
Young People and Housing
January 2015

TUC Briefing: Young People and Housing

The UK suffers from an entrenched housing shortage, which is having a particularly detrimental effect on young people. House building is stuck at a historically low level, the lowest since records began in 1969.¹ Meanwhile, the waiting list for social housing has reached 1.7 million in England alone². The 'Right to Buy' has drastically reduced the number of council houses available for rent and the absence of new social housing has made private house prices more volatile. Young first-time buyers are crowded out by investors with existing wealth and tax breaks who buy to let, feeding the cycle of boom and bust. The average price of a house across the UK has risen to £250,000³ and the average age of a UK first time buyer has risen to 36.⁴

As a consequence of the unavailability of both social housing and affordable mortgages the under-35 age group now make up over half the tenants in the private rented sector⁵. Increased pressure on the private rented sector (PRS) has made choice more limited and raised prices. The private rented sector is now the most expensive form of housing and yet a third of the homes fail to meet the Decent Homes Standard. In addition, cuts to housing benefit have hit young people hardest; young people under 25 no longer qualify for any housing benefit.

Young people are struggling with the price of private renting:

The private rented sector is the most expensive form of housing but also the only option for most young people⁶. In a recent TUC survey of more than 2,300 young people⁷, half of respondents (50 per cent) were renting, of those respondents renting and in work, the average rent-to-salary ratio (the proportion of a person's pay taken up by their rent) is 41 per cent, which for single earner households is well above the 33 per cent household income threshold for affordable housing

¹ House building: permanent dwellings started and completed, by tenure, England, DCLG live table 213: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

² Local authority waiting lists (England), DCLG live table 600, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>

³ The Office for National Statistics (ONS)

⁴ <http://www.propertywire.com/news/europe/uk-first-time-buyers-201405309192.html>

⁵ UNISON 'A new housing benefit deal for young people' 2014

⁶ <http://www.resolutionfoundation.org/wp-content/uploads/2014/08/Home-Truths.pdf>

⁷ <http://www.tuc.org.uk/social-issues/housing/young-workers-forum/young-workers-say-they-pay-over-40-cent-their-salary-rent>

recommended by Shelter. High rents and low wages mean saving for a mortgage is taking much longer, the TUC survey showed most young people saved for 5 years or more for their deposit.⁸

Young people in the private rented sector are vulnerable and many are unaware of their rights as tenants. The Communication Workers Union conducted a survey of their young members and found that 68% of respondents were not aware of bodies or schemes providing protection⁹ and 20% did not have a written tenancy agreement. Similarly, ten per cent of respondents to the TUC's survey, who were privately renting, said they had been threatened with eviction, and 39 per cent said a landlord had refused to repay their deposit or made unreasonable deductions. According to research by Shelter, 200,000 people faced eviction in the last year because they asked their private landlord to fix a problem in their home. Young members from GMB Union ran a campaign in November 2014, against 'Revenge Evictions' and are lobbying for better protection for tenants.

Young People having to live at home for longer:

The high cost of housing has forced many young people to live at home with their parents for longer. The Office for National Statistics (ONS) found that more than 3.3 million adults between the ages of 20 and 34 were living with parents in 2013, 26% of that age group. Just under a quarter of respondents to the TUC Survey said they were living with parents or in someone else's home (23 per cent) and 44 per cent said they would like to rent but could not afford to. This evidence was backed up by a young members survey conducted by Unite the Union which found that 86% of members aged under 25 were living at home with their parents¹⁰. Young people who have no safety net have no choice but to go into shared housing because of the single room rent policy, which can lead to a host of other problems.

Young people 'priced out' of Homeownership:

The TUC's Housing Survey showed that only a quarter of respondents aged under 35 had managed to buy their own home (26 per cent), 40% said they had to save for 5 years or more to afford their deposit and more than half (59 per cent) had relied on financial help from family.

The Government's 'Help to Buy' scheme has not provided young people the solution they need. Analysis from the Resolution Foundation found that the scheme does little to meet the needs of those on low to middle incomes, which typically

⁸ ANNEX- summary of finding from TUC Young Workers survey

⁹ CWU Young members housing Survey:

http://ripassetseu.s3.amazonaws.com/www.cwuyouth.org/files/documents/jan_13/cwu_1358503738_CWU_Youth_Survey_on_Housing.pdf

¹⁰ 2013 Unite Union Young members survey- 2280 respondents.

includes younger people at the beginning of their careers. Historically high house prices mean that even a 95 per cent mortgage or a 20 per cent equity loan does not bring home ownership within reach. Furthermore, large numbers of low to middle income households are unlikely to qualify for 'Help to Buy' given that they would struggle to raise even a 5 per cent deposit.¹¹

Equally flawed is the current 'shared ownership' scheme. The few properties that are available on shared ownership, so-called "affordable" schemes are usually new build apartments developed by housing associations. Many of the apartments available often include service charges which raise the monthly payments significantly and push costs over the affordability bracket. Shared ownership homes sell for as much as £640,000 with combined monthly costs adding up to as much as £2,012. To qualify, buyers need incomes of up to £80,000 a year. There is also a danger that shared owners who cannot afford to staircase towards full ownership can become trapped in the tenure, rather than being able to take their equity stake elsewhere¹³.

Young Workers are being hit by cuts to Housing benefits:

In January 2012 The Shared Accommodation Rate (SAR) was extended from those aged 25 and under, to those aged 35 and under. The new rule states that single people 35 and under living in the private rented sector will no longer be eligible for the full Local Housing Allowance (LHA). This means that instead of being eligible to claim for a self-contained one bedroom flat or house, they can now only claim for a single room within a shared house. The amount they can claim under shared accommodation has also been reduced as Local Housing Allowance (LHA) is calculated at the 30th percentile of local rents from 2011-12 instead of the median rates for each areas.

A report by UNISON looking at the changes to young people's housing benefit found that young single in-work and out of work people receiving the reduced Shared Accommodation Rate (SAR) are being subjected to unsafe and poor quality shared housing. In addition, the research found that the failure of the current Local Housing Allowance (LHA) and SAR system within the PRS to provide decent, affordable, suitable, and safe housing for young people has led to an increase in debt and homelessness.

Conclusion:

Urgent action is needed to tackle the housing crisis faced by young people living in the UK today. Many unions are already conducting targeted work on this issue. The

¹¹ <http://www.resolutionfoundation.org/wp-content/uploads/2014/08/Home-Truths.pdf>

¹² <http://www.theguardian.com/money/blog/2013/aug/31/shared-ownership-housing-solution>

¹³ <http://www.resolutionfoundation.org/wp-content/uploads/2014/08/Home-Truths.pdf>

TUC therefore proposes the development of a joint campaign calling for a better housing deal for young people based on the recommendations below.

Recommendations:

1. Increase supply of housing

- **Build 1 million affordable homes** - young people are growing up without any hope of ever owning their own home. Building these homes would not only significantly improve the chance for young people to buy their own home but would also generate hundreds of thousands of jobs.
- **Build more social housing** - social housing rents are much lower than the amounts charged in the private sector. It would also have the effect of limiting or reversing the growing housing benefits bill, as public sector investment in housing capital has shrunk during past decades, so that the vast bulk of public expenditure on housing is now in the form of housing benefit¹⁴.
- **End the Right to Buy scheme** – or introduce mandatory covenants to prevent right to buy properties being let privately. Research by GMB union¹⁵ has found that a third of homes sold under Right To Buy are now privately rented, similar research conducted by Labour London Assembly Member Tom Copley, found that 52,000 council homes sold in London under right to buy are now rented privately.
- **Review the 'affordable housing' scheme** and examine the extent to which young people on low to middle incomes are eligible and can realistically afford it. Calculations should take into account all on costs as well as the cost of living. The part-ownership offer should also be properly means-tested, be more transparent and allow equity to be transferable.
- **'Use it or lose it'** powers to act on land hoarding. Under these proposals local authorities will be given compulsory purchase powers on land that is being hoarded as well as powers to charge developers escalating fees for sitting on land.
- **Investigate models for permanently affordable housing in the private rented sector**, including the potential to use the community land trust model to build private housing that does not inflate in price as on the free market.

2. Regulation of the private rented sector

- **Reintroduce Rent controls** to at least stabilise rent increases and bring them in

¹⁴ See, for example, IPPR, "Together at home", 2012, pps 72-73

¹⁵ http://www.mirror.co.uk/news/uk-news/right-to-buy-housing-shame-third-ex-council-1743338#.Ut_PyWBFDV.

line with wages. The median rent rose 9% in London last year, while pay only rose 2%. Young People on very low incomes are being priced out and face being moved around every 6-12 months by landlords eager to raise their rents to the ever-higher market rate. Introduce a rent control that prevents landlords from raising rents each year by more than an inflationary index.

- **Introduce a national standard for private rented property** - Action must be taken to improve the quality standards of the property in the private rented sector, by setting a national standard that must be upheld. Local authorities require significant investment in their environmental health teams to ensure this is enforced. Landlords should be held accountable for not carrying out necessary repairs.
- **Sanctions for bad landlords** and improved local enforcement of landlord standards with tougher action against those who do not meet the standard set.
- **Introduction of a national registration of landlords** to give greater powers for local authorities to root out and strike off rogue landlords.
- **Improved rights for tenants** with mandatory longer-term tenancies that offer better security. Increased protection is needed for tenants when requesting improvements, to ensure that these requests are not followed by notice of eviction.
- **Pass measures that were included in the Tenancies (Reform) Bill** to stop landlords from issuing an eviction notice when the tenant has made a legitimate complaint about conditions.
- **End lettings agent fees for tenants** and bring in a licensing schemes for the lettings agent industry, including a 'fit and proper' person test for those wanting to set up as agents.
- **Outlaw 'income discrimination' in the private rented sector**, whereby landlords and agents can advertise properties as not available to those claiming benefits.
- **Empty homes and conversions** Legislate to give Local authorities a new power to impose penal Council Tax and to acquire compulsorily and refurbish homes that have been empty for more than six months continuously, including office blocks suitable for conversion and second homes that are continuously empty.

Welfare Reforms

- **Abolish the cap for Shared Accommodation Rate**, failing that, restore the cap to 25 years old and in addition widen exemption for vulnerable groups such as pregnant women, people with children, people with disabled and mental health issues and LGBT people.
- **Move the LHA entitlement rate back** to the median local marker rate from the 30% and move the up rating back to RPI from CPI so that housing benefit payments reflect more closely market rents.