Housing and poverty: Causal links, conceptual links and practical implications

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Studies reported

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3) Becky Tunstall, Deborah Quilgars, Karen Croucher, Darren Baxter, Jenny Roe – *The dynamics of housing and poverty (project building on the above)* JRF, 2015-17

4) Jo Swaffield, Caz Snell, Jonathan Bradshaw, Becky Tunstall – *Sustainable pathways out of in-work poverty (project on the introduction of the Living Wage by several employers in York)*, ESRC, 2014-15
Summary of empirical evidence on housing-poverty relationships

1. Does poverty influence housing? Yes
2. Does housing influence poverty? To some extent
3. Does housing influence employment? Not much
Does poverty influence housing?

Theory: In capitalist society with market allocation, must do.

However, 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.
- There are marked effects on tenure.
- However, people in poverty generally avoid bad housing conditions.
Thus:
'The housing system can do much to ‘correct’ for… poverty' (Stephens, et al., 2010, p.4).
Berthoud, et al. found an ‘exceptionally weak underlying relationship’ (2004, p.92) between income housing deprivation in the UK, in contrast to other aspects of material deprivation.

The UK housing system acts to reduce the link between poverty and poor housing circumstances -
1. Relatively large (if much reduced) sub-market social housing sector
2. Housing Benefit (relatively high total value, eligibility, take-up)
3. Support for homeless households (unusually fully realised)
   - possibly 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 (Pawson and Wilcox, 2012). And – the welfare and housing systems have changed.
Does housing influence poverty?

Theory: causally, via child/human capital development (health, education, opportunities); as asset/source of income/risk taking/security...

Focus today: Via concepts and measures...
Consider three households defined as ‘living in poverty’ because they all have the same composition and 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.
Conceptual links

Most of the numerous concepts and measures of poverty cannot be entirely separated from housing circumstances, particularly from housing costs and housing quality.

Choices about how to deal with this interaction have important practical implications for housing and welfare policy:
- How many people are ‘poor’?
- Which individuals and social groups are ‘poor’?
- What interventions might work to reduce poverty or its effects?
The ‘income’ in income poverty

Cash income
– employment, govt cash transfers *including housing allowances*, savings, investments, borrowing

And income **in kind**? (suggested in OECD 2011)
– goods and services, *including housing*, from family, friends, employers, voluntary organisations, the state
And negative income? (suggested in HM Government 2010)
– debt, *including housing debt*

And wealth and assets?
- Derived income or income equivalent, *including home owners’ imputed rents and those of below-market renters*
Housing and income

Individual or household income?

- The household is where income is pooled for consumption (not necessarily equally or ‘fairly’)
- The household is where income is ‘equivalised’ to measure poverty
- Household re/formation affects pooling potential and equivalisation

Eg. Variation across the EU in older people’s poverty risk is largely due to variations in the kinds of households they live in and the extent which they may share household income (Ward et al. 2009).

Likelihood that individuals on sub-Living Wage pay in York are in poverty is strongly influenced by the size and nature of their household (fc)
Housing costs and income

- Total income, ‘disposable income’ (income after tax), or ‘discretionary income’ (income after unavoidable expenses)?
- Are housing costs unavoidable expenses or discretionary expenses? Can we distinguish a non-discretionary element or minimum?
- What are ‘housing costs: rent, mortgage, repairs, insurance – and utilities, move-in costs, transport necessitated by location…
- Housing allowances are not really discretionary income

Eg. Likelihood that individuals on sub-Living Wage pay in York are in poverty is strongly influenced by their housing costs; a significant minority have no housing costs (parental housing, outright ownership) (fc)
Housing and material deprivation

Income poverty is often intended only as a proxy for material deprivation.

The home forms an important part of peoples’ material standard of living. It acts as the setting for people’s goods and the consumption of many services (Townsend 1987). It allows access to spatially located and/or varying services.

Many definitions of ‘material deprivation’ include housing dimensions:

Eg. damp-free home, a heated home, decent decoration, carpets and home insurance included in Breadline Britain (Gordon et al. 2000); ??
Housing deprivation – a key form of material deprivation

Attempts to create measures of ‘housing poverty’, ‘housing deprivation’ usually from available indicators eg overcrowding, lack of amenities, unfitness

Potential for consensual measures of minimum acceptable standards eg Minimum Income Standard, used to calculate the Living Wage – assumes couples 60+ should have 2 bedrooms; all children should have own room...

Potential for measures based on quantifiable elements of housing eg space...
Housing space inequality… the Gini coefficient and a ‘relative housing space poverty line’? (below 60% median rooms pp)

Tunstall 2015
Housing space inequality... housing space 90:10 and other ratios

Tunstall 2015
The conceptual issues have practical implications: (1) Incidence of poverty

If you assess income after the conventional definition of ‘housing costs’:
- UK poverty rate 2010/11 rises from 16% to 21%, and extra 3m people are ‘poor’ (DWP 2011). This is ‘housing cost induced poverty’ (Stephens et al. 2010)
- Housing costs have been rising relative to income for over a decade, the gap between income BHC and AHC is increasing; housing cost induced poverty is becoming more important.
- Key additional living costs with above average inflation rates and regressive impact are linked to running an independent household (eg fuel); including ‘wider housing costs’ would increase poverty further.

If you include imputed rents in income:
- UK home owners’ post-tax income would rise by 9% on average (18% for outright owners and 6% for others) (Figari et al. 2012). Social tenants also receive imputed rents (Hills 2007)

- Net effect: Higher poverty
If you include some assessment of wealth as well as poverty:

- Housing wealth is the key element in UK household wealth. Homeowners’ homes were worth an estimated £2.8tn in 2010 (Pawson and Wilcox, 2012). Total relative poverty would rise markedly, as wealth is far more unequally distributed than income.
- In 2006/07, those at the 90th percentile had 5x the equivalised income as the 10th percentile, but had 97x the wealth (Hills et al. 2010).
Practical implications:
(2) Composition of those in poverty

If you assess income after ‘housing costs’:
- Proportion of those in poverty who are pensioners falls from 24% to 14% (DWP 2011)
- Proportion of home owners amongst ‘poor’ would fall from 52% to 37% (DWP 2011)
- Proportion of renters, Londoners, ethnic minorities, single people, would rise (Tunstall et al. 2013)

If you add owner occupier repairs, mortgage insurance costs, or mortgage capital repayments in ‘housing costs’:
- Proportion of home owners would rise.
If you include imputed rents in income:
 Three quarters of pensioner poverty (before housing costs) would be removed, and younger people would form a higher proportion of those in poverty (Mullan et al. 2009)
 Proportion of home owners and social renters would probably fall.

If you focus on material deprivation instead of income poverty:
 Proportion of poor who are materially deprived (according to a list of ‘necessary’ items) is lower for home owners (DWP 2011)

 Net effect: more younger people and tenants among ‘poor’ people
Practical implications: (3) Policy

Targetting policy:
- UK Child Poverty Act 2010 targets are based on income before housing costs – they target very different (lower) numbers and individuals to those poor after housing costs
- The variations discussed would mean targeting younger people and tenants more

Designing policy:
- Poverty can be addressed through housing policy as well as income policy (this is not a new idea: rent control, social renting, housing benefit, regulation of quality, subsidised insulation...
Summary
Conclusions

Those interested in poverty and material deprivation need to consider:

- housing costs -
- and the wider costs of setting up and running a household, and also
housing quality, housing location, the extent to which housing enables the
creation of households which can pool resources, and the extent to which
housing can provide income or material benefits directly.

Those interested in housing need to consider:

- not just the material quality of housing and affordability as a ratio
between income and housing costs –
but the impact of housing costs on residual income and expenditure, and
the implications of housing for material deprivation and standards of
living.
References
