

Working paper

# Secondary analysis of low-income working households in the private rented sector

## Part A

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

by Stephen McKay

## Part B

### Analysis of the English House Condition Survey

by David Rhodes

Department for Work and Pensions

Working Paper No 85

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### **Analysis of the English House Condition Survey**

David Rhodes

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

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# Summary

The aim of this part of the overall research project 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 Housing Benefit (HB), broken down according to their family composition and employment status.

The analysis involved three datasets, the General Household Survey (GHS), the Family Resources Survey (FRS) and the English House Condition Survey (EHCS). The GHS was used to analyse longer-term trends, from 1972 onwards. 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. The EHCS, a physical survey by trained surveyors provided important information on the physical condition of the dwelling and looked at trends for incomes and rent levels.

All analysis was based on those aged 16-64 years.

## Trends in the tenure composition

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. 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; private tenancy has remained much less common for this group (by 2004 representing around eight per cent of people living in dual earner households, compared with 17 per cent in 1972).

Over time, private tenants have generally been becoming younger whilst the average age of those in other tenures has been rising.

## Composition of the private rented sector in 2005/06

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 among those living with more than two adults. PRS tenants tend to have diverse living arrangements, with one-quarter (28 per cent) living with those from other families (ten per cent being the average across all tenures). One-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 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 dependent children in the household, and especially more likely to be lone parents (35 per cent, rather than five per cent);
- older;
- more likely to be living in the North West, and in London;
- much more likely to have no qualifications, and much less likely to be graduates.

### Rents among low-income households: FRS analysis

For this section we draw on the FRS for the three years 2007/08, 2006/07 and 2005/06<sup>1</sup>. 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. 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.

In making these comparisons it should be remembered that total household income includes the amount paid in HB. After excluding HB from total income, those receiving HB are, income-for-income at the lower end, living in accommodation with a higher rent level than non-recipients of HB with one earner in paid work. The same is true when compared with one and two earner couples on moderate incomes. 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 not, it is also important to control for some of these other differences in characteristics – in particular in the size and composition of different families.

Among single adults without children, the typical rent being paid was roughly the same irrespective of HB receipt. Those not receiving HB were more likely to be paying rather 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.

In the main report we show similar analysis for other family types (lone parents, couples with and without children) and generally the overall picture is the same or very similar. Overall:

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

In addition to making comparisons across different family types, we may also consider the effects of different kinds of housing, and different locations. We know that location exercises a great deal of influence on levels of rent, with rather higher rents being paid in London in particular. The picture in London reflected the national picture, with the modal values very similar among recipients and non-recipients – more of the non-recipients were paying higher, and lower, levels of rent.

The results so far tend to suggest that the levels of rent of the properties of HB recipients do match quite closely the prevailing average. The rent levels in 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.

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<sup>1</sup> For the special analysis using local authority codes, we have data for the latter two of these three years.

## Multivariate analysis of rents

There is considerable diversity of rents paid according to the family size and the characteristics of the dwelling – and particularly the region of residence. This diversity suggests 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 in rents paid between workers and non-workers.

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

The factors making most of an impact on rent levels are region, and the number of rooms in the property. Having additional adults, 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. After controlling for region, numbers of adults and children, and the size of the property, there was no difference between the average rents paid by HB recipients, and others in the private rented sector<sup>2</sup>.

This first model used detail on region to help model rent levels. However, region is, of course, a rather imperfect guide to location. It would be helpful to model rents with a lower level of geography. For this study we have, therefore, obtained special versions of the Family Resources Survey. The FRS datasets for 2005/06 and 2006/07 have been obtained with identifiers for local authorities (sadly, a similar dataset for 2007/08 was not available). We used this fine degree of detail to refine the model of rent levels.

This finer level of data on locality improved the ‘fit’ of the model to a significant degree – in these regressions the  $R^2$  value increased from 0.38 to 0.51, meaning that we are now able to explain over half the observed variation in rent levels. We may also have greater confidence in the precision of the estimates for the other variables.

However, the main conclusions are the same as reached above. Larger properties attract higher rents. Additional adults make some difference; additional children relatively little difference. Moreover, there was still no effect of being a recipient of HB on rent levels.

It is possible to consider an approach known as quantile regression. This method shifts attention away from the conditional-means of classical regression, to the conditional-median. This should be helpful in establishing some kind of benchmark against which to compare the rents being met through HB. In summary, the results from such regressions were qualitatively similar to those found from the linear regressions: the main factors driving rent levels are the region, number of rooms and the 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. There was no link between HB and the bottom quartile, a small negative effect on median rents, and a somewhat larger (though still quite small) negative effect on paying a rent in the top quarter of the distribution.

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<sup>2</sup> The small difference of around £2 a week was not statistically significant.

### Conclusions

There is a close correspondence between the median rents paid by HB recipients (however no causal effect is being assumed) and those paid by non-recipients. Any gap is made narrower when we exclude higher income families not receiving HB, and when we control for differences in family type and in region.

In statistical models of rent levels, whether a household is receiving HB is not informative – it does not make any difference to the average rent being paid. This is a clear result, particularly in our model that made use of data on local authorities. 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.

Another way of saying that median rents are similar, is that *'about half of HB recipients are in properties with higher rents than about half of those not receiving HB'*. The reverse is also true. If the policy is to set levels of housing support to the average (median) of other tenants with similar characteristics, then to that extent it is being achieved. Indeed, there was rather less variation in levels of rents among HB recipients, than among those not receiving HB. The graphical evidence also revealed that many non-recipients of HB were paying relatively lower levels of rent, which was rarer among HB recipients.

The descriptive analysis also reveals many important differences between those in the PRS receiving HB, and non-recipients. The 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.

# Secondary analysis of low income working households in the private rented sector

## Introduction

The system of Local Housing Allowance permits maximum rates of payment based on the number of bedrooms in each property and the prevailing **median** level of rent in the local area. Reforms to that system were announced in the June 2010 Budget, but the scheme based on median rent levels prevailed at the time of this research. This approach means that some working low-income families, living in the PRS and not eligible for benefit, may occupy cheaper properties than those out of work, and also feel unable to afford more expensive properties. If so, the housing consumption of low-income working households may be inferior to that of non-working households receiving HB. It was part of the aim of DWP research to investigate the prevalence of this issue in practice.

It was necessary to conduct primary data collection to address all the relevant research questions. However, a first stage of secondary data analysis was seen as helpful in quantifying the extent of overlaps in rents, and the effect of HB receipt on the kinds of properties (in the PRS) in which people lived.

This report contains analysis from two distinct, but related, projects. They were each part of a larger research programme dedicated to analysing the rents paid by low income households living in the PRS. They laid the groundwork for new data collection, by establishing what was known from large-scale existing national datasets.

The secondary analysis projects involved analysis of three main datasets. First, the EHCS (now subsumed into the English Housing Survey) which provides extensive detail on the condition of properties. In the EHCS, a physical survey by trained surveyors provides important information on the physical condition of the dwelling. Second, in order to look in detail at trends for incomes and rent levels, the GHS and the FRS were analysed. A distinctive feature of the FRS analysis was multivariate analysis utilising data on the local authority of tenants, which permitted more robust comparisons between recipients and non-recipients of HB.

These projects addressed a number of key research questions, including: The type of privately rented accommodation in which low income working households (LIWH) live and the different levels of rent being paid in the PRS.

## Some key conclusions

Results from the EHCS found a few differences between recipients and non-recipients of HB, living in the PRS. Such differences, at least in part, seem to be reflecting a slightly older tenure profile among the HB recipients – hence, more living in terraced housing and fewer in purpose built flats. Any differences in the levels of rents being paid, between the two groups, tended to be quite small. HB recipients were also somewhat more likely to be living in deprived areas (the bottom ten per cent of the English Index of Multiple Deprivation (IMD)), with correspondingly lower levels of satisfaction with their local neighbourhood.

Detailed analysis of the FRS found that HB receipt made little difference to the level of rent being paid – after controlling for the local area (local authority), size of property and family structure. This analysis also confirmed that the HB recipient group tended to be 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.

Of course there were also some differences in the results, reflecting the different datasets used and the different time periods that they covered. As historical datasets they pre-date some of the recent reforms to HB.

### Report

The two studies, and their respective summaries, form the remainder of this report. They provide a companion to the report entitled *Low income working household in the private rented sector*, DWP Research Report No. 698.

# **Part A**

## **Analysis of the General Household Survey and the Family Resources Survey**



# 1 Introduction

## 1.1 Background

This paper reports on analysis of the rents paid by tenants in the PRS. It makes comparisons across different sizes of households, in particular between those receiving and not receiving HB, according to their family composition and employment status.

## 1.2 Outline

The report first tracks trends in the PRS from the early 1970s (Chapter 2). We then look at contemporary data on rents, income and HB from the GHS (Chapter 3) and from the FRS (Chapter 4). Chapter 5 uses a range of multivariate approaches for sharpening the comparisons between tenants in terms of the levels of rents they pay in the PRS.

## 1.3 Data

Two main datasets were analysed to conduct this analysis – the GHS and the FRS. The **GHS** is a continuous household survey that interviews all households (excluding people in communal institutions). It is relatively general in its content, covering diverse topics including smoking, family formation and use of health services. It has been running since 1971. The **FRS** is also based on households (again, not those in communal institutions) and is a continuous survey, but with a key focus on incomes and social security benefits and poverty measures. Data is available from 1993/94 onwards.

For this study we use particular years of data. For the GHS we look at 2005 and 2006 in detail (the most recently available at the time of writing, November 2009). These are calendar year datasets, and their predecessors were in financial years, so it is difficult to extend the series until new data (for the 2007 GHS) is released. We also look at data for 1972-2004, as a means of providing important contextual background to the study.

For the FRS we look at the datasets relating to for 2007/08, 2006/07 and 2005/06, combined. We also have access to the special licence versions of the FRS for 2006/07 and 2005/06. Unlike the main datasets these include information on the local authority in which people live – the main datasets do not identify any geographical data below the regional level. These datasets are also the most contemporary available to the analysts at the time of writing.

### 1.3.1 Definitions

In the analysis that follows, those aged 65 or older are excluded. It would be possible to also exclude women aged 60-64 (who are not generally regarded as being of working age), but the impact would be small – see footnote 3.

The analysis is presented in terms of results for individuals, but we also look at the characteristics of the family unit or the wider household, or dwelling. In doing so we parallel the analysis conducted within the Households Below Average Income (HBAI) series. No attempt is made to allocate rents to different individuals. The interpretation is more along the lines of people living in properties with rents of a certain figure – again in line with HBAI and its treatment of income and poverty levels which are measured for households but reported for individuals.

Where possible we remove those with accommodation linked to their jobs. Those with regulated tenancies in the FRS were only 0.3 per cent of tenants, and are retained in the analysis. It is not possible to identify specific temporary accommodation which might be particularly expensive – though of course people based within institutions populations will not generally be included in these sample surveys of households.

In much of the report we compare recipients of HB, with non-recipients. We make a more restrictive selection of non-recipients in Section 4.4. Here we exclude non-workers, and those with incomes above a certain cut-off. That income cut-off is taken from a survey that is currently in the field, and addresses the issues of rent levels among low-income workers compared with those receiving HB.

In Chapters 2 to 4 of this report, we tend to make comparisons using one characteristic at a time. That is, how do rents vary among families of different sizes, or in different regions, or by numbers of workers in the household? In order to take account of several different characteristics varying all at the same time, it is necessary to use multivariate methods. This is the approach of Chapter 5, which uses regression techniques to look at rent levels, controlling for several different characteristics at the same time.

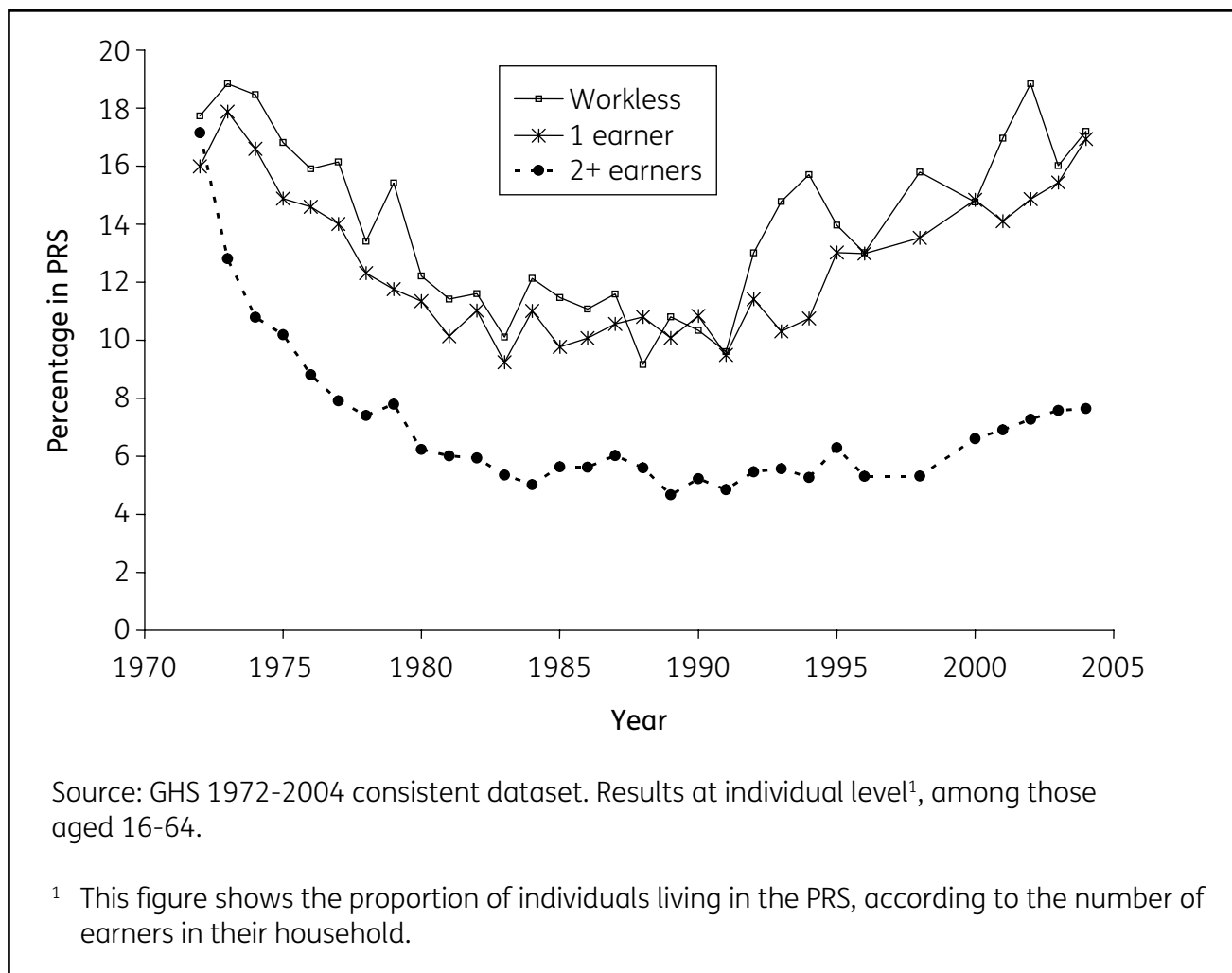
## 2 Trends in the tenure composition

The GHS asked a highly consistent series of questions from 1972-2004, which we may use to characterise those living in the PRS, compared with other housing tenures. The GHS is, therefore, the source of data for this section, which provides important contextual background for the rest of this analysis.

### 2.1 Trends 1972-2004

As we show in Figure 2.1, the proportion of individuals living in the PRS declined between the early 1970s and 1990, since when there has been something of a recovery. That recovery has affected some social groups rather more than others. The increased rate of living in the PRS since 1990 has shown most 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, but this remained much less common (by 2004 representing around eight per cent of people living in dual earner households, compared with 17 per cent in 1972). Hills (2007) has drawn attention to the increasing concentration of worklessness among social tenants. Tenants in the PRS show considerable diversity, but private renting remains relatively uncommon among households with two or more earners.

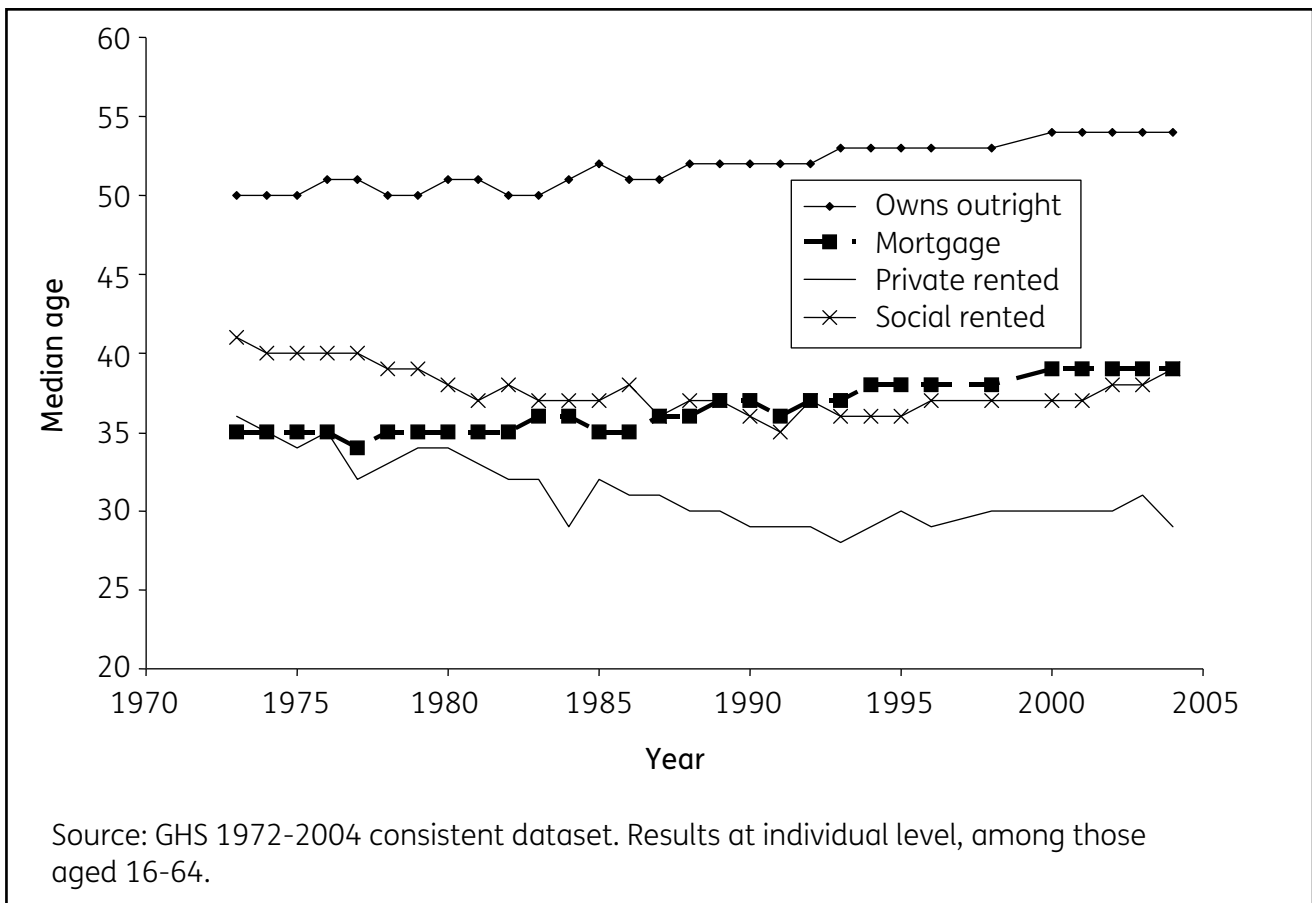
Over the course of this period, one of the sources of growth in the PRS will have been the expansion of higher education. The number of full-time students in higher education doubled between 1979 and 1995, for instance, and has been on a strong upward path of growth. A high proportion of students will be using the private rented sector, and this will contribute towards a younger age profile in the sector, other things being equal. In the main analysis section of this report, students are removed from the comparisons of non-recipients of HB, with those receiving HB (that is, from Chapter 4 onwards).

**Figure 2.1 Rates of private renting by household work status**

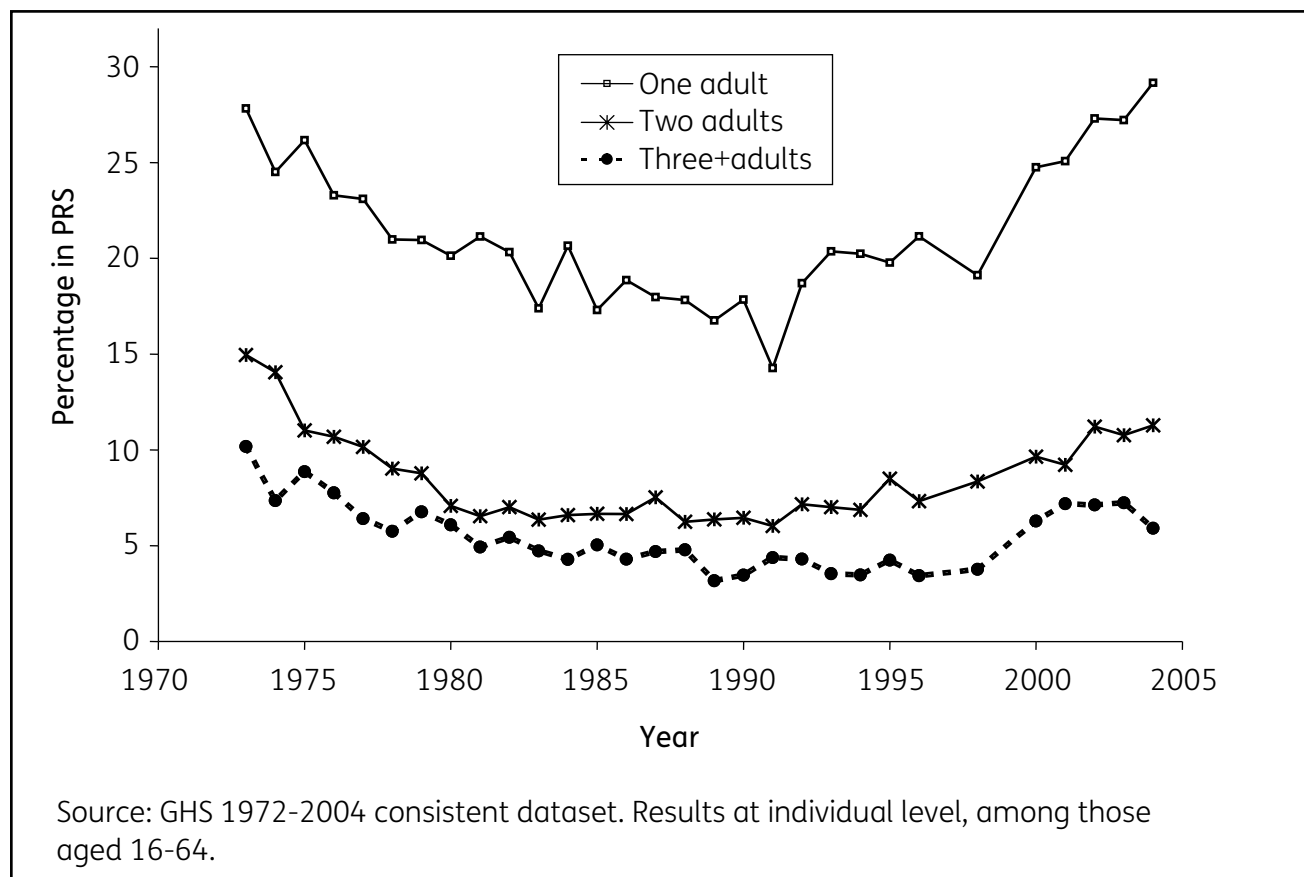
Rhodes (2006) has shown that the PRS has the most youthful age profile of any tenure, drawing on results from the 2001 Census of Population. Results from the GHS time series 1992-2004 shows that private tenants, among those aged 16-64<sup>3</sup>, are generally becoming younger whilst the average ages of those in other tenures is rising (as is the average age in the population as a whole). The results shown in Figure 2.2 also reveal a continuing rise in the average age of people buying homes on a mortgage. The decreasing average age of those in the PRS (for those of working age) means a growing divergence from those in other tenures.

<sup>3</sup> We take those aged 16-64 as the population of working age. It is possible to present results that drop women aged 60-64, who are generally entitled to receive state pensions from the age of 60 (until 2010). Overall this would do little to change the key results. In the 2004 GHS, women aged 60-64 comprised eight per cent of all women aged 16-64, or four per cent of all adults aged 16-64. Among those in the PRS, women aged 60-64 account for three per cent of all women aged 16-64, and around 1.4 per cent of all those aged 16-64.

**Figure 2.2 Average (median) ages among people in different housing tenures**



Another feature identified in Rhodes' (2006) analysis of 2001 Census data is the low average family size of those in the PRS with a 'high concentration of single person households of below pensionable age' (p.56). As we show in Figure 2.3, in 2005 among one-adult households aged 16-64 close to three in ten were in the PRS, compared to only one in ten among two-adult households, and still lower among those living with more than two adults. The figures have also been increasing in the last few years shown – apart from the larger households.

**Figure 2.3 Rates of private renting by household size**

## 2.2 Composition of the private rented sector in 2005/06

These trends suggest a PRS which generally has rather younger occupants than the other sectors. Private tenancies are also most frequent among those who are single (rather than part of a couple) and not in paid work. These refer to the rate of private renting among different groups. We may also be interested in the composition of the PRS, and how that compares with other tenures. Results for a range of personal and other characteristics are shown in Table 2.1 (note that in Appendix A we present the equivalent 'row percentages' which show the incidence of different tenures by these characteristics – see Table A.1).

As we implied above, those living in the PRS are younger than average, with 62 per cent aged under 35, compared with 38 per cent among all persons so aged. Some three in ten of those living in the PRS were born outside the UK, including nine per cent from Europe and 11 per cent from the Commonwealth.

PRS tenants tend to have diverse living arrangements, with one-quarter (28 per cent) living with those from other families (ten per cent being the average across all tenures). One-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.

**Table 2.1 Composition of each tenure**

Characteristics	Column percentages			
	Owners	Social tenants	Private tenants	All aged 16-64
<b>Age group</b>				
16-24	15	24	28	18
25-34	17	20	34	20
35-44	25	22	20	24
45-54	22	19	11	20
55-64	21	15	7	18
Median age (years)	42	37	31	40
<b>Country of birth</b>				
UK	91	86	70	88
EU Europe	2	2	4	2
Other Europe	1	1	5	1
Commonwealth	5	5	11	5
Rest of world	2	5	9	3
<b>Household type</b>				
Couple and dependent children	38	25	24	34
Couple, no children	43	22	29	38
Lone parent	6	29	9	11
One person only	9	18	17	11
Other	4	6	21	6
<b>Households per dwellings</b>				
1 household	93	89	72	90
2+ households	7	11	28	10
<b>Accommodation type</b>				
House	94	62	68	86
Flat/rooms	6	38	32	14
<b>Government office region</b>				
North East	4	5	3	4
North West	12	11	8	11
Yorkshire/Humber	9	8	11	9
East Midlands	8	7	9	9
West Midlands	9	10	5	9
East	10	7	10	10
London	10	21	20	13
South East	14	9	15	14
South West	9	7	7	9
Wales	5	4	4	5
Scotland	9	11	7	9
<i>Unweighted base</i>	24,575	4,837	3,744	33,156

Source: GHS 2005/06. Results at individual level, among those aged 16-64.

In Table 2.2 we compare many of the same characteristics, but focusing in on private tenants and breaking down results by receipt of HB. Those receiving HB as private tenants, compared to non-recipients were:

- much more likely to have dependent children in the household;
- much more likely to be lone parents (35 per cent, rather than five per cent);
- older, median age 36 years, compared to 29 years of age among non-recipients;
- more likely to be living in a single-family arrangement (89 per cent, rather than 67 per cent);
- more likely to be living in the North West, and in London (both results are statistically significant, as with the other results listed here);
- much more likely to have no qualifications, and much less likely to be graduates.

**Some** of these characteristics of PRS tenants receiving HB are quite akin to the characteristics of social tenants.



**Table 2.2 Composition of PRS by HB receipt**

<b>Characteristics</b>	<i>Column percentages</i>		
	<b>Private tenants – HB recipients</b>	<b>Private tenants – others</b>	<b>All private tenants</b>
Median age (years)	36	29	31
<b>Country of birth</b>			
UK	70	69	70
EU	3	4	4
Other Europe	6	6	6
Commonwealth	12	11	11
Rest of world	9	9	9
<b>Household type</b>			
Couple and dependent children	22	24	24
Couple, no children	14	31	29
Lone parent	35	5	9
One person only	21	16	17
Other	4	25	21
Has children in household	57	16	29
<b>Households per dwelling</b>			
1 household	89	67	72
2+ households	11	33	28
<b>Government office region</b>			
Noth East	2	4	3
North West	13	7	8
Yorkshire/Humber	9	11	11
East Midlands	8	9	9
West Midlands	6	5	5
East	4	11	10
London	27	20	20
South East	15	15	15
South West	7	7	7
Wales	6	4	4
Scotland	4	7	7
<b>Education</b>			
Has higher education	13	34	32
No qualifications	25	9	11
<i>Unweighted base</i>	474	2,584	3,744

Source: GHS 2005-2006. Results at individual level, among those aged 16-64.

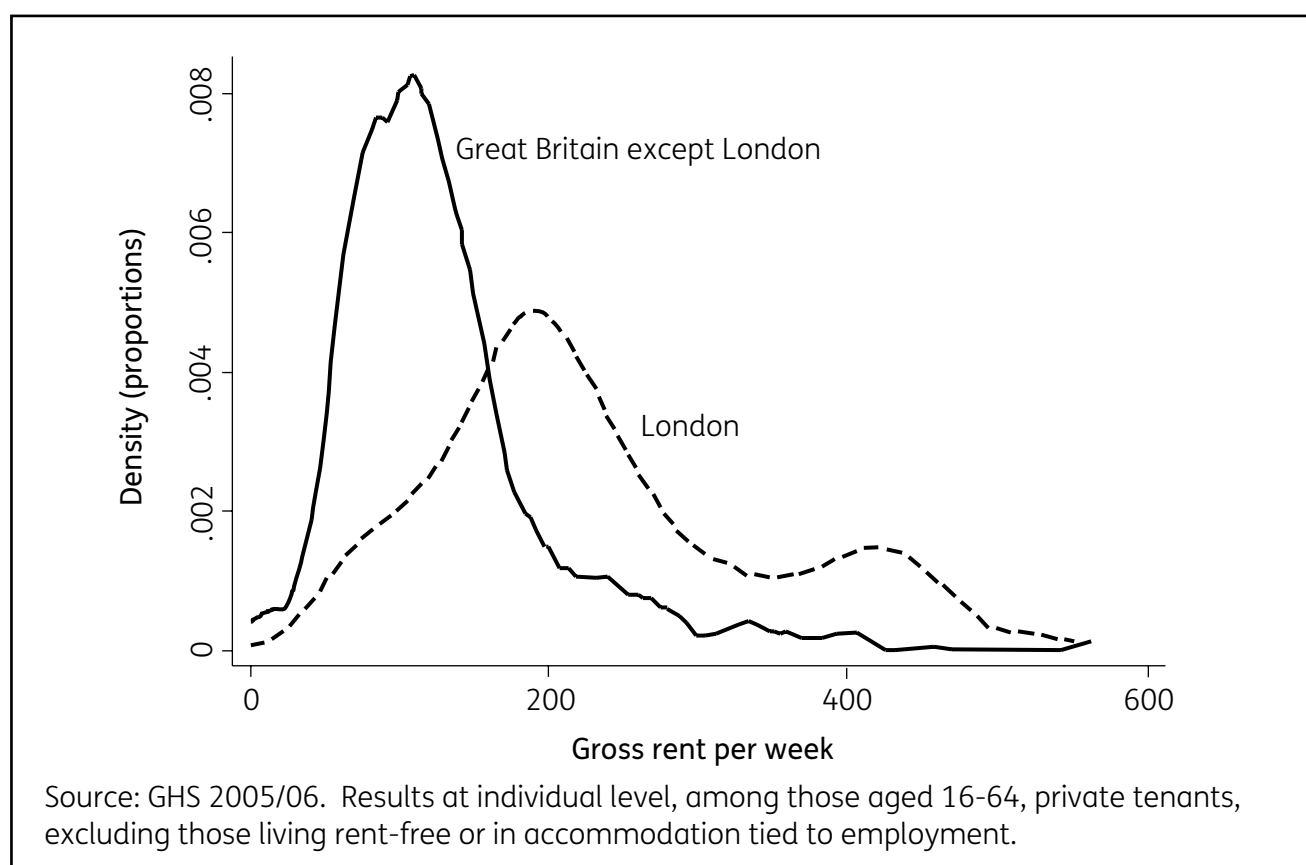
### 3 Rents: General Household Survey 2005 and 2006

In this section we combine data from the 2005 and 2006 editions of the GHS. At the time of writing (November 2009) these are the most recent GHS datasets available.

#### 3.1 The overall picture

The gross rents paid by different households living in the PRS are shown in Figure 3.1<sup>4</sup>. This style of chart can be thought of as similar to a histogram, but with greater smoothing rather than pre-selected bars for the chart. There is clearly a strong peak at a rent of £100 per week. However, in London the modal rent is closer to £200 per week, with a further sizeable group paying around £400 per week. The range of rents is also rather wider in London. These results imply that separate analysis of London, or including a regional factor to the analysis, is likely to be very important.

**Figure 3.1 Weekly gross rents – smoothed (kernel density)**



<sup>4</sup> Households with rents exceeding £600 per week have been dropped, comprising four households in London.

## 3.2 Differences in levels of rents paid

There are a number of characteristics that we might expect to affect the rents that people pay. We may think in terms of the demand and supply of privately rented accommodation. The demand side is likely to include the need for a certain amount of space, which is clearly linked to the size of the family. Demand will also relate to people's ability to pay, but clearly benefits (HB in particular) will affect this too. On the supply side, we know that location is also going to affect rents to a considerable degree.

### 3.2.1 Regional differences

Rents vary considerably by region, with London being much more expensive than other regions. In Table 3.1 we show the average (median) level of rent being paid in each region, separately for recipients and non-recipients of HB. Overall, the gross rents of HB recipients were, at £120 per week, about the same as PRS tenants not receiving HB.

In London, the average tenant receiving HB was in a property with a rent of some £277 per week, compared with £208 for those not receiving HB. At this stage, the results do not control for differences in size of property and size of family – we know there are many single people living in complex households among the non-recipients, and many lone parents among the recipients. Even so, the difference is marked and perhaps surprising. In the rest of the South East, there was very little difference in the average rents of recipients and non-recipients of HB. Sample sizes in most regions, for two years combined of the GHS, were rather small for HB recipients to comment on.

It is worth noting, however, that these figures for London are considerably higher than found in the FRS data, which we analyse in Table 4.4. This difference between the two surveys in rent levels is not present for the other larger regions. We should, therefore, be cautious about interpreting this London difference. The FRS figures are based on a considerably larger sample size, and so it may be worth a focus on the FRS figures for London (which as well as being lower do not have higher rents for HB recipients than non-recipients).

**Table 3.1 Gross weekly rents in PRS by region and receipt of HB**

Region	<i>£ per week</i>			
	Receiving HB		Not receiving HB	
	<i>Unweighted base</i>	Median	<i>Unweighted base</i>	Median
London	85	£277	412	£208
South East	66	£140	340	£138
North West	61	£104	176	£104
Yorkshire/Humber	51	£91	263	£117
East Midlands	43	[£111]	268	£104
West Midlands	33	[£100]	133	£98
East	32	[£116]	269	£133
South West	32	[£122]	202	£108
Wales	27	[£115]	80	£86
Scotland	24	[£87]	103	£104
North East	12	[£80]	88	£112
Total	466	£120	2,334	£126

Source: GHS 2005/06. Results at individual level, among those aged 16-64. Private tenants, excluding those living rent-free or in accommodation tied to employment. Money amounts in [ ] are based on fewer than 50 cases and may be unreliable.

### 3.2.2 Numbers of workers

Among households with no-one in paid work (all households, not restricted to HB recipients), the modal (most common) rent was £50-£75 per week, whilst for one-earner households it was £100-£149 per week. Where there were two or more earners in the household the most typical rent exceeded £200 per week. A sizeable proportion of each group were in properties with rents exceeding £200 per week, even accounting for more than one in ten of workless households.

Despite the differences in the 'peak' of rents paid by these different households, it was clear that there was also a great deal of overlap in the levels of rent they were paying (or having met through benefits, in whole or in part). Key results are shown in Table 3.2. So whilst half of those in workless households were in properties with rents of at least £115 per week, one-quarter of adults in households with two earners had properties with rents of less than £104 per week. Clearly a sizeable overlap, though these figures are not yet adjusted for differences in region and family size, and in receiving HB – see below.

**Table 3.2 Rents in PRS by number of workers in each household**

Number of workers in household	<i>£ per week</i>				
	<i>Unweighted base</i>	<b>Lower quartile (bottom 25%)</b>	<b>Median</b>	<b>Mean</b>	<b>Upper quartile (top 25%)</b>
None	496	£69	£115	£133	£179
1	969	£83	£114	£139	£153
2+	1,335	£104	£138	£165	£196
Total	2,800	£91	£127	£151	£185

Source: GHS 200/06. Results at individual level, among those aged 16-64. Private tenants, excluding those living rent-free or in accommodation tied to employment.

### 3.2.3 Differences in the quality of property

It is possible that one group of tenants are living in higher quality properties than others, and contributing towards the differences in rents. A composite measure of housing quality was constructed using factor analysis<sup>5</sup>, with higher values reflecting higher quality, and the reverse. There was, however, no discernible difference in the levels of housing quality among those either receiving or not receiving HBt. In fact average levels of housing quality were similar among the two groups, but showed greater **variation** among households not receiving HB (i.e. non-recipients of HB were the more likely to have higher quality properties, and the more likely to have lower quality properties, too).

<sup>5</sup> Households with rents exceeding £600 per week have been dropped, comprising four households in London.

# 4 Rents among low-income households: Family Resources Survey analysis

In this section we draw on the FRS for the last three years – data from the financial years 2007/08, 2006/07 and 2005/06. This valuable source of secondary data has more robust income data and better checking of information on benefit receipt – including HB. By taking three consecutive years of data, and after excluding those aged 65+ and those living rent-free, we have a sample size of 11,764 adults who happen to be private tenants<sup>6</sup>. This provides a promising basis from which to start analysis, much larger than for the two combined years of the GHS, and also including much more recent data (up to March 2008, rather than December 2006).

## 4.1 The composition of private sector tenants by household income

To provide some context, in Table 4.1 we show the distribution of incomes across different key groups, defined in terms of HB receipt and numbers of earners. Clearly, even though income includes HB in this table, most of those in paid work (and not receiving HB) are on much higher incomes than HB recipients. Nevertheless, the incomes of each of these groups is quite diverse.

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<sup>6</sup> This reduces to 10,988 once we remove from the analysis students who do not receive HB.

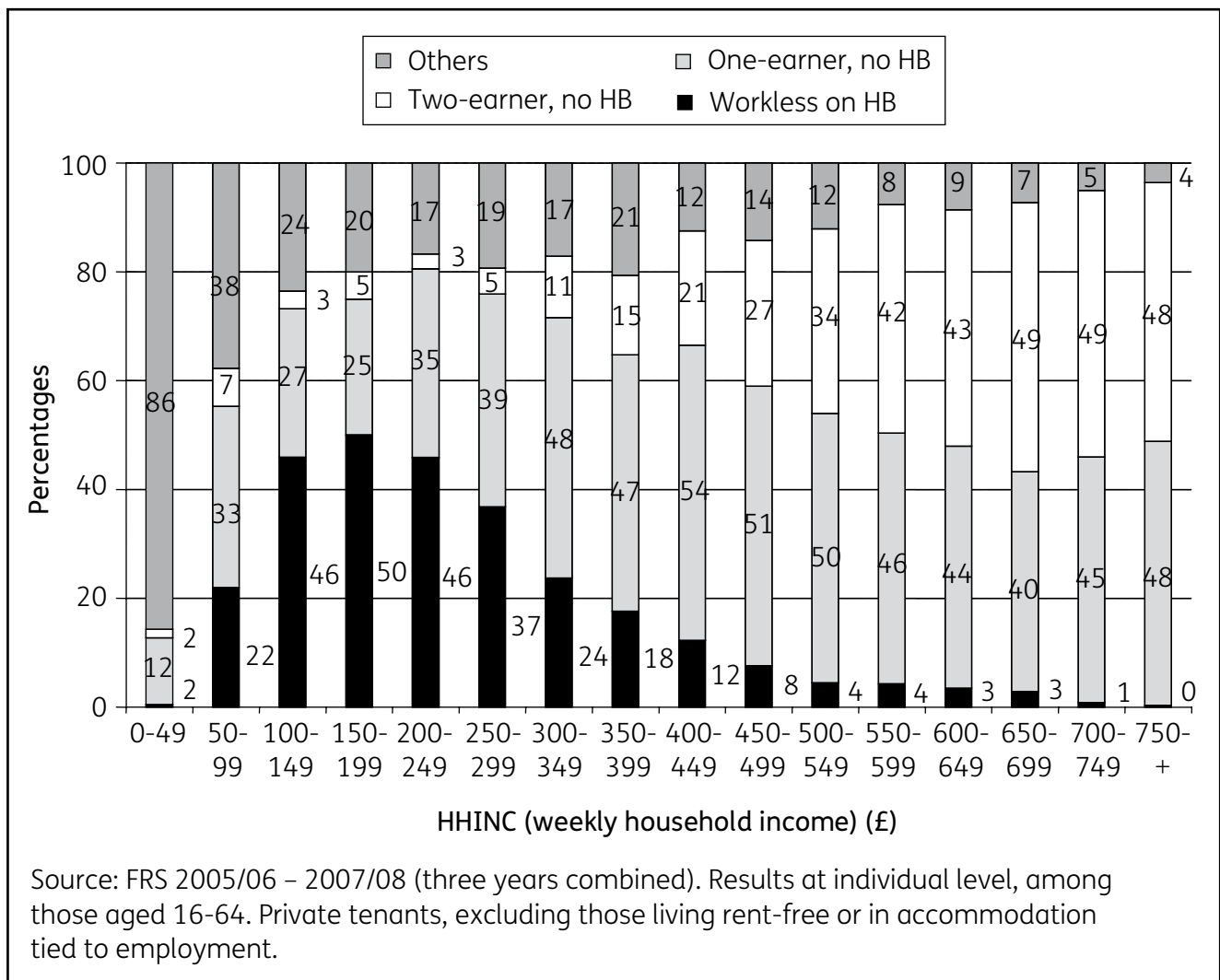
**Table 4.1 Composition of PRS by HB receipt**

Income level	Column percentages		
	Workless on HB	One earner no HB	Two earner no HB
<0	-	*	*
0-49	*	*	*
50-99	2	1	*
100-149	10	2	*
150-199	14	2	1
200-249	20	4	*
250-299	16	5	1
300-349	13	7	2
350-399	8	6	3
400-449	6	7	4
450-499	3	6	5
500-549	2	7	6
550-599	2	5	7
600-649	1	5	7
650-699	1	4	7
700-749	*	4	6
750 +	1	36	51
<i>Unweighted base</i>	1,646	4,728	3,360

Source: FRS last three years. Results at individual level, among those aged 16-64.

Non-working households receiving HB are most common at incomes of around £100 to £350 per week, as shown in Figure 4.1. There are also considerable numbers of single-earner households (not receiving HB) within these income bands, though two-earner households are only really evident at incomes of around £400 weekly, or higher. The ‘others’ shown in the graph are either workless but not receiving HB, or working households that do receive at least some HB. Note that the level of income includes the amount of HB, in line with FRS methodology for the calculation of incomes – which partly explains why there are some workless families on quite high levels of incomes. Among those not receiving HB, full-time students are excluded (from this and later analyses). For this chart this mostly affects the ‘other’ category.

**Figure 4.1 Composition of PRS tenants by weekly incomes (incomes include HB, and other benefit income) – students excluded**



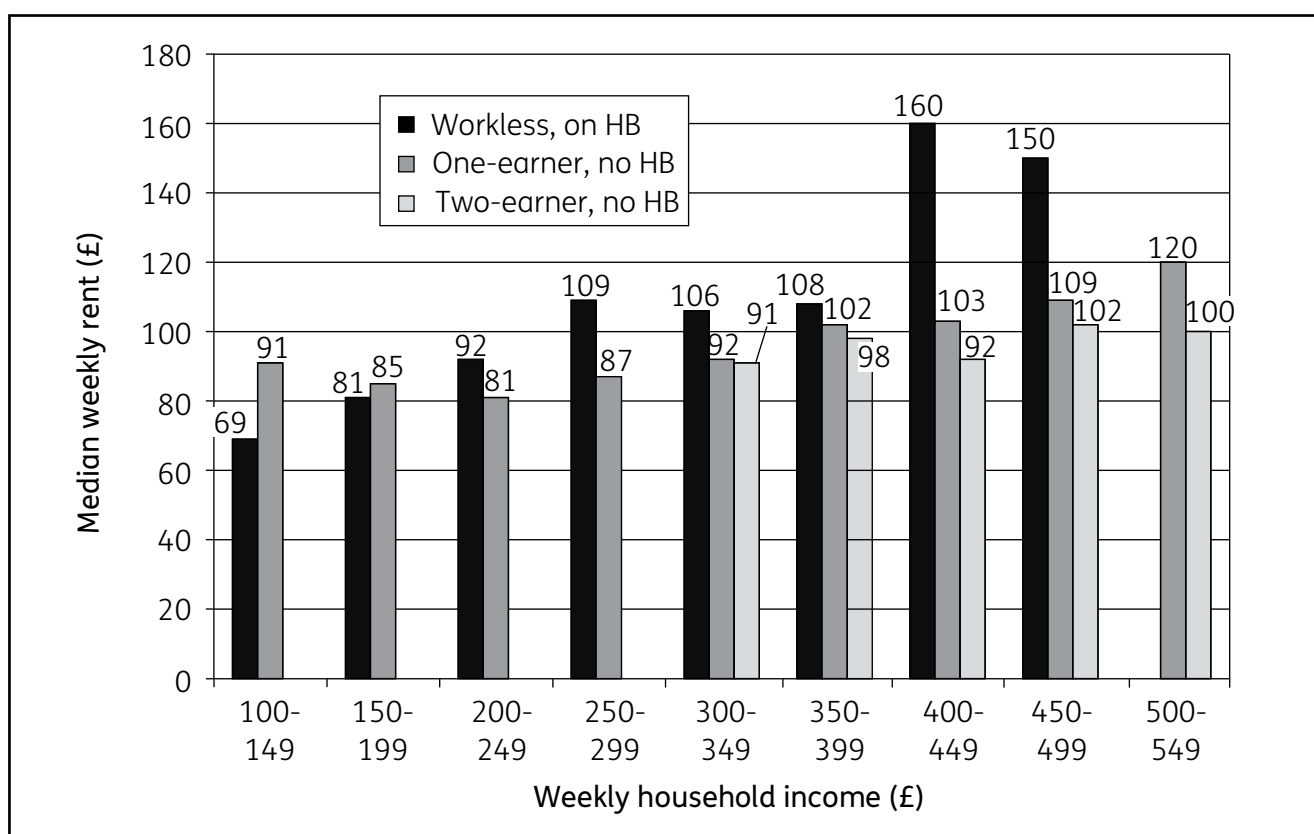
These figures imply that like-for-like comparisons will need to be made over a restricted range of the income distribution, excluding those on the very lowest incomes and those with incomes much above £400 per week. It is well known that results for the households reporting the very lowest incomes in FRS are often untypical of all low-income households (see Brewer *et al.*, 2009, for analysis relating to households with children).

## 4.2 Levels of gross rents

The above analysis suggests using a restricted income range for making comparisons. In Figure 6 we only present data for those combinations of income bands, work and HB receipt where rental data is based on at least 50 interviews. These filtering rules exclude those few higher income recipients of HB, and lower earning households with two people in work. The results suggest, however, that recipients of HB (who are also workless) are often living 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.

In making these comparisons it should be remembered that total household income includes amounts of HB. If we removed HB from total income, then for those on any given income the rent levels for HB recipients would be well above those of non-workers – rather than comparable to, or above, as at present. 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).

**Figure 4.2 Average (median) rents by income, work and HB receipt (PRS tenants) (incomes include Housing Benefit, and other benefit income)<sup>7</sup>**



One issue with this figure is that the level of income includes HB (in line with HBAI calculations). Some HB recipients therefore **appear** to be on a high income, because they are in a property with a high rent. It is, therefore, likely to be trivially true that HB recipients on 'higher incomes' will be paying higher rents. To show the overall effect of this, we repeat the analysis in Figure 4.3, but this time the incomes shown exclude any HB. This has the effect of moving more HB recipients into the lower incomes, and 'flattening' the level of rents by income. However, it is equally clear that those on HB are, income-for-income at the lower end, living in accommodation with a higher rent level than non-recipients of HB with one earner in paid work. The same is true when compared with one and two earner couples on moderate incomes.

<sup>7</sup> Note that those with incomes above the range shown have been excluded, in addition to those living either rent-free or in tied accommodation.



**Figure 4.3 Average (median) rents by income, work and HB receipt (PRS tenants) (incomes exclude Housing Benefit)**

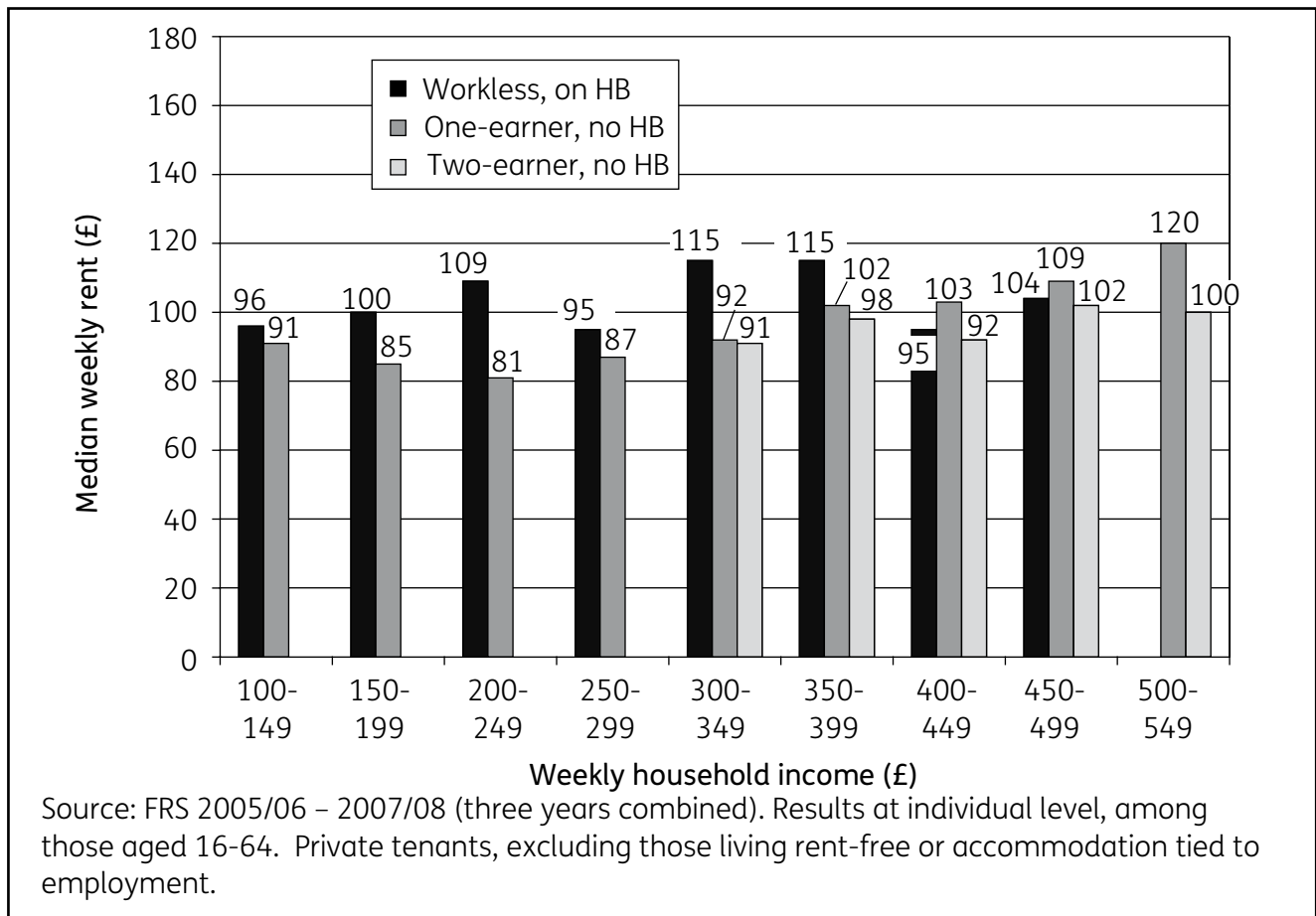


Figure 4.2 provides very direct evidence that the average rents being paid by lower-income wage-earners are often less than those being paid by workless groups receiving HB. If this is the situation on average, it is clear that many recipients of HB will be living in properties with higher rents than lower-waged workers, even after controlling for differences in income, though not family composition. The GHS analysis (reported in Chapter 3), however, tends to imply that differences in location do not explain away the extent of this overlap, because within given regions we still find a great deal of overlap in the rents paid by recipients and non-recipients. We follow this up, below, by a more detailed comparison of rent levels within the same types of family.

In the analysis we use data on people’s reported receipt of HB. However, not everyone who is entitled to HB actually receives it (non-take-up), and some recipients may no longer be eligible for it (e.g. they continue to receive it for a time even after their circumstances change). According to Cuthbertson *et al.* (2009) in 2007/08 between 80 per cent and 87 per cent of those eligible for HB were receiving it. Among PRS tenants, the take-up rate is rather lower – perhaps between 62 per cent and 73 per cent. For every three HB recipients in the PRS, there is probably at least one other potential recipient. The analysts also point to a sizeable reduction in rates of take-up over the past decade and confirm the common finding that eligible non-recipients of HB tend to be entitled to smaller than average amounts.

It is also possible that respondents do not always accurately report their HB status – quoting receipt, or non-receipt, inaccurately. FRS takes more trouble than most surveys to get these questions right, and to check records, but a small amount of mismatch may still occur.

### 4.3 Differences in levels of gross rents

As we discussed already, the level of rent paid will reflect different characteristics of the accommodation such as size, quality and location. The kind of properties that people are seeking are likely to reflect their family size and spending power. In making comparisons between those receiving HB, and those not, it is important to control for these kinds of differences. Whilst many recipients of HB appear to be paying high levels of rents, we have not yet controlled for differences in the numbers of adults and children that such families may have.

It is possible to look at one characteristic at a time – such as numbers of adults, children, within specific regions, and so on – and this is the aim of this section. Then, in Chapter 5, we look at several different factors all at once.

Within the PRS, we may examine the differences between recipients of HB, and those not receiving it. We present such figures from the larger FRS, which may serve as a contrast to the GHS figures – the figures are shown in Table 4.2. Among those living in the PRS, on average those receiving HB had 0.3 fewer bedrooms, but only 0.2 fewer rooms. We may speculate that this may reflect that some living space is being used for bedroom space among larger households not receiving HB, in a few cases.

Almost half (49 per cent) of those receiving HB were the only adult in their household, compared with only one-sixth (16 per cent) for the non-recipients. Indeed almost one-third (31 per cent) of those in the PRS not receiving HB were part of households with at least three adults. Over three-quarters (76 per cent) of those not receiving HB did not have any dependent children – whilst most HB recipients (55 per cent) did have one or more dependent children in their family.

Linked to many of these differences, we again found that the age distribution of HB recipients was rather older than for non-recipients. Half of the recipients of HB are aged 35 or older, compared with only 30 per cent of the non-recipients.

Overall, those describing themselves as students made up only three per cent of the HB recipients, but ten per cent of PRS tenants not receiving HB (before their exclusion from the analysis). Only certain groups of students are eligible for HB. By removing students, this makes for a slight increase in the age profile of the non-recipients, bringing their profiles slightly closer towards that of the HB recipients.

**Table 4.2 Composition of PRS by Housing Benefit receipt**

Characteristics	Column percentages		
	Private tenants – HB recipients	Private tenants – not HB recipients	All private tenants
<b>Number of bedrooms</b>			
1	16	20	19
2	41	38	38
3	36	31	32
4+	7	11	11
Mean number	2.3	2.5	2.5
<b>Number of rooms</b>			
1-2	5	6	6
3	14	14	14
4	28	28	28
5	31	25	26
6+	22	28	27
Mean number	4.6	4.7	4.7
<b>Number of dependent children in household</b>			
0	45	74	69
1	27	15	17
2	17	8	9
3+	11	3	5
<b>Number of adults in household</b>			
1	49	17	22
2	38	57	53
3+	13	26	25
<b>Age group</b>			
16 – 24	24	28	27
25 – 34	26	40	38
35 – 44	25	19	20
45 – 54	14	8	9
55+	11	5	6
<b>Employment status</b>			
Employed	25	87	76
Unemployed	14	4	5
Inactive, including:	61	10	19
... disabled	24	2	6
<b>Ethnic group</b>			
White British	76	65	67
Any other White background	6	19	16
Others	18	16	18
<i>Unweighted base</i>	2,302	8,686	10,988

Source: FRS for the last three years. Results at individual level, among those aged 16-64. Non-HB students excluded.

Therefore, to make comparisons between those receiving HB, and those not, it is important to control for some of these other differences in characteristics – in particular in the size and composition of different families. Are they also living in different kinds of tenancies? We show some relevant characteristics in Table 4.3. There was little difference in the kinds of tenancy agreements, with over six in ten having assured shorthold tenancies. A sizeable proportion (15 per cent) said that they had an ‘assured’ tenancy, which seems unlikely given they were mostly used in the social rented sector, and they may have been confusing this term with ‘assured shorthold’ tenancy.

**Table 4.3 Tenancy types in PRS by HB receipt**

Characteristics	Column percentages		
	Private tenants – HB recipients	Private tenants – not HB recipients	All private tenants
<b>Type of tenancy</b>			
Assured shorthold/short assured	63	61	61
Assured	18	14	15
Regulated (pre-1988)	0.3	.3	.3
Resident landlord	<0.1	.4	.3
Let by educational institution	0.1	.2	.2
Other type of let	8	11	11
Not known	12	13	12
<b>When first became a tenant</b>			
1988 or earlier	3	2	2
1989 to February 1997	6	3	3
March 1997 or later	83	85	85
Not known	8	10	10
Resident landlord	1	1	1
<b>Years lived at this address household reference person (HRP)</b>			
< 12 months	32	45	43
1 < 2 years	20	25	24
2 < 3 years	14	10	10
3 < 5 years	14	9	10
5 < 10 years	13	6	8
10 < 20 years	5	3	3
20+ years	3	2	2
<b>Years receiving HB</b>			
Non-recipient	..	100	83
Up to 2 years	49	..	9
2 < 3 years	14	..	2
3 < 4 years	8	..	1
4 < 5 years	5	..	1
5+ years	24	..	4
<i>Unweighted base</i>	2,302	8,686	10,988

Source: FRS last three years. Results at individual level, among those aged 16-64. Non-HB students excluded.

Most (85 per cent) had only been tenants since March 1997, and only one per cent had a resident landlord. Close to half of the non-recipients had lived in their property for under 12 months, compared with just under one-third of those receiving HB.

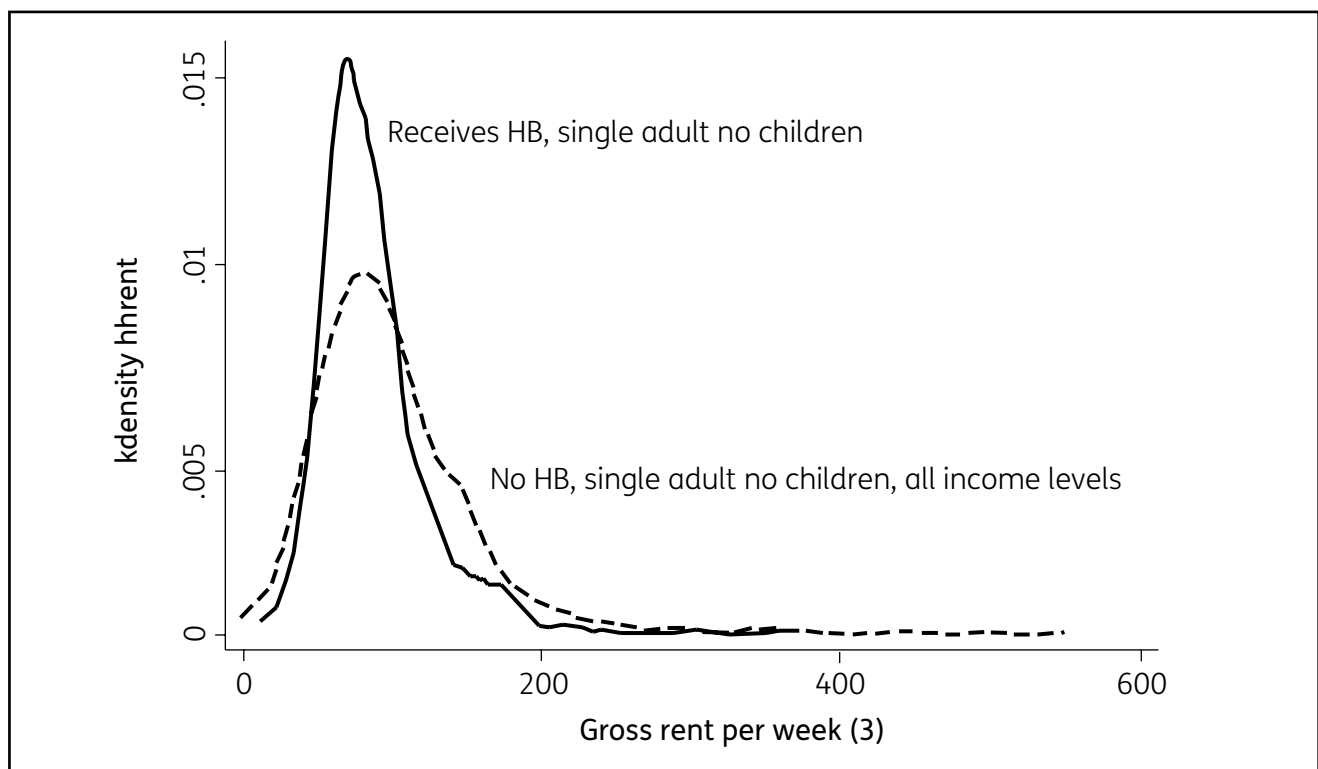
Among those receiving HB, half (49 per cent) had done so for less than two years, whilst one quarter (24 per cent) had been receiving HB for at least five years.

In Figure 4.4 we show 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 rather 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.

**Box 1 Explanation of figures 4.4-4.8 (kernel density graphs)**

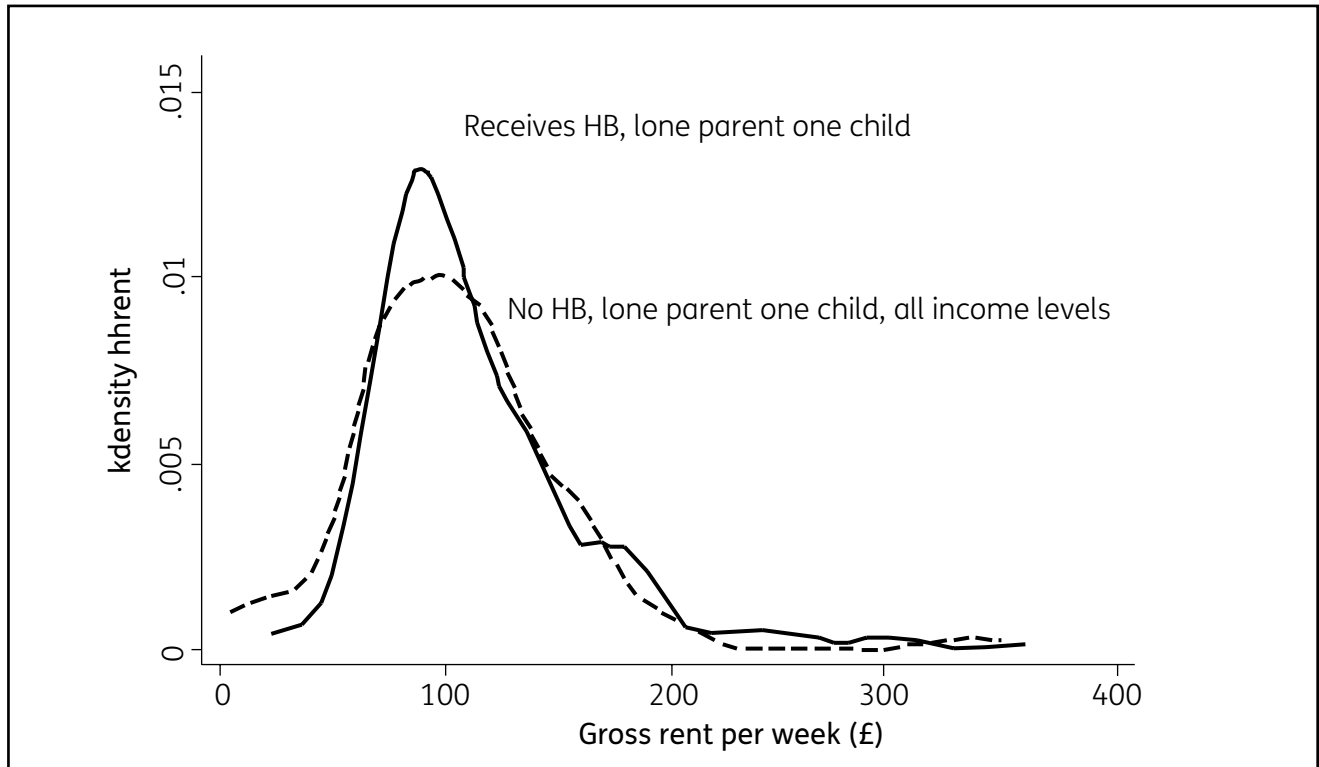
The following graphs are based on a ‘kernel density’ approach. The left-hand axis shows ‘kdensity hhrent’ to indicate that the variable being presented is the density for the gross weekly rent. These charts may be thought of as very similar to a bar chart or histogram, showing the percentage of respondents paying different levels of gross weekly rents. Unlike a bar chart, we do not pre-select different bands of rents (say, £0-£49; £50-£99; and so on) but effectively use much smaller bands whilst ‘smoothing out’ the distribution.

**Figure 4.4 Weekly rents by HB status – single adults without children (PRS tenants)**



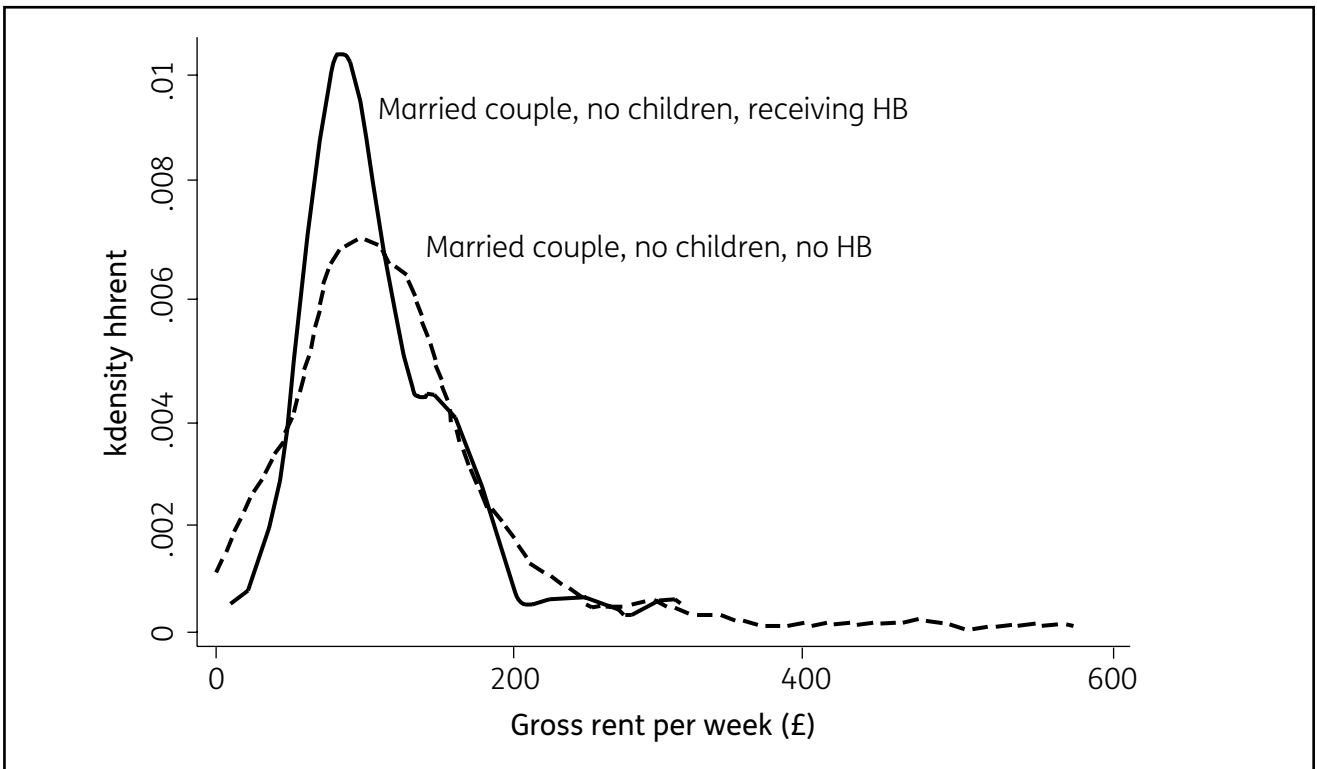
In Figure 4.5 we conduct the same exercise, but this time looking at lone parents with one child. Again, the two groups shared similar levels of typical rents. However, some of those receiving HB were in properties with relatively high levels of rents, often rather higher than for those not receiving HB.

**Figure 4.5 Weekly rents by HB status – lone parents with 1 child (PRS tenants)**

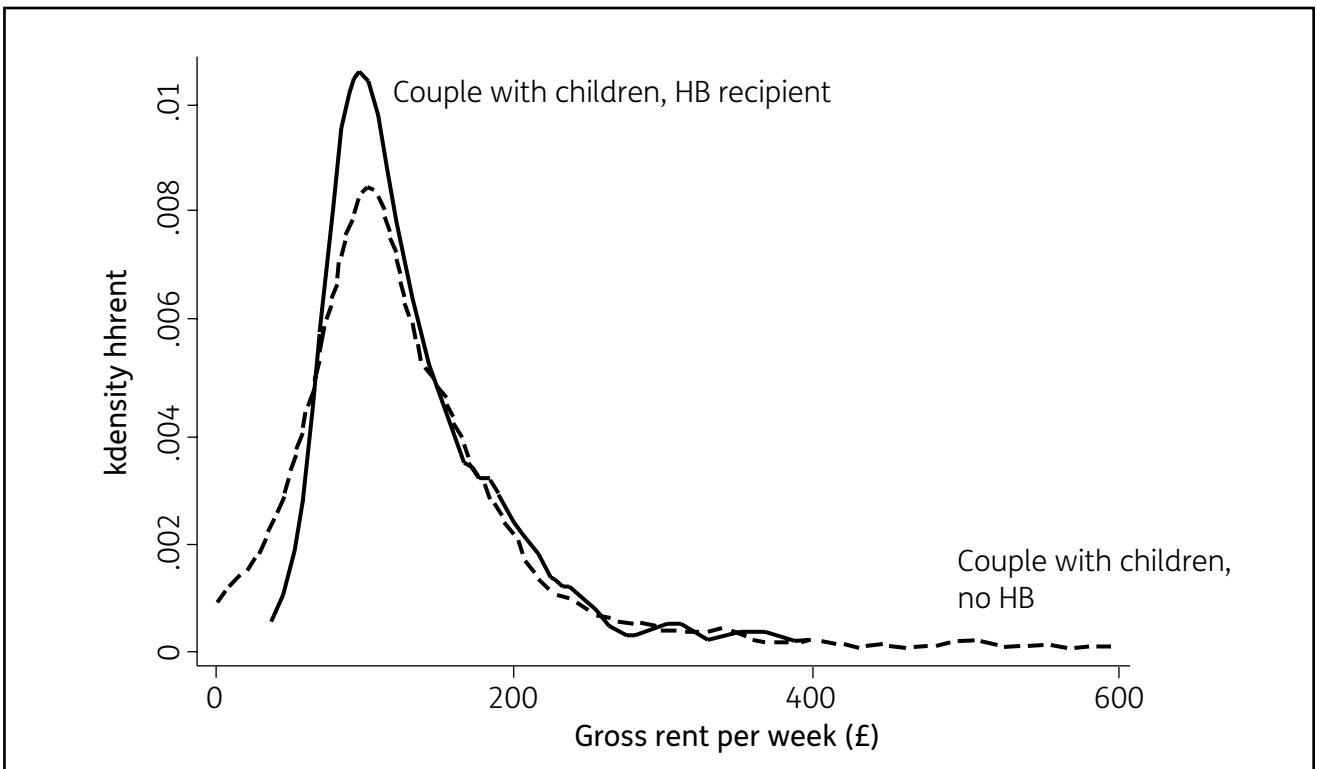


These kinds of comparison may, of course, be conducted for different combinations of adults and children. We look at married couples with no children in Figure 4.6, and at couples with children in Figure 4.7.

**Figure 4.6 Weekly rents by HB status – married couples with no children (PRS tenants)**



**Figure 4.7 Weekly rents by HB status – couples with children (PRS tenants)**

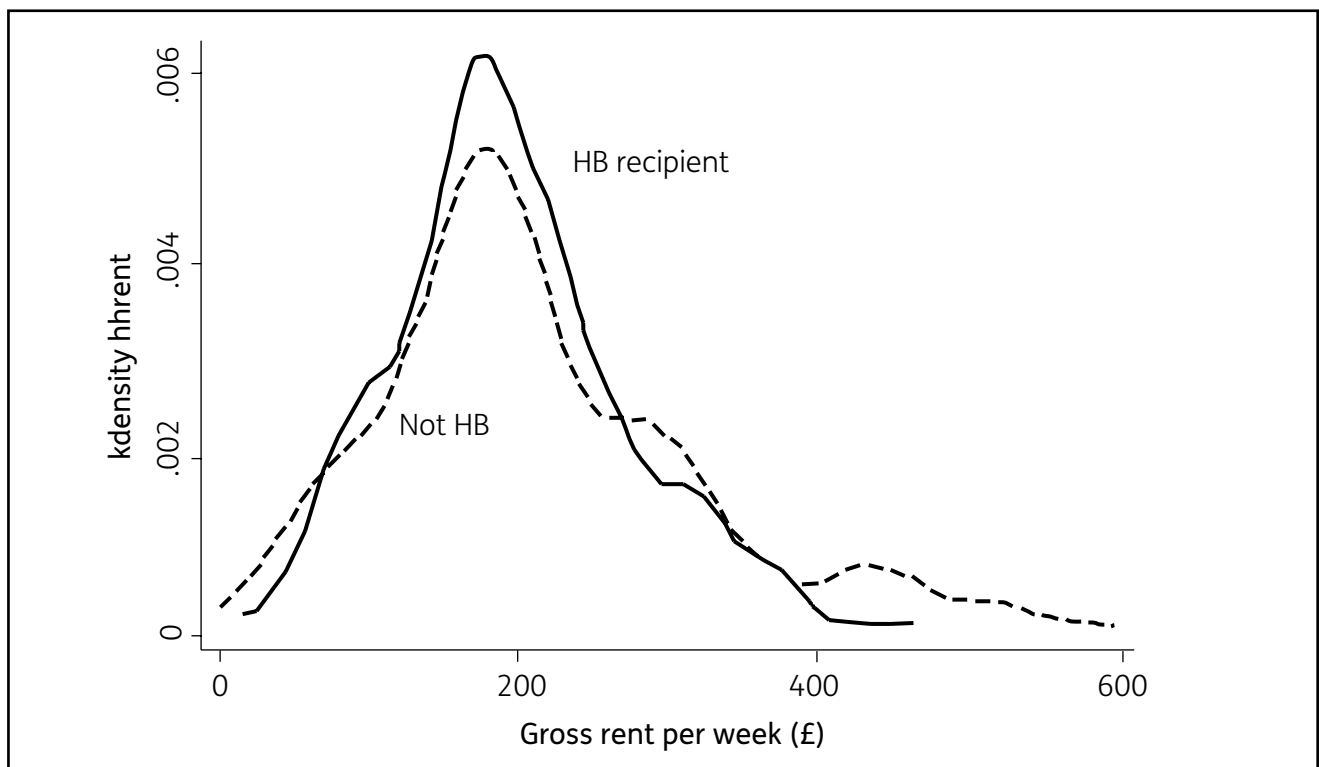


We may reach the same conclusions as for the comparisons of rent levels among single people. Overall:

- the typical levels of rent are quite similar, between those receiving and not receiving HB;
- those not receiving HB were more likely to be paying the higher rents, but also more likely to be paying a relatively low rent. HB essentially provides a minimum income, based on family composition. Overall, levels of rent were somewhat more widely spread for the non-recipients of HB.

In addition to making comparisons across different family types, we may also consider the effects of different kinds of housing, and different locations. We know that location exercises a great deal of influence on levels of rent, with rather higher rents being paid in London in particular. In Figure 4.8 we compare the rent levels of those receiving HB, and those not in receipt. Again the modal values are very similar. The rents paid by non-recipients tend only to be higher at the upper and lower ends. Again, it must be stressed that this includes those at all income levels – both higher earners and a proportion not in paid work (including some who may be eligible non-recipients of HB).

**Figure 4.8 Weekly rents by HB status – in London (PRS tenants)**



The results so far tend to suggest that the levels of rents of the properties of HB recipients do match quite closely the prevailing average. The rent levels in 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.



## 4.4 Differences in levels of gross rents – restriction to low earners

Analysis of the FRS affirms that average rent levels for HB recipients tend to reflect those of other private tenants, not receiving HB. However some private sector tenants are on relatively high incomes, and it may not be appropriate to compare them against those on HB. The alternative is to conduct some kind of filtering out of higher income cases. To aid consistency with the survey that is currently ‘in the field’, we select an income cut-off that matches the definition used in that survey. That is to say, only including singles on **net** incomes below £384 per week, and couples below £538 per week. In London and the South East these figures are increased to £769 and £1,077, respectively. We also remove those family units that have no-one in work.

In Table 4.4 we compare recipients of HB with non-recipients, and also provide a comparison with lower earners. The lower earners group are all in paid work (at least, one person in the family unit is in paid work) but with incomes below the cut-offs shown above. They pay lower rents than the non-HB recipients as a whole, but the difference is not particularly large. The exclusion of those out of work partially offsets the exclusion of higher earners. (Unweighted base sizes for this table are shown in the Appendix B).

**Table 4.4 Median gross<sup>8</sup> weekly rents in PRS, by region and HB status**

	<i>£ per week</i>			
	<b>HB recipients</b>	<b>Non-HB recipients</b>	<b>Non-HB recipients – lower earners</b>	<b>All PRS</b>
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
Total	£103	£123	£115	£119

Source: FRS for the 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.

<sup>8</sup> **Gross** weekly rent in FRS (variable HHRENT) is designed to capture the total amount of rent that would be eligible for HB. It therefore is the rent before taking account of HB, but deducting items such as service charges and any council tax that are sometimes included in the reported figure for rent.

# 5 Multivariate analysis of rents

There is considerable diversity of rents paid according to the family size and the characteristics of the dwelling – and particularly the region of residence. This diversity suggests it would be sensible to use a multivariate approach to model rents according to a range of characteristics, in order to help clarify any overlap in rents paid between workers and non-workers.

## 5.1 Linear regressions

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

### 5.1.1 Rents, with regional data

Linear regression results for rent levels are shown in Table 5.1. The level of rent is taken to be related to region, size of property, numbers of adults, numbers of children, and HB status. The set of variables shown are all statistically significant, and no other variables were included in the model. The coefficients in this table may be treated as simple additions to the average rent, compared with a base factor. So, rents in the North West are typically £13.36 higher than in the North East, whilst in London they are £120.85 higher than in the North East. In each case this controls for differences in family size and the number of rooms in the property.

The factors making most of an impact on rent levels are region, and the number of rooms in the property. Having additional adults, 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. The presence of additional children made relatively little difference to rent levels. Taken together, the variables listed were able to explain around 38 per cent of the variation in rent levels.

**Table 5.1 Linear regression of rent levels (£ per week)**

Characteristics	Effect on rent (coefficient)	t-statistic	Significance level
Region (compared with North East)			
North West	13.36	2.7	**
Yorkshire/Humber	8.91	1.75	
East Midlands	5.96	1.16	
West Midlands	14.43	2.78	**
East	34.66	6.95	***
London	120.85	25.77	***
South East	62.99	13.32	***
South West	31.18	6.15	***
Wales	10.23	1.66	
Scotland	12.62	2.6	**
Northern Ireland	-4.09	-0.8	
Number of adults (compared with 1 adult)			
2	6.89	3.76	***
3+	39.08	16.04	***
Number of dependent children (compared with none)			
1	-5.79	-2.97	**
2	-3.01	-1.25	
3+	4.46	1.41	
Receiving HB (compared with not receiving HB)			
	1.93	1	
Size of property (compared with 1 room)			
2 rooms	17.51	2.25	*
3	31.66	4.43	***
4	50.06	7.11	***
5	51.35	7.23	***
6	57.94	8.03	***
7+ rooms	86.10	11.59	***
Constant	24.82	3.01	**

$R^2 = 0.38$ . Source: FRS for 2005/06 and 2006/07 combined. Non-HB students excluded.

Note: levels of statistical significance: \* 5% level, \*\* 1% level, \*\*\* 0.1% level.

After controlling for region, numbers of adults and children, and the size of the property, there was no difference between the average rents paid by HB recipients, and others in the PRS. However, in such a regression there are strong correlations between family size and the number of rooms available – especially between number of rooms and the number of adults living in the dwelling ( $r=0.37$ ). Running separate regressions, first with number of rooms, and then with numbers of adults and children, changes some of the results. In the regression with number of rooms (but not family size) those receiving HB were living in accommodation with rents that were on average over £11 per week more than those not receiving HB. In the regression that included numbers of children and

adults, but not the number of rooms, HB recipients were also in more expensive accommodation, but paying around £4 per week extra<sup>9</sup>.

### 5.1.2 Rents, with local authority data

The above model used detail on region to help model rent levels. However, region is, of course, a rather imperfect guide to location. It would be helpful to model rents with a lower level of geography. For this study we have, therefore, obtained special versions of the FRS. The FRS datasets for 2005/06 and 2006/07 have been obtained with identifiers for local authorities (sadly, a similar dataset for 2007/08 was not available). We may use this fine degree of detail to refine the model of rent levels.

This finer level of data improves the ‘fit’ of the model to a significant degree.  $R^2$  increases from 0.38 to 0.51, which means that we are now able to explain over half the observed variation in rent levels. We may also have greater confidence in the precision of the estimates for the other variables.

However, the main conclusions are the same as reached above. Larger properties attract higher rents. Additional adults make some difference; additional children relatively little difference. Moreover, there is still no effect of being a recipient of HB on rent levels. The model suggests that HB recipients may be living in properties with rents that are £2.09 a week lower than for non-recipients, on average, but this is not statistically significant (i.e. this difference is very likely to be due to chance).

**Table 5.2 Linear regression of rent levels (with 394 local authority codes entered as indicator variables)**

Characteristics	Effect on rent (coefficient)	t-statistic	Significance level
N adults (compared with 1 adult)			
2	5.48	2.92	**
3+	38.16	14.97	***
N children (compared with none)			
1	2.14	1.05	
2	0.67	0.26	
3+	5.12	1.56	
Receiving Housing Benefit	-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	***
(LA variables)	19.98	2.62	**

$R^2 = 0.51$  Local Authority Code:  $F(393, 6341) = 4.775^{***}$

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

Note: levels of statistical significance: ‘\*’ 5% level, ‘\*\*’ 1% level, ‘\*\*\*’ 0.1% level.

<sup>9</sup> In Table A.1, we show results from a similar regression that includes income band. This regression shows a small effect of being on HB recipient on having slightly lower rent levels. Income has relatively little effect on rent levels, however, aside from those on higher incomes.

### 5.1.3 Quantile regressions

It possible to consider an approach known as quantile regression (Koenker and Bassett, 1978). This method shifts attention away from the conditional-means of classical regression, to the conditional-median. Hence, it is possible to directly model the median level of rent (or any other percentile chosen). This should be helpful in establishing some kind of benchmark against which to compare the rents being met through HB. It would also enable us to control for differences in location, family size and the quality of homes in arriving at those rent levels at different quantiles.

Results from such regressions are shown in Table 5.3 – where we model the bottom 25 per cent point, the median, and the top 25 per cent. The results are qualitatively similar to those found from the linear regressions – the main factors driving rent levels are the region (figures not reported), the number of rooms and the 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. There was no link between HB and the bottom quartile, a small negative effect on median rents, and a somewhat larger (though still quite small) negative effect on paying a rent in the top quarter.

**Table 5.3 Quantile regressions of rent levels (with regional codes entered as dummy variables, but results not reported)**

Characteristics	Lower quartile	Median	Upper quartile
N adults (compared with 1 adult)			
2	5.80***	5.75***	5.65***
3+	16.70***	28.74***	49.48***
N children (compared with none)			
1	1.89	-3.45**	-4.34**
2	5.26**	1.54	-1.91
3+	11.08***	7.30***	3.02
Receiving Housing Benefit	2.84*	-2.70	-5.84***
Size of property (compared with 1 room)			
2 rooms	46.85***	29.47***	11.80
3	56.70***	41.10***	22.82***
4	69.51***	57.10***	42.49***
5	64.76***	59.40***	48.03***
6	66.94***	65.16***	57.83***
7+ rooms	74.23***	77.06***	95.80***
Constant	-9.70	21.17**	48.26***
(regional indicators)			
Pseudo-R <sup>2</sup>	0.13	0.23	0.32

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

Note: levels of statistical significance: \* five per cent level, \*\* one per cent level, \*\*\* 0.1 per cent level.

## 6 Key conclusions

There is a close correspondence between the median rents paid by HB recipients, and those paid by non-recipients<sup>10</sup>. Any gap is made narrower when we exclude higher income families not receiving HB, and when we control for differences in family type and in region. Indeed, when we use standard statistical models of rent levels, whether a household is receiving HB is not informative – it does not make any difference to the average rent being paid. This result is clear, particularly in our model that made use of data on local authorities. This means that much of the variation in rents at a local level has been controlled for, and indeed this model was able to explain most of the variation in rent levels between households. 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. In alternative models that look at different points in the distribution of rents, it is possible that being a HB recipient has a small negative impact in being in properties with above-average rents.

Another way of saying that median rents are similar, is that *‘about half of HB recipients are in properties with higher rents than about half of those not receiving Housing Benefit’*. The reverse is also true. If the policy is to set levels of housing support to the average (median) of other tenants with similar characteristics, then to that extent it is being achieved. Indeed, there was rather less variation in levels of rents among HB recipients, than among those not receiving HB. The graphical evidence also reveals that many non-recipients of HB pay relatively lower levels of rent, where few HB recipients are found.

The descriptive analysis also reveals many important differences between those in the PRS receiving HB, and non-recipients. The 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.

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<sup>10</sup> However no causal effect is being assumed.

# Appendix A

## Tenure profiles

**Table A.1 Tenure profile by characteristics**

Characteristics	Owners	Social tenants	Private tenants	Unweighted base (= 100%)
<i>Row percentages</i>				
Age group				
16-24	61	20	18	5,150
25-34	64	16	20	6,428
35-44	76	15	10	7,867
45-54	79	15	6	6,827
55-64	83	13	5	6,887
Country of birth				
UK	75	15	9	29,558
EU Europe	60	18	22	664
Other Europe	29	18	54	323
Commonwealth	60	16	24	1,697
Rest of world	41	25	34	888
Household type				
Couple and dependent children	81	11	8	11,513
Couple, no children	82	9	9	12,951
Lone parent	44	45	11	3,115
One person only	57	25	18	3,422
Other	42	16	42	1,825
Household per dwellings				
1 household	75	16	9	29,999
2+ households	50	16	34	3,160
Accommodation type				
House	79	11	9	29,078
Flat/rooms	32	42	26	4,029
Government office region				
North East	70	21	9	1,390
North West	77	15	9	3,882
Yorkshire/Humber	72	14	14	3,100
East Midlands	74	13	14	2,749
West Midlands	75	18	7	2,900
East	77	11	12	3,278
London	57	25	18	3,561
South East	76	11	13	4,716
South West	78	12	10	2,981
Wales	77	12	10	1,694
Scotland	71	19	10	2,908
All	73	16	12	33,159

Source: GHS 2005/06. Results at individual level, among those aged 16-64.

# Appendix B

## Bases for FRS

**Table B.1** Gross weekly rents in PRS, by region and HB status

	<i>Unweighted sample numbers</i>			
	<b>HB recipients</b>	<b>Non-HB recipients</b>	<b>Non-HB recipients – lower income</b>	<b>All PRS</b>
North East	81	212	145	293
North West and Merseyside	255	722	473	977
Yorkshire and Humberside	181	597	365	778
East Midlands	128	578	353	706
West Midlands	185	543	321	728
Eastern	152	767	382	919
London	294	1,501	893	1,795
South East	229	1,343	1,009	1,572
South West	160	691	403	851
Wales	110	216	139	326
Scotland	227	980	601	1,207
Northern Ireland	300	536	357	836
<b>Total</b>	<b>2,302</b>	<b>8,686</b>	<b>5,441</b>	<b>10,988</b>



# Appendix C

## Rent levels regression – with income

**Table C.1** Linear regression of rent levels (£ per week)

Characteristics	Effect on rent (coefficient)	t-statistic	Significance level
Income band (compared with under £100)			
£100<£200	-11.44	-2.37	*
£200<£300	-4.63	-1.04	
£300<£400	4.65	1.06	
£400<£500	6.43	1.44	
£500<£600	13.14	2.92	**
£600<£700	9.77	2.10	*
£700<£800	23.27	4.81	***
£800<£900	22.02	4.35	***
£900<£1000	29.33	5.60	***
£1,000+	58.96	13.09	***

Continued

Table C.1 Continued

Characteristics	Effect on rent (coefficient)	t-statistic	Significance level
Region (compared with North East)			
NW	9.22	1.94	
Yorkshire/Humber	6.31	1.29	
East Midlands	5.06	1.03	
West Midlands	8.86	1.77	
East	23.38	4.85	***
London	101.64	22.21	***
South East	49.33	10.78	***
South West	23.68	4.85	***
Wales	5.01	0.85	
Scotland	7.11	1.52	
Northern Ireland	-8.80	-1.80	
N adults (compared with 1 adult)			
2	-1.88	-1.00	
3+	21.16	8.39	***
N children (compared with none)			
1	-3.75	-1.99	*
2	-2.21	-0.94	
3+	2.96	0.96	
Receiving HB (compared with not receiving HB)	-11.99	-5.87	***
Size of property (compared with 1 room)			
2 rooms	12.77	1.70	
3	24.67	3.59	***
4	38.94	5.74	***
5	40.13	5.86	***
6	43.87	6.30	***
7+ rooms	69.39	9.67	***
Constant	48.29	5.41	***

$R^2 = 0.43$ . Source: FRS for 2005/06 and 2006/07 combined.

Note: levels of statistical significance: \* five per cent level, \*\* one per cent level, \*\*\* 0.1 per cent level.

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## **Part B**

# **Analysis of the English House Condition Survey**

# 7 Housing Benefit recipients and their low income working peers in the PRS: an analysis of the English House Condition Survey

## 7.1 Introduction

This part sets out the results of an analysis of the English House Condition Survey (EHCS). It compares households living in the PRS in terms of whether or not they were receiving HB, and forms one part of a wider programme of research for the DWP on the operation of the Local Housing Allowance (LHA) which is the HB scheme for the PRS. This section contains a brief discussion of the policy background to the research, the second section sets out the rationale and assumptions underpinning the EHCS analysis and the final section contains the results of the analysis.

### 7.1.1 The English House Condition Survey

From 2002 to 2008 the EHCS was an annual survey with a representative sample of around 8,000 English households. Since 2009 the EHCS has been merged with the Survey of English Housing into the new English Housing Survey. For the purposes of this research, the EHCS has the particular advantage that it contains a range of measures of the standard of accommodation occupied by households, obtained through a physical assessment component of the EHCS by a panel of surveyors. It also contains surveyor-based assessments of the locality, as well as a range of variables recording respondent's views on their accommodation and their neighbourhood.

Focused specifically on the deregulated PRS, the aim of the EHCS analysis is to examine the rent levels and housing situations of households in receipt of HB in comparison with their low income working peers not in receipt of HB.

### 7.1.2 Background

Following a pilot of the LHA in 2003/04, the scheme was extended to an additional nine areas in 2005, and was subsequently rolled out nationally. All new claims for HB from PRS tenants, or from existing private tenants changing their address, have since 7 April 2008, fallen under the LHA scheme. The LHA is a simpler system than its predecessor in that it does not require a property specific valuation to be made by a Rent Officer, but rather the amount of entitlement is determined by the number of bedrooms a household of a given type and size requires and the median market rent for that size of property within the locality. Median rents in the locality – the Broad Rental Market Area – are set by Rent Officers on the basis of open market evidence from non-benefit-supported tenancies within the area.

Overall aims of the research programme are to examine:

- The type of privately rented accommodation in which low income working households (LIWH) live and the housing costs they bear.

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- How this accommodation is secured by such households, the choices they make in doing so, and the barriers and gate-keeping processes that have to be negotiated.
- The nature of the sub-markets in which LIWH seek privately rented accommodation.

To meet the overall aims of the research programme DWP has commissioned analysis of national datasets, including the FRS, the GHS, and the EHCS, each of which contain a slightly different range of relevant variables. A survey of low income working private renters has also been commissioned.

A particular problem with analysing the PRS in secondary datasets such as the EHCS, however, can be the relatively low number of cases, as it is the smallest tenure. The PRS comprised 13 per cent of the English housing stock in 2007 (CLG live table 104). This issue can be a particular constraint for disaggregated analysis, such as at a sub-national level, or for different types/sizes of households within the sector. It is for this reason that the analysis was 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 represent three-year averages, therefore centre on October 2005, the middle month of the period, and so provide a picture of the situation before the LHA scheme 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).

These data were analysed<sup>11</sup> 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 low income working household groups are statistically significant at the five per cent level of confidence or better.

### *EHCS analysis definitions*

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 HB. 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 with 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.

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<sup>11</sup> The analysis of the EHCS was based on weighted data that produced national level estimates for the three years of 2004/05, 2005/06, and 2006/07. Base figures, when given in the tables, are the weighted numbers of cases.

Exclusions to the EHCS data were made for: households renting from an employer of a household member, a relative of a household member, or someone who was a friend of a household member prior to the creation of the tenancy; HRPs who were full-time students; households with pre-1988 Act tenancy agreements; households living in temporary types of dwelling structure; and households living rent-free either by agreement or through squatting.

Following these exclusions, an **HB household** is one in receipt of HB (irrespective of the work status of the HRP/partner). A low income working household is one which was receiving no HB at the time of the interview (although a few may have been eligible for the benefit but not claiming it), and at least one of the HRP/partner was working for 16 or more hours per week. It is possible for a household to be included as a low income working household if the person(s) in full-time work was of retirement age, as economic status has been given priority over age in classifying LIWH. The before housing costs equivalised net income of LIWH (based on the net incomes of the HRP and partner from all sources), was in the lowest income quintile of all PRS households that had been classified as being in full-time work (as above) and which were not in receipt of HB.

For comparative purposes the analysis also includes figures for the PRS as a whole. These figures are based on all households renting privately in the EHCS data irrespective of their economic status, level of income, type of accommodation, amount of rent paid, or from whom they were renting their accommodation. Table 7.1 summarises the definitions, exclusions and their applicability to the EHCS analysis.

Unless noted otherwise, figures contained in the tables are statistically significant different between the HB and low income working household groups at the five per cent confidence level or better ( $p < 0.05$ ). There are a number of composite tables that contain analyses of different but related themes, such as Table 7.2 on accommodation details, and in which the differences within each theme are also statistically significant unless noted otherwise.

**Table 7.1 Practitioner seminar definitions and exclusions and their applicability to the EHCS analysis**

<b>Definition/exclusion</b>	<b>Applicability to the EHCS</b>
Definition of a working household in the PRS: One member of the household is working full time (for more than 16 hours per week), or one member of the household has worked full-time in the last six months and the household has not moved to a new tenancy during this time and was not claiming HB at the time the tenancy was taken out.	The EHCS records the current employment details of only the HRP and their partner if there is one. The number of hours worked by the HRP/partner per week is classified as 1-15, 16-30, and 30+. The EHCS does not record whether a household member was claiming HB at the time the tenancy began, but specifically at the time of the survey interview. Therefore, <b>the definition of a working PRS household in the EHCS</b> is one in which either or both of the HRP/partner were currently working for 16+ hours at the time of the interview.
Exclude those in full-time education (more than 16 hours per week).	The EHCS asks of all adults (aged 16+) their economic status as set out on a showcard, with an option for 'full-time student'. Households with an HRP recorded as a full-time student have been excluded from the analysis. (In the EHCS, the HRP is defined, without regard to gender, as the sole householder or, if there is more than one, as the householder with the highest personal income from all sources. If two or more householders have the same income, the eldest is defined as the HRP.)
Exclude households living in employment-linked lettings.	The EHCS records whether a household's accommodation was rented from an employer of any household member. All such households have been excluded from the analysis. Other households which were living rent-free, either by agreement or through squatting, were also excluded from the analysis.
Exclude households renting from a friend or relative.	The EHCS records whether a household was renting accommodation from a relative of a household member or from someone who was a friend before the tenancy was created. All such households have been excluded from the analysis.
Exclude households living in temporary types of accommodation, such as houseboats and caravans.	Privately rented dwellings classified as 'temporary' types of dwelling structures by surveyors in the physical survey have been excluded from the analysis.

### *Other considerations*

In addition to the issues contained within Table 7.1, the definition of 'low income' adopted in the EHCS comprises the lowest income quintile of households living in the PRS that were not in one of the agreed excluded groups from the sector, and which were not already classified as an HB household. The income measure used was the before housing costs equivalised household income (equivalised using the modified Organisation for Economic Cooperation and Development (OECD) scale), and is based on the net income from all sources of the HRP and partner. Prior to selecting the lowest income quintile of cases, household incomes were adjusted to allow for inflation over the three-year period, to ensure that a greater proportion of households from 2005, and a smaller proportion from 2007, would not be classified as low income simply because of the effects of inflation. The annual rate of inflation as measured by the all items Consumer Prices Index (CPI) was used to adjust upwards the incomes of 2004/05 cases and downwards the incomes of 2006/07 cases. These adjustments were applied to all cases from these two years equally even though the EHCS is a continuous survey, as only the year of survey rather than the complete interview date is provided within the data. The annual CPI change figures for October were used, since this month is the mid point of the annual survey period.



The analysis of the EHCS is focused on the deregulated PRS. The Housing Act 1988, which contained provisions for new style assured and assured shorthold tenancies and allowed landlords to charge a market rent on new lettings, was introduced on 1 January 1989 in England and Wales. The EHCS records whether a letting was started before 31 January 1989, allowing tenancies that began before this date to be excluded. Following the exclusions based on this date, a small number of remaining households that described their tenancy agreement as being ‘protected regulated’, possibly because their tenancy began between 1 and 31 January 1989, were also excluded from the analysis.

An initial intention of the analysis was to examine the HB and LIWH at the sub-national level, and specifically for the Greater London, which is notably different, both in terms of the levels of private rents, the size of the sector within the region, and the nature of sub-markets within the PRS. After constructing the classifications of HB and LIWH, however, there were found to be insufficient cases (the unweighted number of cases) available to focus specifically on Greater London. Examination of the data found that the limited number of cases was also insufficient to produce consistently reliable figures for three broad regional areas (northern, midlands, and southern including Greater London) based on aggregations of the nine Government Office Regions.

A potential problem arises in that while LHA claimants receive benefit equal to the median market rent for private rented accommodation of a certain size, otherwise identical LIWH in the PRS who are working and not receiving the benefit may be unable to afford property at the same rent level, or may choose to spend less of their income on accommodation, and consequently be occupying cheaper, probably lower quality, property. Thus, working households not in receipt of the LHA may potentially be worse off than non-working households in receipt of the LHA in terms of their housing consumption, a factor which may have implications for work incentives as well as equity between the two groups. The issue has been emphasised by a small number of high profile examples of usually very large households with an LHA entitlement for properties with a large number of bedrooms, and with a subsequently high benefit payments.

One policy suggestion is that, rather than pay benefit claimants the median market rent for an appropriate sized property, their entitlement should reflect the rents that their ‘peers’ – that is, LIWH not in receipt of the LHA – in the area pay for such a size of property. As there is no systematic information about the rent levels that LIWH not in receipt of the LHA in the PRS pay, however, DWP has commissioned a programme of research to examine the issue, of which this analysis of the EHCS forms one part.

## 7.2 Results

### 7.2.1 Accommodation

Table 7.2 shows that 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 is comprised of 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 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.

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**Table 7.2 England: Property type, age, and whether self-contained or shared accommodation**

Accommodation details		HB (%)	LIWH (%)	All PRS (%)
Property type	Terraced <sup>1</sup>	44	35	33
	Semi-detached	16	21	18
	Detached/bungalow	8	7	13
	Converted flat	15	14	13
	Purpose built flat <sup>2</sup>	18	24	24
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
When the dwelling was built	Pre 1919	47	42	42
	1919-1944	16	16	15
	1945-1964	11	8	10
	1965-1980	16	18	15
	1981-1990	5	6	9
	Post 1990	5	10	10
	Total	100	100	100
Weighted N.	431,921	237,924	2,373,411	
Self-contained or shared accommodation	Self-contained	99	95	98
	Shared	1	5	2
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411

<sup>1</sup> Includes mid and end terraced houses.

<sup>2</sup> Includes low and high rise.

### 7.2.2 Household characteristics

HB households were most commonly comprised of 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 group<sup>12</sup>. The age profile of 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 more common 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. These differences in length of residence between the two groups reflect the findings of other research (Rugg and Rhodes, 2008), and are likely to be related to geographical movements for work-related

<sup>12</sup> 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 in DWP Research Report 698 LIWH in the private rented sector. 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.

reasons, including international migration. 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.

**Table 7.3 England: Household type, tenancy type, length of residence, and bedrooms standard**

Household details	HB (%)	LIWH (%)	All PRS (%)	
Household type	One person under 60	18	24	20
	One person 60+	10	1	8
	Couple with no dependent children	9	14	26
	Couple with dependent children	19	44	20
	Lone parent with dependent children	37	9	11
	Multi-person household	7	9	15
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
Tenancy type <sup>1</sup>	Assured	28	25	26
	Assured shorthold	63	60	54
	License agreement	3	3	5
	Other type specified	6	11	12
	Protected regulated	-	-	4
	Total	100	100	100
	Weighted N.	381,289	211,274	2,081,559

Continued

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**Table 7.3 Continued**

Household details		HB (%)	LIWH (%)	All PRS (%)
	Less than one	25	44	37
	1	9	14	11
	2	16	14	13
	3	10	8	8
Number of years resident at address	4	8	5	5
	5	8	5	4
	6 to 10	17	7	9
	11+	6	3	13
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
Bedrooms standard	Below (too few bedrooms)	8	12	6
	Equal to standard	55	49	43
	Above (extra bedrooms)	38	39	52
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411

Notes: 1 The 'All PRS' column is only broadly comparable, as it includes regulated tenancies.

### 7.2.3 Rents

Table 7.4 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 the 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.

It is possible that there may be regional variations in the relationship between the rent levels between the two groups of private renters, perhaps particularly in Greater London due to the size and nature of the private rented market within the region. There were, however, insufficient cases to examine regional differences with the EHCS.

**Table 7.4 Median weekly rents for HB and LIWH by the number of bedrooms available**

Household group	1 bedroom (£pw)	2 bedrooms (£pw)	3 bedrooms (£pw)	All 1 to 3 bedrooms (£pw)
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 or that they found it very difficult to pay their rent. 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 7.5 Ease or difficulty in paying the rent for HB and low income working households**

Ease or difficulty	HB households			LIWH (%)
	Full HB (%)	Partial HB (%)	All HB (%)	
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.

### **7.2.4 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 living of them 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 most frequently for the HB group (30 per cent) compared with the LIWH group (25 per cent).

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**Table 7.6 England: Physical conditions of accommodation**

		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>	
Decent homes assessment	Decent homes overall assessment (% passed)	53	61	61	
	Fitness criterion (% passed)	89	91	92	
	Thermal comfort criterion (% passed)	69	71	72	
	Repair criterion (% passed)	84	89	86	
	Modern facilities criterion (% passed)	95	98	96	
	<b>Number of criteria failed by dwellings not meeting the decent homes standard:</b>				
	One criterion failed (% failed)	71	75	71	
	Two criteria failed (% failed)	23	17	22	
	Three & four criteria failed (% failed)	6	8	7	
	Extent of double glazing	None (%)	29	22	29
Less than half (%)		13	13	10	
More than half (%)		14	15	13	
Full (%)		44	50	48	
Total		100	100	100	
Main heating system	Central heating (%)	76	79	78	
	Storage heater (%)	13	13	14	
	Fixed room heating (%)	10	7	8	
	Portable heating only (%)	1	1	1	
	Total	100	100	100	

Notes: The Decent Homes Assessments and other features in this table were made by the EHCS surveyors. The decent homes standard relates to the original definition – not the current definition – which incorporated fitness as a statutory criterion.

### 7.2.5 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 IMD 2004). The HB households were also less likely to have been living in areas described as being satisfactory by the EHCS surveyors.

**Table 7.7 England : Area characteristics**

Characteristic	HB (%)	LIWH (%)	All PRS (%)	
Urban/rural <sup>1</sup>	City/urban centre	38	46	39
	Suburban residential area	49	39	42
	Rural	13	15	18
	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
Deciles of the IMD 2004 <sup>2</sup>	1 (most deprived)	19	12	10
	2	15	14	10
	3	14	16	13
	4	12	11	11
	5	9	10	11
	6	10	12	11
	7	6	10	10
	8	7	8	10
	9	4	7	8
	10 (least deprived)	3	2	6
NRF 88 most deprived districts <sup>3</sup>	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
	NRF 88	49	46	43
	Other districts	51	54	57
Appearance of area <sup>1</sup>	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
	Satisfactory	65	75	78
	Some problems	28	21	19
	Poor	7	3	4
Livability: poor quality environment <sup>4</sup>	Total	100	100	100
	Weighted N.	431,921	237,924	2,372,411
	Upkeep (% with a problem)	18	16	14
	Traffic (% with a problem)	9	8	11
	Utilisation (% with a problem)	4	3	2
Overall (% with any problem)	24	21	22	

Notes.

<sup>1</sup> Urban/rural locality and appearance of area relate to the 'local area' as recorded by the EHCS surveyors.

<sup>2</sup> Decile ranking of the IMD 2004 at the lower level super output area.

<sup>3</sup> Neighbourhood Renewal Fund – 88 most deprived districts in 2001.

<sup>4</sup> Livability problems are assessed by the EHCS surveyors, who record whether the immediate environment suffers from a list of 16 problems, each scored from 1 (no problem) to 5 (a major problem). A home is defined as having a livability problem if it is assessed as having a significant or major problem (codes 4 and 5 of the scale) in respect of any of the specific environmental problems within that group type. Upkeep problems include: litter and rubbish dumping, scruffy gardens, graffiti, vandalism, scruffy/neglected buildings, dog or other excrement, condition of dwellings, and nuisance from street parking. Traffic problems include: ambient air quality, heavy traffic, railway/aircraft noise, and intrusion from motorways/arterial roads. Utilisation problems include: vacant sites, intrusive industry, non-conforming uses, and vacant/ boarded-up buildings.

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### 7.2.6 Accommodation satisfaction

Perhaps in 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. Differences between the two groups in terms of their rating of the overall size of their homes were nominal.

**Table 7.8 England: Household overall levels of satisfaction with their accommodation**

		HB (%)	LIWH (%)	All PRS (%)
Overall level of satisfaction with accommodation	Satisfied	73	80	81
	Neither satisfied nor dissatisfied	7	7	6
	Dissatisfied	20	13	13
	Total	100	100	100
Rating of outside appearance of home	Good	67	75	72
	Neither good nor poor	15	15	15
	Poor	18	11	13
	Total	100	100	100
Rating of overall size of property	Good	79	78	81
	Neither good nor poor	8	10	9
	Poor	13	12	10
	Total	100	100	100
Satisfaction with current state of repair of home	Satisfied	59	63	66
	Neither satisfied nor dissatisfied	9	11	10
	Dissatisfied	32	27	24
	Total	100	100	100
Rating of state of repair of home	Excellent – nothing needs doing	10	13	12
	Very good – only minor problems	35	37	40
	Fairly good – some problems but not too many	34	34	34
	Fairly poor – quite a lot of problems	14	12	11
	Very poor – a lot of major problems	7	5	4
	Total	100	100	100



### 7.2.7 Household satisfaction

In terms of the satisfaction with specific aspects of their accommodation, Table 9 indicates that there was often little or no important differences between the two groups. HB households were slightly more likely than the LIWH to rate the number of rooms in their accommodation as being ‘good’, and to rate their kitchen facilities as ‘good’.

**Table 7.9 England: Household satisfaction with specific aspects of their accommodation**

<b>Accommodation features</b>		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
Rating of the number of rooms	Good	79	74	81
	Neither good nor poor	11	13	10
	Poor	11	12	9
	Total	100	100	100
Rating of decoration	Good	66	70	67
	Neither good nor poor	14	15	16
	Poor	19	15	17
	Total	100	100	100
Rating of kitchen facilities	Good	67	62	70
	Neither good nor poor	10	15	13
	Poor	23	24	17
	Total	100	100	100
Rating of bathroom facilities	Good	70	71	71
	Neither good nor poor	10	10	13
	Poor	20	19	16
	Total	100	100	100
Effectiveness of hot water system	Very effective	58	58	57
	Fairly effective	27	28	30
	Not very effective	11	10	10
	Not at all effective	4	5	3
	Don't have feature	<1	<1	<1
	Total	100	100	100
Effectiveness of heating	Very effective	48	47	49
	Fairly effective	26	32	30
	Not very effective	15	14	13
	Not at all effective	9	6	6
	Don't have feature	2	2	1
	Total	100	100	100

Continued

**Table 7.9 Continued**

<b>Accommodation features</b>		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
Effectiveness of insulation and draught-proofing	Very effective	26	22	26
	Fairly effective	28	38	35
	Not very effective	24	26	25
	Not at all effective	18	13	12
	Don't have feature	4	2	2
	Total	100	100	100

### 7.2.8 Neighbourhood satisfaction

Table 7.10 shows that 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 antisocial 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).

**Table 7.10 England : Household overall levels of satisfaction with their neighbourhood**

		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
Satisfaction with neighbourhood as a place to live	Satisfied	79	85	82
	Neither satisfied nor dissatisfied	7	6	7
	Dissatisfied	14	9	11
	Total	100	100	100
The general level of crime	A serious problem	9	5	6
	A problem	25	21	23
	Not a problem	66	74	72
	Total	100	100	100

Continued

**Table 7.10 Continued**

		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
How safe feels outside alone during the daytime in the neighbourhood	Very safe	52	60	61
	Fairly safe	37	33	32
	A bit unsafe	7	5	5
	Very unsafe	2	1	1
	Never go out alone	2	<1	2
	Total	100	100	100
How safe feels outside alone after dark in the neighbourhood	Very safe	18	24	24
	Fairly safe	26	35	34
	A bit unsafe	23	21	21
	Very unsafe	9	9	7
	Never go out alone	25	11	15
	Total	100	100	100

### 7.2.9 Problems with noise

Problems with neighbour and neighbourhood noise are shown in Table 7.11. There were few notable differences regarding different sources of noise between the two groups. Taking all sources of noise together, LIWH were less likely to have had a problem with noise than the HB group.

**Table 7.11 England: Problems with noise**

<b>Type of noise</b>	<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
Immediate neighbours or people in common areas <sup>1</sup>	12	12	13
Other neighbours or people in the street	17	13	16
Road traffic	22	24	22
Trains	3	2	3
Aeroplanes	5	4	7
Car or burglar alarms	12	11	12
Factories or workshops	2	1	1
Building sites	2	4	3
Roadworks	6	5	5
Pubs and clubs	7	8	6
Animals (dogs etc)	8	6	6
Other noise	4	2	4
None of the above (percentages without any of the above problems)	45	51	47

<sup>1</sup> Not significantly different.

**7.2.10 Other problems**

Table 7.12 shows a range of crime and other neighbourhood issues, and indicates that the HB group most often thought that the individual crimes and neighbourhood issues were problematic. Overall, 47 per cent of the HB group reported none of the crimes/issues in the table to be ‘serious’, compared with 62 per cent of LIWH. More than twice as many HB households than LIWH thought that the fear of burglary was a serious problem, as was the presence of drug dealers/users, and about twice as many thought that vandalism was a serious problem. Three times as many HB households as LIWH thought that dogs/dog mess was a serious problem in their area. HB households were also the most likely to think that there was a serious problem in their neighbourhood with litter and rubbish in the streets, heavy traffic, pollution and car theft.

**Table 7.12 England: Problems with different types of crime/issues in the neighbourhood**

Type of crime		HB (%)	LIWH (%)	All PRS (%)
Fear of being burgled	A serious problem	14	5	8
	A problem	25	24	26
	Not a problem	61	71	66
Vandalism and hooliganism	A serious problem	10	5	6
	A problem	24	24	22
	Not a problem	66	71	72
Racial harassment	A serious problem	4	3	3
	A problem	12	9	12
	Not a problem	84	88	85
Presence of drug dealers/users	A serious problem	14	7	7
	A problem	15	13	12
	Not a problem	72	80	81
Poor state of open spaces/gardens	A serious problem	6	3	4
	A problem	19	15	14
	Not a problem	76	82	83
Problems with dogs/dog mess	A serious problem	15	5	8
	A problem	30	28	24
	Not a problem	56	67	69
Graffiti	A serious problem	3	1	2
	A problem	16	12	13
	Not a problem	81	87	85

Continued

**Table 7.12 Continued**

<b>Type of crime</b>		<b>HB (%)</b>	<b>LIWH (%)</b>	<b>All PRS (%)</b>
Litter and rubbish in the streets	A serious problem	17	9	11
	A problem	32	34	30
	Not a problem	52	57	59
Heavy traffic	A serious problem	17	12	13
	A problem	29	30	30
	Not a problem	54	59	58
Problems with street parking	A serious problem	25	17	19
	A problem	25	30	28
	Not a problem	50	54	54
Problems with neighbours	A serious problem	2	2	2
	A problem	11	10	9
	Not a problem	87	88	89
Troublesome teenagers/children	A serious problem	8	7	7
	A problem	22	24	21
	Not a problem	71	69	72
Pollution	A serious problem	7	3	5
	A problem	22	16	20
	Not a problem	71	81	75
Car theft	A serious problem	11	5	7
	A problem	23	23	21
	Not a problem	67	72	72

# References

Rugg, J. and Rhodes, D. (2008). *The private rented sector: its contribution and potential*, York: Centre for Housing Policy.

This analysis uses data from the General Household Survey, the Family Resources Survey and the English House Condition Survey to make comparisons of the levels of rent paid by private sector tenants among different groups of households. In particular, it compares the levels of rent between those receiving and not receiving Housing Benefit. The results of this paper are summarised in Chapter 2 of DWP Research Report No. 698, *Low income working households in the private rented sector*.

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