Press Release

Housing Benefit reductions for private tenants had little impact on rents; some recipients moved to cheaper homes

A package of cuts to Housing Benefit for about 900,000 tenants in the private rented sector has so far had little impact on average rents, but has affected the housing choices of some claimants. These are among the findings of new IFS research, published today by the Department for Work and Pensions as part of the independent evaluation of the reforms, which were phased in during 2011 and 2012.

The analysis looked at those claiming in January 2011 and followed them through to November 2013 – at least eleven months after their Housing Benefit was reduced. At that eleven-month point after being rolled onto the reformed system, key findings include:

- The reforms reduced potential Housing Benefit entitlements for the properties of those affected by an estimated average of £6.84 per week.
- The cash reduction was larger for groups with higher initial entitlements, such as claimants in London (£13.39 p/w) and lone parents (£8.43 p/w).
- If anything the reforms reduced contractual rents for affected claimants, by an estimated £0.79 per week on average. This implies that tenants incomes, after rent, fell by £6.06 a week, rather than the full £6.84. The research was not able to examine whether there was an increase in rent arrears.
- Some claimants responded to the reforms by moving house. Before the reforms, 2.2% of recipients moved house per month. The reforms led to a sizeable increase in this rate, of 0.5 percentage points.

Certain elements of the reform package affected only a subset of claimants. These claimants therefore tended to lose more Housing Benefit than others. There is also evidence of larger housing market adjustments in those cases.

- Most single childless individuals aged 25 to 34 are now eligible for Housing Benefit amounts based only on local rent levels for shared accommodation (rather than 1-bedroom self-contained accommodation). Of those not already in shared accommodation (6.9% of all recipients), about 13% moved into it in response to the reforms.
- Because they had large families, 0.8% of recipients were previously entitled to Housing Benefit amounts based on local rent levels in 5-bedroom properties, but are now entitled only to the 4-bedroom rate. There is some evidence that these claimants responded by moving to cheaper properties with fewer bedrooms.

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- For these two groups, which made up less than 8% of all recipients, about a third of the reduction in their Housing Benefit was effectively passed on to their landlords via reduced rental values.

- National Housing Benefit caps were introduced which bind in parts of inner London, contributing to recipients in London losing more Housing Benefit as a proportion of initial entitlements. Examining only claimants likely to be affected by these caps (2.4% of all recipients), we find that the reforms increased the likelihood of them moving out of the affected areas.

Robert Joyce, a senior research economist and an author of the report, said “Tenants don’t necessarily take the full impact of a cut to Housing Benefit: their landlords might end up sharing some of the pain via reduced rents. Nearly a year after entitlements were reduced, though, it seems that about 90% of that reduction was felt by tenants, on average. However, for some small groups where the reforms had a particularly sizeable effect, about a third of the reduction was felt by landlords via lower rents. The reforms also led some recipients to move house and many more 25 to 34 year olds ended up in shared accommodation.”

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Notes to Editors:


2. The independent research was conducted by a consortium led by the Centre for Regional Economic and Social Research at Sheffield Hallam University and also including the Blavatnik School of Government at the University of Oxford and IPSOS-MORI;

3. The reforms in question are to Local Housing Allowance (LHA) rules, which are used to calculate Housing Benefit entitlements for most private sector tenants. They are: setting LHA rates at the 30th percentile of local private sector rents rather than the median (50th percentile); removal of up to £15 per week over and above rent that claimants were entitled to if their rent was less than their LHA rate; abolition of the 5-bedroom LHA rate; national caps on LHA rates at £250, £250, £290, £340 and £400 per week for the shared accommodation, 1-bedroom, 2-bedroom, 3-bedroom and 4-bedroom rates respectively; and extension of the coverage of the Shared Accommodation Rate, to include most single adults without dependent children aged between 25 and 34 not living in shared accommodation.

4. The research did not look at the effects of reductions to Housing Benefit affecting some social housing tenants deemed to be “under-occupying” their homes, introduced in April 2013 (known as the “bedroom tax” by some and the “removal of the spare room subsidy” by others). It also did not consider the switch to CPI indexation of LHA rates in April 2013 and the 1% nominal uprating of LHA rates in April 2014 were not examined.