SPOTLIGHT

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Coping with housing costs, six months on...

New findings from the Resolution Foundation's COVID-19 survey – wave two

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In this spotlight, we use results from a new Resolution Foundation/Health Foundation survey to explore the impact that housing costs are having on living standards as the COVID-19 crisis continues to unfold. Despite some improvements in the labour market since the spring, housing costs continue to be a serious concern for many households as they struggle to cover their rent or (more rarely) mortgage payments in the face of often significant (and for some, increasingly enduring) income shocks.

In many respects this is not a surprise. Housing is often the largest single cost a household has each month, and one that is usually hard to adjust short-term. Here, we document the strategies that lenders and landlords, tenants and home owners have used over the last few months to make housing costs more manageable. But from mortgage holidays to rent reductions, cutting spending to borrowing, many of the coping strategies of the last six months appear to be wearing thin.

Given this, it is time for policy makers to think hard about preventing high housing costs making a bad living standards crisis worse. Those who are struggling need to know the benefits system will continue to take the strain, and that they are secure in their homes as we enter the winter months. But in the long-term, the cost of housing needs to adjust to a level more suited to these straitened times.

Back in May this year we published results from a new representative survey of 6,000 UK working-age adults showing how they were managing their housing costs at the outset of the pandemic. But that was then, and this is now. Given that housing is often the single largest fixed cost that households have each month, and one that can be difficult to flex with ease, it plays a critical role in determining living standards especially in periods when earnings change rapidly. Consequently, in this spotlight we return to the housing costs question, presenting new evidence that shows how working-age individuals are managing on this score from an updated survey – fielded in September 2020 to a similar sample as in May.[i]

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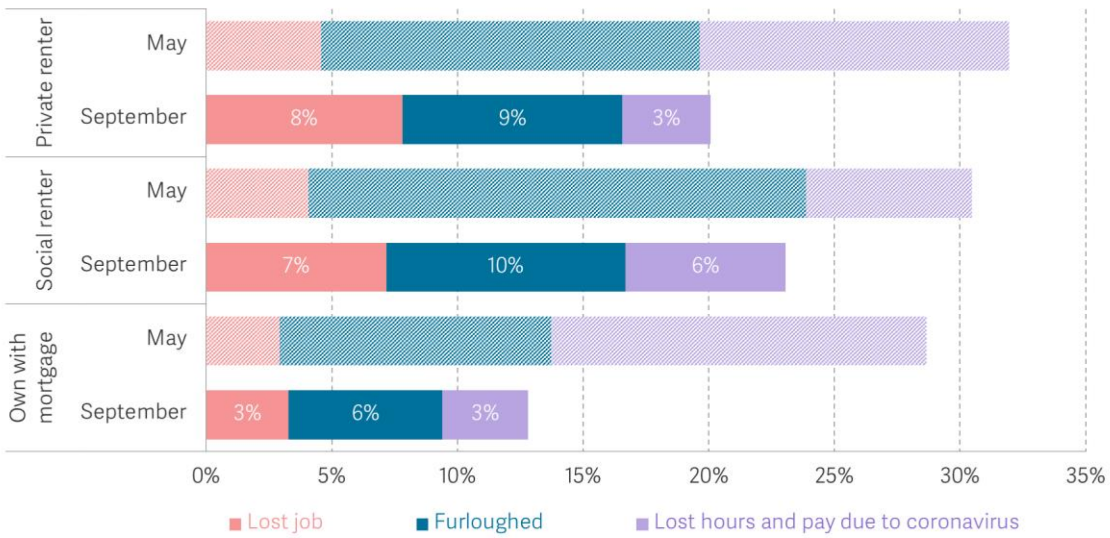
Renters have taken the biggest earnings hit to date, and are more precariously positioned for the future than home owners

So just what has happened to the earnings of those with different types of housing costs since COVID-19 took hold this spring? We begin our exploration of this question with Figure 1, which shows how those in different tenures have fared in the labour market in recent months (we exclude outright owners from the picture because their housing costs are largely negligible). As this makes clear, earnings falls were experienced relatively equally across all tenures in the early part of the crisis. Today the picture has changed: while hits to earnings have dropped across the board, the *differences* between tenures when it comes to adverse labour market experiences have widened. Most worryingly, both private and social renters are now more than twice as likely than mortgagors to have lost their job (8 per cent of private renters and 7 per cent of social renters, compared to 3 per cent of mortgagors), a finding that is consistent with our recent work showing younger and lower-paid workers (who are more likely to be renters) are bearing the brunt of the COVID-19 jobs crisis.

Figure 1 **A higher share of renters is now reporting job losses compared to May**

Proportion of working age adults in employee jobs in February experiencing job change since coronavirus outbreak, by tenure: UK, 6-11 May and 17-22 September 2020



Notes: September figures base = all UK adults aged 18-65 with an employee job in February who provided information on tenure type (n=4,436). Base by categories: Private renter n=947; Social renter n=221; Own with mortgage n=2008. May figures originally published in L Judge, Coping with housing costs during the coronavirus crisis, Resolution Foundation, 30 May 2020. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

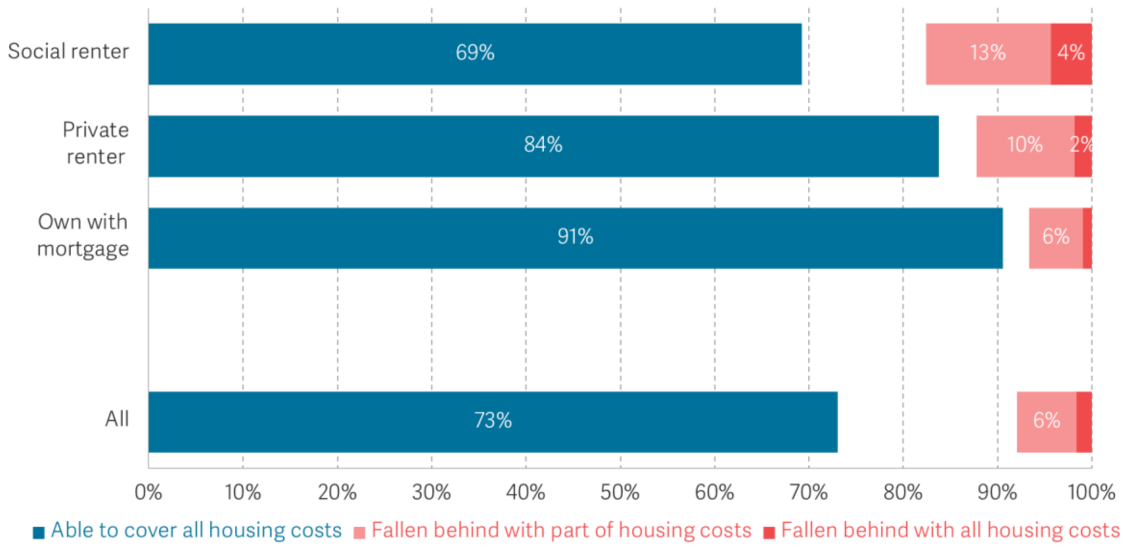
Moreover, the future looks less propitious for renters too. While total rates have fallen across the board over time, 10 per cent of social renters and 9 per cent of private renters reported being on furlough in early September, compared to 6 per cent of mortgagors. This leaves them in a potentially precarious position with the end of the original Job Replacement Scheme programme (on 31 October), with the risk of redundancy or being transitioned onto one of the less generous replacement schemes. This hunch is confirmed elsewhere in our survey. We note, for example, that 15 per cent of private renters and 13 per cent of social renters currently in work are worried they might lose their job in the next three months, compared to 11 per cent of those with a mortgage.[ii]

Housing stress remains stubbornly high despite labour market improvements since May

Despite the somewhat improved labour market picture presented in Figure 1, we see no abatement in the levels of 'housing stress' we observed back in May (for results then, see our previous briefing). Figure 2 sets out the position in September. As this makes clear, more than one-in-six (17 per cent) of social renters report being behind on all, or part, of their housing costs, with nearly one-in-eight (12 per cent) private renters also unable to cover their rent in full (this compares to one-in-fourteen – or 7 per cent – of mortgagors for part of housing costs). These stubborn rates of arrears most likely reflect the fact that housing stress can build over time: while some of those who were struggling in May will now have seen their earnings improve, others will have exhausted the strategies they were employing to manage their housing costs.

Figure 2 **Renters of both stripes are more likely than mortgagors to be unable to cover their housing costs in full**

Proportion of working age adults, by ability to cover housing costs since coronavirus outbreak and tenure: UK, 17-22 September 2020

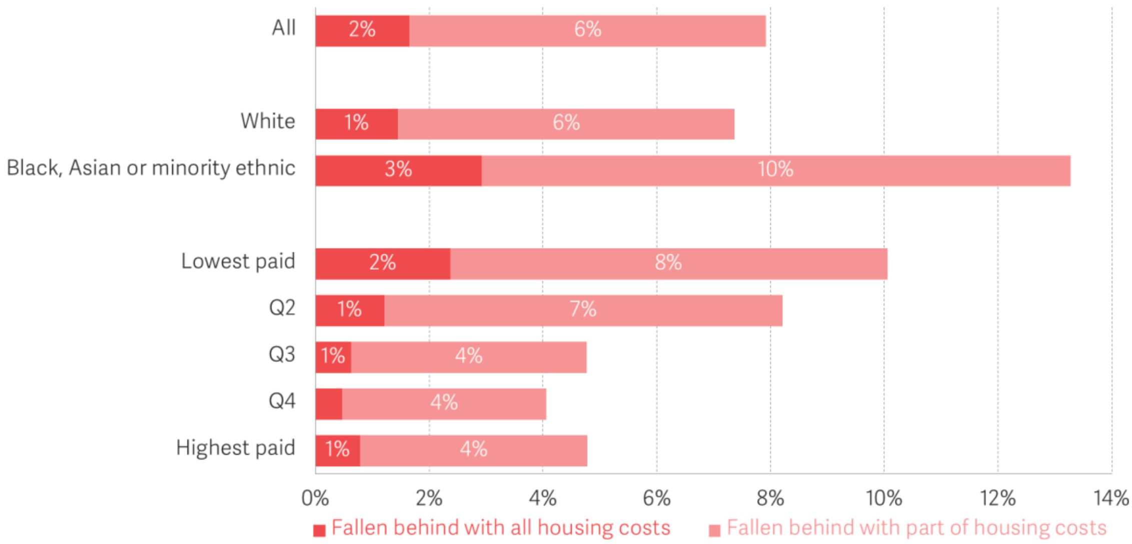


Notes: Base = all UK adults aged 18-65 who provided information on tenure type and housing costs (n=6,061). Base by categories: Private renter n=1235; Social renter n=443; Own with mortgage n=2250; Own outright n=1176. The gaps in the middle of each set of bars include people who responded 'Other', 'Not applicable - I don't have any housing costs' or 'Prefer not to say'. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Furthermore, when we examine the ability to afford one's housing costs through lenses other than tenure, more striking findings emerge. In Figure 3 we show, for example, that close to one-in-seven black, Asian or minority ethnic adults are currently behind on housing costs, almost double the one-in-fourteen (7 per cent) of white respondents who report being in that position. (This is even more distressing when put together with our recent work that shows how people of colour are also more likely to live in low quality housing). Likewise, we can see the impact the crisis has had on the lowest paid workers, who we know have been harder hit by job loss and reduced hours than those further up the pay distribution. Those in the lowest pay quintile are twice as likely to be in housing costs arrears than those in the highest quintile (10 per cent to 5 per cent respectively).

Figure 3 **Black, Asian and minority ethnic individuals are twice as likely as their white counterparts to be struggling with housing costs**

Proportion of working age adults, by ability to cover housing costs since coronavirus outbreak by ethnicity and pay quintile: UK, 17-22 September 2020



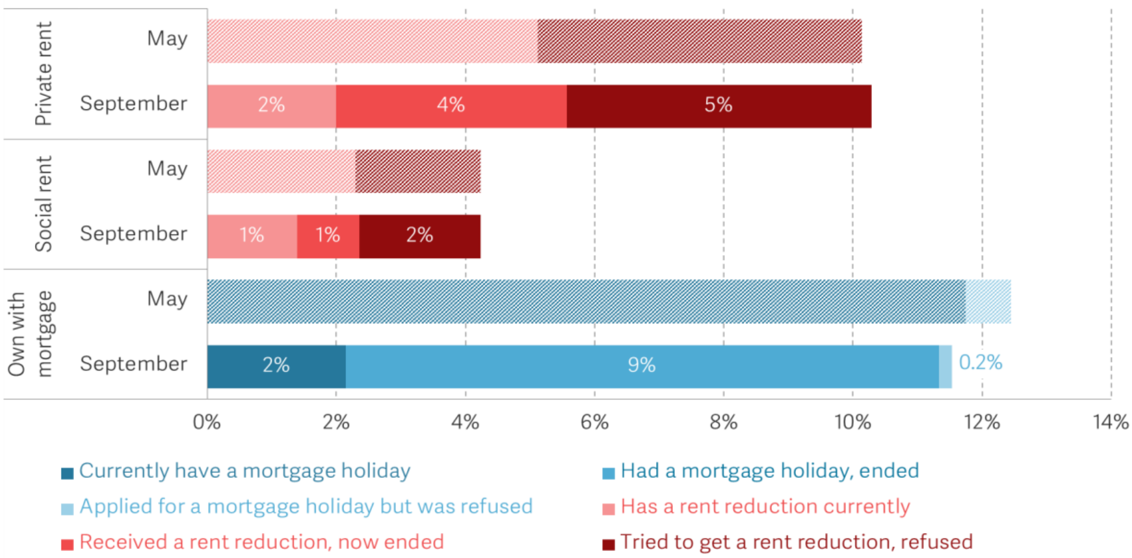
Notes: Base = all UK adults aged 18-65 who provided information on housing costs (n=6061). Base by categories: White n=5345; BAME n=395; Lowest paid n= 638; Q2 n=653; Q3 n=626; Q4 n=636; Highest paid n=634. Pay quintiles are based on weekly net (take-home) usual pay prior to the coronavirus outbreak, for all employees. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Lender and landlord forbearance has reduced, but many are still employing strategies to cope with their housing costs

Both formal and informal measures were put in place in the earliest days of the crisis to reduce the housing costs of those hard-hit by the pandemic. Figure 4 suggests, however, that such support for both renters and mortgagors is now in retreat. Looking first at informal arrangements negotiated by tenants in the early days of the pandemic, we note that only 2 per cent of private renters, and 1 per cent of social renters, currently have rent reductions in place (this compares to 5 per cent and 2 per rent respectively back in the spring). While there may be good reasons for this (a return to work after a period on furlough, for example), this also hints at the possibility that landlord clemency has reached its limits. More formally, mortgagors are also reporting falling levels of help with housing costs: 9 per cent of those surveyed report their mortgage holiday had already ended, while the 2 per cent whose payments are still in abeyance are likely to see this end over the coming months, with [October 31](#) the final deadline for new mortgage holiday applications.

Figure 4 **Both renters and mortgagors report less landlord and lender forbearance**

Proportion of working age adults acting to reduce housing costs since coronavirus outbreak, by tenure: UK, 17-22 September 2020

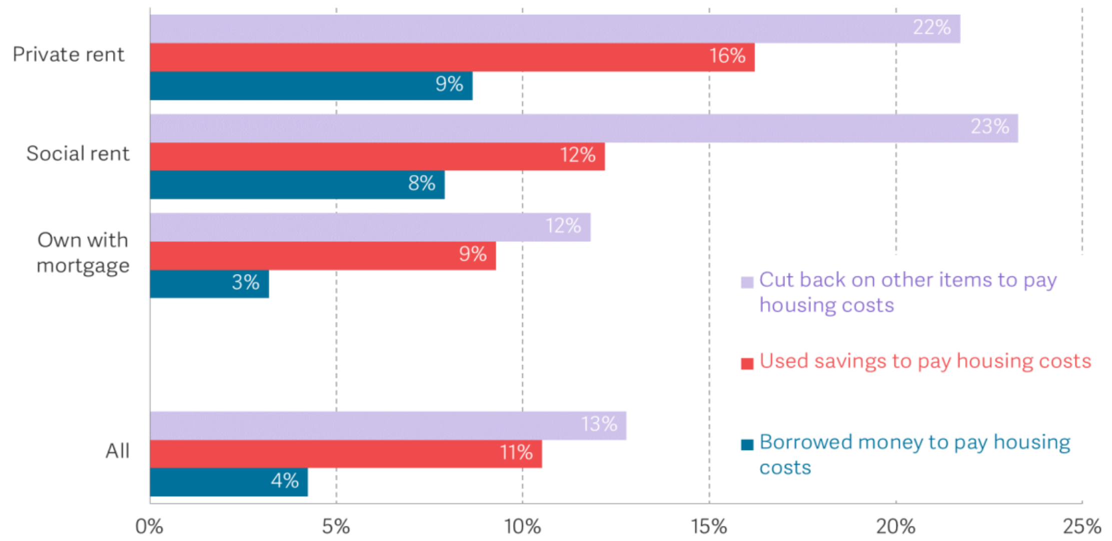


Notes: Base = all UK adults aged 18-65 who provided information on tenure type and housing costs (n=6,061). Base by categories: Private renter n=1235; Social renter n=443; Own with mortgage n=2250.These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Of course, this picture could be simply explained by less need for housing cost support: after all, as Figure 1 suggests, the earnings of some (and especially mortgagors) have returned to pre-pandemic levels. But Figure 5 cautions somewhat against such a rosy explanation, with close to one-in-seven (13 per cent) currently cutting back on other items to afford their housing costs; more than one-in-ten (11 per cent) using savings; and close to one-in-twenty (4 per cent) needing to borrow money to cover their rent or mortgage. Moreover, when we break these results out by tenure we note that private renters are especially exposed: over one-in-five (22 per cent) report cutting back on other types of spending to manage their housing costs, for example, and worryingly nearly one-in-ten (9 per cent) are running up debt to pay the rent.

Figure 5 **Over one-fifth of private and social renters have cut back on other types of spending to cover housing costs**

Proportion of working age adults acting to reduce housing costs since coronavirus outbreak, by tenure: UK, 17-22 September 2020



Notes: Base = all UK adults aged 18-65 who provided information on tenure type and housing costs (n=6,061). Base by categories: Private renter n=1235; Social renter n=443; Own with mortgage n=2250. Multiple responses allowed so categories are not mutually exclusive. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

The state is helping a growing number with their housing costs, but some will see shortfalls in support

With the COVID-19 jobs crisis only likely to worsen in the months ahead, policy has a key role to play if housing costs are not to become an even more serious pressure on strapped household budgets. Of course, the most direct way that the state can help with housing costs when incomes fall is via Universal Credit (UC) and Housing Benefit (HB), and welcome changes were made to the generosity of both back in the spring. In **Error! Not a valid bookmark self-reference.** we show the share of each tenure type in receipt of UC or HB in February and in September of this year, and note that the benefit system is indeed taking more of the housing costs strain, with the proportion receiving support up from 8 per cent in the spring to 10 per cent today. Most strikingly, we note that the claimant rate of private renters has increased by 33 per cent in this period, indicating that the earnings hits they have experienced have reduced incomes to a point at which many more of this group have become eligible for support.

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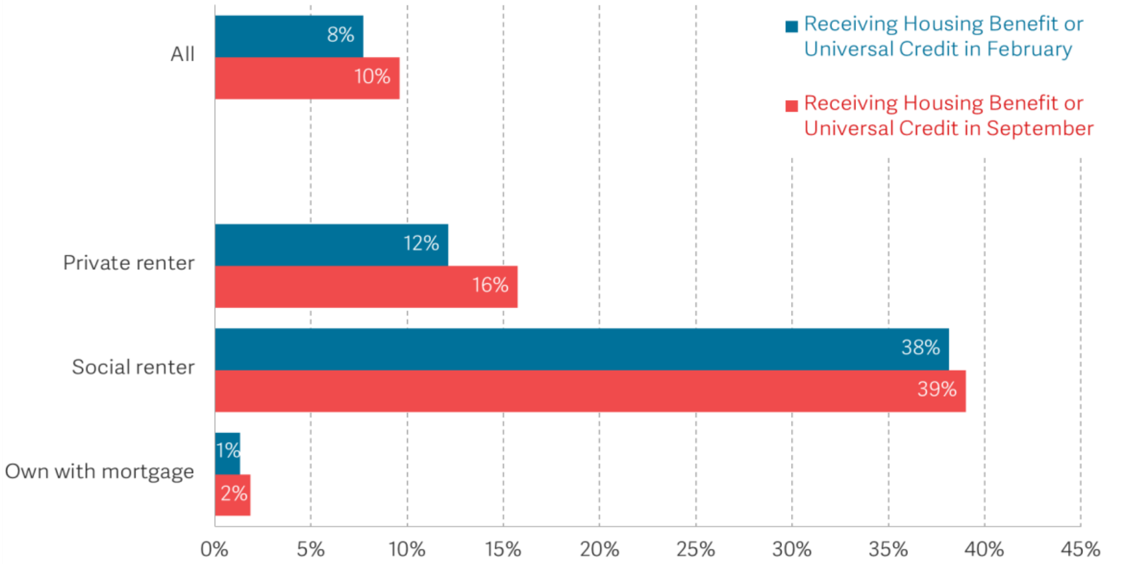
Figure 6 **Private renters have seen significant rises in benefit take-up during the pandemic**

Proportion of working age adults in receipt of housing benefit or Universal Credit, by tenure: UK, pre-COVID 19 (i.e. February) and 17-22 September 2020



Notes: Base = all UK adults aged 18-65 who provided information on tenure type and benefit take-up (n=6,061). Base by categories: Private renter n=1235; Social renter n=443; Own with mortgage n=2250. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

But this chart raises three red flags. First, as we have explored in previous work, new private renter claimants will see benefit support fall short of what they actually need to pay the rent if their housing costs exceed current Local Housing Allowance rates (a strong likelihood given they most likely did not choose their homes with benefit levels in mind). Second, renters with high housing costs that claimed in the early days of the pandemic face potentially running up against the benefit cap once the nine-month grace period expires. And third, while there are only 2 per cent of mortgagors currently claiming UC, they receive no support with their housing costs until nine months of worklessness (at which point they must apply separately to a little-known loan facility called Support with Mortgage Interest). This may be a small share receiving no support from the benefits system with their housing costs, but mortgagors are a large population, and one that certainly finds it harder to move than renters in order to reduce costs longer-term.

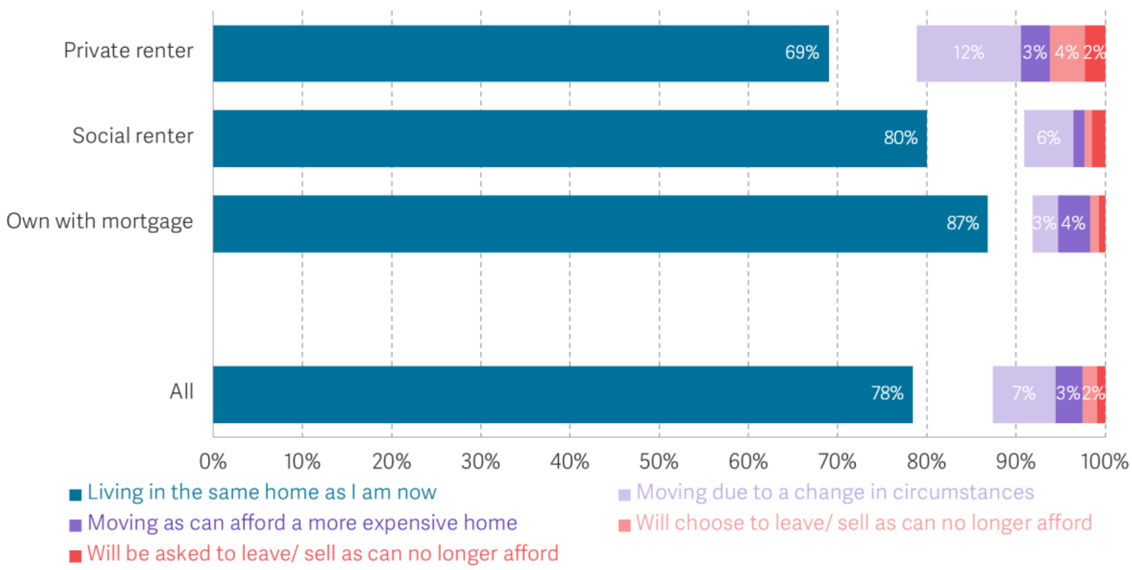
Urgent action is needed if housing cost pressures are not to make a bad living standards crisis worse

In the absence of more generous support from the benefits system (or further leniency from landlords and lenders), the future looks tough for many when it comes to managing their housing costs. So how do people expect the coming year to play out? Figure 7 shows where the respondents to our survey expect to be living in twelve months. More than three-in-ten

(31 per cent) of private renters do not expect to stay put or do not know where they will be living in one year's time, unsurprising given that this is the most mobile of tenures, but 5 percentage points higher than the 25 per cent who move (in England at least) in any 'normal' year.[iii] While many of these moves look set to be for positive reasons (being able to afford a better home, for example, or change in circumstances such as moving in with a partner), 2 per cent of private renters expect to be asked to leave their current tenancy due to their inability to pay their rent (and a further 4 per cent plan to take the leap to cheaper accommodation before they are pushed). With the moratorium on evictions having ended in September (albeit with the requirement that landlords give tenants in arrears six months' notice of repossession), this figure suggests around 200,000 private renters in England could face eviction in the UK over the next year.[iv]

Figure 7 **Six per cent of private renters expect to leave their homes because of cost pressures in the coming year**

Proportion of working age adults, by expectations of living situation in twelve months' time, by tenure: UK, 17-22 September 2020



Notes: Base = all UK adults aged 18-65 who provided information on tenure type (n=6061). Base by categories: Private renter n=1235; Social renter n=443; Own with mortgage n=2250. The gaps in the middle of each set of bars include people who responded 'Other', 'Don't know' or 'Prefer not to say'. These figures have been analysed independently by the Resolution Foundation.
Source: RF analysis of YouGov, UK Adults aged 18 to 65 and the coronavirus (COVID-19) – September wave.

Losing one's home because of financial pressure is never a good outcome, first and foremost for the individuals concerned but also for the state: think homelessness, for example, or even macroeconomic instability in the event of a large number of foreclosures. As we enter a period when wage subsidies are being reduced and higher benefit levels are not yet secured (with huge cuts currently scheduled for April), *and* the early strategies adopted by lenders, landlords and individuals wear thin, robust action on housing costs is crucial if large numbers of families are not to be put under acute strain. A clear commitment from Government to maintain the current level of housing costs support (at the 30th percentile of local rents) would be a big step in the right direction, as would a prolonged suspension of the benefit cap and extension of the evictions ban. But in the final analysis, the benefit system and the courts cannot resolve the fundamentals: that housing costs are often unaffordable, and need to be encouraged to move to a 'new normal' (we see no evidence to date of private rents moving towards a new equilibrium for example). The key question is, how can policy makers encourage that to happen?

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[i] The survey was designed and commissioned by the Resolution Foundation, in partnership with the Health Foundation (although the views in this note are not necessarily those of the Heath Foundation). It was conducted using an online interview administered to members of the YouGov Plc UK panel, which is made up of 800,000+ individuals who have agreed to take part in surveys. The total sample size was 6,061 adults, aged 18-65 and fieldwork was undertaken during 17-22 September May 2020.

[ii] Base = all UK adults aged 18-65 in employment in September who provided information on tenure type (n=4252). Base by categories: Private renter n=900; Social renter n=212; Own with mortgage n=1962.

[iii] Figure derived from data in MHCLG, English Housing Survey headline report 2018-19, Fig 1.10. The 25 per cent mobility rate we estimate is for the total private renter population and not just working age, but it should be noted that private renters are overwhelmingly working age.

[iv] Figure calculated by applying 2 per cent to total number of individual working age private renters in ONS, Labour Force Survey 2019q4.