We can’t allow renters to be locked out of our post-pandemic recovery

The economic recovery from the pandemic is underway for some, but the difficulty in staying afloat is still a reality for many renters.

Our new research shows that over the next three months (until August 2021), 1.7 million renting households are worried about paying their rent, and almost 1 million renting households are worried about being evicted over the same period. Black, Asian and minority ethnic (BAME) renters, renters with children, lower-income renters, and renters that have lost income during the pandemic, are disproportionately struggling.

A far higher proportion of lower-income renters are grappling with arrears than those on high incomes, with those with gross annual household incomes under £25,000 almost four times as likely to be in general arrears (rent, utilities, council tax or lending), and eight times as likely to be in rent arrears than households with income over £50,000.

We must be wary of a two-tier recovery that leaves low-income households, those who have lost income through the pandemic, and renters behind. But it does not have to be this way. Providing targeted support to those currently struggling to stay afloat will ensure that everyone can participate in the recovery.

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Recommendations:

- Immediately provide support for renters in arrears in England by increasing the funding for Discretionary Housing Payments, and amending how they are administered.
- Protect people from harm: re-align Local Housing Allowance rates with local rents and don’t take away £20 a week from millions of families with already-precarious incomes by cutting Universal Credit this October. The Government must also ensure people who are still receiving ‘legacy’ benefits, many of whom are disabled or carers, are no longer excluded from this vital improvement to support.
- Build more homes for social rent.

Society is reopening after a dark winter, and forecasts are improving for the economy

After a tough winter, April and May 2021 has seen the start of society reopening across Great Britain. The vaccine rollout is progressing well, and some aspects of the economy are showing very positive signs. The Bank of England has forecast that unemployment will peak at just over 5%, and that the economy will likely recover to its pre-COVID-19 size by the end of 2021 (Bank of England, 2021).

Our research helps to back up some of these positive movements and shows that it is being felt in the housing market - since our last round of polling in October fewer households are worried about meeting their housing costs and fewer are grappling with a fall in income. For example, 18% of renters are worried about paying their rent in May 2021, compared to 23% in October 2020, and we have seen a similar drop in the proportion of renters experiencing a fall in income during the pandemic – down to 27% from 31% in October 2020 (Baxter, Casey and Earwaker, 2020). This is welcome news, and highlights the positive impacts that the furlough scheme, vaccine rollout and reopening through the roadmap are having.

Despite these positive signs, a two-tier recovery is emerging

Our research shows that not all households have felt the benefits of the reopening. We find that as we start to recover from the financial impact of the pandemic, renters are faring worse than homeowners. Lower-income renters (gross annual household income under £25,000), BAME renters, renters with children, and renters who have had a negative income shock (a fall in income) during the pandemic are more likely to be worried about paying their rent. They are also a lot more worried about being evicted from their homes. They are struggling more than households with high incomes, white renters, renters without children, and renters whose incomes have risen during the pandemic.

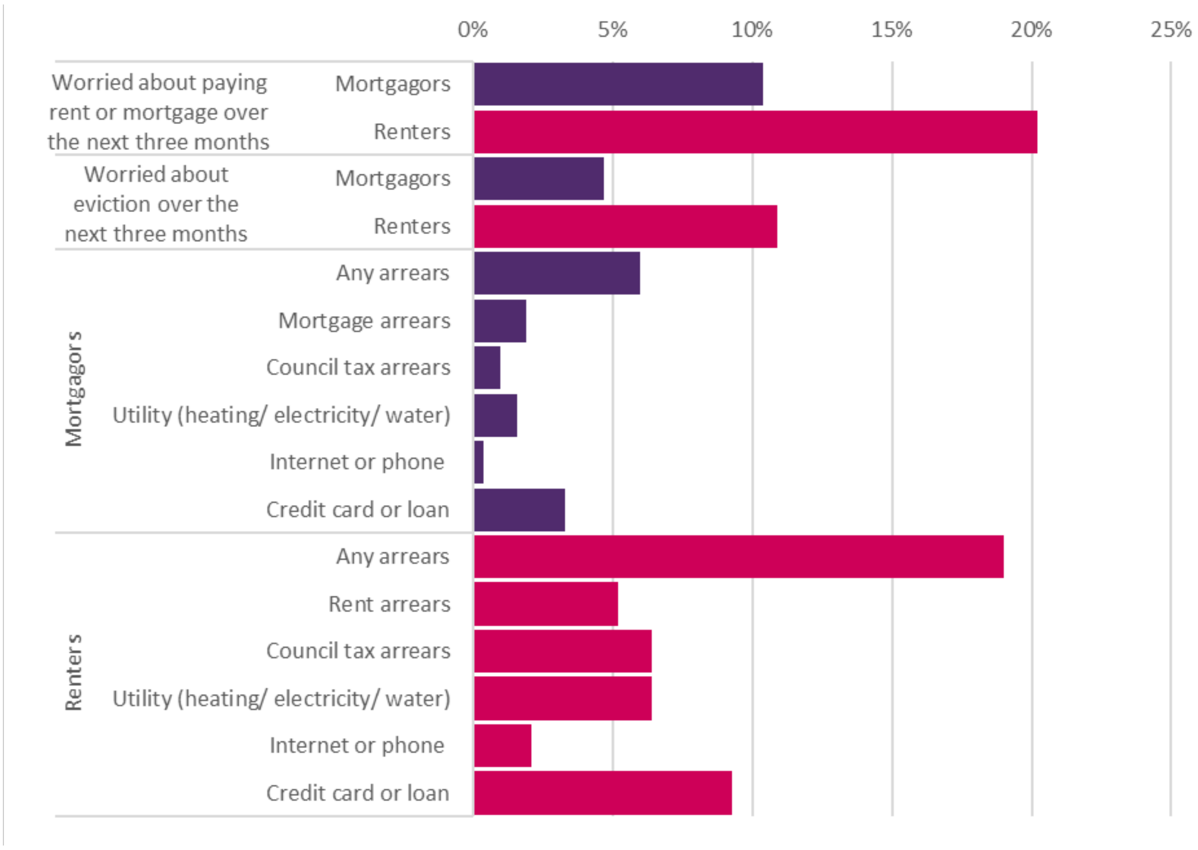
There is also a stark contrast emerging when comparing the proportion of those on lower and higher incomes who have fallen into arrears. The proportion of households with incomes less than £25,000 per annum in arrears with household bills is almost four times higher than households with incomes £50,000 or more, and eight times higher for those in rent arrears.

These findings show us that we must be wary of an unjust two-tier recovery emerging, benefitting those on higher incomes or who have not suffered negative income events during the pandemic. It would not be right to celebrate a recovery that leaves low-income households trapped in arrears, and worried about being forced to leave their homes.

Renters are faring worse than homeowners as society reopens

A fifth of renters (20%) are worried about paying rent or mortgage over the next three months compared to one in ten (10%) of those buying with a mortgage. More than a tenth of renters (11%) are worried about being evicted over the next three months, while 5% of those buying with a mortgage are concerned about repossession. Renters are also more likely to have seen a fall in income during the pandemic.

Graph 1: More renters are worried about paying rent and being evicted over the next three months than those buying with a mortgage, and a higher proportion of renters are in arrears



Source: JRF analysis of research conducted by YouGov 4 to 10 May 2021

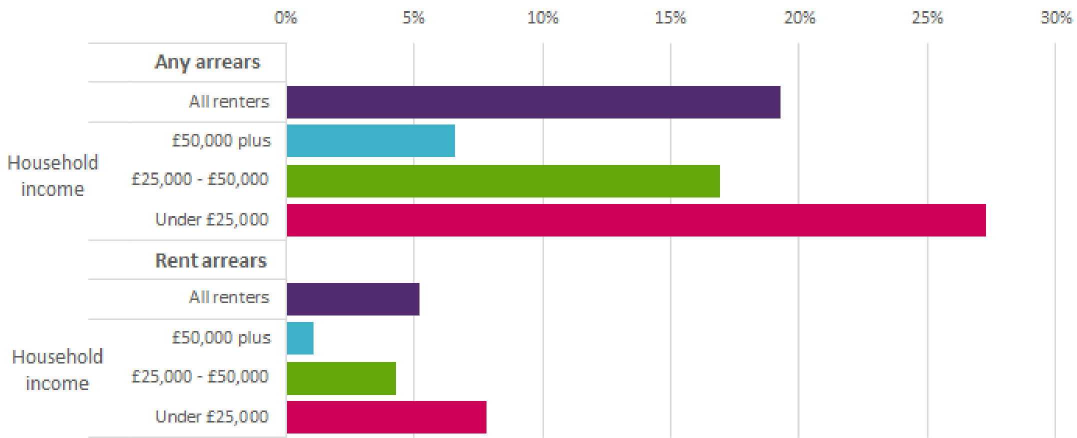
We have found some positive signs of recovery in the housing arrears picture, including the fact that the high share of people in rent and mortgage arrears seen during the pandemic has started to return to pre-pandemic levels. Overall, one in twenty renting households (5%) are currently in rent arrears, which was roughly the same level as pre-pandemic and, encouragingly, lower than the 8% of renters in arrears in October 2020 (Baxter, Casey and Earwaker, 2020).

However, the stark contrast between renters and homeowners also plays out when looking at wider household arrears. Just over one in twenty (6%) homeowners with a mortgage report currently being in arrears with housing costs, bills or debt, compared to almost one in five renters (19%). In addition, 80% of renters who are currently in arrears with their bills were also in arrears pre-pandemic. Falling into arrears can have significant long-term implications – it can impact credit scores, reduce the likelihood of finding good rentals in the private rental sector, as well as impact mental health.

Some renters are struggling more than others to stay afloat, particularly households with children, people on lower incomes, and people who have seen a fall in income during the pandemic.

The proportion of lower-income renting households in arrears compared to those on higher incomes paints a worrying picture of a two-tier recovery. More than one in four (27%) renting households with gross annual income under £25,000 per annum are in arrears with general household bills like rent, council tax and utilities. This is significantly higher than the 7% of households with gross annual income over £50,000 per annum, and emphasises a starkly different picture for households on low and high incomes as we emerge from the pandemic. A similar story is seen when we look at rent arrears, as 8% of lower-income households report being in rent arrears, versus 1% of households with income over £50,000.

Graph 2: Lower-income renting households were more likely to be in arrears than renters with higher incomes



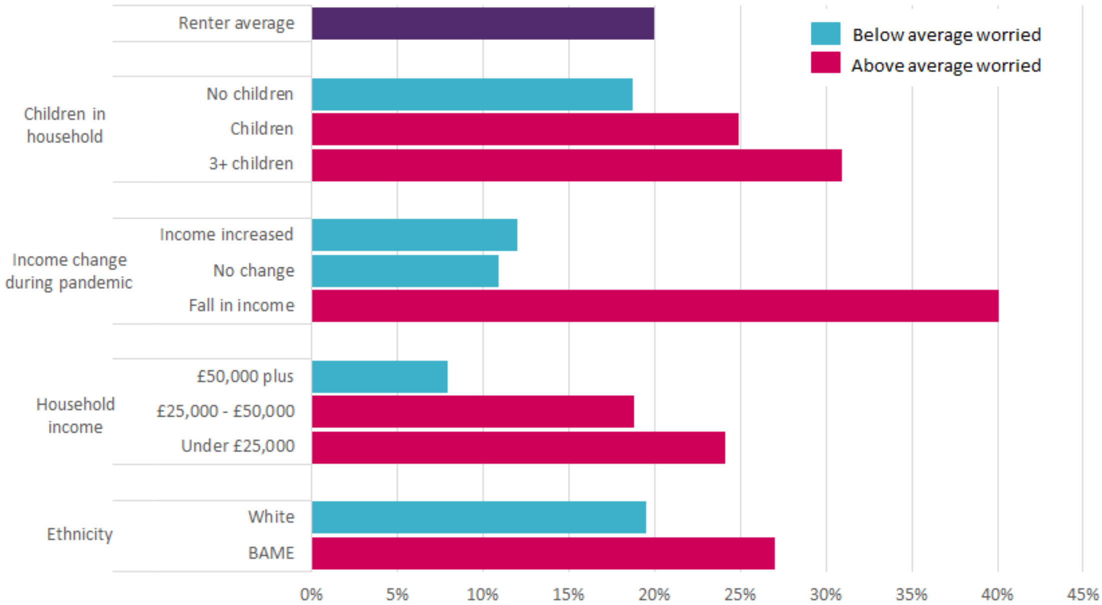
Source: JRF analysis of research conducted by YouGov 4 to 10 May 2021

As society begins to unlock, one in five renters are worried about paying their rent

Some groups are a lot more worried about paying their rent than others (as shown in Graph 3), with the difference being particularly stark for low- and high-income households, and households experiencing income shocks in the pandemic. Overall, 1.7 million renting households are worried about paying their rent in the next three months.

Over three times as many renting households who have had a loss of income through the pandemic are worried about paying their rent over the next three months (40%), compared to households who have seen an increase in income (12%). Similarly, households with gross annual income of less than £25,000 per annum are three times more likely to be worried about paying rent (24%) than households with an income of more than £50,000 per annum (8%).

Graph 3: A higher proportion of renters with children, renters who had a fall in income during the pandemic, those with lower household incomes, and BAME renters were worried about paying their rent between May and August 2021



Source: JRF analysis of research conducted by YouGov 4 to 10 May 2021

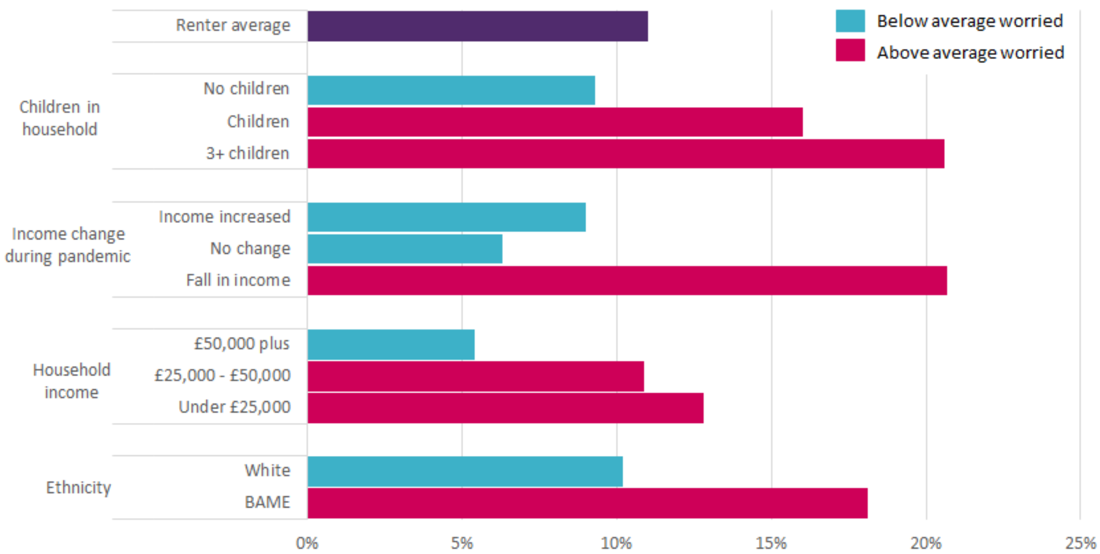
Almost 1 million renting households are worried about being evicted in the next three months, and almost 500,000 are households with children.

The eviction ban, or more precisely the ban on bailiff enforcement of evictions, is due to end on 31 May in England. As such, it is deeply concerning that almost 1 million renting households have said that they are worried about being evicted between now and August. There is a stark contrast between households without children and those with children, particularly households with three or more children. Just over one in five (21%) renting households with three or more children are worried about being evicted in the next three months – more than double that of the 9% of renting households without children.

The same findings are true when we look at those who have lost or gained income through the pandemic. For example, 21% of renters who have lost income are worried about being evicted in the next three months, compared to 6% of renters whose income has stayed about the same. When household income is considered, 5% of renters with a household income greater than £50,000 are worried about eviction in the next three months, but 13% of those with a household income of under £25,000 are worried. BAME renting households are almost twice as likely to be worried about eviction, with 18% being worried about eviction in the next three months compared to 10% of white households.

Furthermore, one in twenty (5%) renters told us their landlord had contacted them to issue a formal eviction notice or to threaten eviction, rising to one in five (21%) renters who are currently in rent arrears. This means there could be over 400,000 renters for whom the prospect of eviction is looming.

Graph 4: A higher proportion of renters with children, those who experienced a fall in income during the pandemic, renters with lower household incomes, and BAME renters, were worried about being evicted between May and August 2021



Source: JRF analysis of research conducted by YouGov 4 to 10 May 2021

450,000 renting households are currently grappling with an unacceptable level of arrears and impossible trade-offs in their spending

We estimate that just under half a million renters (450,000) are currently facing rent arrears. One in ten social renting households (9%) and 3% of private renting households were in rent arrears, although private renters in arrears had much higher levels of arrears on average than social renters. Two thirds (66%) of households currently in rent arrears told us they were also in rent arrears in March 2020. This tells us that too many renters have faced a constant struggle to stay afloat with their housing costs during the pandemic and that support from the Government has been insufficient to help them out of arrears. It also tells us that the problem of rent arrears isn't going away for many renters, and action is needed now to help them stay afloat.

To help address their arrears debt, a third (33%) of renters in arrears turned to borrowing, with a quarter (24%) borrowing from friends or family, one in ten (11%) borrowing from a bank or building society and, worryingly, 7% borrowing from a payday lender. Just under half (45%) spoke to their landlord about what they can afford to pay, while one in five (18%) asked a local authority for support and 14% sought advice from a charity.

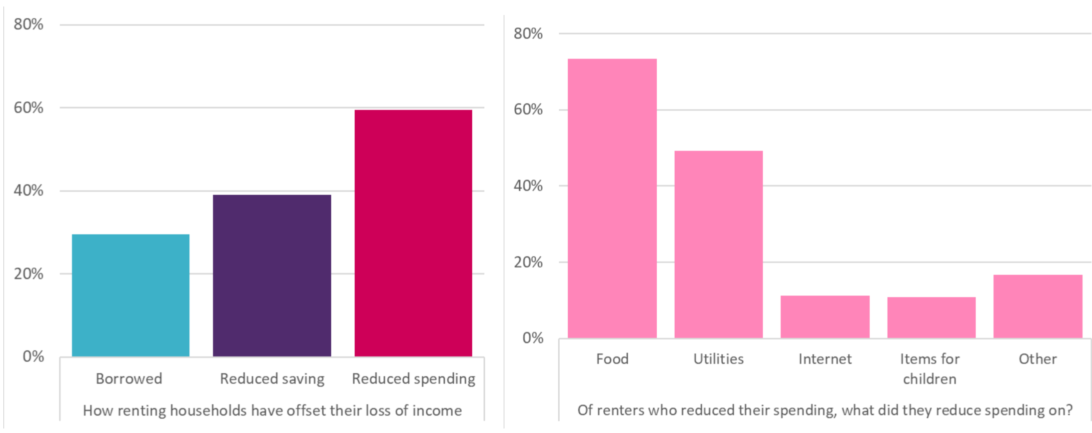
The recovery isn't being felt as strongly by those who have seen a fall in income during the pandemic

Almost 1.5 million renting households (16% of renters) have reduced their spending to offset lost income during the pandemic; this is even before we hit the projected unemployment peak after the furlough scheme winds up and social security support is weakened by cutting Universal Credit by £20 a week this October. This doesn't just reduce the living standards for these households, but it also is worrying for our economic recovery, which is reliant on households' spending increasing as society continues to reopen. Uncertainty about future income, combined with falling into arrears and having to take on more debt can hold back spending, which will impact our economic recovery. The Bank of England has recently incorporated this downside risk of income uncertainty into their forecasts (Bank of England, 2021).

As shown above, those who have had a loss in income since the pandemic began are particularly worried about eviction and paying their rent. And they have also been forced to make impossible trade-offs to manage the lower household incomes, as shown in Graph 5. Just under two thirds (59%) of renters who have had a fall in income during the pandemic have cut back on spending, and more than three quarters (80%) of those households have cut back spending on food or utilities like heating and electricity.

Almost a third (30%) of households that experienced an income fall have had to borrow money to offset the shock. For example, 14% of renting households have borrowed from a bank, building society or payday lender, and because they are renters, rather than homeowners, this is likely to be unsecured lending with high interest rates. In addition, 21% have been borrowing from family or friends – reflecting a hidden cost of the toll the pandemic is taking on households.

Graph 5: 59% of renters who had a fall in income during the pandemic reduced their spending, of whom three quarters (73%) cut back spending on food and half (49%) reduced spending on utilities



Source: JRF analysis of research conducted by YouGov 4 to 10 May 2021

Despite the stark contrast between renters and homeowners, support for homeowners and those on the cusp of ownership has outweighed support for renters through the pandemic

The Government can do more to reduce the risk of a two-tier recovery by directing and sustaining support to those in need. Support during the pandemic has disproportionately been weighted towards homeowners or prospective homeowners with the 95% mortgage guarantee scheme, the coronavirus mortgage payment deferral scheme, and the stamp duty holiday - a generous tax break primarily benefiting already-wealthy asset owners costing an estimated £5 billion. Rising house prices through the pandemic (10.2% increase in the year to March 2021 – highest annual growth rate since 2014) (HM Land Registry, 2021) have benefited existing owners, and made it harder for renters to break into the market, offsetting the benefits that the guarantee scheme could otherwise provide.

For renters, the support received so far is about to come to an end, and for many, the support through the pandemic hasn't been sufficient. The Government has said they intend to take away £20 a week in Universal Credit from the already-precarious incomes of millions of families in October, alongside winding down the furlough scheme. The eviction bans in England and Wales will end in May and June, and while the initial uplift to local housing allowance (LHA) was welcomed, the refreezing of LHA at September 2019 levels from April 2021 has meant a real-terms cut in support, while rents have continued to rise.

The freeze will open up a gap between the support available and the actual cost of rents in local areas. It will hit those who are having to find new accommodation hardest at first, but also tenants who face increases in rents. Rents are on average 2.3% higher now than in September 2019 – when the current LHA rate was set. In November 2020, 1 million private renting households on Universal Credit or Housing Benefit were facing a shortfall between their housing benefit and rents of on average £100 a month (UK Parliament, 2021). This shortfall leaves too many private renters with an impossible decision to make between paying rent, keeping food on the table or turning the heating on. Our analysis shows that four in ten (41%) lower-income private renters reduced spending to avoid arrears. Of those who have not fallen into arrears through the pandemic, just under one in twenty (4%) private renters said they moved in with friends or family or to cheaper accommodation to avoid falling into arrears.

Discretionary Housing Payment (DHP) budgets have been cut by £40 million to £140 million since for 2021/22, and provide no specific provision for rental arrears despite renters still needing support (DWP, 2020). While the Government's Breathing Space scheme is welcome, it fails to provide real financial support with arrears. England is an outlier, as it still has no formal support for those in rent arrears, even while Wales and Scotland have set up loan schemes.

Additional support through Discretionary Housing Payments for households in arrears should be a priority as the eviction ban ends

As this report highlights, many renters are struggling to stay afloat as supports like the eviction ban come to an end. No-one should have to face the nightmare of housing insecurity and endure sleepless nights fearing eviction because they can't pay their rent. All of us should be able to afford a safe home without fear of losing it.

In the short term, the Government must focus on ensuring that those grappling with rent arrears are supported to stay in their homes. As such, the Government should urgently introduce a targeted package of grants to support renters in arrears. As we have previously argued, the Government should use the existing system of Discretionary Housing Payments (DHPs) to direct support to those in need. This will provide quick support to those who need it, and work to minimise the long-term problems that going into rent arrears can create. To implement this effectively, the DHP system would need to be reformed in the following ways:

Firstly, the scheme must be boosted to ensure it can address the scale of arrears currently owed. The Government has repeatedly stated that they have made £180 million available in DHP budgets for local authorities to administer this year, which is £40 million less than last year (MHCLG and DWP, 2020). However, this remains inadequate. This budget covers not just arrears but is also intended to ameliorate the impact of welfare reforms such as the Spare Room Subsidy and shortfalls in LHA. Even if DHPs were able to solely target rent arrears, JRF analysis finds that the scale of the problem dwarfs the support available, with the current funding not even covering our lower estimate of the amount of rent arrears currently owed.

Secondly, the administration of DHPs, and the guidance surrounding it, needs to be reformed to ensure that funds are appropriately targeting those in need. This is set out in detail in Baxter, Casey and Earwaker (2020) and should involve improved guidance and ring-fenced support to address arrears, active engagement towards those who need support with rent arrears (with a particular focus on BAME groups), and reformed criteria to ensure that support goes to those who need it.

We also need to keep the £20-a-week lifeline, build more housing for social rent, and continue to increase LHA in line with local rents to keep struggling households afloat

The Government must also ensure that the social security system is an effective anchor preventing households from being swept into poverty. It must make the £20-a-week uplift permanent and give the same lifeline to people on legacy benefits. It must also commit to building more social rent housing, and continue to increase LHA rates in line with local rents to ensure the benefit keeps pace with increases in housing costs.

Looking beyond the immediate fallout from the pandemic we must learn the lessons from the last 12 months and work to create a more just, secure housing system. Too many renting and low-income households were struggling before the pandemic, and it would be wrong to return to that state. The key to a better recovery is reforming the private rented sector and building a new generation of social housing.

The Government made the welcome announcement in the Queens Speech that it would be bringing forward a white paper on ending Section 21. This is an important opportunity to transform the private rented sector to deliver a more affordable, secure tenure. We must ensure that these reforms work for everyone in the sector and that tenant voices are heard in the design of the legislation. But a reformed private rented sector alone will not free people from the grip of poverty. We must also ensure that we are building far more social housing. Government must commit to delivering 90,000 homes for social rent a year, with a plan for achieving this.

We must ensure that our recovery is not a two-tier one, and that it works to raise the living standards of everyone in society. It would not be right to return to the pre-pandemic world of 14.5 million households in poverty (JRF, 2021), or rising destitution levels, when we have the opportunity to truly build back better.

Notes

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 10,758 adults, of which 2,689 were renters. Fieldwork was undertaken between 4 - 10 May 2021. The survey was carried out online. The figures have been weighted and are representative of all Great Britain adults (aged 18+). Calculations of the number of households were made by combining polling data with figures from the Annual Population Survey 2019.

Details of methodology and figures used to calculate estimates of total rent arrears.

Calculations of the total amount of rental arrears were made by JRF using the polling data. To calculate the total amount of rent arrears in Great Britain we asked respondents whether they were currently behind on their rent payments. Those respondents who indicated that they were behind on their rent payments were asked to estimate the total amount (in pounds) to the nearest £10. In our sample, 134 renters indicated that they were behind on their rent. Of these, 92 gave an estimate of their total rent arrears.

Using this data, we calculated the mean and 95% confidence intervals for rent arrears per household in arrears, with a weighted sample to calculate a lower, central, and upper estimate of the average amount of rental arrears for households behind on rent. To extrapolate these figures out to all renters in Great Britain, we calculated the proportion of renters in rent arrears in our weighted sample, along with the 95% confidence intervals for this figure. We then applied these figures to the number of households living in rented accommodation in Great Britain (calculated from the ONS Annual Population Survey 2019), to calculate a lower, mid, and upper estimate of the number of households in arrears.

To calculate our lower estimate of total rent arrears, we then multiplied our lower estimate of average rent arrears (per household in arrears) with our lower estimate of the number of rented households in arrears. Our central estimate multiplied the central estimate of average rent arrears (per household in arrears) with our central estimate of households in arrears. Our high estimate multiplied the higher estimate of average rent arrears (per household in arrears) with our high estimate of the number of households in arrears. In the briefing, we have used our lower estimate of total arrears.

The lower estimate of total arrears represents a conservative estimate of the amount of rent arrears in Great Britain. Due to uncertainty inherent in these figures, they should not be treated as an exact estimate of total rent arrears. Instead, they are intended as a guide to help identify the level of intervention needed in any policy proposal aimed at tackling arrears in the rental sector. Figures in the table below have been rounded to the nearest thousand.

	Rent arrears, per household in rent arrears (£)	Rented households in rent arrears (%)	Total number of rented households in Great Britain	Number of rented households in rent arrears	Total amount of rent arrears in Great Britain (£)
Lower end estimate	802	4.4	8,931,784	393,000	315,208,000
Central estimate	1,213	5.2		464,000	563,595,000
Upper estimate	1,625	6.0		536,000	870,779,000

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About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - We can solve poverty in the UK **-** and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

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