

# Homelessness and Universal Credit

March 2021

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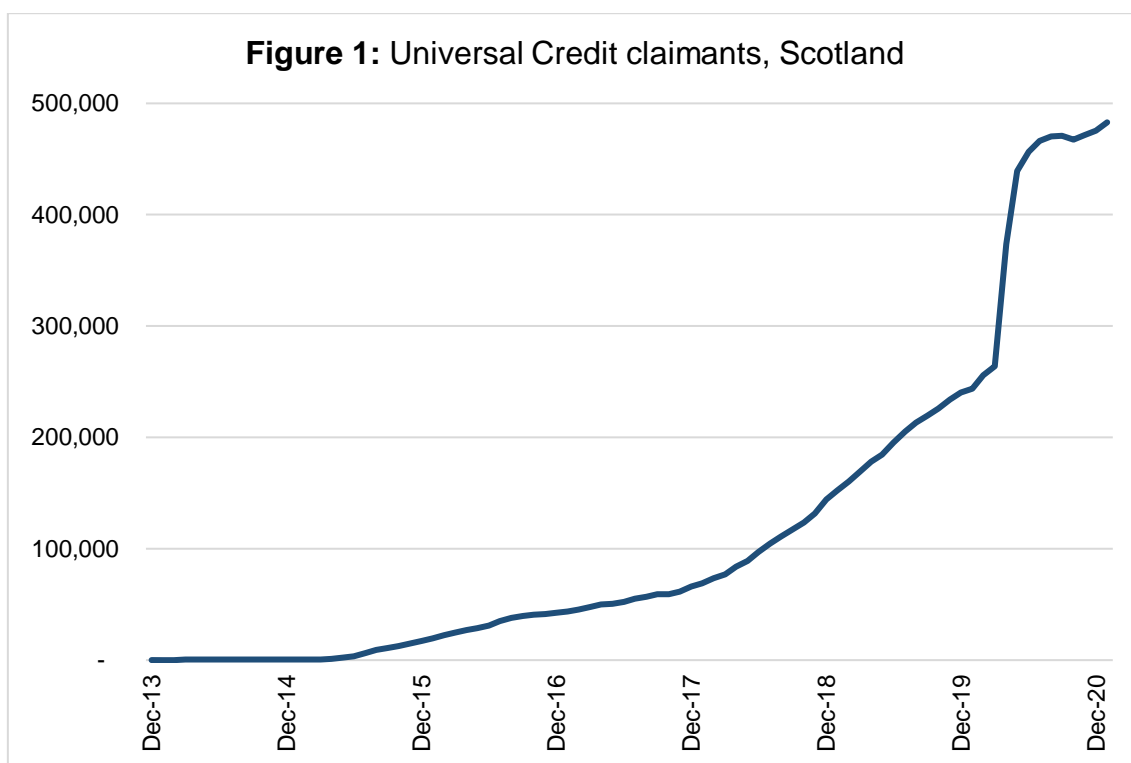
## 1. Summary

- Isolating the impact of Universal Credit on homelessness is challenging. The causes of homelessness are complex, and data which could link homelessness and Universal Credit is limited. However, a number of correlations between homelessness and Universal Credit can be observed in the data.
- For example, homelessness rates in Scotland have slightly increased since 2015, coinciding with the rollout of Universal Credit since 2013. Mental health in particular has grown as a reason for homelessness since 2013, after declining for five years. Furthermore, homeless households and households affected by the five-week wait tend to be similar in composition, and there is a statistically significant correlation between Universal Credit sanctions and homelessness across Local Authorities.
- We estimate that the five-week wait reduced expenditure on Universal Credit in Scotland by £144 million in 2019/20, increasing to a projected £205 million in 2020/21. We also estimate that the freeze in Local Housing Allowance rates, the Benefit Cap, and the Bedroom Tax will cumulatively reduce expenditure on housing-related reserved benefits by around £115 million each year in Scotland by 2024/25.
- A range of evidence from charities and other organisations demonstrates that certain features of Universal Credit have directly contributed to homelessness, particularly sanctions and the five-week wait. The channels through which Universal Credit leads to homelessness include forcing tenants into rent arrears and evictions, and contributing to relationship issues and mental health problems.
- The impact of Universal Credit on homelessness has become increasingly important during the Covid-19 pandemic. The Universal Credit caseload has nearly doubled since the beginning of 2020, meaning more people than ever are at risk of being affected. While emergency measures have been taken to house rough sleepers, protect tenants from eviction, and provide further financial assistance to help those struggling to pay their rent, there is evidence that arrears have mounted, as have mental health and relational problems.

## 2. Overview

This report investigates the links between Universal Credit (UC) and homelessness. It follows from two reports on housing and social security published by the Scottish Government in May 2018 and January 2020 respectively.<sup>1</sup> The report focuses on two aspects of UC which have been highlighted as being particularly detrimental, namely benefit sanctions and the five-week wait for the first payment.

UC has been rolled out gradually from 2013 to replace six working-age benefits ('legacy benefits').<sup>2</sup> Since the transition is mainly achieved by enrolling new benefit claimants onto UC, the Covid-19 pandemic has led to an historic rise in the UC caseload, as shown in **Figure 1**. In January 2020 there were around 240,000 people on UC in Scotland; by January 2021 this number had almost doubled to 480,000. In addition, significant numbers remain on legacy benefits, although these numbers have naturally decreased since 2013.



Source: DWP, Stat-Xplore

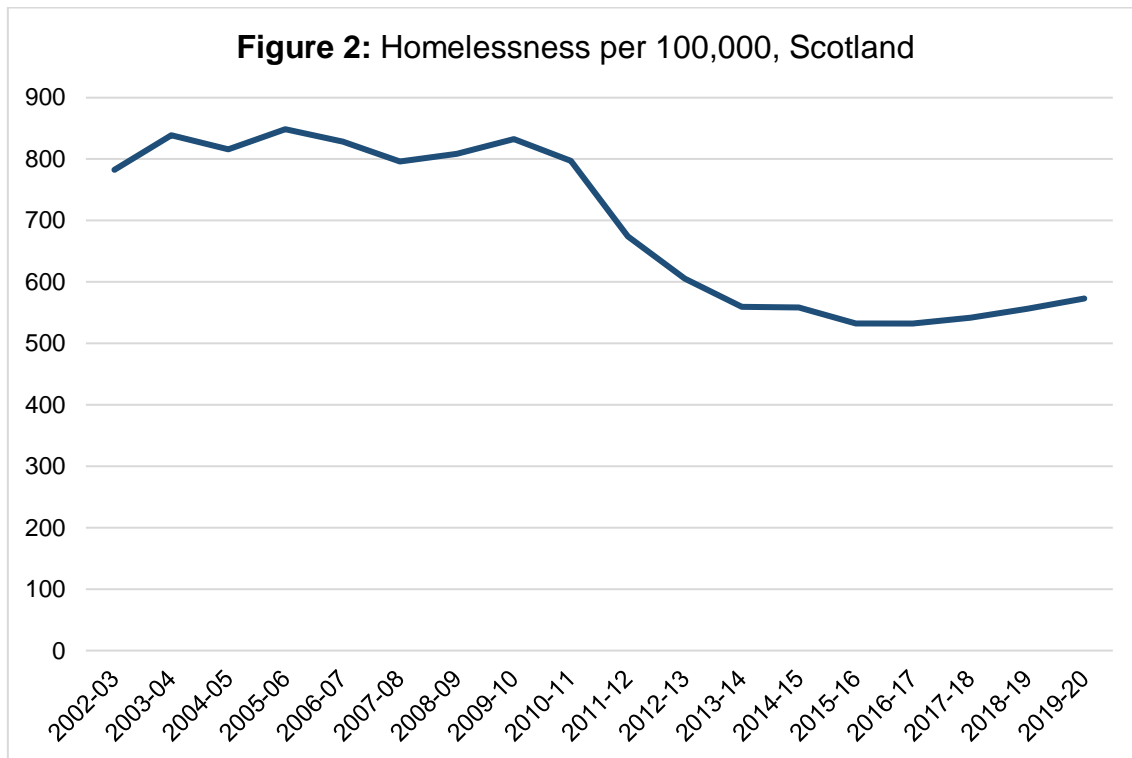
Homelessness rates in Scotland decreased from 833 people per 100,000 in 2010/11 to 532 per 100,000 in 2015/16, as shown in **Figure 2**. In part, this likely reflects the introduction of Housing Options services in Local Authorities in 2010.<sup>3</sup> Since then, the number has climbed slightly, to 573 per 100,000 in 2019/20, the latest year of data. This increase roughly coincides with the introduction of UC which began in

<sup>1</sup> [Scottish Government, May 2019, Housing and social security: follow-up paper on welfare reform](#); [Scottish Government, January 2020, Welfare reform - housing and social security: second follow-up paper](#)

<sup>2</sup> These are Income Support; Income-based Jobseeker's Allowance (JSA); Income-related Employment and Support Allowance (ESA); Housing Benefit; Child Tax Credit; and Working Tax Credit. Contribution-based versions of these benefits have not been affected.

<sup>3</sup> [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#), page 8

2013, despite headline economic indicators such as GDP and unemployment broadly improving over the time period, along with the supply of affordable housing.<sup>4</sup>



Source: [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#)

While it is not possible to draw conclusions from these high-level statistics, evidence from charities and other organisations indicates that there is in fact a link between UC and homelessness. The most direct way that UC can contribute to homelessness is by increasing rent arrears and ultimately evictions.<sup>5</sup> There is also evidence that various aspects of UC contribute to relationship issues and mental and physical health problems, which are in turn associated with homelessness.<sup>6</sup> For example, a quasi-experimental study published in the *Lancet* found that the rollout of UC increased psychological distress over and above the impact of legacy benefits.<sup>7</sup>

**Figure 3** shows that rent arrears are not usually the main reason for making a homelessness application, although broader financial difficulties are often cited as an additional reason for failing to maintain accommodation as shown in **Figure 4**.<sup>8</sup> This reflects the rareness of evictions under rent arrears, relating in part to legal restrictions.<sup>9</sup> Relationship breakdown is a more common reason, while mental health issues are often cited as an additional reason for failing to maintain accommodation.

<sup>4</sup> [Scottish Government, December 2020, Housing statistics quarterly update](#), Chart 3

<sup>5</sup> [Shelter, July 2019, The impact of arrear security in Scotland](#)

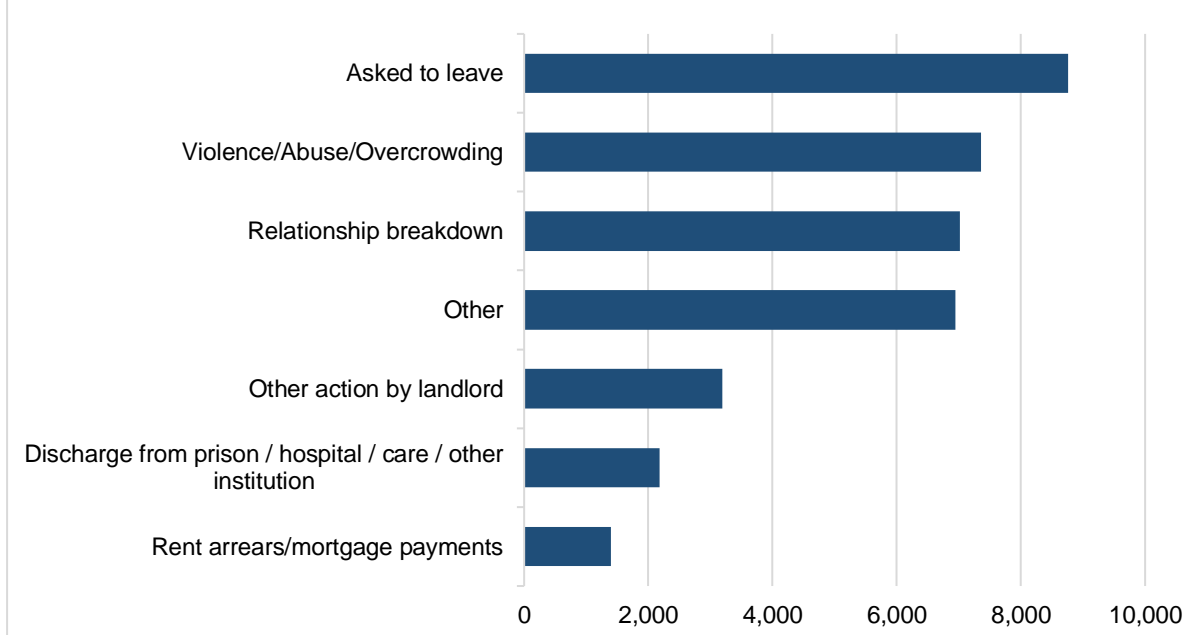
<sup>6</sup> [Cheetham M, Moffatt S, Addison M, et al., 2019, Impact of Universal Credit in North East England: a qualitative study of claimants and support staff, British Medical Journal](#)

<sup>7</sup> [Wickham, S. et al., 2020, Effects on mental health of a UK welfare reform, Universal Credit: a longitudinal controlled study, The Lancet Public Health](#)

<sup>8</sup> Respondents can only select one main reason for making a homelessness application, whereas they are able to select multiple additional reasons for failing to maintain accommodation prior to making an application.

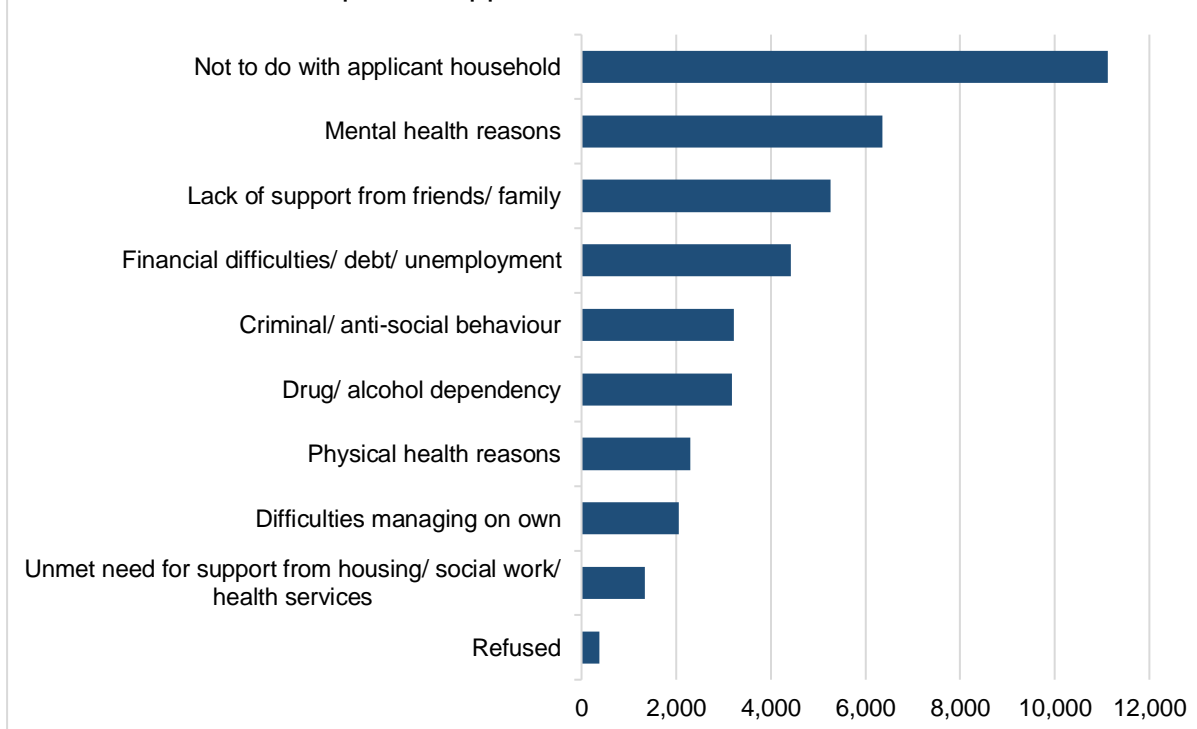
<sup>9</sup> [Scottish Government, September 2019, Housing statistics 2019: key trends summary](#)

**Figure 3: Main reason for making a homelessness application, Scotland, 2019-20**



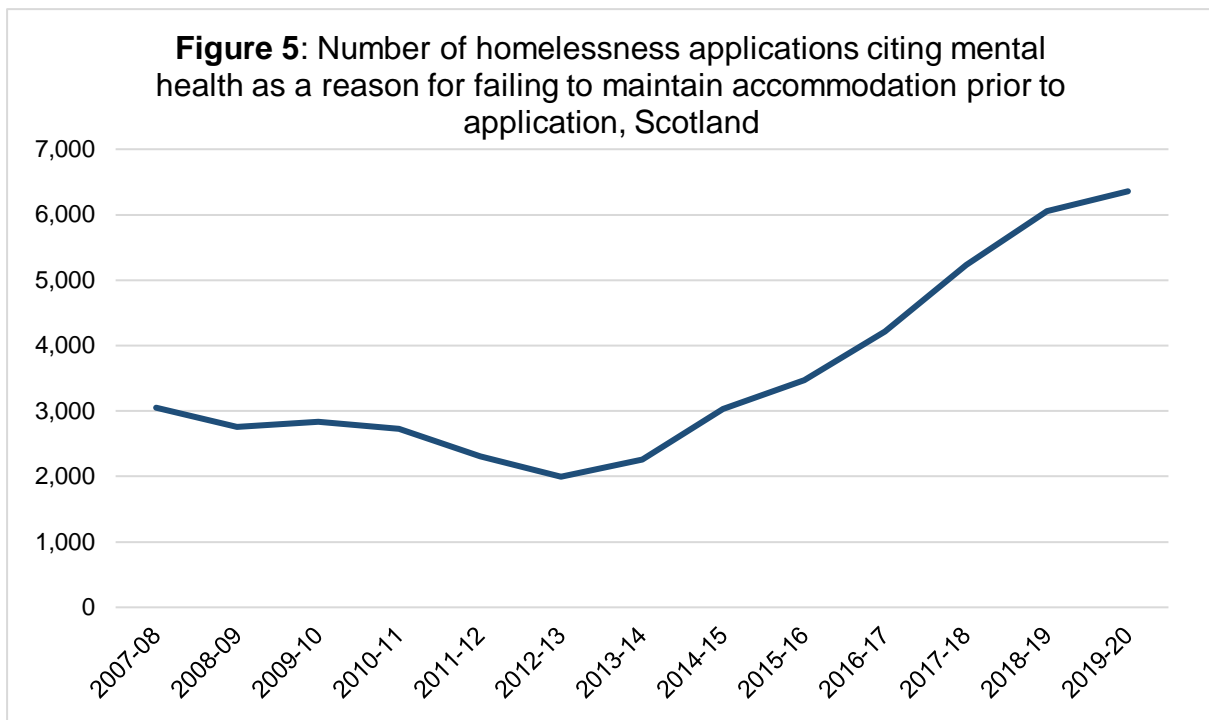
Source: [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#)

**Figure 4: Additional reasons for failing to maintain accommodation prior to application, Scotland, 2019/20**



Source: [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#)

Mental health in particular has steadily increased in importance as a reason for homelessness since 2013/14 when Universal Credit was rolled, after falling over the previous five years. As shown in **Figure 5**, over 6,000 households cited this reason in 2019/20, compared to less than 2,000 in 2013/14.



Source: [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#)

However, the causes of homelessness are complex and interrelated, making it difficult to isolate the channels through which UC affects homelessness. It is possible, for example, that insufficient UC payments push claimants into overcrowded accommodation, which along with violence and abuse is one of the most prevalent reasons for making a homelessness application.<sup>10</sup> Similarly, relationship and mental health issues could be associated with several of the other reasons cited for failing to maintain accommodation. There are also a range of background factors, such as poverty and deprivation, which are likely to place certain individuals at greater risk of homelessness while also determining the channels through which social security affects their situation.

Furthermore, different aspects of UC are likely to affect homelessness in different ways. In the remainder of this report, we focus on specific features of UC which have been highlighted in the literature as being particularly detrimental, namely sanctions and the five-week wait. We then consider a set of policies which are also relevant but which are mitigated in Scotland, namely Local Housing Allowance rates, the Benefit Cap, and the Bedroom Tax.

<sup>10</sup> [Crisis, February 2019, The homelessness monitor: Scotland 2019](#), page 82

### 3. Sanctions

Sanctions are where benefits are reduced or stopped when a claimant is deemed to have broken the conditions for receiving a payment. This can include missing meetings or appointments, or not looking for work. A range of evidence points to a link between sanctions and homelessness.<sup>11</sup> For example, analysis conducted by Crisis suggests that homeless people are twice as likely as other jobseekers to be have been sanctioned.<sup>12</sup> In another study, over half of frontline workers had come across people who had been made homeless as a result of a sanction under UC.<sup>13</sup>

Rent arrears are one of the primary results of sanctions, along with food poverty and other financial difficulties. There is also a range of evidence showing that sanctions can be detrimental to various aspects of mental health.<sup>14</sup> Besides reducing income, sanctions are often a surprise, and therefore impact on the ability to plan finances. In a study North East England, most participants found out that they were sanctioned when trying to withdraw money from a bank account rather than through communication from DWP.<sup>15</sup>

As shown in **Figure 6**, UC sanction rates are particularly high for young people, who may be particularly prone to rent arrears. According to the Resolution Foundation, young people tend to be less likely to own their own home; be more likely to live in the private-rented sector; spend a greater share of their net income on housing costs; be more likely to live in overcrowded accommodation; and have less household wealth.<sup>16</sup>

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<sup>11</sup> [Dwyer, P., 2018, Punitive and ineffective: benefit sanctions within social security, Journal of Social Security Law](#)

<sup>12</sup> [Crisis, 2015, Homeless people's experiences of welfare conditionality and benefit sanctions \(2015\), page 20](#)

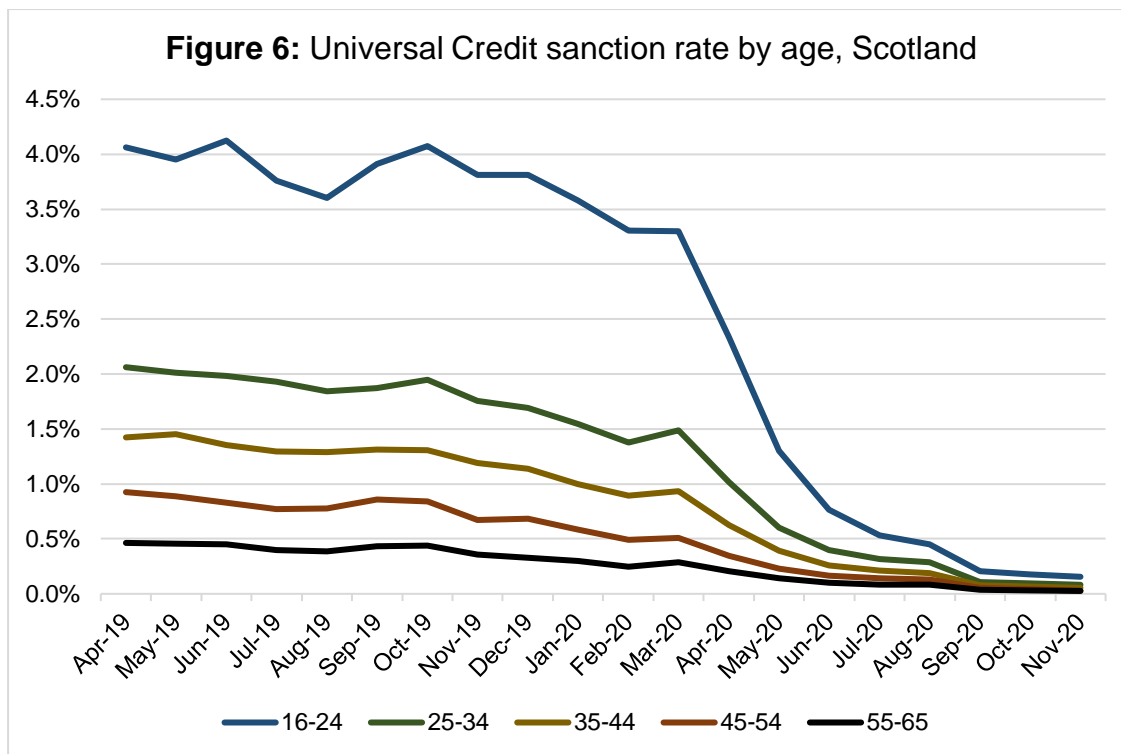
<sup>13</sup> [Frontline Network, 2020, Annual Frontline Worker Survey 2019, page 14](#)

<sup>14</sup> [Centre for Analysis of Social Exclusion, February 2021, The Conservative Government's Record on Social Security: Policies, Spending, and Outcomes, May 2015 to pre-Covid 2020, page 62](#)

<sup>15</sup> [North East Homelessness Think Tank, 2015, Benefit sanctions and homelessness, pages 28, 32](#)

<sup>16</sup> [Resolution Foundation, June 2019, An intergenerational audit for the UK](#)



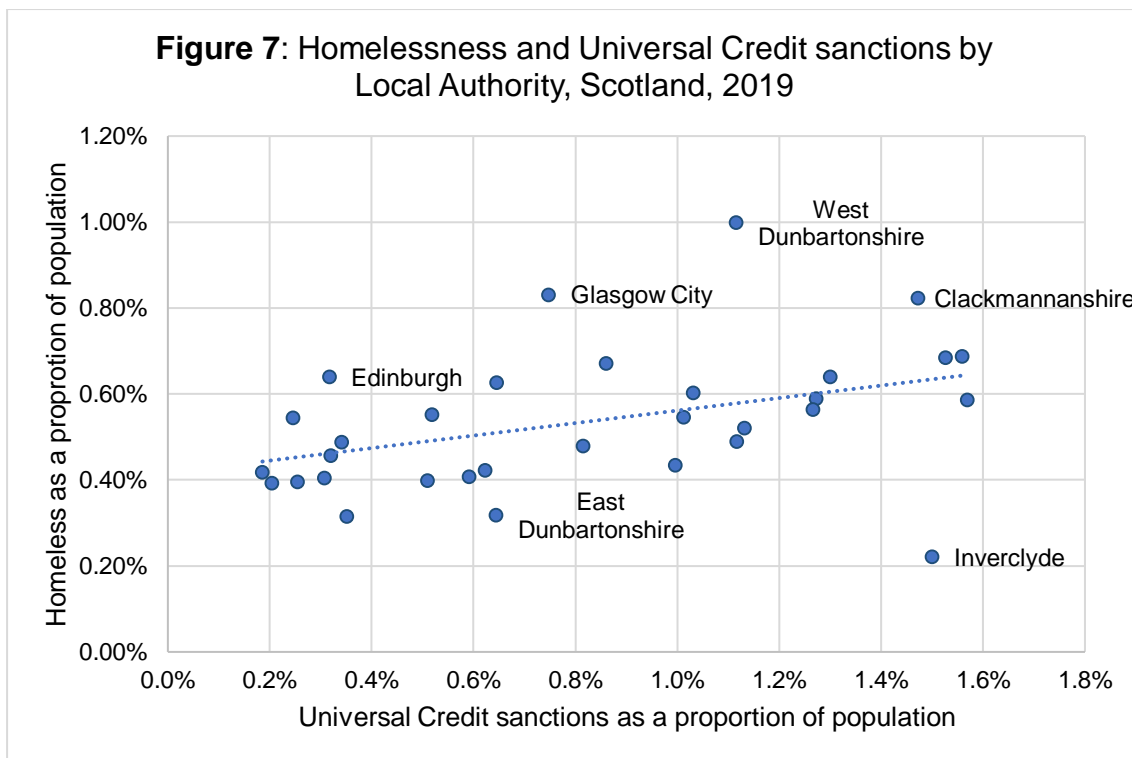


Source: DWP, Stat-Xplore

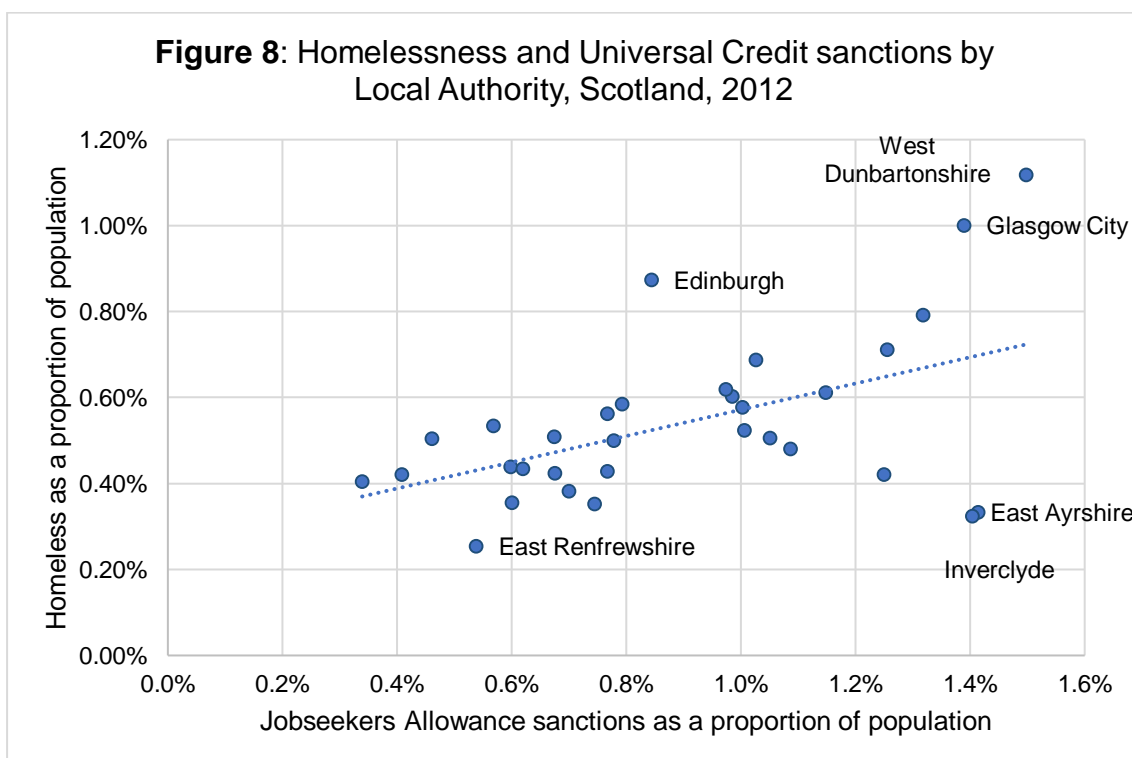
There is also a statistically significant correlation between sanctions and homelessness across Local Authorities in Scotland, as shown in **Figure 7**. This correlation does not demonstrate that sanctions cause homelessness, as there are a range of background factors which likely contribute to both sanctions and homelessness.<sup>17</sup> Nor does the correlation demonstrate that UC sanctions are more detrimental than sanctions under legacy benefits. As shown in **Figure 8**, before UC was introduced, there was an even stronger correlation between homelessness and sanction rates under Jobseekers Allowance (JSA).<sup>18</sup>

<sup>17</sup> To the extent that the correlation does reflect a causal link from UC to homelessness, it could also be driven by other aspects of UC. However, the correlation between homelessness and receipt of UC is less strong, and not statistically significant even at a 90% confidence level. By contrast the correlation between UC sanctions and homelessness is statistically significant at a 95% confidence level.

<sup>18</sup> The correlation coefficient on Figure 7 is 0.41, compared to 0.51 on Figure 8. Both are statistically significant at a 95% confidence level (the correlation in Figure 8 is also significant at a 99% confidence level).

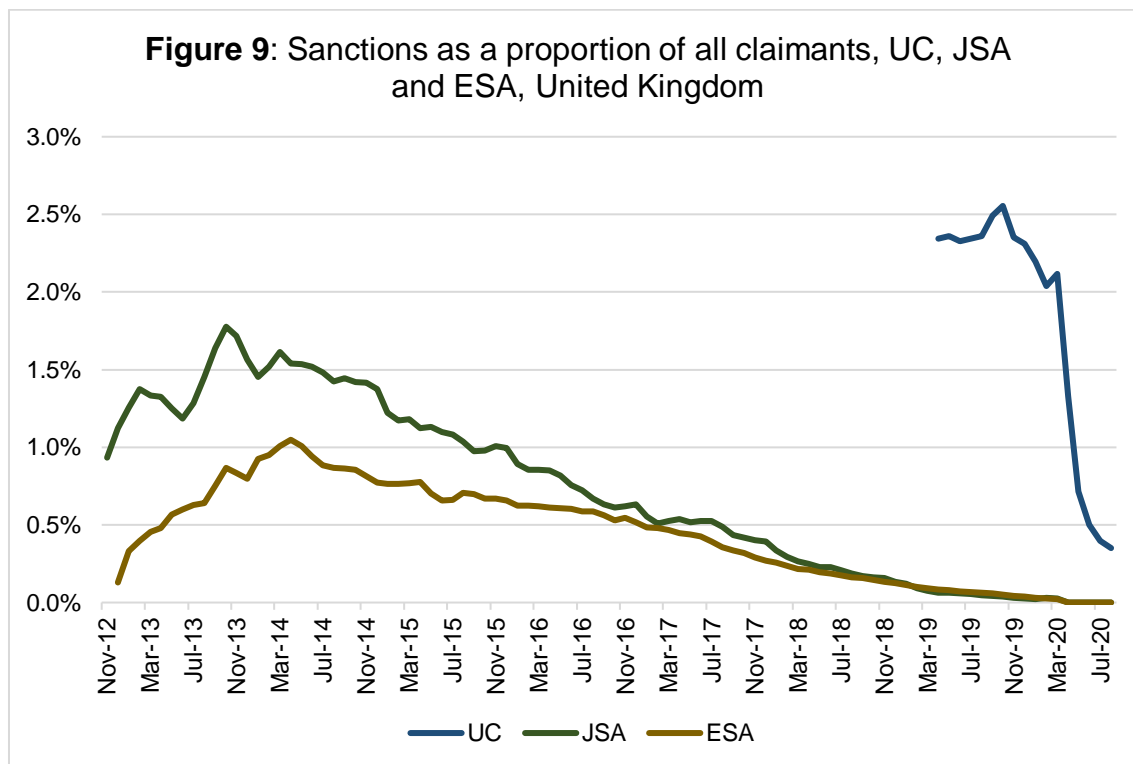


Sources: DWP, Stat-Xplore; [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#); [National Records of Scotland, April 2020, Mid-2019 Population Estimates Scotland](#)



Sources: DWP, Stat-Xplore; [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#); [National Records of Scotland, April 2020, Mid-2019 Population Estimates Scotland](#)

However, conditionality under UC is widely considered to be more severe than under legacy benefits, both in terms of which groups are subject to conditions and in terms of the conditions themselves.<sup>19</sup> This is supported in the data: although sanctions were suspended at the outset of the pandemic and are being reintroduced in phases, pre-Covid sanction rates for UC are higher than for either JSA or ESA, as shown in **Figure 9**.<sup>20</sup>



Source: [DWP, November 2020, Benefit sanctions statistics to July \(experimental\)](#)

<sup>19</sup> [Crisis, February 2019, The homelessness monitor: Scotland 2019](#), page 53.

<sup>20</sup> JSA is arguably a superior comparator since sanction rates under UC are highest for those searching for work.

## 4. The five-week wait

New claimants for UC must wait for five weeks before their first payment. Advance loans are available, but these must be paid back from future benefit payments or other income. Since all new claimants are subject to the five-week wait, the impacts are widespread, particularly with the onset of Covid-19 which led to a dramatic increase in the UC caseload. We estimate that the five-week wait reduced expenditure on UC in Scotland by £144 million in 2019/20 relative to a situation where claimants received their first payment immediately. This figure increases to a projected £205 million in 2020/21.<sup>21</sup>

The five-week wait can push many households into financial difficulties, particularly as the initial claim period is already likely to be one of financial turbulence, often following job loss or another change of circumstance.<sup>22</sup> Research published by the Joseph Rowntree Foundation in 2020 found a strong statistical link between UC and destitution, with the five-week wait cited as the most problematic aspect of Universal Credit, coupled with the need to repay advances. Similarly, in a survey by TUC, 71% of UC claimants reported that the wait was problematic.<sup>23</sup>

The five-week wait has been linked to rent and mortgage arrears in addition to debt and foodbank use.<sup>24</sup> Claimants with low levels of savings, those with higher housing costs, and those with more immediate rent or mortgage payment deadlines are particularly vulnerable. According to a report by the House of Commons Work and Pensions Committee, half of all UC claimants have no income in the three months prior to their claim, although those who have claimed during the COVID-19 pandemic are more likely to be more financially resilient.<sup>25</sup>

The profile of households affected by the five-week wait closely reflects the profile of households assessed as homeless or at risk of homelessness, as shown in **Figure 10**. In both groups of households, 61% of households in 2019/20 were single-person households, while between 20% and 24% were single-parent households. Couples represented smaller proportions of both homeless households and new Universal Credit claimants.

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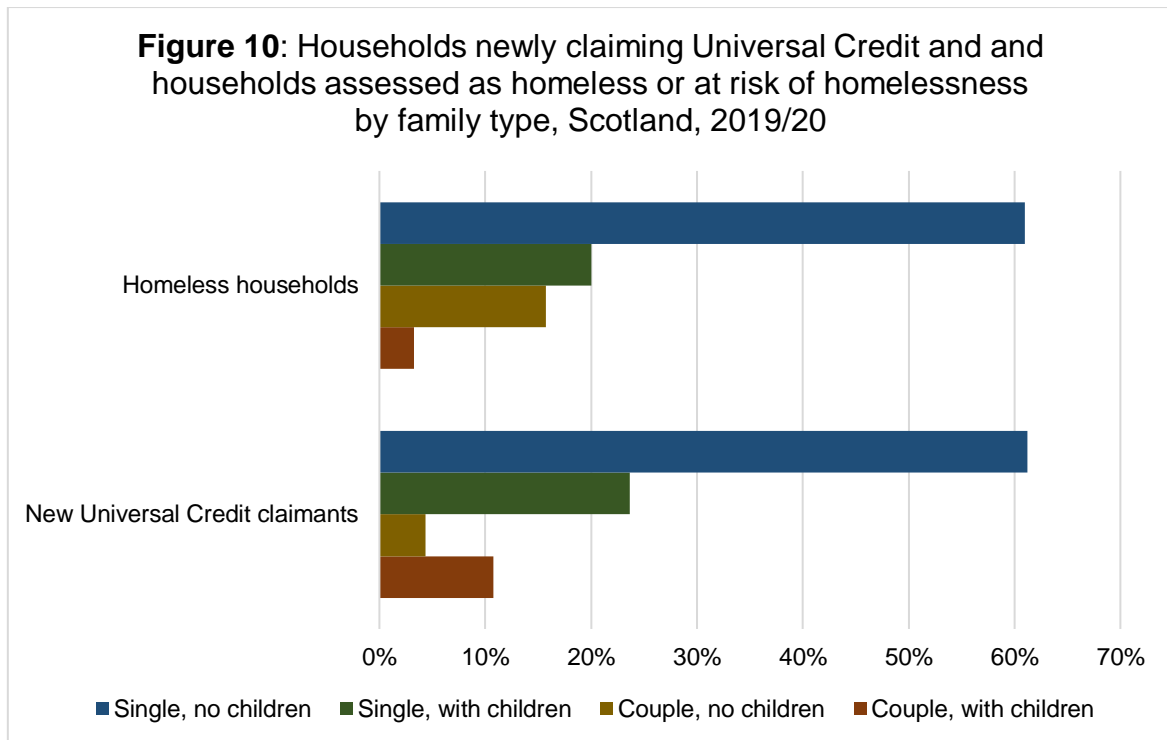
<sup>21</sup> Based on data from Stat-Xplore. The projection for 2020/21 uses figures on number of new claimant households and average payment amounts up to October 2020 (the latest month of data) with November 2020 to March 2021 estimated based on average figures between June and October. The assumption here is that the spike in the UC caseload in April and May was exceptional and will not be repeated before April 2021. Note that for households moving onto Universal Credit from Housing Benefit, the impact of the five-week wait is partially offset by a two-week run-on payment.

<sup>22</sup> [Trussell Trust, September 2019, Five weeks too long: why we need to end the wait for Universal Credit](#)

<sup>23</sup> [Trade Unions Congress, November 2020, Universal Credit and the impact of the five week wait for payment](#)

<sup>24</sup> [Centre for Analysis of Social Exclusion, February 2021, The Conservative Government's Record on Social Security: Policies, Spending, and Outcomes, May 2015 to pre-Covid 2020, page 56](#)

<sup>25</sup> [House of Commons Work and Pensions Committee, October 2020, Universal Credit: the wait for a first payment, page 12](#)



Sources: DWP, Stat-Xplore; [Scottish Government, August 2020, Homelessness in Scotland: 2019-20](#)

## 5. Other policies

In addition to sanctions and the five-week wait, there are a number of aspects of the welfare system which reduce benefit income but which are mitigated through Discretionary Housing Payments (DHPs). These include the Bedroom Tax, the Benefit Cap, and recent decisions around Local Housing Allowance (LHA) rates. While these policies also apply to legacy benefits, they have been retained with the introduction of UC.

LHA rates are used to calculate the housing element of UC, as well as Housing Benefit, for tenants in the private rented sector based on the area in which they live. As detailed in our previous report on welfare reform and housing, LHA rates were cut in real terms since 2011 and the link between market prices and payments was lost.<sup>26</sup> Although LHA rates were rebased at the 30<sup>th</sup> percentile of market rents in April 2020, the UK Government has announced that they will be frozen indefinitely in future years. This will amount to real-term cuts as rents increase, forcing more tenants to accept lower-value accommodation, pay an increasing shortfall between their housing benefits and their housing costs, or fall into arrears. As LHA rates, rents, and rent increases vary geographically, so too do the impacts. A survey undertaken by Crisis found that 6 in 10 Local Authorities in England reported significant increases in homelessness as a result of the previous LHA freeze.<sup>27</sup>

The Benefit Cap, introduced in 2015 as the UC rollout was gathering pace, limits the total amount of benefit income that a household can receive. The number of households affected by the cap has nearly doubled during the Covid-19 pandemic, from around 3,300 in January 2020 to around 6,400 in August. During this time the average amount lost due to the cap has stayed approximately the same, at just over £50 per week, or £2,600 per year.<sup>28</sup> The vast majority of capped households contain children, and most are lone parents.

The Bedroom Tax is a reduction in UC and legacy benefit housing payments for claimants in the social rented sector who are deemed to have ‘spare bedrooms’ when compared to the number and ages of people in the household. In particular, the maximum rent that can be covered through benefit payments is reduced by 14% for 1 spare bedroom and by 25% for 2 or more spare bedrooms. The Bedroom Tax was introduced in 2013, the same year as Universal Credit.

We estimate that the LHA freeze, the Benefit Cap, and the Bedroom Tax will reduce expenditure on housing-related reserved benefits by around £115 million each year in Scotland by 2024/25.<sup>29</sup> However, the Bedroom Tax is fully mitigated in Scotland,

<sup>26</sup> [Scottish Government, January 2020, Welfare reform - housing and social security: second follow-up paper](#)

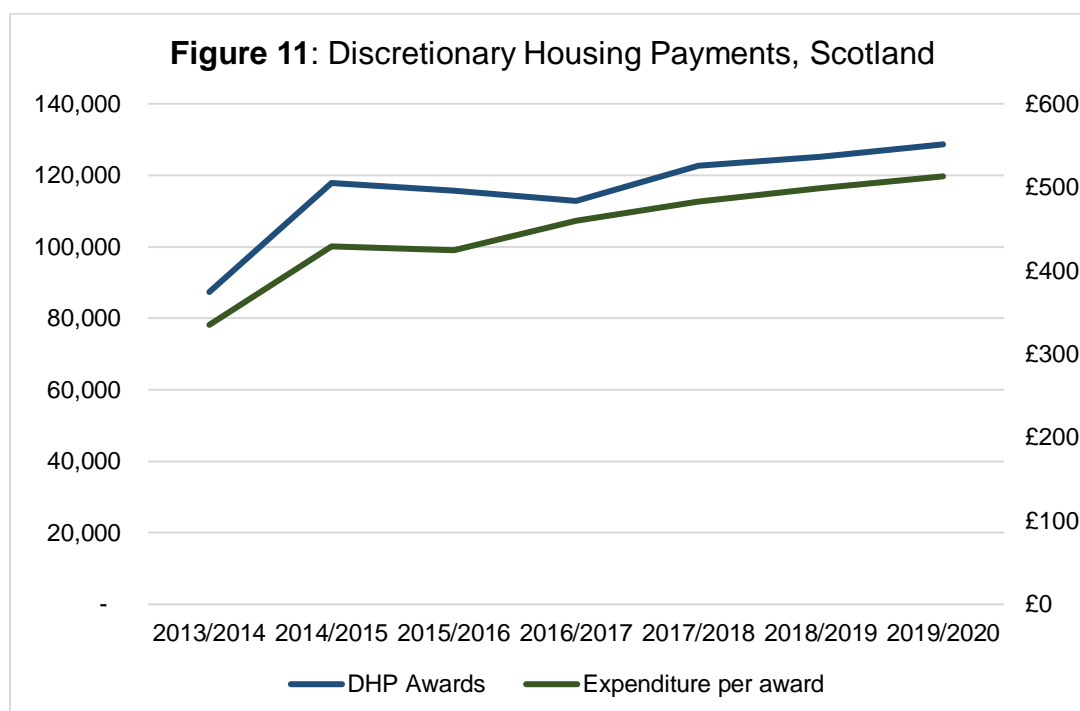
<sup>27</sup> [Shelter, February 2020, Briefing: Westminster Hall Debate on Local Housing Allowance \(LHA\) rates and homelessness](#), page 3. The UK Government has however introduced exemptions from the ‘Shared Accommodation Rate’ for groups at risk of homelessness, enabling rough sleepers aged 16-24, care leavers up to the age of 25, and victims of domestic abuse and human trafficking to live on their own.

<sup>28</sup> DWP, Stat-Xplore.

<sup>29</sup> This estimate has been produced with the UKMOD microsimulation model, based on the latest three years of the Family Resources Survey, the latest macroeconomics forecasts from the OBR, and the latest policy announcements made by the UK and Scottish governments at the time of writing. For

while the Benefit Cap and LHA rates are mitigated at the discretion of Local Authorities. These policies would likely have a more significant impact on homelessness if they were not mitigated. Indeed, a report for the Social Security committee report found DHPs were an important factor in preventing rent arrears.<sup>30</sup>

**Figure 11** shows that both the number of DHPs awarded and the average value of each claim have increased since 2013, implying that the unmitigated impact of these policies has increased as UC has been rolled out. In total, £66 million was spent on DHPs in Scotland in 2019/20, with the budget increased to £75.6 million in 2020/21.<sup>31</sup> The majority of DHP expenditure is targeted at the Bedroom Tax, with smaller proportions directed at the Benefit Cap and LHA rates, as shown in **Figure 12**.

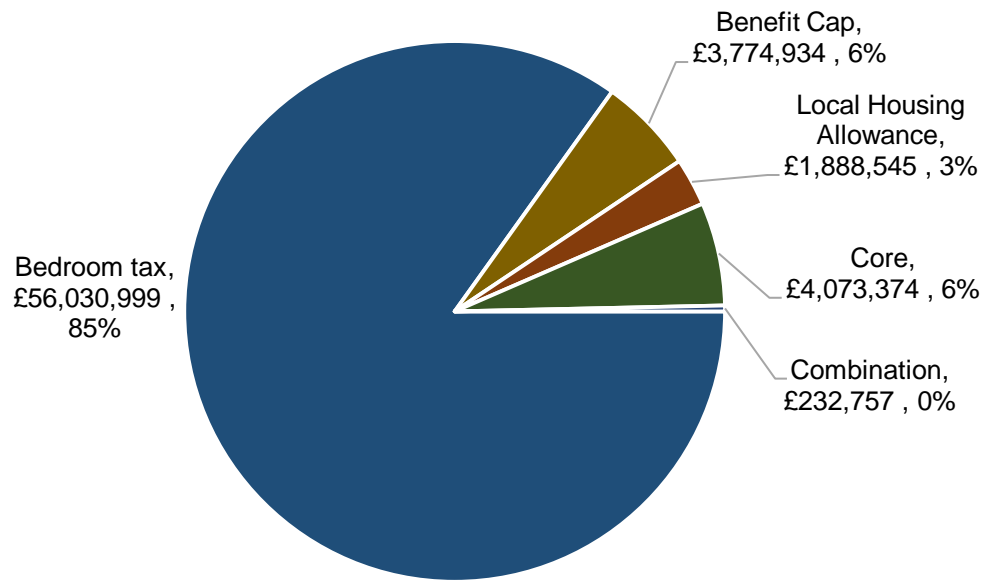


Source: [Scottish Government, May 2020, Discretionary Housing Payments in Scotland: 1 April 2019 to 31 March 2020](#)

a more detailed description of the model, see [Centre for Microsimulation and Policy Analysis, September 2020, UKMOD/EUROMOD Country Report](#).

<sup>30</sup> [Social Security Committee, June 2019, Social Security Support for Housing](#), page 25

<sup>31</sup> [Scottish Government, November 2020, Discretionary Housing Payments in Scotland: as at 30 September 2020](#)

**Figure 12: Proportion of DHP spend, Scotland, 2019-20**

Source: [Scottish Government, May 2020, Discretionary Housing Payments in Scotland: 1 April 2019 to 31 March 2020](#)



## 6. Conclusion

The evidence is clear that certain features of UC can lead to homelessness by contributing to financial, relationship, and mental health problems. The five-week wait and increased sanctions have been shown to be particularly detrimental, with policies such as the Benefit Cap, the Bedroom Tax, and recent decisions around Local Housing Allowance rates also implicated. Other aspects of Universal Credit may also contribute to homelessness. For example, a range of organisations have raised concerns that the joint payment made to couples under UC may cause relationship issues and enable domestic abuse – both of which, in turn, can lead to homelessness.<sup>32</sup> It is also possible that the design of UC contributes to homelessness indirectly by deterring or excluding individuals who require support.

Quantifying these impacts is a challenge: the causes of homelessness are complex, and data which could link homelessness and UC are limited. In some cases the issues are also present in legacy benefits, and in some cases the impacts are mitigated through policies such as Discretionary Housing Payments. Nevertheless, there are indications in the data that UC is part of the mix of factors which increase the risk of homelessness, particularly for certain groups. In addition, the financial toll is clearly widespread and profound. For example, our estimate is that the five-week wait will have reduced UC expenditure in Scotland by over £200 million in 2020/21.

Beyond specific features of UC and the welfare system, the overall generosity of benefits is relevant insofar as homelessness is associated with poverty and deprivation.<sup>33</sup> While the UK Government increased the generosity of UC and tax credits in March 2020, in April 2021 it decided to retain the uplift for only six additional months, despite widespread calls for it to be made permanent. The UK welfare system remains ungenerous by international standards,<sup>34</sup> not least due to the legacy of the UK Government's austerity agenda which coincided with the introduction of Universal Credit.<sup>35</sup>

Ending and preventing homelessness is a key objective of the Scottish Government, as set out in the updated Ending Homelessness Together Action Plan.<sup>36</sup> Local authorities also play a significant role in preventing homelessness, including through housing options, rapid rehousing transition plans, and delivering policies such as DHPs and the Scottish Welfare Fund. As part of its emergency response to the Covid-19 pandemic, Scottish Government has legislated to minimise the risk of evictions into homelessness. This has included temporarily extending notice to leave periods ensuring that tenants have time to access available support; introducing new rent arrear pre-action requirements for private rented sector landlords; increasing funding to local authorities for Crisis Grants and Discretionary Housing Payments;

<sup>32</sup> [House of Commons Work and Pensions Select Committee, August 2018, Universal Credit and domestic abuse](#)

<sup>33</sup> [Johnsen S and Watts B, July 2014, Homelessness and poverty: reviewing the links](#)

<sup>34</sup> For example, a single person in the UK who had been unemployed for three months would receive only 34% of their previous income, assuming they were earning the average wage. This is one of the lowest 'replacement rates' in the OECD, with only Australia and Greece offering lower rates, and significantly below the OECD average of 58%. [OECD, Net replacement rates in unemployment](#)

<sup>35</sup> [Brewer M and Tasseva I, June 2020, Did the UK policy response to Covid-19 protect household incomes?](#)

<sup>36</sup> [Scottish Government, October 2020, Ending homelessness together: updated action plan](#)

investing more in money advice services; and introducing a £10 million hardship loan fund for tenants to help manage Covid-related arrears.

Nevertheless, the impacts of UC on homelessness have become increasingly important during the Covid-19 pandemic. The UC caseload has nearly doubled since the beginning of 2020, meaning more people than ever are at risk of being affected. Meanwhile there is evidence that arrears have mounted,<sup>37</sup> as have mental health and relationship problems.<sup>38</sup> Amid broader debates on the future of UC, it is therefore crucial that the impacts on homelessness are recognised and addressed.

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<sup>37</sup> [Resolution Foundation, February 2021, Getting ahead on falling behind: tackling the UK's building arrears crisis](#)

<sup>38</sup> [Institute for Fiscal Studies, June 2020, The mental health effects of the first two months of lockdown and social distancing during the Covid-19 pandemic in the UK](#). See also the ongoing [Covid-19 Social Study by University College London](#)



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