



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### WELFARE REFORM COMMITTEE

Tuesday 8 September 2015



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**WELFARE REFORM COMMITTEE**

**14<sup>th</sup> Meeting 2015, Session 4**

**CONVENER**

\*Hugh Henry (Renfrewshire South) (Lab)

**DEPUTY CONVENER**

\*Clare Adamson (Central Scotland) (SNP)

**COMMITTEE MEMBERS**

\*Neil Findlay (Lothian) (Lab)

\*John Lamont (Ettrick, Roxburgh and Berwickshire) (Con)

Joan McAlpine (South Scotland) (SNP)

\*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

\*Kevin Stewart (Aberdeen Central) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Professor Steve Fothergill (Sheffield Hallam University)

Kenneth Gibson (Cunninghame North) (SNP) (Committee Substitute)

**CLERK TO THE COMMITTEE**

Simon Watkins

**LOCATION**

The Adam Smith Room (CR5)



## Scottish Parliament

### Welfare Reform Committee

*Tuesday 8 September 2015*

*[The Deputy Convener opened the meeting at 10:00]*

### Interests

**The Deputy Convener (Clare Adamson):** Good morning, everybody, and welcome to the Welfare Reform Committee's 14th meeting in 2015. Everyone should ensure that their mobile phones and other electronic devices are switched to airplane mode, please, as they can interfere with the broadcasting system.

We welcome Hugh Henry, Neil Findlay and John Lamont, who are new members of the committee. Hugh Henry and Neil Findlay are replacing their Labour colleagues Michael McMahon and Margaret McDougall, and John Lamont is taking the place of his Conservative colleague Annabel Goldie.

I take the opportunity to thank Michael McMahon, Margaret McDougall and Annabel Goldie for all their great work on the committee. This is a new parliamentary committee, and I congratulate in particular Michael McMahon on his convening of it. I think that we all agree that all those committee members contributed greatly to the work over the past years.

We have apologies from Joan McAlpine. I welcome Kenneth Gibson, who is a committee substitute.

Under agenda item 1, I invite declarations of interest from committee members who are new or attending for the first time.

**Hugh Henry (Renfrewshire South) (Lab):** I have nothing to declare.

**Neil Findlay (Lothian) (Lab):** I declare that I chair the Public and Commercial Services Union parliamentary group. PCS staff are often involved in benefits administration.

**John Lamont (Ettrick, Roxburgh and Berwickshire) (Con):** I have nothing to declare.

**The Deputy Convener:** Thank you.

## Convener

10:01

**The Deputy Convener:** The second item of business is the selection of a new convener. The Parliament has agreed that Scottish Labour Party members are eligible for nomination. As deputy convener, I invite eligible nominations.

**Neil Findlay:** I nominate Hugh Henry.

**John Lamont:** I second that.

**The Deputy Convener:** There are no other nominations.

*Hugh Henry was chosen as convener.*

**Clare Adamson (Central Scotland) (SNP):** I offer Hugh Henry my congratulations. We will swap seats to let the new convener take his place.

**The Convener (Hugh Henry):** You can sit there and I will sit here. That is fine. We now have the nameplates sorted out.

Thank you very much, Clare. I join Clare in thanking Michael McMahon, Margaret McDougall and Annabel Goldie for their contributions to the committee's work. In particular, I pay tribute to Michael McMahon for his term as convener. He helped to establish the committee in the Scottish Parliament, but he also helped to take it out and to command respect for its work. I know that he put a significant amount of effort into the committee's activities, which I thank him for. I am sure that he will do an excellent job in the Public Petitions Committee, as well.

## Decision on Taking Business in Private

10:03

**The Convener:** We come to agenda item 3. Do members agree to take item 6 in private?

**Members** *indicated agreement.*

## “The Impact of Welfare Reform on the Scottish Labour Market”

10:03

**The Convener:** Item 4 is a presentation by Professor Steve Fothergill of Sheffield Hallam University. He has conducted a piece of independent research on the impact of welfare reform on the Scottish labour market, which the committee commissioned. The study is part of a series of reports that have evaluated the effects in Scotland of the changes to the social security system.

I know that Professor Fothergill has been here before. I welcome him back and invite him to make his presentation. We can have a discussion thereafter.

**Professor Steve Fothergill (Sheffield Hallam University):** Thank you very much, and congratulations on your new role, chair—I am sorry; it is “convener” north of the border.

During the presentation, it will be important that people can see the two screens. I always find the video screens in the Parliament building to be a bit small, but we will do our best.

I have three things to note by way of introduction. First, the study that I am about to present is very much joint work by me and my fellow professors Christina Beatty at Sheffield Hallam University and Donald Houston at the University of Glasgow.

Secondly, the research is co-funded. The Scottish Parliament and the committee in particular have had a good financial deal, because two thirds of the funding for the study came from my university, which was keen that we took our work on welfare reform to the next stage. You are getting value for money.

Thirdly, I emphasise the subtitle of my presentation—“An exploratory analysis”. We certainly do not regard this study as the final word on the impacts of the welfare reforms on the labour market. The three of us plus another colleague are putting together an application for—wait for it—£400,000 to do much more comprehensive research on the issue. However, the work that we have done for the committee takes us a significant step forward.

In your introduction, chair—sorry, convener—you mentioned that this is not the first time that I have appeared before the committee. In fact, I think that poor Kevin Stewart has now heard from me on four occasions in total.

**Kevin Stewart (Aberdeen Central) (SNP):** All good—well, all bad for some folk.

**Professor Fothergill:** Tina Beatty and I have, for better or worse, gained a reputation as the go-to people on documenting the impact of welfare reforms, and I hope that that reputation is justified. We have done studies not only here in Scotland but in Northern Ireland, Wales and England.

The study that I am presenting today is the fourth in a series, and it builds on the shoulders of the three previous studies. The first one, from way back in April 2013, was an attempt to document the financial losses across Scotland as a whole and in each of its 32 constituent local authority areas.

The second report drove those estimates down to ward level for every ward in Scotland. The third report, which I came to the committee to talk about earlier this year, looked at the impact on different types of households. All those three reports tried to document what is actually happening and to quantify the impacts in terms of financial losses.

The new study that I will talk about today takes everything on to a new level, because it asks whether welfare reform has resulted in higher employment and lower unemployment levels. It looks at the consequences, or results, of welfare reform.

We are looking at the overall impact on the Scottish labour market. Welfare reform might have triggered some individuals to look for work who might not otherwise have done so but, if they find work, they will often displace other individuals in the search for jobs, and those other individuals will be unemployed instead.

The study is an exercise in looking at the overall impact on the labour market: is the employment rate higher and the unemployment rate lower? It is also an exercise in tracing the cumulative impact of all the reforms—certainly all the reforms that were announced prior to the July 2015 budget. I will comment towards the end on the new round of reforms, but the study is about documenting what has happened so far.

As far as we know, the study is the first attempt that anyone has made anywhere in the United Kingdom to look at the impacts of the welfare reforms on the labour market. Why does all this matter? It matters because the Westminster Government uses two main arguments to justify the reforms. The first is that they save the Treasury money and reduce the budget deficit. I will not take on that argument here today.

The second argument is that welfare reform encourages out-of-work claimants to find work and in-work claimants to seek more hours or find higher-paid work. If there is no discernible positive impact on the labour market—if we cannot identify the positive impact on employment—the second argument that is used to justify welfare reform falls

by the wayside. In the context of the wider political debate about welfare reform, that is an important point: if there is no evidence of a positive impact on the labour market, the justification can only be that it saves money.

I will take a step backwards and go over some of the background and the numbers that were generated in the previous studies, to provide context for what comes later. I will start by looking at which reforms we are covering. I hope that the reforms are familiar to most committee members. My slide lists eight reforms that have impacted up here in Scotland. If this was an English audience, I would be talking about the bedroom tax and the changes in council tax benefit, too, but you have found mechanisms to avert the impact of those measures on claimants.

Let us not forget that the welfare reforms have been happening simultaneously with other changes, too. There is more conditionality in the benefit system than there was a few years ago; sanctions are certainly being more widely applied, especially to unemployed claimants; and there are higher personal tax allowances, which increase the financial incentive for people to take up employment. A lot is going on. We are tracking the overall impact of all the changes.

The estimates that we generated on the financial losses that arise from welfare reform are deeply rooted in the Treasury's statistics. We start with the Treasury's estimates of how much it expects to save. We use certain impact assessments that the Westminster Government produces and combine them with benefits data to trace through the impact on different areas and households.

The figures that show the overall financial losses that arise from welfare reform are taken from the third of the previous reports. We have revised and updated the figures. When all the reforms come to fruition, the loss will be around £1.5 billion a year. I am going over the details just to refresh the memory of those who have heard this before and perhaps to bring up to speed the new committee members. We are certainly talking of very large financial losses.

The loss in Scotland averages £440 per adult of working age. That is not per claimant—the figure spreads the financial loss across all adults between the ages of 16 and 64, whether or not they receive benefits. That gives the committee a feel for the magnitude of the losses. The figure is little different from the Great Britain average—it is less than the financial hit in Wales, northern England or London and much more than that in southern England. The figure would have been higher—by about £25 a head—if you had not successfully averted the impact of the bedroom tax and the council tax benefit reductions. I know

that those losses have been borne by other public sector budgets rather than by welfare claimants.

10:15

The enormous variation in the financial losses across Scotland is important to the logic of what I will say about the impact on the labour market. It is hardly surprising that some places are hit harder than others, because we know that there are far more benefit claimants in some places than in others.

The current slide shows our revised and updated estimates of the financial loss per adult of working age in each of Scotland's 32 local authority areas. In Glasgow, which is up there at the top of the list, the loss is £580 on average per year per adult. Down at the bottom of the list is Shetland—there is a big variation. Members know their geography of Scotland just as I do—if not better than I do. To a large extent, that geography reflects the economic strength and wellbeing of different local economies. Those figures are important, because I will deploy them in tracing through the labour market impact.

Given that the screens in the room are small, members probably cannot read the next slide, but its information is in the report, too. Here we ask whether we would expect each reform to increase the financial incentive to take up work. The first column shows a list of the reforms—we have broken down the child benefit reform into its two elements. The second column asks whether the changes increase the incentive to find work. The third column asks whether the changes increase the incentive to take on extra hours. The final column asks whether the incentive is big or small. I do not want to work my way right through the table but, in general terms, the answer is that the reforms increase the financial incentive to take up work or to increase hours of work. They do so to varying degrees; some reforms have a bigger impact than others.

That is the theory, but what about the practice? How do we go about disentangling the impact on the labour market? The central problem that we face is that welfare reform is only one of several things that are happening simultaneously. Since 2012, the UK and Scottish economies have gone through something of an upturn. That upturn coincides with the implementation of the welfare reforms, which began to bite from around 2011-12. However, that does not necessarily mean that we can attribute the upturn in the economy simply to the welfare reforms—a lot of other things have been going on simultaneously.

The key to our approach—this is central to understanding what we have done—is that we are looking at the big variation in the impact of the

reforms from place to place. If the reforms are having an important impact on the labour market, it should be possible to observe a much bigger impact in places where the reforms hit hardest. We know that the reforms are hitting very hard in Glasgow and less hard in Shetland, so we should expect to observe a bigger impact in Glasgow than in Shetland, as the places are at the two ends of the spectrum. That is central to our approach.

There are practical problems in operationalising all this. I flag up that you should not assume that everything that was initiated under the previous coalition Government in Westminster has been implemented—far from it. In fact, probably about 90 per cent of the financial losses that will arise from the changeover from disability living allowance to personal independence payments is still in the future. The reassessment of existing claimants begins only next month—that is when the big losses will kick in. Quite a lot of the financial losses to arise from the incapacity benefit reforms are still in the pipeline. There have been all sorts of delays in the work capability assessments and the appeals procedure. Those delays have in turn delayed the implementation of means testing of employment and support allowance for those in the work-related activity group.

We have not thrown all the financial losses into the pot. We have had to reduce the financial losses to allow for things that are still in the pipeline. We have also taken out of the jigsaw the removal of child benefit from higher earners, which, to be frank, will probably not have a significant impact on employment or labour market participation. Most of those higher earners are already in work and nearly all of them are in full-time employment.

At this stage, I will get into the numbers. I will show a series of scatter diagrams. Members probably cannot read all the detail on the screens, but it is in the report. I will carefully talk you through what the scatter diagrams do, as I am not sure how many people are used to dealing with them.

On the horizontal axis, from right to left, on the first diagram is the financial loss per adult of working age that arises from the welfare reforms. The loss is adjusted to take out things that are still in the pipeline, so it includes just the things that had already happened by the end of last year. On the vertical axis is the out-of-work benefit claimant rate. It rolls together the numbers of all those who are out of work and on jobseekers allowance, incapacity benefit, employment and support allowance and income support as a lone parent. Each dot represents a Scottish local authority.

We are looking at whether there is a relationship between the financial losses and the reduction in



the out-of-work benefit claimant rate. We have taken the period from February 2011—that is about when the first of the coalition Government's welfare reforms began to be implemented—through to November 2014. That was the latest data that we could get when we knocked up the report in June and July.

There are some fancy numbers on the diagram that describe the statistical strength of the relationship; one is called an  $R^2$ . The line is what we call a regression line.

You do not need to be a statistician to see that on this graph there is a clear relationship. The bigger the financial loss that arises from welfare reform, the bigger the fall in the out-of-work benefit claimant rate. Immediately you might think, "Aha—here is evidence that the welfare reforms are working exactly as the Westminster Government thought they would work." Wait a minute—let me go through the full logic and evidence.

In the next slide, I have split the reduction in the out-of-work benefit claimant rate into its two main components: jobseekers allowance and employment and support allowance, which, you will remember, is the new incapacity benefit. As you will see, there is a relationship between the financial hit arising from welfare reform and the change in JSA numbers but no such relationship between the hit and the ESA numbers. In other words, the scale of the financial hit does not seem to have had any effect on the numbers of people on ESA.

Intuitively, I find that a little surprising, given that ESA has been targeted much more than JSA by some of the welfare reforms. Even though large numbers of people who would have been able to claim incapacity benefit have lost eligibility for ESA, and even though ESA has become means tested for many claimants, there is no evidence of an impact on ESA. However, the numbers show a clear relationship between the reduction in JSA and the financial impact of welfare reform.

The information comes from Department for Work and Pensions benefits statistics, which are rock solid and reliable, because the DWP accurately counts the number of people who are out of work and on different benefits. For some of the other labour market data, the statistics are not so good and are often based on sample surveys, particularly something called the labour force survey, which involves 80,000 people a year across the United Kingdom. For any one local authority area, the sample can be quite small and the data much less reliable.

To get round the problem of dealing with the less reliable data in the labour force survey, we have had to group local authorities and pool observations to get bigger samples, and this is, for

better or worse, the grouping that we have adopted. The areas in question are not quite functional economic areas, although they are closer to functional economic areas than individual local authorities are, but the main point is to group the 32 authorities into smaller numbers where we think that the data will be more reliable.

The next slide shows through labour force survey data the relationship between a number of economic variables. At the top, we show the relationship between welfare reform financial losses and the change in the economic activity rate. The middle table refers to the employment rate—in other words, the share of all adults of working age in employment—and the bottom table shows what we call the International Labour Organization unemployment rate. That is not the same as the numbers on jobseekers allowance; it is a survey-based measure of unemployment that comes in much higher than the numbers on jobseekers allowance. The ILO unemployment rate is the basis of the headline unemployment statistics these days. When we hear that there are 1.8 million unemployed, it is the ILO unemployment figure that is quoted. These days, JSA unemployment is down around 800,000 or 900,000.

If you look carefully at the graphs—and I know that it is difficult to look at them on the screen—you will see that the dots are scattered pretty much everywhere. A statistician could draw a regression line, but the  $R^2$  tells us that the relationships are very poor indeed. There is not much evidence of strong relationships between the change in the financial losses arising from welfare reforms and the change in any of those specific variables.

The next slide illustrates another data set, the business register and employment survey, which is an account of the number of jobs in each area. In terms of statistical reliability, this data set comes midway between the rock-solid, good DWP benefit data and the rather ropy labour force survey statistics, so we have drawn up the tables on the basis of both. The top one has 32 dots on it to represent all the Scottish local authorities, and the bottom is based on the grouping that we have adopted, which brings local authorities into a dozen or so areas. The question that we are asking is: has there been a bigger increase in the number of jobs in the areas where welfare reforms have hit hardest? As you can see, the dots are absolutely all over the place. There is no statistical relationship here, no matter whether we are looking at individual authorities or at groups of authorities.

I know that I am getting a little bit technical and that this might take a little bit of time to digest, so I will stand back from the slides and talk about what

all of this is actually telling us. It is telling us that bigger losses from welfare reform are indeed associated with bigger falls in the overall out-of-work claimant rate, but that applies only to JSA not to ESA and there is no observable relationship with labour market participation or employment rates and no relationship with employment growth.

Although we are observing that, where welfare reforms have hit hardest, unemployment measured by JSA is falling fastest, we economists know something about what happens in economic upturns, and one of the things that we have observed over many years is that, in economic upturns, unemployment always tends to fall fastest in the areas that have the highest unemployment. There is convergence in unemployment rates. It is easier to have a big reduction in unemployment when the starting rate is 10 per cent than it is if the unemployment rate is already at 4 per cent. Halving the unemployment rate in an area of 10 per cent unemployment takes five percentage points off the rate, but in an area where the starting rate is only 4 per cent, that is not possible, because there are not five points to play with.

10:30

It is perfectly possible that what we are observing with the big reduction in jobseekers allowance in the areas where welfare reform has hit hard is not the impact of welfare reform but the effects of a normal economic upturn. To explore that, we have compared three different economic upturns. The set of graphs that compares the three upturns is important to the overall logic of our argument. All three upturns were associated with a similar reduction in the number of people who were out of work and claiming unemployment benefits. The top graph is the one that I showed earlier, which outlines the relationship between the upturn from 2011 to the end of 2014 and the financial losses arising from welfare reform. The period from February 1998 to November 2004 is a longer one, but unemployment fell by similar amounts from a similar level. During the period from August 1993 to August 1996, unemployment fell by similar amounts, although it did so from a much higher starting point.

On the horizontal scale, we have in each instance put the financial losses arising from welfare reform in the 2011 to 2014 period. That is not to say that the things that happened in that decade had any impact on what happened in the 1990s; we have done that to ensure that each local authority is positioned on the same point on a left-to-right spectrum. Basically, we were asking whether we observed the same geography in the reduction in employment in the most recent upturn as we did in previous upturns, and the answer is an emphatic yes. A similar reduction in

unemployment was observed in the areas of high unemployment that were recently hit hard by welfare reform as was observed in previous upturns when the welfare reforms were not happening. This set of graphs shows that it is impossible to attribute the big reduction in JSA unemployment in the hardest-hit areas to welfare reform; it says that the reduction is a normal feature of economic upturns rather than being a result of welfare reform.

I will now approach the whole issue from a rather different angle, after which I will try to wrap everything up. One of the things that everybody out there in the world and certainly economists have been noting about the recession that we had in 2008 and the subsequent economic upturn is that employment has held up remarkably well. The graphs that I have just put up on screen show the trajectory of three different recessions. The dark line—the bottom one on the gross domestic product graph—represents the post-2008 recession, while the other two lines represent the recessions in the early 1980s and the early 1990s. The graphs show that, in the recession that we have just been through and the subsequent upturn, the fall in output was bigger than it was in previous recessions and the subsequent recovery has been slower in terms of GDP. By contrast, employment fell by less in the recent recession, and it has stayed surprisingly high.

People who believe that welfare reform has been highly effective could use these figures to argue that what has really happened is that welfare reform has leaned heavily on people to look for work so employers have taken on lots of cheap labour instead of investing in plant and machinery, and that welfare reform therefore lies at the root of the resilience of employment during the recession and in the subsequent upturn.

I will just briefly show you a figure for employment in Scotland, lest you were thinking that Scotland's employment trajectory is any different from the UK average. The graph on the screen represents the trajectory since the start of the 2008 recession. The dark line represents the UK while the lighter blue line is Scotland and, as you will see, it has pretty much been tracking UK employment trends.

Going back to the argument that those figures demonstrate the positive effects of welfare reform, I think that there is a problem in that respect. The welfare reforms kick in three to four years after the recession kicks in; in other words, they first kick in from quarters 12 to 16 after the start of the recession. The figures that I am showing you track GDP since the first quarter of 2008, but the coalition Government's welfare reforms do not begin to come in until early 2011 or 12 quarters in. Those reforms, which include the bedroom tax, the

council tax benefit changes in England et cetera, do not kick in until April 2013, which is the best part of 20 quarters after the start of the recession.

If you look carefully at these graphs, you will see that employment started to hold up long before the welfare reforms kicked in, which means that it is very difficult to attribute the resilience of employment to the reforms. As you can see, employment has held up better during and after the recent recession, but as that started well before the coalition Government's welfare reforms, it is difficult to attribute the extra jobs to welfare reform.

If we bundle all of that together, what can we conclude? I have to conclude that on balance, taking all the statistics together, the evidence provides little support for the view that welfare reform is having an important and positive impact on the labour market in Scotland. In other words, the second argument that is advanced to justify welfare reform looks very, very shaky indeed.

I will make some final remarks on the new cuts in welfare. Everything that we have looked at so far has been what has happened to date. We cannot monitor the impact of the new cuts because they have not begun yet, but they are coming. They include reductions in tax credits; a lower household benefit cap, particularly here in Scotland, now that the cap is really being brought down outside London; lower ESA payments for claimants in the work-related activity group, who will be placed on the same basis as JSA claimants; and a four-year freeze in most working-age benefits.

As the chancellor George Osborne said in his budget in July, when all those reforms come to fruition there will be £12 billion a year of new savings. We would expect, on the basis of that saving across the UK as a whole, that further big losses to claimants in Scotland are in the pipeline. Given that we know that the figure for the pre-2015 reforms in the context of a saving to the Treasury is £18 billion across the United Kingdom, I would say that £1 billion a year is probably in the pipeline for you in Scotland. I also have to ask why the new cuts should have any greater positive impact on the labour market than the reforms that have happened so far, particularly given that a large proportion of them relate to tax credits and will therefore reduce the financial incentive for many individuals to take up work.

At that point, I will stop. Thank you very much.

**The Convener:** Thank you, Professor Fothergill. That was a fascinating and challenging presentation. A couple of questions come to mind about what you said. You suggested that the big reductions in JSA unemployment since 2011 cannot be attributed to welfare reform and you

spoke about the impact of the recent economic upturn and previous upturns. Is it your assertion that the reduction in JSA unemployment would have happened even if there had been no change to the benefits system?

**Professor Fothergill:** Implicitly, that is what we are saying. If you go back to the three graphs that contrasted the recent upturn with the two previous upturns, you get the same sort of geography. There are bigger falls in JSA unemployment in the high unemployment areas where the impact of the welfare reforms is greater, but we observed exactly the same thing in the other periods when welfare reform was not happening. It is fairly difficult to attribute the change in JSA unemployment to welfare reform.

**The Convener:** Is it therefore implicit in what you are saying that the further cuts that are in the pipeline will not have the desired effect of reducing unemployment in a significant way, given what we have seen so far?

**Professor Fothergill:** We can only judge the future on the basis of past and present evidence. There is no evidence that the welfare reforms to date have reduced unemployment, so I would not expect the welfare reforms that are coming to reduce unemployment. That is not to say that they will not have any impact. They will take a great deal of money out of some people's pockets; a reduction of £1 billion per year in Scotland is far from negligible. I do not think that the evidence supports the claim that the reforms will have a positive impact.

**The Convener:** You said at the beginning that there are essentially two arguments. One is that there had to be cuts in benefits in order to save money, and the second is that there had to be cuts in benefits to stimulate greater employment. You have suggested that there is no causal link between the cuts in benefits and the increase in employment, which would have happened anyway.

If we are saying that the Government has a valid reason for saying that those who are on benefits have to make a contribution to the cuts in public expenditure, has any work been done to take a comparative look at what burden has fallen on the shoulders of the better-off to find out whether they are contributing as much to the savings and reductions in public expenditure?

**Professor Fothergill:** I would have to refer you to the work that the Institute for Fiscal Studies has done on the impact on different income groups. If my recollection of the IFS work is correct, it says that the welfare reforms hit towards the lower end of the income spectrum, but it is not quite as simple as that, because there are odd little bits of the package—particularly the withdrawal of child

benefits from higher earners—that have hit people higher up the income scale.

**The Convener:** I am talking about not just welfare benefits but the totality. Compared with the burden that has been placed on those who are on benefits as a contribution to reductions in public expenditure, what kind of contribution are people who are in circumstances such as mine making to those cuts in public expenditure, either through minimal cuts in welfare benefits or taxation? In other words, can we see a comparison anywhere between what the poorer sections of society are having to contribute and what is contributed by those who are better off, like me?

10:45

**Professor Fothergill:** Looking more generally at the overall package of austerity, a team at the London School of Economics and Political Science led by John Hills has attempted to quantify those things, as far as I understand. I am not wholly familiar with the details of that team's work, but I think that the conclusion is that the burden is borne towards the lower end of the income spectrum.

However, it is more complicated than simply comparing high income and low income; it is also about different types of households. One thing came out strongly from the last report that we did for the committee when we documented the impact of the welfare reforms on 15 different types of household in Scotland. Some types of household have escaped virtually unscathed. The welfare reforms impact negligibly on pensioner households and they do not impact on student households, but they impact massively on, for example, lone parents, and they impact on couples with children much more, on average, than they do on couples without children. We can talk about where people are on the income spectrum, but we need to bear it in mind that there are other dimensions; it is about type of household, as well as how much income people have coming in.

**Kevin Stewart:** Once again, your report makes grim reading on the impacts that there have been on people. You said that the first idea was for the Treasury to save money—that has obviously happened—but you say that there has been no evidence of the reforms having a positive impact on the labour market.

One of the reforms that we are about to see is the changes to tax credits. We know that nearly 200,000 families and 346,000 children in Scotland will be affected. You said that those reductions in tax credits might actually reduce the financial incentive to work. Is that the case?

**Professor Fothergill:** Yes—if we are comparing the situation of being out of work with that of being in work. If someone in work will not get as much in tax credits as they would have got under the old regime, it will be less financially attractive to move into work. That pushes in the opposite direction to the claim that welfare reform is all about incentivising people to take up employment.

If someone is already in work and getting tax credits and their tax credits are reduced, that provides an incentive for them to try and take on extra hours or to move on from low-paid employment to higher-paid employment to offset that loss of tax credits but, if we simply compare being out of work with being in work, being in work is less attractive when the tax credits are cut.

**Kevin Stewart:** One of the things that people may try to do is take on extra employment—part-time employment as well as the full-time employment that they already have, which will reduce the ability of someone else to find employment. Would that be right?

**Professor Fothergill:** Yes indeed. This can be a zero-sum game, particularly in difficult labour markets. That applies to substantial chunks of Scotland and large parts of northern England and south Wales. In difficult labour markets, it is a zero-sum game, as there is not quite enough work to go around. If somebody else manages to get extra hours by taking on a part-time job, as you say, that job will not be taken by somebody coming off the dole queues.

That is why, when we consider the labour market impacts, it is not sufficient to ask whether anybody has started looking for work who never looked for work before. What matters is whether there are more people in work. That is what we are trying to ascertain in this study.

**Kevin Stewart:** Are you aware whether the DWP—or the Treasury, for that matter—has carried out any impact assessment on the proposal to reduce tax credits?

**Professor Fothergill:** The DWP and the Treasury tend to produce impact assessments on each element of the welfare reforms, but those assessments generally do not go much beyond telling us how much will be saved and which income groups that will fall on. The assessments do not trace through to where those people are—which is one of the great advantages of the work that we have done over the past two or three years—nor do they attempt to trace through to what impact there will be on labour market engagement and levels of employment and unemployment. Those assessments are only part of the jigsaw.

I am not up to date on the full range of new impact assessments that have come out. I suspect that one will be sitting there on the impact of the tax credit reductions that I need to read, but it will only get us so far along the line in understanding what is happening.

**Kevin Stewart:** Would it be fair to say that the changes may well be a disincentive to work?

**Professor Fothergill:** For many people who are currently not in employment, that would be a fair assessment.

**Kevin Stewart:** Thank you.

**Kenneth Gibson (Cunninghame North) (SNP):** You talked about £1.52 billion being taken out of the Scottish economy by the reforms. What is the impact on employment of that money going out of the Scottish economy, in particular in the areas where unemployment is already very high?

**Professor Fothergill:** We would expect a reduction in spending power of that magnitude to have some knock-on effects on local employment levels. We have not calculated that in the context of Scotland, but we did some similar calculations in Wales. In Wales, which is a smaller place than Scotland, the financial loss is about £1 billion a year. If my memory is correct, our estimate was that that might have a knock-on effect of about 7,000 jobs being lost in local consumer services. Grossing that up for Scotland, with £1.5 billion a year being taken out of the Scottish economy through the pre-2015 reforms, maybe 10,000 jobs would go in local consumer services. That is a bit of a back-of-the-envelope calculation with quite a margin of error in it, but it seems plausible.

**Kenneth Gibson:** The impact would be highest in areas where there is higher unemployment.

**Professor Fothergill:** We would expect so, but because of the way in which labour markets and local economies work, it is a bit more complex than that. If money is taken out of the pockets of people in North Lanarkshire, some of the impact is felt in Glasgow through lower retail spend. Local authorities are not hermetically sealed boxes. However, in broad terms, that would be true.

That might be one of the reasons—although I doubt whether it is a sufficiently powerful reason—for the fact that we cannot identify any relationship between the change in employment and the impact of the welfare reforms. On the positive side, we would expect the welfare reforms to encourage more people to look for work, with the result that firms take on more people, but on the negative side, if there is a reduction in the money in people's pockets, that will have a knock-on effect on local consumer spending. The graphs are all over the place. The relationship between welfare reform and employment change is totally

random, as you can see from the top graph on the slide entitled "Jobs in each area late 2010—late 2013".

**Kenneth Gibson:** Would you suggest that employment would be higher without the welfare reforms, given that you mentioned the possible loss of 10,000 jobs in Scotland and 7,000 in Wales—and some tens of thousands of jobs, one would expect, in England?

**Professor Fothergill:** Yes and no. Employment would be higher in that there would not be the knock-on effect on local consumer spending. However, we must then ask what central Government—the Westminster Government—would have done instead to save that amount of money.

If the fixed bit of the jigsaw is the amount by which the Westminster Government wanted to reduce the budget deficit, if it did not cut welfare benefits, it would have cut something else, which in turn would have had knock-on effects on employment. It is a bit of a complex picture. It depends on the assumptions that we make about whether the same amount of spending would have been taken out of the economy by other means.

I am sounding terribly technical here—like an economist, I am afraid—but these are technical issues.

**Kenneth Gibson:** Not at all—it is fascinating. I would like to ask further questions, but I said that that would be my final one.

**The Convener:** I want to stick with the issue of financial loss that Kenny Gibson has raised. One of the slides gave a breakdown by local authority area. For example, Glasgow was at the top with a financial loss of £580 per working-age adult from the pre-2015 reforms. Presumably, there will be individuals or families in Glasgow that will suffer substantially more of a loss, if that figure is an average. I know that this is perhaps related to size of family and other factors, but do you have any idea of what the maximum loss might be?

**Professor Fothergill:** Let me underline that the £580 figure is an average of the loss across the entire working-age population of Glasgow. We know, for example, that single parents in Glasgow are losing on average a little over £2,000 per year. That figure was in our third report to the committee.

At the extreme end, the biggest impact on any household is probably in the territory of £4,000 to £5,000 per year. That is because some households draw on multiple sources of benefit. In a household in which both adults have been on incapacity benefit—which is now employment and support allowance—one might lose that entitlement entirely and the other might find that

their entitlement is means tested. They will probably also have been claiming housing benefit. If they are in the private rented sector, their entitlement to housing benefit will have been reduced. If they claim disability living allowance—about half of all ESA/incapacity benefit claimants claim DLA as a top-up—they may well lose it.

It is the most vulnerable groups—the ones at the margins—who might drop off in both instances. The people with the highest level of disability should, in theory, stay on ESA and DLA, but at the other end of the spectrum where the disabilities are more marginal, they could find that they are losing not only ESA but DLA as well. These things add up. I estimate the maximum loss to be £4,000 to £5,000 at the extreme, but there will be other households where there is no reduction at all.

**The Convener:** Those are shocking figures. For anyone losing household income of that amount, including me, it would be pretty painful. I am not as badly off as some of those families, so the sudden impact of that level of reduction on a household that already has a relatively low income and is perhaps also having to cope with disability and illness will be quite a traumatic experience.

**Professor Fothergill:** The way we have often characterised this in our other reports is that, particularly in the case of incapacity benefits, the previous benefits system worked in a way that allowed people who were out of work long term with health problems to live tolerably decently—not well, but to get by with some dignity. What the reforms essentially do is squeeze that group. They will not remove their income, but they will push them down to the poverty line. That is what is likely to happen.

**The Convener:** I have a final question on financial loss. You said that you have some other statistics that show a breakdown by ward. The slide on financial loss by local authority shows East Renfrewshire, which includes the poorest part of my constituency—Barrhead and Neilston. The figures for Barrhead and Neilston will be much higher than the figures that the slide shows, because the other side of the constituency is one of the wealthiest parts of Scotland—Giffnock and Newton Mearns. Some of the figures that you have shown us hide more localised impacts.

11:00

**Professor Fothergill:** Absolutely. Kevin Stewart might remember that, in the second report that we produced for the committee, we generated statistics like the ones on the screen for every ward in Scotland and I came to the committee with maps. The report includes a map for each local authority, and you will be able to see within East

Renfrewshire exactly the differences that you highlight.

I add a word of caution. The maps were produced 18 months or two years ago and they are now slightly out of date. We have updated some of the base statistics on the financial impacts. As time has moved on, we have got more evidence on outturns in terms of some of the hits and the Treasury has adjusted some of its statistics about financial savings. Those ward-level statistics are not absolutely compatible with the figures that I have shown you today, which are the adjusted and updated figures, because the ward statistics have not been updated yet.

**John Lamont:** You said that the figures for the impact on the labour market discount or exclude the changes to child benefits and tax credits for higher earners. If we go back to the table in the slide entitled “Financial loss by local authority”, do the figures that you highlight there include the reduction?

**Professor Fothergill:** Those are the overall figures including the taking away of child benefit from higher earners and so on. When we tried to trace through the labour market impact, we took out of those figures certain elements of the jigsaw, such as child benefit to higher earners and a substantial chunk of the impact of the changeover from DLA to PIP, because that has not happened yet. That does not have any impact on the ranking of the local authorities. It reduces the figures a little bit, but Glasgow—

**John Lamont:** How much does it change them?

**Professor Fothergill:** It reduces the figures by about a third, principally because the DLA reforms, which are a big piece of the jigsaw, have mostly not been implemented yet. That is something that is waiting to hit people; it is about to hit people. I do not think that people are alert to what is in the pipeline. So far, the changeover to PIP has been implemented only for new claimants—for people who ask for DLA for the first time. Once the retesting starts, that will be a big one. In Scotland, we are talking about the financial losses being second only to the loss of tax credits.

**John Lamont:** I want to get this clear. If we go back to the previous table on the slide, we see that my area of the Borders had a reduction of £380 per annum per working-age adult. If the cut in tax credits and child benefits to high earners is included, that figure would fall by a third. Is that what you are saying?

**Professor Fothergill:** If you exclude those things, yes. Those figures are our estimates of what the financial loss will be when all the pre-2015 reforms come to fruition, which they have not yet done. You should take off a third, probably, to indicate what has already come to fruition.

Actually, we exclude the impact on the higher earners, but the figure is still in the £200s. The full impact has not yet fed through.

**John Lamont:** In paragraph 50 of your report, you highlight the difficulties in

“disentangling the impact of welfare reform”

from the impacts of other changes to the employment market. Will you expand on that? What difficulties did you face and does that undermine the conclusions in any way?

**Professor Fothergill:** My version of the report does not have numbered paragraphs—the numbers have probably been inserted by your committee staff.

**John Lamont:** It is on page 11, in the first sentence under the heading

“Assessing the labour market impact”.

**Professor Fothergill:** I know what you are getting at. We tried to sidestep the complications by focusing on the differences between places. That is our way of trying to get round some of the complications. We know that there has been a general upturn in the UK and Scottish economies, which has been triggered by a revival in consumer borrowing, the housing market and so on. To try to disentangle the impact of welfare reform, we looked at the differences between the places where welfare reform is not a big bit of the jigsaw and those where it is. We are asking whether we are seeing bigger changes where it is a bigger bit of the jigsaw. Looking at the differences between those places is one way into the problem, and we thought that it would be the most fruitful.

I said that this was an exploratory exercise. There are other ways in that we would like to try if I can get £400,000 of funding for a major research study. With the resources that we have, we thought that the best approach was to look at the differences between places where the reforms are a big hit and places where they are a small hit. The question is whether there is a difference, and the answer is, “Not really.”

**John Lamont:** Your report focuses on the financial aspects of the reforms and not so much on non-financial aspects such as the promotion of work skills. Do you have any comment on those aspects of the reforms and the impact that they have had? Or rather, why was that aspect not included in your analysis?

**Professor Fothergill:** This is really a rather modest piece of research. The committee put £5,000 into it. There is a limit to what we can do.

I note that those other things were happening simultaneously, notably the toughening of the benefit sanctions regime and the introduction of the work programme to replace all the previous

programmes that had been running. However, this is—and always was—set up to be an exercise in tracing through whether the big financial losses in some places feed through to bigger impacts in some places. For better or worse, that is what we set out to do.

**John Lamont:** Is that quite a big weakness?

**Professor Fothergill:** Not necessarily. I think that the research has to be seen on its own terms. We asked whether there is a relationship between the changes in the labour market and the financial hits arising from welfare reform. Across Scotland, there does not seem to be such a relationship.

**John Lamont:** There are some factors that you have not incorporated into your analysis, such as work training schemes and other programmes that you have not analysed in any way.

**Professor Fothergill:** Work training schemes were there before the work programme. It is not the case that a work training scheme or welfare-to-work programme has suddenly been introduced during this period and there was nothing in the preceding period.

**John Lamont:** However, they are not in this particular report.

**Professor Fothergill:** The analysis does not try to disentangle the impact of the work programme. However, I know a lot of statistics on the impact of the work programme, which I could quote to you. It is not moving people back into work at a significantly higher rate than its predecessor programmes, so I do not think that the introduction of the work programme makes big changes to the overall jigsaw.

**Kevin Stewart:** I would like a bit of clarification. Can we go back to the table that shows figures by local authority, Professor Fothergill? There were bits and pieces in Mr Lamont’s questioning that you may not have picked up on. He mentioned changes to tax credits and the impact that they would have in reducing the numbers. Am I correct to say that the impacts of tax credits are not in those figures?

**Professor Fothergill:** The tax credit changes that were announced before the July 2015 budget are in the figures. We have not yet been able to look ahead and document how much more will be taken from Scotland or from individual areas as a result of the reforms that were announced in July this year. Our figures include the tax credit losses that were announced by the previous coalition Government.

**Kevin Stewart:** But not the ones from the recent budget.

**Professor Fothergill:** They do not include the new ones. As a rule of thumb, the overall loss in

Scotland from the pre-2015 reforms is £1.5 billion, and we are talking about a probable further £1 billion loss from the new reforms. The figures—I am doing the calculation in my head—all need to be upped by 60-odd per cent to get the summation of the pre-2015 reforms and what is going to kick in over the next five years.

**Kevin Stewart:** Thank you for that clarification.

**Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP):** A couple of the questions that I was going to ask have been answered, but I want to go back to the table that shows the overall financial loss per working-age adult. I note that South Lanarkshire comes 10th in the list, with a loss of £470 per working-age adult. I have some figures from the South Lanarkshire website—I am not sure how accurate they are; they are from February and July this year—that suggest that about 5,500 people are on JSA and about 17,500 are on ESA or incapacity benefits. Have you done any calculations to work out the loss per claimant rather than the loss per working-age adult?

**Professor Fothergill:** In some of the earlier reports, we presented figures for the loss per claimant arising from each element of the reform package. I do not go over too much of the old territory in the new report, but if you go back to some of the statistics in our earlier reports you will see that, for example, the freeze in the value of child benefit that happened between 2011 and 2014 took very modest amounts from large numbers of people, whereas the average financial loss that will arise from people losing entitlement to disability living allowance when the personal independence payment comes in is about £1,000.

It is all in the reports. I think that the average loss to a tax credit claimant was about £900, but I would have to go back to the earlier reports to check that. That amount then varies by type of household.

**Christina McKelvie:** I will do some of those calculations myself based on the South Lanarkshire figures. I think that I have figures for each of the council wards in my constituency. It would be really interesting to look at the further impact.

**Professor Fothergill:** You should remember that the £470 figure is just an average across all adults of working age. There will be enormous variation whichever way you look at it.

**Christina McKelvie:** Also, some people claim multiple benefits.

**Professor Fothergill:** Yes. That is an element of the jigsaw that we always have some difficulty in pinning down. I think that we bottomed it out in the previous report that we brought to the committee. We have to remember that, typically,

many claimants are affected by more than one element of the package.

**Christina McKelvie:** I think that I will go and read John Hills's book, "Good Times, Bad Times: The Welfare Myth of Them and Us", which does some of that tracking of the pound right to the person.

In reaction to your report, Mr Fothergill, a spokesperson for the DWP said last week:

"Our welfare reforms are transforming the lives of some of the poorest families in our communities while making the system fair for those who pay for it. There are 173,000 more people in work in Scotland since 2010 and we provide more than £80 billion a year in support to people of working age, ensuring there is a strong safety net in place."

**Professor Fothergill:** It is very easy to say that there are more people in work. There are more people in work now in Scotland than there were in the depths of the recession. Whether that is attributable to welfare reform is deeply questionable. That is what we have been trying to get at in the report—does the evidence suggest that the welfare reforms are behind those reductions in unemployment? The evidence does not suggest that the welfare reforms are behind them.

**Christina McKelvie:** So, the DWP is wrong.

**Professor Fothergill:** It is not wrong in terms of the facts of the matter, but it is wrong to read across from 173,000 new jobs in Scotland and say that welfare reform is working. Our evidence does not support that linkage.

11:15

**Neil Findlay:** If we reversed welfare reform—I prefer to call it social security cuts—what would we expect to happen to the claimant count, and where is the tipping point? If we increased benefits, at what point would we have increased them so much that there would be a disincentive to work?

**Professor Fothergill:** Any increase in out-of-work benefits would increase the incentive to be on out-of-work benefits rather than in employment. You are talking about simply reversing what has happened, but we are saying that the cuts have not reduced the level of unemployment in Scotland, so why should restoring what has been cut affect the level of unemployment in Scotland? It would change people's lives through how much they have in their pockets, but there is a bit of symmetry in the process. If cutting the benefits has not led to higher levels of employment and lower levels of unemployment, why should increasing or restoring the benefits have any effect?



**Neil Findlay:** Is there any indication of what impact, if any, some of the stuff that has happened in Scotland with the bedroom tax element and the council tax benefit element has had on unemployment or the labour market?

**Professor Fothergill:** It has not had an impact in Scotland because you have avoided the impact. The work that we have done in Scotland is a pilot piece of work and we have not yet replicated our study in England, but I would be surprised if the inclusion of the bedroom tax and the council tax benefit reductions changed the overall jigsaw. In the grand picture of things, those elements are relatively modest.

The fact that you have dodged implementing those two parts of the package is worth a reduction in the impact of the cuts of about £35 per working-age adult per year, but that is against a backdrop of a loss, still, of £440 per adult. I would be surprised if those elements made a big difference down in England, but I am speculating because we do not have the hard evidence yet.

**Neil Findlay:** I have never understood why the poor need benefit cuts to incentivise work yet city financiers need bonuses to incentivise work. From your perspective, what social security policies should we implement to incentivise work and allow people to maintain a dignified life?

**Professor Fothergill:** I read into our figures that the incentive to work is not the crucial factor but that the availability of work and the strength of the local and national economies are what matter. You will get people back in work when there is an upturn in the economy. That has happened this time around, with welfare reform going on, but it also happened in the 1990s and the 2000s as the economy grew and we were not seeing welfare reform on the current scale. As the economy grows, people move back into work. I would say that getting people into work is less about financial incentives than about the economy.

**Neil Findlay:** The Scottish Trades Union Congress and others have said that the availability of good employment is the key factor in getting people into jobs.

I doubt whether you have looked at this, but I will throw it out there. Is there any correlation between other public policy decisions, such as cuts to local government funding and the like, and impacts on local labour markets?

**Professor Fothergill:** I cannot comment on the specific situation in Scotland, and I am now going well beyond the research that we have done for the committee. However, from looking at figures for England, I know that the places that have been hit hardest by welfare reform in terms of financial losses for adults of working age tend to be the places whose local authorities have experienced

the largest reductions in Government grant. They have faced a double whammy.

I would have loved to have brought along maps documenting the financial impact across the whole of Great Britain—we have them, and they were in earlier reports. They show lots of dark areas—Merseyside, south Wales, north-east England, west-central Scotland and so on—and a great big light area in southern England outside London, where the reforms impact very lightly in terms of financial losses and where the local authorities have escaped the worst of the austerity cuts of the past five years.

**Neil Findlay:** I wonder why that is.

**Clare Adamson (Central Scotland) (SNP):** It is difficult to read the slide that features comparisons of recessions and recoveries but, if I am reading it correctly, it shows the trends that you mentioned earlier and shows that employment has recovered in this recession, as it has previously. However, if we compare that with the GDP figures, the GDP now seems to be lower. Does that say anything about the nature of this recession in terms of in-work poverty and the fact that the jobs that people are going into are low-paid, low-productivity jobs?

**Professor Fothergill:** It says that we have had little growth in productivity. Output has recovered on the back of expanding employment rather than expanding output per head. This recovery is different in that respect from the recovery from the two previous recessions. Economists have been deeply puzzled by what is going on and why.

I have been using this graph to illustrate the fact that the resilience of employment started well before the welfare reforms were implemented. We are halfway along the graph from left to right before the welfare reforms kick in in quarter 12 or 16 after the recession, and that indicates that this recovery is based on low-wage, low-productivity employment.

**The Convener:** I thank Professor Fothergill. As I said earlier, this subject is challenging. You have given us an interesting insight into what is happening and have left us with some interesting questions to ponder, not the least of which is the fact that the state of the economy is making a greater impact in terms of getting people off benefits than the cuts to the benefits. I hope that that type of inattention feeds into the UK debate because, clearly, it is not just a matter for us in Scotland. Thank you for that work.

**Professor Fothergill:** Thank you for the hearing.

11:23

*Meeting suspended.*

11:28

*On resuming—*

## Future Delivery of Social Security in Scotland

**The Convener:** Item 5 is on the future delivery of social security in Scotland. The committee has been on fact-finding visits to Inverness and Glasgow to hear about the implementation of universal credit and the specific experience of ethnic minority and refugee communities.

Michael McMahon, Clare Adamson and John Lamont visited Inverness to find out about the practical implementation of universal credit. Christina McKelvie, Joan McAlpine and Margaret McDougall visited Glasgow and had individual meetings hosted by Amina women's group, Govanhill Housing Association and the Scottish Refugee Council.

I would like to hear feedback on the visits. I invite Clare Adamson to let us know what went on in Inverness.

**Clare Adamson:** I put on record my thanks and the thanks of the other committee members for the opportunity to visit Inverness and the programme that was put together, which was facilitated by Highland Council. We saw a number of panels, all of which were very informative in their own respect. It was certainly a very useful and worthwhile visit.

My overall impression is that the roll-out of universal credit is fraught with manual intervention in the process, which gives me great concern about sustainability in rolling it out across the country. People have managed to find fixes to the problems in the area, but there are concerns about whether those are scalable in any way or able to be replicated across the country. That poses a real challenge.

I will read out some of the findings from the day. We were looking at the rural aspects of universal credit, which causes transport, time and expense issues for everyone who has to attend for interviews. There is also a digital exclusion issue in the area. People might not be able to access the internet, but some of the forms are available only on the internet, which is a bit of a problem in some rural areas.

The fact that some of the work is seasonal and fluctuating—as indeed is some of the housing—is an issue, because I would say that the housing element of universal credit is by far the biggest problem encountered. The housing cost element of the benefit that makes up universal credit is causing the majority of problems in the area. Eighty to 90 per cent of those on universal credit

are in rent arrears, which is in comparison to 12 to 15 per cent of those on other benefits. The average rent arrears for a non-UC tenant is £200, but the average for a UC claimant is over £1,000. It gets even worse if people are in temporary accommodation, where the average arrears is £2,100.

A claimant on universal credit will potentially be in arrears from the minute they apply, because there is a five-week period before they receive any payment whatsoever; they are almost in an arrears situation right from the point of applying.

The stakeholders who we spoke to felt that, if the housing part of it could be devolved to those in the council with the expertise, it would be much better, because they are used to dealing with issues associated with housing benefits and rents, whereas the DWP seems to have no history in that and no expertise or understanding of some of the impacts on private landlords in particular.

There was discussion about universal credit being paid on a single day of the month. That issue was highlighted by many of the people working in the housing office. It is paid on the day of the month of the date of application, which often does not suit the housing office in terms of rent payments and calculations for council tax support. There is some flexibility around payment within the system, but it is a very manual process. People can request to be paid more frequently, but it is done by manual intervention—obviously the scalability of that as universal credit is rolled out is of huge concern.

Temporary accommodation costs are very difficult. Universal credit does not cover most of those costs, so it is being subsidised by discretionary housing payments by the council. There are 11 live cases in Highland at the moment, although that is expected to increase as universal credit is rolled out. Given the sometimes transient and chaotic situation of people who are in temporary accommodation, landlords can be left in the position of having had no payment at all. Indeed, if somebody moves to a new landlord, that new landlord receives the whole payment. There is nothing in the system to deal with that. The landlords are basically asked to speak to one another to sort out such situations. That is obviously a really difficult situation for landlords to be in, with no guarantee of rental income.

There are still issues with data sharing. Many of the updates have to be done manually and there are delays in the system.

There is also an issue with universal credit being dealt with through call centres. Because front-line job centre staff do not have access to the full details of someone's claim, they are able to offer very little face-to-face support. At the

moment, staff use either automated transfer to local authority systems, ATLAS, or the customer information system, CIS, to see the whole picture of a person's benefits, and the process for universal credit is causing real difficulties with any issues or problems that might come up.

When we spoke to the claimant group, everyone said that they did not have a problem with the idea of universal credit; the problems were all to do with its implementation, the fear of sanctions and inconsistent advice about the operation of the system. Another huge issue that emerged—and on which we have taken evidence from Citizens Advice Scotland—is that because universal credit stops as soon as a person goes into work, that person can be left for a significant period of time without any money before they get their first wage. That is a disincentive to taking up employment, and it was suggested that it was almost better and easier for claimants not to tell the DWP that they were in work until they had received their first wage and then gone into arrears. The fact that there was no scaling or flexibility in the system in that respect was also an issue.

All the clients we spoke to expressed anxiety about the system and the changes. Moreover, we found that, although benefit advisers had implicit consent to speak to the DWP about JSA queries, there was no such consent with regard to universal credit, and it was sometimes very difficult for advisers to work with the DWP on resolving issues and getting queries answered.

As for the local authority's point of view, the delays in roll-out are causing issues for the council, which is trying to balance its support staff to meet the needs of universal credit. It was felt that, eventually, there would be a reduction in the number of people needed to provide support, but the delays were causing real personnel management problems for councils and it was expected that people would have to be moved in order to support landlords rather than the other way round.

Another point was that the grant for the administration of universal credit is decreasing faster with the time that the roll-out is taking; in other words, the grant for dealing with the roll-out is reducing. The bulk of the roll-out has still not happened, and problems are foreseen in that respect, too. Councils also expressed concerns about the contact with the DWP and said that the inconsistency of information and misunderstandings about how things might develop could impact on procurement, particularly the use of budgets to procure employability projects.

As for the DWP, it felt that the Highland operational delivery forum was working well. It was feeding in problems that had been raised and

resolutions to the things that were being encountered and, in the long term, those matters should be fed into the roll-out of universal credit to other areas and across Scotland. It said that this was very much a testing and learning environment and that things were improving, but my concern with such statements is that people's lives are being greatly impacted on during that testing and learning process.

The local authority is working very closely with the DWP; indeed, it is trying to coach DWP staff on providing debt and personal budgeting advice. It has also co-located money advice officers in DWP premises, and it felt that such an approach was working very well in supporting claimants in difficulty.

It was suggested that the forthcoming digital account should allow claimants to manage their benefit. Of course, the caveat is that we have all heard about information technology solutions that will fix everything but which, in the end, do not meet the requirements when they are rolled out. It was also suggested that telephone appointments would be offered to people in very remote or rural areas, but there remains a question about how successful, sustainable and scalable that is.

One of the big benefits of universal credit is that the claim is basically paused if somebody moves into work. That makes it easier for people to move in and out of seasonal work without having to go through the reapplication process that is required at the moment. That is seen as one of the plus sides.

My final point is on non-dependant deductions. The increase in those deductions means that a family with a non-dependant child entering work now needs to consider the household income. Families need to ask whether the additional income from somebody moving into work is financially worth while overall. An example was given of an older couple with a young person moving into work, whose income would now have an impact on the housing benefit for the overall household, despite the fact that the young person was not a tenant in the house. That was raised by the council as a specific issue with the DWP, but the DWP did not recognise that as a barrier to work.

It was a very informative session. Good panels had been put together and we all benefited greatly from the visit to Highland Council.

**The Convener:** Thanks to Clare Adamson and all of those who helped to make the visit a success.

Christina McKelvie will now take us through the visit to the Amina women's group.

**Christina McKelvie:** I place on record my thanks to the women at Amina, who do an amazing job. It was nice to go back to visit them after a long period of absence—I used to be involved with them in a professional capacity. We had a really interesting day and my thanks go to the clerks for the support that they gave me on that day.

We had a presentation from the centre's climate change group. There had been a consultation of 40 families from different ethnicities across the south of Glasgow, which found that 70 per cent of those surveyed were in fuel poverty. That had a huge impact, as more than 10 per cent of their income was spent on energy costs. The majority of those 70 per cent were also receiving benefits. The consultation looked at the effect that being in fuel poverty was having on participants' health. It found that 40 per cent of participants were stressed because of the worry that fuel poverty caused, and half of the sample felt that their health problems were caused or exacerbated by it. All this was leading up to a discussion on access to the workplace and how that affects the impact of welfare reform.

In a further study that the centre carried out in the north and south of Glasgow, which covered 100 families, 69 per cent of the participants were found to be in fuel poverty. The results were very similar to those of the first study and, again, a majority of the people surveyed were receiving benefits. Both consultations found that most people were unaware of, and therefore not accessing, the support services that were available in the area. That clear message came out of both studies. People said that they did not know what help was available to them if they could not heat the house and that the situation was exacerbated by language barriers and social isolation—some people were in lonely situations.

The presentation gave rise to a conversation about layers of deprivation and discrimination and about the barriers that some people face. We had a group of women with us who were very quiet to start with, but when they started to tell their own stories and give us their testimony we saw clear examples of how the layers of discrimination exist for women and children. A number of factors kicked in, such as childcare costs and people having enough in their benefits to buy school uniforms and to put food on the table or heat the house. For women whose kids have grown up, age kicks in as a barrier to accessing employment. Some of the women sitting around the room were underemployed—they were teachers or had different occupations but did not have access to those job markets. That conversation led to the main reason why we were there: a discussion about access to employability, work capability

assessments and that type of thing and the impact of welfare reform.

11:45

Amina has been running its own employability project for a year. It has found it difficult to signpost women who use its service on to other organisations or schemes, because they are never guaranteed to get the language support that they need to communicate effectively. For some women, just turning up at the jobcentre was terrifying because there were two bouncers on the door. We do not think of such matters as everyday issues, but, for women who come from an environment that is different from ours, just facing that barrier right on the doorstep can be too much.

A number of the women were also advised that they could not bring someone to support them. If a person is nervous and has had to face a number of barriers just to get themselves through the door, having someone there to support them, even if it is just to give them confidence or to articulate some of their feelings should there be a language issue, is extremely important because interpreters are not offered for most appointments. Some said that, when they go to the jobcentre, they are allowed to bring their friend, support worker or whoever; others said that their jobcentre does not allow that at all. That is a clear example of inconsistency across jobcentres.

There are also barriers to participation in schemes such as the work programme, with the women facing obstacles that relate to their faith, their gender, what they are expected to do in the workplace, the environment in which they are expected to work and language support. A huge issue for them, which most of us probably do not even think about, is whether they fit in with the culture of a workplace. That is another layer of discrimination that places further obstacles in the way of their being able to access mainstream work programme opportunities.

A number of the ladies who were in the room mentioned that they had spent 10 or 15 years bringing up their kids. They were ready to enter the job market or to access work experience, further training or continuing professional development in order to gain professional qualifications. However, they found doing so very difficult. They were quite miffed that the apprenticeship programmes offered by organisations are only for 16 to 24-year-olds, because most of the women in the group who were of that age were bringing up their kids. That is another stark difference between the age groups.

The Amina employability project workers are trying to link into the work programme, but they

are finding that quite difficult to do. They want to offer their programme to the work programme in order to allow some tailored support for people. The crux of the matter comes down to the need for a conversation in which someone sits down and works out a plan for a person based on all their experience and worthwhile contributions while dealing with some of the barriers. That would help.

The group's main concern seemed to be health issues. They felt that, if they could get their health issues supported properly, under control with the right package of care, they would be more confident and able to go back to the workplace. A three-point plan was mentioned, which I will say a wee bit about later. The women thought that the first step would be to get their medical issues resolved, but there seems to be a lack of understanding among some jobcentre staff of how some health issues impact on a person's ability to enter the workplace. The issue was not that the women were not motivated to enter the workplace; rather, it was that some of them were just not able to do so. Their evidence was very similar to what we heard in yesterday's have-your-say session on people's experience when they go for work capability assessments. In that session, we heard that, although people probably could go out of their door and walk 20 yards, they would be in bed for the whole of the next day as a consequence. The women felt that such issues were not being resolved but that, if they could be, that would help.

The other part of the discussion was about further study and work experience. People who have been out of the job market for 15 or 20 years need to be allowed to take almost baby steps to return to it. Some of the women said that it is a bit of a vicious circle because, although they would quite like their health issues to be sorted out because that would give them the confidence and ability to go back into the workplace, being in the workplace would help with their depression about their health condition. Most of them identified that as an issue, but they have not yet identified ways to resolve it. However, for those who were about to take those first steps, they had good ideas on getting up in the morning, being able to study and so on.

They also suggested that it would be beneficial to have individual support. That is when I took off my politician's hat and put my social worker's hat back on. I asked them how that would work and whether it would be a key workers system in which one individual would support each woman on all the issues and provide holistic support, including support for interviews. That is exactly the system that they were looking for. It would be difficult to replicate that system across the land, but the results would be extremely worth while. As far as the group that we talked to were concerned, that input would create a really good output.

Another issue was how to build up trust in the system. The women told us that, if they had a key person, key worker or nominated person, they would build up trust in that person, who would work through the system with them and, therefore, build trust in the system. That seemed to be a clear understanding.

I will flick to the wee notes that I took.

One of the biggest barriers for most of the women who had kids was childcare costs and the lack of tailored childcare. One woman was offered a job that involved starting at 6 am, but she had small kids and there was no facility to have somebody come and ensure that the kids got up and out to school. There were personal issues such as that. Another big issue was that some general practitioners charge £20 for signing the DWP letter. With that in mind, I asked the group that we had around the table for the "have your say" session yesterday whether they had been charged in that way, but none of them had been. It is a bit like the issue of jobcentres allowing people to support claimants in that the practice seems to be inconsistent across the board. We should perhaps take that issue a bit further.

Another big issue was the impact of underemployment on people's motivation and their participation in the system. If someone was a senior teacher or a scientist back in Afghanistan but they are not allowed to use their skills or abilities to give something back, that can have an impact. It seemed that most of the people wanted to give something back to the system that has supported them, especially those who had come from a refugee background.

**The Convener:** Thank you, Christina. I also thank the Amina women's centre.

The clerk, Simon Watkins, has a prepared note from Margaret McDougall and Joan McAlpine. Do you want to give us the gist of it, Simon?

**Simon Watkins (Clerk):** I will report back, on behalf of Margaret McDougall, on a meeting with refugees in Glasgow at the Scottish Refugee Council and, on behalf of Joan McAlpine, on a meeting with officials at Govanhill Housing Association to look at the issues that affect Roma groups in the south of the city. I will stick to the main headlines. One reason why the committee opted to carry out the visits was to see whether there are specific welfare issues that affect those groups that we had not come across in dealing with the main stream of the issues. For both those groups, there are such issues.

The biggest issue for the refugee group is the switch from being supported as refugee asylum seekers and applicants—when there is support from the Government for accommodation and living expenses—to being accepted as refugees

and granted status in this country. When that happens, the existing support continues for 28 days and, in that time, they have to put in place everything that will allow them to claim benefits if they need to do that. However, that never happens, because 28 days is not long enough to allow people to get a national insurance number and apply for benefits and so on, so they all basically become homeless during that period and the responsibility then falls on the local authority to house them. At the moment, the system just does not seem to work for anyone. Of course, putting people in homeless accommodation results in increased costs to the local authority and to those people.

That is the big issue for that group, but there are some perhaps less important issues. There is a concern that many people sign the claimant commitment without realising what they are signing up to. We have heard about that issue elsewhere, but it seems to apply particularly to refugee groups. There is also concern about how digital the access to the welfare system is becoming. Many refugees have language issues and issues with physically accessing the necessary equipment to respond online.

A final point is about the English language requirement. People who apply for JSA have to undertake mandatory English classes if their English is judged to be not good enough, but there is a question about the quality of the training that is provided and the fact that it lasts for a maximum of only 20 weeks, with—at most—15 hours a week. At the end of that period, most people will not necessarily have good enough English to be able to get a job. A particular concern is that many people organise English classes for themselves before they are granted status but then have to stop those classes and switch to the mandatory classes. There were a lot of complaints about that.

Those were the main issues among the refugee group.

The meeting in Govanhill looked at issues for Roma groups in the south of the city. Those people are exclusively either Slovak or Romanian citizens and, as such, they are covered by specific employment and right-to-reside rules. Last year, the rules were changed and made stricter so that people now have to demonstrate that they have been undertaking genuine and effective work, and that has quite a high barrier attached. They must have been earning £150 a week, which is equivalent to the minimum wage for 24 hours a week, over a period of months. That is particularly a problem for people in those groups because a lot of their employment is informal and some of it is paid below the minimum wage, so they have trouble in proving that. Alternatively, some of them might have worked in the past but not have any

records of it because, at that stage, the rules were different.

The main problem is that people become completely ineligible for benefits and are, in effect, destitute. We discussed a little what happens to people in that situation and found that they seem to disappear in some shape or form, but it is not clear whether they go back to Slovakia or Romania or remain within the local community.

We explored the knock-on effects of that. Rights to passported benefits for children, such as free school meals, all disappear. One factor that the housing association has uncovered is that the main local primary school, where the population is about 80 per cent Roma, has a lower level of free school meals than the levels in the most affluent parts of Glasgow, because the children are not eligible as their parents are no longer on benefits. The council and housing association are trying to tackle that, but that is a measure of the problem that exists locally.

**The Convener:** Thank you, Simon. Please pass on our thanks to the Scottish Refugee Council and the Govanhill Housing Association for allowing Margaret McDougall and Joan McAlpine to carry out that work.

At our next meeting, on 15 September, we will start taking oral evidence on the inquiry into the future delivery of social security in Scotland.

11:57

*Meeting continued in private until 12:02.*

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.

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