



Underemployment:

Written Evidence to the Economy, Energy and Tourism Committee

Lauren Wood, Social Policy Officer

January 2013

- Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.
- Citizens advice bureaux in Scotland helped clients with over 560,000 new issues in 2010/11 – more than 1,500 new issues for every day of the year. Over 230,000 clients brought new issues to a bureau over the year.
- In 2010/11, Scottish bureaux achieved a financial gain of almost £126million for clients based on funding of £16.3million (including £7.6million in core funding). This means that CAB clients were better off by £8 for each £1 of funding given to bureaux.

Summary

Citizens Advice Scotland welcomes this enquiry into underemployment. In 2011/2012, bureaux across Scotland dealt with over 39,000 new employment issues. Although bureaux do not specifically record 'underemployment' there are key indicators and case studies upon which CAS can draw to provide insight into the consequences of the situation of underemployment. We have defined underemployment for the purposes of this evidence to include:

- involuntary part-time work/involuntary temporary work
- insufficient working hours
- under-utilisation of skills

Based on this framework, inference can also be drawn from analysis of in-work benefits – a lifeline for those clients whose income from work does not prove sufficient means to live on. In 2011/2012 bureaux recorded over 24,600 new issues relating to in-work benefits.¹

In addition to these outlets, CAS undertook a survey of graduates in 2012 and published the results in the report 'Degrees of Insecurity.'² Of respondents to the survey, 24.8% declared themselves as underemployed although the definition of underemployment for the purposes of this survey related solely to the under-utilisation of skills. It is likely this figure would have been significantly higher if working hours and temporary contracts had been included as factors.

Recommendations

Underemployment results in consequences which affect the individuals involved and the economy as a whole although these manifestations of effect are not isolated. They are intrinsically linked and should be considered fully in relation to the short, medium and long term. This includes reviewing the system for in-work financial support, the mechanisms Jobcentres use to match jobseekers with jobs and close monitoring of the employment outcomes of jobseekers.

Citizens Advice Scotland would recommend:

1. Jobcentre Plus needs to do more to help people find suitable work. The matches made between jobseekers and jobs can often be unsuitable and not conducive to sustainable employment for the individual concerned. In addition, the new Universal Jobmatch website, which is run by the DWP and will soon become compulsory for jobseekers to use, has on occasion inaccurately listed some part time jobs as full time.

CAS recommend that the inaccuracies in the website should be resolved before Universal Jobmatch becomes the compulsory search tool for

¹ Included here as 'in-work benefits' are Working Tax Credit, Child Tax Credit and Income Support.

² July 2012, available at <http://www.cas.org.uk/publications/degrees-insecurity>

many jobseekers. The site needs to be made more suitable for finding full time and appropriate work.

2. There needs to be a single definition of underemployment used by policy makers and statisticians in order to accurately measure the problem
3. Graduates should be considered as a group, rather than simply measuring employment outcomes by age. This would allow policy makers to better analyse whether graduates are displacing other people from non-graduate level jobs.

Causes of underemployment

Although Scotland seems to be fairing slightly better than the rest of the UK with an unemployment rate of 7.6% compared to the UK average of 7.8%,³ there are still significant difficulties in the employment market:

- The suitability of jobs
- In-work support
- Mechanisms to support jobseekers

The suitability of jobs

There are undoubtedly less jobs in proportion to the working population of the UK than there were four years ago. In 2008, there were 31.527 million workforce jobs with 562,000 vacancies in the August/October period and in the same period in 2012 there were 31.95 million jobs with 489,000 vacancies.⁴ Since 2007, the household population of those over 16 has risen by over 1.75 million and as a consequence, unemployment has risen in the UK by 879,000.⁵

This stagnation in the number of jobs is worsened by the change in the nature of these jobs. Between October 2007 and October 2012, full-time employment has fallen by 421,000 while part time employment has risen by 709,000. For some part-time work is a choice. However, a new State of the Nation report reveals that the number of people in Scotland in part-time work who want full-time work has risen from 70,000 in 2008 to 120,000 in 2012.⁶

Working Hours

The changed pattern of working available in the job market does not only affect those looking for work but can also affect people in work which could be a contributor to invisible underemployment: these individuals have not left jobs yet find themselves in an underemployed situation. Sudden and imposed underemployment can be a serious problem for bureaux clients across the country. Many clients have approached bureaux because the suitability of their job has changed due to reductions in working hours:

- **A Central Scotland CAB** reports of a client whose trade is masonry. The client has worked full time (39 hours/week) with the same company for 4 years. The client has been told that with immediate effect his hours are to be reduced to 24 per week because there is not enough work. The client has not been told how long the reduced working hours will last and he is worried about how he will make ends meet. The client earns

³ ONS Labour Market Statistics December 2012, available at <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2012/index.html>

⁴ ONS Labour Market Statistics December 2012, available at <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2012/index.html>

⁵ ONS Labour Market Statistics October 2012, available at <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/october-2012/index.html>

⁶ The Joseph Rowntree Foundation report can be found here: <http://www.jrf.org.uk/publications/monitoring-poverty-scotland-2013>

£23,000 per year (which will reduce to £14,150). The client is one of 5 workers in this situation and believes it would be better to retain some workers and make some redundant but thinks the boss has reduced all of their hours to push them into seeking other employment and avoid making redundancy payments. The client wished to know about his rights.

- **An Island CAB** reports of a client whose employer has reduced his hours from full time to three days per week. The client has been employed full time by his employer for 26 years. The reduction in hours was imposed with no notice or agreement (no change to contract or verbal agreement). The client's wife works part-time and the couple are worried about how they will pay their mortgage on their reduced income. The client wanted to know if his employer was entitled to do this.

In times where job security is not guaranteed, pursuit of employment rights can become secondary to holding on to a job. Clients do not want to challenge poor employment practices for fear of losing a job all together. However, the consequences of imposing reductions in hours can leave clients in difficult living situations:

- **A West of Scotland CAB** reports of a client who is working as a security guard and has had his hours cut. The client's wife works for 3 hours per day and they are struggling to cope financially since the reduction in hours. The couple are using credit cards to pay for housekeeping and their mortgage. They wondered if there was any help available for food.

The situation of many clients across the country reflects the difficulty of living on the wage received from working insufficient hours. The nature of the job market means many clients are unable to improve their situation through increasing the hours they work – either in their current job, changing their job or taking on a second job. Clients are willing to work more hours, but face the barrier of the current economic climate:

- **A South of Scotland CAB** reports of a client who was upset about her situation and finding it difficult to manage. The client is a divorced homeowner with an outstanding mortgage balance of around £5,500. While the client's son was living at home with her she qualified for tax credits but now that he has left home she no longer receives any tax credits. The client earns a standard £102.56/week (around £5,300 annually). The client works 16 hours per week and does not qualify on those hours for Working Tax Credit. The client wondered if there were any other benefits she was entitled to as she barely earns enough to live on. She is actively seeking more work through agencies and through distributing her CV by hand in the local area but has not been successful. Her current employer has been clear that there are no more hours available. She feels she has slipped through the "benefit net" and she has become very depressed.

It is the experience of the CAB service across the country that clients struggle to increase their hours and can feel penalised because their situation leaves

them experiencing financial hardship but without recourse to any financial help or support.

- **A West of Scotland CAB** reports of a client who is single with no dependents and lives alone in social rented accommodation. She has two part time jobs, both with minimal hours, and from these she earns a total of £40 per week. She is currently unable to work through illness and has received a form completed by her employer who refuses to pay statutory sick pay because her earnings are below the minimum earnings limit. The client is concerned about her financial situation.

Without an accessible and robust support system for providing financial support to those in underemployment situations with low incomes, there is a real danger that citizens will turn to high-interest lenders as a solution to their financial problems. Many bureaux clients face significant difficulties with this type of credit, which does not deal with the fundamental problems of the client's financial situation and can result in further debt.

- **An East of Scotland CAB** reports of a client who is married and living with her husband and their 17-year-old son in private rented accommodation. Recently, both her son and her husband lost their jobs. The client is earning around £700 per month (£8,400 per year) depending on her hours which range between 20 and 30 per week. To make up for the lost earnings the client felt she had to take out two payday loans – the first for £500 with a repayment of £625 and the second for £400 with a repayment of £500. The client is now unable to make repayments and is struggling to make the interest payments which now come to £225. The client wanted advice on how to deal with the companies and reduce the amount owed.

In-work support should be available to address the realities which many individuals, couples and families on low incomes face. The current system appears to allow many clients to 'slip through the net' of support.

In-work support

Tax credits are in-work benefits designed to 'top up' low incomes. Child Tax Credit may be available when an individual or family is responsible for a child or young person (and is available both in and out of work) and Working Tax Credit exists to support those who work but are on a low income regardless. Some may be entitled to claim both types of tax credits.

In April 2012 the eligibility rules for Working Tax Credit and Child Tax Credit changed, impacting on 85,000 Scottish families. These changes mean that 73,300 families in Scotland will have lost Child Tax Credits worth around £545 per year and a further 11,370 families will have lost Working Tax Credits worth up to £3,870 per year.

Up to April, families were eligible for Child Tax Credits if their income was below £41,300. This changed to £32,000 for families with two children, or £26,000 for lone parents. Couples were able to claim Working Tax Credit if they were responsible for at least one child and worked at least 16 hours a week

between them but this was increased to 24 hours per week jointly with one parent having to work at least 16 hours.

At the time of the changes, CAS stated that they were the wrong move at the worst time and expressed our concern that these changes could push many people into poverty and debt. For the 20% of Scottish children already living in poverty, we are concerned that the changes will make the situation even worse. This was a concern CAS expressed again in the publication 'Welfare changes: Voices from the frontline.'⁷

In focusing on underemployment, this submission will focus on Working Tax Credit but it is worth noting that the complicated relationship between Working Tax Credit and Child Tax credit is a source of difficulty for many bureau clients. These benefits which are in principle designed to support financially vulnerable people stay in work can present barriers which defeat that desirable principle of support – whether those barriers be in the form of eligibility criteria or the administration of the benefits.

⁷ Available at <http://www.cas.org.uk/publications/voices-frontline-welfare-changes>

Working Tax Credit

Working Tax Credit (WTC) is a benefit designed to help those who earn a low wage by offering them a greater deal of financial security thus making their working situation sustainable. To qualify for Working Tax Credit, clients must meet the following criteria:⁸

Without Children		
Age	Disability?	Minimum Hours to receive benefit
16-24	No	No entitlement
16+	Yes	16 (per person if in a couple)
25-60	No	30 (per person if in a couple)
60+	No	16 (per person if in a couple)
With Children ⁹		
Age	Couple Status	Minimum Hours to receive benefit
16+	Single	16
16+	In a couple	24 combined, with one partner working at least 16 hours.

Changes to WTC from April 2012 had significant consequences for some of the most financially vulnerable families in Scotland. Many clients had previously worked enough hours to qualify for support but now worked too few hours and struggled to increase their hours:

- **A West of Scotland CAB** reports of a client whose husband works 16 hours per week and had been receiving £73 per week in Working Tax Credit. They received a letter stating that this benefit was being stopped and she wished to know if there was some other benefit replacing it. The family was already struggling financially and was having difficulty paying for gas and electricity. There is no prospect of increasing their working hours to become eligible. This sudden cut, which the client did not understand, will have a very serious effect on the couple's ability to live without running up debts.

⁸ For more information see <http://www.hmrc.gov.uk/taxcredits/start/who-qualifies/workingtaxcredit/work.htm>.

⁹ There are further exceptions to the minimum number hours which can be found at <http://www.hmrc.gov.uk/taxcredits/start/who-qualifies/workingtaxcredit/work.htm>. These criteria changed in April 2012 as the discussion above

- **A South of Scotland CAB** reports of a client who works 16 hours per week and whose Working Tax Credits have been stopped as a result of the policy change. The client is considering stopping work as she cannot support her family on her wages alone. However, the client is worried about the sanction she will face for leaving her job 'voluntarily.'

The experience of the Scottish CAB is that clients want to work but feel penalised for not working the hours that the welfare system deems to be enough. Without being able to increase their hours, they are trapped in jobs which do not generate enough income to support themselves or their families but which they will face sanctions for leaving.

WTC and the Self-Employed

Self-employment is not always a choice for clients who approach bureaux for help and advice. The Scottish CAB have reported of employees being compelled to take self-employed contracts.

- **An East of Scotland CAB** reports of a client who has worked with a company for a little over a year. Initially he was an employee and had a contract of employment. Three months after starting however, he was dismissed and then contracted with on a self-employed basis – providing precisely the same service but on these changed terms of employment. He now invoices the company for services rendered and pays his own income tax and national insurance contributions. The client feels disadvantaged because in this employment situation he has no entitlement to paid holidays, time off for medical appointments, etc. In addition, the amount being paid for his services was recently reduced from £7.38/hour to £6.19/hour without his consent. The client sought advice on whether his employer could continue to treat him as self employed (it seems) to avoid their legal obligations.
- **A North West Scotland CAB** reports of a client whose employer tells all their workers that they are self-employed. This allows the employer to avoid paying the minimum wage, sick pay, holiday pay and redundancy pay and also puts the responsibility on the workers to pay their own tax and national insurance contributions. The client has been working for them for around 7 months planting trees. The company supply tools and materials and also transports workers to and from the site each day. The client is not paid an hourly rate but a piece rate for each tree planted and the travelling time (which is typically 3 hours from an 11 hour day) is unpaid. This means that the client is effectively earning significantly less than the minimum wage. The client sought advice on his tax situation and also if the way his employers are treating his employment situation is correct.

For those who are self-employed, work inconsistent hours or find themselves in short term contracts, in-work benefits can present further problems. Such fluctuating employment situations do not accord well with the application processes. This can lead to a financial situation of hunger or bust, where financial support does not provide relief when it is most needed.

- **A Central Scotland CAB** reports of a client who sought advice regarding her debts and housing situation. She is employed as a care worker on a zero hours contract working weekends only. Her hours of work vary continuously so she is never sure how much she will earn. She is supported by in-work benefits (Local Housing Allowance, Working Tax Credit and Child Tax Credit) with some of these being paid in arrears based on her previous month's earnings. In practice, this often means that she will receive benefit that is at its highest in a month when she earns the most and at its lowest in a month when she has earned very little. She has fallen into rent arrears and some debt and is very anxious about the welfare of her 2 year old daughter. The client wanted to know her options as she feels trapped by her financial situation. She cannot increase her hours at present and is trying to find another job but needs to earn enough to afford nursery costs and the rent. She feels her only option may be sequestration.

When income is estimated for the purposes of WTC, this can lead to substantial overpayments which can be very difficult for those on a low income to pay back.

- **An East of Scotland CAB** reports of a client who came in for advice on how to deal with a large overpayment of tax credits (£8,830). The client has received a letter asking that she repay the full amount owed to them and threatens to get an earnings arrestment on her wages if she does not comply. The client works part time on minimum wage and is very concerned about what will happen and how she will cope financially if her income reduces. The client has other debt totalling £1,250 but she has been managing this well. She lives alone with her 12 year old son. The client feels she cannot afford to pay back the debt – she does not have the resources to pay the monies owed in a lump sum and feels that paying the debt back in small amounts is not an option as this would leave her with very little money for a long period of time. She thinks sequestration may be her only option.

Overpayments of tax credits can be financially devastating and can be accrued through no fault of the individual. In-work benefits should be a lifeline to support those in vulnerable employment situations where underemployment of hours means income is not enough to sustain individuals, couples or families. The current entitlement framework is not intuitive to the needs of employees in the present economic environment. Tax credits are not consistent with other benefits meaning those on the lowest incomes can be suspended in a perpetual state of poverty without any financial support.

The welfare system should not penalise underemployment of hours through restricting in-work benefits in the way that it currently does. The welfare system is not cohesive – there is a contradiction in excluding those who do not work the required number of hours to qualify for in-work support while at the same time imposing sanctions on those people for leaving the jobs which cannot sustain them.

Changes planned under the Universal Credit package of welfare reforms will make the situation even more difficult for those working few hours on a low

wage. If earning minimum wage, individuals will have to work for 35 hours per week to qualify for the WTC equivalent element of Universal Credit. If they do not meet these hours, clients will have to prove they are actively seeking to increase their hours or face sanctions similar to those under the Job Seekers Allowance regime. This step will see low paid workers penalised further, and could push many into poverty.

Mechanisms to support jobseekers

Job Seekers Allowance Sanctions

A major barrier facing those in situations of underemployment is the sanction they face for leaving their current job. The sanction to a Job Seekers Allowance (JSA) claim could leave a client without any income at all if they are considered to have left a job 'voluntarily' - a judgement which can be made even if a client leaves a zero hours contract or leaves a working situation in which they did not earn enough or work enough hours to qualify for in-work support.

This means a client can face the impossible decision to stay in a job which holds them in poverty or face a period of time without any income at all before being able to claim JSA.

- **A West of Scotland CAB** reports of a client who has had a zero hours contract for approximately 10 months. The client was receiving around 30 hours per week until two months ago when her hours dropped significantly. Recently, some weeks she has worked 10 hours and some just 4. She has earned so little she has had to borrow money for petrol to get to and from work. The client cannot afford to keep working under these conditions as it is costing more in petrol than she is able to earn. The client wishes to quit her job and claim JSA but does not know how she will cope financially during the period she is likely to be sanctioned for leaving her current job.

The period of time which these sanctions last has grown in recent months¹⁰ which increases the dilemma faced by clients. The problem of sanctions can also be compounded by the inconsistency amongst local Jobcentres, and even the inconsistency of outcome in the same outlet but with a different adviser. Bureaux report that they must check whether a sanction will be imposed on a case-by-case basis – even if the material facts of the case are the same or similar they cannot offer appropriate advice based on previous experience because their experience is that of inconsistency.

Universal Job Match

Jobseekers are starting to be encouraged to apply for jobs through the Universal Job Match route. Although not compulsory yet, there is an intention that this will become the main route for jobseekers. However, there are already problems with the site which should be addressed if this is to become an appropriate resource.

¹⁰ See Appendix 1 for an outline of the new sanctions regime

On a recent search of jobs in Edinburgh¹¹ with the search parameters set to 'full time' jobs, CAS found that there were 7 jobs on the first 8 pages of search results where the jobs were advertised in the heading as 'part time' – one of those jobs had as few as 2 hours per day. This analysis is simply of the jobs which were called 'part time' in the title and does not include those which were listed as full time with as little as 8 hours.

As it stands, this mechanism is not suitable for matching candidates with appropriate jobs. The automatic nature of the site means that jobseekers will be sanctioned for failing to apply for jobs they are 'matched' with – even if the job is mislabelled on the site. All options given to the jobseeker on the site for not applying for the job are sanctionable and these sanctions will be automatic with no element of discretion.

Only weeks into its launch, already bureaux are reporting problems around the administration of the Universal Job Match site:

- **A South of Scotland CAB** reports of a client who has been asked by the DWP to give them her email address and password so that they can get proof she is looking for work. The client is so upset by the request for her password that she no longer feels she wishes to sign on so that she is not forced to this.
- **An East of Scotland CAB** reports of a client who is claiming JSA and has been told to log onto a universal jobseeking website to look for work. This involves the client providing his email address and he is very concerned about a possible breach of confidentiality. When the client goes to the Jobcentre he is asked to access the site by putting in his password so that the adviser can see what jobs he has applied for. The client strongly feels that this is an invasion of his privacy and is worried that his personal details could be accessed by people he doesn't know. The bureau suggested to the client that he could open a new email address for his personal emails.
- **A West of Scotland CAB** reports of a 29 year old client who has been asked to participate in the Universal Jobs Match. The client says that this requires online access and internet skills, which the client does not have. The client is concerned that his benefits may be sanctioned if he does not participate. After being contacted by the adviser, the Jobcentre agreed to assist the client to get online.

There are already concerns with this method of jobseeking which should be addressed soon before Universal Job Match becomes a compulsory and problematic resource. In particular, CAS are concerned about the accuracy of job specifications and therefore the suitability of job matches which is currently poor. CAS are also concerned about the way jobseekers are being advised to provide access to private accounts to prove their jobseeking activities. We would recommend that guidance should be clear and well known amongst all frontline Jobcentre staff so as to avoid unnecessary sanctions.

¹¹ Search completed 17th January 2012

Greater accuracy presumably relating to the job specifications and therefore the job matches, but what about the privacy element? I think we should frame this bit as a concern, and request something about guidance concerning the way a client should have to demonstrate that they have searched for a job. It could be just something to do with giving the adviser a list of the job numbers or something rather than having to show their emails.

Pressures from JobcentrePlus

Jobseekers can feel under pressure from those administering their benefits to take unsuitable jobs due to the threat of sanction.

- **An East of Scotland CAB** reports of a client who is a young single mum. She is currently receiving JSA, Child Tax Credit and Child Benefit. She was part of the Work Programme and was seeing an adviser at one of the Work Programme providers and from there started a job with an online telesales company. She is on a zero hours contract and has only received 4 hours of work from the company. She feels pressurised by the Work Programme provider to 'sign off' and claim Working Tax Credit instead of JSA but the client is worried her hours will not be enough to support her and her young child. The Work Programme provider say she should be getting 30 hours of work per week and told the client these hours were guaranteed, however she was told by the company that they aren't and the position is technically self-employed. The client feels stuck and worried about the future.
- **A South of Scotland CAB** reports of a client who feels pressured by a Jobcentre Plus adviser into taking a job as a care assistant on a zero hours contract. The first week she worked 22 hours but felt she could not manage that many hours and spoke with the employer to reduce them to 16 hours. The client was told by her employer that this was ok but since then her hours have dropped to 5 per week. The client cannot sustain herself financially on these hours but as it is a zero hours contract there is no minimum guarantee of hours or wage. The client wondered why she would be pushed towards a job with a zero hours contract by the Jobcentre.

Jobcentres are a gateway to employment for many; they are looked to for advice, support and fundamentally sustainable jobs. Clients should not be expected to take on jobs which basically have no guarantee of a sufficient number of working hours to make them sustainable and Jobcentres should be a gatekeeper of this principle.

Graduate Jobseekers

Invisible underemployment is a serious barrier to tackling underemployment. CAS believes that one of the main barriers to uncovering invisible underemployment is the unknown effect of graduate displacement on the job market. In July 2012, CAS published a report called 'Degrees of Insecurity'¹² which was an analysis of a survey run over June 2012 and sought to gather the employment experiences of graduates.

¹² Available at <http://www.cas.org.uk/publications/degrees-insecurity>

78.4% of respondents said that JobcentrePlus had been unhelpful in finding them a graduate level job while only 1.8% found the support offered there to be helpful. One 25 year old graduate in Law said that, "At the group meetings we were encouraged to leave any degree off the CV to help us find more plentiful unskilled work. Nobody would employ me as a cleaner if I had a degree. I was told to stop looking for graduate work and take a 'survival' job."

Currently, graduates are counted in employment statistics by age group – either 16-24 or 25+. Until graduates are considered as a group in their own right for employment policy purposes, the displacing effect that they may have on the job market cannot be fully realised.

The CAS report shows clearly that graduates do not feel treated appropriately, and do not feel supported into suitable jobs. JobcentrePlus, being at the frontline for many jobseekers, has an opportunity to ensure jobseekers are supported into appropriate and sustainable employment.

Appendix 1

Sanction	Applicable to:	Duration		
		1 st failure	2 nd failure	3 rd or subsequent failure
High Level e.g. failure to take up an offer of paid work	Claimants subject to all work-related requirements	91 days*	128 days*	1095 days*
Medium Level e.g. failure to undertake all reasonable action to obtain work	Claimants subject to all work-related requirements	28 days	91 days	
Low Level e.g. failure to undertake particular, specified work preparation action	Claimants subject to all work-related requirements Claimants subject to work preparation and work- focused interview requirements	Open ended until re-engagement plus		
		7 days	14 days	28 days
Lowest Level Failure to participate in a work-focused interview	Claimants subject to work- focused interview requirements only	Open ended until re-engagement (with lower sanction amounts)		

Appendix 2

Cases referred to during evidence by Norma Philpott

Case Study 1

Development worker contacted money advice as she was currently with a client in urgent need of advice & assistance. Client lives with husband who works 24 hours per week and client is a part time student. They have 3 children aged 11, 3 and 1. The client is also 30 weeks pregnant and diabetic. The client was very distressed as she had not eaten for several days, her baby had not moved for a few days and she was to attend the hospital immediately but she had no petrol to get there. The client advised she had a few tins of beans left so the children would eat but neither she nor her husband would.

Money advice immediately sourced a food parcel for the family while the development worker arranged for a meal from Adam Smith College canteen and a discretionary fund payment for petrol to allow her to attend the hospital. The money adviser delivered the food parcel to the client later in the day and arranged an appointment to meet with her the following day to gain more information and assist to resolve the financial issues in the household.

It transpired that the cause of financial difficulty is the low income in the household and that, until the baby is born, the clients are under occupying their private rented property therefor having to contribute towards their rental charge. Another cause is due to the client's husband having to travel in excess of 60 miles per day to attend work. The costs of maintaining a car and petrol to attend work is more than he earns therefore the only income available for the household is child benefit and tax credits. Although there was no further benefit entitlement, the money adviser has applied for charitable assistance to cover the rental contribution until the baby is born in an effort to reduce the poverty this family is experiencing. The client and her husband are continuing to engage with the Client Action Team in an effort to secure him full time employment within Fife in order to reduce the family's outgoings and increase their income.

Appendix 2

Cases referred to during evidence by Norma Philpott

Case Study 2

Clients were referred to Money Advice due to Welfare reform changes ending their entitlement to Working Tax Credits. Clients are married with 2 pre school children. The clients were known to money advice as they had engaged with the service several years ago to address their debts. These issues were resolved and the clients had been managing their finances.

Due to their rural location and limited access to childcare “Mrs” found it extremely difficult to secure employment that suited around their family commitments. “Mr” works in the hospitality industry and due to the current economic climate his hours have been reduced from full time to 16 hours per week. The Welfare Reform Act included changes implemented in April that couples must now work 24 hours per week between them to qualify.

These changes mean that the clients were losing £223.52 per week between the reduction of wages and tax credits. The money adviser conducted a benefit check based on their new circumstances and assisted them to apply for Local Housing Allowance to assist with their private rental charge and also Council Tax Benefit. Working with the clients and discussing their expectations of gaining further employment the money adviser was able to advise that if one of them was working at least another 8 hours per week, they would then be able to apply for Working Tax Credits again.

Over the following 2 weeks the clients attempted to source new employment, additional employment as well as new employment for Mrs with the assistance of their Development Worker. Mrs then approached money advice for further assistance as she was considering a self employment sales position. She was concerned as the income was commission based only and therefor worried how they would pay their rent and bills if she did not earn enough money. The Money Adviser explained how the self employment would affect their benefit income and provided the client with a “better off” calculation to ascertain if this type of work would be financially viable for the family.

Mrs has now started her self employment and she works 2 hours per day, weekdays. This allows Mr to continue working his 16 hours per week in hospitality and he is then available to care for the children while Mrs works. The family were then able to reclaim Working Tax Credits to increase their income as between them they are working over 24 hours per week and, due to the low earned income, they also continue to qualify for part assistance with their rent and council tax.

Mr continues to seek alternative full time employment or secondary employment in an effort to financially support his family. Mrs is enjoying her self employment role and plans to enter into employment when her children are at school while continuing with her self employment.

Appendix 2

Cases referred to during evidence by Norma Philpott

Case Study 3

Client is single, rents property from a housing association. Client has 3 children- none are resident so does not qualify for any additional benefits but client has overnight access to 2 children every weekend.

Client was unemployed and in receipt of JSA. Major employer in his area was expanding and a potential of 400 new jobs were available. Client applied for these vacancies and was offered a 20 hour per week post. Client was informed that when full time (i.e. 35 – 40 hrs. pw) position becomes available they are offered to internal employees first.

Client took up the position in the hope of securing more hours at a later date but was also under pressure from the jobcentre to obtain any employment ASAP. Client has no assets but was responsible for a car which was subject to a hire purchase agreement. Client managed to maintain the agreement while unemployed but accrued arrears in Council Tax, Child Support, bank overdraft and credit card.

Client approached for money advice almost 1 year from starting employment as he had accrued further significant debt since working and was also at risk of a wage arrestment from Child Support Agency. Client has accrued arrears with utilities and his rent account.

A financial statement was drawn up and client had few options other than to apply for sequestration in order to address his debts. Client has a significant negative disposable income despite expenditure being within guideline figures. It would be even more detrimental to our client if he was served with a wage arrestment.

The client decided to voluntarily surrender his vehicle in order to reduce his expenditure as he was willing to cycle to and from work in an effort to cut costs. Even when he is no longer liable for the cost of the Hire Purchase agreement, car insurance, road tax and maintenance costs he still has a negative disposable income.

The client's earnings are just over the threshold to qualify for any assistance with his rent or council tax and he does not work enough hours to qualify for Working Tax Credit.

The client is now sequestrated and he reduces his food budget to below the guideline figures in order to ensure he maintains his essential expenditure and not fall into debt again despite him being responsible for 2 children for 48 hours per week. He continues to cycle to work and therefore he is limited when seeking new employment as he will be reliant on public transport for any opportunity outwith his community.

The client continues to request overtime or a full time contract with his employer but he has been advised they have no vacancies or additional hours

Appendix 2

Cases referred to during evidence by Norma Philpott

at this time due to a downturn in sales. The client continues to attend the local Job clubs weekly to access information and support in securing full time sustainable employment.

Appendix 2

Cases referred to during evidence by Norma Philpott

Financial Statement accompanying Case Study 3

<u>CARF</u>			
<u>Monthly Income / Expenditure</u>			
Date:	14/01/2013		
Name:	[REDACTED]		
Case Ref:	8669	Family circumstances	Single Person
		No of Children/Dependants	
Income Type	Amount	Exp Type	Amount
Client Wages	£709.48	Rent	£279.00
		Council Tax	£108.00
		Electricity	£135.00
		Includes Gas	
		TVLicence/Rental	£12.34
		Satellite / Broadband	£22.50
		Mobile Phone	£22.00
		Road tax/MOT	£18.33
		Car- client is voluntary surrendering	
		Car Insurance	£45.00
		Car- client is voluntary surrendering	
		Car Maintenance	£25.00
		Car- client is voluntary surrendering	
		Petrol	£40.00
		Car- client is voluntary surrendering- this cost will be replaced by travel costs	
		Child Support	£40.47
		Mandatory payments through CSA- taken from wages. For 1 child- no access	
		Other	£69.29
		voluntary child maintenance payments- for 2 children- client has access every weekend	
		Hire Purchase	£161.00
		Car- client is voluntary surrendering	
Total	£709.48	Total	£977.94
		Disposable Income	-£268.46

<u>Creditor List & Repayment Proposals</u>		
Priority Creditor/s	Account Balance	Monthly Repayment
	£0.00	£0.00
	£0.00	£0.00
Totals	£0.00	£0.00