

The Discretionary Social Fund and money management

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This report presents the findings of a qualitative study looking at the impact of the discretionary Social Fund on working-age recipients' orientation towards financial management and work. The main aim of the study was to explore the extent to which an award from the discretionary Social Fund affects working-age recipients' attitudes and behaviour towards financial management and work.

Key findings

- Overall, recipients had a very limited understanding about the different types of awards, their uses, the eligibility criteria for the Social Fund, and that repayment plans could be restructured to suit needs. Recipients also had low awareness of the review process, believing that the adviser's decision was final and that reviewing the loan amount may jeopardise the outcome of the application.
- Respondents typically heard of the Social Fund through family and friends and as a result generally applied for the same award. Social workers, care visitors, health workers and jobcentre advisers were also common sources of information on the Social Fund.
- The impact of the Social Fund on respondents overall financial management was perceived as being relatively low. In the main this was due to the repayment of any loan being small amounts over a period of time and being taken directly from benefits. The Social Fund was frequently used as a 'last resort' and a safety net where the alternatives were to go without, or to find other ways or sources of credit, such as through catalogues or loan organisations, which tended to be high cost.
- Where recipients felt that the Social Fund had had an impact on their financial management was often when they had used a loan to pay off an existing debt that was accumulating a high rate of interest. The loan made it cheaper and easier to pay off the debt.
- The Social Fund was not perceived as having any link to work, rather it was seen as something that should be used in emergency situations rather than something that respondents could utilise to help them back to work.
- In terms of repaying Social Fund loans, those who were most likely to need to restructure their payments were the ones least likely to make such a request. Those who were financially astute were more likely to be aware of the restructuring options available to them, but as a result of their greater financial awareness were less likely to need to restructure their payments.
- The Discretionary Social Fund is an extremely important and highly valued source of financial support for recipients. It had a positive impact on recipients' life situation, and made a considerable difference to the housing conditions in which people lived.

Summary of research

Background

The search adopted a wholly qualitative methodology. Sixty in-home depth interviews were conducted across Britain with award recipients between May and July 2004. Researchers from MORI Social Research Institute, trained in qualitative interviewing, carried out all of the fieldwork.

The sample was selected so that all award types (Crisis Loans, Budgeting Loans and Community Care Grants) were represented amongst the working age population.

The Index of Multiple Deprivation was used to select a spread of deprived urban and rural postcodes. Recruitment of recipients focused on these postcodes as it was felt that they would contain high concentrations of Social Fund recipients.

The main objectives of the research were to explore how recipients budget and manage their finances; awareness, understanding of, and attitudes towards the Social Fund; experiences of the Social Fund in the last three years; and the impact of the Social Fund on attitudes and behaviour towards work and financial management.

Financial management and budgeting

The respondents interviewed had wide ranging approaches to financial management and budgeting. There were those who were on top of their finances and were fully aware of their incomings and outgoings. Others did not plan for future expenses and often had higher outgoings than incomings and were often unable to pay bills when they arrived.

Those who tended to ignore their finances were often lived with their parents and relied heavily on the family in times of hardship. Those who were on top of their finances were more likely to be older and have children of their own.

Other than the Social Fund, respondents used a number of other sources of credit such as mail order catalogues, doorstep lenders, and, most frequently, family friends. Few respondents used banks for credit as many did not think they would be eligible for overdrafts or loans, and there was a perceived lack of flexibility with banking organisations.

Awareness and experience of the Social Fund

People tended to hear about the Social Fund by word of mouth through an informal network of family and friends, who often provided sketchy details on how the Fund worked. They were also provided with information about the Fund by social workers, other customers at the Jobcentre or through advisers at the Jobcentre.

Overall, recipients had a very limited understanding about the different types of awards and what they could be used for. Generally there was confusion with regards to the eligibility criteria for the Social Fund, and many were unaware that repayment plans could be restructured to suit their needs. Recipients also had low awareness of the review process, believing that the adviser's decision was final and that reviewing the loan amount may jeopardise the outcome of the application.

The Social Fund was perceived to have a number of advantages over other forms of credit including no interest rate, smaller repayments over a long period of time and deductions straight from benefits.

The research showed that there typically three types of loan users. Award strategists, award three-offs and award one-offs. Award strategists usually factored the Social Fund into their plans for credit, were more aware of the criteria for application and were more 'savvy' about the benefits system in general. Award one-offs usually only applied to the Social Fund in an emergency and this was often on the advice of a Jobcentre adviser.

Impact of the Social Fund

The Social Fund often had a large impact on people's personal situation, leading to improvements in housing upkeep and decoration, ability to buy essential items and pay bills.

The Social Fund was not generally thought to have a direct impact on money management as it was taken out at source and was a small amount of money to pay each week. There were exceptions to this as the Social Fund was sometimes used to pay off debts and overdrafts, and for the award strategists and award three-offs the Social Fund was considered another form of credit.

Recipients generally believed that the Social Fund had little impact on job search activities, since recipients were not always actively looking for work because of issues such as low skills, health issues and caring responsibilities.

Furthermore, the Social Fund was not perceived as having any link to work - it was seen as being there to be used in emergency personal situations rather than to fund training or items for work.

Future usage of the Social Fund

There were a number of barriers that might stop people from using the Social Fund in the future. These included not liking credit of any form, a feeling that they could not apply while in work, no guarantee of actually receiving the money, a potential fear of rejection.

In some cases, there was also a perception that a Social Fund application can only be made once and that other forms of credit were more appealing and easier to apply for as well as being more flexible.

Recipients suggested a number of ways in which the Social Fund could be improved. These focused on how the fund is administered and marketed as well as more clarity in terms of the eligibility criteria for the Fund. There were also suggestions for improving the guidance and advice that is issued about the Fund.

These included sending out information leaflets with forms; putting posters up in Jobcentre Plus offices; simplifying application forms; providing explanations as to how decisions are made; clearer guidance on eligibility for individuals and making more items eligible for an award; providing further advice and guidance on the Fund; and provision of financial advice.

Conclusions/Implications

The Social Fund is seen as an important and highly valued source of financial support for recipients. It has a positive impact on recipients' life situation, and makes a considerable difference to people's living standards.

Knowledge and awareness of the different types of awards was perceived to be low. Respondents generally applied for the same award as they had done previously, or the same as family/friends, regardless of whether it was the most applicable award. There was a feeling that more could be done to raise awareness of the different types of awards available and when they can be applied for, possibly by way of better advice from Jobcentre staff.

The Social Fund was not generally perceived as having a direct impact on people's financial management, except where it was used to pay off an existing debt. Similarly, recipients did not relate the use of the Social Fund with helping them back into work.

Respondents were generally happy with the method of paying back a Social Fund loan and felt that having repayments made direct from their benefits had little impact on their overall finances. However, there was an overall reluctance to ask for a rescheduling of payments as respondents felt this could have a negative impact on the outcome.

The full report of these research findings is published for the Department for Work and Pensions by Corporate Document Services (ISBN 1 84123 800 7. Research Report 241. March 2005).

It is available from Paul Noakes at the address below.

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