



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 24 June 2014

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WELFARE REFORM COMMITTEE
10th Meeting 2014, Session 4

CONVENER

*Michael McMahon (Uddingston and Bellshill) (Lab)

DEPUTY CONVENER

*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

COMMITTEE MEMBERS

*Annabelle Ewing (Mid Scotland and Fife) (SNP)

*Linda Fabiani (East Kilbride) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Ken Macintosh (Eastwood) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Martyn Evans (Expert Working Group on Welfare and Constitutional Reform)

Professor Steve Fothergill (Sheffield Hallam University)

Stuart Foubister (Scottish Government)

David Jamieson (Scottish Government)

Graham Thomson (Scottish Government)

David Watt (Expert Working Group on Welfare and Constitutional Reform)

Lynn Williams (Expert Working Group on Welfare and Constitutional Reform)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Welfare Reform Committee

Tuesday 24 June 2014

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

Decision on Taking Business in Private

The Convener (Michael McMahon): Good morning everyone and welcome to the 10th meeting in 2014 of the Welfare Reform Committee. Please ensure that your mobile phones and other electronic devices are switched off. We have a busy meeting, so I hope to keep to time to ensure that we have enough time to consider all our agenda items.

Agenda item 1 is a decision on whether to take item 6, which is consideration of the committee's work programme, in private. Do members agree?

Members indicated agreement.

Local Impact of Welfare Reform

10:00

The Convener: Our second item of business is an evidence session on the research that the committee published yesterday on the local impact of welfare reform.

As a follow-up to research that the committee published in April 2013 on the impact of welfare reform on Scotland, the committee commissioned further research from the centre for regional economic and social research at Sheffield Hallam University on the impact at a local authority ward level.

I welcome the author of that research, Professor Steve Fothergill, who will provide a presentation of his findings, with accompanying slides—there is a copy in our papers—to the committee.

Professor Steve Fothergill (Sheffield Hallam University): I will give the presentation and then I assume that you will want to fire a few questions at me.

The report is a joint effort: I am one of the authors and Christina Beatty from Sheffield Hallam University is the other. As was the case the last time that I came to the committee, I have not come here to try to pass judgment on the welfare reforms. That is your business. My job is to try to tell it as it is and to trace through, in a hard, honest, objective way, the impact of the reforms that have been introduced by Westminster. I will trace through the impact on Scotland as a whole, on local authorities and on individual local areas within those authorities.

To give some background, this is the second time that I have been in front of this committee. We came here with a report in April 2013, which was the first to try to systematically document the overall impact of the reforms on Scotland. We generated figures for the impact of each of the individual elements of the reform package and, for the first time, we produced estimates for the impact in each of Scotland's individual local authorities.

The new report is very much a further step along from that original document. The report modestly updates the overall Scottish figures. The key thing—the real innovation—is that, for the first time, we have generated estimates for each electoral ward across the whole of Scotland. There are 353 individual electoral wards in Scotland and we have a figure for each one of those wards.

There are a few comments in the report about the impact on particular types of households and individuals. There was quite a lot of interest in that

issue last time, but we did not really address it in any significant way.

The reforms that we are looking at should be familiar to members by now. This particular exercise covers eight reforms in total. If we had been doing the report on England we would have had a list of 10 reforms, but of course in Scotland you have put in place measures to avert the impact of at least two of the reforms that are impacting in England.

As regards the housing benefit underoccupation rules, which, in shorthand, are called the bedroom tax—I know that not everyone likes that term, but it is well understood—you have arrangements in Scotland that avert the impact on claimants. Right from the off, you have had arrangements that have averted the impact of the reduction in council tax benefit grant from Westminster. That reduction in grant is not being passed on to claimants; it has been absorbed within the various public sector budgets up here.

Universal credit is not in the package. It was not in the package that we looked at last time round, because it is qualitatively different; in essence, it is a repackaging of existing measures. The transfer of lone parents from income support to jobseekers allowance does not lead to any net reduction in their benefit entitlement, and the change from the retail prices index to the consumer prices index is not just a welfare reform but something more general across the public sector.

I have to go through the boring bits of the slides about how we measure the impact of the reforms. The key point to note is that everything that I will present in terms of hard-edged numbers is ultimately deeply rooted in the Treasury's own estimates of the overall financial savings. We also draw heavily on the Westminster Government's impact assessments and on the benefit claimant numbers and expenditure, authority by authority across Britain.

The crucial step in moving from the level of local authority statistics right down to the level of electoral wards is that we bring benefit numbers and figures on benefit expenditure—right down to the local level and even down to the data zone level—into the package, which allows us to make the transition from the Treasury's overall estimates, through figures for Scotland and its constituent authorities and right down to electoral ward level. Having said that, you must bear in mind that the figures that we present are ultimately estimates. There is a margin of error on them all, but I would not anticipate them being fundamentally wrong, as we have followed a soundly based procedure.

Still on the boring bits of my slides—I have to go through all the health warnings, I am afraid—you

must bear in mind that some of the reforms target households and others target individuals. Housing benefit reforms clearly target households as a whole, whereas changes to incapacity benefit entitlements are about the entitlements of individuals. Some individuals and some households are hit by more than one element of the package. However, the impact is almost exclusively on working-age claimants; little impact falls on people above state pension age. When we present the figures, we present them in terms of the impact per adult of working age.

We also look at the impact when the reforms are fully implemented. The timescale on which different elements of the package come to full fruition varies. In particular, I draw your attention to the fact that there is still an awful lot in the pipeline that is happening now, or is scheduled to happen, around entitlement to disability benefits, employment and support allowance, disability living allowance and its replacement, the personal independence payment. The final boring point to make is that we hold everything else constant. We are not making any assumptions about the consequences of the welfare reforms for employment levels here in Scotland or across the United Kingdom as a whole.

Working down from the Scottish figures to ward-level statistics, we have a slightly revised version of the figures that we presented in April last year to show the impact of the reforms on Scotland as a whole. Now that we know that the impact of the bedroom tax on claimants has been averted, we have been able to take that out of the jigsaw. We also have harder-edged numbers on the impact of the overall household benefit cap, which is a little bit down on what was originally anticipated.

Overall, once the reforms have come to full fruition, we are looking at £1.6 billion a year being taken out of Scotland by the welfare reforms. That financial loss here in Scotland averages £460 per adult of working age per year, and that figure is pretty much in line with the Great Britain average. Scotland will not be hit any harder or any less hard than Britain as a whole, but when you look at detailed regional figures—as we did in last year's report—you see that Scotland actually escapes rather more lightly than Wales, northern England and London do, although it is hit significantly harder than large parts of southern England are.

The figures for the impact by local authority area are a revised version of the figures that we presented last year. They show that there are big differences between individual authorities the length and breadth of Scotland. We previously identified Glasgow as the hardest-hit place, and on the slightly tweaked figures that members will see in the slide, it remains the hardest hit, with

Aberdeenshire and Shetland at the other end of the spectrum.

Among the harder-hit places, the older industrial areas of the central belt figure very strongly indeed. That is consistent with the wider pattern across the UK, in which all the industrial areas with large numbers of benefit claimants are in the firing line of the welfare reforms.

I move on to the new data. First, we looked at the impact by ward across Scotland and the slide shows a list of what we identify as the 20 hardest-hit electoral wards across Scotland as a whole. At the very top of the list is Calton in Glasgow, where we estimate that there will be an overall financial loss of £880 per adult of working age per year once the reforms come to fruition. If members look down the list of the 20 worst-hit wards, they will see a dozen Glasgow wards. The balance is made up of wards in a number of other older industrial areas, including Dundee, Fife, Inverclyde, West Dunbartonshire and Renfrewshire.

At the other end of the spectrum, as members can see, are the 10 wards that we think are least affected by the reforms in terms of financial losses. The geography is very different, and Aberdeen and Aberdeenshire account for five of the 10 least-affected wards. Right at the very bottom of the list, we estimate the least-affected part of Scotland to be St Andrews in Fife. One of my colleagues at Sheffield Hallam University suggested rather cheekily that someone is probably more likely to be hit by a golf ball than by the welfare reforms if they live in St Andrews.

In last year's report, we examined the relationship between the impact of the reforms and deprivation at a local authority level. The slide that members can see just now presents the results of the same exercise at electoral ward level. Each one of the 353 dots represents an electoral ward. It is not necessary for members to be able to read the scale and the detailed measures, but I point out for information that the vertical scale represents the hit in each of the wards measured in terms of the loss per adult of working age per year, while the horizontal scale measures deprivation from the Scottish indices of multiple deprivation.

Members will see that there is a very clear relationship in that respect. Broadly speaking, the higher the level of deprivation, the higher the financial hit arising from the welfare reforms. We identified that pattern in last year's report at local authority level. It is not entirely unsurprising, because welfare benefit claimants and recipients tend to be concentrated in the poorer areas. That is one of the things that defines areas as being poorer.

The next four slides use maps to illustrate the impact. In our report, there is a map for each of the 32 local authorities and statistics for every ward. The first map shows the impact in Glasgow by ward; I have already noted that Glasgow is hit particularly hard, and members can see that large chunks of the map of the city are shaded in dark blue, which shows where the intensity of the hit is greatest.

10:15

The picture for Edinburgh is more mixed. As members can see in the next slide, there is a very interesting block in the centre of the city where the hit is really quite modest. We—or, at least, the academic literature—used to say that economic and social problems were located in inner urban areas, but that is certainly not the case in Edinburgh. The inner urban area of the city seems to be escaping lightly, while some of its more peripheral bits have been hit hardest.

At the other end of the spectrum, there is not much dark blue or even lighter blue on the map of Aberdeen, because the city does not have large numbers of benefit claimants and accordingly has not been hit hard by the reforms. Finally, by way of illustration, I have included a map of Fife, which shows considerable diversity. I have already flagged up the white area on the right-hand side, which is St Andrews, but there is a considerable area of dark blue in the middle of the region, particularly in the former coalfield area.

As well as highlighting the areas that have been most affected by the reforms, the report makes one or two comments about the groups who have been the most affected. I will whip very quickly through the next two slides, as they simply illustrate the groups in the population who are most exposed to each of the individual reforms. However, we should note how often those who are on low incomes, those with a disability or older working-age people tend to be mentioned.

We should remember that because the reforms are happening simultaneously, some groups are being hit by more than one element of them. That is particularly true for incapacity benefit claimants. As far as financial losses are concerned, the reforms to incapacity benefit are the biggest element of the overall package, and often those who are losing out from the changes to incapacity benefit are the same people who will be losing out from changes to disability living allowance. They might also be losing some housing benefit if they live in the private rented sector or, if they have a grown-up child still living at home, they will be losing out as a result of the reforms to non-dependant payments. Of course, they will also be losing out because benefits are being uprated by 1 per cent rather than by inflation.

In conclusion, the variation in the impact of the reforms is substantial between wards. Indeed, it is greater than the variation between whole authorities, which is exactly what we would expect to find, given that the diversity of underlying socioeconomic conditions at ward level is much greater than the diversity at local authority area level. Broadly speaking, I would say that on a per capita basis the worst-affected wards have been hit about four times harder than the least affected; the deprived wards are being hit the hardest; and unless there is a great revival in employment and labour market engagement as a result of the reforms, the gaps in income and living standards between local communities and neighbourhoods seem set to widen.

Thank you very much, convener.

The Convener: Thank you, professor. Again, you have provided a very helpful report and we—and, indeed, people beyond the Parliament—value your work in identifying where these issues are affecting people.

As the link between deprivation and the hardest-hit areas does not come as a complete surprise, I think that we will focus on the numbers and the impact of the reforms. Just for clarification, have you done a similar assessment of local ward areas in England or just an overview of the situation in England?

Professor Fothergill: We have not yet done a similar assessment in England. At the same time as we did the local authority work last year that we presented up here, we did a local authority-wide analysis in England, so the full comparisons were available. We know how Glasgow, for example, compares with other big cities in England and in Wales. We have not done the same exercise by ward across the whole of England. In fact, we have been piloting the methods up here in Scotland. We are about to apply the same methods in Wales, in the Sheffield area and in Northern Ireland. However, the number of wards explodes outside Scotland—instead of dealing with 353 wards, we are dealing with several thousand and the task becomes immense.

The Convener: If I read you right, it would be difficult to do a comparison between, say, Calton and the worst-affected area in England because impacts from two reforms that are not reflected in Scotland will be taken into account in England.

Professor Fothergill: I should perhaps have mentioned—it is mentioned in the report—that all the figures for Scotland are a little bit lower than they would have been without the arrangements to avert the impact of the bedroom tax and the reduction in the council tax benefit grant. If those arrangements had not been put in place, the overall hit to claimants in Scotland would have

been about £35 a head higher than it is. That would put Scotland a little ahead of the GB average, but it is still behind some of the worst-hit regions in Britain.

Even though those arrangements are in place in Scotland, we are talking about a hit of £620 per adult of working age for Glasgow, which is still high by British standards. The highest hit that we identified across Britain was in Blackpool, of all places, where the financial loss was £910 per adult of working age for the Blackpool borough as a whole. On those numbers, Glasgow is grim and Calton is particularly grim but there are one or two places in Britain that are worse.

The Convener: We move to questions from committee members.

Alex Johnstone (North East Scotland) (Con):

I am going to start off down a road that we have been on before but I will try to come to a slightly different conclusion and question at the end of it. Of course, the figures that you have produced are, in effect, only one part of the balance sheet when it comes to overall Government policy. Other Government policies—such as the significant increase in the tax threshold—increase the amount of money that is available to those who are basic rate taxpayers. How do you see that resource balancing out?

Professor Fothergill: Clearly, a lot is going on simultaneously in the world—not only the welfare reforms but wider tax changes, the growth in the economy and the difference between the increase in prices and the increase in wages. All we have been able to do in our research is to look at one element of the jigsaw. I absolutely accept that. There is a lot going on simultaneously that is not in the report. We did not try to monitor the overall wellbeing of individuals or of areas; we simply tried to measure the impact on particular places of a particular set of policies, so I accept your point.

Alex Johnstone: Is it then the case that if, for example, we broke down the impact of other policy changes on a similar basis, it could result in those figures being somewhat misleading—let me qualify that—in so far as the differences could be more extreme or the overall pattern could be affected if we took the full balance of policies into consideration?

Professor Fothergill: It is very difficult for me to comment on that because we do not have the hard evidence—we have not done the calculations. There is always a danger that, even if we added in more factors—if we added in changes in tax thresholds, for example—people would then turn round to us and say, “But you have not allowed for the fact that prices are rising faster than wages.” Where do you stop in this exercise? We have stopped at looking very specifically at the

impact of the reforms. It is very hard, in the absence of the calculations, to give you a definitive answer on some of the wider issues.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): Thank you for your report, Professor Fothergill. A lot of people found it helpful in understanding what is happening. I was not surprised to find that three of the wards in the area that I represent are above average and that one is below average, but it is useful to have that quantified, and I thank you for that.

You picked up on an issue that I want to explore a little further. You pointed out that, if certain reforms had not been put in place in Scotland in relation to council tax benefit and the bedroom tax, the scale of loss would have been £35 higher per working-age adult than is otherwise the case, so it would have been above the UK average. Can you quantify the split between the two measures, please?

Professor Fothergill: Let us take the impact of the bedroom tax, because I must confess that I was unaware until a late stage in our study that you had put in place measures to avert the impact of the bedroom tax. The figures that are up on the screen at the moment show the overall impact by ward, and we calculated a set of figures comparable to those that actually included the bedroom tax, and we then had to go back and take the bedroom tax out of the overall jigsaw, so I know exactly what the bedroom tax does to those particular statistics. In the worst-hit wards, such as Calton, Springburn, North East Glasgow and Drumchapel, the measures that you have put in to avert the bedroom tax take about £30 per adult of working age per year off the numbers. Calton would have been coming in at around £910 rather than £880, and Springburn would have been £810 rather than £780, and so on.

At the other end of the spectrum, I turn to the figures for the least-hit places. The measures that have been put in place to avert the impact of the bedroom tax make little impact on the places least affected by the welfare reforms, so there is virtually no impact on the statistics for St Andrews, down at the very bottom of the list. I suppose that none of that is surprising. Where is social housing concentrated? It tends to be in the poorer communities where there are large numbers claiming housing benefit. Social housing is not concentrated in the ten wards at the bottom of the list, so the effect of the bedroom tax measures has been to ease the impact on the worst-affected wards rather than to spread benefit evenly around Scotland or even to favour the most affluent and prosperous wards. It is the poorest wards that have benefited most from that measure.

Jamie Hepburn: That is helpful. You have identified an average figure of £35 per working-

age adult. Can you split it between the two measures and say how much is for the bedroom tax and how much is for council tax benefit?

Professor Fothergill: As I recollect, about £20 is associated with the measures to ease the impact of the bedroom tax, and about £15 is associated with council tax benefit measures, but those are rough and ready statistics. I am sure that if somebody in the Scottish Government sat down with a calculator, they could probably give you a much more precise number, but that is broadly what the impact has been.

Jamie Hepburn: I appreciate the rough and ready estimate. Your report states:

"Westminster ministers are keen to claim that the welfare reforms will increase the incentive to work and will therefore lead to higher employment. As we noted, this is a bold assumption based on a questionable view of how the labour market works, especially in less prosperous areas ... the evidence in this report suggests that the gaps in income and living standards between communities in Scotland are set to widen."

Can you say more about why you reached that conclusion?

10:30

Professor Fothergill: When I say that I would be immensely surprised if the welfare reforms led to much higher labour market engagement and lower unemployment, I am drawing not so much on the research that we have done for our recent study but more on my long experience as a labour market analyst and a researcher on regional economic development. It seems that increasing labour supply by pushing people off benefits and out there into the labour market does not necessarily raise employment levels, except perhaps at certain times and in certain places where the labour market is tight and where firms face a shortage of labour and are crying out for any workers. There are times and places where that applies—it applied in large parts of southern England just prior to 2008—but I am sceptical about whether it really applies in some of the poorer areas in Scotland. I would be hugely surprised if additional labour supply in itself led to greater numbers overall in employment. I do not think that that stacks up in wide parts of Scotland.

Annabelle Ewing (Mid Scotland and Fife) (SNP): Thank you for yet another thought-provoking report, Professor Fothergill. I have a couple of questions for clarification. To what extent does the analysis presented today take account of disability benefit cuts? The PIP benefit is still being rolled out—or not, as the case may be, if you are trying to get it in a pilot area—and it is not yet uniform across the country, so I wonder about the extent to which your analysis reflects that position.

Professor Fothergill: The analysis is an attempt to estimate the impact of the eight reforms once they have come to full fruition. In the case of the shift from disability living allowance to personal independence payments, we have barely started implementing that reform, and it will not really come to fruition until well into 2018, so the biggest part of the DLA reform has not yet happened. A large chunk of the incapacity benefit reform has not happened either, and that encapsulates an awful lot. We are not looking just at the reforms that have been introduced by the present coalition Government in Westminster; some of the things that have been happening to incapacity benefit in the past couple of years were first planned by Labour pre-2010 and have only recently come to fruition.

There is an element of incapacity benefit reform that has still to bite in a major way, and that is the very last part of the package, which affects claimants in the work-related activity group, limiting their non-means-tested entitlement to one year. Because that bites at the back of the pipeline, most of the people who are now moving across on to ESA will find that that has not yet bitten. In terms of the overall welfare reform package, that is probably one of the largest elements of all. There is still an awful lot stored up that will come through in the next couple of years. If we add that to the DLA reforms, which often impact on the same people, those people still face an enormous hit.

By the way, that will affect the worst-hit wards in Scotland, because it is the incapacity and disability living allowance reforms that are the really big ones in the jigsaw, so when I say that a place such as Calton in Glasgow is hit hardest, I suspect that a good 40 per cent of that hit has not yet happened.

Annabelle Ewing: That is interesting, because I was going to go on to ask about people with disabilities. It seems, sadly, that the net result of the reforms is that, if you suffer from a disability and you live in one of the most deprived wards in Scotland, you are in effect subjected to a double whammy. It is not good news at all, particularly because, as you have said, the benefit cuts are being rolled out and we do not yet see the full impact of what is coming down the line.

Professor Fothergill: It is not that somebody on disability benefits is hit any harder in some wards than in others, but it is the case that, in some wards of Scotland, the percentage of the working-age population that is out of the labour market on disability benefits is much higher than in other parts of Scotland. Typically, in the Glasgow area there are much higher claimant rates of ESA, IB and DLA than there are, for example, in the more prosperous economies up in Aberdeenshire.

When reforms are being made to DLA and IB/ESA, it will therefore impact on places and in wards where there are very large numbers of claimants, which is some of the Glasgow wards, in particular.

Annabelle Ewing: I accept that. I was trying to make the point about the other problems that will be prevalent in a community. If someone who is disabled lives in a very deprived ward, other issues will impact on their daily life as a result.

I have one other question. We hear from the Westminster Government—and, indeed, from Westminster parties—that further benefit cuts are planned. Does the research take any account of that?

Professor Fothergill: No. The research is an exercise in looking at what is in the pipeline now and what will hit; it does not include things that are being talked about and might be introduced beyond May 2015. I am afraid that that would be a further exercise.

Annabelle Ewing: I hope, from my perspective, that we do not have to get you back for that one.

Kevin Stewart (Aberdeen Central) (SNP): I thank Professor Fothergill for the report, which makes for grim reading in some regards.

I have a few questions. I do not mean to be critical of the report, but it is an exercise based on council wards. You mentioned in your presentation that you could go down to data zone level. Is that correct?

Professor Fothergill: A lot of the statistics that have fed into the research are at the level of data zones. Data zones in Scotland have a population of between 500 and 1,000. Our judgment is that, although we had to throw that information into the pot, if we were to generate statistics down at that very, very fine grain, they would not be terribly reliable. If we are talking about a specific benefit that only 20 or 30 people in a particular data zone claim, we cannot be sure that those people are hit in an average way, if you like. The statistics are reliable up at the level of electoral wards, when we are typically looking at a population of about 15,000, but at the finer grain there would be a lot of ripeness in the figures.

An additional problem is that if you list data zones, they do not mean very much to a lot of people, whereas wards are a unit that most local politicians, in particular, can relate to very clearly.

Kevin Stewart: Some of the wards in Scotland do not reflect communities, while data zones often do.

One of the things that bothers me is that, although I realise that Aberdeen is not the hardest hit area, areas in a number of wards in Aberdeen

will be immensely hard hit. For example, in Northfield—in the Aberdeen Donside constituency—which is shown in dark blue to indicate that it is hard hit, the average hit is £560. It consists of a number of communities that are high on the scale of multiple deprivation or are at risk. However, I give the examples of Hilton/Stockethill, which binds Aberdeen Donside and Aberdeen Central, and Tillydrone/Seaton/Old Aberdeen, which is entirely in Aberdeen Central. The hit for Hilton/Stockethill is £440 on average and it is £350 in Tillydrone/Seaton/Old Aberdeen. In those wards there are socially excluded areas and areas of quite a lot of wealth, which skews the impact on the communities.

I know that I may be being overly technical in trying to drill down as far as we possibly can, but it is quite clearly the case that communities within Aberdeen, which is one of the least affected places, are still taking an immense hit and, within those communities, individuals and families are taking a huge hit because of the reforms.

Professor Fothergill: It is always a question of judgment as to how far down we try to drill with the statistics. If the average ward in Scotland is 15,000 people, to my mind, that is getting fairly close to defining a community.

As I say, I am not entirely convinced that the figures would be hugely reliable at a finer grain. Also, even if we produced them at a finer grain, we would be open to the argument that, even if we identified data zones where there was not much of a hit from the reforms, there would still be individual households and individual people within those data zones for whom you could say, “Ah, but that person will be hard hit,” even though they live in an otherwise really prosperous data zone that is escaping lightly. We are always vulnerable to that argument but your argument is fundamentally correct: we will still find some people who are hard hit, even in the areas of the map that are coloured white to indicate that they are least affected. It is just that there will be relatively few of those people in the context of the ward as a whole.

Kevin Stewart: I am trying to drill down because, obviously, the effects of welfare reform will have a major impact. You said earlier that the higher the level of deprivation, the higher the financial hit for people. For us as policy makers, I wish that we had control over welfare here in Scotland—I hope that we soon will—but in the policy-making decisions that we are taking, we have to be aware of the hits that are taking place in socially deprived communities.

The point that I am trying to get across is that although some areas seem not to be that hard hit, there are areas within those areas that are taking a big hit and there is nothing worse, I find, than poverty amidst plenty, which we certainly have in

Aberdeen. As policy makers looking at other areas, we have to take account of those data zone numbers before we implement other policies to try to regenerate communities and resolve deprivation.

Professor Fothergill: You need to bear it in mind that, even for people in a ward that is down in the bottom left-hand corner of the relationship to deprivation graph—in other words, they are in a relatively prosperous ward that is lightly hit by the reforms—the impact of any one of the reforms on a particular individual or on a particular household is not necessarily any less than the impact on a comparable individual or household in a ward at the other end of the spectrum.

All that the relationship to deprivation graph is showing is that at ward level—in this instance, groupings of 10,000 to 15,000 people—the overall impact is much higher where there are higher levels of deprivation. However, somebody who is hit by the bedroom tax—no, they will not be hit by the bedroom tax here—somebody who is hit by the incapacity benefit reforms, for example, is just as likely to be hit as hard in a non-deprived ward as in a deprived ward.

Kevin Stewart: I would never take away from the individual scenarios that are going on, which are having a major effect on people and their families right across Scotland. However, when policy-making, we have to take into account not only the ward level but the data zone level too.

Linda Fabiani (East Kilbride) (SNP): I have just one question—it is a very general one. I was interested in the last point in your key points summary, Professor Fothergill, which Jamie Hepburn referred to. It is the point that

“In the absence of a big shift into employment, a key effect of the welfare reforms will be to widen the gaps in income between communities.”

We started off the evidence session with Alex Johnstone asking for it to be noted that other initiatives that are being taken have not been accounted for in the study. You kindly responded to that from wider experience than just the experience that related to the report.

Is there anything within the wider action that is being taken—the global picture, as Alex Johnstone said—on taxation as well as on welfare reform that would narrow the income gap between communities?

10:45

Professor Fothergill: As I tried to say earlier, I am very sceptical about the idea that if you increase labour supply you automatically increase labour demand. As a general rule, it does not seem to apply. As I also tried to say before, this is

inherently just a look at one thing that is going on in the world at the present time, but it is a big, powerful element of the jigsaw. It is not an attempt to measure the changing wellbeing of communities; it is about the impact of a particular set of policies.

I was very interested to hear a former civil servant speak at a seminar that I attended recently. He was an ex-Treasury official, who commented on how the welfare reforms had been planned or dreamed up in their present form. It was clear to me that he was saying that they are driven by financial savings and that, if ministers and others have been going around saying that the welfare reforms will raise levels of employment and rebuild the economy, that was very much a window dressing that was put on after the event. Primarily, it is about saving money. Some people would like to believe that the reforms will raise the volume of employment and the level of economic activity, but I think that deep down, even in the Treasury, they do not believe that.

Linda Fabiani: Thank you.

The Convener: Thank you, Professor Fothergill. As I said at the start, you have done a very valuable piece of work.

I understand some of the concerns about the fine detail. Equally, to respond to what Kevin Stewart said, you have highlighted local authorities in the area that I represent to show that within areas that are very badly hit there are pockets of wealth that are not reflected in the data. I suppose that there are swings and roundabouts.

Overall, the information that you provided has been hugely beneficial to the committee. It gives us a lot of work to get on with in terms of more analysis and discussion, but our work is now based on firm statistics rather than anecdotal evidence or supposition. That is always helpful when it comes to assessing policy and its impact. You said that the welfare reforms were window dressing in terms of their ambition.

Professor Fothergill: I was quoting a civil servant, who had better remain nameless.

The Convener: I think that he should.

Professor Fothergill: And he is a former civil servant.

The Convener: I think that he has also been very kind, but that is a matter for us to judge, not you, and we can now do that based on very firm evidence. Thank you very much for providing that evidence and coming before us to give us more assessment of your analysis; it has been very beneficial.

Professor Fothergill: Thank you.

The Convener: I suspend the meeting for a few minutes to allow a change of witnesses.

10:48

Meeting suspended.

10:54

On resuming—

Expert Working Group on Welfare and Constitutional Reform

The Convener: We go to our third item of business today, which is to take evidence from the expert working group on welfare and constitutional reform on its second report “Re-thinking Welfare: Fair, Personal and Simple”. I welcome Martyn Evans, the chair of the expert working group, and Lynn Williams and David Watt, who are members of the group. I also welcome Susan Anton, who is an economist and from the secretariat to the expert working group. I invite Martyn Evans to make introductory remarks before we open up the session to questions.

Martyn Evans (Expert Working Group on Welfare and Constitutional Reform): The group was asked to look at the medium and long-term options for reform of the social security system in an independent Scotland. Our report “Rethinking Welfare” outlines a Scottish benefits system for those of working age. We also provide a route map of how to get there.

I am indebted to my fellow group members for their expertise and insight, and for the healthy challenge that each brought to our discussions. I know that I and they greatly valued the independence of the group and the space that that provided for our deliberations. I would like to emphasise our independence, as it was a central condition of all of us joining the group. I valued having members from the academic and business sectors and the third sector. We were also fortunate to have members from around the United Kingdom and, indeed, from Europe.

In order to support our work, we developed a detailed and targeted process to help to build our knowledge and to establish a firm, evidence-based foundation for our recommendations. We received direct written evidence, convened stakeholder sessions, commissioned research and held meetings with benefit recipients, wider civil society and academics, among others. We have drawn extensively on the available demographic and statistical information on Scotland and its performance in relation to other parts of the UK and other nations in Europe.

I offer my very sincere thanks to all those from within the benefits system who shared their stories. Many of those were deeply personal, and while some were difficult to hear and others were uplifting, all were shared with us openly and honestly. Our report is greatly strengthened by that direct experience.

We did not formally meet the civil servants who deliver the current welfare system. It was a surprise to me to hear that over 10,000 civil servants deliver the system in Scotland, not just to Scotland but to significant parts of the UK. They are a great asset now, but they will be critical in the future should Scotland vote for independence. Nothing in our report should be seen as a criticism of those delivering the policies that we find so unfit for purpose.

We learned in evidence from New Zealand how there such delivery civil servants are much more highly valued than they are here. Here, policy civil servants have the status and influence. However, the best and most effective change process comes from combining experience around both delivery and policy. That is an important lesson for the future.

Our conclusion is that Scotland has a benefits system, developed over time, that is now too complex and too remote; it can be impersonal and can work against citizens’ needs for support. The system is increasingly losing the trust of those involved. An independent Scotland would need to start quickly to rebuild trust and confidence in a system that many feel is broken.

The key issue of trust is wide ranging: it includes the trust of those who receive benefit payments in a system that supports them and, importantly, the trust of society as a whole in the fairness and effectiveness of the system. A lack of trust erodes society’s continued support for those in receipt of social security and undermines the self-esteem and confidence of those in receipt of support from the benefits system.

We divided our work into strategic analysis, strategic choice and an implementation framework. Our strategic analysis is that Scotland has a very strong economic foundation. Across a range of economic indicators, Scotland is wealthy and productive; and its performance relative to the UK as a whole—its nations and regions—is strong. However, Scotland’s assets go further than just its people. There is a clear sense of the value of public services, communities and voluntary efforts in Scotland.

An example of the positive side of our analysis is that Scotland has a skilled population. In recent years, there has been a steady decrease in the percentage of working-age adults with low or no educational qualifications. Scotland compares well internationally in terms of educational levels achieved and performs best of all the nations of the UK, with the fewest people with low skills and the highest number with high skills. There is a warning, though: as the number of working-age people in Scotland with low skills has fallen significantly, the risks associated with being poorly qualified have grown significantly.

On the negative side, we found current employment rates among older workers to be significantly lower than the best in Europe. The employment rate for men aged 55 to 65 in Scotland is very low compared with the best in Organisation for Economic Co-operation and Development countries and the equivalent figures for older women are worse. So, although Scotland is somewhat more equal than the UK as a whole, it is still more unequal than many other OECD countries.

It is increasingly recognised that inequality is not just a moral issue but a severe drag on economic performance. We in the group firmly believe that paid employment is the best route out of poverty for anyone who can realistically be expected to work. However, the reality is that for too many people today a job no longer guarantees that. Changes resulting from the hollowing out of the labour market, the prevalence of low-paid jobs and the increasing casualisation of employment militate against the availability of secure, sufficiently remunerated work for many people.

11:00

The committee knows very well that approximately 40 per cent of people live in households with at least one member in work and that poverty is not evenly spread across the population. For example, households with disabled people and people from minority ethnic groups are more likely to live in poverty. Over half the children in poverty are living in households where at least one person is working.

We discussed the issue of work at great length. To raise benefits to address poverty was not a credible proposition for us. For example, to ensure that a couple with two children had an income, leaving aside housing and childcare costs, that met the Joseph Rowntree Foundation minimum income standard would mean that they would need a £10,000-a-year rise. Of all the hundreds of thousands of sentences that I read for our report, the best sentence—in my view—came from a Spartacus network report called “Beyond the Barriers”. Spartacus is a network of sick and disabled activists who develop evidence-based policy. They wrote in the report:

“Work for those who can. Security for those who can’t. Support for all.”

However, it has to be good work, which depends on demand from employers for skills and the ability of employers to pay good wages, and it needs a business environment that encourages investment and productivity.

We found that unpaid care contributes significantly to the economy by providing support that would otherwise be provided by the state.

However, caring for children or someone with a long-term illness or disability has a significant impact on the ability of households to work and the extent to which they need help from the welfare system.

Supporting individuals as they move from one phase of their lives to another—from unemployment to employment—is key for a modern social security system for Scotland. Such a system should recognise that society is changing, with caring and employment responsibilities shared among the family, and recognise the changing role of women and their contribution to the economy and society. Currently, inequalities in employment, rates of poverty, income inequalities and the costs of caring suggest that what Scotland currently has fails to offer adequate support.

Scotland is in a very positive position regarding the affordability of its social security system. The choice facing a future independent Scottish Government is how best to use its financial and human resources to obtain the best results for its people. We examined social security models from around the world, and fuller descriptions are in our report. The best known, perhaps, is the Nordic model, which is based on the idea of universalism; the liberal model provides safety-net levels of means-tested benefits for encouraging working; and the continental model is a contributory system that is generous to those in work or who have recently become unemployed but has little support for others.

We concluded that there is no ideal model type for Scotland to follow or, indeed, import wholesale. We must find our own approach in Scotland. We are very keen on policy learning from other jurisdictions, but our conclusion was that wholesale policy transfer from another jurisdiction is vanishingly rare and not appropriate in this circumstance.

Our strategic choice was that Scotland would have to rethink welfare. The approach in Scotland would have to be one that suits the needs of the people of Scotland, builds on explicit and agreed values, and commands sustained and widespread public support. We propose that the purpose for an independent Scottish social security system must be to provide a safety net through which individuals cannot fall; it must also provide an insurance against life events and maximise the life chances of every individual. In other words, it must provide a springboard as well as a safety net.

We looked at principles for a welfare system. The principles represent the tests against which a new policy or changes to existing or inherited policies should be proofed. They are grouped under three overarching headings: the system should be fair, personal and simple. It is clear to

us that those three important policy objectives or principles are held in serious tension. Our conclusion was that it is a real challenge to deliver all three in equal measure. So, our report has chosen to emphasise fairness and personalisation in the short term, with a focus on simplicity in the longer term.

We have outlined our purpose and principles in the report. Who, then, are the partners to develop them further? We identified three. First, there are individuals with their families and communities. They need support from each other and from the state. Secondly, there are employers, who need individuals who are prepared for work. Employers also need the state to provide the economic background and the investment in infrastructure that enables their businesses to grow. Lastly, there is the state, which needs employers to create good jobs to minimise in-work benefits and maximise tax returns. Those partners are the critical cogs in the system. To assist them, they must have a wide range of civil society organisations to provide the oil to help them to work most effectively together. Those civil society organisations include trade unions, business associations, user groups, campaign groups, think tanks and academics.

On the implementation framework, we recommend that a national convention on social security be established at the beginning of 2015. The convention would be made up of those partners, along with their civil society support and would establish a social security partnership for Scotland—a new social contract. We drafted an outline contract in our report. An independent Scotland will inherit a patchwork of policies and approaches that have been built up over the past 70 or so years. We are confident that it is possible to establish something that better suits the needs of a small independent country. We heard evidence of a widespread will to build a new system that is fit for purpose and progressive.

We are in no doubt that this endeavour will take an enormous shared effort. It is clear that there is no easy solution. It will require our political representatives, people from across civil society, the business community and others to enter into a willing partnership with future Scottish Governments to create a social security system that we can trust and share in. We have set out a route map for that.

We have made nearly 40 recommendations. I will not go through them one by one but, among other things, we recommend the re-establishment of the link between benefit levels and the cost of living; the introduction of a new social security allowance for Scotland; the abolition of the bedroom tax, sanctions and the work capability assessment; an increase in the carers allowance

to the same level as jobseekers allowance; and raising the national minimum wage to equal the living wage.

In the medium term, we must plan how we support those in our society who most need the support rather than react in an ad hoc manner. We were impressed with the evidence that a serious and sustained focus on pensioner benefits over the past two decades has significantly addressed pensioner poverty. A couple of weeks ago, I was at an event in Kirkcaldy at which Gordon Brown was in conversation with Sir Tom Devine. Tom asked Gordon what he was most proud of in his political career. Without hesitation, the reply was the reduction in pensioner poverty from over 30 per cent to less than 10 per cent. We recommend a similar sustained focus on benefits for people who are sick or disabled and who are unlikely to find a route to wellbeing through work.

Our final recommendations are for the longer term and relate to the search for simplicity. We set out two of the most coherent future propositions—a contribution-based system and a universal income-based system. At present, we could support neither, because of cost. The evidence to us was that the costs of introducing such systems are high, with basic income tax rates creeping towards 50 per cent. We consider the restoration of trust to be a prerequisite before any such level of taxation would have even a remote possibility of serious consideration by a credible political party.

Finally, I point out that our recommendations are not just for an independent Scotland. An editorial in *The Herald* on 5 June said:

“Whether independent or not, Scotland needs a welfare system that treats benefit claimants and those struggling to make ends meet with dignity and this report has some useful ideas for how that might be better achieved.”

The Convener: Thank you very much, Mr Evans. That is a good overview of the report. I am sure that you have put a huge amount of effort into producing it. I will start with a couple of questions on not so much the remit but the basis on which you worked. Did you impose on yourself, or did you have imposed on you, any financial constraints on the overall package that you were looking at? Was a figure given to you for the public spend? Were you given any indication of the parameters within which you could come up with suggestions?

Martyn Evans: We were given none, although we worked out our own estimate of the cost of social security, which was £18 billion a year. A few months after we had worked out our estimate, the Department for Work and Pensions came up with its figure of £17.9 billion. We were delighted that our figure was in that ball park. We were asked to look at costs, but we were given no cost constraints by any party.

The Convener: Given the basis for your ideas, will your suggestions lead to higher public spending in the short term and the long term? Can you give us an indication of the levels to which public spending might increase?

Martyn Evans: According to our figures, our analysis was that there would be no significant increase in public expenditure. The DWP figures showed a decline in the cost of administering benefits over a period of time. Our analysis was that in those areas in which there would be an increase in public expenditure, it would be offset by savings elsewhere. We tried to set that out in chapter 6 of our report.

We were not seeking any significant increase in public expenditure; we were seeking a far more effective system using our existing resources, including our policy resources, that helps people back into work, supports those who are on benefit and does not penalise them unnecessarily for their efforts to find work.

The Convener: You referred to the efforts of the UK Government under Gordon Brown to address pensioner poverty. In making assessments of how pensioner poverty could be tackled, did you look at the impact of demographic changes and the cost implications for the pensions situation in a future Scotland?

Martyn Evans: We accepted our remit, which was to look at benefits for the working-age population only. We stuck to that remit, so we did not look at pensioner payments at all. We looked only at working-age benefits.

The Convener: I will now pass over to other members of the committee.

Jamie Hepburn: I thank the witnesses for appearing before us today.

Mr Evans, you mentioned in your opening remarks that Scotland is a wealthy country with a well-educated population. In your report, you say:

“Scotland is in a positive position regarding affordability of its social security system.”

Could you and your colleagues set out what led you to that conclusion? What does that mean for our ability to implement changes such as the changes that you have set out?

Martyn Evans: The evidence was quite wide ranging. Our expenditure on social protection overall as a percentage of gross domestic product is lower than the level of expenditure in the UK and lower than that in a significant number of other OECD countries.

The taxes that are raised in Scotland pay for our system already—we are already paying for it; it just happens to be provided through a UK delivery mechanism. We raise the taxes to pay for the

system, and expenditure on the system is not disproportionately high—in fact, it is lower than it is in the rest of the UK and it is lowish compared with other OECD countries. In other words, expenditure on the system is both affordable and sustainable. The issue is that no Government would want to carry on spending money on benefits if it could avoid that by getting people off benefits and into the tax regime. That would be an objective.

As I said, our analysis was that the system is entirely affordable. For us, the question was not, “Is it affordable?”, as we had settled that question; it was, “What political choices would an independent Scotland make about how it wanted to support the benefits system and invest in the future?”

Jamie Hepburn: Sure. I suppose that the issue that I am asking you to explore is whether, given that our system is more affordable, it is more feasible or easier to reform?

Martyn Evans: Do you mean easier than the current system?

Jamie Hepburn: Yes, indeed. You have suggested a number of changes. Given that you say that social security is more affordable here in Scotland, does that mean that we have more flexibility in implementing change?

Martyn Evans: If you have policy control, which I think is the issue that you are interested in, that allows you to pursue policy objectives that are consistent with other policy objectives that you wish to have in Scotland. Affordability is one issue. Having policy control allows you to bring other aspects of the welfare system into play. We set out a number of issues on which we think that that can happen.

I ask my colleagues whether they have additional points to make on that.

11:15

Lynn Williams (Expert Working Group on Welfare and Constitutional Reform): There are a number of issues. As Martyn Evans outlined, Scotland spends comparatively less on social protection. In the event of a yes vote, a choice would be made about what to do with that money and any additional resources. We have looked at the role of a convention in helping to set that policy.

It struck me from all our work at stages 1 and 2 and from the evidence—all of us attended different sessions—that there are a number of issues about how the current system operates, such as the level of bureaucracy. We talked about the role and impact of sanctions, which the committee recently looked at. We looked at how the administration operates and what it costs. There is also the

opportunity to look at how devolved and reserved services might fit together more effectively. Carers and people with disabilities talked about the number of assessments that they must go through. There is scope to look at how things operate, how they can operate more efficiently and what could be gained from that.

David Watt (Expert Working Group on Welfare and Constitutional Reform): A key issue for me is cost—I am interested in that because I am in business. Another key focus of the report is the relationship to work, which is important. It is about positive employment and working positively to get people into employment. In turn, that is beneficial to society and I hope that it would make the system ultimately less expensive and more affordable, while still being effective. That is a key principle that comes through from the report, which ties in well with meeting the costs that we are talking about.

Martyn Evans: The succinct answer to the question is in paragraph 6.3, which says:

“Short-term changes to the current system can readily be incorporated”

within the expenditure framework, which we have set out.

Jamie Hepburn: Lynn Williams alluded to our interim report on sanctions. I could not help but notice that the working group’s conclusions on the sanctions system were similar to ours.

Lynn Williams mentioned the national convention that the group suggests should be established in 2015. One thing that it would consider is your draft social security partnership. How would that partnership be an improvement on the current system?

Lynn Williams: I go back to Martyn Evans’s point about trust. From the perspective of those who are part of the system, and in general, trust in how the system operates has been lost, for a range of reasons. One reason for suggesting the partnership came from considering what we need to do to rebuild the commitment to social security in Scotland. The idea of bringing together people who are part of the system to shape the system is to rebuild the sense of a contract and social cohesion.

We would start with who collectively contributes to shaping policy in Scotland on the social security system and how we develop that. The report essentially provides a route map to that. It contains a draft partnership agreement or partnership approach and it talks about trust. The language and discourse that we want would change the tone of the debate about welfare and social security—we used the term “social security” rather than “welfare”.

The aim is to change the debate about why we need to invest in such an approach. The partnership is very much about rebuilding trust and giving people who have a say or a stake in the system a role in shaping the system.

Martyn Evans: When we went round speaking to small business owners and labour market economists, we were struck by the critical role that small businesses play in their communities in keeping people in employment when times are tough for those businesses and the employees. The longer someone is kept in employment, the more likely they are to come back into employment, even if they are in and out of sickness benefit, for example. The quicker someone is let go and the longer they are out of employment, the more likely they are to languish on benefits.

One key to the new idea of a social contract is to say that we are all in this together. That is part of the building blocks for a trusted social security system. We must not just say that benefits will sort everything out. Benefits are critical, but all our Ipsos MORI polling and all the focus groups that we held said that receiving benefits—cash—is a starting point. A whole range of other issues, such as dignity, trust and reliance, are critical to rebuilding the trust that we talk about.

I return to the positive message that we got from small businesses. If they could be encouraged to keep people in work, that would help the social security system. If they are open to that and can be supported in that, it helps us all. I want to emphasise that because it was so important for small businesses to be considered partners in that endeavour. That is why we put them in there with individuals, the state and business, and we were careful to say that around small business come all the civil society organisations. We must not forget the role of trade unions and campaign groups, because they help to oil that partnership. David Watt was involved in some of those meetings.

David Watt: Absolutely, and Martyn Evans has made a key point. Perhaps there has not been enough business engagement in some of our discussions, at both national and local level. I spend my life defending businesses, because they are genuinely not setting out to put people into unemployment; it is quite the opposite. They are actually looking for well-trained employees across Scotland.

A key part of our suggestion is that a close link with skills development is important. As Martyn Evans said, it is not just a matter of money. We need close liaison on skills development so that we can train people for the workforce better and more competently, because well-trained people are more likely to gain employment and, importantly, to stay in employment. Quite a

number of people tend to wander in and out of employment, and that relates very much to skill levels. As Professor Fothergill said earlier, it also relates to demand, which is patchy in some parts of Scotland, but if you are more skilled you are more likely to be employed.

Martyn Evans: We have the concept of distance from the labour market, which does not mean how far you must physically travel to get a job but how much you must develop before you are able to take up a job. We recognise that we invest disproportionately in those people who are quite close to the labour market or can get a job quite quickly. We suggest that we should invest more in those who are quite a long way from being able to get back into a job.

That is the social investment part of the issue. We were struck by the evidence from the Nordic models about investing for the future and bringing people who are a long way from the labour market closer to being employable, not by sanctioning them but by supporting them in finding a route through the steps that they need to take so that they can find a job.

You have heard evidence on job creation; our evidence is on systems for bringing people closer to the labour market. We think that you should relocate your investment to those who are furthest away, because those who are close will come back in with much less help from the state. If you are not careful, you will pay for the low-hanging fruit—those who are close to the labour market—and disinvest in those you really need to get back into work.

Jamie Hepburn: Your evidence mentions the introduction of a new social security allowance that combines benefits and talks about the bedroom tax being abolished, for which there is widespread support in the Scottish Parliament and to which the Scottish Government is committed. You also say, crucially, that housing benefit would not be included in that social security allowance. Why did you come to that conclusion?

Martyn Evans: We saw housing benefit as much more of a local benefit. It can be operated through local authorities, which are more sensitive to their own housing markets. Local authorities have to develop their own local housing strategies, and we thought that that was important too. We have also made comments about the private rented sector costing Scotland £0.5 billion a year in rent, and we want to make quite sure that there is some quid pro quo for that investment, so that if that money is paid out to private landlords they do not receive a windfall benefit from rising property prices.

There are also security of tenure issues. We held back a little bit from the stronger suggestions

about security of tenure, because of the work of Douglas Robertson from the University of Stirling, who has evidence that a call to increase security of tenure is misunderstood by private rented sector tenants, who feel that they have to stay for that period of time. We want more work to be done on that issue. That is why we want housing to be a local matter, and we think that the more locally housing is looked at and delivered, the better.

Jamie Hepburn: Universal credit is not in place yet, but were you also informed by concerns that wrapping up housing benefit in universal credit would make matters more difficult, and that direct payments would lead to people building up arrears? Did that feature in your rationale?

Martyn Evans: Yes, all those things were part of it. It is about fairness and personalisation, and we wanted to get back to the idea of trying to help people choose the best way for them to receive their benefit. I have been around long enough to remember when housing benefit was taken from individual tenants and given to landlords, and the proposal now is that it goes back to the tenant.

To us, personalisation means letting people choose, from a reasonable series of choices, how to receive their benefit in a way that best suits them. We also listen closely to what the SFHA and others say about how those payments are made. Clearly, we do not have evidence about the future of universal credit, but we have a lot of concern about the one-size-fits-all approach—the period over which you receive your benefit is monthly, the mechanism by which you apply for it is through computers, and so on. With regard to all those things, we are saying that the Government must step back a bit. In order to make things personal and fair, you need more flexibility in the system. I think that flexibility is possible, and I have spoken informally to those who deliver the system, who think that it is possible, too. I do not underestimate the complexity involved, so we have parked to one side the simplicity objective, which we hold dear. We understand that, at this stage, we cannot have simplicity as well as personalisation.

Jamie Hepburn: Personalisation is also reflected in the assessment issue, with regard to the social security allowance. On assessment, you say:

“We recommend that early identification and agreement of an individual's needs and goals should be the starting point.”

You also recommend that the work capability assessment be scrapped, and you outline

“a series of new features of the assessment process which should take its place.”

Why have you come to that conclusion?

Lynn Williams: That is something that is close to my heart. It is based on a lot of the evidence that we received about the impact of the WCA, which I know that the committee has considered.

The WCA does not look at a whole person, taking into account their abilities and the context in which they live. That goes back to my career as a careers adviser. The starting point is that, in order to help someone to achieve their goals, you have to better understand what those goals are, what their abilities are and what limits they have with regard to achieving those goals. Although we did not stress what the system might look like, we know what the principles are around it. What does a person want to achieve? It is not about square peg and round hole. Part of the reason why people cycle in and out of unemployment is that they are not given a chance to develop their skills and abilities. They are told, "Here is the job that you will take." It is a work-first approach. The evidence that we heard—from academics in particular, but also from others—was that that does not work. It is about how we get people to where they want to be in the longer term.

The processes around, for example, people with disabilities include an assessment of the range of barriers that prevent them from working—it is not just to do with work; it is to do with physical barriers, social barriers and so on. Similarly, we would consider how someone with care responsibilities balances those responsibilities with paid work. The element of assessment and support must start from the basis of the person's goals, within the context of how the labour market operates.

Martyn Evans: Policy learning from the Nordic model is quite challenging to some of the pressure groups in Scotland. If you are to build trust in a system, you have to address the question of the rules that you have to apply in order for someone to receive benefit—the activation rules, the conditionality rules and so on. What those should be should be part of the discussion in the national convention.

We were struck by the fact that the high levels of trust in the Nordic systems relied on each of the parties taking a very clear role. Part of that involves fair assessment—that is critical—and personalisation. Another part of it is that a job cannot be the first option. Some people are a long way from the labour market and they need supported into volunteering and other forms of activity, but without the harsh current system of sanction. It seems like quite a binary approach. We were struck by the progressive conversation that has taken place. If you are to build trust in the system, what rules should each of the parties apply to themselves and to others?

People sometimes re-frame that as trust on the part of the people who are in receipt of benefit. That is important, as we say, but equally important is the issue of the trust of wider society in the benefit system. Only when those two elements are aligned can you have the best possible outcome.

Alex Johnstone: Almost every day, I talk to people who believe that they have been told that Scottish independence will lead to an instantaneous multi-billion-pound step change in the redistribution of wealth through taxation and benefits. That is not what you are talking about, is it?

11:30

Martyn Evans: Our starting point was what would happen if the people of Scotland voted for independence—we did not make a comment about that. Our proposal is that within the envelope—not the envelope that we are set but the envelope that we choose to operate—it is possible to rethink the welfare system and have a more progressive one. That is within the envelope that we set ourselves, which is the current £18 billion system. We say that that is affordable because the taxes that are raised in Scotland pay for that system. I hope that that answers your question.

Alex Johnstone: So what we are talking about is in effect a proposal—a different proposal certainly—for radical welfare reform. Would that be a fair description of it?

Martyn Evans: We would describe it as a rethinking of welfare. The money is important, but all the things that surround it—respect, dignity, trust—are also important. They are not peripheral to the issue; they are central to how you deal with welfare. You drive wellbeing through a welfare policy that recognises those things. The evidence that was given to us was that people do not trust the system. Rightly or wrongly, those in receipt of benefit and in wider society have a degree of distrust in the system. Our line was "rethink welfare". That was the strapline that we used, within the three principles, "fair", "personal" and "simple".

Alex Johnstone: You would not be the first people to propose a set of principles to reform the welfare system radically. We are going through one set of proposals at the moment, and it has not been easy. Timescales in particular have been difficult. How do you see your proposals being affected by timescales? What timescale do you envisage for your proposals; when will they begin to deliver; and how long will it take to complete the process?

Martyn Evans: Our line is this: you have to start almost immediately—the Scottish Government

responded to our report—and then, in 2015, you have to set up a partnership agreement to discuss everything that we are talking about.

Our first report talked about a transition. The Scottish Government has set a two-year period for the transition from independence to a new system. We keep coming back to the point that this is an enormous effort—let us not underestimate that. It is a shared effort, and it can be successful only if all the parties that we are talking about are in there. We did not set out a timescale for this; we just specified “within five years” for the short term. We said that it should be possible, within five years, for all that we are suggesting for the short term to be agreed.

Alex Johnstone: How long do you envisage the transition taking between the existing system—perhaps not as it is today but as it may be when the transition takes place—and the system that you propose? Will it not begin until 2018? Will it take five years or more to complete the transition?

Martyn Evans: Our first report set out a transition timetable, which the Scottish Government cut to two years—we set a slightly longer one. The Scottish Government's commitment was that within two years of independence there will be a new system—that is what I recall its position to be. Our own position is that it is for the parties to decide the transition timetable. It was important to us to protect the claimant interest for that period. We kept on saying, “Concentrate on the claimant interest and maintain the benefit level to make sure that it is effective.” The Scottish Government has made a commitment to do it in two years. Have I remembered that rightly?

Lynn Williams: Yes.

To pick up on Martyn Evans's point, there are choices that will be made that are not in our gift to make. The rough timelines that we set out in the report were around five years initially for the short-term goals and five to 10 years for others. In the evidence that we gave last year, we talked about almost a twin-track approach. From my perspective, it is clear from the evidence that we received that some of the damage that has been done has to be rectified in some way. Within the first couple of years, some of the immediate issues that we have discussed, such as an increase in the carers allowance—which, despite carers' contribution, is the lowest income replacement benefit of all the benefits—and how the work capability assessment operates, need to be tackled immediately, because a lot of damage has been done.

The other issue is that there will be an election in 2016, which in itself will affect the whole environment around this discussion. Obviously,

circumstances change. If Scotland becomes stronger financially and economically, maybe things can speed up. We do not know. There are a lot of things that we cannot look into the future and see.

We have provided a strong route map and a direction of travel—some people might say that that work is radical, and others might not. We have tried to change the whole discourse. Certainly, the message that I got from third sector colleagues at the very beginning of the process was, “If you change the discourse, you will have achieved a hell of a lot.” From our perspective, that was part of the reason for the process.

There are factors that are outwith our control that would determine the timescales that you identify.

Alex Johnstone: The last time you were before the committee, we glossed over issues such as tax credits, as we assumed that tax credits would be history and that the universal credit would be in place before any change started. Is that still your assumption?

Martyn Evans: It is very difficult for me to make assumptions that are not in our report, in which we tried to set the short-term objectives that we said should be achieved, followed by medium-term and long-term objectives. The details of how the transition would be achieved are a matter for the parties.

We discussed the fact that tax credits seemed to have morphed into a mechanism by which low-paid employment was subsidised. We were very concerned that if we were to tackle in Scotland the route out of poverty through work, we would have to address the purpose of tax credits and whether they could be better applied. That was our question. We did not say, “Do this.”

The question is about how complicated the transition would be. We say that it is possible. Although the report says that it

“will take an enormous shared effort”,

we think that we have the human resources to do it, with 10,000 people in the civil service, the policy direction that the Scottish Parliament would provide and the willing partnership that should be brought to the matter. We say that the financial resources exist to do it.

As the committee knows well from considering the welfare reforms that were discussed under the previous agenda item, this is a complex business, but our judgment is that it is possible to have a progressive welfare system in Scotland. We know that because we looked at other small countries. We think that such a system is affordable and that the will exists to achieve it. That was our conclusion from the evidence that we took. We did

not just sit in a room; we went out and spoke to a whole range of parties. It was important that we spoke to the key people in business and communities. I do not know how the people of Scotland will vote in September, but we were asked to assume that they would vote in a particular way. If they did so, the assumption was that people from all parts of Scottish civil and political society would work hard to make things work.

Alex Johnstone: If we are making the rough assumption that things will be done on a revenue-neutral basis and that money will be spent in different ways, what are the likely costs of transition? Specifically, does a fast transition have a greater cost than a slow one? Is there the opportunity for the Scottish Government to work in conjunction with the UK Government for a significant period of time and to share the costs and the transition process, or are we looking at something that will simply not cost us anything, regardless of how we do it?

Martyn Evans: As we all know, there has been a lot of debate about the transition, especially in the report that was published yesterday. The interesting thing is the shared interest of the UK Government and the Scottish Government in a smooth transition for the benefit of not only recipients in Scotland, but for people in London and elsewhere, given that a significant number of benefits are delivered by Scotland for those people. A smooth transition is therefore in the interests of both Governments.

No pre-negotiation is taking place, which is why we could not discuss any of the details with the DWP. However, if it is in the interests of both parties to have a sensible discussion, the smoothness of the transition would be something for them to achieve. We think that that is entirely possible—we keep coming back to that.

The financial constraints are as we set them out. They are an envelope that can be dealt with. The human resources exist. All the people we spoke to did not say no; they said, “We cannot say this publicly, but if that happened, yes.” My opening remarks were always, “In the event of the people of Scotland saying yes to independence, what would be your contribution to building an independent social security system?” I would come across resistance in the form of a question about whether the people of Scotland would or would not vote yes. I just had to let that ride and say, “Come back to the question. That is not the issue. Let’s assume they said yes. What would your contribution be?”

I was very impressed by a whole range of people. This might get them into trouble, but I think that some of the DWP people whom I met informally would apply a progressive and

supportive view. I cannot guarantee that, but that was the impression that I got from speaking to people privately.

Ken Macintosh (Eastwood) (Lab): I will pick up on your last point. First, it is a big premise to say that the report is based on independence, because that is a big if. However, putting that to one side, I welcome a lot of the work that has been done, particularly your emphasis on rebuilding trust, your focus on work and so on. We can all agree on those things. However, there are some difficult issues, as there always are with welfare. Cost is at the heart of this. Did you look at the transition costs? How much would it cost to introduce the system? What are the additional costs?

Martyn Evans: I thought that I had tried to answer that question.

Ken Macintosh: You have not put a figure on it.

Martyn Evans: I will try again. Paragraph 6.3 of the report states:

“Short-term changes to the current system can readily be incorporated.”

We thought that, as has been indicated, the transition costs from one system to another are a matter of how the parties negotiate.

Ken Macintosh: Let us assume willingness. Can you put a figure on it?

Martyn Evans: The current cost of administration is £0.5 billion in Scotland—it is currently £0.7 billion, but it will reduce to £0.5 billion, so it is quite high. We think that, within that envelope, the transition costs could reasonably be managed.

Ken Macintosh: And there will be no additional transition costs?

Martyn Evans: There will be some, but we believe that there will also be some significant savings.

Ken Macintosh: What savings?

Martyn Evans: Over the transitional period, there will be some savings because people will be better helped into work and the system will operate better.

Ken Macintosh: Immediately?

Martyn Evans: Yes—I would hope so, over the transition period. I think that the Government is saying that there will be a two-year transition.

David Watt: One very simple but fundamental example is a closer working relationship to the point of—I hope, ultimately—merger between Jobcentre Plus and Skills Development Scotland. That would be a massive improvement, as it would mean that there was a one-stop shop for the

individual. That would also be a saving. Such closer working would help the individual and save money in the short and long term. It would not initially cost anything, so we could move towards that system. There are opportunities within that framework to make pretty instant savings—even, to be blunt, in terms of properties. It is not beyond the wit of man to make such a relationship work pretty effectively pretty quickly. Co-operation is important.

Ken Macintosh: That is right and I am not saying that it is not; I am just trying to get to the essence of whether there are costs, but you think that there are no additional costs. For example, one of the first things that you would do is to have a different inflation rates for people in Scotland and people in the rest of the country, but there will just be one system. Will the system be able to cope with that? Is that not an additional cost?

Lynn Williams: That would have to be part of the negotiations. I come back to our first report. We would have to look at how the system would manage to do what you describe, but it is doable. For example, we discussed the changes in Northern Ireland at our previous evidence session. Nevertheless, there is a valid point about how the negotiation pans out and what kind of agreement is in place. Would the DWP take account of the changes? The transition period is probably the opportunity to deal with that.

A wider issue is that we have identified the cost of the benefits system based on reasonable and quite robust estimates, but a wider envelope of different resources would immediately come into play. David Watt mentioned how we address employability and there is the work programme. Labour's devolution commission recommended devolution of the work programme—I think that the cost of that is roughly £100 million.

There is a range of other policies, for example employment law when it comes to how people balance work and care and so on. A wider range of issues needs to be considered, rather than looking at cost in a narrow sense. It is about what you do with that total package. We can obviously give a steer—and we have done—about what you can do with some of that package, but wider decisions have to be made. We cannot gaze into a crystal ball and say what will happen, but we can provide a direction of travel. To consistently focus on cost misses the opportunities that there could be.

Ken Macintosh: It is not about consistently focusing on cost. It is just a question that most people will ask, that is all.

Lynn Williams: Fair point.

11:45

Martyn Evans: It is a reasonable question, Mr Macintosh. You said that there would be no additional cost, but we are saying—

Ken Macintosh: No, Mr Evans, you said that there would be no additional cost. I did not say that.

Martyn Evans: What I meant to say was that there would be no net additional costs. Of course some costs on the balance sheet would go up and some would go down. Our point is that within a £700 million system—that is what it costs to administer the system in Scotland, and we should remember that the system is already paid for by the people of Scotland—there would be some additional costs, and we think that there would be offset savings and efficiencies. As we said in paragraph 6.3,

“Short-term changes to the current system can readily be incorporated.”

It would be misleading of me to say that there would be no additional costs, but we calculate that there would be no net additional costs.

Ken Macintosh: Am I right in thinking that the system of benefit entitlement that you are describing, which we might describe as marginally more generous than the current system, would lead to a higher total bill?

Martyn Evans: It depends on what we compare it with. If we make a like-for-like comparison with the status quo and a situation in which there is no net increase in the UK, there is a difference. If benefits in the rest of the UK go up by only 1 per cent and benefits in Scotland go up by the CPI rate of inflation, the total bill will be higher.

The UK Government is committed to returning to the CPI to uprate benefits from 2015-16, so if it kept to that commitment, a like-for-like comparison would show no difference. If it did not keep to that commitment, Scotland's benefits would rise to a higher level than benefits in the rest of the United Kingdom.

Ken Macintosh: And if it keeps to that statement, the benefits system will be the same.

Martyn Evans: I am sorry?

Ken Macintosh: If the Government keeps to its commitment, the benefits will not change.

Martyn Evans: Not in 2015, no, but the UK Government's commitment to a 1 per cent rise stops in 2015-16 and we are suggesting that the Scottish Government should uprate benefits by the CPI. I think that that has been accepted.

Ken Macintosh: So there will be additional costs then.

You want to restore trust, which is important. You said that you would get rid of sanctions and replace them with “positive conditionality”. What does that mean, exactly?

Martyn Evans: Lynn Williams was strong on that. We all struggle with the issue. Could we have a system in which people receive benefits without condition, so people could receive benefits and work or go abroad and so on? No. There is clearly some level at which society must impose conditions on the receipt of benefit. The question is therefore what conditions are imposed and what happens to someone who does not comply with them.

Our analysis was that the current system of sanctions is deplorable in its impact on individuals and is not achieving the objective that was set for it. That does not mean to say that there should be no conditionality—that would have been a weak response from us. We spent a long time talking about the issue, which is critical and is not easy. I challenge people in the third sector, for example, to tell us what they would do. If the answer is nothing, we further undermine the general public’s trust in the system.

Our view is that the social contract is critical. When someone contracts in, what is their commitment to receiving the benefit? What do they do? We took a lot of evidence from the Nordic countries, where the view is far more ingrained in the system that people must engage and give something back.

I hope that we took a reasonable line. We would put it to the 2015 wider-society group to work out, because different points of view have to be argued through and, at the end of the day, we must come to an agreement whereby everyone says, “It is not acceptable for the state to do this to a person and it is not acceptable for a person who is in receipt of benefits to do that.”

It is a hard, hard question, and I do not want to duck it. Lynn Williams was involved in a lot of discussions with me, and I think that we reached a place at which we set out a draft social contract, which is for the people of Scotland to decide on, through their representation. Currently the social contract is broken and the system is far too harsh, in many people’s experience. The system is driving people into a place where I—and most of the people to whom we spoke—do not think that it should drive people.

Lynn Williams: I do not have much to add. Martyn Evans has provided a good summary of our discussions. The topic is incredibly difficult, and I think that we reflected that in the report. There is a range of views about whether sanctions should play a part in the system.

Martyn Evans mentioned the Nordic model. On the group, we had the expertise of our colleague Jon Kvist from Denmark. Conditionality is a strong part of some systems in the Nordic countries. However, the other side to that is that a lot of support is in place and there are active labour market policies. Because people are supported back into work as quickly as possible, there is not really an issue with meeting the criteria. In many cases, people get better work or the right kind of work.

I have my views on the sanctions regime. The evidence is that it is moving people further away from the labour market. If the first thing on someone’s mind is how they feed their family, the last thing on their mind will be how they get to the jobcentre. There are issues with how the system works.

Martyn Evans talked about rebuilding trust. With a convention, there would be scope for a range of views to come into play on the role of conditionality, which would probably reflect the views and discussions in our group. It must be a positive model of conditionality that involves providing support and helping people to get back into work at the right time and a time that suits them. More widely, we must consider the value that we place on contributions that are not paid work, such as unpaid caring or volunteering. In the current system, volunteering often makes people’s lives a heck of a lot more difficult although, for many people, it is a route back into work. The other side of that is how we support people back into work. We have suggested looking at models such as community jobs Scotland, which is not a work-first approach but is about getting people into paid work.

It is right to raise narrow concerns about sanctions, but there is a wider debate to be had on that. For me, the issue is much wider—it is about what the whole support system looks like and what part conditionality plays in it.

Martyn Evans: Some of the most powerful evidence that we had was some of the powerful evidence that the committee has taken in hearing about the experience of people on benefits, particularly those who in technical terms we call distanced from the labour market. I had a lot of meetings with bodies such as church groups. There is a strong desire to work. Somebody said, “We are all a little bit broken, and we need more support to get to a place where we can take advantage of some of the measures.” The question is how to do that in a personal way—that is why we talk about personalisation—and in a way that is fair for the claimant or recipient and to wider society.

I do not doubt that it is a vast undertaking to reimagine and rethink the welfare system for an

independent Scotland. Ken Macintosh began by saying that we might disagree on the starting point. I assure him that we took our remit to be to consider what would be the next steps if the people of Scotland voted for independence. All our experience shows that some people deserve a great deal more empathy and support but, to get that empathy and support, there must be an explicit social contract.

The Nordic model is quite tough in that regard. It is embedded in the system that, if people receive benefits, there are certain expectations. That means that those who pay a high level of taxation to provide the benefits have trust in the system. There is a virtuous circle and people can therefore be dealt with better. That was a policy learning. Believe me, if I could have just suggested transferring the Nordic model to Scotland, that would have saved me months of work, but that is absolutely not possible. Anybody who says that it is possible has not examined the details of culture, geography and society in those countries, which are entirely different from our own. We have to find a Scottish solution, which will take an enormous amount of effort.

David Watt: I have two points from an employer's point of view. Employers, and society in general, will look for fairness and robustness in the system so that it does not give something for nothing, if you like. That is important, and conditionality is a key part of it. As I said, we also need positivity in the system. Even employers would admit that the current system is not positive in that it does not get people to where they need to be to get a job. That is important. Conditionality and positivity are two terms that are relevant to employers and industry. They are about really doing something to help the individuals we are talking about, as well as taking an individual approach.

Lynn Williams: I have two more points on that. To go back to the issue of cost, which has come up frequently, I will read a quote from evidence that we received, which reflects a number of pieces of evidence. It states:

"The development of conditionality and sanctions, the declaration that people are 'fit for work' and the Work Programme have greatly added to the complexity, administrative cost of the benefits system."

People are being cycled within the system—they appeal, reappeal and then appeal again, or they do not appeal, because they do not know how to. That has knock-on costs, for example for the third sector. There are cost issues in considering what the conditionality system looks like.

Secondly, a strong part of our work was the work that Ipsos MORI did with groups that traditionally would not take part in this debate. It was interesting that they had nuanced views on

issues to do with how the system operates and conditionality. They thought that the system focuses far too much on issues such as how much money people get and how they meet the criteria, whereas it should be more about support. There are issues with some of the attitudes that we think exist in the system. Conditionality and sanctions can themselves add costs to the system.

Ken Macintosh: I think that—

The Convener: You can have one more question. We are starting to get pushed for time; you may ask a quick question.

Ken Macintosh: It is my last question. This is a very similar point to one that arose in our own report on sanctions. In some ways, you are criticising the punitive nature of sanctions. The sanctions themselves will continue to exist under your report. People will continue to lose their benefit if they break the conditions. That is the key thing.

Lynn Williams: We left it open for the convention to consider that. There are certainly strong views that that should not be the case; others will say that it should be the case. It is for a convention to work that out with regard to partnership.

Martyn Evans: The important point is that the language that is used is critical. If you say that sanctions will continue, there is a whole range of assumptions about things that will continue with them. We are trying to find a new language to talk about the issue in a much more positive way. A cynic would say that it would be sanctions by another name, but we are saying that work activation is critical, and that conditionality is critical for trust. If we said that there is nothing that would lead to people having their benefit withdrawn and that people who defraud the system, or who work, will still get their benefit, most people would say no to that. If we start at that point, at what point does there need to be responsibility in order to receive benefit?

As Lynn Williams has been saying, that discussion is required to base a social contract on. That is the point at which Scottish society in 2015 has to settle the matter as best it can through the convention. It will not be an easy settlement, and it must have some hard edges. Otherwise, the trust in the system will erode. There could be a system that some progressive people like but which people will not pay their taxes to support. That is the hard reality of it, in my opinion.

Ken Macintosh: I thought that I was agreeing with you there—but there we are. It is about the use of language.

Can I just have one final question?

The Convener: No, I do not think so, Ken. I said that that would be your last question. We are really up against the clock.

Ken Macintosh: That was not a question; it was just—

The Convener: Well, you did have it. I will move on to Kevin Stewart.

Kevin Stewart: Our report said that there is a need for conditionality but that the sanctions regime as it is should be abolished. Mr Macintosh signed up to that. Is that basically what you guys are saying in your report?

Martyn Evans: Yes. We read your material with great interest, and we were of course strongly influenced by it. It seemed to us that we would have the same length of time. That seems an eminently sensible approach to take.

We then went a step further to ask how to implement such an approach, and using what route map. We were suggesting that that is not for the policy people in the Government to do entirely. They are players in that, but it is a matter of bringing them together with other parties to agree the regime broadly.

Kevin Stewart: You said that you could not import the Nordic model here. However, certain aspects seem to work well in other countries, in particular Denmark, where the joining up of the social security system, healthcare and the social care system leads to a much more holistic approach in getting things right for disabled people and their carers. Would you guys like to see integration like that? Do you think that that would provide not only better support for folks but opportunities for cost saving?

Martyn Evans: Absolutely. Lynn Williams and David Watt might wish to speak about this. The opportunity to join things up is critical. One part does not always work in tandem with the other part. When there are reserved and devolved matters, they can work against each other. The advantage of integration is that the investment that is made in an integrated system is recouped and goes back into the system, so social investment and preventive spend can be justified—they cannot always be justified if the two systems are separated under a current accounting system.

We felt that the institutions were not always well joined up. There are all sorts of opportunities for those things to work better together. We make that point clearly both in the summary—it is a critical point—and, in more detail, in the report.

Lynn Williams: Absolutely. I think that the short answer to that is yes.

For me, from the very beginning and certainly when we attended some of the consultation

sessions with unpaid carers, I was particularly struck, as an unpaid carer, not only by the disconnects within the devolved services but—let us be fair—by how devolved services and reserved services clash.

12:00

For example, carers have to give up work because there are issues around social care. Therefore, there is a loss of tax revenue and people become dependent on benefits, although they do not want to be. There are opportunities to bring the services together. We suggest in the report that this is a chance to review services, to look across the board at what resources we would have if Scotland was an independent country and to ask, what are we doing just now that works relatively well and what does not?

We cover various issues in the report. We look at how childcare operates and we make some critiques of some of the commitments that have been made already. How do the systems operate together? Where are the clashes and the tensions? One of the consistent messages that we got again and again was about the number of assessments that people have to go through—blue badge assessments, community care assessments, benefits assessments, work capability assessments and educational support needs assessments. For some people, their situation will not change. For children with really complex needs, their situation will not change. Their life is the way that it is. There is a focus on a medical approach rather than looking at the person in the round.

There is definitely a chance to look at how those things can operate more effectively so that people who want to work can work. There are tough questions that we have to ask ourselves about how services currently operate and about whether they are achieving the goals that they are meant to achieve. Certainly, the view of some people we spoke to was that no, they are not. There are issues around those tensions.

If there is a yes vote, what do we do with childcare and social care—do we know how to make those things operate more effectively? How do they connect with each other? How do we streamline assessment processes and so on? I think that there are great opportunities there.

Kevin Stewart: It seems that in many places, folks have one point of contact and there is a one-stop-shop scenario. Is that the kind of thing that you would like to see?

Lynn Williams: We talked about that a lot as a group. One example was of a child with a diagnosis of autism, where the carer is dealing with a particular professional in the system. The

carer asked why they cannot just press one button that says, "You are eligible for benefits." It is about achieving that kind of simplicity rather than having to deal with 5 million different professionals. In one family's case, they had to deal with 24 different professionals. How do we make that process as simple as possible? How do we reduce that bureaucracy, which would, in itself, save money in the system somewhere along the way?

Kevin Stewart: I will stick with the holistic approach. I attended an event on Friday at the Stuart resource centre in Aberdeen, which is run by the Multiple Sclerosis Society. I am always struck by the fact that folks want to carry on working for as long as they possibly can. We have to give them a certain amount of independence in terms of payments in order to allow them to do that.

We talked earlier about the role of small businesses. Sometimes folks who have small businesses find it very difficult to cope with a person being off sporadically with no warning. How can we bring everything together to ensure that we can keep folks in work for as long as they want to be in work in such circumstances, and at the same time support the business community to allow it to continue to employ them?

David Watt: That very much falls under the point that Lynn Williams just made about things not being joined up. Most of the 24 professionals whom Lynn mentioned will never speak to an individual's employer: there is no connection. I often say that there are only 5 million of us, so let us speak to each other and do things together. Almost regardless of constitutional change, we should be working together for the benefit of the individual; that does not happen.

Most employers are not well engaged and Mr Stewart is absolutely spot on to say that small employers have very limited resources. They do not have HR people, and they are put off or almost scared by people having disabilities because they do not quite know how to handle that—they do not have the appropriate expertise or knowledge. Larger businesses can take such things in their stride and can spend money on preparation, facilities, accessibility and training. That is tough for small employers, so we need to make more support available.

We need to work more with third sector specialists in areas such as multiple sclerosis, which Kevin Stewart just mentioned, and we need to create more awareness of what is going on. That is a big challenge.

We need a joined-up approach and we should talk to employers earlier. Employers would, to be honest, be more sympathetic to the system if they saw the system working positively to help people

into employment, which does not happen. Indeed, it is even suggested that the private sector should be represented on the national social security convention. The private sector probably has not engaged with the system for a long time, except as a recipient—or, I might say, as a sufferer. The first thing that is needed is engagement.

Kevin Stewart: In order to get respect, dignity and trust into the system—which seem to be out the window at the moment—and to get to where we want to be, we need to create a joined-up approach that includes not only public sector bodies, but private sector bodies.

Lynn Williams: David Watt and I have discussed the role of employers quite a lot. I can balance what I do as a carer with my work only because I have an understanding employer who is flexible around my needs. That means that they do not have to recruit someone new—there would be a cost to the business if it lost someone whom I hope is a valued employee.

There are opportunities around employment law, for example—we could do a lot more around existing employment rights. Employers are critical: they are part of the welfare system in a lot of different ways to do with occupational welfare and so on. They absolutely have to be part of the partnership approach.

Martyn Evans: If you see private sector employers as the problem, we will never get to where we want to be. They are part of the solution, although they are not the entire solution. I can be very positive about that because I have spent a lot of time with small employers, particularly in the towns. They know who works for them, they know their communities and are engaged with them. There is willingness to help and there is a natural civil capital.

Kevin Stewart: Those employers care.

Martyn Evans: They do care. That is not easy to say in some of these discussions, but we have to say it openly, because it draws in private sector employers and allows them to see the state not just as just a cash cow that gives them money; they see reciprocity. They have something serious to offer their local communities and economies.

That is why we say bring them in—David Watt was an important influence on us in that regard—and allow the civil society support organisations to help. By their nature, small businesses are very ill-equipped to get time off to go to conventions. Civil society support organisations, business associations, trade unions and the voluntary sector must all support private sector employers.

We were very clear that the private sector is as much a part of the solution in a modern welfare system as the state is. It is an area in which

improvement is necessary, but that alone is not sufficient. I was very struck when I spoke to private sector employers by their willingness to be engaged. I think that David Watt would agree with that.

David Watt: I very much agree.

Annabelle Ewing: My question is on the work capability assessment and the current sanctions system. At the start of the session Martyn Evans read out a quotation from *The Herald* editorial of 5 June, which said:

“Whether independent or not, Scotland needs a welfare system that treats benefit claimants and those struggling to make ends meet with dignity”

and so on. Paragraph 31’s recommendation is to scrap the work capability assessment. It is only with independence that Scotland will be able to do that; that is not on offer from anybody else. We need to scrap the WCA and we need independence to do that.

Paragraph 3.4 of chapter 3, on page 27, starts:

“What is clear is that independence provides Scotland with the opportunity to design a social security system afresh.”

I contend that part of that would be getting rid—quite rightly—of the WCA as it currently exists in the sanctions system. Independence is required to do that. I wanted to make that point. As much as *The Herald*’s editorial was interesting, it lacked a certain factual link.

My substantive question is on an issue that we have not discussed yet. Paragraph 30 contains the important recommendation that,

“subject to certain conditions being met, the National Minimum Wage should begin to rise (in phased amounts) to equal the Living Wage. A clear timetable for full adoption should be set out by the first Government of an independent Scotland. We recommend the payment of Employers’ National Insurance should reduce to help businesses make this transition.”

The Scottish Government’s response is that it is looking closely at that. It would be rather odd if we did not spend a wee bit of time discussing the thinking behind that recommendation.

Martyn Evans: Our thinking behind the recommendation was that if we are to encourage people into work, it must be good work and it must be reasonably well rewarded. We had evidence that if the minimum wage had been uprated according to inflation, it would currently stand at £7 an hour. Given that the living wage is currently £7.65 an hour, the gap does not seem to us to be big, and it does not seem to be a big leap to say, “Let’s be ambitious and move much more towards the living wage.” That is our reasoning.

Internally, we had a number of economists on our group and among our advisers, and they were

worried—quite rightly—about behavioural consequences and affordability, so we put in the caveat that the change should be made overtime, in phases and as conditions allow.

We were very struck by the Low Pay Commission’s report that a significant proportion—I think that it is 20 or 25 per cent—of current employers can afford to pay the living wage; quite an extraordinary number can afford it. Would the move be to require it by regulation or to encourage it? Our line was that, given that there is a growing economy, we owe it to people to redistribute some wealth, because of all the evidence that we had about people who are not just starting their careers but are mid-career and are bringing up families on a minimum wage of £6.31 an hour.

The quid pro quo of our emphasising work was to say that we cannot just open up the labour market as it is and that we have to have some sort of Government intervention in the labour market. I welcome the emphasis on the recommendation, because it is an important one. We talked a lot about it, and about the process.

Annabelle Ewing: Thank you. It would also be helpful for the committee to get a bit more of the background to the recommendation that there be a reduction in employers’ national insurance contributions.

Martyn Evans: Certainly. The conversation that we had focused on the fact that it would be particularly difficult for microbusinesses to move from the minimum wage to the living wage. We had to open up the possibilities of what the state or the Government would do to assist with that, so we looked at the possibility of all businesses—not just small businesses—getting £10,000 a year off their national insurance bill in order to help with that. That £10,000 a year would be inconsequential to, for example, Tesco, but it could make all the difference to a very small business. We looked at the costings, and we felt that there would be a net gain to the exchequer in an independent Scotland.

With all those issues, we thought that the partnership should involve increased distribution of the benefits of working to a wider set of society—£7.65 an hour does not seem to us to be an unreasonable figure—over a period. We recognised that microbusinesses and small businesses would find that difficult, as David Watt advised, so we included the costed national insurance proposal. I do not know whether David wants to say anything else about that.

David Watt: Martyn Evans has summarised things very well. The living wage is a significant issue for businesses, and that is why we need a progressive movement in that direction. I do not think that any business is setting out to pay people

poorly—that is not what they do. They pay wages that are affordable, and ultimately the customer, or we as the public and the consumer of the service or product, pay for that. There is also a clear link to how much the state takes out of people's wages, and that is where national insurance is an issue. It will be a challenge for an incoming Scottish Government to examine the whole package and how it is done, but I think that our recommendation represents sensible support, particularly for smaller employers, who are definitely challenged, as Martyn Evans said.

12:15

Martyn Evans: If you encourage people to move voluntarily to paying the living wage, you would give a competitive advantage, possibly on price and access, to those who pay only the minimum wage. Therefore, there had to be a discussion about which is better. If there had been a very wide gap between the two wages, it would have been impossible to require a move by statute to the living wage. However, because they are so close in real terms, the matter struck us both as a symbol of where Parliament wants to go and as a practical example of the real employment issues in Scotland. That is about having competitive industries, ensuring that productivity is not affected and competition between businesses is not inhibited. That is our thinking.

David Watt: I will add to that. The fundamental points to which I keep returning are about the relationship between skills and unemployment and the relationship between skills and wage levels. If we can upskill our workforce from the bottom up, if you like, that would give people more capacity to earn more money. We are not concentrating on that. Arguably, we are not focusing enough on upskilling the people about whom we are talking.

Annabelle Ewing: This is like all the other debates that we have had in this session. We are talking about the need for a holistic linkage between devolved and reserved powers. I argue that without being able to make a daily linkage with every policy we are rather hamstrung and must operate with our hands tied behind our back.

On the living wage, the point about the minimum wage not having kept up with inflation is very relevant to the debate. We must look at the cost to society as a whole of not doing that and other things that are raised in the very comprehensive report, if the impact on deprived communities is to increase as we heard it described earlier. Indeed, the cost to society as a whole of not getting to grips with the problem would merit a study in itself.

I thank the witnesses for their evidence. I will not detain the committee any longer.

Linda Fabiani: I want to stick to the joining-up theme. I also want to talk about employers because we never acknowledge enough the benefits of small and medium-sized enterprises to the cohesion and wellbeing of communities.

The report talks about maintaining benefits into employment for a period. I assume that that is a reference to the unemployment trap and helping with that. We also know that there are very often incentives for employers to take on young people and apprentices, for example. However, if we are talking about joining up things—I think that this applies to sole traders and self-employed people, as well as to small and medium-sized enterprises—I find anecdotally in my constituency that there is a real disconnect between the benefits system and employment law, for example, and how employers can act. I very often come across employers who are having to pay people off and who say that if they could talk to the benefits office and arrange to get help for a few weeks, the person would still have a job in a month because the employer is just going through a really difficult patch.

I have heard about people giving up being self-employed because there is not a connection that allows them to live day to day. Did you consider not just employers and employment initiatives, but employers' ability to keep people working and employed once they are in the job, if the employer hits a hard time?

Martyn Evans: The labour market specialist who gave evidence was absolutely right. A critical role of employment is to retain people who may not be well at a particular time or who are having difficulties with some connection with the labour market. That may be done through their working part-time or having some time off before returning to work. That approach is not unusual in a range of industries, but it is unusual in small businesses because, as David Watt said, they are not well resourced in terms of human resources expertise and they do not understand the complex benefits system.

In my foreword, I say:

"Independence will provide an opportunity to remove a series of 'disconnects' between parts of the system which are currently reserved and those that are devolved."

That gets to the heart of some of our discussions. We could not go through all the details with you, but everyone to whom we speak said that things could be better integrated.

Part of the strong view that I hold is about the evidence on older men and older women being absent from the labour force. Less than half of women over 55 here are in employment, compared with 70 per cent in other parts of Europe, which is an extraordinary figure. Those

women not being active in the labour market is a massive drag on our economy. Why is that the case? I do not know; I am not a labour force expert, but I know that women in that age group have a huge range of skills, including interpersonal skills and life experience, to bring to the labour market. We need to find out why those women are not working and we need to bring employers into the discussion, so that we can perhaps do something different.

You heard evidence earlier about where poverty is concentrated. Poverty is often concentrated in older industrial areas, where older men in particular have come through deindustrialisation and have not found employment. We have to look at that. It is beyond our remit, but we were quite clear that the opportunities for employment are about not being passive; the Government has a role to play, particularly with older men and older women, as do employers. If we are not careful, we will confine the issue to the private sector.

Lynn Williams's sector is huge; these days, the third sector includes multi-billion-pound organisations that employ thousands of people in Scotland. The demands about the living wage and about employability should apply to those organisations, which are highly differentiated, so it is not an issue that is focused on just one part of the employment sector. It applies to all employers, including in the public sector. The more connection there is with the private sector, the better we will be able to unlock the social capital that I saw so plainly in all my discussions.

David Watt: It seems that, at the moment, people are almost being rewarded for being distant from the labour market, because people have to be out of work for so long in order to get benefits. That is completely the wrong way round: the longer you are out there, the less likely you are to get back into work—as Martyn Evans highlighted. That is especially the case for that older age group and it is especially the case if we do not focus on skills. I applaud modern apprenticeships, but they are aimed at young people, not at men and women over the age of 50, who may need support in facing challenges in respect of their skills.

We should not be rewarding people for being out of work. We should be working with employers to do something that benefits people while they are in employment and are having a difficult time over a period of months, in order that we can ensure that they do not leave the jobs market. There is a significant amount of evidence that getting back into work is hard, and that being able to retain a job is more likely to enhance your career and give better prospects. It is an absolute challenge, and Linda Fabiani has highlighted an important issue.

Linda Fabiani: You heard the earlier evidence from Sheffield Hallam University. From my point of view, the evidence is absolutely clear that an independent Scotland could afford its own social security system. I would like your opinion on whether, by setting up its own system, Scotland could narrow the wide, and widening, gap between communities.

Martyn Evans: First, you are right—we conclude that it is affordable. We conclude that there is a series of political decisions to be made about how you spend that money and what your policy objectives are. We have set out ours, and as part of that we say that inequality is not just a moral issue but a drag on the economy. If you do not bring people in, you will spend more, so there should be preventative spend; I am keen to emphasise that.

If we are not careful, the conversation about work can really upset some people who take a view about work not being the way out of poverty. We recognise that some people will not find their route out, and I have tried to make it clear why we say that. We take the view that we should look at what we do with pensioners and apply that to those who are long-term sick and disabled. It is a critical fairness issue. You can do that only if you build trust in the system. People will be willing to invest more only if they think that they have had a conversation about it and about why we have not tried other routes, too. I wanted to emphasise that point, too.

Lynn Williams: There are opportunities that independence would present. However, to take a more balanced approach, what struck me was that there are issues with how devolution is operating and there are things that perhaps we could do better. There are also things that we do very well. I mentioned community jobs Scotland, which is a fantastic programme that SCVO operates. It is a partnership that tries to get people back into paid work.

The main point for me is that our remit was about the opportunity that would exist in the event of a yes vote to look at combining employment law, benefits, employability and work support, and to do things in a very different and more effective way. What struck me throughout phase 1 and phase 2 of our work and from the evidence that the committee has gathered is that the type of inequalities that we face will be faced regardless of what happens in September. Regardless of the result of the referendum, if we choose inaction, everybody will lose. At the end of the day, we are talking about people's lives. What happens in September is important. We are in an important period in which we are considering such issues more than we have done in the past. For me, the conclusion is that inaction is not an option. There

are possibilities, but let us be honest about where we are as a country.

David Watt: I make it absolutely clear that my membership of the group does not mean that I or my organisation support independence or any other form of constitutional change. That is not our job—we are a business organisation.

Lynn Williams made the point that, from an employers' point of view, a less complex and fairer system that focuses on individuals will be better and will benefit society. I hope that, whatever happens in September, the committee's work and our work will be progressed by whoever is in power in this country. Taking such positive action will only be of benefit to the individuals concerned, who are currently suffering. We need to do that.

The Convener: Members of the committee have finished their questions, but there are two technical issues on which I seek clarification. Did you take into account the retention of benefits by existing claimants in your analysis? Has the impact of that been factored in?

Martyn Evans: Phase 1 of the group's report looked at that issue in the context of the transition. We said that the primary focus as far as delivery was concerned should be on the current claimants, who should not have their benefits disrupted during the transition period. That was the number 1 priority for the option appraisal. We said that, over a period of time, there should be a dual system. The Scottish Government responded by saying that that would be the case for a very short period of time—it said that a system would be operated jointly by the UK Government and the Scottish Government for a maximum of two years. I hope that that answers your question.

There would be such a period mainly because, without that focus on benefits, we would disrupt people and would be likely to make them concerned about the security of their benefit. We all know how important it is to people who are on very low incomes to have the certainty of knowing that they will receive their benefit, regardless of any changes that take place.

The Convener: My final question is on affordability, which I think you measured in relation to GDP. Did you consider using any other matrix to measure affordability?

Martyn Evans: As well as looking at affordability relative to GDP—in other words, relative affordability—we looked at what we in Scotland currently pay for and what the cost of that is. We pay for what we get. A simple affordability measure is whether there is a gap between what is raised in Scotland and what is paid back through the DWP. That is the simplest measure of affordability. There is no such gap. If we had been looking at the issue in another

jurisdiction of the UK and had found a gap, we would have had to say, "There is a gap here, which you will have to fill."

We found that the system in Scotland, as well as being more affordable as a percentage of GDP than the system in the UK and more affordable than the systems in a significant number of OECD and European countries, was currently affordable because it was paid for by Scottish taxpayers. All three of those factors meant that we moved on from the issue of affordability relatively quickly. We had someone from the Institute for Fiscal Studies on our group, who went through all our figures, so I am quite certain that we got that right.

The Convener: It is helpful to understand that.

Lynn Williams: To return to a point that I made earlier, the issue with affordability is that not doing something and not changing what is there would be far too costly. In terms of personal cost and cost to the state, it is simply far too costly to have a system that is so complex and bureaucratic that it disempowers people. I think that the issue of affordability goes much wider. Investing in a good system makes good economic sense.

The Convener: On behalf of the committee, I thank you for your evidence and for the effort and work that you put into producing the report, which, regardless of whether we agree with the idea of independence, has got us all thinking about how we should look at welfare in the future. I think that there is general agreement that the status quo is not an option—that is widely accepted. Your contribution to that thinking has been extremely valuable. Thank you very much.

12:30

Meeting suspended.

12:37

On resuming—

Subordinate Legislation

Disabled Persons (Badges for Motor Vehicles) (Scotland) Amendment Regulations 2014 (SSI 2014/145)

The Convener: We come to agenda item 4. The regulations were considered by the Delegated Powers and Law Reform Committee at its meeting on 10 June. The committee did not draw the attention of the Parliament to the regulations on any grounds within its remit.

For our consideration of the regulations we are joined by Scottish Government officials Stuart Foubister, divisional solicitor, legal directorate; Graham Thomson, transport accessibility and road safety team leader, transport policy directorate; and David Jamieson, blue badge policy officer.

I invite members to ask any questions that they might have about the regulations. Linda Fabiani indicated earlier that she has a question.

Linda Fabiani: I do. It is a constituency query on which I would appreciate the officials' view. The question was previously submitted to a your say session, although the lady involved was not able to come along. It is a very simple question about the possibility of having a duplicate blue badge. The straightforward situation is that the lady concerned has a blue badge disability but is completely incapacitated and cannot drive at the moment because of her advanced problem. She has to take her blue badge out of her car to put it into a car belonging to a member of her family or a friend when they drive her to hospital, which means that her own car is badly parked and she is liable to end up with a fine. Have you considered having duplicate blue badges for specific circumstances? Could that be done at the discretion of the local authority? Would there be anything to prevent the local authority from making the odd exception in cases such as that lady's, in order to be helpful?

David Jamieson (Scottish Government): A general starting point is that the way in which the regulations and scheme are worded limits an individual to a single badge. I do not think that the possibility of having duplicate badges has been considered. Among the reasons why that is the case is probably just a desire generally to keep in circulation only the number of badges that are needed. A badge is given to an individual, not to a vehicle. I guess that that is the general reason why a person has just a single badge.

Graham Thomson (Scottish Government): Because the regulations are framed in that way,

the local authority cannot necessarily apply discretion. Overall, the blue badge scheme is designed to give the individual a right to a blue badge. If you were to give duplicate blue badges, there would be a concern that two badges could be used at once. It is therefore not something that we have considered—at least, not recently; I am not saying that it has never been considered.

Linda Fabiani: I understand the idea of trying to limit fraud. That is perfectly acceptable. However, it seems to me that there are always things that are absolutely genuine exceptions. It is all very well having the right to a blue badge but, in a situation in which it so happens that you cannot use your own car—because you happen to have a stookie or something and you cannot drive—and you have to use your blue badge in someone else's car, the position that you describe seems a bit harsh. I am not asking you to change the legislation, but I would like you to have a think about that. It bothers me that there is no discretion that can be applied by the local authority. I understand that that is the situation with regard to giving out duplicate blue badges, but I would like you to have a think about what could possibly be done in the situation that I describe and get back to me, because the current situation seems to be penalising someone unduly.

Graham Thomson: I would be more than happy to consider the particular circumstances that have been brought to your attention.

Ken Macintosh: If I read the impact assessment correctly, roughly 100,000 people are entitled to the current DLA mobility component, and 60,000 of those people take up a blue badge, because they have got a car.

Graham Thomson: Yes.

Ken Macintosh: And you expect 20 per cent of those people—that is, 12,000 people—to lose that right under the new assessment, when they transfer to personal independence payments.

David Jamieson: The Department for Work and Pensions' estimate is roughly 20 per cent across all awards.

Ken Macintosh: So roughly 12,000 people in Scotland will lose their blue badge—60 per cent of 100,000 would be 60,000 and 20 per cent of 60,000 would be 12,000; that is my arithmetic.

Graham Thomson: Your arithmetic seems sound.

Ken Macintosh: Of those, how many are people who should have been entitled to a lifetime badge? Are they part of the 20 per cent who will lose the badge, or are they part of the 48,000 who will continue to have it?

David Jamieson: It is probably easier to consider the 60,000 figure. We do not know how the provisions in the regulations would impact on those who are expecting to receive decreased awards or no award when they are reassessed for PIP. However, with regard to the 60,000 figure, all of those who have an indefinite award would be able to continue to passport. The second division concerns all those who have a fixed term higher-rate mobility component DLA award. If they dispute their PIP decision, they will have recourse to a further blue badge for a period of time, as they challenge the decision. The two criteria should, in effect, capture everyone within that 60,000 figure, or, at least, the vast majority of them.

Ken Macintosh: My thinking was that those who should have qualified for a lifetime award will be part of the 48,000. The reason why they qualified in the first place will still apply, and I cannot imagine that they would be downgraded in terms of their PIP assessment. However, the figure also covers those who will appeal their downgrade—that would be the 12,000. Is that right? This is the way that I am thinking of it.

Basically, 12,000 people will lose their blue badge. If they appeal their downgrade, they can keep their blue badge while they are appealing. If their appeal is unsuccessful, or after a year, their blue badge will expire. Is that right?

David Jamieson: That is right.

Ken Macintosh: I am not sure whether you can answer my next question. Did the Government look at allowing those who have blue badges to keep them?

12:45

Graham Thomson: Under regulations that were made last year, people who have a blue badge are entitled to keep it until it expires. In general, a badge is valid for up to three years. We do not have the exact figures to tell us the percentage of people who will lose the badge, but the DWP estimates that approximately 70 per cent of people have lifetime or indefinite awards and that 30 per cent of people have fixed-term awards, so we are talking about protecting those 30 per cent while they appeal.

After a year, some of those people will lose their entitlement, if they appeal and their appeal is unsuccessful. We could not consider keeping the 30 per cent on indefinitely, because some of them will legitimately lose their award, which has a fixed term for a reason—for example, their condition may fluctuate and change.

Ken Macintosh: So you did not look at what I asked about. If those people are unsuccessful on appeal, they will lose their blue badges.

I will double-check one other thing. What is happening with bus passes and concessionary travel? Will that be dealt with under separate regulations?

Graham Thomson: That is not part of the scope of the work that we are discussing, but we are not aware of anything being taken forward on concessionary travel. The circumstances of concessionary travel differ.

Broader provision was put in place last year, which covered more than blue badges. We wanted to ensure parity on passporting and non-passporting benefits between DLA and PIP as far as we could. That covered new applicants for blue badges. Now, we are trying to cover as many holders of existing badges as we can.

Linda Fabiani: I return to what I talked about earlier. What discretion does the legislation that allows local authorities to issue blue badges give them over who is issued with a blue badge? Could discretion be used to issue duplicates?

David Jamieson: The eligibility criteria are set out clearly in regulations. Local authorities largely need to follow that when they decide on entitlement. It is always a local authority's responsibility to interpret the meaning of eligibility criteria and to apply them to local circumstances.

Linda Fabiani: I just wondered whether, if local authorities could use discretion under that legislation, you would not need to bother running away and worrying about the issue this time around.

Graham Thomson: The regulations on eligibility are fairly clear. In addition, we publish an extensive code of practice, which local authorities follow and have said that they want to follow in the vast majority of cases. We occasionally have discussion groups that involve local authorities. We had blue badge workshops with them earlier this year, when we discussed eligibility in the round.

Local authorities use the code of practice and the regulations to determine the standards that apply. They have some flexibility, as long as they exercise it within the regulations. I am sorry—I realise that I am not answering the question.

Linda Fabiani: Yes, that was very much civil servantspeak. Thank you.

Graham Thomson: It absolutely was.

Annabelle Ewing: I would have thought that although a local authority must implement the law as set out in the various Scottish statutory instruments, the SSIs would not prevent the authority from going further if it wanted to do so. I might be wrong on that. I have been trying to get

to the nub of the issue for a while, because of a constituency case that I am dealing with.

Does the same discretion apply in relation to concessionary travel? You might not be able to provide a definitive response today, but it would be helpful if you could give the committee some guidance, because such issues come up quite a lot. What happens if someone is in a grey area? I have received correspondence about that.

Stuart Foubister (Scottish Government): Local authorities cannot issue a badge or a travel permit to someone who is not eligible under the regulations—the person must fit in. The categories of passported benefits are only part of the story; there are mobility assessments and so on, but the local authority has no discretion to go beyond that. If someone does not fit into one of the categories of eligibility, they cannot be given a badge.

Graham Thomson: There is always the other route whereby people can apply, as Stuart Foubister said: the mobility assessment. Ultimately, that is where local authorities have discretion, because they conduct the independent mobility assessments and must make a judgment. We provide guidance about how assessments should be done, but ultimately whether someone gets a blue badge is a judgment call when they go through the non-passported route and make an application directly to the local authority.

Jamie Hepburn: In the system that has been operating up to now, if a person loses their entitlement to DLA or their entitlement changes and they lose their passported eligibility for a blue badge, do they lose their badge immediately?

Stuart Foubister: The existing badge runs to its expiry date—that was in last year's regulations. Even if the person is no longer eligible through their benefit, their badge will run to its expiry date.

Jamie Hepburn: Sorry, perhaps I am not making myself clear. Let us say that the badge has expired and the person's circumstances—under the scheme as was—are such that their entitlement to DLA has been lost or downgraded and they no longer qualify for the blue badge under the passporting arrangements. Does the person lose the badge immediately?

Stuart Foubister: If the badge has expired, it is no longer valid and the person must apply for a new one. The test is whether they are eligible at the point of application.

One of the categories that we are putting in just now is people who have appealed the decision that took them out of eligibility. That creates an interim eligibility for another badge while the appeal is running.

Jamie Hepburn: Under the current system?

Stuart Foubister: That is what the regulations that we are considering are putting in, yes.

Jamie Hepburn: I am aware of that. I am coming on to that, but I was asking about the system as it is now. Is there an interim passport entitlement for someone who seeks to appeal a decision?

Stuart Foubister: No.

Jamie Hepburn: So in essence, the Scottish Government is putting in a mechanism that will improve the current system, because someone who appeals will get a year's stay of execution.

Stuart Foubister: That is a new development, which takes account of the new system of personal independence payments.

Jamie Hepburn: And currently if someone appeals they do not have that right.

Stuart Foubister: No.

The Convener: As far as I am aware, the new approach is a response to a suggestion that this committee made. Thank you.

I think that we have exhausted questions. Do members agree to note the regulations?

Members indicated agreement.

The Convener: Given that we suggested them, that was a good idea. [Laughter.] I thank the witnesses for coming along and answering our questions.

Fact-finding Visit

12:54

The Convener: Our fifth item of business is a report back on a visit by Linda Fabiani, Alex Johnstone and Ken Macintosh to Glasgow's Department for Work and Pensions service centre, on 3 June, to examine the operation in practice of universal credit in Scotland. I invite Alex Johnstone to give a short summary of the visit.

Alex Johnstone: I will try to keep it short. The committee met Mike Baker, operations director for universal credit throughout the UK, and his team, which included the manager of the Glasgow service centre, Moira Watson. We discussed with them the implementation process, had first-hand experience of the process and met some of the people involved. The management team felt that universal credit was a better system than legacy systems and that claimants were finding work faster and more easily. That applies only to those who have access to universal credit—single people in the specific areas in which the system has been rolled out. It was explained to us that roll-out had been cautious to allow the DWP to learn many lessons from early implementation. The staff mentioned that 800 issues had been flagged up through their feedback loops and that those were being dealt with.

We also met staff from the Inverness office who had been involved in implementing the pilot there. They took the view that universal credit was easier to operate than legacy systems. The focus is more on employment. The fact that claimants no longer needed to move between benefits was seen as a major advantage, as was the existence of a single contact phone number. The majority of claimants—80 per cent—had completed their claims online without assistance, although assistance is available at the job centre. That was a much higher rate than anticipated.

Other issues that emerged included the fact that universal credit may be more expensive to administer than legacy systems because of the coaching costs, although it is hoped that savings might be made in the administration of the new benefit.

The switch from paper to digital makes the system much faster. The initial estimate that is available online of when claims will be paid and how much is likely to be paid is very popular. Staff who previously only handled phone calls now process applications online. Operating the system with housing benefit and social landlords is a new area of activity for the DWP, and we spoke to individuals who were engaged in that process.

There have been fewer complaints than were initially expected, given that claimants are required to devote 35 hours a week to the job search process. There seems to be no public data yet on

consumer satisfaction. We welcomed the opportunity to talk to people who were sitting at desks and dealing with claims in real time, which indicated that staff in the DWP are finding that the system is flexible and allows them to do their job effectively.

The Convener: That was very helpful. Are there comments from the other members who were on the visit?

Linda Fabiani: I was very impressed by a marked commitment among the staff in Glasgow to assisting people. There is nothing that I would disagree with in what Alex Johnstone said. My one caveat is that we should bear in mind that the pilot is for single people. I think that universal credit will be much more complicated when it starts to affect folk beyond that group.

Alex Johnstone: We worked through an example that started with a single person and got more and more complicated.

Linda Fabiani: There was a dog involved, I think.

Alex Johnstone: Yes.

Ken Macintosh: We are talking about the perspective of the staff—the people running the system—and not that of the recipients. Given public concern about the role of universal credit, we were all struck by how enthusiastic the staff were about the potential for improvement. At the same time, we were very conscious that they were mostly young males. I got the impression that there were more men than women; they were certainly all young single people—

Linda Fabiani: The claimants, not the staff.

Ken Macintosh: Yes—the claimants, not the staff.

It is difficult to jump to any conclusions as a result of the visit. Universal credit is a complex system. There is live interaction with the Her Majesty's Revenue and Customs website, which allows staff to make an initial estimate of how much claimants will receive, which the claimants find very useful.

We were also struck by the low level of complaints about the system. I think that that is because people are told an indicative figure—not an exact figure—quite early on. Some of the benefits were obvious. We will see the complications as it rolls out.

The Convener: That is all helpful to us in continuing to build up a picture of the system. I thank the members involved for giving us a comprehensive report. We will keep an eye on the issue as we move forward.

13:01

Meeting continued in private until 13:05.

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