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Low-income Tenants in the Private Rental Housing Market

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ABSTRACT *The private rented sector (PRS) in England has often been described as having a 'residual' role in accommodating low-income households who are unable to gain access to social housing. This paper examines the accuracy of this residual role thesis. It does so using secondary analysis of the 2007 English House Condition Survey. The paper shows that the PRS plays a disproportionately important role in accommodating households living in poverty. It also shows that the odds of being income poor are the same for private tenants as for social housing tenants and three times higher than for owner-occupiers. It is concluded that, as a source of accommodation for low-income households, the role of the private rented sector is not residual at all. In addition, the paper assesses how well accommodated low-income households are in the PRS compared with non-poor private tenants and with low-income households in social housing and owner-occupation.*

KEY WORDS: Private renting, low-income, poverty, overcrowding, dwelling conditions, affordability, housing benefit

Introduction

The private rental housing market has always been an important provider of accommodation for low-income households. Prior to the First World War, of course, it was almost the only source of accommodation for the poor. In fact, at that time, private renting was by far the predominant tenure even for better-off households in the urban housing market (Kemp, 1987). Since then, rising real incomes and developments in mortgage finance (among other things) have enabled many better-off households to live in the owner-occupied sector.

The emergence and growth of social rented housing in the 20th century provided low-income—and in some countries, middle-income—households with a new and often more highly regarded alternative to the private rental market (Harloe, 1995). The extent to which low-income households have been able and wished to gain access to social housing has depended, among other things, on whether they meet the entry criteria, can afford the rent, and the relative size of the sector. These factors have varied between countries and over time. In the liberal market economies of Australia, Canada, New Zealand and the USA, social housing is largely focused on the poorest households (Hulse, 2003). Nevertheless, because of the small size of the social housing sector in these countries, the

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majority of low-income households have no choice but to rely on the private landlord for their accommodation. Malpezzi's observation (1998) about the USA, that although most private renters are not poor, most poor people rent privately, is true for these liberal market economies.

However, in England (and Britain more generally) social housing developed into a substantial supplier of rental accommodation during the 20th century. By the late-1970s, three out of 10 households in England lived in social housing; and today one in five of them do so. This compares with around one in 20 households in Australia, Canada, the USA and New Zealand. Although the size of the social housing sector in England has declined since the late-1970s, it remains substantial and has become increasingly targeted on the poor and disadvantaged (Hills, 2007). This is perhaps why the role of the private rented sector in accommodating low-income households is often described as a 'residual' one (Boviard *et al.*, 1985; Kemp, 2004).

For Boviard *et al.* (1985) the role of the PRS was residual insofar as low-income households who were unable to gain access to their preferred tenure of social rented housing had no alternative but to rent from private landlords. More generally, the residual role thesis implicitly assumes that the majority of low-income households are living in social housing rather than the private rented sector. It further assumes that the PRS is a demonstrably inferior tenure for low-income households. Moreover, if as some claim, the PRS is performing badly at housing the poor, then it could be argued that such households might be more appropriately accommodated in the social rented sector (Hills, 2007; MacLennan, 1982; Stamso, 2010).

However, to date there has been little attempt to examine empirically whether it is true that private renting plays only a residual role in housing the poor in England. Moreover, few studies in England (or Britain more generally) have compared the characteristics and housing circumstances of *low-income* households living in the PRS with those in social housing. Likewise, there has been little attempt to compare poor and non-poor households in the PRS. The English House Condition Survey (CLG, 2009) provides data on 'vulnerable' households.¹ Recent studies compared housing benefit recipients with low-income working households in the PRS (McKay & Rhodes, 2010; Walker & Niner, 2010). Meanwhile, Gray & McNulty (2008) looked at the increased role of the PRS in housing low-income groups in Northern Ireland (cf. Stamso, 2010). And Hulse and Pawson (2010) compared the institutional settings for the PRS in respect of lower-income households in Britain and Australia.

The aim of this paper is to examine whether the role of the PRS in accommodating low-income households is only a residual one. It looks at to the extent to which low-income households in England are renting privately or living in social housing or owner-occupation. It also seeks to assess how well accommodated low-income households are in the sector compared with those living elsewhere.

The paper shows that the PRS in England plays a disproportionately important role in accommodating households living in poverty. It also demonstrates that private tenants are as likely to be poor as social housing tenants and much more likely to be poor than owner-occupiers. It is concluded that, as a source of accommodation for low-income households, the role of the private rented sector is not residual at all. In addition, the paper confirms that, on most of the measures examined, low-income households in the PRS do indeed fare worse than those living in social housing. However, it also demonstrates that some aspects of property conditions are also worse for *non-poor* private tenants than for low-income

households in social housing or owner-occupation. The paper shows that, contrary to expectations, the majority of households living in poverty in the PRS are not in receipt of housing benefit. Finally, it demonstrates that, whether poor or not, private tenants in receipt of housing benefit are significantly more likely than non-recipients to report having difficulty affording their rent.

The remainder of the paper is structured as follows. The second section provides a brief overview of recent trends in rented housing in England. The third section describes the data and methods. The fourth section presents the results of the analysis and the final section draws conclusions.

Changing Fortunes: Private Renting and Social Housing

After many years of decline, the PRS in England has significantly increased over the past three decades and especially since the turn of the century. The *proportion* of households renting from private landlords rose from 9 per cent in 1991 to 16 per cent in 2009/10 and the *number* of private tenants increased by over 80 per cent. Over the same period, the share of renting households who live in the PRS increased from 29 per cent to 48 per cent, while the proportion in social housing declined from 71 per cent to 52 per cent (Table 1).

The revival of private renting was facilitated by the Housing Act 1988, which deregulated all new private lettings from January 1989, but the evidence suggests that this was a necessary rather than a sufficient condition. A range of supply and demand side factors were also important, including rising real incomes, innovations in mortgage finance and low interest rates in the decade prior to the credit crunch in 2007 (Crook & Kemp, 2011; Kemp, 2009). The boom in 'buy to let' housing since the late-1990s has been accompanied by a generally more positive attitude to private renting than was the case in the 1970s and 1980s (Kemp, 2004).

Meanwhile, the social housing sector in England has declined in both absolute and relative terms over the past three decades (Hills, 2007; Malpass, 2005). The proportion of households renting from a social landlord, for example, declined from 32 per cent in 1981 to 23 per cent in 1991 and only 17 per cent in 2009/10. This decline seems likely to continue for the foreseeable future. On the one hand, sales to sitting tenants under the Right to Buy, although well below the levels reached in the 1980s and 1990s, will continue. On the other hand, new construction within the sector is likely to remain at low levels. The scope to build subsidised housing will be constrained by the new era of fiscal austerity in the wake of the Great Recession of 2008/09. Moreover, the Conservative-dominated Coalition Government that was elected in 2010 has an ideological distaste for social housing and the welfare state more generally.

The continuing decline of social housing is likely to place more pressure on the private rented sector to accommodate low-income households. However, concerns have been

Table 1. Households renting their home by tenure, England (%)

Year	Private Renters	Social renters	Total
1981	26	74	100
1991	29	71	100
2001	34	66	100
2009–10	48	52	100

Source: Calculated from housing data at www.communities.gov.uk/housing/housingresearch/

raised in England about poor conditions at the bottom end of the private rental market (CLG, 2006; Rugg, 2008; Rugg & Rhodes, 2008). Concerns have also been raised about the affordability of rents for low-income private tenants, especially in the wake of substantial cuts in housing benefit (an income-related rent allowance) announced by the newly-elected Coalition Government in 2010.

Data and Methods

The results presented in this paper (excluding Table 1 above) are based on secondary analysis of the 2007 English House Condition Survey dataset. The analysis draws on data from both the household interview survey and the physical stock condition survey. The 2007 EHCS involved interviews with 15 604 households and surveys by chartered surveyors of 16 217 dwellings. This paper analyses the 'core' sample of 15 604 households for whom there is a matching set of cases from the both the household and the physical surveys. The 2007 EHCS dataset is based on continuous fieldwork conducted between April 2006 and March 2008, with a mid-point of April 2007.

The household grossing weight provided with the 2007 EHCS dataset was used in order to produce national estimates for England. Thus, the results are based on the *weighted* data. However, the chi square tests of statistical significance were calculated using the unweighted data and the base numbers shown in the tables are also the unweighted cases. All differences in findings between sub-samples that are discussed in the text are statistically significant at the 0.05 per cent level or higher.

In their seminal paper, Boviard *et al.* (1985) observed that the number of households for whom the private rented sector provides a residual role cannot be readily estimated. Yet, in order to examine the extent to which the private rented sector accommodates low-income households, and their characteristics and circumstances, it is necessary to define what is meant by a 'low income'. This paper confines attention to low-income households who are poor.

What may be regarded as income 'poverty' can be defined and measured in a variety of different ways. Here, the paper follows the method commonly employed in the international poverty literature. Households are defined as living in poverty if their disposable (i.e. net) income is below 60 per cent of the median. In order to correct for household size and composition, income is equivalised using the 'modified OECD scale'. The income 'after-housing-costs' (AHC) measure of poverty is used rather than the 'before-housing-costs' measure (see Johnson & Webb, 1992). AHC income includes housing benefit, an income-related rent allowance. Thus, in this paper households are defined as being poor if their equivalised, after-housing-costs disposable income is below 60 per cent of the median. The terms 'poor' and 'low-income' are used interchangeably.

Results

Low-income Households

Burrows and Wilcox (Burrows, 2003; Burrows & Wilcox, 2000) have pointed out that more poor households live in the owner-occupied sector of the housing market than in any other tenure. Using a lack of 'socially perceived necessities' as their measure of poverty (see Mack & Lansley, 1985), they showed that 'half the poor' are homeowners.

Given that seven out of 10 households are homeowners, it is perhaps not surprising that this tenure accounts for a larger share of the poor than each of the other housing tenures. However, most homeowners are *not* income poor. In fact, in 2007, only about one in 10 homeowners were living in poverty. By contrast, over one-third of private tenants and two-fifths of council and housing association tenants were poor (Table 2).

Table 2 shows that the private rented sector plays a disproportionately important role in accommodating households living in income poverty. In England in 2007, one in eight households were renting their home from a private landlord, but almost a quarter of those living in poverty were doing so. Hence, as a source of accommodation for low-income households, the role of the private rented sector is not residual at all. Furthermore, when a range of demographic and socio-economic variables were controlled for, the odds of private tenants being poor were more than three times higher than for owner-occupiers and about the same as for social housing tenants (Table 2). In other words, private tenants are as likely to be living in poverty as are social housing tenants.

In Table 3, columns 2 and 3 compare poor and non-poor private renters on a range of key demographic and socio-economic variables. For five of the six variables—age, gender, ethnic background, household type and employment status—there are statistically significant differences between the characteristics of poor and non-poor private renters. Low-income private renters are *more* likely than the non-poor to be under 25, female, black or from another minority ethnic group, couples with dependent children, lone parents and working part-time. They are *less* likely to be couples living without dependent children, single people aged 60 and above, and people in full-time work.

Among households with dependent children, 221 000 couples and 172 000 lone-parent families, were living in income poverty within the PRS in England in 2007. Survey evidence suggests antipathy by some private landlords towards households with children (Crook & Kemp, 1996), making it difficult for them to gain access to accommodation. Moreover, low-income families face competition for houses within the private rented sector from students (McDowall, 1978), a demand group that has trebled over the past two decades (Kemp, 2004) and now constitutes an important segment of the market (Rugg *et al.*, 2002). In recent years, low-income families have also faced competition for private rental houses from economic migrants from Eastern European countries in the European Union such as Poland. Groups of students (as McDowall, 1978, pointed out), and single economic migrants sharing their accommodation, can typically pay more in rent for a house than a low-income family can afford.

Table 2. After-housing-costs poverty by housing tenure

Tenure	Percentage in poverty ***	Percentage of poor ***	Odds of poverty
Owner-occupation	11	42	1.0
Private rented	36	23	3.5 ***
Housing association	39	18	3.3 ***
Local authority	39	18	3.3 ***
All	19	100	

Notes: N = 15 604. Odds are controlled for age, gender, ethnicity, disability, household type, employment & region. Significance: *** < 0.001; ** < 0.01.

Table 3. Socio-economic characteristics of private renters

	Poor %	Non-poor %	Percentage in poverty (row %)	Odds of poverty	N
<i>Age***</i>					
16 to 24	22	10	55	1.0	307
25 to 34	27	35	31	0.5 ***	631
35 to 44	23	21	38	0.5 **	473
45 to 54	15	14	38	0.7	309
55 to 64	6	9	28	0.5 **	189
65 +	8	11	30	0.5	252
<i>Gender***</i>					
Male	52	62	32	1.0	1269
Female	48	38	42	1.2	892
<i>Ethnicity***</i>					
White	76	86	34	1.0	1826
Black or other ethnic minority	24	14	50	1.5 **	335
<i>Registered disabled</i>					
No	95	95	36	1.0	2035
Yes	5	6	36	0.4 ***	125
<i>Household type***</i>					
Couple	15	32	21	1.0	535
Couple with children	25	19	43	3.3 ***	460
Lone parent	19	7	61	1.5	252
Single under 60	19	17	40	1.8 **	367
Single aged 60 +	5	10	22	0.4 ***	192
Multi-person	17	16	38	0.9	355
<i>Employment status***</i>					
1 + in full-time work	34	76	20	1.0	1281
1 + in part-time work	14	5	60	6.1 ***	172
None working, none retired	9	12	78	7.6 ***	264
None working & 1 + retired	43	7	32	16.7 ***	444
All	100	100	36		2161

Notes: Odds are controlled for age, gender, ethnicity, disability, household type, employment & region. Significance: *** < 0.001.

The third and fourth columns of Table 3, respectively, show the percentage of private renters who are poor in each demographic or socio-economic group and their odds of being poor relative to a comparator within each group (for whom the odds of poverty, of course, are 1.0). Particularly noteworthy in Table 2 is the very high rates of poverty among private tenants who are: living in workless households (78 per cent), lone parents (61 per cent), working part-time (60 per cent), aged under 25 (55 per cent) or from black or other minority ethnic groups (50 per cent). This suggests that the PRS is not simply accommodating niche groups of low-income households, but instead is catering for the poor more generally.

Private tenants sharing their accommodation are no more likely to be poor than are couples living in self-contained accommodation (Table 3). Although this might seem surprising, it reflects the largely bi-modal nature of shared rental housing, which caters

both for young urban professionals and students as well as for low-income tenants living in houses in multiple occupation (HMOs). Indeed, as Table 3 shows, about one in six of both poor and non-poor private renters comprised multi-person households in 2007. While young professionals and students typically share flats or houses from choice (Kenyon & Heath, 2001), low-income tenants are more likely to be living in HMOs from constraint. Moreover, the 'lived experience' of sharing a flat or house with friends or other young professionals is often very different from living with strangers in a dingy HMO at the bottom end of the private rented sector (Kemp & Rugg, 2001).

The constraints facing poor people living in the private rented sector reflect not just their low-income. They also face difficulties in finding and in keeping accommodation while in receipt of housing benefit, despite the extra purchasing power that this income-related payment gives them. These difficulties are a function of poor administration of housing benefit by local authorities, shortfalls between their rent and the amount of housing benefit they receive, and some private landlords' negative attitudes to letting accommodation to people on housing benefit (Bevan *et al.*, 1995; Crook & Kemp, 1996; Rhodes & Rugg, 2005; Rugg, 2006). Shortfalls between housing benefit and rent are particularly large for young single people under 25 living in self-contained homes, whose benefit is restricted to the average rent for shared accommodation (Kemp & Rugg, 2001; Harvey & Houston, 2005).

Private Tenancies

Once low-income households have obtained accommodation, on what terms do they rent it from their private landlord? Table 4 shows tenancy-related characteristics for poor and non-poor private tenants and the percentage of them living in poverty. A higher proportion of private tenants renting furnished accommodation were living in poverty than those renting on an unfurnished basis. Renting furnished accommodation is usually a characteristic of new, young and mobile households. However, among low-income households, especially if they are long-term private renters, furnished lettings are more likely to be an outcome of chronic (i.e. long-term) poverty.

Long-term renters—defined here as tenants who have lived at their present address for 10 or more years—are less likely to be poor than more short-term tenants (cf. Wulff & Maher, 1998). In other words, long-term private renters do not disproportionately comprise households living in poverty. What cannot be found from the data, however, is how long tenants (whether short-term or long-term renters) have lived in the private rented sector; it is only known how long they have lived at their current address. It is possible, therefore, that some of the low-income private tenants who have defined here as shorter-term renters are in fact long-term renters who have moved within the sector in the past 10 years.

Although long-term renters are less likely to be poor than shorter-term renters, they are more likely to be in receipt of housing benefit. Thus, 41 per cent of long-term renters were on housing benefit, compared with only 23 per cent of shorter-term renters, in England in 2007. Looked at the other way around, the proportion of tenants who have rented their current address for 10 or more years is twice as high among housing benefit recipients (19 per cent) as among non-recipients (9 per cent). In other words, housing benefit recipients are more likely to be long-term private renters (Rugg & Rhodes, 2008).

Table 4 also shows separately for poor and non-poor private tenants their description of the type of tenancy on which they occupy their home. Although in law most lettings taken out since January 1989 must be either 'assured shorthold' or 'assured' tenancies, only

Table 4. Tenancy characteristics of private renters

	Poor %	Non-poor %	Percentage in poverty (row %)	N
<i>Letting***</i>				
Furnished	48	38	42	817
Unfurnished	52	62	32	1327
<i>Self-description of tenancy*</i>				
Assured	25	27	35	512
Assured shorthold	54	50	38	929
Regulated	5	5	35	98
License agreement	7	7	34	125
Other	10	12	30	213
<i>Length of tenancy***</i>				
Up to 6 months	23	28	32	552
More than 6 months, up to 1 year	30	22	44	483
More than 1 year	33	33	36	745
No [fixed] tenancy agreement	14	17	32	342
<i>Date tenancy commenced*</i>			*	
Before 31 January 1989	4	7	29	152
After 31 January 1989	96	93	37	1980
<i>Length of residence**</i>				
Less than 5 years	77	73	38	1546
5 to 9 years	13	12	39	289
10 + years	10	15	27	325
All	100	100	36	2160

Notes: Significance: *** < 0.001; ** < 0.01; * < 0.05.

two-thirds of tenants said they had either of these types of lease. Yet 94 per cent of tenants had commenced their tenancy since that date. This suggests that a substantial minority of tenants is unaware of the type of tenancy on which they are renting their accommodation (cf. Lister, 2002), a finding that mirrors that found among surveys of private landlords in England (Crook & Kemp, 1996). One in six assured shorthold tenants living in income poverty had been resident at their address for five or more years and one in 20 for a decade or more. This indicates that low-income is often combined with insecure tenancies, not just among short-term tenants, but also among long-term renters in the private rental housing market.

How Well Housed?

Apart from insecurity, how well accommodated are low-income households living in the private rental market? In order to address this question, the paper focuses on three key variables: (1) over-crowding; (2) disrepair; and (3) overall dwelling condition. In examining these three dimensions, a comparison is made between poor and non-poor private tenants as well households living in poverty in each of the three main tenures.

When rent controls were pervasive in the private rental market, policy makers were often concerned about under-occupation (Cullingworth, 1979). Analyses of stock utilisation showed that there was empirical evidence to warrant such concern, especially in unfurnished dwellings (e.g. Whitehead & Kleinman, 1986). More recently, however, policy makers have

shifted their critical gaze to under-occupation in social rented housing. Here, this paper examines over-crowding and under-occupation using the ‘bedroom standard’ that is commonly employed in government surveys of housing including the EHCS (CLG, 2009).

Among low-income households, private renters are no more likely to be *overcrowded* than are social housing tenants. Similar proportions of low-income private and social tenants are *under-occupying* their accommodation. By contrast, levels of overcrowding are lower, and under-occupation much higher, among homeowners than among private tenants and social housing tenants living in poverty (Table 5).

Successive English House Condition Surveys have shown that for many decades the PRS has been characterised by poor dwelling conditions, including high levels of disrepair. The reasons for the high level of disrepair in this sector of the housing market are not hard to discern. Much of the privately rented stock of dwellings is very old. This is important because there is a positive correlation between disrepair and dwelling age. In addition, for many decades, the sector was subject to rent controls that helped to make it uneconomic for private landlords to undertake repairs (Kemp, 2004). In addition, Nevitt (1966) showed that the taxation arrangements for private landlords were not conducive to investment in repairs and maintenance. Finally, the excess demand that characterised the private rented sector for much of the twentieth century meant that landlords could relatively easily let properties that were in poor condition (DoE, 1977; Holmans, 1987).

However, since the turn of the century, the wave of ‘buy to let’ investment in the private rental market—much of it in newly constructed dwellings—has significantly reduced the average age, and improved the overall condition, of the privately rented stock (Kemp, 2009). Meanwhile, Crook *et al.* (2000) have shown that the transfer of sub-standard dwellings *out* of private renting, and the transfer *in* of better quality homes from owner-occupation, has also helped to improve the overall condition of the privately rented

Table 5. Housing-related characteristics

	Non-poor Private Renters %	Poor		
		Private Renters %	Social renters %	Owner- occupiers %
<i>Bedroom standard***</i>				
Above standard	55	42	37	76
At standard	39	48	54	20
Below standard	6	10	9	4
<i>Decent homes standard***</i>				
Decent	56	50	71	64
Non-decent	44	50	29	36
<i>Satisfaction with home***</i>				
Satisfied	84	73	73	89
Neither satisfied nor dissatisfied	6	9	6	2
Dissatisfied	11	18	21	9
Total	100	100	100	100
<i>N</i>	<i>1369</i>	<i>792</i>	<i>2201</i>	<i>832</i>

Notes: Significance: poor vs. non-poor private renters *** < 0.001. Significance: poor private renters vs. poor social renters vs. poor owner-occupiers *** < 0.001.

Table 6. Repair costs per square metre

	Non-poor Private renters	Poor		
		Private renters	Social renters	Owner-occupiers
Urgent	£16.76	£21.48	£11.60	£11.73
Basic	£25.54	£31.28	£15.67	£18.47
Comprehensive	£54.83	£61.83	£39.52	£45.63
<i>N</i>	1369	792	2201	832

dwelling stock. Nevertheless, despite this relative improvement, the 2007 EHCS shows that, on average, dwelling conditions remain worse in the sector than in social housing or owner-occupation (CLG, 2009).

The official benchmark against which the overall condition of dwellings is now assessed in England is the 'decent homes' standard (prior to 2004 it was measured using the 'fitness standard'). Successive English House Condition Surveys have found that privately rented dwellings are more likely to fall below the statutory minimum standard than social or owner-occupied housing (e.g. CLG, 2009). Table 5 shows that this is also true among households living in poverty. In other words, low-income private renters are much more likely than low-income households living elsewhere to be occupying non-decent accommodation. Furthermore, Table 5 shows that *non-poor* private renters are also more likely to be occupying non-decent accommodation than are low-income households living in social housing or owner-occupation.

Among dwellings occupied by households living in poverty, disrepair is a much more serious problem for private tenants than it is for either social housing tenants or homeowners. This is true whether considered in relation to 'urgent', 'basic' or 'comprehensive' repair, as assessed by chartered surveyors.² For example, the cost of undertaking urgent repairs is twice as high among dwellings occupied by low-income private tenants as among those occupied by low-income households living in the other two main tenures. However, Table 6 also shows that the cost of outstanding repairs is also higher for *non-poor* private renters than it is for low-income households in social housing or owner-occupation.

Thus, in respect of both decent homes and disrepair costs, it is not just low-income private tenants who on average fare worse than low-income households in other tenures, but also non-poor private renters as well. Satisfaction with their home, however, is higher among non-poor than among low-income private tenants. Meanwhile, similar proportions of low-income private and social tenants are satisfied with their home (Table 5).

How Affordable?

Finally, the paper turns to the question of the affordability of the accommodation occupied by low-income households. First, there is a look at the cost of keeping the home warm and then at the affordability of the rent or mortgage. Comparisons are made between low-income households in each of the three main housing tenures and between low-income and non-poor households in privately rented accommodation.

Under the New Labour Governments in Britain, fuel poverty became an important policy issue, not least because fuel prices for consumers increased substantially in real terms (Boardman, 2010). Table 7 shows that one in five low-income tenants in both the private and

the social housing sectors report that they are not able to keep comfortably warm in their living room in winter. This is double the proportion for low-income homeowners. In other words, among low-income households, fuel poverty is equally a problem for social housing tenants as it is for those renting privately, but less so than for homeowners.

Difficulty in keeping warm in the living room is likely to reflect both inadequate heating facilities and poor insulation. However, so far as energy efficiency is concerned, the analysis revealed that there is no statistically significant difference between the dwellings occupied by poor private renters and those occupied by non-poor private renters (results not shown). This indicates that the difficulty in keeping comfortably warm in the living room in winter is likely to reflect low incomes and not only levels of energy efficiency. Certainly, the level of income poverty among private tenants who are *unable* to keep their living room warm in winter (54 per cent) is significantly higher than among those who are able to keep comfortably warm (33 per cent).

Among households living in poverty, private tenants are much *less* likely than social housing tenants to report finding it easy to afford their rent. Conversely, private renters are more likely than social housing tenants to report finding it 'difficult' to afford the cost of their housing. Indeed, one in three low-income private renters report finding it difficult, a figure that is twice as high as for low-income social housing tenants (Table 7). This difference, of course, to some extent reflects the generally much higher level of rents in the private market compared with the social housing sector. Across England as a whole in 2006/07, the median weekly social housing rent was only 53 per cent of the median private rent (£66 compared with £125 respectively).

As might be expected, among private tenants, those living in poverty are more likely than those who are not poor to report finding it difficult to afford the rent. Table 8 shows that, even taking housing benefit receipt into account (see below), and controlling for a range of demographic and socio-economic characteristics, the odds of finding it difficult to afford the rent are 2.8 times higher for private tenants who are poor compared with those who are not poor.

Table 7. Affordability of keeping warm and of the cost of housing

	Non-poor	Poor		
	Private Renters %	Private Renters %	Social renters %	Owner- occupiers %
<i>Able to keep comfortably warm in living room in winter?***</i>				
Yes	89	78	80	90
No	11	22	20	10
<i>N</i>	<i>1337</i>	<i>766</i>	<i>2183</i>	<i>824</i>
<i>How easy to afford the rent or mortgage?***</i>				
Easy	70	48	65	52
Neither easy nor difficult	16	20	18	21
Difficult	13	32	17	27
<i>N</i>	<i>1330</i>	<i>774</i>	<i>2130</i>	<i>725</i>
Total	100	100	100	100

Note: Significance: *** < 0.001.

Table 8. Logistic regression estimates of the odds of private tenants finding it difficult to afford the rent

	Odds	N
<i>Poor?</i>		
No	1.0	1228
Yes	2.8 ***	761
<i>Receives HB?</i>		
No	1.0	517
Yes	1.8 ***	1472

Notes: Odds are controlled for age, gender, ethnicity, disability, household type, employment and region. Excludes tenants living rent-free. Significance: *** < 0.001.

Excluding those living in rent-free accommodation, one in four (25 per cent) private tenants is in receipt of housing benefit. A significantly higher proportion of these recipients (61 per cent) are living in poverty than are non-recipients (30 per cent). This is not surprising because the British housing benefit scheme is relatively pro-poor (Gibbs & Kemp, 1993; Stephens, 2005). What is surprising, however, is that only 40 per cent of poor private tenants are in receipt of housing benefit. In other words, most low-income private tenants are paying for their housing out of their own pockets.

Within the PRS, housing benefit recipients (17 per cent) were twice as likely as non-recipients (34 per cent) to find it difficult to afford their rent in 2007. This remains true even when controlling for poverty status. Thus, the odds of finding it difficult to afford the rent are 1.8 times higher for private tenants who are in receipt of housing benefit than for those who are non-recipients, after adjusting for poverty status and a range of demographic and socio-economic characteristics (Table 8). In other words, whether poor or not, private tenants on housing benefit are significantly more likely than non-recipients to report having difficulty affording their rent (Table 9). Despite the existence of housing benefit, therefore, affordability was significant problem for a substantial minority of low-income tenants in the private rental market in England in 2007.

Since the 2007 EHCS was completed, a new form of housing benefit for private tenants, called the Local Housing Allowance (LHA), was introduced nationally in 2008. Two years later, in the wake of the global financial crisis, the newly elected Conservative-Liberal Coalition Government announced £2.5 billion of cuts in housing benefit, most of which affect LHA recipients, to be introduced over a three-year period from April 2011. These

Table 9. Ease or difficulty of affording the rent among private renters

	Poor***		Non-poor**		All HB %	All PRS %	N
	HB %	Non-HB %	HB %	Non-HB %			
Easy	45	49	59	71	51	61	1217
Neither	14	23	19	17	16	18	353
Difficult	41	27	22	13	34	21	405
Total	100	100	100	100	100	100	1975

Notes: Excludes tenants living rent-free. Significance: *** < 0.001; ** < 0.01.

cuts will progressively exacerbate the affordability problems faced by many private tenants in receipt of the LHA. The government has implicitly acknowledged that the cuts are likely to produce financial hardship and explicitly accepted that they may result in increased overcrowding and homelessness (DWP, 2010).

Conclusions

This paper has examined the role of private rental housing in providing accommodation for households living in poverty in England. In particular, it has addressed the question of whether this role can be accurately described as residual. If 'residual' is defined in terms of the extent to which poor households are renting privately as opposed to living in social housing or owner-occupation, its role can scarcely be described as such. Instead, the private rental housing market plays a substantial role in accommodating the poor. Low-income households are disproportionately likely to rent privately and, in fact, one-quarter of them do so. Moreover, when we controlled for a range of demographic and socio-economic variables, it was found that the odds of the poor living in the PRS were about the same as for those in social housing and three times higher than for low-income homeowners.

The study also explored how well accommodated low-income households were in the PRS compared with non-poor private tenants and low-income households living in social housing and owner-occupation. Surprisingly, it was found that low-income households are as likely to be under-occupied, and no more likely to be overcrowded, in the PRS than in social housing. However, as expected, disrepair is a much greater problem for poor households in the PRS than it is for those living in social housing and owner-occupation. Moreover, a much lower proportion of the PRS stock in which the poor are living meets the official 'decent homes' standard.

Yet it was also found that private renters living in poverty are *not* largely confined to non-decent homes, and nor are non-poor renters confined to decent homes. In other words, although rents are for the most part determined by market forces in the deregulated PRS, this has by no means resulted in an outcome that has sorted the poor mainly into non-decent accommodation and the non-poor largely into decent housing. At least four factors may account for this finding.

First, it may in part reflect the fact that there is a poor correlation between rents and dwelling condition in the PRS (Crook & Hughes, 2001). The vast majority of housing consumers, of course, are not trained surveyors and consequently may be more influenced by factors such as the state of decoration or provision of 'white goods' and the like rather than the technical aspects of property condition. While homeowners are required by their lenders to commission a property survey, renters are under no such obligation; and in any case low-income tenants are unlikely to be able to afford one. Second, in a tight housing market, tenants do not have time to commission a survey, but instead often have to take a quick decision, which may militate against 'best buy' considerations. For those on housing benefit, just finding a landlord willing to take them in a pressurised housing market may prove to be a more compelling factor than whether, for example, slates are missing from the roof.

Third, the analysis has been based on a snapshot measure of poverty, yet it is known that there is considerable movement into and out of poverty over time (Hills, 2004; Leisering & Walker, 1998). Hence, it is possible that some low-income households may have moved into their present, decent accommodation before they became poor; equally, some

currently non-poor households may have obtained their non-decent accommodation at a time in the past when they were poor. Fourth, different households may make different trade-offs between expenditure on rent and the other items in their budgets. For example, some non-poor households may prefer to economise on their housing in order to spend more on other things. As Duncan MacLennan once observed at a seminar on affordability, 'people bear their poverty differently'.

This, in turn, raises the question of how easily the low-income households are able to afford their accommodation. Surprisingly, it was found that only 40 per cent of private renters living in poverty were in receipt of housing benefit in England in 2007. This result cannot entirely be explained by the relatively low take-up of housing benefit by private tenants. It also likely to reflect the very sharp 'taper' in the scheme, that is, the rate at which housing benefit is withdrawn as income rises.

It was also found that, irrespective of whether they were poor or not, private tenants in receipt of housing benefit were more likely to be finding it difficult to afford their rent than were non-recipients. This difference remained even when controlling for a range of demographic and socio-economic variables. For a significant minority of private tenants, housing benefit is not entirely successful in enabling them to afford their rent. The substantial cuts in housing benefit that are currently being implemented by the Coalition Government are likely to seriously exacerbate this problem. That, in turn, will make it more difficult for the PRS to cater for low-income tenants on housing benefit. Hence, in the new era of fiscal austerity, when the private rental market is expected to take a larger role in housing low-income tenants, its ability to do so is being made much more difficult by cutbacks in housing benefit.

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Notes

- ¹ The 2007 EHCS report and dataset includes a variable for what it terms 'vulnerable' households. These are defined as households in receipt of one of the principal means-tested or disability-related social security benefits, or in receipt of either Working or Child Tax Credit and have an annual income that is less than the 'threshold amount' above which the credit begins to be tapered out (£15 460 in 2007). However, not all of the households within this definition are living in income poverty as it is conventionally defined. Moreover, housing benefit is included in this definition and yet low-income homeowners who are not in receipt of social assistance are not entitled to it. It thus creates an inconsistency in the definition of vulnerability between households living in rented accommodation and those living in the owner-occupied sector. Nor do all people in receipt of disability benefits necessarily regard themselves as being 'vulnerable'. For these reasons, this study prefers to use income poverty as the indicator of households for whom the PRS might be regarded as performing a 'residual' role.
- ² The English House Condition Survey 2007 (CLG, 2009, p. 98) defines 'urgent' repairs as 'work that needs to be undertaken to tackle problems presenting a risk of health, safety, security or further significant deterioration in the short term'; 'basic' repairs as urgent repairs plus 'additional visible work to be carried out in the medium term'; and 'comprehensive' repairs as urgent and basic repairs plus 'any replacements the surveyor has assessed as being needed in the next ten years'.

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