

Peabody Index



# Give families options: Childcare, remote working and the cost-of-living crisis

Research report  
December 2022



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## Peabody

Established in 1862, Peabody is one of the oldest and largest not-for-profit housing associations in the UK. Following a merger with Catalyst in April 2022, the Peabody Group is responsible for over 104,000 homes and 220,000 customers across London and the Home Counties. We have 20,000 care and support customers.

Our purpose is helping people flourish. We do this by providing great homes and services, by making a positive difference to the communities we serve and by providing an inclusive and inspiring place to work.

The aim of our research programme is to deliver robust research that uses our insight and experience to develop evidence-based arguments on a range of areas impacting our residents, the housing sector and London and the South East as a whole. Our focus is on proposing solutions, not just identifying problems. We use our research both to influence others and stimulate wider debate as well as to challenge ourselves and inform our decisions, services and approach. Our research was led by our in-house team who provide analytical and research expertise. We also collaborate with a wide range of partners such as universities, think-tanks and other research agencies.

## About the Index

As the UK's capital, London is one of the world's most vibrant cities. However, people on low incomes in the city continue to experience significant cost of living challenges. To better understand the issues facing London social housing tenants and to help ensure our customers' voices are amplified, we began publishing the Peabody Index in June 2018. Since our first edition, the Index has tracked the experiences of social housing tenants of working age, including throughout the pandemic, making evidence-based recommendations to policymakers and others drawing upon this direct experience.

We currently partner with Learning and Work Institute (L&W) who analyse public datasets to identify trends for London and the UK. We track and analyse changes in incomes, employment and living costs for low-income Londoners. Through L&W's employment expertise and Better Work Network, we direct this crucial research to the heart of what matters for supporting Londoners into stable employment that pays a real living wage. This analysis draws on data from a wide range of sources including the Labour Force Survey, Living Costs and Food Survey and the Greater London Authority.

We supplement this wider analysis with regular surveys of our social housing tenants in London. For this issue of the Index, 500 residents were surveyed by telephone in September 2022. This was a shift from our September 2021 survey, which used a hybrid phone and online survey method. We moved to only telephone surveys after analysing responses which showed there was little difference between telephone and online survey responses.

## Executive Summary

### Key findings

Our fresh analysis highlights cost-of-living challenges facing hundreds of thousands of London's social housing residents. Insecure and unstable work and pay, benefit cuts and rising prices contribute to a worrying outlook for those living on a low income.

- **Rate of labour market dropout nearly doubles despite stable unemployment rate.**

There is evidence that the London economy is stable despite strong inflation, but not all Londoners are benefiting from this wider economic recovery. Barriers such as caring responsibilities, disability and ill health are making it hard for many people to consider working as a viable option. Although the unemployment rate has remained stable since the beginning of 2022, the number of people not working and not looking for work has nearly doubled from 15 per cent to 27 per cent, causing concern for their longer-term wellbeing and economic prospects. Almost half of our working residents (45 per cent) are living on wages below the London Living Wage (currently £11.95 per hour), and the 65 per cent that have not seen any promotion or pay rise in the past five years have been further squeezed by the steep rise in their cost-of-living.

- **Childcare is too expensive for most of our residents who are parents of young children.**

The pandemic and post-lockdown periods ushered in the rise of remote and hybrid working, but only for certain types of jobs. Workers in lower-paid roles and the service sectors have less opportunity to work from home and may be more likely to drop out of the labour market altogether. London has the lowest employment rate for mothers of any region in the country, which may be due to the higher costs of childcare in the capital. This has a significant impact on our residents – over half (56 per cent) of our working-age residents are parents, and 62 per cent of our resident mothers are single parents.

- **Rising Universal Credit claims raise concerns for families over the winter.**

More than two in five social households (42 per cent) currently claim Universal Credit, and 60 per cent of single-parent households claim Universal Credit. With more people depending on Universal Credit this winter, we are especially concerned about their ability to keep warm. While the forthcoming 10.1 per cent rise in benefits payments will help, it will not be in time to help with elevated fuel bills this winter. When it does come, it may not be enough to keep up as costs of living continue to rise, going over 11 per cent in November 2022.

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## Index tracking measures

Our latest Peabody Index survey focused on how residents were coping in the changing employment market and the impact of the cut in Universal Credit. Our headline Peabody Index (Table 1) tracks the Consumer Prices Index (CPI). Inflation is impacting upon the living standards of London's social housing tenants.

Table 1: Summary of key data for Peabody social housing tenants in London

10.1%

September's Consumer Prices Index over the past 12 months, up from 5.5% in January 2022.

14%

of our residents fear someone in their household will lose their job in the coming months, up from the 12% who said this in January 2022.

45%

of those in work say they earn below London Living Wage. This has recently risen to £11.95 per hour to reflect the rises in consumer price inflation.

42%

of working-age residents are claiming Universal Credit, up from 29% in January 2022.

## Stable employment rate, insecure hours and poor pay

The year following the end of pandemic lockdowns in 2021 has been tough for working families across the UK. We saw the CPI rise to a 40-year high this summer<sup>1</sup>. October 2022 saw a significant increase in the energy price cap, and the Bank of England raised interest rates by 0.75 percentage points in November 2022<sup>2</sup>. This occurred alongside projections of the longest-ever UK recession for the years to come<sup>3</sup>. While the government has bolstered benefits through rises in regular payments and one-off cost-of-living payments, it remains to be seen if this will be enough to keep the majority out of hardship this winter.

Our latest survey of employment among low-income Londoners came in September 2022 before these latest changes, over one year on from the end of pandemic lockdowns and almost one year since the end of the £20 per week Universal Credit uplift. About 56 per cent of low-income Londoners are employed, according to our latest survey. Half of these (52 per cent) work full time, but one in five (19 per cent) workers do not have guaranteed working hours. For those that claim Universal Credit, this can cause issues of fluctuating pay and Universal Credit payments made in arrears, making monthly budgeting unpredictable and more challenging.

Homeworking is low among our residents, with 26 per cent of low-income Londoners working from home at least part of the time, compared with 38 per cent of workers across Great Britain<sup>4</sup>. This may be due to the nature of low-income sectors with many jobs in retail and hospitality requiring workplace attendance. These jobs have also featured very little in-work progression. Since 2017, just one in five working residents has been promoted. Two out of three have had no progression either by being promoted or changing employers.

Low-income Londoners seem to have more certainty about their future working prospects since January 2022. More residents said it was “very unlikely” or “fairly unlikely” they would lose their job soon (60 per cent, up from 48 per cent). On the other hand, an increasing proportion thought it was “fairly likely” or “very likely” they would lose their job soon (14 per cent, up from 12 per cent).

Almost half of our working residents (45 per cent) earn below the London Living Wage, which had been set at £11.05. The London Living Wage has since jumped to £11.95 per hour, reflecting steep rises in the cost of living over the past year. Basics such as food and household goods continue to rise in price higher than the average CPI<sup>5</sup>, squeezing those at the bottom the hardest.

*“Even £11 or £12 is not enough to keep up with inflation and cost of living now... I like to clear my debts but I have to choose between living for today or clearing (my debt).”*

**Peabody Residents**

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1 <https://www.ft.com/content/2fb6f361-a7bb-4b98-8100-6847b5df79b4>

2 <https://www.bankofengland.co.uk/knowledgebank/why-are-interest-rates-in-the-uk-going-up>

3 <https://www.bbc.co.uk/news/business-63471725#:~:text=The%20Bank%20of%20England%20has,challenging%22%20two%2Dyear%20slump>

4 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/ishybridworkingheretostay/2022-05-23>

5 <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2022#:~:text=.xls%20.csv-,Food%20and%20non%2Dalcoholic%20beverages,negative%200.6%25%20in%20July%202021>

### High levels of economic inactivity

About 12 per cent of our social housing residents are unemployed but looking for work, about level with the 11 per cent in September 2021 and January 2022 surveys. However, the proportion of residents who are not working and not looking for work has nearly doubled to 27 per cent from 15 per cent in January 2022. The Levelling Up agenda has provision to address rising economic inactivity. It includes a Lifetime Skills guarantee, which has allowed further training for those with Level 3 qualifications. We support this but urge the government to extend this scheme to Londoners earning below the London Living Wage, recognising that the cost of living is significantly higher for those in the capital.

The Levelling Up agenda can go further to address the many drivers of economic inactivity among low-income Londoners. Data from the Office for National Statistics shows that a rise in longterm illness, including long covid, may be a key driver<sup>6</sup>. In addition, our residents have reported caring responsibilities as a key barrier to looking for work. We will explore the limited options faced by parents later in this report.

### Universal Credit and living standards

Cost of living inflation, coupled with stagnant wages and employment rates, has led to a sharp increase in benefit claims. Forty-two per cent of low-income Londoners reported claiming Universal Credit in September 2022, up from 29 per cent in January 2022. The benefits system has proven critical for stabilising people's incomes: the rising percentage of Universal Credit claims coincides with more positive feelings about household finances. For the first time since the Index tracking began in 2018, fewer residents are reporting desperate financial circumstances, although the level remains high. Thirty-one per cent report being in a "very desperate" or "fairly desperate" financial situation, down from 37 per cent in January 2022. This may indicate that residents have adjusted to the initial inflation rises in autumn 2021, but it also reflects the seasonal variation of a survey completed in late summer before energy price cap rises.

After years of rising hardship through the pandemic lockdowns and cost-of-living crisis, rates of hardship have also stabilised or dropped slightly but remain at a high level. Among those in a desperate financial situation, fewer residents reported being in debt (64 per cent down from 73 per cent) or being unable to afford necessities (57 per cent down from 60 per cent) compared with January 2022. Despite this decline, the overall trend of rising hardship is not over. Residents told us they felt uncertainty about the future, with one saying "Everything is going up and everyone is in the same boat so it's just a case of carrying on as best you can." Additionally, our survey was completed at the end of summer 2022, and it may reflect a seasonal variation in hardship when compared with the January 2022 survey.

We are also seeing systemic concerns for rising hardship this winter. Food banks have projected 46 per cent surges this winter as demand threatens to outstrip donations<sup>7</sup>. The energy price cap rise in October 2022 has put additional pressure on households as seasonal energy use is set to rise during the colder months. We will continue to track our residents' energy use to measure the impact of these ever-rising costs.

*"I am concerned about the cost of energy with winter approaching."*

**Peabody Resident**

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<sup>6</sup> <https://fullfact.org/health/bbc-today-long-covid-economic-inactivity/>

<sup>7</sup> <https://www.independent.co.uk/news/uk/home-news/food-banks-cost-of-living-crisis-inflation-b2206022.html>

## Challenges for parents

While employment and cost-of-living challenges impact all of our residents, we are especially concerned for households with young children and working parents. The pandemic and post-lockdown periods have seen rises in hybrid working and less overall commuting, meaning certain workers are able to do without childcare services.

About half (56 per cent) of our working-age residents are parents, according to our latest survey. Mothers are less likely to be in work compared with women without children. In London mothers have it even harder: London has the lowest employment rate for mothers (69 per cent) of any region, and well below the English average of 76 per cent. This may be due to the high costs of childcare in the capital – around one-third higher than the average across Great Britain.

One in three (32 per cent) of all parents are single parents according to our latest survey. The majority of them are women. Sixty-two per cent of mothers are single parents, making them more than twice as likely to be single parents compared with fathers (30 per cent). We are particularly concerned for these households, as our analysis of 4,000 surveys during the lockdown and pandemic recovery period found that single mothers are much more likely to experience hardship compared with other households.

## Fewer low-income families using childcare services

In early 2020, working parents of young children cited childcare as a top concern for being able to make ends meet<sup>8</sup>. Our data now suggests they have given up hope of making the childcare equation work. Almost one in three (30 per cent) parents of working age are not working and not looking for work, meaning they can provide fulltime childcare rather than working to pay for childcare.

### Childcare costs

The childcare equation is complex, with considerable variation by age of child, type of setting and the number of hours required. The data suggests a mixed picture of changes over time, with costs for some groups in some settings showing little difference over the last few years, while some, particularly in London, appear to be much more volatile. Changes to the government-funded places for particular age groups and for different criteria further complicate the picture. Early findings in 2021 suggest that the provision of childcare places may be restricted as a result of the pandemic, with some providers going out of business.

Among our residents paying for childcare, costs varied widely from £140 to £1,250 per month. This reflects the unreliable coverage of affordable childcare in London. The majority did not report issues paying for childcare. Universal Credit is a main contributor here, with one in three working parents of young children using the childcare component of Universal Credit to help pay for childcare.

*"I would love to go back to work, however nursery fees are so expensive, and I cannot afford to have someone else look after my kids."*

### Peabody Resident

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<sup>8</sup> <https://www.peabodygroup.org.uk/about-us/what-we-do/research/peabody-indexes/index-4>



## Impact on working parents

The rise of remote working options seems to have given certain workers more flexibility to care for their children rather than need to use childcare services. Across the UK, parents are working more hours now than before the pandemic<sup>9</sup>. The average time men and women living with dependent children spent working decreased during the first coronavirus (COVID-19) lockdown in March 2020, but now exceeds the time spent working in 2015. In March 2022, women with dependent children spent an average of 41 minutes more working each day than they did during 2014 to 2015, and men with dependent children, 21 minutes more daily.

Fathers are now undertaking more childcare compared with before the Covid-19 pandemic. At the outset of the pandemic, childcare rose by 92 per cent among men to 90 minutes per day on average. It has since declined, but men were still caring for their children an average of 52 minutes of per day in March 2022. Despite this overall rise, fathers are still not working the same overall hours as mothers. In March 2022, working mothers worked 496 minutes per day including paid and unpaid household work compared with 481 minutes for fathers.

Challenges remain for many. From our survey, one in three parents of young children said there were limited or no affordable options near them for childcare services. One in three also said the distance between home, childcare and work was a barrier. There may be more families experiencing these challenges in the future as remote working has likely already peaked in the UK<sup>10</sup>. The decline in flexible working options would bring new challenges for parents of young children who would not be able to afford childcare.

## Families looking to the future

We also see that becoming a parent impacts one's career trajectory where there is no affordable option for childcare services. Seventy-seven per cent of parents of young children were working before having a child, and less than half returned to the same job after parental leave. Among our interviewees, no mothers returned to the same job after parental leave. This disparity highlights that the "motherhood penalty" continues to impact parents despite the rise of hybrid working during the pandemic.



<sup>9</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/homeworkinghoursrewardsandopportunitiesintheuk2011to2020/2021-04-19>

<sup>10</sup> <https://fortune.com/2022/11/01/work-from-home-may-have-peaked-uk-labor-market-employer-power/>

All interviewees thought they were treated fairly by their employers. They felt free to make their own decisions to leave work or take a pay cut. However, despite understanding employers, we found that access to affordable childcare services was a major missing piece of the equation that hit mothers particularly hard. Existing campaigns such as the March of Mummies Demands<sup>11</sup> have identified key areas for childcare investment including ensuring childcare can begin right as parental leave ends and setting a childcare services price cap at five per cent of household income.

The cost-of-living crisis is hitting families hard. The Office for National Statistics found that parents with young children are more worried about the impact of inflation compared with adults without children<sup>12</sup>. These worries are built on financial realities: 41 per cent of parents with young children reported their household could not afford an unexpected expense, compared with 25 per cent of adults without children<sup>13</sup>. We saw this trend reflected in the comments by our residents in this latest survey:

*I have a child ... I struggle with paying for her and it is a struggle for me. I have nothing to help me pay.*

*I've not had a pay rise for four years, and it doesn't look like I am going to get one this year either. My job is looking very unstable.*

*Your starting salary isn't even a decent wage you can live off - after home expenses and utility bills.*

*My Universal Credit reduces from time to time due to the way my employer pays me and it halves for a few months at a time. I don't know how much money is coming in each month.*

Peabody residents

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11 <https://pregnantthenscrewed.com/march-of-the-mummies-demands/>

12 <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/worriesabouttherisingcostsoflivinggreatbritain/apriltomay2022>

13 <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/articles/parentsmorelikelytoreportincreasesintheircostofliving/2022-09-07>

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## Conclusion

While there are some signs of improvement in economic activity and employment, low-income Londoners continue to face major challenges finding stable work that pays, and in accessing social security payments to support them in and out of insecure employment.

This issue of the Index has explored the challenges faced by low-income families in providing childcare while either working remotely or dropping out of the labour market. Our new analysis paints a complex picture of the real difficulties they face balancing work, inflation and high childcare costs.

This report highlights the ongoing and rising pressures faced by low-income Londoners. We have consistently called for a more robust benefits system that keeps people out of severe hardship. While the post-lockdown economy has provided jobs for many, there remains a large group who are looking for work or are stuck in low-paid jobs who need to resort to food bank use or who are going without fuel in the winter. Now, with a cost-of-living crisis in full swing, it is the right time to address these challenges.

## Peabody's work to support tenants

Peabody plays its part for tenants and employees. Our new energy advice programme offers residents free telephone energy advice consultations. We have supported (this many) residents over the past winter by offering advice for staying warm and well in the home, how to switch energy supplier, reading meters, keeping water bills low, advice on smart meters, and condensation, damp and mould. We have also partnered with Income Max CIC offer additional free in-depth financial advice over the telephone to eligible residents who are on a low income or vulnerable.

The Peabody Employment Team has supported over 244 people so far in the 2022/23 financial year and out of them, 138 started a new job. We took on 12 young adults through the Kickstart scheme, 6 of whom got jobs at the end of the programme. Due to the pandemic we had to shift all of our historic face to face delivery online. We have provided a number of links and resources to our residents and communities so that they can upskill remotely. We've also supported them when they undertake the training independently. We have facilitated several information sessions over the year to support our residents with information on growing and emerging sectors including providing guest speakers from the sectors and having strategic partners presenting.



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