

Shelter summary:

Gaps in the housing safety net

Shelter

Contents

- 3** Introduction
- 4** Definitions
- 5** Research methods
- 6** Research findings
- 7** Number of households falling through the housing safety net
- 10** Housing tenure of those falling through the housing safety net
- 11** Other characteristics of those falling through the housing safety net
- 13** Groups that are poorly supported by the housing safety net
- 14** Risk factors that are poorly covered by the housing safety net
- 15** Conclusions: Gaps in the housing safety net

This summary is based on research carried out by the University of St Andrews. The authors of that research are Donald Houston, Darja Reuschke, Albert Sabater, Keith Maynard and Norman Stewart.

Introduction

A growing number of people in the UK need a safety net to prevent them becoming homeless if they fall on tough times, for example losing their job or falling ill. Housing is increasingly unaffordable. Over the last decade, average wages have stayed the same while house prices have grown by over 50%.^{1,2}

As fewer people can afford to buy, the proportion of households living in the unstable private rented sector (PRS) has almost doubled and eviction by a private landlord is now the number one cause of homelessness in England.³ Many people have a 'personal safety net' such as family they can stay with or personal savings. However this support is patchy. Previous research by Shelter found that 4 in 10 working families do not have enough savings to cover their housing costs for more than one month if they lost their job.⁴

Successive governments have made changes to the housing safety net that have reduced its effectiveness and the number of people that can access support. There are 400,000 fewer social rented houses in the UK than 10 years ago and in the last five years the government has reduced the maximum amount of housing benefit paid to households in the private rented sector, reduced the amount of housing benefit

paid to social rented households judged to have extra bedrooms and reduced the maximum level of mortgage interest paid to out of work homeowners.

In addition there have been many changes to the UK housing market, the UK population and labour market since the housing safety net was last radically reformed. Similarly, there have been changes to the reasons that people need a safety net and how it can best support them. It is unclear whether the current UK housing safety net meets these new and arising needs.

Mindful of these trends, Shelter commissioned the University of St Andrews in 2014 to assess the gaps in the current housing safety net. This briefing provides a summary of this research.⁵ The research had three main objectives:

- To calculate the number of households falling through the safety net or at risk of falling through
- To profile the characteristics of those falling through or at risk of falling through
- To identify gaps in the housing safety net and to identify the main life-events that could cause people to fall through the safety net

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1. ONS, 13 February 2013. 'Real wages fall back to 2003 levels'. Available: <http://www.ons.gov.uk/ons/rel/mro/news-release/real-wages-fall-back-to-2003-levels/realearn0213.html>
 2. Table 577: Ratio of median house price to median earnings by district, from 1997, Live tables on housing market and house prices <https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices>
 3. Eviction by a private landlord is now the main cause of homelessness in England <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>
 4. Reynolds L., *The Clipped Wings Generation*, Shelter http://england.shelter.org.uk/_data/assets/pdf_file/0007/906820/2014_07_The_Clipped_Wing_Generation_FINAL.pdf
 5. The full research report is available in Shelter's Policy Library: shelter.org.uk

Definitions

Definition of the housing safety net

The 'housing safety net' is a term used to describe the range of government support available to help families access suitable housing and avoid homelessness.

This includes support to help families who have experienced a drop in income, support to help people with a long-term illness or disability and help for working households to cover high housing costs.

The research defined the housing safety net as made up of the following four components:

- Housing benefits (including housing benefit (HB), local housing allowance (LHA) and discretionary housing payments for renters and support for mortgage interest (SMI) for homeowners)
- Private mortgage payment protection insurance
- Social housing
- Homelessness prevention and alleviation policies

Defining households in need of the housing safety net

The housing safety net is designed to support households who are homeless, at risk of homelessness or badly affected by high housing costs. The housing safety net is required by different households for different reasons and has three broad functions:

Insurance. It aims to bridge people through a short-term drop in income, such as during a period of unemployment or underemployment.

Dignity. It aims to ensure a standard of living for people who are unable to earn their own income for a longer period of time. This could be due to sickness, disability, old age or caring responsibilities.

Compensation. It aims to provide a standard of living for working people but unable to meet their housing costs due to low or insecure wages or high housing costs.

Households in need of the safety net do not earn enough to cover their housing costs (whether due to a short-term drop in income, an inability to work, or cover housing costs). In order to identify households in need, the research identifies households that cannot afford their housing and who are unlikely to be in a position to move into housing that is more affordable. The research defines the safety net as working effectively when these households receive enough support to be able to afford their housing and basic household needs.

Defining households falling through the housing safety net

The research identifies two sets of households:

1. **Households 'falling through' the safety net.** Households in unaffordable housing who are in need of further support from the safety net as their income is not high enough to meet the household's basic needs. They may receive some support from the housing safety net, but not enough to be able to afford their housing and cover their basic expenses.⁶
2. **Households who are 'at risk of falling through' the safety net.** These are a broader set of households who are under pressure from unaffordable housing costs. They are currently managing to meet basic household needs on their current income. These households are 'at risk' of falling through the net as they are under pressure from high housing costs and a low income.

6. The research identifies support as inadequate if families receive no support (they fall through a gap in the net) or if they receive some support but still meet the definition (their fall is broken by the net but they still fall through it).

Research methods

The research identified households 'falling through the safety net' or 'at risk of falling through the housing safety net' through a literature review and analysis of national datasets: the Family Resources Survey and the survey of Households Below Average Income.

Households receiving support from the 'housing safety net' are defined in the research as people in social housing, households in private rented housing in receipt of local housing allowance and households in owner-occupation in receipt of support for mortgage interest. Data is from the financial year 2011/12.⁷ The research estimated the number of households in each group using the 2011 Census. All figures are for the UK. Further details are available in the full research report.

1. **Households 'falling through the housing safety net'.** Households in unaffordable housing who are in immediate need of further support. The research identifies these households using a three-part definition:
 - In unaffordable housing (housing costs more than 30% of income)
 - Most housing will be unaffordable to them (their income is less than 60% of the median income)
 - Struggling to meet basic household living costs (missing payments on one or more essential household bills)⁸
2. **Households 'falling through and at risk of falling through the housing safety net'.** Households paying unaffordable housing costs but currently managing to cover their basic household expenses. The research identifies these households using a two part definition:
 - In unaffordable housing (housing costs more than 30% of income)
 - Most housing will be unaffordable to them (income less than 60% median)

-
7. The report analyses data at three time points (2003-04, 2008-09 and 2011-12) from the Family Resources Survey (FRS), the Household Below Average Income (HBAI), and the Housing Benefits database from the Department for Work and Pensions (DWP) to examine the main characteristics of recipients of housing benefits (HBs) and support mortgage interest (SMI) including dimensions such as tenure, family composition, economic status, income and geographical distribution. All figures are UK.
 8. Behind with payments on one or more of the following items: electricity bill, gas bill, other fuel bills, council tax, insurance policies, telephone bill, television rental, other hire purchase payments.

Research findings

Households receiving support from the housing safety net

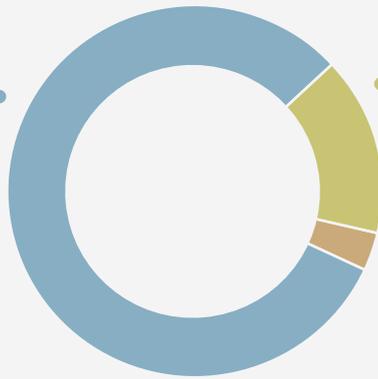
A quarter of all households in the UK receive some support from the housing safety net (6.4 million of 26.4 million households).

A greater proportion of households receiving housing support have one or more working adults than 10 years ago.

6.4 million households receive support from the safety net

5.2 million

receive support through rent subsidies in social housing



1.0 million

rent from a private landlord with support from LHA

200k

live in a home they own with support from SMI

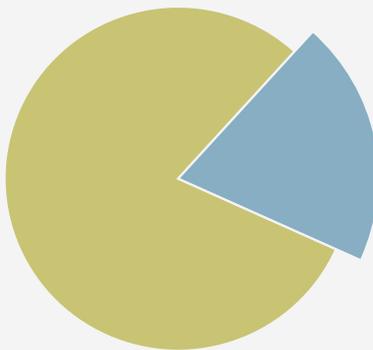
Number of households falling through the housing safety net

1 in 40 households in the UK fall through the housing safety net

625,000 households currently fall through the housing safety net. Of this number:

500k

households receive some support but remain in need



125k

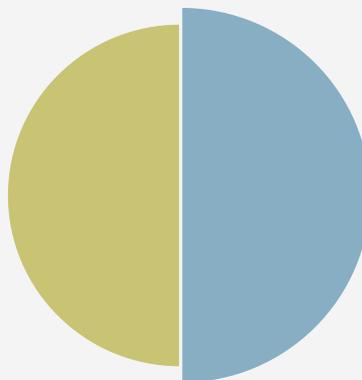
households receive no support

1 in 8 households in the UK are at risk of falling through the housing safety net.

3.4 million households are currently at risk of falling through the housing safety net. Of this number:

1.7 million

households receive some support but remain at risk



1.7 million

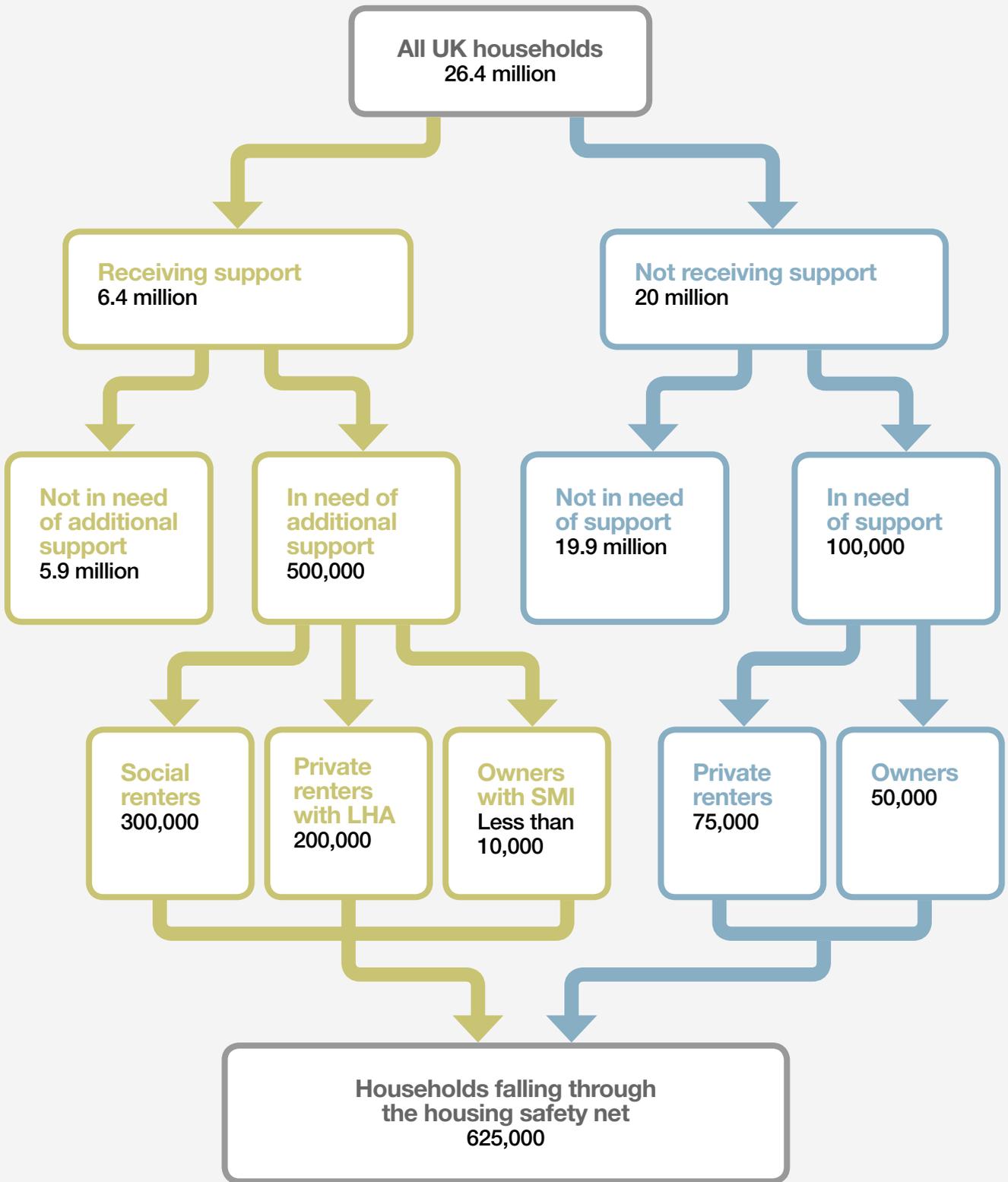
households receive no support

Of all the households in the UK one quarter are receiving some form of support from the housing safety net. Of those already receiving support almost 1 in 10 are in need of additional support and are failing to meet their basic living costs. Additionally there are 125,000 households who receive no support at all and are failing to meet their basic living costs. In total, there are 625,000 people who fall through the housing safety net and who are in need of additional support. For more information on these households, see page 8.

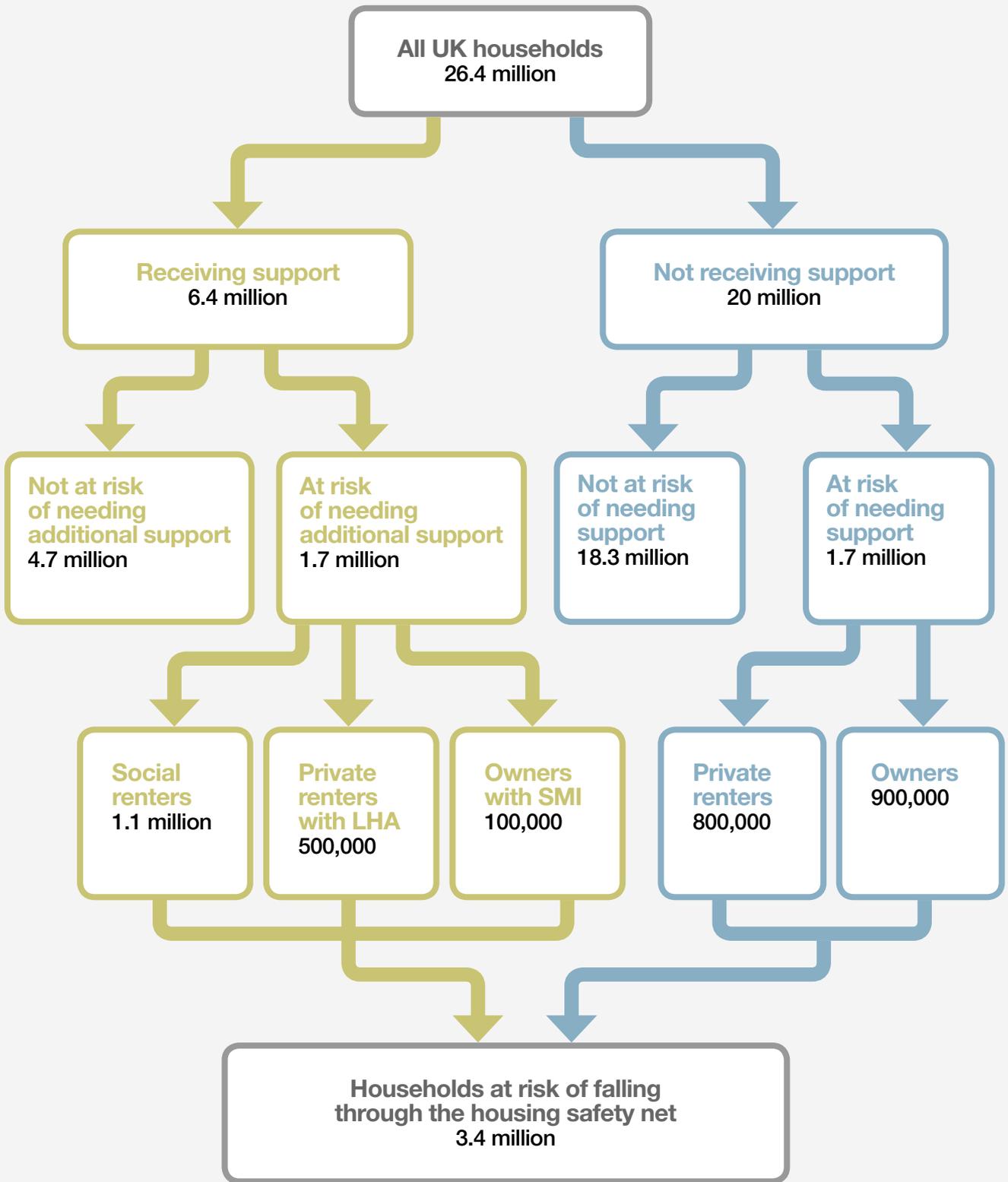
One in four (27%) of all households receiving help (1.7 million out of 6.4 million households) continue to pay unaffordable housing costs.

A further 1.7 million households are on a low income and pay unaffordable housing costs yet receive no support with their housing. For more information about these households, see page 9.

Households falling through the housing safety net



Households at risk of falling through the housing safety net



Source: 2011-12 Family Resources Survey breakdown, grossed to total households in 2011 Census of Population

Housing tenure of those falling through the safety net

Most households who are falling through the housing safety rent from a social or private landlord.

Households falling through the housing safety net (625,000 households):

- **300,000** are social renters
- **275,000** are private renters
- **50,000** are owner-occupiers

This is equivalent to:

- **1 in 18** social renters
- **1 in 13** private renters
- **1 in 95** owner-occupiers with a mortgage and **1 in 200** of all owner-occupiers

Households 'at risk' of falling through the housing safety net (3.4 million households):

- **1.1 million** are social renters
- **1.3 million** are private renters
- **1 million** are owner-occupiers

This is equivalent to:

- **1 in 5** social renters
- **1 in 3** private renters
- **1 in 10** owner-occupiers with a mortgage and **1 in 23** of all owner-occupiers

The safety net is frayed for private renters in particular. One in 13 private renters are falling through the safety net. One in three have high housing costs and low incomes and therefore at risk of falling through the safety net. This includes over half of private renters who receive some housing support.

Social housing is designed to be secure and affordable. However, the research shows that 1 in 18 social renters are falling through the housing safety net and 1 in 5 are at risk. Recent changes such as the removal of the spare room subsidy have affected the level of support provided to social housing tenants. The lack of security in the social rented and private rented sector mean that there are few secure homes for homeless families.

A smaller proportion of homeowners than renters are at risk of falling through the safety net. However, this is partly due to historically low interest rates and actions taken by lenders through the financial crisis. There are large gaps in the safety net for homeowners. There is limited government support available for homeowners, particularly working homeowners. The St Andrews research finds that private payment protection insurance provides limited protection to homeowners and that many households do not have this insurance.

Other characteristics of those falling through the housing safety net

It is not possible to identify whether the households outlined above are working, have children or live in a particular area. This is due to small sample sizes.

In order to explore this, further analysis is carried out on two other groups who may share characteristics with households falling through the safety net. These are all households paying unaffordable housing costs and households paying unaffordable housing costs and in financial difficulty (measured by whether they are missing essential household bills). The analysis is split between households receiving no support and households receiving some housing support (HB, LHA or SMI).

Work status

The housing safety net does not provide enough support for working people. Even households not receiving housing support where all adults work full time are not getting the support they need. One in 12 households where all adults work full time pay unaffordable housing costs. One in 10 of these households are missing essential bill payments suggesting that their housing costs are pushing them into financial difficulty. Even when households in work receive some support from the safety net, it is often not enough to help them meet their needs. One in seven (14%) claimants where all adults work full time still pay

unaffordable housing costs and almost a quarter (23%) of these households miss bill payments.

Workless households are the most likely to fall through the housing safety net. Nearly two-thirds (62%) of workless households who receive support have unaffordable housing costs.

Age

The housing safety net particularly misses out young people and people of working age. One in five households aged under 30 not receiving support pay unaffordable housing costs. This compares to less than 1 in 10 50–59-year-olds and 1 in 20 60–69-year-olds. Working-age benefit claimants are less likely to get the support they need from the housing safety net than retired people. Over a third of benefit claimants aged under 59 pay unaffordable housing costs. This compares to a sixth of those aged 70–79 years old.

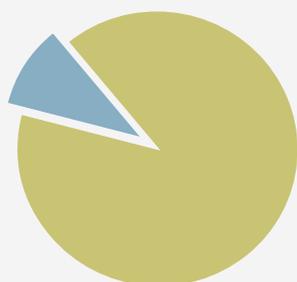
Location

The number of households falling through the housing safety net is likely to be higher in some areas than in others. London has the greatest proportion of households living in unaffordable housing. Almost a third (32%) of households live in unaffordable housing (over 30% of their income). One in eight (13%) households in London pay over 50% of their income on housing costs.

Family type

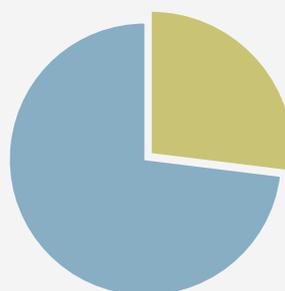
10%

couples with children not receiving housing benefits pay unaffordable housing costs



27%

couples with children receiving housing benefits have unaffordable housing costs



A substantial proportion of households with children do not receive the support they need. **One in 10 (10%) couples with children** not receiving housing benefits pay unaffordable housing costs and 1 in 10 of these families in unaffordable housing are missing bills. One in six (16%) one parent families not receiving housing benefits pay unaffordable housing costs. A quarter (24%) of one-parent families who pay unaffordable housing costs are missing bills.

Even when households with children receive some support, the level of support they receive is often not enough to meet their needs. Over a third of one-parent families (34%) on benefits have unaffordable housing costs and over a third of these families (40%) are missing essential bills. **Over a quarter (27%) of couples with children** on benefits have unaffordable housing costs and over a third (37%) of these families are missing essential bills.

Groups that are poorly supported by the housing safety net

Homeowners

The housing safety net provides very limited support to homeowners. Support for mortgage interest is currently the only benefit available to homeowners. It is only available for households claiming out-of-work benefits. Under universal credit, it is only available to households where all adults are out of work. Households are required to wait for 13 weeks before they receive any support and support is only available to cover interest payments up to a maximum of 3.63%. Research by the CAB and others have identified that groups paying mortgage interest that is higher than this are often people with long-term health problems or disabilities, families with dependent children and people aged 65 and over.⁹

Young people

Younger people always face difficulties accessing appropriate housing as they are newly entering into the housing market. A greater proportion of young people than other age groups are currently unemployed. Despite this, young people also have reduced eligibility to housing support. Single people aged under 35 in private rented accommodation are only eligible for housing benefit to cover a room in a shared property.

Households in insecure work or who are unemployed

Households who are self-employed or on variable or zero hours contracts are poorly protected. Most self-employed workers are not eligible for JSA if their business fails. Homeowners working different hours each month (such as freelancers or those on 'zero hours' contracts) are unlikely to qualify for support through SMI. Renters in this situation face long delays receiving benefits due to the need to constantly reassess their claims. Recent changes to the housing safety net particularly affect workless households.¹⁰

Households in an area with high and rising housing costs

People who live in areas where housing is becoming more expensive are increasingly not supported by the safety net. This is due to the capping of LHA rates, the overall benefit cap and the limits on benefit uprating. However, there are many reasons why low income households may need to stay in these areas rather than move away to a more affordable area. Housing costs are often higher near to areas with jobs. If people move away from areas with jobs in order to receive adequate support, they may struggle to find work and need the safety net for longer. If parents move away from family or friends who can offer childcare they may too struggle to find work.

Foreign nationals

Migrants from the European economic area (EEA) have limited access to housing related benefits. Migrants from outside of the EEA without permanent residence have limited access to any public funds.

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9. Pardoe A. (2012) *Falling Short – The case for abolishing the standard interest rate used to calculate support for mortgage interest*. Citizens Advice Bureau.
10. DWP - Department for Work and Pensions (2012a) Universal Credit Impact Assessment. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf (assessed on 15th April 2013)

Risk factors that are poorly covered by the housing safety net

Job loss

A common reason a household would need the safety net is if they lost their job. However, the housing safety net is particularly poor at supporting people in this situation. Previously, the newly unemployed got support for their full rent for 13 weeks. This gave them chance to find employment without getting into debt or needing to move at a time when they were focused on finding work. Now, private renters only get support equivalent to the rent of the bottom 30% of homes in an area. For many families there will be a shortfall between the support they get and their actual rent. Workless households may face further reductions to their income due to the overall benefit cap at a time when they are adjusting to losing their salary.

A drop in household income

The housing safety net is particularly poor at supporting homeowners who experience a drop in income for other reasons such as one adult reducing their working hours or a relationship ending leading to a family living on one income when they previously had two. SMI is only available for adults on out of work benefits (see above). Payment protection insurance may help homeowners if they face a drop in income because they lose their job or have an accident. However insurance plans rarely provide support if a homeowners income drops for another reason, for example if a relationship ends, leaving a family with only one income.

Rent or interest rate rises

Renters faced with an annual increase in rent may not see their benefits increased to cover their full rent as recent changes have capped the annual increase of LHA to below inflation. If future interest rate rises in the future are passed on to borrowers, homeowners on SMI may find that their interest payments are higher than the support they receive.

Conclusions: Gaps in the housing safety net

The housing safety net misses out many households in need

Of all the households in the United Kingdom one quarter are receiving some form of support from the housing safety net. Of those already receiving support almost 1 in 10 are in need of additional support and are failing to meet their basic living costs.¹¹ Additionally there are 125,000 households who receive no support at all and are failing to meet their basic living costs. In total there are 625,000 people who are in need of additional support. Further analysis suggests that many of these households will work and have children.

A wider group of 3.4 million households appear to be coping, however are under pressure with housing costs. Shelter research shows that many families are going to extreme lengths to cover their housing costs. Over a third of working parents are cutting back on food and 12% have sold their possessions in order to cover their housing costs. As housing gets more expensive, this broader group may be without the support they need to avoid spiralling into homelessness.

The housing safety net does not protect people experiencing some of the most common reasons for a drop in income

The housing safety net is poor at responding to sudden unemployment. Rather than provide additional support for households having to adjust to the large loss of income associated with the loss of a job, the housing safety net provides less support. The housing safety net does not provide support for homeowners facing everyday occurrences such as separating from a partner or a drop in income from reduced working hours.

The housing safety net does not meet the needs of households requiring support to 'compensate' them for high housing costs or 'insure' them against a short-term drop in income

The housing safety net does not provide enough support for households that rely on it for 'insurance' when they face a short-term drop in income. Many private renters who lose their job would have to move in order to receive enough support to cover their rent. This causes particular challenges for people at a time when they need to focus on getting back into work. Homeowners need to wait for 13 weeks before they are eligible for support from SMI.

The housing safety net also does not meet the needs of households needing it to 'compensate' them for low wages. The housing safety net is increasingly relied on for households in work. Yet the analysis found that a high proportion of full time workers including double income households, are in need of further support.

The housing safety net does not work for the groups that increasingly rely on it

The current housing safety net is designed to provide minimal assistance with housing costs, primarily with workless households in mind. It provides limited short-term assistance to those experiencing common events such as a temporary drop in income or separation. It provides limited support to the working poor who increasingly cannot afford adequate housing.

11. 'Three million working parents are cutting back on food to cover housing costs': www.shelter.org.uk

Shelter helps millions of people every 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

RH7100. Registered charity in England and Wales (263710) and in Scotland (SC002327)
To protect the identity of Shelter clients, names have been changed and models may have been used in photographs.

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