

REFERENDUM BRIEFING: HOUSING AND LOW INCOME IN SCOTLAND

This second referendum briefing looks at housing costs for low-income families in Scotland, how the Scottish Government has used its powers on housing to date and the challenges that lie ahead.

Key points

- Scotland's historically large share of social housing has fallen from 41 per cent of households in 1991 to 24 per cent in 2011. This fall initially coincided with an expansion of owner-occupation but more recently growth in private renting has been greater.
- This has changed the nature of poverty in Scotland. The number of households in poverty in the private rented sector (PRS) has doubled in the last decade to 120,000, while the number in social housing has almost halved to 190,000.
- Households in Scotland spend a smaller share of their income on housing costs than in England. Poverty rates in Scotland are also lower for all tenures than in England, with a particularly big gap for social renters (37 per cent compared to 43 per cent).
- Private renters in Scotland spend 23 per cent of their income on housing, up from 18 per cent a decade ago. The number of families in the PRS reliant on Housing Benefit has increased from 60,000 in 2008 to 97,000 in 2013. The gap between social and private rents in Scotland is larger than in every English region except London.
- The number of people presenting as homeless in Scotland has fallen over the last decade despite the Government expanding the group to whom homelessness legislation applies. The fall in the number of households in temporary accommodation has been less pronounced.
- The Scottish Government's challenge is to continue its comprehensive protections against homelessness and ensure sufficient affordable housing for those on low incomes. The shift from cheaper social housing to more expensive private rented accommodation makes this task both harder and more important.

BACKGROUND

Over the last ten years, the tenure distribution of households in Scotland has changed markedly.

Scotland's historically large proportion of social housing has declined considerably over the last two decades. In 2011 it accounted for 24 per cent of households, down from 41 per cent in 1991. This fall initially coincided with an expansion of owner-occupation (from 52 per cent of households in 1991 to 63 per cent in 2001). But since 2001 growth has primarily been among private rented households, the proportion of which almost doubled from 8 per cent to 14 per cent in 2011.

This 17 percentage point fall in the proportion of social rented households in Scotland compares to a much smaller drop in England of 5 percentage points. However, the share of social rented households in Scotland remains much higher than England's (at 18 per cent). Likewise, whilst both Scotland and England have seen a sharp increase in the share of private rented households, the number of social rented households remains much larger than private rented ones in Scotland. In England the number of private rented households now exceeds social rented ones.

Number and proportion of households in Scotland by tenure

	Owned outright	Owned with mortgage	Social rent	Private rent
1991	330,000 (16%)	720,000 (36%)	827,000 (41%)	137,000 (7%)
2001	514,000 (23%)	858,000 (39%)	645,000 (29%)	175,000 (8%)
2011	661,000 (28%)	810,000 (34%)	576,000 (24%)	325,000 (14%)

Poverty and tenure

The graph below shows how these changes have affected the distribution of poverty by tenure (measured after housing cost). At the start of the 2000s, poverty in Scotland was predominantly in the social rented sector but this is no longer the case. Two fifths of households in poverty live in social housing, compared to three fifths a decade ago. Meanwhile a quarter live in the PRS, up from 1 in 10.

Poverty rates in Scotland are lower than in England for all tenures, with a particularly big gap for social renters (at 37 per cent compared to 43 per cent). But whilst the overall poverty rate has fallen in Scotland over the last decade, the rate for private rented households (36 per cent) has not.

Thousands of households in poverty in Scotland by tenure



Source: Households Below Average Income, DWP

Costs and affordability

In Scotland, as in the rest of the UK, poorer households spend a higher proportion of their income on housing. Households in the bottom fifth spend 24 per cent of their income on housing, compared to 9 per cent on average. In England, the comparable figures are 29 per cent and 13 per cent.

For any given tenure, housing is cheaper, as a proportion of income, in Scotland than in England. This, in itself, goes some way to explaining the lower poverty rate in Scotland.

The lower cost of social housing in Scotland and the lower poverty rate for this tenure is at least in part a result of policy. There has been no attempt in Scotland to make council rents rise to meet housing association rents, as is the case in England, keeping social renting costs down.

But this also means that the gap between social rents and private rents is high. The average private rent is 86 per cent higher than the average social rent. This ratio is much higher than England on average, and higher than any part of England outside London. Private renters in Scotland spend 23 per cent of their income on housing, up from 18 per cent a decade ago.

With growing numbers of families living in the PRS, either through choice or constraint, there are future implications for housing affordability. In the last five years the number of private rented households in Scotland needing Housing Benefit to help with their rent rose by 62 per cent, from 60,000 in 2008 to 97,000 in 2013.

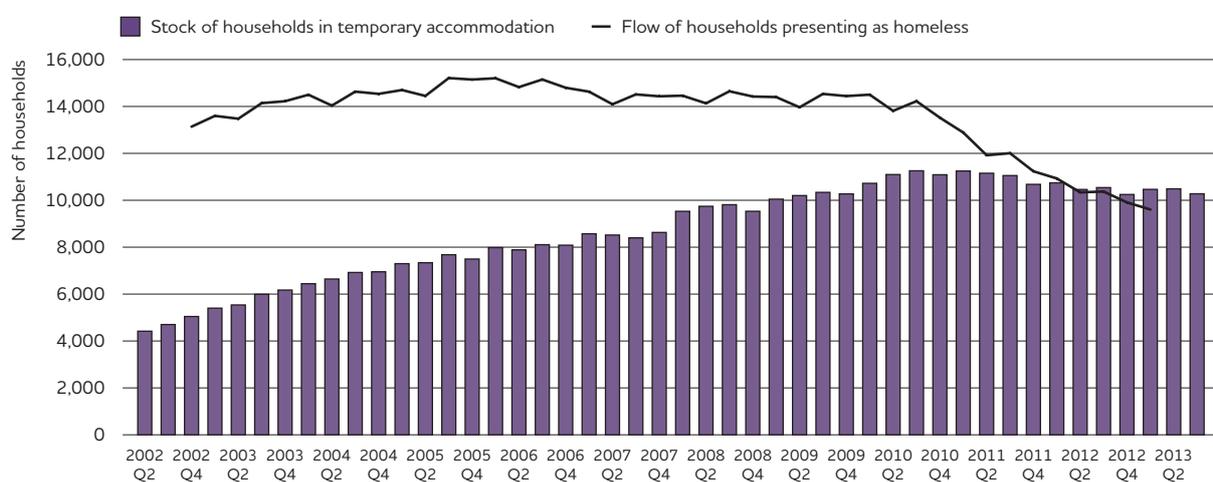
Homelessness in Scotland

Over the last decade, the Scottish Government has removed the 'priority need' requirement from homelessness applications, meaning that more people are eligible for assistance, which was finally phased out in 2012. Despite this lowering of requirements, the number of homelessness acceptances has still fallen, from around 14,000 a quarter in 2010 to less than 10,000 a quarter in 2013.

However, the number of households in temporary accommodation more than doubled between 2002 and 2010; since then it has fallen slightly. These trends suggest that policies to prevent homelessness have so far been more successful than policies to re-house homeless people in permanent accommodation.

Much of the recent decline in households in temporary accommodation has been among families with children. This is possibly connected to the changing eligibility rules – groups who were previously excluded as not being in priority need can now seek help under homelessness provisions, and this extension has included many families and individuals without children.

Trends in homelessness in Scotland



Source: Scottish Government Operation of the Homeless Persons Legislation in Scotland; Quarterly Update

Given the difference in policy, understanding the differences in levels of homelessness in Scotland and England is not straightforward. The most recent statistics suggest that the proportion of households presenting as homeless is at least twice as high in Scotland. Previous studies had shown that local authorities in England had taken more of a preventative approach than those in Scotland, but in recent years Scottish authorities have begun to focus more on prevention. The effects of this change of approach may be visible in the fall in applications shown above.

Conclusion

Since devolution, Scotland has had control over its housing policy. The trends in homelessness show how this has been used effectively to benefit vulnerable households. But while the approach taken to tackling homelessness in Scotland has been different to that taken in England, the shift of poverty toward the PRS is the same.

In 2013 the Scottish Government produced a Strategy for the Private Rented Sector, outlining how it could be improved through regulation and investment. The strategy explicitly acknowledged that growing numbers of vulnerable people were living in the PRS, including “low-income households who cannot access social housing and therefore privately rent but often encounter affordability issues”. The recognition that this group is in need of support, in particular with the cost of housing, is welcome.

The under-occupancy charge, also known as the ‘bedroom tax’, has been the focus of debate on housing during the referendum campaign. Pledges have been made by parties on both sides of the debate to scrap it in the future. But this ‘tax’ only affects those in the social rented sector. A similar degree of consensus around affordability and quality of housing in the private sector will be needed in Scotland in the years following the referendum, whatever the outcome.

About the project

This is the second in a series of three papers by the New Policy Institute exploring poverty, housing and work in Scotland before the independence vote. This briefing focuses on changes in tenure and housing costs and its influence on income poverty.

Issues of housing deprivation can be linked to a range of wider issues (such as housing decency, regulation, supply) which are explored in JRF’s work on place: www.jrf.org.uk/work/place.

For further information on homelessness in Scotland, see the Crisis and JRF homelessness monitor: www.crisis.org.uk/homelessnessmonitor.

FOR FURTHER INFORMATION

This briefing is part of JRF’s research and development programme. The views are those of the authors and not necessarily those of the JRF.

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