



OFFICIAL REPORT
AITHISG OIFIGEIL

Social Security Committee

Thursday 5 November 2020

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

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SOCIAL SECURITY COMMITTEE

21st Meeting 2020, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Pauline McNeill (Glasgow) (Lab)

COMMITTEE MEMBERS

*Tom Arthur (Renfrewshire South) (SNP)

*Jeremy Balfour (Lothian) (Con)

*Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Mark Griffin (Central Scotland) (Lab)

*Rachael Hamilton (Etrick, Roxburgh and Berwickshire) (Con)

*Alison Johnstone (Lothian) (Green)

*Shona Robison (Dundee City East) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Eiser (Fraser of Allander Institute)

Siobhan Mathers (Reform Scotland)

Tom Waters (Institute for Fiscal Studies)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

Virtual Meeting

Scottish Parliament

Social Security Committee

Thursday 5 November 2020

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Bob Doris): Good morning and welcome to the 21st meeting in 2020 of the Social Security Committee. I hope that we will have a full house this morning; I have not received any apologies.

Under agenda item 1 the committee will decide whether to take in private agenda item 3, under which we will consider the evidence that we will hear under agenda item 2, which is on our new inquiry. Unless any member indicates otherwise in the chat box, I will assume that we agree to take agenda item 3 in private. No member has indicated that they disagree, so that is agreed.

We previously agreed that we would take agenda item 4, on pre-budget scrutiny, in private.

Social Security Response to Covid-19 (Inquiry)

09:02

The Convener: Agenda item 2 is the first evidence session of our new inquiry into Covid-19 and social security. The committee will take evidence from David Eiser, research associate at the Fraser of Allander institute; Siobhan Mathers, trustee at Reform Scotland; and Tom Waters, senior research economist at the Institute for Fiscal Studies. I thank all three of you for joining us to give us your thoughts. We will move straight to questions.

Tom Arthur (Renfrewshire South) (SNP): My first question is a general one. I invite each of the witnesses to reflect on the broader context of the economic crisis that we face, and in particular to situate the crisis that we face over the coming months and beyond in relation to other economic and financial crises that have been faced in recent years and decades. How do the challenges that we face in the coming months relate to those that we faced post-2008? Perhaps David Eiser would like to kick off.

The Convener: I should have done a little bit of housekeeping before. As we move through the questions, will witnesses note in the chat box that they are particularly keen to answer any particular question? That is just in case I do not bring in all three witnesses. Obviously, I want to bring all of you in on the first question.

David Eiser (Fraser of Allander Institute): That is a very interesting question. The crisis is clearly unprecedented because of the extent to which it has been created by the health pandemic. That has created a unique challenge in relation to what we think of as a traditional recession, because the economic challenge in this particular crisis has been created by the fact that we have necessarily had to shut down large sectors of the economy to control the spread of the virus.

One way to think about it is that there are two phases to the crisis. In the first phase, we have significant restrictions on economic activity, followed by a big role for policy, not in stimulating the economy on the demand side, which is what we traditionally start to do once we have a recession, but in supporting the economy through this period. Policy has a big role in three respects: limiting the rise in unemployment as far as possible; supporting the incomes of those whose incomes have been affected by the shutdown; and supporting individuals to be able to play their part in suppressing the spread of the virus.

At some point, we will move to the second phase, or what we would think of as a more traditional recovery phase. Once we are confident that the virus has been sufficiently suppressed, we can start to do the things that we would traditionally think of doing when we come out of a recession, such as stimulating the demand side and doing a lot of stuff on the supply side to upskill and reskill people, link them back to the labour market and so on.

Those two policy phases are not completely distinct—there is an overlap between them—but we are probably still more in the support phase than the recovery phase. The context is very different.

Tom Arthur's question was about situating the crisis in the context of other things that are happening. In the past few years, we have got used to talking a lot about uncertainty. What we have is uncertainty layered on uncertainty layered on uncertainty. There are uncertainties around the spread of the virus in future months and the level of restrictions that we might need to control that; the extent to which some of the changes in the economy will become permanent rather than just temporary; and how quickly the labour market will be able to respond and adjust to those structural changes where they are more permanent.

On top of that, there are uncertainties around the end of the Brexit transition period, as there is still uncertainty about our future relationship with the European Union.

Siobhan Mathers (Reform Scotland): I agree with what David Eiser said, in that this is an unparalleled crisis. To underline that, it is about not just the economic shock, but how we all live our lives. More people are working from home, we have to be more careful about our health and so on.

It was clear previously that the social security system was not fit for purpose. Reform Scotland very much advocates a radical change in order to parallel the change that is happening in society. Our particular solution would be a universal basic income, and we think that now would be an ideal time for that, in order to harness the unparalleled change. We are now at a juncture that is not dissimilar to the end of world war two and the creation of the national health service.

This goes way beyond economics. If society is changing, it is the state's role to provide a safety net and a backdrop in order to facilitate that change. We do not believe that the current social security system is fit for purpose in guiding the transition to a new normal in Scotland.

Tom Waters (Institute for Fiscal Studies): I will add a few things.

We can compare the current situation with the situation in 2008. There was not high unemployment in the recession in 2008, relative to other recessions. Unemployment certainly went up, but not at the pace that we had seen in earlier recessions. At the moment, unemployment has also not gone up by much in this recession, but that is precisely because, in essence, a lot of jobs are on life support. As we move forward, we can reasonably expect unemployment to go up quite a bit. That might be an important difference from the previous recession, which was more of a wages recession in many ways.

There is an issue related to that and to what David Eiser said. In a standard recession, we want people to get back into work as quickly as possible; we do not want to do anything that inhibits that. It is precisely because of the nature of the health shock that is coming at the same time that people are not able to get back into work. Some parts of the economy are being shut, which makes it more difficult for people to get into work. The Government is in a unique situation in having to handle the health and economic sides at the same time. To some extent, both sides are in contention with each other.

The final thing that I will flag up is that, from what we have seen so far, the increase in the national Government deficit is much larger than it was in past crises. The deficit is now the largest that it has been outside of world wars. When we look forward and think about the legacy of the crisis, that will be an important difference from past crises.

Tom Arthur: There was a huge amount in those answers and lots that I would like to follow up on, but time restricts me. I want to pick up on a remark that David Eiser made. As I understood it, he made a distinction between support and stimulus. The furlough scheme and business grants seem to be very much about support, but the eat out to help out scheme, for example, could be regarded as a form of stimulus. My colleagues on the committee will explore the issue of the United Kingdom Government's social security response, but does David Eiser think that there has been clarity in policy making between the distinct elements of support and stimulus?

David Eiser: As I said, they are not two completely distinct phases. We do not wake up one day and say that we have done the support stuff and the virus has now gone, so we are back to providing stimulus. It is about managing the transition between those two things. We hope that we will not go back to the scale of the restrictions that were in place between April and June, but there will clearly be a period of at least several months in which there will still be fairly significant restrictions, so there is a fine line to tread.

Both policies will continue in the support phase, in recognition that people in some sectors are unable to go back to work, whereas, in other sectors, we have got better at managing the virus and how it spreads, so there is scope to begin to move to aspects of the recovery phase. It is not the case that there are two completely distinct phases. Some policies will contribute to both those elements.

In hindsight, there was perhaps a degree of overenthusiasm over the summer about where we were on that spectrum. People will argue about the extent to which the eat out to help out scheme was a sensible policy at that time. For the next few months, the real emphasis will still be on the support side of things.

Tom Arthur: My final questions are big ones, and I am keen to hear from all our witnesses, if that is possible. What will be the nature of the impact of the pandemic, in temporary and structural terms? Do the witnesses believe that there will be as fundamental a change to society as there was following the second world war, as Siobhan Mathers alluded to, or do you expect that it will just accelerate trends that predate Covid, such as digitisation and working from home? How fundamental a change do witnesses expect to see on the other side of the pandemic, and what will the implications of that be for social security?

09:15

The Convener: I know that it will be a bit difficult—

Siobhan Mathers: I think that—

The Convener: Siobhan, I am sorry to cut across you. I tried to come in before you started speaking. That is a difficult question for all three witnesses to respond to briefly, but please be as concise as possible. I apologise for having to say that.

Siobhan Mathers: That is no problem—I totally understand.

The answer is that the pandemic will both throw up new issues and accelerate existing ones, such as digitisation, to which you referred. There will be unintended consequences that we cannot yet foresee. Therefore, we need a social security system that provides the most flexible and secure backdrop possible. It is not all doom and gloom. Although “upbeat” is probably too strong a word, we are in a position to take advantage of necessary change in some ways. That will require people retraining and greater flexibility in jobs, which will create hardship along the way as well. However, a social security system can help us to transition towards a new normal and to take

advantage of changed attitudes and greater willingness to embrace opportunities and change.

Tom Waters: There are an enormous number of possible consequences, but one to highlight is the fact that the crisis will mean that a larger number of people will have interacted with the social security system, and specifically the benefits system, than has been the case in the past. That could have implications for people’s attitudes to the system, their familiarity with it and, perhaps, their keenness to use it. Many people do not take up benefits to which they are entitled, but I can imagine that changing. What the long-term consequences of the crisis will be is the million-dollar question, and the answer is anyone’s guess.

David Eiser: I agree with that. The crisis will undoubtedly have a legacy of structural shifts in the economy. Preferences for business travel, travelling to the office and shopping online versus in shops are likely to change, but the extent of those changes is incredibly difficult to predict, and I will not attempt to make a specific prediction on that. On what that means for the social security system, in many ways, the crisis has shone a light on many of the system’s inadequacies, including the role that it plays as a social safety net. I am sure that we will come on to that in more detail during the evidence session.

There are myriad ways in which those issues could be addressed, ranging from some fairly small but nonetheless important and significant changes to very significant thinking about the system as a whole. Those are all policy questions, which are in our hands as a society. It is about the extent to which people want those changes to happen and are prepared to make them happen.

The Convener: Thank you, everyone. I am sorry, Mr Arthur, but we need to move on.

I have a couple of questions on the theme of the economic impact of Covid-19, which we were exploring. Mr Arthur was talking about the potential realignment of the economy. We know how dreadful the social impact of job losses will be, but there are also opportunities in that realignment. For example, supermarkets—at least, their online platforms—seem potentially to have been the big winners, in relation to some of that. I would not use that expression for people who are involved in health and social care, but we have seen that sector come to the forefront, and its deficiencies have been brought into sharp focus. There is also research and development. We can see that some sectors in the economy might be growing as a result of the realignment.

How does that link to social security? Have the witnesses considered the pay, conditions and job security in those growing and emerging sectors, on the basis that that will have a direct link to the

social security pot that may be required in the future? I would appreciate any comments on that.

On social security, we always talk about spend. Other committees might look at the taxation part of it. I was looking at some of the profits that the large supermarkets have been declaring, or that reports have suggested that they are going to make. For instance, a few years ago, the Scottish Government had a large retailer levy—I think that it was called the public health levy—which took in £95 million over three years, using the rates system.

There are two parts to my question. Do we have to do more to make sure that pay and conditions are strong and robust in the sectors that are emerging as the economy realigns; and do we have to think about how we get some money in from the sectors that are starting to show strength because of that realignment, in order to have the type of social security system that we all want?

I know that there is a lot in that. I will go first to David Eiser.

David Eiser: Was the nub of the second part of the question about, recognising that there are winners and losers, the extent to which we might try to raise revenues from those whose incomes have been relatively protected or who may even have done relatively well during the crisis?

The Convener: It was not so much about the individuals who are working in those sectors. I would want to make sure that, in the sectors that might start to show growth, the pay and conditions of the workers are protected, but my question was about the companies that might be making profits during the current economic crisis. The Scottish Government is reviewing devolved taxation at the moment. More might be done to think about how those companies can be supported but, quite frankly, the flip side is to ask how they can be taxed appropriately as well.

David Eiser: The issue of pay and conditions existed in many sectors before this crisis, and there were certainly issues around job security, in things such as zero-hours contracts. There is clearly a relationship between labour market conditions and the social security system. If a labour market system creates jobs for which pay is volatile and positions temporary, and if that goes hand in hand with a social security system that does not provide a particularly strong safety net either in the rates of its benefits or in relation to the uncertainties around the extent to which people might be eligible for that support, with delays in the application process and in getting those payments through, that creates two layers of insecurity.

That is why we saw significant growth in levels of anxiety and in feelings of insecurity. There is insecurity in the labour market. The social security

system is not doing what it should do, which is to offset some of that; instead, it is a second layer of insecurity because it is not providing an adequate safety net.

There is an interesting question about what can be done to raise revenues. I had not thought about the business side. There is clearly interest at a UK level in thinking about whether we could have new taxes on wealth to address some of the issues caused by the crisis. The Scottish Government already has power over income tax, and there are interesting things to think about there. A number of people have had their incomes relatively protected during the crisis. We should reflect on the implications of that for policy.

The Convener: That gives us a lot to digest.

Siobhan Mathers: There are two ways to look at the change in employment patterns. Jobs are shifting from being stable and under contract and are moving to the so-called gig economy. One way to look at that is to tighten up employment provisions and to outlaw such flexible new jobs. Scotland does not have the competence over employment law to do that.

Also, a bit of flexibility is not necessarily a bad thing, as long as other factors help to provide security for employees in new jobs. Realistically, and at least in the interim, we may be looking at more seasonal and part-time work. That takes me back to the prospect of a universal basic income that might provide a safety net for and a backdrop to that change. I am not saying that everybody will move from a secure job in retail to working in an Amazon warehouse or driving a supermarket delivery van, but those seem to be the sorts of new opportunities that we are seeing.

There is a question about which companies are benefiting from the change and how we tax them. We do not have competence over corporation tax, so there is a limit to what we could do in Scotland to change that. There is also a question about what we should do. If we decide that some companies are making huge profits from the situation and that we should tax them to the hilt, that would have implications for their ability to create jobs. We must be careful about that, and we do not currently have the competence.

The Convener: Before I bring in Tom Waters I should note that there is no time to bring in Pauline McNeill or Keith Brown but, in the chat box that accompanies our virtual meeting, both members have noted the mixed fortunes of the large retail sector. Some companies have made big profits; others have announced redundancies.

The nuance that Siobhan Mathers gave about that is important, so I thank her for that. I wanted to ensure that the comments that were put in the

MSPs' chat box during that line of questioning were heard.

09:30

Tom Waters: I do not have much to add. On the tax side, the main thing that I would flag is that the deficit has gone up a lot during the crisis, which will mean either raising taxes or reducing spending further down the road. The one thing that is worth keeping in mind when thinking about options for raising taxes is that, at least at UK Government level, about 60 per cent of revenues come from just three taxes: VAT, income tax and national insurance. If you want to raise significant amounts of money, that is the most straightforward way to do it, as something like corporation tax, for example, is only about 7 per cent of revenues. Almost certainly, for raising quite large sums, the UK Government and the Scottish Government would have to look to income tax, and the UK Government would have to look to national insurance contributions and perhaps VAT.

The Convener: The deputy convener will start the questions on theme 2.

Pauline McNeill (Glasgow) (Lab): I want to talk about the employment and job support schemes, which seem to have prevented a higher level of unemployment. I have two areas of questioning, which it might be easier to combine.

Something like half a million self-employed workers are still out of work but are not getting any support, and not much attention seems to have been paid to them, although a few people have been writing to me. Will you comment on that?

Are you able to comment on what types of job schemes we should have in the future? I am thinking not just about grant support or something similar to the furlough scheme, but what types of scheme the Government should have in mind in order to avoid what seems like an inevitable crash in employment at some point.

Tom Waters: The main support for self-employed people is grants through the self-employed income support scheme. Several key groups are ineligible for that: those who have profits over £50,000, those whose self-employment income makes up less than half of their income, and those who started their self-employment business only in the last 18 months.

The key thing to think about is that the exclusion of those first two groups is very much a policy choice. The Government could have included those who get only a little less than half their income from self-employment; it has the means to do that, but it was a policy choice not to do that. For those who started their business more recently, it is harder to think of a way that the

Government can reach those people, because they have not even submitted a tax return yet. It is not clear what their normal level of profit would have been in the absence of Covid. It is harder to see what the Government could have done there, although perhaps it could have dreamed up some sort of scheme.

The scheme is for the kind of people in relation to whom the Government can rely more on the standard, means-tested benefits system—basically, universal credit. The Government has made a change to that, which extends entitlement to self-employed workers. I have been told that, just the other day, it was extended for another six months. The key difference between those two groups is that one is people to whom the Government has chosen not to extend support and the other is those for whom it is harder to see how the Government could have done so.

Siobhan Mathers: We should be looking for training support as much as for job support. We should focus our efforts on retraining and upskilling the workforce, not just for the individuals involved, but for society as a whole. It is a public good to have a better-trained, nimbler workforce for the new normal going forward.

David Eiser: I agree with everything that Tom Waters said about the self-employed. Although the job support scheme for employees has been pretty successful, that is not so much the case for the self-employed. However, as Tom said, there are additional challenges there.

The second part of the question goes back to the point about the transition from a furlough scheme in which, because sectors are shut or demand is low, we are supporting firms to keep employees in place, so that we do not have a huge increase in unemployment and long-term scarring effects. At some point, we will gradually move to a recovery phase, in which we will be back into more traditional economic recovery activities. Rather than offsetting the incomes of people who cannot work as much as they used to, that is about people helping people to upskill, reskill and take up employment.

Of course, when we move to that stage, we will be more in the realms of devolved policy. It is likely that the Scottish Government will get uplifts in its block grant, to reflect what has happened at a UK level, but, in some cases, it will have more flexibility and autonomy to determine policy in Scotland.

Pauline McNeill: I come back to what Siobhan Mathers said about the importance of training, which David Eiser also mentioned. Siobhan, in your view, given that it is an important sector, should there be a nod at, for example, further education? Should there be something radical

around a right or voucher for every person to retrain? Is there one thing that needs to change in order to provide that training for people who might have to retrain in a new job?

Siobhan Mathers: I do not advocate one particular solution. We need to be flexible and nimble about it. The further and higher education sectors have a huge role to play, and perhaps we also need to strengthen vocational training at secondary level. I think that nimbleness is the key. My fear is that public policy responses lag behind the requirements of the economy, and we might never have seen a phase where public policy has had to adapt so quickly. I do not envy Rishi Sunak in having to make up schemes overnight in order to support change. The Government does not always get that right, but it is about being able to adapt and look at what is needed.

It is an area that requires a fair bit of analysis. I do not have all the answers, but Scotland will require a better toolbox to throw at emerging problems.

Shona Robison (Dundee City East) (SNP): I will focus on the likely impact on reserved and devolved social security spend if, as planned, the job support schemes end next April. First, do you think that they should end in April or should they continue along the lines of other European countries, which have said that they will continue their version of those schemes well into next year to avoid the cliff edge? If so, how should that be done? Should there be phasing out to provide a softer landing?

Tom Waters: The key thing is that it depends so much on the extent of the recovery, and April seems like a long way away in the current world. The path that the Government looked like it was taking before the furlough—*[Inaudible.]*—starting today, was a bit more like a phasing out; we were going to move from the job retention scheme to the job support scheme, and the job retention scheme had become a bit less generous over time, so you could imagine that being continued and the scheme becoming less generous and being phased out. Something like that seems fairly sensible to me, but predicting what should happen in April does not seem sensible because we do not really know what the recovery will look like by then. If the labour market looks strong, that would strengthen the case for paring back those schemes more quickly, whereas if the labour market is weak, the reverse would hold. Perhaps the key thing is that the Government is relatively nimble with those schemes and assesses them according to the labour market conditions.

Shona Robison: You are really saying that the UK Government might have to review the April deadline, as it has done with this deadline for the furlough scheme. Siobhan, what is your view?

Siobhan Mathers: My long-term view is that we would be better placed if we had a universal basic income instead of the eternal tinkering that we currently have. That would be a better tool to adapt to the unprecedented uncertainty that we currently face, but in the short term we need to be wary of propping up jobs that will not be there in the long term. There is a fine line between supporting individuals who need an income and not throwing money at sectors and jobs that will not exist in the long term but focusing on transitioning towards the new normal of how the economy will operate.

David Eiser: The support has to be conditional on what is happening in relation to the virus and the extent of the restrictions that are needed. April is clearly a long way away and it is very difficult to predict what will happen, but it is likely that there will still be some restrictions in place, particularly in leisure and hospitality, and we know that those are sectors where, even in October, furlough rates were still pretty high. Overall, about 10 per cent of employees were still on furlough in October. To the extent that quite a lot of those were in leisure and hospitality sectors and to the extent that it seems likely that there will still be some restrictions and lack of demand in April, I would expect the policy to respond to that. There is no point in saying that we will have policy X in April when we have little idea about what might be happening in April, so there is a need to be flexible and responsive on that front.

Shona Robison: Obviously, the big concern in relation to the impact on social security spend would initially be the impact on universal credit, but there is also a concern about the potential follow-on impact on the Scottish Government's budget through the passporting of that benefit and the entitlement to devolved benefits that are, in essence, demand led. Are you concerned about restrictions on the Scottish Government's ability to respond to that? If there is a demand-led budget within a fixed budget and very limited borrowing powers, that is potentially a big concern. Do witnesses share that view?

09:45

David Eiser: We have already seen a fairly significant increase in universal credit claims, which are likely to continue to increase. Although the furlough scheme has been very effective in limiting an increase in unemployment, quite large numbers of people who have been furloughed, particularly those on low pay, were furloughed on less than full pay, and some people who were not furloughed have also seen pay fall. Therefore, although unemployment has not increased substantially so far, universal credit claims have increased and are likely to continue to increase

over the next few months. On what that means for devolved social security expenditure, one of the big impacts that that will have relates to the Scottish child payment, for which eligibility is linked explicitly to UC eligibility. Therefore, if claims for universal credit increase, demand and expenditure on that benefit will increase, so that is a risk.

The latest forecast from the Scottish Fiscal Commission takes into account the likely rise in universal credit claims, but there is still a risk that spending increases above that. Having said that, forecast expenditure on that benefit next year is around £80 million. Therefore, even if that were to increase by 50 per cent, that would be an additional £40 million, and, in the scheme of things, in itself, that would not be a huge financial challenge for the Scottish Government.

Virtually all the big payments that are now devolved—disability living allowance, personal independence payments, attendance allowance and so on—are associated with the block grant adjustment, which, to cut a long story short, basically means that, provided that demand for those in Scotland mirrors increased demand in the rest of the UK, there is an offsetting effect through the block grant. Therefore, that should not cause substantial concern at this stage. There are risks, but, at this stage, those are manageable risks.

Shona Robison: Does anyone else want to come in on that?

Siobhan Mathers: The social security system was overly complex and problematic prior to Covid and the devolution of some welfare powers. It has become even more complex now, and Reform Scotland advocates devolving all welfare powers to the Scottish Parliament. That becomes problematic when we do not have borrowing powers. An increase in that competence would be needed to properly implement strengthened devolved policy powers.

The Convener: On a point of information for anyone listening, in relation to David Eiser's comments about the other benefits that come through block grant adjustments, such as disability benefits, the Social Security Committee and the Finance and Constitution Committee have prepared a report in which we express concerns about the demographic differences between Scotland and the rest of the UK and what that means for block grant adjustments. As the fiscal framework is going to be reviewed, I wanted to put that on record.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): I want to follow up on the point that was made about economic scarring. Is it better for the Government to put taxpayers' money into creating jobs—new green jobs, for example—

or to attempt to protect jobs? David Eiser spoke about the hospitality sector, in which we know that there could be long-term economic scarring, with recovery being as far down the line as 2023, as UKHospitality predicted this morning. We know that short-term working contracts are being put in place to keep those jobs, but there are loads of employees who are still on furlough. From an economic point of view, what is the best way forward?

David Eiser: That is a very good question, which it is difficult to answer, given the uncertainty about whether the various changes that we have seen so far will become permanent or remain temporary.

However, there is clearly a role for Government to think about where there will be an increased demand for employment. Social care is an obvious area. The Government should also think about its role in training and employing directly in such sectors and in the green economy.

We will undoubtedly see what we always see at some point as we come out of recessions, which is a big increase in capital spending in an attempt to stimulate employment recovery.

There is definitely a balance to be struck, but it is very difficult to make firm predictions about how to balance the various challenges.

Rachael Hamilton: Would anyone else like to comment?

The Convener: No one has indicated that they would like to. Do you have a follow-up question?

Rachael Hamilton: No. I will come back in on theme 5.

Keith Brown (Clackmannanshire and Dunblane) (SNP): Earlier, David Eiser talked about uncertainty being layered on uncertainty. I want to ask about the issue of certainty, and what we can live with and what we can do without in that regard.

If people are secure, they are more likely to involve themselves in economic activity. We saw that during the 2008 recession and subsequently. My question is about social security and job security and the interrelationship between the different Governments. There is currently controversy about the furlough scheme. We still do not know whether it will apply in Scotland, Wales or Northern Ireland if those countries go into a lockdown, and, if it will, whether it will apply at the same rate as in England.

Such uncertainty feeds through to people's willingness to take on commitments and be involved economically, to the extent that it has a detrimental impact. For example, staff at Peterhead Football Club were made redundant at

the weekend because it was expected that furlough was going to finish. That has an impact, because it increases social security spending, not all of which the Scottish Government is responsible for.

The current system—whether through job security or social security—is not trying to take a whole-system approach; indeed, it cannot, because of the way in which things are currently constrained. Does David Eiser, or any other member of the panel, have any comments on those issues?

David Eiser: It is obviously challenging that we are in an evolving situation. As we keep saying, policy must be responsive; on the other hand, it is true that uncertainty does not help. It was rather unfortunate that the initial proposals for a job support scheme that we saw in October were revised a couple of weeks later and, shortly after that, there was a complete shift back to something very similar to the original furlough scheme.

I agree that some of those short-term policy changes have certainly not been helpful. There seems to be evidence that, because of the delays, some lay-offs were made that could have been prevented.

There was an element of the revised job support scheme—the second one that was proposed—that I thought was framed quite well. The so-called “job support scheme (closed)” was designed to provide support for firms that were legally required to close by any of the four Governments of the UK. Regardless of whether you thought that the scheme itself was well designed, the framing of the policy at least seemed to take into account the fact that the decisions about restrictions are made by four different Governments, and the support was conditional on the decisions that the Governments had made. Therefore, if the Scottish Government decided that it was necessary to close a particular sector and that was different from the decision that the UK Government had made for England, the policy worked in such a way that support would be available for Scottish businesses in that sector even if such businesses had not been shut in England and vice versa.

In my view, it would be sensible to frame furlough policies in that way so that we had something that said, “This level of furlough is available in any part of the UK when there is a full lockdown,” or “This level of furlough is available in any part of the UK for businesses that are legally required to shut by any Government in the UK.” That sort of framing would help in creating some certainty, while the support would still be conditional on the level of restrictions that had been imposed.

The Convener: I know that Tom Waters is not coming in on that point. Does Siobhan Mathers want to add anything?

Siobhan Mathers: I want to stress the fact that the mismatch between Scotland having public health powers and its not having the economic and social security powers to back up public health decisions is deeply problematic and highlights a situation that has existed for quite some time. However, a crisis is often useful—so to speak—in highlighting flaws in a system.

The Convener: Do you have another question, Keith?

Keith Brown: No. I will come back in later. I simply make the point that it is a question of security. If people do not feel financially secure, that has an impact on the economy.

The Convener: I know that it is taking time for us to get through the themes; there was a lot of interest in theme 2. I am also conscious that this is a Social Security Committee inquiry, not an economy committee inquiry. I will ask one more question on theme 2. I am not stealing a question from colleagues who want to come in on theme 5, although I suppose that there is a connection.

Has any modelling work been done in relation to the demand that has been kept in the economy more generally through those who have benefited from receiving 80 per cent of their wages by being on furlough—although that depends on whether they were on the minimum wage or were better paid to begin with—and their spending power within a limited economy? Is furlough, as well as potentially retaining their jobs, allowing them—by virtue of their still having spending power—to sustain the jobs of other people in the economy, who might otherwise end up on benefits? The same point could be made in relation to the additional £20 supplement in UC. Does that result in additional cash being spent in the economy that could sustain the employment of individuals who might otherwise have to access social security?

It is fine if no such modelling work exists; I am simply wondering whether anything has been done in relation to that. Do any of the witnesses have any information on that?

10:00

David Eiser: You are right that, as well as providing critical support at an individual level, such schemes have wider economic benefits. I give the caveat that the furlough scheme was not designed to stimulate demand or keep it at a high level; the policy was very much aimed at supporting incomes.

We will, of course, move to the more traditional stimulus phase. An interesting thing that has come

out of the crisis is that there has been a huge increase in household saving. Higher-income households have been able to save. Although incomes have fallen for some households that are higher up the income distribution scale, there has been much less spending, because, frankly, there is much less that people can spend their money on.

On the other hand, we have some evidence that the people who were on furlough on less than full pay tended to be at the lower-paid end of the spectrum. In other words, of those on furlough, people in lower-paid jobs were more likely to receive less than full pay than people in higher-paid jobs. Those lower-paid people have less non-essential spending that they can cut, which is why their challenge has been particularly great and has meant that they have often been running down savings or running up debt.

The Convener: I will leave that question hanging. As we go through our inquiry, the committee is interested to find out about the impact on social security of the economic decisions that are being taken by Governments. That is why I asked that question.

David Eiser's points bring us nicely on to the next theme.

Alison Johnstone (Lothian) (Green): I have a couple of questions on the impact that the pandemic has had on specific groups of people. The House of Commons library's briefing on the labour market impact, which was published towards the end of October, noted that

"Workers who are from a BAME (Black, Asian, Minority Ethnic) background, women, young workers, low paid workers and disabled workers, have been most negatively economically impacted by the coronavirus outbreak."

I would be grateful if the witnesses could elaborate on the extent to which Covid has changed the demographics of those who are in financial difficulties and on the implications that that has for devolved and reserved social security.

The Convener: Siobhan Mathers, I see that you are scribbling down some notes, so we will go to you first.

Siobhan Mathers: I, too, have seen that research. It is worrying that Covid seems to be exacerbating existing problems for the groups that Alison Johnstone mentioned. I repeat what I have said previously: the current social security system does not appear to be nimble enough to respond to particular requirements among particular groups, such as women, young people, black and ethnic minorities and the disabled. I know that I do not need to tell the Greens anything new about a universal basic income, but we believe that that would help it to adapt. A lot more research needs to be done, and Government needs to respond

much more timeously to particular demographic challenges.

Tom Waters: I will say a couple of things about that. On the labour market, I think that Alison Johnstone is right to say that lower-earning workers in particular are more likely to be affected. That has a consequence not just right now but also from longer-term scarring effects. From previous recessions, we know that remaining out of the labour force for a long period of time can have consequences in the longer run, and we might therefore worry about the period beyond the next few months or however long.

When we look at the implications for social security—certainly for reserved social security—we might get a somewhat different picture. In some ways, there has been a shift towards more advantaged groups. For example, new claimants to universal credit have been more likely to own their own home, to have a degree and to have done a highly skilled occupation in the past, and they are less likely to be disabled. That connects to the fact that the recession is affecting people across the income distribution. That is potentially important, in the sense that, when the economy recovers, the Department for Work and Pensions might want to take a different approach to helping those people get back into work, compared with the case load that it had before the pandemic. Certainly, at least when we are looking at universal credit and other reserved benefits, the picture is somewhat different from what we see when we are looking just at the labour market effect.

David Eiser: I have nothing much to add. I think that a number of studies have reiterated the findings that Alison Johnstone has highlighted about those groups. The labour market side of this crisis has very much hit people who were already working in low-paid sectors. The extent to which that continues over the next few months is not entirely clear; there is a degree of uncertainty, as with anything.

However, if we look at where unemployment was starting to rise and where relatively large numbers were still on furlough schemes, we see that there is likely to be further strain—particularly on the young, who were much more likely to be furloughed in the height of the lockdown, were still more likely to be on furlough in October and are more likely to work in sectors that are very much restricted under social distancing. It is clear that the young in particular are badly affected.

Alison Johnstone: The Resolution Foundation has commented on the workers who are most affected as being

"in hospitality, leisure and other sectors affected by lockdown".

However, it notes that the differences may be reducing, saying that

“while the effects of the crisis so far have borne heaviest upon the youngest and lowest paid, it seems likely that it will become more widely spread over time.”

StepChange Debt Charity has found that 45 per cent of its new clients who have cited coronavirus as a reason for their debt problems are single with no children.

You spoke earlier about upskilling and reskilling. I suppose that you were speaking about the fact that our jobcentres and the DWP may be working with people who previously might have had little contact with them. One thing that this crisis has done is to make many more people aware of how difficult it can be to survive on, for example, universal credit—people who never thought that they would find themselves relying on it. My party strongly supports a basic income. Do you think that there is an optimal way to tie in the work that the DWP is doing with future work?

The Convener: I remind witnesses that, if they are particularly keen to come in, they can drop a little note in the chat box.

David Eiser: There are a number of elements to that question. One relates to the adequacy of the safety net. There is a strong case for saying that the safety net in the UK is particularly weak by international standards. There are questions about the extent to which people who are out of work in our social security system are coerced to find work, and those need to be looked at.

Another element of the question is about how we link up the DWP’s work in administering benefits with wider support that people need to help them to access work. Some work has been done in that area to try to better link up and align the social security system with employability and training services, but it is clear that that needs to be continually reviewed.

The Convener: The next questions are from Jeremy Balfour.

Jeremy Balfour (Lothian) (Con): Alison Johnstone has covered the points that I wanted to raise, so I am happy for us to move on.

The Convener: I will bring you in on theme 5. We move to theme 4.

Shona Robison: The witnesses will be aware of some of the temporary changes to social security that have been made by the UK Government. In summary, as was touched on earlier, those changes include the £20 per week increase to universal credit and working tax credit, the suspension of the minimum income floor, the increase in local housing allowance and the restoration of the link to current rents, and the

suspension of conditionality. Those are quite substantial temporary changes.

Should the changes continue beyond April? The temporary changes were introduced for people who were perhaps coming into contact with the social security system for the first time, so do the witnesses share my concern that that smacks of the idea of the deserving and undeserving poor? It suggests that people who were on universal credit or who required housing benefit previously were expected just to manage. Were the changes introduced to soften the blow for those who were coming into contact with the social security system for the first time, and who might well have been shocked by what they found if they had never relied on social security benefits previously? Should the temporary—albeit welcome—measures continue beyond the April deadline?

10:15

Tom Waters: I would very much separate the temporary measures relating to housing allowance, housing benefit and the minimum income floor from the £20 a week increase. In many ways, the £20 a week increase is a standard benefit change; it makes the system more expensive, it costs more and it increases incomes for low-income households. Whether people think that that is a good idea for the long run depends on what they think about the right level of the redistribution; I do not have a professional view on that.

The other two measures are subtler. With regard to the local housing allowance, the system that we had before meant that the amount of housing benefit—or the support for housing element of universal credit—that people could get was based on the rents in their area in 2012. It was becoming increasingly bizarre that people could live in an area where rents had grown really quickly since 2012, so that it was now an expensive area, but the maximum amount of housing benefit that they could get was still connected to those old rents. The temporary change that the Government made to restore that link is welcome. I am not 100 per cent sure whether the Government will continue that. It seems that it has made some indications that it might, but it seems sensible to have a link between the amount of housing benefit that people can get and how expensive the area that they live in is. It is certainly more sensible than linking it to rents from eight or 10 years ago.

The way in which the minimum income floor works is that, if someone is on universal credit and is self-employed, they are treated as earning the minimum wage, even if they earn less. That is partly an anti-fraud measure to disincentivise people from declaring low levels of earnings, when

they actually earn more, and also to encourage self-employed people who are not earning much to get an employee job instead, if they are able to do so. In the middle of the crisis, when there were no vacancies, the rationale of the minimum income floor was undercut and it was fairly sensible for the Government to suspend it. It is less clear to me that, in the future and the long run—when we are back to normal, whatever that means—it would be as good an idea to suspend it permanently. The Government needs to make that policy sensitive to the state of the labour market. One or two days ago, it said that it would extend the suspension for another six months, which looks sensible, given that England is going into a lockdown and the rest of the UK is in a similar situation.

Therefore, I make a bit of a distinction between those measures, but I have talked for long enough, so I will stop.

The Convener: No, that is fine.

Siobhan Mathers: There has been consistent short-term and wishful thinking on the part of the Treasury, which comes up with policies for as short a time as it thinks that it can get away with. However, it is clear that the crisis will have more long-term, enduring effects, so the changes need to be extended and, given that we had a not-very-generous welfare system in the beginning, the £20 increase will have to stay in place for a while.

However, it will not surprise you to hear that I think that we should transition away from the existing system and towards a universal basic income, whether that is on a UK or Scottish basis. That would provide a much better safety net in the long term, rather than tinkering with a universal credit system that, despite the fact that it is new and was supposed to change things, does not work.

David Eiser: There is a lot of arbitrariness in the existing UK social security system. There is a strong case for the £20 increase to UC becoming permanent. That undoes some of the real-terms cuts that have happened since 2015 to a system that was not generous in the first place. There is an inconsistency in increasing that limit by £20 but not doing anything about legacy benefits, such as jobseekers allowance, so that needs to be addressed.

As Tom Waters said, the change to housing benefit addresses a fairly nonsensical change that was made a few years ago, which delinked housing benefit from local rents, so it makes sense to keep that one in place. There are other areas of arbitrariness: the benefit cap is arbitrary, as is the two-child limit. There are a number of inadequacies or inconsistencies that are worth looking at. I do not know whether we are dealing now with the longer-term issue that Siobhan

Mathers raised at the end of her answer, but I will keep my answer to those specific things.

Shona Robison: With regard to that longer-term new thinking, Siobhan Mathers has mentioned a few times the idea of a universal basic income, which I fully support and which has gained a lot of traction.

More generally, more people have been exposed to the social security system in a way that they have never been before. Do you think that there is now more public understanding and less stigma around social security, given that level of exposure and the fragility of household incomes? Do you think that there might therefore be more public support for radical new thinking about social security than there was previously, because of that interaction with the system, as well as the Covid backdrop?

I will start with David Eiser, who was going to say something about the long term.

David Eiser: I have seen some evidence of attitudinal shift towards being more in favour of redistribution and a more generous safety net. With regard to the longer term, we have talked a bit about a universal basic income; I do not know whether you want me to talk specifically about that.

The crisis has shone a light on the inadequacies of the existing UK social security system, most of which were already well known about, such as the—by international standards—fairly meagre levels of benefit for those who are out of work, as well as the emphasis on coercion and conditionality in relation to the out of work moving into employment. There is a significant degree of uncertainty around the process of applying for the main out-of-work and low-income benefits, as well as stringent means tests on the income side and the capital side. There is a case for addressing all that, but whether UBI is the answer is a different question, which we can pick up on if you want us to.

Shona Robison: We are short of time, but if you think that there is an alternative longer-term solution that we should focus on, you might want to put that on the record, as well as—briefly—your views on UBI.

David Eiser: I think that UBI potentially addresses some of the criticisms that I mentioned. Supporters of UBI will raise a number of potential advantages but, for me, the key advantage is that the certainty of that income brings security, which has a number of benefits. In effect, it can help to redress some power imbalances between employers and employees. It means that people who are out of work do not necessarily have to take the first job that comes along, if that does not suit them—for example, if it is low paid or is not

particularly good quality. It means that people have a degree more incentive and flexibility to change their employer, even if that means a temporary period in which they are not earning. Potentially, all those factors create a virtuous circle, which helps to improve pay and conditions in jobs.

The key problem with UBI, as many people have pointed out, is the sheer cost of it, if it is paid to everyone in society. Even a relatively low level of UBI can cost a huge amount.

At the Fraser of Allander institute, we did some modelling on that last year, and we found that even a UBI that was paid at basically the same level as JSA would cost £25 billion to £27 billion. Of course, some of the costs of that could be recouped by turning off various existing benefits, getting rid of the personal allowance in income tax and so on, but we would still be left with a pretty big funding gap—and that is for a policy that, for those who are out of work, would be no more generous than the existing one. It would not necessarily address all the challenges that we might want to address and, in fact, it would be an expensive way of addressing some of them.

Rather than thinking about a move to a full UBI, it might be better to think about how to make the existing system more generous, remove some of its focus on conditionality and think about how we can improve its responsiveness to income volatility.

Of course, with all the will in the world, we are not going to be able to implement a full UBI in time to deal with the current crisis. It might be good to have it in place for the next crisis, whenever that comes along. However, even if we had had a UBI when the Covid crisis hit—albeit that it would have helped a lot in reducing anxiety, providing certainty and security to people, and avoiding their having to make an application for universal credit and wait for the outcome of that—it would not have substituted for the furlough scheme, which was very much about maintaining employment, keeping people attached to employers and so on. Clearly, a UBI would not have done that.

Shona Robison: Thank you.

The Convener: I know that we are running out of time, but Siobhan Mathers has mentioned universal basic income a couple of times in her evidence and I want to give her a brief opportunity to come back in.

Siobhan Mathers: I think that there is a useful opinion window at the moment. As Shona Robison said, more people have been in contact with the social security system, things are changing rapidly and there is a need for a more reliable safety net than we have, so I think that the work should be done now to progress a universal basic income.

I disagree with David Eiser's suggestion that we should work with the existing system. I think that the existing system of universal credit and the myriad other benefits has been discredited and does not work. I think that we need to move to a totally different system. Reform Scotland is not fixed on one particular UBI scheme; there are many ways to do it. It would be expensive and would mean a vastly complex change in tax and spend, but we cannot afford not to address the issue and consider, on a Scottish or a UK basis, a totally new social security system.

10:30

The Convener: Before we move on to Pauline McNeill, I have a brief question that I feel compelled to ask, because if I did not ask it, I think that my constituents would quite rightly call me out.

Since lockdown, the number of universal credit claimants in Scotland has increased by 213,000. There is currently a £20 per week uplift in universal credit. Many of my constituents were on low fixed incomes on universal credit before Covid, were excluded from the workplace and were struggling to get a first foot on the employment ladder in a way that was affordable.

What message would it send out to those constituents of mine and to others across Scotland who were struggling on universal credit if that £20 per week additional payment were to be taken away once we come out at the other end of Covid-19? Could that have the dreadful consequence of sending out the message that there is a two-tier benefits system, whereby those who are caught up in it at the moment deserve additional support, but those who have been struggling in it for a long time do not deserve that support? My constituents would ask that question if I did not put it on the record; it is not addressed to any individual witness. Would anyone like to comment?

Siobhan Mathers: The situation that you identify makes no sense to me and is totally unfair. A universal basic income would get rid of that sort of conditionality and different treatment based on differences in circumstances, which is unfair and does not make sense.

The Convener: Thank you. I will not ask anyone else to come in on that question. I had to ask it on behalf of the many of my constituents who, unfortunately, were dependent on benefits and were struggling to get into work before Covid hit.

Pauline McNeill is next.

Pauline McNeill: I know that we are short of time, so I am happy to pass.

The Convener: We will take you at the end if there is time. We now move on to our final theme.

Jeremy Balfour: I would like to seek your views on a couple of issues around devolved social security. The initial plan was that all devolved benefits would now have been up and running and being administered by Social Security Scotland, but because of Government delay, that has not happened. If they had been up and running, do you think that that would have made a difference? What differences do you think that the Scottish Government could or would have made?

David Eiser: That is an interesting counterfactual question. The timing of the crisis could never have been good, but the timing has been particularly unfortunate in terms of how it has fallen in relation to the transfer of the new powers to Social Security Scotland. It is particularly unfortunate that the Scottish child payment, which in a way is Scotland's flagship policy to address some of the challenges around low incomes, is at a stage where it is only about to begin to be rolled out. If the pandemic had come in a few years' time and those benefits were already being delivered entirely by Social Security Scotland, more thinking could have been done about changing rates and tweaking eligibility, although there is a caveat on that point.

There is a question about the extent to which the Government simply accepts those timescales or whether it tries to do something in the meantime. What might have been done differently if the crisis had come in a few years' time is an interesting question, but it is a difficult one to answer.

The Convener: Does Siobhan Mathers want to come in on that?

Siobhan Mathers: I agree with what David Eiser said; I have nothing else to add.

The Convener: Tom Waters has not put anything in the chat box. Do you have anything to add, Tom?

Tom Waters: I have nothing in particular to add.

Jeremy Balfour: In the submissions, a large call is made for us to move to get the devolved benefits running in Scotland as soon as possible. Do the witnesses join that call? Would it be beneficial to get the benefits devolved more quickly than the Scottish Government is suggesting?

Tom Waters: The main thing to say in that respect is that it depends a lot on what exactly the Government wants to do. If it wants to make the system more generous by topping up universal credit payments for those who are out of work for example, as I understand it, the Government can make that policy choice as things stand.

However, the case for devolving many more benefits would be if you were wanting to make large structural changes to the system so that it operates in a substantially different way. Perhaps we can talk about that. For example, if you consider that Covid has revealed that the system needs to be not simply larger or smaller, but structured differently, you might want to have more devolved powers.

Jeremy Balfour: My apologies—I did not make my question clear. At the moment, a lot of the powers that we have in Scotland are not being used; the DWP is still running PIP and other benefits. Is it the view of witnesses that full administration should be devolved to the new agency as soon as possible? The question is not about getting new powers, but about delivering the existing ones.

Siobhan Mathers: Absolutely; of course it would be better if Scotland was actually using the powers that it has. However, it is not a matter of simply flipping a switch and the powers and all the administration associated with them magically fall to the Scottish Government. It is hugely complex. I would hope that the appropriate agencies are moving as quickly but as thoroughly as they can in order to transfer the powers.

The Convener: Does David Eiser want to add anything to that before we move on?

David Eiser: I do not really have anything to add. Obviously, it would be good if the transfer could happen sooner than has been outlined in the timetable. However, the message from the Government and Social Security Scotland is that increasing the pace would bring unacceptable risks in relation to the safety with which administrative records can be transferred and in relation to staff in the Scottish agency administering those effectively without mistakes being made with claims. I do not have any additional insight into that, but that is the position.

As I said, it would be better if the transfer could happen sooner, but that does not seem to be possible. If there are significant risks, it is probably better to take a precautionary approach at this stage than to try to rush things.

The Convener: Mark Griffin has not had the opportunity to ask a question yet, so we will take Mark first, and Rachael Hamilton will finish the questioning.

Mark Griffin (Central Scotland) (Lab): We have been talking about what the social security system can do to respond to the pandemic in the next two years. I will talk about one form of assistance that has been devolved: industrial injuries disablement benefit. In Scotland, the benefit, which is called employment injury assistance, will be for those who have been

injured or contracted an illness at work. We hear of people who have contracted Covid at work and are living with the consequences of a condition that has been described as long Covid. Those people struggle to breathe; they struggle with mobility and fatigue for months after contracting Covid-19. A lot of them seem to be from the health, care, retail and transport sectors—that is, those who have cared for and fed us and kept us moving through the pandemic. Is employment injury assistance an opportunity to support those who have contracted long Covid? Is that an example of how the social security system could respond to the pandemic in the coming years?

The Convener: I do not know who Mark Griffin wants to start with, but we will go to David Eiser, and other witnesses can indicate if they want to come in.

David Eiser: It is an interesting question, but I do not have the answer to whether the issue that Mark Griffin described would be best addressed through that benefit, as opposed to other benefits that apply to people who cannot work for various injury or Covid reasons.

Tom Waters: I will make one quick comment, although it does not answer the question fully. The immediate issue that comes to mind is how easy it would be for someone to show that they had contracted Covid at work. That benefit was introduced with a standard physical injury at work in mind—that is, it would be obvious that the person had been injured while they were doing their work. My initial reaction is that knowing whether the person got Covid at work or when they were at the supermarket could be a key challenge.

The Convener: Does Mark Griffin want to come back in?

Mark Griffin: No, I am just looking for people's early indication as to whether that benefit would be an appropriate route. It covers injuries or illness, so it is something to consider.

The Convener: That was a really interesting question, Mark. Thank you.

Rachael Hamilton: Do the witnesses have an opinion on whether there should be a radical rethink on how devolved social security supports people in Scotland?

Siobhan Mathers: Reform Scotland supports devolution of all social security powers to Scotland; that would simplify matters and give us powers over everything rather than the mishmash that exists. Even when the new powers are implemented, I do not think that that settlement will last for long, because it is overly complex and does not quite stack up.

Rachael Hamilton: Reform Scotland supports UBI. As you said, it is not a case of flicking a switch and magically creating a UBI system—we know that from the time that it has taken to form the devolved Social Security Scotland. In light of the policy work that has been done on UBI, does Reform Scotland have a particular timescale in mind for UBI in a post-Covid world?

10:45

Siobhan Mathers: We have not looked at a particular timescale for a post-Covid world. I totally agree that we cannot just flip a switch on such things. However, Covid has shown that Government can respond more quickly in a crisis.

Some advocates of universal basic income think that we should have pilots and look at what schemes we should have. I am more of the view that it would be better simply to move straight ahead to an overall scheme, given that we could get bogged down for the next decade in various pilot schemes, as has happened in other countries. I would be inclined just to push ahead as quickly as is practicable.

Tom Waters: I would cast in quite a different way what issues Covid has raised about the benefits system. The UK benefits system is very much focused on means-tested benefits—that is, on people with low incomes and high needs. Compared with other developed countries, the UK is quite unusual in that respect. Almost all developed countries have so-called contributory benefits, whereby people who are in work pay into the system, and if, for example, they lose their job or become disabled, they get higher benefits by virtue of the fact of their having paid in for a while.

Covid has revealed that, because we have only a means-tested system, someone who has been on quite a high income but then loses their job has a big decline in their income. In a contributory world, they would have been more protected. The furlough scheme was trying to create, in real time, something that was more like a contributory system. The amount that people got was 80 per cent of what they got before; it was not one fixed amount.

Whether we want the system to be means-tested or contributory is a really big design question. I think that there are good arguments on both sides. A universal basic income does not connect to either of those things. If someone on a higher income lost their job, they would not get anything more, so it is not like a contributory system once someone falls out of work. It also does not target benefit spending at the neediest because, by definition, it gives the same amount to people across the income distribution.

The big thing that Covid reveals is that the issue is not about universal basic income; it is about contributory versus means-tested benefits. As I have said, the UK is very much at one extreme in the international context of that debate, and there might well be a good case for moving towards a more contributory system. That is certainly a much bigger question that Covid has raised.

Rachael Hamilton: I have another question, which is about looking to the future and at how we can develop support for vulnerable people. I will use the Scottish welfare fund as an example. Recently, we heard evidence from the Joseph Rowntree Foundation that crisis grants were not getting to people during Covid. We also heard that, in the Glasgow City Council area, only 8 per cent got to those people who were in that short-term need. Should we look at what is in legislation about the purpose of the fund and open it up to allow local authorities to have more flexibility?

I know that the Government works with the Convention of Scottish Local Authorities, but there is an argument—Tom Waters mentioned this—for devolving benefits even further, to ensure that they get to people. Does anyone have an opinion on that?

The Convener: Tom Waters was mentioned, but David Eiser did not have an opportunity to respond to the previous question. He can comment first, then will we go to Tom. Siobhan Mathers can drop a note in the chat box as she wants to come in.

David Eiser: Is the question specifically about the Scottish welfare fund?

Rachael Hamilton: That was just an example. The issue is considering what is set in statute about how the funds are used. I wonder whether there is an opportunity to allow local authorities to be more flexible. The contribution of local authorities during Covid in delivering many of the crisis grants and hardship funds shone a light on how they and local communities should be involved. It is a question about further devolution.

David Eiser: It is very much dependent on circumstances. There are likely to be times when local authorities are best placed to deliver a particular support but, on equity grounds, the Government will want to have input into who is targeted and what the eligibility criteria are. That said, there has to be a degree of autonomy and flexibility for local authorities to reflect the specific needs in their areas. If the Government did not allow that under any circumstances, that would undermine the purpose of democratically elected local authorities.

It depends on the circumstances and the target group. I do not have an answer as to whether there is a general rule on the extent to which such

things should be legislated for or the extent to which local authorities should have different degrees of discretion.

Siobhan Mathers: The general philosophy at Reform Scotland is that Scotland is overcentralised and that local authorities should have greater powers. This is a good example of where empowering local authorities—giving them more power and responsibility to respond to local need—would be appropriate.

The Convener: Rachael Hamilton mentioned Glasgow City Council, and we can explore that further, because the council will be giving evidence to the committee in a few weeks' time. The Scottish Government has informed us that more flexibility has been given in relation to the Scottish welfare fund, so it would be good to understand the local authority point of view on whether that discretion is enough or whether we need to put more in statute. We can explore that questioning with the local authorities when they join us, Rachael.

There are no other bids for questions from members and time is upon us. I thank David Eiser, Siobhan Mathers and Tom Waters for the significant amount of time that they have given us for this session. Please follow the committee's inquiry and, through our clerks, get in contact with us if there is anything that we should be considering but are not yet looking at. Members have noted in the BlueJeans chat box their thanks to you; we are grateful for your input.

That concludes agenda item 2. We move to agenda item 3, which is consideration in private of the evidence that we have heard this morning.

10:54

Meeting continued in private until 11:21.

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

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