



# DG Undeb Sy'n Newid UK's Changing Union

## Forum 3

### **The Social Union**

**Dakota Hotel, Queensferry, Edinburgh, 8-11 May 2013**

#### **A report on the proceedings**

**John Osmond, Institute of Welsh Affairs**

Welfare provision is widely regarded as being essential to holding the United Kingdom together. Certainly, this is a dominant narrative of the impact of the creation of the welfare state in the wake of World War II. Following 1945 there was an extended period in which the relationship between common taxation and welfare provision created social solidarity and provided the foundation for British identity.

During the 1980s the provision of state benefits were extended but in ways that were potentially divisive rather than unifying, especially the right-to-buy council housing policy. Public funding was diverted from spending on the building of social housing, to housing benefit for the less well off to rent in the private sector. In the short term this gave a broader range of people a stake in the housing market. But in the longer run it resulted in the social exclusion of a group who became distanced if not disaffected from mainstream society. In addition, a perceived purpose of housing and incapacity benefits was to remove people from the unemployment statistics.

Today austerity and associated changes to the welfare state are having differential impacts in different parts of the UK. There's a suspicion, too, that the austerity political programme driven by the present Westminster coalition, involving deficit reduction and benefit cuts, is seen by some on the Right as an opportunity to undermine the post World War II consensus on welfare. There was a strong sense that the increasing social inequality between the classes that has occurred during the past decade has been a major component of a growing political divide between the nations of the United Kingdom, and in particular between Scotland and England. In turn this has given rise to a vivid contrast between the social democratic and neo-liberal consensus that characterises the governing élites of Scotland on the one hand and England on the other. These issues were part of the background to the Forum's discussions. To what extent are the current changes to the NHS and the cuts to a wide range of benefits weakening the unity of the UK? As one participant asserted:

“The historic consensus around welfare that has endured since World War II is being undermined. Fundamental changes are underway in key areas of inter-related policy: immigration, welfare and Europe. In Scotland we take a very different view to a Right-wing consensus around these issues that appears to be gaining ground at Westminster. We will take steps to ensure that in Scotland we can do things differently on these matters.”

Against this it was pointed out that there is still widespread agreement across the UK about the need for equal social insurance contributions to provide equal levels of welfare provision. As another participant remarked:

We tend to forget that high profile politicians from all four corners of the UK contributed to the creation of the welfare state. For instance, when Lloyd George created the beginning of the insurance system he intended it to be for the whole of the UK and not just for Wales. The contentious issue tends to be around the way services are delivered.

Another put the same point in the form of a number of questions:

“How is it that that the political systems diverge so much when the attitudes of the people they represent are so similar? Even such a figure on the Right as Nigel Lawson has said that if the British people have anything resembling a religion it is their attitude to the NHS. There is no coincidence in the fact that when Bismarck created Germany he created pensions at the same time. But does such commonality in attitudes and values also lead to a commonality in citizenship?”

To which another responded:

“It is fair to say that until the recent past the NHS has been the defining characteristic of citizenship solidarity across the UK. However, the institutions in the different territories of the UK are now diverging at such a rate that we can no longer describe the NHS as a single service. In Wales we have outlawed the private sector from gaining a foothold in the mainstream NHS that we insist should be continued as a public sector provider, publicly funded, and free at the point of use. But in England there’s been a shift to private provision. The language we use to describe the way the service operates is quite different. The NHS is no longer a binding element in a common sense of citizenship across the UK.”

It was pointed out that UK politicians were increasingly fearful of drawing attention to the impact of welfare interventions on sustaining UK solidarity. For instance, the tax credit system developed by the Blair government could have been presented as illustrating the distributive capability of UK-wide policies. Instead the change was concealed within wider budget initiatives, in trepidation at arousing the awareness and perceived opposition of ‘Middle England’.

While much of the polling data tells us that many social and cultural mores are shared across the United Kingdom, it was suggested that what tends to

distinguish its different parts most is the national group with whom people express their solidarity. Values may be widely shared across the UK but the political systems in the various territories interpret them in different ways. As one participant elaborated:

“When Gordon Brown banged on about Britishness during his premiership, the characteristics he described as providing the foundation of the British union could be applied to almost any political union. For instance, it could be said about what held the union of the German Lander together as much as the union of England with Scotland. The criteria and data used in these exhortations are often vague and difficult to distinguish. People tend to want states to do the same things and deliver them in the same way. However, what tends to distinguish what they want is the people or group with whom they want to express their solidarity. That is the first order issue. What they might actually want in terms of what service they want delivered, or in what way, is a secondary issue. So it’s not the values that are shared or the attitudes that are held in common that’s the key question in all of this. Rather, it’s who do we wish to share these values and attitudes with?”

A good deal of attention at the Forum was given to the present UK government’s austerity measures and why, on the face of it, they do not appear to be having a great deal of impact on the devolution debate. Various explanations were offered. One said that the electorate had yet to reach the point where they were willing to transfer blame for the economic crisis from the previous Labour government to the present coalition government. Another argued that most people do not differentiate between Westminster and the devolved governments in apportioning responsibility for these issues. However, most agreed that the main reason was simply because most of the welfare cuts had yet to make a real impact.

One participant questioned the severity of the cuts in any event, pointing out for example that in Scotland health spending was not declining in real terms, but merely returning to the level it was at a decade ago. Meanwhile, overall welfare payments were continuing to rise:

“Pension payments in particular are rising disproportionately and have been funded by cuts to other services. But government is adamant that the cuts should not affect pensions and their index link – because of the pensioners vote. Meanwhile, housing benefit has got out of control, especially in southeast England and London. The answer is to build more houses. However, all the political parties know that in reality the numbers affected by the cuts are relatively small, and that there is widespread support for the cuts among the public at large.”

On the other hand, the point was made that austerity has had a good deal of impact on the positioning of the political parties, especially those seen as standing up for Wales and Scotland. The Welsh Labour Party had benefited by positioning itself as, in effect, the national party of Wales in arguing against London-imposed cuts. In Scotland the main beneficiary was the SNP. It was striking that when Alex Salmond appeared on the BBC’s *Question Time* in

Liverpool in February 2012, he urged the English audience to make sure they prevented the three main parties from continuing to marketise and thereby “destroy the NHS”. In Scotland, he said, the SNP was moving in the opposite direction, going back to the founding principles of the NHS and eradicating the private sector from health provision.

Attention was drawn to a speech by Danny Alexander, Chief Secretary to the Treasury in Edinburgh in March 2013 when he accused the SNP of attempting to transform the independence debate from one about identity to an ideological argument over welfare. As he said, if the SNP gets its way, “Whatever the words on the ballot paper, it will be a choice between a ‘social contract’ Scotland or a welfare-obliterating Westminster”:

Alexander went on to say that the SNP wanted the referendum to be seen as a choice between independence and perpetual Tory governments at Westminster. In practice, of course, this was not the necessary choice. Labour might win the next election and restore the cuts. However, the underlying question was not merely whether Labour would, in fact, win the election, but even if it did would it restore the cuts? This, said a Forum participant, was the SNP’s argument:

“Can we trust Labour? That’s why we need to decentralise the custodianship of our values. That’s how austerity is impacting on the union in a fundamental way.”

Confirming the point, another participant added:

“The power of the welfare issue is how it relates to the fairness campaign in the referendum. People working in the public sector are teetering on the edge of a Yes vote. Austerity and the need to preserve the welfare state will tip them over. A lot of people are less concerned about the British or the Scottish state and more about the welfare state.”

Meanwhile, Northern Ireland, Wales and Scotland were seeking to ameliorate the cuts and gain more powers over the welfare agenda. In Northern Ireland, which is one of the worst areas affected by the benefit cuts, devolution is providing a means to respond, at least partially. The Province will have its own Welfare Reform Act with room to diverge from what is being implemented in the rest of the UK. There will be no bedroom tax and welfare contributions will be capable of being split between different members of a household. Further, Section 75 of the Northern Ireland devolution Act provides some additional protection through its Equality of Opportunity Duty. So far as welfare is concerned, the main impact will be to remove any differentiation between persons with dependents and those without. One result could be to make it unlawful to remove child benefit from families with more than two children.

In its evidence to the Silk Commission in February 2013 the Welsh Government stated that social security and pensions should be reserved, but that there should be further devolution of other welfare issues. The National Assembly should be able to legislate in relation to vulnerable adults and

children, including taking children into care, fostering and adoption. The Assembly should also have full competence over the socio-economic duty in Section 1 of Westminster's 2010 Equality Act. This lays down an objective of reducing inequality of outcome resulting from socio-economic disadvantage in devolved areas of the public sector.

In Scotland it is being argued that the Scottish Parliament will only be effective in tackling poverty when it is given much greater responsibility for spending Scotland's £20 billion welfare budget. Proposals made by the Reform Scotland Group argue that Holyrood should have control over enough tax and borrowing powers to meet its spending commitments, removing the need for a block grant. At present the Scottish Parliament has control of about 60 per cent of total public spending, but has responsibility for raising less than 7 per cent of funding.

Of the £19.9 billion spent on social protection in Scotland in 2009-10, £15 billion was spent by Westminster, £4.7 billion by local authorities, but only £113 million by the Scottish Government. The Reform Group's proposals, known as Devo Plus, would transfer control of most welfare benefits to Scotland, leaving Westminster responsible for State pensions and sickness and maternity pay. As a result Scotland would have most taxation devolved, including income tax, leaving VAT and National Insurance with Westminster.

This, it is claimed would enable the Scottish Government to achieve a more coherent and effective approach to alleviating poverty. Housing and social inclusion are already devolved to the Scottish Parliament. But without welfare provision also devolved the Scottish Government cannot make a concerted attempt to address poverty.

However, there was a good deal of debate at the Forum about which parts of the welfare state should be retained by Westminster and which should be devolved. As one participant argued:

“Welfare services are delivered through a mixture of cash and in kind service provision. Its development has been path determined, since the creation of the welfare state in the aftermath of World War II. There were two health service Acts in 1948 which provided for legal decentralisation, first to Scotland. This has produced an inherited set of division of responsibilities. But is the division the right one? So, for example, there are a number of cash welfare benefits that should be devolved, including housing benefit and attendance allowance. They can be administered geographically but currently both march alongside the central provision of other social welfare benefits. However, if we were to move down the road of generous devolution of these cash benefits, it would have to be accompanied by shared agreement about the levels of entitlement across the UK. Also, and inevitably, such devolution of welfare payments would have to be accompanied by the devolution of at least some taxation.”

Others argued that this line of thinking would lead directly to the 'constitutionalisation' of the welfare state. They said it should be on the

agenda of any Convention about the future constitution in the event of Scotland voting to stay inside the UK in the September 2014 referendum. As one participant stated:

“At the moment we often seek to devolve welfare because we don’t like what central government is doing, for example the bedroom tax. But we need to think more rationally about what makes sense to operate at the different levels of government, whether Westminster, the devolved administrations, or the local authorities. This would be a constitutionalizing of social welfare provision. In the wake of the Scottish referendum we should be looking to put welfare provision on a long-term, more stable basis, with greater clarity about which level of government is responsible for which benefits.”

It was argued the devolution of welfare could bring many advantages, with more joined-up policy development in a number of directions. If housing benefit was devolved it could be redirected into building more social housing. If devolved unemployment benefit could allow a more integrated approach to tackling youth unemployment through linked policies on education. More generally, it could provide an opportunity to use the benefit system to create people independent of rather than dependent on welfare. As one participant said:

“The territories are moving. We need to transfer responsibility for welfare to create a new system that gets rid of the stigma and help us develop the aspirational side of politics. But Westminster just doesn’t appreciate that this is a priority for the devolved administrations.”

However, the notion of greater devolution of welfare, albeit on a more systematic and constitutional basis, raised the extent to which it would be compatible with sustaining a unified UK state. Certainly, public attitudes are ambivalent on this question. The 2010 Scottish Social Attitudes Survey found that 62 per cent of Scots thought that the Scottish Parliament, rather than the UK government, should be making the decisions about welfare benefits. Yet the same survey found that 63 per cent thought the state pension and 55 per cent unemployment benefits should be the same throughout the UK. Moreover, as one Forum participant declared, once you start devolving welfare the genie would be out of the bottle since it would inevitably mean “the unbundling of the British state”.

There was much talk at the Forum of the need to build a new union in the event of Scotland voting against independence. This would require a recalibration of the tax and benefit system and a new allocation of responsibilities for the welfare state.

A new union was needed because, as one participant put it, the current one is tainted, for two reasons: first, because of the Irish connection; and, secondly, because many who would describe themselves as unionists are really integrationists. Their default position is that everything should be the same across the UK and any difference is a concession to nationalists. However, this

was a misunderstanding of the union with Scotland, and in different terms the same probably applied to Wales:

The Union of 1707 was a deal which preserved Scottish exceptionalism - which, of course, only the Scots know about. The main thing was the Scots retained their own Church, which in those days was in many ways more important than the Parliament, followed by the separate Scottish legal system. Scottish exceptionalism was preserved in a remarkable way by dividing both the church and civil power between Scotland and England. Further responsibilities were added later. In particular, the Scottish Office acquired greater powers in the period following the failed 1979 referendum. All the while Westminster sailed on as though nothing had happened – because there was no requirement for England to change. But now, because of the referendum, either the Scots will walk away, or they will actively vote to stay in the union, but on new terms. This will require a new union which, to work, will have to have active components for both the English and the Scots. It will have to have a workable fiscal dimension, but more fundamentally an agreed moral purpose. In short, for the first time perhaps, England will have to have a say, whether it be through pursuing the Mackay Commission's recommendations for something along the lines of English votes for English laws, or something else.”

The Forum was left wondering whether such a new union was possible. There were varying degrees of optimism about the prospects. One participant thought that if Scotland voted for independence there would be little chance of a new union amongst the remaining territories, the 'Rest of the UK':

“We can talk about reconstructing a relationship between four territories. But the creation of a new union for the rUK would be an impossible task. You would have two blood-sucking gnats on the back on an elephant. England would have 93 per cent of the population, compared with 80 per cent at the moment. If the Scots go, the English would regard Northern Ireland as semi-detached and a source of trouble. Why in these circumstances would England want to keep Wales? What would it bring apart from a continual demand for money?”

Another Welsh voice was hardly more encouraging about the continuance of the existing union:

“Carwyn Jones has described the relations between London and Edinburgh as a “loveless marriage”. It is not an emotional union. It prompts the question, is a diluted sense of shared citizenship compatible with a pragmatic union?”

However, one Scottish participant thought there was hope of creating a new union though it would have to be fundamentally transformed:

“Austerity, which is going to continue for some years, will increase geographical inequality. Set against this we will have a Westminster system in which elections are determined in 100 constituencies where

austerity is not really felt. One answer to that problem is proportional representation. In the Scottish Parliament PR is a great strength, since to be elected a Scottish Government has to have representation in all parts of the country. We have the capacity in these islands to have an enhanced relationship with each other within the EU. There are different sorts of union: a social union, a defence union, a monarchical union. It's the parliamentary union that isn't working. We can get rid of that and reform the others."

But another Scottish voice was more pessimistic:

"Can we believe in a new union? What is the UK's future? Is the whole question predicated on the success or otherwise of the SNP? These questions are to be found throughout Europe. The difference with the UK, with English exceptionalism if you like, is that Westminster is impervious to the issue."