



Centre for  
Homelessness Impact

December 2021

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# What Works Evidence Notes

## **03** Welfare and Single Homelessness

Evidence from across the world on solutions to homelessness

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## What Works Evidence Notes

This series draws together research evidence from across the world of what we know about how best to relieve and prevent homelessness.

The notes are deliberately short to provide a summary for busy people of findings of research from different fields. They will be updated regularly as our knowledge of what works advances.

## About the Centre for Homelessness Impact

The Centre for Homelessness Impact champions the creation and use of better evidence for a world without homelessness. Our mission is to improve the lives of those experiencing homelessness by ensuring that policy, practice and funding decisions are underpinned by reliable evidence.

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Evidence from across the world on solutions to homelessness

## Purpose

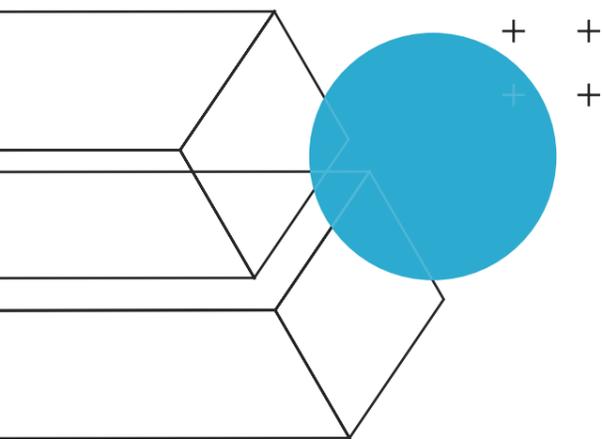
This paper describes some key trends about homelessness and the existing evidence about how this relates to changes in benefit entitlements. We discuss opportunities for data analyses to quantify these links as well as potential opportunities for reform. It should be read alongside the joint CHI-CIH paper on housing subsidies.<sup>1</sup>

## Overview

The period between 2010 to 2017 saw reductions in welfare support and a significant increase in street homelessness, as well as wider homelessness. Reductions to Universal Credit (UC) and Local Housing Allowance (LHA) were likely the most impactful changes to welfare policy regarding increasing rates of homelessness.

The LHA determines how much UC housing element a tenant in the private rented sector is entitled to. It initially covered the 50th percentile of rents in a Broad Rental Market Area (BRMA). Then, in 2011 the rate was reduced to the 30th percentile. From 2012, year-on-year LHA increases were capped, based on the rise in the Consumer Price Index and then frozen entirely in 2016. From April 2020, as a result of the pandemic, the rate was increased back up to the 30th percentile and then frozen from April 2021.<sup>2</sup>

Demonstration projects should be piloted by the UK Government to test the relative effectiveness of changes to the benefits system or to conditionality requirements. These include one-off cash transfers for groups at particular risk of street homelessness (e.g. prison leavers), targeted additional welfare benefits for those with high support needs, loosening of sanctions and conditionality requirements and various approaches to maximising benefits uptake. We also recommend implementation of a data insights programme to better understand the relationship between receipt of benefits and street homelessness.



<sup>1</sup> Perry, J. et al. (2021). Housing for people on low incomes – how do we make the best use of government subsidies in England? Centre for Homelessness Impact. Chartered Institute of Housing.

<sup>2</sup> Homeless Link. (2021). Homelessness and welfare benefits in London. London: Homeless Link.

## Key challenges and trends: How many people experiencing homelessness are claiming benefits?

National statistics on receipt of benefits by people experiencing street homelessness are not available, which prevents us from assessing specific patterns of access and use for this cohort. However, a survey by Sheffield Hallam University and the charity Crisis<sup>3</sup> of 1,013 single homelessness services in England and Scotland found that 92% were claiming benefits, and an additional 2% had claimed in the previous year. This does not mean that 92% were unemployed, as welfare benefits are available to contribute to housing costs for many people who are working.

According to the most recent Rough Sleeping Questionnaire (RSQ), 79% of those surveyed, who had all slept out at some point within the past year, were currently receiving benefits and only 9% said that they had never received benefits.

The most common kind of benefit received was Universal Credit (50%), followed by Housing Benefit (35%).<sup>4</sup> This does not, however, tell us the rates of benefit take-up while actually experiencing street homelessness.

Figure 1. Respondents of the RSQ who reported to be in receipt of benefits

Benefit type	Percent
Universal Credit	50%
Housing Benefit	35%
Employment and Support Allowance	23%
Disability Living Allowance	12%
Job Seeker's Allowance	2%
Pension	2%
Income support	1%
Non-response	22%

Individuals sleeping out who have no recourse to public funds (NRPf) do not have access to welfare benefits, but they are only a small proportion of those sleeping out. For example, the RSQ run by the DLUHC shows that only 3% are non-EU/EEA, which are thus likely to have NRPf. However, reliable data is not available which makes precise assessment of the role of NRPf in street homelessness difficult.

<sup>3</sup> Batty, E. et al. (2015). Homeless people's experiences of welfare conditionality and benefit sanctions. London: Crisis.

<sup>4</sup> Ministry of Housing, Communities and Local Government. (2020). Understanding the Multiple Vulnerabilities, Support Needs and Experiences of People who Sleep Rough in England.

## Is there a causal relationship between welfare spending and homelessness and rough sleeping?

**Despite the fact that no causal evidence exists on the relationship between reductions to the UC housing element and levels of homelessness, it is nevertheless possible to draw insights from the data available.**

Homelessness presentations as a result of the loss of private rented accommodation<sup>5</sup> increased significantly from 2010 to 2018: 6,630 (15% of total acceptances) in 2010-11 to 18,270 (31%) in 2016-17, and 15,500 (27%) in 2017-18.<sup>6</sup> It was during this time period that gradual reductions in welfare support were taking place. These trends indicate that a decrease in the affordability of private rented accommodation due to welfare reform is likely to have played a role in the increase in statutory homelessness during that period. However, other factors, including pressures in the housing market reducing affordability, are also likely to have had an impact on the levels of homelessness.

In addition, recent analyses by the Scottish Government (2020)<sup>7</sup> show how some characteristics of UC are related to higher levels of homelessness:

- There is a correlation between a higher proportion of people being subject to sanctions and higher levels of homelessness.
- Sanctions under UC are steeper than under previous benefits: although sanctions were suspended during the Covid-19 Pandemic, sanction rates for UC are around 5 times as high as for Job Seeker's Allowance (JSA) (close to 2.5% of claimants of UC vs 0.5% of claimants of JSA).
- UC requires a five-week wait to start claims (because UC is paid in arrears). The profile of households affected by the five-week wait closely reflects the profile of households assessed as homeless or at risk of homelessness, both of which are heavily dominated by single people (around 60% of the cases).
- UC has also been linked to higher levels of psychological distress<sup>8</sup> in comparison to claimants of legacy benefits.

<sup>5</sup> Loss of rented accommodation due to termination of an assured shorthold tenancy (AST)

<sup>6</sup> Data since the introduction of the Homelessness Reduction Act in April 2018 is no longer comparable to these figures, but the number of relief duties due to the end of an AST rose from 13,570 in 2018/19 to 14,560 in 2019/20. The 2020/21 figure is much lower at 9,350, but this is likely to be at least as much a result of the Covid-19 eviction ban as due to the increase in LHA in April 2020.

<sup>7</sup> The Scottish Government. (2021). Homelessness and Universal Credit.

<sup>8</sup> Wickham, S. et al. (2020). Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study. *The Lancet*, 5(3).

Prior to legislation changes made on March 30, 2020, around 1.91% of UK-wide UC claimants were affected by sanctions but this number has been decreasing and in November 2020 this proportion was 0.13%. This is related to the fact that the proportion of claimants who are subject to a conditionality requirement (e.g. seeking employment) has decreased from 81% in August 2015 to 59% in March 2020, and has since been fluctuating between 61% and 67%.<sup>9</sup> It is reasonable to expect some impact from the changes in conditionality and sanctions (e.g. loosening the employment requirement) on street homelessness but the link is difficult to quantify due to other concurrent policies that dramatically reduced street homelessness during the pandemic.

Beyond specific features of UC and the welfare system, the overall generosity of benefits is also relevant. While the UK Government temporarily uplifted UC by £20 a week in March 2020 to alleviate hardship when lockdowns were imposed in

response to the Covid-9 pandemic, this increase was reversed despite calls from multiple organisations to make these changes permanent. Instead, the Chancellor adjusted the taper rate at which UC is withdrawn when claimants are earning, making it more generous by reducing this to 55p from 63p in the pound previously. This will alleviate the impact of the reduction in UC for those in work, but not for those who are unemployed.

Nonetheless, it is worthwhile noting that the UK welfare system remains ungenerous by international standards. For example, a single person earning minimum wage who has been unemployed for 3 months can expect to receive about 68% of their previous wages - significantly below the 74% for all OECD countries; only Slovakia, Poland, Latvia and Greece have lower 'replacement rates' among OECD countries.<sup>10</sup>



<sup>9</sup> Department for Work and Pensions. (2021). Benefit sanctions statistics to October 2020 (experimental).

<sup>10</sup> Organisation for Economic Co-Operation and Development. (2021). <https://stats.oecd.org/Index.aspx?DataSetCode=NRR>.

## Improving our understanding of how the benefits system works: some initial recommendations

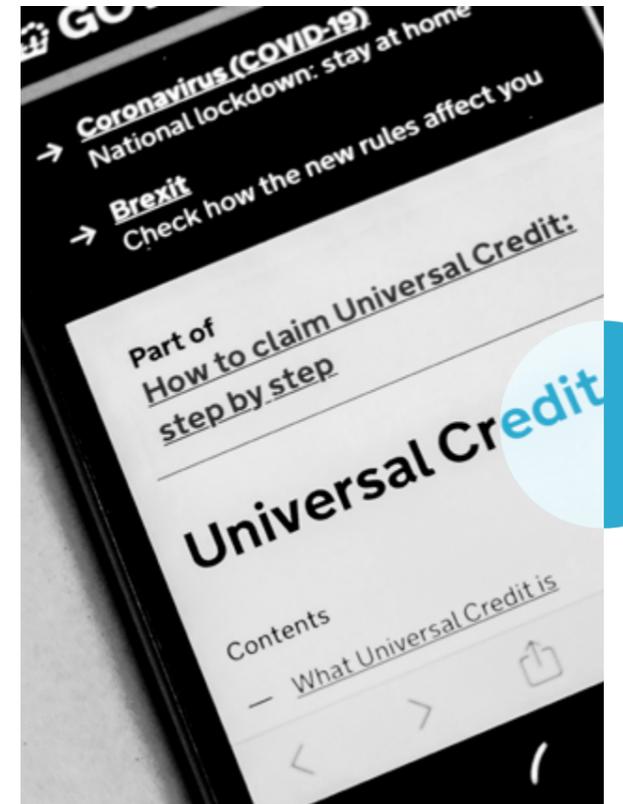
The UK Government could introduce a series of new demonstration projects to test the impact of more generous benefit entitlements or changes to the conditionality requirements. These could include:

- Pilot one-off hardship payments and flexible cash transfers for people approaching Housing Options because they are at risk of homelessness and other groups going through key transitions, such as those being released from prison.<sup>11</sup>
- Run trials of targeted additional welfare benefit support to identify and test interactions between welfare entitlements and street homelessness (e.g. considering local UC uplifts). These could be targeted at specific areas of the country, or particular populations at risk. This builds on some of the existing exceptions for specific groups such as Under 25s care leavers). Some of the cohorts that could be considered included single people leaving prison, those with high support needs leaving hospital care, or victims of domestic abuse currently receiving accommodation support.
- Loosening sanctions and conditionality requirements for people experiencing homelessness or at risk of homelessness in certain areas until their housing situation is more stable, e.g. once an offer of stable accommodation has been made as owed by a relief duty. This could be aligned with the ethos of housing-led solutions that prioritise housing as a means to stabilise people's experiences. Exceptions for people experiencing homelessness would be temporary/and or conditional on engagement with housing support or other services (e.g. mental health, substance misuse, employment) and tapered. At present, Work Coaches can tailor the applicant's work commitment according to their needs, and can "switch off" the requirement to seek employment for claimants experiencing or at risk of experiencing homelessness while they resolve their housing situations. However, these exceptions are applied on an individual basis.
- Assessing the relative effectiveness of different mechanisms to maximise benefits uptake - this could compare, for instance, signposting from Housing Options, the use of existing helplines (e.g. Citizens Advice), more specific support embedded as part of housing options or outreach initiatives.
- Test initiatives to extend temporary eligibility for welfare benefits to people without recourse to public funds to support rehousing. This could be done alongside other interventions e.g. employability support.

<sup>11</sup> This could build on CHI's Personal Futures Grants which will start testing a £2,000 one-off grant to people experiencing street homelessness

In addition, a data insights programme in this area could help ensure insights are available to improve the implementation of any benefit changes on a routine basis. Initial projects could include:

- Quantifying the proportion of homeless households that receive benefits (including UC and other entitlements); and which proportion of these are street homeless.
- Understanding socio-demographic differences between households experiencing homelessness and claiming benefits and those that are not claiming benefits.
- Explore the relationship between length of time receiving benefits, the length of time sleeping out, and any relevant support needs faced by this cohort.
- Ascertaining the proportion of households experiencing homelessness that have been affected by benefit sanctions, conditionalities and other traits of the benefits system; and which proportion of these are street homeless.
- Understanding socio-demographic differences between households experiencing homelessness and affected by sanctions and those that are not. This should include exploring the relationship between sanctions and reasons for loss of previous accommodation; for instance: are people affected by sanctions more likely to sleep out because a PRS tenancy became unaffordable?



Connecting the homelessness data to other departments that track the above information would be a great step in improving analytical capabilities. Currently in England, homelessness data is not linked to other datasets which limits the kind of insights that researchers or policy-makers can make, but work is being done by ADR UK in partnership with the ONS and DLUHC to create these linkages.<sup>12</sup> Investing in better data infrastructure would make that work easier and more available.

<sup>12</sup> ADR UK. (2021). Homelessness Data England: Linking local authority data to evaluate homelessness policy.

## Annex 1: Additional background

### Benefits available to people sleeping out

There are no welfare benefits specifically for those experiencing street homelessness. But they are generally, in principle, able to claim mainstream social security benefits including Universal Credit, depending on their circumstances. Excluding housing subsidies, the main benefits available to those sleeping out are:

- Universal Credit (UC) - the main means-tested benefit supporting people of working age on a low income. Working age means under State Pension Age. It is replacing in stages six existing means-tested benefits known as legacy benefits. These are: income based Jobseeker's Allowance, income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit.
- Job Seeker's Allowance (JSA) - for those employed for fewer than 16 hours per week or looking for a job
- Personal Independence Payment (PIP) - for those who due to illness or disability require additional support

Whilst it can be possible to claim benefits while street homeless by using a 'care of' address of a family member or trusted friend or, in exceptional circumstances, the Job Centre itself, it is less likely that people experiencing street homelessness will be claiming benefits than those staying in a hostel. Existing data collection arrangements prevent us from quantifying this but eligibility for welfare benefits is a pre-condition of being accommodated in most hostels. People who are sofa surfing may also experience difficulties in claiming benefits, unless they are able to make use of a reliable 'care of' address.

The availability and type of benefits available to cover housing costs depend on the type of accommodation being used. Usually, a single person renting privately will be able to claim Universal Credit to contribute to the cost of their rent up to the level of the one bed Local Housing Allowance (LHA) rate for their local Broad Rental Market Area.<sup>13</sup> The main exceptions to this are if the claimant is under 35, when they will only be allowed to claim the LHA rate for shared accommodation, or for claimants earning less than £617 per month after tax and National Insurance contributions who are subject to the Overall Benefit Cap (OBC). Such claimants may find that their rent is not covered up to the LHA level, especially in more expensive areas.

For those living in hostels, supported housing or temporary accommodation, contributions to housing costs come from the housing element of UC or Housing Benefit and are not subject to the OBC or the reduction in LHA rates for under 35s. Young people between 25 and 35 who stay in a homeless hostel for three months become exempt and can claim the one bed rate if they move on into private rented accommodation.

### Benefits cap

Whilst people experiencing street homelessness or living in hostels are not subject to the OBC this can be a significant issue preventing them from moving on into private rented sector accommodation for homeless families in much of the country. For single people experiencing homelessness who are not working, or working but earning less than £617 per month net of tax and NI (i.e. the large majority), the OBC is also a problem across most of London.

Of the 14 BRMAs in London, a person subject to the OBC paying rent at the one bed LHA rate would receive less than the current UC standard allowance of £95 per week to cover their living costs in every single BRMA. If UC reduces to £75 per week as planned from October 2021, then OBC capped residents of 10 of the London BRMAs will still receive less, with residents of the Central London, Inner East London, Inner North London and Inner

South West London BRMAs receiving £0.51p.w. to cover their living costs after covering rent at the 1-bed rate.

Outside London, the OBC is less of an issue for single people in most areas, but OBC capped residents of Guildford, Walton, Brighton & Hove, East Thames Valley, and South West Herts. would all receive less than £75 per week to live on after housing costs at the one bed LHA rate.



## Non-UK citizens

### Non-UK citizens may face some barriers accessing benefits due to their nationality and/or immigration status.

People from countries outside the European Economic Area (EEA) with limited or no leave to remain are classed as “Persons Subject to Immigration Control” (PSIC) and, as such, are not entitled to most welfare benefits, except in very limited circumstances. These limitations would also apply to EEA migrants who have arrived to the UK after December 31, 2020. People granted settled status are able to claim benefits on the same basis as UK nationals.

People experiencing street homelessness may have experienced greater challenges applying to the EU Settlement Scheme given the online application process and the need to provide proof of their identity and nationality and gathering. They may also have difficulty gathering documents to demonstrate their continued residence in the UK.

Local authorities can offer accommodation to some adults who are not entitled to welfare benefits under the provisions of the Localism Act. During the pandemic many did so, but this is an increasingly difficult position for local authorities to sustain. For people who are rough sleeping and who have social care needs, local authorities may be obliged (depending on the circumstances) to provide support through the Care Act, 2014. But this can be fraught with complication, especially if there is a requirement for a Human Rights Act Assessment before providing care, or there is a dispute over where a person experiencing street homelessness is ‘ordinarily resident’, or if the individual is reluctant to accept support due to mental ill health or substance misuse issues.

## Increased costs to Local Authorities

As well as the decreased affordability of private rented accommodation to people claiming benefits as a result of the reduction of LHA rates in comparison to market rents since 2011, the net cost to Local Authorities of Temporary Accommodation (TA) has increased significantly. Housing Benefit subsidy for Temporary Accommodation has been pegged to the January 2011 LHA rate since April 2011. This was initially intended to reduce the impact on Local Authorities as it avoided the reduction of LHA to the 30th percentile. However, the rate payable for TA has been frozen ever since and is now much lower than current LHA across most of the country with the average difference across the BRMAs between the current one bed LHA rate and the 90% of the Jan 2011 LHA rate payable for TA, now at £26.68 per week, with the difference much higher on average in London.

This makes it increasingly expensive for Local Authorities to provide TA, with the net cost of TA provision to Local Authorities having risen from £50.9m in 2009/10 to £330.1m in 2019/20,<sup>14</sup> a 653% increase in Local Authority costs which compares to an 80% increase in the number of households in TA over the same period.<sup>15</sup> The Temporary Accommodation Management Fee from housing benefit subsidy was withdrawn in 2017. It was replaced by the Flexible Homelessness Support Grant. This does mean that a proportion of the income previously received by Local Authorities in housing benefit for TA is now paid as a grant to support homelessness activity.



<sup>14</sup> Ministry of Housing, Communities and Local Government. (2020). Local authority revenue expenditure and financing England: 2019 to 2020 individual local authority data - outturn

<sup>15</sup> Ministry of Housing, Communities and Local Government. (2021). Live tables on homelessness.



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