



WELFARE BENEFITS IN THE WORKPLACE

White Paper

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EXECUTIVE SUMMARY

There are over 8mn vulnerable households¹ not claiming benefits because they wrongly assume that they are not eligible or think that the application is too complicated. The most common reasons people assume they are not eligible is because they believe that their income is too high, or they wrongly assume that they are not entitled to benefits because they are in employment.

At Inbest and fastP.A.Y.E we believe that the workplace is an excellent environment to increase the awareness of the benefits that low and variable income employees are entitled. HR managers can correct misperceptions about how the benefits system works and encourage employees to check their benefits entitlements as soon as they might be eligible. By having a proactive approach, HR managers can also reduce the stigma around benefits, increase the transparency on the application process, and make sure that employees review their benefits when there is a change in their circumstances or financial situation. Finally, HR managers can direct employees to organisations that offer free and impartial money advice and can answer their benefits questions and make sure that their benefits' applications are correct.



Why now is a good time to make employees aware of Welfare Benefits? We are all aware of the many challenges the COVID pandemic has presented for businesses and employees alike. Many businesses have still not returned to normal levels of customer footfall and sales and therefore are unable to offer the same number of hours to all employees as they were pre-pandemic. Those employees that are suffering from reduced income can be eligible to numerous welfare state benefits. 65% of employers think that they should share the responsibility for improving employee's financial wellbeing². Employers who have provide financial guidance during the pandemic have proven popular.

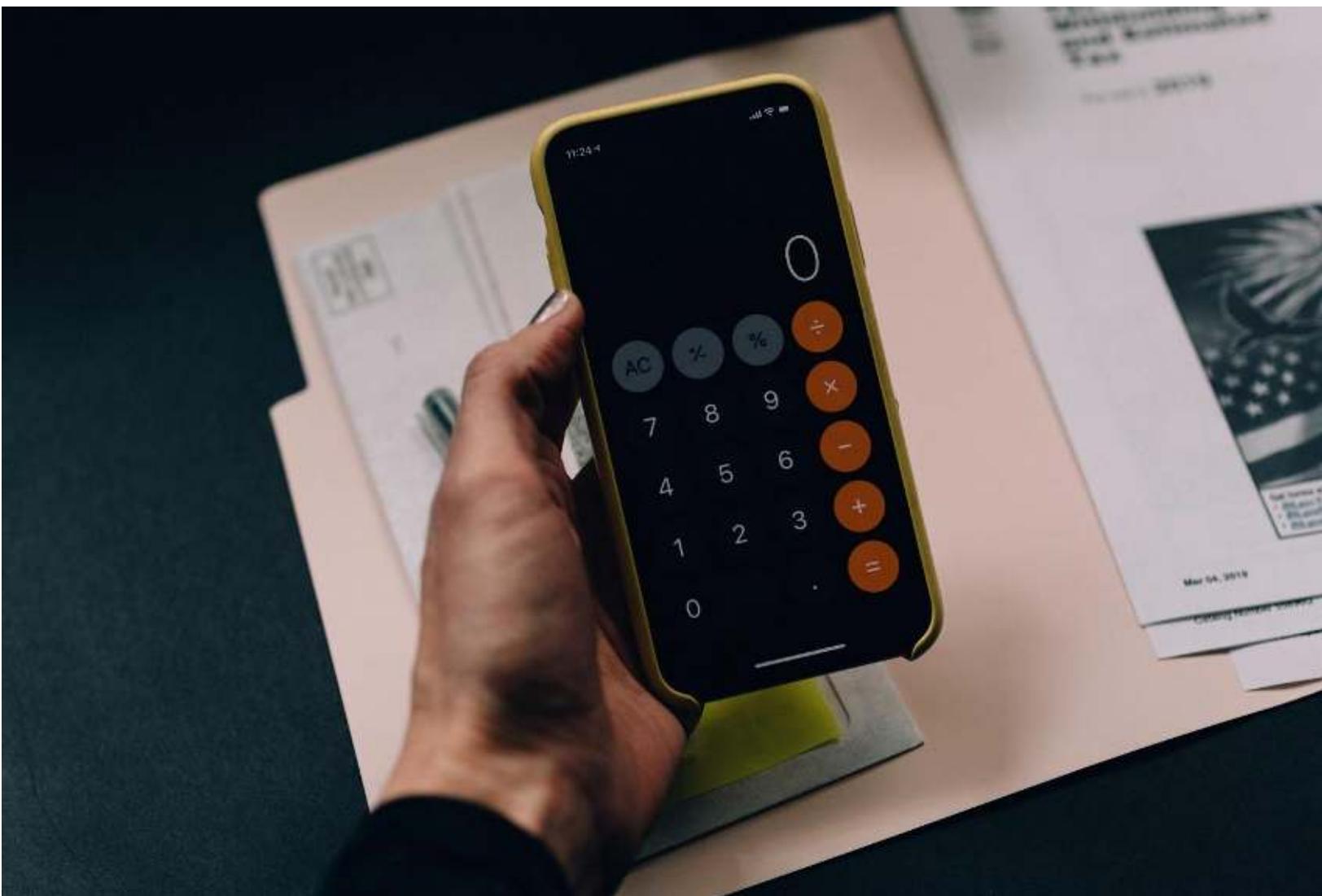
HR managers don't need to be financial advisors and welfare benefit experts to help employees. Simply alerting a member of staff to available tools that can identify if they are eligible for Welfare Benefits is enough for HR managers. Employers of all sizes recognise the benefits of

¹ Department for Work and Pensions. [Income-related benefits: estimates of take-up: financial year 2018 to 2019.](#)

² Changing trends of financial wellbeing.

improving the financial wellbeing of staff. Employees with better financial wellbeing have lower financial stress and anxiety and are therefore more effective and productive. This is particularly important for vulnerable employees who need benefits but are failing to access them. These employees are left with risky strategies to 'get by' including living from savings, borrowing from banks and deferring their mortgage, rent and credit card payments.

The aim of this white paper is to support HR managers to better understand the welfare benefits system in the UK and detail how their employees can make the most out of their benefits entitlement.



NON-TAKE-UP OF BENEFITS IN THE WORKPLACE

The welfare state plays a major role in British family life, with 20.3mn households receiving some form of cash benefit (64% of all households). For 9.6 million families, benefits make up more than half of their income (30% of all families). The benefits system plays an even more important role during economic crises. For example, during the COVID-19 crisis Universal Credit claimants almost doubled.



Welfare benefits are particularly important to protect financially vulnerable households from harm. According to the FCA financial lives survey³ 53% of adults can be financially vulnerable at some point in their lives as they are affected by the following issues:

- Health: Health conditions or illnesses that affect their ability to carry out day-to-day tasks.
- Life events: Major life events such as bereavement, job loss or relationship breakdown.
- Resilience: Low ability to withstand emotional or financial shocks.
- Capability: Low knowledge of financial matters or low confidence in managing money, or low capability in other relevant areas such as literacy or digital skills.



However, benefits do not always reach vulnerable people and there are almost 8mn low-income households that are missing £16bn in means-tested benefits. The Department for Work and Pensions (DWP) estimates that 44% of those eligible for means-tested Job Seekers Allowance, 16% of those eligible for means-tested Employment and Support Allowance, and 23% of those eligible for Housing Benefit did not claim them. Welfare at a Social Distance (WaSD) has recently published a report⁴ analysing the underlying reasons that explain why people who may be entitled to benefits do not apply for them (i.e. non-take-up benefits).

³ [Financial Lives 2020 survey.](#)

⁴ [Non-take-up of benefits at the start of the COVID-19 pandemic](#)

WaSD estimates that 56% of non take-ups are people who wrongly think that they are ineligible. The main underlying reasons people believe they are not entitled to benefits are:

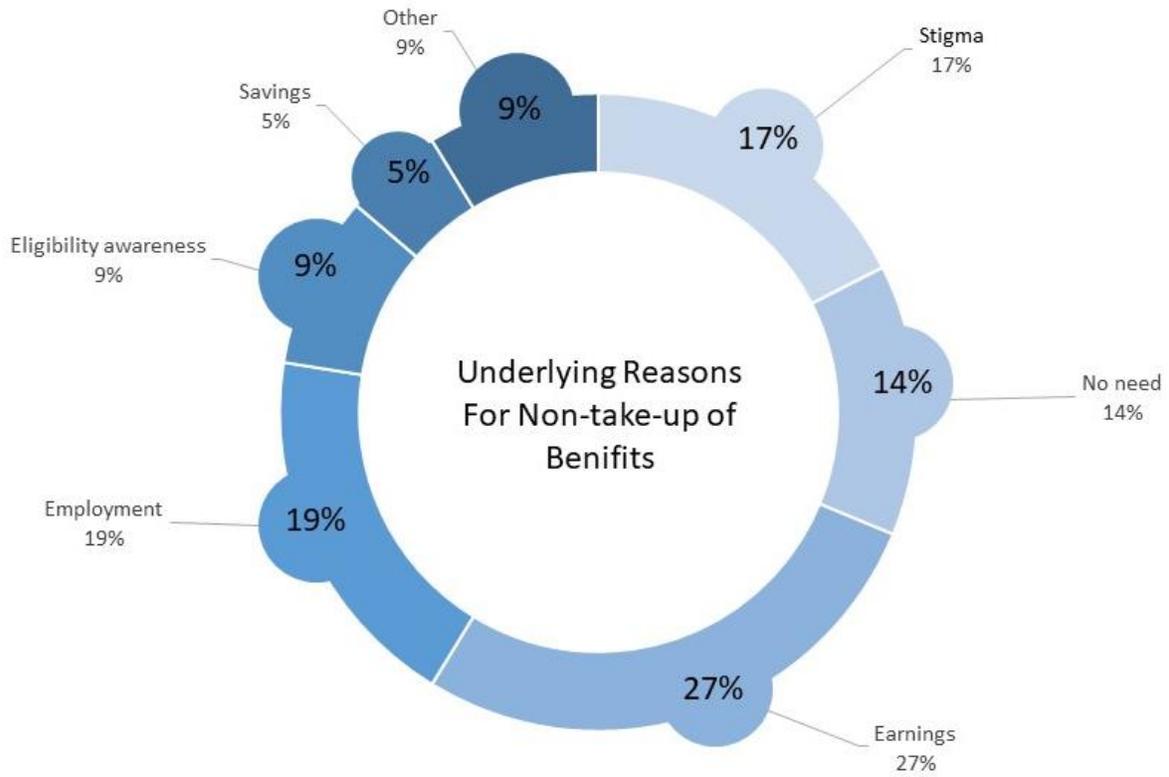
- Earnings (40%): People believe that their household earnings are too high to be entitled to benefits.
- Employment (27%): People believe that because they have a job, they are not entitled to benefits.
- Eligibility awareness (12%): People are not aware of the benefits they can be entitled to.
- Savings (7%): People believe that their household savings are too high to be entitled to benefits.

WaSD estimates that 44% of non-take ups are people who think they are eligible but did not want to claim. The underlying reasons people do not apply for their benefits are:

- Challenges Claiming (44%): People struggle to claim or are put off by the perceived challenges of the application process.
- Stigma (31%): People feel that claiming benefits is stigmatised, so they avoid claiming benefits even if they need them and know they are eligible for them.
- No need (25%): People decide not to claim because they think they do not need them.

The growing concern is that nine out of ten households who do not claim benefits are classified as in need. As a result, those individuals who need benefits, but fail to access them, fall back on risky strategies to 'get by'. This includes depleting savings, borrowing and deferring essential spending, particularly via mortgage/rent and credit card holidays. Therefore, it is easy to establish the link between non-take up benefits and reduction in the financial wellbeing and resilience of low- and variable-income employees.





HELPING VULNERABLE EMPLOYEES TO ACCESS THEIR BENEFITS

Helping vulnerable households to access their benefits is the first step towards improving their financial wellbeing and resilience. HR managers can offer this service as benefits advice is not a FCA regulated activity and companies will not incur any cost to provide this support for their vulnerable employees. In this section, we will explore the major advantages of including benefits advice as a component of employees' wellbeing propositions.



First, employers can correct the misconception that 'benefits' are only for those who are out of work. Employers can offer financial education to reduce benefits stigma and make it easier for employees to claim their in-work benefits. This will not only increase benefits take-up rates, but it will also incentivise employees to make their benefits applications as soon as they are eligible, not when there is not any other alternative, as at this stage their personal finances might be under severe strain.

Second, employers can signpost employees to organisations, such as Citizens' Advice, that can help answer queries regarding benefits' claims and ensure that applications for benefits are correctly submitted. These organisations can also offer specialised support to vulnerable employees on topics such as housing and welfare rights, community support, crisis support, money management and debt advice.



Third, benefits entitlement may change according to changes in an employee's personal circumstances and financial situation. Employers can support their employees to make sure that they are always claiming the right amount of benefits, hence ensuring employees maximise their disposable income while having the peace of mind that they are not exposed to any sanctions due to benefits over claims.

Finally, employers can incorporate benefits advice into wider financial wellbeing packages. Welfare benefits have important features to help employees to increase their income, reduce their expenses, save towards their rainy-day funds and long-term goals. Employers can make sure that their employees make the most out of their benefits in order to increase their financial capability and resilience.



All in all, we believe that the workplace is an excellent environment to improve the financial wellbeing and resilience of low- and variable-income employees. HR teams can reduce the financial stress and anxiety within their workforce by providing tools and services to help employees to access their benefits and get specialised support to address their money worries.



WELFARE BENEFITS IN THE WORKPLACE

Benefits can be a great help for low- and variable-income employees to make ends meet, repay their loans or even start building a rainy-day fund and save for their retirement. In the section we will explore the different types of benefits available for employees and how they can make the most out of their benefits entitlements.

a) Types of benefits

The UK welfare system has three main types of benefits: Means-tested benefits, non-means-tested and passported benefits.

Means-tested benefits are payments available to households whose income and capital (their 'means') are below the amount the government estimates that they need to live on (their 'needs').

The means-tested benefits available in the UK are:

- Universal credits;
- Pension credit;
- Housing benefits;
- Council tax reduction;
- Child tax credit;
- Income-based JSA and income-based ESA;
- Income support; and
- Working tax credit.

Non-means-tested benefits are payments available to households with special circumstances or to help with the extra costs of having a disability or caring for someone with a disability. Households qualify if they meet the eligibility criteria, regardless of their income or capital.

The non-means tested benefits available in the UK are:

- Basic State Pension;
- Statutory Sick payment (SSP) and Statutory Maternity pay (SMP);
- Job seekers allowance (JSA) and Employment support allowance (ESA);
- Child benefits;
- Council tax discount;
- Disability living allowance (DLA), Personal independence payment (PIP) and Attendance allowance;
- Carers allowance; and
- Lifetime ISA (Individual Savings Account).

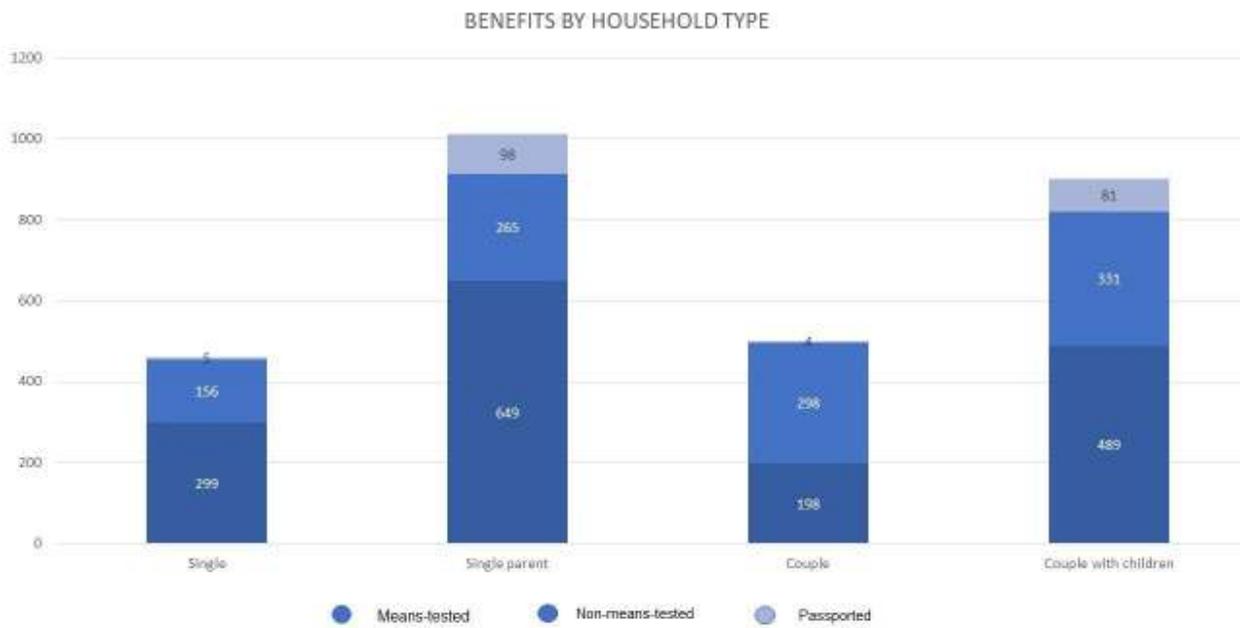
Passported benefits are benefits or grants that some people are entitled to because of their entitlement to means-tested benefits. Passported benefits are a powerful tool to provide extra support to groups that are especially vulnerable, such as low-income families with children or elderly adults.

The passported benefits available in the UK are:

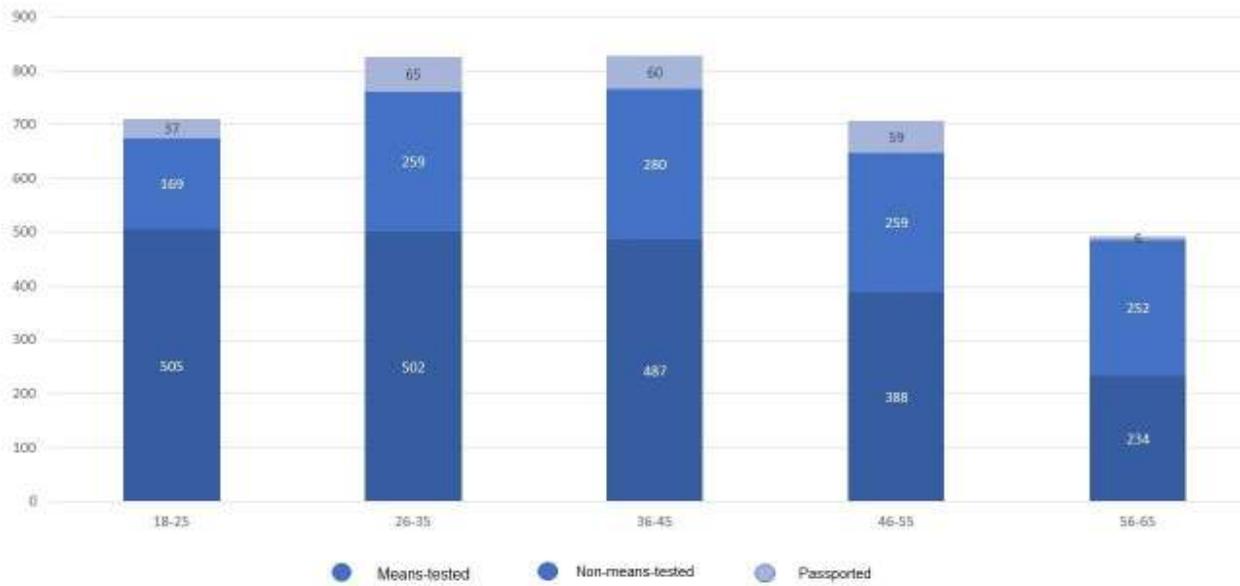
- Free school meals and School clothing costs;
- Warm home discount and Winter fuel payment;
- Funeral support payment;
- Support for mortgage interest loan; and
- Help to save.

Regional and local governments also use passported benefits to align the welfare system to their social and economic policy. Governments in England, Wales and Northern Ireland offer Sure start grant and Healthy start. Whereas, the Scottish government offers the following passported benefits:

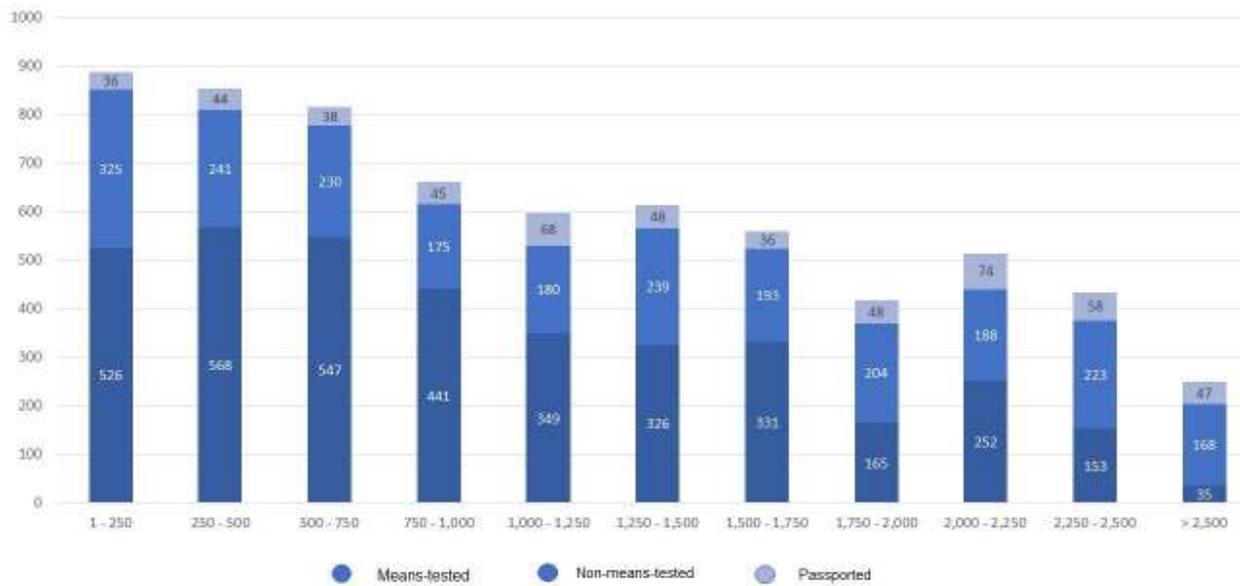
- Scottish child payment;
- Kinship care allowance;
- Best start grant and Best start food;
- Child winter heating;
- Education maintenance allowance;
- Caring allowance supplement;
- Job start payment;
- Discretionary housing payment; and
- Scottish welfare fund.



BENEFITS BY HOUSEHOLD AGE



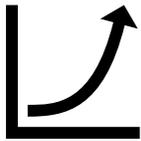
BENEFITS BY HOUSEHOLD INCOME



b) How employees can use their benefits

Overall, welfare benefits can support employees on low or variable income to increase and smooth their income, reduce their expenses and save towards their rainy-day funds and long-term goals. In this section we will explore the benefits employees can be eligible for and we will detail some tips to help employees to get the most out of their benefits.

Increase and smooth employees' income



Universal Credit is a benefit that low and variable income employees receive to top up their income. The level of award depends on several factors, such as whether the claimant has a partner and the number of dependents. Universal Credit is based on monthly take-home pay, so if the employee has a variable salary, it is a great way to smooth their income.

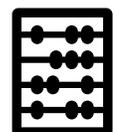
Specific groups such as those with children or disabled people can get additional benefits that reflect their higher living costs. Benefits include Child Benefit, Scottish Child Payment, and Personal Independence Payment.

Reduce employees' daily living costs

Benefits can also help low and middle-income families to reduce their expenditure. For example, the housing and childcare costs component of Universal Credits help employees to pay for their monthly expenses, and the Council Tax Reduction reduces council tax bills. Families can also apply for Free School Meals and Help with School Clothing, while if they are struggling with their mortgage payments, they might be entitled to Support for Mortgage Interest payments.

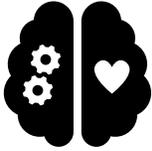
Help employees to start saving

Benefits also help employees to build more resilient finances by increasing their disposable income and saving capacity. Combining improved access to benefits with financial education tools to highlight the importance that regular savings can have a positive impact on employees' financial wellbeing and resilience. And the passported benefit, Help to Save, incentivises employees to build savings habits by adding a 50% bonus onto contributions, up to a maximum of £1,200 over 4 years.



Help employees to save for long-term goals

Employees can use their benefits to save for their first home and for their retirement. The Lifetime ISA adds a 25% bonus to employees' contributions, up to a maximum of £1,000 per year. Employees can also take advantage of Universal Credit design to boost their contributions to their workplace and private pensions while still keeping most of their take-home income. For Universal Credit awards, all pension contributions are disregarded in the take-home income calculation, which means that for each £100 in pension contributions, employees can earn an additional £63 in Universal Credit.



HOW FASTP.A.Y.E IS HELPING VULNERABLE EMPLOYEES

fastP.A.Y.E is the only Ethical on-demand wage app available. It aims to improve employee financial wellbeing by removing the need for them to rely on expensive short term credit and increase awareness of the many ways that can have a negative affect on the business bottom line.

To strengthen this aim and it's offering fastP.A.Y.E has integrated Inbest benefits calculator to allow employees to make a benefits' check within its flexible and ethical wage app. This feature encourages employees in low-paid or insecure roles to learn about all the benefits and grants available to them before withdrawing income from their salaries. Employees will also be able to understand what they need to do to apply for their benefits and the organisations that can help them on their claims.

The offering is fully configurable for employers to keep control of when and how much employees can access and is not a loan nor does it offer loan product to users. It is free for employees on National Minimum Wage.

As an ethical provider of salary advances, fastP.A.Y.E recognise that a salary advance isn't always the best option. Some may have outstanding benefits entitlement, and, in such circumstances, we guide employees to these benefits and avoid the need for an advance.

ABOUT

About fastP.A.Y.E



fastP.A.Y.E is a new socially responsible and ethical way for staff to access some of their already earned money early. It is fully configurable for you to keep control of when and how much your employees can access while removing the need for them to rely on very expensive short-term credit. Our app is designed for the modern workforce, helps employees to better manage their finances and will help you stand out as a highly progressive employer. By giving your staff the ability to access their earned wage before the next pay cycle, you will reduce their chances of getting into a financial debt cycle, often leading to a decline in work productivity.

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About Inbest



Inbest is a software platform that helps unemployed individuals or those in low paid or insecure roles to understand, access and manage the benefits they are entitled to. Inbest offers the widest benefits coverage available in the market and partners with welfare advisers, affordable lenders and financial wellness platforms to increase the financial capability and resilience of vulnerable people.

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