

## **BETTER OFF IN WORK?**

Calculating whether someone is financially better off in work or not can be a little complicated so we've asked an expert to look at a few possible scenarios (see below). Please note that these are purely to give you an approximate idea of the possible impact that working may have on your disposable income. You should always consult a benefits expert to get a true understanding of the actual impact that working may have on your situation.

## **CALCULATIONS & SCENARIOS**

These are based on four different examples of housing costs:

- (1) £100k interest only SMI mortgage @ £506.67 pcm & rent/eligible service charge of £230 pcm
- (2) £35k interest only SMI mortgage @ £177.33 pcm & rent/eligible service charge of £380 pcm
- (3) £100k capital repayment mortgage @ £644 pcm & rent/eligible service charge of £230 pcm
- (4) £35k capital repayment mortgage of £35k @ £225 pcm & rent/eligible service charge of £380 pcm

The two situations where people are not working "full-time" will look at the interest only examples.

The two situations where people are working full-time - and so not eligible for Income Support/ income-based Employment & Support Allowance (ESA) - will look at the capital repayment examples.

A CT (Council Tax) liability of £15pw is used as an example.

We are using Employment & Support Allowance figures as these will become increasingly more common but Income Support figures will be very similar – about £3 pw less in benefit income with a resultant reduction in overall income.

All these cases are people receiving middle rate DLA (Disability Living Allowance) care of £47.80 pw, and DLA low mobility of £18.95 pw.

*All figures used are correct as of May 2010 and are provided for guidance ONLY. Again we must point out that it is essential that each buyer obtains advice from a benefits professional on their personal situation.*

**Scenario A – not working at all**

Income	DLA care	£47.80
	DLA mob	£18.95
	ESA basic	£65.45
	ESA support	£31.40
	Severe Dis. Premium	£53.65
	<b>Total income</b>	<b>£217.25 pw</b>
Example 1	SMI	£101.33
	HB	£ 53.08
	CTB	£ 15.00
Example 2	SMI	£ 40.92
	HB	£ 87.70
	CTB	£ 15.00

In this case the individual would have a disposable income of £217.25 pw, with basic housing costs being covered by SMI (Support for Mortgage Interest), HB (Housing Benefit) and CTB (Council Tax Benefit)

Social services may try and levy charges for any community care services as DLA care and higher rates of means-tested benefits are in payment, but the actual calculation and charge will depend on (a) exactly how the person's local council does their charging, and (b) any disability related expenditure they can claim before charges kick in.

**Scenario B – working 15 hrs pw @ minimum wage**

Wages = £5.80 @ 15 = £87 - £20 disregard = £67 to be deducted off income-based ESA

Income

Wages	£87 (before disregard)
DLA care	£47.80
DLA mob	£18.95
ESA total	£83.50

**Total income £237.25 pw**

Because the person in this scenario is still receiving income-based ESA, their entitlement to SMI and HB/CTB will be the same as in scenario A, i.e. they will get maximum housing costs, and will be better off by £20 pw from their part-time work and will have a disposable income after basic housing costs of £237.25 No extra effect from local authority charging as earnings are not taken into account in Fairer Charging rules.

**Scenario C – working 16 hrs pw @ minimum wage = no stoppages**

Income

Wages	£92.80 pw (16 hours @ £5.80)
DLA care	£47.80
DLA mob	£18.95
Working Tax Credit	£86.35
<b>Total income</b>	<b>£245.90 pw</b>

Example 3	No SMI	0.00 (£100k - £148.61 pw)
	HB	£45.25 (against rent of £53.08 pw/£230 pcm)
	CTB	£12.59 (against CT of £15pw)

In this case the person has to their pay mortgage (£148.61 pw), partial rent (£7.83 pw) and partial CT (£2.41) from their income. Total spend - £158.85 pw

**Total disposable weekly income here would be £245.90 - £158.85 = £87.05pw**  
*i.e. financially worse off than in Scenarios A or B*

Example 4 (lower mortgage/higher rent)

No SMI	0.00 (£35k - £51.92 pw)
HB	£79.87 (against rent of £87.70 pw/ £380 pcm)
CTB	£12.59 (against CT of £15 pw)

In this case the person has to pay their mortgage (£51.92 pw), partial rent (£7.83 pw) & partial CT (£2.41 pw) from their income. Total spend = £62.16 pw.

**Total disposable weekly income here would be £245.90 - £62.16 = £183.74**  
*i.e. better than with a higher loading on the mortgage but still worse off than on ESA + SMI*

**D – working 35 hrs pw, @ minimum wage = £203 gross, £176.70 net pw**

Income	wages	£176.70
	DLA care	£ 47.80
	DLA mob	£ 18.95
	WTC	£ 69.85 (tapers off as wages rise)
	<b>Total</b>	<b>£313.30 pw</b>

Example 3	No SMI	0.00 (£148.61 pw)
	HB	0.00 (“excess income” (£68.73) exceeds rent)
	CTB	0.00 “ “ “ (£21.15) exceeds CT bill)

In this scenario the individual will have to pay all their housing costs from their income. Full spend is therefore; mortgage £148.61 + full rent £53.08 + full CT £15 = £216.69

**So, disposable income after paying basic housing costs is £313.30 – £216.69 = £96.61**

Example 4	No SMI	0.00 (£51.92 pw payable)
	HB	£ 18.97 (against a rent of £87.70 pw/£380 pcm)
	CTB	0.00

In this scenario D will have to pay most housing costs from his own income, i.e. – mortgage £51.92 pw, + rent £68.73 pw + CT £15 pw = £135.65

**So, disposable income = £313.30 - £135.65 = £177.65**

## CONCLUSION

As you can see from the various calculations contained within this document this can be a complex issue and it’s impossible to make sweeping generalisations in terms of whether someone will always be better or worse off (financially speaking) if they work more than 15 hours per week. What is clear from our experiences however is that working can, for many people with a disability, be hugely beneficial in terms of both their personal development and quality of life. Set against these positives a small decrease in disposable income may actually make sense.