

The Peabody Index:

Tracking the experiences of London's social housing tenants.

Summary report, June 2018



Introduction

At Peabody we want to more than help our tenants directly through affordable homes and support services. We also want to ensure their voice is heard and reflected in the development of wider social policy.

21% of Londoners live in social housing¹, but no regularly produced metrics give a rounded picture of whether their circumstances are improving or getting worse. Peabody, in partnership with the Social Market Foundation (SMF), wants to try and bridge this gap with a regular index of key indicators to track tenants' economic wellbeing and prospects. The index takes account of both publicly available data (including official data sources² of income, savings and living costs) and commissioned surveys of hundreds of Peabody tenants

to provide a richer view of how social tenants in and around London are faring, particularly with regards to income, wealth and employment.

This report presents the first Peabody Index and summarises the key findings. A full report of the findings from publicly available data sources is also available. We intend to publish the index regularly, and our approach is likely to evolve as we build up our evidence base.

The first edition of the Peabody Index³ highlights a continued financial squeeze on social housing tenants living in London. This is summarised in Chart 1. Despite a significant decline in unemployment and government's policy to reduce social rents by 1% a year, life is becoming more difficult for many

tenants. There has been a real decline in net household incomes since the middle of last year, with many feeling worse off. 41% of tenants surveyed have reduced the quality or cost of their purchases (such as food) in the last 12-months to cope with financial difficulties. 35% have cut back on heating and 13% have gone without meals. Over 70% said they do not have any savings or investments to fall back on.

The action needed to prevent London becoming a tale of two cities is not just political - many agencies, including social landlords, must take responsibility for the solutions. Peabody for example is making its rents fairer, by freezing or reducing rents where we can so they are more affordable to our social tenants.

Chart 1: Index of key data for social housing tenants in London

	Level/rate	Change compared with a year ago
Net household income ⁴ of London social housing tenants, April 2018 prices	£406 per week	-£4.70 per week
Unemployment rate for social housing tenants ⁵	10.9%	-3.1%
Net financial perception score ⁶	24% feel better off 44% feel about the same 32% feel worse off	-8

¹ Compiled by GLA from ONS Census data and PwC regional tenure projections. See GLA, 'Housing in London' 2017, for further details
² Including the Office of National Statistics (ONS) Living Costs and Food Survey, ONS Family Resources Survey, ONS Labour Market Survey, ONS Labour market and inflation statistics, DWP benefits caseload statistics and rental data from the Greater London Authority.
³ While not an Index in the traditional sense, these metrics show trends and changes in a number of key areas.
⁴ i.e. net of taxes. "income" includes earnings from employment, pensions & annuities and social security benefits.
⁵ % of economically active social housing tenants in London. Excludes economically inactive tenants such as retired individuals and those that are unable to work due to disability.
⁶ Percentage of Peabody tenants surveyed who said they felt better off compared to a year ago, minus the percentage who said they felt worse off.

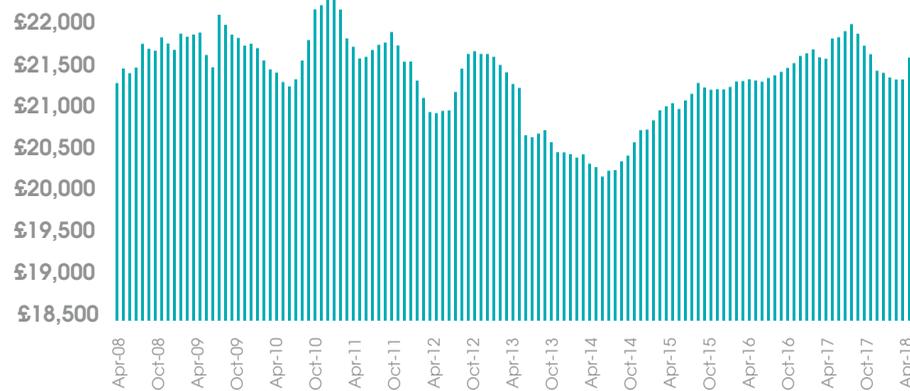
Income and Wealth

Household incomes for those living in social housing in London have declined since the middle of 2017. Average net income stood at £406 per week in April 2018, down from £413 in July 2017 (in April 2018 prices). This compares to an average weekly family spend of £643.70 in London.⁷

Social housing tenants therefore continue to see their real household incomes standing at a lower level than the all-time peak seen in late 2010. In addition, the annual disposable income gap between social housing tenants and other London households is widening. Currently, households in social housing have an income £27,110 (net of taxes) lower than other households.

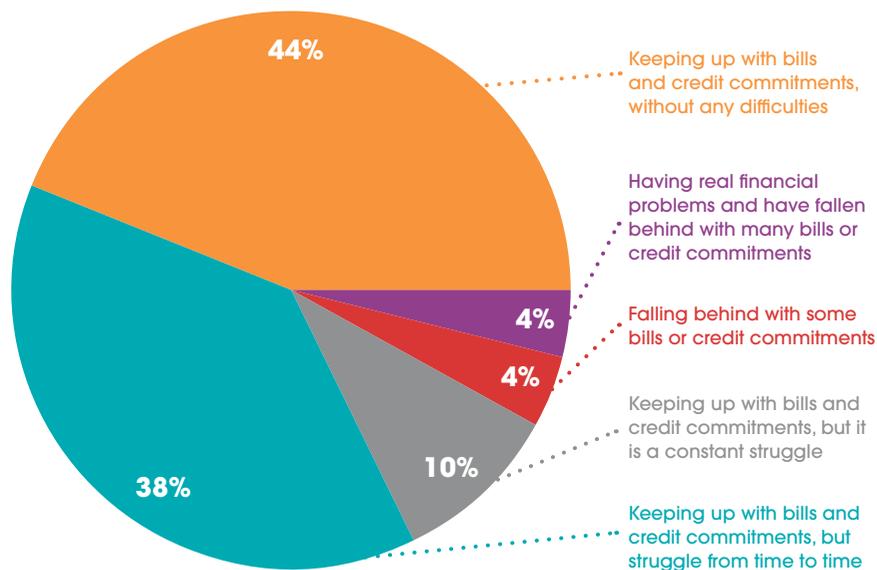
32% of Peabody's tenants feel worse off than a year ago and the majority struggle at least intermittently to keep up with their financial commitments (Figure 2).

Figure 1: Peabody Index – average real annual disposable income of social housing households in London (April 2018 prices)



Source: SMF analysis based on data from the ONS Living Costs and Food Survey, ONS inflation bulletins, ONS Labour Force Survey and GLA data on social housing rents.

Figure 2: How tenants are managing financially

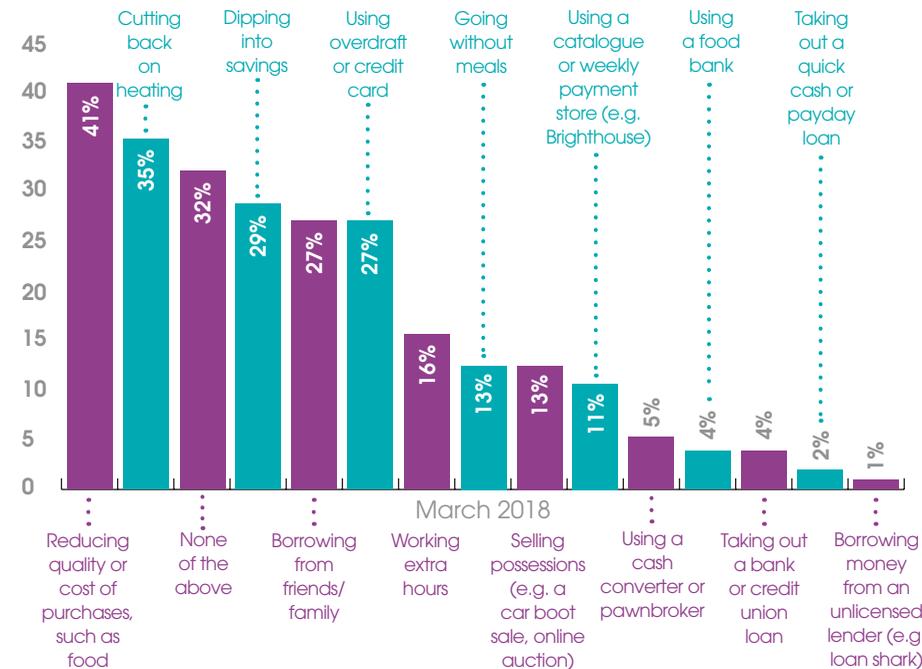


Source: Survey of Peabody tenants (March-April 2018)

Most tenants attributed a decline in their financial situation as a result of having very low salaries or having salaries that were not rising as fast as costs. London households have also been relatively more affected than other regions by both the underoccupancy penalty ('bedroom tax') and the benefits cap.

⁷www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebycountriesandregionsuktablea35

Figure 3: Steps taken due to financial difficulties in the last 12-months



*Nb above does not add to 100% because respondents can select more than one answer
Source: Survey of Peabody tenants (March-April 2018)

53% of our tenants have resorted to at least one or more of the potentially unsustainable measures listed in Figure 3 in the last 12-months due to their financial difficulties.

Figure 3 highlights that 41% of those surveyed have reduced the quality or cost of their purchases (such as food) in the last 12-months, 35% have cut back on their heating and 13% said they have gone without meals. A smaller number have also used food banks (4%), high-cost weekly payment stores (11%), quick-cash or payday loans (2%), or have resorted to unlicensed lenders (1%). We know these activities can have a detrimental impact on people's health, wealth and wellbeing.

Many households also lack a financial buffer to cope with tough times. We found that 72% of our social tenants surveyed had no savings or investments and that the main reason is because most (38%) simply cannot afford to. This is significantly higher than the 17% of all London households without savings or investments, as indicated in Bank of England data.

One tenant who responded to our survey said "I struggle sometimes to cover my daily food, how can I save?". A few respondents also said the need to support their children had hindered their ability to save.

"I struggle sometimes to cover my daily food, how can I save?".



Employment

Financial pressure on social tenants in London has increased despite a substantial decline in the proportion of economically active⁸ tenants out of work – from over 20% in late 2010 to 11% in the first quarter of 2018 (Figure 4).

Excluding retirees, our survey found that the majority of tenants are working in a variety of roles, including construction, administration, childminding, factory work, bus and delivery drivers, teachers and teaching assistants, hospital workers and carers. It presents a positive picture of the range and importance of the jobs our tenants do. However, 8% of our in-work tenants are on “zero hours”

contracts compared to a London figure of only 2.6%.⁹ Another 3% are self-employed and contracting to platforms like Deliveroo and Uber. Of the non-working tenants, 15% cited zero hours contracts as their last form of employment. Many tenants on these contracts have little alternative – only 13% said they chose this work because they didn’t want a permanent job and 4% said they chose it because it fitted with their childcare responsibilities. So employment security is a concern for a significant number of tenants.

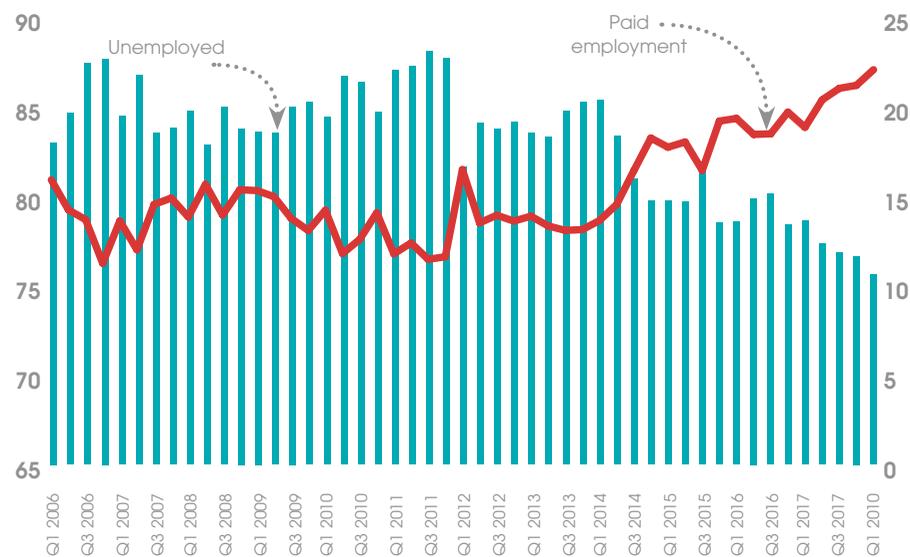
Without social housing, many tenants would struggle to survive financially in the

private rented sector. There is no borough in the capital where someone with a gross income of £19,500¹⁰ can privately rent a home for less than 60% of their disposable income. Once commuting costs into central London are considered there is no borough in the capital where someone with a gross income of £19,500 can privately rent and commute at combined costs of less than 80% of their disposable income (based on lower quartile private rents in each borough).

Conversely, social renters in London face much more affordable housing costs. There are several boroughs where combined housing and commuting costs for a social housing tenant working for the same income are less than 50% of disposable income. In our survey 39% of employed tenants work in the same borough in which they live and our tenants have a low average commute time of just 32 minutes, below the London average of just over 40 minutes.¹¹

Our findings highlight how social housing plays a critical part in making low paid work viable. London struggles to attract and retain workers in key public service occupations. A 2017 survey of 1,000 members of UNISON found that 62% wanted to leave London due to the cost of housing. This rises to 87% for health workers living in the private rented sector.

Figure 4: Proportion of economically active social housing tenants in London in paid employment (left-hand axis) and proportion unemployed (right-hand axis), %



Source: ONS, SMF analysis

⁸That is, excluding those that are not looking for work such as the retired and those with disabilities that prevent them from working.

⁹www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/adhocs/007108londonandukresidentsinzerohourscontracts2010to2016

¹⁰25th percentile employee earnings in London according to the 2017 ONS Annual Survey of Hours and Earnings

¹¹www.tuc.org.uk/news/average-worker-now-spends-27-working-days-year-commuting-finds-tuc

Conclusion

London is a city full of opportunities, but growing costs of living mean low income Londoners face some of the biggest challenges in the country. In this first edition of the Index we found a decline in real incomes since the middle of last year, low incidence of saving, and tenants struggling to make ends meet. This is despite substantial growth in employment, the introduction of the National Living Wage, the London Living Wage and recent reductions in social rents. We also saw that social housing

serves as a safety net and ensures that low income households can continue to live and work in the capital, performing the essential jobs that keep London going and growing.

Low income Londoners have contributed to London’s growth, but the continuation of this is at risk as London becomes increasingly challenging for those living in the social and private rental sectors. Our findings underline the importance of and need for genuinely affordable social

housing, so tenants can afford to live and work in the capital. Peabody is committed to ensuring our rents are low and our tenants have the opportunity to thrive.

In later editions of the Index, we will continue to track and monitor these trends. This will allow us to better understand and explore any changes in the labour market, welfare policy, and the cost of living, as well as reflecting the experiences of our tenants and those living in London on low incomes.



