

The Micawber Principle

A report on the recession in Rutland

Rutland Citizens Advice Bureau

August 2009

Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery.

Mr. Micawber, David Copperfield, Charles Dickens.

Unfortunately the widespread recession is leading to reduction in working hours, lay-offs or redundancies for many. The concomitant decrease in family income results in many people experiencing the misery predicted by Wilkins Micawber. Unless an individual can make drastic cuts in their expenditure, problems may be encountered with debts; not the debtors' prison endured by Mr. Micawber, but some may eventually undergo traumatic events such as bankruptcy or eviction. Even if economies are possible they may not be executed rapidly enough to forestall all difficulties. Negotiating the system to obtain benefit income can be a lengthy, and at times confusing, procedure. Delays here due to lack of knowledge of the processes by the consumer as well as inadequacies in the bureaucracy can exacerbate debt and housing problems for individuals.

Rutland Citizens Advice Bureau is responding to the challenge of increasing client demand in a variety of ways which this report aims to describe.

Introduction

The continuing current economic downturn is making life increasingly difficult for many people across the whole of the UK. Inhabitants of Rutland are not immune, despite the county's reputation for relative rural prosperity. Rutland Citizens Advice Bureau (RCAB) encounters all the same problems dealt with in bureaux nationwide, and is also experiencing the common recent increased demand for its services. The recession impinges on the whole community, not just individuals; as one business fails, its former employees lose spending power, in turn adversely affecting others and compounding the decline. It is hoped that the downward spiral may be alleviated somewhat if the right support is in place. RCAB aims to be part of that support structure.

With the financial crisis impacting adversely on local businesses, many Rutlanders now face the prospect and/or reality of short-time working, layoffs or redundancies, with associated dramatic reduction in income. Such a reduction may have drastic effects on lifestyle even if the household includes members who have retained their jobs. Rising living costs also affect those on low or fixed incomes, such as benefit recipients and pensioners. As Mr. Micawber pointed out, when expenditure exceeds income, for whatever reason, the result is misery. Now, as then, misery comes in the form of many and varied problems and challenges, with at times bureaucracy appearing to be part of the problem rather than the solution.

In the first instance problems for those hit by the recession and losing their jobs may include ensuring that their employers have treated them fairly. They must consider whether selection procedures for redundancy were appropriate and make certain that they receive the redundancy payments to which they may be entitled. If the employer has become insolvent, redundancy payments may be available from government sources. Questions of unfair or wrongful dismissal may arise.

Secondly, as a direct consequence of loss of income, some people must now confront the prospect of tackling the benefits system for the first time in their working lives, a culture shock for many. They have to find out how to apply for Job Seeker's Allowance and how the Job Centre+ will want them to prove they have been looking for work, procedures much altered from when many started their careers. They need to know of other benefits to which they may be entitled such as Housing and Council Tax benefit and Tax Credits, and how to claim them. Those already in receipt of Tax credits will need to inform HMRC of a change in circumstances; this may be overlooked when faced with the crisis of sudden job loss but may then lead to overpayment of Working Tax credit and subsequent traumatic claw back.

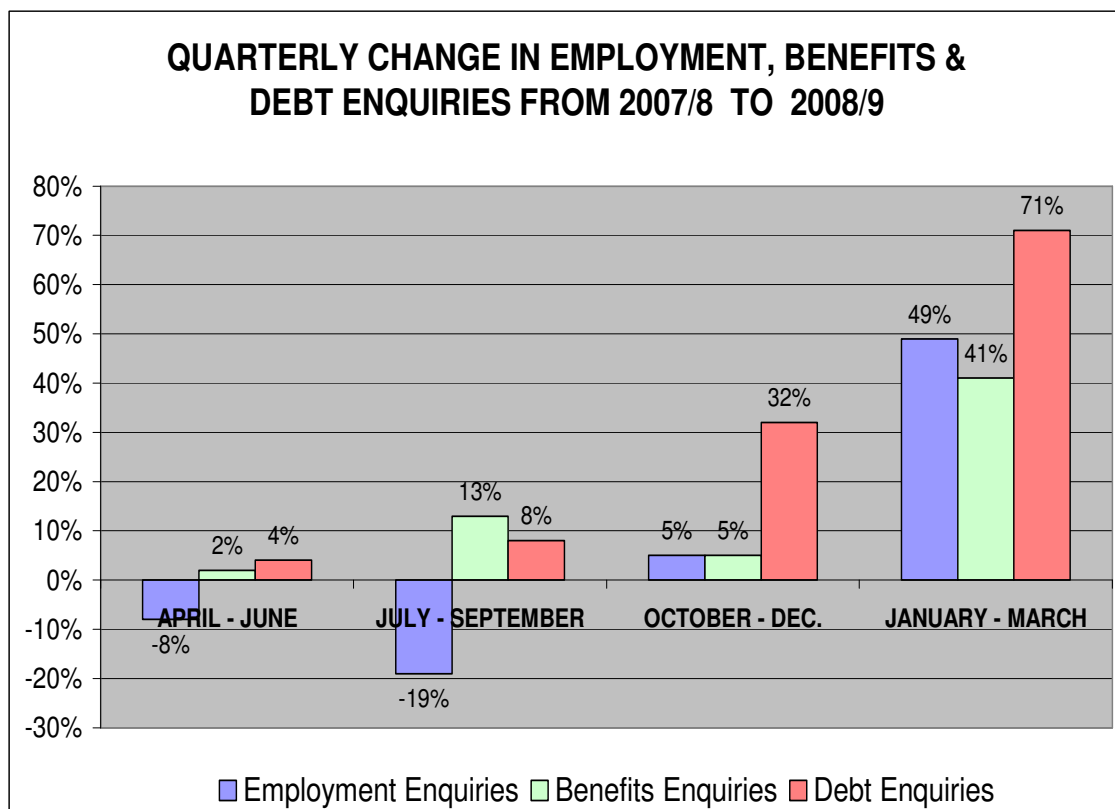
Other problems may take a little longer to manifest themselves. Many households manage their financial situation perfectly adequately albeit with the help of overdraft, personal loans and juggling of credit and store cards. However, with the sudden imposition of redundancy, which frequently occurs

with little or no warning, the balancing act is often no longer possible. Debts mount with time, even if some may be able to delay by using hard-earned savings. Stress accumulates as individuals try to negotiate with diverse creditors together with the fear of court action and the arrival of the bailiffs. In the worst case scenario, if mortgage or rent payments cannot be maintained the loss of home by repossession and eviction must be faced. Problems do not necessarily end here as the stress already described may also impact negatively on relationships and health, bringing a whole new set of challenges, for which information and support must be found.

It may be seen, therefore, that the human costs of the recession are complex to deal with and sometimes hard to predict. This report aims to provide evidence of the increase in the relevant enquiry areas as encountered by Rutland CAB. It will also describe the various initiatives undertaken by the bureau, alone and with others, in order to improve the help and support given to the inhabitants of Rutland and to cope with the increased demand.

Increased Demand

The number of enquiries overall has risen yet again from a total of 9773 new enquiries in 2007/8 to 11166 in 2008/9. Increases in the key areas of employment, benefits and debts, those obviously directly affected by the economic downturn, are shown in the graph.



Employment

The total number of enquiries relating to problems with employment does not appear to change significantly overall from 2007/8 to 2008/9; 1041 issues were raised in the former year and 1103 in the latter. However, the increase in employment queries comparing January/March 2008 to January/March 2009 is a striking 49%. Closer inspection of the data reveals the dramatic rise in redundancy questions, from 72 to 166, with the greatest difference noted in the January/March quarter, with 24 cases in 2008 and 84 in 2009. This trend appears to be continuing as the incomplete figures for April/June already show 57 new redundancy issues compared to 30 in 2008 and 15 in 2007.

A client wanted advice on the procedures that should have been used for selection for redundancy. Her employer had decided to close down the night shift which was mainly staffed by men. Although the client worked days she had been made redundant. She felt that it was because she was female, had a young child and only worked part-time.

A client had been laid off by his employer as no work could be found for him; to date he had been without work for 3 weeks receiving no pay. He wanted to know if his employer were allowed to do this. The adviser was able to inform the client of the various options available depending on whether or not his contract of employment allowed for lay offs and to discuss their implications. The options included, amongst others, applying for guarantee payments from the employer and staying in the job, asking for redundancy after the time criteria had been fulfilled, raising a grievance and/or making a claim at an Employment Tribunal for breach of contract.

Benefits

Queries regarding benefits rose from 3003 in 2007/8 to 3483 in 2008/9. This included an increase from a then all time high of 814 new cases in January – March 2008 to 1150 in the same quarter of 2009, an increase of 41%.

“Benefit” clients may be divided into 2 main categories, those who want information on general benefit entitlement and those who need help making and following up claims. Many clients hit by the recession have little or no knowledge of the benefits system other than for children as they have worked for many years. Enquiries for general benefit entitlement rose from 360 in 2007/8 to 463 in 2008/9.

Queries regarding Job Seeker’s Allowance (JSA) the benefit for most of those who lose their jobs, in total rose by “only” 21% from 182 in 2007/8 to 220 in 2008/9. However, the usual rise from the pre to post Christmas quarters, apparent as seasonal work disappears, was exacerbated this year from a 46% increase in 2007/8 to 107% in 2008/9.

The client who had been laid off also wanted to know if there were any benefits to which he might be entitled. Having worked all his adult life he was totally unfamiliar with the benefits system. He was eligible to apply for JSA whilst laid off, and a Quick Benefits Calculation, routinely available in the bureau, would indicate any Housing and Council Tax benefit. He may also be able to claim a tax refund at the end of the tax year and should inform HMRC of a change in circumstance to ensure that any Working Tax Credit is calculated correctly.

Many clients who were previously on good salaries may be owner-occupiers rather than tenants, and are therefore not entitled to Housing Benefit (HB). However, they may be entitled to means-tested Council Tax Benefit (CTB), depending on the level of their savings. Enquiries about CTB rose from 335 in 2007/8 to 418 in 2008/9, an increase of 25%. The most recent full quarter's results, January/March 2009, showed a 77% increase over the comparable quarter of 2007/8. In the same period HB queries increased by 38%. These trends appear to be continuing in the figures available to date.

Difficulties are often encountered when trying to initiate or discover the progress of benefit claims. The increase in benefit applications obviously due to the economic downturn and therefore predictable some months ago, appears to have swamped the DWP.

A client had applied for Employment Support Allowance (ESA) in March 2008. After 4 weeks of no news and 1 Crisis Loan, she asked for help from the bureau. It took the adviser 25 minutes hanging on the telephone before being put through to a member of the DWP staff. She was told that the claim had not yet been processed and a backlog had accumulated due to lack of staff. Recruitment was in hand, but as training took 6 weeks there was no immediate prospect of improvement. It was admitted that the situation could and should have been foreseen, but action had been delayed. A further crisis loan was necessary for the client and this took another 32 minutes waiting on the phone before it could be organised.

In May 2009 a client receiving ESA wanted to know if he needed to take action to obtain the additional statutory payments due after the 13-week assessment period was over. After 34 minutes on the phone, the adviser was informed that the client's benefits would be processed and backdated in due course, there was a backlog, and no time scale for resolution was available. The client was apparently more fortunate than others who had claimed 7 or 8 weeks earlier as they had not yet been dealt with and were receiving nothing. Our client was therefore not their priority. The client actually needed the money as he was about to move from a caravan to unfurnished Local Authority sheltered housing, had no furniture and only £11 to his name.

Debt

Overall debt enquiries increased from 1813 in 2007/8 to 2339 in 2008/9, a 29% change. However, in the period January-March 2009, when the effects of the economic downturn would be expected to appear, debt issues rose by 72% compared to the same period in 2008.

While numbers of rent arrears problems appeared almost static, difficulties with mortgage and secured loans arrears more than doubled. There were 46 such queries in the single quarter January to March 2009, the same number as in the whole of 2007/8. Mortgages are obviously more likely to have been taken out by those in employment, previously regarded as secure, but when job loss strikes payments cannot be met.

Overdraft, credit card and unsecured loan debts also soared, presumably as clients whose incomes had suddenly dropped could no longer meet even the multiple minimum repayments. The average indebtedness of a Rutland CAB client has grown from almost £20000 in 2007/8 to just under £30000 in the first quarter of 2009/10. In 2008/9 specialist debt advisers were dealing with £2 million of new debt. In the first quarter of 2009/10 this figure was already £1 million.

Enquiries regarding bankruptcy have escalated recently as the effects of the credit crunch become embedded and other alternatives become untenable. The overall figure for such enquiries was 126 in 2008/9 comparable to the 117 in 2007/8. However, in the first quarter of 2009/10 the combined figure for bankruptcy and the newly introduced debt relief order was already a staggering 79.

The household income of a client and her husband was drastically reduced when she was diagnosed with a serious illness and unable to work and his previously regular overtime was cancelled. When they found that they were no longer able to make the minimum payments on their several debts, they sought help from Rutland CAB. A specialist adviser was able to help them draw up a budget and repayment plan acceptable to most creditors and to negotiate the freezing of interest on a number of accounts. When their bank continued to make demands of the couple, the adviser wrote a letter of complaint from the bureau which resulted in an apology and cessation of harassment.

A client's business was forced to close due to foreign competition. He then tried to rent out or sell his business premises, but the economic downturn meant that he could find neither a tenant nor a purchaser. His debts were mounting as his business rates arrears were accumulating, there being no relief after the first 6 months, he could not find employment and his savings were dwindling rapidly. If the situation does not improve he will not be able to make his mortgage repayments and his house may be repossessed.

Rutland CAB's response

Rutland CAB has responded rapidly to the rising demand from the public for help and support in this economic crisis. The availability of one to one advice has been increased in several ways, including extending opening hours, offering alternative methods of contact and enlarging the numbers of staff both paid and volunteer.

Citizens Advice funds the Additional Hours Project from a £10,000,000 government grant. Access to this new funding has enabled the bureau to increase its hours for client "drop-in" sessions; the bureau is now additionally open on Tuesday and Thursday afternoons, completing a full daily service Monday to Friday, with extended hours on Monday evenings. Telephone access has also been enhanced with the receptionist recording enquiries and offering a call back service operational on Tuesday and Thursday afternoons if an adviser is not immediately available. Email advice is also offered. Rutland CAB's response was particularly speedy due in part to the goodwill of volunteer advisers; once funding was given the go-ahead on a Friday, advisers volunteered for the extra shifts and filled the rota for the following Tuesday and Thursday afternoons.

At present, service targets for this project are set at 15-20 new enquiries per week and funding runs until March 2010. Results of the project so far indicate that from February 2009 when it started, to April, 201 additional clients have received help from the bureau, thus broadly meeting the targets set.

Anticipating the continuation of the high demand for the bureau's services, recruitment of new volunteer advisers has been emphasised. Recruitment has been tripled from one to three intakes annually meaning that up to 12 new advisers will be put in place.

Forward planning and the close relationship between Rutland CAB and Rutland County Council (RCC) have enabled the inhabitants of the county to benefit from the introduction of a project to prevent unnecessary house repossession and homelessness during the recession. This problem was readily identified when the economic downturn began to bite in the autumn of 2008. RCC made funding available 2 weeks before Christmas 2008 to pay for a new member of staff based at Rutland CAB to run the Debt and Housing Project. This project aims to inform homeowners and tenants of the advantageous options when faced with financial difficulties, particularly regarding mortgage or rent arrears; the accumulation of such arrears may have drastic repercussions. Assistance is provided via access to fact sheets, self-help packs and face-to-face advice. It will also empower clients to take their own actions to deal effectively with their money problems.

This additional 18.5 hours of specialist housing and debt advice was put in place early in 2009. A marketing campaign was developed in January 2009 and launched in March 2009 when details were sent out with the 2009/10 Council Tax bills. Posters advertising the bureau's services were designed and arrangements made for them to be displayed in staff rooms/communal areas of local employers, the local RAF base, schools in the area, and Oakham post office, library and GP practice amongst others. The service is

also promoted via Rutland Radio, press articles and presentations to interested parties. The introduction of this post has meant that the bureau can cope with the 72% increase in demand for debt advice.

Another instance of the importance and benefit to the community of a good working relationship between Rutland CAB and RCC includes the provision of the quarterly newsheet "Newslink". This will give information to bureau and RCC staff on CAB's work and how it links to local government targets and the broader needs of the local population.

Rutland CAB has also been involved within the Leicestershire and Rutland Social Policy Cluster Group. Representatives from the 6 bureaux in the group chose to concentrate on producing a concise leaflet aimed at helping those affected by the credit crunch. It gives information on four key problem areas, redundancy, maximising income, getting back to work and dealing with debts. It will be possible to print the leaflet within bureau in response to demand, thus keeping costs low. Individual bureau can then include relevant local contact details.

In addition, circulation of the bureau's 2008 report "Catch 22", detailing the implications of the lack of Job Centre+ facilities within Rutland has led to the leader of RCC having direct talks with JC+ at a regional level. Together with input from the local MP, Alan Duncan, it is hoped that eventually it may be able to obtain some sort of JC+ presence again in Oakham. This will enable clients to sign on fortnightly for JSA or collect crisis loans without having to spend relatively large sums on travelling to Stamford. Local employers may then be persuaded to utilise the JC+ when recruiting, a deficiency highlighted recently.

Conclusion

The downturn in the economy has led to a decrease in income either directly or indirectly for many of the inhabitants of Rutland. The resultant imbalance between income and expenditure causes a variety of problems and hence a rise in the demand for Rutland CAB's services. This report details the bureau's response thus far.

The latest Outcomes Survey, where willing clients were contacted and asked about the outcome of their problem, indicated that the bureau is very successful in satisfying the demand. 30% said that their problem had been completely resolved and a further 36% stated that their problem had been partially remedied.

However, even if the difficulties had not disappeared, consulting Rutland CAB had other benefits. 69% of clients said that their confidence had been improved, 67% felt that stress levels had diminished, knowledge relating to the problem had been enhanced for 89% and 84% thought that their ability to help themselves had increased.

Surely an increase in confidence, knowledge and personal empowerment, combined with fallen stress levels, must equate to an alleviation of the misery prophesied by Mr. Micawber, possibly even a restoration of happiness?