The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

WELFARE REFORM COMMITTEE

Tuesday 10 March 2015

Session 4

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CONTENTS

WELFARE REFORM COMMITTEE
5th 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:

Jenny Brough (Scottish Government)
Professor Steve Fothergill (Sheffield Hallam University)

CLERK TO THE COMMITTEE

Simon Watkins

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Welfare Reform Committee

Tuesday 10 March 2015

[The Convener opened the meeting at 10:01]

Decision on Taking Business in Private

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

The first item of business is a decision on whether to take in private item 4, which is consideration of a paper on the committee's work programme. Are members agreed?

Members *indicated agreement.*

Subordinate Legislation

Council Tax Reduction (Scotland) Amendment Regulations 2015 (SSI 2015/46)

10:02

The Convener: Item 2 is consideration of the Council Tax Reduction (Scotland) Amendment Regulations 2015. The regulations are subject to the negative resolution procedure and will come into force on 1 April 2015. They make further amendments to the Council Tax Reduction (State Pension Credit) (Scotland) Regulations 2012 and the Council Tax Reduction (Scotland) Regulations 2012.

Before us are two Scottish Government officials: Jenny Brough, team leader in the local government finance and local taxation unit, and Colin Brown, senior principal legal officer. Jenny, will you give us a brief introduction to the regulations and what they set out to do?

Jenny Brough (Scottish Government): Yes, of course. Good morning and thank you for the opportunity to appear before the committee.

The purpose of the amendment regulations is to make a number of changes to the provisions of the council tax reduction scheme for 2015-16. Some are routine amendments that are made every year—for example, to apply the United Kingdom Government's annual uprating of social security benefits. Others are minor corrections to the provisions of the scheme's regulations, which were laid in 2012.

There are also some amendments to reflect evolving policy positions in Scotland, such as the introduction of same-sex marriage, which requires the updating of references in the regulations. Finally, there are some amendments to the provisions for the council tax reduction review panel, which was set up in 2013 to review council tax reduction decisions.

Essentially, there are a number of different types of amendment in the regulations, all of which have been designed to prepare the council tax reduction scheme for 2015-16.

The Convener: Does anyone have any questions?

Margaret McDougall (West Scotland) (Lab): Will you clarify something for me? Paragraph 6 of our briefing paper mentions an amendment made to the council tax reduction scheme in relation to

"extending the classes of person who do not need to be habitually resident in the United Kingdom in order to be able to qualify for a Council Tax Reduction".

I could not find anything in the paper that you have provided that explains what the changes are. Will you explain them?

Jenny Brough: Yes, of course. Elements from the council tax benefit regulations were adapted to create the council tax reduction scheme, and some provided an interface between the social security system as it was at the time and the treatment of home affairs provisions such as those on persons who are, or are not, entitled to publicly funded support. A good example would be that persons who are subject to immigration control are not entitled to certain forms of publicly funded support.

As far as we could, we sought to replicate those provisions within the council tax reduction scheme for those who would be described as persons who are not considered to be habitually resident in Great Britain, who are therefore not entitled to council tax reduction. In this case, however, there were one or two examples that we were not aware of, such as persons who are supported by the destitution domestic violence concession.

As part of the policy intention to replicate the entitlement that would have existed under council tax benefit, those persons should be included in the scheme as persons who can be entitled to support. That is a good example of our not being aware of a particular provision that we should have made. We have now reflected in the scheme that the restrictions do not apply to that category of person. People who are supported by the destitution domestic violence concession can be entitled to CTR.

Margaret McDougall: Thank you for that.

The Convener: As there is nothing else that we need to do with the regulations, I think that the committee will agree to note them. I thank Jenny Brough and Colin Brown for appearing before us.

10:05

Meeting suspended.

10:06

On resuming—

"The Cumulative Impact of Welfare Reform on Households in Scotland"

The Convener: Agenda item 3 is a presentation by Steve Fothergill from Sheffield Hallam University—welcome back, Steve. "The Cumulative Impact of Welfare Reform on Households in Scotland" is the third report that Steve has completed for us to allow the committee and the wider public to gain a greater understanding of the impact of the welfare reforms in Scotland. In the report, Sheffield Hallam University has been able to go a step further and analyse their impact at household level.

I hand over to Steve for him to tell us his findings and give us any other information that he thinks the committee might benefit from having.

Professor Steve Fothergill (Sheffield Hallam University): Thank you very much, convener. Good morning, colleagues.

This is not the first time that I have been in front of the committee. It is always a pleasure to come up here. The fact that I keep coming back is a reflection of the fact that I and Christina Beatty at Sheffield Hallam have become the go-to people, if you like, in the sense that we have the reputation of understanding and knowing about the impact of welfare reform, not just up here in Scotland but across all parts of the United Kingdom.

I will say a few words by way of introduction. In particular, I will say what the report is not. Given its title, you might expect that we document some tale of woe about the hardship of individuals and households. That is not the case; it is not that sort of exercise. The report is very much a quantitative exercise in assessing how much people in different sorts of households can expect to lose when the welfare reforms have come to full fruition.

The other thing that I will say by way of introduction is that the report is not in any way an attempt to pass judgment on the reforms. It is a hard-nosed, objective look at them. It is an attempt to trace through what the impact will eventually be when all the reforms have come to full fruition. I am sure that members of the committee have personal views about the reforms; I do, but I hope that the objective, independent way in which we have looked at the issue gives strength to the report.

I will add a further point. In re-reading the report on the train on the way up, I became aware that there were one or two tiny inconsistencies between the revised numbers in the report and the text. If it is okay with you, convener, and the rest of the committee, I would like to iron out those small inconsistencies when I get back to base and give you a slightly revised version of the report, which you can mount on the website instead, because I am a little embarrassed by some of the inconsistencies.

Convener, you mentioned that I have been here before. On the first occasion, which was nearly two years ago, we came with a report that was the first attempt to quantify the financial losses arising from welfare reform in Scotland. We did that for Scotland as a whole and for each local authority in Scotland. Last year, we came back with a report that drove down those estimates to the level of electoral wards in all of Scotland's local authorities. The new report does two things. First, it comprehensively updates all the estimates. Some of the revisions are not minor—I will explain more about that as the talk progresses. Secondly, and most important, the new report is the first attempt to estimate the impact on different types of households.

The report covers eight reforms, the vast majority of which were initiated by the present coalition Government at Westminster, although some elements, particularly of the incapacity benefit reforms, have been working their way through the system in the past two or three years but were initiated under the previous Labour Government. We have looked at everything that has been going on simultaneously over the past few years and not simply at the things that were triggered after 2010.

What was not on the shopping list? First, there was the housing benefit underoccupation rules, which are better known as the bedroom tax, and the changes to council tax benefit. Here in Scotland, you reached arrangements that have ensured that the financial losses arising from those elements of the overall Westminster reform package are not passed on to claimants. Universal credit was not covered in our study, either, because it is a fundamentally different sort of reform from the others. It is not about reducing the amount that is spent on benefits, or certainly not the amount that is spent directly on benefits; it is really a repackaging of existing benefits. Indeed, in the short run, a little more money is being put into the pot, rather than money being taken out.

I need to go through some steps to explain the basis of all our estimates. Everything that we have done starts with the Treasury's estimates of the overall financial savings that arise from each element of the reforms. The work that we brought to the committee previously was based on the Treasury's original estimates of how much it expected to save from each element of the reform package. It has become apparent that the Treasury is gradually revising some of its expectations about how much it thinks it will save from different elements of the reform package, which is why we have had to revisit some of the numbers that I showed you last year and the year before. I underline the fact that the revisions are really quite significant. In a number of instances, they are very big changes indeed.

To work from the Treasury's estimates of financial savings down to the level of Scotland as a whole or individual areas in Scotland, we have to bring in local benefit claimant numbers, which allows us to make that transition. Then, to work out the impact on different types of households, we have brought together a number of different data sources. In particular, there is the family resources survey, which tells us the amount of benefits that different types of households draw on. I will not go into the finer details of that, but it is all set out in the report.

As I have said before, you also need to bear in mind that some of the reforms target households and other elements of the reform package target individuals. For example, the housing benefit reforms are about households and the changes to incapacity benefits involve individuals.

10:15

The figures that I am going to present are for the impact when the reforms are fully implemented. That term is important, as the reforms are by no means fully implemented at this stage. The incapacity benefit reforms, in particular, are now badly delayed. You will be aware that there has been an enormous build-up of appeals in relation to the work capability assessment and that the prime contractor, Atos, walked away from its contract. The cumulative effect of all of that has been to introduce a hiatus in the process of implementing the incapacity benefit reforms. Because the work capability assessment element of the reforms has been delayed, there are knock-on consequences for the implementation of the time limiting of non-means-tested entitlement for those in the work-related activity group. The whole timescale has been pushed back.

It also needs to be noted that the reforms to disability living allowance—the changeover from DLA to personal independence payments—are mostly still in the future. They will not begin to kick in in a big way until after the general election. At this juncture, in the spring of 2015, about 30 per cent of the total financial losses arising from welfare reform are still in the pipeline. We have not seen everything yet.

I would like you to bear in mind a final statistical point. In all the estimates that we have produced, everything else is held constant. In particular, we make no assumptions about lower benefits leading to higher employment, although I will comment on that issue towards the end of my comments.

The slide that I am showing you now shows our revised and updated estimates of the overall impact of the reforms on Scotland. We calculate that the total financial loss when all the reforms have come to full fruition will be a little over £1.5 billion a year. The original estimate was about £1.6 billion a year.

As for where the hits are coming from, there are quite significant shifts in the batting order. Originally, we estimated that the incapacity benefit reforms would lead to by far the largest financial losses. The Treasury has revised down its estimates of the financial savings there, I think because it has taken better account of the compensatory means-tested benefits that kick in. On the other hand, the savings that are now anticipated from DLA reform and from tax credits have increased.

How does Scotland compare with other areas? We now estimate the loss in Scotland to be about £440 per year per adult of working age, which is not far from the GB average. It is less than applies in Wales, northern England or London, but more than in much of southern England. Of course, the hit to claimants in Scotland would have been somewhat higher—we think that it would have been about £475 per year—in the absence of the measures that you have introduced up here to offset the bedroom tax and the council tax benefit reductions.

I am now showing you some revised estimates of the impact by local authority. The batting order has not changed very much—Glasgow was at the top and Shetland at the bottom originally—but there have been a few tweaks. In particular, the numbers in Glasgow have come down by about £40 per year per adult of working age.

I now move on to the impact on different sorts of households, which is the new element of the work.

We have always known that different elements of the reform package impact on different sorts of households, and we have known reform by reform and benefit by benefit the sorts of households that are most likely to be in the firing line. For example, in the private rented sector, housing benefit reforms impact mostly on working age low-income households, have a particularly sharp impact on the under-35s, especially men under 35, and kick in quite strongly for large families. I will not go mechanically through the different elements, but you should look for buzzwords such as “low income”, “disabled”, “out of work” and “older”. Those sorts of groups are often impacted by the various reforms.

An important point is that all the reforms are happening simultaneously, and several of them impact at the same time on the same individuals or households. That is where the new report takes things forward, because we are beginning to look at the cumulative impact of the reforms on different sorts of households. Before I get into the numbers, I will highlight the numbers that are affected by the different elements of the reforms and the expected average financial loss.

Some of the reforms, such as the uprating of benefits by 1 per cent instead of inflation, affect large numbers of individuals, but the financial losses are modest. For example, although the freeze in child benefit rates up to 2014 affected all families that were claiming child benefit, the amounts involved were relatively modest. At the other end of the scale, the household benefits cap affects only small numbers in Scotland, but the average financial losses might be quite large. In between the two, the reforms to incapacity benefit and disability living allowance affect substantial numbers of people to a substantial degree, with typically £2,000 a year being lost.

What is the cumulative impact of all that on different households? The next table is probably the most important one in the presentation because it shows the expected impact of the reforms on different types of household. The list in the table comprises 15 different types of household, and all Scotland’s 2.6 million households can be slotted into one or other of the different categories. Towards the bottom of the list, there is a group of categories labelled “Other”. The numbers in those categories are relatively small and tend to be households with rather complex structures, such as a parent and child living with the child’s grandparents or what one might call non-standard family units.

The significant point that emerges from tracing the impact on different types of household is that some types of household get off very lightly, on average, while others are hit much harder. For example, pensioner households have barely been touched by the welfare reforms so their average financial losses are very small. That is because the Westminster Government has deliberately designed the welfare reform package to hit working-age benefit claimants and to largely avoid any impact on pensioners. For a pensioner to be impacted by the reforms, they would have to be living in the private rented sector and claiming housing benefit, which relatively few pensioners do, or be in the slightly unusual position of being over state pension age and still claiming child benefit.

Another group that escapes unscathed from the reforms is student households, because students have very little—if any—entitlement to welfare benefits. On the other hand, the figures expose the fact that households with dependent children are hit particularly hard. For couples with one or more dependent children, the average loss is in excess of £1,400 a year, and for lone parents there are even larger financial losses. Before we undertook the exercise, it was not at all clear to us that the welfare reforms were having such a large impact on households with children. That was quite a surprise, and it caused us to look at why that is happening.

The next table contrasts lone parents who have one child with couples who have no children at all, and looks at the share of households in those categories that are hit by each element of the welfare reforms. The column headed "Lone parent—one child" shows that all those households are hit by the freeze in the value of child benefit and by the 1 per cent uprating, and 81 per cent—or four in five—are hit by reductions in tax credits. The housing benefit reforms in the private rented sector hit 14 per cent, which is one in seven; the incapacity benefit reforms hit one in 10 such households; and the disability living allowance reforms hit a further 7 per cent and so on.

In contrast, you can see from the column headed "Couple—no children" that the percentages of those households that are hit by each element of the reforms are on average significantly less. That is not to say that in those households in which couples are hit by incapacity benefit reforms or disability living allowance reforms, the people are not facing large financial losses. They are facing large losses, but lone parents—or indeed couples—with dependent children are, on average, more likely to be hit by multiple elements of the financial reforms.

Putting all that together, the figures suggest that around two thirds, or £960 million a year, of the total financial loss is falling on households with dependent children. About 40 per cent, or £600 million a year, is falling on the sick or disabled via DLA and incapacity benefit reforms. Those groups also lose through some of the other elements of the reform package.

Around half of the financial loss is falling on in-work households. You should not add the figures together as there is overlap between those groups, but the tables broadly indicate the distribution of the financial losses between different groups. Two thirds of the reforms are hitting households with dependent children, about 40 per cent are hitting the sick and disabled, and around half are hitting in-work households.

Are things worse in Scotland than in Great Britain as a whole? Not really, as the social security regulations are the same in both countries. However, if you look carefully at the Scottish column in comparison with the GB column, you will see that, in a number of categories, the financial hit in Scotland is actually slightly less than the GB average. That reflects the fact that, up here in Scotland, you have found ways of averting the reductions in council tax benefit and the impact of the bedroom tax.

There are differences between places in Scotland too. The appendix to our new report gives the figures for every local authority district in Scotland, and it is worth pulling out the difference between Glasgow and Edinburgh. In both cities, on average, couples and lone parents with dependent children face big financial losses, but the financial losses are larger in Glasgow than in Edinburgh, which reflects the fact that the welfare benefit claimant rate is higher in Glasgow.

10:30

This may look like a tale of woe, and I suppose that in some respects it is, but will it be all right on the night? Are we setting the alarm bells ringing unnecessarily?

Of course, Westminster ministers say that the welfare reforms will incentivise individuals to find work, and that if people look for work they will find it, and therefore the loss of benefit income will be offset by additional earnings. However, we need to bear in mind one or two points. First, it has always been the case that the majority of claimants are financially better off in work than on benefits, so there is nothing new about the incentive to be better off by working, although there is no doubt that the welfare reforms increase that incentive.

We also need to bear it in mind that out-of-work claimants tend to have low skills and poor health and so will not be employers' first choice. Then there is the obvious question: where are all the additional jobs for people to go to? I can see that, perhaps in certain prosperous local economies, particularly in southern England and maybe in one or two parts of Scotland, the additional labour supply that has been triggered by the welfare reforms may lead to employers taking on extra individuals and the overall level of employment might be somewhat higher. I suspect that such a generalisation does not fit Scotland very well, and I would be enormously surprised if the reforms resulted in significantly higher levels of employment.

Having said that, we have no hard evidence on that point as yet. As the convener well knows, we intend to pilot some work in Scotland to see whether there is any evidence that the reforms have led to higher levels of labour participation and employment, so the committee should watch this space.

It is also worth asking whether the financial losses that arise from welfare reforms are offset by increases in the personal tax allowance. I have heard that argument on a number of occasions. There is something in it, I have to say, but we need to bear it in mind that only a proportion of benefit claimants pay income tax. Full-time employees generally pay income tax, but individuals in part-time low-paid employment are often below the tax threshold, and someone who is out of work and on means-tested benefits is also generally below the tax threshold.

In quantitative terms, the increases in the tax allowance have probably fallen some way short of offsetting the financial losses arising from welfare reform. If we assume that the personal tax allowance is £1,500 a year higher than it otherwise would have been, that is worth about £300 a year to a sole earner or £600 a year to a double-income household. By way of comparison, we are saying that the impact of the welfare reforms on a household in Scotland with dependent children is a financial loss of just over £1,500 a year. There is something in the tax allowance argument, but it does not by any means go the whole way towards offsetting the impact of the welfare reforms.

To conclude, it is clear from the evidence that some households are far more exposed than others to the downside of welfare reforms. In Scotland, as in the rest of Britain, pensioners and student households escape virtually unscathed, whereas on average—that word, “average”, is important—families with dependent children are hit hard and lone parents and the disabled are hit especially hard. Those large financial losses are the result of the cumulative impact of the reforms. Looking at any one reform in isolation does not give the full picture. If you roll them all together, you can see that the impacts are really quite large for certain sorts of households.

The Convener: As ever, Steve, thanks very much for a comprehensive explanation of the research that you have done. It paints a disturbing picture.

At the outset, you said that you are now seen as the go-to people—you are certainly ours—in terms of the information that you provide. Your material has always generated a lot of interest and given people who have general concerns about the impact of welfare reform some hard facts on which to base those concerns. It was my understanding that, previously, the Department for Work and Pensions also saw you as the go-to people and that it relied on you to provide information for it. However, in this case, it has not been very supportive of your research. In response to the publication of the report, it said that you had failed to take into account certain changes that it is in the process of introducing or has taken account of. Would you like to take the opportunity to respond to that criticism?

Professor Fothergill: In this report, as we did in our previous studies, we held all other factors constant. We are just looking at one bit of the world that is changing—the welfare reforms—and trying to trace through the impact in terms of financial losses.

I understand—I have only heard this second hand—that the DWP has said that we have not taken account of the fact that employment levels are increasing and that, therefore, people who are hit by the welfare reforms are fine, because they are re-entering the labour market. I can see that, if the labour market is expanding, it is easier for people to move off benefits and into work, but this is an exercise in examining one bit of the jigsaw.

Whether employment is expanding because of the welfare reforms is a separate question. It is certainly the case that, at the present point in time, there is some revival in the level of economic activity and employment going on, but I would not necessarily attribute that to the reforms themselves.

The DWP is hiding behind an event that happens to be occurring simultaneously alongside welfare reform and is perhaps arguing that we are overstating the downside of the welfare reforms. If the economy had gone in the other direction, it would not have been able to deploy that argument.

The Convener: Given other statistics that we are aware of, it is very possibly the case that, even if some of the people who would be impacted in one column or under one particular assessment were no longer considered to be unemployed, they would still be in receipt of benefits and would simply move to another column in which they would lose out, because there is so much use of part-time employment and zero-hours contracts. The number of people who ostensibly have moved from being out of work to being in work does not necessarily equate to a reduction in the number of people who are dependent on benefits. Is that correct?

Professor Fothergill: That is certainly the case. You might move from a position in which you receive out-of-work benefits to one in which you receive in-work benefits.

One of the big revisions that we incorporated in the numbers that we have presented today results from the Treasury recognising that some of the expectations that it first had about the financial savings that would arise from the welfare reforms did not allow for the compensatory benefits that people might get if they lost one set of benefits. That is why the Treasury’s original figures on the financial savings that would arise from the incapacity benefit reforms have been so radically reduced. The Treasury now accepts that, if someone's incapacity benefit is taken away, they might find that they are entitled to more housing benefit and so on.

The Convener: I have another question on the methodology that you used. You said that there were two areas that you did not factor in. Because of the council tax reduction and the mitigation of the bedroom tax, they did not feature in your analysis. However, some people—especially in local authorities—have expressed the concern that, although there has been an increase in the availability of discretionary housing payments to those who have been impacted by the bedroom tax, DHP has to be claimed by the recipient; they have to ask for it. Is it possible that some of the statistics would be worse if people who have not claimed discretionary housing payments were taken into consideration?

Professor Fothergill: Yes. If the take-up of discretionary housing payments is below 100 per cent, we are underestimating the impact of the reforms. I am not close enough to the situation in Scotland to know whether you have procedures in place that genuinely ensure that all the people who should be getting discretionary housing payments are getting them. I have spoken informally to one or two people who suggested that the system is in place, but I am a little unsure whether it is comprehensively in place. It is certainly the case that we have assumed that the full impact of the bedroom tax is being obviated, which it may not be.

The Convener: That is a fair assumption. The money is there for everyone who has been identified, but DHP has to be applied for, and there has been some anecdotal evidence that people are reluctant to claim it. The numbers might not be huge, but there might be people who, for whatever reason, have decided not to claim it. That is what I am asking about. In that circumstance, those people would be worse off, because that has not been factored into some of the overall statistics.

Professor Fothergill: Absolutely. We have taken the impact of the bedroom tax out of the estimates. That is one of the reasons why Scotland looks marginally better than England in a number of the figures.

The Convener: I open it up to committee members to make points or to ask Steve Fothergill questions.

Clare Adamson (Central Scotland) (SNP): Professor Fothergill, the UK Government has abandoned equality impact assessments and refused to conduct a cumulative impact assessment on the welfare reform package. What is your view of the quality of the information that the UK Government has published on the expected impact of the welfare reforms prior to their enactment?

Professor Fothergill: Some of the work that it has published is good—there is no question about that—but it generally falls a long way short of driving down the estimates of the impact either on areas such as Scotland or local areas within Scotland, and it often fails in driving down the impact on different types of households. That is where our research moves at least two, if not three, steps further on from what the DWP has produced.

It has also become apparent to us that some of the DWP's estimates are now seriously in need of revision. As I have said, the Treasury has been changing its estimates of the financial savings, and I do not think that that has been translated into new estimates published in the impact assessments by the DWP. We have done our very best to take on board those new, revised Treasury estimates of the financial savings.

Clare Adamson: Has the Treasury provided an explanation of why it has not made the initial expected savings?

Professor Fothergill: No. That is the sort of thing that it slips out in obscure tables at the back of the budget statement or the autumn financial statement. We are really left rather surmising why it has changed some of the estimates.

As I have said, in the context of the incapacity benefit reforms, it seems that the Treasury has now taken fuller account of the offsetting benefits that kick in if people lose incapacity benefits. With the DLA reforms, where the financial savings have gone up substantially, from reading across several different documents, it seems to us that the Treasury is now expecting far more people to lose entitlement to the successor benefit—the personal independence payment. Far more people will lose entitlement to that benefit than was originally expected, but that is not set out in full. We are as much in the dark as anybody. We can only make an intelligent guess.

10:45

Clare Adamson: My colleague Michael McMahon touched on the increase in in-work poverty, which we have heard about in evidence to the committee and is of great concern to us. Is in-work poverty increasing as a result of the welfare reforms?

Professor Fothergill: I refer you to the third bullet point in the slide that I have put up. It is hard to pin down the answer precisely, but we estimate that something approaching half the financial losses arising from the welfare reforms fall on in-work households. As the effect is skewed towards those in-work households that are towards the bottom end of the income spectrum even before they lose benefits, if money is taken from them, we would expect that to push them further down into in-work poverty.

The issue is a little bit more complex than that. Some of the in-work households that are losing money are households with very high earners who have lost entitlement to child benefit, so we should not jump to the conclusion that it is always the poorest who are hit hardest. However, I imagine that the largest part of the £730 million a year loss here in Scotland is falling on in-work households that are towards the bottom end of the income spectrum.

Clare Adamson: The UK Government would say that one of the reasons for welfare reform is to encourage people into employment. Is it your conclusion that the employment that people who are moving out of benefit into work can achieve is likely to be at the lower end?

Professor Fothergill: We know that out-of-work benefit claimants tend to be relatively low-skilled, tend to have worked primarily in low-grade manual jobs and have often been out of work for long periods, so they are not going to be employers' first choice. We would expect those people to be going into relatively modestly paid employment, if they can find employment.

Once they are in that employment, those people find that one effect of the welfare reforms is that they are not entitled to as much in-work benefit as they once would have been. The reductions in tax credits, which have not received a lot of attention or been the subject of much public debate, are a very big part of the overall jigsaw. They are much bigger in terms of financial losses than the bedroom tax or several other elements of the reform package. The slide shows that tax credit reductions comprise the biggest element of financial losses in the package, and tax credits go overwhelmingly to lower-paid in-work households.

Joan McAlpine (South Scotland) (SNP): A couple of questions ago, you talked about the Treasury revising down its estimates of certain savings and predicting an increase in savings related to the migration from DLA to PIP. Given that you have said that it is quite difficult to say why the Treasury has revised down its savings estimates, how can it be so sure that it will make the savings on the migration to PIP?

Professor Fothergill: To be honest, I do not think that it can be so sure. In fact, I am slightly sceptical about the saving that it is anticipating from the transition to PIP. If I recall correctly, the Treasury is talking of saving £2.8 billion a year once the full transition from DLA to PIP has happened. The original anticipated saving was only £1.5 billion a year, so it has almost doubled its anticipated savings.

When I look at some of the detailed figures underpinning that, I can see that the Treasury has upped the number of those whom they expect not to be eligible for PIP from 450,000 to 600,000—that is 600,000 people who would have been eligible under the old DLA system and who will no longer be eligible under PIP—but that does not quite get us right the way up to £2.8 billion. I am a little sceptical.

The more I look at some of the Treasury's figures, the more I think that they involve an element of back-of-an-envelope calculation.

Joan McAlpine: I have a supplementary to my supplementary, convener. Forgive me for sounding cynical, but it strikes me that the figure for the savings from PIP might be an arbitrary figure that is intended to make up for the fact that there are shortfalls in other areas. Rather than being based on need, the increased number of people who are not entitled could be completely arbitrary and based on the Treasury's need.

Professor Fothergill: We have a footnote in the report, which is our best assessment of what the Treasury has done here. We think that when the Treasury anticipates that 600,000 people will be taken off DLA, it has considered that 600,000 as a proportion of the total number of claimants, which is about a quarter, and has therefore cut the expected spending on DLA by a quarter. I can see why the Treasury has done that calculation, but it is a bit fanciful.

If the system is working as it should, the people who will get moved off DLA—or rather, who will not be entitled to personal independence payments—will tend to be people towards the less disabled end of the spectrum, who are often entitled to lower amounts of DLA than those with very high levels of disability, who are on DLA now and will stay on PIP in the future.

I think that some mandarin in Whitehall has probably made a simple assumption that is a little wide of the mark. The Treasury may be being too optimistic about the savings. I could not comment on whether that has been done for cynical reasons but, technically, it may have got it wrong. In everything that we have done, we have started from what the Treasury thinks that it is going to save. If we have tweaked those numbers, we have had to have very good reason to do so.

Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP): Thank you, Professor Fothergill—your report has given us some interesting and quite stark reading.

In table 6 in your report, my attention was drawn to the impact on households with dependent children and, drilling down into that, lone parents with one dependent child and lone parents with two or more dependent children. Sometimes, those households are the furthest away from potential jobs and would incur substantial childcare costs if they were to enter the job market.

The Scottish women's budget working group and the Fawcett Society have both done a gendered analysis of some of the impacts. If we join up the two lone parent categories, that is 170,000 households that have had the biggest impact financially, with a loss of up to £1,850. Have you done any gendered analysis of the figures and, if so, are the majority of those people women? Is that the real reason for not continuing with equality impact assessments?

Professor Fothergill: It is a reasonable assumption that the majority of lone parent families are headed by women, although that is not exclusively the case. Insofar as we are identifying a large impact on lone parents with dependent children, it is the case that the impact will be on households headed by women.

Unfortunately, we have not done any gender analysis. There are many different ways in which the overall stock of households and the population could be divided. In table 6, we have used the 15 categories of households that the census of population defines, but we could possibly have split it up by gender, ethnicity, age or something else. We have done what we have done now, I am afraid. I would be keen to see the analysis to which you refer, as it could shed additional light on the matter.

On the general issue of women, given that lone parents are hit particularly hard and given that we also know that women often occupy a lot of part-time and low-paid jobs, and that part-time jobs and low pay often go hand in hand, it is not difficult to hypothesise that a substantial portion of the impact falls on women.

Christina McKelvie: The committee might be minded to look at some of those details in future, which I would welcome. You said that around 30 per cent of the overall welfare changes are still in the pipeline and you referred to the impact that they will have on the most vulnerable. I tend to do a lot of gender analysis, so my attention was drawn to the fact that your report shows that one of the groups that is typically most affected by changes to housing benefit in the private rented sector is men under the age of 35.

I know from local anecdotal evidence, and from evidence that the committee has heard previously, that that group is becoming pretty vulnerable. That seems to be the group in which there is the biggest rise in access to food banks and which is subject much more to benefits sanctions. People are pushed into difficult situations if they are off benefits for 12 weeks. In the area that I represent, there is a real issue with the rate of suicide in that age group, which takes the issue another step further. It baffles me and it is very disconcerting that, again, we have a headline figure, but we are not looking closely enough at the figures, given the impact that the changes may be having on young men, who probably react with difficulty to the system and who do not get the best out of it.

Professor Fothergill: All our statistics on the impacts are averages. For example, with single-person households, we give an estimate of the average impact on all single-person households of working age, which is £490. That is not to say that every single-person household is losing £490. It could mean that some single-person households are losing £5,000 and a great many are losing nothing at all. In fact, that is likely to be the case. The figures are all averages and they hide enormous differences at the level of individuals, where circumstances vary such a lot.

We have not looked at the issue directly, but what you say about the impact on males under 35 seems reasonable. They are a group that is certainly exposed to the housing benefit reforms in the private sector. If they claim jobseekers allowance and have been subject to sanctions, they are seriously in the firing line. By the way, sanctions have not been incorporated into our figures on financial savings, as the scale of sanctions that are building up has only really become apparent to us in recent months. I have not got a handle on how much financial saving comes through sanctions but, for the individuals affected, it is very serious indeed, because it means that they lose their financial support entirely.

Christina McKelvie: I understand the premise of your report and the fact that the figures are averages. Some of the evidence that the committee has heard when speaking directly to people who have been affected by sanctions is extremely worrying. Your work complements and backs up that evidence. We have done work on the impact of sanctions on individuals and we are continuing that work. I hope that, by working together, we can drill down and look at that more closely.

11:00

Kevin Stewart (Aberdeen Central) (SNP): I will follow on from that point. In the concluding remarks in your report, you say:

> "Average losses can of course still hide a great deal."

What are the hidden big impacts on certain households?

Professor Fothergill: All the statistics are average statistics. The key table is the one entitled "Impact by household type" and it is the basis of my point that a pensioner household or student household is getting away almost scot-free but a household that contains dependent children is in the firing line.

Take the line "Couple—no children", which shows an average loss of £380. We might think that we need not worry about couples with no children, but we need to hang on a minute, because that is not actually the case. The average probably reflects the fact that enormous numbers of couples who have no children are completely immune to the welfare reforms. They do not impact on them at all. However, if both people in a couple are drawing incapacity benefits—some older working-age households fall into that category—and if one or more of them is also drawing disability living allowance, they are seriously in the firing line. In the very worst cases, it is not difficult to conceive of some households in which the financial loss might be £6,000 or £7,000 a year. That underlines the point that the average disguises a lot as well as informing us.

In the same way, we should not assume that all lone parents with one dependent child will lose a large amount of money. Some lone parents with dependent children are in decently paid employment and might lose little, whereas others might lose much more than the figure of £1,770 a year.

We have to treat the figures cautiously and understand what they are saying. They are not telling us that every lone parent loses that amount and that every couple who have no children lose that amount. They are averages and give us some indication of the groups in the population that are, on average, being hit the hardest.

Kevin Stewart: That is very useful. The same point about averages applies across local authority areas. In my own local authority area of Aberdeen, some of the average impacts are pretty low, but we have fairly high employment rates in that neck of the woods, so the average also has to take them into account. There will be folks who are as badly affected in Aberdeen as folks in Glasgow.

Professor Fothergill: That is absolutely correct. There will be folks in Aberdeen who are as badly affected as folks in Glasgow. The point about Glasgow is that, simply because of the population, there are more claimants in absolute terms in Glasgow relative to the population as a whole. The claimant rate is higher. However, if an individual or household is hit by the welfare reforms, the pain will be as great for them whether they are in Aberdeen or Glasgow.

Kevin Stewart: That is extremely useful. Thank you for those explanations, which have simplified things. Sometimes, some of the detail is lost when folks read reports that deal with averages.

The impact on sub-groups makes shocking reading for many folks who have not gone into the issue in as much depth as we have. Almost half the impacts fall on in-work households, which is often a surprise to the general public. It also comes as a surprise that 40 per cent of the impacts fall on sick or disabled people, as does the fact that two-thirds of the financial losses will impact on households that have dependent children. That will shock a number of people. Are those levels typical across Great Britain? Are there any differences between Scotland, England and Wales with regard to the impacts on those sub-groups?

Professor Fothergill: I cannot give you a totally accurate answer, because we have not replicated the exercise across several different parts of Great Britain. We have replicated it in Sheffield. In fact, the exercise in Scotland has benefited from being done on the back of pilot work that we undertook for Sheffield City Council. In Sheffield, which is pretty average in Great Britain—the financial losses overall are not sky high, nor are they particularly low—the pattern of losses is not fundamentally dissimilar to that which we identify in Scotland.

The precise figures will be a little bit different in Scotland because, in Sheffield, the council tax benefit reductions and the bedroom tax are kicking in, but you have averted those impacts up here. There are differences in the detail, but the general thrust is remarkably similar. Households with dependent children are losing out heavily, not least because of things such as the tax credit changes, as are the sick and disabled, because of the big changes to DLA and incapacity benefit, and in-work households are losing at several levels, not least through the tax credit reductions.

I do not think that Scotland is unusual, but I could not prove it. I would have to go away and do some more numbers.

Kevin Stewart: We have the advantage of having the council tax reduction and bedroom tax mitigation, which other places do not have. In some places, councils have dealt with the council tax situation, but I think that most have passed on the cut. Is that correct?

Professor Fothergill: Yes. Scotland and Wales have both found arrangements not to pass on the council tax benefit reductions. A number of local authorities in England have gone down the same route and absorbed the hit in their budgets, but the vast majority of authorities in England have simply passed on the reduction to tenants.

The table that I have put up on the screen compares the financial losses in Scotland with those in Great Britain. Overall, the hit in Scotland is not far off the national average but, when we look at individual categories of households, we see that the hit on lone parents with one or two children is distinctly lower in Scotland than in GB. That is perhaps the most significant example in which the hit is below the GB average. I suspect that that owes a great deal to the decision up here not to implement reductions in council tax benefit. The order of magnitude difference on that is probably attributable to that decision. You have not averted the whole impact on lone parents, but you have shaved a good £100 to £200 off it.

Kevin Stewart: Thank you once again for the work that you have put in. It is extremely useful for us to have the opportunity to look at the work that you are doing, and particularly the specifics in Scotland. I cannot imagine that the member of Parliament for Sheffield Hallam will be particularly happy with some of the research that you are doing, but I hope that the Deputy Prime Minister pays some attention to the work that goes on in his constituency in this regard.

The convener mentioned that there have been attempts to discredit your work, which would seem to be by the Treasury. Are other bodies, particularly those dealing with child poverty matters, looking closely at your findings? It is pretty sickening that two thirds of the total financial loss is borne by households with dependent children. We have made so many strides towards eradicating child poverty, but what we are doing will increase it.

Professor Fothergill: When other people have replicated our sorts of calculations—I have to say that we were there first—they have generally come up with figures that are not fundamentally different from ours.

Back in April 2013, we published figures for Wales at the same time as we published the original estimates for Scotland. The Welsh Government undertook its own study of the impact of the welfare reforms. Once differences between what we put into the pot are allowed for, we find that the Welsh Government's figures, which were about nine months behind ours, were remarkably similar. That gives us confidence that we have got it right.

If we are being challenged by the DWP or the Treasury, that is not because we have somehow got the figures wrong; perhaps it is because they do not like what they are hearing or they are taking a broader view of what is going on in the world than we have done, which is to quantify one element of the jigsaw and what is happening out there, rather than adjusting for changes in tax, employment and benefit levels simultaneously.

Margaret McDougall: Thank you for your report and presentation, which have been a bit of an eye-opener. The impact of the reforms has been devastating for a lot of families in Scotland and across the UK, as you know.

I have a question on tax credit. Are all your figures based on 100 per cent of the people who are entitled to claim doing so? People who are on zero-hours contracts might have 20 hours' work one week and 10 hours' work the next week, so the amount of tax credit to which they are entitled will vary hugely. That situation is difficult for many people, as they have to fill in forms continually to reclaim the credit. The figures could be worse than they appear, because not everyone who is entitled to the money is claiming it.

Professor Fothergill: I will explain how we got to the figure of a £350 million a year loss to Scotland through tax credits, which should answer your question. We started with the Treasury's revised estimates and how much it expects to save through the tax credit changes. There is a raft of figures—we had to add up endless numbers to get to a GB-wide savings estimate.

We then looked at where tax credit claimants live across Britain and got the figure who are in Scotland. Taking Scotland's share of the GB total allowed us to derive a figure for the financial losses in Scotland. The £350 million that we estimate for the financial losses reflects Scotland's share of tax credit claimants.

11:15

Given the method that we have followed, I suppose that we are basing our statistics on people who actually claim tax credits. It might be that some people are not claiming the tax credits that they are entitled to. I am not sure what that would do to the numbers, but I do not think that it would affect them because, if they are not getting the benefits, they are not going to lose the benefits, are they? Further, if the proportion of people who are not claiming tax credits is the same in Scotland as it is elsewhere in the United Kingdom, it will not particularly affect the estimates that we have generated.

I recognise the process that you are talking about, but I do not think that it distorts the numbers that we have. To lose tax credits, someone has to be claiming them in the first place—that is perhaps the easiest answer.

Margaret McDougall: Is the Treasury going just on the historical figures for claims? I assume that that is how it is done.

Professor Fothergill: I assume so. I am not privy to the Treasury's inner workings on that, but I assume that it looks at how many people are claiming tax credits and how much they claim and then calculates what taking 10 per cent off would mean for financial savings. Somewhere behind the scenes, it might have calculations that involve households that are entitled but not claiming, but that would not impact on the figures that we have produced, which concern losses to people who are claiming.

Margaret McDougall: So the people who are in work, who find for one reason or another that they are not getting the benefits that they previously got and who have to take a zero-hours contract job are not being counted anywhere or taken into account in the figures.

Professor Fothergill: If someone was not claiming something, they would not be counted in the figures, even if they really should be claiming something.

Margaret McDougall: If someone came off unemployment benefit, for example, and went into zero-hours contract work, which would involve tax credits, that would be a change in benefit.

Professor Fothergill: People in that situation should be entitled to claim tax credits. However, I cannot give you an accurate figure for the proportion of people who fail to claim. I do not know that territory well.

Some people do not get the benefits that they are entitled to. That applies to any benefit that people have to claim for. We cannot assume that everyone gets the housing benefit that they are entitled to, as some people might not claim it.

Margaret McDougall: I have a question that is not about the report; it concerns something that I read about new pensioner claimants. Currently, a 70-year-old lady in a three-bedroom council house is not affected by the bedroom tax. However, I believe that someone who became a pensioner now and was living in a house with three bedrooms would be affected by the bedroom tax, as they would not get the allowance that the current pensioner gets. That means that new pensioner claimants will have to pay the bedroom tax. Is that correct?

Professor Fothergill: I am not an absolute expert on that, but what you are saying sounds logical. Some of the welfare reforms that have been implemented for the working-age population will eventually transmit into the population above state pension age. That seems logical.

I have thought about that in the context of the disability living allowance reforms. The changeover from DLA to PIP is being implemented only for people of working age. Of course, after 10 years, a current 55-year-old will reach state pension age. Eventually, we would expect the reforms to feed through to people above state pension age who are entitled to PIP—the DLA successor. I would have to dig down and look at the fine details, which I am not familiar with, but it seems a reasonable expectation that that is what will happen.

Margaret McDougall: So pensioners will—

Professor Fothergill: Yes—pensioners will eventually be affected by the DLA reforms.

Annabel Goldie (West Scotland) (Con): Good morning, Professor Fothergill. Page 7 of the report says:

> "In estimating the impact of the welfare reforms the report holds all other factors constant."

Is that a reliable assumption to make? The unemployment level in Scotland has been falling, thankfully, and the employment level has been rising. The figures last quoted indicate about 187,000 new jobs since 2010. Is that not relevant to the calculations and extrapolations that you have made from the calculations in your report?

Professor Fothergill: Several things are going on simultaneously in the world. We have considered just one bit of the jigsaw. I tried earlier to say, but I perhaps failed to get the message across, that we recognise that the employment level has been increasing. There has been an upturn in the economy. However, there is a question mark over whether that employment increase is in any sense triggered by the welfare reforms. We do not know. Lots of other things have triggered the employment increase. The work that we will undertake next, where I can bring some university resources to bear to support a small contribution from the committee, will examine closely whether there is any evidence that the welfare reforms have specifically led to increased levels of labour market engagement and employment.

A lot is happening simultaneously all the time in the world. It is a fair comment to point out that we have not taken account of X or Y. Yes; I am sorry—we have looked just at the impact of the reforms. However, I want to explore, and we all need to explore, whether the welfare reforms are feeding through to higher employment levels or whether the higher employment levels that we can now see in the economy—we cannot deny that there has been something of an upturn over the past couple of years—have nothing at all to do with the reforms. They might be to do with increasing amounts of credit, exports or whatever else.

We need to probe whether there is some substance in the argument that welfare reforms will encourage people to look to work, that people will find work and that the employment rate will therefore be higher. We need to explore whether that is really happening.

Annabel Goldie: You observe that, against falling inflation, the 1 per cent uprating is not delivering a saving. Is it not the converse of that to say that, in that context, the uprating is a benefit to a welfare claimant, because the alternative would have been to apply a lower inflation rate?

Professor Fothergill: That is an instance where we have revised the Treasury's figures. The Treasury has not come out with a new figure for the financial saving that is expected to arise from the 1 per cent uprating. The figure is not difficult to calculate. The uprating of welfare benefits is determined by the annual inflation rate in the September preceding the April when benefits are uprated.

An uprating is due next month that will be based on last September's consumer prices index inflation rate. We know what that was. I think that it was 1.2 per cent, although it was perhaps a bit lower; I would have to double-check the figures.

We can look at what inflation was and compare that with what the expected inflation rate was in the Office for Budget Responsibility statistics when the Treasury said that it would save X. Because of lower inflation, we have revised down the savings to the Treasury that were expected to arise from the 1 per cent uprating.

If inflation goes well below 1 per cent and stays below 1 per cent, a 1 per cent uprating will be an increase in the real value of benefits. However, over the three-year period for which the 1 per cent uprating has at least initially been put in place, it still represents a real-terms reduction in benefit payments, although not as large as the reduction that was initially expected.

Have I explained that well enough?

Annabel Goldie: It was an explanation—yes.

Professor Fothergill: Have I gone through the logic of what we did?

Annabel Goldie: I thank you for the explanation.

I will ask you about another constant that you have observed. There is the difficult issue of what it means if people who are in work get increased benefit from higher personal tax allowances. I noticed the figure that you used. You thought that the benefit from the increase in the personal tax exemption was around £1,500 for those in work, who therefore receive the benefit of tax credits. I am interested in where that figure came from.

Professor Fothergill: The £1,500 is very much a finger-in-the-wind figure. We have to ask ourselves what personal tax allowances would have been if there had not been pressure from the Liberal Democrat part of the coalition to increase those allowances to their present level. That is a counterfactual question that we cannot accurately answer.

However, we are saying speculatively that, if personal tax allowances are £1,500 a year higher than they otherwise would have been, we can trace that through into the financial savings. The saving would have been £300 a year for a sole-earner household and £600 a year for a double-income household at the standard rate of income tax. I can set that against the losses that arise from welfare reform, which vary according to the type of household. For a household with dependent children, that is around £1,500.

Annabel Goldie: Is that £1,500 where there is one parent or two parents?

Professor Fothergill: That is an average loss for all households with dependent children. It is the average for lone parents with dependent children and couples with dependent children. It is the average loss for all households with dependent children, compared with a tax allowance benefit worth £600 for a double-income household and £300 for a single-person household, if we assume that personal tax allowances are £1,500 higher than they otherwise would have been.

Annabel Goldie: I have a couple more questions.

Table 3 on page 12 of the report is entitled "Groups typically most affected by individual welfare reforms". Under child benefit, you say:

"All households with children (a little)"

and

"Households with higher earners (a lot)".

Where does your higher-earner figure start?

Professor Fothergill: We worked from the rules on that. A household with an earner whose income is £60,000 a year loses all its entitlement to child benefit, and there is tapering between £50,000 and £60,000 a year.

Those are the Treasury regulations on child benefit. It starts disappearing at £50,000, and above £60,000 it goes completely. We have figures. The average loss in child benefit for a higher-earner household is £1,500 a year, which is not negligible. That applies to 90,000 households in Scotland, as you can see from table 4.

11:30

Annabel Goldie: For those who are earning between £50,000 and £60,000—

Professor Fothergill: The figures are for those earning above £50,000. That includes not just the partial losers between £50,000 and £60,000 but those above £60,000, who lose all their child benefit. It is now all means tested for higher earners.

Those losses are significant, but that reform is very different from the other ones. When we map the geography and produce lovely coloured-in maps for many of the welfare reforms, the dark areas that are hit hardest are the most deprived areas in Scotland and across Great Britain. However, when we map the impact of the child benefit reforms, and in particular the withdrawal from higher earners, the map shows completely the opposite—the better-off areas are hit hardest by that element of the reform package.

Annabel Goldie: I am interested in table 1 on page 7. It is not quite clear to me whether it shows an arithmetical extrapolation from all the data that you have gathered. Under the heading “Loss per working age adult”, the list of figures produces a total of £440. Could I meet such an adult in Scotland? Does such an adult exist, or is that figure just a consequence of arithmetic?

Professor Fothergill: It is a consequence of arithmetic. There may be an adult who fits that average but, like all averages, there is a spread around it.

Given that the welfare reforms impact differently on different places, we need some yardstick against which to measure the impact. We have measured the impact in Scotland and in its constituent local authorities and wards, and indeed in other parts of the UK, by averaging the figures across all adults of working age. That gives us a handle on how intensively Scotland is being hit in comparison with south-east England, Wales or wherever else.

Therefore, £440 is the average financial loss spread across everybody between the age of 16 and 64 in Scotland. Many people will lose nothing, but a lot of people will lose a lot more than £440. If you look hard enough, you will always find someone who is at the average, but it is a statistical concept.

Annabel Goldie: I am just wondering how meaningful a statistical concept it is.

Professor Fothergill: Well—

Annabel Goldie: Please do not misunderstand me—I think that your report is fascinating and contains very useful data. However, I do not quite understand what table 1 is telling us. What does it do to help us?

Professor Fothergill: There are two columns in table 1. There is the column that tells us how much in absolute terms Scotland can expect to lose from each of the welfare reforms, which produces a total of just over £1.5 billion a year when everything has come to full fruition.

If we look at that figure in isolation, what does it mean? How do we compare Scotland with other parts of the United Kingdom? We have to give the figure per something or other—for example, per head of population, or in this instance per adult of working age. We have scaled the figures against an adult of working age, because the welfare reforms impact overwhelmingly on adults of working age rather than on pensioners, and we have found that to be the best guide.

That then enables us to move on further in the analysis and say that the losses in Scotland are about the same as the national GB average. They are less than the average hit in Wales, northern England or London, but substantially more than the average hit in parts of south-east England outside London. We have to be able to scale those absolute losses against something, but you will not necessarily find that person who has suddenly lost £440 from their back pocket.

Annabel Goldie: Thank you very much.

The Convener: Clare Adamson has a supplementary.

Clare Adamson: Yes—it goes back to the child benefit reforms. There are great concerns about how the reforms were implemented, given that a household with an income of £98,000 a year and an individual who is earning between £50,000 and £60,000 will be impacted in the same way.

Can you comment on the impact on single-parent families in the high-earner categories?

Professor Fothergill: Yes. Table 5, which is one of those great big matrices, gives estimates for the number of households of each type that are affected by each element of the welfare reforms. With child benefit, we have split the reform up into two component parts: the freeze, which affects everybody, and the withdrawal from higher earners. Those figures are about three quarters of the way along the columns.

You can see, for example, that we estimate that, for lone parents with one dependent child, 101,000 households in Scotland are affected by the child benefit freeze but only 2,000 lone parents with one dependent child actually lose because of the higher-earner withdrawal. A further 2,000 lone parents with two or more children are affected by the higher-earner withdrawal.

If you look a little bit further up that column, you will see that the withdrawal from higher earners involves much bigger numbers for couples with children. There are 47,000 couples with one child and 40,000 couples with two or more dependent children who are losing because of the higher-earner withdrawal. As a generality, it is the case that the withdrawal from higher earners does not by and large fall on lone parents—it falls on couples.

Clare Adamson: But the higher-earner withdrawal could impact severely on an individual household with a lone parent—who, as we have already discussed, is likely to be a woman—in comparison with the impact on the income of a couple in the same situation.

Professor Fothergill: In the grand picture, these are all better-off households. Even if they are lone-parent households, the lone parent will still have to be earning more than £50,000 a year for the withdrawal of child benefit to begin to kick in. We are not talking about the very poorest—we should log that point.

Clare Adamson: I appreciate that. What I have described is just another example of what I think might be a gender issue, in terms of women being more affected than others by welfare reform in general.

Professor Fothergill: We estimate in table 7 that the withdrawal of child benefit from lone parents with one child accounts for only 2 per cent of the financial loss. There is a big financial loss of approximately £1,700 to £1,800 a year for lone parents on average, and we think that only 2 per cent of that is attributable to the withdrawal of child benefit from higher earners. For couples with one child, 27 per cent of the overall financial loss is attributable to the withdrawal from higher earners.

Clare Adamson: I think that it comes down to the numbers involved in that category, and the individual incomes—

Professor Fothergill: Yes—of course, most lone parents are not highly paid, although some will be.

Clare Adamson: That is fine. Thank you.

The Convener: We have concluded the questions. I thank Steve Fothergill again for a comprehensive run-through of his findings, and I thank him for providing those findings for the committee.

I await with interest the future work that you are doing, Professor Fothergill—I am sure that there will be more to drill down into as the benefits changes are rolled out, and a lot more that we will have to look at. Do you want to make a contribution before we close, Professor Fothergill?

Professor Fothergill: Yes. I will just say that I hope that, in covering some old territory in the report—which must be familiar to you, convener—I have helped to bring some of the other committee members up to speed on the previous estimates that we have produced for the impact in Scotland, albeit that those figures are now revised, so that members will understand the basis of the work.

We are now into new and unknown territory in exploring the impact of all the reforms on labour market participation and employment levels, and I am as fascinated as anybody to try to get to the bottom of that. You can see that we have hunches as to what we may find, but there is nothing better than evidence, and we believe very strongly in hard, quantified evidence, which is what we keep trying to bring to you.

The Convener: We appreciate that, and we have taken hard evidence on a number of areas such as sanctions, food banks and the direct impact of welfare changes. Unfortunately, those who are behind the figures and creating those changes are in denial with regard to the information that we are receiving, but we will keep plugging away and trying to convince them that the evidence is there to show exactly what is happening. Your contribution to that is very welcome, Professor Fothergill, and on behalf of the committee I thank you for that.

Before I close the meeting, I point out that, at our next meeting on 24 March, we expect to take oral evidence from the chair of the Social Security Advisory Committee, Paul Gray.

11:41

Meeting continued in private until 11:59.

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