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Housing and poverty: Conceptual links and practical implications

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Consider three households defined as ‘living in poverty’ because they all have the composition and the same low incomes....

One has a high quality, secure home in a convenient location, at a cost which leaves a good share of income for other expenses.

The other two have poor quality, insecure housing in a bad location, and housing costs take up a high proportion of their low income.

Despite identical incomes, the first household is clearly much better off in terms of living conditions, overall standard of living, and potentially, in life chances.

Most of the numerous concepts and measures of poverty cannot be entirely separated from housing circumstances, particularly from housing costs and housing quality.

Choices about how to deal with this interaction have important practical implications for housing and welfare policy:

- How many people are 'poor'
- Which individuals and social groups are 'poor'
- What interventions might work

The 'income' in income poverty

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Cash income

- employment, govt cash transfers *including housing allowances*, savings, investments, borrowing

And income in kind? (suggested in OECD 2011)

- goods and services, *including housing*, from family, friends, employers, voluntary organisations, the state

And negative income? (suggested in HM Government 2010)

- debt, *including housing debt*

And wealth and assets?

- Derived income or income equivalent, *including home owners' imputed rents and those of below-market renters*

Individual or household income?

- The household is where income is pooled for consumption (not necessarily equally or 'fairly')
- The household is where income is 'equivalised' to measure poverty
- Household re/formation affects pooling potential and equivalisation

Eg. Variation across the EU in older people's poverty risk is largely due to variations in the kinds of households they live in and the extent which they may share household income (Ward et al. 2009).

- Total income, 'disposable income' (income after tax), or 'discretionary income' (income after unavoidable expenses)?
- Are housing costs unavoidable expenses or discretionary expenses? Can we distinguish a non-discretionary element or minimum?
- What are 'housing costs': rent, mortgage, repairs, insurance – and move-in costs, utilities, transport necessitated by location...
- Housing allowances are not really discretionary income

Income poverty is often intended only as a proxy for material deprivation.

The home forms an important part of people's material standard of living. It acts as the setting for people's goods and the consumption of many services (Townsend 1987). It allows access to spatially located and/or varying services.

Many definitions of 'material deprivation' include housing dimensions:

Eg. damp-free home, a heated home, decent decoration, carpets and home insurance (Gordon et al. 2000).

Practical implications of conceptual links: Incidence of poverty (UK egs)

If you assess income after the conventional definition of 'housing costs:

- UK poverty rate 2010/11 rises from 16% to 21%, and extra 3m people are 'poor' (DWP 2011). This is 'housing cost induced poverty' (Stephens *et al.* 2010)

If you include some assessment of wealth:

- Total relative poverty would rise markedly, as wealth is far more unequally distributed than income. In 2006/07, those at the 90th percentile had 5x the equivalised income as the 10th percentile, but had 97x the wealth (Hills *et al.* 2010).

If you include imputed rents in income:

- UK home owners' post-tax income would rise by 9% on average (18% for outright owners and 6% for others) (Figari *et al.* 2012). Social tenants also receive imputed rents (Hills 2007)
- Total poverty would probably fall (Mullan *et al.* 2009, Figari *et al.* 2012).
- Net effect: Higher poverty

Practical implications: Composition of those in poverty (1)

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If you assess income after 'housing costs' :

- Proportion of those in poverty who are pensioners falls from 24% to 14% (DWP 2011)
- Proportion of home owners falls from 52% to 37% (DWP 2011)
- Proportion of renters, Londoners, ethnic minorities, single people, rises (Tunstall *et al.* 2013)

If you add owner occupier repairs, mortgage insurance costs, or mortgage capital repayments in 'housing costs' :

- Proportion of home owners would rise.

(2)

If you include imputed rents in income:

- Three quarters of pensioner poverty (before housing costs) would be removed, and younger people would form a higher proportion of those in poverty (Mullan *et al.* 2009)
- Proportion of home owners and social renters would probably fall.

If you focus on material deprivation instead of income poverty:

- Proportion of poor who are materially deprived is lower for home owners (DWP 2011)
- Net effect: more younger people and tenants among 'poor' people

Targetting:

UK Child Poverty Act 2010 targets are based on income before housing costs – they target very different (lower) numbers and individuals to those poor after housing costs

Variations discussed suggest taregetting younger people and tenants more

Design:

Poverty can be addressed through housing policy as well as income policy

Summary

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Those interested in poverty and material deprivation need to consider:

housing costs -

- and the wider costs of setting up and running a household, and also housing quality, housing location, the extent to which housing enables the creation of households which can pool resources, and the extent to which housing can provide income or material benefits directly.

Those interested in housing need to consider:

not just the material quality of housing and affordability as a ratio between income and housing costs –

but the impact of housing costs on residual income and expenditure, and the implications of housing for material deprivation and standards of living.

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Based on Tunstall, R; Bevan, M; Bradshaw, J; Croucher K; Duffy, S;
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The links between housing and poverty York, JRF

<http://www.jrf.org.uk/publications/housing-and-poverty-links>

Thanks for listening

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