The New Welfare State?

Report on a seminar at Ulster University
Belfast, 22 September 2016
Introduction

Is a new welfare state emerging in Northern Ireland? Change is certainly occurring. With the Welfare Reform (NI) Order 2016 now in place and a Welfare Reform and Work (NI) Order to follow, the region is rapidly catching up with the efforts of the coalition and Conservative governments in Great Britain to reshape the social security system for the 21st century. 1

However, the delay between the welfare reform legislation for Great Britain and that for Northern Ireland, along with changes to the Scottish devolution settlement, also speaks to a second, equally profound change. In the devolution era, a single UK approach to supporting citizens’ welfare can no longer be taken for granted.

Social justice is at the heart of much of our research at Ulster University, and welfare reform is arguably the key challenge for social justice in the UK today. The changes of the David Cameron premiership were driven by desire to reduce public spending, but also by a specific vision of social justice. This vision focused strongly on paid employment as the best – often only – route to economic security and the citizen’s contribution to society, worthy of a greater financial return than dependence on the state. However, the coalition government also purported to embrace another interpretation of social justice, one much more central to New Labour social policy: that children in particular should not experience a life in poverty.

A policy that promotes the ‘work-first’ version of social justice through benefit cuts and punitive sanctions for those deemed not to be making sufficient effort to find a job can be difficult to reconcile with the ‘children-first’ version, at least in the short term. Food for thought for a Northern Ireland Executive with a constitutional obligation to address poverty and social exclusion.

The reorganisation of Executive departments in May 2016 vested responsibility for a swathe of policy fields crucial to the realisation of social justice in the new Department for Communities. The Committee for Communities bears the heavy responsibility of scrutinising the Department's work.

Ulster University was delighted to welcome members of the Committee to our seminar on ‘The New Welfare State?’, providing an opportunity for members – most of whom did not serve on the previous Committee for Social Development – to reflect on the lessons of the last mandate. It also allowed a conversation to begin about the new Committee’s priorities for this Assembly term, involving members, Ulster University academics and representatives of various voluntary sector stakeholders. This conversation focused on three core, and interconnected, policy areas within the remit of the Department and the Committee, and in which the University offers particular expertise: social security, housing and child poverty.

This report provides a brief overview of the seminar and the key priorities participants believe the Committee for Communities should pursue in the current mandate. Ulster University stands ready to support and work with the Committee in its work through our research and expertise.

Thanks are due to all participants for taking the time to share their expertise and opinions. Special acknowledgement must go to Michael McMahon, who travelled from Glasgow to share his experience of the Scottish welfare reform debate, the two research institutes (TJI and IRiSS) who funded the event, the staff of the Committee for Communities and Claire-Anne Mills and Ciara Fitzpatrick for their practical assistance with the event.

Dr Mark Simpson, Ulster University, October 2016

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1 Department for Work and Pensions, 21st century welfare (Cm 7913, London: DWP, 2010)
## Participants

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Reflections on the 2011-2016 mandate

Far-reaching reform of the UK welfare state posed a challenge to the Northern Ireland Assembly and the Scottish Parliament, both elected in 2011. The UK coalition government, which had taken office a year previously, placed changes to the social security system in particular at the heart of its vision for reduced public expenditure, incentivisation of employment and a fair society. These reforms would in turn impact upon the housing options available to people on a low income and on the extent and severity of child poverty. The coalition and subsequent Conservative government’s welfare reform agenda was controversial across the UK. Public representatives in Northern Ireland and Scotland voiced their concerns during Parliamentary debates on the Bills that would become the Welfare Reform Act 2012 and the Welfare Reform and Work Act 2016. However, the traditional dominance of Westminster in social security placed limits on what could be done at regional level to respond to the perceived problems with coalition government policy.

Welfare reform: the UK government agenda

Social security policy under the Cameron governments was shaped by three key objectives: saving money, incentivising employment and fairness. The particular interpretation of fairness espoused by the coalition of 2010-2015 and the post-2015 Conservative government emphasises the need to ensure that those in employment are adequately rewarded through an income higher than would be available on benefits alone and that those in receipt of benefits make every effort to enter employment and increase earned income. A Northern Irish civil servant interviewed for an Ulster University research project described the changes underway in the social security system as comparable in importance to the foundation of the modern welfare state in the 1940s.

The key social security reforms under the coalition and Conservatives will be familiar to most readers. While not all result in reduced income for claimants, collectively the various changes to working age benefits resulted in “a marked and unprecedented reduction in [their] real value.”

- Increased claimant income: ‘triple lock’ on pension uprating
- Revenue neutral: introduction of universal credit
- Reduced/limited claimant income: household benefit cap, reduction of local housing allowance, social sector size criteria for housing benefit, withdrawal of child tax credit from higher rate income taxpayers, below-inflation uprating of working age benefits, stiffened sanctions
- More restrictive eligibility criteria/shortened eligibility: replacement of disability living allowance with personal independence payment, contributory employment and support allowance, jobseeker’s allowance/ universal credit claimant conditionality

Social security reforms had knock-on effects on other areas of social policy. The combination of the benefit cap and housing benefit reforms was reported to have rendered some areas unaffordable to low income tenants.

While all major parties had endorsed the Child Poverty Act 2010, which required the government to come close to eliminating child poverty by 2021, reliance on paid work as the only route out of poverty has yet to bear fruit. The Institute for Fiscal Studies found a close correlation between benefit increases and child poverty reduction under New Labour; more recent benefit cuts have been reflected in higher child poverty rates. The statutory child poverty targets were abolished by the Welfare Reform and Work Act.

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Social security has been a devolved competence in Northern Ireland since 1921, but until 2012 policy differed only in occasional, minor respects from Great Britain. Since 1926, the UK government has financially supported the maintenance of equivalent benefits in Northern Ireland. However, the region is not bound to rigidly follow policy in Great Britain: the Northern Ireland Act 1998 requires only that the Northern Ireland and UK Ministers consult one another “with a view to securing that, to the extent agreed between them, the legislation... provides single systems of social security... for the United Kingdom.”

Nonetheless, prior to October 2012 the parity principle was adhered to, with social security Bills typically expedited through the Assembly by accelerated passage. The Welfare Reform Bill introduced to the Assembly in October 2012 was drafted to followed this pattern of replicating the most recent reforms in Great Britain. This Bill, though, was greeted with a critical committee report and Ministerial proposals for divergence from the legislation for Great Britain before ultimately failing to pass through the Assembly. Although the Fresh Start agreement and Welfare Reform (NI) Order 2015 brought the legislation for Northern Ireland swiftly and substantially back into line, some points of divergence remain. A shorter maximum sanction period, different payment arrangements for universal credit and a range of temporary supplementary payments to make good loss of income due to changes to disability, carers’ and incapacity benefits, the social sector size criteria or (for claimants with dependent children) the benefit cap are among the mitigations to be implemented.

That welfare reform should be controversial in Northern Ireland, where individuals and the economy are more dependent on social security than the UK average, is unsurprising. Politicians interviewed for Ulster University research overwhelmingly agreed that if UK-wide uniformity of policy does not serve the interests of Northern Ireland, regional policy makers should be prepared to contemplate doing things differently – albeit that civil servants tended to be more cautious.

However, desire to reduce the impact of welfare reform on claimants was tempered by endorsement of the objectives of simplification and work incentivisation, and by concerns about the cost implications of more than minor departures from parity. The parity arrangements were first put in place in 1926 to allow Northern Ireland to offer equivalent unemployment benefits to Great Britain, despite its weaker public finances. If policy in the region were now to change so as to incur additional costs, the extra monies would have to be drawn from devolved resources. The financial implications will remain one of the most important issues in any future discussion of a regional approach.

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9 C Beatty and S Fothergill, The impact of welfare reform on Northern Ireland (Sheffield: Centre for Economic Empowerment, 2013)
Responses to welfare reform: Scotland

Scotland differs to Northern Ireland constitutionally in that social security was a reserved matter in the 1998 devolution settlement. Consequently, although many of the same concerns about the impact of welfare reform on individual claimants and deprived communities were present, the debate about a devolved-level response took place in a very different context. The 2014 referendum on independence added a further distinctive element to the mix: cross-party dissatisfaction with the UK government’s approach to social security would be aired at a time when the fitness for purpose of the 1998 settlement was already on the table for discussion.

Despite the limited powers at its disposal, the Scottish government sought to mitigate the impact of some reforms to the maximum extent possible. Providing extra funding for discretionary housing payments ensured few tenants actually lost income due to the social sector size criteria, while the new Scottish Welfare Fund had wider eligibility criteria than the social fund it replaced and issued grants rather than loans. In addition, Ministers were required to report annually on the impact of welfare reform on Scotland and the Parliament established a Welfare Reform Committee, its first committee with responsibility for scrutiny of a reserved field of policy.

Arguments about social security were deployed by both sides in the referendum campaign. While unionists argued that better provision was possible within the UK than in an independent Scotland, nationalists countered that social justice was best served by independence. While some unionists interviewees feared fragmentation of the welfare state through social security devolution could weaken the Union, nationalists argued that the greater threat was posed by a UK government whose social policy offended a claimed Scottish sense of social justice. Although cautious about claiming fundamental differences of outlook, many interviewees argued that the Scottish political landscape continues to give a platform to an egalitarian voice increasingly marginalised at UK level by a London-centric elite.

Following the vote for continued union, partial devolution of social security is now proceeding. Scotland will have the ability to vary payment arrangements for universal credit (but not rates or eligibility criteria) and full control of its housing element, disability benefits, the regulated social fund and employment support as well as power to top up reserved benefits. Whether the devolution of new powers results in the emergence of a more generous Scottish system remains to be seen – early indications are that carers will be among the ‘winners’. However, in the medium term it may be anticipated that considerations of the affordability and administrative feasibility of divergence – familiar to Northern Ireland – will also gain prominence in the Scottish debate.

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10 This part of the report draws on the publications mentioned at footnote 2 and on Michael McMahon’s address to the seminar
12 For an academic perspective, see J Curtice and R Ormston, ‘Is Scotland more left-wing than England?’ (Edinburgh: ScotCen Social Research, 2011)
Priorities for the 2016-2021 mandate

Following the reflections on 2011-2016, participants were invited to discuss issues they felt the Committee for Communities ought to prioritise in the new mandate. Recommendations emerged under three headings, reflecting the academics and stakeholders represented: social security, housing and child poverty.

Social security

Monitoring of welfare reform implementation and impacts

- Participants urged the Committee to closely monitor the impact of the reforms now being implemented – in particular the introduction of universal credit and the social sector size criteria – along with the associated mitigation measures. It was suggested that particularly close attention must be paid to the gender impact of universal credit, given its impact on second earners and recipients of in-work benefits, and to the application of conditionality, including the new regime of in-work conditionality.

- A successful transition was felt to depend as much upon communication and support for claimants as on the reforms themselves. To that end, it was suggested that the Committee must ensure the Department is clear in its communication – particularly with beneficiaries of the various mitigations – and makes good on the Executive’s commitment to ensure the advice sector is properly resourced.

- The introduction of universal credit is intended to be accompanied by increased digitisation of the claim process and job-seeking. One consequence is the proposed closure of Jobs and Benefits offices in Cookstown, Ballynahinch and Newcastle. Participants expressed concern at the impact on staff and claimants, warning that services may lose humanity, responsiveness to individual needs and accessibility to less digitally literate people.

Protect what is ‘good’ about the current system

- Although the changes made in Great Britain in 2012 and 2016 are now largely being extended to Northern Ireland, some participants suggested the Committee use the breathing space provided by the mitigations programme to consider whether and how some features of the pre-2012 system might be retained in Northern Ireland. This might include slowing or reversing the decline of the contributory principle, in particular the retention of a longer eligibility period for contributory employment and support allowance.

- In addition, it was suggested that where legislation is the same but NI practice differs from practice in Great Britain, this should continue if it is found to better serve claimants. More sensitive treatment of mental health conditions in work capability assessments was highlighted as an example.

Find a better way

- At the same time, where there is room for improvement, it was argued that the Committee should advocate that this occurs. Suggestions included securing further improvement in how assessments take account of mental health conditions and considering whether there is any real need for reassessment of claimants with chronic or degenerative conditions.\(^\text{14}\)

- Welfare-to-work programmes were thought to offer particular room for improvement. The need to monitor service providers to ensure humane, dignified treatment of claimants was stressed. The Committee was also asked to consider the discrepancy between the treatment of claimants, who can face financial penalties for failure to engage with employment services, and treatment of welfare-to-work contractors, who were perceived to face little scrutiny and no real consequences for failure to meet targets.

\(^\text{14}\) In October 2016 the Secretary of State for Work and Pensions announced an end to the “pointless” reassessment of employment and support allowance claimants with chronic conditions – see J Grierson, ‘DWP scraps retesting for chronically ill sickness benefits claimants’ (Guardian, 1 October 2016) <https://www.theguardian.com/society/2016/oct/01/dwp-scaps-retesting-for-chronically-ill-sickness-benefits-claimants>
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Housing

Availability and suitability
- Availability and suitability of housing stock across tenures, driving levels of housing stress, was identified as an ongoing concern requiring attention from the Committee.
- In particular, it was observed that as the population continues to age, an acute shortage of suitable ‘homes for life’ can be anticipated.
- Participants also advocated increased funding to the Supporting People programme to ensure vulnerable people of all ages are able to live as independently as possible.

Private rentals
- Participants felt the importance of the private rented sector in the Northern Ireland housing supply mix is not reflected in the level of attention received from policymakers. In 2014-15, 16% of houses in the region were private rentals – a higher proportion of the total than NIHE and housing association properties combined. However, the political agenda was considered to be dominated by home ownership and social rentals.
- It was suggested that the Committee might turn its attention to the improvement of standards in the private rental stock, probably through a combination of tighter regulation and additional support and education for landlords, as well as affordability.

Implications of future social security reforms
- In November 2015, the Chancellor of the Exchequer announced plans to cap eligible social sector rents for housing benefit at the local housing allowance, which limits eligible rents in the private sector. While the social sector size criteria has been among the most prominent aspects of welfare reform in media coverage and political debate, participants suggested its impact on housing affordability could be dwarfed by extension of the LHA to the social sector, if this also occurs in Northern Ireland.
- Participants warned that such a policy, in tandem with the measures to curb social rents in the Welfare Reform and Work Act, could make it economically unviable for housing associations to increase supply. This would have further knock-on effects; if the supply of smaller social units has not increased by the time the mitigation of the social sector size criteria comes to an end, pressure to extend the mitigation will be considerable.

Child poverty

Child poverty measurement and reduction

- Participants expressed dismay at the UK government’s decision to abandon statutory targets for the reduction of child poverty. The Committee was asked to use its influence to ensure Northern Ireland continues to measure child poverty and develop meaningful objectives for its reduction.

- This would require robust monitoring, not only of poverty levels, but of the qualitative experience of life in poverty and its effects on children, between now and 2020-21, the year in which the UK child poverty targets were supposed to be achieved.

- Monitoring and addressing child poverty might form part of a wider anti-poverty and social exclusion strategy, to be developed following the 2015 judicial review of the Executive's failure to produce a strategy as required by the Northern Ireland Act 1998. The strategy should acknowledge links between fuel poverty, child poverty and child development.

Welfare reform and child poverty

- The child poverty-focused roundtable echoed the social security roundtable’s call for close monitoring of the claimant conditionality regime, particularly its impact on child poverty, and for Northern Ireland to strive to operate the system better than DWP.

- In particular, it was argued that decision makers should be instructed not to impose a sanction without first considering (1) whether the claimant has any realistic opportunity to gain employment or increase working hours, (2) particular obstacles to employment faced by the claimant, notably childcare, and (3) the impact of a sanction on children.

- It was suggested that welfare-to-work programmes should be targeted at claimants with a realistic prospect of obtaining employment. This would allow for more efficient use of resources while avoiding unnecessary stress and risk of sanction on the part of those who, because of age, ill health, disability or caring commitments, would have little chance of getting a job. This should not prevent such individuals seeking employment support on a voluntary basis if they aspire to return to the labour market.

- It was noted that the current welfare reform mitigation measures will apply for a maximum of four years. Since the expiry of some mitigations – for example, disapplication of the social sector size criteria and exemption from the household benefit cap for claimants with dependent children – may be expected to reduce incomes and increase or deepen child poverty, planning must begin now for post-2020 policy directions.

Public opinion on poverty and welfare

- The coalition government argued that its welfare reform programme was necessary in part to ensure fairness and public confidence in the social security system. However, it was observed that while a significant amount of social research on attitudes to welfare and poverty has been carried out in Scotland, there is a lack of similar studies in Northern Ireland. Concern was expressed that Northern Ireland may be following a Westminster policy agenda without evidence that it reflects the sort of welfare state the region aspires to or the level of concern with poverty.

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16 Committee on the Administration of Justice and Brian Gormally’s Application [2015] NIQB 59
Conclusion

Devolution presents opportunities and challenges: the opportunity to develop a welfare state that better matches up to regional needs and aspirations than the UK government model; the challenge of reconciling desire to do things better with funding limitations. It is important that lessons are learned from a mandate dominated by a single, unsuccessful Bill. Desire to ‘do’ welfare reform better than the UK government led to the most serious challenge yet to the principle of social security parity in Northern Ireland, but the potential financial implications and the inability of the Executive to unite around an agreed set of divergences meant that, ultimately, largely the same set of changes is going ahead, subject to a set of mainly temporary mitigations.

The seminar looked forward as well as backward. A sizeable menu of matters for the Committee’s attention emerges from the discussions. While ‘social security’, ‘housing’ and ‘child poverty’ appear as distinct headings, there is much overlap. The likely future capping of social sector housing benefit in line with the local housing allowance has implications for housing association finances, hence for social housing supply, while a number of social security reforms are identified as impacting directly on the extent and severity of child poverty. Some aspirations – more humane operation of claimant conditionality, better targeting of welfare-to-work programmes or improved communication – may fall within the operational discretion of a separate Social Security Agency. Other proposals concern monitoring of things the Department is already doing, or committed to doing. However, some raise important questions about the desirability of a return to a strict interpretation of parity after 2020, when the current package of supplementary payments expires.

The UK government has reduced the priority it affords income-based measures of child poverty in favour of a focus on employment, education and family stability. If Northern Ireland continues to place greater emphasis on the reduction of income poverty, it may find adherence to benefit levels paid in Great Britain a formidable obstacle to this objective. Likewise, the UK government has determined that controlling the housing benefit bill is a sufficiently high priority to justify the risk to supply inherent in reducing housing association incomes. Northern Ireland might find a similar cap difficult to reconcile with a drive to increase the supply of smaller units in response to the ‘bedroom tax’, or indeed of ‘homes for life’ as advocated by participants.

If a new welfare state with a more regional flavour is truly emerging, it is desirable that this process should be well thought-out and not the result of the sort of emergency response to a crisis that gave birth to the current parity arrangements in the 1920s, or the messy search for political compromise that resulted in the loss of the Welfare Reform Bill. The last serious inquiry into the merits of parity took place in an Assembly with no legislative powers.18 In contrast, the political, media and budgetary pressures to respond to a specific set of UK government policies that faced the 2011-2016 Assembly were not conducive to a comparable consideration of whether Northern Ireland should as a matter of principle continue to adhere to the Westminster model. Once implementation of the Welfare Reform Order and Welfare Reform and Work Order is more advanced, there may be breathing space for scrutiny of the convention in a way that was not possible during the last mandate. This might be a necessary first step if members feel some of the more ambitious suggestions from the seminar are worth pursuing.

18 HSS Committee, Report: social security parity (NIA 141-I, Belfast: NI Assembly, 1984)
Further reading


G Horgan, ‘The making of an outsider: growing up in poverty in Northern Ireland’ (2011) 43(2) Youth and Society 453

G Horgan and M Monteith, ‘What can we do to tackle child poverty in Northern Ireland?’ (York: Joseph Rowntree Foundation, 2009)


L Shaw, ‘Changing the minimum standard for housing’ (Knowledge Exchange Seminar Series, Stormont, March 2015)


