

# Low income working households in the private rented sector

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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 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 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.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 852 2. Research Report 698. September 2010).

You can download the full report free from:  
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