

Benefits system leaving renters footing the bill for coronavirus: Methodology note

Generation Rent

November 2020

This note sets out the work Generation Rent carried out to find the figures in the report “Benefits system leaving renters footing the bill for coronavirus”.

Number of private renter households getting Local Housing Allowance (LHA)

The Department for Work and Pensions (DWP) publishes data on Universal Credit and Housing Benefit caseloads through its Stat Xplore website, with a breakdown by tenure and Parliamentary Constituency. We took figures from February, the last full month before the pandemic had an impact on employment levels, and August, the most recent month there is data for.

Unfortunately, the number of private renters by seat is only available from the 2011 census so comparing with 2020 benefits data is unlikely to be reliable. We found the proportion of private renters receiving state support by region, using data from the 2018-19 English Housing Survey (EHS). For the West Midlands this was 172,730 households recorded by the DWP out of 405,000 households recorded by the EHS, which is 43%. We assumed that the cheapest 30% of private rented homes are occupied by benefit claimants, and their rent is paid in full, as LHA is set at the 30th percentile. That leaves the difference between the proportion of renters getting benefits and the 30% whose rent is covered. In the case of the West Midlands, that is 13% of the 405,000 households, or 51,230.

Two factors affect these estimates, but broadly cancel each other out:

- Many households are not eligible for Universal Credit because their visas permit them No Recourse to Public Funds. Many of these households will be in cheaper private rented homes meaning that more households than we estimate – around 200,000 – will be in homes more expensive than the LHA rate.
- Most households are one unit with one benefit claim. A small minority of households will comprise adults who are not partners and would have their own benefit claims and may therefore be counted as separate households by the DWP – but not by the EHS. This may reduce the number of households affected by a shortfall by around 200,000.

Indicative shortfall between LHA and median rent

We looked at English constituencies to help understand the political dimension of the increase in renters’ reliance on state support, but also to see the variation within areas of roughly similar size.

Looking at rental costs added two layers of complexity: LHA rates are set for Broad Rental Market Areas (BRMAs) but the Valuation Office Agency publishes rent statistics for district council level. To

take the Housing Minister Chris Pincher's seat as an example, we have benefit caseload figures for Tamworth parliamentary constituency, the median rent on a 2-bed home for Tamworth District Council, and the LHA on a 2-bed home for Mid Staffs BRMA.

We matched each constituency with a representative council and BRMA. Many MPs represent more than one local authority and straddle two or more BRMAs. In these cases we selected the council which shared the most population with the seat and used Census 2011 tenure data to break any ties.

We used the 2-bed home as the common comparator as this is the most common type of private rented home, based on the VOA's sample sizes.

National estimate of cost to renters

The gap between the median rent and the LHA in each seat is illustrative. Few claimants will actually be paying the median rent, and it is likely that most will be paying rents in the lower half of the spectrum. To make an estimate of the amount that private renters are losing each month as a result of this shortfall, we needed an estimate of the average amount a renter was paying.

But we don't know how much rent they're paying – or exactly where they are. While we have calculated an average regional shortfall for comparison within and between regions, these are simple averages and wouldn't necessarily reflect where claimants actually live and what rents they are paying. So we created weighted regional averages by:

- dividing the number of PRS claimants in each constituency by the total in the region,
- multiplying that by the shortfall in that constituency, then
- adding up the figures for each constituency in the region

So for Birmingham Ladywood, we divided 5,778 by 172,730, multiplied that by £161.03, which gave £5.39 as a contribution to the weighted regional shortfall. Totalling figures for all the constituencies gave a weighted shortfall for the West Midlands of £110.02. This is a little higher than the £107 unweighted regional shortfall used in the briefing.

But it is unlikely that this is representative of the shortfalls for the typical renter affected by one, who is more likely to be paying a rent somewhere between the 30th percentile and median than close to the median. On the one hand, renters who lost income are more likely to have been in lower paid jobs and less likely to be in more expensive homes before the pandemic. But on the other, they are more likely to have lost work during the pandemic so will not have chosen their home on the basis of what the LHA was, so they are not necessarily in a home just above the 30th percentile. In addition, they will be unlikely to have moved to a cheaper home yet as it is difficult to secure a new home if you are receiving benefits.

With these assumptions as a guide, we have made an estimate of the average shortfall for private renters in each region by using the proportion of renters that are claiming benefits – in the case of the West Midlands, 43% is 65% between the 30% LHA rent and the 50% median rent. The average shortfall is based on 65% of the regional shortfall of £110.02, which is £69.58.

Multiplying this figure by the 51,230 households estimated to have a shortfall gives us a monthly figure of £3.56m – or £42.7m annually.

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