

HOW DOES HOUSING AFFECT WORK INCENTIVES FOR PEOPLE IN POVERTY?

Housing can play a significant role in helping people into the labour market. However, alongside unaffordable childcare, insecure employment, unstable working hours and ineffective transport, housing can also act as a barrier to employment. This research studied individuals at the margins of work in five case-study areas across the UK, and reviewed evidence and analysed longitudinal data to examine working-age people's routes into and out of poverty.

Key points

- There was a well-entrenched work ethic among people who were likely to command only modest wages. But they often faced many disincentives made worse by flexibility (ie lack of security or stability) in both the labour and housing markets.
- Most working-age people experiencing poverty live in households where at least one person works. Although employment does not guarantee a life free from poverty, few people escape poverty without being in employment.
- Housing tenure, family circumstances and employment each help to explain households' complex routes into and out of poverty over time. Locally, the long-term, often intergenerational consequences of economic restructuring continued to shape employment opportunities.
- Neighbourhoods can facilitate social networks, enabling people to find employment. A poor-quality home and neighbourhood could demotivate some people, while others regarded it as an incentive to seek work in order to improve their situation.
- Insecure private tenancies, especially when combined with insecure employment contracts, deterred people from moving if they were tenants in social housing.
- High rents further adversely affected incentives to work.
- Affordable, accessible transport and childcare were essential work incentives.
- People with relatively low skills were more likely to enter low-paid, part-time and insecure employment. Such experiences may be compounded by age discrimination and poor health.

The research

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BACKGROUND

In 2013, the Joseph Rowntree Foundation launched a programme entitled Housing and poverty. One project examined how housing policy and practice can more effectively support out-of-work households into work, and in-work households living in poverty into better-paid work. The study used a wide-ranging evidence review, long-term data analysis and five UK-wide case studies to identify housing circumstances that hinder or enable employment and betterment.

Housing and work incentives

Economic evidence suggested that people (particularly women) will increase their working hours in response to the potential for greater earnings, but was less clear regarding their response to welfare benefits and targeted welfare-to-work programmes. Workers at the margins of the labour market face demands from employers to be flexible, but their short hours and part-time or temporary working can hamper progression in the labour market. Although working households are less likely to be in poverty than non-working ones, in the UK most people in poverty live in households where someone works.

Regarding the effect of neighbourhoods on employment, while stigma attached to people living in deprived neighbourhoods is thought to impede employment and investment decisions, the evidence was at best mixed. It was also ambiguous concerning the possible employment benefits of more mixed neighbourhoods. In contrast, local social support networks, which enable sharing of caring responsibilities, especially childcare, are very important. Locally, the long-term, often intergenerational consequences of economic restructuring continued to shape employment opportunities.

Housing can act as a barrier to employment when it is located in areas with few employment opportunities. Consequently, commuting becomes a critical cost factor in employment decisions. The alternative, relocation, is also often constrained by housing cost and availability and the types of jobs and financial returns on offer. Although the attributes of different housing tenures have differing impacts on labour mobility, no tenure is without impediments. Self-employment has increased greatly in recent years, and home working is an important component of that growth. However, self-employment is risky and appears to have been in part an involuntary response to job loss in the recent recession.

Welfare reform thus far has focused on incentivising work among working-age households. This has involved a greater emphasis on employment-related conditionality, rolling-out of Universal Credit and significant reforms to Housing Benefit.

Women in particular often face difficult decisions about balancing employment with parenting and adult care. Evidence from the first decade of the 2000s suggested that illness and disability affect employment decisions for those with serious health issues. This may limit the impact of welfare reform on their participation in the labour market.

Poverty, household type and tenure

Long-term data analysis of the British Household Panel Survey and Understanding Society confirmed that the majority of working-age people who experience poverty do so despite living in a household with at least one person working. Before 2008, 73 per cent of those who entered poverty were working. However, since 2008 it has been more common for people entering poverty to have been out of work. Of those in poverty in 2000, two-thirds passed in and out of it in the period to 2008, while only 7 per cent remained in poverty throughout. While employment does not guarantee a life free of poverty, few people exit poverty without being in employment.

Although rates of poverty are much higher among social tenants than the population as a whole, social renters also have high exit rates from poverty. Indeed, almost 70 per cent of working-age people who were in poverty in 2008 were owner-occupiers with a mortgage, and most of them had been home owners since at least 2000. As the private rented sector has grown, so it has become a more important characteristic relating to those entering and exiting poverty.

Key messages

The five case studies from across all parts of the UK captured differences in labour and housing-market contexts in Inner London (Lewisham), Oldham, Merthyr Tydfil in Wales, Larne in Northern Ireland and the Scottish Borders. The interviews yielded seven key messages:

- Neighbourhoods often facilitated social networks that provided informal recruitment channels enabling local people to find employment. Friends and families providing childcare support was also frequently important to facilitating employment. The exclusion from local labour markets that outsiders experienced, and the support lost when people left their own community could help to explain some people's reluctance to move.
- A poor-quality home and neighbourhood could act as a demotivating force for some people, while others regarded it as an incentive to seek work so that they could improve their situation.
- Changes in labour and housing markets have combined to create additional barriers to labour mobility. The reluctance to move arising from the lack of security in the private rented sector has been exacerbated by job insecurity in the labour market. In contrast, the likelihood of available social housing seems to promote labour mobility.
- The changing nature of jobs has exacerbated the effect of the cost and reliability of public transport on employment incentives. Public transport does not always cater well for the needs of part-time workers and those working anti-social hours. On occasion, employers' inflexibility when employees faced a restricted transport service could also act as a barrier to employment.
- The economics of car ownership could be a significant disincentive to work even for those people owning a car. Some employees, particularly in rural areas, were required to own a car as part of their job, but the high costs were a significant barrier to work.
- The level of rents was an important housing factor affecting the incentive to work. High private rents, and perhaps also social rents in London, contributed to a perception that taking employment makes people worse off because of the loss of Housing Benefit. While Housing Benefit is recognised as protecting out-of-work incomes, its increasingly important role as an in-work benefit is often downplayed. Some people were prepared to accept employment even if it made them worse off. However, others were deterred by the prospect of risking disruption to their benefits payments because of insecurity of employment.
- People with relatively few skills experienced most acutely the effects of housing on employment incentives. As a consequence they were more likely to enter low-paid, part-time and insecure employment. Some people's experiences were further compounded by age discrimination and poor health.

Conclusion

This research challenges the perception that there exists a significant group of people – sometimes referred to as ‘skivers’ – who are reluctant to work. It also suggests, contrary to general wisdom, that greater availability of social rented housing would in fact improve work incentives. It also demonstrates, however, that many people face multiple barriers to employment. These barriers have been exacerbated by flexibility required in both the labour and housing markets.

Investment in skills and consequently the employability and wages that people can command would need to be a key feature of any long-term policy to tackle these barriers. Such a strategy would need to extend well beyond training and employability into policies to tackle the underlying reasons for low skills through, for example, early years’ programmes, educational attainment and reducing health inequalities. Policy-makers also need to better understand and address the difficulties that people at the bottom end of the labour market face, such as their lack of control over working hours, pay and progression.

About the project

The research team comprised Kenneth Gibb and Sharon Wright of the University of Glasgow, Mark Stephens, Kirsten Besemer and Filip Sosenko of Heriot Watt University, and Darja Reuschke of the University of St Andrews. The relationship between housing and work incentives required investigation using a mix of complementary methods. These comprised: an evidence review of UK and international literature; a longitudinal analysis of the British Household Panel Survey and its successor, Understanding Society; and five case studies across the UK – the Scottish Borders, Larne in Northern Ireland, Merthyr Tydfil in Wales, Lewisham in Inner London and Oldham in Lancashire – conducted in 2014–15. The case studies comprised over 50 personal interviews and five focus groups as well as secondary analysis.

FOR FURTHER INFORMATION

This summary is part of JRF’s research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, *How does housing affect work incentives for people in poverty?* by Kenneth Gibb, Mark Stephens, Darja Reuschke, Sharon Wright, Kirsten Besemer and Filip Sosenko, is available as a free download at www.jrf.org.uk

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