

Until there's a home for everyone

Bricks or benefits?

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Shelter

## 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
- Lose 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