



## Housing Benefits, not Barriers

**Would you work 16 hours for less than £9?**

**Would you be happy to lose 85p out of every pound you earned?**

**Would you enrol in a full time college course if it meant losing all your housing benefit?**

Your answer to these questions is probably no. But this is the situation faced by thousands of your constituents. This leaflet explains why and suggests what the Government can do to help.

Four million people claim Housing Benefit at a cost of £15.6 billion annually. But the system creates huge barriers for people who are trying to move into work and for people in low-paid work trying to increase their earnings. These problems are particularly acute for those who also face high rents, such as people living in temporary accommodation, supported housing or the private rented sector.

**You can actually end up financially worse off when you take the first step back into work. If the job doesn't work out, you face a loss of income while a new housing benefit claim is processed. So why take the risk?**

- According to the CLG and DWP, a single person working 16 hours a week on the minimum wage is only £8.63 a week better off than if they were unemployed, once housing costs are taken into account.
- In his report on social housing, Professor John Hills said that a couple with two children and a private rent of £120 per week would be only £23 per week 'better off' if their earnings rose from £100 to £400 per week.
- Plus there are the extra costs that work often incurs (such as travel, clothes and childcare) which could actually make someone **worse off in work**.

### ***The time to act is now***

All political parties have been sending out strong messages about getting people into work. The Welfare Reform Green Paper set out ambitious proposals to ensure that no one languishes on benefits without good reason. But if we genuinely want to get people out of poverty and into work, we must ensure that Housing Benefit acts as a springboard, not a barrier. At this time of economic uncertainty it is more important than ever that when people are ready and able to return to work that the Housing Benefit system works for and not against them. The

Government is currently reviewing the Housing Benefit system and this presents a real opportunity to achieve reform. **Help us to ensure that this opportunity is not wasted.**

## **PROBLEMS – what are the barriers people face?**

### **1. Updating or changing a Housing Benefit claim**

- Registering a **change in circumstances** can mean half a day's leave from work to visit the local housing office. Often you also have to provide 5 wage slips as proof of income.
- Once the local authority knows that your income has increased, your **claim is suspended** until it is reassessed. This can mean delays to payments, resulting in rent arrears.
- The system is so sensitive that any change in income means a recalculation of entitlement. This is a disincentive to someone in temporary employment or with fluctuating hours.
- The average **time taken to process a new claim** is 26 days (or 11 days for a change of circumstances). However, some local authorities can take 73 (and 38) days. This can clearly leave you with a financial shortfall if a job doesn't work out.

### **2. Studying for qualifications**

- If you are over 19, you cannot claim Housing Benefit if you are studying for more than 16 hours a week. This can stop people studying to gain the skills and qualifications they need for employment. We welcome proposals in the Welfare Reform Green Paper on the 16 hour JSA study rule to allow people who have been on JSA for more than six months and those who need urgent help to update skills to do full-time training for eight weeks while receiving a training allowance, but these proposals do not go far enough. Eight weeks is not long enough for young people who wish to study for A-levels or for people with low skills wanting to study for vocational qualifications.

While we also recognise that the Government is extending second chance learning (and therefore eligibility for housing benefit) for young people who have been in care or are from chaotic family backgrounds until they are 21, this still fails to help all young people who are in need of support with training and skills.

### **3. Making sure work pays**

- The **take-up rate** of Housing Benefit among people in employment is only around 50%. Even Job Centre Plus staff often don't know claimants' entitlement.
- The **withdrawal rate** for Housing Benefit is excessively high. When you go into work, 65 pence of Housing Benefit is withdrawn for every extra pound earned. When combined with the Council Tax Benefit taper this goes up to 85 pence.

- A further disincentive is the interaction of Housing Benefit and Council Tax Benefit with **other benefits and tax credits** and also with income tax and National Insurance increases above the taper rates. The effective withdrawal rate can be greater than 90% when entering work, making you less than 10 pence better off for every pound earned.
- The **Shared Room Rate** means that everyone under 25 is paid a lower rate of Housing Benefit. This is frequently lower than their actual rent, risking them falling into rent arrears. In-work benefits for young people are also lower.

## **SOLUTIONS - turning Housing Benefit from a trap into a springboard**

We would like to see the Government deliver on its 'work pays' message by reforming the Housing Benefit system so that it actually helps people to move into work.

### **1. Address problems of awareness, administration and bureaucracy**

- Provide better advice and information to ensure people are aware of their entitlements, including that Housing Benefit is available as an in-work benefit, and improve case management to reduce the complexity of applications and speed up the time it takes to process claims.
- End the practice of suspending claims, and therefore stopping housing benefit payments, while they are being reassessed and instead allow them to continue.

### **2. Make the system less sensitive to changes in circumstances**

- Fix benefit awards for certain periods, regardless of any increase in income, so that adjustments to entitlements are safeguarded.

### **3. Expand the Extended Payment Scheme to smooth the transition into work**

- The current four-week Housing Benefit run-on scheme offers some short-term security for people moving into work. We would like to see the current restrictive conditions on the scheme relaxed and for it to be expanded so that payments run on for 6 months after entering work for people with multiple disadvantage or those who have been out of work for 2 years or more. This would help people meet the initial additional costs of moving into work.

### **4. Address the particular problems faced by young people**

- Abolish the Shared Room Rate and increase in-work benefits for young people to the same rate as people aged 25 and over.

### **5. Review the 16 hour rule.**

- Relax the 16 hour housing benefit rule for those who have been out of work for a long period of time and those of all ages facing multiple disadvantage. This would allow people to improve their skills, help divert them from long-term benefit dependency and could represent a saving to the Exchequer in the long term.

## 6. Make work pay

- **Increase the level of earnings disregard.** Currently it is set at £5, which is not even one hour's work on the minimum wage.
- **Reform Housing Benefit and Council Tax Benefit tapers.** Local authority and Job Centre Plus staff have themselves suggested that changing the taper rates would encourage customers to move into work or increase their hours in work . We believe the costs associated with this change would be more than counterbalanced by the long term economic benefits of people moving into work.
- **Extend the Working Future model.** This model was piloted in East London as a way of reducing work disincentives for families in temporary accommodation. It enables families to pay lower rents by dividing the original rent into two blocks: one claimed from Housing Benefit, and one funded from Housing Benefit resources and paid directly to the landlord. Job entry rates for households involved were 40% higher than the control group in Newham. The scheme is cost neutral and it should be rolled out to all temporary accommodation, including hostels for single homeless people.

### The time to act is now

Housing Benefit traps many people - including your constituents - in unemployment and poverty. We talk about wanting to get more people into work and yet continue to have a benefit system that holds back those who are making the effort to turn their lives around. The Government's internal review of Housing Benefit is currently ongoing, and presents an opportunity to address these issues. Let's make sure it's not wasted.

### How you can get involved

- **Sign EDM 2277** calling on the Government to make genuine reforms to Housing Benefit
- Raise this issue with DWP and Treasury Ministers
- Get in touch for further information:

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## Annex 1 - Housing Benefit case studies

### Case study 1

Sarah is a lone parent and rents a local authority flat with her 8-year-old daughter. Her rent is £59.99 per week and fully covered by Housing Benefit. When she is not in work her income through benefits is £134.80 per week after housing costs.

Sarah decides to take a job working in a shop for 16 hours a week paid at the National Minimum Wage of £5.73 per hour and gross earnings of £91.68. Housing Benefit has now been withdrawn at the 65% taper to £21.86. With childcare costs of £40 per week Sarah now receives £178.48 after housing costs and is £43.68 per week better off.

However, Sarah is offered a promotion and now earns £10 an hour with a weekly gross income of £160 per week. After housing costs her net income would be £187.58. So Sarah is £52.78 a week better off than on benefits but is only £9.10 better off a week than in her previous job.

The steep withdrawal rates of Housing Benefit combined with other tax credits and benefits would be a deterrent to earning more in this case.

### Case study 2

John is a single 38-year-old living in the private rented sector with a rent of £120.90 per week. He hasn't been in work for several years but is now ready and wants to work. He sees a job as a cleaner but the hours will vary from week to week.

If John works 16 hours paid at the national minimum wage he will earn £69.43 after housing costs. After his travel costs, John is actually worse off than he was claiming benefits. Even the weeks when he works 21 hours he will only be around £4 better off. The fluctuating hours also mean that John will have to make a change in circumstances claim every four weeks to account for the change in income. He is also worried about the time taken to process his new claim.

If housing benefits were fixed for a certain period regardless of changes in income, John would be more likely to take on a job with fluctuating hours. If the extended payment scheme were extended to 6 months then John would be offered some level of security when he enters the job market after such a long time out of work.

### Case study 3

Lisa and Steve are married with three children aged 4, 7 and 12. They currently live in the private rented sector and pay £129.10 in rent per week. Neither of them is in work, and their weekly income is £284.35 after housing costs. Lisa would like to go back to work and finds a job for 30 hours paid at the minimum wage (gross earnings of £171.90). The family's income only rises to £309.92 per week. This would also be the case if the family were living a local authority property with a rent of £66.92.

However, Lisa would like to go back to college to improve her job prospects. If she did this and her new salary was £400 per week, living in the private rented sector the family's income would be £328.28 per week (only £43.95 a week better off than on benefits). If the family were living in the social rented sector, with lower housing costs, Lisa would bring home £368.18 per week (£39.90 per week more than living in the private rented sector). If the family were in temporary accommodation rents would be even higher and take home pay would be much less for the family.