

Written evidence submitted by Dr Amy Clair

Reason for submission:

I am a social policy researcher working primarily on housing policy, inequalities, and health/well-being. My research and experience are relevant to the terms of the inquiry, and my response focuses broadly on inequalities across tenures, particularly in relation to housing wealth and experiences, and the consequences of this for inequality more broadly.

Introduction

Housing is a significant source of inequality in the UK. The tenure a person lives in will significantly affect their housing experiences, with consequences beyond housing itself. Government support favours owner occupation, through interventions such as Help to Buy and Right to Buy (although this of course varies across the devolved countries). This reinforces the advantages of owner occupation to the detriment of those in other tenures, a trend that has continued, and arguably been exacerbated, throughout the pandemic.

Housing wealth, accessing ownership, and inequality

Housing is one of the main sources of wealth in the UK, and rising housing prices are contributing to increasing wealth inequality. Property wealth (net) accounts for 35% of all wealth in Britain¹, more than double the proportion of wealth accounted for by financial wealth and nearly four times the proportion of wealth accounted for by physical wealth. Household total wealth by tenure is £33,100 for renters, less than one-tenth of that for mortgagors (£352,800), and less than one-twentieth of that for outright owners (£684,600)². Savings figures are even higher for those that own Buy-to-Let property – £942,000³. Housing wealth will have provided some cushioning from the challenges of the pandemic, although at the potential cost of reduced housing security. Renters have no such cushion, and the high cost of renting, in combination with low incomes, means that 80% of social renters and 60% of private renters in England have no savings to fall back on⁴. This is compared to 32% of owner occupiers.

Ownership rates are higher among older age groups, and rates of ownership for younger groups are lower than for previous generations. The change has been dramatic even over a relatively short period of time. For example, in 1990 39% of 20–24-year-olds owned their own homes, compared to just over 10% in 2015⁵. A significant challenge in accessing owner occupation is raising a deposit. The typical length of time required for a household headed by a 30-year-old to save for an average deposit has increased from 3 years in the mid-1980s to

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<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2016tomarch2018>

² £18,300 excluding pension wealth for renters, £202,400 excluding pension wealth for mortgagors, and £396,000 excluding pension wealth for outright owners.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/adhoc/12779medianhouseholdwealthandmortgagedebtbytenureandbuytoletpropertyownershipgreatbritainapril2016tomarch2018>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/602541/Impact_of_family_support_on_homeownership.pdf

19 years in 2016⁶. This situation has worsened during the pandemic – average deposits for first-time buyers increased by over 23%, or £10,000, during the year of the pandemic⁷. This leaves people dependent on financial support, often from family, to access owner occupation. In 2017 over one-third of first-time buyers in England received a gift or loan from their parents in order to access owner occupation. An additional tenth used inherited money⁸. A system with such dependence on family support effectively excludes those without family resources, reinforcing existing inequality. Given the role of housing wealth in overall wealth, and the significant tenure differences in savings, this system disproportionately favours those whose parents are themselves property owners. Government support for entering ownership as it stands does little to improve the situation. The main forms of support, through Help to Buy, are inefficient - benefitting a large number of people who would have been able to buy a property without assistance⁹, as well as driving up house prices¹⁰, exacerbating the inaccessibility of ownership.

This will have significant consequences for equality, reinforcing as it does historical exclusion from owner occupation. For example, there are significant racial inequalities in rates of owner occupation, resulting in inequalities in wealth and health. The median net property wealth of a White British household is £115,000 compared to £0 for households headed by a person of Black African or Black Caribbean ethnicity¹¹. The current policy emphasis on helping those on the verge of ownership will reinforce these racial inequalities.

Lack of support for renters and its consequences for equality

The inaccessibility of owner occupation, as well as the shrinking social rented sector, mean that households are increasingly living in the Private Rented Sector, and for longer periods of time. In contrast to significant government spending on support for those entering owner occupation, spending on support for renters has been significantly reduced with consequences for the health and well-being of renters.

Financial support for renters in the private sector has been hit hard. Most notably, the 2011 reduction in the Local Housing Allowance (LHA) cut the upper limit of support from the median (50th percentile) of local rents to the 30th percentile, as well as changes to the uprating system that previously kept support in line with changing rent levels. These changes created significant gaps between the rents people paid and the support they received, and has been linked with increasing rates of homelessness^{12,13}. I have worked on two papers that investigate the impact of this reduction. Both use the policy change to conduct ‘natural experiment’ type

⁶ <https://www.resolutionfoundation.org/app/uploads/2017/09/Home-Affront.pdf>

⁷ <https://www.lloydsbankinggroup.com/assets/pdfs/media/press-releases/2021-press-releases/halifax/2021.01.22-halifax-first-time-buyer-review.pdf>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/602541/Impact_of_family_support_on_homeownership.pdf

⁹ <https://www.resolutionfoundation.org/comment/helping-or-hindering-the-latest-on-help-to-buy/>
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/499701/Evaluation_of_Help_to_Buy_Equity_Loan_FINAL.pdf

¹⁰

https://assets.ctfassets.net/6sxvmndnnp0s/5vZ3ya1l8S0UQApIWWLAZV/4072f308ee81061ab7a00e6265d60354/2015_09_how_much_help_is_Help_to_Buy.pdf

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<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/householdwealthbyethnicitygreatbritain/april2016tomarch2018>

¹² <https://commonslibrary.parliament.uk/research-briefings/cdp-2019-0199/>

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<https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Summary%20report-5Feb20-pub.pdf>

analysis, comparing trends in outcomes of private renters in receipt of the LHA with trends in outcomes for private renters who do not receive LHA. The first ('Reductions in housing benefit increases depression risk in low-income UK households', published in *American Journal of Epidemiology*¹⁴) explored the impact of the reduction on mental health, finding a statistically significant 2% increase in depression among private renters affected by the change, equating to approximately 26,000 people newly experiencing depressive symptoms. This indicates that the cost savings motivating the cut to the LHA will have been reduced by the mental health consequences – such as health spending and reduced productivity – while also increasing health inequalities. The second ('The effect of Local Housing Allowance reductions on overcrowding in the Private Rented Sector in England', currently under review) investigates the consequences of the LHA reduction on overcrowding. The reduction in the LHA was not met by an equivalent reduction by landlords in terms of rents¹⁵, meaning that households would have to find other ways to meet their housing costs, including potentially downsizing or sharing. My analysis finds that the change in the LHA led to a significant increase in overcrowding among LHA recipients of 5%, equivalent to approximately 75,000 additional households living in overcrowded conditions. Given that intra-household transmission is one of the key means by which COVID-19 has spread^{16,17}, this policy change likely impacted the risk of contracting COVID-19 for LHA recipients.

One of the key interventions on behalf of private renters during the pandemic was to increase the LHA back to the 30th percentile of local rents, reversing the impact of changes to uprating since 2011 that meant that LHA rates had failed to keep up with actual rents. However, the success of this policy change was severely limited by the benefit cap, and the failure to increase the benefit cap to reflect increased LHA rates¹⁸. LHA, or Housing Benefit, is typically the benefit most affected by the benefit cap. The number of households hit by the benefit cap almost doubled between the start of the pandemic and May 2020¹⁹.

Reducing spending on support for renters is justified by high levels of spending on Housing Benefit/LHA. However, these high spending levels are driven by more people living in the private sector as well as high private rents. These are not the fault of renters. Housing Benefit was intended to protect renters from increasing rents in the absence of rent regulation²⁰. Promotion of housing as an investment, through private landlordism and perpetually increasing house prices alongside underinvestment in the social rented sector, has led to high Housing Benefit spending. Cuts to LHA punish private renters for a situation which they did not cause, undermining their ability to access secure and affordable housing.

The challenges of being excluded from owner occupation

Renters are unable to accumulate property wealth, which accounts for 35% of national wealth, in the same way as owner occupiers, and have their saving potential reduced by high rents. There are other disadvantages to being excluded from owner occupation. Lack of social housing means that many are forced to live in the private sector. The private rented sector in

¹⁴ <https://academic.oup.com/aje/article/184/6/421/2576058>

¹⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/445618/rr871-lha-econometric-analysis-of-the-impacts-of-reforms-on-existing-claimants.pdf

¹⁶

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/952799/s1020-Reducing-within-between-household-transmission.pdf

¹⁷ <https://www.bmj.com/lookup/doi/10.1136/bmj.m3181>

¹⁸ https://publications.parliament.uk/pa/cm5801/cmselect/cmworpen/178/17803.htm#_idTextAnchor004

¹⁹ <https://www.insidehousing.co.uk/news/almost-100-increase-in-households-being-hit-with-benefit-cap-during-pandemic-67425>

²⁰ <https://researchbriefings.files.parliament.uk/documents/SN06760/SN06760.pdf>

England has, on average, poorest quality, most expensive, and least secure homes²¹. These are likely contributors to the lower levels of health among private renters compared to owner-occupiers and social renters²².

Overcrowding, a significant threat to health, is highest in the social rented sector where properties are smallest, reflecting policy decisions, notably the Right to Buy (and lack of replacement of homes) and ‘Spare Room Subsidy’. Social housing is secure and, on average, the highest quality tenure²³ but this masks severe quality issues where social housing has not received the support it requires and its tenants deserve. The social sector is also subject to considerable stigma, and threats of displacement under the guise of regeneration. As a result there are significant inequalities across tenures in terms of the extent households can achieve any meaningful sense of home.

This tenure inequality has been exacerbated by the government response to the pandemic. A mortgage holiday of up to 6 months has been arranged for mortgagors, but financial support for renters has been limited to the uprating of the LHA, limited as this was by the Benefit Cap. Left to negotiate individually with letting agents and landlords, only 2% of social renters and 5% of private renters were able to negotiate lower rents or rent holidays when the country went into lockdown²⁴. Now in addition to the lower levels of wealth and savings that renters have compared to owner occupiers, lack of support means that they are facing additional housing debt. Citizens Advice estimate that it will take renters 7 years to pay back accrued arrears²⁵.

In contrast to the more comprehensive support for owner occupiers to remain their homes, protection against eviction has varied across the UK. New Private Residential Tenancies in Scotland, for example, protect renters against ‘no-fault’ evictions which are a significant cause of homelessness in England²⁶. While there were eviction bans in England at different stages of the pandemic, it is estimated that 130,000 households were made homeless while these were in place²⁷. The eviction ban in England is now over and there are fears that huge numbers of households, who, without support, have fallen into rent arrears will be made homeless²⁸. This lack of financial support for renters contrasts with the reality that renters are more likely to be employed in sectors hit by COVID-19, and an estimated 3 million people²⁹ have not been covered by the Coronavirus Job Retention Scheme (furlough) or the Self-Employment Income Support Scheme.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf

22 <https://jech.bmj.com/content/73/3/256>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf

24 <https://www.resolutionfoundation.org/app/uploads/2020/05/Coping-with-housing-costs-during-the-coronavirus-crisis.pdf>

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<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Housing%20Publications/New%20year,%20same%20arrears.pdf>

26 <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

27 <https://www.theguardian.com/society/2021/jun/13/at-least-130000-households-in-england-made-homeless-in-pandemic>

28 https://england.shelter.org.uk/media/press_release/chancellor_must_act_to_tackle_rent_debt_crisis

29 <https://www.theguardian.com/business/2021/feb/04/fix-gaps-in-furlough-for-self-employed-workers-government-urged>

Conclusions

Housing is a human right³⁰, but even before the pandemic the right to housing was arguably not met in the private rented sector³¹. While there have been improvements in conditions for renters, notably the Tenant Fees Act, Homes (Fitness for Human Habitation) Act, and Scottish private rental reform, there remain a number of areas for improvement. These include greater support for social (Council) housing, raising the LHA, removing the ‘bedroom tax’ and Shared Accommodation Rate, improving housing standards, and adequately funding the enforcement of protections for renters. In England where the eviction ban has ended, meeting the promise to ensure that no one loses their home because of the pandemic, as well as protecting renters from evictions more broadly, should be a priority. Inequalities in housing, particularly across tenures, represent policy choices rather than inherent differences. Policy changes have the potential to significantly improve inequality and quality of life.

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³⁰ <https://www.refworld.org/pdfid/47a7079a1.pdf>

³¹ <https://policy.bristoluniversitypress.co.uk/a-watershed-moment-for-social-policy-and-human-rights>