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Independence and the Territorial Politics of Welfare

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Foreword

This is one of a series of papers prepared in the context of our second 'conversation', funded by the Economic and Social Research Council (ESRC), on issues related to possible constitutional change in Scotland. These 'conversations' are being jointly organised by the DHI and Professor Charlie Jeffery of the University of Edinburgh. Professor Jeffery is also a Trustee of the Institute.

The first in the series covered macro-economic policy issues and financial sector oversight and regulation. The excellent papers from that conversation are available on our website. The third 'conversation' is to be on energy sector issues, in conjunction with the Scottish Council for Development and Industry (SCDI); and the fourth on competition policy and regulation, for which we have the full support of the Scottish Government. All four will be completed by end May 2013.

In each case our approach has been to commission papers from informed parties, then run a round table with key players. After the round table we ask authors to re-visit their papers, to be published on line at the time of a full DHI seminar, open to all.

This second 'conversation' covers issues related to social security and welfare under alternative constitutional settlements. We have received papers from; David Bell, Derek Birrell and Ann Marie Gray, Bea Cantillon, Nicola McEwen, Ailsa McKay and Jeremy Purvis.

These are all now available on our web site. Taken together they provide a remarkably stimulating and wide-ranging assessment of the key issues and options - including informed input on experience outwith GB.

Our round table was held at the Royal Society of Edinburgh on 11 December 2012 and the full seminar is on Monday 19th February, again at the RSE. In addition to our authors' inputs, we arranged that Professor James Mitchell of the University of Strathclyde would sum up issues at the end of the round table and then set proceedings underway - in a constructive direction - at the seminar.

As with the other 'conversations' we have agreed with our friends at Scotland's Futures Forum that there should be a further round table, this time with MSPs in the autumn.

My Trustees and I are extremely grateful to the ESRC and the Binks Trust for their support; to Charlie Jeffery for organising the 'conversation'; to James Mitchell for his crucial input; and to all of our excellent group of authors. Together we believe we have made an important, evidence-based, informed and transparent contribution to this important topic within the context of the critical debate in Scotland on possible constitutional change.

At the same time, however, the DHI, as a charity, can have no views on these issues and hence I must record that the views expressed in this and the related papers are those of the authors and not of the Institute. Nevertheless we commend them to your attention.

Jeremy Peat
Director, David Hume Institute
February 2013

Independence and the Territorial Politics of Welfare

Nicola McEwen

Academic surveys suggest that support for independence has remained relatively stable since the Scottish parliament was established, rarely commanding more than a percentage share of constitutional preferences in the low thirties. The 2012 Scottish Social Attitudes Survey made headlines suggesting that support for independence had decreased to 23%, the lowest level of support since the parliament was established. This is not directly transferable to the referendum, since it is based upon a question with starker wording than that proposed for 2014, and a range of preferences rather than the simple yes/no option that will be on offer then. Nonetheless, we can surmise from this survey and a raft of opinion polls that there is little evidence, as yet, of an upsurge in support for independence. If opinion is to be shifted and mobilised towards the independence option, there will need to be a catalyst - an event, process or policy - to change the game. Pro-independence strategists believe that such a game-changer has emerged in the UK government's agenda on welfare reform.

The growing prominence of a welfare dimension within the independence debate has been a striking development in the past year. Using the welfare state in pursuit of territorial goals is not unique to Scotland. The territorial politics of welfare is a common feature of nationalist claims across advanced democratic nations and states. Indeed, it was a feature of the Scottish home rule movement in the 1980s and early 1990s. The welfare retrenchment of the Thatcher/Major governments was used by advocates of Scottish self-government to reinforce the need for a Scottish Parliament – to protect public services, develop ‘Scottish solutions to Scottish problems’, and to guard against the regressive policies of a right-wing government. Who can forget the significance of the poll tax to the campaign for a Scottish parliament? This paper illustrates the ways in which the welfare state is being used to bolster support for independence in the current debate, in attempts to underline Scotland's distinctive values, to diminish the appeal of the Anglo-Scottish political union, and portray a picture of an independent Scotland which would preserve the rights of social citizenship. But it also underlines the ways in which this territorial strategy may be limited by rival territorial projects, shifts in public opinion, and constraints on policy options.

Devolution and the Welfare State

The devolution of social policies has brought the Scottish Parliament some of its most notable, symbolic and distinctive policy outcomes, including free personal care for the elderly and free prescription charges. Although the UK welfare state always entailed variation between and within the UK's four nations, alongside many other inequalities in access to service provision, devolution has rendered territorial variations more visible, and created the structures to facilitate the growth of distinctive welfare regimes. The tendencies of successive Scottish administrations to favour universalist public service provision in the areas under their jurisdiction, and the radical reforms in health and social care led by the UK government, have generated significant divergences in citizens' entitlements.

But the reservation of social security and most tax policies mean that significant areas of social policy remain the responsibility of the UK government and parliament, including benefits, pensions and tax credits. In addition, there remains a good deal of interdependence between reserved and devolved competencies. Devolved policies in housing and homelessness are affected by reserved policy on housing benefit. Devolved strategies and targets for tackling poverty and inequality are embedded within and shaped by UK government strategies.

Active labour market policies, which are partially a devolved responsibility, are shaped by UK employment regulations, economic policies and the tax and benefit system. Such interdependence between reserved and devolved policies need not be problematic, but it does set some of the boundaries within which devolved policy choices have to be made. The challenges and constraints this can engender have been clearly illustrated recently in the Scottish Parliament's response to UK welfare reform.

UK welfare reform is aimed at reducing spending on welfare by restricting entitlements, cutting the real terms value of benefits, and streamlining the welfare system. The main focus of the latter is the introduction of a new Universal Credit, to replace a range of in-work tax credits and out of work benefits, including housing benefit, income support, income-based Job Seekers Allowance, child tax credits and family tax credits. Council tax benefit and the social fund have been abolished altogether, effectively transferring responsibility for these to the devolved administrations and English local authorities, with a 10% cut on the associated fiscal transfer. The reforms have a variety of direct and indirect consequences for devolved policies, for example, in housing and homelessness, social care and for 'passport benefits', including free school meals and legal aid, which the Scottish Government provides to those in receipt of various welfare benefits (but *not* working tax credits), which have been used as a proxy for low-income or disability. The Scottish Government appeared to welcome some aspects of universal credit as a simplification of the welfare system, not least because this simplification could facilitate the transfer of legislative competence over social security from Westminster to Scotland in due course. However, the controversies surrounding the reforms led the Scottish Parliament, in the wake of an influential report from the Health and Sport Committee, to withhold its consent for the legislative consent motion – the first time it had done so. This necessitated consequential Scottish welfare legislation and new policy developments to respond to these jurisdictional interdependencies and mitigate the perceived negative impact of welfare reform on Scottish devolved social policies. Increasing unease within civil society over the implications of welfare reform has also helped to bring it to the centre of the campaign for independence.

Welfare state nationalism and the Territorial Politics of Welfare

Welfare state institutions and services can and have been utilised as tools in the politics of nation-building, especially in multi-level states where the boundaries of national communities are contested. Elsewhere, I developed the concept of 'welfare state nationalism' to describe the distinctive ways in which the welfare state could serve a nation-building function: by providing an institutional focus for national solidarity, embodied in shared institutions (a health care system, for example); by strengthening the ties that bind citizens to the political institutions providing for their social and economic security; and by increasing the presence and relevance of political institutions overseeing these social programmes in the everyday lives of the citizens (McEwen, 2006: 62-79; see also Banting, 1995; Moreno and McEwen, 2005; Béland and Lecours, 2008). The use of welfare policy and institutions, broadly defined, can serve the territorial objectives of nations and states, and parties and movements, across governmental and territorial levels. The development of the post-war British welfare state arguably contained demands for Scottish self-government for at least two decades. The defence of this model of welfare state, founded on social democratic principles, was a key feature of the campaign for a Scottish Parliament, especially in the late 1980s and early 1990s (though less so after Tony Blair became leader of the Labour Party and led his party's reinvention as New Labour).

The most visible areas of distinctive social policy in the context of Scottish devolution - 'free personal care', the abolition of tuition fees, free prescriptions, etc. - have assumed a symbolic significance in underpinning devolved Scotland's distinctiveness within the union.

Welfare issues are also increasingly prominent in the discourse of those advocating independence. This was signalled in the First Minister's Hugo Young lecture, delivered in London in January 2012. Reflecting on the achievements of the post-war welfare state and the perceived threat to institutions and policies offering social protection as a result of UK government reforms and spending cuts, Salmond (2012) noted:

...anyone who accepted the union partly because of the compassionate values and inclusive vision of the post-war welfare state may now be less keen on being part of a union whose government is in many respects eroding those values and destroying that vision... And looking at the problems of health reform now, I thank the heavens that Westminster's writ no longer runs in Scotland on health issues. But the looming issues of welfare reform exemplify why Scotland needs the powers to make our own policies to meet our own needs and values.

It has been a more prominent theme in recent speeches by other leading figures, with special reference made to the UK government's welfare reform agenda. The SNP's Deputy First Minister, Nicola Sturgeon, noted in her speech to the SNP conference (11 March 2012)

Only independence can put a stop to heartless Tory welfare reforms that will punish the vulnerable and the disabled. And only independence will give us the tools we need to rid Scotland of the poverty and deprivation that still scars our nation and create the jobs and opportunities that will get people off benefits, not for Tory reasons, but for the right reasons.

In her speech to the party's conference in October (Sturgeon, 2012b), after being appointed to lead the government's independence programme, the Deputy First Minister sought to claim this ground for the nationalists in the wake of interventions of Johann Lamont and Ruth Davidson which called into question the social democratic consensus underpinning the devolved system of welfare:

The unionist parties don't just oppose independence - they want to roll back the hard won gains of devolution as well. Free personal care, medicines free at the point of need, bus travel for pensioners, education based on the ability to learn not the ability to pay. These are not signs of a something for nothing society. They are the hallmarks of a decent society and we will fight to protect them... The answer to Tory cuts is not to hit the elderly, the sick, the struggling family or the young person aspiring to a university education. The answer to Tory cuts is *to control our own resources* (italics added).

A social justice vision of independence was the central theme of Sturgeon's keynote speech in December 2012 (Sturgeon, 2012c). She acknowledged that the creation of the post-war welfare state had been a defining feature of Britishness, but argued that the institutions which underpinned British distinctiveness 'are under attack from the Westminster system of government' which is 'eroding the social fabric'. Independence, it is argued, gives Scottish political institutions the tools to address Scotland's social and economic problems, and to create a policy landscape reflective of Scottish values, which it is presumed are founded upon social democracy.

This rhetoric resembles strongly a key theme of home rule discourse in the campaign for devolution, when it was similarly set against the backdrop of a radical Conservative government intent on reducing the size of the welfare state. Surveys at the time suggested that social democratic preferences at least in part helped to reinforce demand for a Scottish parliament (Denver, et al., 2000; McEwen, 2006). Now, as then, it resonates with civil society; there is little doubt that civic Scotland is increasingly unsettled by the scope and implications of UK welfare reform. But there are a number of factors which may constrain the effectiveness of this discourse in the context of the independence campaign.

First, Scottish policy choices may be underpinned by social democratic values, but they would still be constrained by many of the same pressures which have contributed to rising social security costs across most advanced democratic states. Across the EU, as well as in all individual Member states, social protection accounts for the highest proportion of government expenditure, amounting to 19.9 % of GDP in 2010. The next most important functions in terms of government expenditure were health and general public services, amounting to 7.5 % and 6.5 % respectively of GDP in the EU-27 in 2010 (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/General_government_expenditure_statistics#General_government_expenditure_by_function). These rising costs emerge from demographic trends and their implication for social service demands, alongside higher expectations, economic pressures and crises, and the availability of fiscal resources. These pressures would be faced by an independent Scotland whatever the ideological leanings of its government.

Second, the experience of devolution may have diminished confidence that constitutional politics can transform society. Expectations were very high in advance of the Scottish Parliament's establishment. Scottish Social Attitudes surveys taken in the wake of the 1997 devolution referendum indicated that over two-thirds believed that the Scottish Parliament would make the NHS and education a lot or a little better. By 2007, just over a quarter thought that it had, while a majority felt that devolution had made no difference. There is not much evidence available to allow exploration of the strength or weakness of feeling about the prospect of independence for social change. The 2012 SSA suggested that, as in previous years, a clear majority felt that the Scottish Parliament should control welfare benefits, but only a fifth believed independence would reduce the gap between rich and poor, with around a half believing it would make no difference (ScotCen, 2013).

Third, those simultaneously defending social democracy while campaigning for a Scottish Parliament in the late 1980s and early 1990s were part of a broad home rule consensus (albeit that their ultimate constitutional goals varied). There is no such consensus in the current debate, and we can expect those leading the 'Better Together' campaign, and especially the Labour Party, to present a social democratic case for union. As both Chancellor and Prime Minister, Gordon Brown made a variety of attempts to invoke a continued commitment to the welfare state as a symbol of British solidarity and unity, in the face of multi-level government. These concerns were expressed in particular at the onset of devolution. In a pamphlet published in advance of the first Scottish Parliament election, Brown and his fellow Scottish Labour MP, Douglas Alexander, argued that Britishness was "cemented by the common endeavour of... building the welfare state" (Brown and Alexander, 1999: 19), and that British citizenship is reinforced by "the powerful and widely held idea that, as citizens of Britain, we all contribute to the pensions and social protection against sickness, disability and widowhood of each other" (*ibid.*: 32).

Some academics on the liberal left expressed concern that the absence of national frameworks within UK devolution risked producing variable citizenship entitlements across the UK, which could undermine inter-regional solidarity. Hazell and O’Leary stressed the need for a ‘baseline statement of social and economic rights’ (Hazell and O’Leary, 1999), while Jeffery criticised the government for failing to articulate in any meaningful way the essential elements of social citizenship in post-devolution UK (Jeffery, 2002: 193-4).

These sentiments resurfaced more recently within the Commission on Scottish Devolution (Calman Commission), set up by the opposition parties with the support of the UK government to review the existing devolution settlement in the wake of SNP’s election victory in 2007. The (then Labour-run) Scotland Office’s submission to the Commission invoked assumptions about UK-wide shared social citizenship, noting: ‘All parts of the UK regard the provision of healthcare as a fundamental part of what it means to be a citizen – devolution has responded to local needs, but it has not altered this fundamental feature of our citizenship’ (Scotland Office, 2008). The Commission’s final report noted the ‘many social ties that bind the UK together... (including) some common expectations about social welfare.’ These expectations were used to justify retaining social security and redistributive taxation as matters to be reserved to the Westminster parliament:

Social security payments are available and are paid on the same basis to people across the country, according to their needs.... We think that there are certain social rights which should also be substantially the same, even when it is best that they are separately run in Scotland.” (p.6)

Income tax is a progressive tax: as well as raising revenue it is used as a tool of redistribution of resources across society. We believe this should remain a function of national government, because it is an aspect of the social union to which Scotland belongs.” (p.8)

Commission on Scottish Devolution, 2009

This discourse is most evident at times of uncertainty, just as the Scottish Parliament was about to be established with uncertain political and policy consequences, and after the election of the first nationalist government which brought the issue of Scotland’s constitutional future back on to the political agenda. It will almost certainly form part of the Labour Party’s defence of the Anglo-Scottish political union in the current campaign. The reference to the UK ‘social union’ as an integral component of the political union is intriguing though, not least because it contrasts significantly with the conception of the UK as a ‘social union’ put forth by the SNP.

Independence and Interdependence in the Social Union

The referendum question - *Should Scotland be an independent country?* - has been applauded for its simplicity and intelligibility. But what does it mean for Scotland to be an independent country? Though details remain patchy, it is clear that the independence envisaged by the SNP would maintain close associations – institutional, economic, cultural, social and even political – with the rest of the UK. At least some of these may require legislative underpinning in both parliaments; for others, intergovernmental arrangements may suffice.

A common expression of such continuities is the *social union* which, when used in SNP discourse, means something quite different from social union of the Calman Commission and the Labour Party.

It appears to refer to links between family, friends and colleagues across the United Kingdom (Mitchell, et al, 2011: 121), as well as representing an all-encompassing term to refer to broad areas of common interest that would remain post-independence. Colin Kidd criticised the SNP view of a social union as ‘craftily opaque – all things to all men’ (2012: 10). What is not clear, however, is whether there would be any substance underpinning the SNP’s concept of a post-independence social union which would see some co-operation on social and welfare policies or a continuity of common services offered to citizens throughout the UK.

The SNP’s independence vision sits easily alongside a continued common labour market and common travel area, allowing for the free movement of people and services. These commonalities would have implications for a range of policies, including social security provision, pensions, employment and labour market regulation. Keating suggested that there may be a case for transferability and mutual recognition of citizen entitlements in health care, pensions and unemployment benefits, building on these common links, while acknowledging the risks of welfare migration (Keating, 2009: 88-9). In one of its National Conversation papers, the Scottish government set out some of the implications it saw from enhanced self-government over social security and other spheres which impinge on social policy, housing, and health care, noting that ‘devolution max and independence would not necessarily spell the end to arrangements with other parts of the British Isles’. As an illustration, it pointed to the possibility of continuing UK-wide arrangements in a range of issues related to health policy, for example, NHS staff, pay and conditions, the system of organ donation, specialist treatment of rare diseases, and the regulation of human fertilisation and embryology (Scottish government, 2009: 31-2). It is not difficult to envisage a range of additional continuities, for example, using the same agencies for the management of civil service pensions or benefits.

Such continued association would require some form institutional mechanisms or shared governance arrangements to facilitate intergovernmental communication, co-operation and co-decision, and to manage divergences and disputes. The Nordic Council is often invoked as an example of an institution which could manage such shared governing arrangements, though this is not a very influential institution in a Nordic context. The SNP has made reference to the British-Irish Council as offering the potential to facilitate cross-border co-operation in a range of policy areas. Were the BIC to play a significant role in policy co-ordination, it would require a transformation in the shape, strength and resources of this body, as well as a willingness on the part of its members to see its role enhanced.

The dynamics underpinning such intergovernmental co-ordination also merit consideration. Independence may grant a formal equality of status to Scotland as a sovereign nation-state, but Scotland’s partnership with the rest of the UK would not be one of equals; nor, we might assume, would the degree of *inter*-dependence be mutual. In the international arena, small states have less political weight, often less economic weight, and fewer administrative resources to engage in intergovernmental negotiation from agenda-setting to policy making and implementation (Neumann and Gstöhl, 2004; Falkner and Laffan, 2005; Thorhallsson and Wivel, 2006). They are not without influence, but have to choose carefully the issues upon which to take a stand.

Moreover, the greater the interdependencies and continuities, the less scope there may be for doing things differently, even with political independence. The degree to which such continuities are envisaged in the arena of social security and welfare awaits further details, but this could pose a further constraint on the effectiveness of engaging in the territorial politics of welfare, and of the likelihood of UK welfare reform being the game-changer advocates of independence claim it to be.

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