

UK Women's Budget Group (WBG) – Written evidence (UKH0046)

Introduction

The UK Women's Budget Group (WBG) welcomes the opportunity to contribute to this inquiry. We are an independent network of leading academic researchers, policy experts and campaigners that analyses the gendered impact of economic policy on different groups of women and men and promotes alternative policies for a gender equal economy. We have only answered the questions within the scope of our work. Our report on Rethinking Housing Supply and Design was referenced in responding to the questions in this inquiry, the full version of which can be found [here](#), as was our [housing briefing](#).

Summary

- Housing is fundamental to life, security, and wellbeing as well as tackling climate change and working towards a zero-carbon future.
- Women face specific challenges securing homes that are affordable and suitable for them and their families. This is a consequence of structural inequalities, including women's lower earnings from employment, due in large part to a disproportionate share of caring responsibilities
- The Government needs to commit to investing in social housing, building new, low carbon homes with guaranteed low rents. This would provide security for families and reduce the level of housing benefit, currently required to cover the cost of unaffordable private rents.

1. What is the current composition of the UK's housing sector? How is the sector structured in terms of private ownership, privately rented accommodation, and social housing?

There is a clear divide between asset-owning homeowners and people in private rented accommodation. This drives intergenerational inequality and regional imbalances in the UK. In the last few decades, house prices have increased significantly whilst wages have not kept up.

- In 1980, for example, the average working-age family spent one-tenth of its income on housing; today it spends one-fifth¹.
- This change is larger still for those in the private rented sector. In 1980, the average working-age family renting privately spent 12% of its income on housing; today it spends almost three times this amount (35%)².

The growing gap between wages and house prices has meant that housing affordability has severely decreased in the last two decades, with fewer families

¹ Tomlinson D (2019) Inequality Street ([Inequality-street.pdf \(resolutionfoundation.org\)](#))

² Ibid

are now able to own their own home. At the same time, the housing safety net has been eroded by successive governments through policies that have led to fewer social housing units, insecure conditions for people renting privately and social security cuts.

However, not everyone experienced the growing gap between their wages and house prices.

- Housing cost to income ratios (HCIRs) have increased fastest among those working-age families on the lowest incomes (in the bottom quintile), from 15 to 39 per cent between 1980 and 2017³.
- Women face specific challenges securing homes that are affordable and suitable for them and their families. This is a consequence of structural inequalities, including women's lower earnings from employment, due in large part to a disproportionate share of caring responsibilities.
- When it comes to buying a house, women need over 12 times their annual salaries to be able to buy a home in England, while men need just over eight times .

For those high-income households for whom housing is still affordable, the expectation of future price rises means many people now see property as an investment offering long-term financial security. So would-be home buyers are increasingly competing with speculative buyers, both wealthy overseas investors and asset-rich baby boomers⁴. The latter group are often buy-to-let landlords who use renting out property as a form of private pension. This scheme has been incentivised by low interest rates, cheaper mortgages and generous tax allowances but has done very little to incentive improving the housing situation. In June 2019, estimates suggest that up to 4.5 million people were living in buy-to-let properties in the UK⁵. Buy-to let landlords, who already own a profitable asset to use as collateral on the next deal, are well placed to outbid rivals in the pursuit of homes. This was, in part, why the Help to Buy scheme was introduced. However, it diverts focus onto the wrong area – people would not need Help to Buy if it were not so easy to buy-to-let.

In order to mitigate against small tremors in the housing market that can upset their finances, lenders often demand landlords offer tenants only six-month contracts. This is so that landlords can liquidate their assets at the earliest opportunity and pay back the bank. These short-term contracts cause big problems for tenants who are unable to plan for the future when they know they may have to move again after 6 months.

Social Housing

³ Ibid

⁴ New Economics Foundation (21 Apr 2016) 'The financialisation of UK homes' (<http://bit.ly/31eKmpm>)

⁵ Finder (February 2021) [Buy-to-let statistics - Finder UK](#)

The market has failed to deliver on a basic human right – to provide people with a place to live. Our housing system relies on different types of homes to buy and rent, of which social housing is a key part.

- There are about 1.5 million fewer social homes today than there were in 1980⁶
- Annual spending on housing benefit has more than doubled from £9 billion in 1991-92 to £21 billion now⁷

Not enough housing has been built to meet the country's needs and the failure to build social housing has caused issues throughout the system. These include:

- declining rates of home ownership
- a reliance on private housebuilding
- a negative impact on remaining social housing stock
- and strained communities and labour markets⁸

Policymakers tend to assume that increased housing supply will necessarily limit house prices increases, reduce affordability problems, and help disadvantaged groups⁹. However, new housing may have no effect on those on low incomes, including poorer women. They will not be able to live in most, if any, new housing¹⁰. For example, new house building in England and Wales between 1981 and 2011 did not result in extra space for the least-spaciously housed tenth of the population¹¹. Building new social housing, on the other hand, is more likely to ensure improved access to housing for disadvantaged people.

The housing crisis in this country will continue until more social homes are built. This will mean more people will become stuck in unaffordable, overcrowded, insecure housing – especially women, families, and older people¹².

Failure of Existing Policy

Local Housing Allowance (LHA) rates determine the maximum amount of Housing Benefit that a private renter can claim to help them pay their rent. In the past, Housing Benefit met all the rent of those on low incomes. The number of social renters on Housing Benefit whose rent is fully covered by the benefit has fallen from 70% in 2010-12 to 50% in 2020¹³. Prior to Covid-19, 38% of renting households received Housing Benefit: 57% of social housing and 20% of

⁶ Ibid

⁷ Ibid

⁸ Shelter ([The story of social housing - Shelter England](#))

⁹ Joseph Rowntree Foundation (2017) Tackling poverty through housing and planning policy in city regions (<http://bit.ly/2A7EiVi>)

¹⁰ Ibid

¹¹ Tunstall, R. (2015) 'Relative housing space inequality in England and Wales, and its recent rapid resurgence', International Journal of Housing Policy (<http://bit.ly/2zRmxGY>) 58 Tunstall, R. (2016) 'Housing', pp.1

¹² Shelter ([The story of social housing - Shelter England](#))

¹³ Affordable Housing Commission (July 2020) Making Housing Affordable After Covid-19 (<https://bit.ly/3iqNsyU>)

private renters¹⁴. Renting households (social or private) were more likely to struggle to pay their housing costs; 28% compared to 5% of homeowners paying a mortgage¹⁵.

From its introduction in 2008 to 2011, LHA was based on the 50th percentile of local rented accommodation. In 2012, LHA rates were cut to the 30th percentile of local private rents among non-housing benefit recipients. From 2012 to 2016 LHA rates were updated in line with the Consumer Prices Index (CPI) rather than in line with actual rents, and in 2016 they were frozen (falling in real terms). Recent reforms, such as the changes to LHAs, have broken the link between rent and benefit levels, creating a large group of people facing shortfalls¹⁶.

In March responding to the Covid-19 crisis, the government updated the LHA for Housing Benefit to match the 30th percentile of local housing rents. However, Shelter estimates that almost 2 million of those claiming Universal Credit are still struggling to pay their rent despite the additional benefit¹⁷ It is calling on the government to remove the benefit cap and raise it to match the 50th percentile of rents¹⁸. These changes are likely to disproportionately affect women as they are more likely than men to be in receipt of Housing Benefit - 60% of adults in households claiming Housing Benefit are women¹⁹. In addition, 30% of households claiming Housing Benefit are women living on their own and another 22% are single mothers²⁰. The Government needs to restore the link between LHA and actual rental prices, raise LHA to the 50th percentile : LHA needs to be raised to ensure the most vulnerable are protected.

Additionally, the current punitive aspects of other welfare reform particularly the end of the 'spare-room subsidy' or 'bedroom tax', has led to high levels of hardship, debt and rent arrears and has the most damaging impact on women, BAME communities and the disabled.²¹

Recent Treasury interventions have done little to improve the situation not only for women but for most people across the country. In fact, policies set out in the Spring Budget represent money spent on the wrong thing – they will only compound the UK's housing crisis, driving up house prices and making it harder to address the issues faced by people in poverty.

¹⁴ MHCLG (2020) English Housing Survey: Housing Costs and Affordability 2018-19 (<https://bit.ly/35oXsVp>)

¹⁵ MHCLG (2020) English Housing Survey: Housing Costs and Affordability 2018-19 (<https://bit.ly/35oXsVp>)

¹⁶ Joseph Rowntree Foundation (2015) How do landlords address poverty? (<http://bit.ly/2j7SAKO>)

¹⁷ BBC (May 2020) Coronavirus: Private renters need more help to 'ride out crisis' (<https://bbc.in/2ZsLxSP>)

¹⁸ Shelter (March 2020) New LHA rates: what do they mean? (<https://bit.ly/32gf1VQ>)

¹⁹ Assuming couple household claimants include an equal total number of men and women) Department of Work and Pensions (2017) Housing Benefit Caseload Statistics: Data to May 2018

²⁰ WBG (2021) Housing, gender and Covid-19 [Housing-gender-and-Covid-19.pdf \(wbg.org.uk\)](#)

²¹ Gibb (2015) 'The multiple policy failures of the UK bedroom tax', International Journal of Housing Policy, 15.2, 148-166; UKWBG

The Mortgage Guarantee Scheme whereby first-time buyers can apply for 95% mortgages risks burdening buyers with more debt as well as inflating the housing market. The scheme overlooks the fact that, even with access to more capital, most buyers cannot save at the rate required to buy a home. In Greater Manchester for example, house prices have increased 35 per cent in the past 5 years. High private sector rents are a big factor in making saving difficult for most people – and also mean that in some areas 40% of tenants need state help to pay their monthly housing bills .

2. What can be done to ensure there is a good balance of new homes where they are needed across the UK?

To meet the UK's housing needs, high-quality social housing needs to be built in the areas that need new homes. When housing development is left to the private sector, homes are only built in areas where they will sell not necessarily where they are needed.

The Government must act now to improve the quality of UK homes to reduce greenhouse gas emissions and to safeguard our health and wellbeing as the climate changes. This requires creating high- quality, resilient new homes, and retrofitting existing homes, with the lowest carbon output. As well as designing and building homes, a low-carbon approach to town planning is also essential to respond to the climate crisis. For example, a low carbon neighbourhood plan embeds ambitious climate change mitigation and adaptation policies within it like remodelling town centres to improve the environment for pedestrians and cyclists, as well as investing in affordable public transport links to disincentive the use of private vehicles.

House prices rocketed in the last couple of decades and wages have not followed suit. Social housing property numbers have dwindled. This has resulted in a lack of affordable homes for everyone.

The following areas could all be part of a transformed housing and land provision for the housing we need:

Regulating the private-rented sector: security of tenure should be guaranteed with an end to no-fault evictions combined with a policy that controls rent increases. Housing conditions should also be rigorously monitored and enforced, with both support and sanctions for landlords to ensure housing provision that is safe and decent.

Expanding forms of collective ownership: The UK has a long tradition of mutual aid and cooperatives, as well as a growing number of land trusts and co-housing developments. These withdraw land from the speculative market to put control into community hands, supporting the development of community cohesion and mutual support. Some of the basic forms include:

Housing Co-operatives – although all are tenant owned and managed to some degree, these can include a wide range of hybrid forms where this ownership

and management sits exclusively with residents, is shared with a council or social housing provider, or contracted out to a third party.

Co-housing – a model emerging from Scandinavia where 20-30 families come together to form an intentional community, living in private units but sharing some areas like a kitchen, workspace, or gardens in common.

Developing a housing budget that is an investment in a physical asset rather than a subsidy to a landlord: While some level of housing benefit paid to private or social landlords would need to be continued for many current private renters and those with the lowest incomes, housing budget should ideally return primarily to be investment in acquiring and building social housing,²² with rents ideally set at levels that do not exceed 25-33% of household income or that of the lowest income quartile in an area.²³

Creating more social housing through estate regeneration, not less: All estates should be understood as public assets and preserved as such, with more work done to explore how other municipal buildings can be converted into quality social housing. Local councils have sold an estimated 12,000 public spaces to private developers between 2014/15 and 2019—many to be converted into luxury flats rather than much needed social housing—bringing in £9.1 billion used to plug gaps in austerity budgets.²⁴

Recommendations:

Central government should invest in social housing.

We fully support the recommendation from Shelter's commission on the future of social housing for the government to deliver 3.1 million more social homes within 20 years²⁵. This will ensure that the benefits of the housing safety net are more widely distributed, while saving the government billions of pounds in housing benefit paid to private landlords²⁶.

²² Shelter (2012) *Bricks or Benefits? Rebalancing Housing Investment* <https://bit.ly/3wpr5kp>

²³ Affordable Housing Commission (2019) *Defining and Measuring Housing Affordability: An Alternative Approach* <https://bit.ly/3zbFiDf>

²⁴ Davies et al, 'Revealed: The Thousands of Public Spaces Lost to the Council Funding Crisis' <https://bit.ly/3cwPmNw>

²⁵ Shelter (2019) *Building for our future: A vision for social housing* (<http://bit.ly/2E1ce6o>)

²⁶ The programme is estimated to pay for itself in 39 years, and to cost £3.8bn a year (after savings in benefits and tax increases are considered). The Resolution Foundation has calculated that social housing investment should pay for itself by housing benefit savings after 23 years.

The government should make it easier for local authorities to build and invest in housing.

Scrapping the Housing Revenue Account borrowing cap is a good place to start to make sure that councils can invest in social housing to fulfil their homelessness statutory duties and local housing strategies.

Central government funding pots for housing should be streamlined.

This would reduce administrative costs for resource-strapped local authorities while making sure funding is efficiently accessed and used.

Cuts to local government funding need to be reversed and deprivation included in funding formula. Local government funding needs to be urgently restored to a level which enables councils to meet their statutory obligations and also provide the preventive, non-statutory services which are vital to the wellbeing of everyone. This should come from national taxation and central government to avoid a rise in regional inequality.

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