

Response to the call for evidence from the Expert Working Group on Welfare



Professor Paul Spicker

This submission has been prepared by Professor Paul Spicker, who holds the Grampian Chair of Public Policy in the Robert Gordon University. Professor Spicker is the author of several academic studies of social security policy, including *Poverty and social security* (Routledge, 1993), *Poverty and the welfare state* (Catalyst, 2002) and *How social security works* (Policy Press, 2011). He has acted as an adviser on projects for the States of Guernsey and as Special Adviser to the House of Commons Work and Pensions Committee on benefit simplification. This response is submitted in a personal capacity.

1. What do you think are the key factors that will influence the cost of welfare over the next 5 years?

The main single answer to this question is ‘pensions’. The elements of DWP expenditure related to people of working age have been remarkably static. The liability to pay pensions, however, will increase.

The costs of two other important issues associated with the older population will also increase: the costs of housing benefit in the private sector, and the costs of free personal care. They have in common that they are based on a combination of selective benefits and the purchase of services in the private market. Wherever that combination is found, restrictions in commitment cannot be held to; there will be constant pressure for the boundaries to shift.

2. For which of these factors are there significant differences between Scotland and the rest of the UK?

There are some differences in the distribution of claims - fewer pensioners, more incapacity - but there is an underlying similarity. This is the result of applying the same rules to the benefits, taxation and the labour market. It will take time for issues clearly to diverge.

3. The current programme of UK Government welfare reform will have impacts on a range of services that are delivered in Scotland, including those delivered by the Scottish Government, local government, third sector organisations and others.

- (a) Which services are facing the biggest impacts now, and what are the effects?*
- (b) Which services might face the biggest impacts in the next 5 years, and what might be the effects?*

The impacts of multiple cuts are difficult to disentangle, but the largest single impact in the short term seems likely to be the result of the under-occupancy rules on people living in social

housing. Current indications are that these will act primarily as a cut in family benefits, rather than an impetus to move. The agencies principally affected will be housing providers, whose ability to develop new property may be reduced.

In the course of the next five years, Universal Credit will have a pervasively disruptive effect. It is unclear how large this will be, but a personalised system intended to cover eight and a half million people in the UK, and which is still not functional a month before the first pilots begin, is at serious risk of crashing administratively. When the administration of 'unified Housing Benefit' failed in 1982-83 it generated problems that continued throughout the decade. It is unlikely that the problems of UC will be resolved within any short time.

4. What opportunities do you consider there may be arising from welfare changes to use resources differently or more efficiently?

UK governments have made a series of unwise long-term decisions in the development of benefits. All are firmly established and consequently difficult to correct without causing hardship. Those decisions include:

- the movement from contributory entitlement to means-testing
- the attempt to provide affordable housing through a system primarily dependent on benefits rather than housing subsidies
- the attempt to support incomes in work through a complex, selective system of Tax Credits
- the extension of conditionality to a point where it undermines claims to be providing a basic minimum income (there have been more than four million sanctions imposed since 2000), and
- the attempt to personalise benefit systems for millions of people in unpredictable, fluctuating circumstances.

The idea of 'efficiency' is commonly used in welfare to justify selectivity, which moves money from richer people to poorer people. However, selectivity is notoriously ineffective and administratively expensive. Resources can be used more cost-effectively - which is very different from efficiency - if they are raised through progressive or proportionate taxation and distributed through simple, straightforward mechanisms, such as universal or contributory systems.

5. What are the most important factors to take account of in ensuring an effective and efficient process of delivering welfare benefit payments to people in Scotland at a time of considerable change at UK level?

There is not a single process of delivering welfare benefit payments. Currently there are distinct systems for the distribution of pensions, tax credits, child benefit, means-tested benefits, disability benefits and housing benefits. Each is administered by different units, which may not have clear sight of the operations of the others.

If the Scottish government were to take over the responsibility for administering and distributing welfare, pensions - rather than working age benefits - could prove to be the most

difficult benefits to manage. Entitlement to pensions is based on contribution, which in turn is largely based on work record. It would be difficult to transfer records, and if the record of contribution was not directly available, or available only in part, it would be unworkable. In an independent Scotland, pensioners would have continuing rights to a complex series of entitlements, partly based on contribution to the UK government, partly based on independent schemes. The simplest, most practical alternative would be to de-couple basic pensions from prior commitments, introducing a Citizens Pension, dividing any fund available for S2P and Graduated Pension among those entitled, and otherwise ignoring for the purposes of benefit administration additional income or additional pensions.

Benefits for people of working age will partly be brought together under the mantle of Universal Credit, but the integration will be partial and some benefits (e.g. Council Tax Reduction) will fall outside the scheme. The experience of past benefit schemes has been that large-scale mass benefits cannot be delivered on a responsive, individualised basis to hundreds of thousands of people; no agency has the administrative capacity to cope with it. Benefits should be personalised as little as possible; the implication of personalisation is that entitlements are difficult to calculate and often unpredictable. The most effective way of delivering benefits is to reduce the demands on the administration, reporting and information management to the greatest possible extent. The system of benefits needs to be far less presumptuous - requiring less information, less frequently. If it is going to respond predictably and accurately, it needs to respond much more slowly. The system needs to use, wherever possible, flat rate benefits, financed by taxation, paid predictably for a specified period. This is the opposite direction from that proposed by the current UK government.

6. *In the period to 2017/18, what welfare benefit delivery options do you think:*
- (a) are the most practical?*
 - (b) make best use of the current infrastructure in Scotland?*
 - (c) encourage greater alignment with the public sector and third sector in Scotland?*

I have been working with the Scottish Federation of Housing Associations on their response, and refer you to their submission, which deals with these issues in detail.

7. *What alternative delivery options should be considered in the longer term?*

Social security payments begin with the implicit assumption that people need an income, rather than the delivery of a service. That is why they get the money rather than the things that might meet their needs. This assumption is clearly valid in relation to some goods (food and clothing); it is less clear in some other cases (housing, transport, support for disability) and plainly unsatisfactory in others (education, health).

The central object of social protection is not to vulnerability - not, as it is presented in some discourses, a set of personal characteristics, but the liability that when problems arise, they will cause serious damage or hardship. Where incomes are provided, they need to be secure, stable and predictable. That generally calls for a mix of different types of benefit: there should some element that is universal, there should be some element that is responsive to need, and despite the criticism of the old Social Fund, there clearly has to be a backup mechanism to deal with emergencies. One answer does not fit all circumstances.

The ultimate test of a benefit system is not that it delivers a unified, seamless service, but that it delivers packages of benefits that are manageable, defensible and secure. In other countries, this is often done with multiple, overlapping benefits, but they are delivered with common time-periods on set pay-days. The changes in the UK system are not trying to do anything like this. They are set to deliver a system that makes sense from the top down, not a system that makes any sense from the perspective of claimants.

8. *What aspects of the UK Government's reforms create challenges for:*

- (a) *Supporting recipients of disability benefits and those who care for disabled people*
- (b) *Joining up service delivery*
- (c) *Tackling poverty, particularly child poverty*
- (d) *Supporting people into sustained employment*
- (e) *Other, please specify*

Benefits cannot be seen in isolation. As governments have put increasing emphasis on the independent provision, benefits have come to play a major role in relation to housing policy, social care and social inclusion.

Having said that, one of the most problematic aspects of benefit reforms in recent years has been individualisation - the primary identification of needs with the personal circumstances of the individual who claims them. Poverty is complex and multidimensional, but the general experience of developed countries has been that it is most effectively reduced through social protection, not thorough benefits specifically targeted at the poor. Employment is principally the product of the economy, not of individual effort. Benefits should not be confused with other, supportive services; they offer people a foundation of resources, not a network of support, which is generally better delivered in other ways.

9. *What aspects work well and should be protected in an independent Scotland?*

This submission has been making a case for social protection, based on a diverse range of minimally presumptuous benefits. The national insurance pension has worked fairly well, but it will need to be reconfigured. Child Benefit works well. It is important to have at least some element of the benefit scheme that is paid long term, stably and predictably. The minimum wage works well, but it would work better if some of the current abuses related to 'self-employed' contracts were curtailed.

The preservation of rights in an independent Scotland is a topic that deserves separate consideration. A recurring problem in the UK system has been its use of transitional protection, which greatly adds to the complexity and inequity of the benefits scheme. In the case of pensions, it may take fifty years before such rights are extinguished. Existing rights can most effectively be regularised and harmonised with others if either they are surrendered for superior benefits, or bought out in circumstances where otherwise the claimants would suffer loss.

10. *What aspects of the UK Government's reforms to working-age benefits should be an immediate priority for change in an independent Scotland?*

The assumption in this question is that an independent Scotland would begin with the system inherited from the UK and proceed gradually to amend it. That position is unmanageable. If commitments are held constant, there is no scope for change without increasing costs. If funding is fixed, resources can only be redistributed - and benefits can only be changed - by making some people worse off in order to make others better off. This is a trap the Scottish government must avoid; it is the road to stagnation. When the Republic of Ireland became independent, it tracked the UK benefit system blow by blow for more than seventy years. If an independent Scottish government wanted to do things differently, it would have to institute a new financial regime as well as different benefit rules.

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