

What's Not Working?

Barriers to employment and the impact of rent and housing benefit

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Summary



Housing associations like Peabody and L&Q were established to provide good quality homes for people on low incomes at a price they can afford to pay, to give them security and space to thrive. It's a role we're proud to play.

By keeping rents low, we can help to support low-income families to improve their financial situation. It leaves more money in their pocket for other essentials and thereby helps to improve their quality of life.

Our rental income has to cover the costs of maintaining and renovating our homes and estates, and delivering a range of essential services to our residents. It is also used to secure loans which, along with cross-subsidies from our development programme, allow us to build more affordable homes for those in need.

When setting the levels of rent we charge, we have to strike a balance between what our current residents can afford, and generating enough income to cover all these costs.

For many of our residents, whether they are working on low incomes, unable to work, or looking for work, part or all of their rent is paid by housing benefit. For them, there is a risk of being disincentivised from finding work by the social security system, whereby when they earn more income, they receive less in benefits. This is a greater risk the higher the rent is, as they have more housing benefit to be withdrawn.

We are committed to supporting our residents into fulfilling, sustainable and well-paid work. We wanted to investigate the extent to which the benefits and differing rent levels influence the employment behaviour of our residents. We therefore conducted research to answer the following three questions:

- Do higher rents disincentivise residents from finding work or working more hours?
- Is this disincentive exacerbated by housing benefit?
- What other factors contribute to residents' decisions to find work or increase their hours?

To answer these questions, we surveyed over 450 residents from Peabody and L&Q. We found that childcare and health issues were the key influencers of most of their employment decisions. Those who weren't working full-time cited childcare responsibilities, health, or disability as the main barriers to increasing their earnings. Working residents felt the welfare system did not disincentivise them from increasing their income. This suggests that while it is important to ensure welfare doesn't create barriers to work, supporting households to manage their childcare, or supporting individuals with health and disability issues into appropriate work opportunities, may be a more effective method to promote employment.

Between 2012 and 2016, our respondents increased their working hours by an average of 2.8 hours per week. This is a positive sign that our residents tend to improve their circumstances after starting their tenancies.

We then performed regression analyses to investigate whether there were differences in the change in working hours between groups on high or low rents: we found no statistically significant relationship between the level of rent and whether tenants increased their working hours.

We have therefore found no evidence that our tenants are incentivised by low rent or welfare. Our findings do, however, back up our qualitative findings that residents are typically prevented from working more hours by other factors, most notably childcare and their health.

Another notable finding was that many residents, who were not registered as long-term sick or disabled, were prevented from working by their health issues. Some may not be receiving the out-of-work benefits to which they are entitled. This is consistent with other Peabody research, including 'Health begins at home'¹, that suggests that many people are not being picked up by support services, as well as our experience of supporting residents to appeal welfare decisions.

¹Family Mosaic (2016) Health Begins at Home.

Introduction

The concept of social housing is inextricably linked to low rents. If the aim of social housing is “a decent home for all at a price within their means”, then charging sub-market rent seems an obvious place to start.² By providing low rent homes to those in housing need, more people can enjoy greater disposable income so they can live more affordably and have stability of tenure.

The development of rent policy

The question of where, and how, to set this sub-market rent level is complex, and has changed over the years. Before 2011, rent policy was set primarily by the government’s rent formula – a consistent but relatively arbitrary way of defining and setting a single social rent.

Since 2011, housing association rent policies have been pulled in different directions by a range of forces, most notably public expenditure cuts. In 2011, Affordable Rent was introduced, which allowed social housing providers to set rent levels at up to 80% of local market rent. The policy was designed to provide social housing providers with increased income so they could build more homes at a time when government capital grant for new homes was reduced. It raised questions about the concept of affordability, particularly where local private sector rent was high.³

In 2015, the government introduced a mandatory 1% rent reduction for social housing residents from 2016-2020, despite a rent settlement having been agreed only two years beforehand.⁴ This approach was intended to reduce state expenditure on housing benefit, while also lowering costs for those households not receiving it.⁵

The benefits of low rents

Housing associations want to keep rents low for their residents. They need to generate enough rental income to fund repairs, longer-term asset maintenance and service delivery. With the demise of the government’s capital grant scheme, rental income is used to secure loans to fund the building of homes for future residents. So there are financial pressures to maximise potential rental income.

At the same time, however, low rents result in numerous social benefits. It leaves more money in the pockets of our residents who are often living on a low income. This gives them more to spend on other essentials. It also reduces the benefits bill for the government. For example, higher disposable income is strongly associated with positive life outcomes, for parents, their children and residents without children. Similarly, residents are more likely to be able to afford to pay lower rents, benefitting from greater security. Low rents also result in less public expenditure on housing benefit.⁶

Research focus

The focus of this research is on the impact rent policy has on incentivising employment. It is an area in which the evidence base is incomplete. Our study provides research and statistical analysis on rent levels and employment behaviours.

The impact of low rent on employment, however, cannot be considered in isolation. Low rents are not the only way the housing needs of low income households are met. Housing benefit – and its replacement, universal credit – pays for some or all the rent of around 59% of social housing residents.⁷

Consequently, this study also examines the impact of housing benefit on our residents’ working behaviours, as well as asking them about what they think are the main barriers to increasing their household income.

Our research aimed to answer three questions:

- Does housing benefit disincentivise residents from finding work or increasing their working hours?
- Is this disincentive exacerbated by higher rents?
- What other factors contribute to their decisions to find work or increase working hours?

Benefits and disincentives to work

The benefits system is intrinsic to the debate about work and low rents. It is particularly relevant to our study because while only 7% of social housing residents are unemployed, 59% claim some level of housing benefit.

There is a risk that as a claimant works more hours, so their means-tested benefits reduce, thereby disincentivising them from finding work or working more hours. For example, one of our residents who is employed might claim housing benefit to pay for some of their rent. As their income rises, however, so the amount of housing benefit they receive reduces at a rate of 65p for each pound they earn.

This results in an effective marginal tax rate (EMTR) of at least 65% on any new earnings: for every additional £1 they earn, their net income only increases by 35p. For some people the rate may be higher than 65% if they are in receipt of other means-tested benefits. It can even be as high as 90%.⁸

If the earnings of the resident in this example rise high enough, their housing benefit will be completely withdrawn. Their EMTR will then fall to the basic rate of tax.

Residents who are charged higher rents have more housing benefit to lose. Consequently, they face a higher level of EMTR (65-90%) across a broader section of their potential income distribution.⁹

For those on higher rents, more residents face work disincentives because of the broader range of incomes affected. Simultaneously, residents at the bottom of the income range have further to go in terms of the amount of income from work they need before they can avoid losing out financially.

Under Universal Credit, the EMTR is reduced to a flat rate of 63%. This is significantly better for those in employment than under the legacy system as they can keep more of their earnings. However very few of our tenants were claiming universal credit when we were conducting the research for this report so we have limited the analysis to housing benefit.

Existing literature

A number of reports have looked at the relationship between rent, housing benefits and work. Although all recognise the relationship between housing benefit, EMTR and work, these studies investigated the theoretical incentives rather than empirical evidence about how people behave.¹⁰

In fact, relatively little empirical research has been conducted into the relationship between rent and employment behaviour, or its relationship with housing benefit. In 2011, qualitative research by the Department for Work and Pensions found that childcare issues and a misunderstanding of welfare benefits were both significant barriers to work.¹¹

A 2006 study by the Institute for Fiscal Studies and the Joseph Rowntree Foundation, which looked at national EMTR rates across the population, went some way in identifying these disincentives. The report found that wage inequality, increasing rents and changes to taxes and benefits had collectively weakened work incentives in the past.¹²

An earlier study by Bingley and Walker, based on Family Resources Survey data, found evidence of a link between the housing benefit trap and decisions around work. It hadn’t, though, looked at whether higher rents were associated with this link.¹³

A 2016 study by the Joseph Rowntree Foundation investigated the relationship between housing and work, focusing on perceptions rather than looking at behaviours. It found residents perceived higher rents, predominantly in the private rented sector, as a disincentive from working.¹⁴

² Hills, J. (2007) Ends and means: The future roles of social housing in England. ESRC Research Centre for Analysis of Social Exclusion. CASEreport 34.

³ See, for example, Mirror, signal, manoeuvre: our drive to provide more social housing, Family Mosaic, 2011

⁴ <https://www.insidehousing.co.uk/news/news/osborne-rips-up-settlement-and-cuts-rents-by-1-a-year-44126>

⁵ Adam, S. et al. (2015) ‘Cuts to social rent will benefit exchequer more than residents, but will strengthen work incentives’. Press release. Institute for Fiscal Studies. <https://www.ifs.org.uk/publications/8037>

⁶ In 2011, we calculated that increasing rent levels to 80% of market rent on 50 of our properties in London and Essex would increase the annual housing benefit bill from £164,060 to £411,372. Peabody now has over 55,000 homes in London and Essex. See Mirror, signal, manoeuvre: our drive to provide more social housing, p13, Family Mosaic, 2011

⁷ Office for National Statistics (2017) English Housing Survey 2016-17, section 1 household tables. <https://www.gov.uk/government/statistics/english-housing-survey-2016-to-2017-headline-report>

⁸ Tunstall, R. (2013) ‘How housing traps people in unemployment’ in New Statesman. 8 March 2013. <https://www.newstatesman.com/business/2013/03/how-housing-traps-people-unemployment>

⁹ Under universal credit, this taper is reduced to 63% or 63p in the pound.

¹⁰ See Cannizzaro, Angelina (2007); Working paper no. 38: Impacts of rents on Housing Benefit and work incentives; Department for Work and Pensions; Aldridge, Hannah and Peter Kenway (2014); Can the changes to LHA achieve their aims in London’s housing market?; New Policy Institute/Shelter; Adam, Stuart et al (2015); Social rents policy: Choices and tradeoffs; Institute for Fiscal Studies.

¹¹ Bashir, Nadia et al (2011); Families and work: Revisiting barriers to employment; Department for Work and Pensions.

¹² Adam, S. et al. (2006) The Poverty Trade-off: Work incentives and income redistribution. Joseph Rowntree Foundation/IFS.

¹³ Bingley, P. and Ian W. (2000) Housing Subsidies and Work Incentives in Great Britain. University of Warwick.

¹⁴ Gibb, K. et al. (2016) Does housing affect work incentives for people in poverty? Joseph Rowntree Foundation.

Methodology

A 1999 study into the relationship between rent rises and labour supply in the context of Scottish housing associations, concluded “the overall effect of rent increases on labour supply in two-worker households is negative”.¹⁵ However, the focus of this research was not on annual rent increases (or decreases), but on where the rent level should be set at the beginning of a tenant’s tenancy.

We wanted to test whether higher rent levels or housing benefit disincentivised residents from finding work or increasing their working hours. We also wanted to investigate what other factors contributed to decisions around employment behaviours.

Our survey sample consisted of 455 residents: 308 from L&Q and 147 from Peabody (figure 1). All lived in London, were of working age, and did not, to our knowledge, suffer from a long-term illness or disability that prevented them from working.

Everyone who responded to the survey had moved into their home in 2012-13. Most (321) were in receipt of housing benefit when they moved in (figure 2).

We included residents from both organisations because Peabody and L&Q have different rent levels. All the Peabody residents were on a lower social rent (typically around 50% of market rent), while half of the L&Q residents were on a higher Affordable Rent. Any resident paying service charges was excluded from the study.

Within both groups, rents also varied by size of property, location, and other factors. Our study includes a broad range of rent levels, from just over £75 a week to over £200 a week.

We also considered other factors we were able to control for that might affect the research participant’s propensity to take up more working hours, such as childcare responsibilities.

One issue we were unable to control for was the employment support services available to residents. It is possible the two organisations delivered different support services, which might have impacted on an individual’s propensity to find work.

Residents were phoned by an independent research company and invited to answer a survey containing 25 questions.

Figure 1: Sample group, by housing association (n = 455)

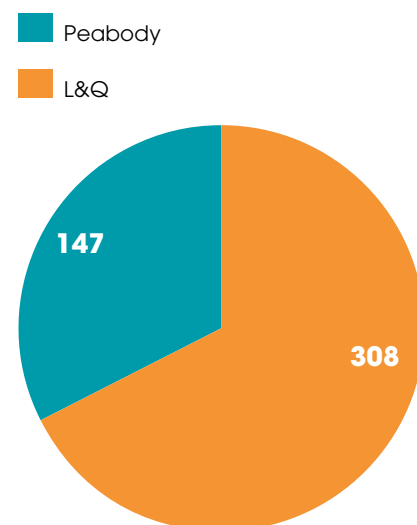
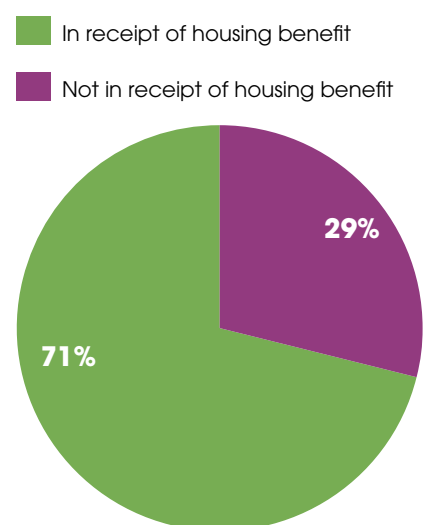


Figure 2: Proportion claiming housing benefit at beginning of tenancy (n = 455)



Perceived barriers

We asked our sample group questions about their household type, working hours, benefits status and income. Three questions were open-ended, and focused on the barriers residents face when it comes to decisions around work, and the extent to which housing benefit shapes these decisions.

Barriers to increasing income

The first of these three questions was what were the biggest barriers residents faced when it came to increasing their income. We looked at households where at least one partner was not working over 30 hours per week (excluding 130 of the 455 households), or who did not answer the question about working hours.

We grouped these responses into categories. Almost a third cited childcare as their reason for not seeking to increase their income. Some had partners who were working. Many were already working part-time hours and could not increase them. Childcare expenses were an issue for many:

“The only reason I can’t go back to work (is) childcare and school holidays.”

“Childcare restricts me. I don’t have childcare as it’s expensive.”

The next most commonly cited reasons cited were illness, mental health or disability. This is concerning. To the best of our knowledge, participants chosen for the research had no health issues serious enough to prevent them from working. Their responses indicate that residents who may need support with their health and wellbeing are not being picked up by their housing association.

For some residents this will not be an issue – and in fact they may prefer not to notify their landlord. For others, this might mean they are not aware of the support we offer, including aids and adaptations to their homes. Some told us how their health conditions limited their work capability:

“I’m unfit for work. I’m epileptic and I have fits.”

“(I’m) in a wheelchair... I can’t get a job because of facilities in most workplaces.”

Other residents stated that they had care responsibilities for their relatives, were in training or study, or were comfortable with their level of earnings (especially those who were not claiming housing benefit).

Barriers, by household type

Over 45% of respondents lived in households of large families with three or more children, 33% were households of small families with one or two children, and 22% were either single people or couples who didn’t have children.

When we examine the most cited barriers by household type, it’s perhaps not surprising that, for families, children or childcare was the major issue. For single people and couples without children, the most cited responses – around a third – were health issues or disabilities.

Barriers, by housing benefit status

We then grouped respondents by housing benefit claimant status: of those who answered the relevant questions, 66% were claiming housing benefit.

Typically, those not claiming housing benefit are employed full-time. We asked if they were looking to increase their income: roughly half replied yes, and half replied no. Of those that replied no, typically they said they were content with their current job.

Similarly, when we asked those on housing benefit if they were looking to increase their income, roughly half said yes, and half replied no. The main reasons cited by those who weren’t looking to increase their income were childcare and health issues.

¹⁵ Pryce, G. (1999) Work incentives and rent: evidence from Glasgow housing associations. University of Glasgow.

Respondents claiming housing benefit who were looking to increase their income cited similar issues, although many also mentioned the difficulty in finding an appropriate job. This might relate to fitting work around school hours, or being given enough hours by their current employer. These findings support other research that found those not working are most likely to cite children, childcare issues, and job inflexibility as barriers to employment.¹⁶

Benefits and disincentives to work

Only one respondent, without being prompted, alluded to the withdrawal of benefits negatively influencing their decision to work more hours:

“Hours; rent; money, really... the benefits that you lose. I want to work more but I’d lose too much.”

To investigate this issue in more detail we then directly asked respondents how much of an impact housing benefit had on the decisions they made about work. Of those claiming housing benefit who answered the question, 54% said it had no or very little impact.

We then asked the 46% who said it did have a lot or some impact to explain their response in more detail and grouped their open-ended responses. The most cited response was that housing benefit helps people to work by supporting them with their rent (36%).

“My salary is too small to survive without benefits.”

“It tops up what you’re earning so it is a part of our lives... I’m in no position to work full-time. (My) children’s father is deceased.”

“It helps while I try my best for extra hours.”

Other responses included that housing benefits acted as a disincentive to finding work (28%), and it supported people when searching for a job (8%). Those who said it was a disincentive largely referred to the benefit being withdrawn as they increased their earnings.

Several specifically identified low wages as making their decision to increase the number of hours they worked less appealing.

“Whatever role I take on, it has to cover the rent. If you don’t find anything to cover it, you will be in big trouble. Also, I’d have to pay for a carer for my mum. (The) salary needs to be £25-30,000 minimum.”

“Obviously with my son being on disability, we get full housing benefit. But if I went to work I’d lose a lot of this, and also there are carer costs.”

So even for those residents who feel that housing benefit has an impact on their decisions around work, most said this was a positive impact – helping them to work through guaranteeing that their rent is paid. People associate housing

benefit with providing a stable home – a roof over their heads which allows them a space to conduct all their affairs, including finding employment.

Clearly, for most residents, housing benefit is not perceived to be a disincentive, despite the reality that it will affect many of them when they make employment decisions. This suggests that either people aren’t doing the cost-benefit calculation, or that they are motivated to find work for other reasons than simply money. This backs existing research which suggests even those with low earning potential typically have a strong desire to work.¹⁷

It was only when respondents were prompted that they considered housing benefit might act as a disincentive to work. And even then, the numbers were still below those who felt that housing benefit played a positive role in supporting residents into work. This could be due to lack of awareness about how benefits are withdrawn as income rises. A recent universal credit evaluation for the Department for Work and Pensions suggests that very few claimants are aware of how tapering works, so this would not be surprising.¹⁸

Our direct experience question only elicited one response referring to the welfare trap and our follow-up question was asking more generally about what the relationship could be. As such we cannot assume that those residents who did recognise it as a disincentive had made decisions based on it themselves. Even those who did refer to the disincentive typically cited it in the context of care responsibilities, issues with administration, or low salaries.

Household type and changes in working hours

The qualitative research helped us to answer two of our three questions relating to housing benefit and work: does housing benefit serve as a disincentive to work? And what are the main barriers our residents to working more?

What, though, about rent levels? Do lower rent levels incentivise residents on housing benefit to find work? And, conversely, do higher rent levels disincentivise residents from finding work? The rents in our sample depended on the property size, area, and other factors. They ranged from around £75 to just under £240 a week, averaging at around £130 a week.

We asked respondents how many hours their household worked when they first moved into their home in 2012, and how many hours their household worked in 2016, four years later.

A number of residents declined to answer these questions, perhaps due to their personal nature. In addition, we were only able to match part of the sample to data on rent levels. Consequently, the initial sample group was reduced to 211 people for this element of the research.

Changes in working hours

On average, the 211 respondents were working an additional 2.8 hours a week more in 2016 than they had been in 2012.

This overall result is positive: our residents have increased the number of working hours, suggesting that they also have higher incomes.

Table 1: Difference in working hours by HB status and household type, 2012-2016

	Mean weekly hours, 2012	Mean weekly hours, 2016	Difference
All residents	17.5	20.3	+2.8
HB residents	9.4	13.2	+3.8
Non-claimants	37.3	37.4	+0.1
Claimants without children	6.6	11.3	+4.7
Claimants with children	10.8	14.2	+3.4
Non-claimants without children	38.3	37.8	-0.5
Non-claimants with children	36.3	37.0	+0.7

We then worked out the average rent of all those residents who answered this question, and divided respondents into two groups: those with lower than average rents, and those with higher than average rents.

Residents in the high rents group increased the number of working hours during this four year period by an average of 3.7 hours a week, compared with 2.7 hours per week for those in the low rents group.

We then looked at households claiming housing benefit and compared them with non-claiming households. Those on housing benefit when their tenancies began in 2012 increased their average working hours by significantly more: 3.8 hours compared to 0.1 for those not claiming housing benefit.

This isn’t surprising: in 2012, housing benefit claimants were working 9.4 hours on average per week, and so had more scope for working more hours. By contrast, non-claiming households were more likely to have one full-time worker in the house, with less scope for increasing hours.¹⁹

In addition, 17% of households who had been receiving housing benefit in 2012 were no longer on housing benefit in 2016, suggesting they had increased their household income. At the same time, 19% of households had gone the other way: they hadn’t been in receipt of housing benefit in 2012, but were receiving it in 2016. Many of these commented that they had young children.

Families were more likely to move from not claiming benefit to claiming benefit, while households without children were more likely to move the other way.

¹⁶ Citizens Advice (2008), Equality and Human Rights Commission (2013), Child Poverty Action Group, DWP (2011).

¹⁷ Gibb, K. et al. (2016) Does housing affect work incentives for people in poverty? Joseph Rowntree Foundation.

¹⁸ Department for Work and Pensions (2017) Universal Credit Test and Learn Evaluation: Families. Government Social Research.

¹⁹ The average number of weekly hours worked by non-claimants (37.3 rising to 37.4) was in line with the average number of weekly working hours for all full-time workers in the UK (37.3, rising to 37.6). See Labour Market Statistics time series dataset, Office for National Statistics, 21 February 2018

One of the striking findings for claimants without children is the mean average number of weekly working hours when they moved into their homes – just 6.6 hours. This indicates most were unemployed and potentially vulnerable when they started their tenancies (for instance, being homeless).

This group increased their average weekly working hours by the most – by 4.7 hours. This suggests they improved their circumstances in the first few years of their tenancies.

For claimants with children, the average increase in weekly working hours (+3.4) was also above the norm of +2.8 hours. This might be explained because as

children get older, so childcare – which was identified by families as a key issue in increasing the number of working hours – is less of an issue, as children start attending school and become more independent.

Both cohorts, though, started from a relatively low base. Consequently, it's no surprise that they have increased the number of hours worked.

Of the households claiming housing benefit, a high number (32) – about a tenth of households on housing benefit for whom we have working hours – worked exactly 16 hours per week in 2016. This is the minimum number of hours to receive working tax credit

and support with childcare. This is a clear indication that people do base employment decisions on benefits availability, although in this case it could be providing a floor for their working hours, rather than a ceiling.

In order to test whether there is a relationship between higher rents and the change in working hours between 2012-2016, we conducted some regression analyses.



Regression analysis

Regression analysis is a statistical tool that helps us estimate to what extent one variable explains another. In this case, the outcome variable is the difference between a household's weekly working hours in 2012 and the same household's weekly hours in 2016.

As part of the regression analysis, we wanted to see if there were any other variables that affected the number of hours worked. We know childcare was a key issue for residents, so we included the number of children as a variable. We also tested the size of the home as a variable, expressed as the number of bedrooms, as an alternative to see if it fitted the model better than number of children.

There are a vast range of other variables that may be important, such as carer status, or sickness and disability. Our data is not detailed enough for these so they are omitted as variables. As our sampling strategy targeted people who were in the labour market, these other variables should not be as important.

We developed three regression models: the first examines the dependent variable with variation in rent levels. The second controls for the number of bedrooms. The third controls for the number of children (and removes bedrooms from the model).²⁰

The results of these regression models are shown in table 2. Column R² shows the proportion of variance in the dependent variable that the model explains. In other words, the higher the value of R², the more of the change in working hours is explained by these particular variables.

The coefficient column shows the difference in the increase in working hours one would expect when the rent is £1 higher per week. Negative coefficients indicate that a higher rent causes a smaller increase in working hours. A coefficient of -0.1 would mean that a £10 increase in weekly rent at the beginning of a tenancy will, over a four-year period, reduce the change in hours worked by one hour.

The p-value column shows the statistical significance of each result: in other words, how certain we can be that the result has not been obtained by chance. A p-value of 0.05 or less means we can be at least 95% sure that our results are due to rents making a difference in increasing the number of hours worked.²¹

The three regression models found no statistically significant results with respect to rent levels. In fact, the very low R² values for most of the models show the reason households increase or decrease their working hours is due to other variables than those we included. This should not be surprising given our qualitative findings showing that people tend to make their employment decisions based on other personal factors.

Table 2: Regression analysis on change in working hours between 2012 and 2016

Data set	Explanatory variable	R ²	Coefficient (rent)	p-value
All respondents (n=211)	Rent	0.0%	-.007	0.86
	Rent, beds	0.6%	-.028	0.52
	Rent, children	0.3%	-.018	0.67
Housing benefit claimants (n=146)	Rent	1.1%	-.057	0.21
	Rent, beds	1.1%	-.060	0.23
	Rent, children	1.5%	-.069	0.16
Non-claimants (n=65)	Rent	3.0%	.113	0.17
	Rent, beds	7.3%	.043	0.63
	Rent, children	3.0%	.111	0.21

²⁰ We did not include bedrooms and children in the same model because, having conducted a correlation exercise, it was clear that they strongly correlated to each other.

²¹ Full results for all regressions, including the intercept and control variables, are available on request.

The coefficients, however, are broadly in the direction we anticipated. The housing benefit claimants in our sample increased their hours more when they were on lower rents than those on higher rents. When controlling for number of children, in our sample, a £10 per week higher rent reduced the change in hours worked between 2012-2016 by 41 minutes. It is important to note that these residents still increased their hours overall, but by less than those with lower rents.

Residents who were not claiming housing benefit, on the other hand, tended to increase their hours more the higher the rent. Before controlling for number of bedrooms or children, the

model shows that a £10 higher rent will, for this sample, increase the change in hours over the four-year period by an hour and eight minutes.

It is perhaps not surprising that those not claiming housing benefit increased their working hours more if their rent was higher; they receive the wages directly and experience the benefit. For those on housing benefit, while on average they increased their working hours, the higher their rent was, the less was the increase. As their housing benefit would be withdrawn at a higher EMTR over more of their earnings, they have less to gain from increasing their working hours and income.

In other words, in our sample, it seems as if higher rents are associated with a smaller increase in working hours for those on housing benefit. Conversely, for those not on housing benefit, higher rents are associated with a greater increase in hours. However, the high p-values mean we are unable to be sure that these results would hold beyond our own small sample. It may be due to the random chance of individual household differences. As such we have failed to find strong enough evidence that the potential loss of income through the withdrawal of benefits negatively influences residents' employment decisions. The low R^2 values also suggest that our variables do not explain much of the variation in change in working hours.



Conclusion

This report set out to answer three questions:

- Do higher rents disincentivise residents from finding work or working more hours?
- Is this disincentive exacerbated by housing benefit?
- What other factors contribute to residents' decisions to find work or increase their hours?

Our qualitative research showed that the potential loss of income through the withdrawal of benefits was not a consideration for the vast majority of residents in deciding whether they tried to increase their earnings. Most cited childcare, health, or disability as the main barriers to finding work or increasing the number of hours they worked.

Even when prompted to consider the relationship between housing benefit and work, residents were more likely to consider housing benefit positively as a means of supporting them or providing them with security of tenure. Some commented that the withdrawal of housing benefit could act as a disincentive to work, but even then it was typically within the context of childcare, job flexibility, or being unable to work full-time hours due to other personal issues.

When we conducted a series of statistical analysis to determine whether rent levels and housing benefit disincentivise residents from working more hours, we found no statistically significant relationships: in fact, the very low R^2 values for most of the regression models we used suggest that there are other reasons than those we have considered that have a more important impact on whether households increase or decrease their working hours.

Within our own small sample, however, we did observe that generally:

- Our residents tended to increase the number of hours they work over the course of four years.
- Those in receipt of housing benefit tended to increase their hours more if they are on lower rents.
- Those not in receipt of housing benefit tended to increase their hours more if they were on high rents, although they were generally working full-time hours already.

The lack of statistical significance means we cannot infer that our findings will apply to the broader population. We can, however, state that this research has clearly indicated that neither housing benefit nor rent level are the primary factors in determining resident's employment decisions. Instead, these decisions tend to be limited to childcare responsibilities, health issues, or disability. Nevertheless, we are committed to keeping rents low for our residents as part of our mission to support the most vulnerable.

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