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LETS and Benefit Claiming in the UK: Results of a Pilot Project

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INTRODUCTION

The following article is based upon a small pilot project that was conducted between December 1999 and February 2000. This research was funded by the Nuffield Foundation (SGS/LB/0234) and the fieldwork was conducted by Sarah Lawlor, a research assistant at the University of Luton.

Local Exchange and Trading Systems (LETS) have attracted increasing attention in recent years as exclusion from and/or disaffection with the formal labour market has increased – for an overview of the most relevant literature see Fitzpatrick with Caldwell (forthcoming). LETS are a form of systematic barter whereby the members of a scheme sell goods and services to one another in a specially invented ‘local currency’. Any advantages have been claimed for LETS: they remunerate skills that may be neglected in the formal economy, they increase ‘social capital’ and allow participants to expand their networks, they keep economic activity local with beneficial consequences for national infrastructures. However, there are also potential disadvantages: they may perpetuate inequalities and patterns of social exclusion, they are the province of the middle classes. However, the main problems associated with LETS are not due to the schemes themselves but due to their existing institutional contexts. The aim of this research was to investigate one such context: the social security system.

The UK’s Labour government believes that paid work in the formal labour market is the single most important ‘badge’ of citizenship and social participation (Levitas, 1998), allowing the government to claim that economic growth and social justice are not the opposites that many on both the Right and the Left have allegedly taken them to be. This explains why Labour has given so much attention to employment policy, in the form of the New Deal and the minimum wage, and benefit reform, in the form of the Working Families Tax Credit. Unfortunately, this concentration on employment has knock-on effects on other areas of policy that are less than attractive. In particular, it means that unpaid domestic labour is downgraded, despite the government’s pieties regarding the importance of caring and child-raising (Lister, 2000). Single parents are the main victims of this contradictory wish to emphasise both employment and caring without acknowledging the difficulties that most people have in balancing the two. Labour’s assumption that only a jobs-based society can deliver prosperity and justice leads to an over-worked and over-stressed population whose main duty is to serve a flexible labour market and to show employers a degree of loyalty that employers are increasingly poor at reciprocating. The idea that there may be alternative ways of contributing to society becomes crowded out.

This crowding is particularly visible in the case of LETS. During the course of our research we found that the government has a rather dismissive, patronising attitude towards the idea of alternative economies. A junior minister told us that LETS are a non-starter because nobody really wants them – as if individuals’ desires and needs exist in a policy vacuum! Official pronouncements are scarcely more encouraging. In 1998 the Social Exclusion Unit set up a series of Policy Action Teams that would report upon various areas of government concern and make appropriate

recommendations. The Policy Action Team on Jobs reported at the end of 1999 and gives brief attention to LETS (Policy Action Team, 1999). It recommends a higher disregard for all benefit claimants (the equivalent of 20 per week instead of the existing 5 per week) but supports the principle of LETS only in so far as it acts as a route into the formal labour market. This attitude is mirrored by the report into the informal economy of Lord Grabiner who makes constant references to the 'legitimate' and the 'hidden' economies, treating the latter as a drain on the former and recommending that policies encourage and, where necessary, coerce people into the former (Lord Grabiner, 2000). Therefore, given the strength of Labour's 'employment ethic' it is not surprising that the benefit system still prevents from flourishing the broader view of work, citizenship and participation that many LETS members possess.

The benefit system requires the claimants of most benefits to declare their earnings to the Benefits Agency. Do the units of local currency acquired by LETS's members count as earnings or not? Anecdotal evidence suggested that both the application of Department of Social Security (DSS) rules and confusion about those rules was preventing LETS from realising their full potential in three ways: first, by discouraging claimants from joining LETS; second, by encouraging members to drop out of LETS if they became claimants, or were claimants already; third, by encouraging claimants to reduce their LETS activities in order to remain inconspicuous from the benefit authorities. The project therefore set out to investigate the following question: how, why and to what extent is the UK benefits system helping or hindering LETS members from realising the full potential of LETS?

Initially, and at the time of application, it was proposed that the project should be both quantitative and qualitative. However, due to the non-existence of a sampling frame, and to the inherent difficulties of constructing one because of the nature of LETS and the brevity of the project, it was decided to make the project a wholly qualitative one. The research objectives then became:

- to explore the perceptions and experiences of 'key actors' (influential individuals within the public and voluntary sectors who had risen to prominence within the LETS debate due to an interest in, expertise of or responsibility for LETS) vis--vis the interaction of LETS with the benefit system;
- to explore the perceptions and experiences of three groups (LETS members who are also claimants, LETS members who are ex-claimants, claimants who are ex-LETS members) vis--vis the interaction of LETS with the benefit system;
- to compare and contrast the values and opinions of each of the above cohorts;

A research assistant was appointed, 2 cohorts of potential interviewees identified and 2 interview schedules prepared.

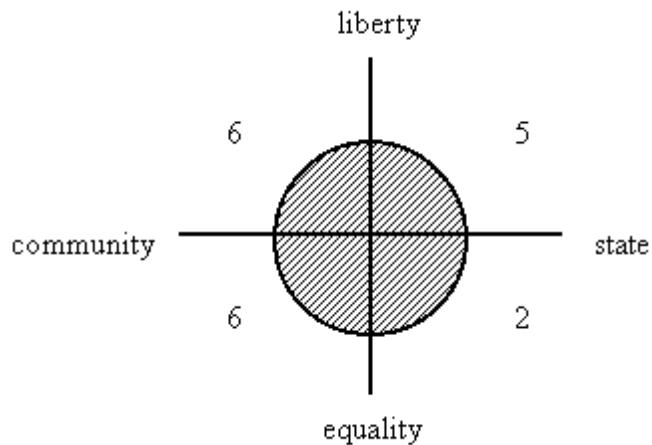
METHODOLOGY & METHODS

Although the researcher's prior knowledge of LETS and the attendant debate suggested that DSS rules were failing a small but significant number of LETS members it was necessary to embracing an approach that would allow a certain amount of theory building. This was another reason for adopting a qualitative methodology. In addition, however, and due to the anecdotal evidence already referred to, it was thought that this should also be a 'critical methodology', i.e. one that would strive for objectivity but not neutrality by incorporating a claimant's standpoint into the project and guiding the analysis as such. Therefore, the interview schedule for the key actors was given an analytical dimension, whereby respondents were directed to re-think some of their basic and underlying assumptions vis--vis social policy; the other interview schedule was more holistic and exploratory, seeking to discursively trace and integrate the experiences and views of respondents. Both schedules consisted of semi-structured interviews with the additional opportunity for open-ended discussion and expression of viewpoints.

The key actors were identified mainly from the UK LETS literature and Internet sites: 7 were interviewed, including 4 national politicians (1 MEP, 1 minister and 2 government backbenchers) and 3 public or voluntary sector workers with some responsibility for LETS. The other interviewees were identified through snowballing, word-of-mouth and the insertion of a flyer in several local LETS newsletters. These strategies were only partly successful as only 12 people were interviewed, fewer than had been hoped for. A longer project would no doubt be able to compensate for this, although the absence of any systematic leadership from within the LETS community throws a question mark over this. Overall, the, 19 interviews were conducted, mainly in London and along the South Coast, with times and dates being arranged in such a way that several interviews could be fitted into one or two days, keeping travel expenses to a minimum. Due to the lower than expected number of interviewees the research assistant conducted a literature review. It was not thought necessarily to utilise Atlas or any other qualitative package.

ANALYSIS

No significant differences in the social views of the respondents were detected. The following taxonomy was utilised and respondents plotted according to the repetition of certain words and phrases and the researcher's interpretation of ideological and ethic meaning.



All interviewees could be plotted in the shaded area because they all expressed opinions that demonstrated some measure of support for each of the four terms, although if individuals were to be assigned to one of the four quadrants then it would be according to the numerical distribution stated above.

However, when the interviews focused upon LETS a number of interesting patterns could be detected. (The interviews with LETS members were much more valuable than those with key actors who tended to be defensive, aggressive, or both, and, when questioned on some subjects, less than knowledgeable.)

1. LETS were regarded by members as having relatively little to do with the formal economy. 7 expressed varying degrees of hostility:

If you have got a skill that you can share with somebody and in return you are getting one of their skills how can you liken that to employment? (LETS member 1)

Although the others believed that LETS could either enable people to learn new skills or practice old ones and so help with job search:

It means that I have something to show at interviews. (LETS member 11)

However, these views were clearly contrasted with those of the key actors who, with one possible exception, all regarded LETS as valuable only if they were interpreted as either the equivalent of voluntary work or as an informal training ground for paid employment:

LETS might work alongside waged employment but nothing more, I feel. (Key actor 5)

2. *None* of the LETS members that we interviewed had declared their membership of LETS or had any intention of doing so unless pressured by the benefit authorities. Some expressed a rebellious defiance:

I feel like I'm trying to improve my lifestyle and my standard of living for everybody not just me and to a certain extent I feel like you do get penalised for trying to do that. (LETS member 5)

I don't want to be seen as a criminal because I don't feel that I'm doing anything wrong. (LETS member 7)

Others had adopted a more pragmatic stance, saying that they kept their LETS activity at a modest level just in case the Benefits Agency should 'come snooping' (LETS member 2).

By contrast, 5 of the key actors stated that LETS membership should be declared. One of the remaining key

actors stated that people should be allowed to decide for themselves whether to declare or not, once they had the full information in front of them. The other key actor acknowledged a certain ambivalence:

Officially I should say you should declare it....I think that of the authorities are not coming up with a job for you I don't think that they are entitled to know what you are doing for the rest of the week, as long as you are there when they tell you you have got to be – that is my own personal opinion. (Key actor 3)

None of the LETS members stated that the low level of LETS currency traded was a reason for non-declaration, but this was referred to, somewhat virulently, by one of the key actors who took the official line of portraying non-declaration as a crime against the taxpayer.

3. There were two main reasons why people chose not to declare, either one of which was mentioned by all 12 interviewees, with 8 nominating both. First, because LETS currency is not regarded as equivalent to earnings:

...local exchange is a local currency for local people to do their own thing and since it's never going to be more than 1% of society why bother? (LETS member 8)

Second, because of a perceived lack of interest on the part of benefit officials. Some regarded this lack of interest as due to ignorance of LETS:

I think the main fact is that we've never been asked (LETS member 4)

There is no where to declare it on the forms. No one asks you at the office. So I just leave it. (LETS member 9)

A few believed that the authorities practised a 'creative ignorance' of looking the other way.

They [Housing Benefit officers] have been here twice and looked at my books and they know about LETS and my involvement with them but they said that they were concerned about my sterling income and didn't ask any questions – but that could change at any time. (LETS member 7)

...they're not interested in people in LETS unless you make a big thing out of it. (LETS member 8)

One key actor also felt that this was the case:

Once you ask them then they are going to come up with a negative ruling. (Key actor 3)

If an accurate interpretation this kind of ignorance and/or discretion contradicts the DSS rule pertaining to LETS, which state that LETS 'credits' are to be regarded as earnings with all of the usual rules applying. However, our research detected some confusion on the issue of discretion. Some members of the Benefit Agency state that no discretion is permissible, whilst others acknowledge that discretion is necessary in order to determine the exchange value of the LETS currency in comparison to sterling.

LETS members seemed to adopt a 'haven't asked, don't tell' stance, i.e. they have not asked therefore I am not going to tell them. However, 10 of the 12 interviewees articulated a fear and/or confusion about being found out:

If they find out they find out. I'm not bothered about it....I don't know what I'd do actually....if someone goes to stop your council tax benefit because you are earning currency unfortunately something has to go and I'm sure that it would have to be LETS which would be a great shame. (LETS member 5)

Most stated that they would leave LETS if necessary, although one person said that would trade for free:

If they did put a rule in then I would just do it for nothing...(LETS member 4)

In addition, 9 people acknowledged that it had affected their existing activities within LETS, i.e. they had kept their level of trading low:

I would be very careful, I am also aware that it could be a problem if I was doing more at a particular time I would think about that. (LETS member 10)

Although some saw no such effect:

No, I don't think that it has, I don't think that it would. (LETS member 9)

Finally, all members reported their knowledge of cases where others had either left LETS, or not joined in the first place, due to worries about the benefit implications:

When people do that it's understandable and it isn't, but what can you do when it's all meant to be voluntary?. (LETS member 12)

One LETS member had left LETS him/herself:

It sounded to me that I was putting myself in a position that I could be in trouble from the DSS....We are really not in a position to take a chance. Our benefit and Income Support is the only money that we have coming into the house. (LETS member 3)

And one person remembered the following case:

One women joined our LETS group and gave a false name....she was worried about her name being on record and the benefit office getting hold of that information...(LETS member 9)

4. Consequently, all interviewees believed that changes had to be made. For 10 individuals this meant that all LETS currency should be disregarded in decisions regarding benefit entitlement:

To be honest I want a total disregard, but they might put a limit on it – but as we were saying earlier how are they going to enforce it? Unless we are forced to say what everybody has earned, which could happen. (LETS member 4)

Without exception, all believed that, whether there were changes or not, benefit rules should be made clearer and less ambiguous:

There should be something clear and distinct saying 'no, this is not going to affect your benefit one bit, in fact we encourage it. I don't know why they don't. (LETS member 9)

Three of the key actors agreed with this point regarding complete disregard.

5. There was less consensus, however, when we asked whether either the national or local government should get more involved in LETS over and above changing the benefit rules. 7 believed that it should not and 5 believed that it should.

...half of me say's no and half of me say's well it would then relay people's fears. People are a bit suspicious and wary so if it were more governmentally organised that would take that away, but then it would take away the spirit of adventure at the other level which is something that they cannot touch. So I don't know. (LETS member 1)

If Labour believe in community then they should do something about LETS without wrecking it. (LETS member 11)

We need huge publicity and national government backing and all the rest of it – like they did for the millennium bug. If they can spend 3 billion on that they can spend a million advertising LETS. (LETS member 7)

Most thought that there should be stronger local and national co-ordination of LETS whether or not the government was involved:

There is power in unity, being united together is strength and every individual area will have problems and other areas might have had this problem previously and resolve them, we should be there to support each other. (LETS member 3)

One of the ways that we would like to develop is to get a shop front so that you're in the high street, so people know where you are, it gives them a focal point to pop in and ask about it or to query or swap information. I think that would be a very valuable community resource. (LETS member 6)

Most of the key actors concurred:

I would like to see a national code of conduct for LETS schemes and a national acceptance that it is a very good stepping-stone towards paid employment that isn't of course what the majority of LETS schemes are currently doing. (Key actor 1)

RESEARCH CONCLUSIONS

- No significant differences were found in the basic moral and political values of both LETS members and key actors.
- LETS members tended to regard LETS as separate from the formal economy whereas key actors were more likely to relate the two.
- None of the LETS members interviewed had declared their membership and all recorded examples of others who had left LETS, or not joined in the first place, due to worries over the benefit implications.
- The members had all kept their LETS activity at a modest and inconspicuous level as a result.
- There were fewer difference between LETS members and key actors over the question as to whether the government should take a greater involvement in LETS, with both groups articulating the pros and cons.
- Most of the LETS members and several of the key actors believed that this should involve a total disregard of LETS currency and that it was the application of current benefit rules which is hindering LETS members from realising the full potential of LETS.

CONCLUDING REMARKS

In the Autumn of 2000 the Joseph Rowntree Foundation published its latest report into poverty and social exclusion in the UK (Gordon et al, 2000). It concluded that by the end of 1999 26% of the population were living in poverty. This figure is, in fact, slightly higher than the poverty rate that Labour inherited in 1997. It seems reasonable to anticipate that Labour will have reduced the number of people living in poverty by the time it leaves office. However, it also has to be anticipated that this percentage will have reduced by only a modest extent. This is because the government is treating paid employment as a panacea for many of society's ills and has not yet taken on board the idea that someone can be both in a job *and* poor. This is certainly true of America which tends to have both higher employment and higher rates of poverty than Western Europe. In-work tax credits – the Earned Income Tax Credit in the USA and the Working families Tax Credit in the UK – certainly offset the rate of deprivation but do not necessarily eliminate it.

As such, it seems perverse that the government should ignore alternatives like LETS. If these alternatives do not fit comfortably into Labour's employment ethic the party might like to consider the possibility that it is the ethic which is at fault rather than innovations such as LETS. If social exclusion is not significantly reduced by Labour then an historic opportunity (the first Labour government since 1979) will have been lost and the urge to scream 'we told you so' will be considerable. Whilst it is certainly true that, at present, LETS do little to tackle poverty, with members tending to be middle-class, this is largely a consequence of political neglect rather than an inherent weakness of LETS themselves. As Colin Williams (forthcoming) points out, it is when we free ourselves from the hegemony of employment that we will be able to utilise all of the roads towards social inclusion, social justice and economic prosperity. A benefit system based upon distributive justice, universality, citizenship rights and the diversity of individuals' needs is one of the vehicles that will take us down those roads. But, as this research demonstrated, we have a long way to go.

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