



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 13 January 2015

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WELFARE REFORM COMMITTEE

1st Meeting 2015, Session 4

CONVENER

*Michael McMahon (Uddingston and Bellshill) (Lab)

DEPUTY CONVENER

Clare Adamson (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Annabel Goldie (West Scotland) (Con)

*Joan McAlpine (South Scotland) (SNP)

*Margaret McDougall (West Scotland) (Lab)

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

*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alex Neil (Cabinet Secretary for Social Justice, Communities and Pensioners' Rights)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Welfare Reform Committee

Tuesday 13 January 2015

[The Convener opened the meeting at 10:00]

Interests

The Convener (Michael McMahon): Good morning and welcome to the first meeting in 2015 of the Welfare Reform Committee. I ask everyone to please make sure that mobile phones and other electronic devices are switched to silent or airplane mode.

We have apologies from Clare Adamson, who is ill. I send Clare our best wishes. She has been ill for a week or so and is clearly not getting over it very quickly.

We welcome our new members, Margaret McDougall and Annabel Goldie. Margaret will replace her Labour colleague, Ken Macintosh, and Annabel will replace Alex Johnstone. I take this opportunity to thank Ken and Alex for their work on the committee.

Agenda item 1 is declarations of interests. I invite our new members to declare any interests that are relevant to the committee. I remind members that any declarations should be brief but sufficiently clear to make clear to any listeners the nature of the interest.

Annabel, do you have anything to declare?

Annabel Goldie (West Scotland) (Con): I have no relevant interests to declare.

The Convener: Okay. Margaret?

Margaret McDougall (West Scotland) (Lab): I have no relevant interests to declare.

The Convener: Thanks very much to you both and welcome to the committee. I hope that you enjoy your time on it.

Decision on Taking Business in Private

10:01

The Convener: The second item of business is a decision on whether to take in private item 4, which is discussion of recent correspondence from Esther McVey MP, United Kingdom Minister of State for Employment. Do members agree to take item 4 in private?

Members indicated agreement.

The Convener: Before we go on, I want to say that it is a disappointment to me that we have just agreed to debate in private a communication between a UK Government minister and me, on behalf of this committee, the content of which has already been sent to a newspaper and put in the public domain before the committee has had a chance to deliberate on it.

This committee has earned a good reputation, and the basis of that success over the past three years has been that, in spite of many legitimate political or personal difficulties, there has always been a willingness to act constructively and consensually in the interest of those affected by current welfare reform. The practices that we have developed and deployed have served the committee well.

I understand that new members might not be aware of the approach that we have operated to dealing with correspondence and information. However, even if MSPs are not familiar with the processes, they must be aware of the confidentiality requirement under section 7.4 of the "Code of Conduct for Members of the Scottish Parliament", which clearly states when members are required to treat discussions, documents or other information relating to the Parliament in a confidential manner. Paragraph 7.4.6 states that, at the very least,

"members are requested to exercise their judgement as to what should or should not be made available to outside bodies or individuals. In cases of doubt members should seek the advice of the relevant clerk."

I have checked with the committee clerks and no such advice was sought in this instance.

I find this situation completely unacceptable and I do not tolerate that type of behaviour. I expect this to be the first and last time that I have to make such a statement.

Cabinet Secretary for Social Justice, Communities and Pensioners' Rights

10:03

The Convener: With that I move to agenda item 3, which is our discussion with the Cabinet Secretary for Social Justice, Communities and Pensioners' Rights. I welcome Alex Neil, the cabinet secretary, and, from the Scottish Government, Lesley Fraser, director for housing regeneration and welfare, and Ann McVie, team leader.

The committee would like to take this opportunity to congratulate Alex Neil on his new role as cabinet secretary. We look forward to hearing his views on his new remit and his plans for the future.

The Cabinet Secretary for Social Justice, Communities and Pensioners' Rights (Alex Neil): Thank you very much, convener. Since this is my first appearance and in light of your congratulations on my new appointment, I should say for the record that I have no interests to declare in relation to pensioners' rights, in case some people might think otherwise.

Thank you for inviting me to come before the committee. Like a number of members who are new to the committee, I am new to the welfare role in my ministerial portfolio. It is an interesting brief, to say the least, and one that is subject to change. I would like to put in context my overall approach. I will try to keep this fairly short, because I want to maximise members' time to question and debate the issues that we will all face in the months and years ahead.

I acknowledge the valuable work that the committee has done in its short period of existence. In the parliamentary debate in December, I saw how some of the areas have been brought to the public's attention as a result of the committee's work, as well as the importance of research, whether that is in relation to sanctions, food banks, the bedroom tax or whatever. Given the austerity measures that the UK Government is bringing forward, your work will continue to be very necessary indeed.

On how you will find working with me, I hope that we can work openly and co-operatively. In the debate before Christmas, I was struck by the willingness of all parties to work with one another. I certainly intend to continue in that vein, and I hope that others will. Although I am sure that you will rightly press me and my colleagues on issues in the future, I know that that comes from a very

real desire round the table to improve the lives of the most vulnerable members of society.

This morning, I will talk about my vision and what I want to achieve in my new portfolio area, particularly on social justice and communities. As this is my first occasion in front of the committee, and the first occasion that a minister has been in front of the committee since the Smith commission reported, I will also give a broad overview of where we take that process, particularly in relation to welfare.

The pursuit of social justice and strengthening communities is relevant to every aspect of Government, so I am particularly pleased to take on that challenge. Those areas are very much at the heart of what the Government wishes to achieve. It is about helping people and communities to fulfil their potential and recognising the enormous beneficial aspects to our economy that would be released from that. We firmly believe that Scotland's greatest asset is our people and that, in a country as rich as ours, more should be done to share our wealth.

In my role as Cabinet Secretary for Health and Wellbeing, I once said that everybody is a stakeholder in the health service, and I believe that that applies equally in my new portfolio. I strongly believe that we all have a part to play in building a fairer and more prosperous society. Almost all of us are reliant on the state for assistance at some point, which is why I firmly reject the idea of scroungers versus strivers that has become so unfortunately apparent in some of the rhetoric from some members of the United Kingdom Government. It is clear that too many in our society do not feel that they have a stake in it. I hope that we can all agree that we need to address that.

In my previous ministerial post, I was clear that a preventative approach is the best means for challenging inequality. Too often, moneys are focused on dealing with the outcomes and symptoms rather than on tackling the root causes of problems such as poverty and inequality. Important progress has been made on changing our thinking and approach—a good example is the closer integration between health and social care—but much more needs to be done. The reasons for inequalities in our society are many, complex and varied. There are no silver bullets or easy answers to many of the deep-lying problems with which we are faced; nor can any of us be satisfied with the existing system, which condemns so many people to poverty and deprivation.

On the Smith commission, I think that everybody in the Parliament welcomes the additional powers. We will always do what we can with those powers to improve the lives of the people of Scotland and

we are pleased that the powers that have been recommended are coming to the Parliament. I hope that they will arrive sooner rather than later. We will work co-operatively in the Parliament and with the UK Government to make the transition as easy and smooth as possible.

In the Scottish Government's view—a view that is shared by many of our stakeholders—there is no doubt that the Smith commission is a missed opportunity to give the Parliament more meaningful levers to tackle the long-standing problems that our country faces. The committee will be keen to ask me what the Government intends to do with the new powers that are to be transferred. The powers that are coming present some opportunities to do things differently. For example, with powers over disability benefits, we can introduce a system that treats people with dignity and respect. The expert working group on welfare has already suggested areas in which change may be possible on that.

It is worth saying a word of caution, however. A process is involved and powers will not be transferred overnight. We all have a responsibility to recognise that and to work together to ensure that powers are transferred with the full budget that they currently hold. Negotiations on the details are still to be had with the UK Government. We need to understand the full financial and legal implications of the process before we make any detailed commitments. The draft clauses, which are due next week, will be a start to that process.

I am pleased to say that last week I had a very useful meeting with the Parliamentary Under-Secretary of State for Scotland, David Mundell. A joint ministerial working group on welfare between the Scottish and UK Governments is being established and its first meeting should take place in week 1 of February. We have agreed a work programme for that with timetables, modus operandi, membership and so on, and I am happy to share that information with the committee if you so wish. I will certainly keep the committee updated, as will David Mundell, who I believe is appearing before you in a few weeks' time.

In the meantime, it is only right that we consult widely with those who will be affected by the new benefits. We will ensure that we do that and take forward plans for engagement with those with an interest. I am happy to take on board any suggestions that members and the committee as a whole have for doing that.

One final thing that I want to clear up is on the Smith commission and universal credit. Some concerns were expressed that any benefits that we introduce could be offset by a cut in reserved benefits due to paragraph 55 in the Smith report. I am now clear that paragraph 55's purpose is to provide a guarantee that the benefit of anything

that we do in the Scottish Parliament should not be undermined or negated in any way as it affects the individual. That is my interpretation, and I expect the UK Government to honour that in full.

I am happy to answer any questions, convener.

The Convener: Thank you very much, cabinet secretary, for a very positive statement. The committee has worked closely with your predecessors and there has been a lot of consensus because there is genuine concern about the impact that the welfare reforms are having. The more constructive that we can be in that regard, the better.

This committee and the Government have shared a lot of research, and you know that we have commissioned more research because we want to get the best picture that we can. The Scottish Government has done work on areas such as the impact on women and the impact on disability groups. Is that on-going? Will there be more work, so that we can drill down as far as we can into the impact on those groups?

Alex Neil: There will be an on-going programme of work. When the draft clauses are published on 25 January, we will be absolutely sure what they say and we will be in a much clearer position to know exactly what powers will be transferred. My next priority will be to ensure that the budget transfers with those clauses, because we do not want to end up in a situation like the one that Northern Ireland has ended up in, where it has powers but does not have the budget to go with them. That has had a terrible impact on the rest of the Northern Ireland Executive's budget.

I am very clear about what I want to do. Let me make two general points. I do not see us just taking the powers that will be transferred as a result of the Smith process and then looking at how we move forward within that envelope. We should look at the broader picture of the Scottish Government's existing powers and budget. How can we make the whole package much more effective in tackling poverty, inequality and all the other challenges that we have?

We know that many groups have been adversely affected by the welfare reforms that have taken place in the past five years—you have mentioned women and disabled people. Another group that is particularly affected is those who live in the severest poverty. The standard definition of poverty is to be living on less than 60 per cent of the UK median household income. The number of people who live on less than 40 per cent of that figure is very substantial: 230,000 people in Scotland live in severe poverty as defined by the 40 per cent threshold rather than the 50 or 60 per cent threshold. A major priority must be those

230,000 people and how we lift them out of the severe poverty that they are in.

What is particularly worrying about that figure is not just the figure itself—which is very substantial—but that it is rising: the trend is that the number is increasing. Indeed, there has been an increasing trend over not just the past five years but the past 10 years. I want to focus on that, along with the areas that you mentioned, because by definition we want to help those at the bottom of the income league as a priority and get money into their pockets so that they can have a better standard of living.

10:15

The Convener: That is really helpful.

In relation to the Smith agreement, you said that you have already started to consider how we might be able to improve the existing situation. Is there any indication of, or have there been any approaches from particular groups about, additional benefits that might be required to fill holes or address some of the issues?

Alex Neil: A number of stakeholder groups are already beginning to indicate policy areas where they think that we could do things differently or better or get a bigger bang for the buck. I am keen to consider where we can get a bigger bang for the buck, but it is far too early to start giving any kind of indication because, first of all, we must be absolutely certain about the powers that are being transferred—we will get the definition of them on 25 January—and we need to know the budgets that are being transferred with them.

Moreover, I do not intend to issue policies without consultation. It must be an engaging, participative and iterative process that involves stakeholders and the committee. There is a significant time barrier between now and when we get the powers. It is at least a two-year gap because, with the best will in the world, it will be at least 2017 before the powers are actually transferred to the Parliament.

Some powers might be transferred in the interim. For example, it might be possible to transfer some of the flexibilities on universal credit earlier because they will not all require primary legislation. However, broadly speaking, the powers will be the subject of primary legislation and, as we know, in the Scottish Parliament and the UK Parliament, it could take up to two years to pass that legislation. We need to use that gap productively so that we plan ahead.

I would also be keen to maximise the consensus on the changes that we make. As a constituency MSP, I find—I am sure that you will be exactly the same—that one of the biggest problems that the

recipients of benefits have is the instability of the benefits system. It seems to change every five minutes and people find it very difficult to access the benefits to which they are entitled. If we make the system more accessible, simpler and easier for people to understand, some of the money that we spend on having to explain it to them could, perhaps, be redirected towards putting money into people's pockets. That would be a better use of the money if we can get there.

We have time, so I would rather take our time to look at the big picture, consult and try to build a consensus on the reform agenda so that, by the time the powers are transferred, we are able to hit the runway ready to fly.

The Convener: I am sure that you will agree that a good welfare system is one that helps people to get back into work so that they can start to fend for themselves.

Alex Neil: Absolutely.

The Convener: Do you therefore agree with the calls for the work programme to be given to the Scottish Parliament immediately?

Alex Neil: In the meeting with the minister of state, David Mundell, and his colleagues from the Department for Work and Pensions last week, we reiterated our view that the work programme should be transferred quickly and that the new contract should not be signed. However, the extension to the contract has been signed to 2017. That places some degree of restriction on what we can and cannot do.

There are options—for instance, we could cancel the extension in Scotland if the work programme is transferred quickly enough or we could renegotiate the extension—but, to be honest, those will be more cumbersome and more difficult than would have been the case had the extension not been signed in relation to Scotland in the first place. Unfortunately, it has been signed.

An early subject for discussion in the joint ministerial working group to which I referred in my introductory remarks will be to consider how quickly the work programme can be transferred and what flexibility we have in the short term. Obviously, in the longer term, beyond the extension period, we will want to look at the work programme—and, indeed, work plus, which is the other work programme that is being transferred—to see how we could make more effective use of the work programme. We all accept that the work programme has not been the raging success that we expected, and I hope that we can do things better.

The work that is being done with Skills Development Scotland is a good example of how we can take a much more holistic approach so

that there is a one-stop shop for people who are on welfare and trying to get into work or for people who are in work and trying to improve their career prospects. I would like them to be able to go into one-stop shops and get easy access to the range of services that they need instead of having to go round the houses. We must make it easy for them to get from welfare to work or to improve their career prospects if they are already in work.

The Convener: We might take that up directly with the minister when he comes before us in a couple of weeks' time.

I open up the discussion to questions from the rest of the committee.

Joan McAlpine (South Scotland) (SNP): Good morning, cabinet secretary. You invited questions about how the new powers that the Smith commission has recommended be devolved should be used. I am a co-convener of the cross-party group on carers. Have you given any thought to the carers allowance and what could be done once it is devolved?

Alex Neil: As you know, we made a commitment on that in the white paper. Had there been a yes vote in September, one of the earliest things that we would have done would have been to increase the carers allowance from the current level of just over £61 to the level of jobseekers allowance. That would have represented a significant percentage increase in support for people who are in receipt of it.

The point about the budget is very important. Before I can make any commitments, I must be sure that we are going to have the budget transferred in order that we can keep to those commitments. I am still keen to do much more for carers than is being done at the present time, and I hope that the transfer of benefits including the carers allowance will help us to do that. We will be looking for where we can deliver a better deal for carers using our existing resources and we will combine them with the additional resources that are coming from the carers allowance and other benefits that are transferred as a result of the Smith process.

I am not in a position to make specific commitments today; the Government will not make any commitments until we know what the powers will be—they will be defined on 25 January—and until we are sure that the budget will come with those powers. We will also want to consult on the most effective way to use the powers—in this case, to get a better deal for carers.

Joan McAlpine: Thank you. That is very encouraging. In your introductory remarks, you talked about the need to simplify benefits. I have been reading the evidence that has been submitted to the Devolution and Further Powers

Committee by Professor Nicola McEwen. She highlights some of the difficulties in devolving a small proportion of welfare and leaving the bulk of it with Westminster and suggests that that will result in more complexity. In particular, she talks about "benefit interdependence". She expresses concern that entitlement to some benefits depends on eligibility for others and says that, if the eligibility criteria for devolved benefits are altered, that could affect entitlement to UK benefits. Do you think that that kind of thing is going to emerge as a problem?

Alex Neil: I agree with Nicola McEwen. Any MSP who deals with people at their surgery sees the interdependence of benefits and, these days, the interdependence of the benefits system and the tax system—tax credits are now a major part of the benefits system. There is no doubt about that interdependence. As long as some of the more major benefits remain at Westminster, when changes are made to the benefits that are being transferred to the Scottish Parliament under the Smith process, we must be cognisant of the problem that Nicola McEwen has highlighted. We must try to address existing problems of people not getting the full panoply of support to which they are entitled. That comes back to the need to improve the benefits themselves, how they work and how they interact with the Scottish Government's wider agenda. We also need to look at the administration and make that as easy as possible for people who have to rely on benefits.

One of the problems that we have at the moment is that, even when the benefits are quite reasonable, people sometimes do not know about them and, if they know about them, they find it difficult to access them. We must consider how we can improve things so that people who are entitled to benefits know about the ones that they are entitled to and can access them more easily. That is all part and parcel of the analysis that Nicola McEwen outlined.

Joan McAlpine: On the same thread, you will be aware that the committee has produced some quite devastating reports on the rise in the number of food banks and in the use of sanctions. Under the Smith commission proposals, control of sanctions will not be devolved, but responsibility for the work programme will be, as we discussed earlier. Dr McEwen identified that leaving control of sanctions with the UK Government while devolving other aspects could be problematic.

Alex Neil: I do not think that it is any secret that I and the Government would like responsibility for all taxes and all benefits to be transferred to the Scottish Parliament for—among others—the reasons that Nicola McEwen has outlined. If we had access to all the levers, it would be much easier for us to take a more comprehensive and

joined-up approach to social security in its widest sense. That would be the ideal scenario, and I hope that after the election in May the UK Government might be in a position to go above and beyond what Smith recommended and allow substantial additional powers to be transferred to us. If we can get those additional powers, that will be all well and good, but for the time being I am planning on the basis of the Smith recommendations.

I know from experience as an MSP—members of all parties will have had the same experience—that one of the most difficult periods that such financially vulnerable people go through is the period during which sanctions are applied. In many cases, they have no income and become heavily reliant on food banks and family support. They build up debts that are very difficult for them to pay off until their benefits are restored, and even when that happens it is very difficult for them to pay off those debts, on top of everything else, given their low level of income. I think that use of sanctions is a pretty inhumane approach.

I am the first person to say that anyone who deliberately defrauds the system should be dealt with severely, because they bring the whole system into disrepute, but in my experience such people represent a very small minority of those who receive benefits. All the evidence shows—even if we take the wildest guesstimate of the level of fraud, as a percentage of the total budget and the total number of people who are in receipt of benefit—that it is a very small problem in relative terms. I know of people who have been sanctioned for totally ridiculous and unacceptable reasons. It is extremely difficult for people to get out of the position that they get into during the sanction period, when they can get into even more dire poverty. I do not think that the way in which the sanctions are working is very efficient, and it is certainly not humane.

Kevin Stewart (Aberdeen Central) (SNP): Good morning, cabinet secretary. At the weekend, 57 civic organisations and charities called for the roll-out of universal credit in Scotland to be stopped. Have you continued to put pressure on the Department for Work and Pensions to halt that process? Can you comment on the discussions that you or your officials have had with the DWP in that regard?

10:30

Alex Neil: Yes. Again, I did that last week. We have asked for roll-out of UC to be halted until we have had a chance to look at it. We made a similar request about personal independence payments, which are replacing DLA. We certainly want those to be transferred before the planned 20 per cent cut in the rate of PIP, which if it goes ahead will

take over £300 million a year out of PIP payments in Scotland. We have not had an undertaking on either of those; we have not received any positive response from the UK Government.

I did get agreement last week from the minister of state that the UK Government should not, as with the work programme, take pre-emptive action on the powers that are to be devolved that could have an impact on how we want to run the programmes in the short and medium terms. If the UK Government sticks to that principle, my interpretation would be that PIP would be transferred before the 20 per cent cut, but I have not had an explicit commitment in relation to the roll-out of PIP or the roll-out of universal credit.

Kevin Stewart: Thank you. I wish you well in trying to put a halt to those things.

The vast bulk of universal credit remains in the hands of the UK Government, but under the Smith commission proposals, it is envisaged that we will be able to deal with some of the housing elements of it. We have seen various reports that there is a major problem with rolling out universal credit, because information technology systems do not seem to be working—there is talk of writing off almost £697 million that has been put into IT thus far. The Major Projects Authority told the House of Commons Public Accounts Committee that the roll-out's status is still amber/red. Do you foresee any problems in terms of this Parliament—if it gets the powers over the housing element—being able to do very little about that because of systems that will not allow the alternations? Have discussions about that been had with the Department for Work and Pensions to ensure that if we come to different arrangements and policy decisions, we will be able to implement them even though the DWP's systems do not seem to be able to do what they are supposed to do at the moment?

Alex Neil: Discussions of that level of detail are really just starting now. We had to get agreement from a meeting last week to move ahead on a ministerial basis. That could not be done in the Smith commission; it did not have the resources or remit to do it. A lot of the very detailed discussions are about to start.

I do not think that the à la carte approach to universal credit is very clever—it defeats the purpose of universal credit. Quite frankly, it would have made absolute sense for all the benefits to be incorporated into universal credit, including jobseekers allowance and others, and transferred in total to the Scottish Parliament. I think that that will happen in time, because common sense has to prevail at some stage.

Secondly, the two bits that will be transferred from universal credit as a result of the Smith commission proposals are policy variations or

flexibilities around housing benefit and administrative flexibility, of which how often payments are made is a good example. Once those powers are transferred there are things that we could do that would not cost any money. I was Minister for Housing and Communities five years ago. At that time Gordon Brown was introducing pilots on changing the system of payment of housing benefit from direct payment to landlords to payment to tenants. I absolutely understand and empathise with the objective of that, which was to encourage personal independence and so forth, so I am not challenging the motivation, which I think was right. However, the reality is somewhat different. When I was housing minister—there are still indications that this is happening—under the old system 96 per cent of housing benefit was paid direct to the landlord. Anyone who wanted the money to be paid directly to them could insist on that, and 4 per cent did so.

When the system was introduced in which the benefit is automatically paid to the tenant and the fallback position is to pay it to the landlord, there was clear evidence of an increase in rent arrears among the people who were affected. Anecdotally at that time, some private landlords told me that they were pulling out of what they referred to as “the DSS business”, because their debt ratio was going up and they could not justify the risk.

Similarly, in the social rented sector at that time, housing associations were concerned that if rent arrears increased as a result of the change, their credit rating would be adversely affected, which could adversely impact on their ability to raise money and the rate at which they could borrow money.

That is all anecdotal evidence, but there is evidence if we talk to people individually. We should consider reverting early to the old system, in which the fallback position is to pay to the tenant—the benefit is normally paid to the landlord, but if the tenant insists on it, it is paid to the tenant. People have to have that right. Our reverting to that would have a lot of support among stakeholders and would, I hope, quickly result in a reduction in the number of evictions arising from rent arrears because people have not been able to manage their money and have not prioritised their rent.

If someone has in their hand the money for the rent and it is the run-up to Christmas and the kids want something, or it is the run-up to the start of the school term and the kids need new shoes, what are they going to do? They will buy new shoes and let the rent wait.

There are issues. We will not do anything until we have consulted the committee and stakeholders, but it strikes me that that is a fairly simple reform that would not cost money and

which would, I believe, in time save money, because the more people who are made homeless through rent arrears, the bigger is the call on the public purse—as well as all the disruption to families. That is the kind of thing that we might be able to do fairly quickly, in agreement with people. It would not cost money but would actually save money at the margins.

Kevin Stewart: I am glad to hear that more detailed discussions will take place. On your final point, at a very early stage, the committee heard from tenants of Dunedin Canmore who took part in a pilot project in which moneys were paid directly to tenants. Some folk were brutally honest about the situation, including a man who admitted that he had alcohol problems and who had stayed sober that day to speak to us. He said that he knew that if he got his hands on the money he would drink it within two or three days. There has been a major failing on the part of the DWP, because it has not listened to people in that regard.

The programme for Government indicated that there will be an independent adviser on poverty and inequality. Will that adviser look at UK Government policy and its impact on the people of Scotland, as well as at Scottish Government policy? How do you envisage working with the adviser to get the best possible policies for the people of Scotland within the powers that we have?

Alex Neil: The First Minister will appoint that adviser reasonably soon, we hope. Obviously, we will work closely with him or her, because that person will clearly be a source of expert advice to us on the way forward on the key issues that need to be addressed. The adviser will help us to prioritise the work, which cannot all be done in one go. We will need a rolling programme of research, as the convener said.

I am absolutely determined that any changes that we make will be evidence based and not just made on a whim. Part of the problem in the past has been that there has not always been evidence. On the change—to which I just referred—to a system in which housing benefit is paid to the tenant rather than to the landlord, there was no evidence to suggest that that was the right thing to do, to be frank. Changes must be evidence based. The new adviser will have an absolutely key role.

Kevin Stewart: Will the adviser look at UK Government policy as well?

Alex Neil: Yes—the adviser will look at the situation across the board.

I am also keen for us to look at how people do things in other countries. There are some things that we have got right, but a lot that I think we

have got wrong needs to be sorted. Other countries have done very well in how they manage benefits. A good example is the Danish labour market system. The Danish have a very proactive labour market policy, such that the period for which people are on unemployment benefits is absolutely minimised. When a person is made redundant, they are very quickly put on a training or retraining programme if a job cannot be found for them. The training and retraining programmes are geared to job vacancies.

I know, from wearing the hat that gave me responsibility for housing, that one of the major potential constraints to expanding the house-building programme in Scotland is the shortage of brickies, joiners and others that is showing up in the construction industry already. One thing that we could do, if we were much more joined up and had a very proactive labour market policy, would be to very quickly get people into training, no matter what their age. People in their mid-40s can still train to be plasterers or joiners or brickies and still have potentially 20 or 25 years of working life left.

The Danish labour market policies are a good example of how that can be done and where we can pull things together. The beauty is that because we are managing a population of 5 million, we can be much more nimble on our feet and joined up than is possible in a nation in which welfare is organised for a population of 60 million. Direct responsibility for that is Ms Cunningham's, but she and I are working together because the core objective is to get people off welfare and into work. If people can work—if they are fit and able to work—we want to get them into work. We want the benefits system, the services and the responsibilities of Ms Cunningham to be joined up so that we maximise people's ability to get out of welfare and into work—and not work with poverty wages, but good well-paid work with good prospects.

Kevin Stewart: Thank you, cabinet secretary.

Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP): Good morning cabinet secretary, and welcome to your new role. You will no doubt have many appearances before the committee, given your remit.

The convener asked some opening questions about the work programme. One concern that I had a good few years ago was about how the work programme was being managed in total and the impact that it was having on opportunities for young people, especially those who were furthest from the labour market. I tended to find that some third sector organisations—[*Temporary loss of sound.*—and create the opportunities. Do you envisage that, if the work programme is devolved to Scotland, it will be repositioned away from

private companies, where it sits now, to third sector companies, who seem to understand better the needs of the constituents who they deal with?

Alex Neil: That is not my direct responsibility; it is Ms Cunningham's. However, my view would be to go with whatever the most effective way of operating the programme is.

Having worked in the area before I became an MSP, I remember innovative programmes such as that run by Strathclyde Regional Council with European funding support called TEGS—training and employment grant scheme—which gave employers subsidy on their wage bill for, I believe, six months if they filled vacancies with people who were unemployed, and particularly if they took on longer-term unemployed people who had been unemployed for six months or more, I think. If the person was disabled and unemployed, the subsidy doubled. I pick that as an example, because it was a very successful scheme.

Sometimes, we reinvent the wheel. We can look back to the work experience on employers' premises—WEEP—programme and a range of other programmes. We know what works and what does not work, and we know who is good at delivering and who is poor at delivering. To come back to the idea of evidence base, we have loads of evidence of what works and what does not in getting people back into work effectively. Remember that many of the people who we are talking about have been out of work for a long time and have lost the discipline to work, if they ever had it, and in some cases they are getting into work for the first time. The body of evidence is there. We should redesign the programme in such a way that we improve the whole effectiveness of getting people off welfare and into work.

10:45

Christina McKelvie: One of the clearest impacts is something that you and others have no doubt heard me talk about, which is the disproportionate impact that all parts of the welfare reform has had on women. I have figures that show that 86 per cent of all the cuts, which amounts to £4 billion, are levied against women, including single parents and women on low pay. Women carers, who may have children with disabilities, account for a 400 per cent increase in the use of food banks.

Every day, I am astonished—I should not be, but I am, because I cannot believe it—to hear people like Lord Freud, who has said:

"It is difficult to know which came first, the supply or the demand."—[*Official Report, House of Lords, 02 July 2013; c 1072.*]

This is his opinion on food banks:

"If you put more food banks in, that is the supply. Clearly food from a food bank is by definition a free good and there's almost infinite demand."

It is wrong to say it is a "free good". I suggest that it is not free for the constituents that I have dealt with who are using the food bank in Hamilton, because the cost to them is their dignity and self-respect. People have been pushed almost to the point of destitution.

I know that the Scottish Government plans to use poverty impact assessments and child impact assessments. Can you give us more detail on how we will use those assessments of the impact of such cuts on that specific group? Some of them are in work on very low pay and on in-work benefits, but they have been pushed to the point of having to go to a food bank and therefore losing their self-respect and dignity.

Alex Neil: All the proposals for change that we bring forward and discuss will be assessed in terms of the equality impact on women, disabled people, ethnic minorities and other groups. There is no point introducing something if the assessment is that it will not have the desired impact on the most vulnerable groups that we desire to help. It has to be evidence based, drawn from the evidence on the current system and the estimates of what the impact of any new proposals will be. We have to properly assess that and make sure.

I am always in favour of piloting programmes. That does not have to be over a long period, but it should be long enough to know that they will have the desired impact and to work out any unintended consequences. The more we talk to the key stakeholders, the better—they are the professionals and they know what works. We do not need a PhD on this. The stakeholders know what does and does not work, so we should use their expertise.

I will boil it down to my experience as a constituency MSP. I will give two examples of what I have been dealing with, and I know that other members will also have examples. Recently, a single mum with three children came to see me on a Friday. Every single one of her children had autism or Asperger's. The Department for Work and Pensions had left her with £18 that week. I saw her on the Friday and she had no money or food and was pretty destitute. She still had a roof over her head. She did not live near relatives and did not have a big family network to rely on. She also did not really know about food banks.

We managed to arrange with the food bank to get enough food to see her and the kids through the weekend to the Tuesday. We also managed to get emergency funding from the local authority over the weekend. After 2 o'clock on a Friday, it is very difficult to get emergency funding, but we

managed to get it and then we got the welfare rights services involved to try to get her sorted pretty damn quick at the start of the week when the DWP offices were open again. That should not happen in the 21st century.

Another example was an old guy who had worked all his days, developed severe arthritis in his early 50s and had been out of work for a number of years. He cannot work due to his severe arthritis. He came to my surgery and his opening comment was, "I hope you don't think I'm stinking, Alex." I asked him why I would think that and he said that he had not had any money to put in the meter for the last three months. He had not had a bath for three months, because he did not have enough money. He said that the money he was getting from the DWP was barely enough to feed himself and pay the rent.

That should not happen in the 21st century, but that is where we are. We have turned the clock back 50 years in the past five years. With the new powers, we want to move the clock forward to treating people in the way that they should be treated in 2015.

Christina McKelvie: Your stories were a nice segue into my next question. All members will have dealt with such situations. Some of the most harrowing cases that I have had involved young people who did not receive a letter to tell them that they were to be at an appointment or who could not attend because of illness and were sanctioned for 12 weeks. Some of the young people with whom I have been dealing in my constituency who have faced sanctions have been left destitute. They might be in families where there is a lot of pressure anyway, so for them not to bring in any money causes real tension and, sometimes, family breakdowns.

We see very vulnerable young people who perhaps have learning difficulties, disabilities or social challenges and who are left completely and utterly destitute. Many of them are young men. To the great credit of my local authority, South Lanarkshire Council, it has been trying to track some of those young people, because there is a close relationship with suicide among young men, which is absolutely horrifying. Those young people get it flung in their faces that they are frauds and that, because they are young, they should be fit and out working. However, benefit fraud accounts for only £1.2 billion, whereas tax evasion accounts for £32 billion, so we have really desperate inequality on our hands.

I would love nothing better than for the Scottish Parliament to be able to end sanctions for such people and start treating people, especially vulnerable young people, like human beings. They become completely disenfranchised and marginalised and extremely wary of the system.

Some of the young people who I know have told me that they have had to turn to crime to feed themselves.

How do we extend the limited powers that are coming from the Smith agreement? In your opening remarks, you mentioned using all the powers and methods that you have. I commend the fact that you are working across portfolios with Ms Cunningham and others, but we have a bit of a ticking time bomb with some of our young people. How do we fix that, support them and give them the opportunities that they need to survive?

Alex Neil: The way that we try to fix it is to ensure that we support them and try to ensure that, until they find work, they have enough income to live on, that they are treated properly and that, in their search for work and training, they have maximum and easy access to all the support that is available. Where we need to enhance the support, we need to do that.

That is how we do it, but it is difficult if we have only some of the powers and some of the budget instead of all of the powers and all of the budget. There are practical reasons why, if common sense prevailed, all the relevant powers would be transferred to the Parliament. If I were a unionist and not a nationalist, I would still argue for them all to be transferred because to do it in bits and pieces—to look at it as an à la carte menu instead of looking at the total picture—does not maximise the possibilities for improving the system dramatically.

Annabel Goldie: Good morning, cabinet secretary. I, too, congratulate you on your new role.

Convener, before I pose my questions to the cabinet secretary, I should mention that something rather glaring occurred to me about my earlier declaration of interests: it might astound everyone, but I am of pensionable age, and perhaps that should be mentioned.

Alex Neil: It is hard to believe.

Annabel Goldie: How gallant of you, cabinet secretary.

The Convener: The cabinet secretary thinks that men in their middle age are old.

Annabel Goldie: I noticed his reference to that, which was rather discomfiting to me. However, I apologise for the lack of clarification earlier.

Cabinet secretary, it might surprise you to learn that I found myself agreeing with a considerable element of what you said. Two of your early observations were that preventative measures are best and that we need to concentrate on welfare to work. I was struck by those. You also mentioned the interesting Danish labour market approach.

I want to ask a general question—I am not making a political point. We accept that there is a skills shortage in Scotland and that this Parliament is responsible for the provision of education and skills. Will it be necessary to review the approach to colleges? Many of the people who need help to get back to work would benefit from the availability of part-time courses. I emphasise that I am not making a political point here; I am simply speaking from awareness of the people who need additional skills, of where they live and of where they would be likely to access those skills. The answer is probably from the local college.

Alex Neil: My view is that we tailor all the services from colleges, universities and schools to help people to get on the jobs ladder or, if they are already on the ladder, to get as far up the ladder as they possibly can.

The issue concerns not just unemployed people. Before Skills Development Scotland was separated from Scottish Enterprise, there used to be the concept of a skills ladder. There were policies designed to get people on the ladder, as well as policies to get people who were already on the ladder further up it. We need to do both. The more people who go up the ladder, the more opportunities are created at the bottom to allow people to get on the ladder.

The situation will vary from industry to industry and perhaps from job to job. A plasterer could be pretty well trained in a fairly short time, but that would be very different from training a joiner or an architect, who would require a five-year degree. The whole system has to be geared as much as possible towards maximising the opportunities for jobs and career development, towards getting people off welfare into work and towards allowing people who are in work to develop their career and enhance their career opportunities.

My view is that, whatever services we need to provide in whatever sector, if the evidence suggests that we need to do something differently, to do something that is not in place already or to expand a programme, let us do it. As I said earlier, people from the housing and construction sector are telling me now that they can see a developing shortage in the most basic construction skills. That is the pattern. After a recession, a lot of people leave the construction sector, and it is difficult to persuade them to go back. It is necessary to replenish the workforce because of the people who have been lost, and to train more people to carry out the extra building work resulting from the increased demand for new houses for owner occupation or in the social rented sector. My view is that we need to have all that joined up.

It is always difficult to quantify things. As a very young man—not that long ago—I did work for the Manpower Services Commission, which was the

old combined training and employment agency, way back in the 1970s. The question was how to forecast what the shortage would be and how many people would need to train. The conclusion that everybody reached very quickly was that it is difficult to forecast such things accurately but, if in doubt, people should be trained to do the job.

There is no doubt at the moment that opportunities are emerging in the construction sector and that the college sector, private trainers and the whole Skills Development Scotland infrastructure need to respond to the need to meet those skill shortages, using that opportunity to get more people off welfare into work.

Annabel Goldie: I gather from what the cabinet secretary is saying that he recognises that, in consequence of the very welcome transfer of powers, there may have to be a review of how better to dovetail what we are trying to do at the Scottish end as we prepare people to try and get back to work. That was a positive response from the minister.

Alex Neil: The transfer of the work programme gives us an opportunity. The customers of the work programme, if I can put it that way, are people who are trying to get off welfare into work. There is a real opportunity to do more, and not just to get people into work that might be temporary and might involve filling shelves in a supermarket, for instance. If there are real opportunities for well-paid jobs as plasterers, brickies or whatever, it is a matter of getting as many people as possible into those good jobs with long-term prospects. A revised work programme would be a good way to do that.

11:00

Annabel Goldie: On the scale of the changes that are coming, I appreciate that some members of the committee, and no doubt the cabinet secretary too, feel that the welfare changes proposed under the Smith agreement are not enough. I respect their right to hold that view, although I do not agree with it.

One thing that I can say is that the Smith commission detected no appetite from anywhere to devolve the state pension. At my delicate stage of life, that may be an interesting perspective, but there was a recognition, both on the economic front and on the social mobility front, that there was merit in the state pension remaining reserved, and some of the arguments extended to core welfare provision.

The issue behind my observation is this. The DWP has and will have a presence in Scotland that includes the provision of a lot of important data about many vulnerable or potentially vulnerable citizens. The Smith commission was

quite clear that the Scottish Government should be willing and prepared to work as constructively as possible with the DWP to try to ensure, apart from anything else, that we do not duplicate effort but that we conjoin initiatives and benefit from one core retention of data, and that we work co-operatively with the different agencies to ensure that we deliver the best service that we can to the people who need it.

I was interested in the reference to the joint meetings that are to be held with the Scotland Office, but does the minister have a programme in mind for establishing a relationship with counterparts at Westminster in the DWP? Can he comment on the regularity of meetings with the Scotland Office and on how he envisages growing a relationship with other ministerial departments at Westminster?

Alex Neil: Maybe I should have given more information at the start. On the joint ministerial group, the lead minister from the UK Government will be Mr Mundell and the lead minister from the Scottish Government will be me. Also on the group will be David Gauke, Financial Secretary to the Treasury, and Lord Freud, who are likely to attend if there is a matter under discussion that affects their departments. Similarly, Mr Swinney and Ms Cunningham will join me on the group. It is a joint ministerial group and not just me and Mr Mundell, although I am sure that we could solve all those problems between us, and I think that Mr Mundell would agree with that.

It makes sense to have wider ministerial representation from both the UK Government and the Scottish Government, and if other ministers from either Government need to be brought in, we will bring them in as and when required. It is not just Mr Mundell and the Scotland Office that will be involved. The Department for Work and Pensions was involved at official level in last week's meeting and it has now appointed a devolution director to oversee the department's work relating to the changes.

We also agreed in principle last week that we will share data and information between the Department for Work and Pensions and the Scottish Government, because that is essential to a smooth changeover. We are both absolutely determined that, whatever happens, the transition should not result in any recipient losing out or missing a payment. We must both work constructively together, as we have agreed to do, to ensure that there is a smooth transition of powers. That means sharing information and agreeing at every step of the way what needs to be done, who is doing what, and when to switch the computers when that is necessary. There will be a period when we will need to rely on the Department for Work and Pensions computers,

probably even for the devolved areas, until we build up our own computer data infrastructure.

All of that will be part of the agenda of the joint group. The first meeting will be in the first week of February and the second will be in the first week of March. The UK Government then goes into purdah, but it has been agreed that in between times Mr Mundell and I will deal with any issues that need to be dealt with in the UK and Scottish Governments respectively, so it is a close working relationship. Mr Mundell and I worked closely together on the Enterprise and Lifelong Learning Committee of this Parliament, as well as more recently on issues such as Ebola, when I was responsible for health and he was part of the COBRA set-up for the UK Government.

Mr Mundell and I have also agreed that if any issues arise that require quick action, we will just lift the phone. We will not let any issues fester. We do not want molehills to become mountains; we want to try to resolve any issues that need to be resolved. If something requires to be resolved urgently, we will just lift the phone and get it resolved. He and I will talk and will involve the other ministers as necessary. The ministerial group that is meeting will include at least three ministers from each Government.

Margaret McDougall: Good morning, cabinet secretary, and welcome to your new post. Perhaps I should have stated that I am of pensionable age, too—[*Interruption.*] I know. So here we go—[*Interruption.*] Yes, indeed—maybe a bit more cranky and more creaky as well. I am sure that we have lots to add.

I want to return to the discussion that we had on the housing cost element of universal credit. One of the most devastating welfare reforms was the underoccupancy charge, or the bedroom tax as it has become known. I know that it is early days, but how will you deal with that, given that you now have the control to reduce or abolish it?

Alex Neil: The Government's position is very clear: we want to abolish the bedroom tax, end of story. It comes back to the budget issue. As you know, we are now spending £104 million on welfare mitigation measures this year. Over the three-year period from the previous financial year to the next one, the total that we will spend on welfare mitigation is of the order of £296 million.

We would prefer—and this is why I am in favour of having power over all these policies here—not to have to spend money on welfare mitigation but to get the policy right in the first place. It seems a bit daft that one Government is spending money and changing policy that has a knock-on impact that then requires another Government to spend that amount of money on welfare mitigation. I would like us to get to a position where we did not

need welfare mitigation. Until we get control over all the levers, I do not see that happening. The Government's position is absolutely clear: we want to abolish the bedroom tax—no ifs, no buts.

Margaret McDougall: So it will be abolished.

Alex Neil: It will if we have the power to do it. We need to wait and see what the clauses say on 25 January. If we have the power to do it, we will do it—and we will do it as a matter of priority.

Margaret McDougall: It is certainly one of the policies that have affected women and children the most.

Alex Neil: It has also particularly affected disabled people.

Margaret McDougall: Yes, because of the lack of housing. I welcome what you have said, so I will move on. What have been your considerations in relation to the introduction of new benefits?

Alex Neil: Once we get clarification and the budgets, we will be in a better position to look at how we can reform the system in terms of tying in what has been transferred with existing commitments.

Part of my function is to look at communities and community empowerment. We need to talk to local authorities as well, because they are involved in providing a range of local services. In many cases, if we had a more joined-up approach, we could get a much bigger bang for the buck. For example, local authorities provide some discretionary grants to children for certain things. Should we include them as part of a reformed system or should they continue as they are? Should we get local authorities involved much more in the delivery of some of these benefits or should we have a single national agency? A range of issues need to be addressed.

I am not coming at this with a closed mind; I am coming at it with a very open mind and I particularly want to hear from the experts and those at the receiving end. The biggest stakeholders in all of this are the people at the end of the line who are the benefit recipients. What do they think would work a lot better? What could be done to make it easier for them to get off benefit and into work?

I am keen that we talk to the customers—the people whom we are all trying to serve. Of course, we must also talk to the stakeholders, because they have professional expertise, and I want to have an open and co-operative relationship with the committee. For example, I am happy to come and bounce ideas around with the committee to see what members think before the Government commits itself. However, we need a programme of work that is ready to run so that, by the time the powers are transferred, we are all clear about

what we are going to do with those powers, along with the existing powers and budgets, to make life better for more people. That is the objective.

Margaret McDougall: Thank you.

The Convener: Thank you, cabinet secretary. Is there anything that you want to add before we close?

Alex Neil: No. As I said, I am not just paying lip service to the committee. I know that the committee has taken a bipartisan approach in the past and I am keen to get into a position where we take as much of the party politics as we possibly can out of the debate in order to move forward on policy development. We are all trying to achieve the same objective. We may have different views on how we get there, but the more consensus we can build on the way forward, the better.

Apart from anything else, getting long-term stability into the welfare system must be one of the key objectives, because my experience—I noted that you were nodding in agreement, convener—is that one of the big problems for the people at the receiving end has been the instability of the system and the rapidity of changes that have left them not knowing what they are entitled to or how to access it. Those are the areas where we can work together constructively.

The Convener: I totally agree. Perhaps with the exception of the constitutional issue, we are singing off the same hymn sheet on a lot of aspects and we will continue to move forward as we have in the past. I am glad that you have picked up on that.

I thank the minister's officials for attending even though, unfortunately, they did not get the opportunity to make a contribution this morning. Thank you for your evidence, minister.

Our next meeting will be on 27 January, when, among other things, we will consider the Welfare Funds (Scotland) Bill at stage 2.

11:12

Meeting continued in private until 11:26.

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