

# Press Release...



Embargoed until 00:01 24/02/09

## Campaign calls for measures to stop people being forced into cash-in-hand jobs

A new campaign launched today calls on government to help people trapped into low paid cash-in-hand work when they could be helping the UK economy. The Need NOT Greed campaign aims to help these people escape the traps of informal work with no legal status and poor work conditions, often being exploited by unscrupulous bosses. The informal economy is estimated at 12.3% of the UK GDP, approximately £120 billion.

Maeve McGoldrick, Campaigns Coordinator for Community Links which convened the Need Not Greed campaign said:

*“Many people who are living in poverty work cash-in-hand out of need, not greed. This type of work takes people out of absolute poverty, to pay off immediate debts and at times of crisis when there is no money for bills or unexpected expenses. However it traps them in relative poverty, with no route for progression. £60.50 per week for a single person on Job Seekers Allowance is quite simply not enough to live on. The current Welfare System is out of date and benefit laws do not reflect the nature of modern day work. The majority of jobs that are on the market are part-time and low paid.*”

*The Welfare Reform Bill provides a legislative context to apply these solutions generated from a grassroots perspective by those that understand the issue first hand. We are launching the Need NOT Greed at Westminster today with the hope that Government will hold true to their words, invest in peoples potential and not repeat mistakes of past recessions. Current Welfare reforms should endorse our proposals to keep people connected with the labour market rather than cut adrift into long-term unemployment or a criminalised position of working informally.”*

Kate Wareing, Oxfam’s Director for UK poverty, said:

*“It’s crucial that the government reform the welfare system to make it easier to move from benefits into good-quality, sustainable paid work. Part of this lies in recognising that sometimes short-term or part-time work can be a step towards that goal, and making sure that no-one who takes such work ends up worse off as a result. If it fails to act it will be wasting the economic potential of thousands of people stuck in the benefits trap- and letting down the millions of children who continue to live in poverty because their parents are held back from the benefits of formal employment.”*

TUC General Secretary Brendan Barber said:

*“The TUC estimates that there are around two million vulnerable workers in the UK – with many working informally. As the recession deepens more workers than ever will feel they have no choice but to undertake cash-in-hand jobs – and the risks they face from rogue employers will increase.*

*With Jobseekers Allowance at £60.50 a week, an inflexible benefits system that can penalise people for declaring income and many low-paid workers facing extreme insecurity at work, it’s no wonder that the cash-in-hand work becomes necessary. Most workers do informal jobs just so they can survive.”*

The current economic climate provides an ideal time to explore innovative solutions to tackling poverty and unemployment whilst creating new enterprises out of informal work. Investing in these people during the recession will ultimately prevent them from being trapped on benefits and lost to informal work for years to come. The Need NOT Greed campaign proposes:

- A joined up government strategy to harness informal economic activity
- A modernised, flexible system; increasing benefit levels, removing the 16 hour permitted work rule and increasing the levels of earnings disregarded before benefits are affected
- Improving administration to make it more responsive, efficient and customer orientated.

By supporting people to formalise work government will be closer to meeting Child Poverty targets, as Minimum Wage, Working Tax Credits and holiday pay increase incomes and job security. Guaranteeing a substantially better financial position will encourage people to declare work or avoid returning to cash-in-hand work.

ENDS

## Notes to editors

1. The Need NOT Greed campaign, convened by Community Links, is a coalition of over 50 national and grassroots organisations including Oxfam, the TUC and UKCAP. The vision is to end the reliance on cash-in-hand, informal paid work and help people move off benefits and into formal paid work. Need NOT Greed is unique in specifically addressing the informal economy and poverty in the UK. Background information can be found at [www.neednotgreed.org.uk](http://www.neednotgreed.org.uk)
2. Quote from one informal worker *“The cost of living doesn’t just go up in April, and in the mean time it is like fighting a losing battle. If I could have come forward and put my cards on the table, with the right support I could have been off benefits and been able to contribute back to society by now.”*
3. Economist Professor Fredrich Schnieider (2002) has estimated that as much as 12.3% of the GDP in the UK is generated through undeclared work, approximately £120 billion.
4. Latest inflation have fallen to below 3%, however with the possibility of a depression, government action to harness the informal economy can contribute a considerable financial return through people declaring work and paying taxes. If cash-in-hand work is effectively harnessed it can greatly reduce the financial burden of the recession, lowering the levels of benefits uptake and increasing the level employment and of tax payments.
5. In Belgium a formalisation voucher scheme provided an incentive and safety net for the transition and found that 44% of jobs carried-out on the scheme had previously been undeclared work.
6. The Need NOT Greed Policy Recommendations are:
  - i. Change Benefit laws including Earnings Disregard and the 16-hour rule to incentivise people into formal work and progress further when in work.
    - o The 16 hour rule does not allow for a gradual transition off benefits
    - o Earnings Disregard has not changed since 1988; for a single person on Job Seekers Allowance a maximum of £5 a week can be earned before benefits are deducted. Small bits of work could be the path to get them back into work, however currently they can’t even work an hour a week at minimum wage.
    - o An individual’s personal and financial development is therefore constrained, leaving few options but to turn to cash-in-hand work.
  - ii. Change Housing Benefit to guarantee security for a longer period of time, followed by a gradual, tapered withdrawal of Housing Benefit, followed by Council Tax Benefit.
    - o In-work benefits lose their financial impact when included in Housing Benefit calculations.
  - iii. Establish practical informal economy ‘transition’ projects throughout the UK to support more people out:
    - o Create transitional support and advice teams.
    - o Eliminate the fear of falling further into poverty if declaring work and attempting to formalise.
  - iv. Across Government departments an overarching strategic plan must be developed, working at a national and local level to harness the informal economy.

7. Community Links is an innovative charity running community-based projects in east London. For 30 years we have helped thousands of children, young people, adults and older people in deprived neighborhoods. [www.community-links.org](http://www.community-links.org) LinksUK leads our programme of national work of training, consultancy, research, publications and demonstration projects sharing the local lessons across the country to widen the impact of our projects; inform policy makers and practitioners and generate lasting social change.
  
8. Case Studies: are available for the media and/or for further comment contact Maeve McGoldrick, linksUK Campaigns Coordinator. Tel: 020 7473 9644, mobile: 07890 170 096 e-mail: [maeve.mcgoldrick@community-links.org](mailto:maeve.mcgoldrick@community-links.org)
  
9. Photographs taken by Community Links can be supplied as high resolution digital images suitable for re-printing. Contact [richard.mckeever@community-links.org](mailto:richard.mckeever@community-links.org)

10. For further information please contact:

Maeve McGoldrick  
LinksUK Campaigns Coordinator  
M: 07890 170 096  
T: 020 7473 9644  
[maeve.mcgoldick@community-links.org](mailto:maeve.mcgoldick@community-links.org)  
[www.neednotgreed.org.uk](http://www.neednotgreed.org.uk)