Policy briefing

Save Our Safety Net

Universal Credit 13 week protection: Families to lose short-term help with their rent if they lose their job

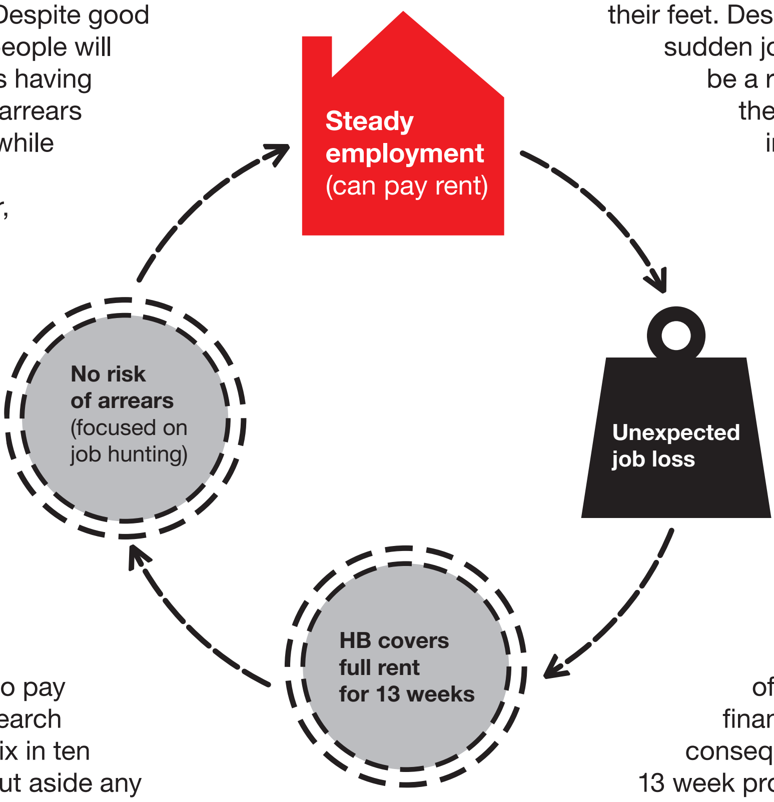
September 2013

Shelter

Executive summary

In a poorly documented move, short-term additional support for people who have recently lost their job or fallen ill will be abolished under Universal Credit. Currently if someone loses their job they may be entitled to claim housing benefit to cover their full rent for 13 weeks; vital financial breathing space while they look for new employment.

Under Universal Credit this important provision will be scrapped and instead families will only receive a low standard payment, regardless of their actual housing costs. Despite good contribution records, people will quickly find themselves having to deal with rising rent arrears or even moving home while they desperately try to find work. This isn't fair, or an effective way to help people back into employment.



As a result of this change, people renting a typical family home in more than one in four local authorities will be at least £100 a month worse off under Universal Credit. Many families will struggle to make up this shortfall to pay their rent; previous research by Shelter found that six in ten renters are unable to put aside any savings each month because of the high cost of rent and other essentials.

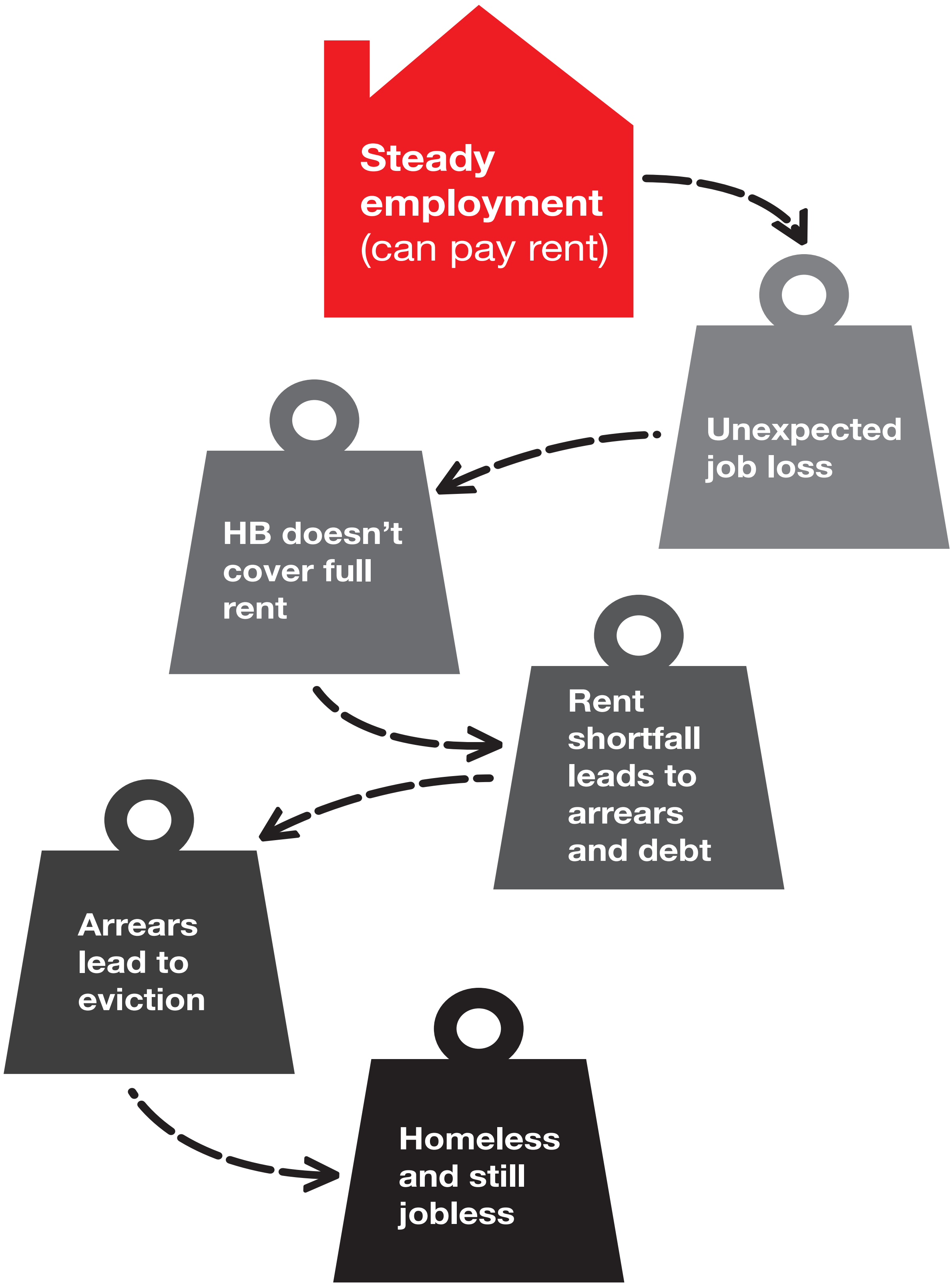
Housing benefit rules contain a number of restrictions to limit costs, for example the LHA caps or additional curbs for younger renters. This means many claimants do not have their rent paid in full and must make up a shortfall. However, under the present system households that could previously afford their rent and were not claiming housing benefit are protected from these rules for the first 13 weeks of their claim. This is known as 13 week protection. Many new claimants will therefore have their rent paid in full and do not run the risk of arrears and eviction during what is often a short-term spell of unemployment. This creates a strong and vital safety net to protect families from homelessness if their income drops. The DWP itself recognised the importance of this rule when justifying previous housing benefit cuts.

The 13 week protection rule is intended to provide breathing space to enable people to get back on their feet or make a planned move to cheaper accommodation. It recognises that the majority of people do bounce back within three months. Without it, losing a job could lead to losing a home – traumatic in itself and a further setback to getting back on their feet. Despite rising employment, sudden job loss will continue to be a risk for all employees and the safety net will remain important.

But this protection will disappear when Universal Credit is rolled out progressively from October 2013. Universal Credit is intended to simplify the benefits system and imposes a one-size fits all approach on more than eight million households, compared to the many nuances and complexities of housing benefit. The financial and personal consequences of abolishing 13 week protection in the name of simplification have not been adequately discussed and DWP has not published an impact assessment to show the number of people who risk losing out.

Shelter is calling for short-term protection from housing cost restrictions to be retained under Universal Credit, in a way that is compatible with the new benefit system. This will give people the crucial breathing space they need to return to work quickly and avoid a short-term setback escalating into a downward spiral that could end with homelessness.

Weakening the safety net: impact of the the loss of 13 week protection



13 week protection

Background

Housing benefit is subject to a number of regulations that limit the amount that can be paid out. The majority affect private tenants and are designed to restrict the type of accommodation benefit claimants can access and reduce the impact of expensive private rents on the housing benefit bill. This frequently means that people eligible for housing benefit are not able to claim sufficient support to cover their actual rent. Analysis by Shelter finds that families renting an average priced family home would have to find an additional £75 per month in more than two in five local authorities under standard housing benefit rules.

Because of this risk, housing benefit regulations include the 13 week protection rule, which temporarily exempt people who could previously afford their accommodation from rent restrictions. This means that someone who signed up for a tenancy in good faith while earning a salary that covered the rent will not be left with unmanageable shortfalls if their income unexpectedly drops, for example because of redundancy or unexpected illness.

Thirteen week protection is intended to give people sufficient time to find work and resume paying their rent independently or, if their circumstances are unlikely to improve, make a planned move into cheaper accommodation. It reflects the fact that the majority of people who are unemployed are out of work for less than 13 weeks and can be expected to bounce back quickly[1]. It avoids people falling immediately into rent arrears, debt or being put at risk of homelessness at a time when they should rightly be focused on finding new employment or adjusting their circumstances following an illness or disability. Without this protection there is a risk that people losing their job would be tipped into homelessness. It is part of the safety net that has historically broken the link between job loss and the loss of a home, but is now under threat[2].

How 13 week protection works

The maximum amount of housing benefit that someone is entitled to is known as their eligible rent. For social tenants the eligible rent is usually their contractual rent minus some service charges. Since April 2013, the social sector size-criteria - or "bedroom tax" - means working-age social tenants also have their housing benefit reduced if they are judged to have a spare bedroom.

Most private renters' eligible rent is calculated according to Local Housing Allowance (LHA) rules. LHA rates are calculated based on the 30th percentile of rents in a local area (known as a Broad Rental Market Area) and vary according to household size. This means broadly that housing benefit will pay enough to rent a property just large enough for the claimant's household in the bottom third of the market.

Both the bedroom tax and Local Housing Allowance rates mean housing benefit is frequently not sufficient to cover the claimant's actual rent. This is especially likely to affect private tenants as LHA rates are purposely set below "average" rents. Someone who does live in an average priced property; in a more expensive part of a Broad Rental Market Area; or has a larger property than housing benefit rules allow for, will very likely find there is a shortfall between the financial support they receive and their rent.

However, the 13 week protection rule guards against this for short-term claims. Here housing benefit is paid based on the actual rent (less ineligible service charges) if a new claimant:

- Could previously pay their rent when they signed up to the tenancy, and
- Had not been entitled to housing benefit in the previous 52 weeks.

Households are still means tested during the 13 week period, so someone with a large amount of savings or partner in work may find they are entitled to less support. If the household is still in receipt of housing benefit after 13 weeks their award will revert to the LHA rules, or standard assessment for social housing tenants.

The rule is designed to protect those households who could ordinarily pay their rent but have temporarily fallen into difficulties.

Although it is not strictly a contributory benefit – because it does not take National Insurance contributions into account – 13 week protection is one of the view aspects of the housing safety net that recognises people who have paid in and previously supported themselves independently and rewards them with an enhanced entitlement that recognises their actual costs.

Similar rules provide protection from housing benefit restrictions for up to 52 weeks following a death in the household.

Weakening of protection under Universal Credit

The Department for Work and Pensions is abolishing the 13 week protection rule under Universal Credit, putting new claimants at immediate risk of unaffordable shortfalls.

Universal Credit is intended to simplify the benefit system - and Shelter supports this overarching goal. Ministers argue 13 week protection increases administrative cost and complexity[3]. However, simplification must work for the benefit of those needing support and not seek to strip out important details that enable the system to function adequately. An aggressive drive towards simplification for its own sake risks overlooking the fact that many of the complexities in the housing benefit system have evolved to recognise the complexity and diversity of people's lives. The benefit system must go some way towards accommodating these variations. In combining six existing benefits, Universal Credit will cater to an extremely large and broad claimant group; the anticipated eight million claimants will encompass a range of circumstances and needs and a one size fits all approach will be inappropriate for a population of this size.

The loss of 13 week protection is particularly problematic in the light of broader welfare reform, which has deliberately undervalued Local Housing Allowance compared to the rents paid by average households. Ministers said this was intended to ensure that benefit claimants could not live in accommodation that "ordinary working people" could not afford. However, this means that the support people who are ordinarily in work are entitled to is out of step with their actual housing costs if they suffer a short-term drop in income.

The impact of removing 13 week protection

The removal of 13 week protection means that many renters will receive insufficient support under Universal Credit to meet their housing costs. This is concerning given previous research by Shelter which found that nearly six in ten renters are unable to put any money away each month because of the high cost of rent and other essentials [4]

A comparison of median rents across Broad Rental Market Areas and LHA rates shows families renting a typical three bedroom home would have to make up more than £100 a month in one in four (27%) of local authority areas in England if the 13 week protection rule is abolished.

Some of the biggest shortfalls will be experienced by single, childless claimants under 35. This is because LHA rules artificially restrict the support they are entitled to via the Shared Accommodation Rate (SAR). The SAR is based on the average cost of a room in a shared house and is paid to younger renters, regardless of whether they live in shared accommodation or more expensive self-contained properties.

Analysis by Shelter shows that young people already living in shared accommodation at median rents would still have to make up more than £100 a month in one in five local authority areas if they lost their jobs. They will need to find more than £75 a month in four in ten local areas (40%). Shortfalls will be highest for those living in more expensive self-contained accommodation prior to losing their jobs. Younger renters in studio flats will have to make up a shortfall of more than £100 a month in the majority (66%) of local authorities.

The DWP has itself recognised the increased importance of the 13 week protection rule in light of reductions to LHA rate. The protection was cited as mitigation against the adverse impact of extending the shared accommodation rate to people under 35, on the grounds that many single people who are living in more expensive self-contained accommodation would be protected by the 13 week rule if they suffered short-term unemployment[5].

Other groups are also more likely to lose out financially because of the loss of 13 week protection. Broad Rental Market Areas cover large geographical areas and people living in more expensive towns or villages within them can find their rent is above LHA levels. People on higher wages who were able to afford an average or above priced property will also lose out under the reform, as will those who rent larger accommodation than they are entitled to under LHA rules, for example if divorced parents maintain a spare bedroom for a visiting child.

Shelter is concerned that the risk of rent arrears will compound the harm caused by job loss. If people immediately find they are struggling to keep a roof over their head they may be less able to bounce back into employment and will instead be at risk of debt, eviction and even homelessness.

Although employment is rising, workers will continue to be at risk of unemployment as Universal Credit rolls out from October 2013. DWP figures show there were 118,000 redundancies in the three months to June 2013 and a total of 274,000 people made a new claim for Jobseeker's Allowance[6].

Struggling to pay rent or a mortgage has a proven detrimental impact on mental health, as demonstrated in an analysis of the British Household Panel which linked difficulty in paying rent or a mortgage with poor mental health[7]. Housing payment problems and entering arrears has also been found to have significant psychological costs, above and beyond the financial aspect and similar to that experienced as a result of life events such as marital breakdown or unemployment[8].

Conclusion

Job loss, unexpected illness and disability or relationship breakdown can all cause a sudden drop in income and are risks that anyone can face. To soften the impact the social security system has evolved to provide protection for those who need financial support. Despite the frequently negative public debate surrounding the benefit system, support for this central principle of a safety net remains pronounced; the majority of people think the government should ensure that people have enough to live on if they become unemployed[9].

It is essential that the support that is provided reflects actual need. Cuts to housing benefit have deliberately eroded the value of support, meaning that for many ordinary working people the help they can call upon if they lose their job does not reflect their actual housing costs. Policy changes designed to disincentivise a 'life on benefits' have imposed a false distinction between 'benefit claimants' and 'ordinary working people' and pulled away the safety net for those who may move from employment to unemployment.

The majority of people will only experience a short-term spell of unemployment. Of the 325,000 unemployment claims that came to an end in June 2013, 53% of claimants were in receipt of JSA for 13 weeks or less[10]. However, Shelter's concern is that without an adequate safety net, people will be unable to bounce back and will be anxious about how they will pay their housing costs at a time when they should be focused on getting back into work. For some, there is a risk that inadequate support will tip them into arrears, eviction and homelessness.

Recommendations

1. The safety net must be sufficient to protect people against further setback during short-term spells of unemployment. For this reason the 13 week protection rule must be replicated under Universal Credit, in a way that is compatible with a unified benefit system.

2. Universal Credit represents a major overhaul of the benefit system and Shelter is concerned that inadequate scrutiny has been applied to some aspects of the transition. Scrutiny has focused on the IT system, the ability of DWP to deliver the new benefit payment, and issues such as direct payment of the housing cost component to social tenants. The complexities of the existing housing benefit system are well documented, yet insufficient attention has been paid to the development of housing cost policy in the new system. The loss of the 13 week protection was not considered during the passage of the Welfare Reform Act and DWP has not published a specific impact assessment of the housing cost component of Universal Credit. To enable proper scrutiny the department should publish an impact assessment of the loss of the 13 week protection rule.

3. Housing benefit is poorly understood by many people who receive it and it is very unlikely new Universal Credit claimants who could previously afford their accommodation will be aware that they would potentially have been entitled to more support under the existing housing benefit rules. But the evaluation of the early phases of Universal Credit should aim to pick up the loss of the 13 week protection rule and the impact this has had on new claimants.

4. Removal of 13 week protection is more concerning because of the package of cuts to housing benefit that preceded Universal Credit's introduction. The DWP commissioned independent monitoring of the impact of LHA reforms, although this project will come to an end this year. The value of LHA will erode further in 2014 and 2015 because of the 1% cap on increases, at a time when rents are continuing to rise. Additional funding has been released to exempt the most expensive areas from the 1% cap but the government must commit to a wholesale review of LHA rates and affordability and commit to rebasing LHA rates to actual rents after 2015 if necessary.

Notes

1. Jobseeker's Allowance claimant flows, June 2013.
2. Fitzpatrick S, 'The Homelessness Monitor: England 2012', Crisis, 2012.
3. Steve Webb MP, Minister of State for Work and Pensions, House of Commons debate 8 July 2013, c57W.
4. YouGov survey commissioned by Shelter and British Gas, fieldwork 16 November to 10 December 2012
5. DWP, 'Housing Benefit Equality Impact Assessment: Increasing the shared accommodation rate threshold to 35', August 2011.
6. Jobseeker's Allowance claimant flows, June 2013.
7. Taylor M P, Pevalin DJ and Todd J 'The psychological costs of unsustainable housing commitments', Psychological Medicine Jan: 1-10, 2007.
8. Robinson E and Adams R, 'Housing stress and the mental health and wellbeing of families', AFRC Briefing No.12, Australian Family Relationships Clearinghouse, 2008.
9. Clery E, 'Welfare: Are tough times affecting attitudes to welfare', British Social Attitudes 29, NatCen Social Research 2012.
10. Jobseeker's Allowance claimant flows, June 2013.

We help over a million people a year struggling with bad housing or homelessness – and we campaign to prevent it in the first place.

We're here so no-one has to fight bad housing or homelessness on their own.

Please support us at shelter.org.uk

Until there's a home for everyone

Shelter
88 Old Street
London EC1V 9HU

0300 330 1234
shelter.org.uk

Shelter