



Support Solutions

Rewarding Participation: Allan Norman evaluates the issues associated with rewarding service user involvement

Many initiatives and projects place emphasis on user involvement in their direction, management and evaluation. This derives both from an intuitive appreciation of the value of user involvement in much of the third sector (which, if you didn't know, is the name for the sector with which we are involved), and on an increasing emphasis placed on it in the terms of funding of many government funding streams.

There are, however, both legal and ethical issues associated with user participation. This article examines in particular the issues arising from the effect on benefits of participation. It also suggests a solution that allows for rewards that should not affect benefit entitlements.

The problem

Workers with a conscience have found it hard to countenance situations in which highly paid regeneration consultants sit round the table with local people representing the user perspective, the latter expected to participate for free.

There is a strong argument that users who are actively involved should be paid a living wage for their contribution. But counter arguments would draw attention to express prohibitions in funding agreements; the idea that payment undermines the value of the user perspective; and the argument about the effect on benefits.

The effect of the operation of the poverty trap for people dependant on subsistence benefits (income support, jobseekers allowance, pension credit) is as follows:

- The first few pounds earned up to the "earnings disregard" actually go to the claimant;
- Thereafter, additional income reduces benefit pound for pound until the person is removed from entitlement to the benefit altogether (by virtue either of their hours or their pay). This could be considered to be equivalent to a 100% tax rate;
- Thereafter, additional earnings affect benefits that are tapered, notably housing benefit and council tax benefit. Assuming a person receives both of these, their increased rent and council tax takes up 85p in each pound earned



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(equivalent to an 85% tax rate). If they receive other tapered benefits such as non-residential social services, this could rise to more than 100p in the pound.

- Once a person's income has lifted them above all means-testing, they are finally in the territory familiar to the general workforce, of 20%, 25% and 40% tax bands...

Faced with such a regime, both in its injustice and its complexity, it is unsurprising that it is a priority for some people to remain on benefits.

Unfortunately, there is no easy solution that guarantees the security of a person's benefits. Essentially, everything depends on the benefits in question, but:

- The very nature of participation may cause some people difficulties, for example where they receive benefits based on incapacity for work;
- For others, questions may arise about whether they are effectively engaging in economic activity, irrespective of reward;
- Finally, any attempt to reward participation may be construed as remuneration for work.

In 2001 I co-wrote a detailed legal paper that examined the interaction of reward schemes and welfare benefits legislation. The paper is available at: http://www.b-mag.org.uk/documents/corn_rep.pdf.

While some of the details of social security have changed since, for example the "permitted work" rules, what sadly remains unchanged is that the only certain way to be clear about the effect of participation on benefits is to review the entitlements of each participant individually.

Because rewarding participation is such an in vogue principle, there has more recently been a plethora of papers by government and regulatory bodies. In particular:

A Department of Health report entitled '[Reward and Recognition](#)'. This endorses the theory of reward but emphasises the complexities of the possible consequences for claimants;

A Social Care Institute for Excellence report entitled '[Contributing on Equal Terms: Service User involvement and the Benefits System](#)' provides qualitative research feeding back the views of users



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that rewards are arbitrary, inconsistent and unfair;
and

A Department for Work and Pensions guide, '[A Guide to Volunteering while on Benefits](#)', published in May and apparently already removed from the DWP website (Although it can be found at [here](#)).

A suggested solution

The solution suggested in [my earlier paper](#), which is now being put into practice locally, is essentially as follows:

- It involves the creation of a Trust, which administers a reward scheme.
- The right to be a potential beneficiary of the Trust is dependent on participation as defined by the project.
- Potential beneficiaries make applications for assistance that are needs based rather than rights based.
- Any assistance provided by the Trust is in kind, not in cash.
- Benefit entitlements are reviewed in the process of considering the needs element of each application.

It will immediately be apparent that this is hardly an ideal solution. The possibility of assistance in kind, however generous, is much more difficult to sell to participants than the certainty of assistance in cash.

Matters may well be helped by a change to the rules on the treatment of charitable payments for means-tested benefits, which took effect from [2nd October 2006](#). The new, much more generous rules effectively disregard such payments in their entirety in most circumstances.

On the other hand, it is strongly arguable that it is highly irresponsible to provide direct financial rewards both if it is impossible to review the effects on entitlement of each individual, and if it is likely to lead to individual users breaking the law deliberately or inadvertently by not declaring their income either because they believe benefits will be affected, or because they believe they aren't affected.

If it is possible to sell a scheme in which participants become beneficiaries of a discretionary trust, a properly constructed trust can provide a mechanism for generous rewards that overcome some of the injustices of the poverty trap.



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