

# Peabody Index

## Triple Challenge for Low-Income Londoners: Job insecurity, benefit cuts and rising fuel bills



Research report

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## Contents

- 04 Executive Summary
- 05 Policy Asks
- 06 Trouble after Freedom Day: Little improvement in employment, pay or optimism among social housing residents
- 07 The employment churn and instability challenge
- 08 The need for a responsive benefits system
- 09 Danger ahead: employment instability, falling incomes and rising fuel costs
- 11 Single parents and older adults at risk
- 11 Are pre-payment meter tariffs making the poor poorer?
- 11 Conclusion
- 12 Peabody's work to support tenants

## Peabody

Peabody is one of the oldest and largest housing associations in London and the South East, established in 1862 by the philanthropist, George Peabody. We're responsible for 67,000 homes in London and the South East, providing quality homes and support services to over 155,000 people. Our mission is to help people make the most of their lives. We do this by providing good quality affordable homes, working with communities, and promoting wellbeing.

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 and one of the world's most vibrant cities, London leads progress in many areas. However, people on low incomes in the city continue to experience significant cost of living challenges. Whilst London's dynamic economy supports investment across the country, there are more children living in poverty in the capital than in any other region. Every single London borough has a higher proportion of households living in temporary accommodation than the average in the rest of England.

To better understand the issues facing Londoners on low incomes, and help ensure our tenants' voices are heard, Peabody began publishing the Peabody Index in June 2018. Since this first edition, the Index has tracked the experiences of social housing tenants throughout the pandemic, making evidence-based recommendations to policy-makers and others.

We are pleased to begin a new partnership with the [Learning and Work Institute](#) who provide analysis of public datasets and identify trends for London and the UK. Through their employment- expertise and Better Work Network, we aim to direct this 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 Greater London Authority. We track and analyse changes in incomes, employment and living costs for low-income Londoners to provide an evidence base to inform policy debates.

We supplement this with telephone and online surveys of our working age social housing tenants in London. For this Index, 1,011 residents were surveyed with 500 telephone surveys and 511 online surveys. While we previously used only telephone surveys, this more flexible approach allows us to reach residents across multiple platforms. This survey focused on issues of employment instability and the impact on household finances during the pandemic and in the months following the easing of lockdown.

Our headline metrics track the financial situation and pressures on London's social housing tenants, and the rest of the Index looks at how they are changing in response to developments in the labour market, cost of living and social policy.

# 11%

of our residents fear someone in their household will lose their job in the coming months, broadly similar to the 12% who said this April 2021

# 16%

Unemployment rate<sup>1</sup> of Peabody London social housing tenants – down from 18% in April 2021

# 45%

of residents say they feel worse off than a year ago, with only 10% feeling better off – giving a net financial perception score<sup>2</sup> of -35. This is 9 points higher than six months ago.

# 81%

of households said that they could not afford to meet an unexpected but necessary expense of £850

1 This excludes economically inactive tenants such as those that are unable to work due to disability.

2 Net financial perception: percentage of Peabody tenants surveyed who said they felt significantly or slightly better off than a year ago, minus the percentage who said they felt worse off.

## Executive Summary

Insecure and unstable work and pay, benefit cuts and rising prices contribute to a worrying outlook for low-income Londoners this winter. Social housing residents in London are disproportionately affected by these factors as the country recovers from multiple lockdowns. This report identifies policy solutions and things Peabody is doing to support people. Our average rents are £120 a week, and we are increasing our employment and energy advice support in anticipation of a tough winter ahead.

This fresh analysis of public and Peabody survey data draws a picture of the post-lockdown employment challenges facing hundreds of thousands of London's working and unemployed social housing residents. We found that employment rates have improved modestly since the lockdown, and the number on furlough greatly reduced. However, few of our residents have had pay improvements in the past year, and job security remains a key concern with people no more confident than last year in being able to keep their job.

Among Peabody tenants, one in four (25%) experienced a change in employment status in the past year. Alongside this, almost half (45%) of our working residents report that their pay is under the current London Living Wage of £10.85 per hour. The data indicates that this employment instability, combined with the lack of well-paid work, compromises people's ability to pay for essentials. Even among those who are currently working, we found a higher likelihood of fuel poverty or needing to visit a food bank compared with those who have not experienced employment instability. Residents who had experienced a change in employment were almost twice as likely to report being in desperate finances compared with those who have had continuous work (46% and 26% respectively).

As we brace for a winter with rising fuel prices, we are especially concerned about our residents' ability to stay warm. Despite the social housing sector bringing heating efficiency of its homes to a higher standard, many residents will still struggle to pay for rising fuel costs and keep warm in the colder months ahead, given the rapid rise in fuel prices.

We identified four common themes: the need for more emergency fuel funding for low-income Londoners in the short term and further skills training, childcare provision and a stable jobs market in the long term.

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## Policy asks

### Expand Winter Fuel Payments

The £20 cut to UC comes at a time of unexpected and rapid rises in utility bills, which will hit working age households especially hard. The government already gives some help to older people with their fuel bills via the Winter Fuel Allowance – we call on this to be extended to working age households in receipt of means tested benefits to help prevent more people falling through the cracks into fuel poverty this winter.

### More funding for skills training and employment support

We support the G15 group of housing associations' call for the government allow social housing providers to bid directly into the UK Shared Prosperity Fund to support residents into employment. We welcome the recent announcement of additional funding for T-levels, however more is needed for older adults who need to change job roles. As the economy opens up, there is a persisting need for skills training to provide more options to Londoners on low incomes.

### Help for single-parents and families of young children

Our research has highlighted a growing group of lower income households whose employment is insecure and who spend time in and out of work. This group are particularly likely to struggle if they have childcare needs because the financial support for childcare offered via UC is only available when working – yet childcare is unlikely to be available on a stop-start basis. A more universal approach would help here – We advocate for 30 hours of free childcare a week for all and an expanded age range to include 2-year-olds. By expanding provision, parents of young children will have more freedom to pursue work with greater security. [In our previous research on childcare](#), we illustrate how investment in the childcare sector is an investment in local economies more broadly.





## Trouble after Freedom Day: Little improvement in employment, pay or optimism among social housing residents.

July 2021 marked the end of a long lockdown for the British economy. This was broadly seen as an opportunity to open the economy for workers, and the proportion of economically inactive residents has fallen from 35% to 25%. The unemployment rate (those looking for work) has fallen more modestly from 17.6% in March 2021 to 15.8% in September 2021.

However, our research finds new challenges for low-income Londoners as the city emerges from the worst of the pandemic. Despite the economy opening up from lockdown, there is remaining pessimism among our working residents. 11.3% of our residents thought there was a chance of losing their job in the coming months, broadly in line with 11.7% in March 2021. Only 11 of the 715 (1.5%) economically active respondents were still furloughed in late September 2021. While it is good news that so few are furloughed, they are still in insecure work and fearful of losing work, indicating that simply opening the economy is not enough. In addition, we need to ensure low wage workers have resources to find stable employment.

Our working residents are also having trouble finding work that pays well. Almost half (45%) of our working residents report that their pay is under the current London Living Wage of £10.85 per hour. Only 10% report a pay rise in the past year, compared with almost double (19%) earning less now than September 2020. This has led to a lower rate of overall household income, with 45% reporting less money coming into the household in the past year.

*"I earn a low wage for a multi skilled job and am worried about rising food prices and the impending increase in gas prices."*

**Peabody Resident**

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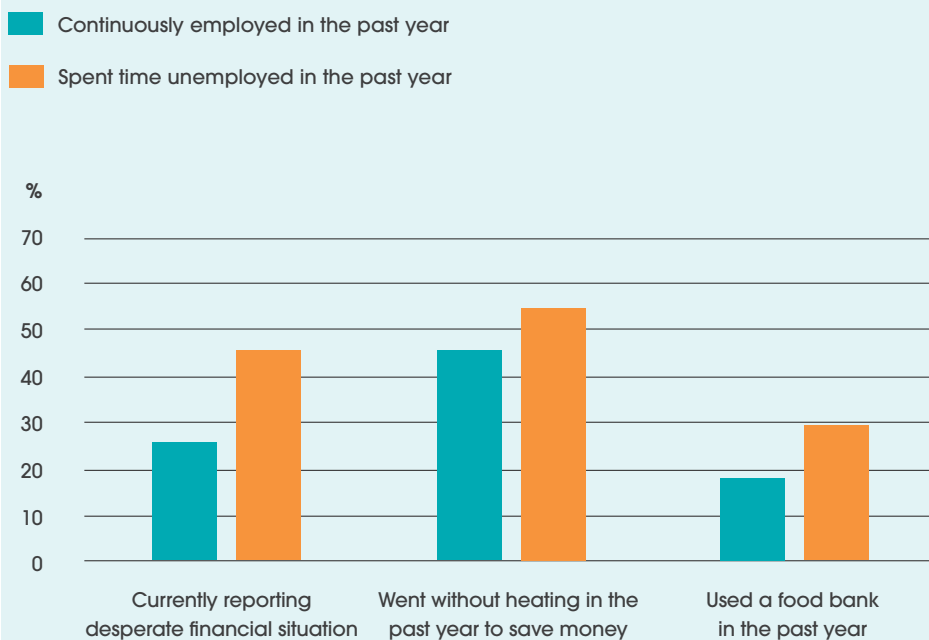
## The employment churn and instability challenge

During the pandemic, we have seen employment churn at levels higher than before. In the year before the pandemic DWP recorded, for London, 344,849 new unemployment claimants<sup>3</sup>, and 332,669 people leaving unemployment.

The sudden increase in people claiming unemployment related benefits in March 2020 was followed three months later by a spike upwards in people leaving their unemployment claims, indicating a high level of churn in the initial months of the pandemic. Persistent employment instability is likely to be a focus for Jobcentre Plus for the foreseeable future as they try to get claimants into jobs paying enough to be over the threshold levels for “searching for work” status.

Among our residents, employment instability has concrete impacts on their financial security. For residents who are currently employed, but spent time unemployed in the past year, we found that they have significantly worse outcomes compared with those who were employed continuously. They were almost twice as likely to report being in desperate finances compared with those who have had continuous work (46% and 26% respectively), as shown in Figure 1. Among those in desperate finances, they were also significantly more likely to have experienced fuel poverty (55% vs 46%) or visited a food bank (30% vs 19%) in the past year.

Figure 1. Hardship among those currently employed. Peabody resident survey, September 2021.



<sup>3</sup> This is measured via the Alternative Claimant Count, which shows inflows and outflows act as a proxy for losing and gaining employment, but it also includes those on Universal Credit moving to another status within Universal Credit.

## The need for a responsive benefits system

The rise of job instability during the past 18 months highlights the urgent need for a more flexible and responsive benefits system that keeps people out of poverty. Some occupations, such as construction, commonly do have gaps between jobs. Having to manage coming on and off benefits between jobs to manage these gaps in employment, then affects the household's ability to pay for regular outgoings.

Universal Credit was introduced to make the benefit system more responsive so that people would be more likely to try taking a job with less risk of administrative blockages. The previous Housing Benefit administration was notorious for causing interruptions in rent payments. However, our research suggests that it is not currently providing the support needed by people in insecure employment when their household incomes fluctuate so they can pay for regular outgoings. The Universal Credit definition of 'real-time' as being based on information about a completed assessment period means that income smoothing is not as effective as if it was actual real-time. This can produce large swings in monthly actual income from all sources, leading to months where Londoners on low incomes might need to go without fuel, food or other essentials. We have seen this in the past year – according to our latest survey, 23% of new Universal Credit claimants went without heating in order to save money, and 14% visited a food bank in the past year. Providing Winter Fuel Payments to all Universal Credit recipients this year will help reduce these income swings.

A related part of support is childcare - Help for childcare costs is available to lower income households on UC, with up to 85% of childcare costs being reimbursed. However, those who are in and out of work may struggle to make use of this support. Childcare is unlikely to be available on a stop-start basis (and nor would frequent changes to childcare this be beneficial to children's educational needs). If people have times out of work then they must therefore pay any childcare costs themselves, at a time when they are least able to do so. A more universal approach to funding childcare may therefore be particularly valuable to parents in insecure employment.

*"I've had to claim universal credit and drop my hours in work due to childcare. I'm also a full time uni student!"*

**Peabody Resident**





## Danger ahead: employment instability, falling incomes and rising fuel costs

### Fuel poverty in London

Londoners on low incomes are likely to experience fuel poverty this winter. A household faces fuel poverty if they are on a low income and face high costs of keeping adequately warm and other basic energy services. Our research shows that those in job insecurity may also face high rates of fuel poverty. For our residents this coming winter, we fear a triple hit of risk from employment instability, reduced income from benefits (due to the cut of £20 per week to Universal Credit) and rising fuel costs.

Fuel poverty is driven by three main factors: household income, the current cost of energy and the energy efficiency of the home. Those on lower household incomes are more likely to be at risk of fuel poverty, contributing to social and health inequalities<sup>4</sup>. London has one of the highest fuel poverty rates of any region in England. At 15.2%, it is significantly higher than the country as a whole (13.4%).

The severity of individual fuel poverty is measured by the fuel poverty gap, or the reduction in fuel costs necessary for a household to come out of fuel poverty. This gap was £216 in 2019, indicating that the average fuel-poor English household needed to save £216 on their fuel costs to move out of fuel poverty. The recent rise in fuel costs will add further pressure, with a projected £139 extra on annual fuel bills, and £153 for those on pre-payment meters<sup>5</sup>. Overall, the South East of England has huge disparities with all local authorities having fuel poverty rates below 5.5%. Meanwhile, London boroughs of Dagenham, Newham and Waltham Forest all have over 20% of households in fuel poverty.

Among our residents, we have already seen fuel poverty in the past year, with around 16% saying they went without heating in order to save money. Of residents reporting desperate finances, the rate rises to 52%.

*"My energy bill was £85 per month and will now be £126 per month I am worried about this increase."*

**Peabody Resident**

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<sup>4</sup> [https://fingertips.phe.org.uk/documents/Fuel\\_poverty\\_health\\_inequalities.pdf](https://fingertips.phe.org.uk/documents/Fuel_poverty_health_inequalities.pdf)

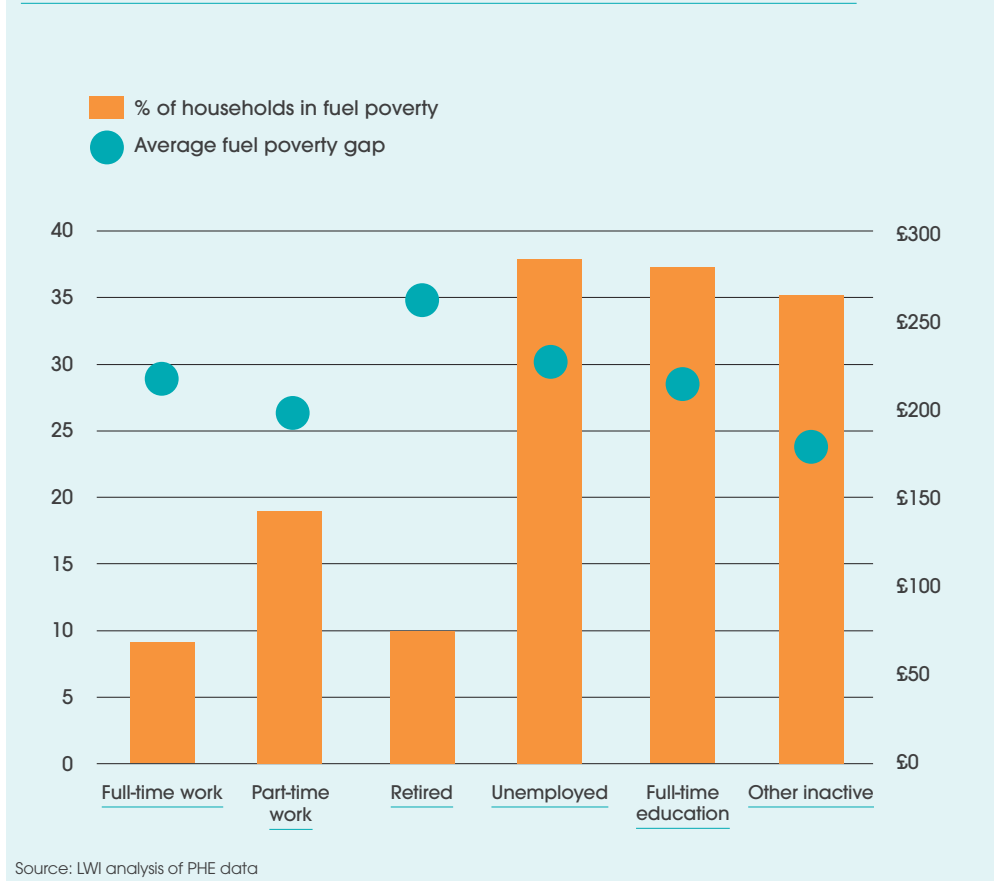
<sup>5</sup> [www.bbc.co.uk/news/business-58746953](http://www.bbc.co.uk/news/business-58746953)

### Efficiency is not the primary issue for social housing residents

Social housing tenants – despite living in more energy efficient properties than the private sector – are more at risk because they are more likely to be poor. While the median income of households living in social housing was 17% lower than for private rented households, higher levels of energy efficiency drove down the rate of fuel poverty from 40% in 2010 to 18% in 2019. Social housing properties tend to be more energy efficient, with two thirds of social rented homes now rated C or above. At Peabody, 87% of our social housing is rated C or above. For social rented homes below band C, 54% were fuel poor, but this is driven by the lower incomes in this tenure. The latest definition of fuel poverty is defined by the Low Income Low Energy Efficiency Indicator, where housing rated C or above cannot be considered fuel poor. But residents living in energy efficient homes do not necessarily have the income to cope with increasing energy costs.

While there is still room for further energy efficiency gains, social housing residents’ biggest needs are employment stability, better wages and a bolstered support system to help with the rising cost of living. As one might expect, those in full-time work are less likely to be fuel poor (9%). Unemployed households have the highest likelihood of being in fuel poverty (38%). Figure 2 shows that rates of fuel poverty among those in full-time education were similar to those who are unemployed and looking for work in 2019. The increasing numbers of young adults who went into full-time education during the pandemic<sup>6</sup> are also at a higher risk of fuel poverty.

Figure 2: Fuel poverty by employment status of household reference person (HRP), 2019



Source: LWI analysis of PHE data

<sup>6</sup> [www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/bulletins/youngpeoplenotineducationemploymentfortrainingneet/august2021](https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/bulletins/youngpeoplenotineducationemploymentfortrainingneet/august2021)

## Single parents and older adults at risk

Single parents have consistently had the highest proportion of households in fuel poverty. In 2019, 28% of single parent households were fuel poor and had an average gap of £184, likely due to their considerably lower median income and higher fuel costs compared with childless single people. Single parents in fuel poverty live disproportionately in the social housing sector, with over 30% of those in fuel poverty in the social housing sector, compared with 17% of all of those in fuel poverty.

## Are pre-payment meter tariffs making the poor poorer?

Prepayment energy meters are typically installed when customers have a poor payment history, don't have a bank account or live in certain types of accommodation, such as student housing. As stated in Ofgem's most recent State of the Market report, customers on prepayment meter tariffs are "more likely to be in vulnerable circumstances and face more barriers to engage effectively with the market and access the best market deals."

While some residents value the ability to control how much they prepay, for low-income households, paying a higher rate for energy can have a disproportionately harmful impact on daily life. According to the energy regulator's report, the average household spends around 4% of its budget on energy, while low-income households spend almost 8%. A consequence of this is that these low-income households are more likely to under-heat their homes or not cook hot meals, affecting their health and well-being. At Peabody, we have a new energy advice programme that offers residents free telephone energy advice consultations on topics including how to switch energy supplier, reading meters, keeping water bills low, advice on smart meters, and condensation, damp and mould.

## Conclusion

Our post-lockdown Index report has built on its tracking of social housing tenant outcomes throughout the pandemic and since the first edition in June 2018. While there are some signs of improvement in economic activity and employment, our residents still face challenges finding stable work that pays, and in accessing social security payments to support them in and out of insecure employment.

This Index has explored the challenges faced by those who experienced employment instability as the economy readjusts. Our new analysis paints a complex picture of the difficulty low-income Londoners have balancing work, benefits and rising costs of essentials such as fuel and food. Single parents and young adults in full-time education are more likely to experience fuel poverty.

Our Peabody Index bulletins throughout the last 18 months have shown that Government help through programmes such as the Job Retention Scheme and the Universal Credit uplift were instrumental in keeping the UK economy afloat during an unprecedented emergency. Now, after a few months of an open economy, we face new challenges to keeping those on low incomes afloat through a tough winter.

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Our top policy asks are therefore:

### Expand Winter Fuel Payments

The £20 cut to UC comes at a time of unexpected and rapid rises in utility bills, which will hit working age households especially hard. The government already gives some help to older people with their fuel bills via the Winter Fuel Allowance – we call on this to be extended to working age households in receipt of means tested benefits to help prevent more people falling through the cracks into fuel poverty this winter.

### More funding for skills training and employment support

We support the G15 group of housing associations' call for the government allow social housing providers to bid directly into the UK Shared Prosperity Fund to support residents into employment. We welcome the recent announcement of additional funding for T-levels, however more is needed for older adults who need to change job roles. As the economy opens up, there is a persisting need for skills training to provide more options to Londoners on low incomes.

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## 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 aim to support at least 7,000 residents over the next two years 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 451 people into employment and sustained a further 265 at six months of employment during 2020/21. The Peabody Training Team supported 92 residents to achieve accredited qualifications across our training portfolio and a further 103 residents are undertaking non-accredited training. Due to the pandemic in 2020/21 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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