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The growth in family homelessness is beginning to slow down: what is causing this and will it last?

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Insights into Family Homelessness No.6

The growth in family homelessness is beginning to slow down: what is causing this and will it last?

Introduction

In the second half of 2016, there has been a distinct positive shift in the pattern of rising family homelessness. While the total number of families which are homeless has continued to rise, the rate of increase has slowed significantly.

Since June 2014, when figures first became available, there has been a steady acceleration in the number of families experiencing homelessness virtually every month. This trend continued through the first half of 2016 – with the number of homeless families increasing by an average of 50 per month during this period, compared with an average increase of 36 for the same period in 2015. However, in the four months from August to November 2017, the average monthly increases in family have been smaller: with a rise of 19 during this period in 2016, compared to 39 over the same period in 2015.

This commentary looks at the data available on the entries and departures of families from homelessness to explore what is driving the changing pattern. In addition, the commentary attempts to assess whether the factors behind the deceleration represent a ‘turning of the tide’ or whether there is likely to be a return to a pattern of increases.

Summary

In recent months, the number of families *becoming* homeless has fallen and the number of families *leaving* homelessness has risen. The slower rate of increase in family homelessness over this period has been influenced, more or less equally, by both factors.

Both the faster exit rate and slower entrance rate are driven by the same policy instrument – the substantial increase in the level of rent payable to private landlords through Rent Supplement and the Homeless Housing Assistance Payment (HHAP).

The June 2016 increase in the maximum payment available under Rent Supplement has contributed to reduced numbers entering homelessness. The decision to make HHAP available to households at risk of homelessness has also contributed to this reduction.

HHAP is also a key mechanism for helping families to exit homelessness, and the substantial increase in rent levels payable under HHAP during 2016 has helped price them back into the private rental market. This does not, of course, increase the overall supply of private rented housing. In the absence of new supply, the structural problems will reassert themselves as HHAP’s value is eroded by general rent increases. The 4% limit to rent increases in Dublin, introduced in December 2016, will extend the period during which the current HHAP rate remains effective.

On the other hand, the extension of rent controls between tenancies may reduce the number of families exiting homelessness because it will no longer be possible for HHAP to competitively ‘price in’ families into the limited rental accommodation that becomes available.

As a result of these conflicting pressures, there are likely to be fewer families becoming homeless from the private rented sector but also fewer families exiting homelessness to that sector. On balance this is likely to result in a return to faster increases in the total number of families homeless each month.

There remain a number of other very significant uncertainties which could result in a return to faster growth in family homelessness. These include the continued shortage of general housing supply, the slow rate of delivering new social housing and allocating it to homeless households, and mortgage arrears in both the owner occupier and the buy-to-let sectors

Number of families entering and exiting from homelessness

The total number of families which experience homelessness in any month is influenced both by the number of families which lose their homes in that month, and the numbers which move out of homelessness. These flows into and out of homelessness can be quite significant and a change in either can shift the overall level of homelessness.

Number of Families Entering Homelessness

Reliable data for the number of families becoming homeless in the Dublin region each month is readily available. Focus Ireland has tracked the number of families becoming homeless since January 2013. (Figure 1). Over the last four years the pattern has been a steady overall increase with a distinct seasonal pattern.

Figure 1: Number of families becoming newly homeless in Dublin region

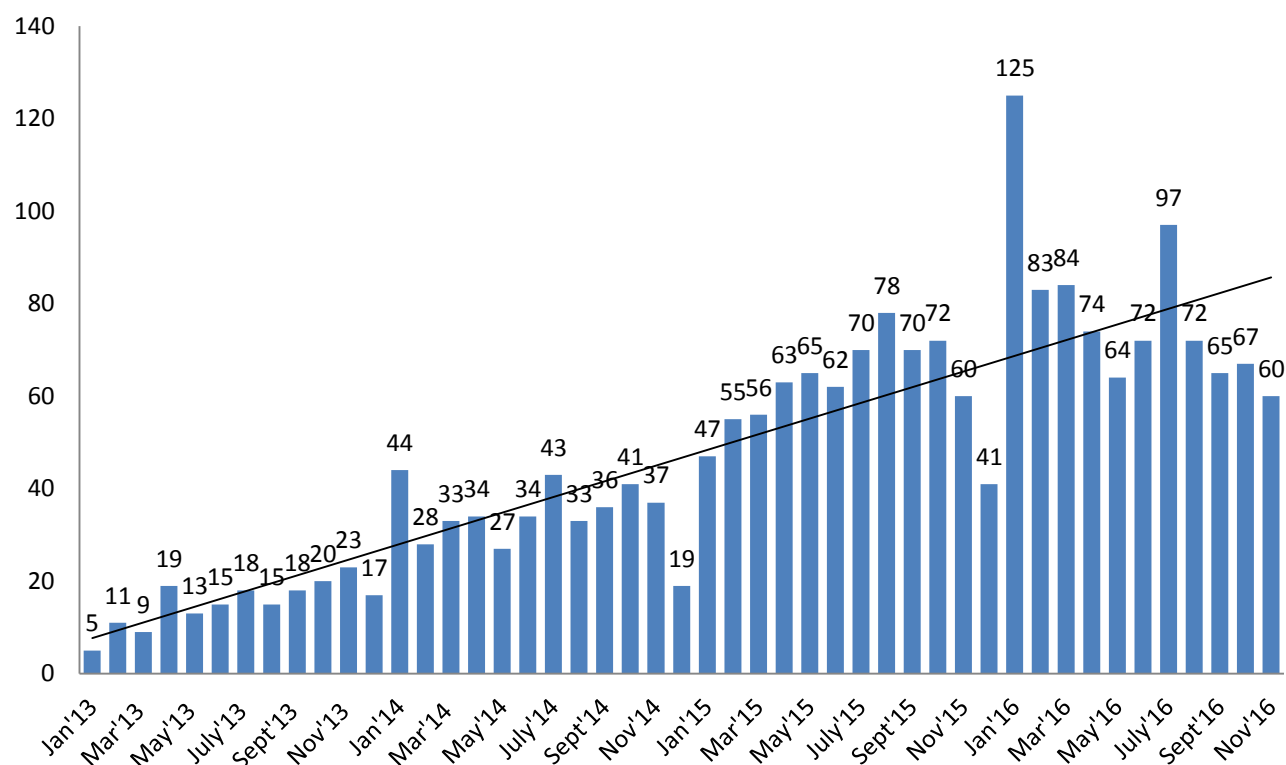
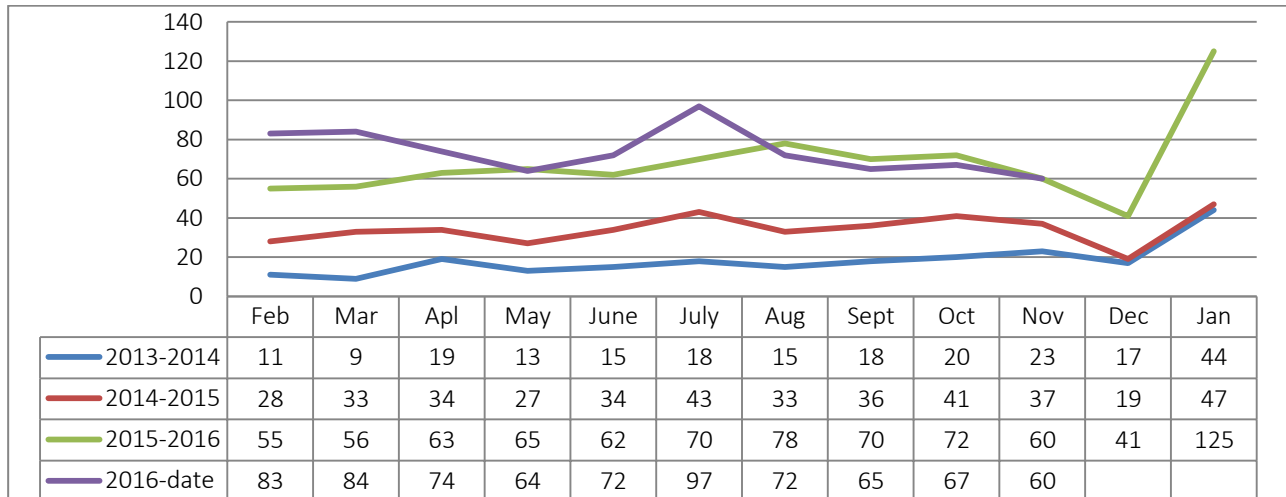


Figure 2 graphs each year in parallel, demonstrating how each year has repeated a similar monthly pattern, each year at a higher level. Data for the most recent four months shows a small but discernible shift, with fewer newly homeless families in Q3 2016 than in Q3 2015. This is the first quarter which is lower than the equivalent quarter in the previous year since the start of the current crisis.

Figure 2: Pattern and number of families becoming newly homeless in Dublin region



Number of Families exiting from Homelessness

Reliable data on the number of families exiting homelessness is much harder to find. An estimate of the total number of exits for any month can be derived by subtracting the number in emergency accommodation from the number of entrants, i.e. if there were ten families in emergency accommodation last month (M1) and fifteen this month (M2), and there were ten newly homeless families, five families must have exited homelessness.

$$\text{i.e. } M1 + \text{Newly homeless} - M2 = \text{Number exited}$$

Figure 3: Number of families exiting homelessness (derived)

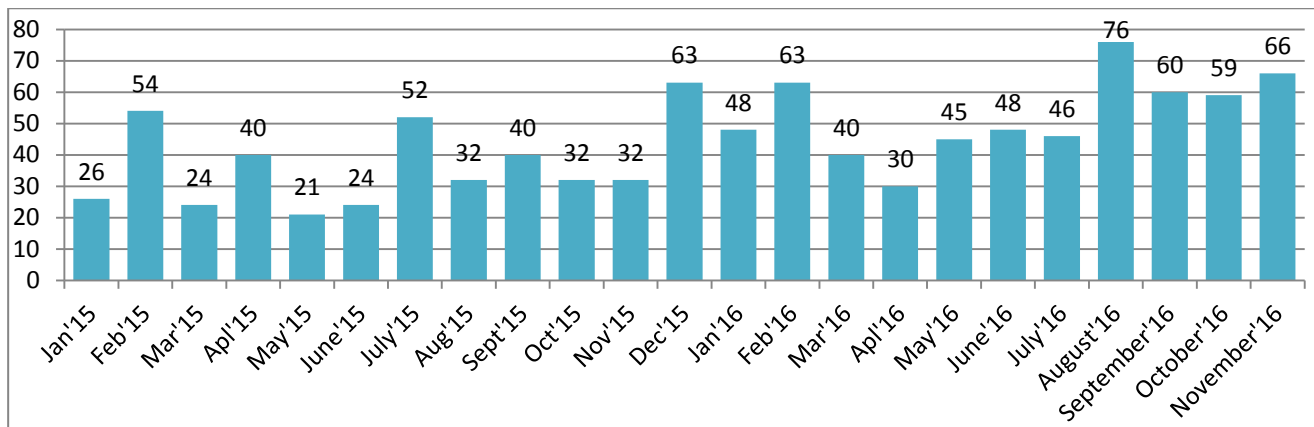


Figure 3 shows a distinct shift since July 2016, with a consistently and comparatively high number of families exiting homelessness since that date.

However, two problems with this calculation should be noted.

Firstly, the published figure for the number of families homeless in each month comprises the total number of unique families which spent at least one night in emergency accommodation during the 'reference week'. A significant number of families are known to spend only a few nights in emergency accommodation, so this published number of families who spent at least one night in emergency accommodation is likely to be higher than the number on any single given night.

Furthermore, the reference week is the third week of the month, and the 'inflow' figure available is for an entire calendar month. This means that the derived figure for exits in any given month may include families that actually exited in the previous or following month. However, over time these misallocations are small and, more importantly, they balance out so that the general pattern of exits over a number of months is reliable.

Where do the families exiting homelessness go?

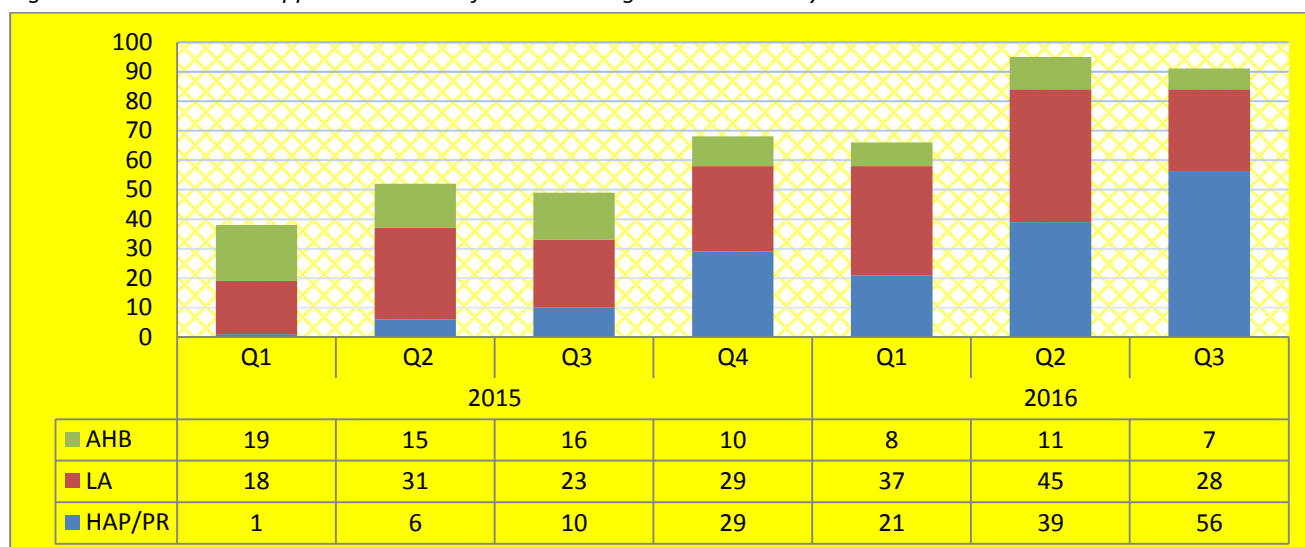
Families leaving homelessness either go into the private rented sector, social housing sector or return to wider family and friends. There is only limited data available to indicate the proportion of these outcomes, but what is available indicates that exits to the private rented sector, supported by Homeless HAP, have increased substantially in recent months.

This conclusion is based on two sets of data:

- (i) Focus Ireland administrative data for families which have been supported out of homelessness by Focus Ireland services (which only covers a proportion of exiting families).
- (ii) DRHE published data on the total number of adults exiting homelessness (which includes not only the exits of adults in families, but also the exits of individual adults and adults in childless couples).

Focus Ireland has supported an increasing number of families out of homelessness in 2016. During the last two quarters of the year, over 50% of these were accommodated in the private rented sector through HHAP (Fig. 4)

Figure 4: Focus Ireland supported adults in families exiting homelessness by tenure



This Focus Ireland administrative data gives clear information on the destination of between 1/3 and 2/3 of families leaving homelessness each month (Figure 5).¹

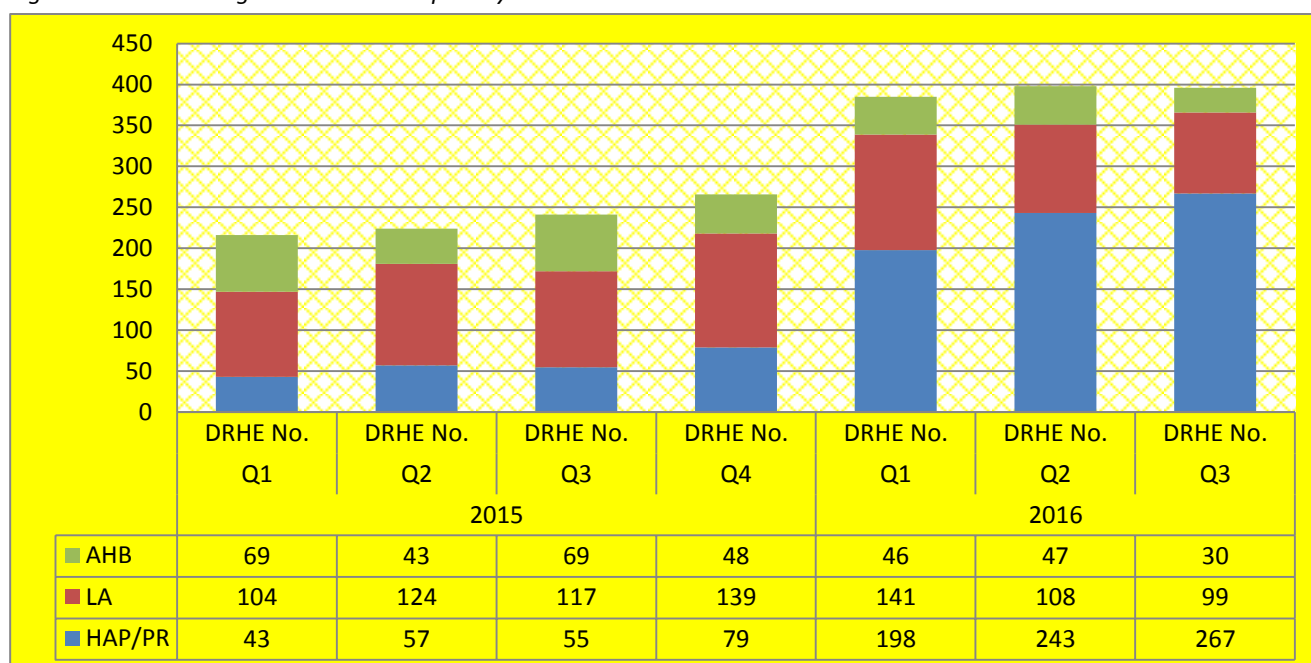
¹ The Focus Ireland data does not include families that exited from homelessness where the families (i) are not being case managed and return to live with family or friends (ii) are not being case managed and exit to a new tenancy which they found themselves (iii) exit to a new tenancy with the support of another agency.

Figure 5 Proportion of families exiting homelessness recorded by Focus Ireland.

Year	Quarter	Derived Families Moved On	Focus Ireland Reported Move-on	FI Move-on as a % of derived Move-on
2015	1	104	33	32%
	2	85	42	49%
	3	124	37	30%
	4	127	48	38%
2016	1	151	52	34%
	2	123	77	63%
	3	182	76	42%

This pattern is corroborated by the broader DRHE data for all adult exits from homelessness (including those families and those in households without child dependents). This shows an overall increase in exits, largely driven by a substantial increase in exits to the private rented sector supported by HHAP (Figure 6).

Figure 6 Adults exiting homelessness report by DRHE



Incidentally, both figure 5 & 6 show a significant dropping off in the number of social housing tenancies being offered to homeless households since the decision not to continue the Ministerial Directive (which instructed Dublin local authorities to allocate 50% of their new tenancies to homeless and other vulnerable households). This appears to contradict one of the central arguments made by the local authorities that they would adopt this approach even in the absence of Ministerial instruction².

However, in the months being considered, this decline in social housing allocations is more than compensated for by the increased private rented tenancies secured with HHAP support.

² Housing Agency (April 2016) "Review of Ministerial Direction on Housing Allocations for Homeless and Other Vulnerable Households" pp 16.

What factors changed the pattern of family homelessness?

There were a number of factors during 2016 which impacted on the flows into and out of homelessness, but the most significant of these are likely to be the changes in rent subsidies available for vulnerable households.

For instance, during this period Focus Ireland ran a pilot prevention programme in Dublin 15, in which, with Department of Social Protection support, 2,500 families on Rent Supplement were proactively targeted with information and support. Preliminary analysis of this indicates that homelessness may have been averted in a significant number of cases³. Other changes included the decision to allow rent increases only every two years and to increase the number of procedural steps required by landlords when evicting tenants on the basis that the accommodation is to be used by family members.

However, the two most significant public policy changes involved the level of rent which vulnerable households were allowed to offer for accommodation:

- (i) The decision to increase the level of discretion in relation to maximum rent levels payable on the Homeless HAP scheme (potential 'uplift'), from 20% above the maximum set by the Department of Social Protection to 50% above that level. This was introduced in January 2016.
- (ii) The decision to belatedly increase the maximum level of Rent Supplement available to households in the private sector to better reflect escalating rents. The actual level of increase varied across the country but Dublin thresholds for families increased by 30%.

As result of these two changes, the maximum rent available to a family with two children trying to move out of homelessness in Dublin city went up from €975 in December 2015, to €1,462 in January 2016 and rose again to €1,912 from June 2016.

The increased discretionary uplift in HHAP payments in January 2016 would have assisted families to compete with other households seeking private rented accommodation, and so would have impacted on the number of families exiting homelessness. Combined with other aspects of the HHAP (access to a deposit and potential of rent being paid a month in advance) and the work of the Dublin Accommodation Finders unit set up by six of the leading homeless organisations and the DRHE, the HHAP scheme became far more effective at assisting homeless families to secure access to the limited private rented accommodation available.

The impact of increasing the Rent Supplement levels in June 2016 would have magnified the impact of the HHAP discretion and also reduced the number of families becoming homeless. While there are now well established routes for individual households to seek higher levels of rent supplement (either through the Threshold HPS or directly from Community Welfare Officers), there is evidence that a number of households are unaware of these routes or do not take them up for unknown reasons. The general increase in maximum rent levels impacted on these families and is likely to have some positive impact in reducing the number of families becoming homelessness.

Finally, the two changes had the additional effect of improving the impact of a new 'rapid rehousing' homeless prevention scheme which commenced during this period. Under this scheme, families which are at risk of becoming homeless can access Homeless HAP without having to experience a period of homelessness.

³ Focus Ireland (forthcoming) "The Dublin 15 Pilot Prevention Project: Full Analysis"

This increases their capacity to find new accommodation before their notice period expires. The effect of this measure is to reduce the number of families entering emergency accommodation⁴.

Longer term perspectives

A number of statements by statutory authorities have suggested that the recent decline in the rate of increase in family homelessness may herald a turning point in the current crisis, with an implication that the trend will gather momentum and the total will soon start to fall.

This would be very welcome. However, if the analysis above is correct and the levelling-off in the numbers of families experiencing homelessness is caused by the increase in Rent Supplement levels and HHAP, this is unlikely to be a turning point and we will see a return to significant increases in family homelessness.

Essentially, HHAP works by giving homeless households additional resources to buy themselves back into a very competitive market. While some elements of HHAP (immediate access to a deposit, availability of a month in advance) create a 'level playing field' with families with greater access to resources, the higher rent levels available on a discretionary basis help overcome landlord reluctance to offer accommodation to families coming from homelessness or reliant on welfare. It redistributes access to the very limited supply of private rented housing by allowing eligible families to compete more effectively with other households which are seeking to rent vacant units. In this way it works in a similar manner to well established labour market measures under which subsidies are paid to employers who recruit from, for instance, the long-term unemployed.

Two policy changes in the last year increased the potential rent payable by a homeless family by almost 100%, significantly increasing their capacity to secure homes in the private rented market. While the impact of this was partly offset by the reduced number of social housing units being made available to homeless households, the increased rate at which homeless families found alternative accommodation in the private sector was sufficient to slow the overall increase in family homelessness.

If rents rise, and the HHAP/RS rates are not increased, the competitive advantage of these higher HHAP/RS levels will be eroded. Homeless households will find it harder to compete for the limited rental opportunities available, and will find it harder to move out of homelessness. The Government decision to cap rent increases to 4% per annum in the Dublin area, announced by Minister Coveney, will have the effect of prolonging the current effectiveness of the HHAP rates, but it will be necessary to increase this rate by at least 4% per annum.

The decision to apply the 4% cap not just to existing tenancies but also where a tenant leaves and the landlord is seeking a new tenant makes the measure a more robust restraint on average rents. However it may have an unintended effect of reducing the capacity of HHAP tenants to compete for new accommodation. To the extent that HHAP operates by allowing homeless families to compete equally with other potential tenants (e.g. by making deposits and rent in advance available) rent controls should have no effect. However, to the extent that HHAP succeeds by allowing families which are eligible for HHAP to make more attractive offers on rent levels, it will now be less effective as landlords will be prohibited from accepting a higher rent than was paid by the previous tenant (or only a 4% increase if there had been no increase in 12 months.)

Landlords have indicated that they may try to circumvent this aspect of the legislation by introducing new charges such as 'key money'⁵. If this does emerge as a factor in the Dublin rental property market, the

⁴ Data on these 'rapid rehousing' families does not appear to be reported separately and seems to be included in the data for 'exits from homelessness' (Fig. 4 and 6)

⁵ <http://www.irishexaminer.com/breakingnews/ireland/irish-property-owners-association-reacts-to-rent-caps-769134.html>

capacity of HHAP to fund such charges will become crucial. Alternatively, the rent regulation legislation could be amended to exclude properties rented under HHAP from the 4% limit for new tenants.

A second factor which will influence the effectiveness of HHAP as a route out of homelessness is whether there is sufficient supply of accommodation in the rental market overall. At the time of writing there are competing views as to whether the number of properties offered for rent is falling (suggested by data on landlords selling up, either under pressure from lenders or voluntarily) or rising (suggested by data from RTB registrations and from recent property sales). However, it is clear that the number of private rented units is continuing to fall well below demand for them.

There are a range of policies currently in place to boost housing supply in general and private rented supply in particular. Even if these policies are successful, it is unlikely that there will be a significant increase in private rented supply for the next 2-3 years. While the fundamental imbalance between supply and demand continues it seems unlikely that the level of homelessness will fall.

In the meantime, HHAP tenants will continue to compete for a limited supply of rental accommodation against a growing number of other households seeking a foothold in the rental market. If this proves to be the case, any reduced rate of exits from homelessness will quickly see a return to a rising number of homeless households.

Finally, the scale of mortgage arrears among owner occupiers must remain an anxiety for homeless policy. While very few families which were previously owner-occupiers have entered homeless services in recent years, this does not mean that this will always remain so. A more aggressive policy by lending institutions and the shortage of 'safety-net' alternative accommodation in the private rented sector could result in families from this sector for the first time accessing emergency homeless accommodation.

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