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OF BRITAIN

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THE CONDITION
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BRIEFING 5:

FINDING A DECENT JOB AND ACHIEVING FINANCIAL SECURITY

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ABOUT IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive thinktank. We are an independent charitable organisation with more than 40 staff members, paid interns and visiting fellows. Our main office is in London, with IPPR North, IPPR's dedicated thinktank for the North of England, operating out of offices in Newcastle and Manchester.

The purpose of our work is to assist all those who want to create a society where every citizen lives a decent and fulfilled life, in reciprocal relationships with the people they care about. We believe that a society of this sort cannot be legislated for or guaranteed by the state. And it certainly won't be achieved by markets alone. It requires people to act together and take responsibility for themselves and each other.

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ABOUT THE PROGRAMME

IPPR's flagship Condition of Britain programme is examining the state of British society in order to understand how politics, institutions and policies need to change in response to the major social pressures facing post-crash Britain.

As part of this programme, IPPR is talking to people across the country about their everyday experiences, the stresses and strains they encounter, and what is needed to help them to live more fulfilling and less pressured lives. Combined with rigorous analysis of the latest data and trends, we hope to generate new insights into the condition of British society, and define the central challenges for social policy over the coming decade.

The Voices of Britain website is a vital part of the Condition of Britain project: through it, and with the help of People's Voice Media reporting from across the country, we are inviting everyone to inform and shape our work by sharing their experiences.

We would love to hear your story:

Visit <http://voicesofbritain.com/>
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INTRODUCTION

For most people, a job is a source of friendship and self-esteem, as well as a pay packet. Yet too many people in Britain are denied this basic opportunity for social participation because they struggle to find work or have a job that fails to provide status and a decent wage. People have an obligation to work if they can. But this must be matched by a duty on society to ensure the prospect of work is real, that wages and conditions are decent, and that there is adequate financial protection for those who lose their job.

This paper explores the challenges for people experiencing worklessness in Britain, what work is like for people with a job, and the financial protections in place for those facing unemployment. We examine how reciprocity could be restored for working people in Britain, with stronger obligations to work (for those who can) matched by a genuine prospect of finding a decent job and a benefit system that recognises the contribution of those who have paid in. And we consider how new local institutions could offer access to affordable credit to people facing financial insecurity, to keep them out of the grip of extortionate lenders.

The Condition of Britain programme

This is the fifth and final briefing paper in a series published as part of IPPR's Condition of Britain programme. This programme is examining the state of British society in order to understand how politics, institutions and policies need to change in response to the major social pressures facing post-crash Britain. Briefing papers on family life, young people and older people were published in October and November 2013, and this paper is accompanied by one on living in a good home and neighbourhood.

In each briefing paper, we draw on a range of sources to identify the central pressures on the social fabric of Britain. To ensure that our thinking is rooted in the everyday experiences of people across the country, we have conducted a series of visits to neighbourhoods around Britain. To hear more about the challenge of finding a good job and achieving financial security facing, we visited Glasgow and North Lanarkshire in July 2013 to talk to local people and a range of charities. These visits are complemented by an ongoing community media project called Voices of Britain, which is gathering short film essays from people across Britain in which they discuss the sources of strain and strength in their lives.¹

This series of briefing papers is designed to stimulate a debate about the best way forward for policy and action. Each of the policy lessons set out in chapter 2 of this paper concludes with a set of questions to which we will seek answers in the next stage of the Condition of Britain programme. We welcome responses to all aspects of this briefing paper from anyone with experiences or expertise to share. Please send your thoughts to conditionofbritain@ippr.org. We cannot guarantee a personal response to everyone but we will do our best to reflect all the comments we receive in the next stage of our work.

¹ See <http://voicesofbritain.com/>.

LIFE ON 'THE BREW'

LONG-TERM UNEMPLOYMENT IN MOTHERWELL

Motherwell is a town in North Lanarkshire with a rich industrial heritage as the centre of Scotland's iron and steel industry. But the collapse of heavy industry in the 1980s saw the loss of thousands of skilled, well-paid jobs, and the area continues to suffer from higher levels of unemployment than Scotland as a whole.

Through local employment organisation Routes to Work, we met a group of Motherwell residents facing long-term unemployment – on the dole, or 'the brew' as it's known in this part of Scotland. Given the length of time that some had been without work, they were not optimistic about finding a job locally. The town itself, and local job prospects in particular, were described as 'bleak'.

Most of the jobs available locally were said to be badly paid and insecure – in warehouses, on production lines, driving vans and cleaning offices. Most said they would be happy to take a temporary job with work guaranteed for three or six months, but some had experiences of jobs that were so insecure that they were offered work for just a day or two.

All of the people we spoke to were on the government's Work Programme, but it had brought them no closer to a job. Sam, in his 40s, had been unemployed since before the recession, having previously worked in a warehouse. Harry had been a successful sales manager but had lost his job around the time of the recession because of restructuring. Glenn, in his 20s, was due to complete his two years on the Work Programme in September with no prospect of paid work.² The combination of long periods out of work and the lack of local jobs created a sense of hopelessness and deep pessimism among the people we spoke to.

They were also quite critical about the support they'd received from the local jobcentre and from large companies involved in the Work Programme. They felt these services take a 'box-ticking attitude' and advisers tend to 'ask the same questions' and mostly 'just show you how to look for work'. They were more positive about the support offered by Routes to Work, whose advisers made them feel more welcome and made more of an effort to match them up with jobs that they had a particular interest in. But they also said that most people in Motherwell find work through friends and family rather than employment programmes.

² Names have been changed to protect the identity of the people we spoke to.

³ IPPR | The Condition of Britain: Finding a decent job and achieving financial security

1. TO WHAT EXTENT CAN PEOPLE FIND A DECENT JOB AND ACHIEVE FINANCIAL SECURITY?

For many in Britain, working life has become more difficult, as people struggle to find a decent job, cope with job-loss and keep the family finances on the right track. Long-term unemployment of the kind experienced by those we spoke to in Motherwell can have a devastating effect on people's self-esteem and social engagement, and leave people feeling powerless to shape their own future. In this section, we consider how the difficulties of securing decent work and avoiding financial insecurity puts pressure on families and individuals in Britain.

Too many people are excluded from the benefits of a decent job

Employment is not just about earning money to pay the bills. A job also allows us to use our skills and experience, to achieve a degree of control over our lives, and to feel like we have a place in society. Through work, we take responsibility and make decisions, and develop friendships that we can draw on for support at work and in wider life. Employment is associated with higher levels of life satisfaction and a lower risk of experiencing both physical and mental health problems (ONS 2013a, Karsten and Moser 2009, Mclean et al 2005). For all these reasons, employment is one of the principal ways in which we achieve social integration and participation, as well as earning a living (Phelps 2007).

In practice, some jobs do not offer all these benefits. But this is an argument for improving the quality of those jobs, not for giving up on the goal of employment for all.

As we saw in Motherwell, long periods of worklessness can leave people feeling isolated, demoralised and unclear about their role at home or in wider society. This is particularly the case for people – often men – who have been in work for many years and have been the family's main breadwinner. The financial and emotional burden of long-term unemployment can lead to conflict within families, raising the risk of family breakdown (Blekesaune 2008). People who fulfill their obligation to look for work but find employers unwilling to give them a chance can be left feeling frustrated and powerless.

'The time I spent on the dole was a very embarrassing experience for me. I was going in for the dole on a weekly basis. I was getting no help whatsoever off the staff there. You end up pulling your hair out because you can't get the help that you want. I've worked all my life and I hated it [being unemployed], hated every minute of it.'

Martin, 34, South Wales (via the Voices of Britain project)

The recession didn't have as large an effect on employment as was feared, but large numbers of people lost their job and far too many remain without work. Just under 2.5 million people in Britain are unemployed and looking for work, up from 1.6 million at the beginning of 2008, just before the recession took hold. A further 6.6 million adults of working age (16 to 64) are not working (or in full-time education) and not actively looking for a job (ONS 2013b). Of this group, one-third are not working because they are looking after family; another third are out of work because of a health condition or disability; one in five have retired early. Although these people are not actively looking for work, one in five say they want a job – equivalent to over 1.7 million people (ONS 2013c). Some of those who say they do not want to work may have become discouraged by their previous experiences of looking for work or believe that they can't find work that suits their caring responsibilities or health condition.

High levels of worklessness are not just a feature of post-recession Britain. In the decade before the recession, the number of working-age adults claiming out-of-work benefits³ barely dropped below 4.5 million, despite a long period of economic growth and rising employment (ONS 2013b).

The risk of worklessness is not equally shared – it has a structural dimension that means certain people are much more likely to be without a job than others. Fewer than half of people with a work-limiting disability (44 per cent) are in work, and even fewer people with mental health problems or a learning difficulty have a job (ibid). Many mothers struggle to combine work with childcare responsibilities, leading to higher levels of worklessness among mums in the UK than in many leading European countries (Lawton and Thompson 2013). Older people who lose their job typically find it more difficult to get back into work than younger generations, and may give up looking before they reach retirement age (Lawton 2013a). Young people who do not gain recognised qualifications or practical work experience find it hard to access employment (Cooke 2013a).

The benefits of work are diminished by weak wage growth and a lack of security and autonomy

The social and financial benefits of work are diminished when jobs are poorly paid, insecure or lack status. Most people on low and middle incomes have not had a decent pay rise in the last decade, while the cost of essentials continues to rise sharply (Commission on Living Standards 2012). Across society, families are facing levels of financial insecurity that can leave working people unable to adequately support their family. Over the last five years, rising benefit payments have been crucial to shoring up the incomes of middle-income families, not just the poorest (ONS 2013d). However, further large increases in tax credits and in-work benefits appear unsustainable in the face of continuing public spending cuts.

Many people on low to middle wages can also feel that their contribution in the workplace, and in society more broadly, is not properly recognised and rewarded. Low-paying jobs in particular can lack status and respect (Dean 2012, Lanning and Lawton 2011). Although many people have highly satisfying jobs that give them opportunities for creativity and decision-making, employees are less likely than 20 years ago to report having control over how they organise their working day (Inanc et al 2013). We are also more likely to say that we work hard and feel under lots of pressure at work (Felstead et al 2013).

Although job turnover has fallen over the last 20 years, a significant minority of working people either feel that their job is not secure or, because they are on a zero-hours contract or working through an employment agency, lack the benefits of a permanent job. A quarter of employees fear losing their jobs – this figure is now at its highest level since researchers starting collecting data in the mid-1980s (Gallie et al 2013). Given the importance of work for financial security and social participation, fear of losing a job can put huge pressure on individuals and relationships.

‘What keeps me awake at night is worrying about what would happen if I lost my job or if my partner lost her job. There’s a feeling that the whole thing could collapse like a house of cards.’

John, 54, Little Hulton in Greater Manchester (via the Voices of Britain project)

3 That is, jobseeker’s allowance, employment and support allowance and its predecessors, and income support.

Many people in Britain have lost faith in the benefit system

If the worst happens and someone loses their job, the social security system should be there to protect them against hardship until they get back on their feet. But most people think the British benefit system no longer offers enough protection for people who have paid into the system. Four out of five people believe that ‘the system doesn’t do enough to reward people who have worked and contributed’ (Cooke 2013b). Half think that ‘the system provides too little financial protection when people fall on hard times’ (ibid).

But most people also think the system doesn’t demand enough of people who are claiming benefits and not contributing: two-thirds agree that ‘the system is too soft on people who could work but don’t try hard enough to find a job’ (ibid). The scale and scope of the benefit system has expanded dramatically in Britain over the last 50 years. But the British public has fallen out of love with large parts of the welfare system – unlike institutions, like the NHS, that retain deep popular support despite the many challenges they face.

One clear example of how the system no longer offers real protection at moments of need is jobseeker’s allowance (JSA), which is currently worth just £71.50 for those aged 25 or older.⁴ To people who have contributed to the system for many years, this can seem like a derisory sum.

‘It’s a bucket of cold water. It’s not a lot of money.’

‘It’s a tragic amount of money.’

Focus group participants⁵

This is compounded by the knowledge that people without a recent work record are entitled to the same amount of cash through benefits like JSA. The implication is that the system does not recognise years of hard work and contribution – only immediate needs. Concern about the ability of new immigrants to claim such benefits is emblematic of a deeper unease about the breakdown of the basic relationship between putting in and getting out.

‘It’s not fair that two different individuals, one that’s just come out of school and doesn’t want a job is getting the same as someone who’s paid into the system, who’s been working all his life.’

Focus group participant

Many people in Britain also feel that the benefit system promotes a culture of dependency among those claiming support and does too little to encourage people to move into employment. There is a deep concern, sometimes anger, in many parts of British society that the original principles of the benefit system have been subverted over time. By this view, it has shifted from a source of temporary support for those who have worked but find themselves unemployed to a long-term alternative to paid work for too many people.

‘It should be a safety net to help you back on your feet. But it shouldn’t be that’s what you do day-in day-out, you just claim money from us basically.’

‘I think it [claiming benefits] is a culture. It’s just accepted now that “ach no, I dinnae work. I’ll just get my benefits for this”.’

Focus group participants

4 Extra help is available to many people with the extra costs of housing, children or a disability.

5 From two focus groups organised by IPPR and held in Glasgow on 25 July 2013 with a total of 19 adults, all in work and earning less than £40,000 a year.

A majority of the British public remain broadly sympathetic to people receiving benefits, especially those who are victims of economic change and rising unemployment. Only just over a third agree that ‘many people who get social security don’t really deserve any help’ (35 per cent) or that ‘most people on the dole are fiddling in one way or another’ (37 per cent) (Pearce and Taylor 2013). And there is recognition that paid employment is not appropriate for some (like new parents) and not possible for others (like those with serious disabilities). But there remains a deep sense of unease that the system itself disincentivises people to work or try to improve their situation, even if they want to do so.

‘There are people who don’t work more hours, even when they can work more hours, because they will be less well-off than if they were on benefits, which is not right. It’s not encouraging you to go back to work.’

‘We interviewed an apprentice for an IT job and we wanted to give him the job, so we offered him the job and a decent enough wage. But he said “no” because if he started full-time he wouldn’t get his housing benefit.’

Focus group participants

At the same time, when people have to claim benefits, they often find the system excessively complex and unresponsive to their particular circumstances.⁶ Arbitrary and inflexible decisions, such as on benefit sanctions and access to disability benefits, can leave people without support at very short notice and with little explanation. This gives the state and its agents in private companies enormous power over individuals. And it leaves people dependent on friends and family, or foodbanks and payday lenders. New rules mean that people can have their entire entitlement to JSA stopped for a minimum of four weeks, for instance, often for a fairly minor infringement of the rules. This is penalty is applied to an average of 45,000 people a month (DWP 2013).

A lack of affordable credit pushes people into expensive and unsustainable borrowing

As family incomes rise slower than the price of basic essentials, many people find themselves needing to borrow to make ends meet. However, there are few sources of affordable credit offered on the terms that many people need, especially after the dismantling of the Social Fund (see Royston and Rodrigues 2013). Payday lenders, pawnbrokers and other high-cost lenders have a growing presence on our high streets as visible and accessible businesses making quick decisions on small, short-term loans. This makes them a popular option for people in need of emergency funds, and many use payday lenders to pay for essentials like travel, heating and food (Which? 2013).

But this kind of borrowing can be exceptionally expensive and people are often encouraged to ‘rollover’ their loans, trapping them in a cycle of debt and hardship. The average loan is around £260, borrowed for a month – and costs £25 for every £100 lent over this period (OFT 2013). Many people with these loans end up losing control of their finances and are unable to break free of what becomes a spiral of debt. Very few banks offer loans of the kind provided by payday lenders, although people with payday loans also typically borrow on expensive overdrafts and credits cards. The result is that people on low to middle incomes often lack choices about who to borrow from and how much to pay. This can put expensive payday lenders in a position of considerable power over people who need to borrow quickly.

6 This feedback was conveyed in our focus group sessions, as described above.

2. WHAT WOULD IT TAKE TO PROMOTE RECIPROCIDY AND FINANCIAL SECURITY?

Most people in Britain want to work hard and contribute. But they need to know that, in return, they will get support to find work, avoid hardship if they lose their job, and not fall into a spiral of debt if they need to borrow. In this section, we consider how the obligation to work can be better matched by the right help to get a job and decent financial protections when people need them most.

Stronger obligations and better support for people facing serious barriers to work

The social and financial benefits of employment are too large for us to accept so many people being cut off from them. Yet over the last 30 years, successive governments have tolerated much higher levels of unemployment and worklessness than is necessary. Although employment levels rose consistently before the crash, returning to rates last seen in the late 1970s, millions of people did not benefit.

Labour's focus in government was on addressing individuals' barriers to work, such as a health condition or responsibility for children. This meant investing in employment programmes that offered jobsearch advice, like help with CVs, interview preparation and identifying vacancies. However, while these approaches are effective for people who are ready for work, they are less effective for those facing significant barriers to employment.

The Coalition government's Work Programme largely continues this strategy, albeit with a different contracting and payment structure in place. The early evidence shows that this programme is about as effective as previous incarnations (like the Flexible New Deal) at supporting those claiming JSA to move into work. And, again, it has been much less successful at supporting people with more significant barriers, such as a health condition or disability, into a job. Both the previous Labour government and the Coalition have done little to change the hiring practices of employers or the structure of opportunities in the jobs markets.

People in Britain rightly think that those who can work should be actively looking for work. But the obligation to look for work must be matched by a realistic prospect of finding a decent job. The majority of people who lose their job find another one quickly and need little help (if any) to do so. But for the minority who face real disadvantages in the jobs market, society must do more. For people with disabilities, this might include more help for employers to deal with the cost of adaptations or to share the risk of future sickness absences. The work capability assessment should be recast to assess what support disabled people need to get back to work rather simply acting as a gateway to benefits. There is a case for much wider use of transitional work and intermediate labour market programmes that combine intensive support and training with paid work experience. All these approaches are consistent with a social investment strategy, where the goal is to reduce spending on income transfers by intervening in the labour market to maximise employment opportunities (see also Cooke 2013b, Lawton 2013b).

This national strategy could be deepened by local areas taking on more responsibility (and resources) for getting their residents back into work. Political leaders in towns, cities and counties are well placed to bring together the services that people with barriers to work rely on and build relationships with local employers. Currently, however, they have no control over back-to-work services (which are contracted centrally from Whitehall) and few incentives to reduce their residents' reliance on benefits. Many local areas are already showing leadership here – for example, Routes to Work was set up by North Lanarkshire Council together with local charities to provide more tailored support for local people facing long-term unemployment (see Cooke 2013a for further examples).

Specialist charities can often provide the intensive support required by people with the greatest barriers to work – for example, the Glasgow Centre for Independent Living has had great success in placing people with serious disabilities in subsidised jobs, as a stepping stone to permanent employment. However, these organisations struggle to compete with major private companies for large government contracts, so new approaches are needed to make sure we draw on their expertise, reputation and relationships.

If work is to mean an escape from dependency, exclusion and financial hardship, then it must also provide a decent wage and opportunities for people to use their skills and experience. The previous Labour government's prescription of training for people in low-wage jobs coupled with more generous tax credits to lift incomes ultimately did too little to make sure people were in jobs that afforded status, respect and a good wage. There was too little focus on the root causes of low pay, and too little pressure on employers to raise the quality of jobs or give people more of a say at work. The Coalition is doing too little to support dual-earner families, tackle low pay or help employees get a pay rise so that families can escape low income under their own steam (Lawton and Thompson 2013). In future, we need to be more ambitious about the responsibility of employers to make jobs more secure, better paid and more highly valued.

Questions

- *How can we strengthen the obligation to work and match it with the prospect of a decent job for people who face real disadvantages in the jobs market?*
- *How can the energy and expertise of local areas and specialist organisations be mobilised to get people back to work, including through changes to back-to-work programmes?*
- *How can we shift the hiring incentives and practices of employers so they can meet their obligations to take on those facing disadvantages?*

Decent protections for working people in return for contribution

Over the last 30 years, the idea of protection in return for contribution within the British benefit system has been eroded, increasingly overtaken by the expansion of means testing and the rise of 'extra costs' payments in respect of housing, disability and children. This has undermined popular support for working-age benefits by weakening the principle of reciprocity upon which much of that support was previously based. Rebuilding the popularity, resilience and effectiveness of the benefit system requires a revival of the notion of reciprocity, or 'give and take'.

The contributory principle has been weakened over the years by political currents from both left and right, with the left worried that it excludes too many and the right concerned that it extends state support to those with the resources to support themselves. Contributory and means-tested versions of benefits like JSA and employment and support allowance (ESA) are paid at the same rate and have the same name – so someone claiming contributory JSA will see little real difference from a neighbour receiving income-based JSA. The previous Labour government led a major expansion of means testing through the tax credit system, which helped to lift the incomes of millions of families. But ultimately it failed to rebuild support for the working-age benefit system, and so the tax credit system has been left without deep popular roots and unable to fend off the Coalition's cuts (unlike popular areas of spending like the NHS).

The Coalition's programme of benefit reforms does nothing to address these problems. Rather than aiming to rebuild the notion of broadly shared social security, it simply stokes the idea of a system perennially abused by a small minority. Popular measures like a cap on total household benefit receipt appeal to people's desire for limits on benefit spending, but these amount to symbolic cuts rather than real reforms. No part of the Coalition's plans addresses the question of what specific support people will get in return for years of contribution (outside of the pension system). Meanwhile, parts of their programme are creating new forms of dependency, with more means testing under universal credit and arbitrary benefit decisions that leave people with no independent income.

Rebuilding the popular legitimacy of the working-age benefit system requires institutional reforms that revive the idea of social insurance within the British welfare state. Turning contributory JSA and ESA into a distinct entitlement for those who have a recent work record and which is paid at a higher rate for a temporary period would make it clear what people can expect in return for their contribution. This would mark an important step towards drawing a clearer distinction between 'social insurance' for those who have paid in and means-tested 'social assistance' for people without a contribution record (which is integral to the more politically secure welfare systems in continental Europe). In the UK, universal credit could provide the basis for a more streamlined system of social assistance, and to lock in this shift, the role of the National Insurance Fund could be revived, giving institutional form to the connection between contributions paid in and entitlements paid out.

There is also an argument for focusing the benefits system on those social needs that can only be addressed through cash transfers – like the need for an independent source of income. Many core social goals are better advanced through institutions and services that people come to know and trust than through an amorphous, bureaucratic and apparently limitless benefit system. Children's centres, for example, have proved more enduring than child tax credits. There is also considerable public support for building new homes instead of spending more money on housing benefit, and for tackling the root causes of low pay rather than spending more on tax credits (Cooke 2013b). In areas like housing, childcare and social care, subsidies paid directly to individuals are often a less efficient way of developing high-quality, reliable provision and risk pushing up prices in markets with insufficient supply (such as housing). Switching benefit spending into popular and effective services and institutions, and doing more to tackle the underlying causes of rising demand for benefits, could raise the legitimacy of the remaining core of cash entitlements.

Questions

- *How might it be possible to revive the 'national insurance' ideal, of protection at times of need in return for contributions into the system?*
- *Should the distinction between 'social insurance' and 'social assistance' be drawn more clearly in the benefits system, to distinguish between the need for temporary and longer-term support?*
- *What are the priorities for shifting expenditure away from cash benefits and towards services and institutions over time?*

New institutions for accessible and affordable credit

There are times when families on a low income, whether they are in work or not, need extra help to cover a shortfall in income or a spike in expenditure. Mainstream lenders like banks don't cater for those looking for quick access to relatively small amounts of money, while credit cards aren't an option for those with a blemished credit history. This is the gap that payday lending fills, providing a service that people need in a way that suits their circumstances. However, it is also an industry that can end up exploiting people's vulnerability and lack of alternative options. Families need help to cope with, and overcome, financial insecurity, but this requires markets that work for the majority.

The explosion of payday lending in Britain has been a feature of the last five years, linked to the shrinking of other parts of the consumer credit market. The number of payday loans almost doubled between 2009 and 2012 to approximately 8 million, while other forms of lending shrunk by around a third (OFT 2013). However, concerns about the high cost of credit for people on low to middle incomes are not new. Governments have focused on trying to regulate out the worst practices and promoting financial literacy to help people manage their money better. Credit unions have been promoted as an affordable alternative to high-cost lenders, but their scope and coverage is limited.

As payday lending has moved up the political agenda, bolder policy proposals to curb the excesses of payday lenders have been put forward. The Labour party has proposed a levy on payday lenders to help fund the expansion of credit unions and other affordable lenders; the Coalition plans to cap the total cost of credit to curb very high interest rates and loan fees. While both proposals have considerable merit in terms of limiting the worst excesses, they don't necessarily help less well-off people to fulfill their day-to-day needs. People on low incomes need to have quick access to small loans to be repaid over a short term at a low cost, and while tackling the stagnation in living standards will help to reduce the need for this kind of borrowing, it won't eradicate it completely.

Meanwhile, the Coalition has dismantled the Social Fund, which previously met part (but by no means all) of this demand by lending small amounts to people facing hardship, to be repaid out of future benefit income. Responsibility for this emergency support has passed to local councils, the majority of which are offering cash or in-kind grants to people facing the most extreme hardship (Royston and Rodrigues 2013). Now, the number of people being served is much lower, because of budget cuts, while only a minority of councils offer loans – not only is less money available, less money is being returned to the system to pay for future support. This has cut off one of the last remaining sources of small, affordable loans for people on low incomes who are facing short-term financial pressures.

Regulation and education have their place. But we also need new local institutions that are endowed with the resources to lend to people on low incomes in a similar way to payday lenders – but at a much lower cost. This requires non-profit community lenders with the coverage, innovation and financial backing to out-compete high-cost lenders. Local councils could be given responsibility for ensuring this provision exists but might choose to ask local charities or credit unions to run the service on their behalf. Locally-rooted organisations could be well placed to make sensible lending decisions based on face-to-face relationships with potential borrowers, but they will also have to stay ahead of the latest technological and market developments in order to remain competitive with payday lenders. New funds would be needed to subsidise this kind of lending, to make it genuinely affordable; one option would be a levy on the consumer credit market.

Questions

- *How could new local institutions offering affordable credit be established and how should they operate?*
- *How could capital be raised to endow such institutions such that they were able to extend credit on an affordable basis to low income families?*

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