a monstrous great cut, but we will be able to implement them. They are not particularly successful—although I realise that some are more successful than others—and your comments about people who have mental health issues being pushed further away from work were pertinent. What could we do here to ensure that people want to attend the employability programmes? Thankfully, we will have the option to not implement sanctions in relation to the programmes. How could they work better and who should deliver them?

Professor Marks: It should not be the people who are currently delivering them, which is another issue that relates to contracting out.

I can give you a slightly convoluted answer. I started a project to look at the experience of people who have mental health problems who had their benefits changed and were expected to start seeking work. We did a massive search, but we found very few such people because—as we showed in the earlier evidence—very few people ended up in that situation. The people who we spoke to that had been on employability programmes did not find them particularly useful. The programmes were quite patronising as assumptions were made that those people had never been in work or that they had little work experience. The programmes offered very basic skills that were not necessarily appropriate and

there was a lack of acknowledgment that people might have been in work and might have employability skills. The whole system works against employability.

Alison Johnstone: Is there more of a role for the voluntary sector in delivery?

Professor Marks: Absolutely. At one of the current work programme providers, I spoke to people in management and people who deliver the programme and they said that it is not working. When there are such clear financial incentives for people delivering employability programmes, it will not work and it does not. That is almost the second stage; the first stage is getting the system right. People's employability has been damaged by the system; you have to get people in the right place so that they can go through the programmes. At the moment, the programmes will not work because of the process to get to that point.

Gordon Lindhurst: Professor Spicker, you talked about the French system as an example of a system with lots of little benefits added together. How does that sit with your earlier comments about our needing a simple system for people to access?

Professor Spicker: We have suffered from the delusion in Britain that, if we stick a number of benefits together—for example, for the sake of argument, tax credits, income support, housing benefit, jobseekers allowance, and employment and support allowance—it will somehow be simpler. It will not be; what we will have is a number of benefits stuck together. We already have common terms across a large number of benefits. By putting benefits together in a package, you end up with a very complicated package. Supplementary benefit and unified housing benefit were the same. We are not simplifying by pretending that the different elements of the benefits are the same.

I am afraid that the same is true in relation to something like DLA with care component and mobility component, which is why I suggested earlier that those might sensibly be separated out. Although there would be a longer form for some people, what we are doing at the moment is requiring everyone to fill in the longer form, in case. It means that a large number of people are being asked deeply inappropriate, intrusive personal questions that do not belong to the circumstances that they are dealing with.

11:00

Pauline McNeill (Glasgow) (Lab): This has been extremely helpful so far and there is a lot to take in. It has certainly helped to shape my

thoughts about what the committee could usefully do.

I have a question for Kirstein Rummery about the issue of assessment. I have been of the view for a long time that assessment should be run by the state and not the private sector. However, I want to be clear about the targets that you talked about, and the framework for assessment. Is that one of the reasons why the assessments are going so badly wrong? It is a question not just of who runs it but what framework is around it.

Professor Rummery: Absolutely. If you have top-down targets about reducing spend—which is what has driven a lot of this, not just in benefits but in community care and other sectors—you have front-line practitioners trying to square the circle of the reduction in resources. They are acting as rationing agents for access to those resources while, at the same time, trying to help the people they are there to help.

I would take issue with it having to be the state that runs assessment. The voluntary sector could also play an important part in that, because a lot of user expertise is located there. In self-directed support, which is an example that I know a lot about, there are advocacy agencies that employ disabled people who have used self-directed support, who understand the system and who can help people; they could form an important part of the people who are involved in administering these kinds of things. I would not discount the voluntary sector. What I would discount—

Pauline McNeill: You would still have to contract out.

Professor Rummery: But contracting out on a not-for-profit basis—contracting to deliver a certain set of advocacy or support functions and so on that are perhaps better delivered by the third sector than they are by the state. However, I would not contract out with targets, particularly income targets, because that is where it has gone badly wrong. Even for-profit agencies that have the best will in the world to achieve the intended outcomes for the people who they are assessing cannot operate if the deep normative core—as we would call it in policy terms—is about saving money. That is why it is important to get the aims right.

Pauline McNeill: There must also be the key proviso that the target to reduce expenditure is removed.

Professor Rummery: Yes, or at least taken somewhere else in the system so that it is not driving the front-line practitioners.

The Convener: I think that Dr Wright wanted to come in on that.

Dr Wright: Yes, and also on the earlier question about employment services. The points are connected. Several countries, including the US, Australia, Denmark and, to some extent, Germany, have contracted out employment services. We also have a history of doing that in the UK, especially since the late 1990s. If we look at each of those countries and the vast quantities of evidence that have come from evaluation of the programmes, there is almost no evidence that the process has met the main aims, which, in all those countries, are to save money, reduce bureaucracy, have a simpler system and provide users with choice. There is a lot of political drive towards contracting out services, whoever they are contracted out to. For example in Germany and Denmark it could be to local municipalities—to local forms of government rather than private companies. However, there is very little evidence—apart from a small amount in Australia—that it has any of those desired effects. If you are thinking about saving money, it could be that stopping contracting out saves money, reduces bureaucracy, gives users more choice and enhances the experience for users.

However, the picture is not that straightforward, because we also know that contracting out provides some qualitative benefits, even when the private sector is used. Although there are big problems with output payments and transaction costs—they involve the costly process of issuing the tender, the time and energy that each of the potential contractors puts into delivering the tenders and the time and energy to consider them—all those transaction costs are very important. However, there is evidence that private companies can engage with users in a more respectful way than, for example, Jobcentre Plus can.

The question is how the Scottish social security agency will engage with people and how the people delivering employability services will ensure that they can be respectful. It is one thing to say that we want dignity and respect in the system, but even the DWP and—I am sure—the private providers and other work programme providers do not set out to treat people disrespectfully. However, it happens because of the framework in which people are operating.

What enhances the experience to make it good? I did some small-scale research a few years ago in which we asked people what was important to them, and they said that it was about being listened to and taken seriously. People also said that they wanted flexible appointments, long appointments and practical help with matters such as form filling, which are the sorts of thing that Citizens Advice Scotland is doing with online help. My current study shows that people want help with appeals and mandatory reconsiderations as well.

If there was some scope to include all that, it would enhance take-up, which would also bring more money into Scotland. That interface—how people are treated and whether they are listened to—is very important. In fact, I would go beyond saying that it is about dignity and respect, and say that what we need is compassion and empathy. If we aimed higher in that regard, we might achieve dignity and respect.

The Convener: Professor Spicker can come in only briefly, as we are running out of time.

Professor Spicker: I have two points about contracting out, the first of which is that it matters what we contract out. For example, I believe that the Pension Service contracts out to Royal Mail the process of opening envelopes in the morning, which is not problematic in the way that many other arrangements have been. My second point, however, is about something that is deeply problematic: subcontracting, which has been used particularly in relation to employability. There have been a number of Government reports on subcontracting that indicate that the fundamental problem is that the responsible departments responsible lose control at the point at which the contract goes from a main contractor to a subcontractor.

Pauline McNeill: That is helpful, but it brings us back to the question that Adam Tomkins raised about the detail of the design, which is what my second question is about. It was interesting that Kirstein Rummery described the powers that we will have as just being given a lump sum that can be organised in any way that we want. She is the first person to put it in that interesting way. However, if that is the case, we have a huge task of redesigning for the kind of benefits that that lump sum will be used for, whether smaller ones or not, and for how the system that applies them approaches the questions of dignity, accessibility and so on.

My question is about where we start with all that. As Adam Tomkins said earlier, we have to deliver a service first. The Scottish Government has announced that it will not take the powers until 2020, and we have not examined that yet. I would like to hear anything that the witnesses would like to tell us about where we should start. I would think that we have to start now to plan a new design to incorporate all the elements. Alison Johnstone talked about some elements, which include the importance of how people contact the service and advocacy, which will be costly measures. They are ones that I would support, but I imagine that there are costs attached to them, although some of those could be stripped away.

Do we have the capacity to do it? Where is the capacity? Any thoughts that you have on that would be helpful, because it seems to me from

what I have heard this morning that, if we were going to design a new system, that is where we need to get into the nitty-gritty of where we would start, who would help us to do that, how we would establish the cost of creating the system and when we could think about launching it.

The Convener: Who would like to answer that question? We have another question to ask as well, so I would like brief answers, please.

Dr Wright: The best place to start would be advice from other countries that have had similar systems, although they may not have set them up at such a dramatic juncture. For example, Slovenia is much smaller than Scotland but, after the end of socialism, Slovenia set up its own employment services. The tensions will never disappear, but other countries are doing a good job of these things. However, I do not think that such systems are cheap, so there is a question of whether taxes would be raised to cover the cost. A good analysis of the costs and benefits would be important at this stage, because there would be savings as well as extra costs.

Professor Spicker: There are two immediate traps. The first is the zero-sum gain. If you start off with a fixed budget, I am afraid that you cannot make anybody in the system better off without making somebody else worse off—it is a simple matter of mathematics—and almost every improvement will cost more. The second issue is that, although we have great experience of moving benefits to new agencies, the result has been a series of unqualified administrative fiascos. We have seen that in the transfer of responsibility for housing benefit from the Department for Social Security to local authorities, and we saw it again in the transfer of responsibilities to Her Majesty's Revenue and Customs. We are seeing it now with universal credit and the transfer of responsibilities back from HMRC to Jobcentre Plus, which has not dealt with housing queries for years, because of which all the expertise has been lost. One way or another, we are going to hit the buffers and it is necessary, I am afraid, to plan a certain amount of overcapacity in the confident expectation that it will not be enough.

Ruth Maguire: I have a quick supplementary question. Dr Wright, where else in the world is there an example that we can learn from of a country that has taken 15 per cent out of a system that has been built up over decades and made it work?

Dr Wright: It is a tricky position, but there are countries in central and eastern Europe that have had a big role in designing their own employability services.

Ruth Maguire: Do they still talk to other systems, though? We have to remember that a lot

of the people who will use our social security system will still rely on the DWP. Although we will do our best to make our system very different, it will still have to talk to the other system.

Dr Wright: It is a tricky business. However, there is more experience of that than you think. The UK has traditionally been much more centralised than almost any other country in the world, so most countries are far more familiar with dealing with multiple levels of government. Even in Australia, a lot more is decided at the regional level, and in Germany and the Scandinavian countries a lot of things are decided at the municipal level. A lot of countries have experience of operating national programmes alongside regional programmes.

Dr Graham: The Netherlands has just devolved a portion of its social security functions to the local level. I could not put a percentage on that right now, but it is something that the municipalities have grasped with both hands. The city of Utrecht, for example, is running a basic income experiment, and other cities are trying to do likewise. With the capacity to create discretionary benefits, there is the potential for innovation in that respect. Perhaps you could look to that example.

The Convener: Thank you. George Adam has a question, and we have about six minutes left.

George Adam: Thank you, convener. I will try to use up all that time—no, I will not.

My question is about DLA/PIP. In its written response to the Scottish Government's consultation, Disability Agenda Scotland says:

"Improvements need to be made but in a well managed way, taking the time to get things right."

There seems to be a belief out there that it is a case of getting the system correct. As my colleague Ben Macpherson said, we are talking about the secure transfer of powers. There is no big red button that we can press that will make money magically appear in people's bank accounts overnight. Implementing the new system is the biggest challenge, but is it not the case that, at the same time, one of the most important things is that we make sure that we get the system to work? You have already pointed out how flawed various systems have been over the years as a result of knee-jerk policy decisions by Government. Is it not the case that that is the biggest challenge and that we must take the time to get the system right?

11:15

Professor Rummery: Yes, that is the biggest challenge, and it is one that can be approached incrementally. As you said, it is not a case of pressing a big red button and—phdum!—we will

suddenly have a wonderful, completely different system, because we know from experience of previous policy change that that approach does not work and that it just creates a great deal of instability in the system.

There will be new claimants, and that is where I would start. The PIP system should be radically changed to make it fairer and more accountable so that it can achieve what you want it to achieve rather than what it has been designed to achieve on the flawed theoretical basis on which it has been set up. Once that has been done, it will be possible to transfer old DLA claimants on to the new system, bearing in mind that you would not want people who have lifetime awards to have to go through reassessment. The new system can be piloted in the relatively small population of new claimants and can be redesigned so that it is fairer before people are transferred to it.

The process can be done incrementally, but I reiterate that it is necessary to look widely not just at international evidence but at evidence that considers systematic change. Getting the values and the aims of systematic change right enables all the components to come together. That is where the focus needs to be, because the design will follow. There are international examples of complex systems of multilevel governance that can be drawn on.

Local authorities could be involved in part of the process—I hesitate to say that, because you would not want to introduce inequities into the system. You would not want claimants in Clackmannanshire to be entitled to a completely different set of welfare benefits from claimants in Stirling, which is an inherent problem in the existing system. You can pilot and test things, and you can draw on academic evidence in doing so. There are 16 world-class universities in Scotland, which you can use to help you to design the system.

Dr Wright: I would like to make a slightly facetious comment. With the employability programmes, so much has been done poorly or not done at all that the system is now more or less a self-help system. People find themselves jobs, regardless of whether they are attached to Jobcentre Plus or to a provider of an employment programme. Therefore, in some respects, it is almost impossible for you to go wrong, because whatever it does must be better than what is there.

George Adam: I have another practical question. I mentioned that there is no big red button. We all know that the system is made up of numerous computer systems that do not talk to one another. We also know that Government is great at dealing with computer systems. In some cases, there is a manual archive of individuals' claims. If I was the minister, I would want to pick

up every bit of that paperwork to make sure that nobody got lost. That would be difficult and time consuming. What would your advice to the Government be in attempting to traverse that landscape?

Professor Spicker: It is hard to resist the invitation to comment on information technology. One of the curses of the benefits system has been the idea that somewhere there is an all-singing, all-dancing computer programme that will solve all our problems and be able to return information in response to all queries. The system has never worked; it has never been possible to do that. We need to use computers for what they are good at, which is the routine iteration of functions that can be done automatically. Even now within universal credit, four computer systems are being used and, if truth be known, there is great reliance on manual workarounds.

We must accept that the only way to deal with this is to make sure that there is some process whereby all the information can be reviewed, and that usually means that somewhere there has to be a human being.

The Convener: I think that that reference to human beings is a fine way to finish the session, as it is about people rather than computers, academics or even politicians.

The word “welfare” has been used a lot, but I prefer the term “social security”, because it is a system to provide people with some security in their lives. It is not the case that they want “welfare”, which is a word that we try not to use in the Scottish Parliament, although we now have to, given the powers that are coming to us. I hope that, when the new social security bill comes in, that will be embedded in people’s minds.

I thank the witnesses very much for coming along. It has been a really good evidence session. We have picked up a lot from it, and we might call on your services again; hopefully, you will be free to come along.

I close the public part of the meeting, as we have agreed to take the next item in private.

11:20

Meeting continued in private until 11:34.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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