The dog that didn’t bark? The homelessness consequences of UK economic recession and welfare reform

Hal Pawson, City Futures Research Centre, UNSW
Suzanne Fitzpatrick, Heriot Watt University, Edinburgh

Australasian Housing Researchers Conference, Hobart, 18-20 February 2015
Presentation overview

• Underpinning research project – summary details
• Homelessness causation and economic drivers
• Recent UK welfare reforms with potential implications for housing insecurity
• Published statutory homelessness trends
• Behind the statutory homelessness statistics
• Implications and conclusions
UK Homelessness Monitors project

• Independent study on homelessness impacts of UK post-GFC economic and policy developments
• 2011-2015 project led by Heriot Watt University, Edinburgh; funded by Crisis and Joseph Rowntree Foundation
• Focused on 4 sub-groups:
  a) rough sleepers
  b) single homeless people
  c) statutory homeless households
  d) hidden homeless
• Succession of published reports on England, Scotland, Wales and N Ireland
• Presentation draws on England report published Feb 2015
2014 research methods

1. Review of literature, legal and policy documents

2. Interviews with 22 key informants – primarily:
   - Local authority homelessness managers
   - Third sector homelessness service providers and advocacy groups

3. Statistical analysis:
   - Post-GFC economic and social trends
   - Trends in the 4 homeless groups

4. Online survey of local authorities
Homelessness causation

- Personal vulnerabilities (e.g. mental ill-health) expose individuals to greater homelessness risk
- But structural factors (e.g. economic conditions) drive aggregate scale of problem
- As demonstrated by early 1990s recession:
  - Labour market trends: lagged and diffuse impact; strongly mediated by welfare benefit provision
  - Housing market trends: more direct impact; rising not falling markets that are the main problem

UK economic output: the 5-year absence of economic expansion 2008-13

Source: Office for National Statistics
Post-2007 recession impacts on employment and home repossessions

- Only in 2013 did gross output exceed 2008 peak
- 5-year post-GFC doldrums - twice the length of equivalent 80s and 90s events
- But impacts on unemployment and home repossessions more muted
- Contributory factors included:
  - Very low interest rate environment
  - Labour market ‘flexibility’

![UK unemployment and home repossessions in last 2 recessions](chart)

Source: Office for National Statistics
• Huge housing stress generated by post-2007 US housing crisis
• 2007-2012 over 12.5 million homes subject to foreclosure
• Rates quadrupled and remained at peak level for >2 years to 2011
• Only in 2014 – after 7 years at high rates – did level return to long term norm

Source: Mortgage Bankers Association. Note: 2006-2014 figures relate to Q1 of each year. For earlier years the quarter cited varies.
Post-2010 ‘welfare reform’

- Benefit rates frozen/under-indexed
- Benefit entitlement rules tightened (e.g. ‘sanctions’ regime)
- Maximum benefit rates capped
- Estd gross impact by 2014/15 – expenditure £19bn less than counterfactual
- Emphasis on Housing Benefit cuts problematic for 5m HB-entitled renters
- Changes mainly phased in 2010-13
- Some consequences:
  - Sanctioned JSA claims up 35% to 900,000 pa 2010-2013
  - >900,000 people using foodbanks in 2013/14 – up 200% on previous year

Key post-2010 Housing Benefit ‘reforms’

- Private tenants
  - HB rates set at 30th percentile of local market rents instead of median
  - Annual up-rating disconnected from actual rent inflation
  - Age threshold for ‘single room rate’ raised from 26 to 35
  - HB cap
- Social renters
  - From 2013 - penalty deduction for ‘under-occupiers’ – a.k.a. ‘bedroom tax’
- All renters
  - Payments subject to increased ‘non-dependent deductions’
  - Total benefit cap
  - HB incorporation within UC from 2015 – end of HB rent direct to landlords
Recent housing market trends

- Rents initially dampened by GFC
- Subsequent market revival illustrated by above-inflation rent increases:
  - In London from 2010
  - In rest of England from 2013
- Poorer, benefit-reliant renters pressurised by competition from waged households

Source: ONS Index of Private Rental Housing prices
Rising social rental sector stress levels

- Social landlord possession actions rising from 2010
- By Q1 2014, up 42% on Q4 2010
- Benefit cuts likely to be prime driver, but Bedroom Tax impacts only just beginning

Source: Ministry of Justice statistics. Note: 2014 figure estimated on basis of Q1 data
Recent statutory homelessness trends

- Headline homelessness statistics relate to 1977 statutory framework
- Local authority responsibility for applicants assessed as:
  - Unintentionally homeless and
  - In priority need
- In 2013/14 some 52,000 households ‘accepted’
- Up 31% on 2009/10, but apparently past its peak
- The dog that didn’t bark?

Source: DCLG homelessness statistics
Growing emphasis on ‘prevention’ in LA homelessness practice ongoing since 2003

Positive interpretation:
- LAs more pro-active in assisting applicants avoid homelessness
- More emphasis on negotiation with private landlords, underwriting bonds, helping resolve family disputes etc

Also inflated % of applications handled ‘informally’ – not counted in statutory figs

Survey evidence confirms continuing trend post-2010

63% of LAs agreed stat h’lessness figures unreliable trend indicator for recent years

Whether increased 'prevention' emphasis post-2010

<table>
<thead>
<tr>
<th>Region</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of England</td>
<td>82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>England - all</td>
<td>81</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research team local authority survey 2014
Over half of LAs have chosen to adopt ‘Localism Act’ power to discharge duty in PRS

Ends expectation that ‘acceptance as homeless’ leads to social housing tenancy

“What [council name] did a year ago – and it’s had a big impact on our statutory homeless numbers – is that we adopted the … power to discharge duty with a single private rented offer. And just the threat of that in our housing options discussions with customers at an initial stage has been sufficient to divert even more families away from the statutory route.” (LA key informant, London, 2014)

Homeless applicants see that the result of formal claim may be no different from (no better than) accepting informal help at outset

Whether adopted ‘private rental discharge of duty’ power

<table>
<thead>
<tr>
<th></th>
<th>Already adopted</th>
<th>Likely to be adopted</th>
<th>Unsure/unlikely</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rest of England</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>England - all</td>
<td>55</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research team local authority survey 2014
Future prospects

- Recognising welfare reform phasing, most LAs believed greatest impacts still to come
- Likely to have been factoring in expectations on:
  - Rising social rental sector Bedroom Tax arrears/evictions
  - Possible rise in arrears due to end of ‘rent direct’ under Universal Credit
  - Growing competition for private rental esp. in London and the South pricing out benefit-reliant homeseekers

![Graph showing anticipated welfare reform impacts in next 2 years (from 2014)]

Source: Research team local authority survey 2014
• By comparison with US, GFC housing stress impacts more lagged
• Pushed up by coincidence of benefit cuts and rising housing market
• But far from peaking in 2012/13, UK homelessness has undoubtedly continued to grow
• Recorded post-2010 rising trend certainly understates true increase
• Illustrates weakness of monitoring homelessness via administrative record systems rather than survey-based measures
Increasingly, LA homelessness response taking place outwith statutory framework – 80% of workload now on ‘informal’ basis

PRS discharge of duty significantly weakens statutory homelessness safety net

Thanks to ‘localism’ a homeless person’s prospects of state assistance (and form of help) will be increasingly dependent on the vagaries of geography

UK approach to ‘managing homelessness’ increasingly convergent with Australia – emphasis on assisted access to (insecure) private rental

Reference: