

# Making housing work:

The links between housing  
and worklessness

June 2008



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**Ingeus Centre for Policy and Research**

**June 2008**

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# 1. Introduction

*'Both housing and employment problems and solutions may be closely connected. The root cause of being unable to afford decent housing will often be the lack of a livelihood. Fear of the loss of support from Housing Benefit can be an important barrier to seeking work.'*

**John Hills *Ends and means: the future roles of social housing in England, 2007***

This paper seeks to identify the work disincentives that currently exist in the UK housing system and explore how they can be addressed to ensure that everyone, no matter what sort of housing they live in or where they live, is empowered to realise their full potential in the labour market.

The independence, stability and empowerment that employment brings to individuals and communities should be central to both housing and employment policy. It is not sufficient just to give someone a house or pay for their rent; rather, support must also aim to develop independent means and realise sustainable livelihoods. In delivering a personalised, holistic employment service<sup>1</sup>, it is critical to recognise the relationship between housing and employment, and address the work-related housing issues of those being supported.

*"For clients it is never as easy as just applying for and getting a job. Housing is one major issue that holds clients back and often traps them in the system."*

**David Bishton, Deputy Operations Manager, Pathways to Work, Edinburgh, Lothian and Borders**

In the UK, a person's housing situation is seen as one of the strongest indicators of how well they are doing<sup>2</sup>. It is widely accepted that most people aspire to owner occupation and, of the 20 million households in England, the majority (70%) are owner occupiers. In contrast, most WorkDirections clients<sup>3</sup> are tenants; only 4% own their home, whereas 59% live in social rented accommodation and 25% rent privately<sup>4</sup>. Rental costs are one of the largest household expenses, and decisions affecting future earnings invariably must take this cost into account. Indeed, housing costs constitute a larger proportion of outgoings for lower earners, and are therefore more of a financial burden on those out of work or on a low income<sup>5</sup>.

Given the close connection between housing and employment stability, and the overlap between those receiving housing provision or subsidies and those receiving out-of-work assistance, it is surprising that their respective structures are separately managed and evaluated. In order to address the interrelationship between housing and employment, and support those with multiple needs, there is considerable scope for more cross-issue action. Successful, concurrent support would contribute to sustainable employment outcomes, feed into the Government's 'making work pay' agenda, and save the taxpayer money in reduced benefit expenditure and increased revenue.

1 - A service that works in partnership with every person and treats everyone as an individual, each with a unique set of circumstances, skills and potential.

2 - Pahl, Rose and Spencer *Inequality and Quiescence: A Continuing Conundrum, 2007.*

3 - We recognise that some organisations use other terms such as 'customer' and 'user' but have chosen to use 'client' throughout this paper for consistency. In the context of this paper, the word 'client' refers to those people either targeted by, or accessing services to support a transition from worklessness into employment.

4 - From a sample of 714 clients across eight WorkDirections offices in England. The remaining 16% live in temporary or unknown housing types.

5 - The Office for National Statistics reports that in 2004/5 housing, fuel and power accounted for 19% of spending by UK households in the bottom fifth of the income distribution compared with 7% of those in the top fifth.

## Introduction

Housing is a wide-ranging and encompassing topic. This paper focuses on the main issues affecting employment outcomes, as identified by one-to-one interviews with clients and those assisting them to find employment. All the issues identified sit within the spheres of the social rented sector, private rented sector and Housing Benefit. Owner occupation and homelessness pose work-related housing constraints not addressed in this paper. It is also appropriate to take into account issues of planning and regeneration, which affect employment outcomes more broadly. Although this paper is concerned with reform within current housing supply and standards, we recognise that this will, and should, change over time.

Internal research based on our clients' experiences forms the evidence base for most of the arguments proposed in this paper. Those interviewed are a good, representative sample of the workless population as a whole<sup>6</sup>. Figure 1 outlines the six primary housing issues identified by clients as constraints on their progress into work. For these six areas we look to inform improvement in the short term as well as asking what longer-term reform should look like. Reform options must recognise that individuals and communities are unique. A 'one size fits all' approach would not bring about the tailored reform necessary to address an individual's experience of housing and worklessness, or realise social, as well as personal solutions. Consequently, we separately identify short-term improvements that could be made alongside longer-term reforms.

**Figure 1: The six principal work-related housing issues as identified by WorkDirections clients and staff**

Issue	Improvement without reform	Reform to the system
<b>Allocation</b>		
Those on the waiting list for social housing may not consider working due to the temporary and unstable nature of their housing situation and a belief that working may jeopardise their future eligibility for state-provided housing.	Provide information and alternatives to challenge the perception that social housing is the only housing option.	Community-orientated employment support that sits across benefit silos and uses outreach to engage social tenants in mainstream employment services.
<b>Mobility</b>		
Moving between and out of social properties is insufficiently supported, and tenants can become trapped by their secure tenancy.	Enhance the role of the social landlord as 'enabler', including increased landlord communication across geographical boundaries.	Redesign tenancy arrangements, to ensure that the security provided by a lifetime tenancy does not limit work incentives for social tenants.

6 - In this context 'workless' refers to those claiming active and inactive benefits.



Figure 1 continued

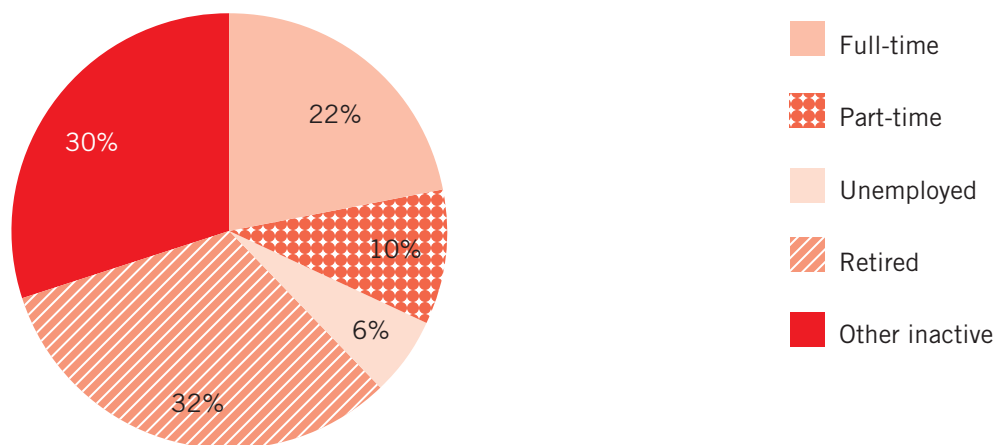
Issue	Improvement without reform	Reform to the system
<b>High rents</b>		
The cost of rent, primarily in the private rented sector and temporary homes, can disincentivise a move into work.	Promote awareness of in-work Housing Benefit.	Roll out Working Future pilot to address the burden of the Housing Benefit taper on high-rent households moving into work.
<b>Accessibility and security</b>		
The private rented sector is perceived to be less accessible and less secure than the social rented sector and this reduces its attractiveness to potential tenants, as well as the work incentives of current tenants.	Market Local Housing Allowance to landlords to foster buy-in and encourage new landlords to enter the market.	Introduce measures to incentivise landlords to accept unemployed tenants while sufficiently regulating unscrupulous landlords.
<b>Housing Benefit sensitivity</b>		
Any change in household composition, income or savings dictates a recalculation of Housing Benefit entitlement, for which evidence must be provided. This makes changing circumstances time-consuming and unattractive for those considering a move into work.	Personalise the administration of Housing Benefit services to allay fears and ease the transition into work.	Decrease sensitivity by extending and fixing Housing Benefit awards.
<b>Housing Benefit ambiguity</b>		
This makes it difficult for clients to perceive how much better-off they will be in work.	Extend relationships and improve communication between stakeholders and clients to increase transparency and understanding.	Co-locate benefit services to simplify the client interface with the benefits system.

## 2. Social rented sector

- Social housing constitutes one-fifth of the current UK housing market
- Fewer than half of working-age social households are in employment<sup>7</sup> and 60% claim Housing Benefit<sup>8</sup>
- Of those not employed, the majority are termed 'inactive'<sup>9</sup>
- Housing associations are the largest owners and managers of social housing<sup>10</sup>

Figure 2 charts the employment status of social renters and highlights the negative relationship between social housing and employment. Although social renters benefit from the work incentives of subsidised rents, their employment rate falls well below the national 75% figure and there is further evidence that living in social housing in childhood is associated with a range of unfavourable outcomes in adulthood<sup>11</sup>.

**Figure 2: Economic status of household reference person among social renters, England 2007**



Source: Department of Communities and Local Government Live Tables June 2008

7 - The figure of 47% is based on data from the Department of Communities and Local Government (DCLG) Live Tables June 2008.

8 - Cannizzaro *Impacts of rents on Housing Benefit and work incentives*, 2007.

9 - DCLG Live Tables from June 2008 show over one million inactive social tenants. This includes the permanently sick or disabled, full-time students, homemakers and carers.

10 - Cave *The Cave Review of Social Housing Regulation*, 2007.

11 - Feinstein, Lupton, Hammond, Mujtaba, Salter and Sorhaindo *The public value of social housing: a longitudinal analysis of the relationship between housing and life chances*, 2008.



From a sample of WorkDirections clients we can aggregate that roughly two-thirds live in social housing. If we take this as a representative sample of the workless population, this indicates that those in the welfare-to-work industry should carefully consider work-related social housing issues in their remit to support people into employment. For many families, social housing is essential in providing shelter where this would otherwise not be available. However, it is not designed simply as ‘bricks and mortar’ support; subsidised rents not only insulate tenants from fluctuations in the market but also promote the financial gains of working by reducing the amount of earnings paid out as rent. A tenant subject to a lower rent has more incentive to earn money, in the knowledge that they will lose less of their income in housing costs than if they were living in a higher-cost property.

Internal research suggests that the way available social housing is allocated, as well as limited mobility within this housing type, can constrain the employment prospects of tenants and future tenants. There is also strong evidence that other factors such as the location and quality of housing, and the interplay with Housing Benefit, play a part in limiting the employment rates achieved. Our focus is on the movement-related constraints to working, with the aim of addressing the major issues that limit social mobility among current and future tenants.

Social tenants are not a homogeneous group and it must not be assumed that one solution will suit all, particularly given the diverse management styles of local authorities, housing associations and other registered social landlords. However, by tackling the primary constraints to employment, social tenants can have the freedom and choices enjoyed by those in other types of housing. Once in work, some tenants may choose to move into the private rented sector or consider home ownership, and therefore not directly increase social rented sector employment levels. This will, however, have a positive impact on the sector by freeing up housing that can be filled by somebody else who will benefit from it. By addressing issues around housing allocation policies and mobility, we can contribute to raising employment among those living in social housing, and for those wishing to move into and out of it.

## **Allocation: moving into the social rented sector**

- The social rented sector houses a larger proportion of the population in the UK than most other European countries<sup>12</sup>
- 1.7 million households are on a waiting list for social rented housing in England<sup>13</sup>, representing an estimated four million people, and this figure is rising
- A quarter of households allocated social housing waited for over a year<sup>14</sup>

High demand for social housing has necessitated an allocation system that gives ‘reasonable preference’ to certain disadvantaged groups, including those who are homeless, living in overcrowded or unsatisfactory housing, or with medical or welfare grounds for moving. Studies show increasing proportions of social tenants with characteristics that are generally associated with a weak position in the labour market. This has led to a social housing population with high levels of labour market disadvantage and low levels of employment. There is a concentration of individuals who require employment support in this housing type.

12 - Fitzpatrick and Stephens *An International Review of Homelessness and Social Housing Policy*, 2007.

13 - DCLG Live Tables June 2008.

14 - Ibid.

## Social rented sector

Needs-based allocation also acts as a constraint to work for those 'in need', but not in sufficient need to be top priority, who can remain on the waiting list for many years. Those not prioritised go without the work incentives of subsidised rent that social housing offers and can face barriers to personal development resulting from the temporary and unstable nature of their housing situation while waiting. While on a local authority register, many will not consider working for fear of disrupting their place on the waiting list<sup>15</sup>. One WorkDirections client interviewed has been on the waiting list for social housing in her local area for over five years, and remains reluctant to seek work until she is moved into a social rented property.

*"There does seem to be a discrepancy between what you can get if you wait on the list and what you get in the private sector. You can see why someone would wait, especially when a job is not going to make them much better-off and they might lose their chances of getting a house through the waiting list."*

**Liz Hems, WorkDirections advisor, Pathways to Work, Central London**

London Councils' recent vision for homes in London aspires to a social housing system that provides a 'ladder of opportunity' for its tenants<sup>16</sup>. It explores the idea of reinvigorating allocation systems to reflect the ethos that social housing is not just about those most in need, but must also consider who will benefit most from it. It is unclear, given limited supply, how allocation could achieve this without putting vulnerable tenants at risk. Giving higher priority to those looking to move for work-related reasons may incentivise work, but how to deliver this without jeopardising housing provision for those not ready for, or capable of entering, the labour market is more complex and will require a multifaceted solution.

### Improvement without reform: information and alternatives

A study by the Brent Private Tenants' Rights Group found a high level of naivety among private rented sector tenants about how long it would take them to obtain a permanent socially-rented home<sup>17</sup>, and this was reflected in our findings. Allocation rules are often publicised on local authority websites, but generally in a form that the applicant finds difficult to understand. Without knowing how long they will remain on the register, it is difficult for a prospective tenant to make an informed decision about the value of their waiting. If, for example, it was clear that there would be a five-year time lag between registering and being housed, an applicant may prefer to consider alternative options.

It would be beneficial for each applicant to receive a guide to the estimated waiting time given their circumstances. Clear, readily available information about allocation and waiting times should be provided by the local authority or registered social landlord. Information should also be accessible on the impact (or non-impact) that working has on allocation priority. The Enhanced Housing Options pilots, to be rolled out at the end of 2008, will have a valuable role to play in delivering specialist advice such as this, alongside employment advice and other personal support<sup>18</sup>.

15 - Evidence suggests that moving into work does not affect an individual's priority on the waiting list, although most assume that it does.

16 - London Councils *Our vision for homes in London*, 2008.

17 - Martin *Avoiding homelessness among private rented sector tenants*, 2008.

18 - For more information on these pilots, see DCLG *Expanding Choice, Addressing Need: Addressing Housing Need through the Enhanced Housing Options Approach*, 2008.



Those on the waiting list for social housing often deem it unthinkable to rent in the private rented sector due to fears of insecurity and expense. This attitude should be challenged by social as well as private landlords and other stakeholders. Given limited housing supply, the local authority has a duty to promote alternative options and reduce the number of people in an indeterminate state on the waiting list. Local authority-provided lists of private landlords in the area that accept tenants who claim Housing Benefit can be a valuable resource for home-seekers. However, research for this paper shows that this information can be limited or out-of-date, leaving the onus on the individual to source and negotiate an appropriate private sector tenancy for themselves.

On WorkDirections' Nottingham Employment Zone, a housing specialist from Nottingham's Hostels Liaison Group brings housing support in-house for clients with social housing and homelessness issues. WorkDirections advisors focus on employment support while their clients also receive housing support from an expert in the field. Concurrent housing and employment support such as this provides many clients with the package of support they need to enable them to move into work. Anecdotal evidence from clients and staff demonstrates the positive impact this partnership has in promoting sustainable employment outcomes.

*"We provide support for people to get permanent or temporary accommodation that is more suitable for them. We aim to get people into a more settled environment so they can then start work."*

**Michelle Roe, Accommodation Provider Team, Hostels Liaison Group, Nottingham**

### **Reform to the system: community-orientated employment support**

Welfare-to-work programmes generally prioritise person-based rather than place-based policies, providing support according to the benefit claimed. A Jobseeker's Allowance claimant is referred to a New Deal programme; an Incapacity Benefit claimant to Pathways to Work. Social housing communities are not divided along these lines. A tenant who claims Incapacity Benefit may live next door to a couple with a joint claim for Jobseeker's Allowance, or a lone parent claiming Income Support, or a working family. In fact, only 6% of UK social housing residents are registered as unemployed and claiming Jobseeker's Allowance. Given this, the success of the Department for Work and Pensions' (DWP) forthcoming initiative, Flexible New Deal, will promote sustainable employment among Jobseeker's Allowance claimants but will not signify a step change in the employment rates of social housing communities.

Outreach services can reconcile this incongruence and address allocation issues within social housing by promoting work-related engagement among current tenants and offering employment advice to those on the waiting list. Sessional or mobile outreach workers can engage people not actively seeking work and assist those who find it difficult to attend mainstream services. Action Teams for Jobs and the Working Neighbourhoods Pilots employed an outreach approach, and current mainstream services often incorporate outreach into elements of their delivery model. For example, WorkDirections' Pathways to Work programmes work in partnership with MIND to provide home visits to disengaged clients with mental health issues, to ensure they understand their obligations and to establish their best route forward. This has proven successful in increasing levels of engagement, as well as dealing with multiple disadvantages and promoting employment.

## Social rented sector

Research for this paper suggests that there is scope for an outreach model designed to link social housing tenants, and those on the waiting list, with local employment support. Our recommended delivery model utilises peripatetic support in a specific way, by incorporating it into mainstream provision. For many clients, the job that they go on to do will involve an element of travel. To rely solely on outreach and only base services in their immediate community fails to challenge the assumption that unemployed people will not consider working beyond their local area. This is why WorkDirections offices are situated in commercial centres in the heart of the local labour market. Once engaged with an outreach worker, the client must be encouraged to attend mainstream programmes delivered outside of their immediate surroundings, to continue the positive progress they have made with their local outreach workers.

Outreach workers may have the most impact where they deliver alongside other support services. Co-locating at the local level with other organisations that provide support and advice brings economies of scale as well as opportunities for cross-referral. Policy must mobilise a wide range of organisations, including landlords and local employers, to meet the needs of all client groups. However, such outreach will be most successful where it is *community-orientated* but not community-delivered; where it engages people to attend and benefit from mainstream provision, rather than delivers whole programmes out of community-based centres.

### Mobility: moving out of the social rented sector

- More than 80% of those living in social housing today were also within the sector 10 years ago (if born by then)<sup>19</sup>
- Only a few thousand social tenants each year move home for job-related reasons<sup>20</sup>

Interviews conducted for this paper have demonstrated that moving out of a social property can be as restricted as moving in. Nationally, of those social renters who do move home, only 2% cite job-related reasons compared to 22% of private renters<sup>21</sup>. Many factors drive work-related immobility. A recent DWP report explains one factor:

*'...the jobs which many respondents were seeking, were qualified for, or were most likely to succeed in securing were low paid, often unskilled, and insecure. This was likely to remain the case wherever they lived, and hence it simply did not seem worthwhile going through the disruption of moving house and area in order to access this type of work.'*

**Fletcher, Gore, Reeve and Robinson *Social housing and worklessness: Key policy messages, 2008***

Low mobility is compounded by other factors, such as the private rented sector generally being seen as an inferior housing option in terms of cost and quality, and the lack of support available to move between social properties. There is currently limited provision of cross-area Choice-Based Lettings, following the dissolution of the moveUK scheme<sup>22</sup>.

19 - Hills *Ends and means: the future roles of social housing in England, 2007*.

20 - DCLG *Survey of English Housing, 2008*.

21 - DCLG Live Tables June 2008.

22 - In May 2004, a new website – moveUK – amalgamated existing mobility schemes. Out of four million social tenants in 2005/6, only 1,478 moved under this scheme. In September 2006 the Government announced that it was terminating this service because of serious concerns about the performance and fitness for purpose of the software. Housing Minister Caroline Flint is making moves to re-establish a national mobility scheme and the success of such a project could pave the way for increased fluidity, and therefore work incentives, in the social housing market.



A further factor associated with low mobility in social housing is the provision of secure tenancies. After one year in a social rented property most tenants are rewarded with a lifetime tenancy, which means they can stay in the property for life and can only be evicted as a result of legal proceedings (in stark contrast to the standard assured shorthold tenancy found in the private sector). After a long wait to be socially housed, and the subsequent provision of a tenancy for life, there is increased security but reduced incentive for the tenant to move. This limits work options by causing tenants to feel that they can only seek work within the limited geographical area in which they are currently housed. Tenants can become trapped by their secure, subsidised tenancy. Without the encouragement and support to move to where a job is located, aspirations can become limited and the fluidity needed to interact successfully with the labour market is lost.

### **Improvement without reform: landlord as ‘enabler’**

Mobility for those currently living in the social rented sector can be advanced by a landlord committed to their tenants and willing to provide and signpost to employment support. A Joseph Rowntree Foundation report argues, ‘the [social rented] sector should be designed not simply to house the poor but to facilitate their progress from poverty.’<sup>23</sup> Many housing associations are exemplars of such ‘value added’ services, contesting the notion that all landlords prefer to rely on the security of regular Housing Benefit payments, rather than promote diversity and development among their tenants. The Housing Corporation reports that in the last five years housing associations have invested £209.5 million in projects addressing worklessness by combining their own contributions with additional revenue funding<sup>24</sup>.

#### **Best practice: Hyde Housing’s ‘Jobs Plus’**

Nearly two-thirds of Hyde Housing Association’s tenants are not employed, yet their tenant research shows that 70% would like support to return to work. In response, Hyde have developed a ‘Jobs Plus’ arm, with the aim of working with individual residents to improve their skills, motivation and confidence and make the move into work. Hyde funds in-house Information, Advice and Guidance officers and works in partnership with local employment and training centres, including Pathways to Work programmes, to integrate residents into existing resources and avoid duplicating provision. Hyde’s network of work-related services sits alongside their housing provision and this concurrent operation assists more residents to move from where they are to where they want to be. Such support promotes mobility and enhances residents’ choices.

Social landlords will need to play a part not only in promoting work, but in supporting their residents’ mobility once in employment. For example, if a tenant gets a job outside the area, the landlord can offer assistance with re-housing outside local authority boundaries, and help to access the Jobcentre Plus Social Fund where possible. To promote cross-area social lettings, Choice-Based Lettings schemes should be rolled-out to wider geographical areas, such as the Capital Moves scheme being considered in London. A social housing allocation system that prioritises those who want to move for work-related reasons could further promote employment mobility<sup>25</sup>.

23 - MacLennan *Better futures for social housing in England*, 2007.

24 - Housing Corporation *Housing associations tackling worklessness*, 2007.

25 - Some local authority transfer schemes are illogical in giving priority to those tenants who have a connection with the area from which they are applying to move.

## Social rented sector

A recent DWP report outlines the limited impetus for landlords to support their residents and suggests, 'increased mobility can raise management headaches and drive up management costs for social landlords'<sup>26</sup>. However, best practice examples encountered during this paper's research, suggest that many social landlords embrace the current climate in which labour market flexibility is maintained by housing mobility, and seek to work in partnership with neighbouring landlords to facilitate choices and opportunities for their tenants.

### Reform to the system: rethinking secure tenancies

Tenancy arrangements that support all tenants should aim to stimulate employment for those who are able to work, as well as support those tenants who are not. Where a tenancy for life will have a perverse effect on the client's progress into work, alternative arrangements are required.

*"There needs to be some halfway house between the misery merry-go-round of six-month shorthold tenancies and the long-term, secure tenancies enjoyed by council tenants."*

### Sally Keeble MP in private sector rented housing debate in the Houses of Parliament, April 2008

A single tenancy type will have a divergent impact on tenants, whose needs differ and circumstances change over time. A tenancy 'solution' should therefore offer a more diverse menu of options. In his 2007 report, John Hills talks about a more varied 'offer' for social tenants<sup>27</sup>, including enhanced provision of shared equity and HomeBuy schemes alongside the secure tenancy. Unemployed tenants do not have the financial assets to benefit from such schemes; instead, they generally benefit those in work. Some tenure options that could benefit out-of-work tenants in the social sector include:

- **Job search tenancy**

Housing Minister Caroline Flint's idea of 'commitment contracts' suggests a 'something for something' approach to social tenancies by including job search activity in the tenancy agreements of new entrants to social housing. WorkDirections advocates the promotion of employment support to social tenants without the use of tenancy coercion. This would have positive results for individuals currently disconnected from employment provision. For example, it would encourage lone parents to join their local Employment Zone. It would also ensure that everyone had information about the full range of local services they could access. We support moves to tackle employment constraints associated with social housing tenants, such as the housing review currently commissioned to the Foyer Federation and East Thames Group, looking into potential incentives, obligations and support for those entering social housing to improve their skills or find work.

26 - Fletcher, Gore, Reeve and Robinson *Social housing and worklessness: Key policy messages*, 2008.

27 - Hills *Ends and means: the future roles of social housing in England*, 2007.



- **Reviewed tenancy**

A shorter tenancy more reflective of the open market could be beneficial for more ‘work ready’ tenants for whom it would encourage independence and accountability, but may impair more vulnerable tenants less capable of managing their tenancy in this way. Instead, all tenants could be offered a secure tenancy that is reviewed every year, at which point a work-focused meeting with an employment specialist would signpost them to local employment support and give the tenant the opportunity to discuss future career options. Many housing associations are currently exploring ways to incorporate this model into their initial 12-month ‘starter tenancy’ for new tenants, to present them with an option to engage in a range of skills-building and employability skills services from the outset of their tenancy. This would ensure that all tenants had full knowledge of the services available and could prompt some to engage where they otherwise would not, fostering an attitude of rights and responsibilities and promoting tenant mobility.

- **In-work tenancy**

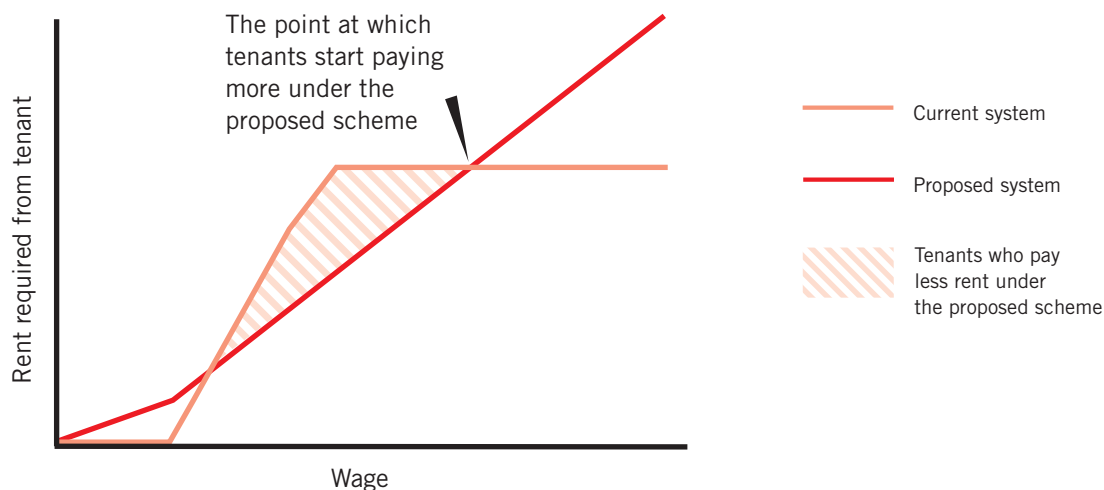
A secure tenancy could be offered alongside a package of financial support once the tenant moves into work. DWP-contracted employment programmes currently measure job sustainability at either three or six months, during which time clients are offered ongoing financial and emotional support. Under an ‘in-work tenancy’, providers and/or landlords could offer, once job sustainability was achieved, a fixed sum to use as a deposit on a private rented property. This sum could be accessible voluntarily for a fixed period of time, and managed by a personal housing officer who assisted the tenant to seek affordable good quality housing where required. A deposit guarantee could be offered by the local authority alongside assistance with moving and decorating any new property the tenant moved into. Here, housing and employment providers would work together to promote mobility and personal development.

- **Income-related tenancy**

The current Housing Benefit structure could be overhauled for in-work social tenants by charging a variable rent based on a fixed percentage of earned income. The more you earn, the greater the amount you must pay in rent. The subsidy currently applied to social housing is therefore tailored to reflect the varying needs of its tenants. This promotes social housing as a solution responsive to fluctuating circumstances.

## Social rented sector

Figure 3: Rent paid by tenants under current and proposed systems



Wadsworth recommends fixing social rents at 20% of earned income<sup>28</sup>. However, calculations suggest that up to 27.5% of income could be charged as rent to working social tenants, so that as the tenant's earnings approached the national average, their rent would reflect the average cost of renting in the private sector. A balance must be struck between charging higher rents to higher earners to promote mobility without such high rents discouraging tenants from progressing in the labour market. A successful pilot of this model should demonstrate work incentives for those currently out of work in social housing who are potential lower and higher earners.

- **Potential lower earners:** at lower wage levels, the amount paid in rent is less under the proposed scheme. This would encourage those who might otherwise 'hold out' for a higher-paid job to consider working at a lower wage in the short term, as their rental contribution would be lower. Such a job may provide a springboard of opportunity otherwise not considered. It is also easy to calculate rent levels under this scheme, whereas currently there is little understanding of, or trust in, the in-work Housing Benefit system, discussed in chapter four.
- **Potential higher earners:** if a potential higher earner were offered a job which required them to move, they would be more likely to relocate under the proposed system. They would have sufficient capital to consider a move out of the social rented sector and be incentivised to do so, as renting their current social property became increasingly costly. This would allow someone else to benefit from the housing made vacant by their move.

A new tenure structure would increase the employment chances of social tenants if it were supportive without being coercive, and tailored this support to the individual. However, it cannot account for the limited nature of supply. Such solutions only focus on those prioritised for social housing; there also must be a varied 'offer' for those on the local authority waiting list, and alternative housing support still needs to be signposted more effectively to combat the length of time people remain in this position.

28 - Wadsworth *Social housing, Housing Benefit and Council Tax Benefit*, available at [www.citizensincome.org/filelibrary/doc/Housing%20Benefit%20Discussion%20paper.doc](http://www.citizensincome.org/filelibrary/doc/Housing%20Benefit%20Discussion%20paper.doc).

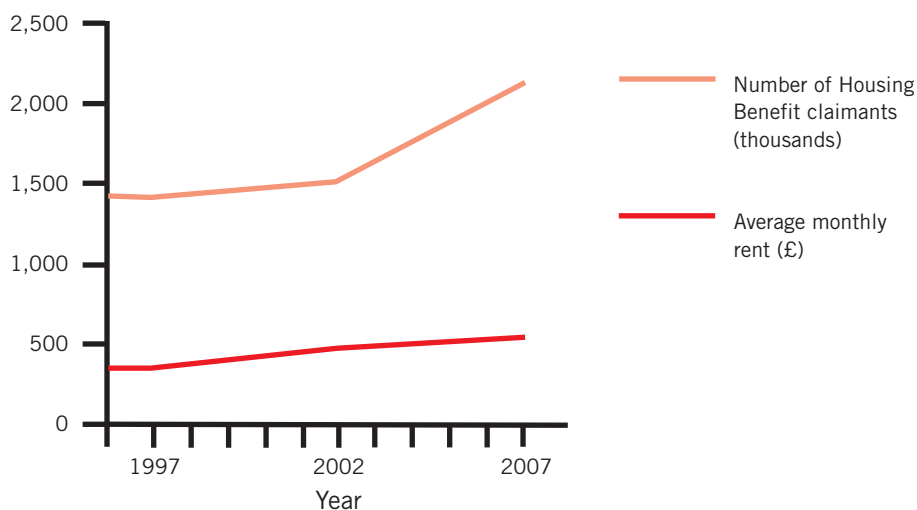
# 3. Private rented sector

- There are 2.8 million private sector households in England<sup>29</sup>
- A quarter of working-age private sector households are out of work and one-fifth claim Housing Benefit<sup>30</sup>

A privately-leased property is highly desirable for many individuals considering a move into work. There is no need to join a waiting list to rent in the private rented sector (PRS), which offers tenants choice and freedom. The main work-related PRS constraints identified by the research conducted for this paper are the relatively high cost of rent and fears of insecurity and inaccessibility. Addressing these issues would have a positive impact on the attractiveness of this housing type, and help to reduce work constraints, both real and perceived, for current tenants.

Issues surrounding PRS housing are often neglected by policies that aim to support those out of work, and evidence-based policy-making is challenging due to the disparate and often unregulated nature of landlord activity. One-in-four WorkDirections clients rent their home from a deregulated landlord and a further 5% live in temporary accommodation, often privately-leased. WorkDirections therefore welcomes the review of PRS housing commissioned by the former Minister for Housing and Planning, Yvette Cooper. The PRS is also an important area of housing consideration for the DWP, given the increasing number of benefit claimants who rent in this housing type and the amount of Housing Benefit that flows to landlords. Figure 4 shows that, nationally, both the cost of rents and the number of Housing Benefit claimants in the PRS are on the increase.

**Figure 4: Number of Housing Benefit claimants and average monthly rent in PRS**



Source: DCLG Live Tables June 2008

29 - DCLG Live Tables June 2008.

30 - Ibid.

## Private rented sector

As with the social rented sector, tenants in the private rented sector are not a homogenous group. Nor are they a wholly separate group; people move between these housing types as their circumstances change. Those living in temporary accommodation are a major source of future social housing tenants. Addressing work-related issues associated with private and temporary housing would therefore have a positive impact on employment rates across housing types.

### High rents

- The average rent paid by private tenants across England is £563 per month, compared to £264 per month for the average local authority tenant<sup>31</sup>
- The average monthly rent of private tenants in London is much higher than this, at £843 per month
- Currently, only 45% of Housing Benefit claimants in the private rented sector have their total rent covered by Housing Benefit<sup>32</sup>

The primary housing-related employment constraint for WorkDirections clients is being subject to a rent considered unaffordable without Housing Benefit support. Clients are concerned that, once in work, they will be unable to meet the rental payments on their home. Clients who describe high rent as an issue generally live in private and temporary homes, although those living in social rented housing in London also report this as a significant work-related concern, which is likely to be the case in other high-cost areas. Most interviewed were worried that the wage they were likely to earn in a new job would be insufficient to cover the full cost of their rent; some because they were unaware of in-work Housing Benefit support, others because they were distrustful that this support would be forthcoming. Distrust was born out of previous negative experiences, and fear of the responsibility of paying a high rent with little security offered from a landlord.

*“Where they put me in temporary accommodation, the rent was £344 per week ... I got myself in rent arrears. It was rough. I’m now on my fourth year in temporary accommodation. And that’s why I couldn’t go back to work before. So, although I want to go back to work, it’s the rent that would be difficult because no matter how much you’re earning you still have to find the extra.”*

#### **WorkDirections client, New Deal, Hammersmith, London**

High rents are a constraint to employment because in-work benefits are misunderstood, not because those with a higher rent are actually worse-off when they move into employment. In-work Housing Benefit protects people against the financial effects of high rents by subsidising rent for those on a low income. If everyone had free access to information and a full understanding of the Housing Benefit system, alongside other in-work benefits such as In Work Credit and tax credits, then the cost of their rent would not be a constraint to seeking work.

However, as well as this lack of understanding and confidence, there is a real obstacle to progressing in work for those who continue to rely on Housing Benefit support; the result of a steep Housing Benefit taper. Housing Benefit currently tapers at 65% above a set applicable amount; for every extra £1 earned, 65p of

31 - DCLG Live Tables June 2008.

32 - Cannizzaro *Impacts of rents on Housing Benefit and work incentives*, 2007.

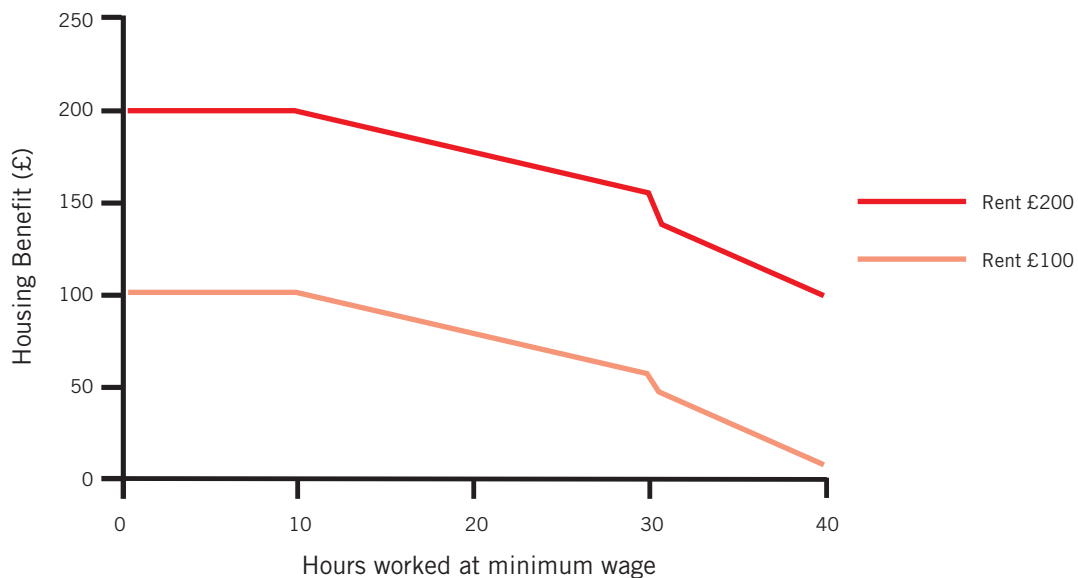


Housing Benefit is removed. This, combined with the Council Tax Benefit taper and marginal tax rate, reduces the incentive to work more hours and earn more money. If a client is aware that they are unlikely to achieve full independence in work, they may be discouraged from moving into a job initially, and are likely to be deterred from progressing towards a long-term job goal.

The Housing Benefit taper affects all clients, not only those living in high-cost accommodation. Housing Benefit insulates clients living in high-cost homes, but also creates a ‘benefits trap’ where dependence continues even after they have moved into work. The higher the rent, the higher the earnings required before clients become fully independent of this support.

Figure 5 demonstrates this point. A single tenant over 25 years-of-age continues to receive support towards their £100 per week rent until they work 40 hours-a-week at National Minimum Wage, at which point they become fully responsible for paying their housing costs out of their earned income. Working for the same wage but living in a £200 per week property would require working 82 hours-a-week before the Housing Benefit taper is exhausted. For those living in high-rent accommodation, the benefit taper means it would take many hours and a high wage before they were released from this Housing Benefit trap.

**Figure 5: The Housing Benefit taper at different rent levels**



*In this example, Housing Benefit dips at 30 hours-a-week as the individual claims Working Tax Credit.*

## Private rented sector

### Improvement without reform: promote awareness of in-work Housing Benefit

Without reforming the Housing Benefit taper, full awareness of in-work Housing Benefit should be sought in order to mitigate distrust. An effective way to address benefit ignorance is to increase the use of benefit calculations by frontline staff, not just as a one-off calculation but regularly updated to reflect changing circumstances. All clients on our Employment Zones are given a 'better-off calculation', using Personal Benefit Advice software, by week four on the programme. This demonstrates how much financially better-off they would be in work and which in-work benefits they could expect to receive. For some clients, this addresses their primary constraint to working, after which point they quickly move into work. Other practical ways that WorkDirections disseminates information about in-work Housing Benefit include client group sessions 'Budgeting for work' and 'How to apply for in-work benefits', as well as in-house marketing material.

*"If everyone understands it then you can help people. You can't do it for people but you can provide all the information they need."*

#### WorkDirections client, Employment Zone, Brent and Haringey, London

Jobcentre Plus staff also use better-off calculation software and offer 'Personal Benefit Advice' software to external organisations, which should be distributed and used by housing associations and other housing stakeholders with more consistency. Current DWP piloting of improved e-services, including an online 'better-off in work' calculator, would be beneficial to clients who have both access to the internet and support in using such software. Local authorities could also play a role here. A simple page detailing in-work benefits on each local authority website would have positive results. The success of such marketing would be reflected in increased benefit take-up among low earners, as well as increased work incentives for those currently out of work.

The in-work support period of an employment programme provides an opportunity for employment and housing structures to work in partnership, to ensure clients enjoy a smooth transition into work. As sustainability measures lengthen, the effect of the Housing Benefit taper on net income will increasingly come under the gaze of the in-work employment advisor, driving a joining up of in-work housing and employment services.

### Reform to the system: roll out Working Future pilot

In-work Housing Benefit allows clients to take a job that would otherwise not cover their rent, and which forms the first step on a route towards higher earnings and greater independence. Without this opportunity, a long-term job goal may be blocked or harder to achieve. In order to reduce high rent as a disincentive to work, the amount of subsidy could be increased and further marketing of in-work benefits could be rolled out. Much has been written on the steepness of the Housing Benefit taper and how reducing this would promote career progression by allowing individuals to keep more of every extra £1 they earn. This would be a welcome reform, although WorkDirections recognises the potential cost implication and looks to the Working Future pilot as an alternative, cost-neutral measure.



Working Future is a joint initiative between the Greater London Authority, East Thames Group and the London Boroughs of Waltham Forest, Redbridge and Newham. Participants are out-of-work tenants in temporary, private sector-leased accommodation in East London. The scheme provides a block grant to the local authority to subsidise high rental costs, so that the tenant is subject to a diminished rent equivalent to local social rents. This reduces the amount of Housing Benefit each tenant claims when out of work, and consequently the wage they need to earn to exhaust the taper once in work. Crucially, tenants are also offered employment support and given comprehensive advice about their in-work benefit entitlement. Independent evaluation has shown the scheme has had a positive effect in terms of job starts and cost neutrality to the taxpayer<sup>33</sup>.

Research for this paper shows that WorkDirections clients are directly concerned with the high cost of their rent, and are unlikely to be aware of the Housing Benefit taper. Working Future addresses the issue of high rent, among other work-related constraints, which could have a positive impact on both temporary tenants and others who rent high-cost property.

## Accessibility and security

PRS landlords are perceived as a constraint to employment, both in terms of the shortage of tenancies offered to benefit claimants and the varying quality of those that are. Limited accessibility and security affect the reputation of the PRS, as well as its potential to provide the housing support necessary to foster successful labour market interactions. Limited accessibility restricts mobility for potential tenants who would otherwise use an assured shorthold tenancy as a base from which to progress in the workplace. A lack of security can also make the PRS a less attractive housing option. This would affect work incentives for current tenants who do not value their property enough to want to spend any earned income on rent, as well as potential tenants who might otherwise benefit from renting in this sector.

*“I think that it’s probably one of the major issues that our clients have. Because, of course, your priority is going to be getting a roof over your head that’s suitable, affordable and can be sustained in a job.”*

**Kameese Davis, WorkDirections advisor, Pathways to Work, Birmingham and Solihull**

A private sector landlord’s primary focus is to provide a rental service that creates profit in order to maintain or expand business. Social assistance is not a fundamental part of this model, and in many cases private landlords avoid letting to unemployed tenants for fear they may jeopardise profits by risking regular rental payments. Where landlords do let to unemployed people, evidence suggests they can be unsympathetic to a delay in receiving Housing Benefit which is, to an extent, out of tenants’ control. As a result, tenants can suffer arrears or risk eviction. Local authority intervention in these circumstances is often minimal, which seems incongruent with the large sums of Housing Benefit paid to this sector to cover the rent of those who are unemployed and on low incomes. Private landlords should be incentivised to interact effectively with welfare policy in housing unemployed people while promoting employment among tenants.

## Private rented sector

### Improvement without reform: market Local Housing Allowance to landlords

The PRS offers immediate access and more choice than social renting and can, for many, be preferable to waiting on the local authority register for social housing. There are many ways in which this can be promoted to potential tenants, one of which is to publicise the benefits of the new Local Housing Allowance (LHA) to landlords effectively.

Local Housing Allowance, which came into effect in April 2008 for all new tenants in the PRS, is predicted by the Department for Work and Pensions to have many positive work incentives, including: increasing financial responsibility by paying directly into tenants' bank accounts; increasing transparency by fixing and publishing benefit levels; and improving the administration of pre-tenancy determinations<sup>34</sup>. By addressing the lack of clarity around Housing Benefit levels and improving Housing Benefit administration, some landlords, currently hesitant to enter the market due to time and paperwork issues, could find this opportunity more attractive. A recent publication goes further than this, arguing that, 'If councils pay Housing Benefit promptly, it will remove all justification for discrimination by landlords against benefit claimants in the provision of housing.'<sup>35</sup>

To succeed in encouraging landlords to enter the market, local authorities must promote the LHA in their area. Outreach work to promote the LHA could also incorporate an element of private sector regulation, advancing quality and security for tenants. A balance must be struck between stimulating those landlords who promote tenant employment to increase supply, and adding pressure on landlords who discourage their tenants from working. Investment should be encouraged from landlords who are committed to their tenants. Providing a high quality rental service over the long-term can be advantageous to the landlord as well as the tenant, and clarifying the process through the LHA will have positive results in terms of both quality and accessibility.

### Reform to the system: reconsider landlord rights and responsibilities

Housing Minister Caroline Flint's statement about social landlords applies equally to private landlords whose tenants are out of work:

*"Landlords can make a big difference ... They know their tenants. They are also often trusted by their tenants when other services are viewed with suspicion. They can put this knowledge, this positive relationship, to good use, by working with other services to help their tenants find the training or work they need."*

#### Caroline Flint's address to the Fabian Society, February 2008

Landlords, like tenants, should be subject to rights and responsibilities. Increased rights (and reduced risks) for landlords include more guaranteed funding through the Discretionary Housing Payment and a deposit guarantee provided by the local authority. These rights should occur alongside regulated responsibility to act with the welfare of tenants in mind; to promote employment and signpost to local employment services, to house people where they can afford to live once in work, and to support people in the transition between benefits and employment.

34 - A pre-tenancy determination is a valuation by the rent officer which decides the maximum amount of rent used by the local authority to calculate Housing Benefit entitlement.

35 - House of Commons Communities and Local Government Committee *The Supply of Rented Housing*, Eighth Report of Session 2007-08.

# 4. Housing Benefit

- Four million people claim Housing Benefit<sup>36</sup>
- Of all Housing Benefit recipients, 72% are also in receipt of a passporting benefit<sup>37</sup>
- The annual cost to the taxpayer is currently nearly £14 billion<sup>38</sup>

The Housing Benefit system is designed to support those whose income does not fully cover their rent and guarantee a reasonable standard of living without deterring employment by over-subsidising outgoings. It is particularly valuable for those whose rent is high and/or income is low.

*'Despite Housing Benefit being available both in and out of work, it is still seen by some as a disincentive to work. Expenditure is also rising, even though the number of people claiming is forecast to remain static. As the Local Housing Allowance is introduced, the Government will therefore undertake a comprehensive review of the working age Housing Benefit system, to look at its effectiveness, particularly in promoting work incentives, efficiency and fairness, and to ensure that it represents value for money for the taxpayer.'*

## **HM Treasury Budget 2008, Stability and opportunity: building a strong, sustainable future, 2008**

As this Budget statement recognises, Housing Benefit is critically interlinked with the effective operation of welfare-to-work programmes. Since housing costs constitute one-fifth of average household weekly budgets<sup>39</sup>, Housing Benefit is one of the primary economic considerations for clients moving from out-of-work benefits into paid work. At nearly £14 billion a year, Housing Benefit constitutes significant Government expenditure, which would decrease if clients were to move into work and subsequently stop requiring the same level of support. Removing some of the work disincentives associated with Housing Benefit would therefore support more individuals to enter the labour market and could save the taxpayer money by reducing Housing Benefit costs.

With over three-quarters of WorkDirections clients claiming Housing Benefit<sup>40</sup>, we strongly support a comprehensive review. There is no doubt that financial provision is crucial in guaranteeing that everyone has both the support they need to return to work, and is better-off in work. The work-related Housing Benefit issues identified by WorkDirections clients are born out of its structural design, as well as the way it is currently administered and delivered. Any reform must consider issues around the lack of understanding of Housing Benefit and its structural sensitivity.

36 - DWP Quarterly Statistical Summary May 2008.

37 - Ibid. 'Passported benefits' refers to people in receipt of Income Support, income-based Jobseeker's Allowance or guaranteed credit or those treated as receiving one of these benefits, who qualify for maximum Housing Benefit.

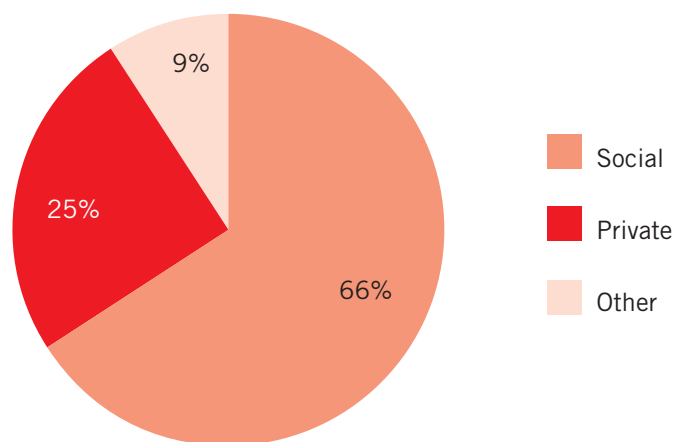
38 - DWP *Income-related benefits: estimates of take up, 2006/7, 2008*.

39 - National Statistics *Family Spending 2007, 2008*.

40 - From a random sample of 714 clients across eight WorkDirections offices.

## Housing Benefit

**Figure 6: WorkDirections Housing Benefit claimants by type of housing**



*From a sample of 714 clients across eight WorkDirections offices.*

### High sensitivity

- The Housing Benefit claim form is 40 A4 pages in length
- The average time taken to process a new Housing Benefit claim is 28 days<sup>41</sup>

Housing Benefit is sensitive in that any change in household composition, income or savings dictates a recalculation of Housing Benefit entitlement, for which evidence must be provided. The high sensitivity of Housing Benefit awards can be a work disincentive, particularly for those considering self-employment or a job with fluctuating hours. In order to register a change of circumstances, the client must visit their local housing office at least once, complete at least one form, and often take at least a half-day of leave from their new job. In many cases it can take much more time than this.

When high sensitivity is combined with the slow administration associated with Housing Benefit claim-processing, the system becomes very cumbersome to navigate. Despite improvements in recent years, opening a claim for Housing Benefit takes, on average, one month, and recalculating a current Housing Benefit claim can be equally drawn out<sup>42</sup>. Slow administration can lead to arrears and subsequently increase instability and chances of eviction. Knowledge of this discourages people from changing their circumstances by getting a job; an impatient landlord will not be sympathetic to the fact that the local authority has failed to support rental costs following a move into employment. Employers can be equally unsympathetic to new recruits requiring leave in the first few weeks of employment to arrange what they may perceive as personal issues. This can cause stress during the delicate initial period in a new workplace.

41 - Housing Benefit and Council Tax Benefit Claims Administration Quarterly Performance Data for first quarter 2007/08.

42 - DWP Housing Benefit Statistics for the first quarter of 2007/8 suggest it takes an average of 12 days to process a change of circumstances.



Sustainable employment is therefore difficult to achieve in this climate of high sensitivity and slow administration. This is furthered by inconsistencies that cause unnecessary confusion, such as the current interaction between Extended Payment of Housing Benefit and in-work, means-tested Housing Benefit.

#### **In-work Housing Benefit, with and without Extended Payment**

Extended Payment of Housing Benefit is a continuation of the previous Housing Benefit award, lasting for the first four weeks in work. This is a helpful 'bridging' payment which can ease financial concerns during the first month of a new job, and is particularly useful for people who are paid monthly. For clients moving from benefits such as Jobseeker's Allowance to a low-income job, who are entitled to a proportion of their housing costs while in work, there are significant differences in the application process, depending on their entitlement to Extended Payment.

- **Entitled to Extended Payment:** when the Jobcentre closes a benefit claim, Extended Payment is processed. Once the four-week run-on expires, the Housing Benefit claim is closed. In order to receive in-work Housing Benefit payments from this point, the individual must complete a fresh claim form with their local housing office, which is typically 40 A4 pages long.
- **Not entitled to Extended Payment:** when the Jobcentre closes a benefit claim, the client must also complete a change of circumstances form with their local housing office to calculate in-work Housing Benefit entitlement, which is typically two A4 pages long.

Extended Payment of Housing Benefit therefore necessitates an extra 38 pages of information from the same client. Changes to Extended Payment regulation that take effect from Autumn 2008 will remove the need for customers to re-claim once the extended period has expired. Consideration of an Extended Payment and entitlement to in-work Housing Benefit will form part of the normal reassessment procedures when a client starts work, removing the paperwork inconsistency.

#### **Improvement without reform: personal not process-orientated services**

*"In its effort to be responsive, the Housing Benefit system puts too much onus on individuals to understand its complexities. Being responsive has to come with the right information and support."*

**Jack Sawyer, WorkDirections Operations Manager, Employment Zone, Southwark, London**

Reform is necessary to combat such high sensitivity. However, a client's experience of the current system could be enhanced by more personalised support and faster administration. We would like to see a pilot for operating a case management approach to Housing Benefit administration, where each client has a named personal advisor at the housing office. This would encourage a shift in culture from process to person-orientated services. Case managers would then have more incentive to support clients to complete change of circumstances forms, and process documentation. This would require clients to make only one visit to the housing office, and could speed up administration. A more personalised service would also have a positive impact on the general reputation of housing services.

## Housing Benefit

Introducing a direct housing office number for those with work-related queries would further personalise services, allowing clients who were just about to move into work, or those working fluctuating hours, to be fast-tracked. Increasing access to housing services, by extending opening hours to evenings and Saturdays, would also make it easier for those in work to visit the office and could increase work incentives by promoting benefit take-up and speeding up administration.

### **Reform to the system: decrease sensitivity and speed up administration**

Given the impact on work incentives, it is imperative that Housing Benefit sensitivity is reduced to promote work entry and progression. Many Housing Benefit reforms to administrative processes would have an indirect impact on administration times relevant to out-of-work clients. For example, a recent Social Security Advisory Committee review stated that reducing the length of time that a backdated claim can be made from 52 weeks to three months would reduce administration required for some new claims, freeing up time to process in-work Housing Benefit claims. In order to minimise any negative effect on employment sustainability, the number of days taken to recalculate a Housing Benefit award when someone moves into work should be no more than five working days.

Reducing sensitivity should, in itself, also speed up administration. Housing Benefit sensitivity could be reformed in a number of ways to facilitate speed and stability, and encourage employment and progression. The following are ways in which this might be achieved:

- **Increase eligible period for Extended Payments to promote work entry**

Employment Zone and New Deal programmes provide 13 weeks of in-work support; Pathways to Work and Flexible New Deal programmes extend this sustainability period to 26 weeks. During this time, WorkDirections offers advisor contact over the telephone and face-to-face through our out-of-hours service. This tracking period is vital for many clients who require financial and emotional support during the first few months in a new job.

However, Extended Payment of Housing Benefit lasts for only one month for those eligible. WorkDirections data suggests that support for one month in work is not sufficient to guarantee a permanent transition into sustainable employment<sup>43</sup>. Increasing eligibility and extending the Housing Benefit run-on award to 13 weeks would promote sustainability by decreasing sensitivity. This would allow increased time for recalculation of the in-work Housing Benefit award, as well as reduced requirement on the client during this transition period.

Aligning Housing Benefit extension with current DWP sustainability measures would also incentivise joint working. We recommend that such an extension sits alongside support provided to prepare clients for their impending independence and to prevent fall-out from employment at the end of the 13-week period. We recognise there would be a cost implication of continuing Extended Payments for an additional nine weeks, but given its role in promoting work, we believe that this cost would be offset by the resultant benefit savings.

<sup>43</sup> - We have recorded a fall-out trend of roughly 20% between the Employment Zone five-week sustain and 13-week sustain payment schedules. This is an indicative figure calculated using cross-Employment Zone data (Birmingham, Brent and Haringey, Nottingham, and Southwark) between July 2007 and January 2008.



It is also recognised that *true* sustainability is only achieved once the client is independent of Housing Benefit support, and therefore we do not advocate Extended Payments matching DWP sustainability, as this continues to lengthen beyond 13 weeks.

- **Fix Housing Benefit awards to promote advancement and progression**

The London Child Poverty Commission<sup>44</sup>, among others, advocates the fixing of Housing Benefit awards, in contrast to the current immediacy of response to changing circumstances. For example, a Housing Benefit award would be calculated and fixed for six months, despite any changes in circumstances. Every six months, Housing Benefit recalculation would adjust Housing Benefit to an appropriate amount relative to any change in circumstances. Critically, no overpayments would be charged to the client.

This system relies on clients having a clear understanding of recalculation to prevent a steep reduction in their Housing Benefit award after six months, which could have a negative impact on sustainable employment. In order to reduce the likelihood of this, income changes could be within limits, reflecting the current tax credit rules. Perverse disincentives could be avoided by caveats to the fixed award. This would mean any increase in income exceeding a set amount would result in a Housing Benefit recalculation within the six-month award period. Equally, any significant decrease in income would be fairly compensated for by the guarantee of a fast-track return to full benefits.

- **Extended Housing Benefit Protection**

One of the elements of the London Borough of Newham Mayor's Employment Pilot is Extended Housing Benefit Protection. This scheme guarantees that people will be 'no worse-off in work', by using the Discretionary Housing Payments budget to top up standard Housing Benefit payments for the first year of employment. To date, over 500 people engaged on the scheme have been no worse-off in work and the budget has not been fully utilised. However, evidence suggests that the guarantee itself has acted as a work incentive to those who are fearful of losing their benefits, and therefore could have value in encouraging people to move into employment.

## Lack of clarity

- It is estimated that over one-fifth of potential Housing Benefit claimants fail to claim<sup>45</sup>
- These non-claimants are mainly people in low-wage employment, rather than out of work<sup>46</sup>

The extent to which clients can account for in-work Housing Benefit when making decisions about whether or not they will be financially better-off in work is limited by the lack of clarity that surrounds this benefit. Many WorkDirections clients demonstrated unawareness of in-work Housing Benefit. Others were unclear about how much they were entitled to and how Housing Benefit interacts with other in-work benefits such as tax credits; a finding reflected in Government studies<sup>47</sup>. Some clients had received inconsistent messages about this benefit in the past, or had previous negative experiences when claiming, which made

44 - London Child Poverty Commission *Capital Gains*, 2008.

45 - National Statistics *Income Related Benefits Estimates of Take-Up in 2005-06*, 2007.

46 - *Ibid.*

47 - Turley and Thomas *Housing Benefit and Council Tax Benefit as in-work benefits; claimants' and advisors' knowledge, attitudes and experiences*, 2006.

## Housing Benefit

them distrustful that support would be forthcoming in the future. Without full knowledge, or with mistrust of in-work Housing Benefit support, many clients either refuse offers of work or fail to claim the benefit to which they are entitled.

Our research found discrepancies in advice between local authorities who administer Housing Benefit and nationally-run Jobcentre Plus administrative services. During research, a number of offices gave varying advice about the process in which claimants inform them of a move into work. The current system is too complex for some dedicated staff to navigate, which bodes badly for those vulnerable clients who are most reliant on it.

*“When I went into work last year, I didn't claim because the housing office told me that I had to fill out the whole claim form again. They gave me the wrong information because I didn't really have to fill in the whole form. All I needed to do was fill in one page, not a whole book. I couldn't face going through that form so I didn't fill it in. I thought, do you know what, forget it.”*

**WorkDirections client, Employment Zone, Brent and Haringey, London**

### Improvement without reform: extend relationships and upgrade communication

#### Relationship best practice

WorkDirections' Employment Zone in Southwark works in close partnership with the Client Unit of Southwark council's housing department to support clients moving from benefits into work. A member of the Client Unit spends one morning a week in the WorkDirections office. They primarily assist clients with their in-work Housing Benefit claims. They are also available for emergency Housing Benefit advice and identification verification, and can fast-track a claim where necessary. WorkDirections advisors receive verification training from the Client Unit, enabling them to stamp photocopied identification after verifying original copies. This reduces mistakes and delays in benefits processing, which can lead to clients falling out of work. As well as facilitating clarity, this local partnership brings with it many other benefits, not least a seamless client experience. Feedback from staff and clients is very positive, and it is felt to be an example of best practice which could be readily replicated in other local authority areas.

Without simplifying Housing Benefit rules and regulations, changes can be made that enhance clarity and reduce the likelihood of conflicting advice. Increasing the use of benefits calculators and marketing of in-work Housing Benefit has already been discussed. Relationships and communication are fundamental in achieving this. An enhanced relationship between Jobcentre Plus and their local authority housing office counterparts will increase understanding of benefit rules and regulations across staff, allowing this to filter down to clients. It will also allow staff to signpost correctly to other organisations where required. The success of partnerships will be measured by increased quality of service delivered to shared clients, and it will require constant work and attention for this outcome to be achieved.



All stakeholders who play a part in supporting a client - be they in the employment, housing, health, social services, judicial or other fields - should either have comprehensive knowledge of the Housing Benefit system and how it is administered locally, or have the ability to signpost to this advice. This could, for example, take the form of a crib sheet for all frontline staff that explains Housing Benefit rules and provides local access numbers for the housing service. The Adult Advancement and Careers Service, to be piloted this year, should pave the way for more joined-up advice and guidance services delivered to clients.

A recent DWP report identified that communication issues (both written and oral) negatively affect the Department's relationship with employers<sup>48</sup>. Our research suggests that similar concerns affect the relationship with clients; clarity is only achieved when every client has full understanding of their benefit entitlement. This can often be confused by written communication from both Jobcentre Plus and local authority-managed administrative services.

*“When I went into work, Housing Benefit sent me three different letters on the same day with three different amounts that they said I was eligible to claim for in work. It was so bizarre. I felt at a loss as to what to do.”*

**WorkDirections client, New Deal, Hammersmith, London**

Communication problems are exacerbated for clients who do not have English as their first language, who can find it difficult to tease out the message of a benefits letter. Interviewees for this paper recommended that such communication should be offered in a client's first language. While this would be helpful, simpler English should be used where possible, rather than translating complex documents.

### **Reform to the system: simplification through co-location**

Simplification of the Housing Benefit system would increase clarity among current and potential claimants by making this benefit easier to explain and easier to understand. Housing Benefit rules, such as the under-25s Single Room Rent and non-dependent deductions, make it difficult for the claimant to have a full understanding of their financial position, as well as time-consuming for the local authority to administer. Any reform should aim to increase understanding, among claimants and potential claimants, of Housing Benefit as an in-work benefit.

While benefit reform is one route to clarity, another would be to streamline the interface between the client and the system. One way of achieving this could be the co-location of benefit services and the creation of a 'benefit hub' in each local area. One building could house Jobcentre Plus, local authority housing administrators and HM Revenue & Customs tax credit services, and provide a route way for all benefit enquiries and claims. Benefit rules would remain unchanged while an individual's experience of them was simplified. This would have an impact on those opening a new claim and also, more importantly in this context, those moving into work, which could result in increased work incentives. A move towards co-location would represent a move in the direction of Sir David Varney's vision of creating a more responsive and integrated public service<sup>49</sup>. The City Strategy Pathfinders provide an opportunity to pilot this approach on a significant scale.

48 - Hall, Pettigrew and Mousley *Building a coherent strategy for engagement: Deliberative research with employers*, 2008.

49 - Varney *Service transformation: A better service for citizens and businesses, a better deal for the taxpayer*, 2006.

## Housing Benefit

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Another reform option would be for Jobcentre Plus staff to act as a single point of contact for their clients who are also claiming Housing Benefit. DWP is currently testing this approach in six local authorities<sup>50</sup>. On receiving a job offer, the client only needs to inform Jobcentre Plus, who collect the information needed for all in-work benefits, including Housing Benefit and tax credits. Again, the effect is the same but the interface is simplified.

These pilots, called 'In and out of work pilots', aim to encourage clients to take up short-term employment by reducing the time it takes to adjust and apply for in-work benefits, and by paying their benefit quickly when they leave employment. Clients need only inform Jobcentre Plus when they move into work. Jobcentre Plus uses information provided by the client to complete an 'In to work statement'. They then close the Jobseeker's Allowance / Income Support claim, and forward the 'In to work statement' to the local authority. Similarly, Jobcentre Plus takes details for any tax credits and other in-work benefits and passes them on. Once the 'In to work statement' is received, along with evidence from the client and details of any tax credit awards, the local authority is able to verify and process the Housing Benefit claim. Initial findings from the pilots show a decrease in end-to-end processing times and, importantly, positive client feedback.

Without such fundamental reform, the separately-located services that currently exist could be clearer for the client to navigate through joined-up initiatives. Shared technology can support clients navigating a multiplicity of services. An example of this is the shared technology currently being developed between DWP and the Department for Innovation, Universities and Skills to link the Adult Advancement and Careers Service with Jobcentre Plus provision.

<sup>50</sup> - Sedgemoor, West Somerset, West Lothian, Lambeth, Merthyr Tydfil and Liverpool.

# 5. Recommendations

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This paper has addressed some of the financial, situational, administrative and attitudinal disincentives to work within the UK housing support system. Since housing and employment issues are closely connected, their solutions must be equally integrated. Suggested reforms outline a new model of co-located and interlocking housing and employment support, with organisations working concurrently to promote suitable, lasting work and sustainable lifestyles. Improvement can be achieved without fundamental change, but would be enhanced by reform that facilitates partnership and upholds work incentives. Success is reliant on changes at the strategic and operational levels, as well as nationally and locally.

## **1. Community-orientated employment support**

An approach to employment support that engages individuals in their local area through outreach, and then challenges them to travel out of their local area to attend main programme centres in areas of high labour market prosperity and activity. In-work support is provided by the outreach worker, alongside the social landlord, to ensure a smooth transition into work and promote career advancement for the individual.

## **2. Redesign social housing tenancies**

A system of tenancies designed to promote work incentives and recognise the heterogeneity of residents. Create social tenancies that engender a culture of mobility and promote employment among residents, as well as providing 'bricks and mortar' support to more vulnerable tenants who are not able to seek work.

## **3. Roll out Working Future pilot**

Further piloting of this scheme to address the work-related constraints associated with expensive temporary and private homes. Working Future uses a block grant from the local authority to reduce the amount of rent that an individual is responsible for, and therefore shield them from the steep Housing Benefit taper.

## **4. Promote accessibility and security within the private rented sector**

Encourage more accessibility for those out of work, while sufficiently regulating landlords to ensure tenant security. This would make the private sector a more attractive housing option, and allay concerns for tenants moving into work.

## **5. Extend Housing Benefit run-on and fix Housing Benefit awards**

Desensitise the Housing Benefit system to address the off-putting process of registering a change of circumstances. Increase joined-up working between housing and employment support by focusing on in-work service provision.

## **6. Co-locate benefit services**

Streamline the interface between client and benefit by locating Housing Benefit administration teams in the same building as Jobcentre Plus delivery teams. Design easy-to-access, client-led services by extending opening hours and offering more streamlined telephone and e-services. Offer a holistic approach through cross-departmental initiatives, such as the Adult Advancement and Careers Service and the City Strategy Pathfinders.

# Appendix: Explaining Housing Benefit

Housing Benefit is rent rebate administered by the local authority to those out of work or on a low income and living in rented accommodation.

The amount of benefit provided takes into account:

- Money coming in, including earnings and some benefits and tax credits
- Savings
- Circumstances such as age, the ages and size of family, and whether any family member is disabled.

'Eligible rent' is the maximum Housing Benefit that a client can receive. The eligible rent for social tenants is based on the full rent amount. In private sector tenancies, it is possible that eligible rent will not cover the full rent amount.

## Rules explained

- **Single Room Rent:** Single childless tenants below 25 years-of-age have their Housing Benefit award reduced to an amount deemed appropriate for single-room accommodation with shared facilities in the locality.
- **Non-dependent deductions:** Any resident who is over 18 and not a partner, dependant child, joint tenant or sub-tenant is expected to help towards the rent of the property. An amount is removed from the Housing Benefit award to reflect this.
- **16-hour rule:** Anyone over the age of 18 cannot claim Housing Benefit if they are studying for more than 16 hours-a-week.
- **Local Housing Allowance:** From April 2008, Housing Benefit for new tenants in the private sector is replaced by the Local Housing Allowance, which calculates eligible rent according to the number of occupiers and location, rather than on the rental amount.

## What happens in work?

- **Extended Payment:** Housing Benefit extension is a continuation of a tenant's previous Housing Benefit award for the first four weeks in work. Eligibility relies on a continuous 26-week benefit claim, and the job being full-time and expected to last at least five weeks.
- **Taper:** Housing Benefit is a means-tested benefit. On moving into work, the amount of benefit the client receives decreases as a proportion of earnings. A taper of 65% applies to all earnings above a set amount – for every extra £1 earned, 65p of Housing Benefit is removed. The benefit is designed to remove assistance as tenants earn more money, while being a virtual guarantee that everyone will be financially better-off in work.

# Glossary

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<b>Adult Advancement and Careers Service</b>	Part of the Government's drive to integrate employment and skills services, the Adult Advancement and Careers Service will offer skills support for adults, both in and out of work. It will work closely with Jobcentre Plus to provide skills screening and skills health checks for clients and give access to advice on overcoming all the obstacles to progression, including childcare, housing, transport and in-work benefits.
<b>Assured shorthold tenancy</b>	The most common form of arrangement between a tenant and a private landlord. The landlord may let their property at full market rent, and receive it back if they wish after six months.
<b>Choice-Based Lettings</b>	A method of allocating social housing that empowers applicants to apply for vacancies which are advertised widely in the neighbourhood. Applicants can see the full range of available properties and can apply for any home to which they are matched. Priority is given to those with urgent needs but, where possible, properties are allocated on the basis of who has been waiting the longest.
<b>Discretionary Housing Payment</b>	Funds available from the local authority for those with a Housing Benefit claim who are experiencing a shortfall between the benefit they receive and their rent charge, and are having difficulty paying this shortfall.
<b>Eligible rent</b>	The amount of housing costs a tenant pays which may be met by Housing Benefit. This is set by the Rent Officer Service and is based on the tenant's rent or other housing costs, less deductions for any ineligible items.
<b>Flexible New Deal</b>	Jobcentre Plus-contracted employment provision that will replace the current separate New Deals and Employment Zones for young people and unemployed adults from 2009/10.
<b>Housing Association</b>	Independent, not-for-profit bodies that provide low-cost social housing for people in housing need.
<b>Housing Benefit</b>	Rent rebate paid by the local authority to those out of work or on a low income.

**Local Housing Allowance (LHA)**

From April 2008, Local Housing Allowance is the method for working out Housing Benefit for private tenants. The LHA rate is based on household size and the value of similar properties in the local area. This differs from the system it replaces in that eligible rents do not vary by individual household. Payment will normally be to the tenant, who will then pay the landlord.

**Pathways to Work**

A Jobcentre Plus programme designed to support those claiming health-related benefits, which includes mandatory Work Focused Interviews and a Condition Management Programme.

**Private rented sector (PRS)**

Property rented through a private landlord, typically with an assured shorthold tenancy agreement.

**Registered social landlord**

Independent housing organisations registered with the Housing Corporation to provide social housing. The majority are housing associations, but there are also trusts, co-operatives and companies.

**Social rented sector**

Property rented through a local authority or registered social landlord. Property is allocated according to priority need, and social tenants enjoy rents below the market rate.

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Department for Work and Pensions

# WorkDirections and the Ingeus Group

The international Ingeus Group of Companies provides effective, accountable welfare-to-work and employment activation services. The Group, which began operations in Australia in 1989, currently delivers services in the UK, France and Germany. The Ingeus Centre for Policy and Research (ICPR) produces original research and responses to government and other consultations in the countries in which we operate.

## WorkDirections UK

- Launched in the UK in November 2002, WorkDirections supports socially excluded and disadvantaged individuals to find suitable and sustainable employment in partnership with Jobcentre Plus and the Department for Work and Pensions.
- Our welfare-to-work operations assist people who have become long-term unemployed, as well as single parents, and those who are not working as a result of health issues.
- WorkDirections began delivering six three-year Pathways to Work programmes from December 2007, allowing us to support over 98,000 Incapacity Benefit claimants in the London, Birmingham, Nottinghamshire and Edinburgh areas. In Birmingham, the Pathways to Work programme replaced our New Deal for Disabled People programme which we ran for over three years.
- We also deliver Private Sector Led New Deal programmes in Central and West London, and Employment Zones in Nottingham, Birmingham, Brent and Haringey, and Southwark.
- In spring 2008, we were awarded contracts to deliver the New Deal for Disabled People programme in Dorset and Somerset, as well as programmes funded by the European Social Fund in Central London and Lambeth, Southwark and Wandsworth, and a programme funded by the Tower Hamlets Primary Care Trust.

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