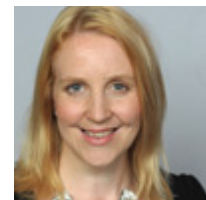


While the Living Wage is hugely important, it is not enough on its own to guarantee someone a life free of poverty

While the nascent political consensus around the Living Wage is to be welcomed, Shelter's [Antonia Bance](#) questions the common assumption that all we need to do to eliminate poverty is raise wages. The Living Wage is important but it must be supplemented by renewed attention to housing issues.



It's Living Wage Week 2012. On Monday, the Joseph Rowntree Foundation and the Greater London Authority announced the 2012 rates for London and outside of London – [£8.55](#) and [£7.45](#) respectively.

All help for low-income families to afford a home is welcome. But reading the coverage of the Living Wage announcements, I was struck by the assumption that all that is needed to make a life free of poverty possible is to raise wage rates.

The fact is, though, that the Living Wage on its own is not enough to guarantee someone a life free of poverty. [The GLA itself acknowledges this](#) :

'If means-tested benefits were not taken into account (that is, tax credits, housing benefits and council tax benefits) the Living Wage would be approximately £10.70 per hour [in London].'

So even with the highest-profile 'predistributive' policy (the buzzword of the moment for policies taking pre-emptive action to prevent poverty, meaning less need to account for poverty with in-work benefits), housing benefit and other in-work support will still be necessary.

The Living Wage model also assumes that all low-income families with children live in social housing. In the past this may have been fair – when the Living Wage model was put together in the late 1990s, around [sixty per cent](#) of households in the bottom 25 per cent of the income range in London lived in social housing. Now, though, social housing provides a home for just [43 per cent](#) of this group in London and [one in three](#) outside London.

And many of these low-income people will be living in private rented homes. Shelter predicts that the proportion of people renting their homes privately will continue to expand, rising from just seven per cent in 1994 to [22 per cent](#) nationally and [more than a third](#) in London by 2025. A long term under-supply of genuinely affordable homes means that many simply don't have a choice but to rent from a private landlord.

The difference in rents between social and private rented homes is enormous – often several hundred pounds per month, and more in London. Given this, Shelter's research team ran a quick analysis of how affordable private renting is for a family of four, living in a two bedroom house. As a rule of thumb, Shelter considers housing costs to be affordable if they account for less than a third of take-home pay.

Let's take a family with two children and one parent working 40 hours per week on the Living Wage. In London, they would have an annual income of £16,446 or £14,882 outside of London, once child benefit is added and income tax and national insurance are taken off.

If this family were to rent a two bedroom home in the cheapest quartile of local rents, this would take 83 per cent of their take home pay in the London borough of Brent. Even elsewhere in the UK, in Manchester or Birmingham, it would take 40 per cent, and in Bristol 52 per cent. If the second parent were

to secure a further 20 hours of work at the Living Wage, paying the rent on a bottom-quartile two bedroom place in Brent would still take up 53 per cent of their income.

It's clear that a family with both parents working and earning the Living Wage would still in many cases need a top-up from housing benefit to pay their rent, if they were renting privately – and probably extra help from tax credits too.

And that's supposing that there was accommodation available at the bottom quartile rate, with landlords willing to rent to a family using housing benefit to pay part of their rent. Hackney CAB have found that [only one per cent](#) of properties in their area were affordable to, and willing to accept, those claiming housing benefit.

So it may be that the family has to live in a home at a slightly higher but still average rent. If the family with one earner on the Living Wage had to pay **median** rents for each area, it would take up 95 per cent of their wage in Brent, 56 per cent in Bristol, 46 per cent in Manchester and 44 per cent in Birmingham.

So, if politicians are thinking about predistribution (a term the Labour leader has perhaps wisely dropped in favour of One Nation), then they have to think about how they cut housing costs in the first place to avoid subsidising them later.

Unsurprisingly, Shelter has a couple of ideas on what this would look like.

First, housing costs need to come down. Widespread adoption of the [Stable Rental Contract](#) would help with this: it would mean rents were pegged to inflation for the five years of each contract, and the increased length of tenancies would reduce movement in the sector, which would depress rents in the longer term.

Like the Living Wage, the Stable Rental Contract could be introduced voluntarily, and be incentivised through tax breaks for landlords that use it.

But the most important driver of high housing costs is lack of supply. Successive governments deliberately decided to focus support on income top-ups for housing costs rather than building homes.

If political leaders are now searching for ways to make wages adequate in their own right, the opportunity is there to [shift from subsidy to investment](#) in bricks and mortar.

For low-income families, the best way to cut housing costs and make wages pay enough to live on is to build the hundreds of thousands of new affordable homes that England needs.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

This post originally appeared on [Shelter's Policy Blog](#).

About the author

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1. [The campaign for a living wage is gathering momentum and increasingly enjoys support from across the political spectrum \(33.7\)](#)
2. [5 million workers in the UK still earn less than the Living Wage. Now, more than ever, we need to find ways to help those at the bottom work their way up the earnings ladder. \(31.4\)](#)
3. [We can't go on pretending that poverty is solved by getting a job \(19.8\)](#)
4. [Britain's housing shortage disenfranchises the young. We should use the tax system to encourage people to free up larger homes. \(19.3\)](#)

