Housing association rents have risen rapidly since the late 1980s, resulting in fears that they are now beyond the means of those on low wages without benefit support. Childcare, even following the Government’s 'childcare disregard' initiative, remains a major expense for prospective workers. Research by Hilary Third examines how mothers perceive and respond to these two work disincentives.

The way in which mothers responded to financial disincentives was influenced by how they perceived those disincentives, which was itself affected by their knowledge and understanding of their entitlement to benefit if they took up paid employment.

Childcare was the biggest, and potentially the most expensive, obstacle to paid employment outside the home for women who did not have access to free childcare.

While most unemployed mothers said they would still prefer to work even if they were little or no better off overall, none could afford to be worse off than on benefit. Most would indeed have been worse off if they had to pay for childcare.

The new childcare disregard (the offset of childcare costs of up to £40 a week against earnings) is not sufficient even to cover the cost of one child receiving full-time care. Mothers doubted their ability to meet the remaining costs.

Many mothers (most often from the Asian community) would prefer informal childcare (family and friends) to formal childcare (nurseries or childminders). Most mothers did not think about rent in isolation, but as part of a broader consideration of the financial implications of going out to work. Some appeared not to consider rent at all in this context. Those who did tended to underestimate quite substantially - or even exclude - the help they might get from housing benefit.

None of the working families found it easy to afford their rent, even with the help they received in the form of housing benefit. Three-quarters of tenants had a record of rent arrears to the housing association.

Background

Housing association rents have risen rapidly since the late 1980s, leading to concern that they are becoming unaffordable for tenants in low-paid work. In addition, there is anxiety that these high rents, and the taper applied to housing benefit (whereby housing benefit is withdrawn as earnings rise), are proving a disincentive for unemployed tenants considering taking up paid work.

Providing housing at rents which are affordable for tenants in low-paid work is arguably more difficult for black housing associations than for mainstream housing associations, because their stock is smaller and newer.
For women with dependent children thinking about going out to work, the cost of childcare is a major consideration. If they are unable to gain access to free childcare, then the cost of formal childcare may provide a work disincentive.

Debates about childcare and housing have been carried out independently; the joint impact of childcare and housing costs on women's reasoning and decisions about work have not previously been evaluated together.

Childcare

The majority of mothers said that childcare difficulties were an obstacle to their employment. More than half perceived childcare to be the greatest barrier they faced.

In order to minimise the childcare arrangements they would have to make, more than half the mothers who were not in paid work at the time of the interview said they probably would not look for work (or take up training) until their children were at school. Principally for the same reason, most mothers said they would prefer to have a paid job which fitted in with school hours.

Mothers were much more likely to go out to work if they had access to free childcare. Most mothers - working and not - came to the conclusion that going out to work would not be financially viable if they had to pay anything for childcare, indicating that lack of affordable (which usually meant free) childcare was a barrier to employment.

However, cost is not the only way in which childcare can be a barrier to employment. A considerable number of mothers from a range of ethnic backgrounds (although most often from the Asian community) said they would consider taking up paid work but would prefer to look after the children themselves. Their second preference would be to use their family - or their children's father's family - for childcare. For these mothers, the cost of formal childcare was less of a barrier to their employment than the availability of their preferred form of childcare. Amongst mothers who said they might consider using formal childcare, there was a strong preference across all ethnic groups for nurseries rather than childminders.

Childcare disregard

Only a small minority of mothers knew about the newly introduced childcare disregard, and most had difficulty understanding how it worked and whether it could help them. Overall, there was little enthusiasm for the disregard; some mothers thought it did not offer enough help to make any real difference to their ability to work. In other words, they doubted they would be able to meet the portion of childcare costs not covered by the disregard.

The mothers who had earlier said they would be unwilling to use formal childcare maintained their preference for informal childcare when told about the disregard, despite the financial incentives it provides.
Rent

Almost two-thirds of tenants interviewed were in receipt of maximum housing benefit. Of the remaining third, just under half were on partial housing benefit, and the rest paid all their own rent. Half of all the tenants thought their rent was too high (especially compared with council rents), while half thought it was reasonable. Views on the level of the rent did not appear to be related either to ethnic group or to whether the tenant was responsible for paying all or part of the rent herself.

Almost without exception, the prospective tenants drawn from the housing association's waiting list said they had no idea how much the rent might be, and their estimates were much too low. Once they were told what the actual rent might be, working families from the waiting list could not say whether they would be entitled to any housing benefit. None of the prospective tenants were therefore able to assess how easy or difficult it would be to afford a housing association rent.

Most of the working families' experience of paying their rent indicated that they did not find the rent easy to afford; three-quarters were - or had previously been - in rent arrears to the association. All the working families who were not in rent arrears said that rent payments took priority in their weekly budget, sometimes at the expense of other essential items.

Budgeting for rent

Assessing how easy or difficult the rent was to afford, and whether or not the level of the rent represented a work disincentive for unemployed families was complex. Part of the difficulty was that mothers in unemployed families were not used to including rent in their weekly household budgets. Families whose rent was paid direct to the association by housing benefit were more accustomed to budgeting after or excluding housing costs.

Most of the mothers who were not engaged in paid work did not seem to consider rent specifically, or rather in isolation from other costs they might incur if they took up paid work. Housing costs, or loss of housing benefit, were usually only mentioned in the context of broader considerations of financial gain or loss associated with taking up paid work.

The impact on housing benefit

In general, unemployed mothers had little idea about what would happen to their housing benefit if they got a paid job. Most knew they stood to lose some or all of their housing benefit if they took up paid work, but very few of the mothers knew in detail how their housing benefit entitlement would change in relation to earnings.

All but two of the unemployed respondents underestimated the help they might get from housing benefit on what they thought would be their minimum acceptable wage. Some of the unemployed mothers indicated that having to
pay the rent might put them off getting a paid job, but most of these had incorrectly assumed they would not get any housing benefit on the amount they said they would be looking for as a minimum in paid employment.

Quite a number of the mothers who were not in paid work at the time of the interview appeared not to consider the rent at all when working out their minimum wage figure. When prompted, there was a tendency amongst all the respondents to assume they would have to pay the whole of their rent if they started work; only a few seemed to be aware that they might be eligible for partial housing benefit.

Tenancy and owner-occupation

Two-thirds of all respondents held the view that if they were earning wages and therefore paying their own rent, it would be preferable to become an owner-occupier than to remain a housing association tenant. A few unemployed tenants suggested that for this reason they might give up their tenancies if they got a job. The preference for home-ownership was equally strong across all the ethnic groups. In most cases, the aspiration to enter into owner-occupation was unrealistic in financial terms.

Maintaining income: other financial disincentives

Most mothers - Asian, African Caribbean and white - perceived the biggest advantage of working to be financial. On the other hand, some women believed there were financial barriers to employment. Several unemployed mothers suggested that for this reason they might give up their tenancies if they got a job. The preference for home-ownership was equally strong across all the ethnic groups. In most cases, the aspiration to enter into owner-occupation was unrealistic in financial terms.

Financial disincentives to work were perceived to be greatest for lone parents and for women who had unemployed partners. Although in real terms most of the families who were working were less than £30 better off than they would be on benefit, the majority insisted that they would still to prefer to work even if they were little or no better off overall. The exception was some of the Asian women, for whom working outside the home was considered to be unacceptable.

Benefits in work

Not only did unemployed families underestimate the help they might get from housing benefit if they started work, on their stated minimum wage they also routinely underestimated what other benefits they might be entitled to. In particular, only a very small minority thought they might get family credit, whereas in fact on the amount for which they said they would work, the majority would have been eligible to an average sum of £25 family credit a week.

All in all, detailed knowledge of how their existing benefits would be affected by taking up work and what in-work benefits they might be entitled to was poor
amongst most of the unemployed mothers, but particularly amongst Asian mothers who had little or no understanding of the benefits system.

Other barriers to employment

Although childcare and financial considerations were usually regarded as the greatest disincentives to work, the mothers interviewed faced a number of other barriers to employment.

Cultural, social and religious Not all the mothers interviewed wanted to take up paid work. Of those who wanted to work, most of the issues examined in this research did not appear to be strongly related to ethnic group. Differences between respondents were more often associated with other factors, such as employment status, household income, qualifications, and family circumstances. Cultural, social and religious norms were clearly factors which influenced the employment behaviour of some women, however; consistent with national trends, a smaller proportion of Asian women and a greater proportion of African Caribbean women in this study were in paid work than white women.

Family Family circumstances also appeared to be a factor which influenced the employment behaviour of mothers. Lone parents, for example, were less likely to work than mothers with working partners, and mothers with out-of-work partners were very unlikely to look for a job until their partners found employment. Some women who did not have a partner and/or other family members helping with domestic chores said that having to do all the housework and other domestic chores as well as a job presented an obstacle to employment.

Educational qualifications Although only a small number of mothers perceived their own lack of qualifications to be a barrier to their employment, the research demonstrated a very strong link between formal qualifications and current employment status. This indicates that lack of appropriate qualifications and experience are, in practice, an obstacle to employment. Almost without exception it was the Asian women who had no formal qualifications.

Low expectations A few mothers said their own lack of qualifications and experience meant that they would be unable to get any job with wages high enough to make working financially viable. The expectation of low wages was therefore an obstacle to employment for some women. Some women felt that the lack of suitable jobs in the area was in itself a barrier to employment.

Discrimination A number of women felt that they faced discrimination in the job market, most commonly because they were mothers. Several thought that employers assumed they would be unreliable because they were responsible for children and might have to take time off at short notice if their children were sick. Three mothers felt that, for them, this type of discrimination was exacerbated because they were lone parents.
Two mothers reported cases of racial discrimination, and several Asian women felt they would be discriminated against - or at least that they would face disadvantage in their search for work - because they did not speak English. One mother thought she faced discrimination because she was too old, and one because she was too young.

Conclusion

High rents and the sharp rate of withdrawal of housing benefit as income rises (the taper) undoubtedly deepen the unemployment and poverty traps when defined in purely financial terms, but it was not clear from this research whether they actually prevent tenants from considering, or taking up, paid work, or whether all tenants perceive the disincentive effect of high rents, or react to them, in the same way. Whether or not high rents in practice discourage unemployed housing association tenants from working is therefore a more complicated issue than some previous research might suggest.

About the research

The research was undertaken by Hilary Third at the Centre for Housing Policy at the University of York. The initiative for the research came from Sadeh Lok Housing Association, a black housing association operating in the Kirklees area of West Yorkshire. Qualitative interviews were carried out with 41 mothers - one-third Asian, one-third African Caribbean and one-third white. Respondents represented a range of circumstances in terms of family composition and employment status. Three-quarters of respondents were current tenants of the association, and the rest were drawn from its waiting list.

Further information

More details are available in the form of a report, 'Affordable childcare and housing'. This is available from the Centre for Housing Policy, the University of York, Heslington, York, YO1 5DD (price £7.50).

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