Communities and Local Government

Housing Research *Summary*

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The Demand for Social Rented Housing

The Study

The Office of the Deputy Prime Minister[1] commissioned Cambridge University to provide a detailed description of who currently lives in social rented housing in England and to use evidence on flows and attributes to predict patterns of the likely future demand for social housing. This includes those households who would choose to be social tenants and those for whom social housing will continue to be the only available tenure where they can obtain adequate housing. Understanding the patterns of demand and flows into and out of the sector is important for policy makers and housing providers in making decisions about future investment, allocation policies, and the services that may be required.

The study was based on the most recent and robust secondary data available at the time. This was necessarily only possible at national and to some extent regional level because the sample sizes are too small to disaggregate further. To complement the secondary analysis, and to explore some of the implications for management and resources facing social landlords at the local level, six case studies were conducted in contrasting local areas.

This summary focuses on the key findings and identifies some of the implications for the future role of the sector and the development of policy. A more detailed technical report, *The Demand for Social Rented Housing – A Review of Data Sources and Supporting Case Study Evidence*, is available at:

www.cchpr.landecon.cam.ac.uk.

The findings and conclusions in the report and summary are those of the authors and do not necessarily represent the views of Communities and Local Government.

housing

[1] This Summary is being published by the Department for Communities and Local Government, so henceforth it refers to the Department rather than ODPM.

Key findings

The contraction in the size of the social rented sector since the 1970s has been associated with important changes in the household composition, income and employment status of social housing tenants

These changes include increased proportions of the elderly, particularly the frail elderly; and a falling proportion of working households.

There has been a significant loss of couple households in employment and increasing proportions of households who are economically inactive. Those social sector tenants who are in work tend to be in low paid occupations and often work part-time. Incomes are on average less than half the figure for all households. Dependence on benefits is high.

The proportion of households in the social sector from ethnic minority groups is growing rapidly – but from a low base

- Increasing numbers of ethnic minority groups are entering social housing – but the proportionate rise comes more from the extent to which white households are leaving the sector.
- They are highly spatially concentrated within cities and towns, particularly in London, whose social rented sector provides accommodation for almost half of all ethnic minority social tenants.

London in general stands out as clearly different from other regions

- London's social sector is a larger proportion of the total stock than anywhere else in the country except the North East.
- Tenants are younger on average than elsewhere, reflecting London's younger population.
- Social tenants in London are more likely to be in work, and hence average incomes are higher than elsewhere.
- Overcrowding is heavily concentrated in London, reflecting the large proportion of small flats in the stock, which means that even smaller households may be overcrowded, as well as the higher proportion of large households.

The vast majority of social tenants are satisfied with their housing, neighbourhood and tenure

- Significant proportions of households and potential households would like to become social tenants.
- Satisfaction is lower than in the owner occupied sector on all counts, but above that of those in private rented accommodation in respect of satisfaction with tenure.
- Almost 30 per cent of private tenants and 5 per cent of owner occupiers state they would like to become social tenants.

On current trends three main groups are likely to be housed in the social sector

- those for whom social renting is a permanent, long term secure tenure for life.
- those for whom social renting is a relatively temporary or transitional tenure.
- those who enter the social rented sector at a later stage in their housing career, often for the first time.

- Those who will remain in the social rented sector for life are generally more disadvantaged in terms of income, health and disability, with lower participation in the labour market than those who are more transitory.
- Their changing requirements need to be more effectively met within the social sector by increasing both choice and mobility and ensuring that services are adjusted as individual circumstances change.

The study highlighted the importance for policy of the distinction between tenure and spatial concentrations of poverty and exclusion

- The evidence shows clear concentrations of poverty and exclusion in the sector and that those with other housing opportunities are likely to choose to move to the private sector.
- Even in lower demand areas, priority needs are increasingly likely to have to take precedence in terms of allocations to social rented housing.

- To achieve mixed communities therefore requires that there be a range of tenures provided in all areas and that policies should be introduced to diversify single tenure areas while still maintaining adequate access for those in greatest need.

The Evidence

The current position

The current position is taken as at 2001 when using the most recent population census, and 2001-2003 when using survey data such as the Survey of English Housing.

WHO IS LIVING IN SOCIAL RENTED HOUSING TODAY?

Age distribution

More social tenants are in the higher and lower age groups as compared to households in the population as a whole – 32 per cent of household representatives are aged over 75 and 25 per cent are under 30, as compared with only 25 per cent over 75 and 11 per cent under 30 in the population as a whole.

Lone parents

Lone parents comprise 18 per cent of all social sector households compared to only 7 per cent in the population as a whole. However, the proportion of lone parent households accommodated in the social sector has not risen greatly over the last twenty years– the rising proportion reflects both the general trend for increasing numbers of lone parents in the country as a whole and the decline in the size of the sector.

Couple households

There are far fewer couple households in social housing than in the country as a whole – 35 per cent compared to 59 per cent. Couple households are generally in the best position to leave the sector and the Right to Buy supported this transfer process.

One person households

Finally, there are more one person households – 40 per cent compared to 25 per cent nationally – in part because of the age structure of the population of the sector with higher proportions of both the old and the young.

Ethnic minority households

Ethnic minority households comprise about 10 per cent of all social tenants whereas they are only 7 per cent of all households. This represents an increase of two thirds in ten years from a very low base. It is more an outcome of white households leaving the sector (766,000 between 1991 and 2001) than of ethnic minority households entering in larger numbers (only 157,000 entered in the same period).

Non-employed households

The social rented sector accommodates large numbers of households who do not work because they are retired, unemployed, or sick/disabled/carers. The employment rate is thus much lower in the social sector– 31 per cent compared to 61 per cent among the households in general. Unemployment is also higher than nationally, at 5 per cent compared with 2 per cent. The biggest difference is in ‘other’ economically inactive- ie those of working age who are not in the labour force – 30 per cent of social tenants compared with only 11 per cent in the population as a whole. This concentration of inactivity reflects the sector’s responsibility for focusing on the most disadvantaged as defined in the Housing Acts including those facing negative life chances.

Employment profile

Social sector tenants in paid work have, on average, incomes about half that of the national average. They are less likely to be in higher paid jobs in any occupation and more likely to be in semi-manual and manual occupations where wages have lagged behind other occupations. Social tenants are also more likely to work part-time.

REGIONAL DIFFERENCES: COMPARING LONDON WITH THE WHOLE OF ENGLAND

Size of the social rented sector in London

London stands out as different from the other regions in terms of the structure of its population and households. The role the social rented sector plays further differentiates London from the rest of the country. London’s social rented sector, of 800,000 plus dwellings, accounts for 20 per cent of the social sector in the country and about 26 per cent of the capital’s housing stock. This makes it a larger proportion of the housing stock than in any other region except the North East (27%) and, at the other extreme, almost twice the proportion found in the South West (less than 14%).

Younger tenants

The age distribution of London's social sector household heads is considerably younger than the average in England, in part reflecting London's overall age structure which is itself skewed by the effect of inward migration at younger ages and outward migration of more mature households to the South East and elsewhere in the country.

Fewer couples and more one parent households

London's social rented sector has proportionately fewer couple households than the rest of the country, and considerably more lone parent households than the rest of the country. It has similar proportions of single person households, even though London has considerably higher proportions of single households overall. There are more "other multi-person households" – a category which includes adult children living with their parents- perhaps not surprising given the overall constraints around supply and affordability in London compared to elsewhere.

Higher proportion of households from ethnic minorities

In terms of ethnicity, London's social rented sector has a higher proportion of ethnic minority households (37%) than any other region, reflecting both the concentration of ethnic minorities in the capital and a disproportionate role for social housing (the proportion for all households is only 32%).

Greater economic and income diversity

London's social rented sector is also more diverse in terms of economic status and income than other regions. This is the case even where the social sector is a similarly large proportion of the total housing stock, such as the North East. The proportion of working households is significantly larger than in the rest of the country. London thus does not house only the poorest section of society, but includes households on higher incomes than average in the social sector nationally – which would appear to reflect regional differences in housing affordability.

THE CURRENT HOUSING STOCK

More small sized dwellings and flats

The social rented stock contains more small units and flats and fewer large units and houses than the stock in the country as a whole. There is more overcrowding than in other tenures, and also less under-occupation. More than twice as many social tenants had fewer bedrooms than standard[2] than the total population. But far fewer social tenants had more bedrooms than standard – 44 per cent compared with 73 per cent overall and 83 per cent of owner occupiers.

More overcrowding

Overcrowding within the social stock is a particular issue in London. The problem is concentrated among larger households wanting accommodation with four or more bedrooms but it also occurs among smaller households, who once allocated a dwelling tend not to be able to move when their household expands.

The Decent Homes Standard

The proportion of social rented sector dwellings that meet the Decent Homes Standard is slightly lower than for the housing stock as a whole. But the proportion meeting the standard is considerably higher than in the private rented sector where only just half the stock meets the standard.

TENANT EXPERIENCE

Satisfaction with property and neighbourhood

Social tenants are generally very satisfied with their property and neighbourhood.

Satisfaction with tenure

Moreover over three quarters of social tenants are happy with their tenure (76 %). This compares with 95 per cent of owner occupiers but only 46 per cent of private renters.

Dissatisfaction

The proportion of social renting tenants that say they are dissatisfied or very dissatisfied is higher than in other tenures – although it is difficult to distinguish the extent to which this is an outcome of how they are housed as compared to their household circumstances.

[2] This is the bedroom standard whereby persons living as husband and wife (including same sex couples) are allocated a separate bedroom, as are persons over 21, and persons aged between 10 and 20 but of different sexes. Young persons of the same sex may be required to share a room at any age below 21.

What does the evidence suggest about the future?

THE KEY CLIENT GROUPS

Analysis of the data on those entering and leaving the social sector and projecting this forward into the future identified three main groups that are likely to demand social rented housing. These groups are the outcomes of a process whereby on entry most people have to be in one of the reasonable preference categories defined in the legislation to be allocated a tenancy, yet over time, significant numbers are able to leave the sector, either through the Right to Buy and similar policies or by moving to other tenures. As a result, the characteristics of those entering the sector are very different from those leaving it. The main client groups that result from this process can be described as follows:

Transitional tenants

Those for whom the social sector ends up being transitional or temporary. Many of them aspire to leave the sector and eventually are able to do so.

Tenure for life

For this group, their circumstances are such that the social sector provides a secure tenure for the long term. Significant proportions want to move home but to remain within the social rented sector.

Entering later in housing career

This much smaller group enters the social sector for the first time later in their housing career looking for security, sheltered accommodation and sometimes for additional housing related services.

Those for whom the sector will prove to be a transitional tenure are not distinguishable at the point of entry from those who will want or need social housing throughout their lives. The distinguishing features relate to changes in their life chances while they are social tenants.

WHAT ARE THE CHARACTERISTICS OF THOSE ENTERING THE SECTOR?

Those becoming social renters are younger, one person or one parent households

Entry into the social sector across the country is still mainly determined by the reasonable preference categories in the Housing Act. New entrants are generally younger than existing tenants and more likely to be single person households or lone parents (however they are not teenagers, but mainly in their twenties and thirties). They are much more likely to be unemployed or otherwise outside the work force. They are also likely to have been accepted though the homelessness route – because the incidence of being homeless and in priority need and possibly having also been in temporary accommodation has been increasing, particularly in the London and the South of England.

Those who aspire to live in the social rented sector

There is a range of households who aspire to live in the social rented sector as traditionally defined. These include:

- mainly younger, single person households in the private rented sector;
- owner-occupiers who are older, experiencing financial difficulties and / or ill health; and
- potential households, who have not yet been able to form separate households but are still living with their parents or with friends.

According to the Survey of English Housing, 29 per cent of private renters and 5 per cent of owner occupiers would like to live in social housing if they could get it. This amounts to 638,000 private renters and 730,000 owner occupiers, a total potential demand of almost 1.4 million households. In addition more than 70,000 newly forming households are entering the sector each year. There are currently 100,000 households accepted as statutorily homeless and living in temporary accommodation.

The experience of Choice Based Lettings schemes in areas of lower demand, predominantly in the North, also suggests that the underlying demand for social renting may be significantly greater than has generally been assumed.

A recent study of Choice Based Lettings in Sunderland showed that the number of registered customers stabilised at more than four times the number on the previous council ‘waiting list’. A comparison of the characteristics between those who were housed through ‘choice’ and those housed on traditional criteria (homeless, decants and ‘management’ moves), showed that the two groups were very similar. Sunderland is a particularly clear example because it was possible to make the comparison between 'choice based' and 'normal' lettings. This suggests that in most areas there is a pool of households who would be happy to be social tenants and who meet the general criterion of requiring assistance if they are to obtain adequate accommodation.

WHAT ARE THE CHARACTERISTICS OF THOSE LEAVING THE SECTOR?

Moves by non elderly households to other tenures

The largest proportion of households who leave the social sector do so as a result of death or moving into institutional care (approximately 85,000 a year). However there is also significant movement to other tenures among younger age groups (in 2003, 18,000 to owner occupation and 43,000 to private renting).

Couples, with at least one earner

Those leaving the sector for other tenures are more likely to be couples, whether married or not. They tend to have at least one person in full time work. At the time of the move they have higher incomes than the average for those remaining. They are also less likely to be suffering from ill health or disability. They are generally more skilled and more educated. Thus as other opportunities open up, households tend to choose to move away from social renting either by actual movement or by buying their social sector dwelling.

Younger households who move to the private rented sector

There is also a more diverse group of mostly younger households who move into the private rented sector (a third of these are one person households and a fifth are lone parents). Reasons for moving include both family and personal and employment related reasons. While it is clear that a large proportion positively choose to move to private renting, it is not possible from secondary sources to distinguish between those for whom this is a choice and those who are evicted.

In much of London and the South of England, moves to the private rented sector are contingent upon the availability of housing benefit – and may be constrained by the fact that many households in the private rented sector do not get their rent paid in full.

In the North, private renting can be cheaper than social renting – and is more likely to be found in inner urban areas. It can thus offer a clear choice compared with social renting. The northern case studies suggested that people often preferred private renting to social, largely because the property was generally offered in a better state of decoration.

WHAT ARE THE CHARACTERISTICS OF THOSE WHO WANT TO LEAVE THE SOCIAL SECTOR BUT ARE UNABLE TO?

Tenants who want to be owners

Tenants most likely to want to leave the sector but who cannot do so, are those who aspire to home ownership but whose current aspirations are unrealistic. More than a quarter of social tenants said they wanted to buy either their own home or another, but more than two thirds of these would not be able to afford to do so, given their current financial circumstances.

A high proportion of social tenants agreed that in financial terms owner occupation is advantageous, but there is also recognition of the risk involved. The vast majority agreed that owning is a risk for people without secure jobs, and nearly half think it is too expensive.

Others wanting to leave included lone parents, older economically inactive, the disabled and long term sick whose needs were not being met within the sector.

Tenants who want more space

A smaller group was not satisfied with the number of bedrooms or with their homes in general. In particular the desire to leave was related to overcrowding, particularly in London. Neighbourhood quality was less important than the nature of the home itself. Within this group many aspired to home ownership, although their circumstances made this impossible.

What is less clear is the proportion of these households that would be happy to remain in social housing if their housing circumstances were to be improved within the sector. There are large numbers of social tenants who want different (often larger) accommodation or adaptations to their existing home but who are happy with their tenure. These unmet needs are greatest in London, where moving to other accommodation remains heavily constrained.

IMPLICATIONS FOR MANAGEMENT OF THE SOCIAL SECTOR

It is important for housing providers to distinguish between the following groups:

- those who want a different tenure and have some capacity to pay;
- those who want something different either within the social sector or in other subsidised accommodation; and
- those who are generally satisfied although they may want some changes to their current housing circumstances.

ENSURING ADEQUATE ACCESS FOR THOSE WANTING OR NEEDING SOCIAL HOUSING

The evidence suggests that there are needy households throughout the country who would prefer social housing if access were easier and standards more acceptable. Moreover evidence on demography, wage structures and income distribution all suggest that the numbers of households in the key client groups will increase. This presents a major challenge to government and social landlords alike.

In areas of continuing lower demand, the emphasis can be on addressing the needs of the full range of households that want to live in the social sector.

In the pressured areas of high house prices and rents and high demand for housing, not only is there an overall shortage of affordable housing but turnover in the social sector is restricted by the inability of those with some capacity to pay more to move out into owner occupation. People therefore remain in the sector for longer, resulting in fewer available lettings for those waiting for social housing.

Moreover, as regional economies improve this situation is becoming more widespread and pressures for access to social housing are increasing. This means that wider social objectives for housing a range of different types of household, including working households, cannot realistically all be met within the sector.

MANAGING THE SECTOR TO MEET THE NEEDS OF DIFFERENT CLIENT GROUPS

Once households have obtained accommodation within the social sector, the requirements of the three different groups, identified above, need to be carefully distinguished. Their different needs can be summarised as:

Transitional tenants

Adequate housing, reasonable rent, and the opportunity to move on to private housing, usually owner-occupation

Tenure for life

Stable secure accommodation which meets reasonable aspirations, is suitable in terms of size and adaptations, and a tenure which does not stigmatise. There should be capacity to move within the sector to more appropriate housing, as well as between areas.

Entering later on

Appropriate self-contained accommodation, financial packages which allow available capital to be used effectively, and the provision of additional services and physical adaptations as requirements change.

While all need a decent home, the different groups need different styles of management – and will be living in the social sector for different periods of time. This presents further challenges for social housing providers in ensuring flexibility, responding to changing needs and working with local partners to ensure that the relevant services are available where needed.

In this context, if a flat rate housing allowance is introduced in the longer term, it may have important implications for tenants' housing choices and the services that they can afford (as well as for the stability of the social landlords' income streams). This will add an additional dimension to the need to manage both allocations and transfers.

The increasing range of housing opportunities for working households, including in particular the new range of Homebuy products, is likely to mean that the individual needs of those housed in the social rented sector will be even greater. This will have implications both for the cost of housing management and for the appropriate mix of dwellings in respect of both household size and disability.

Finally, and perhaps most importantly for the sustainability of a viable and satisfactory social rented sector, is the well evidenced problem of meeting the needs of the most disadvantaged while ensuring that the Government's objectives for mixed and sustainable communities are achieved.

Although many former social housing estates are no longer single tenure but include a mix of owner occupation and private renting, there are still heavy concentrations of poverty and exclusion in the social rented sector. Both new entrants to the sector, especially in pressured areas, and those unable to move on are likely to be in increasing need, at least in relative terms. The objective must be further to develop mixed communities not just for new housing but also within the existing stock and to enhance the concept and role of social renting so that greater opportunity is available for all.

Further Information

Further information is contained in the full report, *The Demand for Social Rented Housing – A Review of Data Sources and Supporting Case Study Evidence*, is available at:

www.cchpr.landecon.cam.ac.uk.

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