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## **The use of the Discretionary Social Fund across families : evidence from the Expenditure and Food Surveys**

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The Use of the Discretionary Social Fund  
Across Families: Evidence from the  
Expenditure and Food Surveys

CRSP Research Report 4

*Monica Magadi and Jacqueline Beckhelling*

Centre for Research  
in Social Policy



# **The Use of the Discretionary Social Fund Across Families: Evidence from the Expenditure and Food Surveys**

**CRSP Research Report 4**

Centre for Research in Social Policy  
Loughborough University

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# 1

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## Introduction

The Centre for Research in Social Policy has been commissioned by the Joseph Rowntree Foundation to research the current role and future direction of the Social Fund. The research is focused on the discretionary Social Fund. This is one of two quantitative working papers produced as part of this research. This working paper is based on a secondary analysis of the Expenditure and Food Surveys and examines families' use of the discretionary Social Fund. The other working paper uses data from the Family Resources Survey to examine Social Fund receipt (Legge, 2006).

### 1.1 The Discretionary Social Fund<sup>1</sup>

The Social Fund comprises a regulated scheme and a discretionary scheme. The discretionary Social Fund has three elements: Community Care Grants; Budgeting Loans; and Crisis Loans.

Community Care Grants are non-repayable and intended to help people in specific circumstances to live independently in the community. Grants may be awarded to people who are leaving accommodation in which they received care, to help people to continue to live in the community, to help people in a resettlement programme to set up home, to ease exceptional pressures on families and to assist with certain travelling expenses (DWP, 2003a). They are currently only available to people getting Income Support, Pension Credit, income-based Jobseeker's Allowance, or payment on

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<sup>1</sup> This section describes the discretionary Social Fund scheme for the period covered by the data examined and also the changes introduced in April 2006.

account of one of these benefits, or to people who are leaving care within six weeks and who are likely to be entitled to one of these benefits on discharge.<sup>2</sup> The rules in relation to capital stipulate that the first £500 (or £1,000 for people over 60) is ignored. Where capital exceeds that amount the excess is deducted from any grant that would be otherwise payable (DWP, 2003a).

Budgeting Loans are repayable, interest-free and are designed to cover intermittent expenses incurred by applicants on eligible benefits. They help people spread the cost of high expenditure items such as household equipment, furniture and clothing. These loans are for people who have been getting Income Support, Pension Credit, income-based Jobseeker's Allowance, or payment on account of one of these, for at least 26 weeks. For the period covered by the research the same capital limits applied to Budgeting Loans as to Community Care Grant and the loan amount varied from a minimum of £30 to maximum of £1,000 (DWP, 2003a). From April 2006 the amount of capital ignored in Budgeting Loan calculations was increased to £1,000 (£2,000 for people over 60), the minimum loan amount was increased to £100 and three different maximum amounts were introduced for single people, couples without children and families with children (DWP, 2006).

Crisis Loans are also repayable and interest-free, and are designed to assist people who need to meet expenses in an emergency or as a consequence of a disaster (DWP, 2003a). They may be available to anyone (not necessarily those on any benefits) where they are the only means of preventing a serious risk to health or safety. There are no capital limits as such, but loans are dependent on the applicants having insufficient resources to meet their immediate short-term needs.

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<sup>2</sup> From October 2003 Income Support for pensioners was replaced by Pension Credit. However, given that our latest set of data covers the period up to March 2003, the report does not refer to Pension Credit.

For the period covered by the research the rules stipulated that overall maximum debt to the Social Fund, including any Budgeting Loans and Crisis Loans, should not exceed £1,000, and should normally be paid within 78 weeks (18 months) (DWP, 2003a). The amount of the weekly repayment rate is determined by the recipient's weekly income and other commitments. Those with no other debts such as hire purchase or bank overdrafts were expected to repay an amount equal to 15 per cent of their weekly Income Support, Pension Credit or income-based Jobseeker's Allowance applicable amount, excluding any housing costs, whilst those who have other payments to make from their benefit such as rent or fuel arrears may have the repayment rate reduced to ten per cent of their weekly applicable amount, excluding housing costs. Those with larger financial commitments could have the repayment rate reduced further to five per cent (DWP, 2003a). Thus, the amount of Social Fund loan obtainable was determined by the requirement that the recipient's total debt to the Social Fund should be repayable within 78 weeks, at one of the above standard rates. In April 2006 maximum debt was increased to £1,500, the normal repayment period extended to 104 weeks and the standard repayment rate reduced to 12 per cent (DWP, 2006).

## **1.2 Objectives of Study**

A number of studies have examined variations in the use or award of the discretionary Social Fund between different types of families (Huby and Dix, 1992; Gill, 2001; Finch and Kemp, 2004). While findings relating to some aspects of the Social Fund (e.g. relatively low use among pensioners) have been fairly consistent across studies, findings on other aspects of use of the Social Fund remain inconclusive. For instance, while Huby and Dix (1992) observed that the circumstances of discretionary Social Fund recipients were not significantly different from non-users of the fund, a recent study by Finch and Kemp (2004) indicated that the Social Fund is, in general, helping families that are in most need, although it remained unclear why some non-

users in similarly disadvantaged circumstances as users had not applied for a loan. There is a need for further research better to understand factors associated with use of the discretionary Social Fund and this working paper makes a contribution.

In this study, the focus is on three key questions relating to the discretionary Social Fund:

- (i) *Who uses the discretionary Social Fund?* In particular, the study examines variations in the use of the discretionary Social Fund among different types of benefit units and investigates background factors at benefit unit and household level associated with use or non-use of the Social Fund.
- (ii) *What are the variations in amount of loans and grants, and loan repayments between families?* An examination of the variations in amount of loans, repayment rates and age of loan across different types of benefit units aims to provide an indication of what types of benefit units may be having most difficulties repaying the loans.
- (iii) *What is the Social Fund used for?* Specific issues addressed include for what items different types of benefit units use the Social Fund loan, as well as whether items obtained with the Social Fund loan differ from those obtained with other types of loans or credits.

### **1.3 Data and Methods**

The analysis is based on a merged dataset of three national surveys: Family Expenditure Survey of 2000/2001 (FES20001); Expenditure and Food Survey of 2001/2002 (EFS20012); and Expenditure and Food Survey of 2002/2003 (EFS20023).<sup>3</sup> The Expenditure and Food Surveys sought information on: users of the discretionary Social Fund (i.e. people repaying a

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<sup>3</sup> From 2001-2002, two series of national surveys that have provided information on Britain's spending and food consumption since the 1950s, namely: the Family Expenditure Survey (FES); and the National Food Survey (NFS), were replaced by the Expenditure and Food Survey (EFS).

Social Fund loan, or who had received a Community Care Grant during the past 12 months); and items obtained with various types of loans, including Social Fund loans.

Throughout the report, comparisons are made between three key sub-groups: current users of the discretionary Social Fund (those repaying Social Fund loans or who had received a Community Care Grant in the 12 months before the survey); eligible non-users of Social Fund (Income Support or income-based Jobseeker's Allowance recipients who are neither repaying a Social Fund loan, nor received a Community Care Grant during the past 12 months); and others on low income (those whose equivalised disposable household income is below 60 per cent of median). In the analysis, household income (before housing costs) is equivalised based on the modified OECD scale – the OECD scale modified to the same base as the McClement's scales (see DWP, 2003b).<sup>4</sup> We have adopted the commonly used key assumption in 'Households Below Average Income' analysis that all individuals (and benefit units) in the same household benefit equally from the combined income of the household.

The analysis places particular emphasis on variations in the use of discretionary Social Fund between different types of benefit units, namely, single working age adult without children; single working age adult with children; single retired adult; working age couple without children; working age couple with children; and retired couple. Where only one of the couple has reached retirement age, the definition of 'working age' or 'retired' refers to the head of the benefit unit.

In addition to type of benefit unit, the analysis also examines use of the Social Fund by specific background characteristics of the benefit unit, including age group and marital status of the head of the benefit unit,

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<sup>4</sup> Equivalisation is the process of adjusting household income to account for variations in household size and composition, and can be carried out on different scales. The McClements scale takes a couple with no child as its base with an equivalence value of one.

economic activity of the head of the benefit unit, number of dependent children, and presence of a young child aged below five years. Household level factors in the analysis include ethnicity of the head of household, housing tenure and ownership of household durables. An alternative measure of poverty, besides income, is material deprivation. A composite index of material deprivation is derived, based on access to household durable goods (including: television, video player, CD player, car/van, fridge/freezer, computer, dryer, microwave, dishwasher, and use of central heating, satellite and internet access) using principal components analysis (see Filmer and Pritchett, 1998). The resulting composite index is then used to obtain material deprivation quartiles, dividing the population into four equal segments, with the first quartile representing the bottom 25 per cent of the sample with least access to household durable goods.

A number of terms frequently used in this report may be unconventional and require clarification. The definitions of specific key terms as used in this report are given in Annex A.

## **1.4 Structure of the Report**

This report comprises five chapters. The findings relating to specific aspects of the discretionary Social Fund are presented in chapters 2, 3 and 4, while the final chapter gives the summary and conclusions.

Chapter 2 focuses on who uses the discretionary Social Fund and includes an examination of variations in use of the Social Fund by different types of families as well as factors associated with use or non-use of the discretionary Social Fund.

Chapter 3 focuses on the amount of Social Fund loans and loan repayments. It includes an examination of the variations in amount of loans, repayment rates and age of loans between different family types.

Chapter 4 examines what the Social Fund loans are used for. Items obtained with Social Fund loans are compared with those obtained with other types of loans and credits. Also included is an examination of what different types of families use the Social Fund loan for.

Finally, Chapter 5 summarises the key findings and discusses policy implications of the findings.

***Conventions used in Tables***

- (i) Throughout the document, percentages based on fewer than 50 cases are enclosed in square brackets [ ], and should be interpreted with caution (those based on fewer than ten cases are suppressed and shown as [-]).
- (ii) All percentages and other data presented in the tables are weighted, except for number of cases which reflect unweighted base populations.
- (iii) Percentages are rounded up or down to whole numbers, and therefore may not always add up to 100.



# 2

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## Who Uses the Social Fund?

### 2.1 Eligibility for the Discretionary Social Fund

The three elements of the discretionary Social Fund: Community Care Grants; Budgeting Loans; and Crisis Loans have different eligibility criteria as pointed out in section 1.1. However, the Expenditure and Food Surveys (EFS) data analysed in this report do not distinguish between these two types of Social Fund loans. Since available statistics suggest that Budgeting Loans constitute the bulk of discretionary Social Fund loans (DWP, 2003c), those in receipt of Income Support or income-based Jobseeker's Allowance are referred to as the population on eligible benefits, even though this does not apply to Crisis Loans. Furthermore, those who stopped receiving eligible benefits recently are excluded from the population on eligible benefits, even though they may have been eligible (and indeed may have used the discretionary Social Fund) during the reference period, since it is not possible to identify such cases from the data. Although eligibility for a Budgeting Loan depends on the length of period on eligible benefits, this is not taken into account in the analysis presented here because the same criteria does not apply to Community Care Grants. This means that our eligible population base does include some benefit recipients who are ineligible for a Budgeting Loan, but are eligible for Crisis Loans and Community Care Grants. Table 2.1 gives the proportion of the survey samples in 2000/1, 2001/2 and 2002/3 who were on eligible benefits, classified by type of benefit unit.

**Table 2.1 Proportion of Sample of Benefit Units on Eligible Benefits\* by Benefit Unit Type and Year of Survey**

Benefit unit type	FES 2000/1		EFS 2001/2		EFS 2002/3	
	Row per cent	Unweighted sample	Row per cent	Unweighted sample	Row per cent	Unweighted sample
Single, working age, no children	10	2307	9	2656	9	2287
Single, working age, with children	47	546	46	643	43	608
Retired single adult	19	1153	21	1297	23	1211
Couple, working age, no children	3	1249	2	1508	3	1420
Couple, working age, with children	5	1602	5	1827	4	1598
Retired couple	5	1125	4	1158	5	1216
All	11	7982	10	9089	11	8340

Base population: Sample of benefit units in 2000/1 FES, 2001/2 EFS and 2002/3 EFS.

\* Eligible benefits include Income Support and income-based Jobseeker's Allowance.

Table 2.1 shows that benefit units comprising single working age adults with children are the most likely to be on eligible benefits for the discretionary Social Fund (43 to 47 per cent), while those comprising working age couples without children are the least likely to be on eligible benefits (no more than three per cent across the three merged surveys). The overall proportion of the sample of benefit units on eligible benefits is fairly stable across the three surveys at ten to 11 per cent.

There are no noticeable trends in the proportion of the sample on eligible benefits for most benefit unit types, except for retired single adults. The proportion of retired single adults on eligible benefits shows a steady increase from 19 per cent in 2000/1, to 21 per cent in 2001/2, and 23 per cent in 2002/3. This may reflect the general increase in numbers claiming Income Support over the period. Numbers of pensioners claiming eligible benefits have continued to increase following the introduction of Pension Credit, which increased the number of pensioners entitled to benefit compared to the previous Minimum Income Guarantee/Income Support regime.

One of the current major issues around eligibility for the Social Fund is whether eligibility should be extended to others on low income who may not be on eligible benefits (Buck, 2000; Select Committee on Social Security, 2001; Barton, 2002; New Policy Institute 2002; Buck and Smith, 2003; Regan and Paxton, 2003; Wicks 2004). Table 2.2 compares the proportion of the benefit units on eligible benefits, with the proportions ineligible but on low income, by type of benefit unit.

**Table 2.2 Proportion of Benefit Units on Eligible Benefits and Ineligible but on Low Income by Benefit Unit Type**

Benefit unit type	Per cent of benefit units		Unweighted sample of benefit units
	On eligible*	Ineligible, but on low income**	
Single, working age, no children	9	12	7250
Single, working age, with children	45	10	1797
Retired single adult	21	30	3661
Couple, working age, no children	3	5	4177
Couple, working age, with children	5	9	5027
Retired couple	5	20	3499
All	11	14	25411

Base population: Sample of benefit units in FES 2000/1, EFS 2001/2 and EFS 2002/3

\* - Eligible refers to recipients of Income Support or income-based Jobseeker's Allowance

\*\* - Low income defined as below 60 per cent of median income.

About 11 per cent of all benefit units are on eligible benefits, while an additional 14 per cent are not in receipt of eligible benefits but have low incomes, below 60 per cent of median (Table 2.2). Retired single adults (30 per cent) and retired couples (20 per cent) are the groups most likely to be ineligible for the discretionary Social Fund, yet on low incomes. On the other hand, working age couples with no children are the least likely to be on eligible benefits (three per cent) and, at the same time, the least likely to be on low income but ineligible for the Social Fund (five per cent). The largest

differences between the proportion of benefit units on eligible benefits and the proportion ineligible but on low income are observed among working age lone parents and retired couples. While 45 per cent of working age lone parents are on eligible benefits, only ten per cent are ineligible but on low income. By contrast, only five per cent of retired couples are on eligible benefits, while 20 per cent are ineligible but have low incomes. Table 2.3 suggests that the main source of income for the majority of ineligible benefit units on low income are other social security benefits (66 per cent). About 18 per cent and five per cent cited wages/salaries and self-employment, respectively, as the main source of income.

**Table 2.3 Main Source of Income for Benefit Units on Low Income but not Eligible for Social Fund**

Main source of income	Per cent citing source
Wages and salaries	18
Self-employment	5
Investment income	2
Annuities pensions	3
Social security benefits	66
Other sources of income	5
Not recorded	1
All (unweighted N)	3636

Base population: Benefit units ineligible for Social Fund (i.e. not in receipt of Income Support or income-based Jobseeker's Allowance), but on low income.

A further examination of benefit units whose main source of income was social security benefits reveals that the majority (70 per cent) were retired people (single – 45 per cent, or couple – 25 per cent). A significant

proportion (17 per cent) also comprised working age single people without children.

In Table 2.4, we examine the proportion of benefit units on eligible benefits who are repaying a Social Fund loan or who received a Community Care Grant in the 12 months preceding the survey, according to type of benefit unit. It is important to point out that there were 107 benefit units who claimed to be recipients of the discretionary Social Fund although they were not on eligible benefits. Twenty four of these units said they had received a Community Care Grant in the last 12 months, while the other 83 were repaying a Social Fund loan. It is likely that they had received the loan/grant when they were on an eligible benefit, but they were not on eligible benefits at the time of the survey because of a change in circumstances (e.g. obtaining employment). These 107 cases are excluded from Table 2.4 since they are not part of the base population comprising benefit units on eligible benefits.

**Table 2.4 Proportion of Benefit Units on Eligible Benefits who are Discretionary Social Fund Recipients by Benefit Unit Type**

Benefit unit type	Row per cent			
	Repaying loan	Received grant	Repaying loan and/or received grant	Unweighted sample
Single, working age, no children	14	6	16	742
Single, working age, with children	32	14	36	842
Retired single adult	2	1	3	789
Couple, working age, no children	10	2	11	129
Couple, working age, with children	23	7	24	235
Retired couple	3	2	4	179
All	15	6	17	2916

Base population: Income Support or income-based Jobseeker's Allowance recipients.

Overall, 15 per cent of benefit units on eligible benefits are repaying a Social Fund loan, six per cent had received a Community Care Grant in the 12 months preceding the survey, and 17 per cent were either repaying a loan or had received a grant in the 12 months before the survey (note that some of the benefit units repaying a loan had also received a Community Care Grant). Working age lone parents, followed by working age couples with children, are the most likely to be repaying a Social Fund loan or to have received a grant in the previous 12 months. About 36 per cent of working age lone parents were either repaying a loan and/or had received a grant, compared to only three per cent of retired single pensioners. These patterns are similar to those observed in a recent study based on the Families and Children Study (FACS) (Finch and Kemp, 2004), albeit the proportions here are somewhat lower.

## **2.2 Average Income of Social Fund Recipients and Non-recipients**

Table 2.5 compares mean income of Social Fund recipients with that of non-recipients who have low income in order to establish whether Social Fund recipients are worse off or better off than the other low income comparative groups used in this paper.

**Table 2.5 Mean Weekly Income of Head of Benefit Unit among Social Fund Recipients and Non-recipients**

Benefit unit type	Mean equivalised income* (£)			All
	Social Fund recipients**	Eligible, non-recipients	Ineligible, low income	
Single, working age, no children	152 B	214 C	126 A	160
Single, working age, with children	149 A	149 A	140 A	147
Retired single adult	184 B	204 B	154 A	175
Couple, working age, no children	180 B	197 B	136 A	157
Couple, working age, with children	179 B	164 B	142 A	151
Retired couple	193 AB	202 B	164 A	171
All: Mean	158 B	193 C	145 A	163
Cases (unweighted)	630	2393	3636	6659

Base population: Social Fund recipients, Income Support or income-based Jobseeker's Allowance recipients, and others on 'low income'.

\* Before housing costs disposable household income, equivalised using modified OECD scale with childless couple as reference.

\*\* Social Fund recipients include those repaying Social Fund loan and those who had received a Community Care Grant during the past 12 months.

Note: For each benefit unit, means marked with the same letter are not significantly different at five per cent level. When the means are significantly different, the letter A represents the lowest mean, followed by B and C. For the retired couple category, AB is assigned to the Social Fund recipient group because although there is a significant difference between the mean incomes of the eligible non-recipient and ineligible low-income groups, there is no significant difference between the Social Fund recipient group and either of the other two groups.

Table 2.5 suggests that, on average, Social Fund recipients have lower income (mean of £158) than non-recipients on eligible benefits (£193). However, the average income for Social Fund recipients is higher than that of the comparative group who are not on eligible benefits but classified as

having low income (£145), as per the definition of low income used in this paper. For all benefit unit types, except those headed by single working age adults with no children, there was no significant difference in mean income between Social Fund recipients and eligible non-recipients. However, mean income was significantly lower for the comparison low income group not on eligible benefits, except for benefit units headed by lone parents of working age. The average income by the different types of benefit unit show interesting patterns for benefit units comprising single working age adults with no children. This type of benefit unit has the highest average income among the group of eligible non-recipients, yet it has the lowest income among the other two groups. In general, benefit units headed by pensioners seem to have relatively higher income than the other benefit units. It is, however, important to point out that the observed patterns of equivalised income by type of benefit unit should be interpreted with caution since results for households with children and pensioners have been known to be particularly sensitive to the choice of equivalence scale because of the relatively high concentration of these groups around the 60 per cent of median income threshold (DWP 2003b). Furthermore, the modified OECD scale used for the data presented in this paper gives single adult households a smaller equivalised income relative to couples, compared to the McClements scale.

### **2.3 Profile of Social Fund Recipients by Benefit Unit Type**

To address the question of which types of benefit units are more likely to use the discretionary Social Fund, Table 2.6 compares the profile of Social Fund recipients and non-recipients, by type of benefit unit.

**Table 2.6 Profile of Social Fund Recipients and Non-recipients by Benefit Unit Type**

Benefit unit type	Column per cent			
	Social Fund recipients*	Eligible, non-recipients	All on eligible benefits	Ineligible, low income
Single, working age, no children	28	28	28	27
Single, working age, with children	46	19	25	4
Retired single adult	5	34	29	31
Couple, working age, no children	5	5	5	7
Couple, working age, with children	16	7	8	12
Retired couple	2	7	6	19
All (Unweighted N)	630	2393	2916	3636

Base population: Social Fund recipients, Income Support or income-based Jobseeker's Allowance recipients, and others on low income.

\* Social Fund recipients include those repaying Social Fund loan and those who had received a Community Care Grant during the past 12 months.

The results in Table 2.6 suggest that benefit units with children are relatively more likely to have received the discretionary Social Fund, while retired single adults, and to some extent retired couples, are less likely to be Social Fund recipients. Single working age adults with children comprise almost half (46 per cent) of Social Fund recipients, yet this group comprises only about one-fifth (19 per cent) of eligible non-recipients, and only four per cent of those on low income but not on eligible benefits. Similarly, working age couples with children comprise 16 per cent of Social Fund recipients, compared to only seven to eight per cent of eligible non-recipients or all on eligible benefits.

By contrast, retired single adults make up only five per cent of Social Fund recipients, yet this group constitutes almost 30 per cent of all on eligible benefits, about one third of eligible non-recipients and 31 per cent of those ineligible but on low income. Retired couples also constitute only two per cent of Social Fund recipients, despite making up six per cent of all on eligible benefits and a significant proportion (19 per cent) of those on low income but ineligible.

These results are consistent with findings from previous studies based on different data sets which also observed relatively low use of the discretionary Social Fund by pensioners, and particularly high use by lone parents (Huby and Dix, 1992; Finch and Kemp, 2004). The above analysis also suggests higher usage of the Social Fund by couples with children.

## **2.4 Socio-economic and Demographic Profile of Social Fund Recipients**

Table 2.7 shows that the majority (59 per cent) of Social Fund recipients are aged 25 to 44 years, almost half (47 per cent) are single, and almost all (92 per cent) live in rented accommodation. These proportions are notably higher than for eligible non-recipients or for those who are ineligible but on

low income, suggesting that these factors are associated with greater use of the discretionary Social Fund. Also, the proportions of benefit units with larger numbers of dependent children, or with a young child aged less than five years, are notably higher among Social Fund recipients compared to eligible non-recipients or ineligible benefit units on low income. However, the proportion of widows or widowers among Social Fund recipients is particularly low, compared to the other three categories.

**Table 2.7 Profile of Social Fund Recipients by Background Characteristics**

Characteristic of head of benefit unit	Social Fund recipients	Column per cent within category		
		Eligible, non-recipients	All on eligible benefits	Ineligible, low income
<b>Age group</b>				
<18 years	1	1	1	3
18-24	18	10	11	12
25-44	59	30	35	20
45-59	16	19	18	15
60-75	5	21	18	25
75+	1	21	17	25
<b>Marital status</b>				
Single	47	32	35	26
Married/Cohabiting	22	19	18	38
Widowed	3	23	19	24
Divorced/separated	28	27	28	13
<b>Number of children aged less than 18 years</b>				
None	37	72	65	81
1	23	13	15	7
2	23	10	12	7
3+	17	6	8	5

Continued...

<b>Has young child aged less than 5 years</b>				
Yes	31	12	15	17
No	69	88	85	93
<b>Ethnic group*</b>				
White	94	91	91	91
Asian	2	5	4	5
Black	2	3	3	3
Mixed/other	2	2	2	2
<b>Housing tenure</b>				
Owns outright	2	16	13	36
Mortgage/loan	6	13	11	13
Rent	92	70	74	49
Other (share, rent-free)	1	2	1	3
<b>Economic activity<math>\phi</math></b>				
Employed	13	5	5	26
Unemployed	17	14	15	7
Economically inactive	71	81	80	68
<b>Ownership of consumer durables</b>				
Quartile 1(lowest quartile)	46	55	54	51
Quartile 2	39	27	29	26
Quartile 3	12	11	11	16
Quartile 4	4	7	6	8
<b>All Cases</b>	<b>630</b>	<b>2393</b>	<b>2916</b>	<b>3636</b>

Base population: Social Fund recipients, Income Support or income-based Jobseeker's Allowance recipients, and others on 'low income'.

\* Head of benefit unit assumed to be of same ethnic origin as household reference person.

$\phi$  There are 76 heads of benefit units missing data on economic activity. Forty-nine did not respond to this question in 2002/3, 12 in 2001/2 and 15 in 2000/1.

A relatively high proportion of Social Fund recipients (13 per cent) are in employment, given that only about five per cent of those on eligible benefits are employed. These recipients were probably previously on eligible benefits but had recently taken up employment and continued to re-pay the Social Fund loans, or received a Community Care Grant before taking up employment. An examination of the economically inactive group reveals that this group comprises mainly pensioners (57 per cent).

The largest proportion of each group was in the lowest quartile in terms of access to consumer durables. However, it is interesting to note that Social Fund recipients are less likely to be in the lowest quartile than eligible non-recipients or others on low income, but more likely to be in the second lowest quartile in terms of access to household durable goods. This might suggest that the Social Fund loan or grant is enabling benefit units on eligible benefits to acquire some of the basic household durable goods owned by the majority of households in the UK. An alternative explanation could be that recipients are more likely to have had the goods in the first place, and it is the 'failure' of these goods that led the individuals to make an application for the Social Fund. It is not possible to establish which of these explanations is most likely to apply since information on when these goods were acquired, or on their 'working' status, is not available. At the same time, the proportion of the Social Fund recipients in the top quartile is also lower than the other groups, especially those ineligible but on low income, suggesting that Social Fund recipients are unlikely to fall in the least deprived group.

## **2.5 Factors Associated with Use/Non-use of Social Fund**

In this sub-section, logistic regression analysis is used to identify factors associated with use or non-use of Social Fund among those who are on eligible benefits (Table 2.8). The previous section had suggested that receipt of the Social Fund varies according to a number of household and personal characteristics. However, some of these characteristics are known to be

associated with each other making it impossible to identify the specific factors independently associated with use or non-use of the Social Fund. For example, a disproportionately larger number of younger adults aged below 25 years are likely to be single, those aged 25 to 44 are likely to have dependent children, while the widowed are likely to be retired. Hence, the analysis in this section aims to establish, for instance, whether it is age, marital status, or having children that is the important factor.

**Table 2.8 Results of Logistic Regression Analysis of Factors Associated with Use of Social Fund Among Those on Eligible Benefits**

<b>Factor</b>	<b>Odds ratio</b>	<b>Significance</b>
<b>Country</b>		
(England)	1.00	-
Wales	0.76	ns
Scotland	1.31	ns
Northern Ireland	0.78	ns
<b>Age group</b>		
(up to 24 years)	1.00	-
25-44	0.91	ns
45-59	0.56	*
60+	0.15	**
<b>Marital status</b>		
(Single)	1.00	-
Married/Cohabiting	1.23	ns
Widowed	0.54	ns
Divorced/Separated	1.20	ns
<b>Ethnic group</b>		
(White)	1.00	-
Asian	0.37	**
Black	0.39	*
Mixed/other	0.54	ns
<b>Housing tenure</b>		
(Owns outright)	1.00	-
Mortgage/loan	3.23	*
Rent	7.61	**
Other e.g. share, rent-free	2.34	ns
<b>Number of children aged less than 18 yrs and presence of young child under 5 yrs</b>		
(No child)	1.00	-
1 child, none young	1.48	*
2 or more children, none young	2.72	**
1 young child	2.03	**
2 or more children, at least 1 young	2.32	**
<b>Has disabled person in benefit unit</b>	1.10	ns
<b>Ownership of consumer durables</b>		
1 <sup>st</sup> quartile (lowest quartile)	1.00	-
2 <sup>nd</sup> quartile	0.89	ns
3 <sup>rd</sup> quartile	0.65	*
Top quartile	0.41	**

Base population: Income support and income-based Jobseeker's Allowance recipients.

\* -  $p < 0.05$ , \*\* -  $p < 0.01$ , ( ) - categories in brackets are used as reference.

The results of the logistic regression analysis presented in Table 2.8 show that age, ethnicity, housing tenure, number of dependent children and presence of a young child in a benefit unit, and access to household durable goods are all independently associated with use of discretionary Social Fund among those on eligible benefits. Although country and presence of a disabled person in a benefit unit were included in the regression model, there was no evidence of significant variations in use of the Social Fund, after taking into account the effect of important background characteristics.

Among the demographic characteristics, age is observed to be a particularly strong factor. Those aged below 25 years are about seven times as likely to use the Social Fund compared to those aged 60 years or older. There is no evidence of a significant association between marital status and use of the Social Fund, suggesting that the patterns observed in Table 2.7 are possibly due to the effect of age, since those who are younger are more likely to be single. Apart from age, another important demographic factor is the number of dependent children and presence of a young child in a benefit unit. The results suggest that:

- i the presence of a dependent child, especially a young child, is associated with increased use of the social fund. For instance, benefit units with a young child under five years are twice as likely, while those with an older child are 1.5 times as likely to use the social fund than those without any children;
- ii having more dependent children in a benefit unit is associated with increased likelihood of using the Social Fund, and presence of a young child does not increase the likelihood of using the Social Fund, if there are other dependent children.

Important household level factors include access to household durable goods, housing tenure and ethnicity. The results for ethnicity and housing tenure are consistent with the patterns observed in Table 2.7, showing that

those of white ethnic origin or in rented accommodation are more likely to use the Social Fund compared to their counterparts of Asian (or Black) ethnic origin or those who have outright ownership of their accommodation. The results suggest that those who have greater access to household durable goods are less likely to use the Social Fund. Those in the top quarter with respect to access of household durables are less than half as likely to use the Social Fund as those in the lowest quarter, suggesting that the Social Fund is indeed used by the most materially deprived benefit units.

Again, most of these results support findings from previous studies. In particular, the decrease in use of Social Fund with increasing age of head of benefit unit; and lowest use among benefit units of Asian ethnic origin were also observed in a recent study based on data from other national surveys (Finch and Kemp, 2004).

# 3

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## **The Social Fund – Amount of Loans/Grants and Loan Repayments**

Although Social Fund loans are interest-free and, hence, cheaper than loans from other sources, there has been debate on whether the provision of loans to people experiencing poverty may reinforce poverty by placing those already struggling to meet their basic needs into debt, leaving them with insufficient funds for subsistence (Huby and Dix, 1992). There are also on-going debates about the amount of loans usually offered and repayment terms. Since many applicants are awarded smaller loans than they apply for, some resort to commercial loans at high interest rates to supplement the payment, or are forced to buy second hand items that may be liable to break down (Huby and Dix, 1992; Whyley et al., 2000; Kempson et al., 2002), subjecting people to even more financial hardships. Consequently, there have been proposals to increase the maximum amount of loan from the current £1000 (Barton, 2002; Wicks, 2004). Furthermore, lowering of repayment rates and more flexible repayment systems have been commonly advocated (Barton 2002; Buck and Smith, 2003; Wicks, 2004) to make the repayment terms more manageable. As noted in Section 1.1, the Government has responded to this debate by increasing the maximum loan amount and making changes to repayment rates. The next sub-section examines variations in amounts of Social Fund loans, rates of repayment and age of loans, by benefit unit type, in an attempt to identify which benefit units are most likely to receive insufficient amounts of Social Fund loans or to experience greatest difficulties with loan repayments.

### **3.1 Variations in Amount of Social Fund Loan and Weekly Repayments**

Almost all benefit units repaying a Social Fund loan have only one loan, except for six benefit units who have two Social Fund loans to repay: three in 2000/1, two in 2001/2 and one in 2002/3. For benefit units with two Social Fund loans, the loan amounts presented in Table 3.1 refer to the sum of the two loans, and the weekly repayments refer to the repayment amount for the oldest loan, as loans are repaid consecutively, not concurrently.

The overall amount of discretionary Social Fund loan varies from a low of £20 to a high of £1190<sup>5</sup>, with a mean of £442 (median of £400). Weekly repayments vary from a low of £0 to a high of £45, with a mean of £10 (median of £9)<sup>6</sup>. Table 3.1 gives the average amount of loan and weekly repayment by benefit unit type.

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<sup>5</sup> The total amount of debt to the Social Fund is not expected to exceed £1,000. Four benefits units who reported receiving single loans exceeding this maximum, ranging from £1,500 to £3,548, have been excluded from the analysis. Two couples reported having two loans totalling more than £1,000. These were kept in the analysis as it is possible that people could have existing Social Fund loans before becoming a single benefit unit.

<sup>6</sup> One recipient reported making a repayment of £111.63 per week. This was more than double the next highest amount and seemed implausible. This has been excluded from the analysis.

**Table 3.1 Average Amount of Discretionary Social Fund Loan and Weekly Repayment by Benefit Unit Type**

<b>Benefit unit type</b>	<b>Average amount of loan (£)</b>	<b>Average weekly repayment (£)</b>	<b>Cases</b>
Single, working age, no children	317	7	118
Single, working age, with children	486	10	284
Retired single adult	[370]	[9]	16
Couple, working age, no children	[373]	[8]	23
Couple, working age, with children	543	13	91
Retired couple	[-]	[-]	8
All	442	10	540

Base population: Benefit units repaying discretionary Social Fund loan in 2000/1, 2001/2 and 2002/3.

Working age couples with children have the highest average amount of Social Fund loan of £543. Accordingly, they also make relatively high repayments (indeed the highest) averaging £13 per week. In general, Tables 3.1 and 3.2 suggest that couples tend to receive relatively larger amounts of Social Fund loans than single adults, and those with children tend to make higher weekly repayments, on average, compared to those without children. This is possibly because the amount of weekly benefits for families with children is likely to be higher, if the benefits for dependent children are taken into account.

Table 3.2 examines the average weekly Social Fund loan repayment, expressed as a percentage of amount of loan or weekly income.

**Table 3.2 Average Weekly Loan Repayment Rates by Type of Benefit Unit**

<b>Benefit unit type</b>	<b>Repayment as a percentage of loan amount</b>	<b>Repayment as a percentage of weekly income<sup>φ</sup></b>	<b>Cases</b>
Single, working age, no children	3.4	6.9	118
Single, working age, with children	2.8	8.1	284
Retired single adult	[2.7]	[5.8]	16
Couple, working age, no children	[2.6]	[5.4]	23
Couple, working age, with children	3.6	9.8	91
Retired couple	[-]	[-]	8
All	3.0	8.0	540

Base population: Benefit units repaying Social Fund loan in 2000/1, 2001/2 and 2002/3.

φ Refers to equivalised income for head of benefit unit.

Working age couples with children have the highest average weekly Social Fund loan repayment rate of £3.60 per £100 loan. This rate is nearly 50 per cent higher than the rate for working age childless couples. Couples with children also have a relatively high repayment rate with respect to their disposable income, about double the rate for childless couples. The fact that families with children have relatively high loan repayment rates raises an issue as to what implications this is likely to have on child poverty.

### 3.2 Variations in Age of Social Fund Loans

For the six benefit units with two Social Fund loans, the age of loan refers to the age of the oldest loan at the time of the survey. Information on age of loan was inconsistent for 40 benefit units from the 2000/1 survey. These include 35 benefit units that have negative loan age, with survey dates preceding reported loan dates, and five benefit units with a Social Fund loan older than ten years or missing information on year when the loan was received. If these 40 cases are excluded from the analysis, the age of the loan varies from 0 to 68 months, with a mean of nine months (median seven). The average age of loan by benefit unit type and economic activity of head of benefit unit is given in Table 3.3.

**Table 3.3 Average Age of Loan by Benefit Unit Type and Economic Activity**

<b>Benefit unit type</b>	<b>Average age of loan (months)</b>	<b>Cases</b>
Single, working age, no children	9	113
Single, working age, with children	9	266
Retired single adult	[8]	13
Couple, working age, no children	[14]	22
Couple, working age, with children	12	83
Retired couple	[-]	9
<b>Economic activity*</b>		
Employed	14	60
Unemployed	10	77
Economically inactive	9	367
All	9	506

Base population: Benefit units repaying a Social Fund loan and with reliable information on age of loan.

\*Information about economic activity was not recorded for two benefit units repaying Social Fund loans.

Working age couples with no children have the oldest loans, averaging 14 months. These results are not surprising given the patterns observed earlier in Table 3.1, in that they had the lowest repayment rates, both in terms of proportion of loan amount and of weekly income. It is also not surprising that those in employment have relatively older loans. Although an examination of loan amounts and repayments shows no variation by economic activity (results not shown), a longer time lapse since obtaining the loan would imply greater opportunity to move from benefits to employment, resulting in the observed pattern.

### **3.3 Amount of Community Care Grants**

The Expenditure and Food Surveys also sought information on receipt of Community Care Grants in the 12 months preceding the survey, and the amount of grant received. The amount of grant received ranges from a low of £22 (£40 if the recipients who were not on qualifying benefits at the time of the survey are excluded) to a high of £1,697 (two people reported amounts greater than £1,000 – one reported having received £1,697 and another received £1,500 – both of these recipients were on qualifying benefits at the time of the survey). The mean amount received by all recipients was £411 (median £350). The average amount of Community Care Grants received by benefit unit type is presented in Table 3.4.

**Table 3.4 Average Amount of Community Care Grants Received by Benefit Unit Type**

<b>Benefit unit type</b>	<b>Average amount of grant received</b>	<b>Unweighted cases</b>
Single, working age, no children	294	51
Single, working age, with children	476	116
Retired single adult	[412]	12
Couple, working age, no children	[-]	8
Couple, working age, with children	[468]	22
Retired couple	[-]	3
All	412	212

Base population: All recipients of Community Care Grants in the 12 months preceding the survey.

Benefit units with dependent children, especially those comprising lone parents, are more likely to receive relatively larger amounts of Community Care Grants, on average, compared to benefit units without children. In particular, the average amount of grant received by single, working age adults with children (£476) is considerably higher than for single working age adults without children (£294).

In general, the patterns in amounts of Social Fund loans and grants received by benefit unit type observed here are consistent with patterns observed in earlier studies. Available statistics suggest that, on average, the amount of awards received by single persons are lower than that received by couples,

and that the amount of awards increase by the increasing number of children in the family (DWP, 2002; 2003c).

# 4

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## What Is The Social Fund Loan Used For?

Few quantitative studies have examined what the Social Fund loans are used for. The limited existing literature, based on a survey in the early 1990s and some more recent qualitative studies, suggest that the Social Fund is used mainly for essential items including bed/beddings, carpets, furniture, cookers and washing machines (Huby and Dix, 1992; Buck, 2000; Whyley et al., 2000; Kempton et al., 2002). In this chapter, items obtained with the Social Fund loan are compared against those obtained with other types of loan. The chapter begins by examining other sources of credit used by benefit units on low income, with particular reference to those repaying a Social Fund loan.

### 4.1 Sources of Loans or Credit for those on Low Income

Information on the sources of loans in the Expenditure and Food Surveys is grouped in four categories: finance house/credit union/second mortgage; employer; Social Fund; and student loan. Information available on other sources of credit include hire purchase and club credit. Table 4.1 gives the proportion of Social Fund loan recipients and others on low income using these types of loans or credits.

**Table 4.1 Percentage of Recipients of Social Fund Loan, Other Eligible and Ineligible Low Income Benefit Units who Have Other Types of Loan/credit**

**Column per cent**

<b>Type of loan/credit</b>	<b>Repaying Social Fund loan</b>	<b>Eligible, no Social Fund loan</b>	<b>Ineligible, low income</b>
Formal loans			
Finance house*	16	8	7
Employer	0	0	0
Student loan	0	0	0
Hire purchase	11	5	4
Club credit	12	6	4
Cases	551	2458	3647

Base population: Benefit units repaying Social Fund loan or in receipt of Income Support or income-based Jobseeker's Allowance, and others on low income.

\* Includes finance house, credit union and second mortgage.

NB: The number of cases differs slightly from the number in chapter 2 because this table is specifically about benefit units with loans, not using the Social Fund (i.e. loans or grants).

Recipients of Social Fund loans are more likely to have non-Social Fund debts than eligible respondents with no Social Fund loan or others on low income. About 16 per cent of those repaying a Social Fund loan are also repaying finance house/credit union/second mortgage loans. This proportion is significantly higher than that of non-recipients of Social Fund loans on eligible benefits (eight per cent) or those on low income but not on eligible benefits (seven per cent). Hardly anyone in all the three comparison groups is repaying other types of formal loans (e.g. from employer or student loan). The proportion of Social Fund loan recipients with a hire purchase agreement, or club credit also notably higher than for eligible non-recipients or those who are ineligible but on low income. Table 4.2 gives the percentage of those repaying a Social Fund loan who have other forms of loans or credits by benefit unit type.

**Table 4.2 Percentage of Those Repaying Social Fund Loan who Have Other Types of Loan/Credit by Benefit Unit Type**

<b>Benefit unit type</b>	<b>Finance house loan*</b>	<b>Hire purchase</b>	<b>Club credit</b>	<b>Unweighted Cases</b>
Single, working age, no children	12	7	9	124
Single, working age, with children	14	9	11	285
Retired single adult	[24]	[6]	[13]	16
Couple, working age, no children	[35]	[22]	[36]	24
Couple, working age, with children	18	23	13	92
Retired couple	[22]	[0]	[11]	10
All	16	11	12	551

Base population: benefit units repaying Social Fund loan.

\* Includes finance house, credit union and second mortgage.

Among those repaying Social Fund loans, working age couples with children are most likely to have a hire purchase agreement compared to the other types of benefit units. The patterns for single working age benefit units with and without children are fairly similar, having a relatively lower chance of having other types of credits/loans compared to their partnered counterparts.

## **4.2 How do Items Obtained with Social Fund Loans Differ From Those Obtained with Other Loans?**

An earlier comparison of items obtained with Social Fund loans against those obtained with credit union loans, through qualitative interviews with 16 Budgeting Loan applicants and 21 credit union members, indicated that Social Fund loans (i.e. Budgeting Loans) were used mainly for necessities, while credit union loans were used for more discretionary items and treats (Whyley et al., 2000). Table 4.3 compares items obtained with the Social Fund loans with those obtained using other types of loan or credit, among benefit units on eligible benefits or on low income.

**Table 4.3 Comparison of Items Obtained With Social Fund Loan Versus Other Loans/Credit**

Item	Column per cent			
	Social Fund loan	Finance house loan*	Hire purchase	Club credit
Food	7	2	0	0
Alcohol, tobacco	1	0	0	0
Clothing & footwear	17	7	3	57
Housing (mainly maintenance and repair)	15	7	0	1
Furnishings (mainly: furniture, carpets and other floor coverings; household textiles; and household appliances)	62	18	53	32
Health	0	0	0	0
Transport (mainly purchase of vehicles)	6	31	16	5
Communication	1	0	0	0
Recreation (mainly: audio-visual; photographic and info; processing equipment; other recreational items; garden; pets; and package holidays)	13	24	34	19
Education	1	1	0	0
Restaurants and Hotels	1	4	1	0
Non-consumption (mainly: housing accommodation costs, repairs and improvements; and savings, investments, money transfers, credit)	18	40	3	2
Miscellaneous	4	5	1	4
<b>Cases</b>	<b>551</b>	<b>606</b>	<b>353</b>	<b>395</b>

Base population: Benefit units repaying discretionary Social Fund loan or with other loans and on eligible benefits or low income.

\* Includes finance house, credit union and second mortgage.

Note: The percentages do not add up to 100 per cent since a loan may be used to obtain multiple items.

The highest proportion of Social Fund loans is used for furnishings, while finance house/credit union/second mortgage loans are used mostly for non-consumption (mainly credit repayments and house improvements), transport (mainly car purchase) and recreation. Hire purchase is mostly used for furnishings and recreation (mainly purchase of recreational items including audio-visual equipment), and club credit is predominantly used for buying clothing and footwear, and to a lesser extent, furnishings. Overall about 62 per cent of Social Fund loans are used for furnishings (mainly household and garden furniture and furnishings, carpets and other floor coverings, and to some extent household textiles and appliances, including refrigerators/freezers, washing machines and cookers). All the other remaining categories of items are obtained by only a small proportion of Social Fund loans, less than 20 per cent in each case.

The most notable differences in items obtained with a Social Fund loan, compared to other loans relate to food, housing, furnishings and recreation. Social Fund loans are relatively more likely to be used on food, housing and furnishings, but less likely to be used for recreation, compared to other loans.

### **4.3 What do Different Families use the Social Fund Loan for?**

Table 4.4 gives the distribution of items obtained with the Social Fund loan by different types of benefit units.

**Table 4.4 What do Different Types of Benefit Units Use the Social Fund Loan for?**

<b>Item</b>	<b>Single, working age, no children</b>	<b>Single, working age, with children</b>	<b>Retired single adult</b>	<b>Couple, working age, no children</b>	<b>Couple, working age, with children</b>	<b>Retired couple</b>	<b>All benefit units</b>
Food	8	5	[6]	[0]	10	[0]	7
Alcohol, tobacco	3	0	[0]	[0]	0	[0]	1
Clothing & footwear	17	23	[6]	[0]	12	[0]	17
Housing, bills	16	17	[0]	[9]	12	[0]	15
Furnishings	55	65	[63]	[65]	63	[50]	62
Health	0	1	[0]	[0]	0	[0]	0
Transport	4	7	[6]	[0]	7	[0]	6
Communication	1	1	[0]	[0]	1	[0]	1
Recreation	15	10	[31]	[14]	17	[11]	13
Education	1	1	[6]	[0]	0	[0]	1
Restaurants and hotels	1	1	[0]	[0]	1	[0]	1
Non-consumption	18	20	[12]	[13]	12	[30]	18
Miscellaneous	4	4	[6]	[0]	4	[0]	4
<b>Cases</b>	<b>124</b>	<b>285</b>	<b>16</b>	<b>24</b>	<b>92</b>	<b>10</b>	<b>551</b>

Base population: Benefit units repaying Social Fund loan.

Note: The percentages do not add up to 100 per cent since a loan may be used to obtain multiple items.

For all types of benefit units, furnishings remain the most common category of items obtained with Social Fund loans, cited in at least half of the cases for each type of benefit unit. Because of the small number of cases of some types of benefit units with Social Fund loans, the comparison of items obtained across benefit unit types focuses on the three categories with sufficient number of cases, namely, benefit units consisting of working age single adults, working age lone parents, and working age couples with children. Working age couples with children are less likely to spend Social Fund loans on clothing and footwear, but more likely to spend the loan on recreation, compared to working age lone parents. Among working age single adults, those with children are more likely to spend the loan on furnishings, clothing or transport, but less likely to spend it on food or recreation, compared to those without children. In fact, working age lone parents are the least likely to spend the loan on recreation, but the most likely to spend it on clothing and footwear, compared to all the other types of benefit units.

# 5

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## Summary and Conclusions

### 5.1 Summary of Key Findings

This paper has addressed three key aspects of the discretionary Social Fund: who uses the discretionary Social Fund; variations in amounts of loans/grants and loan repayments; and what Social Fund loans are used for. The analysis specifically examines variations in use of the discretionary Social Fund among different types of benefit units and investigates background factors associated with use or non-use of the Social Fund among eligible benefit units. An examination of variations in the amount of loans, repayments rates and age of loans across different types of benefit unit provides an indication of which benefit units are having most difficulties repaying the loans. Specific issues relating to what Social Fund loans are used for are addressed through an examination of the items different types of benefit unit use the Social Fund loans for, as well as whether items obtained with the Social Fund loan are different from those obtained with other types of loans or credit.

Results on who uses the Social Fund confirm findings from previous studies that benefit units with children, especially lone parents, are the most likely to use the Social Fund, while use among pensioners is disproportionately low. Furthermore, the study confirms that benefit units of Asian origin are relatively less likely to use the Social Fund, compared to other ethnic groups. A further examination of factors independently associated with use of the Social Fund among benefit units on eligible benefits reveals that age of the head of the benefit unit, ethnicity, housing tenure, number of dependent

children in a benefit unit, and material deprivation are all significantly associated with use of the Social Fund, even after taking into account the effect of other important factors. The likelihood of using the Social Fund declines with increasing age of head of benefit unit, but increases with increasing numbers of dependent children in a benefit unit.

Important household level factors confirm low use among those of Asian origin and, at the same time, reveal that those of Black ethnic origin are also significantly less likely to use the Social Fund compared to those of white ethnic origin, when other important background characteristics are taken into account. With respect to household tenure, those in rented accommodation (and to some extent those with a mortgage) are more likely to use the Social Fund than those who have outright ownership of the house in which they live. Another significant household level factor is access to household durable goods, with low access being associated with increased use of the Social Fund.

The analysis of variations in loan and grant amounts, as well as repayment rates and age of loan, reveals that benefit units with children receive relatively higher amounts of loans or grants than those without children. Couples also receive generally higher amounts of loans than those who are single, although this does not hold for grants. Couples with children have the highest weekly loan repayment rates.

The analysis of items obtained with Social Fund loans reveals that they are predominantly used to obtain household furnishings, including: furniture, carpets and other flooring materials; household textiles; and household appliances, mainly fridge/freezer, washing machine or cooker. Compared to other types of loans or credit, Social Fund loans are more likely to be used for furnishings, housing, or food, but less likely to be used for recreation. An examination of variations in items obtained with Social Fund loans across

family types shows that working age lone parents are the least likely to use the loan for recreation, but most likely to spend it on clothing and footwear.

### **5.2 Policy Implications**

To a large extent, the results reported in this paper corroborate earlier research findings, necessary to inform relevant policy reforms on the discretionary Social Fund. In addition, the study reveals some new findings which may have important policy implications.

The findings relating to who uses the Social Fund identifies sub-groups who need to be particularly targeted with interventions aimed at making the Social Fund accessible to all eligible benefit units and, thus, ensuring that the Social Fund effectively contributes to the overall strategy of tackling poverty and social exclusion. Additional information (e.g. through targeted qualitative research) on why specific subgroups such as pensioners or ethnic minorities are less likely to use the Social Fund is crucial to help identify the nature of interventions that are likely to be most effective. For instance, it is necessary to establish whether increasing awareness levels of the Social Fund among specific sub-groups, or making policy reforms to ensure the conditions for receipt of the Social Fund are suitable to sub-groups in specific circumstances would be most effective. Kempson et al., (2002), for example, report a number of barriers to take-up amongst older people.

The analysis of amount of loans and repayments suggests a need for particular attention on families with children. Although receiving a larger amount of Social Fund loan is no doubt beneficial to the recipients, the fact that families with children seem to be making relatively higher weekly repayment than other families raises the issue as to whether the repayment conditions for Social Fund loans may counteract the Government's objective of eradicating child poverty. Couples with children are also most likely to have other debts, such as hire purchase agreements and club credit. This

calls for the need to review the current loan terms and conditions, to optimise the fund's benefit for particular groups.

Nevertheless, there is some evidence of positive achievements of the Social Fund. In particular, the findings relating to greater use of the Social Fund by benefit units with least access to household durable goods, or in rented as opposed to owned accommodation, suggest that the Social Fund is most probably being used by the most deprived members of the community. Furthermore, the fact that Social Fund loans are more likely to be used for necessities and less likely to be used for recreation, compared to the other types of loans suggests that the Social Fund is being used in areas of greatest need.

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**Annex A      Definition Of Selected Key Terms**



# Annex A

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## Definition of Selected Key Terms

***Social Fund loan:*** includes Budgeting Loan and Crisis Loan.

***Social Fund recipients:*** refers to those repaying a discretionary Social Fund loan or who received a Community Care Grant during the past 12 months before the survey.

***Eligible benefit units:*** refers to benefit units on eligible benefits, namely, Income Support and income-based Jobseeker's Allowance.

***Ineligible benefit units:*** refers to non-recipients of Social Fund who are not on eligible benefits.

***Low income:*** refers to equivalised disposable household income (before housing costs) below 60 per cent of median income.

The Centre for Research in Social Policy was commissioned by the Joseph Rowntree Foundation to research the current role and future direction of the Social Fund. The research is focused on the discretionary Social Fund. This is one of two quantitative working papers produced as part of this research. This working paper is based on a secondary analysis of the Expenditure and Food Surveys and examines families' use of the discretionary Social Fund. The other working paper uses data from the Family Resources Survey to examine Social Fund receipt.

#### **Related Publications**

*The Social Fund: Current role and future direction.* ISBN 1 85935 472 6, ISBN 978 1 85935 472 8. Published in 2006 by the Joseph Rowntree Foundation. £17.95.

*Receipt of Discretionary Social Fund Awards: Findings from the Family Resources Survey.* CRSP Research Report 5. Published in 2006 by the Centre for Research in Social Policy. ISBN 0 946831 34 3, ISBN 978 0 946831 34 0.



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