

# THE IMPACT OF WELFARE REFORM ON SOCIAL LANDLORDS AND TENANTS

Welfare reform was one of the early targets of drastic public spending cuts. This research examines the impact on two of the groups most directly affected: social landlords and their tenants.

## Key points

- Social housing tenants rely heavily on benefits, so they are particularly hard hit by welfare reform. More are out of work than in work.
- Reforms such as the Housing Benefit size criteria (also known as the 'under-occupancy charge', 'spare room subsidy' and the 'bedroom tax'), changes to Council Tax charges and benefit cuts are all changing the way social landlords relate to their tenants and how tenants manage. The benefits system is becoming tougher and tighter, with more sanctions, reclassifications, exclusions and suspensions of payments.
- Social housing tenants face rising costs and cuts in income whether they are in work or not. Food and energy are main areas of spending that tenants are cutting back on. High energy bills and debt are making energy saving advice and investment a priority in social housing.
- Tenants are experiencing poverty, anxiety, debt and health problems. Food banks are becoming essential. People rely on family and friends for help. Tenants and landlords expect evictions to rise.
- Tenants and social landlords are becoming more interdependent. There is more tenant training, advice on finances and more interaction between tenants and social landlords. Housing associations are refocussing on front line, face-to-face contact and community support.
- Having to focus on existing property and current tenants limits the capacity of housing associations to provide more homes. They increasingly exclude the poorest applicants from new lettings.
- Social landlords have doubts over whether Universal Credit will be implemented properly or have a positive impact. Tenants are worried about having to budget on monthly payments.

## The research

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APRIL 2014

# BACKGROUND

Welfare reform has been a major feature of recent government spending cuts. Concerns about escalating costs, combined with a drive to simplify the welfare system and encourage recipients into work, have resulted in significant changes to taxes and benefits. The system is becoming tougher and tighter, with more sanctions, reclassifications, exclusions and suspensions of payments.

As welfare reform takes effect, low-income tenants and social landlords – two of the groups most directly affected – become a barometer of its impact. The ripple effect in communities is huge.

## Main welfare reforms affecting social housing

**Housing Benefit size criteria:** Also known as the ‘under-occupancy charge’ and ‘bedroom tax’, this is the deduction of part of the rent subsidy from social housing tenants’ Housing Benefit for extra bedrooms. All housing associations are affected; most have developed ways to monitor these cases and most are restricting new lets in line with the Housing Benefit size criteria.

**Council Tax Benefit:** Changes to Council Tax Benefit vary depending on local authority. While housing associations are not monitoring Council Tax arrears, nine of the associations surveyed said local authorities issuing court summons affects rent arrears and requires additional benefits advice.

**Disability benefits:** Changes to disability benefits affect some housing associations, with specialist teams working with affected tenants to help with appeals and transition problems.

**Sanctions and suspensions of benefits:** Jobcentres are taking an increasingly tough approach to benefit claimants, with increased sanctions and suspensions of benefits contributing to financial pressure on tenants and social landlords having to provide more advice and support.

**Universal Credit:** All housing associations are preparing for Universal Credit, which will combine different benefits into a single monthly payment to the benefit recipient, but delays and uncertainty over its implementation are causing concern among housing associations and tenants alike.

**Overall benefit and rent caps:** New limits on total benefits and on the amount of rent eligible for Housing Benefit affect on tenants’ ability to pay rent, particularly in London and the South East.

## Social housing tenants and welfare reform

### Employment

Household unemployment was high among the tenants interviewed: 57 per cent of households had no-one in work. But many tenants were actively looking for work and most had spent most of their life in work. Those in employment tended to be in low-paid service jobs with short hours. Most liked their jobs, but were worried about cuts, job changes and falling incomes.

### Health

Ill-health was the most common barrier to work among social housing tenants, followed by lack of vacancies, low confidence, poor childcare options and other caring responsibilities. Over half of the social tenants interviewed were in ill-health or had a disability. Tenants and housing workers were concerned by the ‘heat or eat’ choices facing many households.

### Benefits

Whether in work or not, the vast majority (90 per cent) of tenants received some kind of income support, including Housing Benefit, Child Tax Credit and Working Tax Credit. Almost all tenants were

therefore affected by changes to benefits, most often Council Tax payments or the Housing Benefit size criteria. Around half had heard of Universal Credit, with the majority of these worried about budgeting on monthly payments. Low-income tenants can no longer count on guaranteed Housing Benefit for social housing or private tenancies.

Tenants generally accept budget cuts but are critical of how cuts are being implemented. Loss of face-to-face contact in jobcentres, benefit and council offices is making the system harder to navigate. Private contractors running eligibility assessments are unpopular and mistrusted; they have a profit incentive to re-assign people as fit for work. The 'digital by default' approach to accessing benefits is causing anxiety among tenants; one in five reported that they never use the internet.

### Coping strategies

Tenants are struggling financially and are worse off now than they were two years ago. Coping strategies include cutting back on food, heat and electricity, falling into debt, depleting savings and selling belongings. Many tenants borrow money from family and friends. Food banks are playing an increasing role in meeting emergency needs.

Hundreds of small-scale community initiatives are arising from the pressures of change. Tenants praise local organisations and charities for stepping into the breach and have constructive suggestions for what more could be done. Community representatives want more say in decisions about welfare reform.

Tenants also report a new approach from social landlords, with more front line staff equipped with portable technology to resolve problems on the doorstep. Tenants show resilience and skill in managing tiny amounts of money but recognise the need for financial advice, debt counselling and access to banking and credit unions.

## Social landlords and welfare reform

### Supporting tenants

Housing associations have increased personal contact with tenants to better understand and support them. Tenants who had previously been 'unseen' as their rents were paid directly to social landlords now urgently need support. There are serious concerns about poverty among tenants, with both tenants and landlords expecting evictions to rise.

Associations are providing information, advice on jobs and benefits, tackling fuel poverty and meeting crises through hardship funds and support for food banks. They increasingly advise tenants about juggling rent, Council Tax payments, and food and energy bills. Both government and housing associations have developed a stronger focus on work, training and skills. 'Housing Plus', a programme to help tenants and landlords beyond narrow housing services, is growing as associations realise the importance of wider community investment.

### Adapting to welfare reform

With their own finances under pressure and an increasing need to support tenants, social landlords are refocussing their resources on face-to-face contact and community support. There is a drive to transfer resources to the front line and make greater use of portable IT to allow staff to take immediate action. There is a clearer division between arrears enforcement and tenant support to ensure that rent arrears policies are being more rigidly enforced.

### Scrutiny of new tenants

To ensure viability, housing associations are intensifying scrutiny of new tenants' finances. Some of the poorest applicants (whether in work or not) are being rejected and told to apply elsewhere.

### Energy efficiency

All associations are clear that rising fuel costs are a cause of increasing poverty – this is not a new problem, but its impact has intensified since welfare reform began. Energy-saving advice and investment are growing priorities for social landlords.

## Future uncertainty

All housing associations are preparing for Universal Credit, but delays in implementation are damaging confidence. Associations are concerned that the Housing Benefit size criteria, alongside Council Tax Benefit reductions and other changes, undermine the advantages of Universal Credit.

Another looming problem is the time-limited nature of Discretionary Housing Payments, which are meant to help tenants affected by the Housing Benefit size criteria or other unexpected costs but do not provide a long-term solution for under occupying households with nowhere smaller to move to.

Pressures arising from welfare reform are raising doubts over future development plans. Housing associations are having to reconcile their own financial viability with their commitment to house low-income tenants and direct landlord responsibility towards existing tenants, particularly vulnerable groups and individuals. While housing associations have made far-reaching changes to prepare for and respond to welfare reform, the challenges are immense and it is unclear how they will cope with changes ahead.

## Conclusion

Welfare reform is hitting social landlords and their tenants extremely hard. Findings from the social housing sector reveal tensions between government rationale and unintended consequences of welfare reform. They also raise questions about basic living standards for social housing tenants, about who gets housed and what happens to the poorest if they are excluded from social housing. Three main conclusions emerge:

- Welfare reform may end up making tenants more, not less, dependent, and certainly more vulnerable. Cutbacks in support make people on low incomes, in work and out, more vulnerable to debt, risk of eviction and shortage of necessities, necessities, so they rely on food banks and other emergency support.
- The focus on existing property and current tenants limits housing associations' capacity to build more. They increasingly exclude the poorest applicants from new lettings, risking a rise in homelessness. Associations have to intensify tenant support to collect the rents on which their viability depends.
- It is possible that welfare reform will cost the government more as reliance on private renting grows due to social housing shortages, leading to higher housing benefit costs. Costs for extra support also go up for housing associations, councils, and tenants.

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## About the project

This research brings together findings from a national survey of 16 regionally-representative housing associations, a survey of 200 tenants in the South West of England, two residential think tanks with 100 tenant representatives from all regions of England and Wales and longitudinal research in London's low-income communities.

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

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ISSN 0958-3084

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