

Research report

Low income working households in the private rented sector

by Bruce Walker and Pat Niner

Department for Work and Pensions

Research Report No 698

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Bruce Walker and Pat Niner

A report of research carried out by the Centre for Urban and Regional Studies, University of Birmingham on behalf of the Department for Work and Pensions

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Abbreviations

B&H	Brighton and Hove
BRMA	Broad Rental Market Area
CAPI	Computer Assisted Personal Interviewing
CURS	Centre for Urban and Regional Studies
DWP	Department for Work and Pensions
EHCS	English House Condition Survey
FRS	Family Resources Survey
GHS	General Household Survey
HB	Housing Benefit
HRP	Household reference person
LHA	Local Housing Allowance
LIWH	Low income working households
LSOA	Lower Level Super Output Area
MED	Market Evidence Data
PRS	Private rented sector
SD	Standard deviation
SHBE	HB caseload information
SRR	Shared Room Rate
UK	United Kingdom
W1	Wave 1

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Summary

Housing Benefit (HB) arrangements have long been subject to criticism and to successive reforms in the light of these criticisms. Recently, with the introduction and roll out of the Local Housing Allowance (LHA) through which HB is now delivered to the great majority of those receiving the award in the private rented sector (PRS), there have been renewed concerns as to whether, and to what degree, the HB regime might favour HB recipients in the PRS, particularly those who are not working, compared to otherwise broadly similar low income working households (LIWH) who are not receiving the award.

There is relatively little information on LIWH in the PRS. Therefore, in June 2009, the Department for Work and Pensions commissioned the Centre for Urban and Regional Studies at the University of Birmingham to lead a research programme into LIWH of working age – that is, excluding households of pensionable age (65 and over for men and 60 and over for women) – in the PRS. The overarching objective of the research was to fill the perceived gap in information and understanding about the housing situation of non-HB recipient LIWH, particularly in respect of the type and cost of accommodation that such households occupy and the sort of barriers they need to negotiate in order to secure it.

The main objective of the overall programme was to attempt to answer the questions:

What comparisons can be made between LIWH and HB recipients in the PRS, and what do these comparisons show both in terms of the type, costs and access to PRS accommodation, and in terms of the type of households that are LIWH or HB recipients?

To try to answer these questions, the Research Team analysed existing (secondary) data as available through the General Household, Family Resources and English House Condition Surveys. A survey of over 1,000 LIWH in a variety of locations in England, but with a focus on London, was also undertaken. The survey was followed by 31 qualitative interviews with families with children aged under 16 years, a group of particular concern for social policy, who had participated in the survey. Researchers were also able to draw on findings from the earlier LHA Evaluation for some further comparative information on HB recipients.

In terms of fulfilling the main research objective, a number of interesting comparisons could be made between HB recipients and LIWH in the PRS. Findings indicated, for example, that the HB recipient group is somewhat older than non-recipients – about 23 per cent of LIWH were aged under 25 compared with ten per cent of those in the PRS receiving HB. HB recipients are much more likely than LIWH to have dependent children. In particular, lone parents emerge as being much more frequent among households receiving HB – 32 per cent in the LHA Evaluation and only five per cent in the LIWH survey. Conversely, only six per cent of claimants in the LHA Evaluation were couples with no dependent children, compared with 31 per cent of LIWH in the survey.

Further differences include the finding that 91 per cent of HB claimants are White (White British and Other White) compared to 72 per cent of LIWH. Strikingly, 47 per cent of HB claimants had no formal educational qualifications at all, compared with less than ten per cent of LIWH.

Conversely, differences between the characteristics of properties occupied by LIWH and HB claimants appear slight. LIWH are slightly more likely than HB claimants to be living in a house/ bungalow rather than a flat/maisonette and to be renting furnished. The secondary data suggests that LIWH were less likely to be living in accommodation below the (previous) Decent Homes Standard than were HB recipients, and the LIWH survey reveals that only a small minority of LIWH

(about one in ten) said that their property was in a poor state of repair, and about one in ten lacked central heating.

While HB recipients, by definition, receive assistance towards some or all of their rent through HB, the great majority of LIWH (99 per cent) meet their rent without such assistance. The average rent paid by LIWH was £157.75, but this was significantly higher in London (£217 on average with a median of £196). Rents in London show very high variation and contain both the highest and some of the lowest rent observations in the sample.

After excluding some extremely high outlying values from the survey, the rents paid are around 35 per cent of LIWH incomes, rising to about 39 per cent in London/Brighton and Hove. However, the small numbers of extended families and lone parents have the highest rent to income ratios, spending on average 50 per cent and 48 per cent of their incomes on rent respectively. The in-depth interviews with families with dependent children revealed that two-thirds spent more (often considerably more) than 30 per cent of their gross income on rent, and nearly a third experienced problems meeting their rent payments.

In terms of the properties occupied by LIWH, the great majority live in accommodation of the 'right' size (in terms of the number of bedrooms) or larger than those that would be deemed appropriate under HB regulations. Hence, in this respect the HB standards do not seem over-generous towards HB recipients compared to LIWH. However, it is noticeable that the small number of households occupying smaller properties are predominantly those with children aged under 16 years.

Most LIWH pay a rent which is, on average, less than the LHA rate set for the property they occupy although, other than in the case of large properties, the amount paid is in the main 90 per cent or more of that rate. Households in the right sized property also pay less than the maximum rate to which they would be entitled if they were eligible for HB. This is unsurprising given that the LHA rate is the median of market rents (across all income groups) and LIWH would be expected to be paying rents at the lower end of the market. However, over 40 per cent of households live in larger properties than those for which HB would deem them eligible and choose to pay about £14 per week more in rent than they would be entitled to under the LHA based on a property of the appropriate size for them.

While the HB arrangements do not seem to unduly favour LHA recipients compared to most LIWH, the exception is the small group of households with children aged under 16 who appear to be worse off than other household groups in terms of the property size that they occupy and the LHA rates they would be entitled to if they were eligible for HB. Many of these families will, for a range of reasons, not be eligible for HB in practice. However, that this small but important group appears to fare somewhat less well outside the HB arrangements rather than within them is a finding of some importance.

In respect of any possible 'incentive' for LIWH to claim HB, the findings suggest that such an incentive is not strong. It is also clear from the qualitative work that lack of awareness of the HB system is not preventing applications from those families who perceived themselves to have problems paying the rent; half of United Kingdom nationals and established migrants among in-depth interviewees had some experience of claiming HB. However, previous bad experiences with the HB system may be deterring a few from applying again.

Some of the in-depth interviewees expressed views reflecting the stigma commonly attached to benefit claimants and an element of distrust of benefits and of relying on the government. For some of these households, claiming HB was clearly a last resort, and, to some extent, an admission of failure.

It is also clear from the in-depth interviews that, when they moved to their current PRS property, many interviewees did not seriously consider any other form of tenure. Very generally, they felt that they earned too much, or were otherwise ineligible or too low a priority for social housing, and did not earn enough for home ownership. A very small proportion of survey respondents (only four per cent) see a social tenancy as the ideal destination tenure for their next move and the same very small proportion expect to secure a social tenancy when they move. There were larger numbers of people in the survey and among the in-depth interviewees not actively interested in social housing. Hence, the existence of the social rented sector offering rents (usually) below market levels does not seem to encourage these LIWH to try to enter the sector.

One of the main themes of this research project and report is to compare LIWH tenants and HB claimants in the PRS. A clear message from the in-depth interviews is that it would be a mistake to see 'HB claimants' and 'low income working families' as totally distinct categories. Many interviewees had moved between these categories, sometimes several times, so the same household could one day be a LIWH and the next a claimant. Further, where HB is claimed as an in-work benefit, households are essentially **both** low income working households **and** claimants at the same time.

It may be – although this cannot be fully evidenced – that low income households in the PRS could be more appropriately viewed as a continuum, with those in slightly higher paid and more secure jobs at one end and people unlikely to be able to access and keep secure jobs at the other (HB claimants). In the middle are those who may move in and out of benefit as circumstances change.

One thing that emerges from a study of LIWH in the PRS is the wide diversity among such households. Even within the fairly narrowly defined group of 'families with dependent children' participating in the qualitative work there was diversity in terms of household size and composition, and ethnicity. Some families were poor and some less so; some had better prospects than others of becoming less poor in future. Families were in the PRS for a number of different reasons and had different expectations, intentions and ambitions for the future. Their current living conditions and general circumstances also varied widely. Given this diversity, it is apparent that the PRS is performing a number of different and important roles for LIWH families. It would therefore be inappropriate to regard private renting purely as a residual sector.

1 Introduction to the research into LIWH in the PRS: policy context and research approach

1.1 Introduction

This report presents the findings from a research programme designed to further the understanding of the housing situation of low income working households (LIWH) in the private rented sector (PRS). The research was undertaken between June 2009 and July 2010. The Team was led by Bruce Walker (Centre for Urban and Regional Studies, University of Birmingham) and consisted of Pat Niner (Centre for Urban and Regional Studies), Professor Steve McKay (Institute of Applied Social Studies, University of Birmingham) and David Rhodes (Centre for Housing Policy, University of York). Rob Rowlands (Centre for Urban and Regional Studies) and Professor Steve Wilcox (Centre for Housing Policy) provided advice and assistance in the early stages of the programme. Ipsos MORI, under the leadership of Sarah Cheesbrough and Benjamin Collins, carried out the fieldwork for both the survey and the qualitative interviews undertaken as part of the study.

This chapter introduces the research. It proceeds by outlining the policy context for the research, which gave rise to the work contained here, focusing on the Housing Benefit (HB)/Local Housing Allowance (LHA) regime and concerns about its impact on both benefit claimants and non-claimants. Issues of equity (fairness) and efficiency in the operation of the HB system are highlighted. The chapter then describes the objectives of the research and the approach that was taken by the Team to meet them. The final section explains the structure of the remainder of the report.

1.2 The policy context

1.2.1 HB and the LHA

HB is a means tested payment intended to assist low income households in the social sector and the PRS in meeting their rent payments while they are in or out of work. It is a major element of the United Kingdom (UK) Social Security system. As at February 2010, 4.7 million households in Great Britain were claiming HB, around 1.4 million – 30 per cent of the total – being in the PRS. Total expenditure on HB in 2008/09 in the UK amounted to £17.1 billion of which £5.6 billion (33 per cent)

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was paid to PRS tenants¹. Two-thirds of HB recipients are of working age² and, while it is possible for households in full- or part-time employment to claim at least some HB if their incomes are sufficiently low, the majority of recipients are not employed and are of working age.

From the introduction of limited housing-related assistance in the late 1940s, through the introduction of the scheme known as ‘unified housing benefit’ in 1983 and up to the present day LHA arrangements in the PRS, the history of HB has been characterised by successive policy reforms³ and continuing calls for further reform to the system from a variety of perspectives⁴. In October 2002 the then administration identified a number of areas in respect of HB entitlement and delivery that were in need of reform, and what any reform should seek to achieve⁵. In addition to enabling low income people to afford the rent for a decent home which met their needs and minimising the opportunities for fraud, it was argued that the HB system should:

1. reduce the barriers to work;
2. give tenants more choice while extending their personal responsibility for paying their rent; and
3. provide a better, quicker service, based on simpler, clearer rules.

In respect of the first of these, the treatment of entering work as a ‘change of circumstances’ was introduced in April 2004 as part of the abolition of Benefit Periods for working age people. This means that a new benefit claim is not required for the great majority of people moving into work. Instead, it is treated as a change of circumstances, requiring a much shorter and less complex administrative process. Further, changes of address within an authority are now also treated as a change of circumstances. The HB ‘run-on’ – ‘Extended Payments’ – for people starting work was widened at the same time to include claimants of the (then) Incapacity Benefit and Severe Disability Allowance.

The second and third points above were intended to be tackled by the detailed proposals presented in the October 2002 document⁶ in which the then Government first announced its intention to introduce the LHA in the de-regulated PRS, beginning with nine local authority ‘Pathfinders’. Following the national rollout of the LHA which began in April 2008, the majority of PRS HB recipients (70 per cent) now receive the LHA⁷.

¹ DWP Research and Statistics: Benefit Expenditure Tables: Table A1. Available at: http://campaigns.dwp.gov.uk/asd/asd4/medium_term.asp

² DWP Quarterly Statistics Release 12 May 2010, Table 1.6. Available at: http://research.dwp.gov.uk/asd/asd1/stats_summary/Stats_Summary_May2010.pdf?x=1

³ See Wilcox, S. (2002). Housing Benefit and Social Security, Chapter 3 in Lowe, S. and Hughes, D. (eds), *The Private Sector in a New Century*, Bristol, The Policy Press, pp 31-42 for a valuable summary of policy changes 1948-2000.

⁴ See, for example, Kemp, P. (1998). *Housing Benefit: Time for Reform*. York, Joseph Rowntree Foundation; Kemp, P. (2000): ‘*Shopping Incentives’ and Housing Benefit Reform*, York, Joseph Rowntree Foundation/Chartered Institute of Housing; King, P. (2000), *Reforming Housing Benefit: What the Government Ought to Do, But Won’t*, London, Adam Smith Institute.

⁵ DWP (2002). *Building Choice and Responsibility: A Radical Agenda for Housing Benefit*. London, DWP, para 3.1 et seq.

⁶ DWP (2002). *Building Choice and Responsibility: A Radical Agenda for Housing Benefit*. London, DWP, Chapter 6.

⁷ DWP Quarterly Statistics Release 12 May 2010. Available at: http://research.dwp.gov.uk/asd/asd1/stats_summary/Stats_Summary_May2010.pdf?x=1

Under the LHA form of HB, the (maximum) rate to which a claiming household in the PRS is entitled is determined by the size of the property they require, assessed in terms of the number of bedrooms needed, and the LHA rate for that size of property in the local area. The number of bedrooms is determined in relation to household size and composition. The LHA rate for a given size of property is set at the median market rent for that property size in a locality (or 'Broad Rental Market Area' (BRMA) – as it is known). Rent Officers employed by the Valuations Office Agency calculate the median market rents and thus the LHA rates, basing their decisions on information on the market rent for properties in the BRMA not occupied by HB recipients and after excluding exceptionally high or low rents. The information on rents is gathered from a number of sources including landlords, agents and tenants.

Under the LHA, the presumption is that the tenant will receive the LHA directly, rather than the award being paid to the landlord as had been the case in between 40 per cent and 80 per cent of PRS HB claims previously in the LHA Pathfinder authorities⁸. Further, when introduced, LHA entitlements which exceeded the actual rent paid by recipients – 'surpluses' – could be retained by them. It can be argued that direct payment and the possibility of retaining surpluses increases the responsibility that the tenant has for paying the rent, and encourages tenants to make active choices in terms of the accommodation they wish to occupy and the rent they want to pay with their LHA. In addition, knowledge of the maximum LHA rates available provides claimants with valuable information which can inform their decisions when considering whether or not to take up a tenancy. It was also hoped that setting (maximum) LHA rates for particular sizes of property in an area would simplify benefit processing and delivery compared to the previous arrangements where the (maximum) rent for HB purposes was determined for each individual HB claim.

1.2.2 Some current concerns over the LHA

The conclusions to the evaluation of the LHA pathfinders, which took place 2003-2007, were broadly positive, while recognising the concern among some landlords and tenants about direct payment and the role and function of any LHA surpluses⁹. However, as the scheme was rolled out some further issues arose.

First, a few large families claiming LHA were entitled to a large number of bedrooms under the HB regulations. Rent Officers often found it difficult to accurately assess the rental value of very large properties when there were few such properties in an area. Further, when such households were located in areas of relatively high rents, the LHA rate for such very large properties could be extremely high. There were clear concerns that awarding the resulting very high LHA entitlements in such cases was not a reasonable use of taxpayers' money. The case of a large household receiving an LHA rate equivalent to £120,000 per annum for a large property in the London Borough Kensington and Chelsea, which was headline news nationally, was seen to provide an example of this. As a result, from 6 April 2009 the number of bedrooms for LHA purposes was limited to a maximum of five – that is, households previously eligible for six or more bedrooms under the HB regulations would in future have their entitlement limited to the five bed LHA rate.

Second, the large size of the surpluses that could arise when the LHA was greater than the rent paid, although apparently quite limited in number nationally, was a concern to policy makers from

⁸ DWP (2006). *Local Housing Allowance Final Evaluation: Implementation and Delivery in the Nine Pathfinder Areas*. Local Housing Allowance Evaluation No. 10. Leeds, Corporate Document Services for DWP, Table 3.1.

⁹ The LHA Evaluation Programme examined the impact of the new scheme on landlords, tenants, housing markets and HB delivery. The final reports can be found at: <http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/evaluation/>

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the earliest stages of the scheme. This led to a further modification of the LHA when, from 6 April 2008 as the scheme was rolled out nationally, surpluses were limited to £15 per week. This was followed by an announcement in the 2009 Budget that, from April 2010, households would no longer be able to keep any surplus that arose and in future the LHA entitlement would be limited at its maximum to the actual rent paid by the recipient. In PBR 2009, the introduction of this measure was postponed until April 2011.

1.2.3 The importance of equity and efficiency

It is possible to identify in many of the debates about HB in general and the LHA in particular, which take place within and outside of the policy community, an underlying concern about the current arrangements and their relationship to two broad principles of policy – those of equity (fairness) and efficiency. In terms of equity, there are a number of dimensions to be considered, including whether HB is fair to recipients – is it sufficient to enable them to achieve decent housing? – and to taxpayers – are the tax funds helping those who are less well off than the tax ‘donors’, and what wider benefits does allocating tax funds in this way bring to society as a whole? It is also possible to raise the question of fairness in relation to those who receive LHA and those who do not. Specifically, while a transfer from the better-off in society to the less-well-off may, in general, be fair, the question arises as to whether the HB/LHA arrangements are fair as between the less-well-off who receive the benefit and the less-well-off who do not. Many of the less-well-off who are not LHA recipients in the PRS can be differentiated from many of those who are LHA recipients by one major characteristic, other than HB receipt itself – namely, that the non-recipients are, in the main, households who are working. In order to provide evidence for a discussion of the fairness of the current HB arrangements, it is necessary to consider whether the operation of the LHA appears to place low income HB recipients who are mainly not working in a better position in relation to housing costs and housing consumption than lower income households who are working and who do not receive HB.

However, as noted, fairness is not the only issue of principle at stake. The efficiency of the arrangements also needs to be examined. Here, efficiency does not concern the actual delivery of HB – its administration – nor its success in reaching the targeted groups at the lowest feasible resource costs. Rather, efficiency here relates to HB’s impact on resource allocation. Individuals respond to a greater or lesser extent to economic incentives. If the operation of the LHA enables higher housing consumption for recipients than non-recipients then there may well be an incentive for current non-recipients to claim the benefit. In practice, this would mean that current non-recipients could be incentivised to stop or reduce work. Similarly, if ceasing to be eligible for HB results in lower housing consumption (for example, being able to afford only smaller or poorer quality accommodation), then there may be an incentive for current recipients to remain eligible for HB – that is, not take up or increase paid work. In both cases the efficient allocation of (labour) resources is detrimentally affected.

In addition, the demand for housing, its supply and the efficiency of the allocation of housing resources more generally will be further influenced by the existence of the social housing sector (where HB can also be claimed in respect of what are largely sub-market rents). Again, an understanding is needed of the current housing position of LIWHs in the PRS and their experiences and views of alternative housing opportunities in order to assess the impact on their motivation and housing behaviour.

1.3 The objectives of the research

In the context of the sort of policy debates and policy changes outlined above, in June 2009 the Department for Work and Pensions (DWP) commissioned the Centre for Urban and Regional Studies

at the University of Birmingham to lead a research programme into LIWH of working age – that is, excluding households of pensionable age (65 and over for men and 60 and over for women) – in the PRS. The over-arching objective of the research was to fill the perceived gap in information and understanding about the housing situation of non-HB recipient LIWH, particularly in respect of the type and costs of accommodation that such households occupy and the sort of barriers they need to negotiate in order to secure it. Such information would help to inform any future consideration of the position of this group relative to (primarily) non-working HB recipients in the PRS.

While aspects of the research attempted to answer particular research questions (see, for example, Chapters 2 and 4), the main objective of the overall programme was to attempt to answer the questions:

What comparisons can be made between LIWH and HB recipients in the PRS, and what do these comparisons show both in terms of the type, costs and access to PRS accommodation, and in terms of the type of households that are LIWH or HB recipients?

1.4 The approach taken

The first issue to be dealt with concerned the lack of detailed information on LIWH in the PRS. In early June 2009, DWP convened and hosted an expert seminar at which the likely usefulness of existing (secondary) databases for the analysis of LIWH in the PRS was considered, along with such matters as the appropriate definition of ‘low income’ for the purposes of including this subset of private renting working households in the research. As a result of this seminar, the secondary data sets identified for analysis were those arising from the General Household Survey, the Family Resources Survey and the English House Condition Survey (EHCS). Steve McKay took responsibility for examining the first two of these databases in the light of the research objectives, while David Rhodes undertook the analysis of the EHCS.

The work of McKay and Rhodes summarised in this report provides a number of important insights into the actual and relative housing situation of LIWH in the PRS. Given the particular focus and the comparatively high levels of aggregation (spatially and in terms of household type and housing situation) of the secondary data, it was agreed that further detailed information on LIWH was required. To gather this, DWP commissioned Ipsos MORI to undertake a dedicated survey of LIWH in the PRS during late 2009 in a range of locations which included eight of the local authorities that had been Pathfinders for the introduction of the LHA (see Appendix A for details of the survey). This enabled the research to build on existing information and knowledge resulting from the LHA Evaluation programme, in which Walker, Niner and Wilcox had been involved, and afforded some valuable comparisons of the characteristics of LIWH in the survey with those of HB recipients participating in that earlier evaluation. Given the particular concerns over the issues raised by the operation of the LHA in the PRS in London, the research focused on the capital to a greater extent than was the case in the earlier Evaluation programme.

In addition to helping to fill the gap in information about LIWH in the PRS, the survey provided data which could be used to make some further comparisons of the relationship between the housing consumption and expenditure of LIWH and HB recipients. As explained later in this report, the absence of detailed information on a strictly comparable group of HB households for this exercise meant that it took the form of comparing the current costs (rents) and property sizes of LIWH with those costs and property sizes to which these LIWH would be entitled if they were to become eligible for HB. This helped to answer questions as to the nature of any differences between the housing situation of households of similar type and size who receive and do not receive HB. However, as will be seen below, this is not a simulation or estimation of the actual entitlement of LIWH to HB – by

10 Introduction to the research in LIWH in the PRS: policy context and research approach

definition and selection, the overwhelming majority of LIWH in this study would not currently be entitled to the award. Rather, the analysis attempts to identify whether the housing circumstances of LIWH would be better or worse, in a sense to be defined, if they were to become eligible for and take up HB.

The analysis of the secondary data and that arising from the survey enabled the team to address the research objectives. However, it was realised that it was not possible to gain a full understanding from the survey alone about the housing choices that LIWH make and why, and the sort of barriers that they have to negotiate. Further, households with dependent children, while by no means a majority group among LIWH in the PRS, are, and have been, a major policy concern to current and previous administrations, and such households' choices in respect of working or claiming HB when considering their housing needs are not well understood. Consequently, a set of in-depth interviews with families with dependent children who had participated in the original LIWH survey were undertaken by Ipsos MORI. This part of the research led to a much greater understanding of how households in this particular, diverse group view their housing options and make their housing decisions, and greatly added to the richness of the overall findings.

1.5 The structure of the report

The structure of this report reflects the elements of the work undertaken, as discussed in the previous section. The report, therefore, proceeds as follows.

- Chapter 2 presents and discusses the analysis of the secondary databases and briefly highlights some of the implications that follow from it.
- Chapter 3 then introduces the survey of LIWH private renters and examines the key characteristics of respondents, drawing comparisons with those of HB recipients where possible.
- Chapter 4, after briefly considering the question of 'affordability' for LIWH, draws further on the survey results to examine the size of accommodation occupied by LIWH in relation to HB size (bedroom) standards, the rents set for such properties compared to the LHA set for them, and the LHA rates to which LIWH would potentially be entitled compared to the rents that they currently pay.
- Chapter 5 then discusses the findings of the in-depth interviews, highlighting in the process the wide diversity of LIWH families in the PRS and the range of their housing circumstances.
- Finally, Chapter 6 concludes by drawing out the main themes emerging from the findings of the research in relation to its main objective of comparing LIWH and HB recipients in the PRS.

2 LIWH and HB recipients in the PRS: the analysis of secondary data

2.1 Introduction to the secondary data analysis

It was noted in the previous chapter that, in any consideration of the equity and efficiency aspects of the Housing Benefit (HB) system, a key concern is the type and cost (rents) of accommodation that the award of HB allows a recipient to achieve compared to the level of housing consumption that low income working households (LIWH) can secure. In order to carry out such comparisons, an important first step was an examination of existing secondary data sources (that is, existing data collected for more general purposes) on the basis of which recipients and non-recipients of HB could be identified and which also incorporated some of the key elements that are needed to carry out comparisons. The secondary data sets identified for these purposes were those resulting from the General Household Survey (GHS), the Family Resources Survey (FRS) and the English House Condition Survey (EHCS).

This chapter contains a summary of the analyses of these data sets which were carried out especially for this research. It begins with the analysis of the GHS and FRS, undertaken by Steve McKay of the University of Birmingham, before presenting the results achieved using the EHCS, provided by David Rhodes of the University of York. A full report of the work of McKay and Rhodes will be available separately¹⁰. The chapter concludes with a brief summary of the implications of the analyses taken together.

2.2 Analysis of the General Household Survey and the Family Resources Survey

2.2.1 Introduction to the GHS and FRS analysis

The aim of this part of the overall research was to make comparisons of the levels of rents paid by private sector tenants among different groups of households, using secondary data. A particular concern is to compare rent levels between those receiving and not receiving HB, broken down according to their family composition and employment status.

Two datasets were analysed, the GHS and the FRS. The GHS was used to analyse longer-term trends, from 1972 onwards; the data relates to Great Britain. The FRS provided detailed comparisons of rent levels for different groups. The FRS analysis included, for 2006/07 and 2005/06, information on the local authority in which people lived in order to help control for local variations in rents. FRS data relates to the United Kingdom.

All analysis was based on those aged 16-64 years. From 2010-2020 the female pension age is rising from 60 to 65 and this will affect entitlement to benefits over these age ranges.

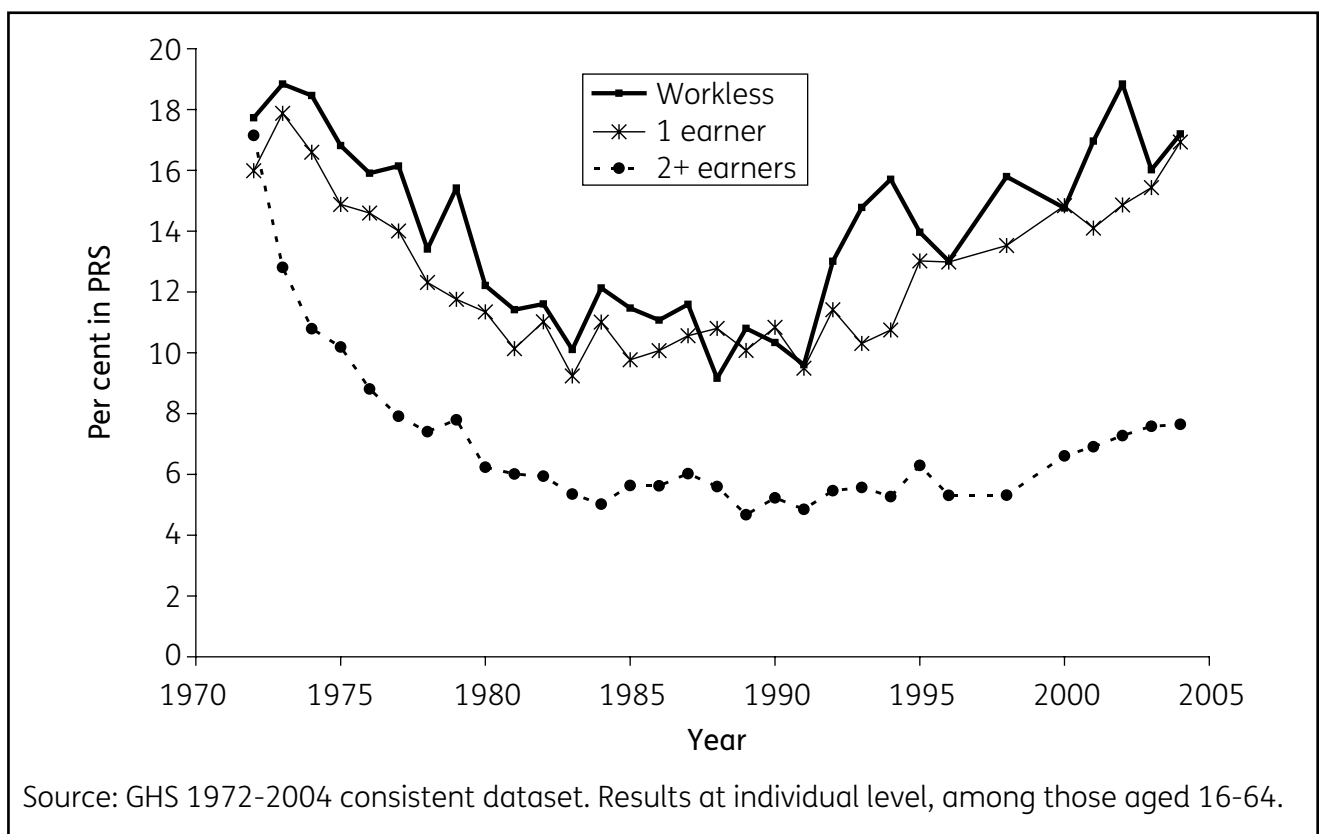
¹⁰ <http://research.dwp.gov.uk/asd/asd5/WP85.pdf>

2.2.2 Trends in the tenure composition

Analysis of trends was based on analysing GHS time-series data, 1992-2004, and more detailed information for 2005 and 2006.

Figure 2.1 shows that the proportion of individuals living in the private rented sector (PRS) declined between the early 1970s and 1990, since when there has been something of a recovery. This may be due, at least in part, to the deregulation of the sector in 1989 although there is no direct evidence here to support this. The increased rate of living in the PRS since 1990 has shown the fastest increase for those living in workless households and in one-earner households. There has been a smaller increase in rates of living in the PRS among households with two or more earners; a private tenancy has remained much less common for this group. In fact, by 2004, the PRS represented eight per cent of people living in dual earner households, compared with 17 per cent in 1972.

Figure 2.1 Rates of private renting by household work status



The GHS data shows that, over time, the average age of those who are private tenants has generally been reducing. The average age of those in other tenures has been rising.

2.2.3 Composition of the PRS in 2005/06

In an earlier analysis, Rhodes identified a ‘high concentration of single person households of below pensionable age’ in the PRS, using 2001 Census data¹¹. In 2005 among one-adult households, close to three in ten were in the PRS compared to only one in ten among two-adult households, and still lower proportions among those living with more than two adults.

Data from the GHS shows that PRS tenants tend to have diverse living arrangements, with about a quarter (28 per cent) living with people from other families, such as those sharing houses (the average across all tenures is ten per cent). This impression of diversity receives further support from the findings of the LIWH survey, discussed in the following chapter. A third (35 per cent) of PRS tenants live in either London or the South East, compared with 28 per cent of social tenants and 20 per cent of home owners. Some three in ten of those living in the PRS were born outside the United Kingdom (UK), including nine per cent from Europe and 11 per cent from the Commonwealth.

Those receiving HB as private tenants, compared to non-recipients were:

- much more likely to have their dependent children in the household, and especially more likely to be lone parents (35 per cent for HB recipients compared with five per cent for non-recipients);
- older;
- more likely to be living in the North West and in London, compared to the other regions of Great Britain;
- much more likely to have no qualifications, and much less likely to be graduates.

2.2.4 Rents among low income households: analysis of the FRS

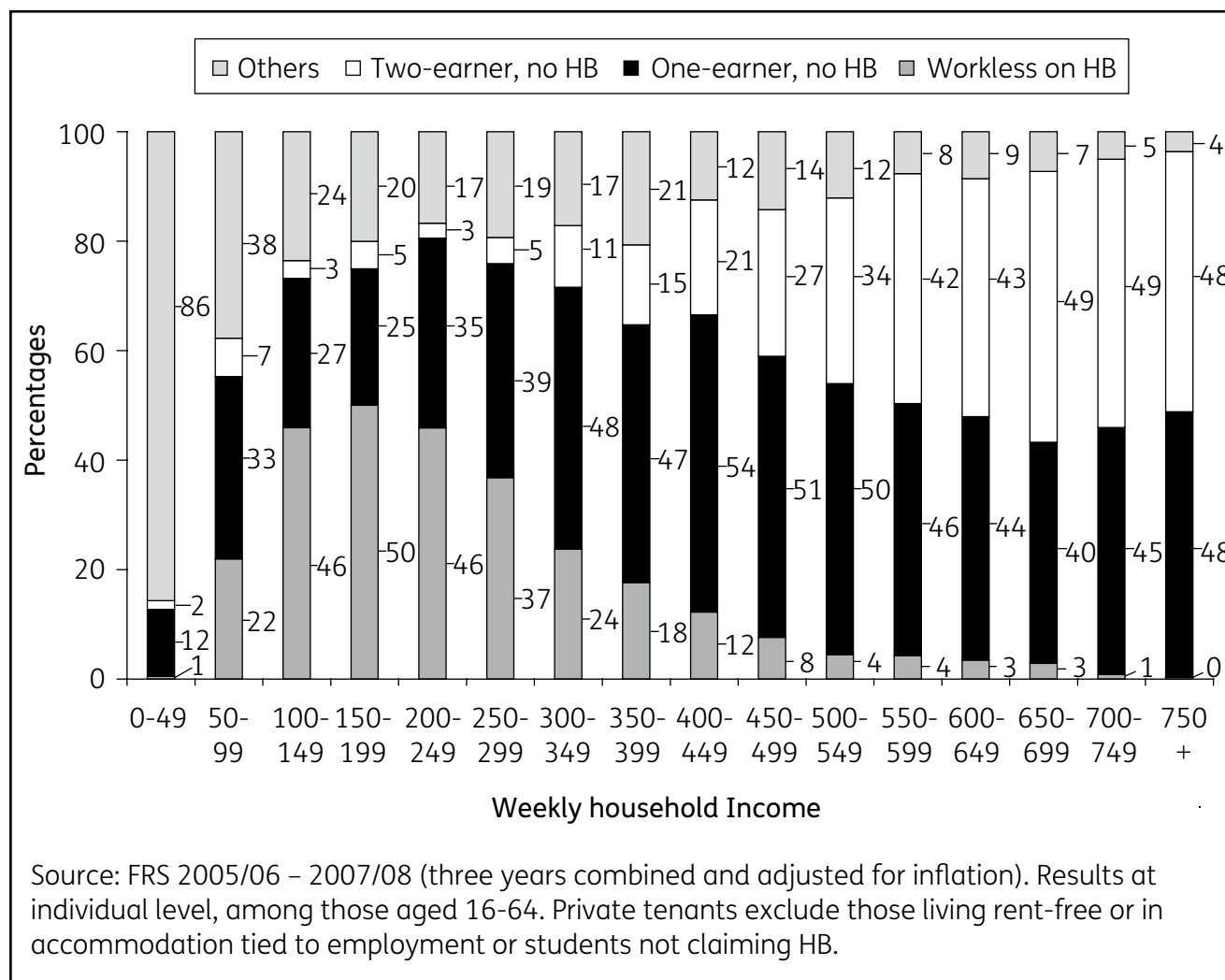
For this section we draw on the FRS for the three years 2005/06, 2006/07 and 2007/08¹². This valuable source of secondary data has robust income data and detailed checking of information on benefit receipt – including HB.

Non-working households receiving HB are most common at incomes of around £100 to £350 per week, as shown below in Figure 2.2. There are also considerable numbers of single-earner households (not receiving HB) within these income bands, although two-earner households (i.e. couples only) are only really evident at incomes of around £400 weekly or higher. The ‘others’ shown in the Figure 2.2 are either workless but not receiving HB, or working households that receive at least some HB. Students are excluded, and since those living outside private households are not sampled as part of the FRS, those living in temporary accommodation are also excluded, although there is no specific category of ‘(not in) temporary accommodation’ in the FRS.

¹¹ Rhodes, D. (2006). *The modern private rented sector*. York, Joseph Rowntree Foundation.

¹² For the special analysis using local authority codes, we have data for the first two of these three years.

Figure 2.2 Composition of PRS tenants by weekly incomes (incomes include HB and other benefit income) – students excluded



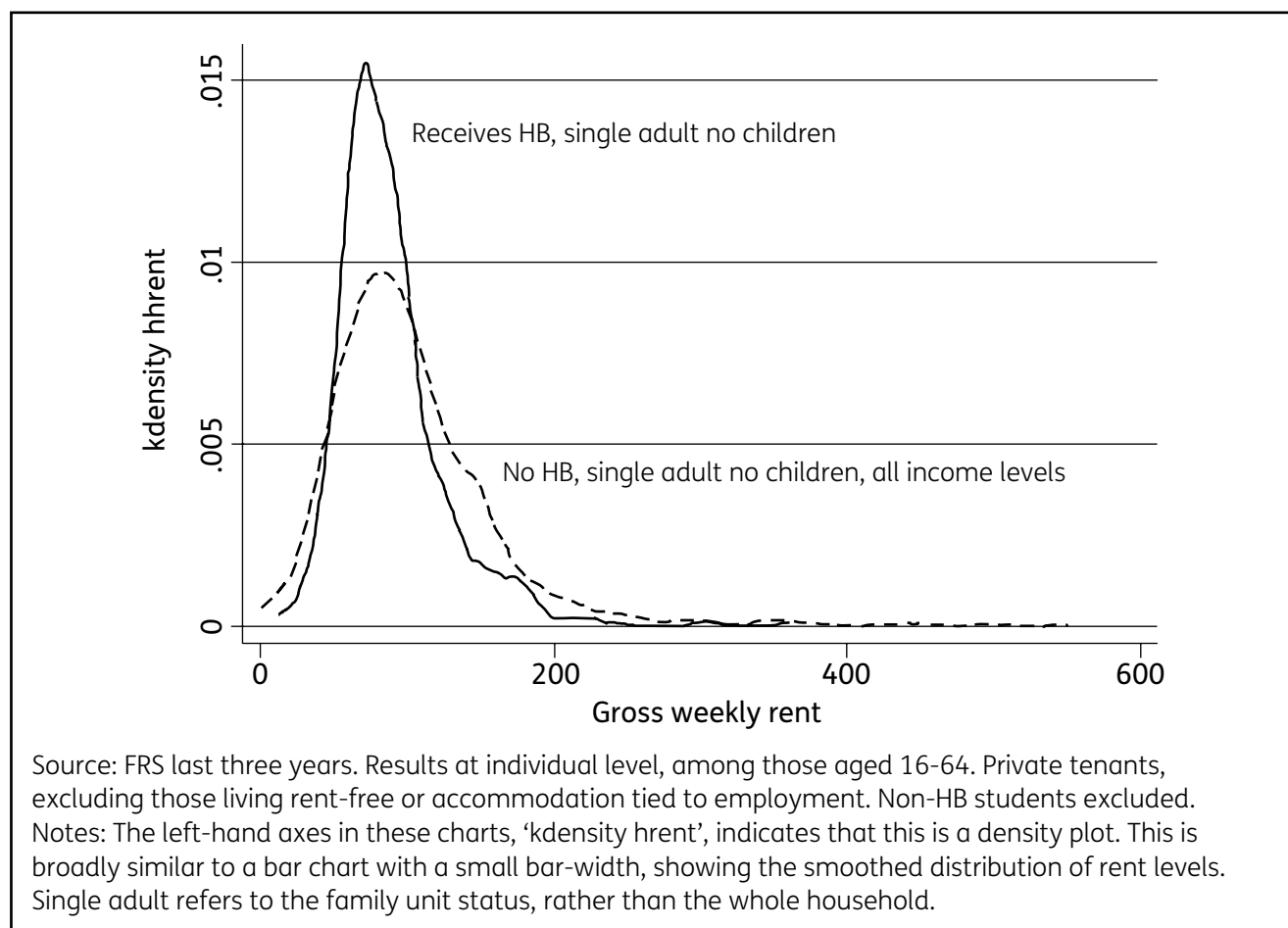
Recipients of HB who are also workless often live in properties with higher rents than working adults on the same level of total income. For instance, in households with a weekly income of £200-£249, workless households receiving HB were in dwellings with a median rent of £92, whilst single-earner households on the same income were in dwellings with a median rent of £81 per week.

However, in making these comparisons it should be remembered that total household income includes the amount paid in HB. After excluding HB from total income, in any specified income band those receiving HB are still found to be living in accommodation with a higher rent level than single-earner families not receiving HB. The same is true when comparing one- and two-earner couples on moderate incomes with HB recipients. These figures are also consistent with HB recipients effectively spending a higher proportion of their incomes on housing, compared with other tenants in the PRS (albeit that spending is earmarked via the benefits system).

To make comparisons between those receiving HB and those who are not, it is also important to control for some of the other differences in characteristics – in particular the size and composition of different families.

Figure 2.3 shows the typical rents being paid by single adults without children, looking separately at those who do and do not receive HB. In this graph there is no exclusion of single adults on higher incomes – all income levels are included. The typical rent being paid was roughly the same irrespective of HB receipt. Those not receiving HB were more likely to be paying somewhat higher rents. However, at the lower end, there was also a sizeable group of non-recipients who were paying relatively low rents, more so than among the recipients of HB.

Figure 2.3 Weekly rents by HB status – single adults without children: PRS tenants



The fuller report on this element of the research¹³ includes similar analyses for other family types (lone parents, couples with and without children) and generally the picture is the same or very similar. Overall:

- the **typical** levels of rent (the median and modal level) are quite similar for those receiving and not receiving HB;
- those not receiving HB were more likely to be paying higher rents, but also more likely to be paying a relatively low rent. Levels of rent were somewhat more widely spread for non-recipients of HB.

In addition to making comparisons across different family types, it is also possible to consider the effects of different kinds of housing and different locations. It is known that location exercises a great deal of influence on levels of rent, with rather higher rents being paid/charged in London in

¹³ <http://research.dwp.gov.uk/asd/asd5/WP85.pdf>

particular. The picture in London reflected the national picture, with the modal and median values being very similar among recipients and non-recipients. The spread of rents is greater amongst non-recipients – more of the non-recipients were paying higher and lower levels of rents than HB claimants. That non-recipients of HB may pay lower rents in some cases is compatible with the lower risks, as perceived by landlords, of letting to non-recipients.

The results so far tend to suggest that the levels of rents of the properties of HB recipients match the overall average quite closely. The rent levels of the properties of HB recipients tend to have a sharp ‘peak’, with a distribution of rent levels tending to be somewhat narrower than for the non-recipients. Table 2.1 shows the levels of gross rents by government region and by whether HB is received, with a separate analysis of the more comparable lower-earning group¹⁴. The levels of rents being paid were quite similar across these groups in most geographical regions of the UK – more so in the South than in the North.

Table 2.1 Median gross weekly rents in PRS, by region and HB status

	<i>£ per week</i>			
	HB recipients £	Non-HB recipients £	Non-HB recipients – lower earners £	All PRS £
North East	80	103	103	90
North West and Merseyside	87	102	100	97
Yorkshire and Humberside	85	98	96	93
East Midlands	85	98	96	97
West Midlands	100	103	98	101
Eastern	119	123	114	122
London	184	195	184	193
South East	138	148	143	144
South West	117	119	114	119
Wales	90	97	97	92
Scotland	90	92	90	92
Northern Ireland	86	86	86	86
UK	103	123	115	119

Source: FRS last three years. Results at individual level, among those aged 16-64. Private tenants, excluding those living rent-free or accommodation tied to employment. Non-HB students excluded.

Note: **Gross** weekly rent in FRS (variable HHRENT) is designed to capture the total amount of rent that would be eligible for HB. It is, therefore, the rent before taking account of HB, but deducting items such as ineligible service charges and any Council Tax that are sometimes included in the reported figure for rent.

2.2.5 Multivariate analysis of rents

Rents differ widely according to family size and characteristics of the dwelling – and particularly region/country of residence. This suggests that it is appropriate to use a multivariate approach to model rents according to a range of different characteristics, in order to help clarify any overlap

¹⁴ Lower earners are defined as follows: singles on weekly gross incomes below £769 in London and the South East and below £384 elsewhere; couples on weekly gross incomes below £1,077 in London and the South East and below £538 elsewhere.

in rents paid between workers and non-workers. Instead of simply comparing by family type or size of property alone, we are able to look at the effects of a number of characteristics, all varying. This should enable us to pinpoint the effect of HB receipt on levels of rent, independently of any differences in family size, location or type of property.

A suitable approach for this is multiple linear regression. This takes gross rent as the dependent variable, and models it as a function of a range of independent variables, including size of property and size of family. Whether a household is receiving HB is also included in order to see whether this has any effect on the level of rent being paid, after controlling for the other differences between recipients and non-recipients.

Linear regression analysis was carried out on FRS data for the PRS including all income levels, and the results are presented in detail in the full report of the work with secondary data¹⁵. Briefly, the factors making most impact on rent levels are region and number of rooms in the property. Having additional adults in the household, even controlling for number of rooms, also seems to increase the average rent paid – though the average rent for two adults was not that much above the level for one person (£5.48 above, to be precise). After controlling for region, numbers of adults and children and size of property, there was no statistically significant difference between the average (mean) rents paid by HB recipients and others in the PRS¹⁶.

An early version of the model (described in the full report of this work but not here) used information on standard regions to help model rent levels. Region is, of course, a rather imperfect guide to location and a lower level of geography is preferable in order to model rents. Special versions of the FRS were, therefore, obtained for this study. The FRS datasets for 2005/06 and 2006/07 have been obtained with identifiers for local authorities (unfortunately, a similar dataset for 2007/08 was not available). This finer degree of detail was then used to refine the model of rent levels (see Table 2.2).

This finer level of data on locality improved the ‘fit’ of the model to a significant degree. In the earlier (unreported) model including region, the R^2 value was 0.38; in the regression in Table 2.2 including local authority, R^2 increased to 0.51 meaning that this regression now explains over half the observed variation in rent levels. There is also greater confidence in the precision of the estimates for the other variables when the finer geography is included.

The main conclusions are the same whether using standard region or local authority data in the models. Larger properties attract higher rents. Additional adults make some difference; additional children make relatively little difference. Moreover, including the finer geography meant that there was still no statistically significant effect on rent levels of receiving/not receiving HB.

A further analysis, also reported in full elsewhere¹⁷, was carried out using an approach known as ‘quantile’ regression. This method shifts attention away from the conditional-means of classical regression to the conditional-medians. In summary, the results from such regressions were qualitatively similar to those found from the linear regressions: the main factors driving rent levels are region, number of rooms and number of adults. The presence of children had little effect – presumably any effect relating to family size is mostly reflected in the number of rooms required. The effect of HB receipt varied across the distribution of rents. The results from the quantile regressions suggested that being a recipient of HB implies a lower likelihood of paying a relatively high level of rent (in the top 25 per cent of rents), compared to non-recipients. There is no effect, however, on the likelihood of having a more typical (median) level of rent.

¹⁵ <http://research.dwp.gov.uk/asd/asd5/WP85.pdf>

¹⁶ The small difference shown, around £2 per week, was not statistically significant.

¹⁷ <http://research.dwp.gov.uk/asd/asd5/WP85.pdf>

Table 2.2 Linear regression of rent levels (with 394 local authority codes entered as indicator variables)

Characteristics	Effect on rent (coefficient)	t-statistic	Level of statistical significance level (see key, below)
Number of adults (compared with 1 adult)			
2	5.48	2.92	**
3+	38.16	14.97	***
Number of children (compared with none)			
1	2.14	1.05	
2	0.67	0.26	
3+	5.12	1.56	
Receiving HB	-2.09	-1.02	
Size of property (compared with 1 room)			
2 rooms	19.98	2.62	**
3	40.03	5.72	***
4	56.82	8.24	***
5	61.27	8.78	***
6	68.72	9.67	***
7+ rooms	101.12	13.73	***
Constant	60.73	8.84	***
R-squared = 0.51			
		Local Authority Code: F(393, 6341) = 4.775***	

Source: FRS for 2005/06 and 2006/07 combined. Non-HB students excluded.

Notes:

Levels of statistical significance: ‘*’ 5% level, ‘**’ 1% level, ‘***’ 0.1% level.

The 394 local authority codes represent those local authorities actually appearing in the survey, not the actual number of local authorities which exceed 400.

2.3 An analysis of the English House Condition Survey

2.3.1 Introduction to the EHCS analysis

The EHCS contains a range of information on the accommodation occupied by households and the area in which they live. This data was analysed to provide a comparison of two groups living in the PRS – households receiving HB, and LIWH not in receipt of HB. The aim of the analysis was to compare the characteristics and (views about) the accommodation and the location of the two groups and to highlight any systematic differences. Unless noted to the contrary, differences in the analysis between the HB and LIWH groups are statistically significant at the 95 per cent level of confidence or better.

2.3.2 The EHCS

The PRS is a relatively small tenure, comprising 13 per cent of the English housing stock in 2007 (Department for Communities and Local Government (CLG) live table 104). As a result of this situation there were insufficient cases within the EHCS for an analysis to be based on a single year of data. The analysis was therefore based on a three-year aggregated dataset, covering the years 2004/05, 2005/06 and 2006/07, which were the most recent EHCS datasets available at the time of the research. The results of the analysis therefore represent three-year averages centred on October

2005, the middle month of the period, and so provide a picture of the situation before the Local Housing Allowance (LHA) system was introduced nationally (although a few respondents to the EHCS may have already been claiming HB under the LHA if they were living in one of the nine LHA Pathfinder areas, which were introduced in 2003 and 2004).

Following an expert seminar held at the outset of the research programme, a number of definitions and exclusions were agreed for the LIWH research as a whole. Within the constraints and conventions of the EHCS, a HB household was defined as one in receipt of full or partial HB at the time of the interview, irrespective of the work status of the household reference person (HRP) or their partner. A LIWH was defined as one receiving no HB, with at least one of the HRP or partner in full-time work (16 or more hours per week), and a net income (the before housing costs equivalised net income) in the lowest income quintile of all PRS households in full-time work and not receiving HB¹⁸. It is possible that there were some cases included in the LIWH category that were eligible for but not claiming HB, but it was not possible to identify the extent of such households from the information available within the EHCS data.

A number of cases were excluded from the EHCS data, such that the analysis was based specifically on the modern deregulated PRS, following the introduction of rent deregulation and the new style assured shorthold tenancies by the Housing Act 1988. Thus, households with tenancies beginning before the introduction of the Act in January 1989 were excluded. To avoid the potential for rent levels in the analysis to be distorted by non-open-market activities within the PRS, the expert seminar recommended the additional exclusions from the analysis of households renting from an employer or a friend or relative, full-time students, and households living in temporary types of dwellings.

2.3.3 Results: Accommodation

The HB households were more likely than the LIWH to have been living in terraced housing (44 per cent compared with 35 per cent). The latter were more likely to have been living in semi-detached housing (21 per cent compared with 16 per cent), and purpose built flats (24 per cent compared with 18 per cent) than the HB households. Much private rented accommodation comprises old housing, and within this stock profile the HB households tended to have been living in slightly older housing than LIWH. Amongst the HB group, 74 per cent were living in accommodation built before 1964, compared with 66 per cent of the LIWH. Twice as many of the LIWH as of the HB group (ten per cent and five per cent) were renting accommodation built after 1990. The LIWH were more likely than the HB households to have been living in shared accommodation (five per cent compared with one per cent), which is a type of accommodation for which claimants under the age of 25 may qualify for a shared room rate of HB.

2.3.4 Results: Household characteristics

HB households most commonly comprised lone parents with dependent children (37 per cent compared with nine per cent of the LIWH). In contrast, LIWH were most commonly couples with dependent children, 44 per cent compared with 19 per cent of the HB group¹⁹. The age profile of

¹⁸ This definition differs from those adopted in analyses of the FRS (see above) and in defining the target population for the LIWH survey which are both based on median earnings.

¹⁹ Note that this finding suggests a much greater proportion of such couples among LIWH than that found in the analysis of the FRS and GHS data, and that found in the LIWH data discussed in Chapter 3. Possible explanations for this include the different bases for sampling for the surveys upon which the data sets are based, their different foci and geographical coverage, and the different definitions of, for example, 'low income' that are employed.

the LIWH group was younger than the HB households, with 83 per cent of the former being aged under 45 compared with 62 per cent of the HB group and six per cent of LIWH being aged 55 or over compared with 21 per cent of the HB households. Tenancy mobility was much higher amongst the LIWH group, with 44 per cent having lived at their current address for less than one year, compared with 25 per cent of the HB households. In addition, ten per cent of LIWH had lived at their current address for six or more years compared with 23 per cent of the HB households. LIWH were the most likely to have been 'overcrowded' according to the bedroom standard, a feature that may be related to their higher proportion of households containing dependent children, with 12 per cent of them having had at least one bedroom too few for their household's needs, compared with eight per cent of the HB households.

2.3.5 Results: Rents

Table 2.3 shows that the median rent being paid by HB households for accommodation with one bedroom, which included households living in shared accommodation, was slightly higher than that of LIWH (£85 per week compared with £82 per week). The HB households were also paying slightly higher weekly rents for accommodation with three bedrooms (£110 compared with £107). For accommodation with two bedrooms, the LIWH were paying higher weekly rents on average, with a median weekly rent of £104 compared with £98 for the HB households. Taking all three sizes of accommodation together, the two groups of households were paying the same median rent of £100 per week.

Table 2.3 Median weekly rents for HB and LIWH by the number of bedrooms available

Household group	1 bedroom (£ per week)	2 bedrooms (£ per week)	3 bedrooms (£ per week)	All 1 to 3 bedrooms (£ per week)
HB households	85	98	110	100
LIWH	82	104	107	100

Source: Analysis of three-year EHCS, 2004 to 2007.

Weekly rent figures are rounded to the nearest £1 and are based on the full rent payable before HB is taken into account. Households living in shared accommodation are included within the one bedroom category. Households living in accommodation with more than three bedrooms are not included due to the low number of cases.

Compared with the LIWH group, the HB households taken as a whole were more likely to say that either that they found it very easy and that they found it very difficult to pay their rent (Table 2.4). This situation existed because those on full HB (that is, all their rent was covered by HB) were the most likely to find it very easy to pay their rent, whilst those on partial HB (that is, their full rent was not covered by HB) were the most likely to find it very difficult to pay their rent.

Table 2.4 Ease or difficulty in paying the rent for HB and LIWH

Ease or difficulty	HB households			
	Full HB (%)	Partial HB (%)	All HB (%)	LIWH (%)
Very easy	48	15	27	15
Fairly easy	21	32	28	32
Neither	18	13	15	21
Fairly difficult	8	26	19	25
Very difficult	6	14	11	8
Total	100	100	100	100

Source: Analysis of three-year EHCS, 2004 to 2007.

Households receiving partial HB may have had a shortfall between their rent and their entitlement due to one of the HB restrictions that were in place under the system, or because their financial circumstances, perhaps due to part-time working, qualified them for a reduced amount of HB.

2.3.6 Results: Physical standards of accommodation

LIWH were more likely than HB households to have been living in accommodation classified as passing the (previous) Decent Homes Assessment by the EHCS surveyors, with 61 per cent of them living in 'decent' accommodation compared with 53 per cent of the HB group. In addition, accommodation failing the decent homes standard failed on more than one criteria more frequently for the HB group (30 per cent) compared with the LIWH group (25 per cent).

2.3.7 Results: Area characteristics

LIWH were most likely to have been living in areas classified as city or urban centres by the EHCS surveyors (46 per cent), whereas the HB households were most likely to have been living in suburban residential areas (49 per cent). The HB group (19 per cent) were more likely than LIWH (12 per cent) to have been living in one of the most deprived areas within England (the ten per cent most deprived super output areas in the Index of Multiple Deprivation 2004). The HB households were also less likely to have been living in areas described as being satisfactory by the EHCS surveyors.

2.3.8 Results: Accommodation satisfaction

Perhaps as a reflection of the slightly better physical condition of their accommodation, LIWH were more likely to have been satisfied with their accommodation overall (80 per cent compared with 73 per cent of the HB households). Compared with the HB households, they were also slightly more likely to rate the external appearance of their home as good and to have been satisfied with the current state of repair of their home.

2.3.9 Results: Neighbourhood satisfaction

LIWH had slightly higher levels of satisfaction with their neighbourhood than the HB households. The overall level of satisfaction with their neighbourhood as a place to live was slightly higher for them than for the HB group (85 per cent compared with 79 per cent), as were their feelings of safety if they were outside alone during the daytime (60 per cent and 52 per cent) or after dark (24 per cent and 18 per cent). LIWH (five per cent) were also slightly less likely than the HB group (nine per cent) to feel that crime was a serious problem in their neighbourhood. In terms of a range of

individual measures of different types of noise within the neighbourhood, the HB households were more likely to have had a problem, although differences between the two groups were relatively small.

In addition to the slightly lower levels of satisfaction with their neighbourhood, the HB households were also more likely to say that they had problems with crime and other anti-social issues within their neighbourhood. The most notable differences between the HB households and LIWH in terms of whether a particular problem was regarded as serious included the fear of being burgled (14 per cent compared with five per cent), problems with dogs/dog mess (15 per cent and five per cent), litter and rubbish in the streets (17 per cent and nine per cent), and problems with car theft (11 per cent and five per cent).

2.4 Implications of the analyses of secondary data

The analysis of the GHS/FRS suggests that there is a close correspondence between the median rents paid by HB recipients and those paid by non-recipients²⁰. Any difference between the two narrows in the analysis of the FRS when higher income families not receiving HB are excluded and controls for differences in family type and in regional location are introduced. In statistical models of rent levels, whether a household is receiving HB is not informative – that is, it does not make any significant difference to the average rent being paid. This is a clear result, particularly in the model that includes local authorities rather than regions as the geographic unit. Controlling for location, family size and property size, HB recipients live in properties attracting the same levels of rent as other tenants in the PRS. Although data availability means that identical analyses were not possible for the EHCS, the EHCS results nevertheless similarly indicate little, if any, difference in the median rents paid by LIWH and HB households.

Both sets of analyses show that median rents for LIWH and HB households are similar. Another way of expressing this is to say that ‘about half of HB recipients are in properties with higher rents than those paid by about half of those not receiving HB’. The reverse is also true – about half of HB recipients are in properties with lower rents than those paid by about half of those not receiving HB. So, if the policy objective is to set levels of housing support for HB recipients to the average (median) of rent paid by other similar tenants not on HB with similar characteristics, then the analysis would suggest that to a large extent this is being achieved.

The more descriptive analysis using all three data sets does, however, reveal some important differences between those in the PRS receiving HB and non-recipients. In the EHCS analysis, the HB recipient group is somewhat older, much more likely to have dependent children, and generally living as a single family unit rather than in a more complex household with two or more families. It is noticeable that, in the EHCS analysis, there is a much higher incidence of lone parent households among those receiving HB, a finding borne out by comparisons of HB recipients with LIWH in the next chapter. According to the EHCS, HB recipients also tend to live in older properties than non-recipients, properties which are less likely to pass the (previous) Decent Homes Assessment and which are located in poorer neighbourhoods, particularly as indicated by perceptions of crime. There is some indication, then, that the (median) rents paid by HB and LIWH households in the PRS do not differ markedly or systematically in the data sets examined but that the housing conditions of the former group tends to be worse than those experienced by LIWH in general.

²⁰ No causal relationship is being assumed here.

These careful analyses of major data sets have, therefore, revealed some findings of interest and importance. However, this data, being assembled for other purposes at comparatively high levels of spatial aggregation, cannot reveal the details of the experiences, housing conditions and household decision-making of the LIWH group that are required if finer comparisons between LIWH and HB recipients are to be made. The Department for Work and Pensions and the Research Team are unaware of any existing, dedicated data set available relating to LIWH in the PRS. Therefore, a survey of LIWH was commissioned specifically for this research programme. The survey and its main findings is described in the next chapter.

3 Characteristics of LIWH and their homes

As noted in the previous chapter, analysis of secondary data – while very useful as context and in providing comparisons with other tenant groups in the private rented sector (PRS) – cannot answer all the research questions about low income working households (LIWH) and their characteristics. A large-scale household survey was designed to complement secondary data. This chapter looks first at the aims of the survey and summarises the approach taken. It then describes the main demographic characteristics of the LIWH sample and the main features of the properties they live in. The final section notes levels of satisfaction with accommodation and neighbourhood.

The sections describing demographic and property characteristics and levels of satisfaction draw primarily on the survey, but where appropriate also refer to findings from in-depth interviews carried out with 31 families with dependent children (aged under 16). This more qualitative element of the research is described in greater detail in Chapter 5 which focuses on housing options and choices, and roles being performed by the PRS for LIWH tenants.

3.1 Aims of the low income working households survey

The aim of the survey was to fill the gap in current knowledge concerning the housing situation of LIWH in the PRS. From a policy perspective, implementing measures which affect the operation of the PRS or which influence choices about housing and other matters – for example through altering incentives to work – may impact directly on LIWH. Yet relatively little is known about this particular group or about whether and how they differ from broadly similar households in the PRS who are currently claiming Housing Benefit (HB). Since the research programme was attempting to make some comparisons between these two low income groups – that is, between working and claiming households – it was necessary to collect information on LIWH through a specially commissioned survey.

The Department for Work and Pensions (DWP) and the research team were keen to collect more information on LIWH in the PRS than was strictly required for a comparison between this group and HB claimants. As noted, a range of current and future policy initiatives could possibly affect LIWH. Consequently, the questionnaire contained sections on household, tenure and property characteristics including condition and satisfaction, current rent and deposits, previous accommodation and reasons for moving, housing choices, future moving intentions, satisfaction with the local area, and income. Although much of the analysis of this information in this report focuses on aspects of immediate policy concern around rents and income, the survey has provided a wealth of information for use by researchers and policy makers in the future.

3.2 Survey approach and methods

The survey was undertaken by Ipsos MORI and involved face-to-face interviews with 1,098 LIWH in late 2009. Full details of the approach including sampling, eligibility and response rates are given in Appendix A. The main points are summarised here.

The survey was undertaken in a wide range of areas and housing markets including Brighton and Hove, Coventry, Leeds, North East Lincolnshire, Teignbridge and, within London, Hounslow, Islington, Lewisham and Waltham Forest. All areas except Hounslow, Islington and Waltham Forest had been Pathfinders for the Local Housing Allowance (LHA) and subject to the Local Housing Allowance Evaluation. This meant that some information on the PRS was already available and the Evaluation potentially provides comparative data on LHA claimants.

Within these areas, a number of postcodes were selected as having relatively high levels of private renting, as indicated by the 2001 Census, and a relatively high density of working renters, as advised by the Valuation Office Agency on the basis of PRS data they collect for their valuation activities. Ipsos MORI carried out screening interviews to identify eligible interviewees. The screening involved definitions of 'working' and of 'low income':

- **Working households** were defined as those households of working age in which, at the time of the survey, the respondents and/or their partners were working full or part time (16 hours per week or more) or had been working full or part time and not claiming HB at the time of taking up their tenancy, if this was within the last six months. This was intended to ensure that households who were claiming HB and/or were unemployed at the time of taking up their tenancy were excluded from the survey.
- **Low income** was defined as gross weekly earnings from employment which were equal to or less than median earnings for all types of employment as estimated in the Office for National Statistics publication *Annual Survey of Hours and Earnings 2008* Table 5.1a, the latest data available at the time of the launch of the survey. In order to reflect the particularly significant differences between earnings in London/Brighton and Hove (referred to as London/B&H below) and elsewhere in the United Kingdom (UK), the medians used as the maximum for a household to be included in the survey were:
 - single people: £384 per week gross earnings outside London/B&H, and £537 per week gross earnings in London/B&H;
 - couples (respondent plus partner): £776 per week combined gross earnings outside London/B&H, and £1,075 per week combined gross earnings in London/B&H.

In most analyses using the survey data, two major groupings – 'London/B&H' and 'Elsewhere' – are used. The justification for these groupings lies in the different relative housing costs and the qualifying income levels set to define LIWH in these two broad areas. The sample numbers are 567 and 531 respectively.

3.3 Making comparisons

The survey thus provides comprehensive information on LIWH in the PRS. To achieve the aim of the research, where possible comparisons with other data are made in this chapter to identify similarities and differences between LIWH and HB claimants in the PRS. The following sources are used:

- Most comparisons are made with findings from the LHA Pathfinders Wave 1 (W1) survey²¹ carried out in the nine Pathfinder areas six months after the introduction of the LHA.
- Brief cross-references are also made where appropriate to the secondary data analyses in Chapter 2, especially from the General Household Survey (GHS) and English House Condition Survey (EHCS).

There are a number of data issues involved in such comparisons, including:

- The LIWH sample was intentionally selected to over-represent London because of particular policy interest in the PRS there. The LIWH survey itself reveals significant differences in demographic (including incomes) and property (including rent) characteristics between London/B&H and Elsewhere. There is no such ‘London bias’ in the LHA Pathfinder survey (which only included Lewisham within London) or any of the secondary data sources drawn on in Chapter 2. There are also discrepancies in the geography of the different secondary data sources: the EHCS covers England, the GHS Britain and the Family Resources Survey the United Kingdom.
- The LIWH survey data relates to late 2009. All the other survey information available for comparison with HB claimants or PRS tenants as a whole relates to earlier years.
- Different definitions of ‘low income’ have been used. The LIWH survey and special analyses of the GHS for the research use similar definitions based on median earnings while the low income peer group (not in receipt of HB) in analyses drawing on the EHCS are based on the lowest income quintile.

Together these suggest that comparisons should be treated with some caution, and taken as broadly indicative only.

3.4 Household characteristics

This section looks at household characteristics of the LIWH tenants in the PRS. It covers household type and size, respondent age and ethnicity, employment and income, education and qualifications, and length of residence at the current property.

3.4.1 Household size

Table 3.1 shows household size, distinguishing between London/B&H and Elsewhere. The final column provides comparable figures for the LHA Pathfinder survey of HB claimants. Just under two-thirds of LIWH households include one (28 per cent) or two (35 per cent) persons. The largest recorded households include seven persons (four households only). There are small differences between London/B&H and Elsewhere with London/B&H having larger proportions of single person

²¹ This survey was carried out six months after the introduction of the LHA in the Pathfinder areas between mid-July 2004 and late January 2005. It is the preferred comparator because baseline information from the LHA Evaluation excludes two Pathfinder areas. All figures are taken from *Local Housing Allowance Final Evaluation: The survey evidence of claimants’ experience in the nine Pathfinder areas*, No. 15, DWP, 2007.

households and relatively fewer three person households. The differences between LIWH and LHA Pathfinder profiles are much greater; LHA Pathfinders include much higher proportions of single person households (43 per cent compared to 28 per cent) and lower proportions of all larger household sizes. This is probably related to, but not totally explained by, the different age profiles of LIWH and LHA Pathfinder households. The former sample was restricted to people of working age, while the Pathfinder LHA W1 sample included ten per cent of respondents of pensionable age. Older households are more likely to be small.

Table 3.1 Household size: LIWH households and LHA Pathfinder (HB claimants)

Household size	London/B&H %	Elsewhere %	All LIWH %	Pathfinder W1 ⁽¹⁾ %
1	30	25	28	43
2	36	34	35	29
3	17	22	19	16
4 or more	18	19	18	12
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 2.9.

Table 3.2 Detailed household type profile: All LIWH

Household composition	Number	%
Single person	303	28
Female	114	10.4
Male	189	17.2
Lone parent with child(ren) aged under 16	49	5
+ no-one else	32	2.9
+ older children (16 and over)	11	1.0
+ other related/non-related adults	6	0.5
Couple with child(ren) aged under 16	194	18
+ no-one else	180	16.4
+ older children (16 and over)	10	0.9
+ other related/non-related adults	4	0.4
Couple with no child aged under 16	341	31
+ no-one else	277	25.2
+ older children (aged 16 and over)	24	2.2
+ other related/non-related adults	40	3.6
Extended family	54	5
Respondent + own child(ren) aged 16 and over	16	1.5
Respondent + other related/non-related	38	3.5
Unrelated sharers	157	14
Total	1,098	100

3.4.2 Household type

Table 3.2 shows how diverse LIWHs are in terms of household type and composition.

The main points from Table 3.2 are as follows:

- The largest single group (31 per cent of the sample) comprises couples (two partners) with no child aged under 16. About one in five of these households includes other people as well, either children of the couple aged 16 or over, or others. In some analyses below, this group is split into couple (no others) and couple plus others but with no dependent children.
- The next largest group (28 per cent) comprises single persons. The number of single males is greater than the number of single females.
- Couples with children aged under 16 represent 18 per cent of the sample. A small number also include older (aged 16 and over) children or other related or non-related adults. Couples with children aged under 16 comprise a smaller proportion of the LIWH survey sample than suggested by the analysis of the EHCS (see Chapter 2) where 44 per cent of the 'peer group' equivalent to LIWH were couples with dependent children, and where such households made up the largest single household group²².
- Unrelated sharers (single respondents who are living with others to whom they are not related) represent 14 per cent of the LIWH sample.
- Five per cent of households have been classed as extended families. These include single respondents living with other relatives (with or without other unrelated people). 'Relatives' in this context can, for example, be children aged under 16 (other than those of the respondent), an all adult single parent family or siblings.
- Lone parents with children aged under 16 are the smallest group (five per cent). Just under two-thirds of these households comprise only parent and child(ren) aged under 16, and a further fifth include older children as well. A small number include other related or non-related adults. In all, 35 per cent of lone parent households with children aged under 16 also include other people beyond the parent and child(ren). This is much higher than the proportion (seven per cent) among couples with children aged under 16.

Table 3.3 presents the information from Table 3.2 in a different, simplified way. As can be seen, there is a fairly even split between single persons, couples, families living with their own children and all other households (unrelated sharers and households comprising relations other than parent/child). It is interesting that over a fifth (22 per cent) of LIWH households include someone who is not the partner or child of the respondent.

²² This may be due, in particular, to the sampling differences described above and the over-representation of London in the LIWH sample.

Table 3.3 Simplified household type profile: All LIWH

Simplified household type	%
Single person household	28
Couple households with no-one else	25
Single or couple families living with their children (any age)	25
All other households	22
<i>Base</i>	1,098

Table 3.4 compares LIWH and LHA Pathfinder household type profiles.

Table 3.4 Household type: LIWH households and LHA Pathfinder (HB claimants)

Household type	London/B&H %	Elsewhere %	All LIWH %	Pathfinder W1⁽¹⁾ %
Single person	30	25	28	43
Couple – no child aged under 16	31	31	31	6
Lone parent with child(ren) aged under 16	3	6	5	32
Couple with child(ren) aged under 16	14	22	18	9
Other multi-person household	22	16	19	10
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 2.12.

Within the LIWH sample, London/B&H has higher proportions of single person and other multi-person households than Elsewhere, and correspondingly lower proportions of single and two-parent families with children aged under 16. The LHA Pathfinder profile is markedly different with much higher proportions of single person households and lone parents with children aged under 16. Together these comprise 75 per cent of the LHA Pathfinder sample, but only 33 per cent of the LIWH sample. There are similarly marked differences in the proportions of couples without children aged under 16, who comprise 31 per cent of the LIWH sample, but only six per cent of the LHA Pathfinder sample.

It is interesting to speculate why this might be. Single LIWH respondents may be more likely than single LHA claimants to say that they form a household with unrelated sharers (rather than constituting an independent single person household). This could be a real difference in lifestyle or a perceptual difference attributable to the influence of HB which, in general, pays lower rates to sharers, and which treats younger single households as sharers whether or not they are actually sharing their accommodation. In addition, both the analysis in Chapter 4 and the qualitative element of this research (see Chapter 5) clearly demonstrate that it is difficult for lone parents to afford private sector rent levels for properties of the size they need without financial assistance.

3.4.3 Respondent age

Table 3.5 shows respondent age for the LIWH sample. The largest single age band is 25-34, and this is true both for London/B&H and Elsewhere, although the concentration is most marked in London/B&H. Areas outside London/B&H have larger proportions of younger respondents (under 25) and those aged 45 and over than London/B&H.

Table 3.5 Age profile of LIWH sample

Age of respondent	London/B&H %	Elsewhere %	All LIWH %
Under 25	18	28	23
25-34	49	37	43
35-44	23	19	21
45-54	8	12	10
55-60	1	2	2
60-64	*	2	1
<i>Base</i>	567	531	1,098

The LHA Pathfinder data is grouped into very broad age bands and comparisons would mean little. They are not, therefore, included in Table 3.4. However, it is apparent that the LIWH sample includes markedly more under 25s (23 per cent) than does the LHA Pathfinder W1 sample (ten per cent). The EHCS (see Chapter 2) also suggests the LIWH have a younger profile than HB recipients.

There is some relationship between respondent age and household type (not shown). Overall, 66 per cent of the LIWH sample is aged under 35. Higher than average proportions of this younger age group are found among unrelated sharers (89 per cent) and couple only households (73 per cent). Below average proportions of younger respondents are found among lone parents with children aged under 16 (49 per cent), couples with other related/non-related adults (53 per cent) and single person households (55 per cent). Couples with children aged under 16 and extended families both have near average proportions of under 35s. This may suggest a household/housing progression – for a single person this could mean, perhaps, starting in shared accommodation and only later forming a more independent single person household. Childless couples tend to be younger on average than couples with children aged under 16, who are in turn younger on average than lone parents with children under 16. The in-depth interviews (Chapter 5) found that single parent families were mostly the consequence of the breakdown of an apparently stable relationship of some years (that breakdown could sometimes be the reason for taking a private tenancy).

3.4.4 Ethnicity

Table 3.6 shows the ethnic profiles of LIWH and LHA Pathfinder W1 survey respondents. The ethnic diversity of the LIWH sample is clear. Just over half self-identified as White British/Irish. A fifth identified as another White group and 16 per cent as Asian (mainly Indian). In London/B&H White British/Irish respondents represented only a third of the sample. The in-depth interviews with families with children under 16 (Chapter 5) included at least eight families who had moved to the UK in the past five years, representing about a quarter of the sample. These recent migrants came particularly from Europe, Russia and India. While the survey did not ask questions enabling recent

migrants to be identified, the ethnic profile suggests that the sector may be performing a similar function for other, non-family, household type groups as well – for example, 29 per cent of couples without children aged under 16 but with some other related or unrelated adult in the household, and unrelated sharers identified as Other white. This chimes with the GHS 2005-06 which showed that about three in ten of those living in the PRS were born outside the UK (see Chapter 2).

Table 3.6 Respondent ethnicity: LIWH households and LHA Pathfinder (HB claimants)

Ethnic group	London/B&H	Elsewhere	All LIWH	Pathfinder W1 ⁽¹⁾
	%	%	%	%
White British/Irish	33	71	51	91
Other white	28	13	21	
Mixed heritage	4	2	3	2
Asian	23	9	16	3
Black	9	3	6	4
Other	4	3	4	-
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 2.12.

There are clear differences between the LIWH and LHA ethnic profiles. Seventy-two per cent of all LIWH respondents self-identified as white, compared with 91 per cent of LHA Pathfinder W1 respondents. A contributory factor may be the greater representation of London in the LIWH sample, but this seems unlikely to account for the whole difference since the proportion of white respondents in the LHA sample is higher (at 91 per cent) than in the LIWH sample outside London/B&H (84 per cent) despite including respondents from Lewisham and Brighton and Hove. The in-depth interviews with families showed that the immigration status of some recent migrants meant that they were ineligible for HB or other recourse to public funds. However, again this is probably of marginal impact. The overall conclusion must be that there are distinct differences between the ethnic (and wider demographic) profiles of LIWH and HB claimants in the PRS.

3.4.5 Employment and income

One obvious point of contrast between LIWH and HB recipients is employment status. Being in work, or having been in work at the time of taking up the tenancy, was a requirement for inclusion in the LIWH survey. All but three per cent of LIWH tenants were receiving income from paid employment at the time of the survey. In contrast, only 20 per cent of LHA Pathfinder W1 HB claimants stated that they were in paid work. Some LIWH households were in receipt of other forms of income and benefits, most notably Child Benefit (13 per cent of LIWH respondents) and Child and Working Tax Credits (11 per cent). However, the overall picture is one where paid employment is the main source of income for LIWH, and benefits are the main source of income for most LHA claimants.

Table 3.7 shows gross weekly income for LIWH tenants by area, making the distinction between households with and without partners. Single respondents include lone parents as well as single people. A small number of refusals and 'don't knows' are excluded.

Table 3.7 Gross weekly income by area: Single respondents and respondents with partners (couples)

Gross weekly income	London/B&H %	Elsewhere %	All LIWH %
Single respondents			
<£96	4	2	3
£96-£192	10	22	15
£193-£288	24	38	30
£289-£384	25	38	31
£385-£481	20	-	11
£482-£577	17	-	10
£578-£673	-	-	-
£674-£769	-	-	-
£770+	-	-	-
<i>Base</i>	307	245	552
Couples			
<£96	*	1	1
£96-£192	2	5	3
£193-£288	11	18	15
£289-£384	17	22	20
£385-£481	17	19	18
£482-£577	22	18	20
£578-£673	12	9	11
£674-£769	10	7	8
£770+	9	-	5
<i>Base</i>	253	277	530

* More than zero, less than 0.5%.

Overall most single respondents have gross weekly incomes between £193 and £384. Couples, as might be expected, have rather higher incomes with most between £289 and £577. Incomes are higher in London/B&H than elsewhere reflecting the different cut-off points defining 'low income'. It is interesting that the income distribution is particularly flat for couples in London/B&H.

Not surprisingly, incomes were higher among LIWH than LHA respondents. Just over half (51 per cent) of LHA Pathfinder W1 households had a gross household income less than £10,000 (in second half 2004) compared with 11 per cent of LIWH households. The Retail Price Index rose some 15 per cent between December 2004 and 2009 but adjusting the 2004 figures for this does not seem to account for all of the difference between the two groups.

3.4.6 Education and qualifications

Table 3.8 shows the highest level of qualifications gained. Fewer than one in ten LIWH respondents had no educational qualification. At the other extreme, 43 per cent had a degree level qualification or higher. This is still more marked in London/B&H where 55 per cent had a degree or higher degree.

Table 3.8 Highest qualification gained: LIWH households and LHA Pathfinder (HB claimants)

Household type	London/B&H %	Elsewhere %	All LIWH %	Pathfinder W1 ⁽¹⁾ %
Higher degree/post graduate	22	9	16	
Degree/degree level	32	22	27	28
Other higher education	11	6	8	
A level and equivalent	14	18	16	
GCSE/O level and equivalent	6	19	13	7
Other qualification	7	15	11	19
None	7	12	9	47
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 2.14.

The contrast with LHA Pathfinder HB claimants is stark. Among this group, 47 per cent had no qualification (LIWH nine per cent) and only 28 per cent had A-level or higher (LIWH 67 per cent). The GHS shows similar differences between LIWH and HB claimants (Chapter 2). This strongly reinforces the impression of significant demographic and socio-economic differences between LIWH and HB claimants. By implication at least, low income may be much more a lifecycle/career stage phenomenon for many LIWH households than for HB claimants. This point is discussed further in Chapter 5 in the context of the in-depth interviews with LIWH families and implications for the roles the PRS plays.

3.4.7 Length of residence

Table 3.9 shows how long respondents had been living in their current property. About a fifth of LIWH tenants had been there for less than six months, and a further quarter for between six months and a year. At the other end of the scale, just over a quarter had been there for more than two years. There was relatively little difference in relation to area, although those living outside London/B&H were more likely than the average to have been at their current property both for less than three months and for over two years. LHA Pathfinder respondents were much more likely to have been at their property for more than two years, and thus appear more stable in terms of residency.

Table 3.9 Length of time at current property: LIWH households and LHA Pathfinder (HB claimants)

Time	London/B&H %	Elsewhere %	All LIWH %	Pathfinder W1 ⁽¹⁾ %
<3 months	7	11	9	
3-6 months	12	12	12	29
6 months to a year	28	26	27	
1- 2 years	28	22	25	18
Over 2 years	25	30	27	53
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 2.12.

In terms of household type, unrelated sharers were most likely to have been in their current property for less than six months, while lone parents with children aged under 16, couples without children under 16 but with other relations or non-relations, and extended families were most likely to have been there for over two years. Among ethnic groups, White British/Irish were most likely and Asians least likely to have been living in their current property for more than two years.

3.5 Property characteristics

This section describes the main characteristics of the properties occupied by LIWH tenants. Where possible, comparisons are again made with findings from the LHA Pathfinder survey. Aspects of renting arrangements are covered first, then property type and size, condition, heating and rents.

3.5.1 Renting arrangements

Overall, 58 per cent of LIWH tenants were renting directly from their landlord, and 42 per cent through a lettings agency. The proportion renting through lettings agencies was slightly higher in London/B&H (46 per cent) than Elsewhere (38 per cent). The in-depth interviews with families revealed differing views about the relative merits of the approaches to renting. Some interviewees thought it best to rent through an agency (more secure and providing a better service although possibly more expensive); others favoured renting directly from a landlord as quicker, cheaper (rent, deposit and no commission) and providing the possibility of negotiating over rent and establishing a relationship with the landlord. There were contrasting views on whether agents or landlords would respond more rapidly if things went wrong – with an overall feeling that agents might be safer while a good landlord might be better and a poor landlord worse.

The majority of landlords were said to be private individuals (81 per cent), while 16 per cent rented from a company or organisation and two per cent from a friend or relative. There was no difference on this measure between London/B&H and Elsewhere.

The great majority of respondents (93 per cent) said that they had a signed tenancy agreement with their landlord – seven per cent said they had not and 15 per cent did not know. There was little difference between areas. As might be expected, signed agreements were rather more common with tenants renting through lettings agencies (97 per cent) than individual landlords (89 per cent), and among those renting from companies or organisations (97 per cent) than private individuals (93 per cent) and friends or relatives (52 per cent).

About nine out of ten tenants in both London/B&H and Elsewhere said that, when they first moved in, their tenancy was for a fixed length of time. Area differences were apparent in the length of tenancy term: 35 per cent of tenants in London/B&H said that their tenancy was for six months or less compared to 54 per cent Elsewhere. Correspondingly, those in London/B&H were relatively more likely to have had initial terms of six to 12 months (39 per cent compared to 27 per cent) and over a year (18 per cent compared to seven per cent). As Table 3.9 showed, this difference was not directly reflected in the actual length of tenancy in the different areas at the time of the survey.

Just under a quarter (24 per cent) of LIWH respondents said that they had tried to negotiate a discount on their rent when taking up their tenancy; this had resulted in a lower rent for 55 per cent (equivalent to 14 per cent of the whole sample). Despite the perception noted above that renting direct from a landlord might facilitate negotiations over rent, the survey showed no difference in the likelihood of having negotiated between those renting direct or through a letting agency. Comparison with the LHA Pathfinder Evaluation W1 survey²³ suggests that LIWH may be slightly more likely to negotiate over rent than those in receipt of LHA. The W1 survey found that 16 per cent of respondents who moved before the introduction of the LHA had tried to negotiate as had 21 per cent who moved after LHA introduction (LIWH 24 per cent). The difference is thus very small.

3.5.2 Property type and size

Table 3.10 shows the type and size of properties occupied, and whether they were let furnished.

Overall, there is a fairly even split for LIWH tenants between houses/bungalows and flats/maisonettes. This conceals significant differences between London/B&H, where flats predominate, and Elsewhere, where houses predominate. Considerable differences are also concealed within these locational groupings. For example, London has a higher proportion of houses (27 per cent) than Brighton & Hove (two per cent), and outside these areas the proportion of houses ranges from 52 per cent in Teignbridge to 92 per cent in North East Lincolnshire.

The most common property size overall, in both London/B&H and Elsewhere, is two bedrooms. In London/B&H more properties are smaller than this rather than larger, while the reverse is true Elsewhere. Combining type and size reveals that the ‘norm’ in London/B&H is one and two bedroom flats/maisonettes (accounting for 63 per cent of all properties) while the norm Elsewhere is two and three bedroom houses/bungalows accounting for 67 per cent of all respondents’ properties²⁴.

Overall, about four in ten properties were let fully furnished and the same proportion let unfurnished; the remainder were part furnished. Fully or part furnished lets are much more common in London/B&H than Elsewhere.

²³ *Receiving the LHA: Claimants’ early experiences of the LHA in the nine Pathfinder areas*, No. 6, DWP, 2005, page 47.

²⁴ No analysis is presented here for property size by household size or type because this is treated much more fully in the following chapter in relation to the size of property households are occupying and would be eligible for under LHA rules.

Table 3.10 Property type, size and furnishing: LIWH households and LHA Pathfinder (HB claimants)

Time	London/B&H %	Elsewhere %	All LIWH %	Pathfinder W1 ⁽¹⁾ %
Property type				
House/bungalow	22	77	49	46
Flat/maisonette	72	19	46	49
Bedsit/room(s)	6	4	5	5
Something else	1	*	1	-
Number of rooms intended as bedrooms				
One	37	15	26	
NA				
Two	40	43	41	
Three	15	33	24	
Four	6	8	7	
Five or larger	3	1	2	
Furnishing status				
Furnished	49	28	39	18
Partly furnished	21	16	19	23
Unfurnished	29	55	41	59
<i>Base</i>	567	531	1,098	3,414

(1) Source: *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Tables 31. and 3.5.

* More than zero, less than 0.5%.

Comparison with properties occupied by LHA claimants suggests that LIWH tenants are rather more likely to be living in houses/bungalows than claimants, which is notable given the weighting of the LIWH sample towards London with its greater proportion of flats and maisonettes. LIWH tenants are more likely to be renting furnished and less likely to be renting either part furnished or unfurnished. Again the difference seems real because, even outside London/B&H, proportions of furnished lets are higher for LIWH tenants.

The majority of LIWH tenants (83 per cent) said that they had about the right number of rooms in their accommodation; 13 per cent said they had too few and two per cent that they had too many. The comparable figures for LHA Pathfinder claimants²⁵ were 81 per cent, 17 per cent and two per cent respectively, suggesting that LIWH tenants are slightly less likely to feel that they had too few rooms.

There was little difference between London/B&H and Elsewhere in terms of perceptions of room adequacy. Having too few rooms was not confined to any particular type of household, although higher proportions of couples with children aged under 16 (20 per cent) and especially lone parents with children under 16 (27 per cent) said that they had too few rooms. The analysis in Chapter 4 concerning the relationship between the current number of bedrooms occupied by LIWH with children compared to the standards set under the HB arrangements adds weight to this finding.

²⁵ *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 3.21.

3.5.3 Property condition

Two survey questions provide information related to house condition: a rating of the property's state of repair, and ratings of different aspects of the property. There is no direct comparison with the LHA Pathfinders.

Table 3.11 shows respondents' ratings of the state of repair of their property. More than half of all LIWH respondents (56 per cent) rated the state of repair of their property as excellent or very good. At the other extreme, 12 per cent rated it as either fairly or very poor. There was very little difference in ratings between London/B&H and Elsewhere, although tenants in London/B&H were more likely to rate their property as excellent and less likely to rate it as very good.

Table 3.11 Rating of state of repair of property

Rating	London/B&H %	Elsewhere %	All LIWH %
Excellent – nothing needs doing	18	13	16
Very good – only minor problems	38	42	40
Fairly good – some problems but not many	33	32	33
Fairly poor – quite a lot of problems	9	10	9
Very poor – a lot of major problems	2	3	3
<i>Base</i>	567	531	1,098

Analysis by property type, household type and income (not shown) reveals few consistent relationships with state of repair. Bedsits/room(s) are slightly more likely to be rated as very poor than other property types – but they are also more likely to be rated as excellent. Lone parents with children aged under 16 and unrelated sharers are more likely than the average to rate their property as poor, but differences are small and not statistically significant.

The LHA Pathfinder survey included a question with slightly different wording and four categories for answers. A third of HB claimants (33 per cent) said nothing needed doing to their accommodation, 51 per cent said it had only minor problems, 11 per cent that it had quite a lot of problems and four per cent that it had a lot of major problems²⁶. It is hard to make comparisons here since the data could be interpreted as suggesting both that properties occupied by HB claimants are better than those occupied by LIWH (a higher proportion said nothing needed doing or minor problems only) and that they are worse (higher proportions saying that there were a lot of problems). Expectations may differ between the groups as well.

LIWH respondents who rated their property as having any repair problems were asked how much these problems affected them. As a proportion of the whole sample, three per cent were distressed by the problems, eight per cent said that they caused discomfort, and 33 per cent said that they caused some inconvenience. It appears, therefore, that state of repair is causing distress or discomfort to about one LIWH tenant in ten. The in-depth interviews with families showed a similar incidence of perceived problems and also illustrated genuine fears for comfort and safety for a small minority of tenants. The survey suggests that there are no clear relationships with area or household type.

²⁶ *Local Housing Allowance Final Evaluation: The survey evidence of claimants' experience in the nine Pathfinder areas*, No. 15, DWP, 2007, Table 3.9.

Respondents were asked to rate their property on nine separate factors. Table 3.12 shows the results ordered according to the proportion of respondents rating their property as either fairly or very poor. The whole sample is included since there were few significant differences between areas.

Table 3.12 Rating of property on nine factors

	Very good %	Fairly good %	Neither good nor poor %	Fairly poor %	Very poor %
Amount of storage space	21	37	15	18	9
Decoration	22	45	18	12	3
Bathroom facilities	27	46	14	10	4
Kitchen facilities	27	43	15	11	3
Outside appearance	23	48	17	10	3
Internal design/layout	22	51	16	9	1
Overall size	31	49	12	7	1
Layout of rooms	27	54	12	6	1
Number of rooms	31	51	11	5	1

Base = 1,098.

The amount of storage space emerges as the main issue, with over a quarter of respondents rating their property as poor on this factor. The other factors are less important with no more than 15 per cent of respondents giving a poor rating.

These findings overall suggest that the condition of property occupied by LIWH tenants in the PRS is generally reasonable except for a minority. There is little relationship to area or to property or household type.

3.5.4 Heating

The in-depth interviews were carried out during an exceptionally cold January and inadequate heating emerged as quite a major issue. Interviewees mentioned inadequate or unreliable boilers, draughts, poor insulation and absence of double glazing.

The survey was conducted before this when the weather was less cold. Overall, 83 per cent of properties had central heating in living rooms and bedrooms and a further eight per cent had it in some but not all rooms. Ninety-seven per cent of respondents with central heating said that it was working. Just under one in ten (nine per cent) had no central heating. There was some connection between lack of full central heating and repair problems in that 20 per cent of those without full central heating reported fairly or very poor state of repair compared with only ten per cent of those with full central heating. However, some properties without central heating were reported to be in excellent condition.

Over four-fifths of respondents (83 per cent) said that they could normally keep comfortably warm in their living room. Thus 17 per cent said that they could not. There was no real difference by area. Couples with children aged under 16 were slightly more likely to say that they could not normally keep warm (20 per cent), but there were few other differences by either household or property type. Not surprisingly the households with the lowest gross income (less than £96 per week – only 21 cases) were most likely to say they could not keep warm (29 per cent) compared with only 12 per cent of those with the highest incomes (over £578 per week – 115 cases).

3.5.5 Rents and other payments

The LIWH survey asked how much the landlord currently charges the household in rent. Answers were given in terms of weekly, four weekly, calendar monthly or annual payments, and have been recoded to provide the equivalent weekly amount. Respondents were asked whether the rent included water, heating or other utility bills, Council Tax or other payments. The most common additional inclusive payments were water bills (12 per cent), Council Tax (nine per cent), heating bills (eight per cent) and other utility bills (seven per cent). One or two respondents each paid for broadband or internet access, TV licence or Sky, parking or telephone in with their rent.

The great majority of respondents (85 per cent or 935 cases) said none of these payments was included. All analyses relating to rent levels in the remainder of this report are based on a reduced sample of 935 cases with a 'pure' rent payment – that is rent exclusive of any other charges – to be sure of making like-for-like comparisons. As might be expected, respondents paying some form of inclusive rent (and thus excluded from subsequent rents analysis) are not typical of all respondents:

- They are disproportionately likely to be single persons or unrelated sharers (69 per cent of those paying an inclusive rent are such households compared with 37 per cent of those paying an exclusive rent).
- They are disproportionately likely to be living in a flat/maisonette or rooms (75 per cent compared with 47 per cent).
- They are disproportionately likely to be living in London/B&H rather than elsewhere (71 per cent compared with 48 per cent).

Interestingly, inclusive rents are lower on average than exclusive rents. The weekly average of those rents which include service charges is £170.21 compared to an average of rents which exclude charges of £207.66 in London/B&H. Elsewhere, the averages are £106.70 and £110.50 respectively. This remains true controlling for household type and within each different property type. There may be differences in quality underlying this, although such differences are not reflected in satisfaction with the property or assessments of state of repair. The exclusion of properties where rents include some form of additional charges has the effect of slightly raising average reported rent levels by £7.06 in London/B&H and 32 pence Elsewhere; the larger impact in London/B&H reflects both larger numbers of inclusive rents and greater disparity in rent levels.

Table 3.13 shows weekly rent payments for the reduced sample of respondents paying rent exclusive of any other charges. Because of area differences, figures are given for each local area outside London. The table includes the mean rent (and standard deviation (SD)), median and mode, and the range by minimum and maximum. Areas are ordered from highest to lowest mean weekly rent.

Table 3.13 Weekly rent payments (in £s), by local area

Location	Mean (SD)	Median	Mode	Minimum	Maximum	Number
London	216.84 (82.47)	196.15	196.15	22.15	750.00	344
B&H	179.49 (50.46)	175.00	138.46	88.85	321.92	107
Teignbridge	123.68 (27.23)	126.92	126.92/138.46	40.00	196.15	105
Coventry	115.78 (23.68)	120.00	121.15	40.00	207.69	121
Leeds	109.54 (32.73)	107.50	115.38	32.31	258.46	139
NE Lincolnshire	96.49 (13.44)	95.00	90.00	65.00	150.00	119
All Areas	157.75 (75.13)	138.46	115.38	22.15	750.00	935

Mean weekly rents range from £216.84 in London to £96.49 in North East Lincolnshire. London also shows by far the widest range in rents paid, including both the highest and the lowest payments recorded. In London the mean is above the median suggesting that the mean is influenced by unusually high rent payments (13 respondents are paying weekly rents in excess of £400). In other areas the mean and the median are very much closer together.

Table 3.14 summarises the mean rent and standard deviation by property type, size and perceived state of repair, and by household type. Figures are presented separately for London/B&H and Elsewhere. The base on which each mean is calculated is shown in italics.

The table shows the consistent differential between London/B&H and Elsewhere, with London/B&H having the higher rents. This is marked in every category analysed.

In each of the areas, houses/bungalows have higher rents than flats/maisonettes which in turn have higher rents than bedsits/room(s). This is distorted for the whole sample because of the relative importance of property types in each area. Thus the much higher proportion of houses/bungalows outside London/B&H bring the average for that property type across the whole sample below that for flats/maisonettes which include a higher proportion of all lettings in higher-rent London/B&H.

In London/B&H there is a distinct rent gradient according to property size, ranging from an average of £162.64 for one bedroom to £315.21 for four or more bedrooms. In contrast the gradient is much less steep outside London/B&H with a difference of less than £20 between the average rents of the smallest and largest properties. The average rent for a three bedroom property appears to be below that for two bedrooms, but this is again a consequence of property size and rent characteristics in the different local authorities outside London/B&H. In each individual area, average rents are higher for three bedroom than for two bedroom properties, although the difference is never as much as £10 (greatest in Teignbridge at £9.17 and smallest in North East Lincolnshire at £2.88).

There is very little difference in average rent according to perceived state of repair. Outside London/B&H average rent for properties thought to be in excellent or very good repair is below that for property assessed less highly. This could reflect concealed differences in property type and size. However, analyses of the most common property type/size categories in each area (not shown) again indicate very little difference in rents according to state of repair. In London/B&H, the average rent for one bedroom flats/maisonettes in excellent or very good repair is just over £3 higher than that for properties in a lower state of repair. Similarly, average rents for two bedroom houses/bungalows outside London/B&H by the two states of repair differ by slightly less than £3.

Table 3.14 Mean (and SD) of rents paid (£s), by property and household characteristics

	London/B&H	Elsewhere	All LIWH
Property type			
House/bungalow	250.90 (80.25) 108	112.87 (25.85) 388	142.92 (71.88) 496
Flat/maisonette	196.25 (70.96) 331	107.79 (28.12) 86	178.01 (73.68) 417
Bedsit/room(s)	152.56 (82.80) 9	64.06 (30.53) 10	105.98 (74.66) 19
Property size			
1 bedroom	162.64 (38.99) 155	99.72 (21.32) 60	145.08 (44.94) 215
2 bedrooms	204.73 (59.88) 192	113.25 (21.29) 214	156.51 (63.41) 406
3 bedrooms	267.25 (85.82) 73	112.29 (27.04) 165	159.82 (88.72) 238
4+ bedrooms	315.21 (105.46) 31	119.45 (47.65) 38	207.40 (125.55) 69
Assessed state of repair			
Excellent/very good	215.14 (75.76) 258	110.23 (27.38) 266	161.89 (77.17) 524
Other	198.40 (79.41) 193	111.84 (27.12) 218	152.49 (72.20) 411
Household type			
Single person	173.20 (77.88) 108	97.09 (21.51) 114	134.17 (68.10) 222
Lone parent with child(ren) under 16	211.13 (41.71) 16	126.98 (22.82) 30	156.25 (50.57) 46
Couple with child(ren) under 16	205.26 (79.66) 70	115.02 (25.20) 110	150.11 (59.44) 180
Couple (no-one else)	193.11 (48.30) 128	111.86 (19.93) 124	153.13 (55.06) 252
Couple, no child under 16 but some other	234.02 (55.83) 28	117.04 (32.08) 31	172.56 (73.86) 59
Unrelated sharers	271.88 (98.16) 71	119.44 (41.53) 55	205.34 (109.10) 126
Extended family	225.68 (49.41) 30	105.30 (24.88) 20	177.53 (72.35) 50
All LIWH	207.98 (77.70) 451	110.96 (27.24) 484	157.75 (75.13) 935

Both in London/B&H and Elsewhere, single person households have the lowest average rent levels. In both areas, lone parents with children aged under 16 have higher average rents than their two parent counterparts. This probably reflects the fact that, in both areas they, on average, occupy slightly larger properties and are slightly more likely to have a house/bungalow rather than a flat/maisonette – in turn perhaps reflecting their rather older age profile (see above). It is also worth pointing out, in connection with this part of Table 3.14, that there is some uncertainty as to whether unrelated sharer households have answered the question on rent for the whole property or their share of it. An individual sharer is unlikely, in many cases, to pay what appears to be the full amount of rent quoted by the respondent.

The survey asked how easy respondents found it to meet their heating/fuel costs. Overall, just half of respondents said that it was either very easy (13 per cent) or fairly easy (36 per cent). A further fifth said it was neither easy nor difficult. A quarter said that it was either fairly (18 per cent) or very difficult (seven per cent). Respondents outside London/B&H were slightly more likely than others to find it difficult to meet their heating/fuel costs. There was a clear and predictable relationship with gross weekly income with more than 30 per cent of those with an income up to £288 per week saying it was difficult compared with less than a fifth of those with weekly gross incomes over £578. This point was amplified in the in-depth interviews with families. There were indications in the in-depth interviews that families on low incomes could not afford the rent of better insulated and more efficiently heated properties which would allow them to save on heating costs. It may also be that heating costs are hard to judge when taking a tenancy so that it is difficult to factor this into trade-off decisions.

3.6 Satisfaction with property and local area

The survey asked questions about satisfaction with both property and local area.

3.6.1 Satisfaction with property

Table 3.15 shows satisfaction with property, distinguishing between London/B&H and Elsewhere. Overall, 85 per cent of LIWH tenants were satisfied (35 per cent very satisfied and 50 per cent fairly satisfied). Rather less than one in ten expressed dissatisfaction with their property. Dissatisfaction was less common in London/B&H than Elsewhere (as also was the answer ‘very satisfied’). There is no comparable information from the LHA Pathfinder report to allow comparison with HB claimants; the EHCS suggests that LIWH are more likely to be satisfied with their property than HB claimants (Chapter 2).

Table 3.15 Satisfaction with property

Satisfaction	London/B&H %	Elsewhere %	All LIWH %
Very satisfied	32	38	35
Fairly satisfied	54	46	50
Neither satisfied nor dissatisfied	6	6	6
Fairly dissatisfied	6	8	7
Very dissatisfied	2	4	3
<i>Base</i>	567	531	1,098

Further analysis was carried out to check the factors associated with dissatisfaction. For this purpose, a factor is said to be associated with dissatisfaction where more than 12 per cent of respondents expressed dissatisfaction (compared with an average of nine per cent). The findings are:

- Associations of dissatisfaction with demographic factors are weak. Lone parents with children aged under 16 (16 per cent dissatisfied) were the only household group where dissatisfaction exceeded 12 per cent. Dissatisfaction was greater among some ethnic groups: Black respondents (17 per cent), 'Other' ethnicities (15 per cent) and mixed heritage households (13 per cent). Dissatisfaction did not exceed 12 per cent for any income group.
- As might be expected, dissatisfaction is much more strongly related to property characteristics: very poor repair (64 per cent), fairly poor repair (40 per cent), unable to keep comfortably warm in the living room in winter (28 per cent), too many rooms (23 per cent) and too few rooms (17 per cent). Nineteen per cent of those who intend to move within the next six months were dissatisfied with their property.
- Dissatisfaction with the property exceeded 12 per cent only for the few people paying less than £50 per week in rent. Nor was there a relationship between dissatisfaction with the property and proportion of income paid in rent.
- There was an association between dissatisfaction and respondents' feelings about their local area: among those very dissatisfied with the local area, 25 per cent were dissatisfied with their property, as were 16 per cent of those fairly dissatisfied with their area.

Overall, the majority of LIWH tenants were satisfied with their property. Those dissatisfied were disproportionately likely to be in poor quality property and/or accommodation which does not meet their space needs. This appears to be largely unrelated to rent or income.

3.6.2 Satisfaction with the local area

Table 3.16 shows satisfaction with the local area. Almost nine out of ten express satisfaction and only seven per cent dissatisfaction, suggesting higher levels of satisfaction with local area than with property. Differences between London/B&H and Elsewhere are rather more marked in the context of local area than they were for satisfaction with property, with more favourable assessments in London/B&H.

Table 3.16 Satisfaction with the local area

Satisfaction	London/B&H %	Elsewhere %	All LIWH %
Very satisfied	42	42	42
Fairly satisfied	49	40	44
Neither satisfied nor dissatisfied	7	7	7
Fairly dissatisfied	2	7	5
Very dissatisfied	1	4	2
<i>Base</i>	567	531	1,098

Table 3.17 lists the main factors mentioned as things most liked and most disliked about the local area. Factors are included as 'likes' when mentioned by more than 20 per cent of respondents. Because fewer things were mentioned as 'dislikes', the cut off point is more than ten per cent of respondents.

Table 3.17 Main factors liked and disliked about the local area

Factors liked by more than 20% of respondents		Factors disliked by more than 10% of respondents	
Factor	%	Factor	%
Shops, social and leisure facilities	63	Nothing	28
Public transport links	39	Anti-social behaviour/neighbour problems	22
Distance to work	35	Safety and crime in the area	20
People who live here (neighbours and others)	32	Amount of litter	19
Sense of community	22	Levels of noise pollution	18
Environment, e.g. amount of green/open space	22	Amount of available parking spaces	18
Access to health facilities	21		

Base: 1,098.

Most of the ‘likes’ relate to the location of the home area in relation to services and work, with local people and a sense of community as secondary factors. Main dislikes concern anti-social behaviour, crime and the environmental problems often associated with modern urban living. The in-depth interviews revealed that fear of crime and anti-social behaviour, especially affecting women and children, could have a major impact on quality of life for a few families. Some commented that the internet and other forms of information on lettings could give an idea of property size and type, but it was harder for people unfamiliar with an area to identify the ‘safe’ or ‘nice’ areas – if they could afford rents there.

The importance of access to workplace for these working families was also brought out in the in-depth interviews. In the survey almost a fifth of respondents either work from home, do not work or have a variable workplace. Where there was a regular workplace, distances varied: 16 per cent usually travelled under a mile to work, 25 per cent at least one but under three miles; 14 per cent at least three but under five miles; 13 per cent at least five but under ten miles; 10 per cent at least ten but under 25 miles; and five per cent 25 miles or more. This suggests that most LIWH are able to access PRS accommodation within a relatively short distance of their workplace. The most common forms of transport to work were: car or van (25 per cent), bus, minibus or coach (20 per cent), train (19 per cent) and on foot (18 per cent). Public transport is obviously important to many LIWH.

The survey shows an association between satisfaction with the local area and feelings of belonging to the immediate neighbourhood. Overall, 12 per cent of respondents said that they felt very strongly that they belonged to their immediate neighbourhood and 41 per cent said they felt fairly strongly that they belonged. Thirty per cent felt not very strongly and 14 per cent not at all strongly that they belonged. Among those who felt very strongly that they belonged to their immediate neighbourhood, 75 per cent were very satisfied with their local area and only two per cent were dissatisfied. In contrast, of those who felt not at all strongly that they belonged, only 24 per cent were very satisfied and 17 per cent were dissatisfied with their local area. Not surprisingly, feelings of belonging to neighbourhood increased with length of residence. They were also associated with future movement intentions. Overall 22 per cent of respondents intend to move in the next six months. Thirty-seven per cent of those who felt not at all strongly that they belonged to their neighbourhood intended to move within six months, compared with only 15 per cent of those who felt strongly that they belonged. This suggests that the PRS can facilitate attachment to place and a degree of residential stability as well as opportunities (and possibly motives) for mobility. This is discussed further in Chapter 5.

3.7 Summary points

The survey analysis confirms findings from national surveys reported in Chapter 2 of broad demographic differences between LIWH and HB claimants. As a group, LIWH are younger, live in larger households on average, include smaller proportions of single people and lone parent families, are more ethnically mixed and are much more likely to have educational qualifications than HB claimants. Having said that, however, a striking finding from the survey is the diversity of LIWH respondents. While there are characteristic differences between LIWH and HB claimants, there are also obvious similarities.

Indications of differences between the characteristics of properties occupied by LIWH and HB claimants are slight. LIWH are slightly more likely than HB claimants to be living in a house/bungalow rather than a flat/maisonette and to be renting furnished. The national surveys reported in Chapter 2 suggest LIWH are less likely to be living in accommodation below the (previous) Decent Homes Standard, and the LIWH survey reveals that a small minority of LIWH (about one in ten) said that their property was in a poor state of repair, and about one in ten lacked central heating. Lack of storage space was the factor most often felt to be poor. One in ten LIWH respondents expressed dissatisfaction with their property and this was most strongly related to property condition, perceived lack of space and problems in keeping warm. Satisfaction with the local area was higher and only seven per cent expressed dissatisfaction. Overall, the survey suggests that the majority of LIWH are able to find accommodation in the PRS which is of a reasonable standard and which meets their needs and expectations, including access to work and/or public transport. This is not true for about one in ten.

This chapter has not sought to compare rent levels paid by LIWH and HB claimants (see Chapter 2).

Most LIWH pay rent to their landlord or agent which includes no other charges. Inclusive rents were lower on average than rents which do not include other charges, especially in London/B&H. If such inclusive rents are excluded from the analysis, weekly mean rent levels are £207.98 in London/B&H and £110.96 Elsewhere. In each area, houses/bungalows have higher rents than flats/maisonettes which in turn have higher rents than bedsits/room(s), and there is a gradient according to property size which is steeper in London/B&H than Elsewhere. There is very little difference in average rent according to perceived state of repair.

A quarter of LIWH respondents said that it was difficult to meet their heating/fuel costs. The in-depth interviews with families amplified this point and suggest that families on low incomes may not be able to afford the rent of better insulated and more efficiently heated properties which would allow them to save on heating costs.

4 LIWH and HB entitlements: some comparisons

One of the main objectives of the research on which this report is based was to increase the amount of information available on the type of privately rented accommodation in which low income working households (LIWH) live and the housing costs they bear, and to enhance understanding of this information. Chapter 3 has examined some of the key characteristics of LIWH living in the private rented sector (PRS). This chapter focuses on some of the key findings of the LIWH survey as they relate to the question of housing costs and considers what these findings might show about the housing consumption and expenditure of LIWH compared to that of similar households who are claiming Housing Benefit (HB).

To achieve this, the chapter proceeds as follows. The next section briefly considers the issue of the ‘affordability’ of PRS housing for LIWH and examines the rents paid by these households in relation to their income. The third section describes the approach taken to carrying out comparisons of LIWH and HB recipients before briefly explaining some of the data and definitional issues that were encountered, and how they were dealt with. The remainder of the chapter attempts to answer three main questions (explained more fully below): first, what size of property might LIWH be entitled to under the HB arrangements and how does it compare with the property currently occupied? Second, how do the rents of the properties occupied by LIWH compare to the Local Housing Allowance (LHA) rates that are set for those properties? Third, what LHA rates would LIWH potentially be entitled to, if claiming HB and how do these compare to the rents that they currently pay?

The findings in relation to these questions are summarised briefly at the end of the chapter but the main conclusions are reserved for Chapter 6.

4.1 Rent payments and income

The primary purpose of this section is to obtain a general overview of the relationship between the incomes of LIWH and the rents that they pay. It does not attempt to identify a standard for what these and other households should pay for their housing nor to suggest the minimum or maximum levels of housing (rental) expenditure that are in some sense acceptable from an ethical and/or policy making perspective.

However, it is necessary to acknowledge that the income-housing expenditure relationship is one that has attracted a great deal of academic and popular attention through discussions of housing ‘affordability’. Not least among these discussions has been the attention paid to how affordability might be defined. Various measures have been suggested²⁷, including those which compare income after housing costs with either minimum incomes for non-housing consumption as defined by, for example, the levels set by the social security system in the UK (such as Income Support) or with the budget required to sustain minimum non-housing consumption as set in relation to some other poverty line definition. In essence these approaches attempt to define what is affordable by seeing whether a household can sustain a reasonable or acceptable standard of living after paying for their housing.

²⁷ For valuable recent discussion, see Stone, M. E. (2006), A Housing Affordability Standard for the UK, *Housing Studies*, vol 21, no. 4: 453-476.

The comparatively simple approach used here of comparing rental expenditure with incomes in the form of rent to income ratios has been criticised as a measure of affordability per se in the context of this sort of debate on a number of grounds, and these weaknesses in the use of such ratios as a normative and explanatory measure are acknowledged.

The use of a simple rent to income ratio approach here is justified in two rather different ways:

- The in-depth interviews with families with children under 16 showed a general relationship between rent to income ratio and the interviewees' perception of the affordability of their rent. Families reporting affordability problems were more likely to have a single earner or, in a few instances, no earner at the time of the interview. Rents represented a significantly higher proportion of income among those reporting affordability problems than among those reporting no problems or saying that their rent was affordable but at the limit of what they could pay.
- The main focus of this section is to get a view of the significance of rental expenditures to LIWH, not to set standards for that expenditure or to explain its determinants in any depth. A simple rent to income ratio measure is adequate for this.

4.1.1 Results

A number of data issues needed to be addressed and a number of groups/individual responses had to be excluded in the interests of greater accuracy before the rent to income ratios could be calculated and examined. These issues are discussed in Appendix B. Briefly, households reporting zero rents or rents inclusive of service charges were excluded from the analysis. Then those without earnings from employment or self-employment, households consisting of unrelated sharers (14 per cent of all respondents), and those with rent to income ratios above the quintile value of the ratio were progressively excluded from the analysis. Table 4.1 presents the results.

In the table, where all households with zero rents or rents including service charges are excluded:

- 1 Column (1) shows the effects of additionally excluding those households with no earnings from employment or self-employment.
- 2 Column (2) shows the effects of then excluding households composed of unrelated sharers as well as those with no earnings from employment or self-employment.
- 3 Column (3) shows the 'combined' effects of excluding households composed of unrelated sharers, those with no earnings from employment or self-employment and any household with a rent to income ratio above the upper quintile of the distribution – that is, ratios of over 0.63 (63 per cent)²⁸.

²⁸ The in-depth interviews with families with children aged under 16 included six respondents who were paying a rent equivalent to more than 63 per cent of their gross income. Two were in receipt of HB at the time of the interviews; two were single parents who had paid rent from a lump sum from a former partner or a property sale; one charges half her rent to a child-minding business she runs from her home; and one recognised herself to be severely over-stretched and was borrowing from family members to manage. These illustrate some ways in which very high rent to income ratios can come about, but also justify their exclusion from the main analyses because of the prevalence of unusual and/or unsustainable circumstances often involved.

Table 4.1 Summary measures of rent as a proportion of income: various samples

Summary measure	(1)	(2)	(3)
	All earning households	Earning households excluding unrelated sharers	Earning households excluding both unrelated sharers and ratios >0.63
Mean (SD)	0.50 (0.49)	0.43 (0.27)	0.35 (0.12)
Median	0.39	0.37	0.34
Maximum	6.18	3.53	0.62
Minimum	0.04	0.04	0.04
Number	892	774	654

As would be expected, progressively restricting the sample in Columns (1) through (3) lowers the estimate of the percentage of income spent on rent from 50 per cent to 35 per cent and, in Columns (2) and (3), lowers the maximum value in the sample. It is important to note that the median value varies across these samples by much less than the mean, falling only from 0.39 to 0.34, as a result of removing the outliers.

Table 4.2 shows the summary measures broken down by broad area with the results for Column (3) from Table 4.1 – ‘All areas’ – included for the purposes of comparison.

Table 4.2 Summary measures of rent as a proportion of income, by area

Summary measure	Earning households excluding both unrelated sharers and ratios >0.63		
	All areas	London/B&H	Elsewhere
Mean (SD)	0.35 (0.12)	0.39 (0.13)	0.32 (0.11)
Median	0.34	0.37	0.31
Maximum	0.62	0.62	0.62
Minimum	0.04	0.04	0.11
Number	654	281	373

Table 3.6 and 3.12 indicated that incomes and (average) rents were higher in London/B&H than Elsewhere. Table 4.2 suggests that rents paid in the two South East areas must exceed those paid Elsewhere by more than the difference in incomes between these broad areas, in general, since the percentage of income spent on rents in London/B&H is almost 40 per cent compared to just over 30 per cent Elsewhere. The differences between the areas may also result from any tendency for households with higher incomes to choose to spend more on housing than households with lower incomes.

Table 4.3 presents the results for the rent to income ratios when considered in relation to household type, with unrelated sharers excluded as before.

Table 4.3 Mean (and standard deviation (SD)) of rent as a proportion of income, by household type

Area	Singles	Lone parents	Couples and children <16 years	Couples: no children <16 years	Extended families
London/B&H number	0.41 (0.12) 77	0.48 (0.10) 8	0.38 (0.12) 57	0.37 (0.13) 123	0.50 (0.11) 16
Elsewhere number	0.36 (0.09) 94	0.42 (0.10) 17	0.31 (0.11) 102	0.28 (0.10) 143	0.38 (0.11) 17
All areas number	0.38 (0.11) 171	0.44 (0.10) 25	0.33 (0.12) 159	0.32 (0.12) 266	0.44 (0.12) 33

Table 4.3 supports the finding of Table 4.2 that the proportion of income spent on rent is higher for all included household types in London/B&H than Elsewhere. The highest proportions are found among the relatively small number of extended families in the two South East areas (50 per cent) and the similarly small number of single parent families in all areas, the latter reporting spending around 42 per cent - 48 per cent of their incomes on rent. Care is needed in interpreting this latter result because of the small numbers involved, but it is supported by the findings of the qualitative research reported in Chapter 5.

4.2 Low income working households and Housing Benefit

4.2.1 The approach

As explained in the introduction to this chapter, one of the main reasons for undertaking this research is to gain some insights into the housing expenditure and consumption of LIWH compared with that of HB recipients. This should enable some broader conclusions to be drawn concerning the relative well-being, at least in housing terms, of LIWH in comparison with households who are receiving HB who are broadly similar (other than in terms of their income). It is important to remember, however, that one of the difficulties faced in attempting to make such comparisons is the absence of consistent and detailed data on HB recipients equivalent to that now available for LIWH through the survey carried out for this project.

Therefore, the approach taken in this part of the research has been to estimate what the implications for housing consumption and housing costs of LIWH would be if they were to come into the HB system. This enables a comparison to be made between the current consumption and costs of LIWH and the consumption and 'allowable' housing costs available to them if their financial circumstances were such as to make them eligible for HB. In short, the question being asked is 'If these households were entitled to HB, how much would they receive and for what type of property, and how does this compare to their current situation?'

This is a hypothetical question, of course, since the overwhelming majority of the LIWH in the survey did not receive HB at that time and would not have been eligible for the award in practice, though some very low income households in employment may be entitled to the award, even if they are not currently claiming it²⁹. However, the question is an important one to attempt to answer since it relates to one of the main policy concerns in this area, namely, whether LIWH would be better off in housing terms if they were to cease being working households and instead become HB claimants.

4.2.2 The research questions

The focus of this part of the research was on answering three specific questions:

- 1 What size of property would LIWH be entitled to under the HB regulations concerning appropriate property size compared to the size of property that the household currently occupies?

This allows an investigation of whether HB rules on property size (number of bedrooms – ‘bedsize’) are different for HB claimants from the property size (bedsize) that LIWH choose to occupy.

- 2 What are the rents paid for the sizes of properties occupied by LIWH compared to the rates that are set under HB (the LHA rates) for those properties?

This should indicate whether LIWH pay more or less in rent than HB claimants would be entitled to in assistance with their rent for a given size of property and thus whether the rates reflect LIWH rent liabilities. It may also indicate, more generally, whether rents set in the ‘LIWH market’ tend to reflect the rates set for HB purposes.

- 3 What assistance in terms of LHA rates would LIWH be entitled to under the current regulations, given the size and composition of their household, and how does this compare with the rent that they currently pay?

The answer to this question should shed some light on the question of whether LIWH would be entitled to more or less assistance than they pay currently in rent if they were entitled to HB.

Taken together, exploring the answers to these questions should provide evidence as to whether or not the HB system enables claimants to achieve higher housing consumption than is possible for otherwise similar LIWH.

A number of definitional and data issues needed to be resolved before these three questions could be analysed. These are explained in Appendix B. Briefly, the ‘household’ for analytical purposes includes non-relatives as well as family members so that like-for-like comparisons between the current situation of the household to which the survey data refers and that household’s hypothetical ‘entitlements’ under HB could be attempted. The size of property for which the household might be eligible under HB regulations was calculated on the basis of this household definition and on the current regulations concerning the reasonable number of bedrooms for a household of a particular size and type. Finally, the LHA rates employed were those as at November 2009 (the time of the survey) for each size of property in the area – Broad Rental Market Area (BRMA) – in which

²⁹ Ten households in the survey stated that part of their income came from HB. Eight of these households had no income from employment but, according to the screening criteria for survey participation, would have been working when they recently took up their tenancy. The remaining two households appear to be claiming HB as an in-work benefit. Some evidence is presented in Chapter 5 to suggest that, among families, HB receipt was reported to be somewhat higher at the subsequent qualitative stage of this research than was recorded at the time of the survey.

respondents were living. The calculation of specific LHA rates also allowed for the lower one bedroom shared accommodation rate, or ‘Shared Room Rate’ (SRR), where relevant to the analysis and where applicable to particular households as explained in Appendix B. In all cases, because of the data issues involving households consisting of unrelated sharers (also explained in Appendix B) these households are omitted.

4.2.3 Research question 1: Current property size and HB property size ‘entitlements’

The analysis here includes all households for which it is possible to calculate HB bed eligibility and current number of bedrooms, excluding groups of unrelated sharers – a total of 941 households from the full sample of 1,098. Table 4.4 shows the number of bedrooms in the current accommodation compared to the number of bedrooms these households would be deemed eligible for under the HB regulations. There are no properties occupied by the included households with more than five bedrooms. The cells in Table 4.4 are in bold where the current number of bedrooms and HB bed eligibility are equal.

Table 4.4 HB bed eligibility and number of bedrooms in current property: Households including relatives and non-relatives (‘all members’)

Current number of bedrooms	HB bed eligibility					Total
	1 bed %	2 bed %	3 bed %	4 bed %	5+ bed %	
Bedsit	100 (13)					100 (13)
1 Bed	89 (269)	10 (25)	1 (2)			100 (296)
2 Bed	56 (211)	35 (134)	8 (31)	1 (3)		100 (379)
3 Bed	32 (66)	33 (69)	26 (54)	6 (13)	3 (6)	100 (208)
4 Bed	51 (21)	2 (1)	27 (11)	10 (4)	10 (4)	100 (41)
5 Bed	25 (1)		50 (2)		25 (1)	100 (4)
<i>Number</i>	581	229	100	20	11	941

Table 4.4 shows that only in the case of those currently occupying bedsits or one bed properties do a great majority of households (all in the case of bedsits) currently occupy properties of a size equal to their hypothetical bedsize ‘entitlements’ under HB. Overall, 50 per cent (474 households) occupy the ‘right sized’ properties, with 382 LIWH (41 per cent of the total) occupying properties larger than those to which they would be entitled. Only 85 households in total (nine per cent) occupy properties that are smaller than those to which they would be entitled.

Table 4.5 shows whether the current number of bedrooms relative to HB bedsize standards varies by location. Here the focus is on the percentage and number of households in each area that are in the right sized, larger or smaller properties relative to HB standards.

Table 4.5 Current bedsize and HB bedsize standard: Percentage of households in each area

Area	London/B&H %	Elsewhere %
% in 'right' bedsize (number)	60 (286)	40 (188)
% in larger than HB bedsize (number)	28 (133)	53 (249)
% in smaller than HB bedsize (number)	12 (56)	6 (29)
Total (number)	100 (475)	100 (466)

The table shows that a majority (60 per cent) of LIWH households in London/B&H live in the right bedsize property, compared to a large minority (40 per cent) Elsewhere. Fifty-three per cent of households outside the two South East areas live in properties larger than those set by HB compared to just under 30 per cent in the South East. This result may reflect, among other factors, the relatively higher rents and the apparently large differential rent in relation to property size (Table 3.14) in London/B&H which limit the ability of households there to occupy larger properties, and the different sizes of property available in different areas. As is known from Table 4.4, only a minority of LIWH live in properties of a bedsize less than those set under HB, but a greater percentage do so in London/B&H than Elsewhere.

Finally in this section, Tables 4.6 and 4.7 show breakdowns by household type and the household's current number of bedrooms ('bedsize') relative to the bedsize standards set by the HB regulations, here using the more detailed household type categories from Table 3.2. Table 4.6 shows the percentage of properties in each 'bedsize fit' category occupied by each type of household (for example, lone parent with children aged under 16 make up five per cent of all households, and five per cent also of households living in properties of the right size). Table 4.7 shows the percentage of each type of household in properties which are larger, smaller or the right size according to HB standards (for example, 50 per cent of all households are living in property of the right size, as are 47 per cent of lone parents with children aged under 16). In both parts of the table, the distribution of all households by type is also shown to facilitate comparison.

Table 4.6 Current bedsize and HB bedsize standard by household type: Distribution of 'HB bedsize fit' categories, by occupying households

Detailed household type	% all households (number)	% in 'right' bedsize (number)	% in larger than HB bedsize (number)	% in smaller than HB bedsize (number)
Single person (no others)	32 (303)	38 (182)	32 (121)	0*
Lone parent with child(ren) <16 years	5 (49)	5 (23)	2 (9)	20 (17)
Couple with child(ren) <16 years	21 (194)	23 (111)	11 (40)	51 (43)
Couple (no others)	29 (277)	21 (100)	46 (177)	0*
Couple plus others but no children < 16 years	7 (64)	6 (28)	6 (23)	15 (13)
Extended family (plus any non-relatives)	6 (54)	6 (30)	3 (12)	14 (12)
Totals	100 (941)	100 (474)	100 (382)	100 (85)

*Single persons and couples living alone are entitled to one bedroom and there are no properties for HB purposes of a size less than one bedroom.

Table 4.7 Current bedsize and HB bedsize standard by household type: Distribution of household types, by 'HB bedsize fit' category

Detailed household type	% in 'right' bedsize (number)	% in larger than HB bedsize (number)	% in smaller than HB bedsize (number)	Totals (number) of household type
Single person (no others)	60 (182)	40 (121)	0*	100 (303)
Lone parent with child(ren) <16 years	47 (23)	18 (9)	35% (17)	100 (49)
Couple with child(ren) <16 years	57 (111)	21 (40)	22% (43)	100 (194)
Couple (no others)	36 (100)	64 (177)	0*	100 (277)
Couple plus others but no children <16 years	44 (28)	36 (23)	20 (13)	100 (64)
Extended family (plus any non-relatives)	56 (30)	22 (12)	22% (12)	100 (54)
Total households (number)	50 (474)	41 (382)	9 (85)	100 (941)

*Single persons and couples living alone are entitled to one bedroom and there are no properties for HB purposes of a size less than one bedroom.

The first column of Table 4.6 shows the household type distribution of the whole appropriate LIWH sample. The profile of households by household type in the right sized properties is broadly similar to that of the whole sample, although single people make up a rather larger proportion of households and couples on their own ('no others') a rather smaller proportion than in the sample as a whole. However, amongst households living in larger properties there are much higher proportions of couples than across the whole sample. Households with children and extended families (although small in number) make up a greater proportion of those living in smaller properties than in the sample as whole.

To some extent this latter result reflects the fact that single people and couples cannot occupy a smaller property than one bedroom and therefore are not, and cannot be, represented among those in properties which are too small relative to HB standards. In addition, these households may not necessarily occupy very small properties in terms of the number of bedrooms that are available. Further inspection of the data (not shown) indicates that over two thirds (68 per cent) of those occupying properties smaller than HB standards would determine as reasonable live in properties with two or more bedrooms.

Table 4.7, however, shows that this result may nevertheless be of some importance. The penultimate column of the table shows that about a third (35 per cent) of lone parents (17 out of 49), 22 per cent of couples with children aged under 16 (43 out of 194) and 22 per cent of extended families (12 out of 54) are in such smaller properties.

The qualitative interviews with families throw more light on this result. Seven of the 31 families with children aged under 16 interviewed in depth for this research were living in properties with fewer bedrooms than they would have been eligible for under the LHA. All were only one bedroom short of the standard. Most had consciously decided to move to a property which might be seen as too small for them in order, for example, to reduce their rent payments to allow them to save for shared ownership in the future, or to achieve a more central location. Several felt that they had not really compromised on their preferences and were satisfied – sometimes very satisfied – with their

property. Only three of the seven explicitly wanted to move to a larger property. Thus the survey shows that while ‘overcrowding’ in terms of occupying property smaller than the LHA entitlement does affect a small proportion of LIWH, the qualitative findings suggest that this is not always regarded by those involved as a serious problem.

4.2.4 Research question 2: Rents and the LHA rate for the property

This section looks at the relationship between the rents paid for the properties in which LIWH live and the LHA rates set for those properties in the BRMA. Where households are occupying the ‘right’ sized property, the LHA rate for their size of property is also the occupying household’s potential LHA rate entitlement. This is not so where households currently occupy properties either larger or smaller than the bedsize standards set by HB.

Table 4.8 presents an overview of the relationship between weekly rents and the LHA rate for the two areas of London/B&H and Elsewhere. Here the LHA rate obtaining in the BRMA is subtracted from the current rent so that a positive figure means current rent exceeds the LHA rate and a negative figure means that current rent is lower than the LHA rate. This analysis again omits unrelated sharing households and includes only those properties in which households pay a non-zero rent and the rent for which does not include service charges, leaving a total of 809 households.

Table 4.8 Differences between rent of property and LHA rate for property, by area (weekly rents)

Summary measure	All properties	London/B&H	Elsewhere
Mean (SD)	-£16.11 (51.80)	-£21.01 (69.22)	-£11.76 (27.96)
Median	-£10.10	-£11.54	-£5.77
Maximum	£525.00	£525.00	£69.92
Minimum	-£461.54	-£461.54	-£156.69
Total (number)	809	380	429

The table shows that the rents for the properties occupied by LIWH fall below the respective LHA rate by £16 per week on average and that such rents are lower relative to the LHA rate by more in London/B&H (£21) than Elsewhere (almost £12). The variation around these averages, particularly in the South East areas, is large however. The median differences are smaller, with that for the sample as a whole being £10 and those for London/B&H and Elsewhere being slightly higher (over £11) and lower (almost £6) respectively.

The results in Table 4.8 are in line with expectations. Recall that the LHA rate is based on the median rent for all properties occupied by tenants not claiming HB. Hence, it might be expected that LIWH would occupy cheaper properties at rents below the median/LHA rate (and mean) for properties occupied by all PRS households since these also include households with higher incomes.

The absolute differences between rents and the LHA rates presented in Table 4.8, being dependent on the level of rents and LHA rates, do not give a sense of the relative closeness to the LHA rate of the rents paid for these properties nor do they indicate any variation due to differing size of property. Table 4.9, therefore, shows the mean and median for the rents paid as a percentage of the LHA rate for each bedsize in London/B&H (380 households) and Elsewhere (429 households).

Table 4.9 Rents as a percentage of the LHA rate for the property, by bedsize and area

Number of beds	London/B&H			Elsewhere		
	Mean %	Median %	Number	Mean %	Median %	Number
One bedroom	93	94	157	90	86	68
Two bedrooms	94	94	162	93	93	188
Three bedrooms	92	98	48	97	99	150
Four bedrooms*	79	85	11	65	64	22
Five+ beds*	(96)	(96)	(2)	(96)	(96)	(2)

* Note small numbers of observations.

Table 4.9 shows that, for one through three bed properties, the rents paid (mean and median) are all over 90 per cent of the LHA rate, with the exception of the median value for one bed properties Elsewhere³⁰. Ignoring the very few observations for five+ bed properties, it is in the small number of four bedroom properties both in London/B&H and Elsewhere that rents are the smallest percentage of the LHA rate – around 80 per cent (mean) of the rate in London/B&H and about two-thirds of the rate Elsewhere. Rents are closest to the LHA rate for three bedroom properties Elsewhere (97 per cent mean and 99 per cent median).

The table confirms the findings of Table 4.8 that LIWH tend to pay rents which are less than the LHA rate but indicates that, in percentage terms, the rents are relatively close to those rates with the exception of the larger four bed properties.

Overall the results in this section suggest that LIWH are paying rents that are in general lower than the LHA rate for the sizes of property that they occupy but, other than in the case of larger (four bed) properties, the rents represent 90 per cent or more of the appropriate rate. The lower rents would be expected both from the fact that the respondents are LIWH and the way in which the LHA rate is defined. That rents for most sizes of property do not deviate by a large percentage from the LHA rate is explicable also in terms of the calculation of the rate and possibly by the decisions of some landlords operating in LIWH sector of the market to follow the appropriate rate quite closely, although there is no direct evidence from this research to support this.

4.2.5 Research question 3: Rents and LHA rate ‘entitlements’

This section addresses the question of the relationship between the rents that LIWH currently pay and the maximum LHA rate that they would receive if they were (or became) eligible for HB. A negative figure indicates a current rent lower than the appropriate LHA rate. The LHA rate employed here is that for the size of property that would be determined as appropriate for each household under the HB regulations, given their household size, in the BRMA where they are currently living. It incorporates the SRR where this applies to a responding household.

The analysis which follows excludes households consisting of unrelated sharers, those with zero rents and those with service charges included in their rent.

³⁰ The mean and median for the whole sample for all included properties are 93 per cent and 94 per cent, respectively. Including unrelated sharers lowers the mean by one percentage point but leaves the median unchanged.

Table 4.10 Differences between current rent of property and LHA rate for which households would be eligible, by area

Summary measure	All households	London/B&H	Elsewhere
Mean (SD)	-£9.26 (68.05)	-£6.11 (88.77)	-£12.04 (41.83)
Median	- £5.00	0.00*	-£6.93
Maximum	£525	£525	£85
Minimum	-£386	-£386	-£198.20
Total (number)	809	380	429

Table 4.10 indicates that, on average, respondents pay just over £9 per week less in rent than they would receive on LHA based on a property of an appropriate size for their household. This figure falls to just over £6 in London/B&H but rises to nearly £12 on average in the other areas. This would suggest that, in general, LIWH would receive more in HB than they are currently paying in rent. However, the other striking feature about Table 4.10 is the large minimum and maximum values, particularly in London/B&H. As confirmed by the SD for the South East areas – nearly 15 times the mean – there is very great variation in this sub-sample. The median values might therefore prove a better guide. Here the median value for London/B&H is effectively zero, indicating that 50 per cent of respondents occupy dwellings where the rent is less than their appropriate LHA rate and that 50 per cent occupy dwellings where the rent is greater than that rate. Outside London/B&H, however, more households pay a rent less than their appropriate LHA rate than pay a rent greater than that rate.

To gain further insight, Table 4.11 presents for the households included in Table 4.10 the difference between current rents and the LHA rate for an appropriate property broken down by whether the household currently occupies a property smaller, larger or the same size as they would be eligible for under the HB arrangements.

Table 4.11 Current rent minus LHA rate, LHA rate for which households would be eligible, by current bedrooms and HB bed eligibility

Summary measures	Current beds > HB eligibility	Current beds = HB eligibility	Current beds < HB eligibility
Mean (SD)	£14.33 (57.16)	-£14.89 (62.58)	-£88.72 (73.41)
Median	£15.00	-£11.54	-£75.15
Maximum	£410.00	£525.00	£84.46
Minimum	-£216.92	-£386.00	-£367.92
Total numbers	353	378	78

Table 4.11 suggests that those households who currently have the same number of bedrooms as they would be assessed as being eligible for under the HB regulations pay about £14 per week less rent than they would receive in LHA, a result that might have been inferred from Table 4.8 which showed the relationship between rents and the LHA rate for the property. Those households occupying properties larger than they would need according to HB size criteria pay on average something over £14 per week more than they would receive if eligible for HB. These households could, therefore, be said to be choosing to pay more rent in order to secure these larger properties.

Table 4.12 presents these results in terms of rent paid in the current property as a proportion of the LHA rate for which the household would be eligible, shown by the relationship between current bedrooms and HB standards. The medians are shown in the table.

Table 4.12 Current rent as a proportion of LHA rate for which households would be eligible, by current bedrooms and HB bed eligibility

Summary measure	Current beds > HB eligibility	Current beds = HB eligibility	Current beds < HB eligibility
Median	1.13	0.92	0.65
Total numbers	353	378	78

Table 4.12 indicates that ‘on average’, those households occupying properties larger than those for which they would be assessed under HB standards pay 13 per cent more than their eligible LHA rate, while those in the properties of an appropriate size pay eight per cent less than their eligible LHA rate.

Perhaps the most striking result is that for the very small number of households – about ten per cent of the totals in Tables 4.11 and 4.12 – who occupy smaller properties than those for which they would be eligible. The results in Table 4.11 suggest that, on average, households would receive almost £90 per week more from HB than they currently pay in rent (median value, about £75 per week more) if they were to become eligible for the award. Table 4.12 indicates that their current rent is only about 65 per cent of their potential LHA entitlement, were they to be eligible for the award. Since the average rent currently for the 76 households in this position is around £170 per week, these results suggests that, although subject to quite wide variation, these households would be entitled to a (maximum) LHA payment of about £260 per week on average. Further, it is known from Table 4.6 that all of these households are families of one sort or another, with 71 per cent of the total including children aged under 16.

Thus, among the LIWH in the PRS, it is families with children under 16 who are over-represented among households living in properties smaller than they would be eligible for under HB. While such households are a minority of low income working families, if they were eligible to claim HB – not working for example – they would potentially have most to gain in terms of their possible LHA entitlement. Comments made above in relation to Table 4.6 indicate why some families may choose to live in smaller properties. Chapter 5, in considering the motives and decision making of households with children, throws more light this.

4.3 Summary

The results presented in this chapter suggest that LIWH spend around a third or more of their income on rent (excluding service charges) but that those in London/B&H and lone parents and extended families pay more than this, around 50 per cent of their income in the case of these two household types. In terms of the properties occupied by LIWH, the great majority live in accommodation of the ‘right’ size (in terms of the number of bedrooms) or larger than those set under HB regulations. Hence, in this respect the HB standards do not seem over-generous towards HB recipients compared to LIWH. However, it is noticeable that the small number of households occupying smaller properties are predominantly those with children aged under 16.

Most households pay a rent which is, on average, less than the LHA rate for that property although, other than in the case of large properties, the amount paid is in the main 90 per cent or more of that rate. Households in the right sized property also pay less than the maximum rate to which they would be entitled if they were eligible for HB, which is unsurprising when the LHA rate is the median of market rents (across all income groups) and LIWH would be expected to be paying rents at the lower end of the market. Further, over 40 per cent of households live in larger properties than those for which HB would deem them eligible and choose to pay about £14 per week more in rent than they would be entitled to under the LHA based on an appropriately sized property.

The HB arrangements do not seem to favour LHA recipients to a large extent when compared to the majority of LIWH. However, the small group of households with children aged under 16 do appear to be worse off in terms of the property size that they occupy and the LHA rates they would be entitled to if they were eligible for HB. Many of these families will, for a range of reasons, not be eligible for HB in practice. However, that this small but important group seems to fare somewhat less well outside the HB arrangements rather than within them is a finding of some importance.

5 LIWH and the PRS

One area which the research explored was the way in which private rented accommodation is secured by low income working households (LIWH), the choices they make and the barriers and gate-keeping processes they have to negotiate. The LIWH survey included questions about the choice process, and this was amplified by a small number of in-depth interviews. This latter qualitative element of the research gave greater insight into what LIWH families were looking for in the private rented sector (PRS) and how they came to be living there. This led to identification of some of the roles the PRS seems to be performing for LIWH.

The first section of this chapter describes how and where the in-depth interviews were carried out. The second section looks at how households secured PRS accommodation and the choices and trade-offs they made in the process. The next section describes future housing and movement intentions, leading into an assessment of the roles being played by the PRS. The final section explores further whether it is correct to distinguish clearly between ‘LIWH’ and ‘Housing Benefit (HB) claimants’ by drawing on findings on LIWH families’ experience of, and attitudes towards, HB. The chapter draws throughout on both the LIWH survey and the in-depth interviews.

5.1 The in-depth interviews and interviewees

In January 2010, 31 semi-structured in-depth interviews with low income working families in the PRS were carried out by Ipsos MORI. This qualitative work was designed to amplify and complement aspects of the quantitative survey. The approach was designed to increase understanding of:

- PRS tenants’ priorities when moving home;
- their perceptions of choice, and the trade-offs and compromises made when moving to their current home, and their levels of satisfaction;
- patterns of access to the PRS;
- perceptions of the level of rent paid, its impact on their living standards, and attitudes towards, and experience of, HB;
- future housing aspirations and movement intentions.

At the Department for Work and Pensions’ suggestion, the qualitative interviews were carried out exclusively with families with dependent children (aged under 16), a group of high policy interest. Such families comprise just under a quarter of all LIWH survey households. The sample frame was LIWH survey respondents who expressed a willingness to take part in further research. Sample selection, recruitment and fieldwork are described in Appendix C.

The majority of in-depth interviewees were aged between 25 and 44 (26 out of 31), with two older and three younger. There were 24 couples and seven lone parents, all with dependent children aged under 16. Most qualified for two bedrooms under Local Housing Allowance (LHA) occupancy rules. Just under half of the in-depth interviewees were White British and a further seven had another White background including some recent migrants from Europe (Poland, Germany, Hungary and Russia). A further seven interviewees were of Asian origin, including four from India. Three were of mixed heritage and there was one Black African and one of Chinese origin.

The two-parent families were fairly evenly split between those where both partners were working and those where only the male partner was in employment. In one family neither partner was

working – she was on maternity leave and he was looking for work. The employment status of the single parents was mixed with one unemployed, one working full time and the others in part-time work or self-employment. There was a wide range of income within the ‘low income’ definition – from less than £10,000 a year to more than £40,000. All the single parent families had an income of less than £20,000, as had seven out of 24 two-parent families. The respondents had a range of educational qualifications from none to a higher degree or post-graduate qualification.

In terms of property occupied, there was a mix of houses/bungalows and flats/maisonettes which appeared to mirror the range of property condition and heating arrangements of the LIWH survey reported in Chapter 3. The sample included families with the ‘right’ number of bedrooms according to LHA rules (see Chapter 4), too few and too many. Rents ranged from £92.31 to £253.85 a week, with the highest rented properties predominantly in London/B&H. As a proportion of income, about a third of in-depth interviewees were paying up to 30 per cent of their gross income. Others were paying higher proportions, up to an apparent 139 per cent of gross income. The interviews suggested that about two-fifths of families thought that the rent was within their means and not having any serious effects on other aspects of expenditure or lifestyle. Just under a fifth said that, although their rent was affordable, it was at their limit and they could not afford to pay more. Just under a third reported some problems in affording their rent and felt very constrained, had got into debt or arrears, and/or found that they were unable to afford other things. Finally, one in five interviewees were currently receiving HB and would not be able to afford their rent at all without it.

Overall, the in-depth interviewees appear broadly ‘typical’ of LIWH families in the survey. The interviews highlight the wide diversity of LIWH families in the PRS, and the range of their housing circumstances.

5.2 Securing private rented sector accommodation: Processes, choices and trade-offs

This section looks first at reasons for moving to the current accommodation, then at patterns of search and sources of information. Preferences and priorities are described and some of the trade-offs and compromises made in securing accommodation are identified.

5.2.1 Reasons for moving

The LIWH survey asked why respondents had moved to their current property. A wide variety of reasons were mentioned related to property, area, personal finances and personal circumstances. The most important reasons, mentioned by at least five per cent of respondents, are shown in Table 5.1. A change in personal circumstances (not further specified) is clearly the most significant reason for moving. Overall, there is a mix of push factors encouraging respondents to leave their previous property, and pull factors in seeking to improve their circumstances. The desire to reduce housing costs was mentioned by five per cent of respondents.

Table 5.1 Main reasons for moving to current property: All LIWH

Main reason	%
Change in personal circumstances	26
Wanted larger accommodation	13
Change of job/to be nearer job	7
End of tenancy agreement	6
Property in poor condition/structural problems	6
Wanted self-contained accommodation	5
To move to a better area/neighbourhood	5
Wanted to reduce housing costs	5
Problems with landlord	5
<i>Base</i>	<i>1,098</i>

Some of these reasons for moving are illustrated from the in-depth interviews. The balance of relative importance of the different reasons given is likely to be affected by the fact that all interviewees were families with children aged under 16. Four broad categories of reasons for moving to the current property can be identified:

- Changes in personal circumstances were clearly important. Just under a quarter of interviewees had moved as a consequence of relationship breakdown. Sometimes this was the direct cause of movement where a woman had to find an alternative home for herself and her children having left a partner. In a few cases, a new partner moved in very shortly afterwards or the woman moved in with another partner. In another instance, a woman remaining in the owner-occupied family home got into difficulties with the mortgage and had to move to avoid repossession. In another instance, a woman had taken a series of holiday lets while trying to find somewhere to live which met her lifestyle preferences. There can be significant repercussions for some from movement triggered by relationship breakdown. For example:
 - where relationship breakdown creates a single parent family, there can be a significant reduction in income accompanied by a change of tenure from home ownership to renting;
 - financial settlements had not always been finalised at the time of the interview, so families did not know what their future income would be; some were paying rent from a lump sum settlement rather than current income (which may explain in part some of the apparently unsustainable rent to income ratios);
 - where the move is urgent, there may not be time to consider accommodation options. This can be serious if the move is to an unfamiliar area or tenure;
 - it is clear from the interviews that some women had found their change in circumstances traumatic, and that new accommodation was just one of the things they had to come to terms with.
- Other reasons reflecting a crisis involving the loss of previous accommodation were also important. About a quarter of interviewees had moved because of some other event which created a more or less serious emergency. For example:
 - one interviewee had to move from a social housing tenancy to avoid an escalating neighbour problem;

- one had had noisy neighbours in a previous private tenancy making their 'life hell';
- the landlord sold the property where one was living;
- three families moved because of financial problems reaching a crisis (one owner-occupier avoiding repossession, one private tenant who could not afford her rent and one private tenant unable to afford the rent when a family with whom they were sharing moved out);
- an interviewee had to move out of company-provided accommodation when her husband joined her.

Urgent moves again can have implications for search patterns.

- A third set of reasons involved movement to improve housing circumstances. About a quarter of interviewees seem to have moved either because of poor conditions and/or overcrowding in their previous accommodation, or for something bigger and/or better in terms of quality or location. The seriousness of the underlying issue varied significantly – ranging, for example, from a family with a new baby keen to move from a property with serious dampness and noise from a main road, to a family not seriously looking to move until offered a flat with a larger living room by a friend.
- Finally, just over a tenth of family interviewees were recent migrants to the United Kingdom (UK) in their first UK accommodation. Other recent migrants were classed in other categories, usually as they sought to improve initial accommodation circumstances.

Again there is a mixture of push and pull factors, and an impression that these factors have to be fairly significant to trigger movement. Up to half of interviewees were essentially forced to move by changing personal or housing circumstances, imparting a degree of urgency to the search process.

A further indication of changing personal circumstances associated with moving in the PRS comes from the survey question about household members involved in the move to the present property. Only 38 per cent of survey respondents had moved with all the people they previously lived with (this includes some who had lived alone and were still living in a single person household). Seventeen per cent of moves had involved some, but not all, of the people with whom respondents had previously lived; 22 per cent moved to live on their own; and 24 per cent had moved in with different people (including some people who had previously lived alone and were no longer in a single person household). Thus the majority of moves involved a change in household members and the people with whom respondents lived as well as a change of address. This illustrates the flexibility as well as the diversity of the PRS.

5.2.2 Tenure choice

It is clear from the in-depth interviews that, when they moved to their current property, many interviewees did not seriously consider any other form of tenure. Very generally, they felt that they earned too much, or were otherwise ineligible or too low a priority for social housing, and did not earn enough for home ownership. For the small group of recent migrants with visa restrictions on access to public funds, the PRS was literally the only way of getting an independent home.

A small number of interviewees had seriously considered a social tenancy at the point they moved and had asked about getting a tenancy even if they had not actually applied. On the other hand, one interviewee's reason for moving was to get away from a council estate as quickly as possible, and others seem never to have been interested in a social tenancy.

At least five interviewees had been owner-occupiers immediately or shortly before moving to their current tenancy. The trigger for movement was relationship breakdown and/or an inability to

cope financially. Some clearly saw their move as a significant loss of status and were quite bitter and discontented. Others were much more relaxed about the change. In one instance the female interviewee was happy renting but thought that her husband felt the loss of status more. As will be seen below, many interviewees aspired to owner-occupation and several expected to be able to achieve it in the future.

5.2.3 Sources of information and patterns of search

Respondents used a number of sources of information when searching for their current property. The survey asked how respondents first found their current accommodation. A few referred to advertisements in local shops, information from a local council, a sign outside the property and knowing the landlord. However, the main sources of information were lettings or estate agents (31 per cent), word of mouth (25 per cent), the internet (20 per cent) and local newspapers (ten per cent). There were differences in the significance of these information sources between London/B&H, where lettings and estate agents, the internet and word of mouth were the top three sources, and Elsewhere, where word of mouth, lettings and estate agents and local newspapers were the top three.

The in-depth interviews showed that many interviewees used several sources of information when looking for accommodation, including advertisements in the local paper, lettings agents, estate agents and the internet (gumtree.com, rightmove.com and individual agents' sites). The internet was particularly favoured by some recent migrants because it could be accessed in advance of arrival in the UK; it also gave them the chance to search on different locations or prices to see what was available. A combination of sources gave people an idea of what was available in the area and what they could expect to pay. The precise property finally chosen came through all these sources for some individuals, along with word of mouth from a friend, an advertisement in a shop window and the existing landlord who identified an alternative property from his portfolio for one family.

The survey shows that just under half of respondents (45 per cent) had previously been living in the area where they were interviewed. Most had started their search in this area (within 15-20 minutes walking distance) and wanted to stay because of a combination of familiarity and convenience for services, family or friends. A few said they wanted to stay because it was relatively cheap. Most of the 55 per cent of respondents not previously living in the area where they were interviewed had not started to look for property in the area where they had been living but had broadened their search for a variety of reasons. These included changes in personal circumstances or jobs, lack of suitable properties in their original search area, rents being too high in their previous area or because they found a better area.

Some of the in-depth interviewees looked at only one or two properties before making a choice. This was sometimes because of urgency of need and/or restricted choice in the local market. For example, one lone parent moving because of relationship breakdown said it was the only three bedroom property she could afford. At the other extreme, a few families looked at ten or more properties before choosing. For example, one family looked at 15 houses and flats against a detailed list of preferences which included:

- convenient access to work by bicycle;
- short walk to a tube station and son's school;
- people 'similar' to themselves;
- visually appealing area;
- within budgeted rent;

- good quality kitchen and bathroom;
- well insulated;
- ‘things work’;
- two or ideally three bedrooms (one as a study).

They finally chose their house because it looked good and was in a quiet close safe for their child.

One interviewee rejected some properties they looked at because the kitchen or some other room was too small. Another said the one they chose was the best they saw, and that others were all smaller. One was put off a property by its bad smell. A particular choice process is illustrated by a family who saw two properties in the same road for the same rent; one was a nicely presented three bedroom house with a modernised kitchen, the other had five bedrooms and was rather rundown. They chose the larger property primarily for space, but also so that they could ‘do their own thing’ with it and their baby wouldn’t cause damage.

It is apparent that some quite small things could finally tip the balance in favour of a particular house. One woman had wanted to live in a particular property for some time and saw it was available; another was swayed by a separate kitchen; another by a good bathroom. A couple of interviewees said that they ‘fell in love’ with the property or immediately ‘felt at home’. Decision making can be emotional and subjective as well as strictly ‘rational’.

Overall, it is clear that some interviewees were more ‘thorough’ than others in their search process. Some appear to have sought to fulfil all or most of their preferences through a fairly exhaustive initial search process and viewings. Others have taken an approach using a more limited search and made a decision either within the time perceived to be available or when an adequate property was found.

5.2.4 Preferences and priorities

Details of preferences and priorities come mainly from the in-depth interviews with LIWH families, and thus reflect priorities of households including children. Preferences were expressed in terms of characteristics of the property itself (including size, type, design and rent), general location and neighbourhood, and sometimes because the property was readily available. It was clear that some interviewees had much more comprehensive and exacting preferences than others, and that different interviewees prioritised different aspects.

The main preference expressed in relation to a property itself was minimum size, usually expressed in terms of number and size of bedrooms, reflecting family composition. Preferences for other property-related aspects were usually secondary and/or expressed by fewer interviewees. They included:

- type of property, for example a house rather than a flat, or a purpose-built rather than a converted flat;
- quality – expressed in terms of physical condition and especially the nature of the kitchen and bathroom;
- heating and double glazing;
- a garden or balcony;
- garage or car parking.

In terms of location, some interviewees wanted to remain in their current area so that children could stay at the same school and/or existing social networks could be maintained. For many, convenience for work was important, either proximity per se or convenience for relevant public transport routes. In one instance, the preference was for an area with better employment opportunities. Some of the other locational desiderata included access to the city centre, shops, banks, schools, the beach, parks and, especially for some recent migrants, the presence of a particular ethnic community and associated shops and facilities.

Several interviewees referred to particular aspects of the neighbourhood as being an important consideration, including quietness and safety (again especially for some recent migrants). Some said that they knew where the ‘bad’ or ‘rough’ areas were to avoid. A few interviewees referred to wanting an area with people ‘similar’ to themselves. One interviewee was seeking a lively, cosmopolitan area with good community spirit.

Overall, most interviewees with articulated preferences appear to have prioritised aspects of location and neighbourhood rather than property characteristics or rent. However, budget considerations and an implicit recognition of the minimum possible accommodation size may sometimes have remained unspoken. The interests of children, as evident in proximity to, for example, schools, parks and safe areas, were often apparent.

Some interviewees seem to have had only a few considerations in mind – or at least had clear priorities, for example the ready availability of the accommodation, its size or it being in the same area so that a child could continue to attend the same school. In contrast, a few had detailed lists of preferences. The in-depth interviews gave the impression that the degree of refinement to the list of preferences was partly related to expectations and what the interviewee was used to, but also to the perceived urgency of the search. In addition, there was an element of learning from past accommodation choices to get, for example, better space standards and insulation.

The survey approached choice and preferences in a slightly different way. It asked about the most important aspects of the current property that led the respondent to specifically choose to move into it. Table 5.2 shows the nine factors mentioned as the most important factor by at least five per cent of respondents. As with the in-depth interviews, respondents have prioritised both property and locational/area factors. The importance of rent level and affordability is more explicit, and this appears as the single most important factor mentioned by almost a fifth of respondents.

Table 5.2 Most important aspect of property leading the respondent to choose it: All LIWH

Most important aspect	%
Rent level	18
Near to/access to job	11
Size of property	9
Internal quality of property	8
Access to local facilities	8
A good area	7
Type of property	5
Number of rooms	5
<i>Base</i>	1,098

5.2.5 Trade-offs and compromises

Decisions always involve some form of trade-off – in selecting one option, another is rejected. By definition, among a group of low income working families there is going to be an implicit or explicit budget constraint. Within this, families must achieve a balance between their different property-specific, locational and neighbourhood preferences. It is clearly not always easy to strike this balance.

At least five interviewees felt that they had made no compromises at all in respect of their main priorities. They were satisfied with what they had got. Some had fairly exacting preferences, some less so. In one instance there was no prolonged search as priorities were met by the first property seen. Other interviewees identified no specific compromises, although their account appears to include an implicit compromise, for example on space and quality for what they could afford in the area they wanted.

Three patterns of acknowledged compromise were apparent:

- A few interviewees recognised that they had compromised on area to get the size of property they needed. Sometimes this was a conscious choice – one woman, for example, was happy to have moved to a slightly poorer area for a larger flat where she could entertain and have relatives to stay.
- A few interviewees recognised that they sacrificed the size or quality of property to be in a good area or the area of their choice.
- Rather more interviewees recognised that they had achieved property and area preferences but at a higher financial cost than they initially planned. This could be relatively minor, for example a comfortable home at the cost of less saving capacity than intended, or more serious, as when, for example, a single parent had obtained a house with a garden and had met most of a fairly exacting list of requirements but at a rent which was proving unsustainable.

As noted in Chapter 4, moving to a property apparently too small for the family (in terms of LHA eligibility rules) might be a compromise, but was usually conscious in order to achieve a higher priority – for example, being able to save for home ownership or a central location.

Some trade-offs appear to have been recognised only at a later stage. This is particularly true of neighbourhood. Recent migrants, for example, could use the internet and other sources of information to check on the nature and quality of the property itself but were less able to check on the quality of the neighbourhood when coming to an unfamiliar town. Only after moving in could they realise that the neighbourhood was less desirable with ‘problem families’ or perceived crime or anti-social behaviour.

5.3 Future moving intentions

The survey asked about attitudes to moving home in the future. Sixteen per cent of respondents said that they did not know. Almost two-fifths (38 per cent) did not intend to move in the next two years. Thus almost half of respondents intended to move either within the next six months (22 per cent) or within a year or two (24 per cent). Of those not intending to move, 86 per cent said this was because they wanted to stay in their present home rather than because they were unable to move. People wanted to stay primarily because they liked where they were, found it a good location close to amenities, work and friends or family. A few wanted to stay because it was cheap.

Nine reasons for wanting to move were given by at least five per cent of would-be movers, and these are shown in Table 5.3. The reasons given are not unlike those given for moving to their

present property, although changed personal circumstances is a rather less important reason and housing-related factors are rather more important, especially wanting a larger property. A number of respondents are clearly seeking to move to improve their housing situation or access to work and family/friends. It is significant that almost one in ten of would-be movers wanted to reduce their housing costs.

Table 5.3 Reasons for wanting to move from present accommodation: All LIWH

Reason	Percentages of would-be movers
Want larger accommodation	26
Change in personal circumstances	18
Want a different type of property	12
Change of job/nearer to job	10
Want to reduce housing costs	9
To move to a better area	8
End of a tenancy agreement	7
To be closer to friends/relatives	5
Property in poor condition	5
<i>Base</i>	738

Table 5.4 shows the type of accommodation to which would-be movers in the survey ideally want to move, and the type of accommodation to which they actually expect to move. In terms of ideals, the PRS is most popular, followed by owner-occupation. A very small proportion (only four per cent) see a social tenancy as their ideal. In terms of expectations, there is a clear fall in those indicating owner-occupation and a corresponding increase in private renting. Of those with owner-occupation as an ideal, 53 per cent expect to become a home owner when they next move.

Table 5.4 Type of accommodation on next move: Ideal and expected

Type of accommodation	Ideally wanted %	Expected %
Social rented	4	4
Private rented	46	58
Owner occupied	30	17
Shared ownership/equity/intermediate rent	3	4
Other	2	1
No preference	7	7
Don't know	8	10
<i>Base</i>	738	738

In-depth interviewees seem broadly similar to survey respondents in the extent of intention to move, the reasons for this and their tenure destinations. The findings help to expand somewhat on Tables 5.3 and 5.4:

- Just under a third of interviewees wanted to move in the near future, although not all had actually done anything about it. Of these, almost half wanted more space and expected to move within the PRS to get it. Two wanted to move to what they perceived to be a better area, again in the PRS. Two expected to be able to buy a home wholly or in part within a year, and one expected to start a new relationship.
- About a fifth of interviewees expected to move over the next year or so, but not immediately. Two thought they would need more space as children got older, and two expected to be able to buy at that stage. One would move to be in the catchment of a good secondary school for when her daughter reached that age. A single parent thought that she would move to something smaller and cheaper when she gave up the business she currently runs from her home.
- Under a fifth would ideally like to move although they had no firm intentions. A change of tenure (usually to achieve home ownership) was the main motivation and/or a better property.
- The remaining third of interviewees did not want to move and planned to stay in their current property for some years if possible. One wanted to keep disruption to a minimum for her children. One wanted to stay until he returned to India at the end of his contract. Two might move, but only at the stage when they were able to buy. A sub-set of this group recognised that they might have to move if their current financial pressures worsened or if the rent was increased significantly because they were at the limits of affordability.

The findings suggest that, for the majority of these families, moving house is a major step involving expense and disruption, and is not undertaken lightly. Moves will only be made in response to clear triggers which include:

- real dissatisfaction with the current home, especially in terms of space, and/or the neighbourhood;
- a real opportunity of making a significant improvement in quality of life by achieving a better home and area, and often home-ownership;
- changes in circumstances (probably unpredictable) which make it impossible to remain in the current home.

5.3.1 Attitudes towards tenure options

The in-depth interviews also shed more light on LIWH families' attitudes to tenure options and their preferences.

A small minority viewed **social housing** as their ideal. At least three interviewees really wanted a council or housing association property:

- A two-parent family in Teignbridge would love a housing association property. She has a friend who is a housing association tenant and occupies a bigger, more modern house than she does, and pays less rent. However, she thinks she has little chance of getting a tenancy. She thinks that they would have no priority on a waiting list while they have a property of their own; the landlord will not evict them because he would lose the chance to recover rent arrears which have accrued, and she is reluctant to make herself homeless because she believes her children might be taken away from her if she does.
- A lone parent living in London would like a council tenancy because she feels it would be more secure. She is living in a poor quality property at present and has her rent paid by HB. She has little idea about how to go about applying for a council tenancy and has apparently received confusing advice about eligibility in the past.

- A London couple with a daughter approached the council when they moved to their current property, but were advised to look for a private tenancy. They wanted a council house because the rent is lower than in the PRS, and better value for the type and size of property. They are on the list and have bid for properties over several years, but have been unsuccessful.

There were larger numbers of people not actively interested in social housing. There seem to be three main reasons:

- Perceptions that they would have little priority unless they became homeless. For the sake of their children they were unwilling to go down this route which might involve a stay in a hostel or other temporary accommodation. In one instance at least, there were outstanding arrears with the council which might affect eligibility as well.
- Uncertainty about the type of property they might be allocated in social housing. One woman was afraid of being offered a flat in a tower block in a poor area. Another knew people who rented from the local social landlord, but would not apply herself because she thought the available properties were in a quasi-red light area where there are a lot of drugs and muggings. Some recognised that there are good social properties, but that there is a ladder within the sector to reach them.
- A few interviewees regarded a social housing tenancy as a loss of independence and not for people like them.

It is clear that, while some would consider a social tenancy to be superior to their current situation, many prefer the independence and degree of perceived control over their own circumstances that they have in the PRS. For them, renting privately is not seen as second best to social housing.

At least six interviewees seriously aspired to and/or expected to be able to **buy a home** in the relatively near future. The main reasons were to get better housing, investment (getting something back for outgoings) and to get the perceived greater autonomy and control inherent in home ownership. One interviewee referred to the advantages of paying a mortgage for oneself, rather than paying someone else's mortgage through rent. Another thought that owner-occupation meant you could do work at your own pace to create the home you wanted. Overall, owner-occupation was probably seen as superior to renting privately by most interviewees, although not all thought it a realistic prospect for themselves either now or, in some cases, ever.

One perceived advantage of renting over owner-occupation was that the landlord is responsible for repair costs. Most interviewees seemed relatively happy with the response of their landlord or agent to repair problems (although some were not, and they tended to be in the worst properties) and not having to meet unexpected costs – because, for example, a boiler breaks down – was seen as quite a bonus for low income families with little financial leeway.

Thus, for most depth interviewees, the PRS cannot be seen as second best to council or housing association tenancies – many were simply not interested in social housing which seems to have serious image problems from both physical and social perspectives. Renting privately might be seen as second best to owner-occupation overall, but not necessarily for the families in their current circumstances. This suggests, then, that it would be inappropriate to regard private renting purely as a residual sector.

5.4 The roles of the private rented sector for low income working households

The immediacy of the in-depth interviews highlighted and brought to life the diversity of LIWH families in the PRS. Even within the fairly narrowly defined group of ‘families with dependent children (aged under 16)’ there was diversity in terms of household size and composition and ethnicity. Some families were poor and some less so; some had better prospects than others of becoming less poor in future. Families were in the PRS for a number of different reasons and had different expectations, intentions and ambitions for the future. Their current living conditions and general circumstances also varied widely. Given this diversity, it is apparent that the PRS is performing a number of different roles for LIWH families.

The following roles were apparent from the in-depth interviews. The order is roughly from the most to least common. It is important to note that they are not mutually exclusive.

- Providing independent housing for families with low incomes who are unable or unwilling to access social housing, and unable or unwilling to buy a home. A small minority of these might be considered ‘vulnerable’ in terms of the control they appeared able to exercise over their lives.
- Providing relatively ready-access accommodation for families who have to move quickly because of a change in their circumstances such as relationship breakdown, home loss or financial problems.
- Providing relatively ready-access accommodation for families new to an area, and particularly for recent immigrants to the UK.
- Acting as a stepping stone to other tenures, and particularly to owner-occupation.
- Providing accommodation which it is relatively easy to both enter and leave for people who may not be staying in an area long.
- Providing independent accommodation for newly forming households, including those with children from previous relationships. This role may be more important for single person and couple households than for families with children.
- Providing accommodation from which businesses can be run (one in-depth interviewee was running a child-minding business from her home which had influenced her choice of property and contributed to paying the rent).

These sector roles relate to a broad ‘typology’ of LIWH families in the PRS which was developed by the Ipsos MORI team who carried out the qualitative interviews. The typology includes five broad ‘types’ of renter identified from their reasons for moving, their priorities, affordability, their attitudes and their future movement intentions. These types are indicative – not all families conform to all type qualities – and families may move between types over time. The typology is a useful way, however, of summarising some of the main apparent categories of renters found in the sample.

The main defining characteristic of **circumstantial renters** was some form of crisis or major change of circumstances which meant they had to leave their previous accommodation quickly. The most common trigger in the sample was relationship breakdown where a woman and her children had to leave the family home. Other precipitating factors were severe financial difficulties affecting owner-occupiers likely to lead to loss of the home, and escalating neighbour problems for a former social tenant.

The crisis element in the move means that speed was typically important. There might not be long to look around. Where a change in tenure was involved, the private rental market might be unfamiliar. Sometimes there were uncertainties about the household’s future financial situation

and therefore, affordability. Decisions could be problematic where expectations formed in owner-occupation come up against the realities of rental supply within financial constraints. Different families had different priority requirements, for example: a minimum number of bedrooms (especially where there are older children for whom space is more important) or location in order to maintain continuity for children's schooling. Within the sample, some had met their requirements well despite limited searching, others had been less fortunate. Some appeared to have adapted well to changed circumstances, others less well. Finances were often constrained – most circumstantial renters reported problems in affording their rent. Plans for the future were rarely well developed and might depend on future changes of circumstances such as moving in with, or being joined by, a new partner. Some seem likely to 'escape' in future, some perhaps to become longer-term 'constrained' renters (see below).

For **constrained renters**, low income was the most significant factor. For constrained renters, the PRS was the main tenure option because they either could not or did not want to access social housing, and could not afford owner-occupation. The group included a wide diversity of circumstances, expectations and preferences. Because income was low, affordability was typically important in finding their property and some were better able than others to meet their other requirements without serious compromises. Some of the worst physical conditions were apparent among renters in this group. Some had deliberately chosen properties with too few rooms in order to meet other criteria or simply to be affordable. Some were satisfied with their accommodation, some were not – and this appeared to be due almost as much to expectations and personal priorities as to 'objective' physical conditions. The constrained renter type category includes some families who might at one time have been seen as circumstantial or immigrant/transient renters (see below).

The group included families who felt their rent was affordable, who felt it was at the limit and some who were having problems with the rent and being forced into compromises on expenditure in other areas. It included several families in receipt of HB at the time of the interview. Financial problems appeared sometimes to be the consequence of an initial over-commitment, but also on occasions were the result of changing circumstances, such as redundancy, periods of unemployment or maternity leave, which had reduced income.

For many constrained renters there were question marks about future earning capacity and whether it would increase significantly. This might happen for some when the children were older and the woman went back to work, but both partners were often already working. Many aspired to home ownership in the long term (and a few to social tenancies) but there were few indications that these aspirations would be realised in the short term. The next move was most likely to be within the PRS but many had no real desire to move.

Ambitious renters might be seen as a subset of constrained renters who had slightly higher incomes and a very clear idea about the types and quality of property/neighbourhood that they wanted. Equally, some of the immigrant/transient renters (see below) with clearly defined requirements might be seen as 'ambitious'. Only a small number of families clearly fell into this category.

Quality was sufficiently important for ambitious renters to lead them sometimes to over-commit themselves on rent and to experience problems as a result. HB might not be an effective safeguard since their incomes were likely to be too high and/or it was not considered relevant to their circumstances. The next step for ambitious renters might be seen as owner-occupation, but financial over-commitment could make this a problematic.

In contrast, **strategic renters** were motivated by long-term ambitions to buy a home and were willing to compromise a little on current property size/type or location to pay a rent which enabled them to save towards this end. Some immigrant/transient renters (see below) could fall into this

type over time. Like ambitious renters, strategic renters generally had slightly higher incomes, but, unlike them, they were motivated by long-term considerations rather than short-term comfort. Boundaries between these renting types could be blurred if income was adequate to allow both comfort and saving.

By definition, strategic renters avoided having problems with rent levels although they could suffer adverse changes of circumstance which might cause problems to arise. HB was largely irrelevant to them, if they knew about it. Some form of owner-occupation was both their goal and their expectation.

Finally, there were **immigrant/transient renters**. Not all the recent immigrant families to the UK could be classed as 'transient' since they did not apparently intend to leave the UK soon. A few were more obviously transient, for example a family from India in Leeds who had come on a two year contract, and a man from Germany studying for a PhD. Non-European Union nationals might have visa restrictions. After a period in the UK, non-transient families might better be classed in one of the other type groups.

For some immigrant/transient renters, their present property was their first in the UK, others had initially stayed with friends or shared a property with a similar household. The PRS was seen as effectively the only tenure option open to them. Some had searched extensively for accommodation in advance – for example one family had explored areas all along the Central Line to find the most appropriate place to live, another viewed 15 properties before deciding. Some made decisions more rapidly, for example, one decided quickly before a holiday in Poland. Proximity to work and good transport links were usually important criteria. Other priorities varied – some wanted a safe area and/or proximity to a particular ethnic/cultural community, some wanted a good range of shops and other facilities, some had exacting requirements about the property itself. Rent level appears to have been a consideration, but not a prime driving force.

Incomes in this group were relatively high and none of these interviewees were experiencing serious problems paying their rent. Other preferences were realised to differing degrees and levels of satisfaction varied, especially with the neighbourhood.

Where interviewees knew they were going to be in the UK for a short time or were uncertain how long they would stay, they intended to remain in the PRS, often in the same property although some would like to move to a better property/area. There was quite a strong aspiration for, and expectation of, home ownership among those likely to remain in the UK.

It may be that slightly different renter 'types' would have emerged if the in-depth interviews had included a wider range of households beyond families with children under 16. However, the analysis serves to illustrate once again the tenure's diversity and its valuable function in accommodating different families.

5.5 Low income working households and Housing Benefit claimants

The final section of this chapter explores the relationships between LIWH tenants and HB.

In order to be eligible for the LIWH survey, pre-interview questions were designed to screen out anyone in receipt of HB with one exception. This exception was where neither the respondent nor partner (if any) was currently in work but had been employed in the last six months and had not retired. In such cases, people were eligible for interview if they were currently receiving HB but had not been in receipt of HB when they started their current tenancy. The sequence of questions does

not screen out people who may have been on HB at some point during their tenancy, nor indeed those who moved in while on HB so long as the respondent and/or partner was working at the time of the interview. There is no indication from the survey as to how many might fall into these categories.

5.5.1 Experience of HB

In all, only ten survey respondents (one per cent) said that they were currently in receipt of HB, and the same respondents are recorded at a later stage in the questionnaire as receiving income from HB. As noted above, there is no information from the survey on earlier experiences of claiming HB.

The in-depth interviews explored this issue more fully. Six of the 31 families interviewed were receiving HB at the time of the in-depth interview although the survey showed only two out of 234 families with children aged under 16 as claiming HB. This may be the result of time difference, or might reflect a misunderstanding leading the survey to understate HB incidence. However, a more general point is that the in-depth interviews also showed that experience of claiming HB **at some point** was much more widespread. Just over a third of in-depth interviewees had direct experience of being on HB at the time of moving to their current property or at some point subsequently, and a higher proportion had direct experience of HB if previous tenancies are also included. In addition, a few interviewees had applied for but had been refused HB, in one instance because of the level of savings, and in two because they earned just above the eligible income level. Overall, well over half of the British-born and longer-established migrant interviewees had direct experience of claiming HB.

While HB was appreciated by those receiving it – indeed it appears essential to some interviewees – experiences of claiming were mixed. Some reported no problems at all, but others said there had been difficulties. For example:

- two interviewees had been on HB when the male partner was unemployed. They said that payments were not backdated to the date of application and arrears had built up which took a time to clear. In contrast, another interviewee had waited three months for payment, but it was backdated and her landlord had been prepared to wait;
- a lone parent was initially told that she was ineligible because she was not receiving Jobseekers Allowance, but was then accepted because of low income;
- two families had claimed HB without problems, but had later been pursued for overpayments because of undeclared changes in circumstances. One had been taken to court and given a community order. The other regarded the whole saga as her personal ‘poverty trap’, leaving her with a claimed debt of £10,000. Perhaps not surprisingly, neither was keen to apply for HB again.

Some of these accounts suggest that there may be issues around claiming HB as an in-work benefit, and that dealing with households experiencing frequent changes of circumstances, particularly moving in and out of employment, is a problem for the system. Such experiences had affected some interviewees’ attitudes towards claiming HB.

5.5.2 Awareness of HB and perceptions of eligibility

The majority of in-depth interviewees were aware of the availability of HB often, as seen above, because of direct experience of claiming. Some were obviously very well informed about LHA rates and possible eligibility. About a third of interviewees appeared to be ‘marginally aware’ of the scheme – they knew it existed but had hazy information or misinformation about what it was and how it worked. Two interviewees were quite unaware of HB, and three recent migrants assumed that they would be ineligible because their visa conditions precluded recourse to public funds.

Of the 12 families who said that they had some problems with their rent levels, all but one was aware of the HB scheme and most were either claiming or obviously quite well informed. Of those who knew about HB and had problems with their rent, four were receiving HB and three had applied or asked about it and found they were ineligible. Two had claimed HB previously, but had experienced problems (see above). Of the remaining families, one was a former owner-occupier with very negative views on HB (see below) and one had previously claimed HB on another property. Lack of awareness of the HB system was not preventing applications from families who perceived themselves to have problems paying the rent, but previous bad experiences might be deterring a few from applying again.

A few of the families who knew little about the scheme thought that it applied only to social tenants, or that it allowed people to live in much better areas. In contrast, most of those who were aware of HB recognised that they would probably not be able to get better accommodation if they were claiming, and might only be able to get something worse. One single parent thought that claimants faced a limited choice because many landlords do not want to accept people on HB. She also thought that claimants do not get much for their money because landlords put up the rent for claimants. Among those who were reasonably well informed, there was no apparent resentment of HB claimants or any feelings that they were being unfairly treated relative to claimants.

5.5.3 Attitudes towards HB

Mixed feelings were expressed in the in-depth interviews in relation to claiming HB. As noted above, more than half of the UK national and more established migrant families in the sample had claimed HB at some point. While some were quite relaxed about this, others expressed views which revealed considerable ambiguity towards claiming. These views appear to stem from recognition of the stigma commonly attached to benefit claimants, which several of these families seemed to share. This was allied to a desire to be independent and to be responsible for the well-being of self and family wherever possible. There was also an element of distrust of benefits and of relying on the government, and that taking HB might affect other benefits. The process of applying and providing evidence of earnings and other benefits and so on was also seen as daunting. For some of these households, claiming HB was clearly a last resort, and to some extent, an admission of failure.

5.5.4 LIWH and HB claimants

One of the main themes of this research project and report is to compare LIWH tenants and HB claimants in the PRS. A clear message from the in-depth interviews is that it would be a mistake to see 'HB claimants' and 'low income working families' as totally distinct categories. Many interviewees had moved between these categories, sometimes several times, so the same household could one day be a LIWH and the next a claimant. Where HB is claimed as an in-work benefit, households are essentially **both LIWH and claimants** at the same time.

It may be – although this cannot be fully evidenced – that low income households in the PRS could be more appropriately viewed as a continuum with those in slightly higher paid and more secure jobs at one end (LIWH) to people unlikely to be able to access and keep secure, reasonably paid jobs at the other (HB claimants). In the middle are those who may move in and out of benefit as circumstances change. The indications are – from, for example, demographic comparisons of LIWH and LHA claimant tenants and the in-depth interviews with families – that households which are couples with two (potential) earners find it easier to meet housing costs in the PRS without the assistance of HB than single persons and lone parent families.

6 Conclusions

This research has provided information, not previously available, about the housing situation of low income working households (LIWH) in the private rented sector (PRS) who are not receiving Housing Benefit (HB). It aimed to provide an answer to the questions:

What comparisons can be made between LIWH and HB recipients in the PRS, and what do these comparisons show in terms of both the type, costs and access to PRS accommodation, and the type of households that are LIWH or HB recipients?

In seeking more information on LIWH and comparing recipients and non-recipients of HB, the research has pulled together existing information and created a new survey-based data source for LIWH (with a sample of 1,098). These sources were complemented by 31 in-depth interviews with low income working families with children under 16.

There are some clear differences in the key household characteristics of LIWH and HB recipients. For example, LIWH are somewhat younger than HB recipients: the LIWH survey indicated that around a quarter of respondents (23 per cent) were aged under 25 compared with ten per cent of those in the PRS receiving HB. Further, HB recipients are much more likely to have children aged under 16, and in particular there are many more lone parent families among households receiving HB – 32 per cent of households receiving HB are lone parent families compared with only five per cent of LIWH. Conversely, while only six per cent of HB claimants are couples with no children aged under 16, such households make up almost one-third (31 per cent) of LIWH respondents. There are also indications of broad differences in ethnicity between the two groups; 91 per cent of HB claimants self-report as White compared with 72 per cent of LIWH. This difference appears to be too large to be accounted for solely by the nationality and residence requirements for claiming benefits. A further, and even more striking, difference between LIWH and HB claimants is that 47 per cent of HB claimants had no formal educational qualification at all compared with less than ten per cent of LIWH. Over two in five LIWH (43 per cent) had a degree or higher qualification.

There are some less marked differences between LIWH and HB recipients in terms of their housing characteristics. HB recipients tend to live in older properties than non-recipients, properties which are less likely to pass the (previous) Decent Homes Assessment and are located in poorer neighbourhoods, particularly as indicated by perceptions of crime.

Despite this, HB recipients appear to move home less frequently than LIWH – 55 per cent of HB households had lived in their accommodation for over two years compared with 27 per cent of LIWH in the survey. Thus HB recipients emerge as relatively stable residentially. This may be partly explained by HB recipients' apparent unpopularity with some landlords when compared with working households. Where this is the case, households receiving HB may have less choice of accommodation than LIWH and, having secured their current property, may have little to gain by moving.

Almost all (99 per cent) of LIWH survey respondents were paying their rent without the assistance of HB. On average, LIWH were paying around 35 per cent of their gross income (respondent and partner where present) in rent. In London and Brighton & Hove, this rose to about 39 per cent. Importantly, the small number of extended families and lone parents in the LIWH survey appear to have the highest rent to income ratios, spending on average 50 per cent and 48 per cent of their incomes on rent respectively. This is supported by the qualitative interviews with families containing children aged under 16 which revealed that two-thirds of them spent more (often considerably more) than 30 per cent of their gross income on rent, and nearly a third experienced problems meeting their rent payments.

Findings of this sort, which illustrate the importance of rent within low income household budgets, underlie some of the background concerns which gave rise to this study. These relate to the efficiency and equity of HB arrangements which may, in some sense, be seen to disproportionately favour those receiving HB relative to those who are not eligible for the award. The research has explored this issue by comparing:

- 1 rents actually paid by LIWH and HB claimants;
- 2 rents paid by LIWH and the Local Housing Allowance (LHA) rate applicable to their property; and
- 3 rents paid by LIWH and the maximum LHA rate that would apply to an identically structured eligible household.

Drawing on secondary data from published sources, the research suggests that there is little difference between the median rents paid by HB recipients and all other PRS tenants (that is, non-recipients at all income levels). Any difference between the two becomes even smaller when higher income households not receiving HB are excluded. Indeed, findings from modelling rent levels with data from the Family Resources Survey suggests that whether or not a household is receiving HB is not statistically significant in explaining any differences in the rents paid by the two groups of recipients and non-recipients. This implies that HB recipients tend to live in properties attracting broadly the same levels of rent as other tenants in the PRS who are not receiving HB. Results using a different data source, in this case the English House Condition Survey, similarly suggests that the median rents paid by LIWH and HB recipients for properties up to three bedrooms are very similar.

However, drawing on the LIWH survey data and comparing the rents paid by LIWH with the LHA rates that their properties would attract, suggests that, on average, the rents paid by this group are lower than the properties' LHA rates. Properties occupied by LIWH command a rent of around £16 per week less, on average, than the LHA rate for those properties. The rents paid by LIWH amount to around 90 per cent of the LHA rate for properties with up to three bedrooms, suggesting that the difference between the rents paid by LIWH and LHA rates is usually not great. Nevertheless, the lower rents paid by LIWH may indicate that they are, to some extent, choosing to economise on rent by occupying cheaper properties which command rents less than the LHA rate for that size of property. Two further points are important in interpreting this finding. First, it should be recalled that the LHA rate is the median rent for all PRS properties not occupied by HB recipients. Since LIWH are, by definition, among the lowest income groups in such properties, it might be expected that they would occupy a property where the rent is less than the median rent. Second, neither the LIWH survey nor the in-depth interviews with families suggest that, in choosing lower rented properties, LIWH are seriously compromising on quality. The great majority are satisfied with both their home and neighbourhood. It is possible, although not directly evidenced, that the difference between rents and LHA rates is, in part at least, the consequence of landlord decisions based on their preference for working tenants rather than HB claimants.

On average, the rents LIWH currently pay are below the LHA rate which an identically sized and structured household would receive if entitled to HB. Rents paid by LIWH are, on average, about £5 to £9 per week (median and mean respectively) less than the 'appropriate' LHA rate. In London and Brighton & Hove, the rents paid by LIWH are closer to the LHA rate to which an identical household would be entitled (zero and £6 less for the median and mean differences respectively).

This differential is affected by the size of property relative to household size and structure. Just half of LIWH occupy the 'right sized' property, as determined by HB size standards. Their current rents are 92 per cent (median) of the LHA rate. A significant minority (41 per cent) of LIWH choose to occupy properties larger than those determined by HB size standards for a household with their characteristics. They pay around 13 per cent more than their appropriate LHA rate.

These findings suggest that LIWH tend to pay less in rent than an HB recipient household of the same size and structure could receive in HB, although some pay more for more generous space standards. Overall, the differences are not very large. There is, however, one significant exception. Analysis of the LIWH survey data shows that the small group of households (nine per cent of all respondents) who occupy properties smaller than the HB bedroom standard pay substantially less in rent than a demographically identical household would receive if eligible for HB. On average, the LHA for which such households would be eligible is around £75-£90 per week greater than the current rent paid by LIWH. These households are, overwhelmingly, families and mainly families which include children aged under 16. Such households would, therefore, potentially have most to gain if they became eligible for HB. In principle, receiving an LHA rate higher than their rent could enable them to occupy higher quality or larger housing.

In-depth interviews with families revealed a number of reasons why some families choose to occupy smaller properties. For example, it increases their ability to save for the future or meets their preferences for facilities or location offered by that particular property. Like other households, families were in the PRS for a number of different reasons and had different expectations, intentions and ambitions for the future. This would suggest that, for some families at least, choosing to occupy smaller property is a considered and rational choice. It also adds to the impression gained from both the survey and in-depth interviews that the PRS is performing a number of different and important roles for low income households as a group, and that it would be inappropriate to regard the PRS as performing a purely 'residual' role for such households.

The in-depth interviews also shed some light on the potential incentive LIWH might have to apply, or to become eligible, for HB. It is clear that lack of knowledge of the system is not a major factor preventing applications. Awareness of the HB system proved to be quite high among families who said they had problems paying the rent. In addition, the majority of British and established migrant families had previous experience of claiming, indeed previous bad experiences with the HB system might be deterring a few from applying again. However, it is equally clear that more informed families believed that those claiming HB did less well in terms of quality and choice property as a result. In this sense they did not see themselves as being directly in competition with HB recipients. More generally, some of the interviewees expressed views which revealed considerable ambiguity towards claiming – for example, recognition of the stigma commonly attached to benefit claimants, a desire to be independent and to be responsible for the well-being of self and family, and not to rely on government. For some of these households, claiming HB would clearly be a last resort and an admission of failure. Consequently, the HB arrangements do not appear to be encouraging or incentivising most of these working households to become HB claimants.

The sorts of differences between LIWH and households receiving HB contained in this report are important and illuminating. However, it is important to also emphasise that there is extensive diversity **within** the LIWH as well as differences between this group and HB recipients. For example, there was a fairly even split among LIWH between single person households, couples (two people living as partners), singles or couples living with their children and all other households (which includes unrelated sharers and others who live with people who are neither their partner nor child). Most of the broader type 'couples with no children aged under 16', who make up 31 per cent of the LIWH sample, are couples living on their own (81 per cent). However, one in five (19 per cent) of these households have children aged over 16 and/or have other related or unrelated adults living with them. Again, within the apparently narrow group of 'low income families with children aged under 16' included in the qualitative work, there was diversity in terms of household size and composition, ethnicity and educational qualifications. Some of these families would normally be seen as poor and some, perhaps, would not. Certainly, some had better prospects than others of becoming less poor in future.

If such considerations suggest caution in generalising about LIWH as a group, then they also suggest caution when comparing LIWH and HB recipients. Notwithstanding the differences between the two groups that the research has identified, it could be argued that lower income households in the PRS should more appropriately be viewed as a continuum. At one end are those in slightly higher paid and more secure jobs. At the other end are people who are unlikely to be able to access and keep secure jobs, for whom HB is vital. In the middle are those who may move in and out of benefit as circumstances change – either as an in-work benefit or between jobs – for whom HB can be an important safety net.

Appendix A

Note on the low income working household survey

This note has been provided by Ipsos MORI.

Fieldwork dates

Fieldwork was conducted between 22 September and 6 December 2009. All interviews were carried out by trained Ipsos MORI interviewers, face to face using a combination of paper screening questionnaires and Computer Assisted Personal Interviewing (CAPI) software.

Prior to commencing fieldwork, all interviewers were briefed either face to face or by telephone about the objectives and methodology for the survey. As part of this briefing interviewers were provided with an extensive briefing pack, containing all interviewing and supporting materials.

Locations

The survey was conducted in seven of the English Local Housing Allowance (Wave 1) Pathfinder areas plus three further London boroughs as agreed in discussion with the Department for Work and Pensions (DWP) and the Centre for Urban and Regional Studies (CURS). The ten locations were:

- Blackpool³¹;
- Brighton & Hove;
- Coventry;
- Hounslow;
- Islington;
- Leeds;
- Lewisham;
- North East Lincolnshire;
- Teignbridge;
- Waltham Forest.

Eligibility for the survey

The project brief was to interview people living in the private rented sector (PRS) in a working household, specifically people on middle to lower incomes.

³¹ Due to an extremely low strike rate, interviewing was cancelled in Blackpool, with targets in the nine remaining locations adjusted accordingly.

An eligible household was defined as a household where either:

- one member of the household is working full or part time (more than 16 hours per week); or
- one member has worked full or part time (more than 16 hours per week) in the last six months but not moved to a new tenancy during this time and who was not claiming Housing Benefit (HB) at the time they took out the tenancy.

The survey excluded:

- those in full-time education (more than 16 hours per week);
- households living in temporary types of accommodation including houseboats and caravans;
- households with an income considered too high for inclusion in the survey;
- working households claiming HB.

Selecting sample points

Sending interviewers to the right areas was a key component of the success of the project. Due to the ‘hard to reach’ nature of the target audience, interviewers were predicted to have to conduct a high number of screening interviews to find their target number of eligible respondents.

As part of the fieldwork planning stage, Ipsos MORI, using data from the 2001 Census (and subsequent mid-year estimates), HB caseload information (SHBE) and Market Evidence Data (MED) for the PRS, supplied by DWP, calculated a predicted eligibility rate for areas within each location. Census information was considered at Lower Level Super Output Area (LSOA) (usually 600 to 700 households). Whilst the spatial levels at which these types of data are recorded is not strictly comparable, they were sufficient to give a broad indication of the type of area interviewers should operate in.

In each location, the predicted eligibility rate for each LSOA was calculated by:

- ranking LSOAs by the percentage of households in the PRS.

Then from the total number of PRS households in each LSOA:

- subtracting the number of PRS households headed by a pensioner;
- subtracting the number of households exclusively containing students³².

This produced an estimated level of working age, non-student households in the PRS.

By assuming that MED data represents approximately 15 per cent of PRS households not in receipt of HB and multiplying up accordingly, Ipsos MORI used the MED and SHBE data at postcode district level to produce an estimate of the rates of HB claimants in each district.

This estimated rate for the whole postcode district was then applied to the estimated number of working age, non-student households in the PRS to produce a prediction of the likely proportion of the LSOA who would meet the initial eligibility criteria before considering income. The list of LSOAs was then ranked by this eligibility.

³² The tenure of student households is not defined in the Census table but, for the purpose of this exercise, it was assumed that all student households are in the PRS.

Whilst, by definition, there is clustering within the ten pathfinder areas, each location sample point was drawn to maximise the heterogeneity of the achieved sample within those areas whilst providing practical packages of work for interviewers. This was achieved through four primary sample points within each location, supplemented by a further four to eight supporting sample points.

Selecting sample points - how we worked it out

A	B	C	D	E	F	G	H	I	J	K
Location	Postcode District	LSOA	LSOA NAME	Estimated % of HB claimants in postcode district	All Households	PRS Households	Pensioner Households	Student Households	Working Households	Working Households %
Blackpool	FY 4	E01012751	Blackpool 013D	48%	681	422	79	0	143	21%
Blackpool	FY 1	E01012737	Blackpool 010E	50%	837	455	52	0	162	19%
Blackpool	FY 1	E01012683	Blackpool 006B	50%	721	373	38	0	135	19%
Blackpool	FY 1	E01012681	Blackpool 006A	50%	652	349	57	3	116	18%

Ipsos MORI

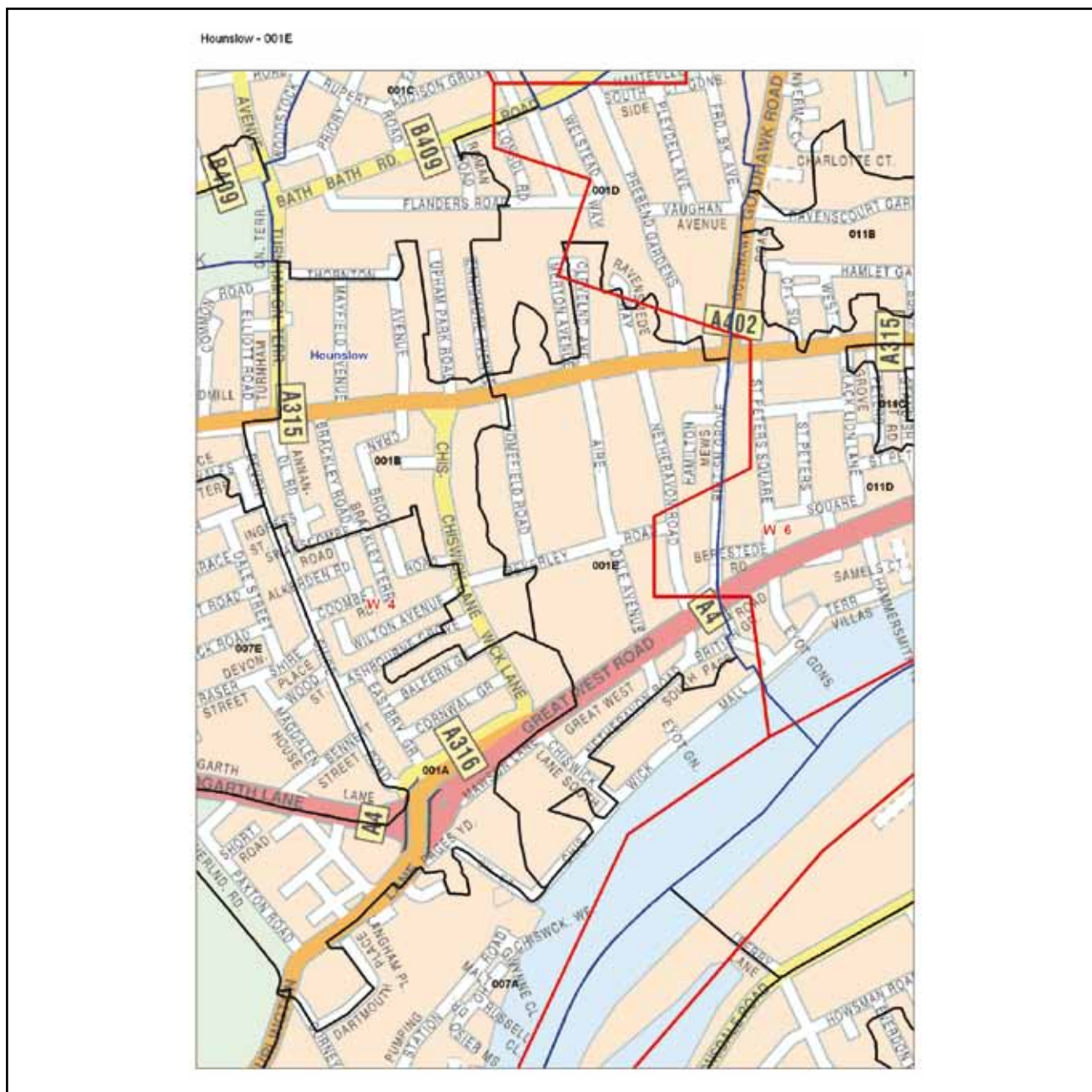


Conducting fieldwork

Interviewers were not issued with a list of addresses in their allocated LSOA. Instead, each interviewer was issued with a map of their sample point(s) and briefed to approach addresses within their sample point(s) and conduct screening interviews to identify eligible households. Interviewers were free to approach any address within their sample point(s).

Interviewers were not required to leave a specific number of addresses between houses approached and were not required to return to an address a specified number of times before abandoning the address. However, where possible, interviewers were briefed to conduct interviews at addresses across their sample point(s) to ensure a wide selection of types of property and areas were included in the survey.

An example of a sample point map is provided below. Boundary lines for the LSOA, local authority and postcode district were identified on each map (LSOA = black, local authority = blue, postcode district = red).



Where interviewers found difficulty in achieving their target number of interviews, they were permitted to conduct screening in the areas surrounding their sample point. However, interviewers were briefed to, at all times, remain within the local authority boundary³³.

To assist interviewers in locating eligible households, the Ipsos MORI Housing Research Team worked closely with the Valuation Office Agency to provide interviewers with additional information from local rent officers. Where possible, a corresponding list of known PRS address was also provided.

³³ During fieldwork it was agreed with DWP that in areas with lower achievement rates, interviewers were permitted to conduct interviews in neighbouring local authorities.

Where a respondent was screened out due to their tenure (question SQT1 on the screening questionnaire) or refused to take part in a screening interview, their outcome was recorded on the tally sheet. Where a respondent was screened out due to failing one of the other criteria, the result of their interview was recorded on a screener questionnaire.

Interviewers recorded the outcome of every screening interview conducted, regardless of the outcome (eligibility).

Screening questionnaires and tally sheets were returned regularly (at least once a week) to the Field department at Ipsos MORI for data processing. Tally sheets were processed manually by the Field department; screener questionnaires were electronically scanned by the Data Capture department.

Interviewers were briefed to emphasise the independence of Ipsos MORI from DWP and to stress that the information collected in the interview would not be used for any tax or benefits assessment. All interviews were strictly carried out in accordance with Market Research Society requirements and were, therefore, confidential and anonymous. To assist the interviewers in stressing these points, each was provided with a letter to the respondent from DWP to, where necessary, reassure them about the purpose of the survey and its confidentiality.



Eligibility rates

The following table presents figures for eligibility to take part in the survey, based on results from the tally sheets, screener questionnaires and CAPI survey. For each location the eligibility rate has been calculated by:

$$\text{Eligibility \%} = \frac{\text{Total number of interviews}}{\text{Total number of contacts}}$$

Table A.1 Eligibility to take part in the survey

Location	Ineligible at SQT1 onwards (not PRS)	Ineligible at SQT2 onwards (PRS)	Total ineligible	Survey interviews	Total contacts	Eligibility %
Blackpool	178	19	197	1	198	1
Brighton	1,657	154	1,811	118	1,929	6
Coventry	645	308	953	142	1,095	13
Hounslow	319	24	343	123	466	26
Islington	463	36	499	101	600	17
Leeds	352	298	650	148	798	19
Lewisham	944	84	1,028	106	1,134	9
NE Lincolnshire	1,702	385	2,087	125	2,212	6
Teignbridge	947	165	1,112	116	1,228	9
Waltham Forest	75	23	98	119	217	55
Total	7,282	1,496	8,778	1,099	9,877	11
London	1,801	167	1,968	449	2,417	19
Elsewhere	5,481	1,329	6,810	650	7,460	9

These figures show an average eligibility rate of 19 per cent in London and nine per cent outside London.

CAPI interviews

Survey interviews were conducted face to face, in the home, using CAPI. On average, interviews were expected to last around 30 minutes. The survey collected information on:

- household and tenure characteristics;
- perceptions and attitudes to property condition;
- housing costs;
- housing choices and moving intentions;
- satisfaction with the local area.

All data from the CAPI survey was processed by Ipsos MORI and subjected to a rigorous quality checking process. An SPSS data file, containing unweighted results, was provided to CURS for further analysis.

It should be remembered that a sample of and not the entire population of households living in the PRS in a working household took part in this survey. As a consequence, all results are subject to sampling tolerances, which means that not all differences are statistically significant.

Appendix B

Data and definitional issues in calculating rent to income ratios and LIWH HB ‘entitlements’

This appendix sets out data and definitional issues involved in the analyses in Chapter 4. There are two main sections: issues involved in calculating rent to income ratios and issues involved in calculating low income working households (LIWH) hypothetical ‘entitlements’ to Housing Benefit – that is, the maximum Local Housing Allowance rate that an LIWH could receive, based on their household size and structure, if they were eligible for the award.

Issues in calculating rent to income ratios

Calculating what proportion of income is devoted to rent payments (the rent to income ratio) involved a number of assumptions and exclusions to ensure the data was as accurate and appropriate as possible.

Rents and service charges

For greater accuracy and comparability, the analyses in Chapter 4 are based on data for ‘pure’ rents only. Of the rent payments reported in the survey, 15 per cent include some form(s) of service charges. No data was available on the actual charges levied. Observations for rents including charges are, therefore, omitted from the analyses in Chapter 4. The effect of excluding cases where rents include service charges is to reduce the sample from 1,098 to 935. As noted in Chapter 3, the removal of 15 per cent of the cases disproportionately affects the number of single person households, unrelated sharers (though see below), those occupying flats/maisonettes and rooms, and those living in London/Brighton&Hove included in the analysis.

Income data

The income data in the LIWH data set is banded – for example, £385-£481 gross weekly income (see Table 3.7). The banded information has been converted to a continuous variable by taking the mid-points of the ranges. In the case of the bands ‘Less than £96 per week’ and ‘£770 per week or more’, the values £85 per week and £820 per week were used.

The rent to income ratio was calculated by dividing responses for non-zero weekly rent (excluding rent payments which include service charges) by these mid-point values for gross weekly income. This generates a value for rent as a proportion of income for 921 respondents. It should be noted that the proportions and percentages resulting from this exercise are necessarily approximations: for example, a rent of £150 per week would represent 39 per cent, 35 per cent and 31 per cent of the income range £385-£481 if, respectively, the bottom, mid-point and top of this income range had been chosen.

The 29 households who indicate that they have no earnings from employment or self-employment are excluded from the analysis of rent to income ratios. These households are legitimately part of the total sample because such respondents include those who were employed at the time of taking up the current tenancy but are no longer employed. However, it does mean that the current incomes recorded for this group differ from those of working households.

The issue of unrelated sharers

Inspection of the survey results for unrelated sharers suggests that some of the responses for rent paid by this group are problematic. In answering the question on rent, it appears that some unrelated sharer respondents refer to the rent for the whole property while others refer only to their share of that rent. An additional concern about the responses of this group which affects the analyses presented later in Chapter 4 relates to the number of bedrooms (and other rooms) in the property occupied by such households where it is often again unclear as to whether respondents are referring to the whole dwelling or the part that they themselves occupy. Because of these apparent inconsistencies, unrelated sharer households were excluded from the analyses concerned with rents, incomes and property sizes in Chapter 4, as indicated in the main text.

‘Anomalous’ rent to income ratios

Initial analyses of rent to income ratios using this approach gave rise to a number of apparently anomalous results. While the mean proportion of gross income spent on rent is 52 per cent (median 39 per cent), the upper quartile value is 59 per cent and the upper quintile value suggests that 20 per cent of respondents are spending 63 per cent or more of their income on rent.

These values themselves are perhaps not unreasonable. It is well known that incomes measured at a point in time, such as in the LIWH survey, may not reflect ‘normal’ or ‘permanent’ income to which housing consumption and expenditure is arguably related. Indeed, it may equally be the case that some of the rent payments quoted by respondents may reflect temporary additional payments, for the payment of arrears or the provision of a ‘one-off’ service for example. However, even after allowing for this and for frivolous or erroneous responses and possible data miscodes, it is of some concern that inspection of the individual data indicates that nearly ten per cent of respondents spend over 90 per cent of their income in rent and that around six per cent spend more than 100 per cent, including one household where the reported rent is over six times their reported income. These outliers potentially significantly affect the calculated mean and median values. There appears to be less of a potential problem with the lower end of the distribution where the lower quartile value is 28 per cent of income spent on rent and only two households spend less than ten per cent.

Inspection of the data reveals that, of the 20 per cent of households (the upper quintile) having rent to income ratios of over 63 per cent, one third are unrelated sharer households, as are 27 of the 54 households (50 per cent) having the highest ratios of over 100 per cent. Yet, as Table 3.2 shows, such households make up only 14 per cent of the total sample.

Removing all unrelated sharer households, as explained above, still leaves some respondents with prima facie implausible rent to income ratios. Consequently, a number of ‘cut-offs’ for removing the outliers with the higher rent to income ratios at the extreme upper end of the distribution were examined. The upper quintile of the distribution, with ratios of over 63 per cent, was subsequently omitted from this part of the analysis where shown in Chapter 4.

Appendix C

Note on the qualitative in-depth interviews

This appendix has been prepared by Ipsos MORI describing the approach to eligibility and sampling, recruitment and fieldwork adopted for the in-depth interviews with low income working household families.

Location and timing

Thirty-one in-depth interviews were conducted by housing research staff from Ipsos MORI's Social Research Institute in January 2010, returning to nine of the ten locations in which the quantitative survey had been conducted. These selected locations were:

- Brighton & Hove;
- Coventry;
- Hounslow;
- Islington;
- Leeds;
- Lewisham;
- NE Lincolnshire;
- Teignbridge;
- Waltham Forest.

Eligibility for the qualitative research

All participants in the research had previously taken part in the quantitative survey, were households with a dependent child aged under 16, and had agreed to take part in follow-up research.

Quotas

Recruitment quotas were set so that the final achieved sample contained a mix of respondents by:

- location;
- household composition;
- age of youngest dependent;
- living conditions;
- length of time in current property;
- housing aspirations.

The Table C.1 details the recruitment quotas. Quotas relating to the respondent’s profile, such as age of youngest dependent, were not specified within each location. Instead interviewers were asked to ensure a good spread of characteristics within each location so that the profile of participants is not the same in each area.

Table C.1 Recruitment quotas for the qualitative fieldwork

Characteristic	Profile	Quota
Location	London	Ten interviews in total (aim for a mix across each of the four locations)
	Elsewhere	Four interviews in each of: Brighton & Hove, Coventry, Leeds, NE Lincolnshire and Teignbridge
Household composition	‘Lone parent with dependent children’	One in each area outside of London Three to five within London
	‘Couple with dependent children’	At least 20
Age of youngest dependent	Households with youngest child of pre-school age (‘Under 5’)	At least five
	Households with youngest child of primary school age (‘5 to 10 years old’)	At least five
	Households with youngest child of secondary school age (‘11 to 15 years old’)	At least five
Living conditions	Living in overcrowded conditions and perceive themselves to be (‘Some’ and ‘Too few’)	At least two
	Not living in overcrowded conditions but perceive themselves to be (‘None’ and ‘About right’ or ‘Too many’)	At least two
	Living in overcrowded conditions but do not perceive themselves to be (‘Some’ and ‘About right’ or ‘Too many’)	At least two
Length of time in current property	‘Less than one year’	At least ten
	‘One year or more’	At least ten
Housing aspirations	‘Intend or want to move’	At least ten (aim for a mix of desired tenure, with at least one ‘Social rented’, two to three ‘Owner occupied/shared ownership/shared equity/intermediate rent’ and two to three ‘Private rented’)
	‘Want to stay in current home’	At least ten

Recruitment

Ipsos MORI's specialist research recruitment staff contacted eligible participants in each location by telephone to invite them to take part in the study. As an incentive and thank you for taking part, each respondent was offered £30, in cash, for their time. To allow for any unforeseen circumstances that would have meant a householder was unable to keep to their appointment, the recruiters were asked to 'over recruit' by one household in each area outside of London and to 'over recruit' by two households in London.

Conducting the fieldwork

Each interview was conducted in the respondent's home and lasted approximately 45 minutes. Researchers used a detailed discussion guide, designed by Ipsos MORI together with the Centre for Urban and Regional Studies (CURS) and agreed with the Department for Work and Pensions (DWP). The guide included sections covering:

- decision-making when moving home;
- satisfaction with accommodation;
- role of finances and experience of benefit system;
- future housing aspirations.

Researchers conducting the in-depth interviews were supplied with key data from the respondent's quantitative interview to brief them on the issues likely to be most relevant to this household for in-depth exploration.

Each interview was digitally recorded and fully transcribed for analysis by CURS. Additionally, following each interview a pen portrait was written up by the interviewer to give context and any researcher observations relevant to the analysis.

Before the full analysis, Ipsos MORI hosted a debriefing for those who had conducted the interviews to feed back the emerging findings to DWP and CURS.

This research attempted to answer the question *‘What comparisons can be made between low income working households (LIWH) and Housing Benefit (HB) recipients in the private rented sector (PRS), and what do these comparisons show both in terms of the type, costs and access to PRS accommodation, and in terms of the type of households that are LIWH or HB recipients?’* To do this a secondary analysis of the General Household, Family Resources and English House Condition Surveys, was conducted and a survey of over 1,000 LIWH in a variety of locations in England, but with a focus on London, was also undertaken. This was followed up by 31 qualitative interviews with families with children aged under 16 years.

Overall the findings show that the great majority of LIWH live in accommodation of the ‘right’ size (in terms of the number of bedrooms) or larger than those that would be deemed appropriate under HB regulations. Of interest is the wide diversity of LIWH in the PRS. Even within the fairly narrowly defined group of ‘families with dependent children’ participating in the qualitative work there was diversity in terms of household size and composition, and ethnicity. Families were in the PRS for a number of different reasons and had different expectations, intentions and ambitions for the future. Their current living conditions and general circumstances also varied widely. Given this diversity, it is apparent that the PRS is performing a number of different and important roles for LIWH families.

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