

# The Benefit-Industrial Complex [1]

Type: [Think Pieces](#)<sup>[2]</sup> Written by **Preston Byrne** | Monday 17 December 2012



Anyone following the progress of the government's 'Universal Credit' welfare reform program will know that (1) its signature provision is the creation of the so-called Benefit Cap limiting the amount of benefits that any one person or family can claim in a given week to £350 or £500, respectively.

Lesser known is (2) that 'under Universal Credit, the default position will be that all housing costs for both social and private sector tenants' 'currently paid out as a single, discrete benefit but soon to be subsumed within the benefit cap' are to be paid directly to claimants, whereas previously it was paid directly to claimants' landlords.

That the second of these proposals should be controversial is a little surprising, considering the fact that paying one's rent is the sort of thing most people will do for a substantial majority of their working lives. So I was puzzled to see Mark Easton, BBC News' Home Editor, [excoriating the government](#) <sup>[3]</sup>, and accusing it of being 'secretive'... on a matter that affects the lives of hundreds of thousands of the most vulnerable people in Britain?: the proposal to, in his words, 'force social housing tenants to pay their own rent'.

Easton's objections followed three lines. First, he argued, social landlords' business plans rely on suffering only 2% aggregate arrears; such plans would be thrown into disarray if Housing Benefit claimants are given responsibility for managing their own affairs (which, he argues, would increase monthly arrears to as much as 30%). Second, he continued, existing social tenants have 'little or no experience of monthly budgets,' get their benefit in cash weekly, and therefore are not predisposed to 'or capable of' managing their own finances. Finally, he concluded, many have not chosen to access banking facilities or do not have regular access to the internet, both of which are necessary to use the new Universal Credit regime.

The capacity argument has been invoked frequently in relation to the Universal Credit 'Shelter, for example, [made representation](#) <sup>[4]</sup> during the public consultations preceding the 24 November Report of Session on Universal Credit that there is 'considerable apprehension as to how many social tenants will manage their incomes?.

This argument is probably honestly made out of concern for humanity and backed by evidence. That it also makes it morally appropriate to burden the taxpayer for the market risk of landlords in the Housing Benefit tenant market arising from failure on the part of welfare beneficiaries to manage their finances is another

question, especially when we consider the practical character of the libertarian reply.

Human beings have paid rent with reassuring frequency for millennia and statutory frameworks have regulated these payments since 1772 ? 1772 B.C.E., that is (cf: [the Code of Hammurabi, sections 50 and 51](#) <sup>[5]</sup>). Furthermore, the internet access required by Universal Credit is available free of charge at public libraries and for a small fee on mobile phones and at internet cafes around the country. The internet is used daily by billions of people of all ages, creeds and nations, and with highly variable degrees of intelligence. It is no stretch to say that able-bodied adult British claimants of sound mind should be able to combine these two competencies and pay their bills.

Politically, Easton's concern for social landlords and their businesses is more interesting. Trials of the beneficiary-pays system have shown that the increase in arrears has made letting to DWP tenants uneconomic, and the reform means that private sector landlords ?will pull out? of the benefit claimant housing market (at [page 93](#) <sup>[6]</sup>) ? a problem amplified from the perspective of local authorities who are duty-bound to find housing for these persons and ?increasingly... have to advise people to look for housing in the private sector.?

What is left unsaid by Easton is the scale of the private sector's involvement in welfare provision relating to housing. It is vast. In Northern Ireland alone, the Select Committee's report notes, ?we think ['think?'] there are 60,000 private landlords who currently receive payment of Housing Benefit direct ? about £250,000,000 a year? ? £4,100 per landlord, or £148.00 for every man, woman and child in Northern Ireland. While I do not have exact figures to hand, if this were extrapolated on a per-capita basis nationally, the level of private sector benefit realised would rise to nearly £10 billion ? roughly 45% of the total Housing Benefit bill, and nearly 1% of GDP, roughly equal in heft to the 2012 Olympic Games.

Viewed thus Housing Benefit is less a welfare program than a national industry, operating on the scale of value-added giants like automobile manufacturing (£54bn) or defence (£45bn) and capable of distorting the market to the detriment of the working taxpayer. As a component of income allocated towards housing, Housing Benefit has long [outstripped private wages](#) <sup>[7]</sup>. As a subsidy it disrupts the supply of property for private renters, providing what is in effect [a national minimum rent](#) <sup>[8]</sup> while [driving up rents for non-beneficiaries in the process](#) <sup>[9]</sup>, thus striking the propertyless taxpayer from three directions.

And as a safety net it fails too ? while senior editors of the BBC and Labour MPs invoke in the system's defence the inability of its beneficiaries to [demonstrate the financial acumen](#) <sup>[10]</sup> of a [Bronze Age Babylonian tenant farmer](#) <sup>[5]</sup>, the Commons Work and Pensions Committee report on the subject [states, matter-of-factly, that](#) <sup>[6]</sup> ?many benefit claimants will never be able to take up or return to work.? When the question of whether Britain can continue to afford its welfare state is an [open one](#) <sup>[11]</sup>, this is clearly the wrong approach.

Quite irrespective of the relative merits of welfare provision, the existing system is ripe for reform. The government's efforts to date are a welcome first step.

*\* So secret, in fact, that his article was published a full two days (24 November) after a report published by the House of Commons Work and Pensions Committee on the subject (22 November), and after months of public consultations with interested parties. But I digress.*

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