



# **UNDERSTANDING DEMOGRAPHIC, SPATIAL AND ECONOMIC IMPACTS ON FUTURE AFFORDABLE HOUSING DEMAND**

## **Paper One – The Profile of Affordable Housing Residents**

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This is the first of a suite of eight papers drawing on research carried out into the demographic, spatial and economic impacts on future affordable housing demand. For full details on the methods and findings of the research see the accompanying source document.

This paper examines the current profile of affordable housing residents in terms of age, gender, ethnicity and working status. It then proceeds to look at the future composition of the sector if current trends remain the same and considers some of the key drivers likely to alter this profile. Motives for moving into and out of the sector are examined more fully in papers three and four.

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### ***Key Findings***

- *The social sector houses disproportionate numbers of households at either end of the age range. There are smaller numbers aged 45-74.*
- *There are proportionately more single people and single parents in the sector.*
- *Incomes are substantially lower than in other tenures with just under half of working age households in employment.*
- *There are high proportions people with an illness or handicap within the social sector, and sickness in the major reason for being outside of the workforce, for single person households in particular.*
- *In terms of ethnicity, households from a Black background, along with some Mixed ethnicity groups and Bangladeshi households live disproportionately within the social sector, whilst people from an Indian or Chinese background are less likely than average to do so.*
- *The majority of new entrants to social housing are aged under 45, and come either as newly forming households or from private rented housing.*
- *Those leaving the sector are aged mostly between 25 and 45. Purchasing under the Right-to-Buy is still the major route into owner-occupation, with moves into private renting also common in the younger age groups. Over 70% of households leaving the sector are in work.*
- *The proportion of households containing a full-time worker has continued to decline slightly in recent years. However, the incomes of social tenants have increased at a faster rate than those in owner-occupation over the last ten years. This suggests that there is now a somewhat higher proportion of better-off tenants.*

## **1. The current profile of the sector**

97.5% of households living in affordable housing are in social rented housing (HSSA/RSR). This means that the profile of social rented households overwhelmingly dominates that of the sector as a whole.<sup>1</sup>

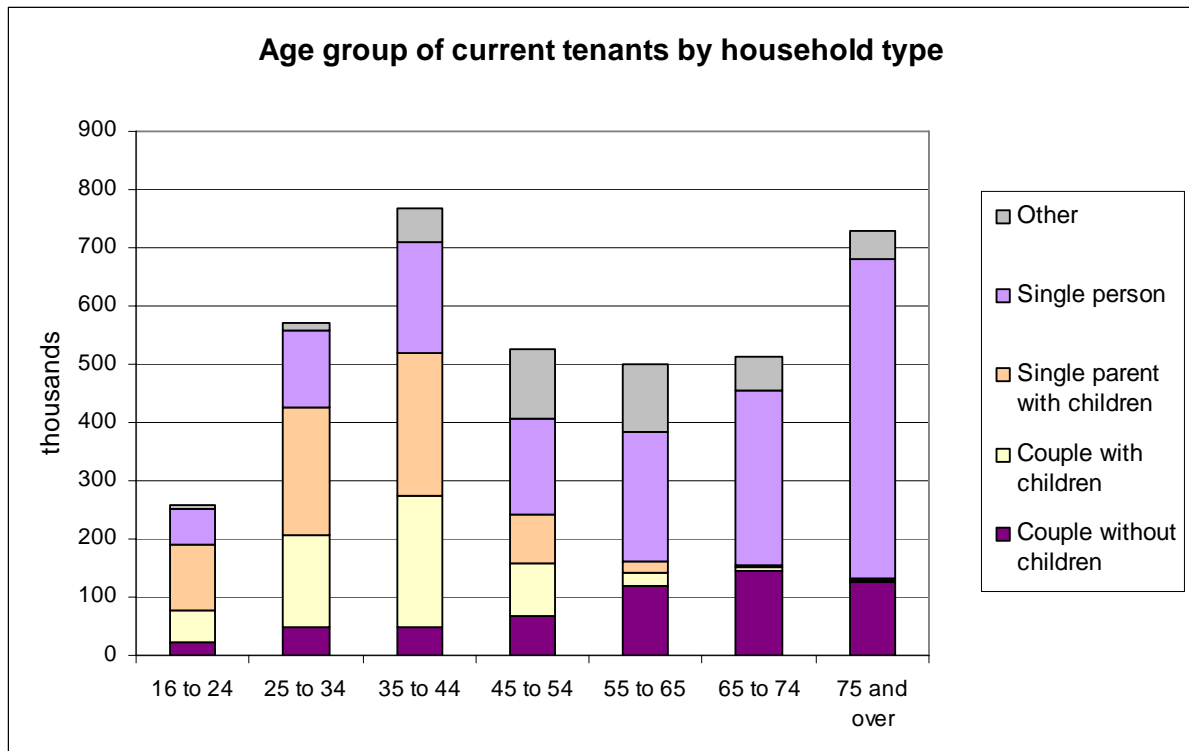
The social rented sector has for many years housed disproportionate numbers of households at either end of the age range (see Figure 1.1). The reduction in the size of the 45 to 74 age group has come about as a result of the large numbers of these cohorts that left the sector as a result of the Right-to-Buy policy in the '80s and '90s.

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<sup>1</sup> The profile of shared owners is examined in more detail in paper 5 of this series.

Figure 1.1

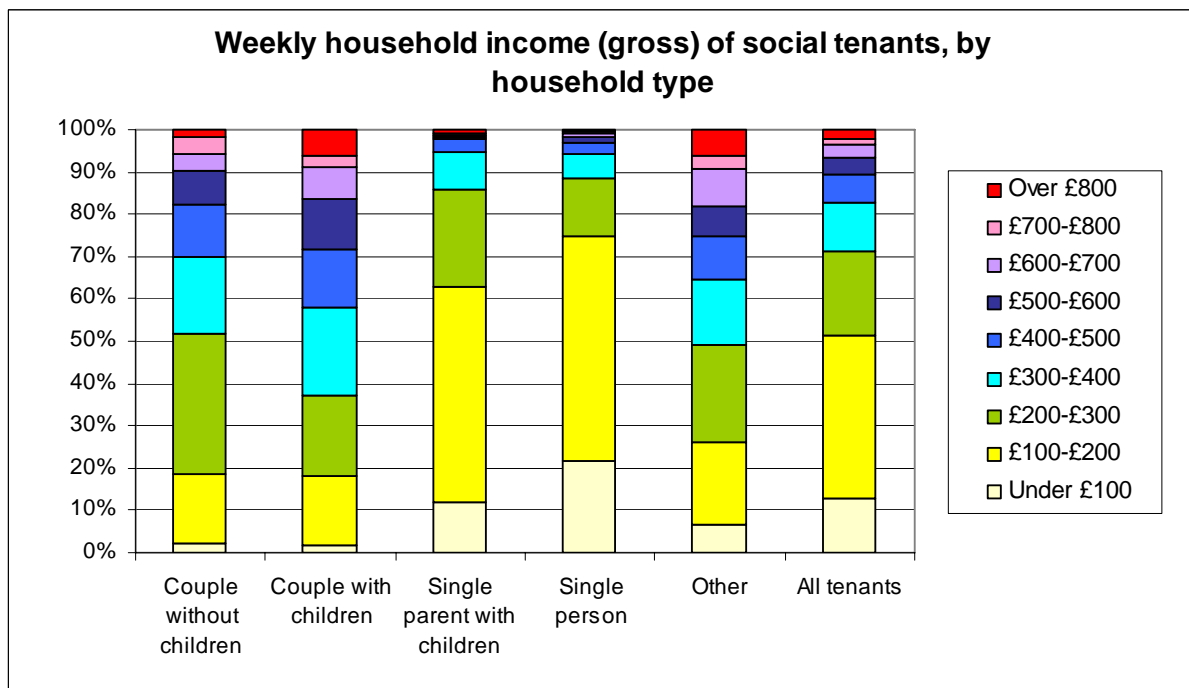
Source: Survey of English Housing 2005/6



Most social tenant households have low incomes, with the majority earning (or receiving in benefits) between £100 and £300 a week. Average incomes differ substantially between couples and singles (including single parents) with the couples much more likely to have higher incomes (see Figure 1.2). Around 30% of couple households earn over £400 a week.

Figure 1.2

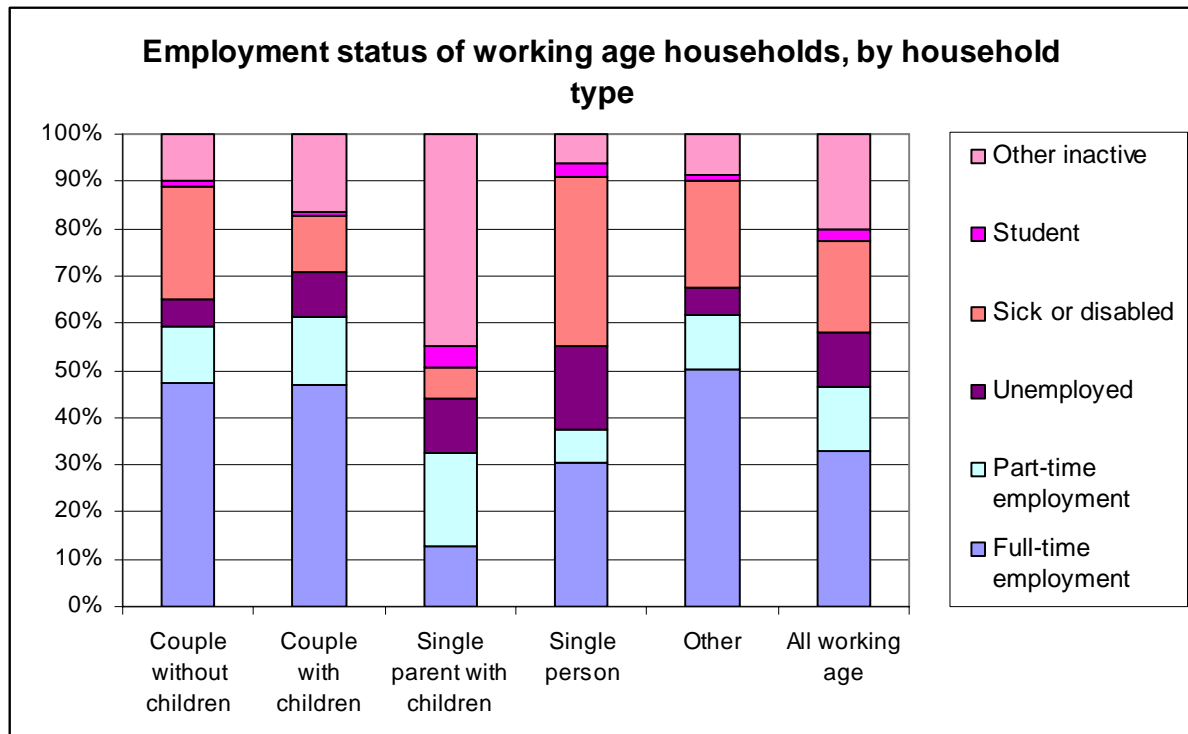
Source: Survey of English Housing 2005/6



Economic status varies substantially between household types. Around 50% of childless households are retired. As shown below in Figure 1.3, of non-retired households, couples and “other” household types have higher rates of employment than either single people or single parents.

Figure 1.3

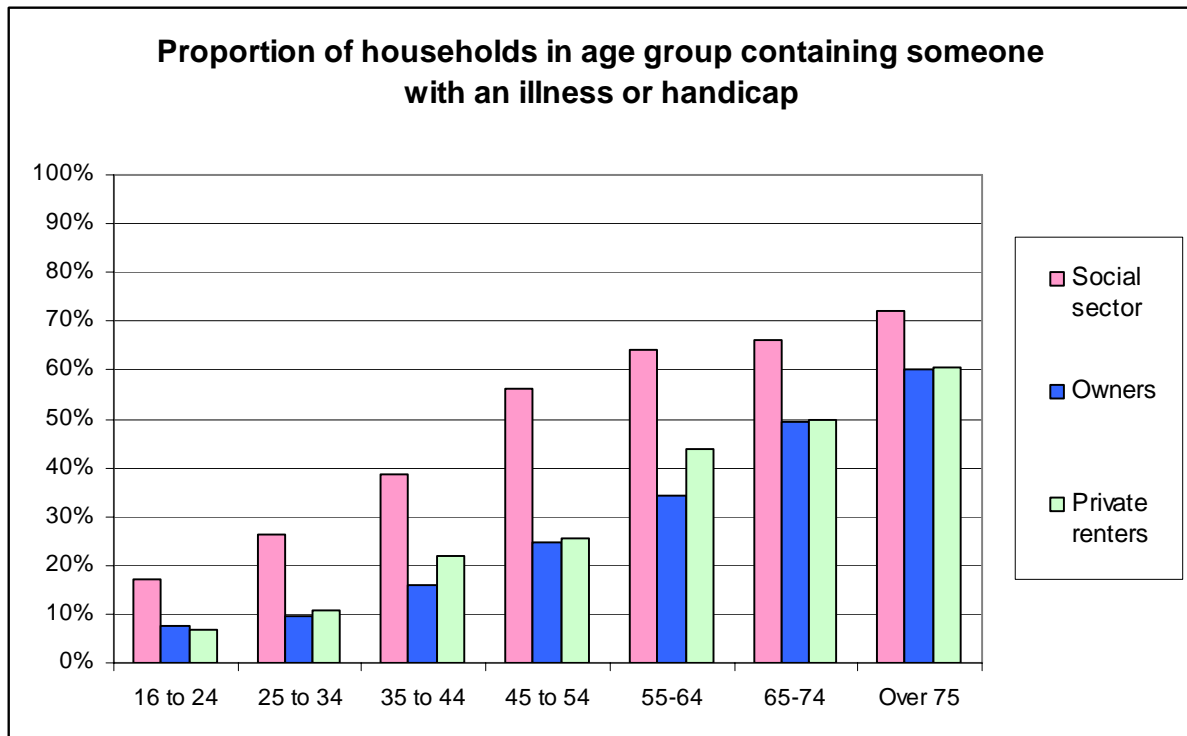
Source: Survey of English Housing 2005/6



The social rented sector houses a higher proportion of people with an illness or handicap than any other tenure. Analysis of new entrants suggests that the proportion of households entering the sector with disabilities has not changed over the past five years. As Figure 1.4 shows, the difference between the tenures is much sharper in the lower and middle age groups, suggesting that becoming ill or handicapped at a young age is more likely to cause someone to need social housing than when it occurs in old age (when most households are already outright owner-occupiers). Overall over 50% of households containing someone with an illness or handicap where the oldest person is aged under 30 live within the social sector, but this falls to only 27% of households aged over 65. This suggests that the social sector has an important role to play in accommodating those with disabilities throughout their housing careers, not just in old age.

Figure 1.4

Source: Survey of English Housing 2005/6

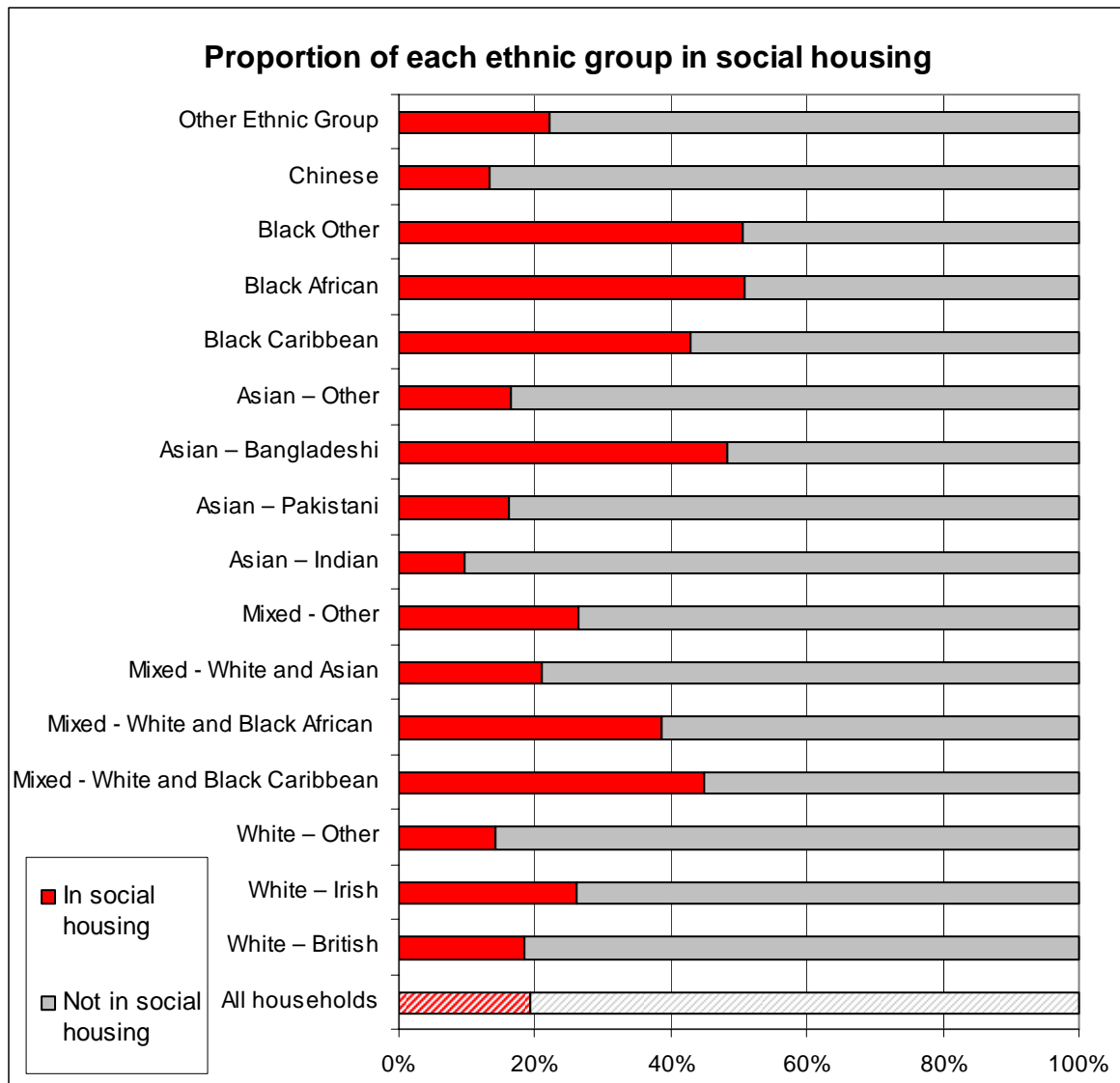


### The ethnic composition of social housing

There are substantial differences between ethnic groups in terms of their propensity to live in social housing (Figure 1.5). Black households are more than twice as likely as average to live in social housing, even after allowing for the effect of the region where they live. Indian households are only 50% as likely as other households to live in social housing, despite on average living in the regions where social housing is most plentiful.

Figure 1.5

Source: Census 2001



Most minority ethnic groups entering RSL housing are spatially concentrated, mainly around the large cities. 62% of Bangladeshi households entering social housing did so in only 10 local authorities (CORE).

The household types and sizes of different BME groups entering social housing differ considerably. These, along with the needs and aspirations of BME groups are discussed in more detail in paper 7 of this series.

## 2. A typology of affordable housing tenants

Overall trends and averages can leave a stereotypical view of the “average” social housing tenant. In reality, residents of affordable housing are a hugely diverse group encompassing people from widely varying backgrounds, albeit in differing proportions from other tenures.

To help understand the diversity of residents interviews were carried out with over 600 social tenants and shared owners<sup>2</sup>. A cluster analysis method was used to help identify the main groups of residents living in affordable housing<sup>3</sup>. This pointed to four identifiable clusters of residents:

### **Group 1 – “Young urbanites” (N=96; 19%)**

The attributes that link this group together are:

- *Age:* Most are young (under 35) and the vast majority of both Black and Asian residents are in this group.
- *Accommodation type:* More than three quarters live in flats or maisonettes.
- *Location:* Most live in London and most of the rest in the South or East.
- *Household size:* Around half this group are single people and a relatively low proportion have children (just under half) with most living in one or two bedroomed properties.
- *Mobility:* They are a significantly more mobile group than the others; over a third had moved within the last year and the great majority had moved within the last five years.

In some other respects they are quite a diverse group. Their incomes are widely dispersed with higher numbers at both ends of the spectrum than in the other groups. The Acorn type<sup>4</sup> most commonly associated with all four of these groups is E, “hard pressed” households. However, group one was the most varied and more likely than any other group to live in areas classed as “Urban prosperity”.

They are the group most likely to express dissatisfaction with their current accommodation with around one in five saying that their home does not meet their needs very well or not at all well.

Interestingly, this group are less likely than any other to have heard of shared ownership. This may be related to the ethnic composition of the group; papers 6 and 7 of this series examine these issues in more detail.

### **Group 2 – “Working families” (N= 167; 33%)**

The attributes that link this group together were:

- *Employment status:* This group of households are more likely than any other to be in work. Most are households with someone in full-time work and most of the remainder have someone in part-time work.
- *Income:* Most have household incomes of between £10,000 and £25,000, with small numbers between £25,000 and £50,000.
- *Social grade:* They differ from affordable sector averages with households classed as A, B or C1 and C2 more commonly found in this group, meaning that nearly half are professional or white collar workers.
- *Educational attainment:* A larger minority than in the other groups have studied to the age of 21 and others are still studying, though the great majority left school by the age of 18.

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<sup>2</sup> The interviews were carried out by BMRB using their omnibus survey to ensure only eligible households were able to partake.

<sup>3</sup> For details on the method used, see annex 3 of source document

<sup>4</sup> ACORN is a commercial “geodemographic” classification of UK postcodes based on demographic statistics about the area. It should be noted that housing tenure is part of the classification criteria, and that the classification does not indicate anything about any given individual in that place.



- *Age and household type:* Most are aged between 25 and 45. They are more likely to be married, with most households having children. Household sizes are large with around a quarter containing five or more people.
- *Routes into social housing:* They are more likely to have been established households before they moved into affordable housing moving most often from private rented housing, or (less commonly) owner-occupation. (Moving from owner-occupation into the affordable sector is explored more fully in paper 4 of this series.)
- *Mobility:* This group are not as mobile as group 1, but somewhat more so than the other two groups with around 40% having moved within the last three years.
- *Accommodation type:* Most occupy 3 bedroomed properties, most commonly semi-detached houses.
- *Location:* Most of them live in the South or East of England (including London).
- *Internet access:* 85% of these households have internet access.

The location and large household sizes suggest that these households may be unable to afford adequately large accommodation in the private sector despite their moderate (rather than very low) incomes.

Most of the shared owners within the survey were in this group, making up 7% of the group overall. Three quarters of the group say that they have heard of HomeBuy or shared ownership, although this is no higher than two of the other groups, despite there being much higher numbers of households in this group that might be able to afford it.

When asked what would most improve their home, this group was particularly likely to wish for additional rooms or more space, or dedicated parking. This may in part be because these are large households, and hence most likely to be overcrowded and need extra room. However, it may also be because, being somewhat better-off, though by no means wealthy, the aspirations of this group, in housing terms, are higher.

### **Group 3 – “Non-working poor” (N=103; 20%)**

This group are similar to group 2 in terms of age, housing type and presence of children. However, they differ markedly in terms of income and employment status.

The attributes that link this group together were:

- *Employment status:* They are mainly working age households without work.
- *Income:* More than two thirds have incomes of under £10,000 and more than half under £6000.
- *Educational attainment:* The vast majority of this group left school aged 16 or under.
- *Marital status:* They are less likely than group 2 to be married and more likely to be divorced, widowed or separated.
- *Location:* They are disproportionately located in the North of England
- *Ethnicity:* Very small proportions of BME households are within this group.
- *Accommodation type:* Most live in 3 bedroomed properties which are either terraced or semi-detached homes.
- *Routes into social housing:* They are more likely than other groups to have moved to their current home directly from living with their parents, and reasons for entering affordable housing were often related to having children and needing a bigger home. Two thirds of this group have lived in at least one other home within the affordable sector prior to moving to their current home.

- *Mobility:* They are less likely than group 2 to have moved within the last three years, though around a quarter of both groups have been in their current home over 10 years.
- *Internet access:* Only one in four households in this group has internet access.

The Acorn classification of the area as being one of “hard-pressed” households, whilst associated with all four groups, is more strongly associated with this group than any other, suggesting that within social housing, the poorest households are more likely to live in the poorest areas.

In terms of improvements to the current dwelling, this group was particularly likely to want basic problems with windows, heating and internal decoration and maintenance addressed. This may in part be because this group is living in poorer housing or that which is more poorly maintained or because they lack the skills or financial resources to carry out basic repairs or internal decoration themselves.

#### **Group 4 – “Older settled households” (N=140; 28%)**

This is the group that differentiates itself the most strongly from the others. The attributes that link this group together were:

- *Age:* The vast majority of this group are aged over 55, with most over 65. Most are therefore retired, with much of remainder not in work.
- *Household type:* Almost none of these households include children and just over half are one-person households. Around a third are currently married and nearly all of these have been married over 20 years. The largest component of this group, however, are divorced, separated or widowed.
- *Mobility:* They are the least mobile group with most households having lived in their current home for over 10 years.
- *Ethnicity:* Very low numbers of BME households are within this group.
- *Income:* Household incomes are low to moderate, almost all under £25,000.
- *Routes into social housing:* Most have moved to their current home from a previous social rented home, but significant numbers have moved from owner-occupation. They are also more likely than other groups to have moved for health-related reasons.
- *Internet access:* Only one in eight of this group have internet access.

Property size varies with a roughly even three-way split between one, two and three-bedroomed properties. This group are much more likely than any other to live in bungalows, but nevertheless, larger numbers live in semis, terraces, and flats.

They are significantly more likely than the other groups to say that their current home meets their needs very well or quite well, which is likely to reflect the fact that they are older people and living in houses with at least as many bedrooms as they need. This group was strikingly likely to say that “nothing needs improving” about their current home- nearly half of all respondents gave this answer when asked what would most improve their house. This compares to around only a quarter of respondents in the other three groups.

#### **Different tenants, different needs**

Clearly the different types of tenants and shared owners within the affordable housing sector will have quite different needs from their housing. Some, especially those in flats in London, may see their current homes as short-term base before moving on into private sector housing, away from London and/or into larger social housing. The issue with this group may be to manage a highly mobile population so that they can move both in and out of social housing as they need to.

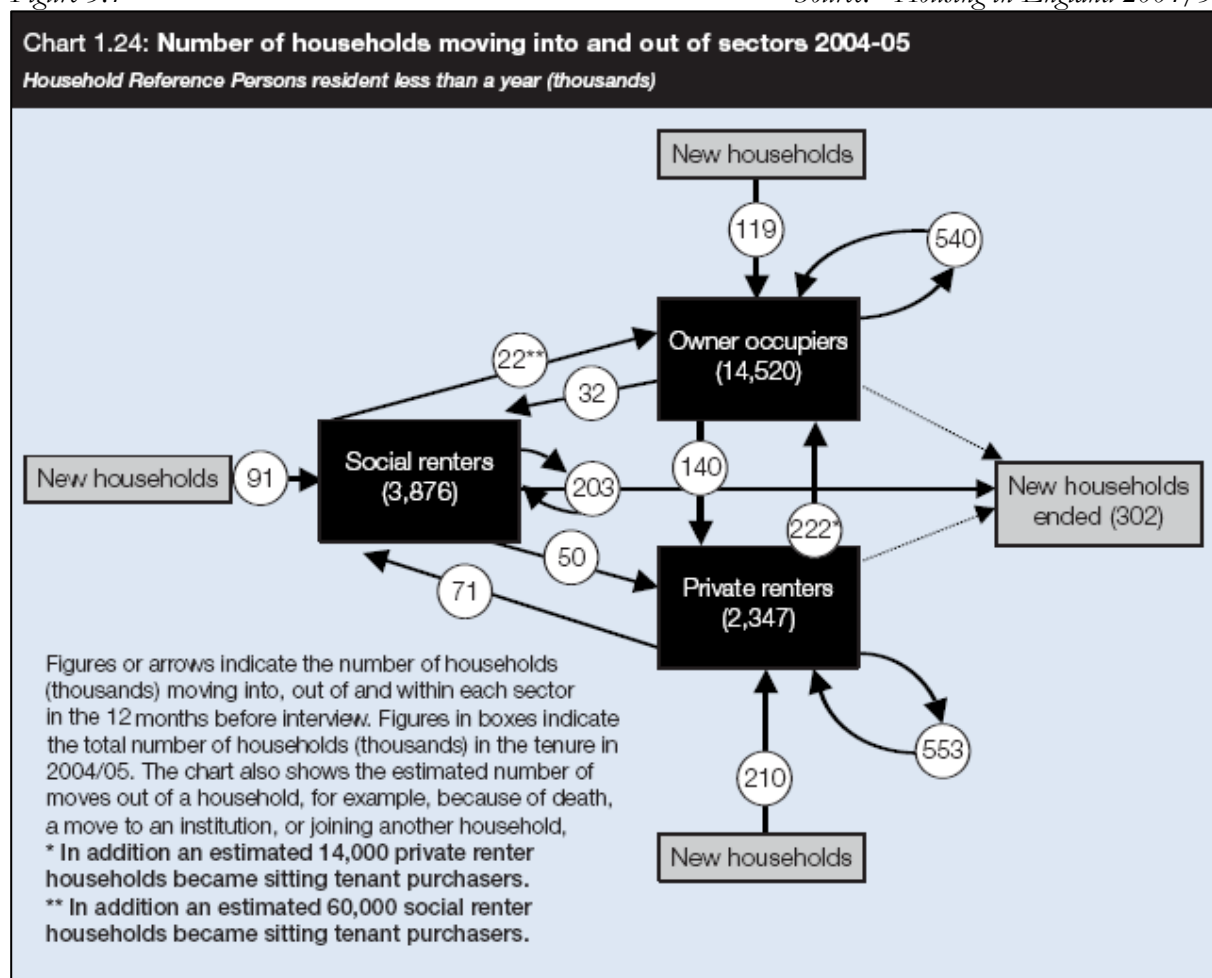
Groups three and four by contrast are less mobile and likely to be looking towards social rented housing for the longer term, whereas group two may be able to afford more than social sector rents, might look to move out on their own and would be the obvious target group for initiatives to increase access to intermediate housing.

### 3. Entrants and leavers

Flows between tenures vary from year to year and are affected by factors such as rates of new building and house prices. Nevertheless, Figure 3.1 below gives an indication of the scale of the annual flows between the three main tenures.

Figure 3.1

Source: *Housing in England 2004/5*



It shows that in 2004, 71,000 households entered the social rented sector from private rented housing, 32,000 from owner-occupation and 91,000 as new households. In addition, 203,000 households moved within the sector. 50,000 left for private rented housing, 22,000 for owner-occupation, and an additional 60,000 bought as sitting tenants (generally via the Right-to-Buy).

#### The profile of those entering the sector

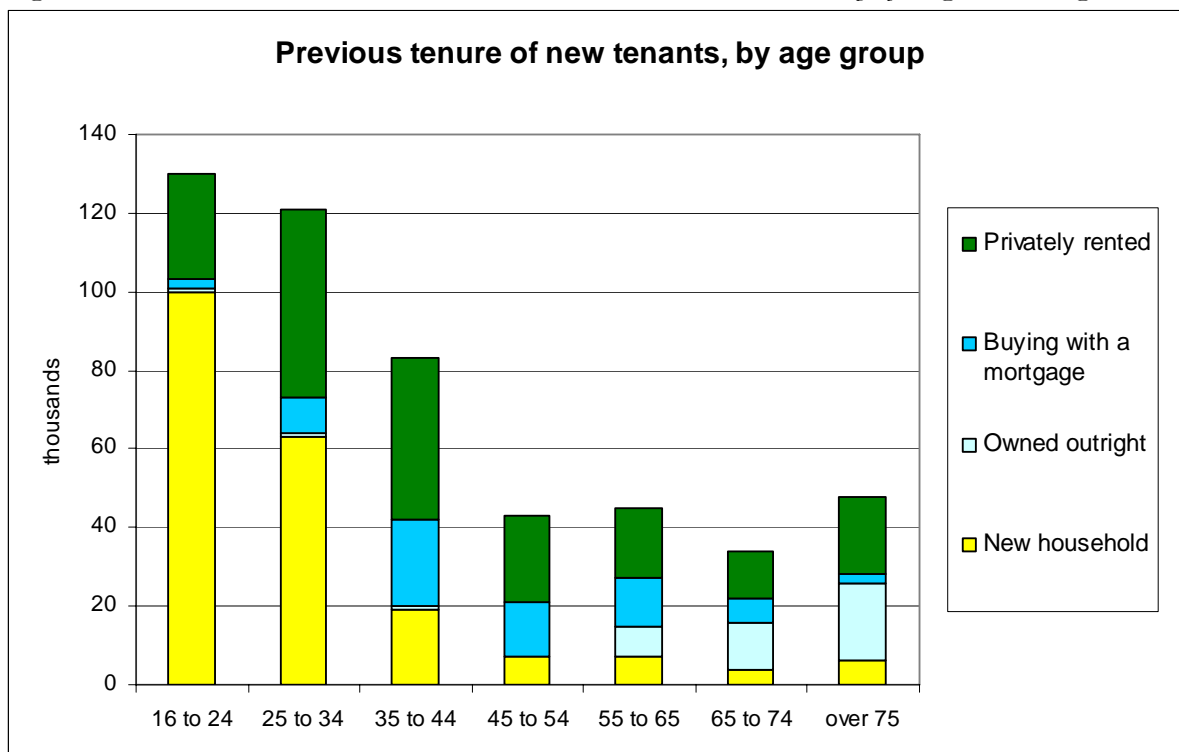
The total number of new entrants to social rented housing has declined steadily over the last five years. There is no evidence that this is a result of falling demand (waiting lists grew by nearly 50% between 2002 and 2005 alone, and vacant properties fell by 22% during this same period;

Source HSSA), but is rather a consequence of a reduction in properties becoming available for re-let as fewer households leave the sector.

As shown below in Figure 3.2, most households (66%) enter social housing between the ages of 16 and 45, either as newly forming households (moving out of someone else’s home, such as their parents’) or from the private rented sector. There is also a group that enter over the age of 75 seeking more suitable or supported accommodation, or to be nearer their family. Single people form the largest group of new entrants overall and come from all age groups, although single parents and couples with children comprise the majority of younger entrants.

Figure 3.2

Source: Survey of English Housing 2005/6



The majority of new entrants from all tenures have incomes of under £300 a week and their incomes are broadly similar to those of existing tenants. Around 15% of new entrants to social housing are retired. The rest are fairly evenly split between economically active and inactive. This has changed little in recent years, and is broadly similar to the profile of existing tenants (see source document for full data).

Around 8% of new entrants come directly from owner-occupation often following relationship breakdown, ill health or financial difficulties. These households have somewhat higher incomes on average than other entrants.

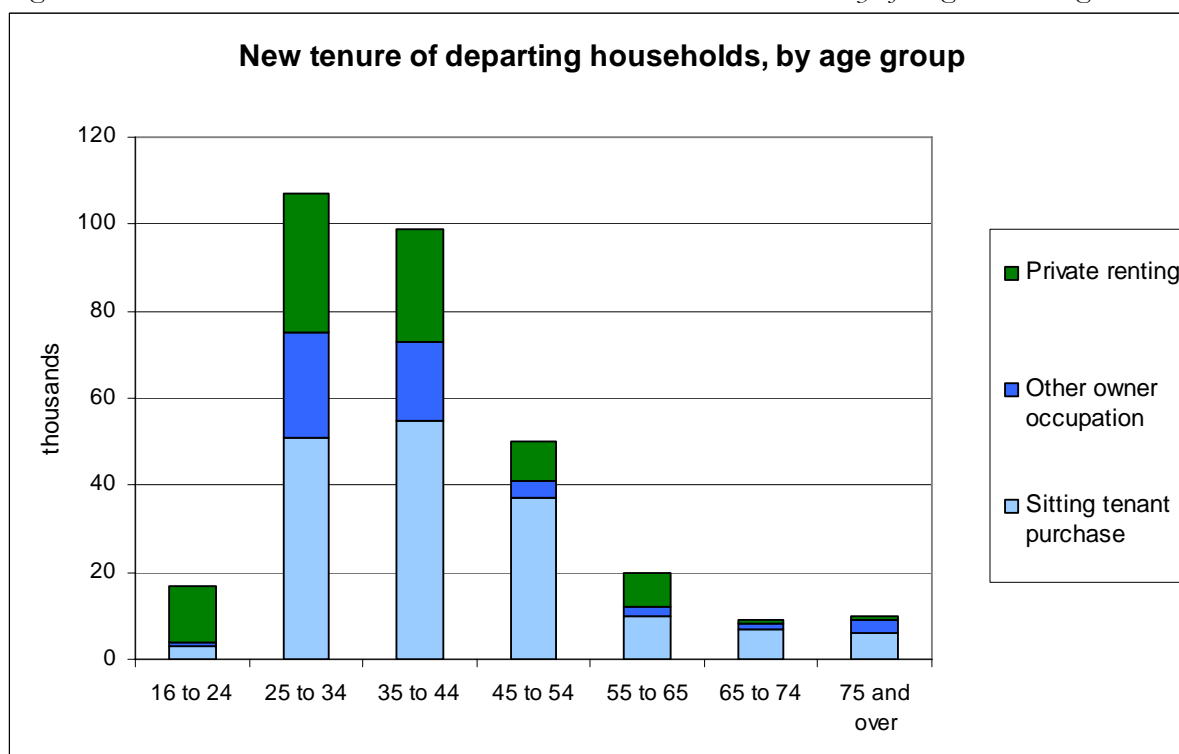
### The profile of those leaving the sector

Most tenants “leave” social housing by dying or moving in with another household or into an institution. The numbers of households moving out of the sector to private sector housing has declined significantly over the last five years, reflecting the decreasing affordability of market housing over that period. The Survey of English Housing can be used to analyse the current housing tenure of those who have left social housing within the last three years. It shows that

most households moving into owner-occupation still do so via the Right-to-Buy, especially in the older age groups (Figure 3.3).

Figure 3.3

Source: Survey of English Housing 2005/6



Single people and single parents are more likely to move into private rented housing. Couples are much more likely to move to buy and are overall more likely than singles to move out.

Over 70% of households leaving social housing for another tenure are in work (240,000 of the 312,000 households that left in 2005, SEH). They have higher incomes on average than those who remain in the sector. Unsurprisingly, those leaving for owner-occupation without the Right-to-Buy have the highest incomes. The reasons why households leave affordable housing are explored more fully in paper 3 of this series.

#### 4. How is the profile of residents likely to change in the future?

There are several key factors determining who lives in affordable housing:

**Who applies for it.** Tenure preferences and knowledge affect which households choose to apply for affordable housing. These may in turn be affected by the price of market housing, determining who can afford other tenures. Which households choose affordable housing and why, is explored more fully in paper 4 of this series.

**Who is given priority for housing.** In the vast majority of the country, there is excess demand for affordable housing, so allocation systems specifying which applicants are deemed to be most in need play a central role.

**Demographic changes taking place within the sector.** The most crucial factor here is ageing- the smaller cohort of middle-aged households will move up the age range, reducing the numbers of older households.

**Who moves out of the sector.** Households do move out into private sector housing (both rented and owned). Clearly access to these sectors will impact upon the numbers and composition of households that leave, as well as the tenure aspirations and preferences of existing households.

**Types, sizes and tenures of new housing and demolitions.** This will impact upon the numbers and types of households likely to move in and could over the long term make significant changes to the profile of the sector.

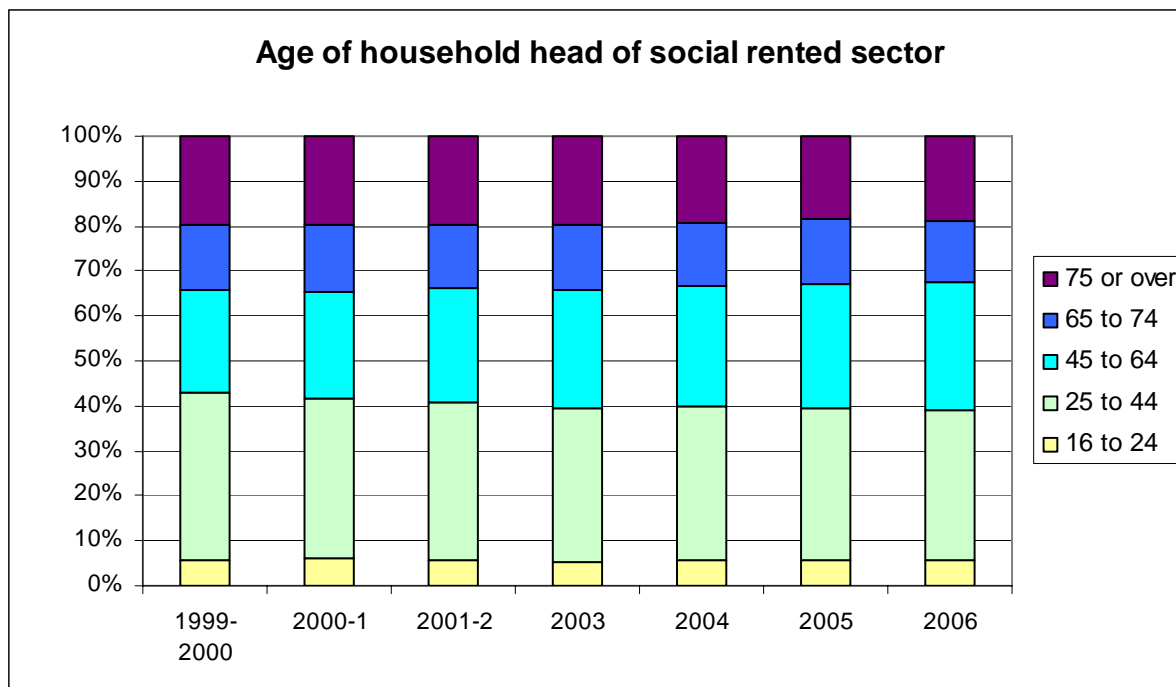
## Recent trends

The profile of those living in affordable housing has altered quite considerably during the last thirty years<sup>5</sup>. During the 1980s there was what has been termed a residualisation of social housing as working households increasingly left the sector, often via the Right-to-Buy. In the 1990s the pace of these changes slowed, although there continued to be an increase in the proportion of “other economically inactive” households, which includes lone parents, sick and disabled households, students and carers. It was in this period that the age distribution of social tenants became focussed on those at either end of the age range, as older households were unable to take advantage of the Right-to-Buy and over time were replaced by younger households who were too poor to make use of it, or not (yet) able to access it.

In more recent years, some of these trends appear to be continuing, but others do not. The number of over 75 year olds has declined, from 851,000 in 1999 to 690,000 in 2005 (Figure 4.1), a loss of 23% in absolute terms, and a representing reduction from 19.8% to 18.7% of all social rented households.

Figure 4.1

Source: CLG, live tables based on SEH and Labour Force Survey



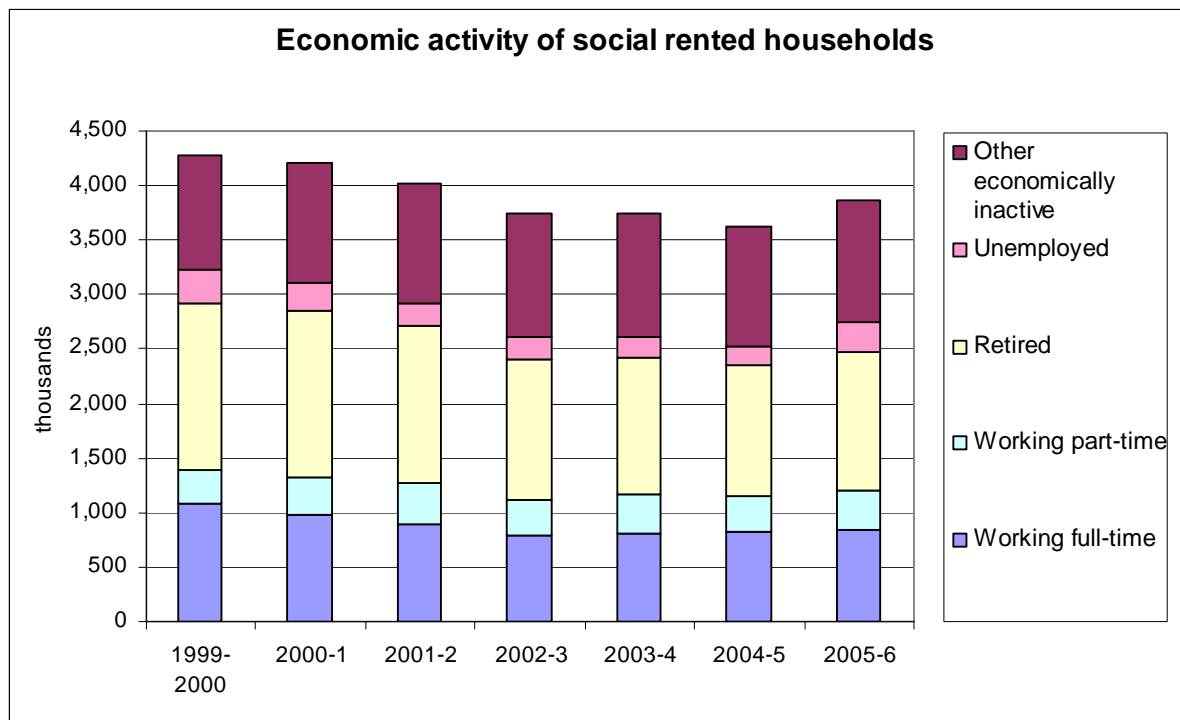
<sup>5</sup> For more detail on these longer term trends, see Monk et al 2006.

Figure 4.1 also shows a reduction in the size of the 25-34 age group, both in absolute and proportional terms. This is the age at which households commonly enter social housing and corresponds with the declining turnover rate during this time period.

Figure 4.2 shows the changing composition of the sector in terms of economic activity over the last few years in absolute terms.

Figure 4.2

Source: Survey of English Housing



There continues to be a gradual decline in the proportion of households with a full-time worker, although there has been a growth in part-time work which has partially replaced it.

Looking slightly further back, data on household incomes data from the Family Resources Survey show that the median income of social rented households rose by 61% between 1995 and 2005, compared with only 51% for those in owner-occupation. Social sector incomes rose fastest during the last five years, at a time when declining numbers of households were leaving the sector. This suggests that the escalating costs of market housing may be retaining growing numbers of somewhat better-off households within social housing, when in the past they may have moved out.

The social sector has been declining in size for many years. Whilst it continues to decline as a proportion of all housing, survey data from the Survey of English Housing suggests that in 2005-6 it has, for the first time in many years increased in absolute size. This relates to changing regulations reducing access to, and discounts in, the Right-to-Buy coupled with increasing rates of new build.

It can be seen that the main component of change to the sector as a whole over the last five years has come about not so much as a result of the differing characteristics of entrants and leavers but rather from a decline in the number of retired households within the sector as the relatively small cohort of 55-65 year olds enter retirement, and the much larger cohort of over 75s leave or die.

## The future

### Household types and ages

Demographic analysis<sup>6</sup> reveals several key trends affecting the profile of the sector by 2021:

***Smaller proportions of households within the social sector overall.*** Taking account of departures through Right-to-Buy, the proportion of all households falling within the social rented sector is projected to fall from just over 20 percent in 2001 to 17.7 percent in 2011, despite a small projected increase in absolute terms of the size of the sector (See Source document, Annexe 2). However, this does depend upon future uptake of the Right-to-Buy (or Social HomeBuy) and rates of new building and demolitions.

***An increasing proportion of one person households.*** This change is happening in the country as a whole and also in the social rented sector. Analysis shows that forming a couple tends to be associated with moves out of the social sector, and separation of a couple with moves into it (see source document, annex 3).

***Increasing numbers of lone parents.*** Lone parent households are particularly over-represented in the social rented sector, while couple households are under-represented. Whilst lone parents are no more likely than ever to live in social housing, as the proportion of lone parents increases in the population as a whole, this will lead to rising numbers within social housing. Women are more likely than men to enter social housing following divorce, and many of these will be lone parents.

***A reduction in the number of those aged over 65.*** This is because the very large 70-74 and 75-79 age groups in 2001 will be gone by 2021. The younger cohorts that will replace them had a much lower propensity to be social tenants, and this then carries through to 2021 (see Figure 1.1).

### Different kinds of households

The cluster analysis carried out in this paper presents one way of looking at the future composition of the sector:

Group 1 (the “young urbanites”) are likely to increase in line with the supply of small flats at least in areas of high demand where small flats are easy to let and are all that many households can access. This group are much more mobile than the others, yet mobility overall has declined substantially within the social sector in recent years. A downturn in the housing market might ease this situation and increase mobility, especially in and out of flats as social rented flats might then come to fulfil a more transitory role in the housing careers of many households.

Group 2 (the “working families”) are the group who might previously have left the sector for owner-occupation (mostly via the Right-to-Buy) and would be the obvious target group for schemes designed to assist moves into owner-occupation. The changes that took place within the social sector in the 1980s led to substantial reductions in the proportion of working households, especially couple households. These trends continued, but at a slower pace in the 1990s and have slowed further so far in this decade. As shown in Figure 1.7, the proportion of working-age people in employment continued to decline until 2001 but has remained steadier since then. This has happened at a time when movement both in and out of the sector declined steeply and

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<sup>6</sup> see Source Document, Annex 1 for full details



uptake of the Right-to-Buy declined. In the longer term, this may be a blip related to the boom in the housing market over this period. However it has been shown that the past changes were highly related to the impact of the Right-to-Buy (Monk et al 2006) which has now been substantially restricted<sup>7</sup>. The restrictions have impacted significantly on sales in 2005-6 and it would therefore be wrong to assume that trends that resulted from Right-to-Buy take-up will necessarily continue. It is therefore possible that this group would cease to decline or could start to grow in size as existing tenants manage to increase their income but are unable to do as their predecessors did and move out into owner-occupation.

New policy initiatives are coming into the arena but Social HomeBuy has not as yet had a significant take-up. Shared ownership schemes are offering some tenants an alternative route into owner-occupation but numbers are very small compared with Right-to-Buy sales. Little is known about routes out of shared ownership as yet.

Group 3 (the “non-working poor”) are the least likely to be able to access any other form of housing, and so the group most likely to remain as social tenants in the long-term. This has been borne out by long-term trends showing that as the social sector has declined in size, the proportion of working age households outside of the labour force has increased. Their numbers may instead depend upon the success of wider initiatives seeking to reduce benefit-dependency.

Group 4 ( the “older settled tenants”) will decline somewhat in size over coming years due to the demographic shift as the smaller cohort of middle-aged households reach retirement, only small numbers of people enter social housing for the first time after the age of 45, so they are unlikely to be joined by substantial numbers of new entrants. Increasing longevity may however lead to modest increases in the numbers of very old people (over 85s) (see Source Document, Annex 2). There has been a decline in the use of residential accommodation for elderly people in recent years and a move towards keeping people in their own homes if at all possible, assisted by the increasing availability of technological adaptations and improved building standards. This may mean somewhat higher numbers of very old and/or frail elderly people remaining in their social rented home.

### **BME households**

The proportion of new lettings to BME households is higher than the share of the sector currently occupied by BME groups. This suggests that unless they also move out at a faster rate, the ethnic diversity of the sector will grow. This would also be expected considering that large numbers of the vacancies that occur in the social sector do so as a result of older tenants dying, the vast majority of whom are white. It is also the case that the proportion of BME groups in the country overall is also growing, so even if the same proportion as ever live in social housing, the ethnic diversity of the sector will grow. However many BME groups entering social housing have come recently to live in the UK, so events abroad in conjunction with immigration policies are likely to impact upon future numbers, which could therefore fluctuate. The ethnic composition of affordable housing tenants, and the needs and aspirations of BME residents are explored more fully in paper 7 of this series.

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<sup>7</sup> In short, declining numbers of households now have the Right-to-Buy as most RSL tenants do not; discounts have been frozen (meaning that they decline as a proportion of the property price) or reduced; property prices have risen dramatically and the time limit tenants must wait to buy, and wait again to sell without repaying the discount have both been increased.

## 5. Conclusions

Overall, movement in and out of the affordable housing sector is slow, and any changes to the composition of the sector are likely also to be gradual rather than dramatic. The demographic, economic and spatial drivers behind change show suggest very gradual changes to the sector. The one factor that could affect the profile of the sector in new ways is policy change, especially regarding definitions of the sector.

The affordable housing sector consists of both social rented housing and shared ownership properties. The social rented component currently makes up 97.5% of the affordable sector (HSSA/RSR), but this is changing. The policy emphasis from government has for many years now focused substantially on owner-occupation, and in more recent years on hybrid tenures of part-ownership. Shared ownership accounted for 34% of all affordable housing completions in 2004/5 (55% in the South East Region) and was proposed to rise to 49% of all completions by 2005/6 (64% in the South East Region) (Source: HSSA). Broadening the affordable housing sector so as to include shared ownership or other newer tenures (such as sub-market rented housing aimed at key workers) within the umbrella of affordable housing, will inevitably alter the profile of residents.

The rates and types of new-build are also crucial. Analysis shows that nationally 16% of properties becoming available for letting in 2005-6 in the social rented sector were new properties and this rises to 31% in London (CORE). The size, tenure, type and location of new building will therefore impact upon the types of households living in the sector. Resultant changes will build up gradually as the changing profile of the housing stock in turn affects the composition of households accommodated.

Nevertheless the profile of the sector has altered considerably in the last thirty years, particularly as a result of working households leaving the sector via the Right-to-Buy. Looking to the future, there are mixed signals as to whether this residualisation of the sector will continue or not. On the one hand, as the sector shrinks as a proportion of all dwellings, the pressure will be upon it to concentrate on housing the poorest and most desperate. New entrants to the sector at present have generally low incomes and recent trends still show a slow decline in the proportion of working households within the sector, which may continue.

On the other hand, moving into owner-occupation has become significantly more difficult for households in recent years. Whilst it is likely to remain very difficult for relatively higher income households to enter the social rented sector, households that do so (or whose incomes increase whilst they are within the sector) may find that they are increasingly unable to move out. Social tenants have increased their incomes at a faster rate than owners in the past 10 years, and especially in the last five years - a time when owner-occupation was moving out of reach. This suggests that we may in the future start to see higher numbers of better-off tenants remaining in social rented housing, especially those with large families living in London and the south of the country. At the same time, the inclusion of a broader range of tenure options within the affordable sector, including some which require key worker status or a steady income will considerably alter the profile of new entrants and, over time, the composition of the sector overall, also increasing the numbers of working households on higher incomes.

Retaining higher income households within the sector can be seen as a success in making the sector more attractive to them rather than a failure of targeting (Hills 2007). Yet there exist clear tensions within policy objectives seeking on the one hand to allocate the scarce resource of social housing to those most in need, whilst at the same time trying to make it a “tenure of choice” that will attract and retain households with choice.

Policy decisions that favour one aim over the other will impact differentially upon the composition of the sector. Crucially, the profile of shared owners is very different from that of social renters- the vast majority are working households. Clearly decisions as to which tenure of dwellings to build will impact significantly upon who lives in the affordable housing sector.

The Hills report recommends working with households throughout their housing careers in order to offer them a menu of options and channel them towards the most appropriate. This kind of work may alter the composition of both the social rented sector and the wider affordable housing sector. Social Homebuy could alter the tenure of existing households within the affordable sector, though at present this looks unlikely to make a substantial impact.

The regional differences explored in this paper may well grow over coming years. It is in London and the South where the better-off tenants are currently concentrated and it is in these areas where their exit routes into owner-occupation or via the Right-to-Buy are most restricted<sup>8</sup>. It is these areas too where there is the most emphasis on intermediate housing tenures and key worker housing. London has always had a different tenant profile from the rest of the country with a younger population and some better-off working households and this is likely to persist.

In the less pressured parts of the country, the aspiration for home-ownership may continue to be more attainable for working households with continued use of the Right-to-Buy. The resultant loss of working households may increase the proportions of very poor households accommodated. Shared ownership is not being built on the same scale in these less pressured areas, so the social rented tenants will continue to make up the vast majority of the affordable housing sector.

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<sup>8</sup> The Right-to-Buy discounts have been reduced in many parts of London and other pressured areas