

Welfare reform, tenure convergence and housing marginalisation in England

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Overview

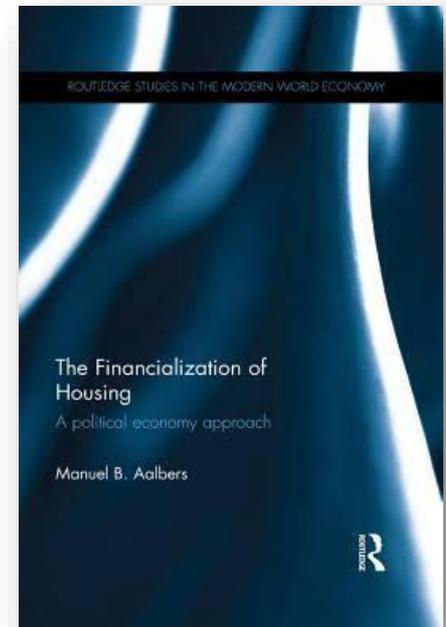
- **Commodification, financialisation and the neglect of the local**
- **Welfare reform in England**
- **Reform of Local Housing Allowance in PRS**
- **Tenure convergence and systemic marginalisation**
- **Direction of travel**

Housing commodification

- Commodification: subordination of the social use of housing to its economic value
- Contemporary housing crisis as ‘a conflict between housing as *home* and as *real estate*’ (Madden and Marcuse, 2016, p.4)
- Since GFC emphasis on political economy of global housing *system* – neglect of the local/national
- The impacts of the GFC varied by nation: ‘*The nature of this uneven process and the **mediating forces between national housing systems and external financial developments** remain under-theorized*’ (Aalbers, 2016, p.85).

Housing financialisation

- *‘the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households’ (Aalbers, 2016, p.2).*
- Housing & finance interdependent
- Drives house price inflation
- Housing drives “economic growth”
- Reliant on mortgages and debt
- Housing as capital accumulation
- High returns, short-termism



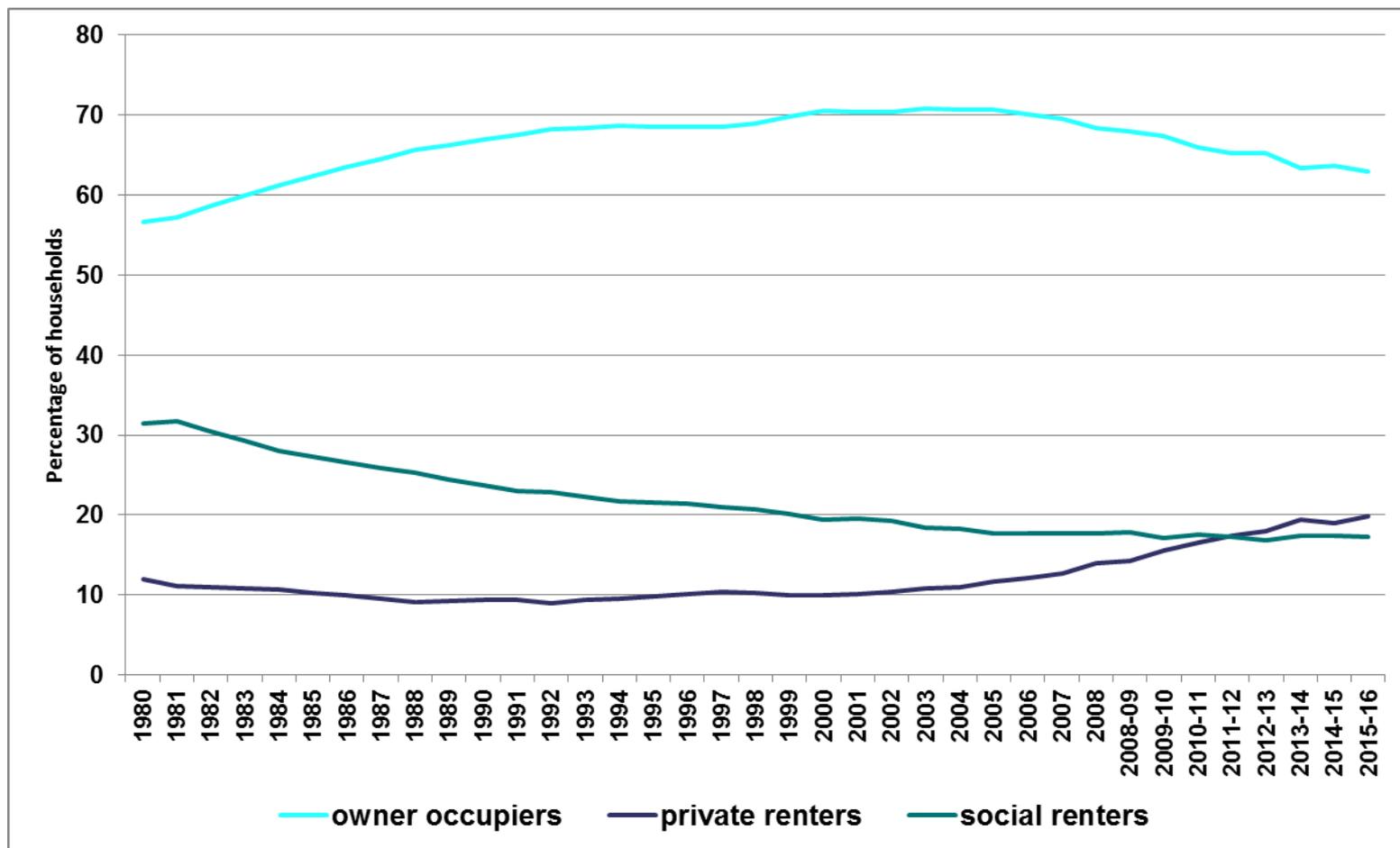
Financialisation as a “general mechanism”

- Financialisation of housing as the “*general mechanism*” through which the increasing interdependence of housing and finance can be analysed
- **Low interest rates (money is cheap):**
 - **Households:** expansion of mortgages; bigger mortgages
 - **Private landlords:** Buy-to-Let boom, new mortgages
 - **Developers:** high end housing, desirable locations; gentrification
 - **Private equity:** high quality collateral (HQC) e.g. social bonds
- more £££ in the system, the higher prices – Govt policy
- BUT...financialisation literature centred on sub-prime mortgage crisis; a few exceptions (Kemp, 2015; Fields, 2015; Fields and Uffer, 2016)

Financialisation and welfare restructuring

- *'The state is often the driver of financialization processes, for example by pushing families into housing debt, by enabling financial institutions to buy up subsidized housing, or by simply withdrawing from providing or regulating the housing sector and opening up the field to rent-seeking financial institutions'* (Aalbers, 2016, p.4)
- Need to focus on **interplay between financialisation and state policy**
 - Financial deregulation; RTB (SRS > O-O > PRS); 1988 Housing Act; ideology of homeownership; disinvestment in SRS → financialisation
 - B2L growth and reliance on PRS – tenants exposed to volatility/insecurity
 - Tenancies limited to 12 months by lenders
 - Direct Payments and responsabilisation of tenants – HA financing implications
 - HAs dependent on social housing bonds and derivatives....

Trends in tenure, England, 1980 to 2015-16



Sources:

1980 to 1991: DOE Labour Force Survey Housing Trailer

1992 to 2008: ONS Labour Force Survey

2008-09 onwards: English Housing Survey

The neglect of welfare reform

- Political economy approaches have neglected the actual impacts of welfare cuts
- Welfare state arrangements as a “filter of global structural pressures” (Aalbers, 2016) – accelerator in England?
- Complex interdependence between welfare reform (lack of entitlements) **and** housing financialisation provides for an understanding of contemporary housing marginality

Welfare reform central to British political and policy agendas

- **Welfare reform is not new - underway in previous Labour government**
 - A welfare state fit for 21st Century, 'rights and responsibilities', increased conditionality, making work pay
- **Coalition Government 2010-2015**
 - Major overhaul of welfare system, central to deficit reduction plan, job activation tool
 - Welfare reform synonymous with welfare cuts - **£14.5bn**
 - Housing Benefit tackled for the first time equate to **<20% of cuts**
- **Conservative Government 2015-2020/21**
 - Another major package of reforms - **£11.7bn**
 - More Housing Benefit reforms - **10% of cuts + £1.5bn SRS 4 yr 1% rent reduction**
 - Post-2016 change in rhetoric, but no change in reality

Reforms to Local Housing Allowance system for Housing Benefit in PRS

- **April 2011 for new tenants and on renewal plus 9 months transition for existing tenants**
 - LHA rates set at 30th percentile rather than the 50th
 - Caps LHA rates by property size and 4 bed limit
 - Abolition of £15 excess
- **January 2012**
 - Shared Accommodation Rate (SAR) for single people with no dependent children increased from aged under 25 to under 35
- **April 2013 link between lower end of market rents (30th percentile) and LHA rates broken**
 - Up rated by CPI from April 2013
 - 1% increase from 2014/15
 - Four year freeze in uprating of LHA rates from 2016/17
 - Targeted Affordability Fund for limited areas - by 4% in 2014/15, no uplift in 2015/16 and by 3% in 2016/17
- **Pre-2015 HB cuts fall primarily on PRS tenants £1.67bn a year by 2015/16 compared with £360m p.a. for SRS 'bedroom tax'**

Increased marginalisation due to Local Housing Allowance reforms in PRS

*'reduce the levels of rent met by Housing Benefit in expensive areas and apply downward pressure on expenditure more generally. Currently, people can pay high rents in some areas because of the availability of Housing Benefit. These changes will mean that **people on benefit cannot choose to live in properties that would be out of the reach of most people in work** and will result in a fairer and more sustainable Housing Benefit scheme. They will also begin to **address disincentives to work** in the current system created by high rates of benefit.'*

DWP Impact Assessment for LHA, 2010

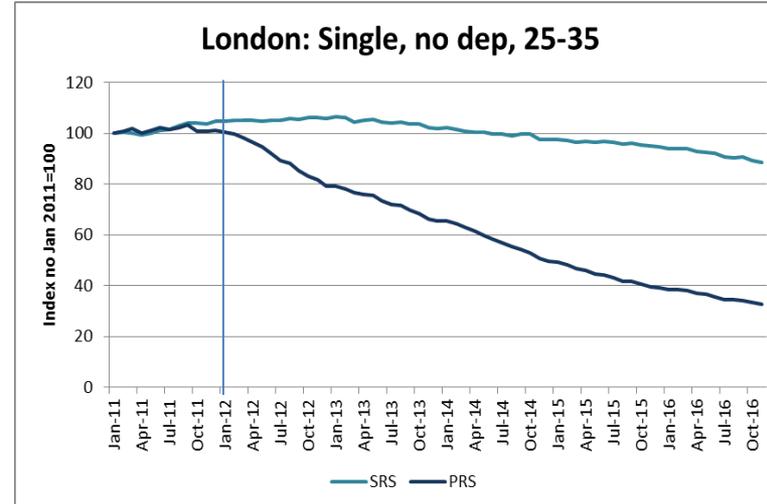
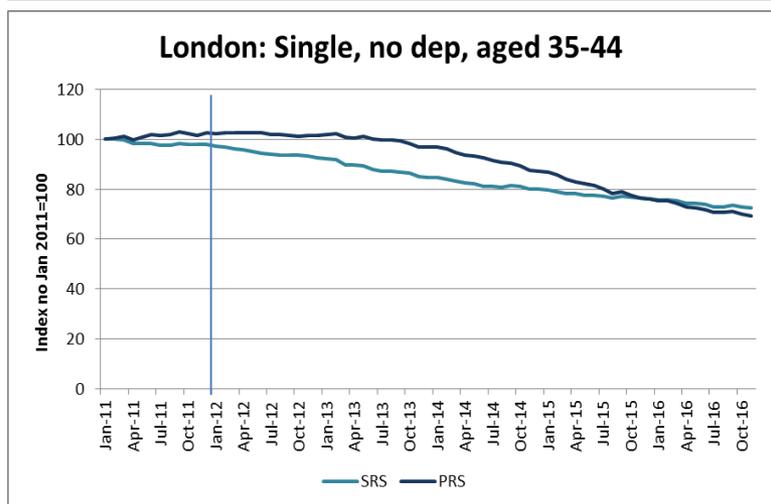
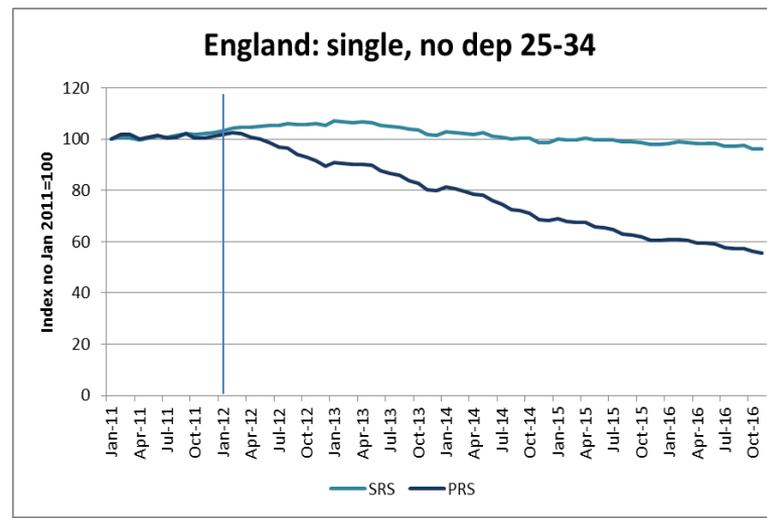
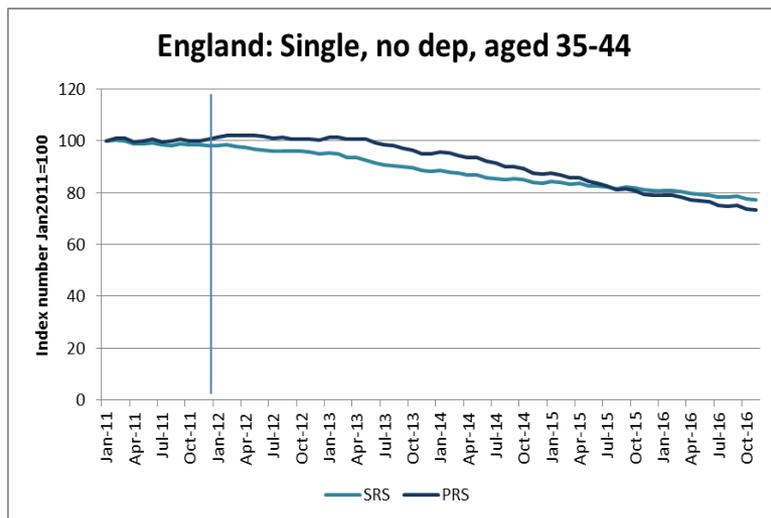
Spatial marginalisation: LHA rates 2017 relative to 30th percentile private market rents

	LHA RATE 2017				
	Room	1 Bed	2 Bed	3 Bed	4 Bed
Central London	£140.62	£260.64	£302.33	£354.46	£417.02
Inner North London	£102.09	£257.35	£302.33	£354.46	£417.02
Outer North London	£100.76	£260.64	£302.33	£354.46	£417.02
Barnsley	£ 58.08	£ 72.72	£ 87.41	£ 99.79	£136.93
Grimsby	£ 52.50	£ 75.00	£ 92.05	£ 99.04	£129.47
Sunderland	£ 46.35	£ 88.00	£ 97.81	£109.32	£138.08
	% difference from 30th percentile				
Central London	-18	-35	-45	-51	-58
Inner North London	-28	-16	-21	-29	-30
Outer North London	-20	-13	-11	-12	-11
Barnsley	-12	-12	-12	-21	-23
Grimsby	-16	-16	-16	-13	-10
Sunderland	-26	-17	-19	-17	-15

The marginalised: Young single claimants without children

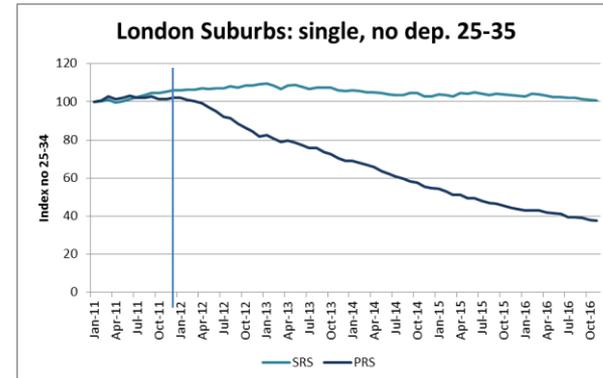
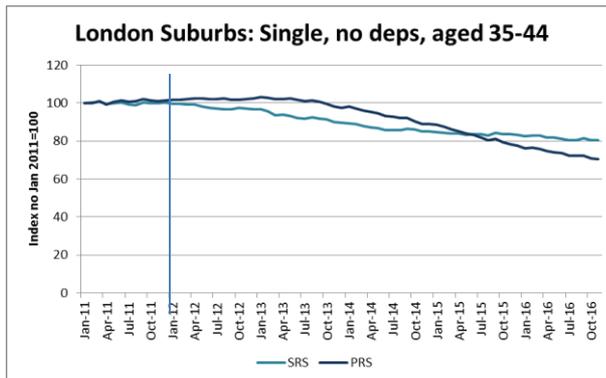
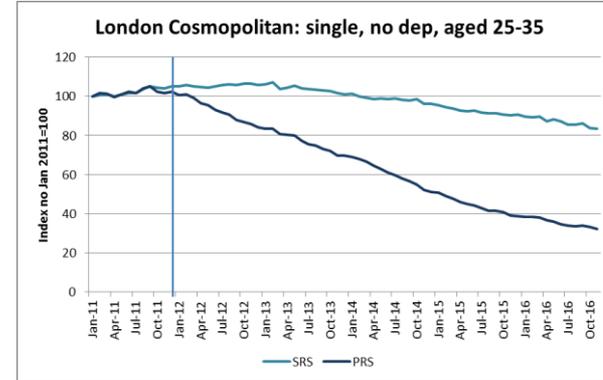
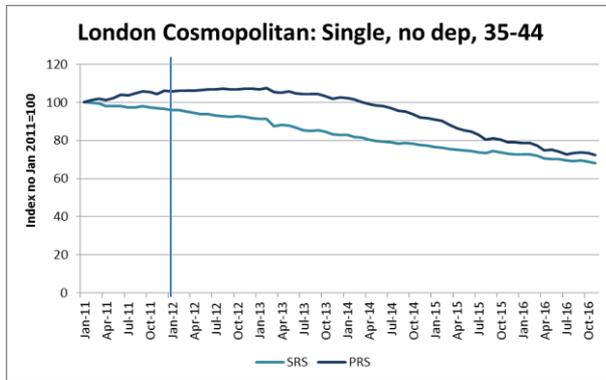
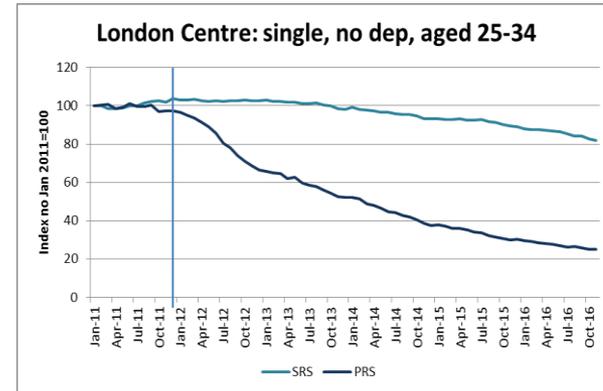
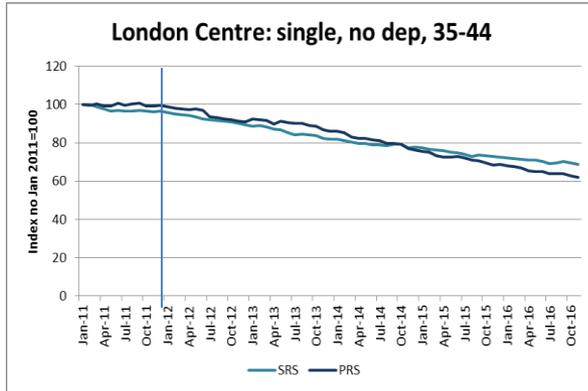
- All age groups in PRS affected by general LHA reforms - currently about 1.3m claimants
- BUT 25-34 only age group affected by increase in age limit for SARs
- 60,000 PRS HB claimants 25-34 single with no children (5% of all PRS HB and 1% of all PRS households)
- 140,000 SRS HB claimants <35 single with no children (5% of all SRS HB and 3% of all SRS households)

Sub-group marginalisation: 25-34 year olds with no kids

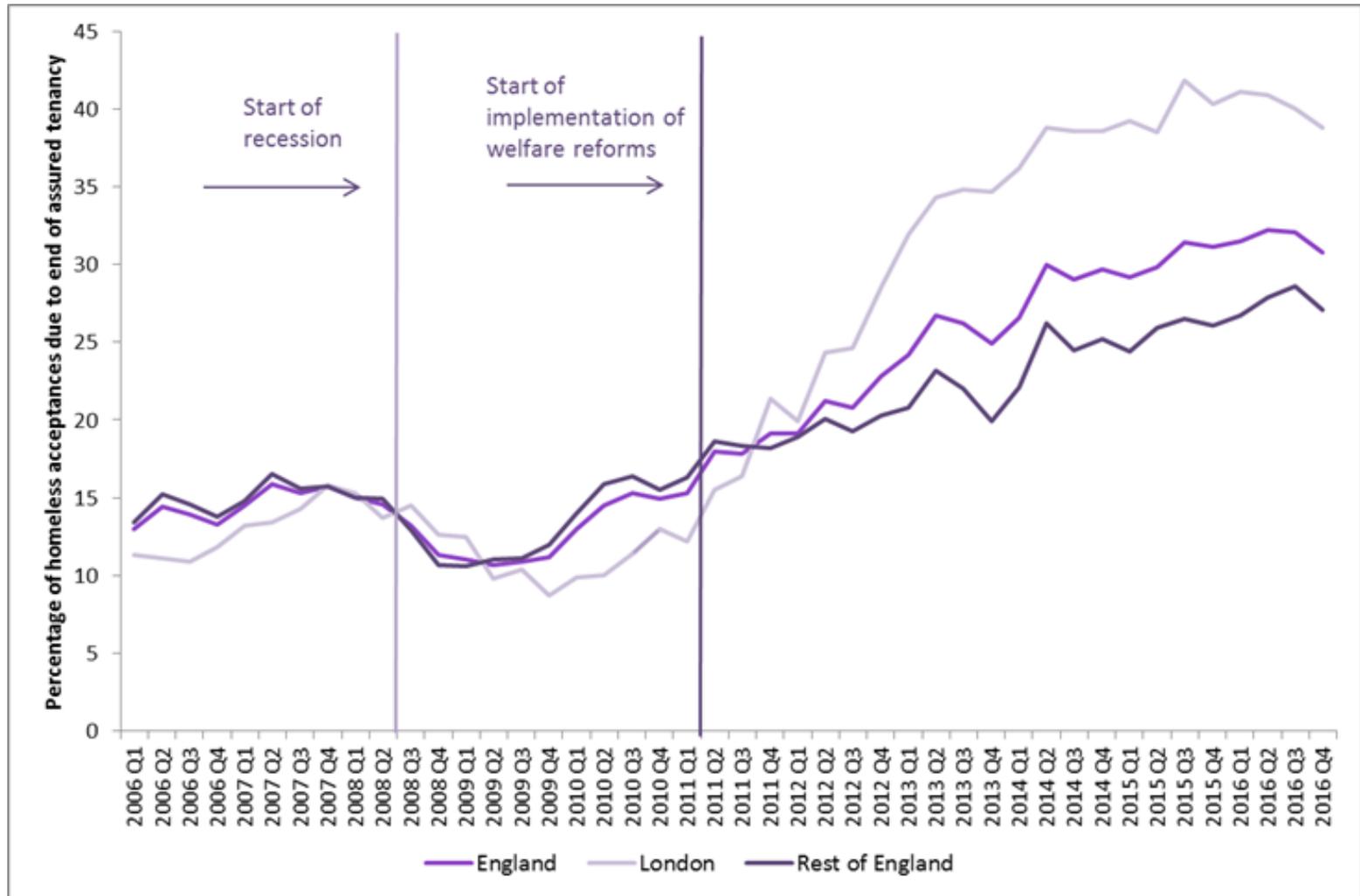


Sub-group marginalisation: 25-34 year olds with no kids

London Centre, London Cosmopolitan, London Suburbs

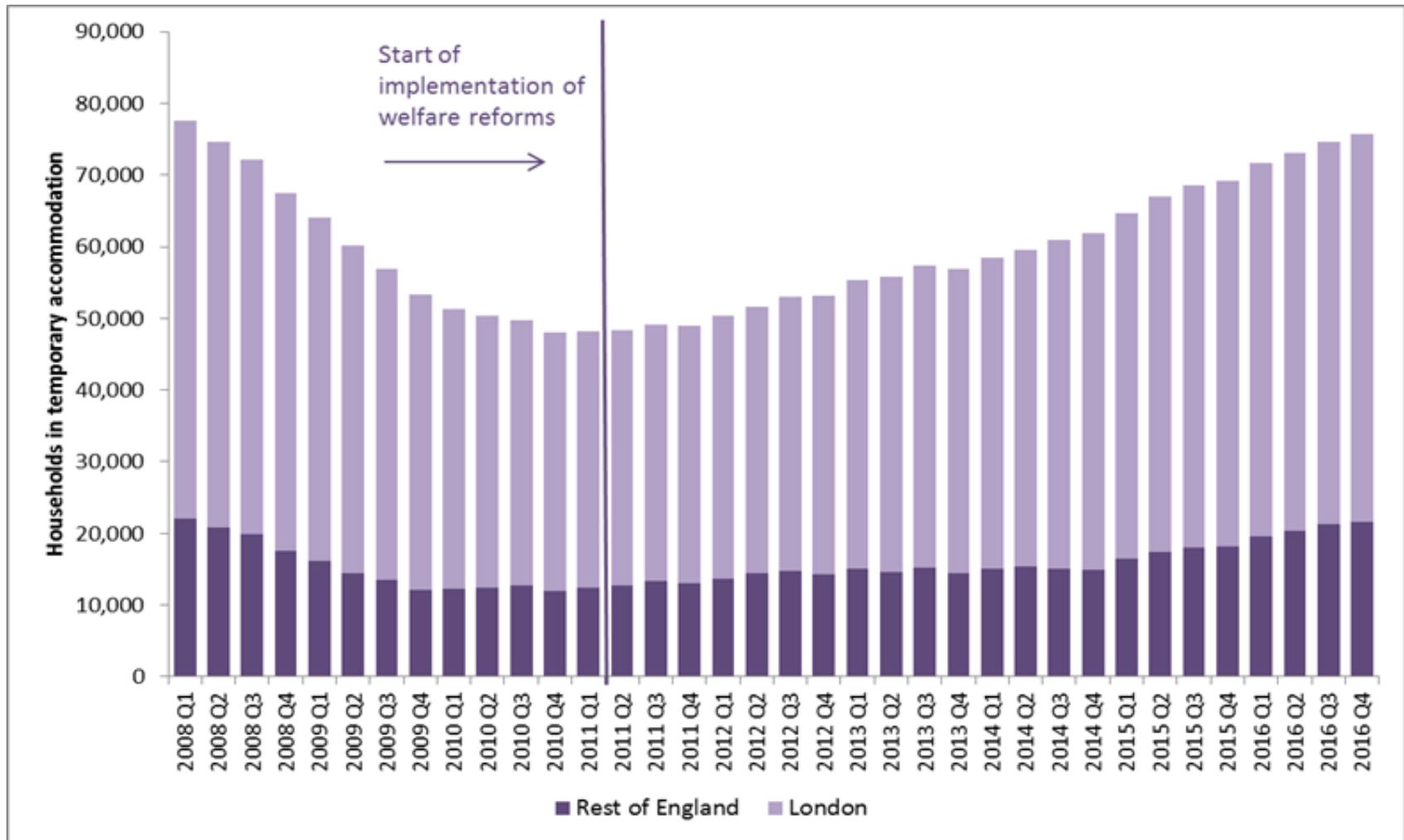


Homelessness due to non-renewal of assured tenancy



Source: Department of Communities and Local Government

Increase in temporary accommodation



Source: Department of Communities and Local Government

What next: Introduction of LHA in SRS, Benefit Cap, remove entitlement to 18-21 year olds

- **LHA Caps in SRS**
 - Caps payments in SRS by property size on basis of LHA rates
 - Shared Accommodation Rate in SRS for the first time (<35 yrs old)
 - Affects new tenants from 2016
 - But deductions won't come in until 2019
- **Supported Housing**
 - New LAD pot of funding for Supported Housing
 - No SARS for <35s
 - All claimants affected
- **Extension of Benefit Cap from November 2016**
 - London £23,000 (£15,410 if single, no dep children)
 - Outside London £20,000 (£13,440 if single, no dep children)
- **Remove automatic entitlement for 18-21 year olds from April 2017**

Risks for housing providers

- **Higher rent areas**
- **Higher costs of rent collection**
- **Reduced rental income for landlords**
 - LHA rates in PRS frozen 4 yrs and majority below 30th percentile
 - Housing providers have to reduce rents by 1% for 4 years
 - LHA system introduced in the SRS
 - introducing affordability checks, pre-tenancy screening
- **Mismatch in supply and demand of properties**
 - downsizing property size?
 - shared accommodation?
 - greater churn/voids?
 - need for different/more flexible tenancies
 - housing management costs?
 - knock on effect of LHA in SRS for <35 year olds and over 65 year olds?
 - displacement out of certain properties and areas?
- **Uncertainty around development plans**

Direction of travel?

- Global processes contributing to marginality are similar but **outcomes take multiple forms** (e.g. state policy)
- Housing financialisation (uneven process) and welfare cuts as key drivers of housing marginality today
 - Blurring of tenures
- English HAs are increasingly ‘entangled in a web of debt and derivatives’ (Aalbers, 2016, p.131)
- In order to understand marginalisation focus on:
 - spatial impacts
 - sub-groups - by age, household type, availability of housing supply (shared accommodation)

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