

Housing, poverty and employment

Housing and the Economy: The crisis and beyond

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This presentation draws on Tunstall *et al.* (2013) *The links between housing and poverty* York, JRF

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

It is based on evidence from 2002-2012, and focusses on the UK

Contents

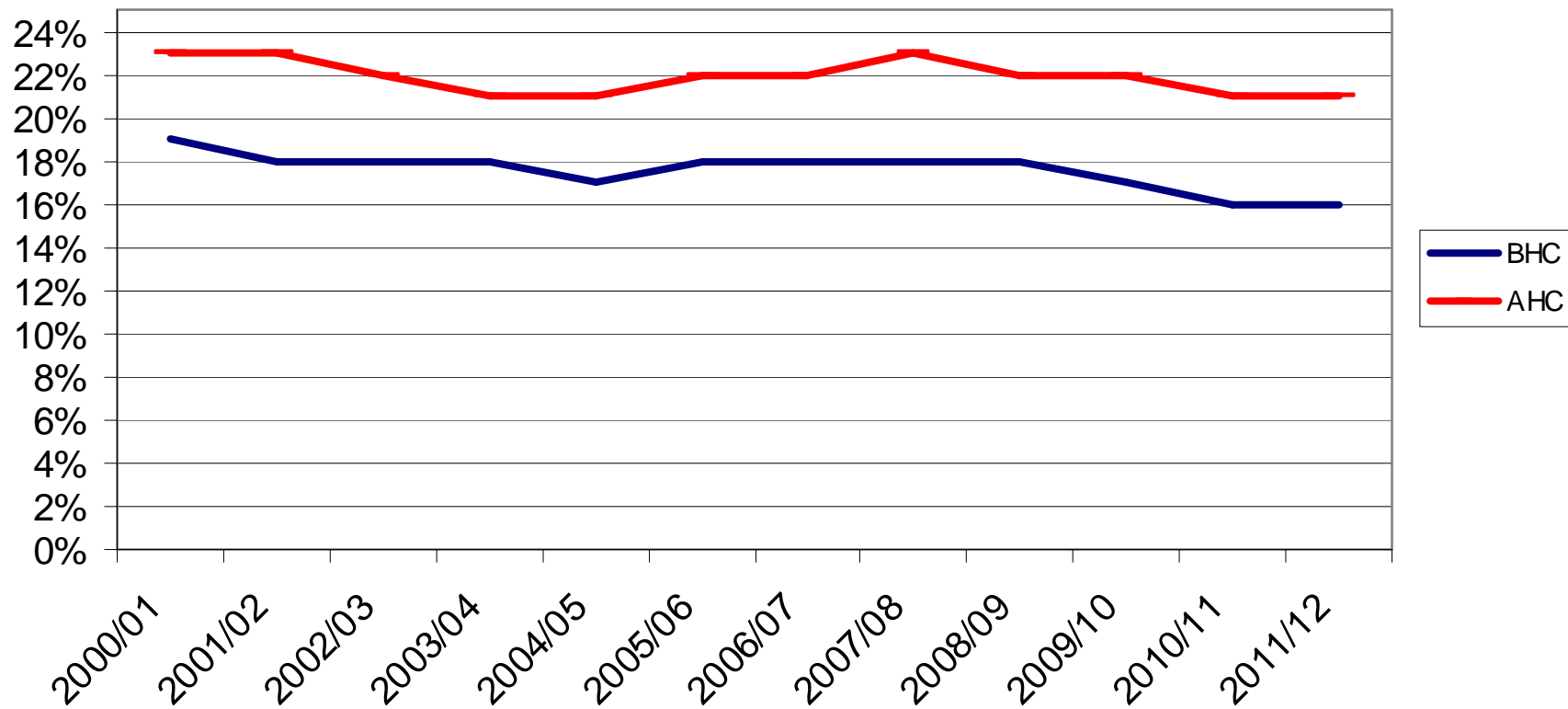
- I. Does poverty influence housing?
- II. Does housing influence poverty?
- III. Does housing influence employment?
- IV. Have relationships changed since 2008?

'Poverty'

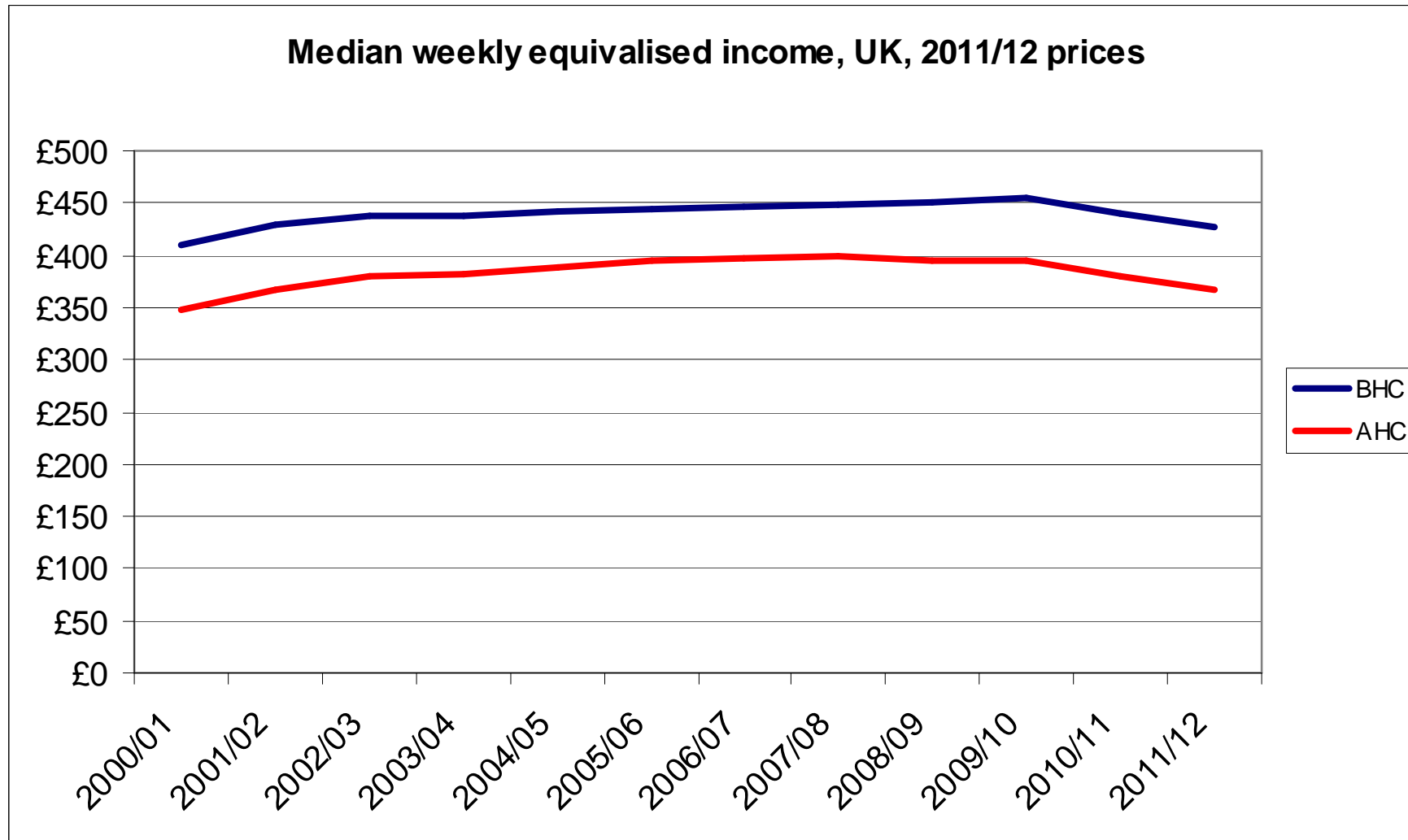
The most widely used definition of poverty in the UK and across Europe defines individuals as experiencing poverty if:

their household income is below 60 per cent of the national median, after taking into account the number of adults and children in the household.

Percentage of people living on under 60% of median equivalised income, UK



Median weekly equivalised income, UK, 2011/12 prices



Does poverty influence housing? *Theory*

In a market economy, poverty and low wealth prevent access to many potential housing options, or make them hard to sustain.

Evidence of impact of poverty on housing

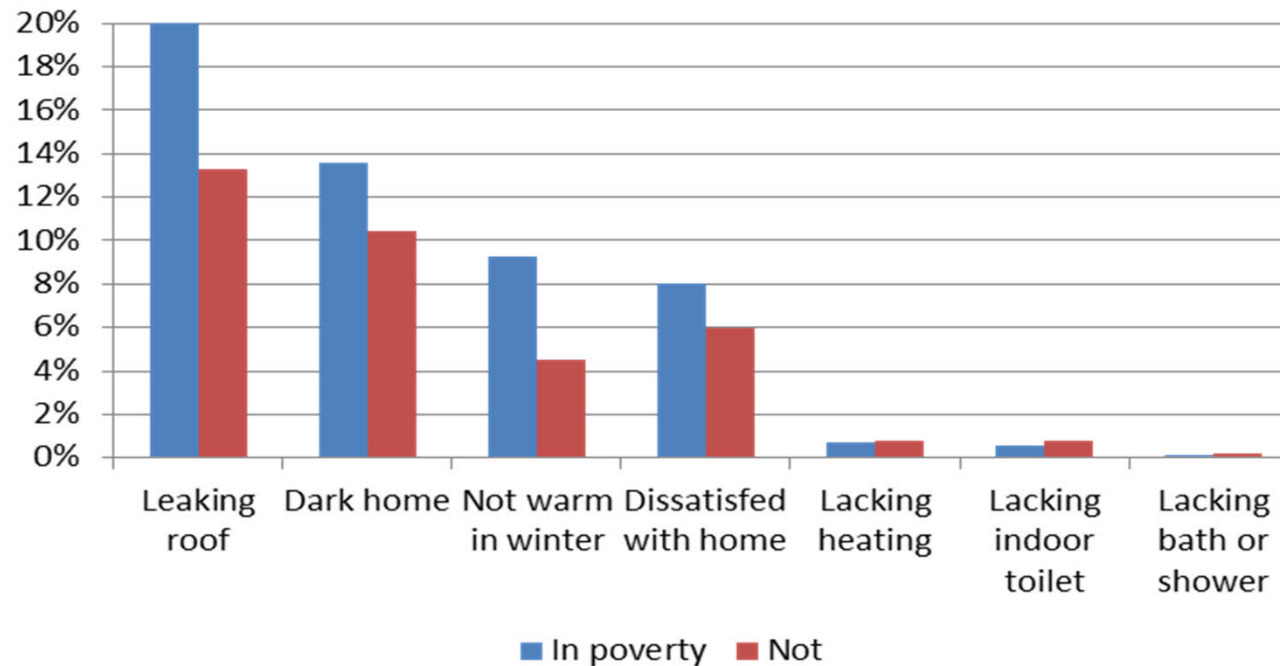
Relatively few sources covering housing conditions focus on people experiencing poverty specifically.

People living in poverty generally have less good, and less desirable, housing conditions than those with higher incomes.

However, they generally avoid bad housing conditions.

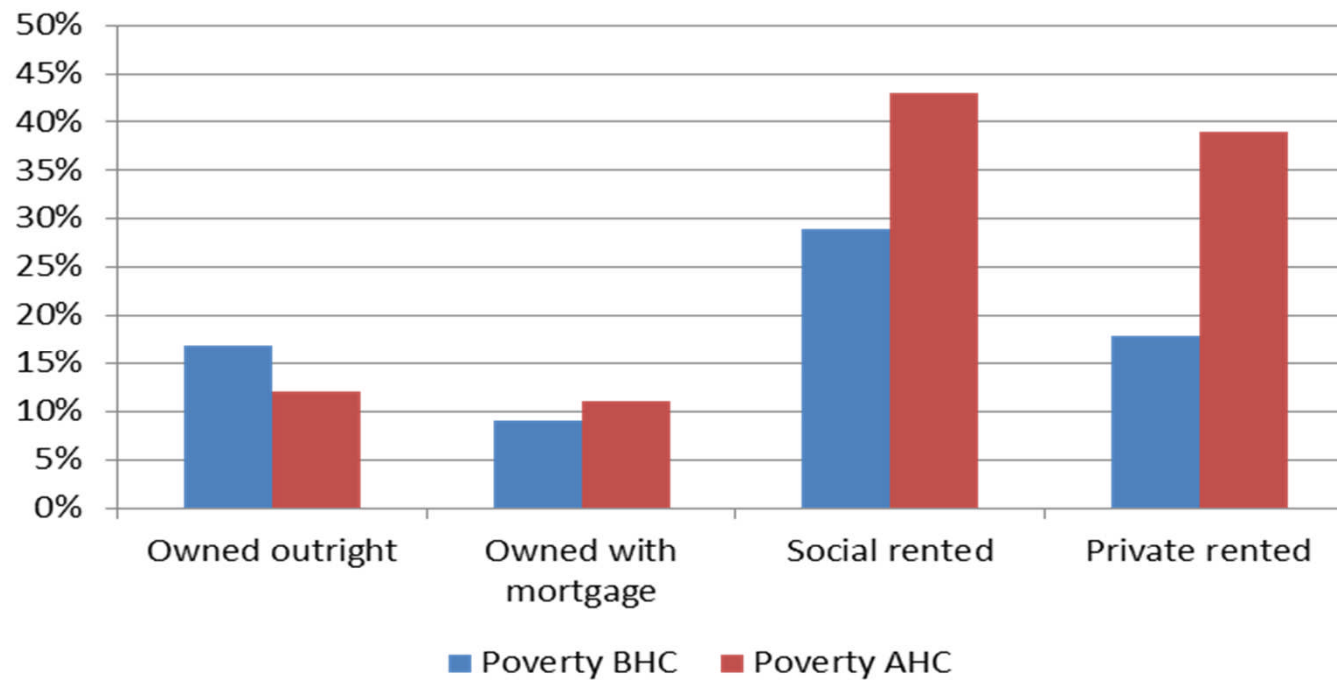
There are marked effects on tenure.

Housing quality problems of those in poverty and not in poverty, UK, 2008



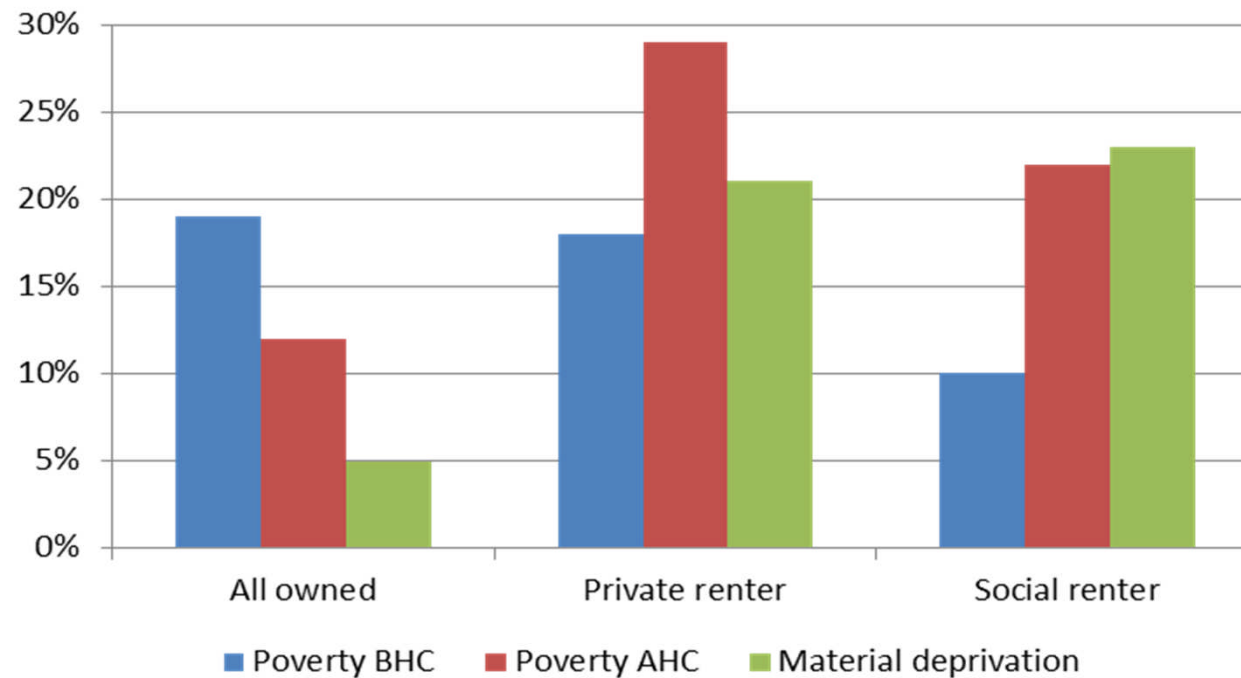
Source: Lelkes and Zolyoni, 2009

Poverty by housing tenure, UK, 2010/11



Source: DWP 2011

Poverty and deprivation by housing tenure, UK, 2010/11, pension age+



Source: DWP 2011

Thus: *'the housing system can do much to 'correct' for... poverty'*
(Stephens, *et al.*, 2010, p.4).

The UK housing system acts to reduce the link between poverty and poor housing circumstances: due to its:

- Relatively large (if much reduced) sub-market social housing sector
- Housing Benefit (relatively high total value, eligibility, take-up)
- Support for homeless households (unusually fully realised)

Berthoud, *et al.* found an '*exceptionally weak underlying relationship*' (2004, p.92) between income and housing deprivation in the UK, in contrast to other aspects of material deprivation.

There is an argument that the UK system reduces the link more effectively than in other parts of Europe (Bradshaw *et al.* 2008).

However, the safety net for homeowners is weak: in 2011/12 98% of state support to housing costs went to tenants, while home owners made up 37% of all those in poverty, even AHC (Pawson and Wilcox, 2012).

And now – the welfare and housing systems are changing.

II. Does housing influence poverty? Theories...

1. *Conceptual and definitional links*
2. *Impact of poor physical conditions on child development*
3. *Impact of housing cost on residual income and material deprivation (including influence of sub-market housing, HB, regional variations, state support for home owners)*
4. *Impact of home ownership and housing equity on poverty*
5. *Conceptual and definitional links*

II. 1. Conceptual and definitional links



The importance of definitions...

If you include imputed rents in 'income':

- UK home owners' post-tax income would rise by 9% on average (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).
- Three quarters of pensioner poverty (before housing costs) would be removed (Mullan *et al.* 2009)
- Proportion of home owners and social renters would probably fall

If you include some assessment of wealth:

- Total relative poverty would rise markedly, and proportion of renters would rise (Hills *et al.* 2010).

II. 2. Evidence of impact of poor physical conditions on child development

Few studies of housing improvements and health meet the very highest methodological standards (Thomson, *et al.*, 2001).

Few link physical conditions all the way to income and employment.

Nevertheless, the Marmot Review Team summarised the evidence as showing that poor quality or insecure housing may create the risk of poverty, and may exacerbate the effects of poverty on living standards and life chances (Marmot Review Team, 2011).

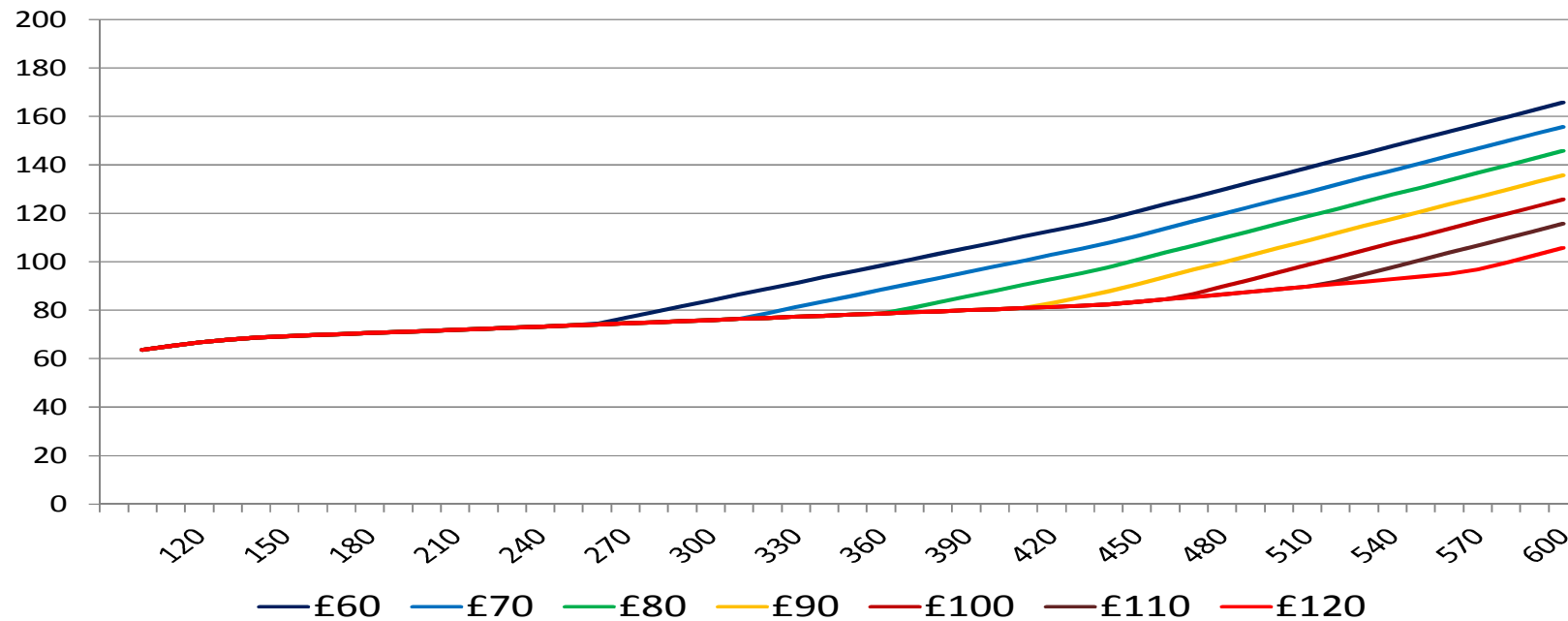
II. 3. Impact of housing cost on residual income

If you assess income after the conventional definition of 'housing costs' (AHC rather than BHC) UK poverty rate 2010/11 rises from 16% to 21%, and includes an extra 3m people (DWP 2011)

This is 'housing cost induced poverty' (Stephens *et al.* 2010)

AHC rather than BHC means 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)

Higher rents defer increases in disposable incomes



Based on tax and benefits in 2011/12

III. 4. Evidence of impact of home ownership and housing equity on poverty

Home-owners face markedly lower risk of material deprivation than poverty compared to those in other tenures. However, we cannot be sure it is the tenure itself that is responsible, rather than long-term income.

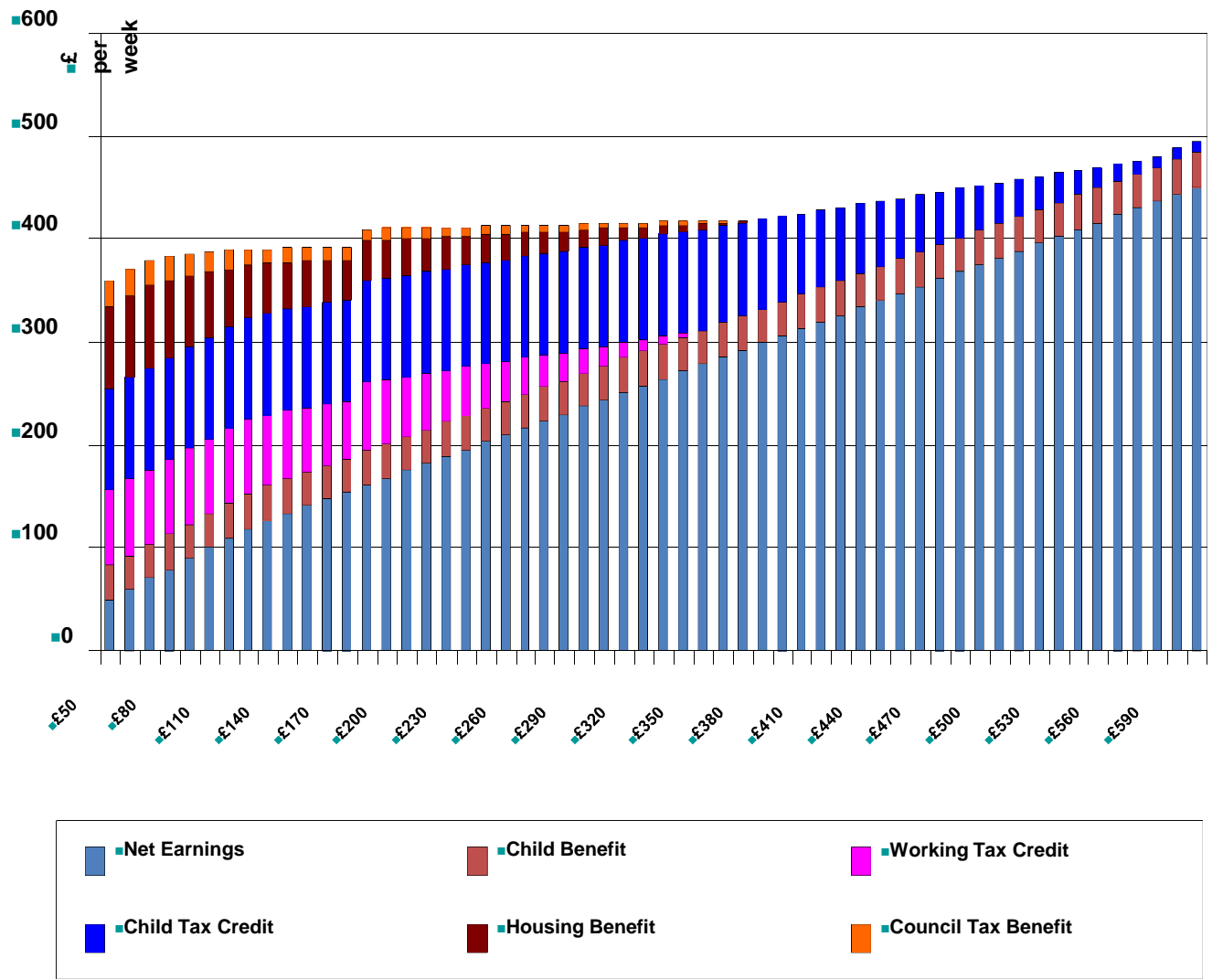
Home-owners' homes were worth an estimated £2.8tn in 2010 (Pawson and Wilcox, 2012). However, wealth is distributed 'far more unequally' than income: 87:1 compared to 5:1 90:10 ratio (Hills, *et al.*, 2010, p.205).

Housing equity and equity release have little effect on poverty because owners on the lowest incomes have least equity and often cannot release it.

III. Does housing influence employment? Theories...

1. *Impact of HB on financial work incentives and poverty trap*
2. *Impact of rent levels ditto*
3. *Impact of location of housing*
4. *Impact of building homes*
5. *Impact of social landlord services*
6. *Impact of ability to move home*
7. *Impact of settled housing for ex-homeless people*

III. 1/2. Impact of HB, rent levels on financial work incentives and poverty trap



III. Other impacts of housing on poverty

3. Impact of location of housing – potentially very significant
4. Impact of building homes - moderate
5. Impact of social landlord services – limited but positive
6. Impact of ability to move home – limited, NB affects both social renters and owners
7. Impact of settled housing for ex-homeless people – limited or nil

IV. Have relationships changed since 2008?

Limited evidence

Poverty – limited change in housing cost induced poverty to 2010/11 data – but benefit changes yet to show

Housing – continued decline in home ownership; relatively modest repossessions compared to past recession

Policy

- attempt to manipulate relationships between housing and employment for which there is substantial evidence eg poverty trap via Universal Credit
- and for which there is little evidence eg to increase social tenant mobility via size criteria, benefit cap
- Limited progress on building homes

Summary and conclusions

- I. Does poverty influence housing? Yes
- II. Does housing influence poverty? To some extent
- III. Does housing influence employment? Not much
- IV. Have relationships changed since 2008? Unclear

Some references

DWP (2011) *Households below average income*. London: DWP

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Consider three households defined as 'living in poverty' because they all have 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. Income poverty is sometimes intended only a proxy for these outcomes.

III. 1/2. Impact of HB, rent levels on financial work incentives and poverty trap

The principal financial 'work incentive' is the level of wages, rather than housing circumstances. The costs of work are also important.

However, low-cost housing, such as council and housing association housing, makes it easier to 'make work pay'.

While it has a positive impact on poverty and material living conditions, like some other benefits, Housing Benefit creates work disincentives and poverty traps. Universal Credit is likely to make a small reduction to the poverty trap effect, but interactions with other benefit changes may counteract this.

The size of the effect is not known.