LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 26 November 2008

Session 3

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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
30th Meeting 2008, Session 3

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

Alasdair Allan (Western Isles) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow) (SNP)
*Patricia Ferguson (Glasgow Maryhill) (Lab)
*David McLetchie (Edinburgh Pentlands) (Con)
*Mary Mulligan (Linlithgow) (Lab)
*Jim Tolson (Dunfermline West) (LD)
*John Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

*Brian Adam (Aberdeen North) (SNP)
Paul Martin (Glasgow Springburn) (Lab)
Alison McInnes (North East Scotland) (LD)
Margaret Mitchell (Central Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Sarah Cunningham-Burley (University of Edinburgh)
Jim McCormick (Joseph Rowntree Foundation)
Professor Paul Spicker (Robert Gordon University)

CLERK TO THE COMMITTEE

Martin Verity

SENIOR ASSISTANT CLERK

David McLaren

ASSISTANT CLERK

Ian Cowan

LOCATION

Committee Room 4

Scottish Parliament

Local Government and Communities Committee

Wednesday 26 November 2008

[THE CONVENER *opened the meeting at 10:00*]

Decision on Taking Business in Private

The Convener (Duncan McNeil): Good morning. I welcome everyone to the 30th meeting in 2008 of the Local Government and Communities Committee. There are apologies from Alasdair Allan. Brian Adam will be his substitute. I ask Brian to declare any relevant interests.

Brian Adam (Aberdeen North) (SNP): I have nothing to declare beyond what is already in the register of members' interests.

The Convener: Does the committee agree to take item 4 in private? Item 4 is to consider our approach to the national planning framework 2, and such items are usually taken in private.

Members *indicated agreement*.

Child Poverty Inquiry

10:01

The Convener: Item 2 is the child poverty inquiry. The committee will take evidence from Professor Sarah Cunningham-Burley, director of the centre for research on families and relationships at the University of Edinburgh; Jim McCormick, Scotland adviser to the Joseph Rowntree Foundation; and Professor Paul Spicker, director of the centre for public policy and management at Robert Gordon University.

Do you have any brief opening remarks or shall we move straight to questions?

Professor Sarah Cunningham-Burley (University of Edinburgh): I shall make a few opening remarks. As the committee will know from our submission, the CRFR is a research organisation, and we draw on evidence from the range of research in which we have been involved.

I have a couple of key points. First, families and relationships are key to all aspects of our lives and to the quality of our lives. They are therefore not only important for our understanding of Scottish society but crucial to the experience of poverty and to ameliorating the effects of poverty in ways that can sometimes be quite hard to investigate. That can make it hard to intervene to enhance the capacity of families to ameliorate the effects of poverty. It suggests that strategies and interventions, as holistic as we might wish to make them, must work across sectors and work at a range of levels of intervention. That is because we are really intervening in the complex webs of relationships within which people experience their personal lives. Child poverty—the committee's focus—does not exist outside of family and household poverty. We cannot consider the child outside the context in which the child understands their life.

There is another area where research highlights something that is important for policy in practice—things are moving in that direction in the single outcome agreements. Research and consultation have slightly different goals, but they often have similar methods; they provide a route to give voice to those whose lives one is trying to improve. There may be a range of ways in which consultation and research can work along two different tracks in order to help to give voice to those living in poverty in a way that does not encourage others to speak on their behalf or to create policies and practices on their behalf. That would be a much more empowering approach to policy and service development and service provision.

The other area that I want to highlight is the absolute importance of knowledge exchange and the use of research evidence in the policy process. I am sure that that is one reason why we, as researchers, are here in the committee. The feeding back of research evidence to those who participated in research in the first place is also important. The research that my centre is involved in—I have sometimes been directly involved in fieldwork—can be a humbling experience. As researchers, we often make claims that our research will be useful to and used by Government and others. Often, it is not possible to close that loop by feeding back to those who have given of their time to talk about things that were often very personal to them. Even the researchers do not always know how their research has impacted on policy, let alone have the time or resources to feed that information back to those with whom they have worked to produce the research findings.

Jim McCormick (Joseph Rowntree Foundation): Briefly, the Joseph Rowntree Foundation increasingly describes itself as doing research and development for social policy. We are increasingly doing demonstration work to test out research ideas in practice, so we are increasingly working with practitioners as well as policy makers. I am also glad to say—this is where my role comes in—that we are increasingly becoming a four-country organisation. Next year, we will publish a study of what devolution has done to improve the prospects of poor people and places across the United Kingdom by looking at the consequences of devolved policy as distinct from reserved policy. We are becoming much more literate, if you like, in the politics of devolution.

Professor Paul Spicker (Robert Gordon University): My work on poverty has been fairly varied over a period of time. I have done a certain amount of work both on the conceptual and international issues relating to poverty and on specific research projects in Scotland, including participative research involving people in poverty.

We are dealing with a constantly evolving and changing situation. Since preparing my submission for the committee's inquiry, I am aware that a couple of developments have taken place that I would have taken into account if the timing had been different—that is the way of the world. The most recent and obvious development is the publication of the Scottish Government's anti-poverty framework on Monday. I am sure that we will come on to consider aspects of that anti-poverty framework and how it relates to issues of child poverty, but it is perhaps appropriate to begin with a note of caution. Concerning the principles of the anti-poverty strategy, the analysis of the consultation responses states:

> "There was broad support from all respondents to the principles outlined."

My consultation submission, which gave what I hoped was a reasoned critique of the principles, began with this statement:

> "The consultation asks whether the 'key principles' outlined in this list are the right principles. In most cases, they are not."

The important point to understand is that the issues are often hotly disputed. Poverty is not simply a scientific issue but a moral issue, on which many people have strongly felt views that often pull in contradictory directions. In understanding how to approach poverty, it is crucial that we have definitions and understandings of poverty that are inclusive and general and which cover a wide range of different dimensions. It is unlikely that all three of us will agree during the course of this evidence session, but we will generally agree that this is a highly complex topic for which there are no simple solutions and simple answers.

The Convener: Thank you. The first question is from John Wilson.

John Wilson (Central Scotland) (SNP): Good morning, panel. I first want to concentrate on the issue of research and research findings. Prior to entering Parliament, I participated several years ago in a meeting in which civil servants of the then Scottish Executive brought together a large number of voluntary sector organisations working in the poverty arena. One clear conclusion from that meeting was about the lack of statistical information at a Scottish level that people could draw on to make assertions or assumptions on how issues of poverty, especially child poverty, were being tackled or resolved. Will the panel members comment on the availability of statistics? Are those sufficient for drawing out an accurate analysis of child poverty in Scotland today?

Professor Spicker: It is only fair to begin with the statement that statistics in Scotland have improved—they have gone from being wretched and thoroughly abysmal to being simply inadequate. The first work of this sort that I did in Scotland was shortly after I moved to Scotland, when I was working for Tayside Regional Council in 1990. There was a massive absence of the figures that I expected to be available as a result of my work in England. There has been a huge improvement since then. Far more information is available about Scotland, much of which is being collated by the Joseph Rowntree Foundation. However, we are still desperately short of information. One need only take a quick look at a website and at the difference between the available neighbourhood statistics in England and those in Scotland to appreciate that we do not have the same banks of data here.

The approach of the Scottish Government, by which I mean those responsible in the civil service in Scotland, has been to focus the indicators that are produced so that they are the most directly useful. As a short-term strategy, that has something to commend it but, as a long-term strategy, it does not necessarily help the kind of voluntary organisations to which John Wilson refers. Most voluntary organisations are required, as part of their routine activity, to submit returns that include indicators and monitoring and statistical information on the fields in which they work. If they do not have the capacity to carry out mass surveys, they need to draw the information from an infrastructure of data, but often that infrastructure is not there. The data that must be available must be highly detailed—they need to be capable of being disaggregated to the local level or to the level of certain specified need groups. The richer the data source, the more likely it is that one can find something relevant.

The situation does not affect only voluntary organisations at the local level; it also affects the Government. For example, the Scotland performs website relies on several indicators that, in essence, are drawn from what happens to be available. The term "indicators" should not be interpreted to mean scientific measures—they do not work that way. They are not real figures in many cases, as they are always debatable. The way to deal with indicators is to put related information together from a range of sources and then to cross-refer—or, in the jargon, to triangulate—to get the best image possible of what is going on. Indicators travel best in convoys. We need more indicators than we would have for any one specific purpose if we are to use them in the best way in context. When we cannot do that, we have to make compromises.

Professor Cunningham-Burley: A significant development is the growing up in Scotland study, which is funded by the education department and is tracking the lives of Scotland's children. It is a two-cohort study, so it will enable quick comparison of children's experiences, for example between babies and toddlers. I am sorry—I cannot remember the years in which the cohorts were born, but the clerk has all the figures. If we anticipate that policy changes will have an impact on families, we might be able to map the impact quickly, because one would expect certain outcomes to change fairly quickly, especially in the early years. The survey involves a representative sample of the Scottish population who are having babies and will therefore enable comparisons between more and less affluent families and groups.

That is a positive development, although it does not meet the need to provide information at the local level. However, I hope that it will answer some key policy-driven questions and begin to document the diversity of experience of families in different social circumstances. All longitudinal studies are only as good as the funding allows them to be. To maximise their effect, they must be truly longitudinal. For example, it would be good to track the families until their children move into adulthood. However, I know that it is always a difficult task for Government to make such promises.

10:15

Such studies are only as good as the capacity to analyse data in the first place. As some of you might know, there is an issue in social science about the capacity to analyse large-scale quantitative data. The Economic and Social Research Council is putting resources into improving that capacity and the director of that programme is based in Scotland.

We need to enable a range of people outside academia to access and utilise the available data. Although the data are not as robust as one might want in other areas, they are exceptionally good in the health sector in Scotland. Given that one of the key targets is to improve life expectancy for those in poverty, working across sectors with social statistics and health-related data would be a positive development.

Jim McCormick: I agree that we could always do better, but things have improved. We have a new housing and neighbourhoods monitor, which is funded by the JRF and developed by the University of Glasgow with partners in the rest of the UK, so we can benchmark Scotland at an area level.

Is our lack of progress in tackling child poverty due to the fact that we do not have enough data? Absolutely not. The reason why we are not making enough progress is somewhere else. We have bags of evaluation evidence from the past decade—our ability to evaluate interventions at area base level and at client group level has leaped forward in the past decade. Our gap in government is in knowing how to translate evaluation evidence into better policy and practice and then putting resources behind it over a long time, across more than one parliamentary session, to make a long-term intervention that will make a difference in this field above others.

I agree completely with my colleagues that we need better and new types of data to inform the changing realities, not least in a recessionary period—how will we tackle child poverty in the next five years as distinct from the past five years? However, I suggest that it will still come down to political commitment and our skill in deploying the

evidence base more effectively than we have done in the past.

Jim Tolson (Dunfermline West) (LD): Good morning. Professor Spicker, I was particularly interested in your comments about single outcome agreements and the council tax. In your submission, you stated:

"The shift to single outcome agreements means that local authorities have to review whether such programmes are consistent with their core activities, and the relative smallness of marginalised groups in most authorities suggests that they may not be."

Are you suggesting that we are wasting our time trying to tackle child poverty? I also want to know how you feel in general about the single outcome agreements marginalising groups.

You also commented on local income tax—I will give you a quick quote:

"A further issue arising in relation to tax is the growing number of low income households paying full Council tax. Consideration should be given to the contribution of this to poverty among such households."

I agree with those concerns. Are you suggesting that taking away council tax or having another form of local taxation, such as local income tax, might be of benefit in driving forward action to combat child poverty?

Professor Spicker: I am simply going to swerve round the second question. Whatever kind of tax is used, I hope that the Scottish Government will consider the potential distributive impact of measures—not only theoretical impacts but people's actual behaviour. For example, charging people for a service and requiring them to claim a benefit to be relieved of the cost subsequently is often ineffective for a variety of reasons, including take-up. We know that it is ineffective before we begin.

There is a salutary lesson here, which is that, in the early days, before the community charge was introduced in Scotland, the UK Government published distributive impact figures that suggested that poor people would be better off as a result of the community charge. That was based entirely on the notional calculations of what would happen if they received everything that they ought to receive rather than what actually happened subsequently. That is a cautionary tale.

Your first question was the more important. What are the limitations on what local government can do? Some of them are simply in the nature of local government. One must be aware that there is a limit to what even national Governments can do when faced with the current economic storm. If we get through the next year with no increase in poverty levels, I will be extremely surprised and relieved. I will be relieved if poverty increases only marginally instead of substantially. That is not because of the actions of Government and local government. We have to set that context at the outset.

What happens within local government? Clearly, it tends to go for the largest problems to make the greatest impact and have the greatest added value. Many local authorities in Scotland have focused on regeneration and poverty in communities, but the poverty figures show that most poor people do not live in poor areas, and most of those who live in poor areas, as they are usually defined, are not poor. Those areas have a greater concentration of poverty, but dealing with that is not quite the same thing as dealing with poverty effectively. Therefore, we already have problems with issues such as geographical dispersion, which means that, in the normal course of events, some people will be left out of certain initiatives because they are not within the relevant banded geographical area.

When I referred to marginalised groups, I was thinking of other kinds of groups. This point is not exclusive to children in poverty. I am thinking of people who do not fit into the overall pattern that we think of as the likely target group. A lot of anti-poverty policy is geared around the misconception that the poor form a stable population, that they form an identifiable population and that they persist in poverty. Almost all the evidence that we have says that those three statements are wrong and that that is not what happens.

If we ask what the response will be for someone who is in a family that is in some way dysfunctional, we will find that some local authorities have a sufficient critical mass to respond in those terms, but some do not. What kind of response will there be if a family is homeless? Again, it will depend on the area that the family is in and the capacity of the local authority to deal with it.

In the more remote and rural areas of Scotland, where the population is more dispersed, we find that, because they do not have the critical number of people, there is no basis on which a service can be delivered for things that would receive a service in an urban area. We have to learn to live with that; it is the nature of the country in which we live. However, we have to ask whether there is a way of involving people who are peripheral in some ways to the main concerns of local authorities, such as people who have certain types of social problems, or people who are in minority ethnic groups. That will not include child poverty as a big topic; rather, it will involve specific children in specific circumstances. One has to understand that, although we are making a huge effort to deal with child protection and child care in this country, many people are not and do not wish to be part of that system.

The essential point about marginalisation is that the pilots and special initiatives that we have had in the past, which have sought to close the opportunity gap for people who were homeless or people with mental illness, for example, have been a national response to issues that were difficult to address locally. Such initiatives are currently under question.

Jim Tolson: As part of your response, you rightly mentioned the potential increase in poverty—in which, for our purposes, we include child poverty—in the current financial climate. As I am sure that you are well aware, the Government has targets on child poverty, including the laudable aim of ending child poverty by 2020. It was difficult enough to tackle the issue before the current climate; the situation now seems to be much worse. Should Governments in general—not just the Scottish Government—review their targets in the light of the current financial climate?

Professor Spicker: I am not convinced that the target is the most important thing.

Jim Tolson: Is it a realistic target in the first place?

Professor Spicker: Whether a target is realistic depends on one's ability to predict. If a realistic target is zero, does that make it desirable? It seems to me that a target of reducing child poverty by 100 per cent is desirable. One measures that by comparing year-on-year performance to assess whether one is making things better or worse.

The Convener: Could the other panellists comment, too?

Professor Cunningham-Burley: On that last point?

The Convener: On both points, if you wish.

Professor Cunningham-Burley: We have done research in which we have gone across Scotland to examine what local authorities and the voluntary sector are doing in particular areas. That research suggests that it is necessary to take a long-term view. Community development work cannot be done quickly. If a service is put in and some improvement or outcome is expected within two to three years, which is often the life of projects, that is just impossible.

I have been involved in evaluations of a health demonstration project, as part of which extremely innovative service work is being done to bring the most marginalised people, wherever they are—whether they live in areas of deprivation or in pockets of poverty in more affluent areas—into services. It takes a long time for workers to identify those people and to develop their skills in the work that is required to bring those people into services and therefore enhance their support. That cannot be done in a short period of time. There needs to be a change in the skills of workers who do such work and a longer-term view needs to be taken. I know that that is difficult to achieve in terms of how budgets are set, but it is only by doing that that it will be possible to overcome the problem that you have identified, whereby some marginalised groups will be lost to the developments that are going on.

There are problems with targets, but the big challenge now is to prevent the experience of poverty from worsening. First, poverty will increase—more people will be in poverty. We have spoken to people who live on low incomes, and they make a distinction between absolute poverty, whereby it is not possible to put food on the table, and poverty that has the effect of social exclusion, whereby people cannot provide for their children or for themselves the quality of life that everyone at this table would take for granted. The borderline between those two types of poverty will be seriously challenged during the recession, because there will be people who cannot put food on the table or who cannot heat their houses adequately to ensure the health of their children. We must do something to prevent that from happening. The bigger issue is that there will be more people whose incomes will decrease. That may or may not bring them into poverty.

10:30

Jim McCormick: I will have a go at answering the question on council tax. Jim Tolson is absolutely right to raise issues about council tax benefit. There is a broader issue about how we uprate benefits and tax credits over time. Typically, that is done on an ad hoc basis and is based on prices, not earnings, although there have been a few exceptions. There has been rather little scrutiny of that by Oppositions. Council tax benefit is one of the best examples of that drag over time—more and more relatively low-income and low-paid households have been brought into the net of paying full council tax.

There are different ways of tackling that. One is to change the tax basis. All things being equal, a local income tax policy would probably have the biggest impact on those in the three lowest income deciles, who are the subject of the Scottish Government's solidarity target. In effect, the policy could do a lot to relieve poverty for those who are earning their poverty through low-paid work. However, the same effect could be achieved by having a proper basis for uprating council tax benefit. If the thresholds were increased rapidly and significantly, many working poor households could be taken out of the trap of paying full council tax, although that would still leave the problems of the impact of benefit tapers and the disincentive for people to increase hours and earnings.

Jim Tolson also asked the important question whether the child poverty target is realistic. The latest estimate by the Institute for Fiscal Studies is that if we invested about £2.8 billion in the next two UK budgets in dedicated anti-child-poverty steps, we would be back on track to halve child poverty by 2010. We should put that amount into the context of the figures that we have heard about in the past month for banking bail-outs and in the pre-budget report. The target is hugely ambitious, but it is not unrealistic, even in the current climate.

To clarify, the target is not for zero poverty; it is to reach the best figures in the European Union, which means having 5 or 6 per cent of children in poverty. Perhaps our target should not be just about the number of people who are in poverty, but about the number who are in poverty for the long term. Having a short-term experience of poverty is different from spending your entire childhood in poverty. Personally, I would like a duration target, to ensure that long-term child poverty is as close to zero as possible, even if there is always an element of short-term transitional poverty in our society.

Professor Spicker: The issue of short and long-term poverty is hugely important. The 30 per cent target to which Jim McCormick referred will bring in most of the population, because most people pass through extended periods of low income. Nearly two thirds of the population will spend one year in 10 within the bracket of households that are below average income. That is a lot of people. I should say that a year is not short term and that that experience can have important material effects. However, the importance of the figure is that there is a large tranche of people in Scotland who are in the situation that is best described as insecure. Jim McCormick wrote the Scottish Council Foundation classification of the population into settled Scotland, insecure Scotland and excluded Scotland.

We must understand that large numbers of people are in insecure employment, as well as in marginalised, peripheral, casual, seasonal, temporary and constantly changing employment, and that the benefits system has not been well designed for those people. We know from the tax credit figures that roughly a third of the target group of people who claim tax credit will have their incomes double or halve in the course of a year because of constant movements in their incomes. We tend to assume far too often that we are dealing with a stable, predictable and secure population, but we are not.

The Convener: We often read in campaigning literature that large numbers are in poverty and in child poverty in particular. Do you think that we need to break down the definition of poverty? Has it become a generalisation? Sometimes, the numbers are beyond our perception. We know that there is poverty, extreme poverty and isolation. We see it before our eyes in our communities. Are the campaigning organisations almost smothering us with the headline figures, making it even more difficult for us as politicians to perceive how we can tackle the issue?

Professor Cunningham-Burley: The real challenge is to deal with the diversity of the experience of poverty, whether it is long-term or short-term poverty, and with its differential effects. People on low incomes are in diverse circumstances; some are in work and some are out of work and so on. It is a real challenge to understand and deal with that while not diluting what you want to do, which is to improve the lives of 30 per cent of the population. I am not a member of a campaigning organisation, so I cannot answer the question from that perspective. However, from the perspective of people who do research into policy and practice, the challenge for politicians is how to work with that diversity without diluting your main message. I am not sure that I can give you an answer to that, except to say that perhaps you need more evidence about the diversity. Perhaps there will be more opportunities to handle that through community planning.

The Convener: We have heard that people can work it out for themselves—you told us that—whether they are in temporary work, not in work, unemployed, going through a transitional period or on low pay. They can work it out themselves whether they are in abject poverty or extreme poverty.

Professor Cunningham-Burley: That is a slightly different issue. Sometimes people can work things out for themselves, but when you are working at the margins of available resources, fluctuations in income, which Paul Spicker talked about, can have a massive and deleterious effect, which you cannot moderate. I might be able to moderate it, because I can save a little bit, but other people cannot. It will be moderated only by increasing debt, which we know is a real problem for people living in poverty. There need to be effective solutions to the debt situation. People cannot always work things out for themselves.

What I said about how people define poverty for themselves speaks to something else; it speaks to issues of stigma and retaining a sense of doing the best that one can for one's family in difficult circumstances. It is also about an awareness that absolute poverty is rare—although it does exist—in the UK, Scotland and, indeed, the western world. It is partly about people separating their experience from a worse experience. That is slightly different from what I think you were suggesting, which was that people have available

to them the resources to plan or moderate the effects of insecurity or poverty.

The Convener: I was just asking about the universality of approach. Given what we have heard this morning, how can we approach tackling poverty? I am trying to think about the previous Executive. Free prescriptions were put forward as a solution to poverty, as were other measures. That universality of approach will not work. If we lifted a certain group of people out of poverty by targeting them properly, that would improve the figures quite significantly, would it not?

Jim McCormick: There are a lot of good points in your question. Glasgow Caledonian University has done some good work for the JRF recently on public attitudes and media attitudes and how we report poverty in this country. There is lots of evidence that the general public are pretty sceptical about the fact that so-called real poverty exists in this country. There is a tendency to think that it exists abroad rather than here. However, when we start using terms such as "hardship", "struggling to make ends meet", or "only one pay packet away from poverty", people understand that the issue is about us, not them. The people who are at risk of falling into the traps that we are talking about form a much broader group of the population.

The language that we use matters if we want to persuade people to support the means by which we tackle poverty, but we also have to appeal to people's sense of optimism that the problem can be addressed. If all we do is analyse the depth of the problem, we will not move forward sustainably. We need to come up with better policy and to practise ideas that appear to work, are sustainable, and pay back over time.

Denmark, a small country with the same population as Scotland, has a high rate of people moving in and out of work, but for decades, through recessions and good times, it has been creating a springboard for people when they drop out of work by using a relatively generous rate of earnings replacement through the benefits system, so that people who leave work do not fall straight into poverty, as so often happens in this country. More important than that is the skills and employability guarantee that kicks in that makes sure that people get a chance to train for their next job, even if their previous job has disappeared. By doing that for decades, and by intimately involving employers and trade unions, Denmark has created an affordable infrastructure that pays back over time. It does not stop people losing their jobs, but it means that, all things being equal, they have a good chance of getting a job in whatever the new economic sectors happen to be. That is coupled with a much lower risk of poverty for people who are out of the labour market for a long time.

It can be done. The UK targets are not so ambitious that they cannot be achieved. They are being achieved in small countries such as Denmark and, as I say, at different points in the economic cycle.

Professor Spicker: I have two points, partly about conceptualisation and partly about policy.

On conceptualisation, poverty is a mass problem, but it is not just one problem; it is a huge number of different problems. The difficulty is that virtually all those problems are important but they need to be distinguished, separated and tackled separately. It is unlikely that what is being done in relation to employment, for example, will have much effect on many of the health issues that are also part of the poverty problem, but we are not going to say that employment or health are not serious issues. They are both serious.

When we are faced with a massive, multidimensional problem, how do we work out our priorities? One of the strongest arguments that is being made in international organisations is that the only legitimate way to do that is to ask the people who are affected, and to tackle the important topics. We often impose solutions that we think will be the answer to everything, and they never are. That is the conceptual issue.

On policy, we have some idea of which policies work and which do not. For example, we know that personalised support, which is heavily emphasised nowadays, is hugely difficult to implement, expensive, and often ineffective. We are not talking about a problem that necessarily relates to the circumstances of the people who are involved.

A common experience of poverty is confusion and insecurity; it is about not quite knowing what one's situation is. People are not quite sure when their family has broken up or reformed, so benefits systems that assume that people are able to give an accurate and precise answer from day to day to a certain set of questions are met with muddle, confusion and uncertainty. We have seen that happen with disability and incapacity benefits as well. Lots of people do not understand the classifications that they are given at the outset—they do not necessarily relate to people's experiences—and so do not understand when there are subsequent changes to those classifications.

The Joseph Rowntree Foundation has made a good statement of the policies that have had an effect. It says that the movement into and out of employment does not relieve child poverty. It is the establishment of secure incomes that makes the difference—in and out of work—and that has been done through the use of particular aspects of the benefits system, especially child benefit and child tax credits.

10:45

Brian Adam: The convener rightly brought up the debate about universality and targeting. Mr McCormick indicated that Denmark is particularly successful at recycling people through employment by direct support. What kind of take-up rates are there in Denmark? At the end of the day, the individuals concerned have to co-operate and, presumably, there will be a benefit support arrangement that will only work if it is taken up. The debate about universality and targeting is always to do with take-up rates. Is Denmark any better at getting proper take-up rates, and if it is, how does it do it?

Jim McCormick: I will focus on the employability, skills and training nexus because that is what I know most about. Involving the Government, and employers and trade unions from all sectors—that also applies to the funding model for the programmes—provides a strong incentive for all stakeholders to ensure that there are high take-up rates. Denmark has the highest rate of female participation in the labour market, for example, as well as one of the lowest rates of pay inequality between men and women. Supporting all that—and it is critical to do this through devolved policy making—is the high-quality, well-funded child care provision that is needed to complement flexible employment if we want to get lone parents, for example, into more secure, well-paid jobs. Denmark has also been more successful than other parts of Europe at integrating migrants into the labour market because there is a clear expectation that the infrastructure that it has put together is for all.

The model has paid back over time because of its high take-up rate. It is expensive, but costs are shared between the Government, employers and trade unions. Because the programmes have a track record of delivering through good times and bad, there is still sufficient confidence that, when things go wrong in the economy, there is high-quality provision to give people prospects and help them to move forward. Unlike the UK and other industrialised parts of Europe, Denmark has avoided having deep pockets of worklessness in certain neighbourhoods for the past 20 years. That is an instructive example for Scotland.

David McLetchie (Edinburgh Pentlands) (Con): I do not know about other members, but when I hear about all the problems and initiatives that do not work, I get somewhat depressed and wonder what we should be doing.

I was interested in what you said, Professor Spicker, about the majority of poor people not living in poor areas, and questioning programmes that are geographically focused on certain incidences. That is reflected in the fairer Scotland fund, which is focused in accordance with geographical indices. I think that I also heard you say that personalised support does not work. I would have thought that that was a more dispersed approach, but you said that it is ineffective and expensive. The CRFR said that low-income households do not like dealing with officials and that take-up is poor, and so on. Might you draw the general conclusion from all that that specific, interventionist programmes are not effective and that you would be as well taking all the public money that goes into them and throwing it into something such as child benefit, to give everybody money? Someone else said that what really matters, whether someone is in or out of work, is stability of income. Why do we not just package all the money up and give everybody a further child benefit increase, which applies whether someone is in work or out of work, and let them get on with it?

Professor Cunningham-Burley: You raise fundamental issues about the nature of the welfare state. When it was instigated, universality was a core element, which has since been eroded. We are perhaps seeing the cost of that. It is difficult politically to reverse that trend, but it is interesting to consider the impact that that might have on the experience of people who live in poverty, because a range of universal provision is relevant. I will leave answers about the fiscal arrangements to my colleagues, but given that poverty and lack of resources go hand in hand with social exclusion, any measure designed to promote social inclusion almost certainly has to be of a universal nature, whether it is free school meals or free transport for children and young people. Such measures will promote social inclusion, because the hidden costs—whether it is a bus fare, getting a cup of tea, providing a Hallowe'en outfit for their child or whatever it might be—of being included in the range of activities that we would expect and hope that people can participate in in our society are impossible for someone to meet if they are in poverty. By providing a degree of universality to cover some costs, we increase the resources that are available to meet the hidden costs that are much harder to identify. You raise an important point about the role of universal provision.

Professor Spicker: I have some sympathy with the question. I have seen projects in which, for example, £0.5 million is spent on a community centre in an area with 200 houses. When I work the figures out, I wonder whether it would have been better for the people to have been given the money, but that is not a practical option, given the way that policies are delivered.

Money is only part of the issue. We use income as an indicator of poverty because it is useful, robust and available. It tells us something about participation in society, but not everything. We can point to a number of other factors that are just as

important—Sarah Cunningham-Burley mentioned some of them, such as school meals and transport. It is possible to create an infrastructure that makes participation possible. When we have done that we often cease to notice that the expenditure is there and that it is part of people's lifestyles and income. Examples of that include schooling and medical care. In a society in which those services have to be paid for, they constitute a substantial part of income. If we were so inclined, we could monetise them to get a figure, but clearly the provision of those services is important for people's lifestyles overall.

We must bear it in mind that much poverty is about social relationships. Reference has been made to absolute poverty and the third world. If we ask people in the third world what poverty means for them and what constitutes poverty, which is something that has been done extensively by the United Nations Development Programme and the World Bank, the answers that come back are surprising. They do not refer to issues such as having to hump water. When that is part of people's lives, they take it for granted. They do not say, "I am poor because I have to do that." Rather, they talk about insecurity, relationships with authority, gender relationships and the rights of women. They also talk about being excluded and not being able to do things that other people do. They use exactly the sort of language that poor people use in Scotland. That is very surprising.

I commend to members a remarkable series of documents called "Voices of the Poor", which have been produced by the World Bank and are freely available. They give a picture from more than 26 countries and more than 10,000 interviews, which were done qualitatively throughout the developing world. It gives a sense of what people are actually concerned about when they are concerned about poverty.

Jim McCormick: I will sound a relatively optimistic note. Rates of poverty and child poverty have fallen fairly significantly throughout the UK and in Scotland in the past decade, although our progress has stalled, as members know. However, that reduction has come at quite a cost. One cost is the remarkable complexity that we have introduced into all manner of our public policy interventions.

Universal approaches have almost every advantage over targeted approaches—they have a higher take-up and lower administrative costs and create less stigma. However, the one point on which they fall down is cost. If we invest across the board, we spend a lot of money on people who could get by without as much support as is given universally. In countries such as Scotland and the UK, we will always consider the best balance between universal and targeted approaches to achieve policy objectives within available resources.

Tax credits provide an example of complexity and variable take-up rates. The tax credits system has caused confusion and sometimes heartache for people. What has it achieved? It has helped to improve job entry rates on those under the previous system. Helped by tax credits, more people have jobs. As a result of tax credits, more people than before have stayed in jobs. However, tax credits have not assisted with progression and wage mobility. We have seen no evidence that they have helped with that—perhaps they were not designed to do that.

The blind spot in the system relates not to helping people to enter the labour market and stabilising their position, but to moving beyond that and springing the poverty trap once and for all. Even though our focus in the recession will of course be on trying to prevent redundancies and stop the poverty rate rising too much, we should continue to take a longer-term view. We should still ask what it takes to help people to move clear of poverty and not just to move a little above the poverty line.

We should set ambitious targets, because that is more likely to lead us towards creating broad safety nets that catch people when they fall out of work and give them a springboard into a better position, as I have suggested. Paul Spicker is right to say that the issue is not just about benefits and tax credits. Low pay is endemic in the situation that we are talking about. A high proportion of people who are in poverty in this country earn their poverty—they are in work. However, they are not moving forward. A new deal on low pay is an important part of a long-term solution to child poverty and family poverty. That requires different engagement between the Government, employers, trade unions and low-paying sectors that are not unionised, of which Scotland has many.

David McLetchie: I will add to that and develop the conversation. Tomorrow, Mr Tony McNulty will visit the Parliament to talk about Her Majesty's Government's welfare reform plans. One would like to think that those proposals and the general benefits and tax credit system will complement what the Scottish Government and Scottish agencies do to provide more personalised services, regeneration projects and so on to deal with the problem.

We will talk to Mr McNulty tomorrow. If you were talking to him, how would you say that the thrust of the Government's welfare programme should be adapted? What should the Scottish Government and Scottish councils or agencies do to complement it?

11:00

Jim McCormick: I would say that the Government should proceed with caution, as its timing is lousy because of the economic climate. The policy might be right, but the timing is not good.

Why do we not pilot new approaches for lone parents and people who are moving off incapacity benefit, drop the sanctions, as they are probably unhelpful and unproductive and are certainly administratively costly, and—this is critical—consider flexible working? There is a gap here. As of this week, lone parents whose youngest child is 12 are being told that they will move on to jobseekers allowance and have to be actively seeking work, but the right to request flexible working largely applies to people whose children are under six or are disabled. Therefore, there is a gap that we need to close if we are serious not only about increasing responsibilities on people who have been outside the labour market but about ensuring that they have flexible child care support and flexible work so that they can move to an earning position that is good for them and their families and does not increase stresses on and risks to their families. My message would therefore be to proceed with caution.

Professor Spicker: I certainly endorse the idea of proceeding with caution, although perhaps I would put things a little more strongly. The Government's current welfare reform, which was inspired by the review that was commissioned from David Freud, is primarily concerned with employment and employability. The first reservation in that context is that we are getting increasing amounts of evidence showing that it is not enough to consider only employment if we are concerned about poverty. The Joseph Rowntree Foundation figures suggest that a tipping point has been reached and that most poor children are in families of employed persons. We can argue about the precise balance of the figures and which figures we should take, but the issue is important.

We cannot expect employment provisions to tackle the problem, but we can look at them as employment provisions. There are many puzzling and troubling assumptions in the Freud review. First, assumptions are made about the purposes of the benefit system, which seems to Freud to be primarily about getting people to return to work, for example, rather than about things such as income stability.

Secondly, the review suggests the privatisation of the employment programmes and giving certain agencies incentives to offer sustained personalised support on the route out of unemployment into employment. Such an approach is not necessarily consistent with the pattern of the Scottish labour market. I am concerned about standard issues to do with effectiveness, including dead weight, which involves paying people to provide a service for an end that would be achieved regardless, and spillovers, which involve continuing to give a service to people for whom it is inappropriate to deliver such a service.

I am also puzzled by the relative lack of co-ordination that there has been between the Department for Work and Pensions, which has an employability role and a role in providing employability programmes, and the devolved Scottish Government. They work substantially in a similar area. I think that it has been assumed that Westminster will deal with benefits issues, but the issue is not benefits any more. On each ground, a great deal needs to be unravelled and unpicked to make sense of the system. I fear that we are likely to find that a system has been superimposed on Scotland that is inappropriate to its circumstances.

Professor Cunningham-Burley: Jim McCormick and Paul Spicker have given the committee plenty to take up with Tony McNulty tomorrow. However, I want to introduce a gender dimension to the discussion. As my colleagues have said, there are many problems to do with employment not being enough. Research that we have done on how families manage caring and earning demonstrates that employment is not always enough. People on low incomes can have constant difficulties in balancing their caring and earning capacities. The issue is a women's issue, as most lone parents are women. A situation is developing in which the choices that are available to women parents are different from those that are available to men and the choices that are available are different depending on the person's marital or household status. A person's decisions about how they want to care for their family are going to be determined by whether or not they are a lone parent. I wanted to introduce that idea into the debate, because it is important.

We know that caring responsibilities are highly gendered in our society, so any policy that encourages parents—lone parents, mothers and fathers—into work will create a care gap that statutory or voluntary sector services will not fill. We know that many people use informal support, much of which is provided by women for women.

Mary Mulligan (Linlithgow) (Lab): I want to explore whether children in poverty become adults in poverty with children of their own. Do the panel members think that there is such a cycle? Does the insecurity that you have been talking about mean that the cycle is not as relevant as it once was, if it ever was relevant?

Professor Spicker: Sarah Cunningham-Burley and I were talking about that before the meeting. There is a long-standing literature on the

intergenerational transmission of poverty, which has overwhelmingly concluded that that is not what happens in the UK. That is not to say that people are not disadvantaged through child poverty or that their prospects are not worse. However, saying that a person's prospects are worse does not mean that in most cases the person will subsequently move into poverty.

What happens is that many people move through a variety of insecure circumstances, and it is difficult to point to a consistent pattern over time. When people have been identifiably poor, the sorts of things that matter for them are their education, who they partner and what employment they get, as well as general issues such as health, which of course can affect what happens to them. That means that, overall, most poor children do not become poor adults. When we consider subsequent generations we find that the grandchildren of someone who was poor are less likely again to be poor. We can work out proportionately what will happen after three or four generations: in essence, the population that is descended from the population that we began with becomes pretty much indistinguishable from the general population and it becomes very hard to find consistent poverty.

We hear statements about families in which three generations of adults have never worked. Such a situation is not impossible, but it is very unlikely, because most people have intermittent periods of work. It is true that we might find three generations who live in the same street or area and who are suffering from the same economic circumstances. However, we would expect to find that—it is the nature of living in families. That is different from the proposition that there is intergenerational continuity.

If you want to know what will happen to someone as an adult, you need to look at them when they are an adult—you take someone who is 35 and then you look at their children when they are 35. There are studies going back 50 years that have done precisely that. It takes a long time to get results from such studies. For example, famously, one study started in 1950 and reported in 1990. Studies that follow through in that way show that there is not the perpetuating cycle of disadvantage that people suppose to be the case.

Professor Cunningham-Burley: The large birth cohort studies to which Paul Spicker referred are producing evidence that is highly relevant to everything that we have been talking about, because they provide a life-course perspective. Although I absolutely support the idea that intervention in the early years is important, such intervention cannot be the end of the story. Everything that we have heard points to diversity in the causes and effects of poverty, so a life-course approach can provide data that show exactly what that diversity means for individuals as they are tracked across their life course and at what point intervention might be best.

Much of the work that I know about concerns the influence on health outcomes of people's diverse experiences. Of course the early years are important for a future adult's long-term health, but so is a range of other things that happen at other points in the life course, particularly during a person's working life, when they might suffer occupation-related ill health. We know that many people move into poverty in old age who were not in poverty during the rest of their lives.

It is important to keep debunking the concept of the cycle of poverty, which creates a kind of unified notion of poverty whereby we think that poverty affects only a certain type of person or group of people, who live in a particular area. The more we reinforce that idea, which is not supported by the evidence, the more we create a notion that is not accurate and the more we become unable to consider the diversity of poverty. That means that society ceases to understand poverty as something that affects a range of people in different ways.

Jim McCormick: Although what has been said is generally true, we all know that some families struggle over long periods and endure—or create for other people—a disproportionate amount of hardship. We know that that is the case—members will know that from their constituencies.

The Carnegie UK Trust is starting an inquiry on what it calls the lowest-income 2 per cent of the population. That is a very small proportion of the population, but those people, especially when they do not move out of the bottom 2 per cent, have problems that are off the scale. They are the people who cause the most concern and receive the most attention. They are also sometimes subject to the most stereotyping and exaggeration.

It is not poverty per se that means that people in that category have much-reduced life chances; it is the presence of additional risk factors such as disability, long-term sickness and persistent care responsibilities. I am talking about children who are carers and never get a chance to establish an independent adult life, people with multiple and complex needs, recurrent offenders and people whose parenting is affected by addictions. We know that such problems exist.

It is possible to spring the trap through skilful and persistent support and intervention, but it should not surprise us that there is a large focus through the microscope on a small number of households and families. Those families exist. We know much more about them than we did in the past. Their problems are complex and change

over time, but it is undeniably the case that the UK, unlike many of our more prosperous European neighbours, faces problems to do with how we equalise the life chances for the bottom 2 per cent and those of other people, who have a chance of escaping poverty over time.

There are different views about what we do about such groups. I agree with my colleagues that the starting point should be better data. We need an evidence-based approach to policy making rather than a media-inspired, prejudice-based approach.

Professor Spicker: It is true that there are such families. The problems that they have are problems now. However, the evidence does not support the idea that if we come back in 60 years' time, we will find the same problems in the same families. That is exactly what the longitudinal research was about. It was done on what were called the "red spot" families in Newcastle, who were tracked by social science because they had been identified as having the sorts of problems that we are talking about.

Child poverty is of concern because we should be concerned about the condition of children and families now. I am not saying that the issue that you raise is not important; I am saying that the attitude that leads people to say, "If we don't stop this now, we'll be coming back and finding the same problems in 70 years' time," stigmatises people and suggests that there is something about them that is so fundamentally wrong that we cannot correct it. That notion is not supported by the evidence.

11:15

A lot of work of different types has been done with such families over 60 or 70 years. One important point is that it has been argued that we cannot consider such families as being in stable circumstances. Researchers who were doing work on so-called problem families coined the phrase "a web of deprivation". It refers to the idea that such people are involved in a constant struggle or juggling act, always trying to improve their circumstances and never being wholly able to escape. The image that they suggested is a fly in a web that, as it puts down one limb to free another, finds itself in different circumstances. If one tracks the circumstances of such families, one finds that they face a different problem from one part of the year to another or from one year to another and that, because of poverty, it is impossible for them to escape the problems overall.

Mary Mulligan: Those were interesting answers in that you all agreed that it was not necessarily the case that, because somebody was poor in childhood, they would become poor in adulthood but acknowledged that there are examples of that happening. The dilemma for the committee in compiling its report is to show where the differences are.

I think that it was Mr McCormick who gave us the example of Denmark, where there seems to be an overarching response to dealing with employability. Then Professor Spicker said that we need to consider each individual's needs. We need to get the right balance.

What I heard from your answers is that it is not about a single solution. Concentrating on employability, for example, will not be the answer because other provisions are needed—health care is needed for those who have health problems, child care is needed for those who have caring issues and transport is needed to allow people to get to their jobs. All those other things, for which the Parliament has responsibility, could affect whether people remain in poverty or are given the opportunities to move on from it.

Professor Cunningham-Burley: You have a big challenge. Jim McCormick talked about families whose circumstances are difficult, but that does not necessarily mean that their children will continue in those difficult circumstances. The support that is required for such families is different from the overarching measures that are being suggested in the discussion such as streamlining the benefits system or using economic policy to increase pay levels so that low income became less of a problem. They are two different things, and it would be naive to think that the larger, structural changes will deal with absolutely everything. We have a large problem with drug and alcohol misuse in Scotland. That has a big impact on families, although not all of the affected families are in poverty—far from it.

Research that has been done with children and young people who grow up in such families—such as the research that we did with such people in their teens and early twenties—identified how important education was in bringing them into a successful transition into adulthood. Other important factors were their attempts to maintain good relationships with their families despite difficulties and other adults in their lives being supportive of the transitions that they had to make. You can see that a range of services could help to support such strategies.

Bob Doris (Glasgow) (SNP): I have listened with interest to many of the points that have been made. In particular, I was interested in what was said about in-work poverty, the lack of wage mobility and the problems of people taking the next step in the labour market by upskilling themselves and getting a better quality of life. We have all spoken about the benefits system and the

barriers that prevent people who are out of work from going into work. However, sometimes people go into work and move from out-of-work poverty into in-work poverty.

I listened with interest to Mr McCormick's comments about the bottom 2 per cent. In Glasgow, there are certain people who are economically inactive—I do not know whether they are in the bottom 2 per cent or part of a wider group, or whether the problem is intergenerational or not, but there is certainly a culture of worklessness.

Professor Cunningham-Burley mentioned that certain people in society hold the idea that work does not pay. Is there work to be done on how people move through the benefits system into work? Constituents say to me, "I would work, but I've never had a job before and I've got my housing benefit and council tax benefit. I've got kids, and I know there's a tax credit system, but I'm not sure I trust all that." It becomes increasingly complicated for them, and there is huge nervousness about taking that first step into the labour market. Perhaps something can be done with benefit tapers to simplify things for people and to help to build their confidence so that they can move into the workplace.

Professor Cunningham-Burley: I will ask my colleagues to talk about the benefits system as they have more expertise in that area. I said that work did not pay, but that, of course, involves a narrow notion of what "pay" means. The CRFR has done a lot of work on work-life balance and how people manage caring and providing. We carried out research on women on low incomes who were in work; they all identified work as being very important in their lives. They were prepared to work, even though they might have believed or known from experience that they would be financially better off by not working, because it did many other things for their lives and, they thought, ultimately benefited their children. That is quite important. We can focus on the issue of pay, but we should not put the other benefits of work to one side.

Jim McCormick: The JRF published the "Monitoring poverty and social exclusion in Scotland 2008" report last week. It is a two-yearly update, and one of the interesting findings was that when we examined area-based concentrations—the so-called pockets of worklessness in Scotland—we saw that in the 10 per cent of neighbourhoods that had the highest concentration of worklessness 10 years ago, the number of adults who claim out-of-work benefits has fallen from about 150,000 to 120,000.

That indicates that there has been some success, but the numbers have come down at the same rate as they have in other types of areas that were in a better position. There has been an improvement in the type of neighbourhoods that Bob Doris is talking about, but the improvement rate has not been as fast as we might have hoped or expected. The gap has not changed over the past decade, so it depends on whether we see the glass as half full or half empty.

It tells us, however, that we know how to make some progress in those areas against a backdrop of a relatively improving labour market. What we do next is uncharted territory. We need to signal to those people who have been out of work for the longest time that taking a job is not a risk—at the moment, for too many people, it is a risk. One reason why people end up staying on out-of-work benefits in the long term is not because those benefits are generous but because they are secure and predictable, so people know whether they can pay a bill at the end of the week or not.

If someone moves into work, they do not receive their first pay for a month. They have travel costs and possibly child care costs, they are suddenly pursued for debts that they were not previously pursued for—not least council tax debts—and rent starts to be charged and so on. One can see that the impression that moving into work is a risk is not just a misplaced perception.

Some progress has been made with the integration of Jobcentre Plus, but the administration of the system is patchy and not client focused. The flexibilities that exist in the system taper around housing benefit, council tax benefit, jobseekers allowance, back-to-work grants and so on. The elements of flexibility that we have introduced are not packaged into a single pot and offered as a guarantee to job seekers. Using the existing money and flexibility, we could persuade people that it is worth taking the risk of a job by guaranteeing that, if they lost that job within six months, which is likely for people moving off JSA, they would move back to the benefits that they were claiming previously without a protracted period of having to persuade Jobcentre Plus.

The same is true—probably more so—for people moving off sickness and long-term disability benefits. People need to know that a guaranteed income is in place, when moving both out of and into work, that makes it possible for them to take the leap back into work.

That is before we talk about tackling in-work poverty, which was part of the question. However, there will always be a lot of churning in and out, and we have to make the transition a more financially predictable and secure process for people.

Professor Spicker: Jim McCormick hit the nail on the head in identifying the issue of security. It has not been true for many years that people are

likely to be better off out of work than in work. However, it is true that the insecurity that people feel at the transitional point has a devastating effect on their perceptions and what happens to them.

There is a current indication of that in what has happened with tax credits. The tax credit system has been adjusting benefits in the course of the year and asking people to repay benefits that were overpaid through the error of the tax credit authority, HM Revenue and Customs. Sums are often more than £1,000 and in some cases more than £2,000. HMRC acknowledges that there is now a group of people who will not claim what could be thousands of pounds from it because they will have nothing to do with the agency ever again. It is not a question just of money; security of income is hugely important for people in unstable circumstances. We must recognise that many people coming off benefits are coming into a job market that is radically unstable.

I have mentioned the importance of marginal labour. Unfortunately, there is little work on the Scottish labour market in those terms, because everything that we do tends to be a snapshot rather than a longitudinal look at what happens to people. Anecdotally and from work done, for example, by the Scottish Low Pay Unit for Dundee City Council, we have some sense that there is a constant churning and movement into and out of work and between certain jobs and job terms. It is convincing to suggest that marginal labour is a particular issue in Scotland but, unfortunately, I do not have the evidence that I would normally want to back up that contention.

Bob Doris: That is interesting. Professor Spicker, you are not the first witness to tell us that people will not engage with the child tax credit system because of bad publicity and friends' experiences. We have heard that in evidence before.

What length of security would people need in coming off benefits into work? It could dovetail with Jobcentre Plus—if someone lost their job within six months or a year, they could go back on to benefits at the same level as they had come off them. For incapacity benefit, for example, I know that there is a 104-week linking rule for when work breaks down under certain circumstances. Have you thought about possible timescales?

Jim McCormick: In the context of a tougher labour market, we should be looking to extend the periods of guarantee. Logically, now is the time to do that, and you may want to raise that idea with Mr McNulty tomorrow.

There are other steps that we can take. Some people do casual jobs for small amounts of money, some of which is declared and some of which is not. We could allow people to roll up those small earnings over three months, instead of having to make constant declarations of what they have earned. We could also ensure that some of those people are free of the income tax system entirely because their earnings are so low. We should encourage people to do those jobs on a basis that they can eventually use as a platform to move into work.

There is the contentious issue of cash-in-hand work that is undeclared. Some of that activity is criminal and should be put in a different category, but some of it is child care, do-it-yourself and car repair—those are the tasks for which people turn to the shadow economy to get services at a cost that they can afford. We should think about how we can enable people who are doing such undeclared mini-jobs to declare safely some of the skills that they have gained, so that we can find a pathway for them to turn those half-skills into marketable skills in which an employer may be interested or, in time, into self-employment. If we scratch the surface in the parts of the Glasgow to which you may be referring and about which I know, we will probably find that there is a thriving cash-in-hand economy. We should recognise that; instead of just calling it benefit fraud, we should look at the issue through the lens of the skills that people have and examine how we can turn those into marketable skills.

11:30

The Convener: I know that you have done work in my constituency, where there used to be a lot of work and now there is less. During the Thatcher years, when work was taken out of working-class communities, people justified dodging and making maximum use of the system by claiming benefit and working on the side. Thirty years ago, that was frowned on by most people in my community, but it has become the norm. I agree that people who are on benefit, whether they are employed or unemployed, play an important role. They may look after children, allowing their daughters or sons, who are sometimes single parents, to go to work. It will be difficult to challenge that position. How do we get to the stage of being able to discuss these issues in relation to the family unit, rather than individuals? In some cases, we are dealing with the survival of a family unit, rather than an individual. If someone is taken out of the equation, their son or daughter may not be able to work, or the children may not be picked up from school. Has thought been given to broadening the discussion to include the importance to family units of the contributions that such individuals make?

Professor Spicker: It is difficult to work a benefits system of the sort that we have, which is

means tested, on the basis of larger family units. That was the experience in the interwar period, but it was desperately unpopular and is still met with a shudder from people who experienced it. The broader question is why we have a benefits system that demands that small sums of income be declared. That is a result of the way in which we have designed it. Formerly we had a system, in unemployment benefit, that asked people to declare whether they had done work on a particular day; they lost benefit for that day but retained it for others. In the 1990s, we moved to the alternative of a weekly, overall employment test. Increasingly, with the change to jobseekers allowance, we are dealing with what amounts to a means-tested benefit, which does not necessarily fit the circumstances of our labour markets.

There are alternative patterns. Even if we have means testing, it does not have to be on a weekly or fortnightly basis—in France, it is generally on a monthly and quarterly basis. By accumulating resources over a period of time, we could eliminate some of the problems—the constant uncertainty and churning of benefits. However, if we did that, there would be swings and roundabouts—some people would end up better off and some would end up worse off. That means that there would be costs involved in moving to a system that stabilised income more effectively.

Professor Cunningham-Burley: The committee began its inquiry several months ago with a round-table discussion, and the topic is one that requires open and frank discussion involving, as Jim McCormick said, turning on its head the current concept of benefit fraud. Families that do work on the side are viewed as doing work on the side rather than as doing something to keep themselves going and moderate the effects of low income and poverty due to the benefit system. It is difficult to turn that around and do something positive, but in a sense that is the committee's challenge.

I do not know how much research has been done in the area. The research that I know about looks at family lives in the context of webs of resources. Paul Spicker mentioned what happens when people who live in poverty are asked for their views. We have done that in our work, which includes asking children for their views, and we found that social relationships, and the give and take of those relationships, are fundamental to people's experience. If the giving and taking sometimes involves cash, do we regard that differently from giving and taking in kind, which happens all the time and does not have to be declared?

The Convener: Do you recognise that there is a tension for the working poor who live alongside neighbours who have two houses in order to maximise their benefits and who get free nursery care? There is a tension that prevents us politically from getting out there and giving more effective help. People are encouraged to work but they do not find it easy to do so because they have to pay child care costs, full council tax and so on.

A culture has developed in our communities whereby people maximise their income through a mixture of benefits and work. There is a tension that needs to be recognised. How do we tackle that? How do we incentivise such people to get back on track and back into work? Should we tackle the abuse, or should we increase benefits for those who are in work?

Jim McCormick: You are right. We have to create a system that is fair and is seen to be fair, and which rewards work, caring and other things that we regard as good things in society rather than activities that we regard as dishonest.

However, we should not be starry-eyed about the matter. In the past 10 years, we have had an expensive campaign by the Treasury and the Inland Revenue about benefit fraud—the benefit fraud blitz, the shop your neighbour campaign and all that stuff. If we leave aside what we think about that in ethical terms, it is simply not effective, and it is pretty poor value for money. Most people who are caught working on the side are back doing it within six months—there is a great churn there, too. We are not effective in closing off those pathways.

We should be much more blunt with people and almost offer them a deal. We should offer them a pathway out of cash-in-hand work that recognises their skills. If they do not want to take that pathway, we can use sanctions in the benefit system, but we should at least offer incentives for people to move, sustainably, out of dishonest behaviour. We are probably not doing that in a smart way at the moment.

The Convener: You have done some work on low pay and the working poor. Why is our focus not on those people? How do we maximise the income of people who are prepared to take any minimum-wage job and hope to get a better job and a career? Faced with the choices that we have, what should be our priority? Should it be to maximise the reward for work, as happens in Denmark, where the work ethic is really important? There, people believe that work should be supported not just for economic reasons but because people who are in work are healthier and happier and interact with others socially. Work brings more than just a wage.

Jim McCormick: But over the past 10 years the ethos seems to have been that almost any job is better than none. The objective has been to attach people to the labour market; although some will

drop off, they will come back in again. We have to be more ambitious. Instead of simply helping people to enter jobs, we should be looking at what helps them to retain those jobs and make progress with their skills and earnings. If someone in low-paid work becomes a lone parent as a result of a relationship breaking down, bereavement and so on, there is a very high risk that they will have to give up their job because of the mess in their personal life.

The Convener: I know that. People in my family or who live beside me are low-paid. Surely, though, it does not always need to be a negative thing; it does not have to be about people suffering bereavement or becoming lone parents. As we heard earlier, someone who takes a low-paid job to begin with might get promotion, become a manager and, in the end, show their family that work pays. That said, I know people who are in despair: they take a job at minimum wage, work hard and set an example for their family, but then they come home at night to find their house vandalised by people who are disengaged. Are there not more positives than negatives about going to work?

Professor Spicker: We should be very wary of the assumption that has gone through much of the Government's approach over the past 10 years that this is a route out of poverty. In practice, that is not the case for many people. In-work poverty has been expanding.

Surely if we focus on child poverty we can start to move away from certain moral judgments that are made about parents and look more clearly at children's circumstances. A number of benefits add to the stability of people's income in and out of work. The obvious example, of course, is child benefit, which has a special role for that very reason.

In Britain, we do not for the most part believe that children should receive benefits directly. In other countries, they do. In France, for example, the soutien familial is given to children with different numbers of parents. Perhaps I should explain that rather strange statement. In France, parenting is social, not biological. Responsibility for maintaining the child is accepted through a parent's declaration and, depending on the circumstances, a child can be born with zero, one or two parents. The soutien familial follows the child, irrespective of later changes in circumstances; for example, a child with zero parents will get a certain level, a child with one parent will get another level and so on. Of course, various administrative and other issues need to be dealt with but, as I said, the money follows the child without any judgment being made about parental circumstances. That tends not to happen in Britain, where we tend to assume that the only route for dealing with child poverty is via a parent's income, and the source of that income. Of course, there might be other routes.

The Convener: I accept that and acknowledge the idea of benefits going to the child. I can see that in certain circumstances—particularly in those cases in Scotland in which parents and grandparents haggle over benefits—such a move would be very useful.

You said that the route out of poverty is a long journey that needs to be measured over 50 or 60 years. Has a person not a better chance of getting out of poverty if they are in a job? If you do not get into a job, what are your chances of getting out of poverty?

11:45

Jim McCormick: The implication is that moving into a job guarantees a move out of poverty. That is clearly not the case; indeed, we have already heard about the expansion of in-work poverty. That said, the chances of springing the poverty trap are higher if you are in work and earning than if you are not. It is all about odds and probabilities. Ultimately, your ability to move free of poverty is higher if you have a job—and even higher if there are two earners in the household.

However, having armed myself with all the research evidence that we know about, I believe that there is a real gap in our public policy. We need to give people the tools and support to move free of poverty once they are in work, which brings me back to my point that this is about the complex interaction of what happens in a person's life outside work and factors at work.

People often lose their jobs not because of redundancy or because they have not performed in the workplace, but because of the mess in their personal lives. It is all about debt, housing insecurity and so on. In places as diverse as the Netherlands and the Canadian provinces, people have realised that the next phase of welfare-to-work intervention must focus not on getting people into work in the first place but on helping people in work to move free of poverty. That is the broad direction of travel that the UK ought to be embarking on, and it is probably behind the curve in that respect.

The Convener: Forgive me, but I live in and represent a community that lost a massive number of jobs. I know what losing a job means personally, and the damage that that can do. I might be focusing too much on the need for a job but I certainly know that our community was more cohesive, was better managed and had fewer problems when people had work. Work in itself is not the solution to the problem, but it must be a major focus.

I have taken up too much of the committee's time and abused the chair by indulging myself. Patricia Ferguson has a couple of questions.

Patricia Ferguson (Glasgow Maryhill) (Lab): I make this point in passing but, with regard to the previous discussion, should part of our focus not be on the minimum wage? If we take away all the other circumstances that might lead to impoverishment, why do people still find themselves in poverty? Perhaps the best way of acknowledging that problem is to raise the minimum wage.

The more the committee has got into the issue of child poverty, the more complicated it has become and the more difficult it has been to see what we will actually get out of our inquiry. A lot of our discussion has, of necessity, centred on the benefits system, which is of course reserved to the UK Government. I want to pin down panel members and ask them to list the three measures that the committee should recommend to the Scottish Government. Although that is where we will have the most influence, very little of the evidence that we have received has been about the actions that the Government should take.

Jim Tolson: The witnesses are quiet when put on the spot, convener.

Patricia Ferguson: I am sorry—that was not my intention.

Professor Cunningham-Burley: We should have anticipated such a question.

Jim McCormick: I will respond to your important point about the minimum wage before I answer your other question.

This sounds like a technical point, but a distinction needs to be made between the level of household poverty and the level of individual poverty. Quite a large number of low-paid individuals are not in poor households; as a result, although raising the minimum wage will have some impact on child poverty, it is a bit of a blunt instrument. There are probably other reasons for raising the minimum wage, but other steps might take us further in driving down child poverty.

I think that, long term, the critical area for the Parliament is to help people who are in long-term but persistently low-paid work to improve their skills consistently over time. Such an approach might focus on, for example, new guarantees; dedicated funding; the ability to change jobs more easily—after all, a person might not be able to spring the poverty trap until their fourth or fifth job; and giving people a small amount of extra mobility or the tools to progress through work.

I will give an example from abroad again. A jobs, education and training—JET—programme has been developed over 15 or 20 years in Australia. That programme specifically focuses on lone parents, but it could focus on any relatively low-skilled group. In this country, people who have been out of work for 10 or 15 years and are coming off long-term sick benefits often find that their skills are so eroded that they need significant help to improve them for today's labour market. We could do something creative and effective in the area of skills for people who are in the low-pay trap.

Professor Spicker: Patricia Ferguson asked for three measures.

Patricia Ferguson: You do not have to give three.

Professor Spicker: If we confine our consideration to the areas in which the Scottish Government has powers, I would recommend the promotion of economic development as the first measure. It is all very well talking about developing people's skills and giving them personalised support to return to the world of work, but when there are no jobs, people simply get involved in a game of musical chairs in which they are encouraged to run around the chairs faster and faster, but the same number of people end up sitting down afterwards. I am not convinced that an individualised approach is the way forward; rather, economic development in general is important. A great number of things can be done not only by the Scottish Government, but by local authorities, which have the power of welfare but which have done very little to exercise it for a number of years.

Secondly, we need an infrastructure comprising the kind of facilities in, for example, transport, communications and education that will enable people to participate in society. Of course, the advantage of investing in infrastructure is that such investment will also be part of constructive economic development, so there will be a dual effect if the right projects are chosen. We should not do what the UK Government has done in holding a number of blow-out parties; rather, things should be done that will result in lasting benefits for the population. Any number of such things needs to be done in Scotland.

The third broad measure that I would recommend would be to talk more with the poor—the people who are affected—to try to get a sense from them of what the priorities are. We should seek to break down what is a large, complex problem into smaller and more manageable problems and then do what can be done. When I have been involved in focus groups with poor people, I have been surprised by some of the things that they have come out with simply because I did not think that such issues were on the agenda. Their views matter; my view does not. When I did anti-poverty work in Dundee, three

successive focus groups talked about deafness, which surprised me, because that is not what I asked about. They did so independently, which immediately suggested that there was an issue that needed to be reported back on and developed. Quite simply, the more the range of problems can be reduced, the better people's lives will be.

Professor Cunningham-Burley: I will add a couple of points to what I have already said.

The Scottish Government can develop universal policies that diverge from UK policies, as it is already doing with prescription charges. We have heard ideas about what can be done and talked about areas—transport is one such area—in which action could be taken. The sooner those ideas are implemented, the better, particularly given the economic recession and the probability that economic structures will be transformed.

Obviously, I completely support the view that consultation and research with rather than on people in poverty is important; indeed, that is my line of business. Research that we have done highlights the fact that debt is an important issue—Paul Spicker referred to that. Something that would tackle the debts of people in poverty is important.

Work that I have done on women in work who are on low incomes and who care and provide demonstrates that people often take jobs that are below their skill levels as a way of managing caring and providing. The question is what can be done in the workplace to enable those people to develop and take up training opportunities. It is difficult for people in part-time jobs to do so but we can improve the trajectory by working with employers. That relates to what Duncan McNeil was getting at. Against the odds in many families' lives, the work ethic is alive and well and strong; the issue is how to promote it positively.

The other area is gender equality. Many of the issues, particularly the disbenefits that are associated with part-time work, are predominantly female issues. That is an important point to consider.

I am really sorry, but I have a load of students waiting for me because I am scheduled to do a lecture. I am probably trying their patience.

The Convener: If we have one really brief final question and brief answers, we will release you from this burden. Thank you for bearing with us.

John Wilson: I thank the witnesses, because they have certainly given us a lot to think about. Their exposé of the United Kingdom benefits system has been useful. We did not cover statutory sick pay. One of the biggest anomalies for people who are in work is the drop in income that they may suffer on statutory sick pay. However, I do not want to go into that and I do not expect an answer. My question is: how do we resolve the issue of people who are in work being only one pay packet away from poverty?

Mary Mulligan: The convener wants short answers, but that sounds like a dissertation topic.

John Wilson: The witnesses might want to write a dissertation.

Jim McCormick: What was in my mind when I made the comment about people being one pay packet away from poverty was the thought that losing one's job is the big trapdoor. In a recession, there are limits to what we can do about people losing their jobs, but losing a job should not mean that one is on a pathway into long-term unemployment and a low income. There are definitely things that we can do to equip people to move back into work when the economy improves and to ensure that they are not in poverty when they are out of work. If we had not stripped away the insurance basis of the contributory system over the past 30 years in the UK, moving to a tattered, means-tested safety net, we would have more of a platform for people who lose their jobs.

One quick fix comes to mind. Low-income households pay more for essential goods and services, not least fuel. There are things that can be done on that within devolved powers, which we could explore further. For example, if our large social housing providers realised the bargaining power that they have in the marketplace, they could strike deals with energy providers to ensure that low-income tenants got the benefit of the best deals available in the marketplace—the monthly, direct-debit, online tariffs that you and I take for granted. People who do not have bank accounts or who have prepayment meters simply cannot get those tariffs.

Some estimates show that it would be possible to drive down poor households' outgoings by £20 a month by ensuring that they got the same good deals in the marketplace that most others get. Cutting outgoings by that scale would be the same as increasing income through earnings and benefits, because it would represent more disposable income. Therefore, I would like our housing providers and other intermediaries to be more confident in their dealings with providers to ensure that the poor do not end up paying more than the rest of us do for goods and services.

Professor Cunningham-Burley: The same would probably go for debt management as well. Until recently at least, it was possible to strike better deals if one was better off.

12:00

Professor Spicker: Insecurity is an obvious problem, and there is a limit to how far we can tackle it except by trying to provide a more stable foundation. Although unemployment is prominent in people's minds at the moment, it is only one of the circumstances that lead to people finding that their lifestyles have changed radically. Another is divorce, which is hugely important for families and children.

Even when people see things coming, one of the crucial issues in getting benefits to them has been take-up. We put the onus on the person to get to the benefit, but people who think that their circumstances are not permanent and are about to change tend to put things off and be unsure about what is happening. We need a benefits system that is more tolerant and is able to cope with the fact that claimants do not know what their circumstances are. Anybody who has been through a divorce will know the experience of not quite being sure whether it has really happened and whether they have really separated. Equally, at the other end, reforming a relationship is full of uncertainty and unpredictability, and people do not quite know what to do about their benefits.

We need to try to smooth people's incomes over insecure circumstances, so I strongly endorse what Jim McCormick said about the insurance principle. We need to think about benefits more as insurance and social security.

The Convener: I thank you all sincerely for the time that you have spent with us this morning. I am sure that, like me, members found it interesting.

Subordinate Legislation

National Health Service Central Register (Scotland) Amendment Regulations 2008 (SSI 2008/358)

Business Improvement Districts (Scotland) Amendment Regulations 2008 (SSI 2008/359)

Valuation for Rating (Plant and Machinery) (Scotland) Amendment Regulations 2008 (SSI 2008/360)

12:01

The Convener: We will now consider three negative instruments. Committee members have received copies of the instruments and have raised no concerns on them, and no motions to annul have been lodged.

Does the committee agree to make no recommendation to the Parliament on SSI 2008/358, SSI 2008/359 and SSI 2008/360?

Members *indicated agreement*.

The Convener: We now move into private for agenda item 4.

12:02

Meeting continued in private until 12:24.

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