

Housing and welfare reform

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Introduction – The focus on housing in welfare reform

Housing has been described as the ‘wobbly pillar’ of the welfare state, a policy area which has been particularly susceptible to attacks on the post-war welfare settlement in the past thirty years, through reductions in public expenditure, a shrinking role for state provision and insistent rhetorical and material support for private market alternatives. This assault has continued unabated in recent years, despite the collapse of the mortgage debt market precipitating the global financial crisis of 2008. Given this legacy, it is therefore not surprising that housing has been at the centre of the Coalition Government’s programme of welfare reform. A series of changes have been introduced to reduce the level of Housing Benefit (HB) received by working age tenants in both the social and private rented sectors. This focus is hardly surprising either, as HB is the largest single item of expenditure, apart from the state pension, in the Department for Work and Pensions (DWP) budget (£23.5 billion in 2012/13) (OBR, 2014: 55).

These measures have been justified as part of the wider deficit reduction plan, coupled with the familiar discourses of scapegoating the poor, while enhancing ‘responsibility’ and promoting ‘fairness’ for those renowned ‘hard-working families’ not receiving benefits who are struggling to afford their rents and mortgages. These measures have, however, failed to achieve significant reductions in overall expenditure as intended, and the overall HB bill has continued to rise. Any explanation of this trend has to acknowledge the critical importance of stagnant wage levels for the vast majority of people, set against a housing market dominated by escalating housing costs, acute pressures in the social housing sector, rising rents, tight constraints on mortgage borrowing and historically low levels of new building.

Despite this, a lot of distress and disruption has already been caused by these measures, with still more punitive policies in the pipeline, especially if the Conservatives win the 2015 election. This paper examines what the key measures have been, where the government has failed to achieve its objectives, and the impact so far on tenants.

The bedroom tax

The removal of the spare room subsidy, or ‘bedroom tax’, was introduced between April and November 2013, and has two stated objectives – to reduce HB expenditure and to reduce ‘under-occupation’ in the social rented sector. To achieve these objectives the policy makes a percentage reduction from the rent eligible for HB – by 14% for those households with one additional bedroom and by 25% for those with two additional bedrooms.

As with all elements of the Government’s social policy it is important to set the stated aims against some empirical realities. First, if the target of the reforms really is under-occupation in the housing market, then it is hardly focused on the right housing tenure: only 4% of all spare bedrooms in the UK are in the homes of working age social tenants targeted by the bedroom tax. By contrast, 8% of owner-occupied households would fail the ‘under-occupancy test’. Second, the estimated savings from the changes are not that large in proportionate terms: the estimate of £500 million savings (for 2014/15) is only just over 2% of the overall welfare budget cuts of £19 billion. Furthermore, an independent analysis by Professor Steve Wilcox suggested that this figure was in itself an overstatement – he estimated the net savings in the first year of operation at around £330 million (Wilcox, 2014). However, it is reasonable to suppose that the symbolic impact of these measures was always as important as its material impact. It attracted attention towards those social housing tenants

living it up in their spare bedrooms and away from the critical state of the housing market that has caused more and more people to have to supplement their income with HB payments.

The bedroom tax also showed a woeful ignorance of the housing stock profile in the sector – in many areas there were simply not enough smaller properties to move to anyway. Even where tenants could move, and thereby release larger properties to be allocated, the consequences could create problems: in some lower demand housing markets there is a risk that these properties will now stay empty longer before being re-let. By targeting the social rented sector, it is inevitable that the costs of the bedroom tax will fall more heavily on the vulnerable. The DWP's own equality impact assessment estimated that more than three-fifths of those households would contain one or more registered disabled persons. And it was the consequences for disabled people that caused the Liberal Democrats to try and force an amendment to the policy, and for the Labour party to pledge to repeal it.

The bedroom tax prompted more concerted opposition and criticism than just about any other part of the Government's welfare reform programme. As a result of issues such as not making automatic provision for an additional room for a household where a member had a disability, or applying the size criteria penalties before a household has even been made an offer of suitable alternative accommodation, the Government was hoist on its own petard – a policy founded on a notion of 'fairness' was widely seen as palpably unfair. The political lesson that the Conservatives might take from the strong public reaction against the tax is that it is more difficult to withdraw benefit from those who already receive it than it is to deny access to the benefit in the first place.

Changes to housing benefit in the private rented sector

The range of measures introduced from April 2011 onwards to reform HB in the private rented sector (PRS), where the eligible rate is determined by a system of Local Housing Allowances (LHAs), are complex. They include changing the

method for setting weekly LHA rates so that they are based on the 30th percentile rather than the median of local market rents; capping by property size the total amount that can be paid in HB (which has affected tenants in some parts of central London); limiting the property size for HB payment to four bedrooms; reducing the uprating of HB rates so that they are now set at 1% (or average local rent increases, if lower) for 2014/15 and 2015/16. It also raised the age at which the Shared Accommodation Rate applied from 24 to 34. This led to a sharp reduction in HB (on average over £13 a week) for those people in this age group without dependent children who had previously been living in self-contained accommodation.

While the bedroom tax proposals attracted more media interest, and were the focus of a sustained campaign of opposition, the changes to HB in the PRS are more important in terms of the amount of money to be saved. The measures have targeted nearly three times the annual amount of expenditure savings: £1,645m compared to £660m (Beatty and Fothergill, 2013). The relatively muted response to the impact of the measures, certainly outside London, reflects the disparate nature of the PRS, with no focal point for resistance and opposition. The changes involved are far more complex than the brutal simplicity of the bedroom tax ('reversing the reduction in LHA rates from the median to the 30th percentile of local Housing Market Rental Area rents' is hardly a strong basis for a populist rallying call). Some of the impacts have been blunted, or at least delayed, by the use of Discretionary Housing Payments, which began as a temporary stop-gap measure and have since become an essential, if extremely restricted, form of support for households most affected by the changes.

Most tenants who were affected by the bedroom tax or the LHA changes have responded in a similar way – attempting to find ways of staying put and paying up at first to avoid having to move, sometimes much further afield – only 6% of those affected moved in the first six months. The evaluation of the LHA reforms showed that nearly half the claimants tried to adapt to the shortfall in their HB by cutting down on essen-

tial items, and nearly a third had been forced to borrow from family or friends due to the changes. Only 9% had responded by spending their savings, which says more about their budgets than their lack of inventiveness in trying to make ends meet (DWP, 2014). These are all stop-gap measures rather than a sustainable means of meeting the increase in their housing costs, and many claimants will be forced to move somewhere cheaper in the end – if, of course, there is any such accommodation available.

One reason for the more muted response to the HB cutbacks in the PRS than in social housing is that the effects of the changes vary widely from one locality to the next, so there is no single narrative about the scale of the impact or the response to them. For example, the reduction in LHA rates for a 2 bedroomed property in April 2011 ranged from £260 a week (reduced from £550 to £290) in Westminster to £6 a week (down from £75 to £69) in Rhondda. The changes also differ from other reforms in that they need to draw selectively on the repertoire of epithets used for those 'on benefit'. It is difficult, for example, to push the 'shirker/striver' distinction too strongly when one-in-four of all HB recipients, and around one in three in London, have a member of their household in employment. The increase in the number of people claiming HB over the past five years is not due to a sudden outgrowth of 'dependency' – it is the inevitable consequence of higher housing costs and stagnant wages.

But the dependency discourse has taken an unusual turn in terms of defining what it is to be young – now, it seems, anyone below 35 years old. Age is being used increasingly as a mode of rationing benefit support while keeping the pensioner standard of living (and the pensioner vote) free from such pain. The default mode for people under 35 without primary child care responsibilities is that they must share. This is a prelude to a much more aggressive attack on age-related support that would follow after the election. The rationale for changes to the SAR in effect inverts the usual 'cycle of dependency' scenario. In this Alice in Wonderland world, the problem is not that young people have failed to rouse themselves from their sofas and stand on their own

two feet by living independently – the problem is that too many have done just that, and now must be forced out of self-contained accommodation, sell their sofas, and share, often in very unsatisfactory arrangements.

It is difficult to play the card of 'keeping separated parents actively involved in their children's lives', when those with weekend access arrangements for their children are in effect forced to move from their self-contained flat to share with other adult strangers instead. It can create specific problems for groups such as pregnant women, people with drug and alcohol dependencies, LGBT people, and those with mental health difficulties. And it is difficult for ministers to press a convincing case for people on benefits to move to areas 'where there are jobs', when the shortfall between the HB they receive and the rent charged is generally much higher in buoyant local labour markets. Such are the paradoxes of the policy discourse on welfare reform.

There are, as ever, two possible responses to these reforms: to tinker, for example by reversing the means for determining HB rates in the PRS, redefining exemptions from the bedroom tax or changing the rules on uprating; or adopting a longer term and more fundamental strategy. The two responses are not mutually exclusive.

Implications for future policies

The problem with focusing exclusively on HB to achieve housing outcomes such as lower rents or reduced under-occupancy is that such measures are trying to treat the patient through dosing them up with the disease they already have. The fundamental problem with public expenditure on housing is the complete mismatch between the high level of 'demand subsidies' such as HB, and the very low level of investment in supply, especially on building more genuinely affordable housing, not the parody of 'affordable housing' (with rents at 80% of the market rate) that we have at present. This has prompted a call from groups such as Social Housing Under Threat (SHOUT) to move from 'benefits to bricks'. The difficulty is that it will take an awfully long time before the stimulus to supply is reflected in lower rent levels or property prices. And the

recent Lyons review of housing supply for the Labour Party offered a rather timid prospectus, hidebound by its fear of seeking to increase borrowing 'irresponsibly'. But marginal increase in housing output, or policy distractions such as Help to Buy, will not be enough. The appetite of developers for building and renewing homes across *all* localities, including areas of acute housing and social need, is always weak, especially when there is somewhere else more comfortable to be.

What is needed above all is more social housing, pure and simple. Thus was also the conclusion reached in a report on the housing crisis back in 2012 called *Building the Road to Recovery*. The authors of the report? A left-wing think tank? An independent charity like the Joseph Rowntree Foundation? No, Tullet Prebon, hedge fund managers *par excellence*. Yet for once the Coalition Government did not heed the siren voices of the City. It will be left to the next government to seize that opportunity if we are to go beyond the current malaise, going round in ever decreasing circles on cutting the funding for, and limiting access to, an increasingly divisive housing benefit system propping up an increasingly dysfunctional housing market.

References

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