

Winning support for a stronger safety net

Shelter

Introduction

From promises of “closing down the something for nothing society,” to vows to “think the unthinkable” and more recent pledges to “make work pay”, successive governments have been exercised by the idea of welfare reform¹. This desire for reform has occurred symbiotically with a steady decline in public confidence in the current welfare state. Debate has intensified in recent years, with markedly more negative rhetoric and wide-ranging cuts to the housing safety net.

Moves by the current government have frequently been in step with public opinion, with half of people saying they support welfare reform². The government’s cuts to benefits are now more popular than the Coalition itself - creating an incentive to offer more of the same - and the Conservatives have promised further welfare reductions going into the 2015 election. Labour’s spending commitments may also make further cuts necessary – and they have signalled a political desire to be “tough” on benefits. Any party elected in 2015 will also inherit a continued fiscally constrained climate, further restricting options for reform.

But the intensity of the current climate has to be understood as an escalation of pre-existing trends, with growing public unease at elements of the (working age) welfare state evident over several parliaments. Even many of those who defend and most appreciate the virtues of social security accept the need for reform of some kind.

This has created a situation of near consensus on the need for change, with a dominant voice offering ever harsher cuts and a narrative that predominantly blames individual failure.

Amid this it is easy to lose sight of the virtues of the current welfare system. The focus of this paper is the housing safety net; a system of protection that is crucial to prevent homelessness and help families get back on their feet if the worst does happen. It includes housing benefit for households on low incomes, but also homelessness legislation to ensure some groups do not end up on the streets, and social housing to provide a genuinely affordable way of housing people for the long-term. This safety net is in many ways remarkably successful, with housing benefit in particular providing a

critical role in softening the link between low income and homelessness.

But it is not perfect. Housing benefit has been relied on too heavily to provide access to affordable housing, despite being a bureaucratic system with problematic work incentives and often paid at insufficient levels to procure adequate housing. Homelessness legislation is variable in the support it provides to different groups, while a severe shortage of social housing has led to severe rationing, excluding all but the neediest of new entrants. Too many are allowed to fall through the gaps in the housing safety net³.

However, it is difficult to believe that enthusiasm for a stronger safety net can be found in the current climate (let alone maintaining support for existing provision) without engaging with the substance of public concern.

To build a safety net that truly supports people when they need it and works effectively, we also need to ensure that it is a safety net that people will support politically.

This is not an impossible task. Certainly it would be dishonest to deny that there are deep-rooted public concerns, which go beyond an austerity-induced blip. But public opinion is nuanced and complex; the vast majority of people support the principles of the welfare state but a majority also have concerns with how it operates in practice. This does not mean public opinion is confused or contradictory; instead it reflects the complexities of the welfare state itself and the tensions that arise from design to delivery.

This paper is primarily concerned with the housing safety net, by which we mean housing benefit, homelessness legislation and social housing. However, many of the lessons are applicable to the broader debate on social security, particularly prevailing themes of public concern.

The housing safety net is:

Housing benefit: A means-tested individual benefit paid to people with insufficient income to meet their housing costs. Available for private and social renters only. Limits restrict the amount of benefit that can be paid to households in both tenures and it may not cover the full cost of housing.

Support for Mortgage Interest: A means-tested benefit paid to people eligible for Income Support, income-based Jobseekers' Allowance or Employment and Support Allowance or Pension Credit. Payments begin after a 13 week waiting period (for working age claimants) and are intended to cover mortgage interest payments only. This is subject to the first £200,000 of a loan only and the interest rate is based on the Bank of England average mortgage rate rather than claimant's actual mortgage repayment costs.

The housing safety net can also be said to include:

Supporting People: A programme of funding to provide housing related assistance for vulnerable people. Funding is un-ringfenced and is managed in different ways by different local authorities.

Advice: Legal advice and advocacy to help people secure the protection provided by the housing safety net.

Homelessness legislation: Legislation protects some homeless people. If a local authority has reason to believe someone is homeless it has a duty to make investigations. If a household is eligible for assistance, in a 'priority need' group and not intentionally homeless the council has a duty to rehouse the household.

Social housing: The UK has a large social housing stock that provides accommodation to low and middle income households. Traditionally, social housing has been provided significantly below market rents and often on a lifetime tenancy. Now, social housing is increasingly offered on shorter tenancies and closer to market values.

Local welfare assistance: A replacement for the discretionary elements of the Social Fund. Until 2015, funding has been provided for local authorities to help people facing unexpected pressures on their income.

The role of the welfare state

The benefits system is often characterised as a safety net, but this is only a partial description. The welfare state in fact performs multiple roles, rarely articulated yet frequently conflated. But it is necessary to unpick these to reveal what the public actually think about welfare and to begin to work towards a vision that could be both stronger for all of us who call upon it and win public consent.

Broadly, the welfare state is being called upon to do three things:

- Provide short-term support for those who suffer a drop in income (**the insurance role**)
- Provide long-term support for those unable to work (**the dignity role**)
- Bridge the mismatch between wages and the cost of living (**the compensatory role**)

Sitting beneath these functions is an agreement that, in a civilised society, people should not be allowed to become completely destitute. However, beyond the need for this minimal protection there is little consensus about the level of support the welfare state should provide. The above segmentation allows some groups to be treated more generously than others or for particular incentives to be inserted in different parts of the system.

The housing safety net is entwined throughout the benefit system and can support its various roles.

For example, housing benefit is claimed by the short-term unemployed, the long-term sick and households in work. Homeless legislation also provides a backstop against destitution, although this is restricted to some types of household only.

Homelessness legislation is implicitly dependent on housing benefit as the accommodation found for individuals eligible for assistance must be paid for even if they are on a low income.

Social housing provides support for people who would otherwise struggle to find affordable housing, but is often clumsily integrated with the rest of the welfare state.

Advice and support is also crucial for helping people to navigate the system as well as preventing problems from escalating in the first place.

1. The insurance role provides short-term support to buffer people through a drop in income, typically during unemployment, and most closely matches the safety net characterisation. It is also the function of the benefit system which implicitly dominates much of the debate when people claim social security is broken and distorted away from Beveridge's principles of contribution and insurance (as support is available on a means-tested as well as contributory basis). It is strongly cyclical and will be put under increased pressure during times of economic downturn. It is also required during periods of economic prosperity as a functioning economy will also always have a certain level of natural unemployment and the insurance role means that employers, individuals or charities are not solely required to support someone during periods of inactivity. Unemployed people make up the smallest single group of housing benefit claimants, at 11% of the total⁴.

2. The dignity role recognises that some people will be unable to earn their own income for a longer period of time, due to sickness, disability, old age or caring responsibilities. Unlike the insurance role, it does not expect to support to be brief while people bounce back but rather accepts a level of longer term need. It is less directly influenced by economic downturns, although wider economic pressures may influence design. It has grown in increasing importance in recent decades due to an ageing population, increased life chances for the long-term sick and disabled and a larger number of people unable to work due to caring commitments. Over half of housing benefit claimants can be said to fall under the dignity role, as either carers and lone parents, pensioners or people with illnesses or disabilities that prevent them from working⁵.

3. The compensatory role is the least openly articulated, largely because it does not fit well with the dominant characterisation of the welfare state as a safety net. It provides support for people in work but unable to meet a required standard of living due to low or insecure wages or high housing costs. It has become an increasingly dominant feature of the welfare state in recent years. Its ability to compensate for stagnating wages was one of the key drivers of increased living standards during the last decade. But there are questions as to whether this is sustainable financially or whether it may have inadvertently subsidised landlords and employers. The degree of heavy lifting that the compensatory role is required to do can be influenced by broader economic and housing policy. It is likely to become an increasing feature of the safety net as the economy reshapes into an 'hour glass economy', with a growing proportion of low paid, low-skilled jobs at the expense of mid-skill positions, and with no sign of an increase in housing affordability. One in five housing benefit claimants are in employment, making them the largest single group of beneficiaries⁶.

Table 1: Protection offered by the housing safety net

Insurance role	Housing benefit (renters) Support for Mortgage Interest (home-owners, after waiting period and time limited) Potentially discretionary local welfare assistance Discretionary Housing Payments (renters only) A right to rehousing for some groups of homeless people
Dignity role	Housing benefit (renters) Support for Mortgage Interest (following waiting period if in receipt of Income Support) Rationed access to social housing Potentially Supported People funding Potentially discretionary local welfare assistance Discretionary Housing Payments (renters only) A right to rehousing for some groups of homeless people
Compensatory role	Housing benefit (renters) Rationed access to social housing Discretionary Housing Payments (renters only) Potentially discretionary local welfare assistance A right to rehousing for some groups of homeless people

What is the relative significance of each of these roles within housing benefit?

Chart 1: HB caseload breakdown⁷

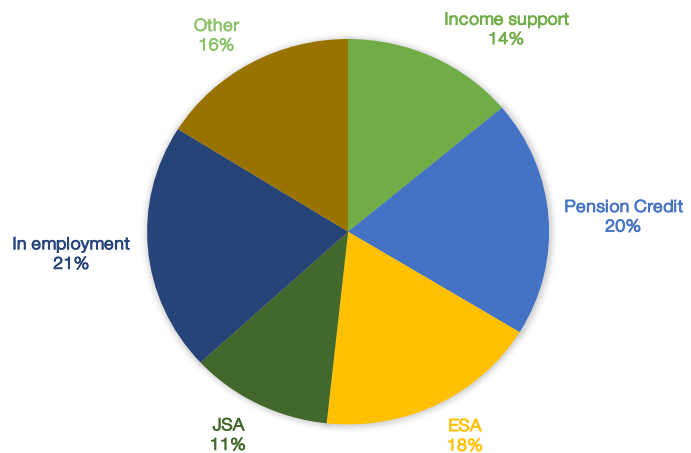
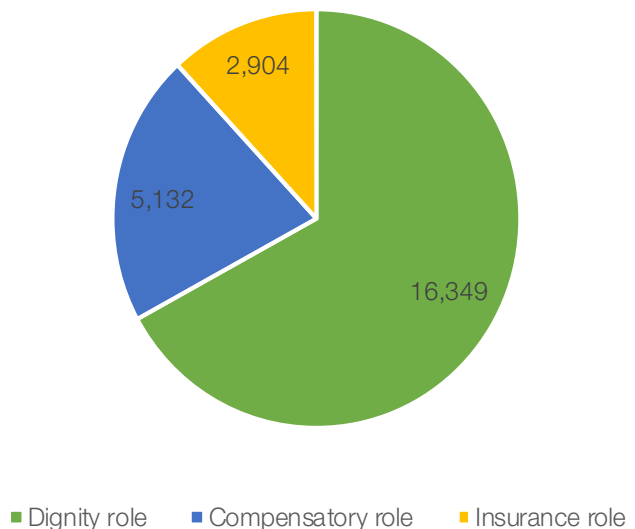
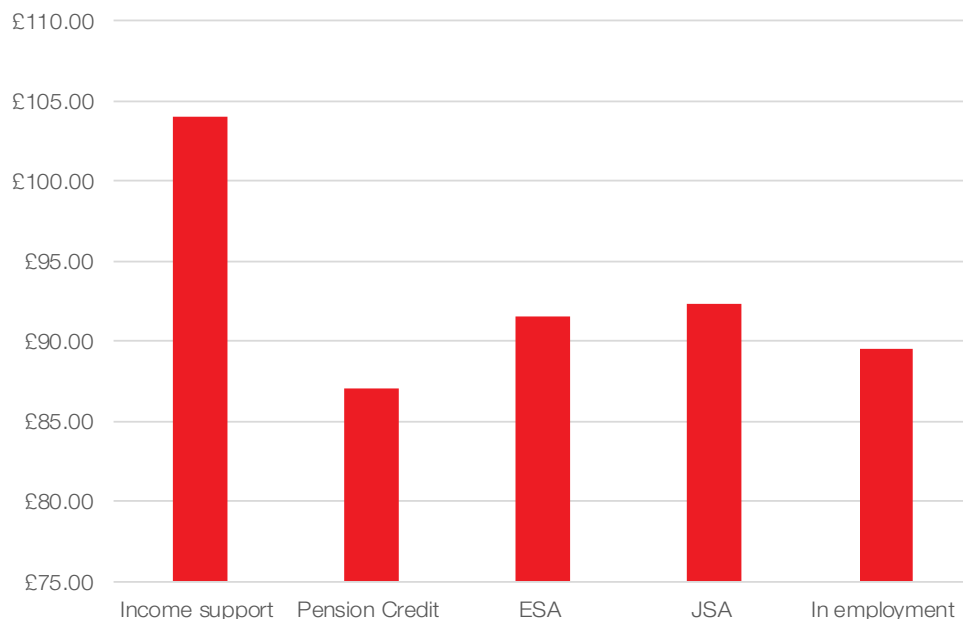


Chart 2: Annual HB expenditure (£m) by claimant need⁸



How much do people in receipt of housing benefit receive?

Chart 3: Average weekly HB award by claimant type⁹



The problem of rent

Referring to the ‘housing safety net’ is in many respects an artificial distinction but not an unhelpful one, given that housing has always presented problems for those trying to craft a vision for social security. Other aspects

of the benefit system (for example tax credits or Jobseeker’s Allowance) do not attempt to provide for accommodation and housing benefit and support for mortgage interest (SMI) have evolved specifically to cover housing costs.

This is due to what Beveridge termed “the problem of rent,” which created problems for the blueprint of the welfare state. This “problem” is the huge difference in housing cost created by tenure and region, which mean a flat rate housing credit mirrored on income-replacement benefits would create extreme winners and losers.

Specific benefits tied to housing address this, albeit in a bureaucratic form which goes some way to explain the perceived (and actual) complexity of housing benefit. Housing benefit and SMI are the only benefits linked to defined individual costs and any changes to housing benefit or SMI have a direct impact on a person’s ability to meet their housing costs.

By international standards housing benefit provides relatively robust support, although this has declined as a result of 2011-13 reforms. However, this is offset by the complete lack of provision that other benefits make towards housing costs, in contrast to many other countries. **This means that housing benefit has, in theory, to shoulder the entire burden of rent as income replacement benefits are too low to cover the additional cost.** Homelessness legislation in England is also strong by international standards, although Scotland and Wales have enhanced support.

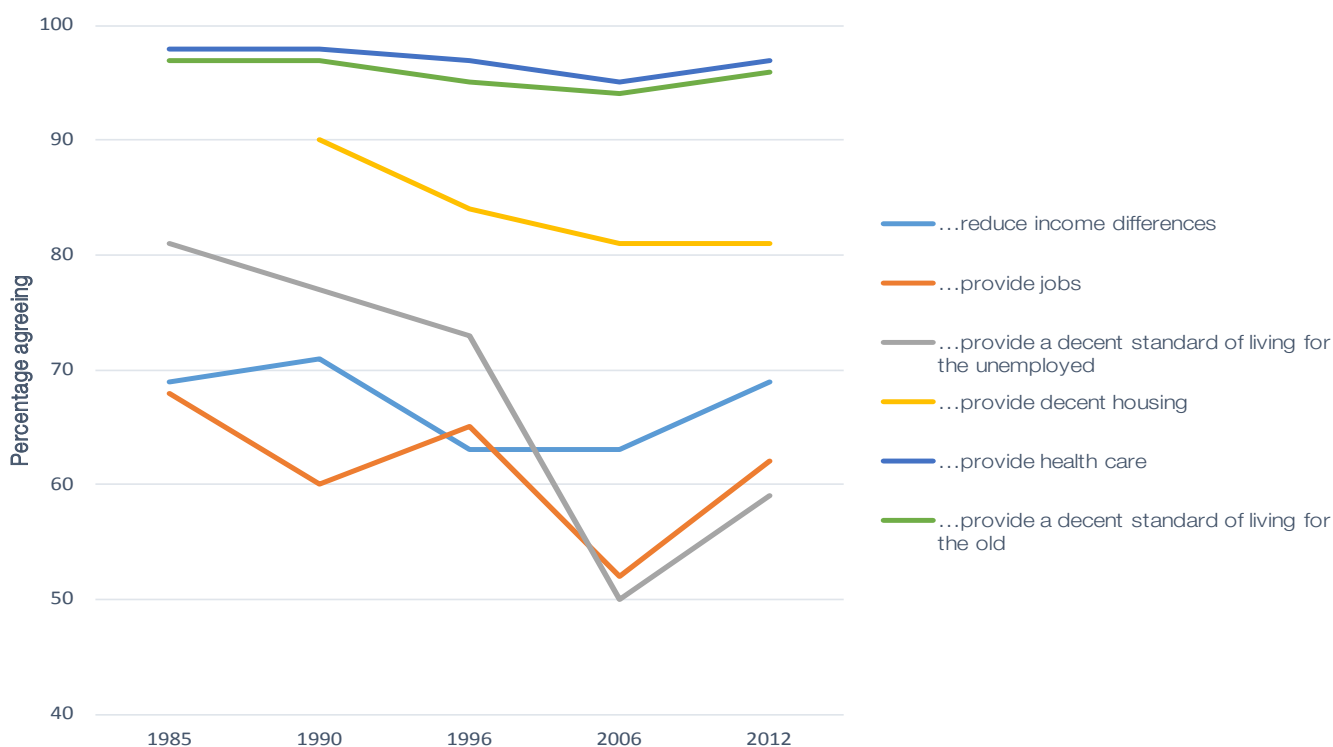
Support for the welfare state

Support for the government's overall role in providing a welfare state in principle is still strong. This ranges from support for state services for the sick and disabled to cash payments for people on low incomes, including pensioners and the unemployed.

However, support towards these different functions does vary. **In general the public are far more likely to**

agree the government is responsible for providing a decent standard of living for the old (96%) and health care for the sick (97%), than financial support for those out of work (59%)¹⁰. In particular the proportion who agree that the state is responsible for providing a decent standard of living for the unemployed has proven far less resilient compared to other strands of the welfare state. This suggests that the social security system (or at least parts thereof) is seen as distinct and potentially more negatively to the rest of the welfare state in its broadest sense.

Chart 4: Public views towards government responsibility¹¹



A clear majority (81%) of people also think the state is responsible for providing decent housing for those who cannot afford it¹². Encouragingly this has been more resilient than attitudes towards the unemployed over time.

This warmth perhaps runs counter to the frequent characterisation of the public's views of and certainly people have not reacted to successive governments' presiding over a collapse in the supply of new homes the same way in which they may be expected to greet failures in the NHS or education systems – although there are now signs this may be changing. **Housing has long been seen by academics as the “wobbly pillar of the welfare state,” as most people are able to procure their own housing most of the time¹³.**

The primary means by which the government now helps people access housing, namely housing benefit, has emerged as one of the least popular benefits and the subject of some of the most intense media and political debates¹⁴. **There is evidence that the provision of support via investment in affordable housing for people on low incomes would be more popular than the heavy reliance on income subsidies, with the public reporting warmer feelings towards people who live in council housing than those who claim housing benefit¹⁵.** While the UK does still have a comparatively large social housing sector (by international standards) to provide accommodation for low income households this is now largely the product of historical supply.

The government continues to fund some new housing below market cost, but supply is insufficient to meet demand and the move towards the affordable rent model (which relies on rents set at up to 80% of the market value to compensate for a reduction in grant funding to subsidise building) means that rents are now increasingly set at levels that are unaffordable to households on low incomes without housing benefit.

This raises the concern that warmth for the government's role in providing housing for those on low incomes and a concern at the failure of the market to adequately house people is being undermined by a reliance on housing benefit as the solution, and could be better channelled into support for a greater supply of affordable housing.

Support for the insurance role

A majority of the public do support the role of the state as a safety net to catch people who fall on tough times, although this support is complex and not unconditional¹⁶. Research for Shelter found the public are protective of this role and have a very strong desire to safeguard it, particularly if support is linked to past contributions.

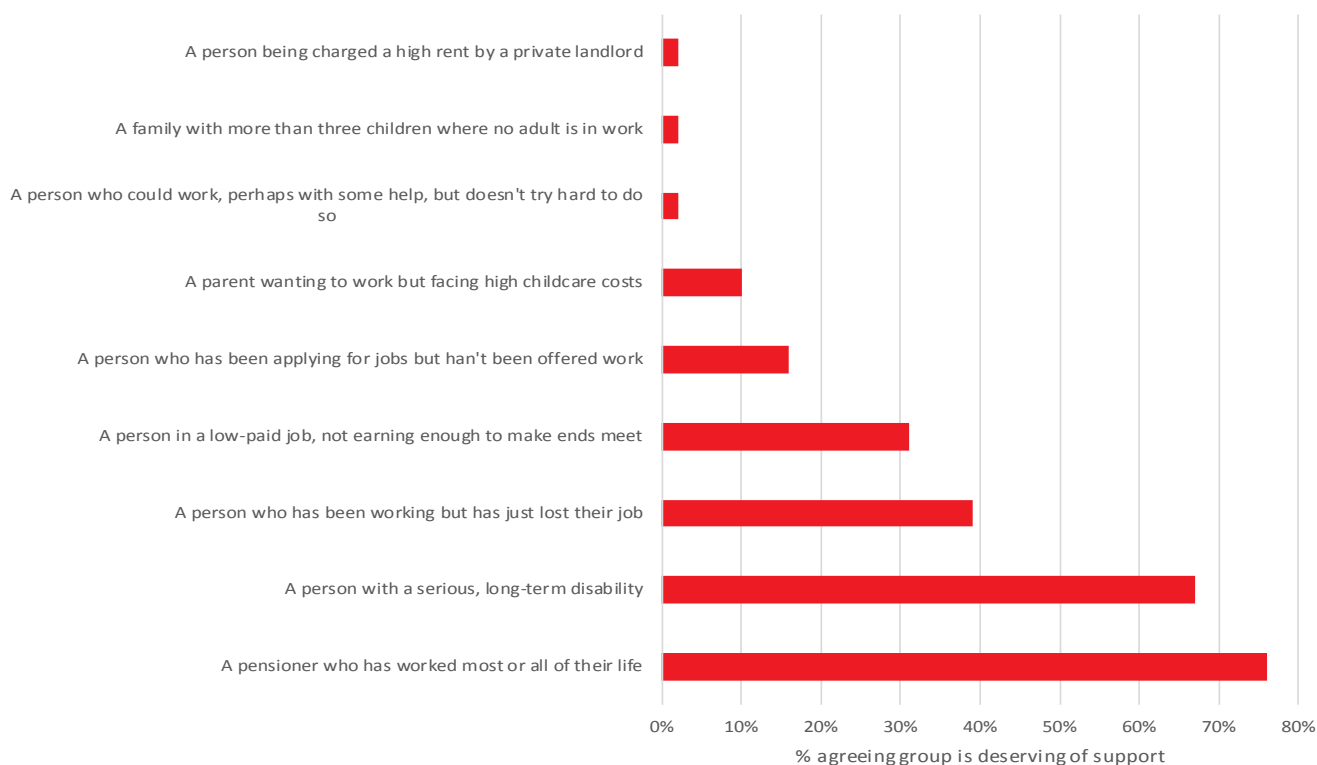
Despite this, it is notable that support for the insurance role is the element of the welfare state which has suffered most from the loss of public

confidence towards the welfare system. Although six in ten people think the state is responsible for providing a decent standard of living for those looking for work, this is down from eight in ten in 1985¹⁷. This contrasts with far stronger public support for government support for pensioners and the disabled, which has also been more consistent over time.

The weakening support for the welfare state's short-term safety net function may be explained by a growing concern that it does not do enough to encourage people to bounce back. **Good will towards people who are unemployed appears to have a short shelf-life; attitudes towards welfare recipients harden after an initial period of unemployment,** with three-quarters agreeing that people who are not doing enough to find work are undeserving of support¹⁸.

Aligned with this has been the clear sense developing over time that the benefit system – and to some extent social housing - encourages dependency and is not functioning as a stop-gap insurance system. This is despite the fact that more than half (56%) of JSA claims are for six months or less¹⁹. Although the number of people looking for work continues to outnumber the number of vacancies on a national level, just over half of people agree that “around here people could find a job if they really need one”²⁰.

Chart 5: Groups seen as ‘deserving’ of support²¹

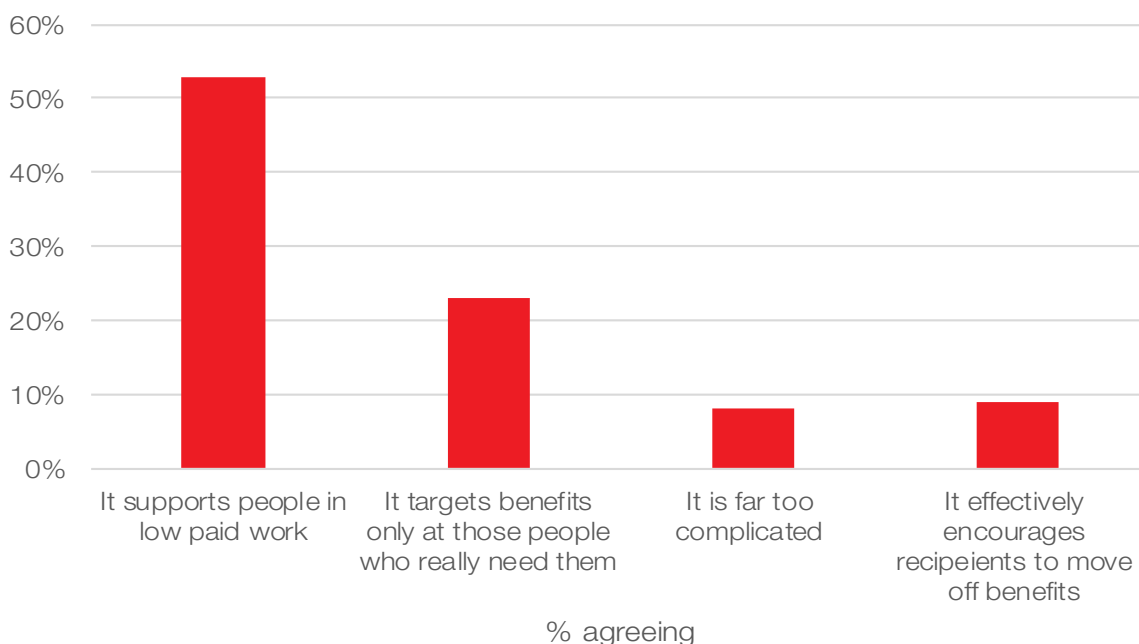


Although this has fluctuated, attitudes seem to reflect something more than the buoyancy of the broader economy and speak to active concern at the influence of the benefit system itself.

Having been minority views a decade ago, a majority now think that unemployment benefits

are too high and discourage work and that people would “stand on their own two feet” if benefits were less generous²². Overall, there is very little belief (9%) that the social security system encourages people to move off benefits²³.

Chart 6: Attitudes towards the welfare system²⁴



As well as concerns that the system is too soft towards those who could work but don't, a clear majority also think the benefit system does too little to support people who have previously contributed and now need short-term support²⁵.

This reflects growing concern that the safety net provides insufficient cushioning when people do fall out of work, particularly for those who previously enjoyed good incomes. **This risks entrenching a ‘them and us’ approach towards the welfare state, with those calling on it viewed with suspicion, and many of those who could need it disengaging.**

The perception that the insurance role does not adequately reward people who have paid in is not unfounded. Previous research has indicated that the current benefit system fails typical income households who require support because of low levels of entitlement and insufficient reward for past contributions²⁶.

Contributory Jobseekers' Allowance (£72.40 per week for over 25s) or Employment and Support Allowance (up to £106.50 per week) rates are no higher than means-tested

support and limited to six months only. After this period people may qualify for means-tested benefits but many people are ineligible due to savings or a partner's income. And compared to average gross weekly pay of £518, moving on to either benefit would represent a significant drop in income for someone used to budgeting on an average income, raising the question of whether current out of work benefit levels provide sufficient cushioning as a safety net.

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The housing safety net offers particularly patchy protection for homeowners following unemployment; households must wait for 13 weeks before being entitled to any help, and this will only cover mortgage interest payments paid at a standard rate and capped at £200,000. As a result of such restrictions fewer than

30,000 unemployed homeowners claim SMI, with an average weekly benefit of £50²⁷. This compares to median mortgage payments of £115 per week in England²⁸.

There is appetite among the public for reform to enhance the protection offered by the insurance role. It is, however, less enthusiastic than demands to crack down on those seen as exploiting the system. Research for Shelter found 15% of people thought that increased protection for homeowners facing repossession should be a top-two priority for reform, compared to 37% who wanted a crackdown on fraud²⁹. **This suggests that ire is currently focused on “something for nothing” rather than “nothing for something”.** However, this is not entirely unsurprising given the tenor of public debates on welfare – where the only “solutions” offered are in the form of cuts - and redefining the problem as one of insufficient support and poor protection for the majority could be beneficial.

Support for the dignity role

Although the welfare state is often characterised as a safety net (or lamented for drifting away from this role) it has always provided long-term support for people unable to work for extended periods of time. **And despite rhetoric around a dependency culture, evidence suggests the public are strongly in favour of this long-term role, as long as it is appropriately targeted.**

Polling consistently finds that the public are extremely supportive of benefits for the long-term sick, disabled and pensioners, all groups likely to require long-term benefits³⁰. Research for Shelter further suggests that people do feel a housing welfare system in particular is necessary to support people who need long-term support, with three-quarters agreeing that it is necessary to support disabled people³¹.

But generosity towards long-term support appears to be coupled with an understandable desire to ensure access is tightly controlled. If someone does not meet the agreed criteria for long-term support (for example, they have an illness which means they cannot work) people will be extremely critical of any prolonged duration on benefits.

And there is not a consensus as to what circumstances do justify a longer term absence from the labour market. While pensioners and those with severe health problems are seen as deserving of protection, views are more mixed towards lone parents. Just 14% of people think additional benefits for single parents should be a priority for additional spending on welfare, compared to a majority of people who are happy to increase pensioner benefits and disability benefits.³²

People also need reassurance that once the categories “deserving” of long-term support have been agreed on, access to them is administered competently. Notably research for Shelter found that attitudes towards people on “disability benefits” were considerably less warm than attitudes towards “disabled people”, suggesting that receipt of a disability-related benefit is not seen as a reliable indicator that someone is “genuinely” disabled³³. Overall confidence is poor that support is correctly directed, with only a quarter of people (23%) agreeing that the welfare system is effective at targeting benefits only at those who need them³⁴.

Support for the compensatory role

The benefit system’s role in providing support for those in work is less frequently invoked as a core principle, even though it is an increasingly important function and one that has the potential to unite a large constituency of beneficiaries.

This role has become particularly crucial in the housing safety net, due to the way in which housing costs have outpaced wages. The number of in-work housing benefit claimants is now in excess of one million, making them the single largest group of claimants, and this group is forecast to continue to grow despite improvements in the wider economy and cuts to entitlement leading to falls in other benefit spending³⁵.

Public attitudes towards the social security system as a market corrector are broadly positive but are not unqualified. A majority of people do agree that the welfare system plays a positive role in supporting people in low paid work³⁶. There is also strong support for expanding this role; a majority back increased spending on parents in work on very low incomes and would prioritise this even above extra spending on the disabled and pensioners³⁷.

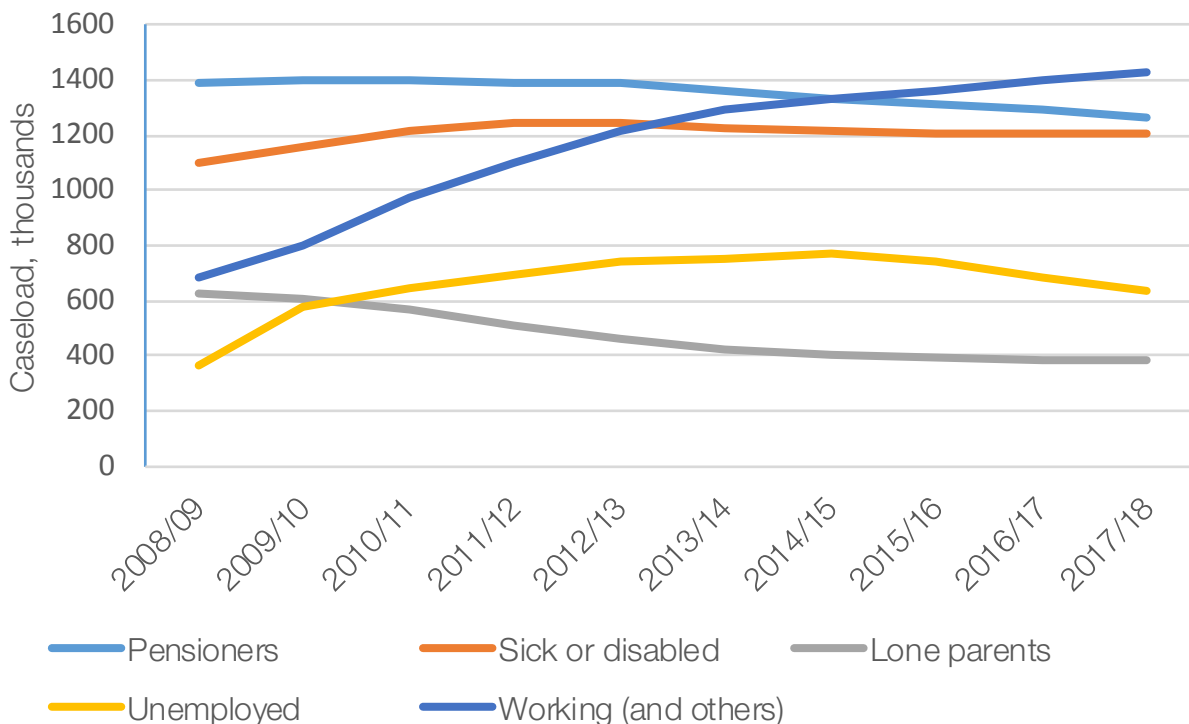
This is fortuitous, given that analysis points to a continued need for in-work support. Official forecasts predict that the caseload and proportion of spending directed at working housing benefit claimants will continue to increase and in three years’ time it is expected that two in five working age housing benefit claimants will be in-work³⁸. While just eight per cent of all housing benefit claimants were classed as “other” (which includes those who are employed) in 2004/05, this increased to 16% in the wake of the economic crisis and is projected to rise to 29% by 2017/18³⁹.

It has been argued that reliance on low-paid labour combined with a loss of mid-skill jobs will require continued reliance on in-work support, with other countries forced to mirror the UK’s reliance on tax credits⁴⁰. **However, political and economic wisdom questions whether the benefits system can**

continue to expand and maintain living standards to the same extent that it did in the 2000s, given the increasing fiscal pressures. Attempts to square

this have focused on minimising the need for the state to supplement wages with a greater emphasis on increasing wages.

Chart 7: Past and projected pressures on housing benefit caseload⁴¹



However, the degree to which housing costs have outpaced earnings means that “pre-distribution” alone will not counter the need for additional housing support. For example, analysis by New Policy Institute found that a household moving from the minimum wage to the London Living Wage still required support from housing benefit if privately renting⁴². **Additionally analysis by Shelter found that average wages would have to more than double to keep pace with rising house prices since 1997.**

In this context, expecting rising wages alone to solve the housing affordability problem is just not credible and some form of intervention to increase affordable supply is required to bridge the gap between pay and housing costs.

The problem with rent – revisited

Housing is once again an atypically persistent problem for the welfare state to respond to. Yet it is one we need to grapple with as a need for the compensatory role will continue even if the economy continues to improve.

Research for Shelter found that seven in ten people do agree the housing safety net is necessary to help to support people on low incomes⁴³.

However, attitudes towards how the state should meet working households’ housing needs does suggest a limit to generosity and/or concerns around inefficiency. **While there is acknowledgement of the need for intervention to offset the lack of affordable housing, the public appear far less convinced that we are currently doing this in the right way.**

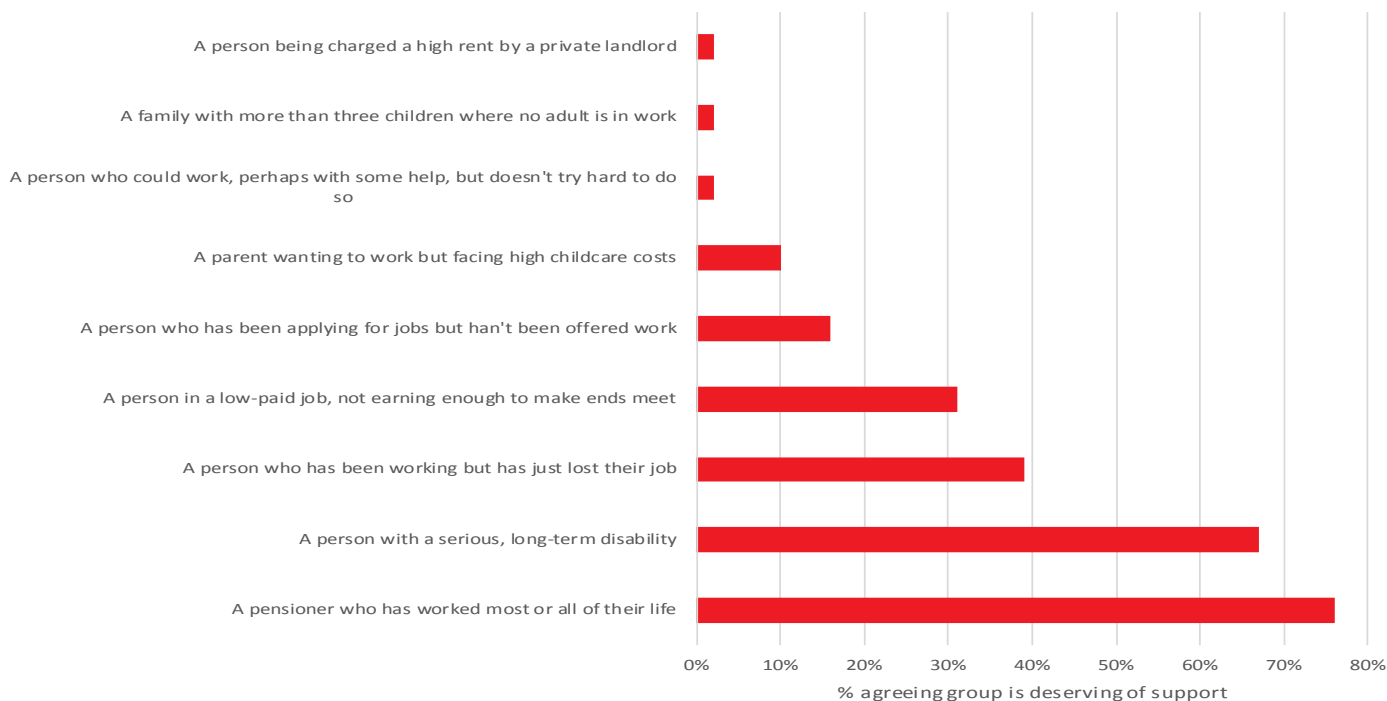
Although people are very supportive of help for the low paid in general, this does not mean that they are happy to support high housing benefit payments for working households. Just over a quarter (27%) think someone being charged a high rent by a private landlord is not deserving of help and only two per cent of people would prioritise them for assistance, preferring instead to direct help towards those struggling on low pay generally or with high childcare costs⁴⁴.

Housing benefit does appear to be less popular than other benefits. Research for the TUC found overall negativity towards housing benefit, despite warmth towards tax credits and child benefit⁴⁵. Combined with the lack of opposition to the government’s housing benefit cuts, the public do seem to have concerns about the reliance on housing benefit to help bridge the gap between rents and earnings.

Likely explanations are that high rents are seen as avoidable (and people think low paid workers could and should have found cheaper accommodation); or

the public resent large sums of public money being transferred to private landlords.

Chart 8: Public priorities - groups seen as most deserving of support⁴⁶



It's for this reason that attempts by some supporters to rebrand housing benefit as a landlord subsidy may be short-sighted. If the public are already unsympathetic towards the needs of households being charged high rents, then emphasising the degree to which housing benefit benefits landlords could further reduce support, creating fertile ground for further cuts.

The visibility of housing benefit may also make it a target. It is the only benefit intended for one specific cost and that cost has increased rapidly over-time, making housing benefit stand out as an apparently generous benefit, especially compared to other benefits which have fallen in real terms.

However, abolishing a standalone housing benefit would necessitate considerably larger income replacement benefits, even if housing costs were also reduced. These may still appear sufficiently generous to attract criticism, and it may be less easily communicated that the bulk of the income is designated for housing costs.

It would also reintroduce the “problem of rent”, with flat-rate benefits struggling to accommodate wide variation in housing costs. Universal Credit will attempt to balance these two demands by incorporating a responsive housing component within a unified benefit payment.

A further problem may be a lack of obvious objective for housing benefit. Jobseeker's Allowance is visibly for people looking for work, Disability Living Allowance supports disabled people with the cost of living, whereas the purpose of housing benefit (essentially a messy bolt-on to support the variable housing costs of people drawing on the welfare state for a myriad of reasons) is not immediately clear.

Housing benefit, however, should not be seen as the only tool the welfare state has for smoothing the misalignment between market housing costs and wages. **There is evidence that people would be more supportive of a strengthened housing safety net delivered via new building to provide genuinely affordable housing for people on low incomes.** Policy analysts are increasingly calling for a switch back in favour of capital investment and nearly two-thirds of the public (64%) also support shifting money from housing benefit to building more homes⁴⁷.

Ensuring people on low wages can access affordable social housing is one of the most popular housing policies more broadly, with 40% agreeing it should be one of the top-two government priorities in research for Shelter⁴⁸. Only a generalised “crackdown” on ‘scroungers and immigrants’ was more popular.

Combined this points to the risk that while the public are supportive of the need for the welfare state's compensatory role - and the government's role in providing housing for low income households in general - this hasn't yet been capitalised on in terms of an effective policy to deliver housing affordability. Increased supply of genuinely affordable homes would reduce the need for individual support, as working households would be better able to afford their own housing costs without additional help from the benefit system. It would also have the advantage of reducing the cost of provision in other areas, as the housing benefit bill for those requiring short or long-term support while out of work would also fall.

Shelter and KPMG have set out a detailed blueprint for how this could be achieved⁴⁹. This requires transforming the land market to make it more transparent and efficient to provide more land at lower prices; a more diverse range of developers including smaller builders; investment in genuinely affordable housing via a National Housing Investment bank and lifting the borrowing cap on local authorities; and ensuring local leadership delivers new development where it is needed.

Responding to opposition

While there does appear to be support for all of the primary functions of the welfare state, this is tempered by caveats and tension. Clear themes do emerge which identify the limits of public support. People are concerned that:

- the welfare system has strayed beyond its core principles;
- that too little is done to ensure support is correctly and tightly targeted;
- that too little is asked of claimants
- that those who have contributed to the system are insufficiently rewarded.

This is particularly true in relation to the housing safety net, which has borne the brunt of media and political scrutiny. Overwhelmingly the public feel the biggest problem with the housing safety net is that money is wasted on people who shouldn't get support⁵⁰.

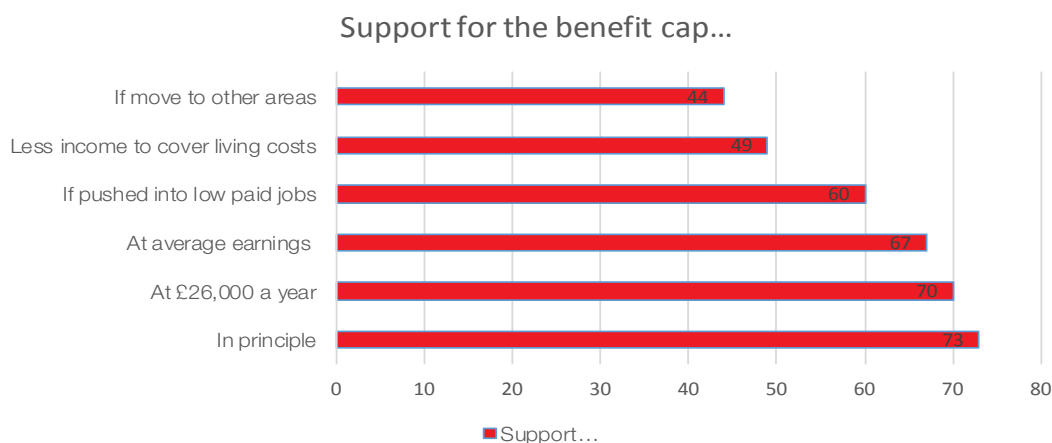
Appetite for reform

Hypothetically the public have a huge appetite for cutbacks to the current benefit system, and a majority of people do support the cuts to the housing safety net specifically.

Research for Shelter found that people would rather the housing safety net was reformed so that “skivers” got less, than it was strengthened to ensure people who had contributed were adequately protected. **Bluntly put, many people would now prefer that the government took £10 away from people on benefits rather than handing their own families an additional £10.**

This underscores how deeply held the importance of fairness is and that fairness is biased towards a retributive framing rather than desert.

Chart 9: Public support for the overall benefit cap⁵⁴



It also underscores a tendency for reform to be inclined towards cuts (which are always easy to promise and visualise) rather than transformative reform (which can prove somewhat trickier for policy makers to articulate). Current media and political debate has been heavily focused on curbing excesses, despite nods to the “biggest shake-up of the welfare system in 60 years”⁵¹. And just as the Government has an incentive to promise more welfare reform because it is popular, it also has a fiscal interest in promising reform that will result in cuts rather than genuine transformation which could increase costs in the short-term.

And distaste of the consequences

In the abstract, the debate is therefore hostile territory for those wanting to strengthen the safety net. But promises of “cuts” and “reforms” must at some point translate to specific budget lines and policies. It is increasingly apparent that unease then starts to show when a) specific policies are put forward if they have “unintended” negative consequences and b) people are able to identify with those bearing the brunt of these consequences.

There is a generalised appetite for “reform” and specific policies have found top-line support. But concerns are emerging at how they are being implemented or the emerging consequences. For example, half of the public support the principle of the so-called bedroom tax but support declines if people are told affected households will have to move to the private rented sector, relocate to a new area or take in a lodger⁵².

Similarly, while a clear majority of people support the principle of the overall benefit cap, less than half continue to support it if people will have less income to use to pay other bills or will be forced to move to a cheaper area⁵³. Likewise support for the proposed withdrawal of housing benefit for under 25s declines sharply if people are told it would affect young families, low paid workers, those leaving home due to abusive parents or those with disabilities.

Often it is the visible experience of those affected by cuts that increases public unease. Research suggests that the experiences of people undergoing Employment and Support Allowance assessments is undermining support for disability related reforms. While the public want to ensure that only the “genuinely” sick and disabled have access to disability benefits (requiring strict assessment criteria), there is also a concern that many “deserving” people are losing out in overly harsh or incompetent assessments. Focus groups of swing Conservative voters found unease at the treatment of sick and disabled claimants known to the participants was beginning to undermine the general pro-cuts sentiment⁵⁵. Research for the TUC also found that people’s confidence in reforms was undermined by the experiences of people in their communities⁵⁶.

The impact of these stories on public support could explain the swing in public opinion against the bedroom tax over the course of 2013. Half of voters supported the policy in March 2013 with 38 per cent opposed. By November 2013 this had shifted to 42% support versus 45% opposed⁵⁷. The public debate has been notable for the number of households willing to tell their story publicly, highlighting a number of flaws with the policy.

This coverage contrasted with the portrayal of other housing benefit reforms, which lent much more heavily on unsympathetic case studies intended to showcase the rationale for reform. In contrast, people have been fully confronted with the arguments against the so-called bedroom tax (housing benefit restrictions based on property size and occupation), with media case studies highlighting both the practical pitfalls (insufficient stock for downsizers, the need for additional space to store medical equipment) but also the full emotional impact for those affected.

The loss of appetite for reform when it moves into implementation is not restricted to the latest round of welfare reform. It has previously been observed that governments struggle to translate the promise of radical reform into reality, as specific cuts always result in visible, specific losers, whereas any benefits of reform are non-specific and spread across a diffuse range of people. In this context it is noteworthy that the present strong support for the cuts is matched with very little awareness of what they actually entail. Half of the public say they know a little or nothing about the bedroom tax and two-thirds know little or nothing about the overall benefit cap⁵⁸.

This points to a complexity in the public’s approach to reform. **There is a strong appetite for change, and a strong suspicion that a minority of claimants are fraudulent and should have support withdrawn. However, the public are not as comfortable with the reality of reform, especially if it affects the more “deserving”.** But the generalised concern about fraudulent claims and desire for a crackdown remains, yet is rarely satisfied by an appropriate target.

In short the public appear to want the government to wield an axe which draws little blood; yet any cuts to services and benefits paid directly to the poorest households will have direct consequences. Personalisation appears to be key to both trust and distrust; just as support for the principles of the welfare state decline when people begin to imagine it populated with the ‘undeserving’ – often aided by atypical media case studies – support for reform dips when people are confronted with the stories of those affected.

This does not, however, mean that cuts can be opposed purely by an emotive appeal to protect the most vulnerable. Research for Shelter found that attempting to articulate the need for the welfare state with sympathetic appeals to protect “deserving” groups such as the disabled or children actually increased support for welfare changes. This may be because an abstract appeal to protect “the disabled” or “children” is insufficient, given that the same research found that broad categorisations are not seen as reliable indicators of circumstances or “deserving” status.

Also talking about the “vulnerable” is inherently alienating for most people who see themselves as average and do not understand how a safety net for “the most vulnerable” could be relevant to their own lives and insecurities. Instead the research showed it was more informative to articulate the impact of cuts on less-vulnerable and more-relatable households, especially if they were seen as having contributed to the system (and therefore deserving), previously earned a typical wage and generally resembled themselves.

Finally we should be aware that piecemeal opposition to individual cuts may be effective on a case by case basis but may not be successful in building the necessary mandate for strengthening the safety net.

Public opinion: focus group or think-tank?

While public opinion seeks welfare reform in principle, the response to the impact of cuts underscores the difficulty of trying to translate opinion into policy. Initial tolerance for “collateral damage” in the abstract wanes when negative impacts become well known. **What the public appear to want is a surgical strike approach to cuts, where only the “undeserving” are affected. This is of course unlikely:** The bureaucracy of the welfare state inevitably creates cliff edges and crude definitions and any top-down cut is going to be felt broadly.

Together, these concerns explain why the overall benefit cap has been such a successful policy in political terms. By focusing on atypical but high combined payments seemingly meted out without condition it distils the heart of the generalised mistrust the public have towards the welfare state. To most people on average wages and not familiar with the high cost of London private rents (which

of course underlay many high payments), the discovery that combined benefit income could exceed £26,000 was undoubtedly shocking. Exemptions for the disabled, armed forces widows and those recently unemployed help minimise the risk of “deserving” case stories coming forward.

Crucially the numbers affected are in fact very small, making it unlikely that people will know someone suffering because of it, or that the scale of unintended consequences will be sufficient to embarrass the government. Additionally it is extremely simple and the government has frequently reiterated the visible and clear (but not in fact met due to exemptions for certain households including those in receipt of Disability Living Allowance) promise that no-one on welfare will receive more than £500 a week. And in social terms its impact is devastating for some households, with many affected unable to afford accommodation.

The use of Discretionary Housing Payments (DHP) is in some ways intended to enable targeted protection, by compensating for cuts on a case-by-case basis. DHP is a cash-limited pot of money given to local authorities to enable targeted, additional support for housing benefit claimants struggling to meet their housing costs. DWP ministers have repeatedly preferred DHP funding to exemptions set out in regulations because of their discretionary nature. However, it is naïve to think that DHPs will always be available for those who would otherwise make embarrassing headlines- although the response from Ministers will presumably be that local decision makers have chosen to leave people unprotected. This funding is by necessity insufficient to compensate everyone affected by cutbacks and rationing will inevitably mean that many “deserving” cases are rejected. A lack of clear criteria also impedes decision making and reduces take-up, with neither claimant or administrator being sure who should qualify for support.

Moreover it can also often appear that the “undeserving” are more simply the unknown, and people can become more sympathetic when a family is able to explain why they need a spare bedroom or why their illness means they are unable to work.

The issue of awareness also raises questions more broadly of the extent to which appetite for reform can be satisfied. Most people’s understanding of the welfare state is low, especially if they do not come into regular contact with it. **Policies designed to address specific concerns may therefore go unappreciated by the public unless they have sufficient impact to make headlines.** For example, people repeatedly demand reassurance that only the “genuinely” disabled and long-term sick can access disability benefits, but how many are aware of the strictness of ESA assessments or tightening of criteria in the move from Disability Living Allowance to Personal Independence Payment?

By emphasising and confirming abuses in the system, politicians risk creating an appetite for change that can never be satisfied. The previous government’s approach is a case in point. It is widely interpreted that the decline in public support for the welfare state in the early noughties was in part attributable to the Labour government’s pledge to get tough on fraud⁵⁹. However, while this heightened perception of a system rife with fraud, Labour were never seen as having got to grips with abuses, and instead left office widely distrusted for presiding over a broken welfare system, despite fraud hitting a record low.

Furthermore, the complexities which will always be inherent in the welfare state may prohibit conclusive reform. **There will always be a need to accept trade-offs between cost, work incentives, targeting, generosity and so forth.** Any policy is going to have undesirable effects in some respect and political debate on welfare in many ways simply reflects shifts in the areas that will be prioritised or the compromises that will be tolerated (e.g. one government may prioritise reducing child poverty, the next may seek sharp work incentives).

Perfection is simply not possible and any change will leave a system with inherent flaws that can be exposed and become the target of the latest round of debate and ire.

Conclusion

Making sense of criticism

This public concern with waste and abuse is a challenge for campaigners pressing for a stronger safety net. Shelter would agree with the public that aspects of the safety net are broken, but our evidence points to a system allowing too many to fall through the gaps rather than widespread squandering of support⁶⁰.

Some headway in countering the negative narrative may be made by highlighting the impact of individual reforms and how cuts are making it more likely that people's lives will spiral downwards if they suffer a drop in income.

But the overall momentum for reform is likely to remain, particularly if it targets claimants whose lives are not as easy to relate to (and therefore cuts seem less threatening to the average person). The long-term decline in support for aspects of the safety net suggests that it would be highly optimistic to simply ride out the current debate and hope that emerging evidence of impacts will shift opinion.

Moving beyond a defensive position and successfully strengthening the safety net seems even less likely without engaging with reoccurring public concerns. This includes responding with policy improvements where they are valid or re-establishing faith in the current system. Public opinion is complex and often changeable, but it does also show clear trends, both in terms of areas of the current system that can be championed and themes which prompt concern:

- **The public do support the basic principles underpinning the welfare state. This is true across all of its current functions, although these are not often openly distinguished and this lack of definition can undermine support.**
- **A failure to articulate the different functions feeds into a perception and frustration that the welfare state is functioning more akin to a permanent option than a safety net. In particular there is concern that the insurance role is being abused and this relates to long-term decline in support for the government's role in supporting the unemployed.**
- **The public are understandably not prepared to support what they perceive to be the fourth function – benefits as a preference, or 'lifestyle choice' for those who do not need them.**
- **There is insufficient confidence in the system's ability to correctly identify those eligible for benefits (financial and otherwise). There is also a clear theme of opinion that some people are unjustifiably receiving support, either because they have not contributed or because their circumstances do not warrant it. Going deeper,**

there is also anger that people have not taken responsibility for their own misfortune and could, if they had made better choices, avoided the need for support all together.

- **Moreover, in addition to this belief in widespread deliberate abuse, there is a concern that the structure of the welfare system disempowers people and disincentivises work. The fear is that the system has become cruel via its attempts to be kind.**
- **Attempts to counter this, such as through increased sanctions for JSA claimants or tougher work capability tests appear not to penetrate public consciousness. If they do gain cut-through they are often counterproductive in that they further legitimise criticisms of the system, or, counterintuitively, are opposed for their negative impacts.**
- **At the same time there are concerns that many people who do have a justified need for help are poorly served by the safety net due to partial coverage, exclusions for some groups, or low payments compared to previous earnings.**
- **Although the rhetoric between deserving and undeserving recipients is intensifying, the distinction between working and non-working households is growing less meaningful over time, as more working households require support. The public are prepared for the welfare system to play a stronger role in bridging the gap between wages and essential costs. However, this is the least openly articulated role of the welfare system and how to best bridge the gap between low wages and high housing costs is particularly contentious.**
- **Housing benefit appears to be particularly problematic and is less popular than other benefits. Why this is the case is not entirely clear, but may relate to the size of awards (which relate to high housing costs and the broken housing market); the fact that protection is limited to renters and therefore excludes a majority of the population; a lack of clarity of purpose; and for its prominence in media debates.**
- **Due to some deep seated concerns, there is strong in-principle support for reform and cutbacks to welfare, particularly if targeted at the "underserving". However, in practice the public response to reform is complex and people are troubled by what they perceive as unintended consequences.**

Defending a stronger alternative

While the public remain convinced that the system is at best inefficient and at worst actively harmful, any calls for more of the same will be interpreted as throwing good

money after bad. It is not enough simply to reaffirm faith in the central ideals of the social security system and ask for these to be strengthened; the public already support these core ideals but do not have sufficient faith in the present system's ability to deliver them without wasting money or creating perverse incentives. **We need to reaffirm the basis of support for its core aims and win belief in its ability to deliver these with integrity.**

This is not an easy process, but the following sets out the central areas Shelter considers necessary to develop answers to in order to put forward a credible defence for a strengthened safety net. Broadly speaking we think debate has to respond to the legitimacy crisis at the heart of concerns with welfare and uncouple concerns with the welfare state from dysfunction in the housing market. On some issues we can already state a clear principle, others will be considered over the coming months.

Responding to the legitimacy crisis

People do support the case for a responsive safety net to buffer people through a time of crisis or to provide ongoing support for people unable to work. What they need is reassurance that this protection is not straying beyond its key aims and that people are not illegitimately claiming support. This goes further than combating "fraud" as defined by official statistics. The public's sense of illegitimacy is moralistic not technocratic and covers scenarios such as someone receiving benefits without having paid into the system⁶¹. It may well be the case that it is desirable to support people in such circumstances, but the case needs to be made for why this is.

Anyone setting out their vision for the welfare state needs to be able to set out who is in scope for support and on what basis they receive it. Shelter will seek to develop positions on the following areas.

On what should entitlement be based?

Entitlement to support can be:

- biased in favour of those who have paid into the system;
- ignore past contributions and respond only to current need;
- be offered universally to all who meet a broad criteria (e.g. have children or a British citizen).

In practice opting solely for the former would be atypical and expose large numbers of people to destitution. Even though Beveridge's welfare state was conceived of as a national insurance system, it still proposed a (albeit small) means-tested safety net for those who had not paid sufficient contributions.

Opting entirely for a needs based system on the other hand risks undermining public faith in the welfare state

as people will be able to claim support without having contributed to the system. This risks undermining the principle of reciprocity that can sustain support. It is possible that belief in what has been termed a 'care ethic' could over-rule this if people are strongly motivated to ensure people are adequately protected⁶². However, given that current criticisms of the welfare state focus heavily on a lack of reciprocity or desert, it is doubtful whether a system based wholly on need could enhance public support.

A system incorporating a contribution based element also needs to identify what counts as contribution. Financial contribution in the form of tax or national insurance is the most common marker. However, it is possible to define contribution more broadly, for example recognising caring responsibilities where they have prevented someone from taking up paid employment, as occurs with the basic state pension. Some have gone further and suggested deploying a fully-paid up contributor to "guarantee" someone else's welfare account⁶³. A broader definition of contribution will bring more potential beneficiaries in scope but risks diluting the principle and undermining confidence in the system if the concept of contribution is not shared.

Due to the need to avoid homelessness and the negative outcomes it creates, Shelter will always demand a basic level of protection to prevent people becoming or continuing to be homeless. However, it may be appropriate to give graduated levels of support above this. This could be achieved via higher payments based on some kind of past contribution.

This will help protect people who previously combined higher incomes with higher housing costs and ensure the welfare state provides meaningful protection against homelessness and poverty for these groups. This could be achieved, for example, by ensuring people who have previously paid into the system are entitled to higher levels of support for housing costs for an initial period before moving on to lower basic levels of support if their circumstances do not improve.

It's also necessary to determine whether support should be rights based or subject to discretion. 20th Century systems have tended to favour the former and most benefit rules and levels are set by central Government. However, there are increasing moves to localise aspects of the safety net, or rely more heavily on discretionary elements.

Public concerns that people are "fraudulently" claiming support without really justifying it may be a reaction against a tick-box approach to entitlement. A discretionary based system allows greater nuances in terms of allocating resources but is vulnerable to inconsistency of decisions; prejudice and the overt exclusion of some groups; and may leave many people falling through the net with no recourse to appeal.

Should it aim to be redistribute or engage the middle?

Welfare systems vary in the degree to which they redistribute resources to lower income households or extend entitlement up the income scale. The two are not a strict either/or choice but attempting to do both successfully across all areas of the welfare system would be expensive and risk losing a clarity of purpose.

Beveridge's original welfare state did not aim to redistribute income. But over time the British system has evolved into a far more redistributive system. As a result, the UK's tax and benefit system significantly reduces child poverty compared to the original income available to a family and does more to reduce poverty than the welfare states of other comparable countries⁶⁴.

But targeting the welfare system at lower income groups means that the poorest households are over-exposed to austerity and changing government policies. It also has to be considered whether a focus on the lowest income households contributes to a residualisation of the welfare state which makes it more vulnerable to cuts in the first place. While the role of the benefit system in reducing poverty is impressive, the support it provides to other groups is at risk of being seen as tokenistic, for example £71 per week JSA for someone used to an average wage of £479.

Some have gone so far as to argue that if the current system was a privately funded scheme then it would have collapsed, due to such poor returns for those who are forced to pay in⁶⁵.

Alternatively, some commentators have argued that reducing middle class welfare spend is essential for any wider reform of welfare⁶⁶. Extending support up the income scale could avoid this and provide symbolic buy-in to the welfare state from a broader range of beneficiaries. It may also be justified in terms of perceived need, for example to acknowledge high childcare costs.

The extent of coverage will also raise questions as to whether state-backed loans or the promotion of insurance systems could be desirable for providing coverage for some groups. Use of such schemes would extend coverage at minimal cost to the state. A loan based system potentially paves the way for more generous entitlement, for example recent proposals for loans to replicate the role of a more generous contributory system⁶⁷.

It also helps to avoid some moral hazards and promote work incentives and embeds a link between what is taken out and what is paid in. In particular, it creates new options for extending support to homeowners who are currently poorly served, and so should not be dismissed out of hand. Homeowners are already both heavily indebted and potentially set to gain from a rising asset,

so a loans-based safety net may be more appropriate in some instances.

But it risks disenfranchising some groups from the welfare state. Public criticisms of the benefit system already centre on the concern that it benefits some people unfairly while leaving others with insufficient support. If it's already perceived that the latter are also net contributors, then asking them to repay support when it is required could further entrench division.

How much should the welfare state demand from people in return for support?

Welfare systems can choose whether to make entitlement to some or all forms of support conditional on behaviour as well as income and/or demographic categories. Payment of Jobseeker's Allowance, for example, is contingent on a claimant actively looking for work and demonstrating the steps they have taken to do so. Housing benefit does not make similar requirements of claimants and is paid if income is insufficient to cover rent. To be meaningful, conditionality has to be backed up by sanctions. In the case of Jobseeker's Allowance this can result in the loss of the benefit for up to three years.

Conditionality may be considered more necessary if receipt is not otherwise heavily dependent on previous contributions and is instead responsive solely to need. Entitlement therefore becomes dependent on current rather than past behaviour and the public can be satisfied that those benefiting from support are not doing it without any demand on themselves. However, if a strongly contribution-based element has been built into the system, it may be seen as unfair to expect further compliance from people who are supported on the basis of past contributions. This likely means that a system focused towards more vulnerable claimants without a strong contribution record will require a higher degree of conditionality to secure public support.

There are also concerns around the competence of conditionality and sanctions frameworks, particularly if combined with bureaucracy which fails to understand an individual's skills and employment prospects. Conditionality which leads to sanctions may undermine other aims of the state, such as avoiding poverty. Strict and visible conditionality also creates a presumption that it is necessary, further entrenching the belief that the benefit system is vulnerable to abuse and claimants need to be strictly policed. It is possible that this will have a self-defeating impact on public support over time.

This also prompts questions as to the limits of support. Should the welfare state respond to need as it finds it or say that some circumstances are out of scope, for example very large families or very high housing costs?

Identifying the problem: housing or welfare

Housing benefit has been widely identified as a problem to be fixed, both for its expense and concerns around fairness and efficiency. It was observed above that hostility towards housing benefit appears to be greater than towards other benefits, and its increasing cost has been the target of politicians' efforts to constrain the cost of social security. But we must be wary of misidentifying the problem. Many of the apparent weaknesses of housing benefit reflect failures in the housing market rather than a weakness in the welfare system per se.

Housing benefit is the only benefit directly linked to a specific expenditure – the cost of rent. Despite recent reforms, it is still sensitive to fluctuations in the actual cost of housing in the way that other benefits are not. These means that failures in the housing market, including a lack of supply and a shortage of genuinely affordable social housing, become apparent via increased expenditure on housing benefit. But while housing benefit may be seen as the canary in the mine for our inability to house lower income households, responses have tended to characterise the problem as that stemming from the failures of the welfare state, rather than a failure of housing policy.

Housing benefit expenditure has increased over the past thirty years because the benefit system was responsive to changes in the housing market (in terms of expanding to cover increasing need) without exerting sufficient influence on housing supply decisions. This meant an increasing reliance on the private rented sector (and the higher rents within it) increased benefit expenditure, but

without the rising bill triggering any action on tenure or housing costs. Housing Benefit has many advantages, in that it is responsive to fluctuating levels of need, is highly progressive and can be tightly targeted and allows for mobility or short-term periods of support.

However, it is increasingly been used as a substitute for investment in genuinely affordable housing and in many cases is an inefficient way of providing access to accommodation with no immediate benefit in terms of increased supply. As such the reactive nature of the welfare state has filled the vacuum left by the lack of an adequate housing policy.

In the short-term, the compensatory/smoothing role for some form of housing safety net will be required to rectify the mismatch between wages and the cost of housing. Efforts need to be put in place to ensure that the system reduces housing need and does not have adverse impacts on housing or employment markets.

The long-term ambition should be to reduce the need for this compensatory role by reversing the undersupply of affordable housing. This would have the additional benefit of reducing the cost of housing for those who remain in the welfare system.

However, the levers for this should be via housing policy and we should be sceptical of the ability of the welfare state itself to combat a failure in housing supply and investment. Winning support for an improved welfare state is a formidable task but it will be made unnecessarily more so if we also ask welfare reform to correct endemic shortcomings in the housing market.

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