

Unemployment benefits and contractors don't mix

Even if you're out of work for a long time, a contractor should try and avoid getting involved with receiving benefits. The hassle - and the inherent meanness of the process - make it a degrading way to survive.

Contractors should plan alternative strategies to handle periods in which they don't work. But one of these strategies should not include making use of benefits. "As our studies show, the benefits system is unwieldy and poorly targeted," a spokesman for the London-based [Reform](#) think tank points out.

Probably Not for You

Most contractors will never need to consider applying for benefits. With a little planning, and with consistent application of marketing skills and business management skills, there should never be such a long gap between jobs so that the contractor has no other recourse. But just in case you've ever thought about it, here's what will happen if you try.

No Sympathetic Ear

A spokesman for the [Department of Works and Pensions](#) insists that the same rules which apply to the employed are also applied to contractors. But he claims that every case is different, and that it's impossible to generalise. The DWP is in the midst of a drive to correct benefit error, so the atmosphere is anything but welcoming at the Department to new claimants.

"The civil servants who deal with benefits are not accustomed to working with highly educated and motivated people like contractors," says one benefits observer. One contractor who made an abortive attempt to obtain benefits after passing a year out of work found himself so mired in paperwork, procedures - not to mention being obliged to take courses in how to write a CV intended for dropouts - that he gave up and took a low-paying job.

“ the benefits system is unwieldy and poorly targeted ”

Reform Spokesman

Serious Consequences

If you must seek benefits, call your local Citizens Advisory Board. But be advised of the consequences.

First of all, if you have any savings, you have to run through all of them before the local Advisory Board will take you into consideration.

Then, if you have terminated the employment yourself for whatever reason, you'll have a long wait before getting any attention from the officials involved. These same officials will raise serious questions about your status if you work with an umbrella company, or if you have your own limited company. Some contractors have been obliged to dissolve their companies, or to break off any relationship with umbrellas before the board will take them into consideration for benefits.

“ The civil servants who deal with benefits are not accustomed to working with highly educated and motivated people like contractors ”

Benefits Observer

Contractors should bear in mind that the amount of money they will receive from unemployment benefits is quite small. They are not likely to obtain more than a couple of hundred pounds per week. In addition, contractors may be able to obtain an 80% payment of a mortgage or rental. But the bank or landlord involved may find out that you are now accepting benefit payments, and may take advantage of escape clauses in the contract to throw you out. It is not uncommon for people in need to lose a flat or house in this way.

Zero Tolerance

Then, as we indicated, there is zero tolerance at the DWP for error. Should there be any error on your part in your dealings with the DWP, you might find yourself the target of benefit fraud prosecution. All it takes is a small mistake these days to set the legal wheels in motion.

Should you be the victim of an unfair decision, there is an appeals process. An appeal means that your benefit or tax credit decision will be looked at by an independent tribunal, which is a panel of up to three people who are experts on benefits. It always includes someone who is legally qualified. The tribunal members are completely separate from the offices which make benefit, tax credit and advance insurance decisions. This sounds fair in principle; in practice, the process is time-consuming and difficult. There are too many cases to be looked at, rightly or wrongly.

Clearly the safest strategy for a contractor is to avoid falling into the need for benefits. Save at least 3-6 months salary as soon as you can, and keep this fund in an interest-earning account that can be made available when you need it.

Most importantly: learn good sales and marketing skills so you can compete for contracts successfully and regularly, and so the prospect of seeking benefits will not arise.

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