

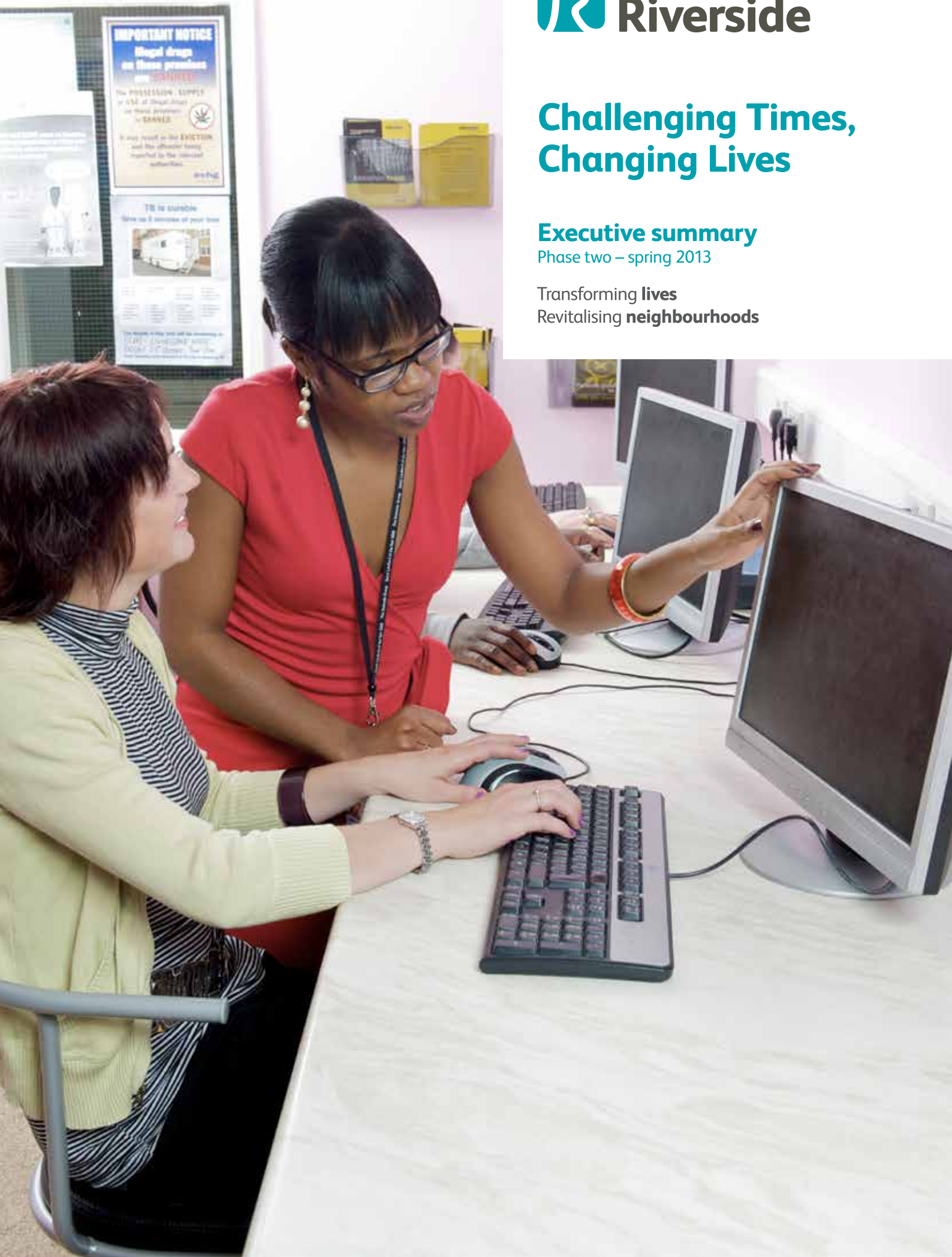
Challenging Times, Changing Lives

Executive summary

Phase two – spring 2013

Transforming **lives**

Revitalising **neighbourhoods**



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Phase two

In the summer of 2012 Riverside began a three-year longitudinal study tracking the lives and experiences of 20 tenants in three areas – Carlisle, Wirral and South London. The objective is to understand in detail how tenants, who are mainly on lower incomes, respond to financial change through a period of austerity and major welfare benefits reform. How are their lives affected and what drives the choices they make? What does this imply for social landlords, and what are the wider implications for housing and welfare policy?

This summary report is the first in a series of six monthly updates. It follows on from the baseline report, tracking tenants' progress.

“If my rent happened to go in with my benefits I wouldn't know that was my rent...and then I'd just think, oh there's my money, it's gone basically without thinking about the rent or things like that.” **Carl, Wirral.**

“I took £200 out the credit union, that was for Christmas, just to make sure I had a bit of money beside me. But the trouble is paying the bugger back, I pay a tenner a week. I have missed a couple of weeks because I rob Peter to pay Paul.” **Eric, Carlisle.**

Introduction

The initial baseline interviews were conducted in the summer and autumn of 2012. Second interviews took place six months later over the spring of 2013. Two householders have dropped out of the study, a reminder of how swiftly personal circumstances can change.

- Lauren, 23 from Carlisle, who suffers from depression, gave up her tenancy to move back in with her mother after failing to settle in the new neighbourhood.
- Matthew and Cathy, a couple from Wirral with a young daughter, separated. The family faced financial pressures due to Matthew's disability and the impending impact of the under-occupation penalty.

Replacement households are being recruited for the third round of interviews.



Please note, all names have been changed to protect the identity of our tenants.

Summary

Since the first baseline interviews last summer, the majority of households have experienced few changes to their overall circumstances, other than the steady erosion of the gap between income and expenditure. The imminent introduction of the under-occupation penalty focused minds firmly on household budgets and finances. Most households adopted a 'wait and see' approach owing to shifting and often conflicting information on who would and who would not be exempt. The majority of householders expressed widespread pessimism at any improvement in their financial and employment prospects in the next six months.

- With a quarter of households under-occupying their homes and facing imminent cuts to Housing Benefit payments, all have chosen to 'stay and pay' rather than downsize to a smaller property. The majority are yet to grasp the full impact of the impending changes on their household budgets and areas of expenditure targeted for cuts so far, including many basic commodities, suggest that these approaches may be difficult to sustain for prolonged periods.
- Incomes have been relatively stable over the interim six months but the impact of inflation and price rises on essential commodities and winter heating bills has meant that most households have less disposable income. Those households that experienced short-term increases in income, having secured temporary work or received back payments, used the additional income to reduce existing debts and purchase Christmas gifts.
- There was little evidence of over-spending or impulse-buying over Christmas and the New Year. The majority of households heeded previous experiences of the cost of easy access to credit and instead maximised spending with shops and supermarket loyalty card points to purchase gifts and seasonal food and drink. Householders that did resort to credit, on the whole avoided irresponsible lenders and opted for credit union loans, overdraft facilities and catalogues. Even so, one householder is already struggling to meet weekly repayment obligations.
- The outlook for jobless households improved slightly with seasonal opportunities and work programme placements offering limited opportunities, however all but one of these proved to be short-term. For those in work, the situation is also precarious with job security undermined by the threat of reduced hours, redundancy and/or poor health. For both working and jobless households, the world of employment proves to be a 'merry-go-round' fraught with risk.



“I’m really, really optimistic, I know that I’m going to end 2013 so close to coming out of debt for the first time in years and that day could not come soon enough because, if you’ve ever been used to living on benefits, long enough to understand how soul destroying it is. How stressful it is to live it day in and day out.”

Sarah, London.

Household income

- Median monthly income is relatively stable at £1,117, with a range from £644 (including Housing and Council Tax Benefit) to £2,500. Monthly disposable income (after rent and bills) also remained relatively stable ranging from £284 to £2,208.
- Two households financial circumstances changed significantly between interviews, with one household now describing their circumstances as ‘comfortably off’ compared to ‘struggling to get by’ attributable to her partner securing employment. The remainder of households continue to get by.
- Part-time workers who were paid up to two weeks early in December struggled to make wages stretch over the Christmas and New Year period until the January pay day.
- A quarter of households had experienced either sudden and unanticipated drops in income, end of entitlement and loss of income from business, or extended gaps between payments, gap in income after signing off and first wage, at some point in the six months since the first interview. The lack of savings buffers highlighted the financial vulnerability of sole income households in particular.
- Affordable warmth referrals resulted in one-off payments of £130 to two vulnerable, due to ill-health, householders. This represented around 50% of monthly disposable income (£284) for one household.
- The new year encouraged a small number of householders to implement simple but effective saving systems including sealed money pots and re-opening old savings accounts.

“We are told the recession is going to keep on going and you think well where am I going to get the extra pennies to pay for all of this? I have no husband, boyfriend or anyone else to contribute. Where can I get extra money? I couldn’t possibly do a second job I just about crawl into bed at half past nine.” **Alison, Wirral.**

Expenditure and debt

- The majority of households employed simple but effective money management techniques to pay for Christmas, commonly setting a limit per present and sticking to it, having a present free agreement with families and/or using supermarket loyalty card points to purchase gifts and seasonal food and drink.
- Only four households used credit facilities, credit union loans or catalogues to pay for Christmas. Debts were generally low, typically £100 to £200, but in one instance totalled £800 for a credit union loan for a single parent in work. A pensioner who took out a £200 loan is already struggling to make the weekly repayments but most were confident they could comfortably repay the Christmas loans.
- In spite of the pressures on household budgets, all but two householders are managing to meet repayment obligations on historical debts. In the other two cases, both householders have already started proceedings to consolidate the debts (between £3,500 and £4,000 each).
- Two-thirds of householders struggled with the cost of heating their home. Over half have gas prepayment meters with an average weekly spend over the winter of £25-£30 equating to £360 per quarter (in line with the national average for a family). The highest gas bill was £1,000 for a quarter.
- With energy price inflation of 15.5% in the interim six months (July 2012 to February 2013), householders with an average weekly spend of £25-30 in winter are having to find an extra £3.90 per week or £46.80 per quarter to heat the home. On a quarterly bill of £1,000 the extra cost was £155.

“Everyone in the family got a present but they don’t go over £5, I am rigid with that. But I go to Matalan and it will say buy two get one free or three for the price of two, that type of thing, I will go for those.” **Alison, Wirral.**

- Over half of householders admitted to restricting usage to core times, wearing extra clothing in the home and cutting down on food to provide additional money for heating.
- The cost of running a car and public transport fares are increasing concerns especially for working householders trying to hold down part-time jobs. Petrol costs¹ have increased by 7.2% in the interim period adding an extra £3 a month on one householder's typical monthly fuel bill for getting to work (£40).

Comment: The impact of rising living costs and on-going pay freeze for part-time working households has reduced the financial resilience of the majority. Whilst most continue to live within their means, a few (in poor health) have been pushed closer to their financial breaking point by the additional costs of heating the home in the extended cold snap. The sudden and unanticipated drop in income of a few families in the study highlighted the financial vulnerability of sole income households. Even those few who describe their circumstances as 'comfortably off' were restrained by concerns for their children's prospects.

There is little evidence of over-spending at Christmas. Most households were cautious about the cost and future impact of debt in the new year and adjusted their expenditure accordingly. However the financial precariousness of households dependent on fixed incomes is such that even small debts from responsible lenders and spending on essentials such as heating can push them close to their limits.

"We managed it just through our salary. And I had a six week wait until payday this time round, and I have never been so glad to get paid. I think I had about seven quid left by the time payday came." **Lisa, Wirral.**



Work, skills and health

- Three of the seven jobless householders have secured temporary employment in the intervening six months, with just one resulting in a long-term contract (four hours a week). The other two are unemployed again. A fourth householder moved onto disability benefits and is awaiting the results of a medical assessment.
- The benefits of those who secured work were expressed not just in financial terms but also in terms of confidence and mental well-being from social interaction.
- Of the seven householders in full-time employment three have had recent periods of sick leave and a fourth, who had been due to return to work after an absence of nine months, was placed on a medical suspension (on full pay) by her employers.
- The jobs of three others remain at risk of redundancy or reduced hours.
- Our understanding of the level of knowledge householders have of the benefits system and the financial support available appears to be overstated. Two of three pensioner households initially refused referrals for simple aids and adaptations to help with their disability fearing they would automatically be means tested. In a third case, a householder on benefits with deteriorating mobility assumed he would have to move home as he lacked savings to pay for a lift installation.

Comment: The findings highlight the challenges of the labour market and in particular the difficulties faced by householders with low skills and health issues maintaining or returning to secure employment. For those out of work, they experience an employment ‘merry-go-round’ moving in and quickly out of temporary or part-time low pay, low skill jobs. For those in work, the situation is precarious with health concerns and associated sick leave undermining job security.

“Work is very important, people think it’s just about making money but it’s not. I think it’s just getting out there and interacting with people. Because sometimes, when you’re not working, you kind of cut yourself off, not because you want to but financially you have to.”

Samuel, South London.

Under-occupation penalty

- A quarter of those involved will lose income through the under-occupation penalty.
- The potential loss of Housing Benefit ranges from £548 to £1,253 per year.
- With household incomes ranging from £7,700 to £22,500, the Housing Benefit loss as a percentage of household income ranges from 5.2% to 7.3%.
- An unemployed single householder faces the largest Housing Benefit loss as a percentage of gross income and a self-employed single mother of three faces the largest financial cut (£) in benefit.
- Currently all the under-occupying householders are planning to 'stay and pay.'
- Householders cited 'feeling safe' in their home and 'knowing the neighbourhood' as reasons for not wanting to move. All five householders facing cuts in Housing Benefit could be described as 'vulnerable' in terms of their personal circumstances (mental health conditions and physical disabilities).
- All but one of the householders are likely to find it extremely difficult to make up the shortfall in rent, planning cuts in basic commodities to make savings (food, drink and heating). Some households intend to cancel their internet connection as a money saving tactic.
- A few working householders in poor health and under-occupying, but not currently in receipt of Housing Benefit, were very concerned about how they would manage if their circumstances changed in the future and they became liable for the under-occupation penalty.
- None considered a lodger to be a viable solution particularly those with children or with mental health problems such as depression and anxiety.

Comment: All the householders under-occupying are intending to 'stay and pay' but some of the money-saving solutions they are proposing to employ, for example cutting out the internet or telephone, seem incompatible with the move to internet-based applications and renewals under the new Universal Credit system. A few households have already started to put money aside by giving up smoking or cutting out socialising, however sustaining such measures whilst dependent on benefits for prolonged periods will be an on-going challenge and the temptation to spend the savings on emergencies or other debts will increase the burden.

"I think with everything with my son at the minute I am better off having two bedrooms even if it is paying extra and missing out on something else. I would rather pay it and then I know he has got somewhere to come back to." **Pauline, Carlisle.**

"There's a staff bedroom, my bedroom and the third bedroom they converted into an office, where my carers do all their paperwork. They can't do their work and store it all in my front room or kitchen can they?" **Paul, Carlisle.**

Universal Credit

- The majority of householders likely to be moved onto Universal Credit expressed a strong preference for continuing to have their rent paid direct to Riverside.
- Only one householder readily understood the concept of jam jar accounts, and most would need support to set up and manage them.
- Younger householders were more receptive to monthly payments, viewing it as a budgeting tool helping them to make the transition easier into paid work.
- Long-term unemployed householders were more concerned as to how they would manage on a single monthly payment. Families with children in particular focused on the impact of running short of money towards the end of the month and any unplanned breaks in payments.
- A few householders claimed they lack the skills and confidence to use the internet to complete Universal Credit applications online without personal support and guidance.
- Previous personal experiences of mix-ups or errors leading to the sudden termination of benefit claims undermined householders' confidence in one Universal Credit payment. A few feared the complexity of Universal Credit could cause them to make mistakes that would inadvertently end their entitlement and leave them without an income.

Comment: The introduction of Universal Credit is likely to be a challenge for many, especially more mature participants who had experienced extended periods of unemployment in low skill jobs. They were more likely to express concern at their ability to manage on a single monthly payment and the impact of running short of money towards the end of the month. Previous personal experiences of mix-ups or errors leading to the sudden termination of benefit claims undermined householders confidence in one Universal Credit payment. The Department of Work and Pensions (DWP) will need to work hard through local support mechanisms to build skills and confidence.

“[Jam jar accounts] would be very confusing, very confusing. If you look at what happened with the Royal Bank of Scotland and all our money went haywire and we had no money in our accounts for two days because of the computer problem. I just think it would be so much harder if I had a jam jar account trying to sort that out. So no I think I will just have a jam jar in the cupboard.” **Sharon, Wirral.**



“Using the internet wouldn’t be a problem but the thing is with benefits you get to the point where you are questioned, where you cannot understand literally what you’re being asked. And that one wrong answer can mean you get told you’re not entitled to that benefit...yet they’re saying it’s best for people to be stuck on their own in their home, doing it online?”

Sarah, London.

Implications

The experiences of this small group of tenants have implications for housing organisations, benefit providers and local authorities in terms of service delivery, use of resources and communication. A breakdown of these implications for the various providers is outlined below.

Riverside

Anecdotal evidence from affordable warmth and welfare benefit referrals suggests that small savings have made a significant difference to tenants' immediate circumstances. It is important to retain these essential services, however there are some key lessons:

- there is an on-going need to focus resources on vulnerable householders and the signposting to external support and advice
- communicating key information in standard advice letters such as 'The Big Changes' campaign for the Bedroom Tax, is an effective tool for reaching most participants but fails to reach some of the most vulnerable households who need a more personalised approach to communication and support
- there is a need to be very careful in the messages being sent out, in particular where they could be seen as mixed messages – 'we're here to help' versus 'you must pay your rent'. The responsibility of tenants to pay their rent and the consequences of not doing so should be the primary message. A few householders have assumed that Riverside will be 'flexible' on arrears. The evidence suggests that households operating on tight budgets are regularly forced to prioritise debts repayments and a strong message on rent arrears is needed to ensure rent debts are assigned a high repayment priority
- programmes to support tenants into employment should continue and be available to tenants across the Group, focusing on barriers to work.

Department for Work and Pensions

The formidable barriers to work experienced by several jobless householders (most notably ill-health, low educational attainment, lack of IT skills and disability) and the impact of welfare benefit changes highlight the importance to the DWP of:

- investing in and widening access to a nationwide network of one-to-one coaches to support jobseekers
- supporting the development and access to a network of local, low cost internet facilities in partnership with local authorities and local organisations
- improving signposting to local courses on numeracy, literacy and IT skills
- developing a clear payment exception regime that enables direct payments to be set up quickly and simply if households are showing signs of getting in to financial difficulty
- ensuring there are positive relationships in place with social landlords that include a mechanism for two way data sharing, to provide maximum support for households receiving Universal Credit.

Local Authorities

With local authority budgets subject to further cuts the evidence of this small group of households highlights the importance of:

- signposting, promoting and supporting the work of local credit unions and debt advice organisations particularly in deprived neighbourhoods
- supporting the development of local frameworks in libraries and colleges to widen access to low cost internet facilities to services and jobs.

Appendices

Appendix one

Case study: Mary

Mary, 43 lives in Brixton and has been out of work since 2009 when she gave up her supermarket job to look after her terminally ill father. When we first met Mary last summer, she was on a two year Back-to-Work scheme and was optimistic about her chances of finding work despite struggling with dyslexia since childhood. Mary's main source of income is Job Seekers Allowance (£72 per week), she also receives Housing and Council Tax Benefit, paid at source.

Six months on Mary is still out of work but now has the support of a specialist advisor and coach. They provide screening, assessment, tuition, training and advice with applications, interviews and placements. Mary's self-confidence has improved and in December she secured a week's trial at a small corner shop. The placement served to highlight the difficulties in finding a role appropriate for her disability. Asked to tally up the day's takings and write the total on a piece of paper, Mary needed time and support to complete the task. The manager quickly lost patience with her and over the course of the week expressed frustration at her 'slowness.' Mary was not kept on and the experience has dented her self-confidence.

Required to wait 14 days before signing back on, she struggled to make the £95 wages stretch until her benefit payments were restored. Housing Benefit payments also took weeks to restore and in the meantime arrears on her rent account increased. Mary was allowed to return to the Back-to-Work scheme.

Over Christmas, Mary took out a small loan with a well know doorstep loan provider (typical interest rate 399% APR). On a weekly income of £72 per week and with court orders already in place for previous arrears on rent and Council Tax she is continuing to make repayments but manages to do so by cutting back on basic commodities such as food and heating.

Despite her situation, Mary enters a new year optimistic that she will secure work, "I just want to get back into a job. I really do want to get back in and I've got a funny feeling it's going to be very soon."

Appendix two

Case study: Pauline

When we first met Pauline last summer, she was out of work and suffering from anxiety and depression. Fleeing her home after a series of abusive relationships she had recently moved from a women's refuge into a two bedroom flat. She has a teenage son who lives with his father but stays with her during the week.

Pauline successfully applied for a part-time cleaning job and is now working four hours a week earning £26. But her main source of income remains Employment Support Allowance and she is now in receipt of lower level Disability Living Allowance, taking her weekly income to just over £200 including Housing Benefit. She found the transition to work difficult in the first few weeks and suffered panic attacks. The support and understanding of her manager and colleagues was vital in helping her to overcome her fears. The job is helping to restore her confidence but she is reliant on medication to manage her depression.

With large debts, she is struggling financially. Christmas was a difficult time and she survived with help from her mum and dad who gave her food and money for the gas meter. She started the new year determined to sort out her outstanding debts (£4,000 in total) and has initiated bankruptcy proceedings. She faces new financial difficulties with the introduction of the Bedroom Tax and will have to find an extra £13 a week. Under-occupying by one bedroom she intends to stay and pay. After a turbulent couple of years, she values the stability and security the flat and neighbourhood offer to her and her teenage son. She is planning to pay the shortfall in rent from her wages.

Admitting to being poor with money and lacking computer skills, the introduction of Universal Credit will be an even greater challenge to her. Used to getting by on a weekly basis she is worried as to how she will manage on a single monthly payment.

With a new year, Pauline is cautiously optimistic and is trying to think positively. "I feel I am getting back to who I used to be before all this happened."

More information

For the full Challenging Times, Changing Lives report or more information about the study and Riverside please contact us.



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