

The Move Towards Employment For All
Typical Situations Of People With Learning Disabilities Not In Work
What Happens If I Work Part-time?
What Is The Definition of 'Full-time' Work
What Happens If I Work Full-time?
How Does Full-time Work Change My Income?
What Do We Learn From These Examples?
Are There Any Other Financial Advantages In Taking Up Full-time Work?
Any Other Financial Disadvantages To Working?
Further Advice

The Move Towards Employment For All

Finding and keeping paid employment is a valid aspiration of all people, particularly people with learning disabilities who have traditionally been marginalised in the labour market, and have often been offered unproductive day activities. Much of government policy through Valuing People and various New Deal schemes have had employment opportunities as one of their central planks. However, the prospect of someone taking up paid employment often needs careful planning and thought because of the financial implications. The Government is proposing a new benefit, "Universal Credit", with the intention that it will ensure that people are always better off in work. However, knowing how the benefits system can turn a simple concept into something very complex, we wait to see the details of how this will operate.

Typical Situations Of People With Learning Disabilities Not In Work

If people are not working, they will usually be living on benefits, either non-means tested like Incapacity Benefit (IB) – currently being phased out for most claimants - and Disability Living Allowance (DLA) and/or means-tested like Income-based Employment and Support Allowance (ESA(IB)), Income Support (IS) and Housing Benefit (HB). Here are a few typical scenarios:

Under 35 and living with parents: - someone in this position may receive ESA (IB) (£94.25 per week) and DLA of various amounts – anything from a minimum of £19.55 per week to £125 per week depending on the impact of their disability. They may be asked to pay something towards any services provided by the social services department.

Under 50 and living in residential care: - someone here may be on means-tested benefits (eg Income Support – IS) of up to £94.30 and possibly DLA mobility component up to £51.40per week maximum. In this situation, they would probably have to pay most of their IS towards their fees.

Under 60, and renting from a housing association: - in this scenario a person may have an income of up to £167.85 per week from ESA(IB), and DLA on top of this. If they receive any amount of ESA (IB) their rent would be covered by Housing Benefit (HB) and their Council Tax by Council Tax Benefit (CTB). They would not have to pay towards any 'Supporting People' charge, but might have to pay the council or the Independent Living Fund(ILF) for any assessed charges towards care and support.

Under 60, and buying through shared ownership with the help of SMI – Support for Mortgage Interest. This case would be very similar to (3), with the extra help of having their mortgage interest paid by ESA (IB). Their rent charge would still be covered by HB. Again, they may be assessed as having to pay towards their care and support depending upon the local policy and the amount of benefit they receive. NB We are in a change-over period from Incapacity Benefit and Income Support to Employment and Support Allowance. Because all new claims are now for ESA, most of these calculations assume the person in the example is on ESA + support component. For more information on this go to see our *Quick Brief* - www.housingoptions.org.uk/general_information/gi_quickbriefs/qb_59.pdf

What Happens If I Work Part-time?

Usually, any extra income from earnings will affect means-tested benefits. If people are disabled, there are specific rules around this. If you work less than 16 hours per week, this is defined as 'part-time'.

If you receive a means-tested benefit (eg IS, ESA(IB) or HB) the first £20 per week of your earnings is ignored. Thus, if you earn £45 per week, this will reduce your IS by £25 per week.

Sometimes even part-time work can stop entitlement to means-tested benefits. This depends on how much of your income is means-tested. For example; you are being paid £151.65p per week by the DWP; £108.55 of this is IB, the balance (£43.10) is IS. You start part-time work and receive £70 per week. £20 of this is ignored and £50 is taken into account. This is more than £43.10, and so means that you would no longer be entitled to IS. This can cause a lot of extra work - HB & CTB will stop automatically and need to be reclaimed, after which they will be paid at a lower amount; you will lose automatic entitlement to NHS charges and will have to reclaim these.

There are some concessions in the benefit system which mean that people who are unable to work full-time can do more part-time work than this and still keep all their ESA(IB) and HB (not Income Support, though). However, the rules are quite strict around the nature of the work you do, which has to be “supported” by a third party. These arrangements can be scrutinised closely by the DWP to make sure they fit the rules, and you will need to check this before committing yourself to extra work. See Housing Options *Quick Brief* Earnings From Permitted Work (ref 11) - www.housingoptions.org.uk/general_information/gi_quickbriefs/qb_11.pdf

In these examples there is an assumption of a £20 disregard.

What Is The Definition of 'Full-time' Work

Full-time work for benefit purposes is when you work 16 hours per week or more. People who are self-employed are generally taken as being in full-time work regardless of any profit they make from self-employment, or how many hours you say you actually work. If self-employed, you may need to claim Working Tax Credit, and can still claim HB & CTB..

What Happens If I Work Full-time?

The main effect of working full-time is that you will no longer be able to claim Income Support or ESA (IB). These benefits are not available to people working full-time, irrespective of their financial position. There are some circumstances when you will be treated as not in full-time work for such claims, even if you are working 16 hours or more per week. These are:

- your earnings are 75% or less than a person without your disability would reasonably expect to earn, working the same hours in that job, or in a comparable one in the area; or
- you work 75% or less hours than those a person without your disability would reasonably be expected to work in that job or in a comparable job in the area, or

- you live in a registered care home.

However the impact of even minimum wage earnings and tax credits will usually mean that these groups of people who are still able to claim IS/ESA (IB) under these rules will not be entitled to any payment because their new income will be more than benefits would pay.

The other main effect of disabled people working full-time is that they will almost certainly be entitled to Working Tax Credit. Incapacity Benefit and Severe Disablement Allowance will also stop if you work full-time. You can still claim HB & CTB, but your entitlement will reduce on a sliding scale – more details of this come later. DLA can carry on whether or not you are in work.

How Does Full-time Work Change My Income?

You can usually claim Working Tax Credit (WTC) if you are disabled as soon as you work 16 hours or more per week. Your income will also be changed by your earnings.

Example A

1. Jo is 23 and lives with her Mum. Jo receives ESA(IB) of £94.25 per week. She also receives DLA care of £19.55 per week. Her total income is £113.80 per week.

She starts work, doing 16 hours a week, and is paid the Minimum Wage of £5.93 per hour. Her weekly earnings are £94.88 per week (£4934 per annum). Because her wages are less than the National Insurance Lower Earnings Level, and less than the Tax free allowance for a single person (£7475 pa) she does not have any stoppages from her wages.

Her WTC will consist of a 'basic element' (£1920 pa) and a 'Disability Element' (£2650 pa). Because her wages are so low, she will get the maximum WTC, which would be £4570 pa, i.e. £87.88 per week. So in this scenario Jo would have an income of £202.31 per week (this includes her DLA), an increase of £88.51 per week.

2. Later on, Jo increases her hours to 30 per week.

Her wages will now be: 30 hrs @ £5.93 = £177.90 per week (9251 per annum). Her WTC will change. Because she is working 30 hours, an extra element is included in the calculation (£790 per annum). This means that the maximum WTC would be £5360 pa. However, WTC is means-tested once your wages are more than a set amount called the 'annual threshold' – currently £6420. In Jo's case now, 41% of the her wages above this threshold (£9251 less £6420 = 41% of £2831 = £1161) is deducted from the maximum WTC. This makes her WTC £5360 less £1161 = £4199 per annum (£80.75 per week).

Jo's new income would be:	Wages	£165.55 (after tax & NI)
	WTC	£ 80.75
	DLA	£ 19.55
	Total	£265.85

It can be seen from this that someone in Jo's position (ie living with parents or family) can be substantially better off financially by taking up full-time work.

Example B

1. Mo is 32 and lives on his own in a housing association flat. He receives ESA (IB) of £148.75 per week. He gets DLA care of £49.30 and DLA mobility of £19.55p per week. His rent is £150 per week. He has a Council Tax bill of £28 per week, but because he lives there alone he gets 25% discount. Because he receives ESA (IB) he gets HB & CTB to cover both of these bills.

While he is not working, his income is:	ESA (IB)	£148.75
	DLA care	£ 49.30
	DLA mob	£ 19.55
	Total	£217.60

Here he has no rent or Council tax to pay, so all this is 'disposable'.

2. Mo starts work at 16 hours per week at the minimum wage. His earnings and WTC would be the same as Jo's in example A.

So Mo's income would be:	Wages	£ 99.88
	WTC	£ 87.88
	DLA care	£ 49.30
	DLA mob	£ 19.55
	Total	£251.61

Mo would, therefore, have an extra income of £34.01 per week. However, because he is no longer on ESA(IB), his HB & CTB would have to be re-assessed. The income that would be taken into account would be his earnings (less £20 disregard) and his WTC (in full). In Mo's case this will be £162.761 per week (£74.88 + £87.88). In an HB/CTB calculation, a proportion of any income that is larger than the 'appropriate amount' (the amount used to work out your ESA entitlement) is deducted from the maximum they can give.

For Mo, this means that the council will calculate that the difference between his assessed income of £162.76 and the 'appropriate amount' - £148.75 - is an 'excess income'. This figure is £14.01. Mo will lose 65% of this (£9.10) off his HB, and another 20% of it off his CTB (£2.82).

In the event, Mo's 'disposable' income after paying his rent & council tax is:

Income	£ 251.61
Less rent contribution	£ 9.10
Less council tax contribution	£ 2.82

Remaining £239.69

Mo's move into work means he is just over £11 per week better off.

3. Mo increases his hours to 30 per week. Like Jo, his gross weekly wage is now £177.90, but like Jo he will have some tax and National Insurance stopped from this, making his take-home pay £165.55 per week. Just like Jo, his WTC will be reduced because of his extra earnings, going down to £80.76 per week.

Mo's new income will be:	Wages	£165.55
	WTC	£ 80.76
	DLA care	£ 49.30
	DLA mob	£ 19.55
	Total	£315.16

His HB & CTB will be assessed again. His 'excess income' will now be £77.56 per week. This means he will have to contribute 65% @ £77.56 towards his rent (£50.41 pw) and 20% @ £77.56 towards his council tax (£15.51 pw). Mo's 'disposable' income will now be:

Income	£315.16
Less rent contribution	£ 50.41
Less council tax contribution	£ 2.82
Remaining	£249.24

This shows that although Mo now works 14 hours more each week and earns an extra £83.02 per week, the combined effect of tax and NI stoppages and the HB/CTB system means he is only £9.55 better off for his troubles.

Example C

1. Lee is 53, and is buying his flat under a shared ownership scheme. He receives IS/IB of £165.70 per week. He also receives DLA care high rate (£73.60 per week) and DLA mobility high rate (£51.40 per week).

This gives him a total income of £290.70 per week.

His outgoings are: Mortgage Interest of £110 per week; Rent of £75 per week and Council Tax of £20 per week. Currently his mortgage interest is being covered in full through the SMI scheme and is being paid direct to his lender by the DWP. He gets 25% discount on his Council Tax, and the remainder is covered in full by CTB, and the rent is covered in full by HB. Because these bills are covered, his total income is 'disposable'.

2. Lee starts work for 16 hours per week for the minimum wage. Everyone else where he works is also on the minimum wage. His wages are £94.88 per week. Just as in the two previous examples, Lee will be able to claim WTC. In his case, he will be paid more because he is on the high rate of DLA care. Lee will receive a 'severe disability element' and a '50 plus' element as well; these are £1130 per annum and £1365 per annum respectively. This means that Lee's total WTC will be £7065 per annum (£135.86 per week)

Lee's income will be:	Wages	£ 94.88
	WTC	£135.86
	DLA care	£ 73.60
	DLA mob	£ 51.40
	Total	£355.74

However, the bills that Lee has to pay out of his own money will increase. He will no longer be entitled to IS, and so will have to pay the £110 mortgage interest himself. In this scenario Lee should still get full help towards his rent and council tax, because the 'appropriate amount' (£165.35 + his housing costs) is still less than his assessed income (£74.88 + £135.86 = £210.74 per week). Here Lee's 'disposable' income would fall from £290.70 per week to £355.74 less £110 mortgage = £257.74. Consequently Lee will be £34.96 per week worse off by working these hours.

3. Will he become better off by working longer hours? If Lee goes up to 45 hours per week at a wage of £6 per hour, he would receive £270 gross per week; this comes down to £229.03 per week after stoppages. His WTC would reduce to £75.78 per week. His DLA remains unchanged.

Lee's income will be:	Wages	£229.03
	WTC	£ 75.78
	DLA care	£ 73.60
	DLA mob	£ 51.40
	Total	£429.81

On this income, Lee will no longer get full help from HB & CTB. His assessed income is now just over the 'appropriate amount' and he will have to pay £6.15 towards his rent and £1.89 towards his council tax each week. Any further increases in his wages will not be useful for him because he will keep losing HB & CTB and, when it is due for re-assessment, WTC. In this scenario Lee has a 'disposable' income of £321.77 after paying his mortgage and the new rent and council tax contributions. This is much better than when he worked part-time, but is still less than £30 per week more than when he was not working at all.

What Do We Learn From These Examples?

These examples show that the financial effect of moving from benefits to paid work can be both variable and problematic.

If people are not on means-tested benefits there is unlikely to be any financial loss when going into work. If people are on means-tested benefits, then their future financial position will depend very much on their accommodation position and how high their rent is. If people are paying substantial rents which are covered by HB, then they are often stuck in a poverty trap where they may be worse off when moving into low-paid work. The same can be true of people who have taken on shared ownership and have both rent and mortgage interest to pay.

The essential advice is that people should always get full and expert advice if they are in a position to make choices about going into any work, whether full or part-time.

Are There Any Other Financial Advantages In Taking Up Full-time Work?

There are some aspects of the system which are helpful to people who are in full-time work:

- WTC is usually only reassessed yearly. This means that you can have wage increases within the tax year and these will not reduce your WTC
- If you receive help from the Independent Living Fund, they ignore earnings when they make a financial assessment of your contribution.
- If the social services charge you for services, they have to ignore your earnings when they make a financial assessment as well
- If you have to finish work soon after starting, there are 'rapid reclaim' processes for IS & HB.
- There is a return to work credit (RTWC). This will be a non-taxable payment of £50 per week, payable for up to 52 weeks. To be eligible, people must have been claiming some qualifying benefits for 13 weeks or more. It will not be treated as income for Housing Benefit or Council Tax Benefit purposes. Check with your Jobcentre to see if this is available.
- The DWP plans a new benefit system, "Universal Credit". One of its features is intended to ensure that people are always better off when working compared to their income on benefits. Well, we'll see on this one when the details are made clear.

Any Other Financial Disadvantages To Working?

Financial disadvantages to working hinge around no longer being entitled to Esa (IB) & IS. These include:

- not having automatic exemption to NHS charges, eg prescription charges, dental and optical fees etc
- not having access to the DWP's Social Fund
- access to ISMI for shared ownership no longer available
- no automatic entitlement to 'maximum' HB & CTB

Further Advice

Anyone thinking of moving from benefits to work should take as much advice as possible, for example from a welfare rights service or their local Citizens' Advice Bureau. Web-based benefit or entitlement calculators can be useful, but will not take into account all the aspects that need to be considered. Feel free to call us if you have specific situations you need to discuss.

Although we try to ensure that statements as to the law and other facts are accurate this factsheet gives general guidance and does not aim to cater for individual cases. Housing Options and our sponsors cannot accept responsibility for any loss incurred as a result of relying on such statements, specific advice should always be obtained on individual cases.

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