Human City **HEADLINES**

Bulletin No. 10

March 2012

'All in it Together?' Measuring the Impact of Austerity, Housing Strategy & Welfare Changes on Vulnerable Groups in Social Housing

SUMMARY

- This Bulletin is based on early findings of a new research project - '*All in it Together?*' - by the Human City Institute (HCI). The project seeks to evaluate the effects of the current austerity programme, new directions in housing policy and the Welfare Reform Act 2012 focusing on social housing tenants to establish whether we are actually '*All in it Together?*'.
- The research reveals a group identified as PiPs - 'Poor in Perpetuity' - with squeezed incomes in the past few years from a position of already very low incomes. The PiPs, many of whom live in social housing, are poor and getting poorer as their incomes are eroded by inflation, austerity measures and the economic slowdown.
- The median income of social housing tenants rose by 9.3 per cent from 2005/06 to stand at £8,996 per annum in 2011/12. When comparing this increase to CPI and RPI (18.2 and 20.8 per cent respectively) a real terms loss of income of between 8.9 and 11.5 percent is revealed. Even tenants in full-time work have only just kept in touch with inflation with an increase from £14,040 to £16,655 (or +18.6 per cent) so are not better off than six years ago.
- Tenants have few savings on which to depend in times of crisis; more than two thirds (66.4 per cent) have no savings at all. Of those tenants with savings, 48.8 per cent have less than £1,000 with a further 24.1 per cent having no more than £3,000. Dismantling of the Social Fund will leave tenants with few options except recourse to legal and illegal loan sharks: already a growing problem in the sector.
- There has been a downwards trend in economic activity in social housing over the last six years: from 36.7 per cent to 33.6 per cent. The 'net' economic activity rate (minus retired tenants) has fallen from 40.9 to 36.7 per cent over the same period. These trends further demonstrate that social housing tenants are feeling the brunt of the current economic conditions and austerity measures.
- Between 400,000 and 600,000 social housing tenants of working age in England will be affected by the 'Bedroom Tax' equating to between 13 and 20 per cent of all social housing tenants in England and between 25 and 35 per cent of those of working age. The 'Bedroom Tax' will be most keenly felt in the North of followed by the Midlands and the South-West. £14 on average will be lost to those affected tenants, rising to an average of £22 for those 'under-occupying' by two or more bedrooms. These deductions will have severe effects upon already under-pressure tenants' wallets and purses.
- It is clear from this initial analysis that we are not '*All in it Together*'. Social housing tenants, among the poorest in society have been severely affected by the Credit Crunch, the subsequent recession and further economic slowdown. Austerity measures and welfare changes are likely to make the lot of social housing tenants even less certain. Many will see further erosions of their incomes and their ability to sustain their tenancies will probably diminish.

Introduction

'All in it Together?' is a new research project being undertaken by the Human City Institute (HCI) and supported by social housing providers the Aster Group from the South-West of England, Trent & Dove from East Staffordshire and Birmingham's Trident Social Investment Group. The project seeks to evaluate the effects of the current austerity programme to reduce the public debt, new directions in housing policy enacted by the Coalition Government and the Welfare Reform Act 2012 to establish whether we are actually *'All in it Together?'* with specific focus on social housing tenants (covering tenants of housing associations and local authorities/ALMOs). The research is based upon a review of key literature about the effects of the new policy framework and the implications of the Coalition's Housing Strategy. It also encompasses new analyses of the 2008/09 Existing Tenants Survey data from the Tenant Services Authority which covered 19,000 respondents and the Housing Corporation's Tenants Survey of 2004/05. Alongside these analyses, exploration of Continuous Recording (CORE) lettings data from 2005/06 to 2011/12 enables trends in incomes, economic status and benefit eligibility to be identified. These datasets also enable modelling of welfare changes on social housing tenants.

Alongside the national review, the research encompasses three case studies of distinct geographical areas:

- *Birmingham as a major English city at the heart of the country.*
- *East Staffordshire as a mixed urban-rural local authority at the gateway to the North of England.*
- *Wiltshire as a rural county in the South-West of England.*

In addition, the effects of austerity, housing policy and welfare changes on vulnerable groups including women-headed households, young people, disabled people, those in debt or experiencing financial exclusion, BME households, lone parent families and LGBT people among others will be explored by the research.

This HCI Bulletin No.10 reviews some initial findings of the research addressing the level of austerity already being experiencing in social housing. It then moves on to provide an overview of the likely outcomes for social housing tenants of Welfare Reform changes, including the effects of the 'Bedroom Tax' on those tenants who are eligible for Housing Benefit and may be 'under-occupying' and the introduction of Universal Credit.

Policy Backdrop

The Government's debt reduction programme, despite its stated aims of fairness and the burden falling upon those most able to bear it, has been assessed by many commentators as disproportionately affecting low income households and those on benefits. The Government, through its emergency Budget in June 2010 and the Comprehensive Spending Review (CSR) in November 2010 (largely consolidated in the CSR in November 2011) has set in train a series of policy changes which are having profound effects on social housing tenants. Key changes centre upon the general slowdown in the economy, created by international factors such as the debt crisis in the European Union but also falling aggregate demand and production with the resultant growth in unemployment, stagnant incomes and part-time working. Then there are the changes embodied in the Welfare Reform Act which seeks to replace a range of benefits with Universal Credit, introduce a 'Bedroom Tax' for those deemed to be under-occupying social housing, and the Benefit Cap which seeks to create a ceiling of £26,000 for families and £18,200 for single people in the totality of benefits they can claim, including Housing Benefit.

The Effects of Austerity - Social Housing Tenants Poor in Perpetuity?

There has been much discussion in policy circles about the 'squeezed middle' of income earners and how their incomes have stagnated in real terms over the last few years. However, HCI's research has revealed a group we call PiPs - 'Poor in Perpetuity' - who have not only seen their incomes squeezed in the past few years but also start from a baseline position of very low incomes. The PiPs, many of whom live in social housing, are poor and getting poorer as their incomes are eroded by inflation generally and in essentials, such as food and heating, in particular. The effects of austerity and economic slowdown on PIPs living in social housing are explored below in relation to incomes, benefits and economic activity.

Incomes

Chart (1) illustrates the median and mean total household incomes of social housing tenants based on lettings over the 2005/06 to 2011/12 period. These are incomes of the whole household after tax and national insurance have been deducted and excluding Housing Benefit but including income-based benefits. In other words, what social housing tenants have to live on per week. Over the past six years, tenants' median income rose from £160 per week (or £8,320 per annum) to £173 per week (or £8,996 per annum). This represents an actual cash increase of 9.3 per cent. However, when comparing this increase in household income to the Consumer Price Index (CPI) and the Retail Price Index (RPI) over the same period (18.2 and 20.8 per cent respectively) a real terms loss of income of between 8.9 and 11.5 per cent is revealed. Even social housing tenant households where the head is in full-time work have only just kept in touch with inflation with an increase from £14,040 to £16,655 (or +18.6 per cent); so no real terms increase in incomes at all over the period has been sustained.

Derivation of Incomes & Welfare Benefits

As chart (2) overleaf illustrates, in 2011/12 based on analysis of CORE data, some 53 per cent of social housing tenants have incomes wholly derived from benefits with a further 16 per cent having incomes that are partly derived. Trends in these two proportions have been upwards in lettings terms from 2007/08 when they stood at 50 and 13 percent respectively (that is +6 per cent in the proportion wholly or partly reliant upon benefits for their incomes over the last four years). The TSA survey of 2008/09 shows [see chart (3)] that more than half (50.9 per cent) of social housing tenants are in receipt of Housing Benefit. Some 29.7 per cent receive Child Benefit and 24.5 per cent qualify for Income Support. Only 38.3 per cent have incomes derived from earnings and 27.5 per cent from state pensions.

Savings

Tenants in general have few savings on which to depend in times of crisis; more than two thirds (66.4 per cent) have no savings at all. Of those tenants with savings, 48.8 per cent have less than £1,000 with a further 24.1 per cent having no more than £3,000. Only 6.7 per cent have more than £16,000. Dismantling of the Social Fund will leave tenants with few options except recourse to legal and illegal loan sharks: already a growing problem in the sector.

Economic Activity

Over one third (37.6 per cent) of social housing tenants according to the TSA survey of 2008/09 are economically active including 25.2 per cent working full-time, 9.9 per cent working part-time and 1.7 per cent being self-employed. Stripping out retired tenants, the economic activity rate is 52.7 per cent. Looking at CORE lettings data reveals that there has been a downwards trend in economic activity in social housing over the last six years: from 36.7 per cent to 33.6 per cent. The 'net' economic activity rate (minus retired tenants) has fallen from 40.9 to 36.7 per cent over the same period. These trends further demonstrate that social housing tenants are feeling the brunt of the economic downturn in the wake of the Credit Crunch and of the austerity package introduced to tackle the public debt in 2010.

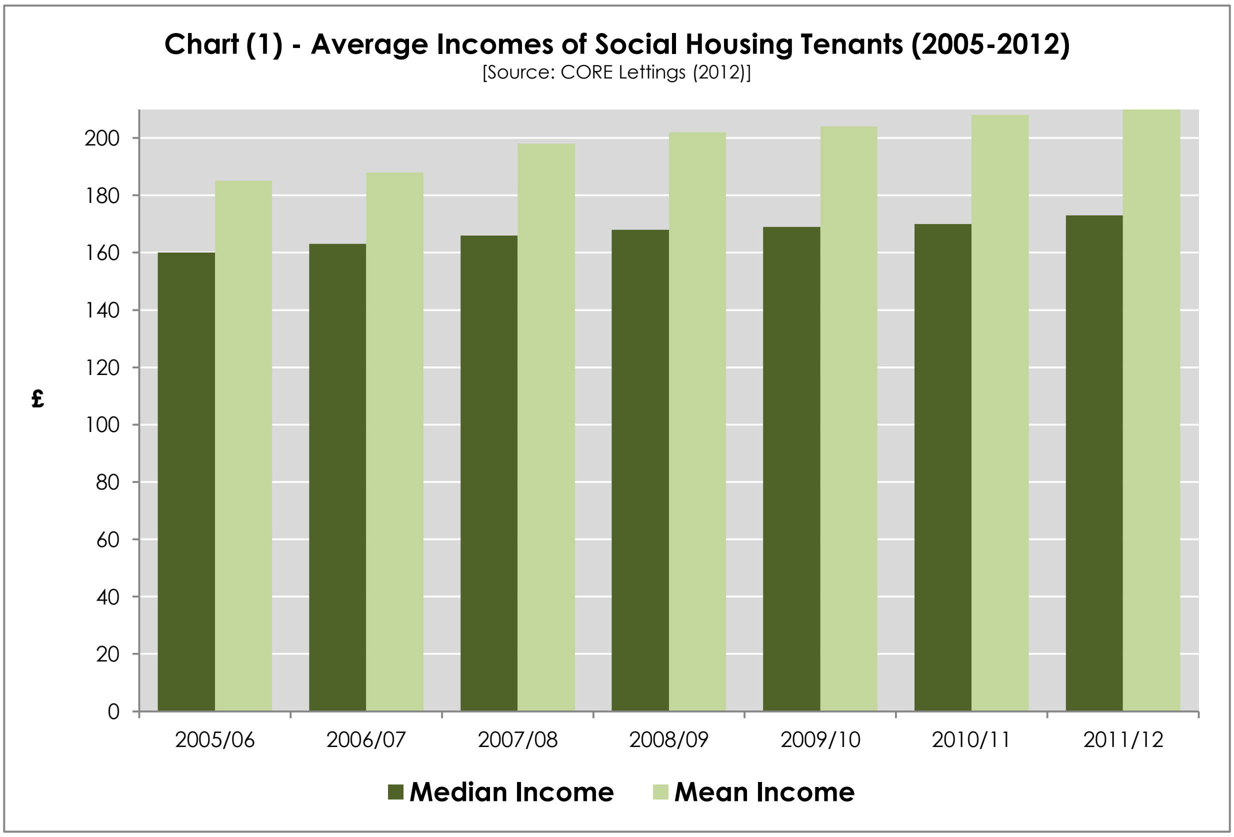
Chart (1) - Average Incomes of Social Housing Tenants (2005-2012)
[Source: CORE Lettings (2012)]
£
200
180
160
140
120
100
80
60
40
20
0
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
Median Income
Mean Income

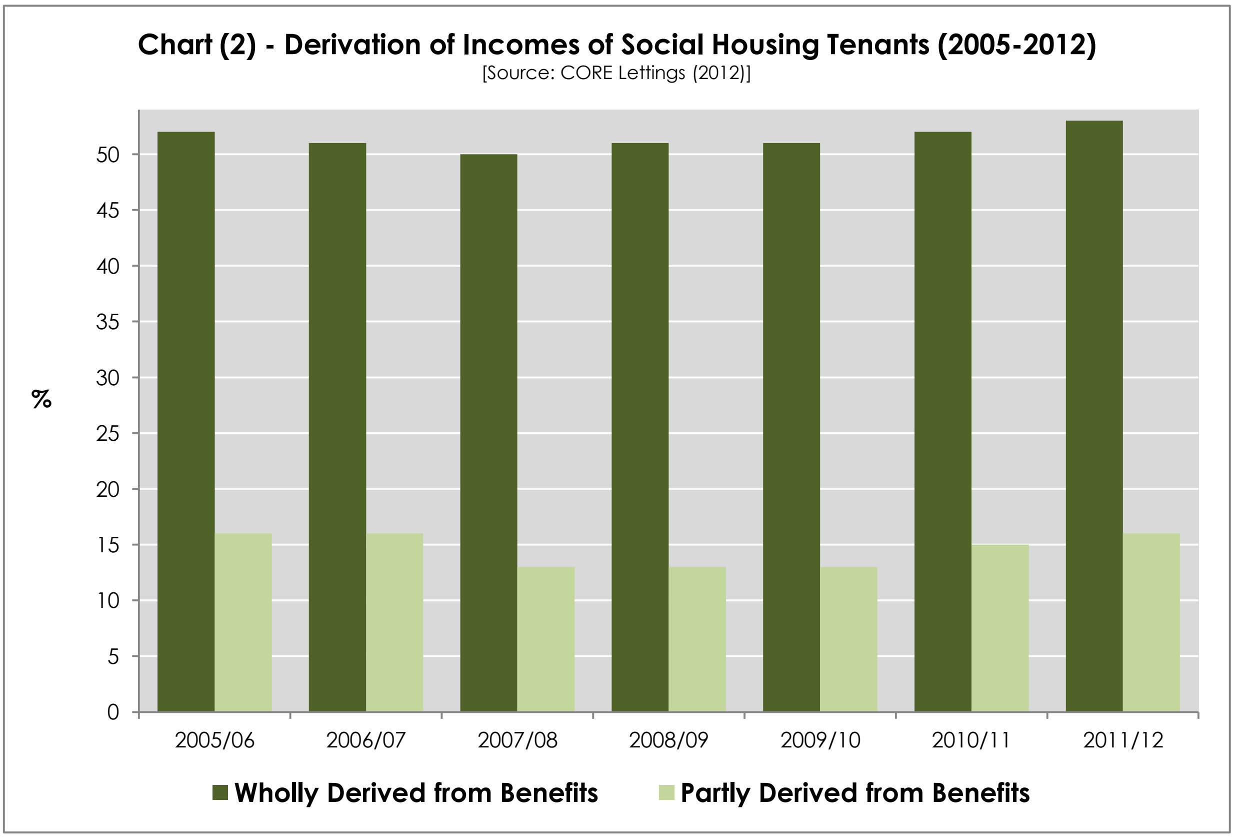
Chart (2) - Derivation of Incomes of Social Housing Tenants (2005-2012)
[Source: CORE Lettings (2012)]
%
50
45
40
35
30
25
20
15
10
5
0
2005/06
2006/07
2007/08
2008/09
2009/10
2010/11
2011/12
Wholly Derived from Benefits
Partly Derived from Benefits

Chart (3) - Income Sources of Social Housing Tenants (2008/09)
[Source: Tenant Services Authority (2008/09) Existing Tenants Survey]

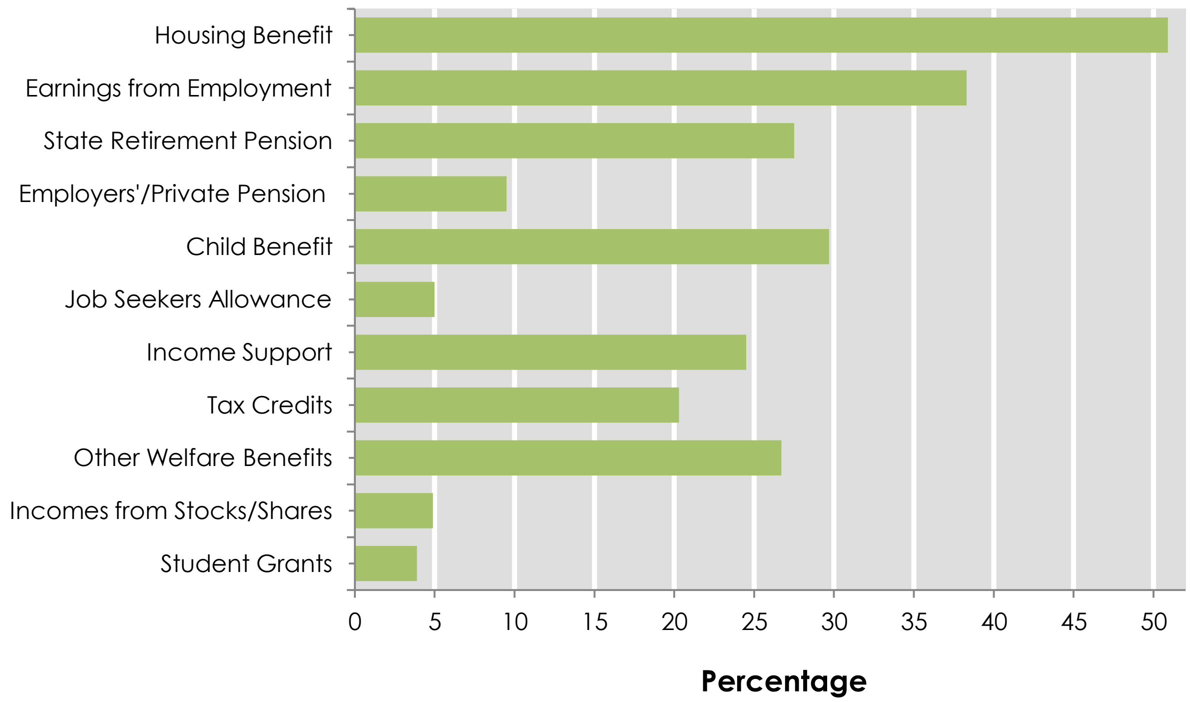

Chart (4) - Economic Status of Social Housing Tenants (2008/09)
[Source: Tenant Services Authority (2008/09) Existing Tenants Survey]

The Effects of Welfare Reform on Social Housing Tenants

Welfare reform currently underway is likely to have far-ranging effects upon on social housing tenants by further depressing their incomes. Two aspects of this income squeezing of the PiPs - the imposition of a 'Bedroom Tax' and Universal Credit - are discussed below.

The 'Bedroom Tax'

The Welfare Reform Act provides powers to Government from May 2012 to apply a 'Bedroom Tax' to 'under-occupying' social housing tenants of working age by reducing the current level of Housing Benefit for those eligible to claim it. One bedroom per person or couple will be allowed but children will be expected to share, even those under 16 of the same gender.

The TSA survey shows in crude terms that the average social housing household size is 2.44 compared to the average number of bedrooms of 2.52. Consequently, social housing tenants overall are 'under-occupying' at the rate of 0.1 bedroom. Despite this marginal level of under-occupancy, an initial review of the TSA data suggests that between 400,000 and 600,000 social housing tenants of working age in England will be affected by the 'Bedroom Tax'. This equates to between 13 and 20 per cent of all social housing tenants in England and between 25 and 35 per cent of those of working age.

Initial analyses suggest that the 'Bedroom Tax' will be most keenly felt in the North of England followed by the Midlands and the South-West. London and the South-East will probably be least affected. Approximately 1 in 4 tenants will be assessed as 'under-occupying' by two or more bedrooms with 3 in 4 by one bedroom. The National Housing Federation estimates that around £14 on average will be lost to those affected tenants, rising to an average or £22 for those 'under-occupying' by two or more bedrooms. These deductions will have severe effects upon already under-pressure tenants' pay packets and benefit cheques. They may also make many tenancies less sustainable and have implications for social landlords in terms of spiralling rent arrears and the costs of increased vacancy rates.

Universal Credit

The Government is introducing Universal Credit as a replacement and simplification of a range of existing benefits and tax credits. The aim is to incentivise work and encourage claimants to take-up jobs or increase their existing hours of work; although how effective incentives will be in a stagnant economy with ballooning unemployment is unclear. The Department of Work and Pensions (DWP) estimates that 2.8 million claimants will have a higher entitlement, around 2 million will have a lower entitlement with 2.7 million experiencing no change.

The Institute of Fiscal Studies (IFS) estimates that the planned introduction of Universal Credit will act to reduce both absolute and relative poverty. The long term effect of Universal Credit will be to reduce relative poverty by about 450,000 children and 600,000 working-age adults by 2020/21. However, the net direct effect of the Coalition Government's tax and benefit changes will be to increase both absolute and relative poverty. This is because other changes, such as the switch from RPI to CPI indexation of means-tested benefits, will more than offset the impact on poverty of Universal Credit.

Conclusions

It is clear from this initial analysis that we are not *'All in it Together'*. Social housing tenants, among the poorest in society have been severely affected by the Credit Crunch, the subsequent recession and prolonged economic slowdown. Austerity measures and welfare changes are likely to make the lot of social housing tenants even less certain. Many will see further erosions of their incomes and their ability to sustain their tenancies will probably diminish. The PiPs are likely to continue squeaking for some time.

The analyses above and the views expressed in the Bulletin are those of the author.

Kevin Gulliver - Director, Human City Institute
16th March 2012

References

Brewer M., Browne J. & Joyce R. (2011) Child & Working-Age Poverty from 2010 to 2020. IFS

Cox. J, Gulliver K. & Morris J. (2011) On the Margins: Debt, Financial Exclusion & Low Income Households. Compass

Department of Work & Pensions (2011) Universal Credit Equality Impact Assessment. DWP

National Housing Federation (2012) Welfare Reform Act 2012: Size Criteria.

National Housing Federation (2012) Universal Credit Q & A.

About the Human City Institute

HCI is an independent, charitable 'think tank' undertaking research into 'human city' issues, investigating exclusion and promoting solutions to the problems of the most disadvantaged groups in today's complex and diverse cities, towns and communities.

HUMAN CITY INSTITUTE
(Registered Charity No. 1073215)
239 Holliday Street Birmingham B1 1SJ
T 01384 230849 **F** 01384 252297 **E** human.city@btinternet.com
www.humancity.org.uk

……………………………………………………………………Supported by……………………………………………………………………