Until there’s a home for everyone

Bricks or benefits?

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Outline aims

• Examines balance of spending between investment in supply and demand-side subsidies
• Outlines rationale for spending decisions to date
• Explores impact of HB on individual’s work incentives
• Attempt to start debate about means of shifting balance of subsidy spending
Policy context

- Chancellor - £10b more in social security cuts
- HB likely to be continued target due to sheer size
- PM prepared for further v. radical cuts
- Public support for benefit cuts
- = HB is vulnerable
- Need to shift debate from narrow welfare reform to wider housing policy
The need for subsidy

• Will always be a group of people who are unable to meet own housing needs via the market
• Not a homogenous group and needs will vary
• Short-term financial safety nets may be best approach for some groups
• But how to reconcile long-term discrepancy between incomes and housing costs?
The balance of spending

- Since 1970s balance of spending tipped consistently in favour of demand-side subsidies
- Not a novel analysis
- Lead to shift towards use of PRS for low income households and increased costs in both sectors
Why the shift occurred

• Clear policy choice
  – No longer a “crude shortage” of supply
  – HB more efficient means of targeting those in need
  – Belief market would provide

• DEL/AME split
  – HB inflates as need and costs increase
Impact of policy choices

- 1.8 million households on waiting list
- Increasing proportion of HB spent in PRS – value for money?
- Increased overall cost
- BSHF analysis 2008-2010 alone:
  - 53% of HB £ increase caused by increased PRS caseload
  - 13% of HB £ increased caused by PRS rent rise
‘Fundamental dilemma’ of the PRS

- Prices necessary to attract landlords are not affordable for low income households
- Shelter: 55% of local authorities unaffordable to families on average incomes
- Cannot rely on bearing down on landlords to absorb cuts
Is work the solution?

• IPPR found poor relationship between HB spending and unemployment levels
• Increasing need for in-work HB:
  – Number of working claimants doubled since 2008
  – Proportion now 18% up from 10%
• High rents + low wages = continued need for HB
• Additional context of in-work conditionality
HB – the efficient choice?

- Increased understanding of the impact of HB on work incentives
- “Real life” picture is mixed but high rents and steep tapers detrimental
- Universal Credit/LHA cuts only partial solution
- Low rents = “leap the ditch of poverty in one bound”
After 40 years...

• Supply is insufficient across both private and social rented sectors
• Rents increasingly out of reach for low and middle income households
• Loss of political and public support for HB
• Households reliant on HB increasingly at risk
Making the case for supply

Vision:
- Reduced reliance on PRS for those who cannot independently afford market rents
- Reduced HB spend for those who need continued support
- Improved work incentives via lower rents

But huge political and economic barriers
- Affordable housing spend cut by > 60% in last spending review
- Long-term returns from reduced rents versus up-front costs of new investment
- Talking point: How to attract alternative forms of investment in supply