Policy in Practice

New analysis: Privately renting low-income Londoners set to be £1,900 a year worse off, on average, by 2022 due to removal of Covid support and rising housing costs

Findings from new data-led analysis show how Covid support measures and falling rents have played a vital role in helping the most vulnerable Londoners cope financially through the pandemic. However, low-income Londoners on Universal Credit who rent privately will be on average £1,900 per year worse off by next year due to the removal of support and an expected rise in housing costs.

Tracking the impact of the pandemic on low-income households is vital to understanding how to promote economic regeneration and how councils can best support their residents.

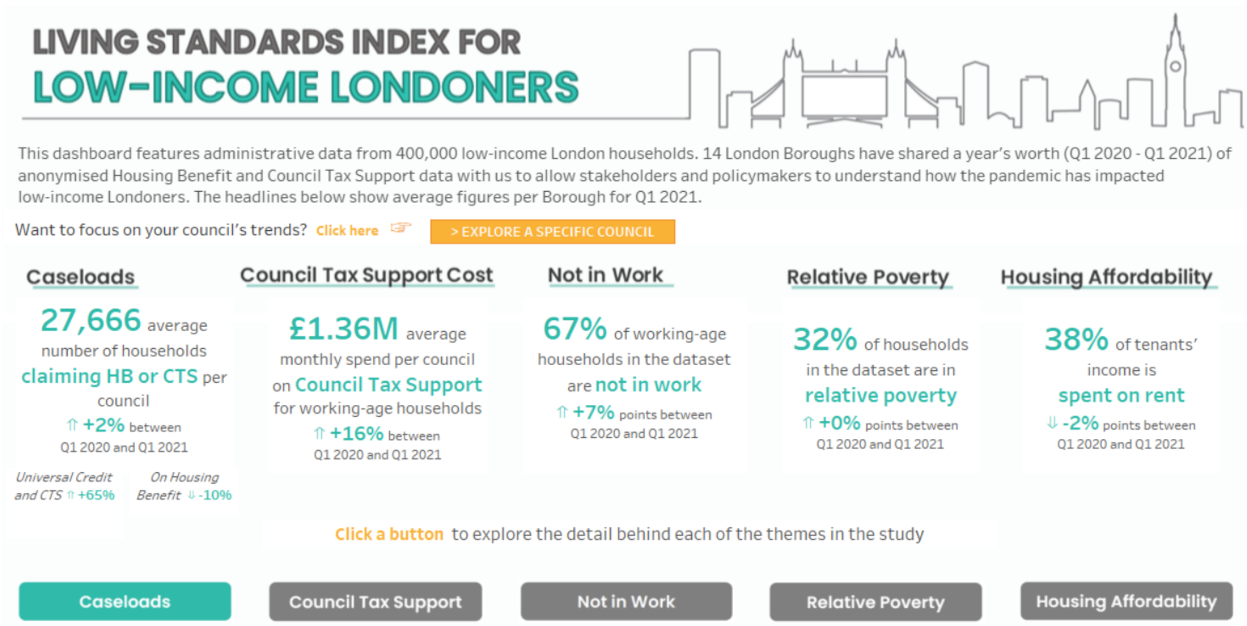
Current approaches to monitoring outcomes for low-income households do not meet the level of detail necessary for local authorities to make decisions about the support they will need to provide in a manner that is timely and specific to their local area.

For example, the Family Resources Survey, whilst providing insights at a household level, is only available annually and does not help councils to react to rapidly changing circumstances. The Department for Work and Pensions' StatXplore, by contrast, is updated regularly but does not contain information on household level earnings and costs that would allow councils to closely monitor the impact of the pandemic on their vulnerable residents.

To overcome these limitations, Trust for London has backed a project to analyse London Boroughs' benefits administration data, which covers over 400,000 low-income households, to understand how the pandemic has affected people on the lowest incomes.

The results are helping councils to understand changes in benefit caseloads, council tax support costs, households not in work, poverty and housing affordability across London. This analysis is brought together in our newly refreshed public facing dashboard: the Living Standards Index for London.

Policy in Practice will continue to collect this data on a monthly basis, enabling councils to monitor outcomes for low-income Londoners during the economic recovery from the pandemic.



This timely and informative analysis was made possible thanks to the ongoing support from Trust for London and the pooling of administrative datasets from 15 London Boroughs. The analysis covers the period of pandemic impact. It tracks data on Housing Benefit and council tax support claimants from before the pandemic in early 2020 to the first quarter of 2021 (depending on data availability). To learn about how you can join this project and get detailed insights into how your residents are impacted by the pandemic please email hello@policyinpractice.co.uk

In June 2021 we issued our first Phase Five report, which evaluated the impact of the pandemic on Housing Benefit and council tax support (CTS) caseloads and CTS costs.

Key findings from that report included:

- Caseloads have, on average, increased by 2% per London Borough
- Overall, households claiming Universal Credit and CTS have risen by 65%
- There was an average increase in CTS costs of 16% for each borough, or 1% of councils' overall spending power
- There were notable differences in caseload change between boroughs

This second Phase Five report focuses on the final three metrics we have been tracking: households not in work, relative poverty, and housing affordability.

Analysis of these metrics reveals complex, overlapping factors affecting financial outcomes for low-income Londoners over the past year. Taken together, these provide visibility over the impact of the pandemic on the lives of these residents.

New data-led analysis on low-income Londoners: Three key findings

1. **The £20 per week uplift to Universal Credit, a fall in private rental costs, and a boost to housing support have kept many low-income Londoners out of poverty during the pandemic.** Subsequently, the removal of the Universal Credit uplift, the refreezing of housing support and a projected rebound in private rents will leave privately renting households on Universal Credit an average of £1,900 per year worse off than they are now.

2. **The proportion of low-income households that are out of work has risen by 7 percentage points since before the pandemic, from 60% to 67%.** This represents an average rise of over 1,800 households per borough in the study (11,820 out of work households per borough in Q1 2020 to 13,651 in Q1 2021). The ending of the CJRS from October is likely to cause many more households to become unemployed, further undermining the economic recovery for low-income Londoners.

3. **Households not in work, relative poverty and housing affordability vary considerably between boroughs.** Boroughs have also seen different rates of change in these metrics since the start of the pandemic and what looks like stability across the city can mask significant local fluctuations.

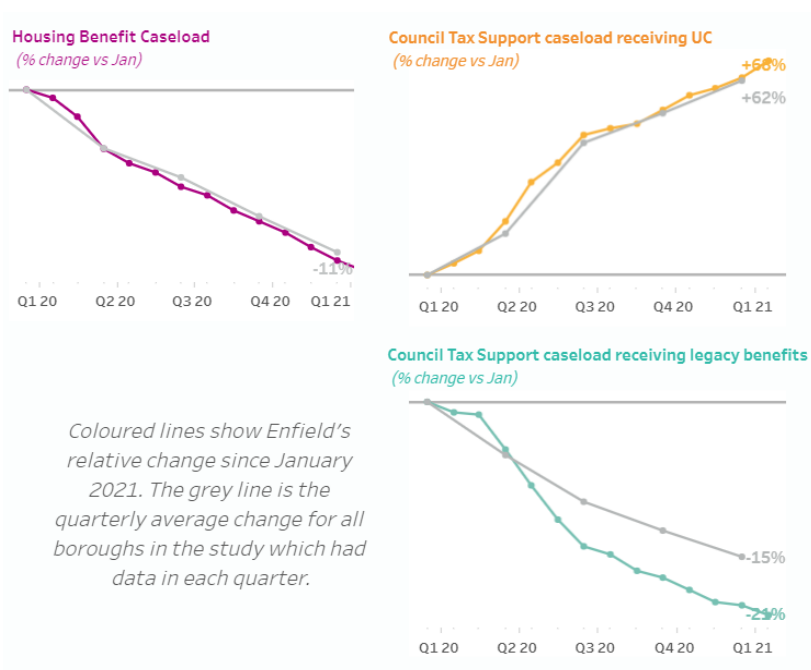
Whilst the percentage of households not in work has risen, the percentage of low-income households in relative poverty has remained relatively stable and the percentage of income spent on rental costs has reduced slightly. This may point to the success of coronavirus support measures, such as the Coronavirus Job Retention Scheme (CJRS), Self Employed Income Support Scheme (SEISS) and the £20 per week uplift to Universal Credit, in boosting the income of low-income households and mitigating some of the economic shocks caused by the pandemic.

An increase to the Local Housing Allowance in April 2020 combined with a stagnating private rental market has also had a positive effect on housing affordability for households in the dataset.

Although this may sound like a tentatively positive outcome, the stability for low-income Londoners is likely to be short-lived. Paradoxically, low-income Londoners could become substantially worse off as the economy recovers. This is because Covid support measures are set to be removed, plunging benefit support back to an inadequate level, whilst the private rental market is expected to bounce back to at least its pre-pandemic position.

Combined with high and rising unemployment, which will be worsened by the end of furlough and the Self Employed Income Support Scheme in October, there is a danger that low-income Londoners could be left behind as the economic recovery progresses. This may lead to an increased need for local discretionary support and a further rise in council tax support costs, putting even more pressure on councils' budgets.

Participating councils can see how they compare to other councils across the five metrics in our [interactive dashboard](#).



Coloured lines show Enfield's relative change since January 2021. The grey line is the quarterly average change for all boroughs in the study which had data in each quarter.

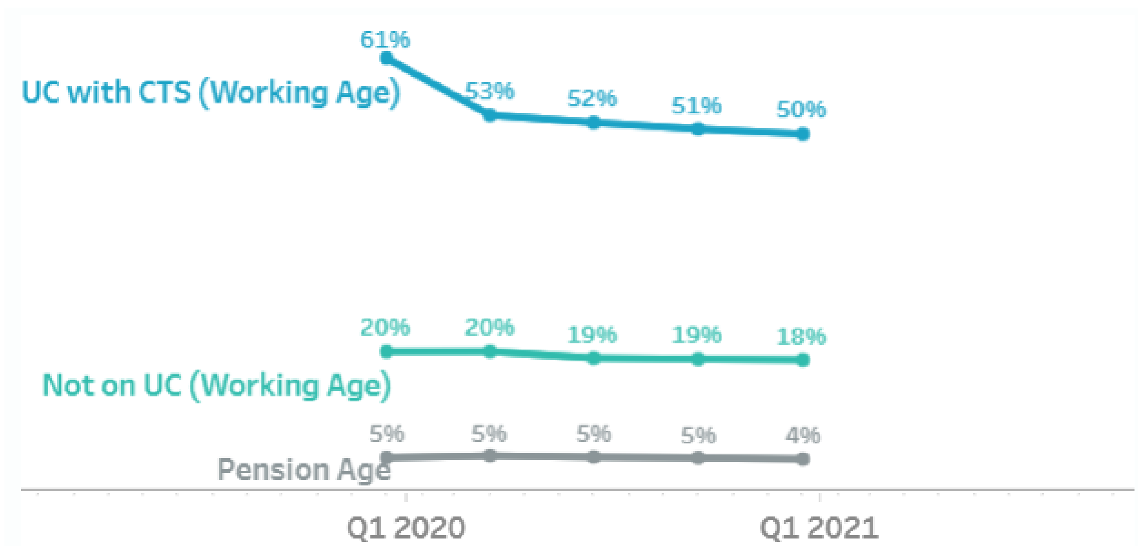
The factors that have kept many low-income Londoners out of poverty are changing, meaning thousands will be worse off

The percentage of low-income households that are below the relative poverty line has remained stable at 32% since the start of the pandemic, whilst the average percentage of income that low-income households spend on rent has reduced slightly, from 40% to 38%, despite rising unemployment and difficult economic conditions.

This is likely due to a range of factors, including:

- The £20 per week Universal Credit uplift, introduced in April 2020, increased the income of households on Universal Credit, reducing the percentage of these households in the dataset that are below the relative poverty line from 61% to 53% between Q1 and Q2 2020.

Figure 4: Percentage of low-income households below the relative poverty line, by quarter



- Relative poverty is based on the relationship between household income and the median household income in the UK. During the pandemic the median income declined, caused by job losses and a large number of people on furlough receiving 80% of their usual salaries. This exerted a downward effect on the level of income at which a household would be determined to be in relative poverty. Therefore, although incomes of low-income Londoners have reduced, this is not reflected in the relative poverty measurement

- The pandemic led to a downturn in London's private rental market, meaning many low-income households were able to benefit from lower rents. The average monthly rent for privately renting households in the dataset dropped by £71 per month, or 6.6%, from Q1 2020 to Q1 2021

- The government increased the Local Housing Allowance (the maximum benefit support available to private renters) in April 2020 to meet the 30th percentile of local rents, after it had been frozen since 2016. This caused the percentage of privately renting households with rents higher than the Local Housing Allowance (LHA) to fall from 42% in Q1 2020 to 20% in Q2 2020, and the average amount that rents were higher than the LHA for these households fell from £209 to £178 per month in the same period. These figures then stayed largely similar for the rest of the year

As our previous research has shown, the £20 per week uplift to Universal Credit has played a significant role in keeping low-income households out of poverty during the pandemic. Whilst the government has framed this uplift as a generous, temporary boost to help people through the crisis, it in fact only reversed cuts introduced by the benefits freeze in 2016.

The removal of the £20 uplift to Universal Credit from October 2021 will represent a return to an inadequate level of benefit support whilst unemployment remains high and rising, and will be implemented at a time that some households will rely on benefits for the first time as furlough and self-employment schemes end. We are therefore likely to see a jump in relative poverty for Universal Credit households from October and we will be monitoring this closely in the LSI dashboard.

The boost to housing affordability from the Local Housing Allowance increase and declining private rents is also likely to be short-lived. There are already signs that the private rental market in London is recovering from the second quarter of 2021[1] and it is expected to fully bounce back by next year[2]. The refreezing of the LHA rate from April 2021 will mean that housing support will not match any rises in rents and will also decrease with inflation.

[1] https://www.lettingagenttoday.co.uk/breaking-news/2021/6/large-scale-recovery-underway-in-londons-rental-market
[2] https://www.rightmove.co.uk/news/content/uploads/2021/07/Rental-Trends-Tracker-Q2-2021-FINAL.pdf

Low-income households with private rents above the Local Housing Allowance will therefore pay an average of £71 per month more in rent if rents recover to their Q1 2020 levels, as they won't receive any corresponding rise in housing support. Privately renting households on Universal Credit will also lose £87 per month from the removal of the £20 uplift, leaving them £158 per month, or nearly £1,900 per year, worse off than they are now from these two factors alone.

In addition to this, many households who claimed Universal Credit for the first time in the past year will become affected by the benefit cap as their nine months' grace period, during which time the cap does not apply, comes to an end. This will cause even further losses in income.

Although housing affordability has improved slightly during the pandemic there are concerning signs that housing costs continue to be problematic for many low-income households, even before the projected rise in private rental costs, with the average spend on rent above 30% of income in every borough in the study. This is the threshold that is typically considered to mean a household is 'overburdened'.

These households have less to spend on necessities such as food, utilities, transport and savings, which compounds other financial problems and is a key indicator of risk of homelessness. This is particularly acute in the private rental sector, where low-income households spent an average of 46% of their income on rent in Q1 2021, even after the drop in average rents and the increase of the Local Housing Allowance.

Efforts to boost housing affordability in London will be vital to ensure low-income Londoners are not left behind by the economic recovery, especially as housing costs become more expensive with the decoupling of rents and housing support.

The Mayor of London's 'Right to buy back' policy[3], which will give boroughs the funds to repurchase council homes that have previously been sold under Right to Buy, aims to create an additional 10,000 council homes by 2023. This is welcome, but in the absence of further demand-side support from the government more may need to be done to regulate London's unaffordable private rental market. In the meantime, low-income households will require support to meet housing costs.

[3] https://www.london.gov.uk/press-releases/mayoral/right-to-buy-back-to-boost-council-home-supply

The percentage of households not in work has risen across London, but faster in some boroughs and for some age groups

The percentage of low-income households that are not in work has risen in every borough in the study since before the start of the pandemic, showing how the impact of the pandemic on employment has been felt throughout London. The proportion grew by 7 percentage points from Q1 2020 to Q1 2021. In real terms, this represents an average increase of over 1,800 out of work households per borough (11,820 out of work households per borough in Q1 2020 to 13,651 in Q1 2021), many of whom began claiming out-of-work benefits for the first time in the past year.

The measurement of households not in work is different from unemployment as it includes households that are not in a position to look for work. It is predicted to continue to rise in the second half of 2021, especially following the withdrawal of employment support measures such as the Coronavirus Job Retention Scheme (CJRS) and the Self Employed Income Support Scheme (SEISS).

The Office for Budget Responsibility projects[4] that unemployment nationally will peak towards the end of the year at 6.5%, although this figure will be highly contingent on the progression of the pandemic and any changes in the planned ending of support measures.

This will put even further pressure on low-income households struggling through the economic recovery, especially in conjunction with the loss of the Universal Credit uplift and rising housing costs.

The percentage of low-income households that are not in work varies considerably by borough, from 52% in Harrow to 85% in Islington in Q1 2021 (Figure 1). Similarly, worklessness among low-income Londoners has increased at different rates in different boroughs since Q1 2020, from +4% in Greenwich and Brent to +11% in Enfield and Camden (Figure 2).

[4] https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/

Figure 1: Percentage of low-income households who are not in work

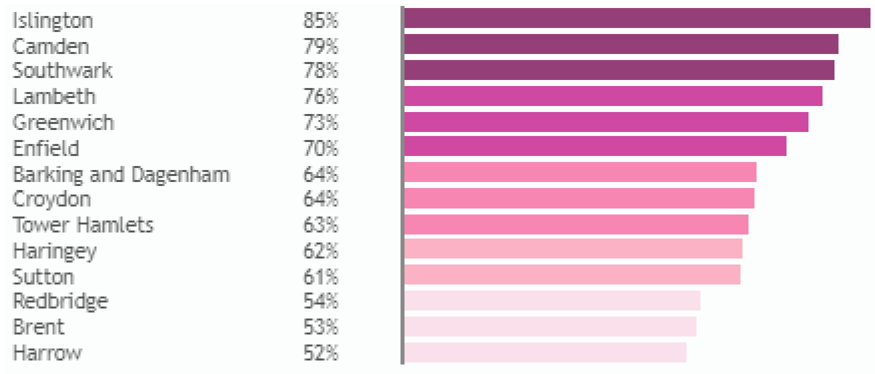
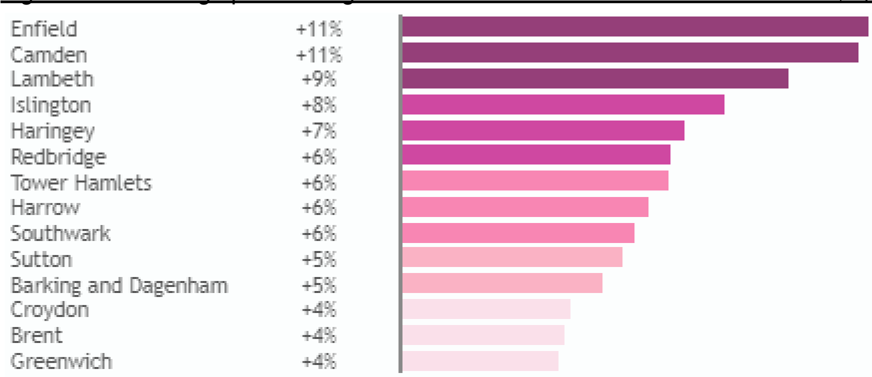


Figure 2: Percentage point change in worklessness for low-income households, Q1 2020 - Q1 2021

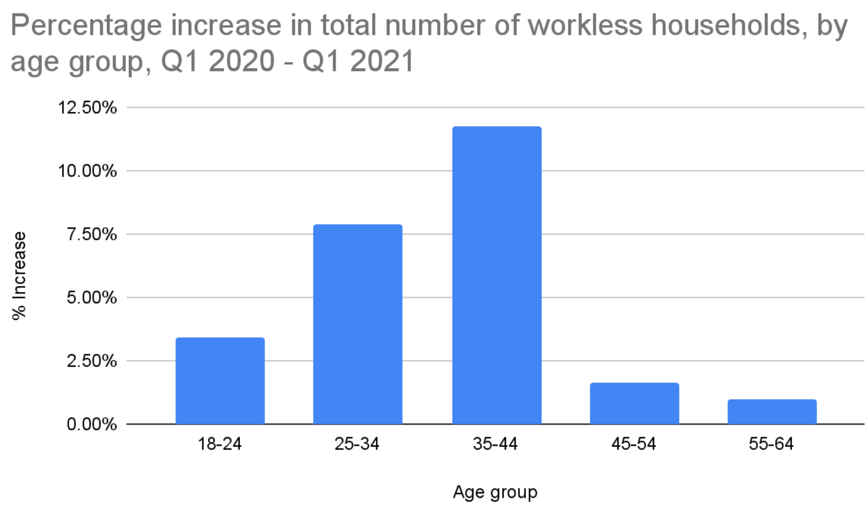


The increase in out of work households also differed greatly by age group, with the 25-34 and 35-44 age groups seeing much higher overall increases (+8% and +12% respectively) than 18-24s, 45-54s and 55-64s (3%, 2% and 1%) (Figure 3). This finding contradicts reports that people below 25 have been hardest hit by job losses during the pandemic.

This may suggest that young people are choosing to remain in education or continue living with their parents rather than entering a labour market with very few available jobs and thus do not appear in the benefits administration data as out of work.

Nevertheless, the impact on those aged 25-44 is alarming. This represents a crucial stage of life, during which people wish to start families and develop careers. Rising unemployment may thus create long-lasting setbacks in life plans for these age groups, in addition to the more immediate economic crises caused by a lack of income.

Figure 3



Local authorities may wish to target job training and employment services to these age groups, as well as those below 25, to help reverse the effect of the pandemic on employment.

Economic realities for low-income Londoners vary considerably between boroughs

Combining administrative data for all 15 boroughs in the study allows us to see the impact of the pandemic for low-income households across London. City-wide trends can, however, mask significant variations between boroughs in the five metrics studied. The previous report found that boroughs' take-up rates for council tax support amongst households on UC ranged from 14% to 35% of the overall UC caseload in Q1 2021, partially as a result of differing CTS scheme generosity and provisions to ease application for support.

This variation between boroughs extends to the three areas analysed here: households not in work, relative poverty and housing affordability. Significant variation exists both between boroughs at the start of the pandemic and in pandemic impact.

For example:

- **Out-of-work households** vary between 85% of the low-income caseload in Islington compared to 52% in Harrow

- **The proportion of low-income households not in work** has risen by 11% points in Enfield and Camden, compared to 4% in Greenwich, Brent and Croydon

- **Households below the relative poverty line** represent 43% of the low-income caseload in Sutton, compared to 24% in Harrow

- **Households in relative poverty** have increased by 4% of the low-income caseload in Islington, Brent and Southwark, compared to decreases of 6% points in Redbridge and 10% points in Enfield

- **Housing affordability:** Low-income households in Enfield spend an average of 47% of their income on rent, compared to 31% in Tower Hamlets

This reflects other analysis we have undertaken across the UK that highlighted the localised impact of the pandemic. These differences are a result of multiple overlapping factors that affect outcomes for low-income households in each borough, including employment sectors in the borough, the extent of local support, benefit take-up, rental costs and the availability of council/social housing, local economic circumstances, and housing tenure makeup.

Each borough in the study can be benchmarked against other boroughs and London averages for the five metrics using the Explore your borough page in the dashboard.

Conclusion: Low-income Londoners set to miss out on Covid recovery

The findings of this analysis raise concerns that low-income Londoners may be left behind by the economic recovery from the pandemic. Whilst the impact of Covid-19 has led to dire economic circumstances for many, temporary support measures such as the CJRS, SEISS and the £20 per week Universal Credit uplift have been effective in keeping many more out of poverty.

A stagnant private rental market and an increase in the Local Housing Allowance have also boosted housing affordability. Support measures are now set to be withdrawn from the end of September 2021, despite a continuing employment crisis, which will decrease the incomes of thousands of low-income Londoners and cause many to fall into poverty. In addition, private rents are recovering rapidly and the Local Housing Allowance has been refrozen, meaning housing affordability will get worse for thousands of households.

The government could usefully consider the impact on those with the lowest incomes, as well as the progression of the virus and the reopening of the economy as a whole, in deciding when support measures should be withdrawn. The reality is that, for Londoners on the lowest incomes, the economic recovery has not yet begun.

Our Living Standards Index will monitor economic realities for low-income households across the city as this crucial stage of economic recovery from the pandemic unfolds.

As this analysis has shown, the impact of the pandemic has varied widely between boroughs, and the recovery will be similarly uneven. Councils can use these insights to inform and fine-tune their recovery plans in response to month-on-month changes. They can also benchmark outcomes for their low-income residents against other boroughs and city-wide averages, helping them to anticipate what further local support may be needed.

To learn more about how councils are responding to the steep increase in support needed by residents visit our local authority solutions page, email hello@policyinpractice.co.uk or call 0330 088 9242.

Further information

Author
Alex Clegg, Policy Analyst, Policy in Practice

Contact
0330 088 9242
hello@policyinpractice.co.uk
www.policyinpractice.co.uk