



UK living standards and the private rented sector

Torsten Bell

Chief Executive
Resolution Foundation

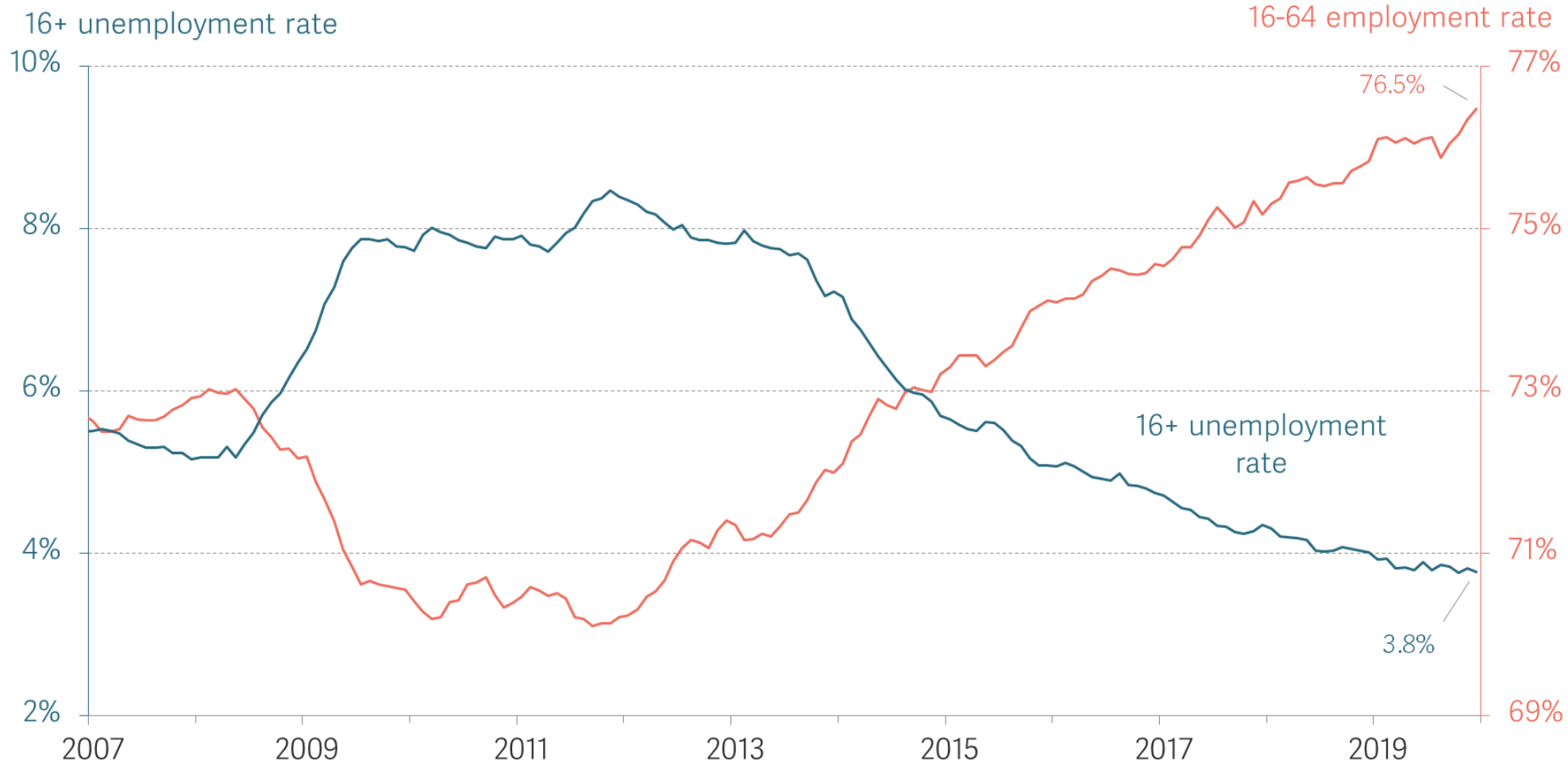


The big picture on living standards

We've got record employment...



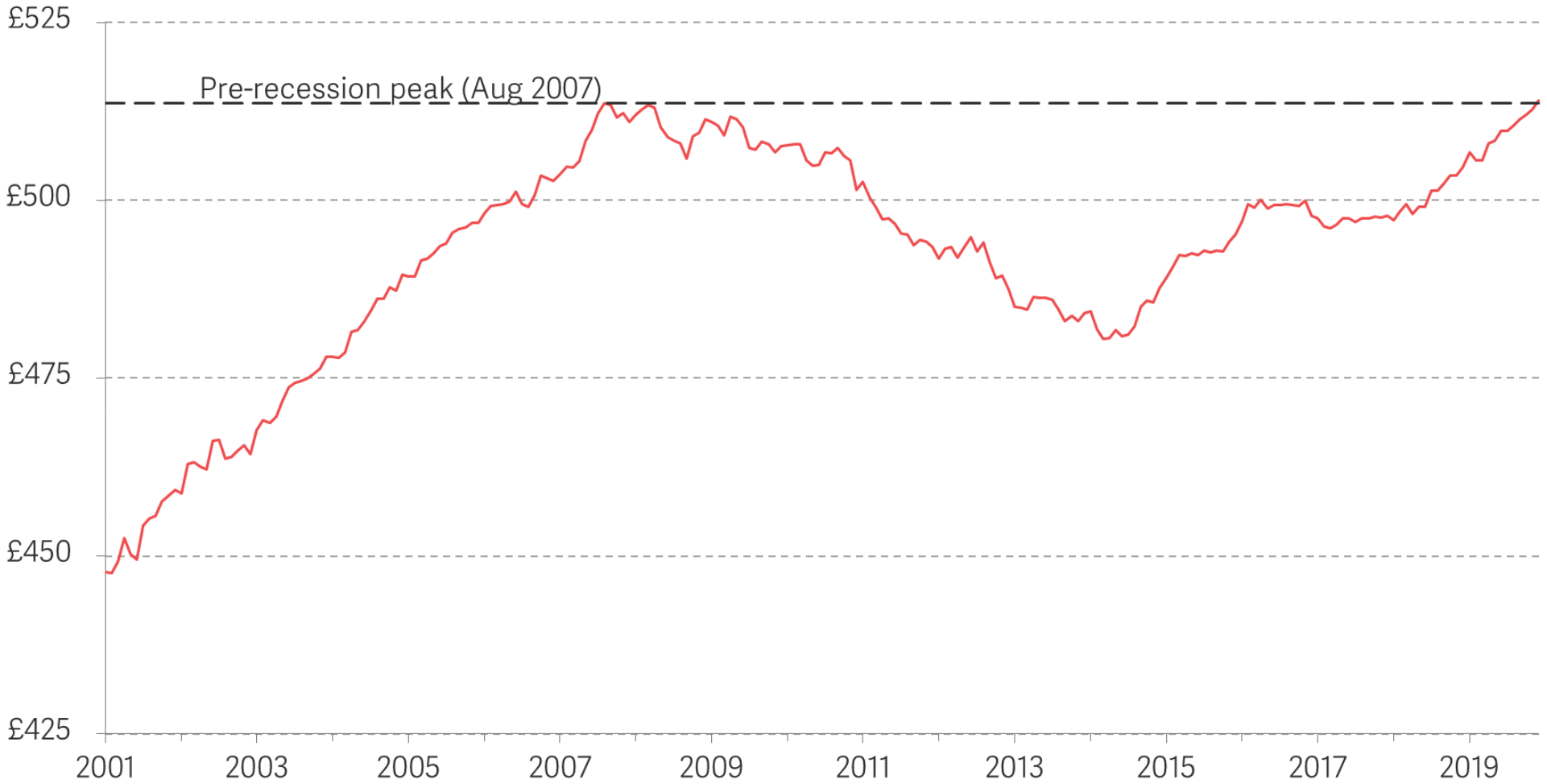
Employment and unemployment rate: UK



Notes: Total includes unpaid family workers and those on government employment and training schemes.
Source: RF analysis of ONS, Labour Market Statistics (Labour Force Survey)

...but (only just) record pay

Average weekly earnings (regular pay) adjusted for CPIH inflation: UK

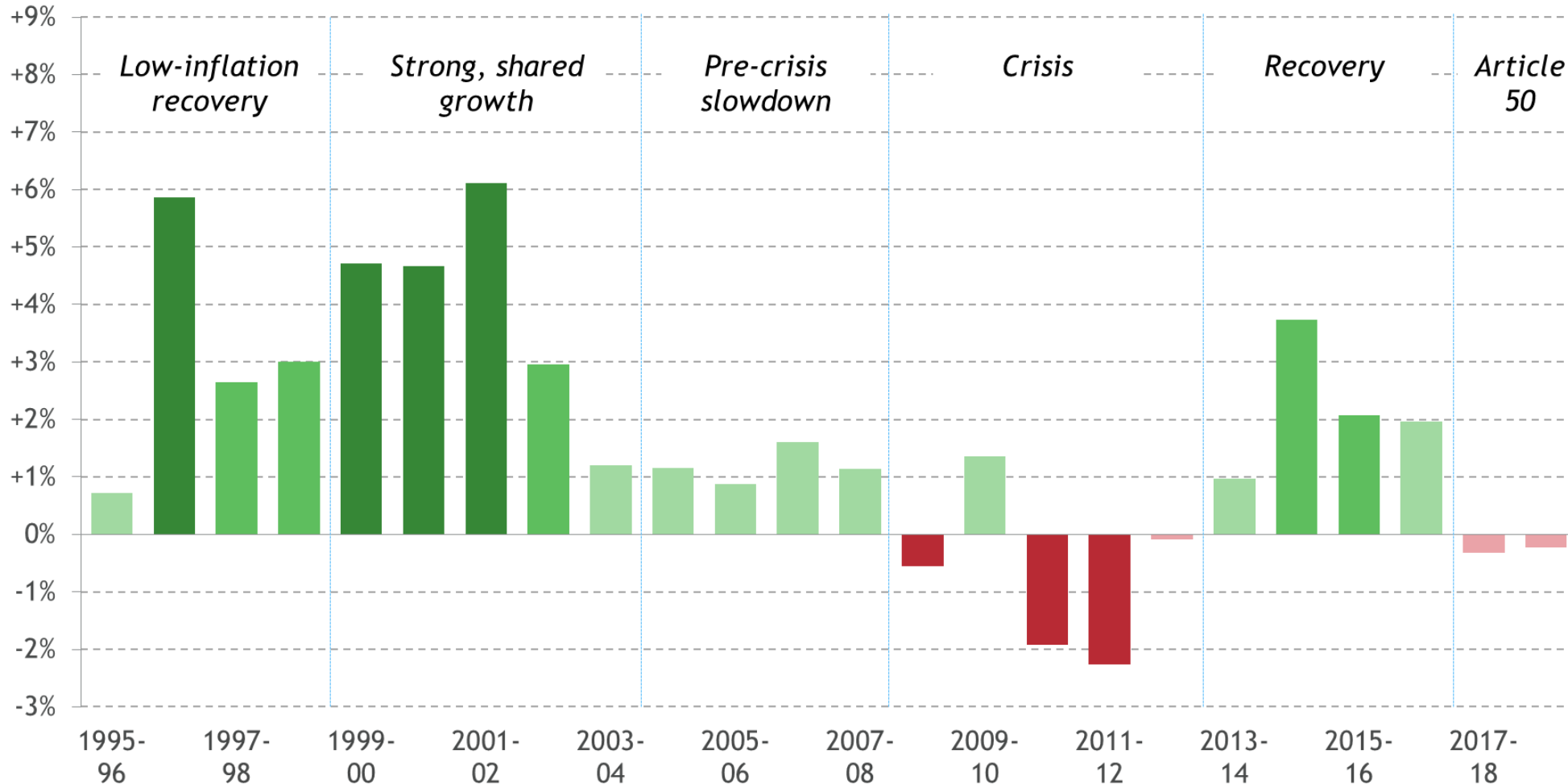


Source: RF analysis of ONS

So the big picture of the 2010s is an income catastrophe



Annual real growth (CPI-adjusted) in median equivalised disposable household income (after housing costs), overall



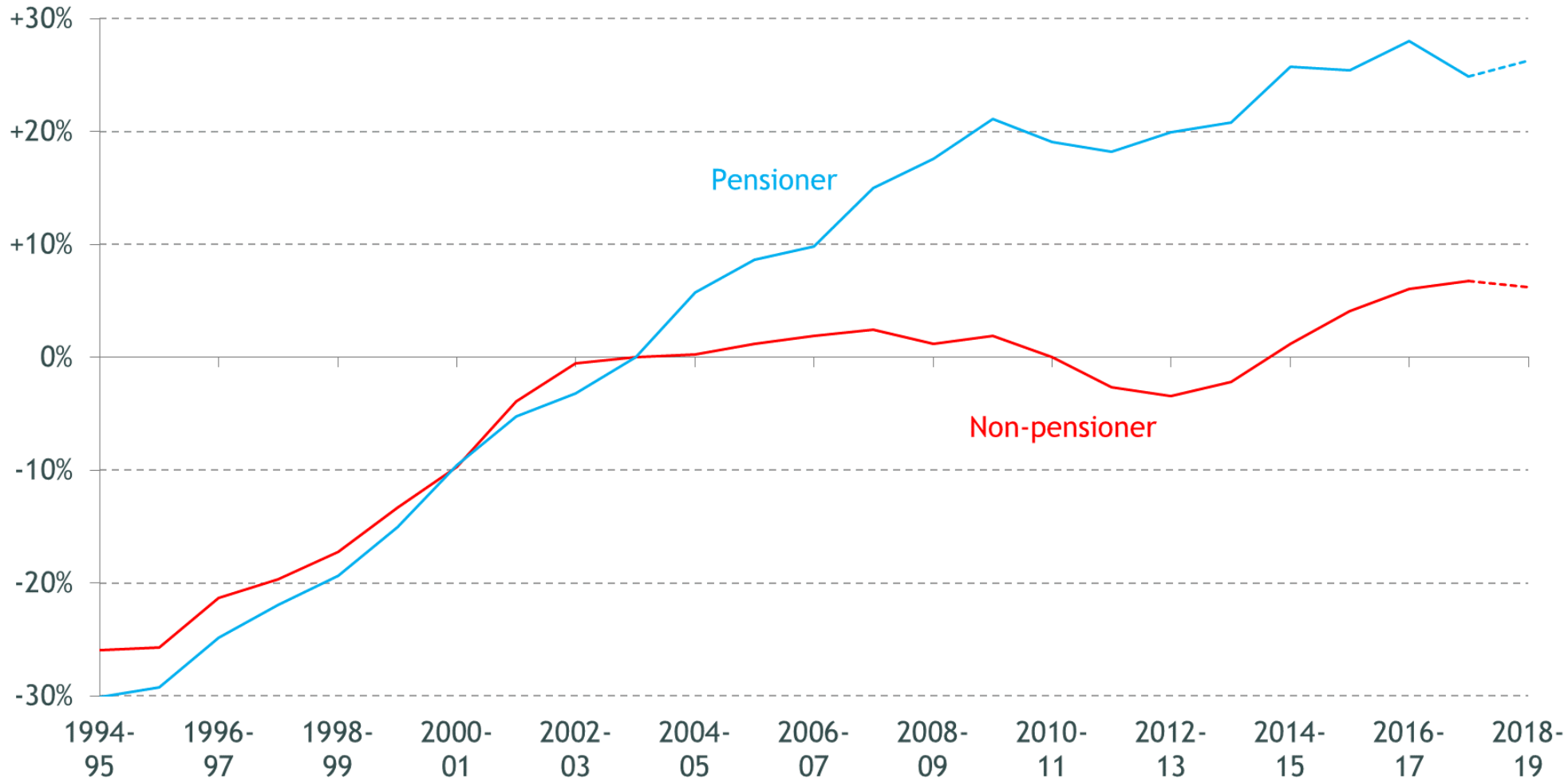
Notes: 2018-19 values are nowcasts. UK from 2002-03, GB before.

Source: RF analysis of DWP, Households Below Average Income; IFS, Living Standards, Inequality and Poverty; and RF nowcast

Longer term the old(er) have been outpacing the young(er)



Cumulative growth in real (CPI-adjusted) median equivalised disposable household income (after housing costs) relative to 2003-04



Notes: 2018-19 values are nowcasts. UK from 2002-03, GB before.
Source: RF analysis of DWP, Households Below Average Income; and RF nowcast



Where does housing come in? The common story

Public debate has a dual focus



The decline of homeownership among young adults

Home ownership is in decline

Home ownership falls more in UK than any other EU country

Home ownership among young adults has 'collapsed', study finds

Chances of owning home in UK have more than halved in 20 years, Institute for Fiscal Studies says

Home ownership in England falls to 30-year low

Public debate has a dual focus



Rents in UK will rise for next five years, experts predict

Cost of renting hits three-year high

Rents rise at fastest rate in almost 3 years

Housing shortage allows private landlords to push the cost of accommodation up 2.7%

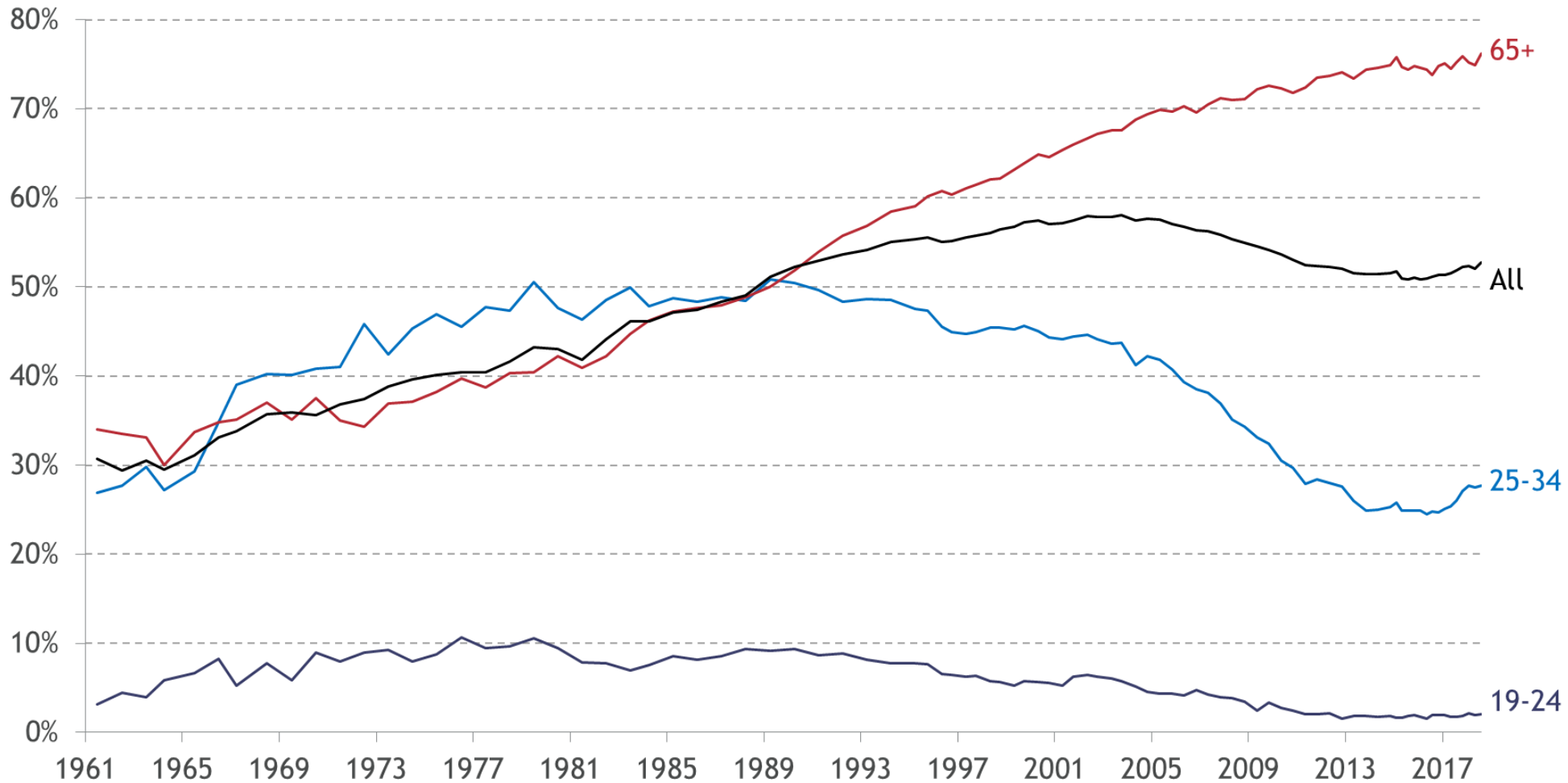
The rise and rise of renting

UK rents expected to rise faster than house prices in next five years

Youth home ownership is low - but rising...



Proportion of families (singles or couples) owning their own home: UK

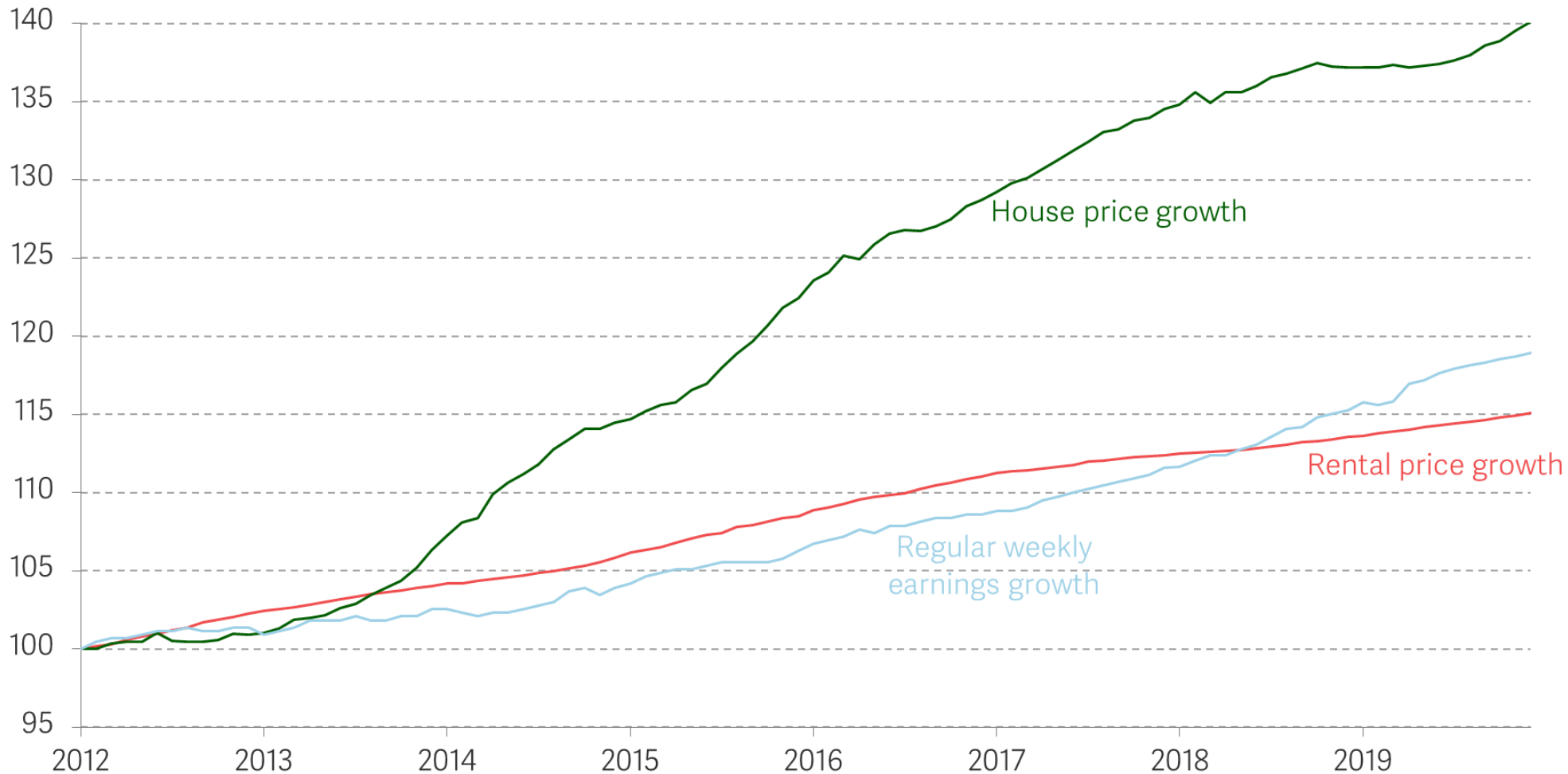


Source: RF analysis of Household Labour Force Survey; and IFS, Households Below Average Income 1961-1991

...and rents aren't running away



Index of house prices, rental prices and regular weekly earnings growth, January 2012 = 100: UK



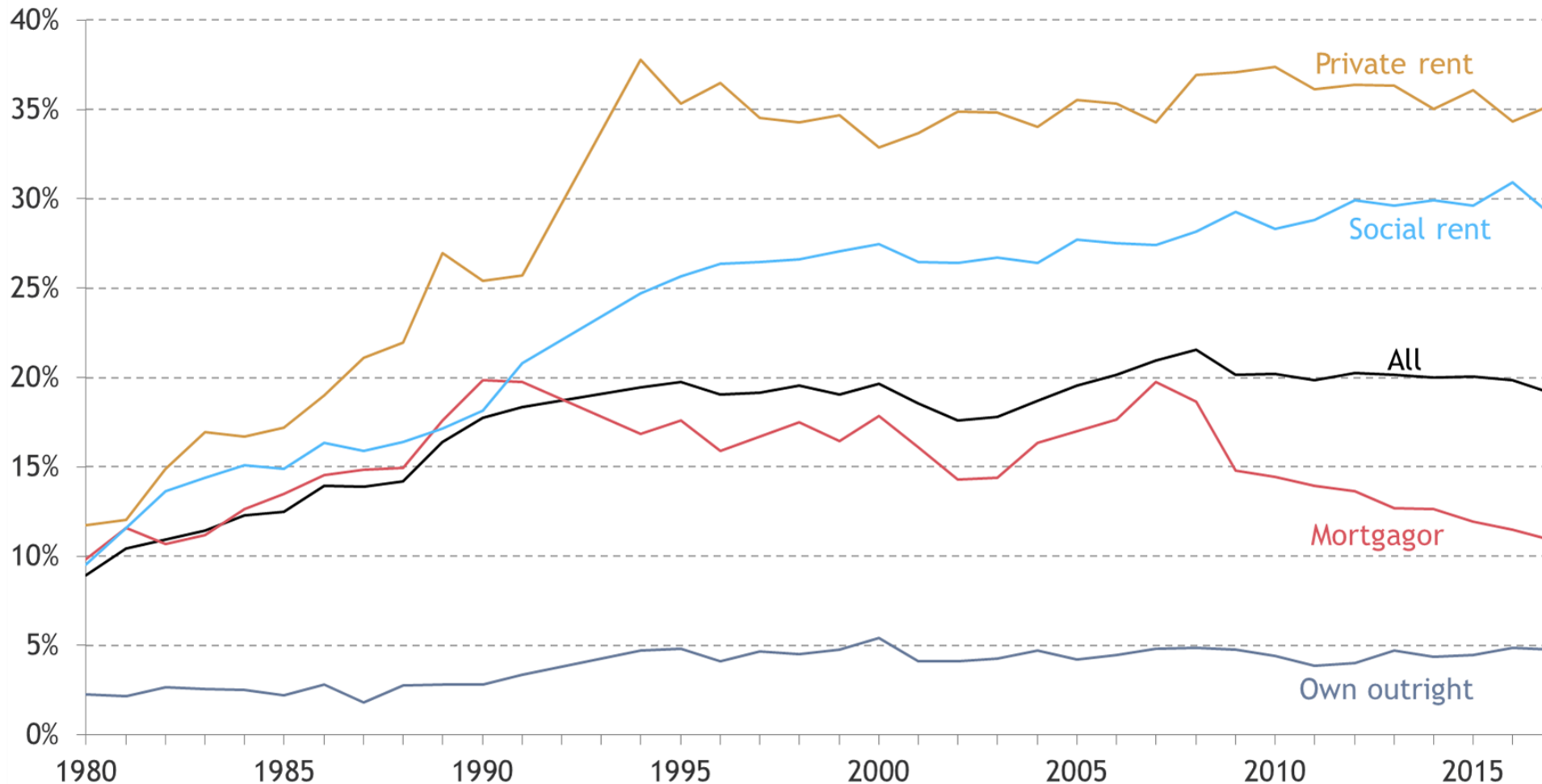
Notes: Regular weekly pay excludes bonuses and arrears.
Source: RF analysis of ONS, Index of Private Rental Housing Prices and Labour Market Statistics; HM Land Registry, UK House Price Index.

Where does housing come in? The ~~common~~ fuller story

Rents might not be rising but they are just too high



Average housing cost to income ratio by tenure, working-age family units, gross of housing benefit: UK, 1980-2017

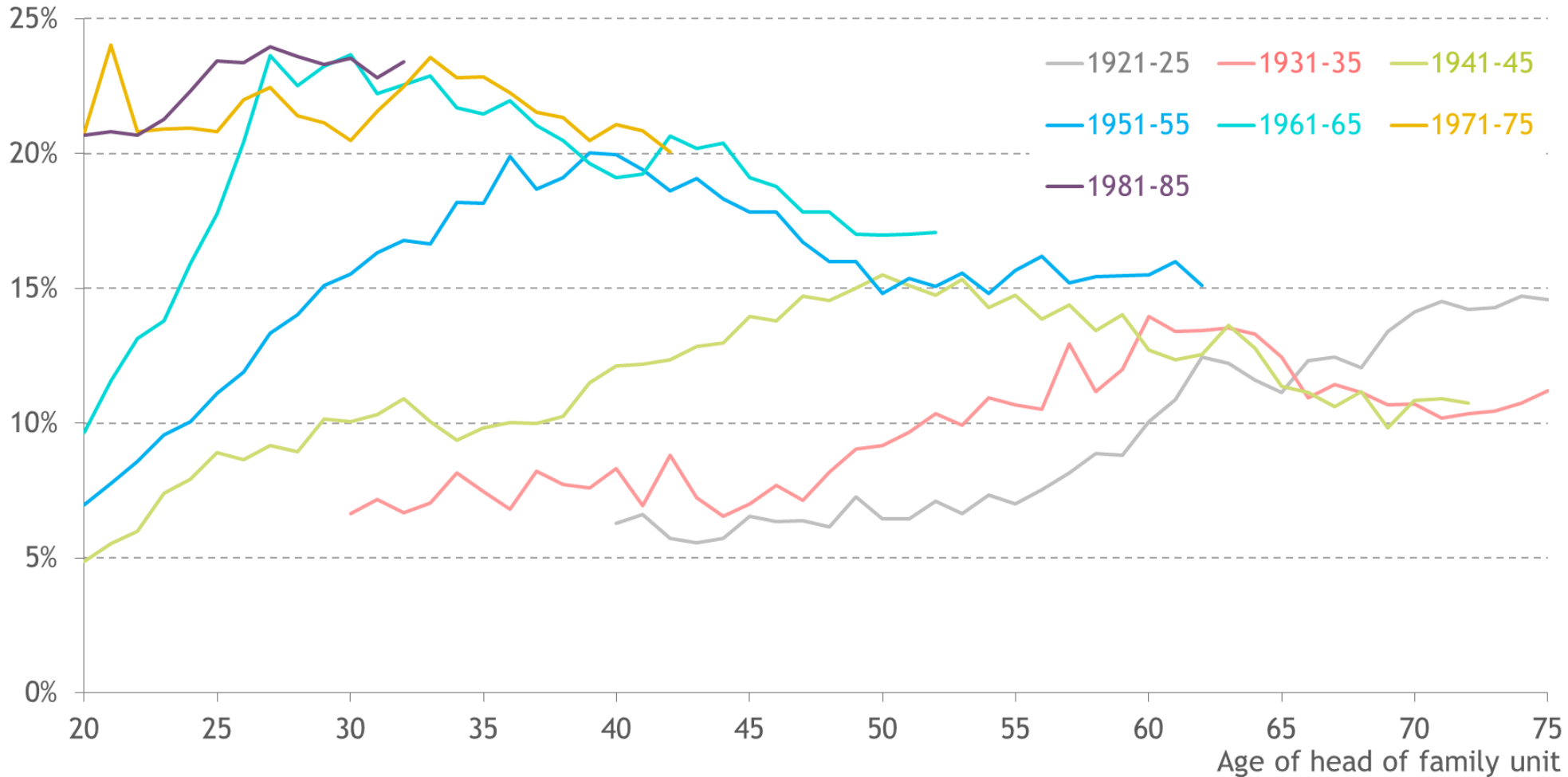


Notes: Family units are defined as any single or couple adults and their dependent children. Working-age defined as all family units in which the head of the family unit is less than 60 years old. Housing benefit is included in both income and housing costs. Income is net income before housing benefit. Income and housing costs assumed to be shared equally between family units within each household. There is no data for 1992 and 1993, changes between 1991 and 1994 are linearly interpolated. Data is for Great Britain only between 1994 and 2001. Source: RF analysis of IFS (1980-1991) and DWP (1994-2017), Households Below Average Income

It's not a good idea to be young...



Proportion of income spent on housing costs, by age and cohort: GB, 1961-2017

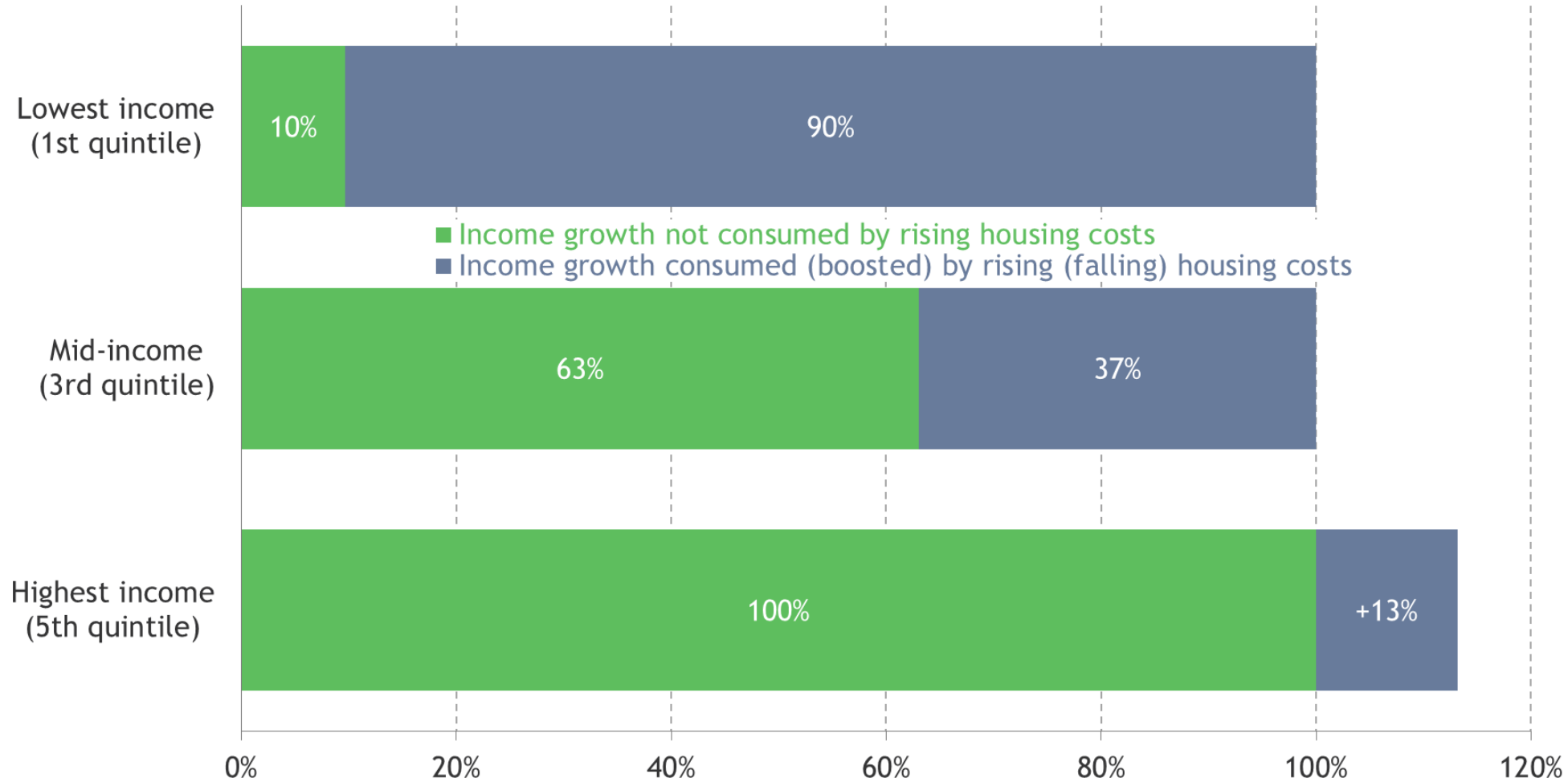


Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

...or poor



Share of net income growth consumed by housing costs, by quintile: 2002-2017, UK



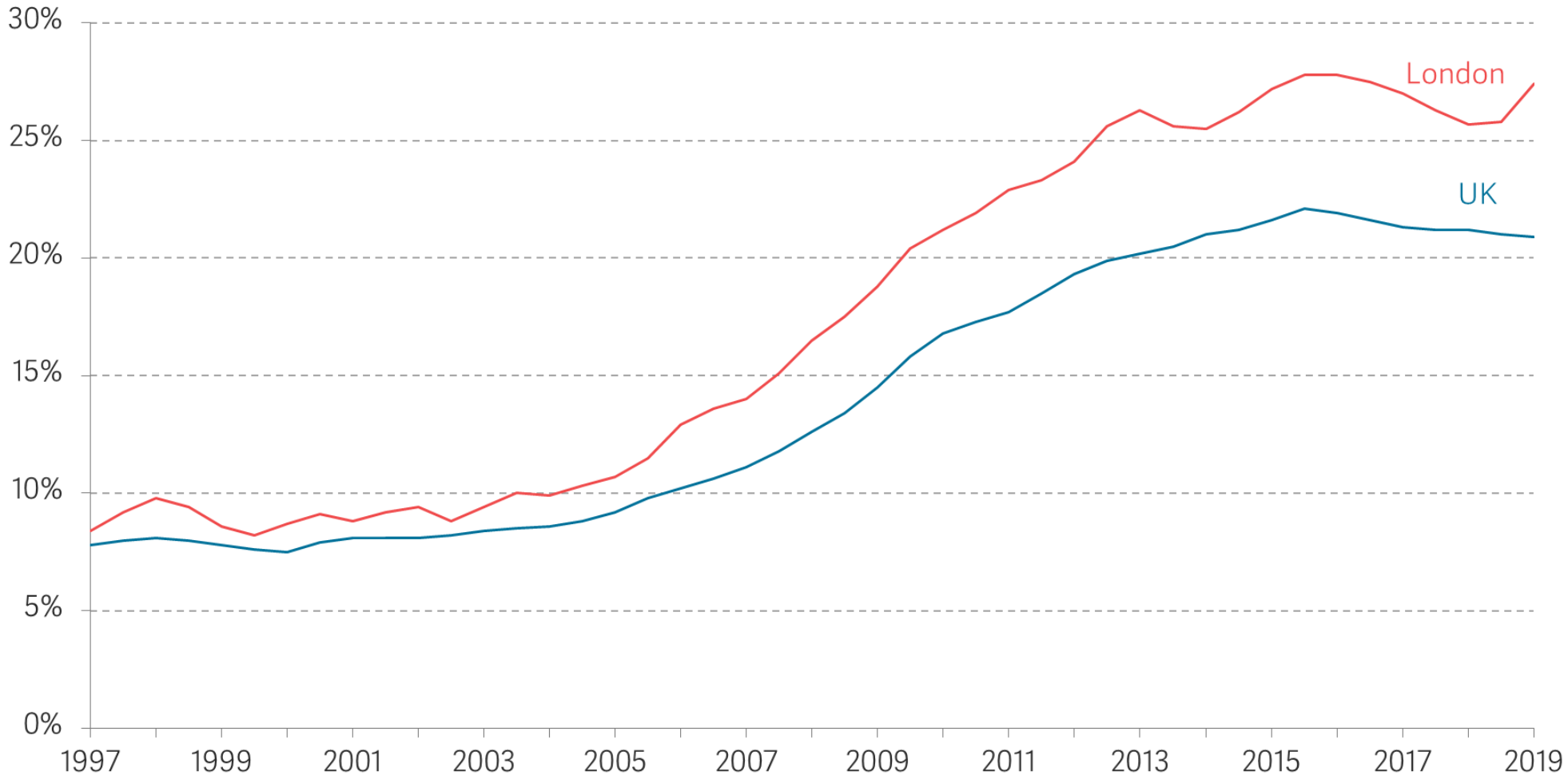
Notes: Working-age defined as all family units in which the head of the family unit is less than 60 years old. Housing costs are calculated gross of housing benefit such that housing benefit is included in both income and housing costs. Income is net income before housing benefit is deducted. Income and housing costs assumed to be shared equally between family units within each household. There is no data for 1992 and 1993, changes between 1991 and 1994 are linearly interpolated. Data is for Great Britain only between 1994 and 2001. Quintiles are calculated on a family unit basis.

Source: RF analysis of IFS, Households Below Average Income; DWP, Family Resources Survey

We've adapted to the young professionals - but not the families...



Share of families with children living in the private rented sector

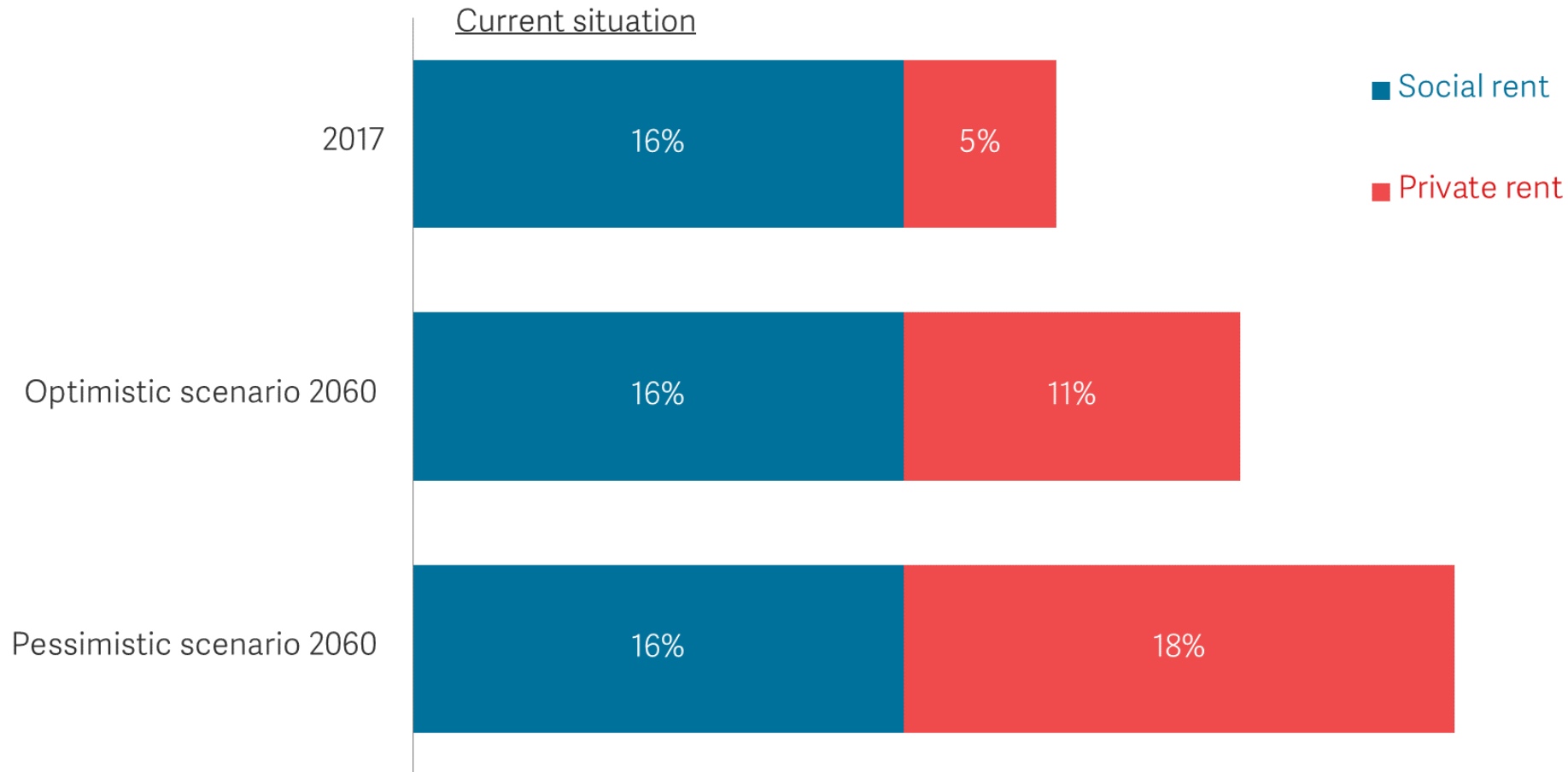


Notes: Data is smoothed over two quarters.
Source: RF analysis of ONS, Labour Force Survey

...or future pensioners



Proportion of pensioner-headed family units by tenure



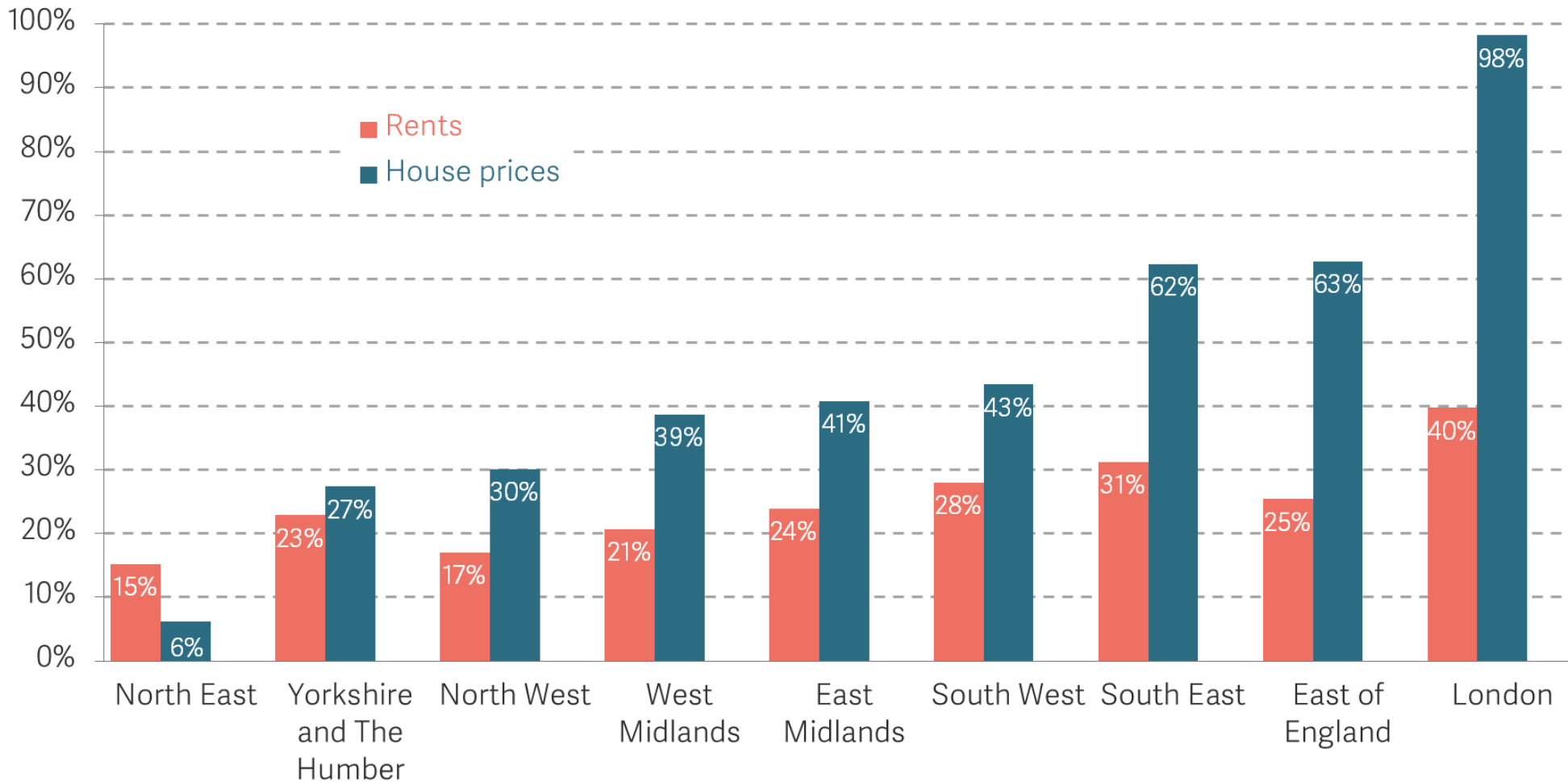
Optimistic scenario: additional 9k social rent homes per year, HB bill up by 90 per cent

Pessimistic scenario: additional 9k social rent home per year, HB bill up 150 per cent

'Levelling up' may still have some way to run



Change in house prices and rents: English regions, 2006 – 2019



Source: RF analysis of Land Registry, House Price Index; ONS, Index of Private Housing Rental Prices

Conclusions



- It's been a (really) bad decade for living standards
 - The young haven't had a good crisis
 - Housing is partly to blame...
 - ...and has boosted inequality

- Renting is a bigger part of 21st Century Britain
 - Rents aren't surging but are high
 - Not clear we have the answers for families...
 - ...or those on lower incomes



UK living standards and the private rented sector

Torsten Bell

Chief Executive
Resolution Foundation