



St Basils: Positive Transitions Pathway - Housing Affordability and Financial Modelling

With Kim Sangster Associates

Final Report

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Acronyms & Abbreviations

APS	Annual Population Survey
ASHE	Annual Survey of Hours and Earnings
BIS	Business Information & Skills
CLG	Communities and Local Government
CPI	Consumer Price Index
CT	Council Tax
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
GIS	Geographical Information System
GP	General Practitioner
HB	Housing Benefit
HCA	Homes and Communities Agency
IMD	Index of Multiple Deprivation
JSA	Job Seekers Allowance
LEP	Local Economic Partnership
LFS	Labour Force Survey
LHA	Local Housing Allowance
NHS	National Health Service
NOMIS	National Online Manpower Information System
ONS	Office for National Statistics
p.a.	Per Annum
RP	Registered Provider
RSL	Registered Social Landlord
SDR	Statistical and Data Return
SHMA	Strategic Housing Market Assessment
UC	Universal Credit
VOA	Valuation Office Agency

Executive Summary

ES1 This report provides:

- A review of youth employment patterns in Birmingham;
- A review of young people's average income levels in Birmingham;
- A review of the affordability of young people's housing options in Birmingham; and
- An investment model for housing which is affordable for young people without recourse to benefits.

ES2 For the purposes of this report, young people are defined as those aged 16-24. At the 2011 Census, nearly 15% of the population of Birmingham were young people aged 16 to 24.

ES3 Of the 159,430 young people in Birmingham in 2011, the Census shows that:

- 52% were economically active, which compares with 51.7% in 2001;
- 48% were economically inactive, which compares with 43.5% in 2001;
- 83% of the economically inactive were students, which compares with 72.7% in 2001; and
- 28% were unemployed, which compares with 14.8% in 2001.

ES4 In 2011, the main occupational categories were 'sales and customer service' (13,500), 'elementary occupations' (11,800) and 'caring, leisure and other service occupations' (7,000).

ES5 Between 2001 and 2011, there has been a marked decline in the proportion of young people working in 'Administrative and Secretarial Occupations'; 'Process, Plant and Machine Operatives' and 'Elementary Occupations'; and a marked increase in 'Skilled Trades Occupations'.

ES6 A series of recent reports have emphasised the decline in employment and associated falls in income among young people, and associated increases in poverty amongst this age group.

ES7 A net-based survey of jobs available to young people within a 10 mile radius of central Birmingham was undertaken in June 2015.

ES8 36 of the jobs were advertised as permanent, and the remaining 19 were temporary. The largest proportion of jobs available were unskilled, skilled trade or administrative. Jobs were offered in a wide range of employment sectors, especially in marketing/sales; care/education, construction and the service sector.

- ES9 Most jobs were hourly paid (64%), although 29% were annual salaried. Only 6 jobs were offered at the 21+ National Minimum Wage rate of £6.50 per hour or less, which is equivalent to £12,675 per annum. All other jobs were offered in excess of this rate. 27% of the jobs were available at under £14,000 per annum; 42% at under £16,000 and over 70% at under £20,000. However, almost 30% of jobs were available at £20,000 or above.
- ES10 A series of recent reports has emphasised reductions in the supply of housing for young people; the extent to which they are having to live with their parents, and its consequences for their personal and professional development.
- ES11 In 2011, 61% of 'Household Reference Persons' (HRPs) under 25 in Birmingham were renting privately from a landlord or letting agency or in 'other private rented or rent free' accommodation, a higher rate than for the West Midlands. 29% were renting from a social landlord, a lower rate than for the West Midlands; and 11% were owner occupiers, a lower rate than for the West Midlands.
- ES12 The tenure profile of HRPs has remained broadly the same between 2001 and 2011 with the exception of a marked reduction in the proportion renting from the Council, and slight increases in the proportion renting from another social landlord or buying a home.
- ES13 Following a survey of the housing market, it has been established that entry level resale property prices for young people begin at £50,000 for a studio flat/bedsit. New build property prices begin at £85,000 for a studio flat/bedsit. Market rentals begin at £225 per month for a shared property/studio. Maximum Local Housing Allowance rates cover entry level market rentals for shared to 2 bed properties with the exception of bedsits.
- ES14 An affordability threshold has been applied that housing costs (excluding Council Tax) should not exceed 25% of gross household income, equivalent to 34% of net household income.
- ES15 Young people could afford property prices which are higher than those available by lenders' applying a loan: income rate of 3.5:1.
- ES16 Compared with what is affordable, applying a loan: income rate of 3.5:1 requires annual incomes to be £2-3,000 higher to access entry level resale properties, and £3-4,000 higher to access new build properties.
- ES17 As a result, the application of a loan: income ratio of 3.5:1 reduced access for almost all options with the exception of studio/bedsit properties.
- ES18 Market rental properties are more available but are less affordable. A gross income of £10,750 is required to afford a shared property, equivalent to £5.51 per hour and which is below the Minimum Wage Rate for those aged 21 and

over. A gross income of £13,250 is required to afford a studio/bedsit, equivalent to £6.80 per hour, and which exceeds the Minimum Wage Rate for those aged 21 and over.

- ES 19 No housing options are affordable to those in receipt of benefits or the National Minimum Wages for Apprentices; for those aged 16-17 or for those aged 18-20.
- ES 20 Only shared market rental and bedsit resale options are available to those in receipt of the National Minimum Wage of £12,675, or the lower quartile income of £13,007 from employment.
- ES 21 There are wide gaps between the rentals affordable to young people in receipt of the lowest incomes and the housing options available, including in the social and 'Affordable Rent' sectors. These range from only a few pounds for market rented studio properties for those in receipt of the National Minimal Wage or lower quartile from employment to several hundred pounds for those dependent on benefits.
- ES 22 Rental options are required without recourse to benefits. One option would be to reduce social or 'Affordable' rent levels at the discretion of providers, and the margin between affordability and rental costs is closest for those in receipt of the National Minimum Wage for those aged 18-20 and certainly for those aged 21 and over.
- ES 23 A number of models have been developed to provide affordable, safe and secure rented and especially shared accommodation which include Westminster City Council's 'Fair Share Housing Scheme'; the 'Snug Bug House Scheme' and 'Smartmove Housing' in Northern Ireland.
- ES 24 However, such schemes have been developed on only a very limited basis, and there is the need and opportunity to develop affordable shared housing schemes for young people in Birmingham, in both the social and private rented sectors.
- ES 25 One of the most affordable options is a resale studio/bedsit. However, as with other modelling of home ownership options, this assumes the availability of a 10% deposit. Saving for such a deposit (£5,000 in the case of a studio/bedsit) is likely to be beyond the means of many of those in receipt of a low income but the provision of such support, for example through a home deposit scheme, is the singly most practical step to accessing a suitable housing option.
- ES 26 Resale properties are the most affordable, and making available good quality but low cost resale studio/bedsits would be a second practical step to providing affordable housing for young people...

ES 27 The application of a loan: income ratio of 3.5:1 results in a higher income required to access housing than is necessary to achieve affordability, and therefore an investment model which reduces the mortgageable element of housing costs would improve affordability. Shared ownership (part rent: part buy) offers this potential and has the capacity to provide an element of variability through the share which can be purchased and subsidy in the rental payable on the share retained by the provider.

1. Introduction

- 1.1 St Basils has been funded by DCLG to promote the Positive Transitions Pathway for young people which was developed in consultation with providers, DCLG and young people and is included in the government's homelessness strategy, 'Making Every Contact Count'. This is a homeless prevention pathway which St Basils promotes with Local Authorities and their partners. The Pathway is being refreshed currently to ensure that housing options are more closely related to education, training and employment opportunities for young people.
- 1.2 St Basils' ambition is to develop an integrated housing, education and employment pathway in Birmingham for young people regardless of their starting point and is particularly interested in exploring models where young people can live and work benefit free.
- 1.3 DCLG have selected a number of Local Authorities to pilot further development of the Pathway including Birmingham. The proposed work contributes to the commitments made by Birmingham to develop their Pathway. St Basils are leading on the Pathway Pilot in Birmingham.
- 1.4 This report addresses delivery of the financial modelling and affordability elements of the pilot by providing:
 - A review of youth employment patterns in Birmingham.
 - A review of young people's income levels in Birmingham, from benefits to income from full-time employment.
 - A review of the affordability of young people's housing options in Birmingham.
 - An investment model which is affordable for young people, without recourse to benefits, identifying what subsidy would be required to make this a reality.

Young people in Birmingham

- 1.5 For the purposes of this report, young people are defined as those aged 16-24. At the 2011 Census, nearly 15% of the population of Birmingham were young people aged 16 to 24. This is a considerably higher proportion than for the West Midlands region (12%) and England as a whole (12%). The number of young people in Birmingham was 29,453 aged 16 to 17 and 129,977 aged 18 to 24: a combined total of 159, 430¹. The number of males included in this total was 78,217 and of females 81,213.

¹ Source: KS102EW2011 Census data, NOMIS website <http://www.nomisweb.co.uk>

- 1.6 The mid-year population estimates for Birmingham in 2013 (the latest figures available) show a total population for the city of 1,092,300 and of young people aged 15 to 24 of 177,300, representing 16.2% of the total city population (Table 1) [note: this figure includes 15 year olds].

Table 1: total population and population aged 15-19 and 20 -24 years: Birmingham, 2013

Age band	Male		Female		Total	
	No.	%	No.	%	No.	%
All ages	538,900	100.0	553,500	100.0	1,092,300	100.0
15-19 years	39,800	7.4	39,400	7.1	79,200	7.2
20-24 years	48,400	9.0	49,700	9.0	98,100	9.0
Total 15-24 years	88,200	16.4	89,100	16.1	177,300	16.2

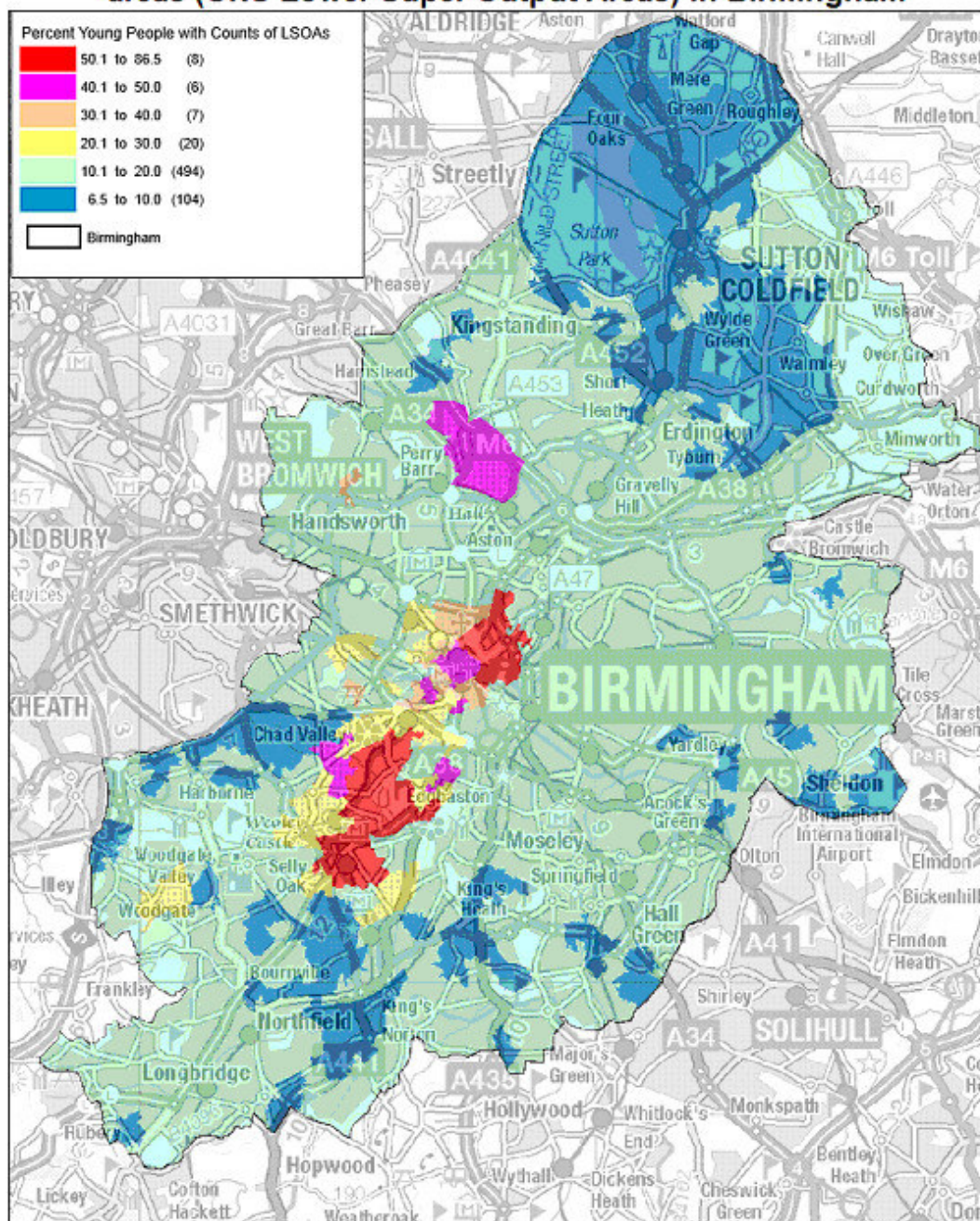
(Source: Mid-year population estimates 2013, NOMIS website <https://www.nomisweb.co.uk>)

Key findings

- Those aged 15-24 made up 16% of Birmingham's population in 2013.
- 1.7 The following maps use 2011 Census data to identify firstly the distribution of young people aged 16-24 across Birmingham, then of 'Household Reference Persons' (formerly 'head of household') aged 16-24.

Map 1.1

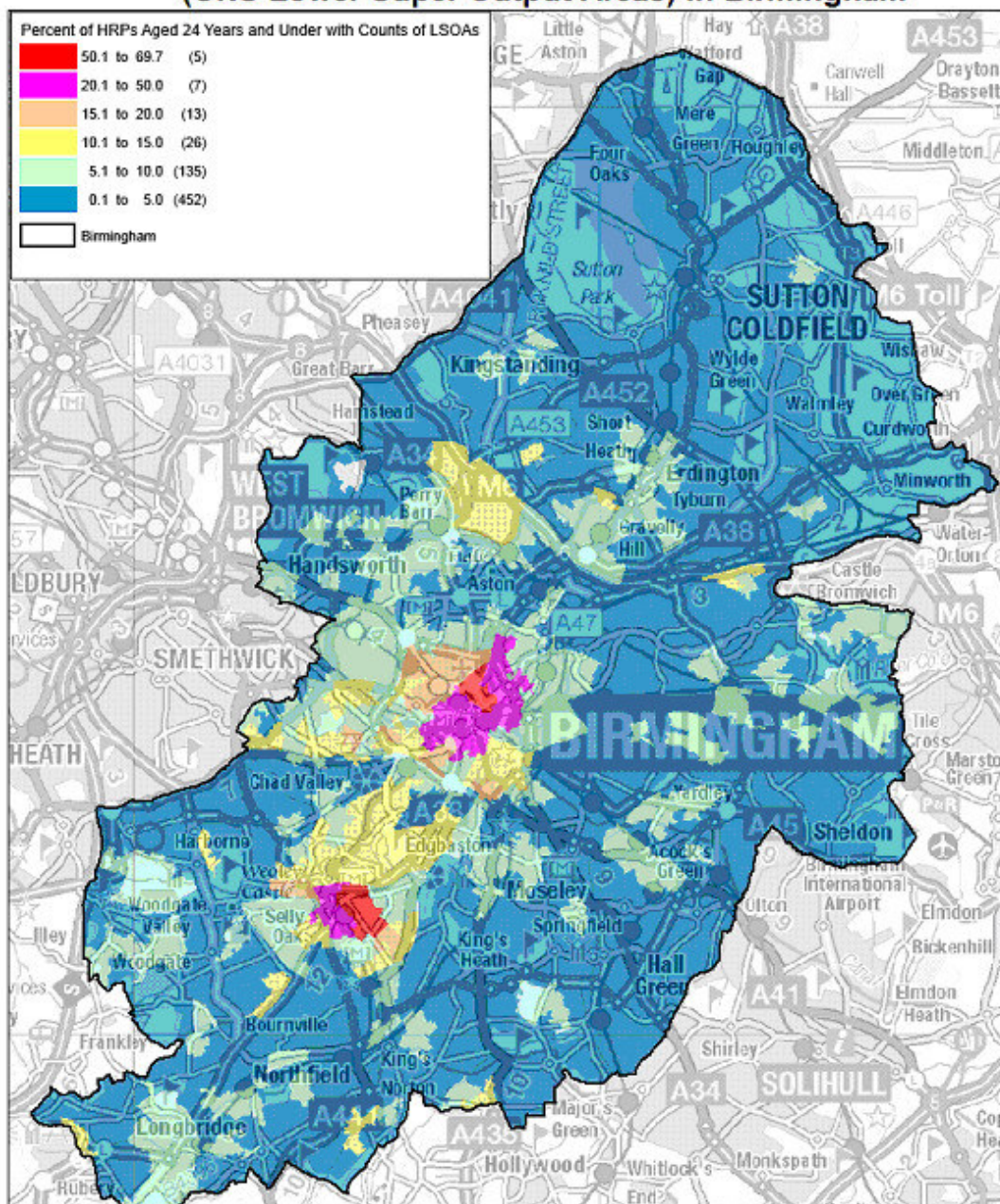
Percent of Population Aged 16 to 24 years within small areas (ONS Lower Super Output Areas) in Birmingham



Source: Table KS402EW Tenure, 2011 Census Data, Office for National Statistics, NOMIS website, <http://nomisweb.co.uk>. Contains public sector information licensed under the Open Government Licence v1.0 (<http://www.nationalarchives.gov.uk/doc/open-government-licence>). Contains National Statistics and Ordnance Survey Data (c) Crown Copyright and Database Right 2015.

Map 1.2

**Percent of Household Reference Persons Aged 24 Years
and Under within small areas
(ONS Lower Super Output Areas) in Birmingham**



Source: Table LC4201EW Tenure, 2011 Census Data, Office for National Statistics,
NOMIS website, <http://nomisweb.co.uk>. Contains public sector information licensed under the Open Government
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2. Young People: Employment Patterns and Trends

Introduction

- 2.1 This chapter uses the limited data available to profile young people's employment patterns and trends in Birmingham.

Economic activity, Socio-Economic Classification (SeC) and Occupation

- 2.2 Census data enables us to profile young people by the extent to which they are 'economically active'; by their 'socio-economic classification' and by their employment.
- 2.3 A higher proportion (62%) of young people were economically active in the West Midlands region and in England as a whole (63%). Of the 159,430 people in Birmingham aged 16 to 24 in 2011, the Census shows that:
- 52% were economically active, which compares with 51.7% in 2001;
 - 28% of them were unemployed at the time of the Census, which compares with 14.8% in 2001;
 - 48% were economically inactive, which compares with 43.5% in 2001; and
 - 83% of the economically inactive were students, which compares with 72.7% in 2001;
- 2.4 There has been marked growth in the student population and in unemployment both of which imply reduced income levels.
- 2.5 National Statistics Socio-Economic Classification (NS-SeC) provides an indication of people's socio-economic position based on occupation. Table 2.1 presents this information for Birmingham in 2011 for all those aged 16 and over and for the 19% of people aged 16-24

Table 2.1: Socio-Economic Classification by Age, 16 and over and 16 to 24, Birmingham, 2011

Socio-economic classification	% of all persons age 16 and over	All persons age 16 to 24 No.	% of all persons age 16 to 24
1. Higher managerial, administrative and professional occupations	7.5	2,808	1.8
1.1 Large employers and higher managerial and administrative occupations	1.4	317	0.2
1.2 Higher professional occupations	6.2	2,491	1.6
2. Lower managerial, administrative and professional occupations	15.9	9,463	5.9
3. Intermediate occupations	11.5	10,484	6.6
4. Small employers and own account workers	6.9	2,106	1.3
5. Lower supervisory and technical occupations	6.4	4,461	2.9
6. Semi-routine occupations	14.7	14,740	9.2
7. Routine occupations	12.2	9,007	5.6
8. Never worked and long-term unemployed	12.4	18,408	11.5
8.1 Never worked	9.7	15,721	9.9
8.2 Long-term unemployed	2.7	2,687	1.7
Full time students	12.6	87,953	55.2
All categories: NS-SeC	100.0	159,430	100.0

(Source: DC6114EW – NS-SeC by sex by age
<http://www.nomisweb.co.uk/census/2011/dc6114ew>)

Key findings

- The largest proportion of young people (55%) were full-time students;
- Nearly 12% were in the category 'never worked and long-term unemployed'; and nearly 15% were in the two categories 'semi-routine occupations' and 'routine occupations'.

2.6 Table 2.2 shows occupation by age in Birmingham in 2011 for all residents in employment aged 16 and over and for those aged 16-24. The rows highlighted in bold on the table are the main occupational categories, for example, 'managers, directors and senior officials' and 'caring, leisure and other service occupations'.

Table 2.2: Occupation by Age, 16 and over and 16 to 24, Birmingham, 2011

Occupation	All age 16+ No.	All age 16+ %	All 16-24 No.	All 16-24 %
All categories: Occupation	425,748		59,620	
Managers, directors and senior officials	35,427	8.3	2,188	3.7
Corporate managers and directors	22,398	5.3	1,363	2.3
Other managers and proprietors	13,029	3.1	825	1.4
Professional occupations	77,693	18.2	5,614	9.4
Science, research, engineering and technology professionals	14,852	3.5	1,002	1.7
Health professionals	21,818	5.1	1,698	2.8
Teaching and educational professionals	21,591	5.1	1,531	2.6
Business, media and public service professionals	19,432	4.6	1,383	2.3
Associate professional and technical occupations	46,885	11.0	6,003	10.1
Science, engineering and technology associate professionals	6,417	1.5	857	1.4
Health and social care associate professionals	6,441	1.5	670	1.1
Protective service occupations	3,546	0.8	491	0.8
Culture, media and sports occupations	6,701	1.6	1,281	2.1
Business and public service associate professionals	23,780	5.6	2,704	4.5
Administrative and secretarial occupations	50,011	11.7	6,744	11.3
Administrative occupations	38,654	9.1	5,412	9.1
Secretarial and related occupations	11,357	2.7	1,332	2.2
Skilled trades occupations	41,880	9.8	4,493	7.5
Skilled agricultural and related trades	1,824	0.4	233	0.4
Skilled metal, electrical and electronic trades	16,095	3.8	1,614	2.7
Skilled construction and building trades	12,711	3.0	1,290	2.2
Textiles, printing and other skilled trades	11,250	2.6	1,356	2.3
Caring, leisure and other service occupations	42,754	10.0	7,031	11.8
Caring personal service occupations	33,286	7.8	5,103	8.6
Leisure, travel and related personal service occupations	9,468	2.2	1,928	3.2
Sales and customer service occupations	38,262	9.0	13,541	22.7
Sales occupations	30,761	7.2	11,648	19.5
Customer service occupations	7,501	1.8	1,893	3.2
Process, plant and machine operatives	36,432	8.6	2,176	3.6
Transport and mobile machine drivers and operatives	19,463	4.6	651	1.1
Elementary occupations	56,404	13.2	11,830	19.8
Elementary trades and related occupations	7,493	1.8	1,191	2.0
Elementary administration and service occupations	48,911	11.5	10,639	17.8

(Source: DC6112EW occupation by sex by age,
<http://www.nomisweb.co.uk/census/2011/dc6114ew>)

Key findings

- Nearly 60,000 residents in Birmingham aged 16 to 24 were in employment at the time of the Census;

- Their main occupational categories were 'sales and customer service' (13,500), 'elementary occupations' (11,800) and 'caring, leisure and other service occupations' (7,000).
- 'Professional' and 'associate professional and technical' occupations accounted respectively for 5,600 and 6,000 young people: a total of 11,600.

2.7 The following table compares the principal occupational categories for those aged 16-24 in both 2001 and 2011.

Table 2.3: Occupation by Age, 16 to 24, Birmingham, 2001 and 2011, percentages

Occupation	16-24 % 2001	16-24 % 2011
Professional occupations	7.4	9.8
Associate professional and technical occupations	12.2	10.5
Administrative and secretarial occupations	18.3	11.7
Skilled trades occupations	1.2	7.8
Caring, leisure and other service occupations	10.0	12.2
Sales and customer service occupations	20.9	23.6
Process, plant and machine operatives	7.0	3.8
Elementary occupations	23.0	20.6

(Source: DC6112EW occupation by sex by age,
<http://www.nomisweb.co.uk/census/2011/dc6114ew>)

Key findings

- There has been a marked decline in the proportion of young people working in 'Administrative and Secretarial Occupations'; 'Process, Plant and Machine Operatives' and 'Elementary Occupations'; and
- There has been a marked increase in 'Skilled Trades Occupations'.

2.8 Estimates of employment by occupation in Birmingham for those aged 18-24 for the period January to December 2014 are provided by the ONS Annual Population Survey². These estimates show that:

- the proportion of people aged 18-24 in employment was 42%;

² Office for National Statistics *Labour Market Profile – Birmingham*
<https://www.nomisweb.co.uk/reports/lmp/la/1946157186/report.aspx?town=birmingham>

- the proportion unemployed was 19%; and
- the proportion in full time education was 35%³.

Apprenticeships

2.9 Government-sponsored apprenticeships have grown markedly over the past 20 years, from less than 100,000 in 1997/98 to over 500,000 in 2011/12. In 2013/14 there were 441,000 starts in England, 27% of which were taken by people aged under 19 and 36% by those aged 19-24. The largest subject sector areas for apprenticeships are in 'business, administration and law', 'health, public services and care' and 'retail and commercial enterprise'. Together, these sectors accounted for almost three-quarters (73%) of apprenticeship starts in 2013/14. The total number of starts in Birmingham (all ages) in 2013/14 was 8,680⁴. If national proportions were apply to Birmingham, this suggests that about 2,300 (27%) of the starts in the city were by people aged 16 to 24.

Unemployment and benefit claimants

2.10 Table 2.4 provides unadjusted youth unemployment figures for 18 to 24 year olds in Birmingham. 990 (15%) have been unemployed for over a year which is the highest level among the core cities⁵, representing 5% of the age group in the city (Birmingham City Council⁶). The number unemployed for up to 6 months was 4,470, and for over 6 and up to 12 months was 1,130.

Table 2.4: Unadjusted Youth Unemployment (age 18-24): Birmingham, April 2015

Age	Males			Females			Total	
	No	Claimant proportion %	% of total	No	Claimant proportion %	% of total	No	% of total
18-24 years	4,150	6.3	63.0	2,440	3.6	37.0	6,590	100.0

(Source: Birmingham City Council Youth Unemployment Briefing, May 2015, using JSA data for the number of 18-24 claimant count unemployed as a percentage of the economically active 18-24 population)

³ Annual Population Survey 2014 <https://www.nomisweb.co.uk>

⁴ House of Commons Library (2015) *Apprenticeship statistics* Standard Note SN/EP 6113 25 March 2015

⁵ The 'core cities' are Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle upon Tyne, Manchester and Sheffield. The average youth unemployment rate for the ten cities in April 2015 was 3.2%; and for the West Midlands region it was 3.6%.

⁶ Economic Research and Policy Birmingham City Council, *Youth Unemployment Briefing*, May 2015

2.11 The following table summarises the number of young benefit claimants at November 2014.

Table 2.5: Benefit Claimants aged under 25: Birmingham, November 2014

Group	Males	Females	Total	
	No	No	No	%
Job seeker	3,860	2,570	6,430	34.6
ESA ⁷ and incapacity benefits	2,560	1,920	4,480	24.1
Lone parent	30	3,280	3,300	17.8
Carer	390	540	930	5.0
Others on income related benefits	180	460	630	3.4
Disabled	1,870	940	2,800	15.1
Total	8,890	9,710	18,590	100.0

(Source: <https://www.nomisweb.co.uk/query/select/getdatasetbytheme.asp?theme=35>)

Key findings

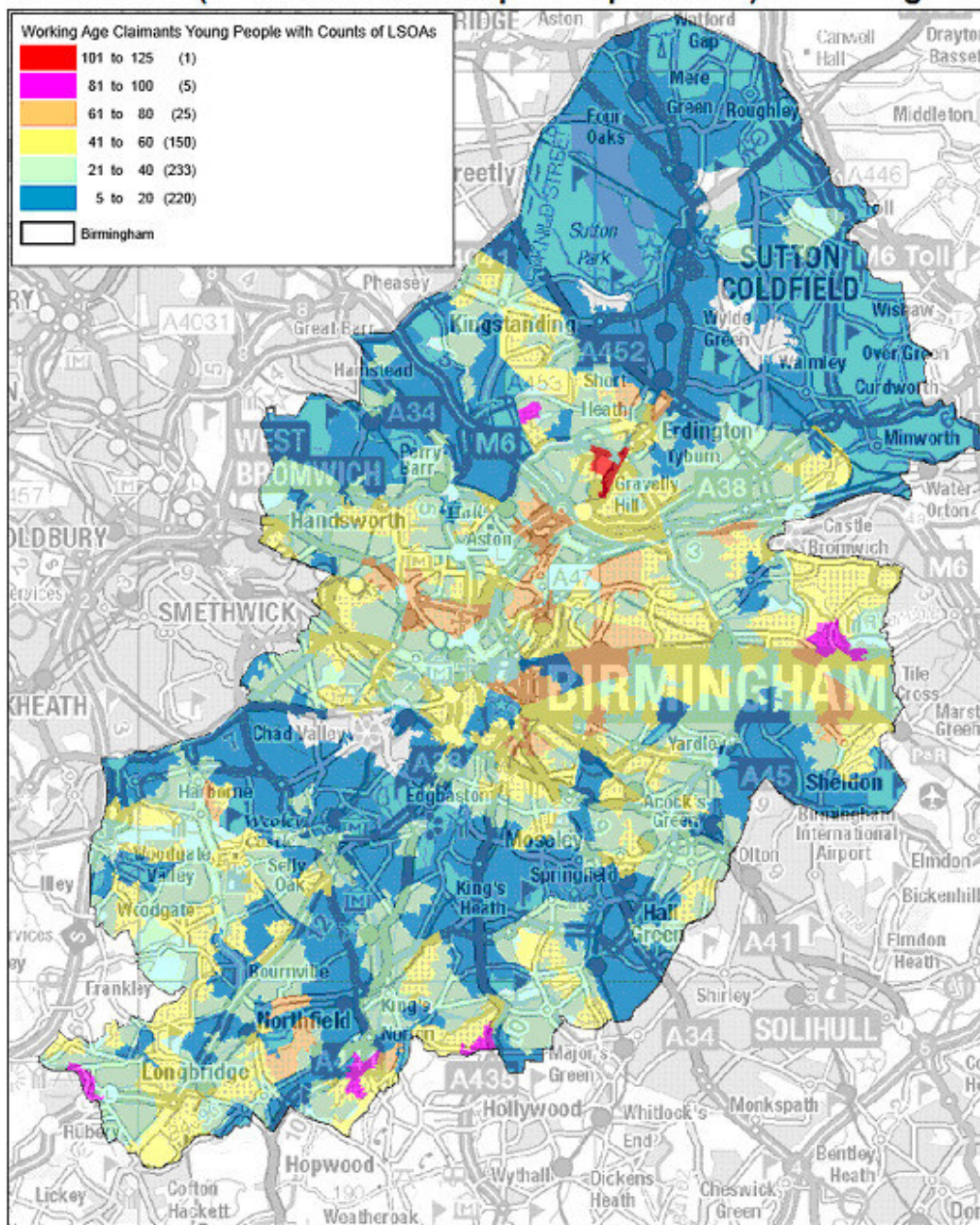
- The main benefits claimed by young people in Birmingham in 2014 were Job Seekers Allowance (JSA) (34.6% of benefit claimants aged under 25), Employment and Support Allowance (ESA) (24.1%) and Disability Benefit (15.1%). Together these three categories accounted for almost three-quarters of claims by people in the city aged under 25 years

2.12 The following maps identify the distribution of working age benefit claimants aged 16-24 across Birmingham

⁷ Employment and Support Allowance

Map 2.1

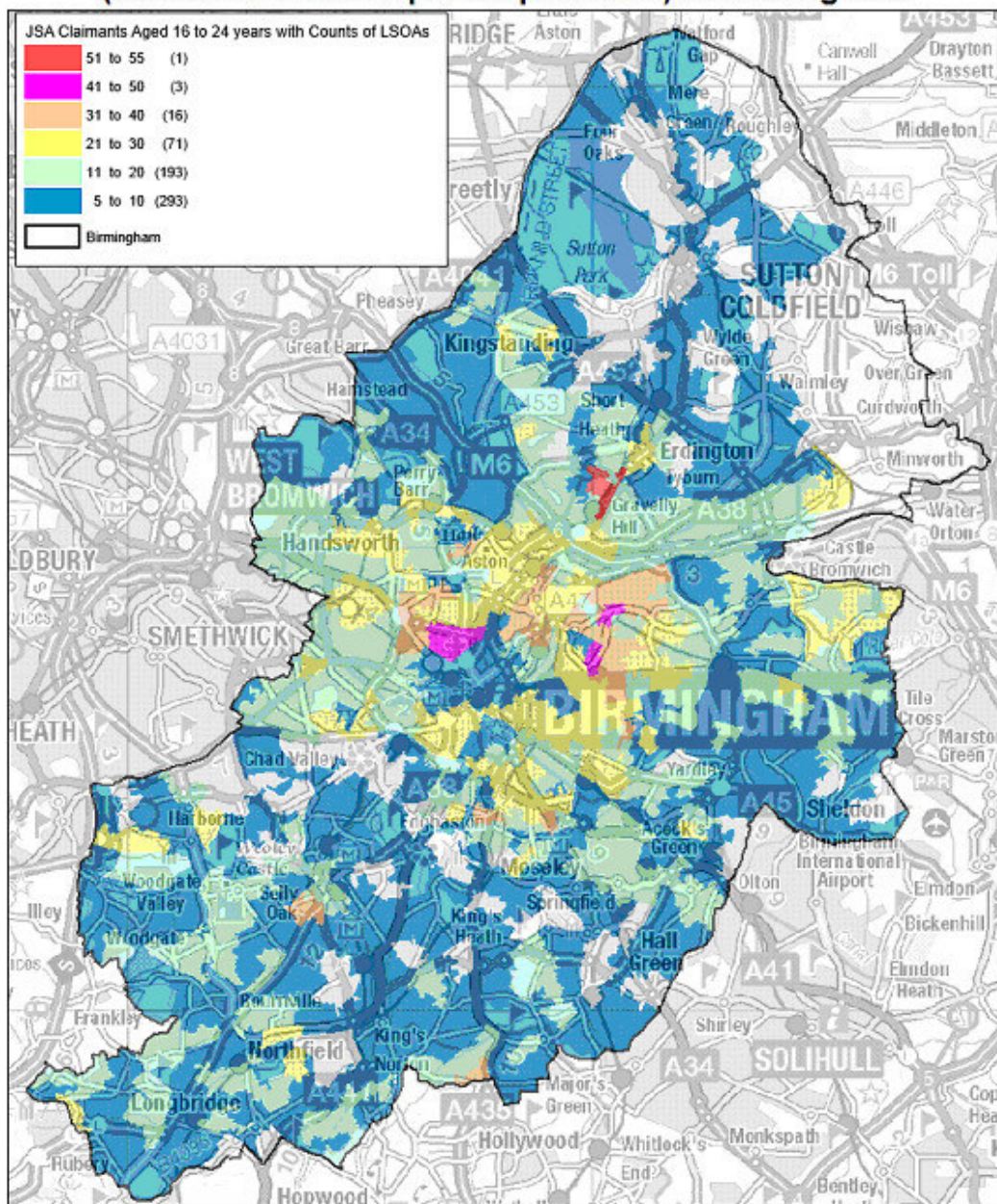
Numbers of Working Age Claimants Aged 16 to 24 years within small areas (2001 ONS Lower Super Output Areas) in Birmingham



Source: Working Age Claimants, DWP data, NOMIS website, <http://nomisweb.co.uk>.
Contains ONS Data 2001 LSOA Boundaries. Contains public sector information licensed under the Open Government Licence v1.0 (<http://www.nationalarchives.gov.uk/doc/open-government-licence>).
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Map 2.2

**Numbers of Job Seekers Allowance Claimants
Aged 16 to 24 years within small areas
(2001 ONS Lower Super Output Areas) in Birmingham**



Source: Job Seekers Allowance Claimants, DWP data, NOMIS website <http://nomisweb.co.uk>.
Contains ONS Data 2001 LSOA Boundaries. Contains public sector information licensed under the Open Government Licence v1.0 (<http://www.nationalarchives.gov.uk/doc/open-government-licence>).
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3. Young People: Income from Employment

- 3.1 This chapter uses the limited data available to profile young people's incomes from all sources in Birmingham, including benefits and employment. The chapter reviews national trends and official data of relevance, and provides the results of a survey of young people's incomes from employment in Birmingham.

National context

- 3.2 A series of recent reports have emphasised the decline in employment and associated falls in income and increases in poverty among young people in the UK. The Institute for Fiscal Studies 2014 report 'Living Standards, Poverty and Inequality in the UK' uses government data on 'Households Below Average Incomes' to explore trends in living standards, inequality and poverty. Whilst the report identified that: 'Real incomes have fallen across the working-age spectrum since the recession', this has been even more acute among young adults. The median household income of 22 to 30 year olds fell by 13% before housing costs in 2012-13 and 20% after housing costs compared with falls of 7% and 11% respectively for those aged 31–59.
- 3.3 Such a fall in young adults' income is mainly due to lower earned income associated with reductions in employment. Between 2007-08 and 2012-13, the employment rate for 22- to 30-year-olds fell by 4% while remaining unchanged for 31- to 59-year-olds. The median real earnings for employees aged 22–30 fell by 15% between 2007-08 and 2012-13 and remained unchanged for those aged 31-59.
- 3.4 A New Policy Institute (NPI) report of February 2015 asked 'Why has poverty risen so much for young adults?' and established that the poverty rate for those aged 19-25 year olds had increased by 6% in the last decade, twice as much as for any other age group. Shifts in work patterns, especially unemployment and underemployment, were considered to account for two thirds of this increase, but the remaining third was accounted for by young adults in working households.
- 3.5 'Poverty among Young People in the UK', a further report by NPI and published in January 2015 considered trends in poverty among people aged 14 to 24. A household is in poverty if its income after tax and housing costs is less than 60% of the typical (median) household income.
- 3.6 Of the 9 million young people aged 14-24 living in the UK, approximately 2.7 million, or 30%, are living in poverty. Poverty among young people is higher than any other age group. Whilst the poverty

rate for children under 14 and for pensioners fell, the poverty rate for young people increased. Part of the reason is that they are more likely to live in private rented accommodation and spend a greater share of their income on housing costs. The poverty rate for young people in owner-occupied housing is 15% compared with close to 50% for renters.

Incomes

- 3.7 There is only very limited official data on the incomes of young people in Birmingham, and most sources do not provide breakdowns by age.
- 3.8 The Annual Survey of Hours and Earnings (ASHE) 2014⁸ reports a median weekly income in Birmingham in 2014 of £495 for men and £327 for women; and of £503 for full time workers and £159 for part time workers. 'Full time' is defined as employees working more than 30 paid hours a week (or 25 or more for the teaching professions) (Table 7).

Table 3.1: Median gross weekly earnings by place of work: Birmingham, April 2014

Categories	Median gross weekly earnings (£ per week)
All	410
Male	495
Female	327
Full time (FT)	503
Part time (PT)	159
Male FT	555
Female FT	446
Male PT	151
Female PT	165

(Source: ASHE 2014)

<http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc126/index.html>

⁸ Office for National Statistics (2014) *Annual Survey of Hours and Earnings, 2014 Provisional results* http://www.ons.gov.uk/ons/dcp171778_385428.pdf ASHE is based on a 1% sample of employee jobs taken from HM Revenue and Customs PAYE records. Information on earnings and hours is obtained from employers and treated confidentially. ASHE does not cover the self-employed nor does it cover employees not paid during the reference period. The headline statistics for ASHE are based on the median rather than the mean. The median is the value below which 50% of employees fall. It is ONS's preferred measure of average earnings as it is less affected by a relatively small number of very high earners and the skewed distribution of earnings. It therefore gives a better indication of typical pay than the mean. The earnings information presented relates to gross pay before tax, National Insurance or other deductions, and excludes payments in kind. It does not include the earnings of employees not on adult rates of pay, most of whom will be young people.

3.9 ASHE provides income by age group but only at a UK level and only for those working full time, the rates are shown in Table 3.2.

Table 3.2: Median full time gross weekly earnings by sex and age group: UK, April 2014

Gender	Age group (£ per week)						
	16 to 17	18 to 21	22 to 29	30 to 39	40 to 49	50 to 59	60 and over
Men	164	302	435	578	640	620	527
Women	134	280	415	537	507	466	411

(Source: ASHE 2014 Figure 18 http://www.ons.gov.uk/ons/dcp171778_385428.pdf)

Note: figures rounded to whole numbers. All employees aged 16-17 and employees aged 18 and over on adult rates, pay unaffected by absence.

3.10 Median gross weekly earnings in the West Midlands region are lower than those in many other regions of the UK: the figure for April 2014 was £479.1 a week for the West Midlands compared with a UK figure of £518 (Table 3.3)⁹. The region was ranked equal 7th (with the North East and East Midlands) in the twelve regions or countries listed.

Table 3.3: Median full time gross weekly earnings by region: UK, April 2014, ranked highest to lowest

Region	£ per week
United Kingdom	518
London	661
South East	541
Scotland	519
East	506
South West	485
North West	483
North East	479
Yorkshire and The Humber	479
West Midlands	479
East Midlands	477
Wales	473
Northern Ireland	457

(Source: based on ASHE 2014 Figure 17 http://www.ons.gov.uk/ons/dcp171778_385428.pdf)

Note: Figures rounded to whole numbers

⁹ Another measure of income is Gross Disposable Household Income. GDHI is the amount of money that individuals (that is, the household sector) have available for spending or saving. This is money left after expenditure associated with income, for example taxes and social contributions. It is calculated gross of any deductions for capital consumption. Figures for Birmingham for 2013 give a GDHI per head of £12,793. The GDHI per head index for Birmingham was 76.2 (UK = 100) <http://www.ons.gov.uk/ons/datasets-and-tables/index.html?pageSize=50&sortBy=none&sortDirection=none&newquery=GDHI+per+head+regions+2013&content-type=Reference+table&content-type=Dataset> see NUTS3 Regional GDHI, 1997-2012 Tables 3.2 and 3.3

3.11 Finally, ASHE provides data at UK level on median earnings by major occupation group as set out in the following table.

Table 3.4: Median full time gross weekly earnings by major occupation group: UK, April 2014, ranked highest to lowest

Main occupation groups	£ per week
All employees	518
Managers, directors and senior officials	769
Professional occupations	710
Associate professional and technical occupations	583
Skilled trades occupations	480
Process, plant and machine operatives	440
Administrative and secretarial occupations	407
Elementary occupations	336
Caring, leisure and other service occupations	335
Sales and customer service occupations	332

(Source: based on ASHE 2014 Figure 19 http://www.ons.gov.uk/ons/dcp171778_385428.pdf)

Note: figures rounded to whole numbers

Zero hours contracts

3.12 According to the *Birmingham Post* (25 February 2015) 'the West Midlands is a hot spot for zero-hours, with more workers here on the controversial contracts than almost any other UK region'. The number reported for the region in the last quarter of 2014 was 67,000, 9.6% of the UK figure for the same period, which was 697,000, representing 2.3% of all people in employment in the UK.

The National Minimum Wage and the Living Wage

3.13 The current National Minimum Wage rates are:

Table 3.5: National Minimum Wage Rates, 1st October 2015

Age band	£ per hour
Age 21 and over	£6.70
18-20	£5.30
16-17	£3.87
Apprentices under 19 or in first year of apprenticeship ¹⁰	£2.73

¹⁰ aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age. See also Low Pay Commission (2015) *National Minimum Wage Low Pay Commission Report 2015*, HMSO, Cm 9017

- 3.14 The Living Wage is an hourly rate set independently and updated annually and which is calculated according to the basic cost of living in the UK¹¹. The current hourly rate outside London is £7.85 an hour.

Benefit payments

- 3.15 The benefit system can be divided into six major categories on the basis of the group a benefit or tax credit is primarily designed to support: families with children, unemployed people, those on low incomes, older people, sick and disabled people, and bereaved people.
- 3.16 Many benefits, including Job Seekers Allowance, Employment and Support Allowance, Income Support and Housing Benefit have age related rates, generally with lower payments for those aged under 25. Most benefits are means tested, and/or related to needs (e.g. couples, children), and claimants of one benefit may be entitled to certain other benefits: thus, it is difficult to generalise about the precise benefit income available to individual households.
- 3.17 Weekly rates in 2015/16 for individuals aged under 25 are £57.90 for Income Support, ESA, Housing Benefit and JSA¹².

Survey of the employment and incomes of young people in Birmingham

Methodology

- 3.18 In view of the inadequacy of official data relating to the employment and incomes of young people in Birmingham, a net-based survey was undertaken in June 2015 which was focused predominantly on jobs offered within a ten mile radius of central Birmingham. A search of jobs suitable for skilled and unskilled young people was conducted using the following methods:
- wide-ranging internet job searches using key words such as trainee, young, full time, non graduate and Birmingham, in addition to many possible sector descriptors e.g. hospitality, catering, retail, care, creative, finance, sales, marketing etc;
 - telephone interviews with selected local recruitment agencies previously identified as being particularly active in the city;

¹¹ <http://www.livingwage.org.uk/>

¹² Benefit and pension rates 2014 and 2015 are at:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382867/proposed_benefit_and_pension_rates_2015_to_2016.pdf

- several telephone calls to a number of large potential local employers who recruit directly through their own websites in addition to using agencies;
- several telephone calls direct to HR departments of selected large Birmingham employers.

3.19 A list of useful contacts can be found at Appendix 1.

3.20 The survey generated data concerning:

- Employment level
- Employment sector
- Pay interval
- Rate of pay
- Job title; and
- Employer.

3.21 36 of the jobs available were advertised as permanent and the remaining 19 were temporary. The following table summarises the levels of employment available.

Table 3.6: employment available to young people in Birmingham, the level of employment available, June 2015

Level	No.	%
Administrative	15	27.3
Graduate trainee	1	1.8
Managerial	1	1.8
Professional	4	7.3
Skilled trade	11	20.0
Unskilled	23	41.8
Total	55	100%

(Source: Housing Vision survey)

Key findings

- The largest proportion of jobs available were unskilled, skilled trade or administrative.

3.22 The following table summarises the sectors in which employment was available.

Table 3.7: employment available to young people in Birmingham, employment sectors, June 2015

Level	No.	%
Care/education	8	14.5
Construction	8	14.5
Finance	1	1.8
Home work	1	1.8
Leisure/hospitality	6	10.9
Marketing/sales	10	18.2
Retail	3	5.5
Secretarial	4	7.3
Service	8	14.5
Transport	6	10.9
Total	55	100%

(Source: Housing Vision survey)

Key findings

- Jobs were offered in a wide range of employment sectors especially in marketing/sales; care/education, construction and the service sector.

3.23 The following table summarises the pay interval for employment available.

Table 3.8: employment available to young people in Birmingham, pay interval, June 2015

Level	No.	%
Annual	16	29.1
Daily	2	3.6
Hourly	35	63.6
Monthly	1	1.8
Weekly	1	1.8
Total	55	100%

(Source: Housing Vision survey)

Key findings

- Most jobs were hourly paid (64%) although 29% were annual salaried.

3.24 Daily, weekly, monthly and hourly pay intervals have been multiplied to produce an annual figure as appropriate but, for hourly paid employees, either the number of hours available per week is not stated

or a 'zero hours' contract is offered. If a standard working week is 37.5, then the annualised hours would be $37.5 \times 52 = 1,950$ hours. In all cases, we have assumed a 'best case scenario' that people are able to work 37.5 hours each week and that annual and public holidays are paid. The following table summarises the outcome in terms of the number of jobs available by pay band for annualised income.

Table 3.9: income available to young people from employment in Birmingham, June 2015

Annual income	Equivalent hourly rate	Number of jobs available	% of jobs available
£5-6,000	£2.56	1	1.8
£10-11,000	£5.13	0	0.0
£11-12,000	£5.64	0	0.0
£12-13,000	£6.15	8	14.5
£13-14,000	£6.67	7	12.7
£14-15,000	£7.18	4	7.3
£15-16,000	£7.69	4	7.3
£16-17,000	£8.21	2	3.6
£17-18,000	£8.72	4	7.3
£18-19,000	£9.23	4	7.3
£19-20,000	£9.74	6	10.9
£20-21,000	£10.26	2	3.6
£21-22,000	£10.77	0	0.0
£22-23,000	£11.28	0	0.0
£23-24,000	£11.79	2	3.6
£24-25,000	£12.31	1	1.8
£25-26,000	£12.82	2	3.6
£26-27,000	£13.33	0	0.0
£27-28,000	£13.85	2	3.6
£28-29,000	£14.36	1	1.8
£29-30,000	£14.87	0	0.0
£30-31,000	£15.38	0	0.0
£31-32,000	£15.90	2	3.6
£32-33,000	£16.41	0	0.0
£33-34,000	£16.92	1	1.8
£34-35,000	£17.44	0	0.0
£35-36,000	£17.95	2	3.6
Total		55	100%

(Source: Housing Vision survey)

Key findings

- Only 6 jobs were offered at the 21+ National Minimum Wage rate of £6.50 per hour, which is equivalent to £12,675 per annum. All other jobs were offered in excess of this rate.
- 27% of jobs were available at under £14,000 per annum; 42% of jobs were available at under £16,000 and over 70% at under £20,000.
- However, almost 30% of jobs were available at £20,000 or above.
- The mean (average) wage offered was £9.33 per hour and the median (mid-point) was £8.72 per hour.

Notes and observations from the survey

3.25 The survey provided a number of insights into the position of young people in the jobs market as follows:

- Many unskilled jobs, for example, cleaning, bar work and delivery driving are part-time. Full-time employment in the service sector is less readily available.
- Approximately two thirds of the unskilled jobs identified were offered as temporary rather than permanent contracts.
- Interviews with a number of recruitment agents revealed that 'zero hours' contracts are becoming less common but do continue to pose a problem for young people.
- An agent specialising in recruitment into the social care sector reported that the average wage is £7 per hour in a group setting and £9 per hour for home care which often requires a higher level of training.
- The strong trend towards online applications encourages jobseekers to make multiple, often untailored, applications for jobs advertised via agencies, with only vague or unspecified details regarding salary and employer.
- Most recruitment agencies will only reveal full job descriptions or advertisement details to job seekers who register with them, thereby making the job seeking process additionally arduous and complicated. This is compounded by many agencies advertising through other agencies creating a 'rabbit warren' effect which job seekers must navigate.

- Reed Recruitment agency publishes the number of applicants to date for each of their jobs advertised online; numbers are frequently astonishingly high.
- Several recruitment agencies publish helpful advice on interview technique and writing effective CVs and covering letters. Their advice (to individually tailor each CV and covering letter) does however contradict many agencies' practices of publishing limited employer/salary details which in turn encourages a high-volume 'scattergun' approach by applicants.

Bringing it all together: the incomes of young people in Birmingham

3.26 The following table summarises the incomes from all sources available to young people in Birmingham.

Table 3.10: income available to young people from all sources in Birmingham, June 2015

Source	Hourly rate	Weekly rate	Annual equivalent
Income Support, ESA and JSA	-	£57.90	£3,010.10
National Minimum Wage	£6.50	-	£12,675.00
Living Wage	£7.85	-	£15,307.50
Median income (survey-based)	£8.72	-	£17,004.00
Average income (survey-based)	£9.33	-	£18,193.50

(Source: Housing Vision)

Key findings

- Income Support, ESA and JSA rates for young people are less than 25% of annualised income from the National Minimum Wage.
- Incomes from employment range from an annualised income of £12,675 for those in receipt of the National Minimum Wage to an average of £18,193 for jobs available to young people in Birmingham in June 2015.

4. Young People and Housing Options

- 4.1 This chapter profiles the housing circumstances of young people in Birmingham and the housing options available to them.

National context

- 4.2 A series of recent reports have emphasised reductions in the supply of housing for young people; the extent to which they are having to live with parents and its consequences for their personal and professional development.
- 4.3 The IPPR's 2012 report 'No Place Like Home' examined the negative impact of housing undersupply on young people's personal development, particularly in relation to developing careers and forming stable relationships, and the extent to which they felt excluded from their local community.
- 4.4 Using tables commissioned from the 2011 Census and a YouGov survey, Shelter's July 2014 report 'The Clipped Wing Generation' provided an analysis of adults living at home with their parents. 2.62 million people aged 20 - 34 were living in these circumstances at the time of the 2011 Census, and nearly 2 million were working. Only a minority (27%) wished to do so and the main reason was the lack of affordable housing. The West Midlands is one of the hotspots with 4 in 10 or more working people aged 20-34 living with parents.
- 4.5 A 2012 Joseph Rowntree Foundation report, 'Housing Options and Solutions for Young People in 2020' charted the extent of uncertainty for young people. Reflecting growing problems accessing home ownership and social renting, it concluded that by 2020, around 1.5 million more young people aged 18-30 will be pushed towards living in the private rented sector.
- 4.6 Three groups of young people are increasingly marginalised in the UK housing system: young families; those on low incomes and those who are vulnerable due to their support needs.
- 4.7 Social landlords could help tackle the challenges facing young people by helping them to access private rented tenancies and offering more shared tenancy options at local housing allowance rent levels as part of a varied housing offer.

Tenure

4.8 The following table profiles the tenure of 'household reference persons' (HRP - formerly 'head of household') under 25 years of age in Birmingham.

Table 4.1: tenure for Household Reference Persons aged under 25 years, Birmingham, the West Midlands region¹³ and England, 2011

Tenure	Birmingham		West Midlands	England
	No	%	%	%
Owned: outright	737	3.5	3.1	3.3
Owned: with a mortgage or loan or shared ownership	1,531	7.3	9.1	9.3
Social rented: from council (LA)	3,873	18.4	18.5	13.9
Social rented: other social landlord	2,177	10.3	14.1	13.0
Private rented: private landlord or letting agency	11,621	55.1	48.9	54.1
Private rented: other private rented or rent free	1,151	5.5	6.2	6.4
All categories: Tenure	21,090	100%	100%	100%

(Source: DC4201 EW2011 Census data, NOMIS website <http://www.nomisweb.co.uk>)

Key findings:

- 61% of Household Reference Persons in Birmingham aged under 25 years were renting privately from a landlord or letting agency or in 'other private rented or rent free' accommodation, a higher rate than for the West Midlands;
 - 29% were renting from a social landlord, a lower rate than for the West Midlands; and
 - 11% were owner occupiers, a lower rate than for the West Midlands.
- 4.9 Overall, nearly 90% of the 21,000 households headed by a young person were in rented accommodation. Many rented dwellings, especially in the private sector, are of poor quality, for example, the Birmingham Private Sector House Condition Survey 2010 found that

¹³ The West Midlands Region is the area covered by the seven Metropolitan Boroughs of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton; the four Unitary Authorities of Stoke-on-Trent, Telford and Wrekin, Shropshire and Herefordshire; and the three Shire counties of Staffordshire, Warwickshire and Worcestershire

42% of private rented housing in the city did not meet the statutory 'decent home standard'¹⁴.

4.10 The following table compares the tenure of 'household reference persons' under 25 years of age in 2001 and 2011.

Table 4.2: tenure for Household Reference Persons aged under 25 years, Birmingham, 2001 and 2011, percentages

Tenure	2001	2011
Owned: outright	3.5	3.3
Owned: with a mortgage or loan or shared ownership	7.3	9.3
Social rented: from council (LA)	18.4	13.9
Social rented: other social landlord	10.3	13.0
Private rented: private landlord or letting agency	55.1	54.1
Private rented: other private rented or rent free	5.5	6.4
All categories: Tenure	100%	100%

(Source: DC4201 EW2011 Census data, NOMIS website <http://www.nomisweb.co.uk>)

Key findings:

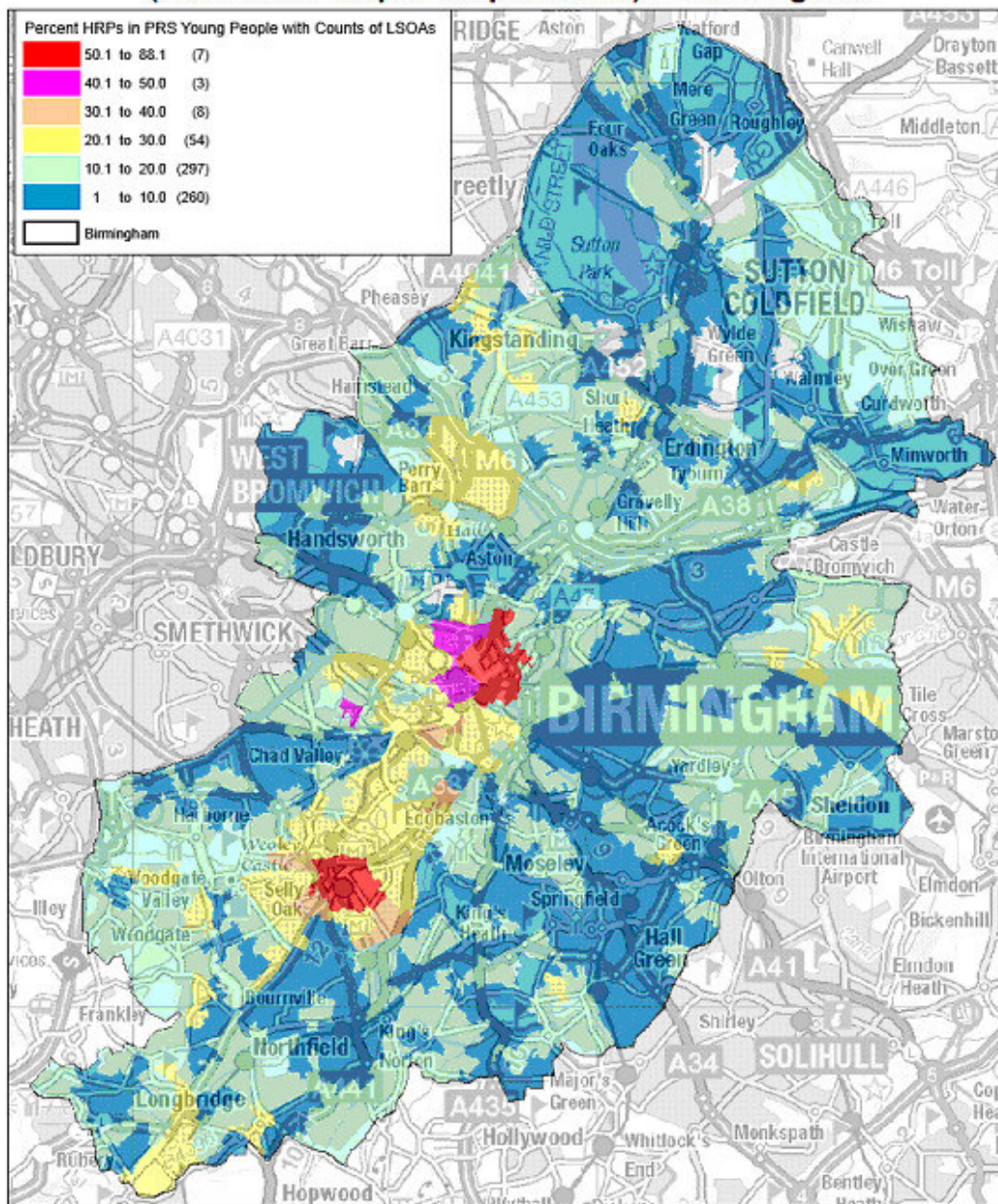
- The tenure profile of HRP's has remained broadly the same with the exception of a marked reduction in the proportion renting from the Council and slight increases in the proportion renting from another social landlord or buying a home.

4.11 In view of its significance as the main tenure, the following map identifies the distribution of HRP's under 25 in the private rented sector across Birmingham.

¹⁴ Birmingham City Council (2010) *Private Sector House Condition Survey 2010* Final report November 2010

Map 4.1

Percent of Household Reference Persons in the Private Rented Sector Aged 24 years and Under within small areas (ONS Lower Super Output Areas) in Birmingham



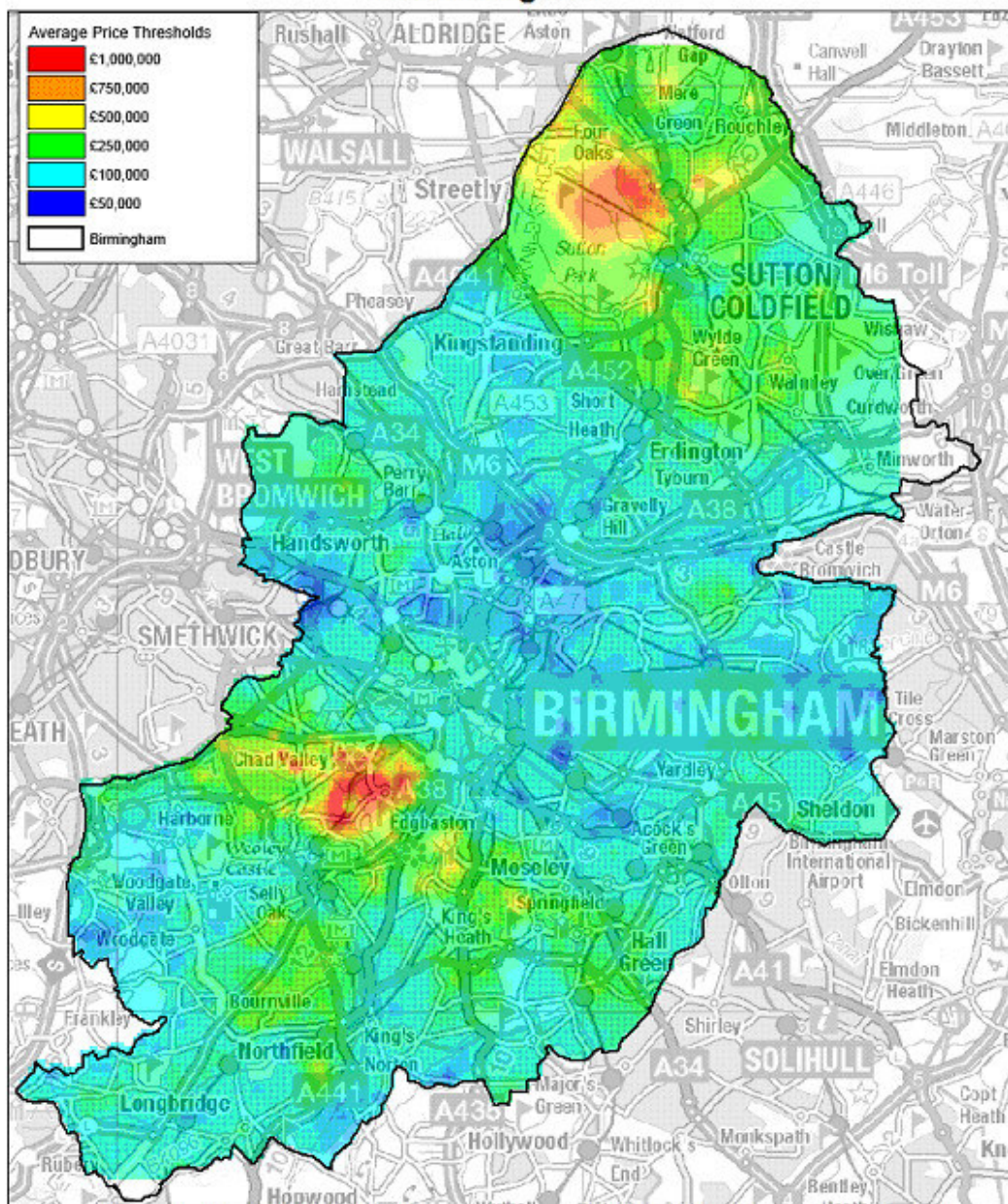
Source: Table LC4201EW Tenure, 2011 Census Data, Office for National Statistics.
 NOMIS website <http://nomisweb.co.uk>. Contains public sector information licensed under the Open Government Licence v1.0 (<http://www.nationalarchives.gov.uk/doc/open-government-licence>).
 Contains National Statistics and Ordnance Survey Data (c) Crown Copyright and Database Right 2015.

4.12 There is no official data source profiling the housing available to young people and therefore, a net-based survey has been undertaken to identify market options and their cost. The principles applied are:

- the identification of 'entry level' property prices and market rents - where choice begins to become available in the market - for shared, studio, one bed and two bed properties; and
- the identification of entry level priced properties in the lowest costs areas in Birmingham. As indicated in the following map of average property prices across Birmingham in 2014, the lowest cost areas tend to be located around the inner city, and include Aston and Erdington in the north, Small Heath and Stechford to the east, and Smethwick and Winson Green to the west.

Map 4.2

Average House Prices for Sales Registered with the Land Registry during the period 1/1/2014 to 31/12/2014 in Birmingham



Source: Land Registry Website, <https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads>
This data covers the transactions received at the Land Registry in the period 1/1/2014 to 31/12/2014.
(c) Crown copyright 2015. Contains Ordnance Survey Data (c) Crown copyright and database right 2015.
Contains Royal Mail data (c) Royal Mail copyright and database right 2015. Contains National Statistics data.
(c) Crown copyright and database right 2015.

Bringing it all together: the cost of housing for young people in Birmingham

- 4.13 The following table uses data from the previous section relating to property prices and market rentals and combines these with data summarising average social and 'Affordable Rents', accompanied by maximum Local Housing Allowance rates by bedsize.
- 4.14 Social and Affordable rents have been derived from the Homes and Communities Agencies 'Statistical Data Return' (SDR) for 2014-15 which records rents at 31st March 2015¹⁵. Average rents by bedsize have been derived for Birmingham.

Please note: that shared properties are not part of the social, Affordable' or residential sales sectors.

¹⁵ <https://www.gov.uk/government/statistics/statistical-data-return-2014-to-2015>

Table 4.3: entry level property prices and market rents and average social and 'Affordable' rents, Birmingham, June 2015

Property type	Average monthly social rental	Average monthly 'Affordable' rental	Entry level monthly market rental	Entry level resale property price	Entry level new build property price	Maximum Local Housing Allowance per month
Shared	-	-	£225	-	-	£249
Studio/bedsit	£311	-	£275	£50,000	£85,000	£249
One bed	£342	£380	£375	£55,000	£90,000	£428
Two bed	£417	£440	£450	£70,000	£95,000	£521

(Source: HCA SDR 2014-15 and Housing Vision)

Key findings:

- Average social rentals begin at £311 for a bedsit.
- Average 'Affordable' rentals begin at £380 for a 1 bed property.
- Entry level market rentals begin at £225 per month for a shared property/studio;
- Entry level resale property prices begin at £50,000 for a studio flat/bedsit;
- Entry level new build property prices begin at £85,000 for a studio flat/bedsit; and
- Maximum Local Housing Allowance rates cover entry level market rentals with the exception of bedsits.

5. The Affordability of Housing for Young People

- 5.1 This chapter applies the incomes data generated in Chapter 3 to the housing costs data generated in Chapter 4 to determine the affordability of housing options for young people.

Defining affordability

- 5.2 There are three main approaches to determining the affordability of housing:

1. The residual income approach calculates how much income is left over for housing after relevant living expenses have been taken into account for different household types. If there is insufficient income left for housing costs, a household has an affordability problem. This approach requires calculations to be made for a very wide variety of household types and income levels and is more appropriate for middle to higher income groups.
2. The second approach involves setting 'affordability ratios' of the relationship between incomes and property prices, for example lower quartile incomes as a ratio of lower quartile property prices or property prices as a multiple of average earnings from employment. However, whilst such ratios are capable of identifying the relationship between incomes and prices, they are not capable of identifying affordability for households where deposit and interest rate levels are the key factors.
3. The third approach involves setting an affordability threshold or benchmark which identifies the maximum proportion of a household's gross or net income which should be spent on housing costs. This is a straightforward approach which is considered especially appropriate for lower to middle income groups and which can take account of both deposit levels and interest rates.

- 5.3 In view of the complexity of developing a generic model capable of calculating residual incomes and the limitations of the 'affordability ratio' approach, an affordability threshold approach has been applied that housing costs (excluding Council Tax) should not exceed 25% of gross household income, equivalent to 34% of net household income. There is no official guidance and no consensus over the affordability threshold to be adopted but we have been guided by the following sources:

- The National Housing Federation (NHF), the representative body for housing associations, had previously recommended rent levels

were affordable when they were 25% or less of gross household income for new tenant households in work, equivalent to 34% of net income.

- The Homes and Communities Agency (HCA), the funding body for new affordable housing, recommended that 30 - 45% of net income is the acceptable range for housing costs. (Capital Funding Guide, HCA, 2011).
- The Mayor of London: the London Plan states that for products where a rent is paid, the annual housing costs, including rent and service charge, should be no greater than 40% of net household income (London Plan Annual Monitoring Report, February 2011), please see: <http://www.london.gov.uk/priorities/planning/research-reports/annual-monitoring-reports>
- Tenant referencing agencies provide affordability checks for private landlords. Based on experience and historic default levels, the standard level of rent to gross income acceptable to private landlords is 40%.
- A major review of data sources undertaken in 2010 concluded that a household can be considered able to afford market renting where the rent payable is up to 25 per cent of their gross household income. The 'rent payable' figure is defined as the entire rent due, even if it is partially or entirely met by housing benefit. Other housing-related costs, such as council tax and utility bills should not be included (Measuring Housing Affordability: A Review of Data Sources, CCHPR, 2010), please see: <http://www.cchpr.landecon.cam.ac.uk/Projects/Start-Year/2008/Evaluation-of-data-sources-relevant-to-the-work-of-the-NHPAU/Project-Report>
- Finally, 'the 30/40 rule' has been developed which takes 30% of gross income committed to housing costs as the benchmark and applies this either to all households or to the lower 40% of households by income.

Modelling affordability

5.4 There are three stages to modelling affordability:

1. firstly to ask "what can young people afford?" determining what housing costs are affordable for young people with different income levels; and

2. secondly, to ask “what incomes are required to afford housing options in Birmingham?”; and
 3. finally, to put this all together and ask “what housing options are affordable for young people in Birmingham, and at what income levels?”
- 5.5 An Affordability Calculator has been developed enabling modelling of the affordability of a range of tenure options as follows:
1. Full cost home ownership;
 2. Shared ownership (part rent: part buy); and
 3. Social, ‘Affordable’ or market rentals.
- 5.6 A number of assumptions have been applied in modelling these options as follows, please note that these assumptions can be varied in the Calculator provided:

In relation to full cost home ownership and shared ownership

- A deposit of 10%
- A loan: income rate of 3.5:1
- A mortgage rate of 6%
- Legal fees @ 2.5% of purchase price

In relation to shared ownership

- Purchasing a 50% share
- A blended mortgage: loan rate of 4.5%
- Rental of 3% on the retained share

- 5.7 These tenure options have been considered in relation to the following property bedsizes which are suitable for young people:
1. Shared housing (market rental only);
 2. Studio/bedsit;
 3. 1 bed property (typically a flat); and

4. 2 bed property (typically a flat, but a 2 bed house may be more available and affordable in some locations.

What housing costs are affordable for young people in Birmingham?

- 5.8 This section determines what's affordable for young people with different income levels. The following table applies the affordability threshold of 25% of gross income to a range of income levels to identify affordable sales and rental values. The table also highlights income thresholds for those in receipt of benefits, the National Minimum Wage or the Living Wage, and lower quartile, median and average incomes derived from the survey of employment available to young people in Birmingham. It also identifies the mortgage available to applicants from applying the typical loan: income ratio for a single person of 3.5 times income, and the gap between the mortgage available and the purchase cost which would be affordable.

Table 5.1: annual and hourly incomes, mortgage available, affordable property prices and market rents, Birmingham, June 2015

Annual income	Equivalent hourly rate	Monthly rental affordable	Full cost home ownership property affordable	Mortgage available @ 3.5 x income	Gap between mortgage available and property value affordable
£3,010	Income Support, ESA and JSA				
£5,000	£2.56	£166.66	£38,095	£17,500	£20,595
£5,324	National Minimum Wage for Apprentices				
£7,547	National Minimum Wage for those aged 16-17				
£10,000	£6.15	£208.35	£47,619	£35,000	£12,619
£10,335	National Minimum Wage for those aged 18-20				
£11,000	£6.67	£229.15	£52,381	£38,500	£13,881
£12,000	£6.15	£249.99	£57,143	£42,000	£15,143
£13,000	£6.67	£270.83	£61,905	£45,500	£16,405
£13,007	Lower Quartile Income from Employment Available to Young People				
£13,065	National Minimum Wage				
£14,000	£7.18	£291.68	£66,667	£49,000	£17,667
£15,000	£7.69	£312.52	£71,429	£52,500	£18,929
£15,308	Living Wage				
£16,000	£8.21	£333.32	£76,190	£56,000	£20,190
£17,000	£8.72	£354.16	£80,952	£59,500	£21,452
£17,004	Median Income from Employment Available to Young People				
£18,000	£9.23	£375.01	£85,714	£63,000	£22,714
£18,194	Average Income from Employment Available to Young People				
£19,000	£9.74	£395.85	£90,476	£66,500	£23,976
£20,000	£10.26	£416.65	£95,238	£70,000	£25,238
£21,000	£10.77	£437.49	£100,000	£73,500	£26,500
£22,000	£11.28	£458.34	£104,762	£77,000	£27,762
£23,000	£11.79	£479.18	£109,524	£80,500	£29,024
£24,000	£12.31	£499.98	£114,286	£84,000	£30,286
£25,000	£12.82	£520.82	£119,048	£87,500	£31,548

(Source: Housing Vision modelling)

Key findings

- The table confirms the typical pattern that the property prices which are affordable are greater than the prices which are accessible from applying a typical loan: income rate of 3.5: 1.

What incomes are required for young people to afford housing options in Birmingham?

- 5.9 This section identifies the income levels required to access housing options suitable for young people, i.e., studio/bedsit, 1 bed or 2 bed properties, and whether or not they are affordable at an affordability threshold of 25% of gross income. The first set of tables identifies:
- the income required to afford average social and 'Affordable' rental, and entry level market rental, resale and new build properties;
 - the mortgage available at the income required to access entry level sale properties, applying a loan: income ratio of 3.5:1; and
 - the gap between affordable sale values and the mortgage available.
- 5.10 The following table identifies the income required to afford social, Affordable and market rental options.

Table 5.2: the income required to afford an average social or 'Affordable' rented property, or an entry level market property rent, Birmingham, June 2015

Property type	Average monthly Social rental	Income required	Average monthly 'Affordable' rental	Income required	Entry level monthly market rental	Income required
Shared	-		-	-	£225	£10,800
Studio	£311	£14,928	-	-	£275	£13,200
One bed	£342	£16,416	£380	£18,240	£375	£18,000
Two bed	£417	£20,016	£440	£21,120	£450	£21,600

(Source: Housing Vision modelling)

Key findings:

- An annual income of £10,800 is required to afford the lowest cost market rental option, a shared property;
- An annual income of £14,928 is required to afford the lowest cost social rented option, a bedsit property; and
- An annual income of £18,240 is required to afford the lowest cost 'Affordable' rented option, a 1 bed property.

- 5.11 The following table identifies the income required to afford entry level sale properties and the gap between the mortgage affordable and mortgage available.

Table 5.3: the income required to afford an entry level market property for sale, and the gap between the mortgage available and property value, Birmingham, June 2015

Property type	Resale entry level property price	Income Required to afford	Mortgage available to access	Gap between mortgage available and property value	New build entry level property price	Income Required to afford	Mortgage available to access	Gap between mortgage available and property value
Shared	-	-	-	-	-	-	-	-
Studio	£50,000	£10,500	£36,750	£13,250	£85,000	£17,850	£62,475	£22,525
One bed	£55,000	£11,500	£40,250	£14,750	£90,000	£18,900	£66,150	£23,850
Two bed	£70,000	£14,750	£51,625	£18,375	£95,000	£19,950	£69,825	£25,175

(Source: Housing Vision modelling)

Key findings:

- It's clear from this table that the main problem facing young people accessing home ownership - in a situation in which mortgage rates are historically low - is not the property price but the mortgage available. The property prices which are affordable are not accessible as the mortgage which is available is less than the property price for all bedsize options.
- Comparing tables 5.2 and 5.3, market rental properties are more available but are less affordable. An income of £10,750 is required to afford a shared property equivalent to £5.51 per hour which is below the Minimum Wage Rate for those aged 21 and over, and £13,250 is required to afford a studio/bedsit, equivalent to £6.80 per hour, which exceeds the Minimum Wage Rate for those aged 21 and over.
- The annual incomes required to afford or access entry level properties are substantially higher for new build properties for all bedsizes.

5.12 The following table identifies the income required to access affordable home ownership whilst meeting a loan: income rate of 3.5:1.

Table 5.4: the income required to access an entry level market property for sale in Birmingham at a loan: income rate of 3.5:1, June 2015

Property type	Resale property price	Income required	New build property price	Income required
Studio	£50,000	£12,500	£85,000	£21,250
One bed	£55,000	£13,750	£90,000	£22,500
Two bed	£70,000	£17,500	£95,000	£23,750

(Source: Housing Vision modelling)

Key findings:

- Compared with what's affordable, the annual incomes required to access entry level properties are £2-3,000 higher for resale and £3-4,000 higher for new build properties.

Bringing it all together: what housing can young people afford in Birmingham?

5.13 This section assesses what housing young people can afford without recourse to benefits. The following table provides a hierarchy of the income required to afford rental options and access sale options suitable for young people in Birmingham in the context of key income thresholds. It's important to emphasise that the sale options are assessed against access to a mortgage or loan which, due to the cost of finance, is less than what would be affordable according to a 25% gross income threshold.

Table 5.5: annual income required to afford rented options and access sale options in the context of key income thresholds, Birmingham, June 2015

Annual Income required	Housing rental/sale price	Housing option	Tenure
Income Support, ESA and JSA: £3,010			
National Minimum Wage for Apprentices: £5,324			
National Minimum Wage for those aged 16-17: £7,547			
National Minimum Wage for those aged 18-20: £10,335			
£10,800	£225 pcm	Shared	Market rental
£12,500	£50,000	Studio/bedsit	Market resale
Lower Quartile Income from Employment Available to Young People in Birmingham: £13,007			
National Minimum Wage: £13,065			
£13,200	£275 pcm	Studio/bedsit	Market rental
£13,750	£55,000	1 bed	Market resale
£14,928	£311 pcm	Studio/bedsit	Social rental
Living Wage: £15,308			
£16,416	£342 pcm	1 bed	Social rental
Median Income from Employment Available to Young People in Birmingham: £17,004			
£17,500	£70,000	2 bed	Market resale
£18,000	£375 pcm	1 bed	Market rental
Average Income from Employment Available to Young People in Birmingham: £18,194			
£18,240	£380 pcm	1 bed	'Affordable' rental
£20,016	£417 pcm	2 bed	Social rental
£21,120	£440 pcm	2 bed	'Affordable' rental
£21,600	£450 pcm	2 bed	Market rental
£21,250	£85,000	Studio	Market new build
£22,500	£90,000	1 bed	Market new build
£23,750	£95,000	2 bed	Market new build

(Source: Housing Vision modelling)

Key findings

- No housing options are affordable to those in receipt of benefits or the National Minimum Wages for Apprentices; for those aged 16-17 or for those aged 18-20.
- Only shared market rental and bedsit resale options are available to those in receipt of the National Minimum Wage of £12,675, or the lower quartile income of £13,007 from employment.

- Studio/bedsit social and market rental and 1 bed resale options are also available to those in receipt of the Living Wage of £15,308. This is the point at which the range of housing options increases.
 - 1 bed social rental properties are also available to those in receipt of the median income of £17,004 from employment available to young people; and
 - 1 bed market rental and 2 bed resale options are also available to those in receipt of the average income of £18,194 from employment available to young people.
 - Other options are only affordable or accessible to those in receipt of incomes exceeding the average income from employment available to young people.
- 5.13 It's evident from the above table that incomes equivalent to the Living Wage make social rented, market rented and market resale options available for some of shared, studio/bedsit or 1 bed properties. The following table focuses on the options available to young people in receipt of the lowest incomes at the National Minimum Wage or below. It identifies the gaps between their incomes and the suitable rental options available, without recourse to benefits.

Table 5.6: the gaps between the incomes of young people in receipt of the lowest incomes and the rental options for the most suitable properties, June 2015 (gaps highlighted in yellow)

Income type	Income	Affordable Monthly housing costs	Social rented bedsit	Gap	Social rented 1 bed	Gap	'Affordable' rented 1 bed	Gap	Market rented shared	Gap	Market rented studio/bedsit	Gap	Market rented 1 bed	Gap
Income Support, ESA & JSA	£3,010	£63	£311	£248	£342	£279	£380	£317	£225	£162	£275	£212	£375	£312
National Minimum Wage for Apprentices	£5,324	£111	£311	£200	£342	£231	£380	£269	£225	£114	£275	£164	£375	£264
National Minimum Wage aged 16-17	£7,547	£157	£311	£154	£342	£185	£380	£223	£225	£68	£275	£118	£375	£218
National Minimum Wage aged 18-20	£10,335	£215	£311	£96	£342	£127	£380	£165	£225	£10	£275	£60	£375	£160
Lower Quartile Income from Employment	£13,007	£271	£311	£40	£342	£71	£380	£109	£225	-	£275	£4	£375	£104
National Minimum Wage	£13,065	£272	£311	£39	£342	£70	£380	£108	£225	-	£275	£3	£375	£103

(Source: Housing Vision modelling)

Key findings:

- There are wide gaps between the rentals affordable to young people in receipt of the lowest incomes and the housing options available, including in the social and 'Affordable Rent' sectors. These range from only a few pounds for market rented studio properties for those in receipt of the National Minimal Wage or lower quartile from employment to several hundred pounds for those dependent on benefits.

Next Steps

- 5.14 This section considers what can be done to make suitable housing more affordable for young people in receipt of low incomes equivalent to the National Minimum Wage or less.

In relation to renting options

- 5.15 As demonstrated in Table 5.6, there can be considerable gaps between the housing costs which are affordable and rentals payable for suitable housing. As Housing Benefit is generally only available at the shared accommodation rate for those aged under 35 and the government is currently proposing to remove eligibility for those aged 18-21 who are not in work. Consequently, rental options are required without recourse to benefits. One option would be to reduce social or 'Affordable' rent levels at the discretion of providers, and the margin between affordability and rental costs is closest for those in receipt of the National Minimum Wage for those aged 18-20 and certainly for those aged 21 and over.
- 5.16 A number of models have been developed to provide affordable, safe and secure rented and especially shared accommodation which include:
- Westminster City Council's 'Fair Share Housing Scheme'. Although not aimed primarily at young people, it provides shared housing for workers on the London Living Wage who 'play a key role in the economic life of the city'. Further information is available at: <http://www.homeownershipwestminster.co.uk/>
 - Part of St Vincent's Housing Association, the 'Snug Bug House Scheme' works in partnership with housing providers across Manchester to help young people aged 18-25 to find an affordable, safe and secure room in a shared house across the city. Further information is available at: <http://www.snugbughousesshare.co.uk/>
 - A similar scheme 'Smartmove Housing' is available for homeless people across Northern Ireland. Further information is available at: <http://www.smartmove-housing.com/>
 - Funded by DCLG, the 'Sharing Solutions Programme', ran over 18 months and supported 8 pilot schemes in a wide range of housing markets to deliver decent and sustainable shared accommodation in the private rented sector. Further information is available at: <http://www.crisis.org.uk/pages/sharing-solutions-programme.html> and a recent evaluation is available at:

<http://www.shu.ac.uk/research/cresr/ourexpertise/evaluation-crisis-sharing-solutions-programme>

- Low rents can also be achieved through design and build options that minimise costs, for example, the YMCA's 'Y: Cube' project, which offers affordable self-contained 'starter accommodation' for young people in prefabricated housing units. Further information is available at: <http://www.ymcalsw.org/category/ycube-housing/>

5.17 However, as confirmed by a recent and major review of youth homelessness, such schemes have been developed on only a very limited basis ¹⁶, and there is both need and opportunity to develop affordable shared housing schemes for young people in Birmingham, in both the social and private rented sectors.

In relation to home ownership options

- 5.18 As demonstrated in Table 5.5, one of the most affordable options is a resale studio/bedsit. However, as with other modelling of home ownership options, this assumes the availability of a 10% deposit. Saving for such a deposit (£5,000 in the case of a studio/bedsit) is likely to be beyond the means of many of those in receipt of a low income but the provision of such support, for example through a home deposit scheme, is the singly most practical step to accessing a suitable housing option.
- 5.19 It is also important to emphasis that resale properties are the most affordable, an income of over £21,000 would be necessary to afford an equivalent new build property. Consequently, making available good quality but low cost resale studio/bedsits would be a second practical step to affordable housing.
- 5.20 It's clear from the previous chapter that the application of a loan: income ratio of 3.5:1 results in a higher income required to access housing than is necessary to achieve affordability, and therefore an investment model which reduces the mortgageable element of housing costs would improve affordability. Shared ownership (part rent: part buy) offers this potential and has the capacity to provide an element of variability through the share which can be purchased and subsidy in the rental payable on the share retained by the provider. Appendix 1 below provides a fully worked example of the potential of developing a shared ownership model for young people, again with the emphasis on good quality resale 'starter homes' rather than new build properties.

¹⁶ Beth Watts, Sarah Johnsen and Filip Sosenko, (forthcoming 2015), Youth Homelessness in the UK, Institute for Social Policy, Housing, Environment and Real Estate (I-SPHERE), Heriot-Watt University

APPENDIX 1

Creating an Investment Option: shared ownership for young people

- A1 The project required the development of an investment model to enable access to affordable housing for young people without recourse to benefits.
- A2 Shared ownership involves the purchaser buy an initial share in a property typically of between 25 and 75% and paying rent on the share retained by the provider. The share owned by the leaseholder can be varied by 'staircasing'. Generally, staircasing will be upward, thereby increasing the share owned. In exceptional circumstances (as a result of financial difficulties, and where the alternative is repossession), and at the discretion of the provider, shared owners may staircase down, thereby reducing the share they own.
- A3 Shared ownership is flexible in two respects, in the share which can be purchased and in the rental payable on the share retained by the provider. Both of these are variable.
- A4 The following example demonstrates the potential of making shared ownership available to young people in receipt of an income close to the National Minimum Wage for those aged 21 or above. The tables provide worked examples of the options available to a young home seeker with an annual income of £12,500. Applying an affordability threshold of 25%, £3,250 is available to meet housing costs. A Calculator has been provided which enables any of these elements to be varied.
- A5 The following table identifies the open market property price which is affordable and which can be accessed by applying a loan: income ratio of 3.5:1.

Table A1: open market purchase, worked example

Open Market Purchase		At property price	At loan limit
Deposit required	10%	£6,190	£5,200
Salary multiplier of	3.5		
Mortgage available from salary multiplier	£45,500		
Mortgage rate	6%		
Mortgage affordable	£54,167		
Legal fees etc.	2.50%		
Possible property price based on loan limit	£52,000		
Possible property price if loan ratio ignored	£61,905		

Key findings

- A property price of £61,905 is affordable but only £52,000 can be borrowed; this level of income would only allow access to an entry level studio/bedsit.

A6 The second table matches the amount affordable per month against the cost of entry level market rental properties of different bedsizes.

Table A2: rental options, worked example

Rental Option		Per month
Total available for rent	£3,250.00	£270.83
Market rents		Gap
Rent for shared property	£225.00	+£45.83
Rent for bedsit	£275.00	-£4.17
Rent for 1 bed flat	£375.00	-£104.17
Rent for 2 bed flat	£450.00	-£179.17

Key findings

- At this level of income, only an entry level studio/would be affordable.

A7 The third table identifies the shared ownership property price which can be accessed assuming:

- the purchase of a 50% share;
- the application of a loan: income ratio of 3.5:1; and
- rental on the retained share of 3%.

A8 The cost of this option is then matched against the affordable income available.

Table A3: shared ownership purchase, worked example

Deposit required	10%	£9,100
Salary multiplier of	3.5	
Mortgage rate	6%	
Share purchased	50%	
Rent on retained share	3%	
Blended mortgage: loan rate	4.5%	
Mortgage available from salary multiplier	£45,500	
Cost of mortgage	£2,730	
Residual available for rent	£1,365	Gap/surplus -£845
Legal fees etc.	2.50%	
Possible Property Value	£91,000	

Key findings

- A property of £91,000 - the equivalent of an open market 1 bed flat - would be accessible but is unaffordable as it results in a gap in annual housing costs of £845.

A9 The final table examines the impact of reducing the rent to 1.1% of the retained share, an adjustment which is within the control of a Registered Provider.

Table A4: open market purchase at reduced rental on the retained share, worked example

Deposit required	10%	£9,100	
Salary multiplier of	3.5		
Mortgage rate	6%		
Share purchased	50%		
Rent on retained share	1.1%		
Blended mortgage: loan rate	3.5%		
Mortgage available from salary multiplier	£45,500		
Cost of mortgage	£2,730		
Residual available for rent	£1,365	Gap/surplus	+£20
Legal fees etc.	2.50%		
Possible Property Value	£91,000		

Key findings

- This option is now affordable as it results in a surplus in annual housing costs of £20.

A10 This is only one example of many which could be modelled but the principles remain the same. However, it must be emphasised that it represents a 'best case scenario' in which the home seeker is able to raise a deposit. Modelling can be undertaken without a deposit, but the realisation of such a theoretical option would require either the co-operation of lenders or subsidy to the level of the deposit required.

APPENDIX 2: useful employment contacts

For a list of all **Job Centres** in Birmingham with addresses and telephone numbers, visit:

<http://www.totaljobs.com/careers-advice/job-centres/job-centres-birmingham>

All **Job Centres Plus** can be accessed online via the same web address: mybirminghamjobs.co.uk or via the same telephone number: 0845 606 0234

Birmingham Careers Service:

connexions-bs.co.uk

Birmingham and South City College offers vacancies for jobs and apprenticeships ('Over 100 jobs for young people in Birmingham.');

open days and advice on writing CVs and interview technique.

sccb.ac.uk

Specialists in jobs for young people

- jobstome.com/jobs/youth/birmingham
- workcircle.co.uk
- workforstudents.com
- youthjob.myjobhelper.co.uk

Main recruitment agencies/ websites for Birmingham:

- adzuna.co.uk
- bullring.co.uk/jobs
- encorepersonnel.co.uk
- fish4.co.uk/jobs/birmingham
- gumtree.com/jobs/birmingham
- hospitalityjobs.co.uk/birmingham
- indeed.co.uk
- jobsite.co.uk
- morganhunt.com/birmingham
- mybirminghamjobs.co.uk
- randstad/birmingham
- reed.co.uk/birmingham
- totaljobs.com