**Making work pay in Supported Accommodation:
Analysis of the relationship between work and Housing Benefit in supported accommodation**

For young people living in supported accommodation, access to employment can be a critical step in their journey to independence.

However, complicated benefits rules for people living in supported accommodation can mean that taking on more than minimal hours at work can drastically reduce the amount of Housing Benefit to which they are entitled. This can quickly reduce their overall income, putting them at risk of rent arrears and debt, and impacting on their capacity to move on from supported accommodation.

In this paper, we outline how the benefits system discourages young people living in supported accommodation from accessing work, and highlight how the Government can address this issue and promote employment. Moreover, we show that the Government could ultimately save millions by removing barriers to work and encouraging young people to transition away from benefits.

**Policy Context**

In our recent report, “Human costs and lost potential: the real cost of youth homelessness”, Centrepoint found that the UK economy loses £8.5 billion every year because of youth homelessness.[[1]](#footnote-1) Around 70 per cent of this total comes from challenges in accessing employment for young people facing homelessness – with almost £5.5 billion attributed to short term loss due to economic inactivity and £0.5 billion to lags in productivity over time. However, direct costs for government are also significant, including £473 million spent on social security. There is, therefore, a significant imperative for the Government to reduce barriers to employment for young people experiencing homelessness.

However, complicated benefits rules for young people in supported accommodation can mean that accessing employment or taking on more than minimal hours at work can put them at risk of arrears and potential eviction. Young people living in supported accommodation receive Housing Benefit (HB) to pay their rent. This is in contrast to people living in the private rental sector, who are not entitled to HB but may receive the housing element of Universal Credit (UC) for their housing costs. As both HB and UC have tapers for working people, this means that young people living in supported accommodation who work or want to work face having their benefit entitlements subjected to two tapers, which can seriously impact on their ability to pay high rates of rent while living in supported accommodation. **This dynamic disincentives young people from working above a certain number of hours (e.g. over 11 for a 21+ year old) or, in some cases, working at all.**

Young people living in supported accommodation typically claim both UC, for living costs, and HB, to cover their rent. Both these benefits are subject to taper rates.[[2]](#footnote-2) When these young people start working, a 55 per cent taper is applied to their UC entitlement. This means that someone receiving UC who goes from being unemployed to working ten hours per week at £10 an hour (or £100 per week) will lose £55 of UC entitlement each week—therefore implicitly facing a marginal effective tax rate (METR) of 55 per cent.[[3]](#footnote-3) While there is still some UC entitlement, HB covers Supported Accommodation rent in full.[[4]](#footnote-4) This is essential for young people living in supported accommodation, as the rents in supported accommodation are high.

When a 21 year old receiving the minimum wage earns more than £137.28 per week (equivalent to 12 hours of work) – this is £137.60 or 16 hours for an 18-20-year-old or £134.40 or 21 hours for a 16-17-year-old/apprentice - their UC will be tapered to nil. At this point, the young person’s income is reassessed under the HB rules: meaning that the young person’s HB award will be tapered at a higher rate of 65 per cent when their earnings move beyond their applicable amount, minus a £5 disregard - *see figure 1*:

*HB Entitlement = Full weekly rent – ((Weekly earnings - £5 disregard - applicable amount)\*0.65)*

*Figure 1: Impact of increasing working hours for young people aged 21 or over, earning the minimum wage and living in supported housing (Blue) and private rented housing in Lambeth (Yellow).*

**This dynamic creates a METR well in excess of 100 per cent, and strongly disincentivises employment/working additional hours.** This proposition is supported in recent research by Webber, Hill, and Hirsch (2023), showing that benefit rules strongly discourage young people living in supported accommodation from entering employment*[[5]](#footnote-5)*.

Moreover, the dynamic increases the risk that young people living in supported accommodation will fall into arrears if they take on work. For a 21 year old Centrepoint resident living in Lambeth who receives approximately £320 of HB to pay their weekly rent, UC is tapered to nil at 12 hours. **At this point, the young person starts to lose their HB, leaving them with less money for working an additional hour than if they had done otherwise** – *see figure 1*. **For this person, they do not become better off in employment until they work 19 hours** – *see figure 2, where the period in which they are worse off for working additional hours are highlighted in bold*:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Hours Worked** | **Net wage weekly (£)** | **Net wage monthly (£)** | **Wage tapered UC rules (55%)** | **UC Received (£)**  | **Wage tapered HB rules (65%)**  | **HB weekly (£)** | **HB Monthly (£)** | **Total received****(HB + UC + Wage) (£)** |
| 11 | 125.84 | 545.31 | 299.92 | 11.76 | 0 | 320.99 | 1348.15 | 1905.23 |
| 12 | 137.28 | 594.88 | 0 | 0 | 39.377 | 281.613 | 1182.77 | **1777.65** |
| 13 | 148.72 | 644.45 | 0 | 0 | 46.81 | 274.18 | 1151.54 | **1796.00** |
| 14 | 160.16 | 694.03 | 0 | 0 | 54.25 | 266.74 | 1120.31 | **1814.34** |
| 15 | 171.60 | 743.60 | 0 | 0 | 61.69 | 259.31 | 1089.08 | **1832.68** |
| 16 | 183.04 | 793.17 | 0 | 0 | 69.12 | 251.87 | 1057.85 | **1851.02** |
| 17 | 194.48 | 842.75 | 0 | 0 | 76.56 | 244.43 | 1026.62 | **1869.37** |
| 18 | 205.92 | 892.32 | 0 | 0 | 83.99 | 237.00 | 995.39 | **1887.71** |
| 19 | 217.36 | 941.89 | 0 | 0 | 91.43 | 229.56 | 964.16 | 1906.05 |

*Figure 2: impact of UC and HB taper rates on overall income for a young person living in Lambeth, receiving the minimum wage and paying £320.99 rent who starts working over 12 hours.*

**For a young person with an average overall monthly expenditure on non-rent essentials of over £400 (based on service charge costs and estimates of essential grocery and travel costs by Demos),[[6]](#footnote-6) this reduction in earnings when working additional hours could put them at risk of rent arrears** – due to the shortfall in their overall income meaning that they will have to choose where to prioritise their non-HB income (i.e. on rent or non-rent essentials).

The perceived impact of employment on young peoples’ finances has a tangible effect on economic behaviour. Many young people living in supported accommodation are (both explicitly and implicitly) discouraged from accessing work because of the impact on their benefits and overall income. **Recent Centrepoint research found that 43 per cent of homeless young people (survey of 246) with employment experiences had turned down jobs or more hours because of the effect it would have on their benefits**.[[7]](#footnote-7) These findings are mirrored by previous research conducted by Centrepoint in 2021 that found that, of 215 homeless young people across the UK, 48 per cent reported that they felt they had had to turn down a job or more hours due to the impact that this would have on their benefits.[[8]](#footnote-8)

*“When their Housing Benefit is reduced significantly, that's when they think - I don't wanna do this anymore because I'm not actually seeing the money I'm earning.”*

(Employment support staff member, Centrepoint, London)

While this issue is likely exacerbated by the paucity of accessible, plain-English guidance on the specific risks of employment for young people living in supported accommodation (disaggregated by factors such as age or income), it is apparent that, once young people begin to lose their HB, they experience shortfalls in their overall income – with lost HB often mitigated for via the re-allocation of UC and/or earned income. **In areas where the cost of living is higher, it is likely that young people will be less able to re-allocate UC and/or earned income to mitigate for HB shortfalls, with necessary expenses such as food and travel accounting for a greater proportion of their overall expenditure.**

This issue may be particularly pronounced when there are larger numbers of young (i.e., 16-21) and/or part-time workers living in supported accommodation. Our analysis suggests that **young people who earn less (i.e., the £8.60 minimum wage for 18-21 year olds) become worse off for additional hours of work at later points than those earning more (e.g. 21 year olds earning the £11.44 minimum wage), yet the impact of benefit rules on overall income will be sustained for longer overall periods** – meaning that they are worse off for extended durations. This is demonstrated in the below table showing the impact of benefit rules on 16-17 year olds and apprentices earning the £6.40 minimum wage – *worse off period is in bold*:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Hours Worked** | **Net Wage Weekly (£)**  | **Net Wage Monthly (£)** | **Wage Tapered UC Rules (55%)** | **UC Received (£)** | **Wage Tapered HB Rules (65%)**  | **HB Weekly (£)**  | **HB Monthly (£)** | **Total Received (HB + UC + Wage)****(£)**  |
| 20 | 128.00 | 554.67 | 305.07 | 6.61 | 0 | 320.99 | 1348.16 | 1909.44 |
| 21 | 134.40 | 582.40 | 0 | 0 | 37.51 | 283.49 | 1190.64 | **1773.04** |
| 22 | 140.80 | 610.13 | 0 | 0 | 41.67 | 279.33 | 1173.17 | **1783.30** |
| 23 | 147.20 | 637.87 | 0 | 0 | 45.83 | 275.17 | 1155.69 | **1793.56** |
| 24 | 153.60 | 665.60 | 0 | 0 | 49.99 | 271.01 | 1138.22 | **1803.82** |
| 25 | 160.00 | 693.33 | 0 | 0 | 54.15 | 266.85 | 1120.75 | **1814.08** |
| 26 | 166.40 | 721.07 | 0 | 0 | 58.31 | 262.69 | 1103.28 | **1824.34** |
| 27 | 172.80 | 748.80 | 0 | 0 | 62.47 | 258.53 | 1085.81 | **1834.61** |
| 28 | 179.20 | 776.53 | 0 | 0 | 66.63 | 254.37 | 1068.33 | **1844.87** |
| 29 | 185.60 | 804.27 | 0 | 0 | 70.79 | 250.21 | 1050.86 | **1855.13** |
| 30 | 192.00 | 832.00 | 0 | 0 | 74.95 | 246.05 | 1033.39 | **1865.39** |
| 31 | 198.40 | 859.73 | 0 | 0 | 79.11 | 241.89 | 1015.92 | **1875.65** |
| 32 | 204.80 | 887.47 | 0 | 0 | 83.27 | 237.73 | 998.45 | **1885.91** |
| 33 | 211.20 | 915.20 | 0 | 0 | 87.43 | 233.57 | 980.97 | **1896.17** |
| 34 | 217.60 | 942.93 | 0 | 0 | 91.59 | 229.41 | 963.50 | **1906.43** |
| 35 | 224.00 | 970.67 | 0 | 0 | 95.75 | 225.25 | 946.03 | 1916.70 |

*Figure 3: impact of UC and HB taper rates on overall income for a 16 year old or apprentice living in Lambeth, receiving the minimum wage and paying £320.99 rent who starts working over 21 hours.*

Moreover, this is shown in the following table demonstrating the impact of benefit rules on 18-20 year olds earning the £8.60 minimum wage – *worse off period is in bold*:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Hours Worked** | **Net Wage Weekly (£)** | **Net Wage Monthly (£)** | **Wage tapered UC Rules (55%)** | **UC Received (£)**  | **Wage tapered HB rules (65%)**  | **HB weekly (£)**  | **HB Monthly (£)** | **Total Received (HB + UC + Wage)****(£)** |
| 15 | 129.00 | 559.00 | 307.45 | 4.23 | 0 | 320.99 | 1348.16 | 1911.39 |
| 16 | 137.60 | 596.27 | 0.00 | 0.00 | 39.59 | 281.41 | 1181.90 | **1778.17** |
| 17 | 146.20 | 633.53 | 0.00 | 0 | 45.18 | 275.82 | 1158.42 | **1791.96** |
| 18 | 154.80 | 670.80 | 0.00 | 0 | 50.77 | 270.23 | 1134.95 | **1805.75** |
| 19 | 163.40 | 708.07 | 0.00 | 0 | 56.36 | 264.64 | 1111.47 | **1819.53** |
| 20 | 172.00 | 745.33 | 0.00 | 0 | 61.95 | 259.05 | 1087.99 | **1833.32** |
| 21 | 180.60 | 782.60 | 0.00 | 0 | 67.54 | 253.46 | 1064.51 | **1847.11** |
| 22 | 189.20 | 819.87 | 0.00 | 0 | 73.13 | 247.87 | 1041.03 | **1860.90** |
| 23 | 197.80 | 857.13 | 0.00 | 0 | 78.72 | 242.28 | 1017.56 | **1874.69** |
| 24 | 206.40 | 894.40 | 0.00 | 0 | 84.31 | 236.69 | 994.08 | **1888.48** |
| 25 | 215.00 | 931.67 | 0.00 | 0 | 89.90 | 231.10 | 970.60 | **1902.27** |
| 26 | 223.60 | 968.93 | 0.00 | 0 | 95.49 | 225.51 | 947.12 | 1916.05 |

*Figure 4: impact of UC and HB taper rates on overall income for an 18 year old living in supported accommodation in Lambeth, receiving the minimum wage and paying £320.99 rent who starts working over 15 hours.*

A similar effect may be noticed in respect of part-time work. **While wages for part-time work may be high, the limited number of hours (and by extension the constrained overall income while receiving benefits) means that young people working part-time may also be impacted by benefit rules in a more sustained way.** Anecdotal evidence, however, suggests that it is likely that young people living in supported accommodation and working will be earning the minimum wage – irrespective of whether it is part-time or full-time work. This suggests that, unlike those young people who may be able to work upwards of 19 hours per week for 21+ year olds or 26 for 18-20 year olds, this cohort is more susceptible to engaging in working patterns that prolong shortfalls in overall income.

**Policy Recommendations**

* **Reduce the taper rate from 65 per cent to 55 per cent to bring it in line with UC.** In order to ensure that young people in supported accommodation are not worse off than young people in other forms of accommodation when accessing employment, we encourage the government to reduce the HB taper rate to 55 per cent to bring it in line with UC. This would effectively reduce the amount that young people living in supported accommodation are being taxed for accessing work, as their HB would be reduced at a lower rate than it currently is (55p for every pound earned, as opposed to 65p on every pound).
* **Increase the applicable amount to £531.11 a month, either by raising the personal allowance or introducing a new premium.** We recommend that the applicable amount under HB should be increased to £531.11 a month (approximately £125 a week) so that a young person is not subject to a METR of over 100 per cent and does not, therefore, experience a steep financial cliff edge. This would mean that a vulnerable young person is never having both their UC and HB tapered for a marginal hour of work. Making this change would mean that more work would always mean more pay for young people in supported accommodation. This simple change could be made by adding a separate personal allowance category for young people in supported accommodation, as already exists for ESA claimants, or introducing a new premium in their applicable amount.

If introduced at the same time, these new rules will have positive effects on young people living in supported accommodation, as working more hours will always lead to more money in their pockets (*see graph below*). This is because both policies reduce the rate at which additional income is tapered and mean that people claiming both UC and HB will face a 55 per cent METR from the first £1 they earn up to having tapered all their HB.

*Figure 5: graph illustrating the impact of our recommendations for a 21 year old receiving the minimum wage living in supported accommodation (blue) compared to a peer of the same age and earning the same amount living in private rented accommodation (yellow).*

**Working in concert, the policies save the UK government a significant amount per year, due to the large number of people claiming HB and UC who are currently unemployed.** While the proportional drop in unemployment is small (averaging 5 per cent across age groups), this is more than sufficient to offset the increased costs. This is because the amount of benefits tapered for those moving into employment are much larger than the additional benefits paid to those currently employed.

The estimates below, developed by economics research agency Oxera on behalf of Centrepoint, set out the direct costs/benefits to the Treasury of these two policies working in conjunction, disaggregated by age group:

| **Employment status** | **Age group** | **Additional costs (-) / savings(+)** |
| --- | --- | --- |
| **In employment** | 18–20 | -£1,648,000 |
| 21–22 | -£1,480,000 |
| 23–24 | -£1,526,300 |
| **Not in employment** | 18–20 | £3,487,300 |
| 21–22 | £2,694,200 |
| 23–24 | £2,530,700 |
| **Total for those currently in employment** | -£4,655,100 |
| **Total for those currently not in employment** | £8,712,300 |
| **Total** | £4,057,200 |

*Figure 6: costs and savings from our combined recommendations (2023-2024 benefit rates).*

In addition to the direct savings to the Treasury, our analysis shows that there will be wider socioeconomic benefits for the Government through savings to the health and justice systems:

| **Employment status** | **Age group** | **Mental health and crime benefits from increased income** | **Total estimated mental and physical health benefits of increased employment** |
| --- | --- | --- | --- |
| **In employment** | 18–20 | £4,800 | - |
| 21–22 | £4,300 | - |
| 23–24 | £4,500 | - |
| **Not in employment** | 18–20 | £8,400 | £3,902,800 |
| 21–22 | £6,500 | £2,222,700 |
| 23–24 | £6,100 | £2,035,800 |
| **Total for those in employment** |  | £13,700 | - |
| **Total for those not yet in employment** |  | £20,900 | £8,161,300 |
| **Total** |  | £34,600 | £8,161,300 |

*Figure 7: indirect costs and savings from our combined recommendations (2023-2024 benefit rates).*

**Combining the direct benefits to the Treasury with the above additional savings produces significant net benefits for the Government, with our estimates showing total saving of £12,253,100 per year.**

**Conclusion**

Our policy recommendations increase the applicable amount (a taper-free work allowance) for people claiming UC and HB and decrease the HB taper rate – aligning it with UC. These policies would support young people living in supported accommodation to access work by enabling them to avoid the current financial cliff-edge present when they enter employment, come off UC and begin losing their HB. Implementing these policies would enable the Government to make substantial savings, as claimants would be better rewarded for entering employment – thereby reducing reliance on benefits. Additionally, there are potential benefits for claimants’ mental and physical health.

1. Nicoletti, A., 2023. Human Costs and Lost Potential: the real costs of youth homelessness. Centrepoint: London. Available at: https://centrepoint.org.uk/sites/default/files/2023-09/Cost%20of%20Youth%20Homelessness%20Research%20Report%20-%20Full%20report%202023.pdf [↑](#footnote-ref-1)
2. The rate at which a benefit is reduced as earnings increase. [↑](#footnote-ref-2)
3. By marginal effective tax rate, we refer to the percentage of additional income lost due to the impact of taxes and/or the reduction of benefits. [↑](#footnote-ref-3)
4. HB is a passported benefit, linked to UC. Passported benefits are benefits or schemes which some people are entitled to because of their entitlement to certain other benefits or Tax Credits. [↑](#footnote-ref-4)
5. Webber, R., Hill, K. and Hirsch, D., 2023. Living or surviving? Benefits, barriers, and opportunities for young people transitioning out of homelessness. Loughborough University. Available at: https://www.wmca.org.uk/media/jq2f2iyv/living-or-surviving-report.pdf [↑](#footnote-ref-5)
6. Cummins, C. and Glover, B., 2021. Bouncing back: boosting young people’s financial wellbeing after the pandemic. Demos. London. Available at: https://demos.co.uk/wp-content/uploads/2021/10/Bouncing-Back.pdf [↑](#footnote-ref-6)
7. Taylor. F., 2024. Untapped Resource: Homeless young people’s employment experiences and aspirations. Centrepoint: London. Available at: https://centrepoint.org.uk/sites/default/files/2024-06/D436%20Employment%20Research%20Full%20Report%20A4%20V6%20DIGITAL%20SINGLES.pdf [↑](#footnote-ref-7)
8. Ahmed, M., et al. Benefits to Society: Homeless Young People's Experiences of the Social

Security System. Centrepoint: London. Available at: https://centrepoint.org.uk/sites/default/files/2023-06/Benefits-to-Society-uc-report.pdf [↑](#footnote-ref-8)