

Working-Age Benefits: How People Understand and Spend the Money They Receive

Summary

- There has been little understanding of how working-age social security benefit recipients understand and use the money they receive. Media reports perpetuate a narrative of workshy scroungers happily getting money for nothing, and little work has been done to unpick and challenge this narrative.
- New research from LSE's Dr Kate Summers has developed **a detailed picture of how benefits claimants understand and use their money**. From how they receive their benefits, to how they organise and use social security money, the research gives fresh insight into how the system works for individuals, the often-negative impacts on their lives, and where improvements can help ensure the best outcomes from Government spending.
- Dr Summers's findings, gathered from in-depth interviews with 43 working-age social security recipients receiving legacy benefits (ie: the suite of benefit payments that are due to be replaced by Universal Credit), set out clear opportunities for the Government to improve the design and delivery of working-age social security benefits, including Universal Credit. These include:
 - **improving the JobCentre experience**, making it far more supportive of people looking for help and less punitive, by rethinking the staff-claimant relationship;
 - **giving claimants more choice and control**, including over *when* they receive their benefits; and
 - **formally recognising, and valuing, 'low literacy' money management techniques** which many of those receiving social security benefits use to organise their finances.

Finding 1 – Claiming Social Security Money

- In the main, claimants view social security money as only to be accessed when other financial resources are not available.
- Claimants have largely negative experiences of claiming benefits, describing direct interactions with benefits administrative staff as either faceless, impersonal and arms-length (for Tax Credit and Child Benefit claims) or negative and punitive (for Jobseekers Allowance and Universal Credit claims).
- This is despite claimants both understanding that benefits come from, and belonged to, taxpayers, and also identifying themselves as responsible taxpayers. Rather than being concerned about the administrative requirements needed to claim their money, recipients are far more concerned with a wider, less-formalised set of virtues a claimant should fulfil – a strong work ethic, responsibility and honesty.
- These findings contradict the narrative of benefits recipients as scroungers, and set out a complex system of values, responsibility and a sense of identification with the tax payers who are understood to be funding the benefits system.

Recommendation 1

- The Government should recognise the sense of responsibility felt by working-age benefits claimants, and **urgently reassess the nature of JobCentre meetings and interactions** to make them less negative and punitive and more supportive. It is counterproductive to give

claimants a feeling of being punished or shamed, and could contribute to an ongoing cycle of dependency.

Finding 2 – Receiving Social Security Money

- The timing of when social security benefits are received and organised is a central dynamic in recipients' lives. The majority of recipients operate on short-term timelines, trying to “stay afloat” and manage where money “comes in one hand and out the other”. The new research found that recipients put significant effort into organising, segmenting and designating their monies to meet financial obligations.
- It was found that participants use “low literacy” money management techniques such as dealing in cash, paying bills manually (such as at the Post Office) or storing small amounts of physical cash for emergencies, to help them plan, and avoid debt.
- Having a feeling of control over their lives was a key issue for claimants. The research showed participants differentiating between “needs” and “wants”. Participants carefully controlled how they spent their money, where it was only seen as viable to spend benefit money on a minimalistic set of ‘needs’. ‘Wants’ (including socialising, new clothes and homeware) were seen as something available in the past, and to be aimed for in the future when social security money was no longer being received. Again, findings challenge the idea of feckless, spendthrift recipients.

Recommendation 2

- Claimants should be able to **choose exactly when and how they receive their benefits payments**. This will give them increased control over their financial situation, and recognise the multitude of ways in which claimants organise their monies and expenditure. It would allow them to align payment receipt with receipt of wages, payment of important bills, or other methods used to organise spending.

Recommendation 3

- **“Low literacy” money management techniques should be better recognised and incorporated into formal money management initiatives** supported by the Government and other organisations. These techniques gives benefits claimants an important sense of control, and should be supported.

Conclusion

- This new research gives an important understanding of how benefits claimants understand, receive and spend their benefits. It identifies clear opportunities for the efforts, experiences and hopes of claimants to **inform and improve the benefits system**. This will help people feel better supported back into work, ensuring that benefits payments, including Universal Credit, have the best possible outcomes.