

## Challenging Times, Changing Lives

Executive Summary  
**Phase 4**

# Challenging Times, Changing Lives

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, mainly on lower incomes, respond to financial change through a period of austerity and major welfare benefits reform.

We ask the questions:

- How are their lives affected?
- What drives the choices they make?
- What does this imply for social landlords?
- What are the wider implications for housing and welfare?

This summary is the fourth in a series of six-monthly updates. It follows on from the baseline report, tracking tenants' progress and focuses on:

- financial circumstances
- impact of under-occupation penalty
- work, skills and health
- the 'Benefits Street' stereotype.



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## Introduction

This report is a summary of the findings from the fourth set of interviews and charts the progress of households in spring 2014, two-thirds of the way through the study.

Sadly, two of the participants died before this phase of interviews, Harold 78 and Gary 51. A third participant, Pauline was unavailable for interview.

Participants record household income and expenditure then complete household budget questionnaires every six months. This data has been analysed and referred to within this report.



# Summary

In the previous report, three groups of participants were identified. They are the:

- ‘comfortably off’
- ‘managing to-get-by’
- ‘struggling to-get-by’.

The income disparity between the three groups of participants is widening.

The living standards of participants in the lowest income group, the ‘struggling to-get-by’ have been further eroded by sudden and unforeseen changes in benefit entitlement, ill-health and the deepening impact of the under-occupation charge<sup>1</sup> and Council Tax support schemes introduced 12 months ago.

The majority of participants are keeping a tight rein on household expenditure. The lack of financial resilience has resulted in a quarter of households taking on additional debts to replace white goods or carry out essential car repairs.

Half of the households impacted by the under-occupation charge are now actively looking to downsize and a small number are more open to moving outside of their neighbourhood. This is wholly dependent on financial support being available to enable them to move. Median rent arrears of participants affected by the under-occupation charge remain 43% higher than March 2013 (£76.54), prior to the introduction of the under-occupation charge.

Half of households are now in work compared to one-third at the start of the study. In the last six months there have been some positive signs in employment prospects for householders.

The media interest and public debate generated by the TV documentary ‘Benefits Street’ has put the spotlight on welfare benefit recipients. The majority of householders in the study feared this type of programme made their lives more difficult by failing to challenge popular misconceptions or acknowledge the real life challenges facing single parents, disabled people and the unemployed.

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1. The under-occupation charge is more commonly known as the ‘bedroom tax’.





## Household income

Six months on from the last survey, the gap between the highest and lowest household incomes has widened by 9%. The spread of incomes now ranges from £350 to £2,691 a month.<sup>2</sup>

The median monthly income of participants has risen by 5% to an average £992 per month. However, this moderate change disguises significant variations in a quarter of households' income, which ranged from a 57% fall in monthly income to a 38% increase. The fluctuations are due to the:

- sudden and unexpected termination of welfare benefits leaving claimants dependent on irregular hardship payments (see case study one)
- sanctions on benefits with income deducted at source
- transition from welfare benefits into paid employment, with additional financial support
- impact of family members on household finances, including families receiving additional income from a spouse's job or the strain of providing temporary financial support to children who return home.

“Officially 2014 is the year I can retire because I am 62 so I think I have officially got there now. I find it very scary to think that I will be reliant on benefits, pension credit, whatever, because I don't have a pension, I have no pension to go to. Most of my life I brought the children up and my husband worked so I don't have a pension to get.”

**Alison, Wirral**

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2. Including Housing Benefit Support and Council Tax benefit.

The incomes of the 'struggling to-get-by' group - working age, single people dependent on jobseekers and disability benefits - have been subject to the greatest fluctuations in the last six months, falling by 11% overall. The incomes of the 'comfortably off' are relatively unchanged.

One participant received notification of a sanction on her benefit entitlement just before Christmas Eve. The sanction was applied following a missed appointment but the householder had actually started a job centre backed basic skills programme in English and maths.

Just over half of households now derive their primary income from wages or earnings from self-employment. Of the latter, almost half are dependent on tax credits to top up income and one receives a small Housing Benefit contribution. The remaining householders receive an income from pensions or working age jobseekers and disability benefits.

In the last six months a small number of households have received unexpected boosts in income such as: one-off payments of £3.5k, for underpayment of fostering allowance and £8k for mis-selling of PPI. Other payments formed part of retirement plans including a £5k annuity for an ex-soldier severely injured and invalided out of the army a decade ago.

**Comment:** The widening income disparity between household groups highlights the financial vulnerability of the 'struggling to-get-by' group who are being pushed further into financial crisis by sudden and severe cuts to income. The 'comfortably off' group - pensioners with private and state pensions and couples in full employment, have maintained their standard of living, have greater financial security with sufficient disposable income to plan overseas holidays.

## Expenditure and debt

Median monthly expenditure increased by 6% over the last six months, greater than the increase in income. While the majority of households kept a rein on, or reduced spending on non-essentials, a small number of households were able to take overseas holidays. A larger group took out further unsecured debts to replace large white goods which boosted average monthly spending.

With regards to core expenditure:

**Winter fuel bills** – a relatively mild winter provided some reprieve from spiralling energy costs and enabled two-thirds of households to keep on top of payments. The average monthly spend on heating was £116, slightly higher than the average energy spend for all UK households of £106 per month<sup>3</sup>. This is comparable with the previous winter despite successive energy price rises. One-third of households said heating the home was one of the biggest financial challenges they face, which they meet by restricting use to core hours or going without, until they receive wages or benefit payments.

**Rent increases** – during this round of interviews participants received notification of 2014 rent increases. Over the two years of the study, rents have risen by an average of 7%, ranging from 4.5% to 10%. Not all rents are set by the landlord. One couple in the study received notification from the Rent Officer at the Valuation Office Agency of a proposed 44% increase, from £81 per week to the target rent of £117 per week. As secure tenants they have been protected from rent increases over the last three years but felt the size of the one-off increase was unfair and have lodged an appeal.

**Rent balances** – just over half of participants now have a credit balance on their rent accounts, a slight improvement on six months ago. Rent balances range from £330 credit to £460 arrears. The number of participants owing more than £200 arrears has reduced. Two of the five households, with over £200 arrears six months ago, have reduced their arrears by 33% and 16%. A minority of tenants are struggling to pay their rent. In one case, a single householder impacted by the under-occupation charge, arrears rose by 65% in the last six months to £480. This has resulted in the launch of formal eviction proceedings.

“You don’t want it to get you down. It’s just that when you’re scraping by anyway, there’s like no end, there’s no end to it. I pay one bill and the next one comes in. I feel I’m in limbo and I don’t know if you’ve ever been in limbo, but it’s not a nice place to be, it’s a negative thing in your head.”

**Carl, on disability benefits and under-occupying, Wirral**

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3. Full Report: Household Energy Spending in the UK, 2002-2012 Office of National Statistics 2013.



**Debts** – with only small, informal savings to fall back on, some households have struggled to avoid taking on new debts to replace white goods or keep cars on the road. A quarter of households have acquired new debts since their last interviews. All four have a poor credit history (IVAs or bankruptcy) and no access to overdrafts, credit cards or savings. The main sources of credit were Bright House, with 64.7% interest on products plus missed payment charges, or loan companies. The level of debt appears to be manageable, ranging from £70 to £750, with an average debt of £180. However adding this to existing debts, with strict repayment obligations, will place a considerable strain on household budgets. The youngest of this group has already lost track of how much he has borrowed and from whom. He has a history of missing repayments. The cost of failing to meet debt obligations is prohibitive, as one participant in Wirral learnt when a missed £17 monthly payment snowballed into a £175 bailiff's charge for failing to make a payment.

One-off boosts in income enabled two households to make significant inroads into clearing outstanding debts. In one case, a single parent with an adult son was awarded £8k for PPI mis-selling but the whole award was secured against an IVA (involving a £12.5k debt) and monthly repayments remain set at £196 per month. Accessing a retirement annuity enabled a couple in their 50s to pay off £1k of loans resulting in a significant improvement in their financial situation. A £3.5k award for underpayment in fostering allowance over a number of years was spent on a holiday to Gambia for Rose and her two foster children, enabling her youngest child to familiarise herself with her father's country of birth and cultural heritage.

Locality also impacted on expenditure with recent increases in travel costs hitting households in London hard. While cuts in Council Tax Support continue to trouble single welfare benefit dependent householders in Wirral.

**Comment:** Over the two years this project has been running, most households have managed to rein in spending and make significant cutbacks in household expenditure. But the impact of such prolonged self-imposed austerity has placed a real strain on some participants who have found it increasingly hard to manage household budgets when unplanned expenses have tempted them into taking on new debts. It is increasingly clear that many households underestimate the total amount of debt they are taking on and in particular the amount of interest that must be repaid.

## Under-occupation penalty

Ten months on from the introduction of the under-occupation penalty, the financial burden of paying the charge has resulted in a discernable change in attitude towards downsizing and geographic mobility. Four of the five affected households are now actively looking to downsize. Two are open to move to another region of the country although this is wholly dependent on financial support being available. What hasn't changed in the intervening six months is the lack of suitable, largely one-bedroom properties to move to and the conundrum that the decision to downsize may actually cost them more in higher rent. In these situations it will cost them less to stay and pay the under-occupation charge. The immediate prospects of any of the affected householders downsizing is low.

A lack of available smaller properties in their local area remains the biggest barrier to downsizing. Ten months on, none of the affected households have moved. Restrictions on moving are driven by the potential loss of support networks, disruption to children's education and the cost of moving.

“You see I tried to look about downsizing to a four-bedroomed house and when I went to look there was no properties with Riverside but I saw one with Wirral Partnership Homes. But the rent was actually more, my rent is £96, the rent on this was £137. I would still get Housing Benefit but I would have to make up more than what I am making up now.”

**Sharon, Wirral**

The median rent arrears of under-occupying householders has fallen 48% to £106.56 in the intervening six months. The highest level of arrears is £460. Despite the improvement in rent balances, median rent arrears remain 43% higher than March 2013 (£76.54), prior to the introduction of the under-occupation penalty.

Two-thirds of under-occupying householders are now making regular weekly payments to cover the shortfall in Housing Benefit. Only two householders have received Discretionary Housing Payments (DHP). Two other participants have had claims rejected, both in Wirral. The length of time some of the participants have had to wait for a decision, up to ten months, for a response to their applications has led to a false sense of security. When their applications were rejected, they had no contingency savings to fall back on. Only one householder did not apply for DHP after being advised by local authority staff not to.

For the latter, paying the under-occupation charge has exacted a harsh toll on household budgets. Economies have been found by restricting essentials, with most householders opting to reduce heating use over the winter period and spending on food.

Even by limiting household expenditure, outgoings are outstripping income and a small group of three participants are reaching tipping point. The introduction of the under-occupation penalty and the localisation of Council Tax Support in April 2013, has resulted in an 8% cut in monthly income for Carl, a single householder living on disability benefits in Wirral. Struggling with personal debts and an increase in living costs he has been unable to find the necessary savings to keep up with the weekly housing benefit reduction of £10.98. His rent arrears have risen 46% to £464 in the last six months. In December he was notified that unless he starts making the minimum payment he will face eviction proceedings. While he waits for a suitable one-bedroom property his sense of frustration is growing.

**Comment:** The impact of the introduction of the under-occupation penalty on affected households is becoming clearer, with cutbacks to essentials such as heating and fuel the only way to meet payments, as outgoings outstrip income. For those who can't meet the payments the possibility of eviction overshadows them. The notification of proceedings to evict has started to make that a reality for some. Discretionary Housing Payments have bought temporary respite for a few but not all. The former face uncertainty with regards to future renewal of payments.



# Work, skills and health

Half of households are now in work, a slight improvement from 18 months ago. In the last six months there have been signs of some improvements in employment prospects.

## For those in employment

- The immediate threat of redundancy has receded.
- Restructures have resulted in new roles for a handful of participants.
- A 'Back to Work' programme has led to a permanent position for one female participant.
- Support measures are being put in place to enable a gradual return to work for another female on a medical suspension from work for the last two years.

## For jobseekers

In South London, the youngest participant has struggled to establish an online fashion website for men but is continuing to gain temporary jobs in hospitality (averaging ten days a month) and access free advice and training on business start-ups.

In Wirral, a jobseeker in her mid-50s has started an adult literacy course one day a week and is receiving on-going coaching and support from a 'Back to Work' programme.

Two children who recently returned to family homes in South London and Wirral are now in full-time work.

Ill-health remains the biggest barrier to work. For participants unable to work due to long-term health conditions the last six months have been somewhat mixed.

- In Carlisle, Social Services are working with schools and colleges to create a personal development programme of activities (volunteering and speaking to young people) for Paul 30, who is registered blind and has been unable to work due to a road accident at the age of 18.
- In Wirral, three male householders are awaiting the outcome of Work Capability Assessment tests or appeals against decisions. Given their health conditions, their ages (from mid-40s to mid-50s) and the length of time since they last worked, from six to 15 years, all three remain pessimistic of the likelihood of returning to full-time employment. They have all suffered sanctions or unplanned breaks in benefit claims in the last six months and the resulting financial stress has impacted on their mental health.

From the outset of the study, the scale of health issues in such a small group of participants has been staggering. Three-quarters of householders have a long-term illness or disability which impacts on their daily lives. Just less than one-third of participants are suffering from mental health conditions.

In recent months ill-health has taken its toll on a handful of participants. Two participants, one from South London and the other from Carlisle died in the spring.

Pensioner Harold, 78, had suffered long term health problems since retiring. Last autumn he was diagnosed with terminal cancer and died shortly afterwards.

Gary, just 51, a divorced father of two who had suffered from depression and deteriorating health in recent years, died after a short illness after contracting pneumonia. At the start of the study, after four years on disability benefits an Atos Healthcare assessment judged he was fit to work. Within 12 months his health had deteriorated and he was moved back into a support group.

Another male householder on disability benefits has been diagnosed with a reduced life expectancy [see case study 1 – Andrew’s story].

There has been a slight improvement in reported personal wellbeing. Just over half of families say they are happy with their life. The main reasons cited were improved health and job prospects, family weddings and unexpected boosts to income. This contrasts with the remaining householders, particularly those in receipt of disability benefits who cite increased stress and anxiety linked to financial pressures, deteriorating health and isolation.

**Comment:** Over the course of the study, there have been some positive developments in the employment prospects of some households. However, there is a small core group of participants on disability benefits who remain some distance from a return to employment. What the study shows is that with the right support and funding in place even the most formidable barriers to work such as low literacy and IT skills can be overcome. However, the pressures placed on individuals undergoing assessments for fitness to work, and the impact on their mental health should not be underestimated.



## The ‘Benefits Street’ stereotype

The media interest and public debate generated by the TV documentary ‘Benefits Street’ has put the spotlight on welfare benefit recipients. The majority of householders in the study, young and old, criticised this type of programme as irresponsible for failing to challenge popular misconceptions.

### **Welfare spending**

A majority of householders recognised through their own experiences that full and part-time workers and pensioners are some of the largest beneficiaries of the welfare benefits system. Some acknowledged the vulnerability and poverty of neighbours and acquaintances who may not have worked but were far removed from the ‘scroungers’ portrayed.

“It’s absolutely shocking to me. It’s not just that the food banks exist, there is always this assumption that you only have to have a job to be ok, but the vast majority of people have a job and they are still not ok.”

**Sarah, Brixton**



### **Single parents**

All the single parent households in the study felt particularly strongly about the stereotyping of single parents. Most could relate to their own experiences and financial difficulties bringing up children alone. Even though all of them work, most rely on tax credits to supplement their wages plus Child Benefit. Only one participant is in a financial position to put money into a pension. Another expressed concern at a retirement dependent on benefits with such a negative attitude developing.

### **Workless culture**

Participants in Wirral and Carlisle pointed to the scarcity and fierce competition for jobs in their areas. Older workers pointed to the attitudes of some employers towards older applicants, the difficulty staying positive when faced with countless letters of rejection and the isolation from society.

### **Drive and aspirations**

For the youngest participant in the study, Samuel, the portrayal of benefit claimants as lazy and without drive is in stark contrast to his own experience and that of his friends. Following his mother's death in his early 20s he moved into his own flat. While he is currently claiming jobseekers' benefits, he is working hard to establish an online business and regularly picks up full-time work in hotels and restaurants.

**Comment:** The 'Benefits Street' stereotype could not be further from the lives of participants in this study, and for many of them only led to a sense of frustration with the media for fuelling misconceptions with irresponsible and misrepresentative coverage. This was particularly the case for those who had experienced a range of different circumstances throughout their lives.

## Case study 1: Andrew's story

Andrew, a 42-year-old male from Wirral, has type-two diabetes with kidney and arterial complications. After being made redundant six years ago he has struggled to find security or factory work. Ill-health is his principal barrier to employment.

In the last few years he has found himself churning in a 'fit to work, not fit to work' entitlement cycle. This has resulted in huge variations in income. Twelve months ago his health underwent a marked deterioration. As a result he was awarded the higher support element of Employment and Support Allowance and his monthly income increased 30% to £832, including Housing Benefit and Council Tax Support. With a higher income he was able to significantly increase spending on fresh fruit, vegetables, meat and fish which resulted in a marked improvement in his physical and mental health. The introduction of the under-occupation charge reduced his housing benefit entitlement by £11 a week but he was able to pay the shortfall from his benefits.



Recently recalled by Atos Healthcare for a medical assessment, he is deemed fit to work. He wasn't required to provide supporting medical evidence. After submitting an appeal against the decision, he was advised to sign on for Jobseeker's Allowance in the interim. Within a week all his benefits payments stopped and he has been forced to rely on interim hardship payments until his benefits are restored. In the last month, his household income has fallen by 57% to £350 a month (Housing Benefit entitlement was suspended). Only able to buy essentials such as basic staples with no fresh produce, the arrears on his rent, under-occupation charge and other household bills are building.

His health has deteriorated further and consultants have warned him of a reduced life expectancy. After submitting the latest medical prognosis all he can do is wait for his appeal. Angry, frustrated and stressed at the swift change in circumstances, he feels trapped and unable to move forward with his life.

“Atos signed me off, they decided I was fit for work, yet I am in worse health now than I was a year ago when they put me in the high support group. So I went to the job centre and although the lady was sympathetic; I was in bits as I was having a bad day with my legs and I was sweating. She said you shouldn't even be here, I said I've got to open a new claim otherwise I am going to be entitled to nothing. So she just put me on the most restricted job search possible and I left thinking at least I will be entitled to something. And I got £70 and then 16 days ago I got another £61 but that's all in the last six weeks.”



## Case study 2: Ian's story

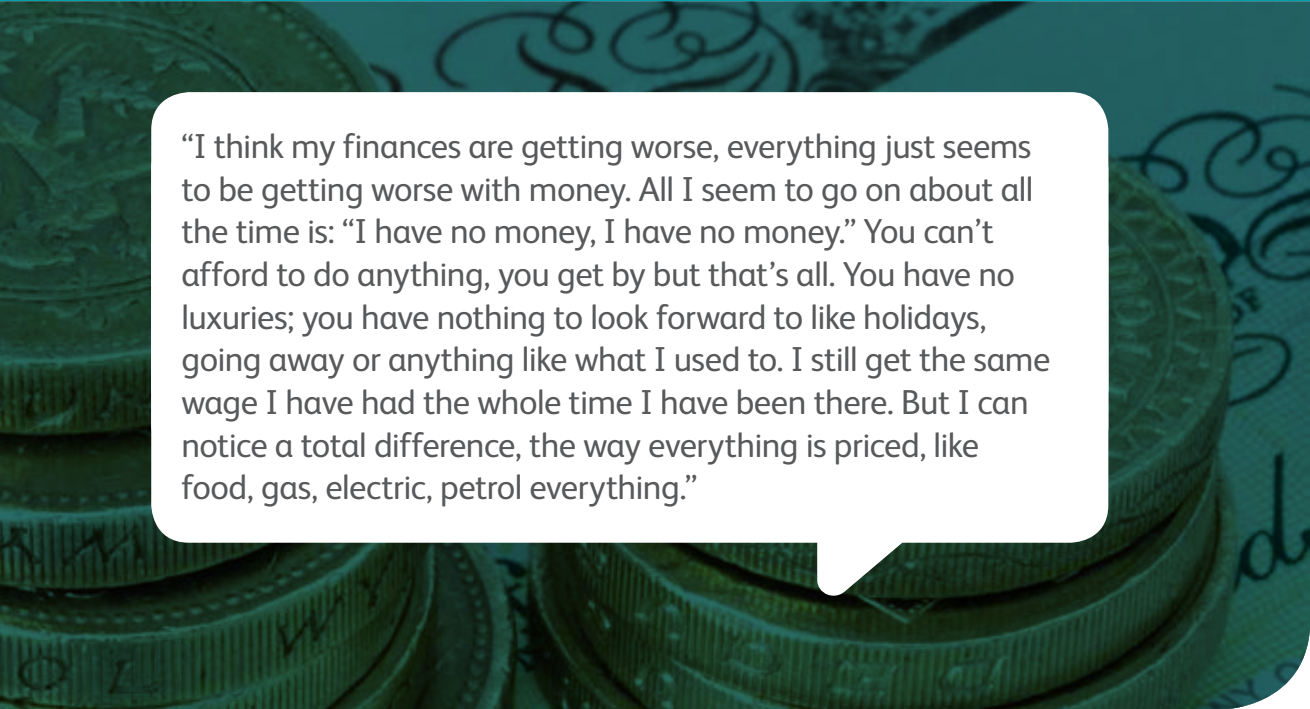
Ian, 26, lives alone in a two-bedroom house in Carlisle. He works part-time (30 hours a week) in a Sure Start Children's Centre earning less than £800 a month. He wants full-time hours, but with the Centre's funding only guaranteed until 2015, he worries about the future. He is looking for a second job but is concerned about fitting it round his existing work.

Ian struggles to manage his finances and pay back accumulated debts of almost £5,000 on credit cards and doorstep loans. Wages and tax credits just about cover his household bills but with only a 0.5% pay rise in the last two years there is little left over to meet debt repayments.



Overwhelmed by the level of debt, he accepts full responsibility for his financial situation and is resigned to the inevitable knock on the door from bailiffs. Forced to borrow money a lot of the time from family and friends 'because you have to' he has recently taken out a £250 credit union loan.

The stress of living with debt and lack of job security has impacted on his health and he has recently suffered panic attacks and bouts of depression. Two years ago he was more optimistic and planning to go back to university once his debts were paid off. Now he feels trapped and increasingly anxious about the future.



"I think my finances are getting worse, everything just seems to be getting worse with money. All I seem to go on about all the time is: "I have no money, I have no money." You can't afford to do anything, you get by but that's all. You have no luxuries; you have nothing to look forward to like holidays, going away or anything like what I used to. I still get the same wage I have had the whole time I have been there. But I can notice a total difference, the way everything is priced, like food, gas, electric, petrol everything."



## 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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