

It's time to
**turn
the
tide**

Exploring the links between frozen Local Housing Allowance and employment

October 2026

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**citizens
advice**

Executive Summary

The freeze in Local Housing Allowance (LHA) is making it harder for people to find and maintain work. Nearly 1m households, 58% of all privately renting households receiving the Universal Credit (UC) Housing Element, now receive support that fails to cover their rent.

As private rents surge while support stays stuck at September 2023 levels, low-income renters are facing a financial squeeze that undermines their ability to enter, maintain, or further employment.

Key findings:

- **Low-income private renters are facing widespread and growing hardship.** The UC private renters we help with debt have average budget deficits of £69.97 a month, over 20 times deeper than the average for UC social renters.
- **Across Britain, 50% of LHA households are in employment and 50% are not.** Among the people we help with the UC Housing Element, private renters are more likely to be in work (30%) than social tenants (18%), with the latter group more likely to not be working because of a long-term health condition or disability.
- **Inadequate LHA is a barrier to work.** 1 in 5 UC private renters in the UK said that struggling to afford essentials affected their ability to find work, or increase their hours. Some are cutting back on spending that enables employment: 53% of the UC private renters who'd cut back or stopped spending on childcare, reduced their hours or stopped working as a result.
- **Frozen LHA puts the people we support "between a rock and a hard place".** Those we support face impossible choices between living somewhere more affordable or being closer to work and their support networks.
- **How frozen LHA affects low-income private renters varies considerably across the country.** Areas where households are most likely to have shortfalls between LHA and their rent are often the same as those where LHA households are least likely to be working, especially in Wales, the North West, and the North East of England. Our frontline staff also tell us that place-based factors - local labour and rental markets, housing stock, and public transport - are significantly shaping how frozen LHA causes hardship for the people they help.

Recommendation: To turn the tide on housing costs, the government should restore the link between LHA and real rents in the autumn budget, by uprating LHA to the 30th percentile of local rents. The link between LHA and the 30th percentile also has to be maintained permanently to prevent the unequal regional impact of freezing support.

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Methodology

This briefing draws on:

- Interviews with staff from 10 of our frontline local offices, supporting a range of urban, rural, and coastal communities across England and Wales.
- An August 2026 survey of local office staff across England and Wales. All findings presented are from questions with at least 137 respondents.
- Citizens Advice caseload and debt advice data.
- Evidence submitted by advisers between September 2025 - 2026 about the housing cost issues their clients face, from which we develop case studies.
- The Citizens Advice Cost of Living Tracker Survey, conducted by Walnut (part of Accenture Song) for Citizens Advice in March 2026. We surveyed a representative sample of 5,559 people. Figures are weighted and representative of all UK adults (18+). We included boosts for certain groups, e.g. UC recipients, social and private renters.
- FOI request submitted to the Department for Work and Pensions (DWP) in July 2026 capturing the proportion of LHA households in /not in employment in January 2026. Household numbers are rounded to the nearest 10,000. Households are defined as “in employment” if they have earnings on the count date, including from self-employment. Households defined as “not in employment” will include some who can’t work, e.g. for health reasons.
- Analysis of FOI with DWP statxplre January 2026 UC caseload data, accessed August 2026, linked by BRMA. We assigned English BRMAs to regions through postcode matching, using [Valuation Office Agency BRMA boundary layer data](#) (June 2020) and [ONS National Statistics Postcode Lookup](#) (August 2026). BRMAs crossing multiple regions were assigned to the region which contained the majority of postcodes.

Introduction

Local Housing Allowance (LHA) determines the level of housing support private renters can receive through the Universal Credit (UC) Housing Element or Housing Benefit. LHA was designed to enable low-income renters to afford the cheapest 30% of rental properties in an area by being regularly uprated in line with rising rents. However, LHA has been frozen since April 2024, meaning that current rates are predicated on rental data from September 2023. This has been particularly damaging given that, between September 2023 and July 2026, average private rents rose by 18% in England and 20% in Wales, compared to 4% and 6% between September 2016 and July 2019.¹ This briefing explores frozen LHA's impact on UC claimants' engagement in employment.

There are now over 985,000 households, 58% of the LHA cohort, facing shortfalls between their LHA rate and their actual rent. This is almost 300,000 more households than in May 2024, after the last uprating of LHA came into effect - a relative increase of 28%.² Many of the people we support are affected by frozen LHA. In 2025, 1 in 4 people we helped with UC issues were private renters - over 55,000. Over the course of the first half of 2026, private renters have been 26% more likely to need our help with the UC Housing Element than social tenants. Over this period, we helped an average of 99 private renters a day with advice specifically about the UC Housing Element.

While it would cost an estimated £2bn a year to uprate LHA,³ there are also substantial costs associated with keeping it frozen. One of the most visible is the immediate impact on hardship and living standards for low-income private renters. Citizens Advice has helped almost [80% more private renters with UC Housing Element issues](#) to access foodbanks in 2025/26 compared to 2021/22.

Increased demand for homelessness services and temporary accommodation, are also linked to inadequate LHA. Frozen housing support means that renters often struggle to sustain tenancies or exit homelessness, outcomes that led to local authorities spending £2.9bn on temporary accommodation in the last financial year.⁴

There are also costs for health: [analysis of our debt clients' budget data](#) found that UC private renters receiving a disability benefit spend 24% less on health-related costs if they're facing unaffordable rents, compared to those with affordable rents. Cutting back

¹ ONS [Price Index of Private Rents](#), August 2026.

² The overall UC LHA caseload grew between May 2024 - May 2026, including as a result of managed migration from legacy benefits to UC. However, the number of households with shortfalls has grown proportionally much more than the overall caseload.

³ Resolution Foundation, [Saving Private Renters](#), September 2026.

⁴ Ministry of Housing, Communities and Local Government, [Local authority revenue expenditure and financing England, individual local authority data - outturn](#), Revenue outturn housing services (RO4) data April 2025 to March 2026.

on spending, including on care, mobility support, and symptom management, risks health conditions worsening and demand on health services increasing.

Another cost of keeping LHA frozen is the impact on claimants' engagement in employment, the focus of this briefing. As LHA households' finances are stretched to, and often past, breaking point, many are having to cut back on spending, such as on transport and childcare, that enables employment. The unequal distribution of more affordable homes, and of employment opportunities, also means that frozen LHA limits where low-income private renters can live and work. Our frontline advisers describe clients as caught "between a rock and a hard place", either struggling to afford to be near work and their children's school or facing poor public transport or high travel costs in areas where housing could be cheaper.

The impact of frozen LHA on employment not only has costs for the individual and wider economy, but also feeds directly into the cost of the UC Housing Element itself. If frozen LHA acts as a barrier to work or to households increasing their earnings, these households will stay entitled to UC for longer, and receive larger amounts of UC as less of their entitlement is reduced by the earnings taper.

To address the rising costs of inadequate LHA, mitigate regional inequalities in access to employment, and provide a stronger foundation for households to start and maintain work, the government must restore LHA to the 30th percentile of real rents in the autumn budget.

How many LHA households are working?

Across Great Britain, the average LHA household is as likely to be working as not.⁵ 50% of the LHA cohort as a whole is in employment, and 50% are not - 830,000 households in each category.⁶ Underneath this average, however, there is considerable [geographical variation](#) across Broad Rental Market Areas (BRMAs). In Newbury, for example, 2 in every 3 LHA households were earning, compared to only 1 in 3 in both Fylde Coast and Sunderland.

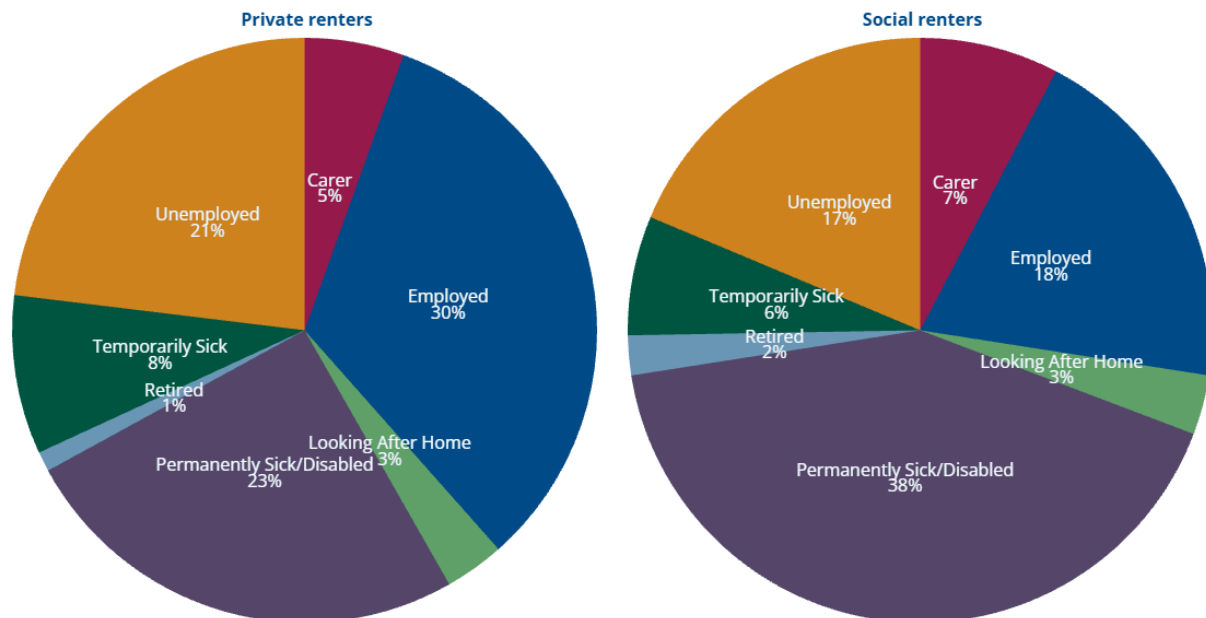
Among those seeking Citizens Advice support with the UC Housing Element, private renters are more likely to be in work than social tenants. In the first 6 months of 2026, 30% of these working-age private renters were employed, compared to 18% of social renters (figure 1). These private renters were more likely to be unemployed or

⁵ LHA households and the LHA cohort are those receiving the UC Housing Element who are private renters, whose level of HE is therefore determined by LHA.

⁶ FOI2026/66984.

temporarily sick than social renters, who were more likely to be permanently sick or disabled, or carers.

Figure 1: Employment status of the people we helped with UC Housing Element issues, January - June 2026.



It is unsurprising that social tenants are more likely to be not working as a result of a long-term health condition or disability than private tenants. This reflects a wider pattern of significant scarcity in social housing supply leading to social homes being prioritised for those with the greatest needs.⁷ It is also worth noting that people who are disabled or have a long-term health condition are overrepresented among our clients compared to the UK population.⁸

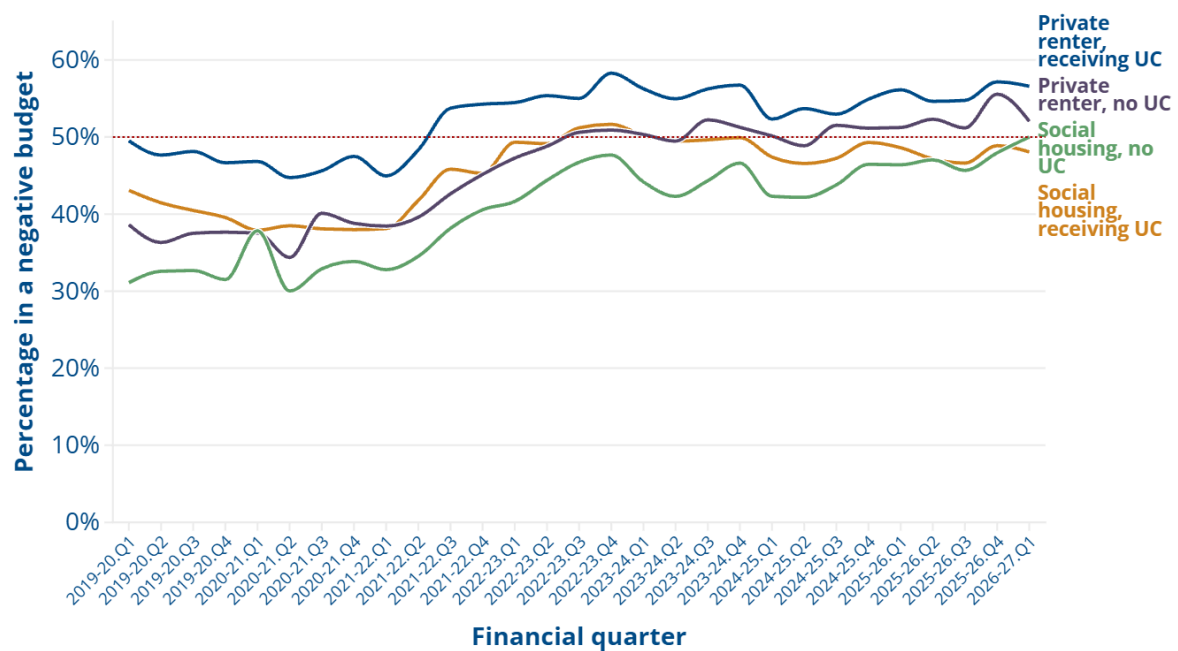
The budget pressures faced by LHA households

Low-income private renters are having to swim against the tide of rising housing costs, using income that could have gone on other bills to cover their rent while LHA has been frozen. On our frontline, we see inadequate LHA pushing renters deeper into the red. Compared to the other renters we help with debt, private renters who receive UC are the most likely to be in a negative budget, where their income cannot cover their essential outgoings each month (figure 2).

⁷ Crisis, [Moving the deckchairs? Social housing allocations in England](#), 2025.

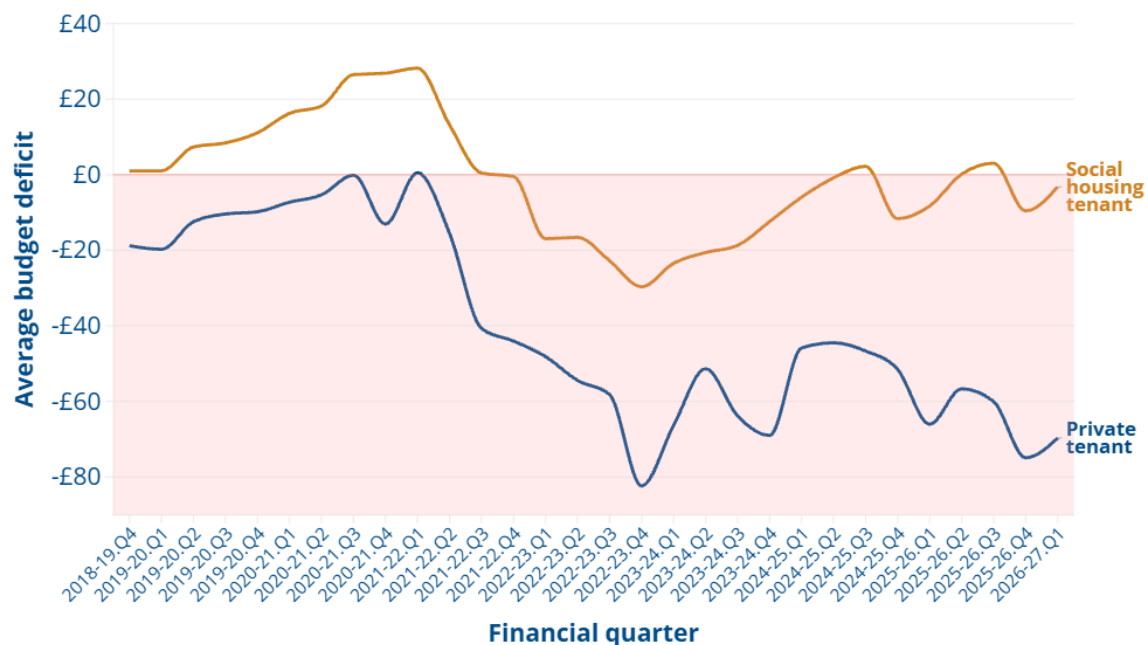
⁸ [A quarter of the UK population is disabled](#), while over half the people Citizens Advice helped in 2025 were disabled or had a long-term health condition. See [Citizens Advice response](#) to the Timms Review of Personal Independence Payment call for evidence, 2026.

Figure 2: over 50% of private renters we help with debt, who receive UC, are in a negative budget



The UC private renters we help with debt have average budget deficits of £69.97 a month, over 20 times deeper than the average faced by UC social renters (figure 3).

Figure 3: average budget deficits by housing tenure, UC debt clients



Negative budgets are widespread among the UC private renters we help with debt, but levels of hardship vary by employment status. Those who are unemployed are most likely to be in the red at the end of the month (figure 4), and by the greatest amounts (figure 5).

Figure 4: Negative budget rates among the UC private renters we help with debt, January - June 2026.

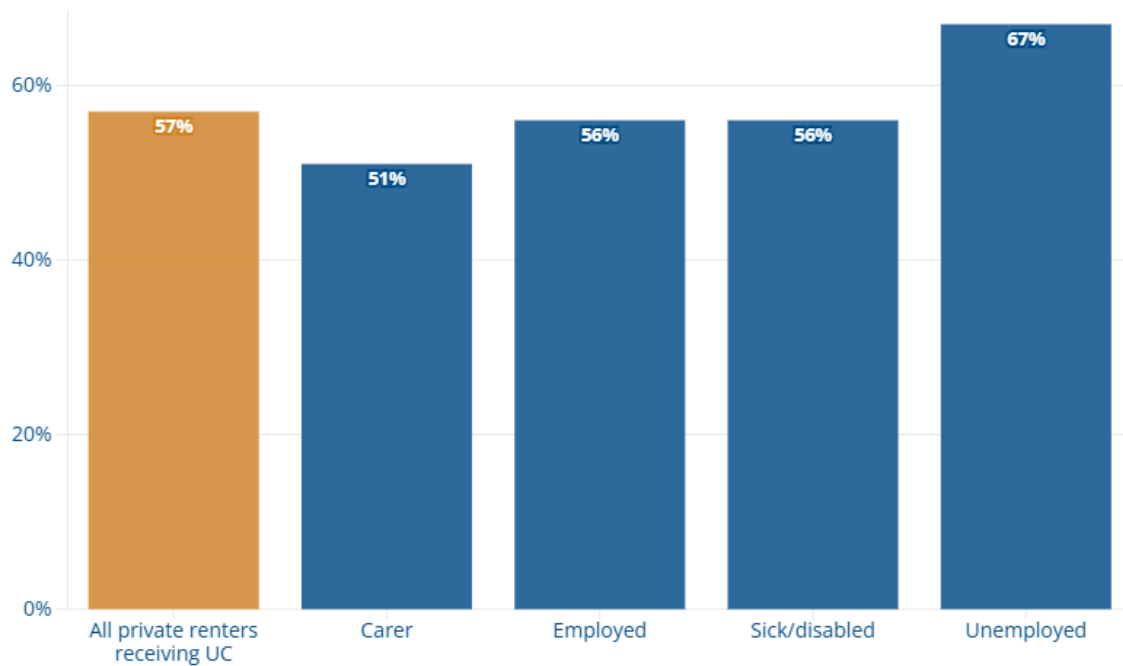
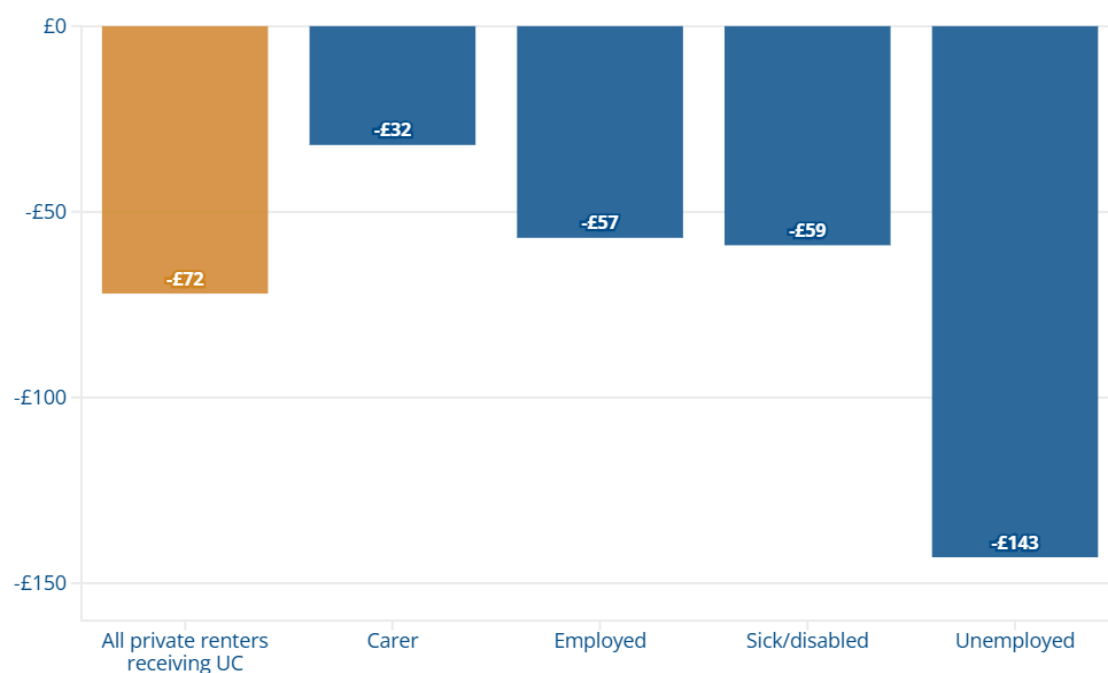


Figure 5: Average monthly budget deficits among the UC private renters we help with debt, January - June 2026.



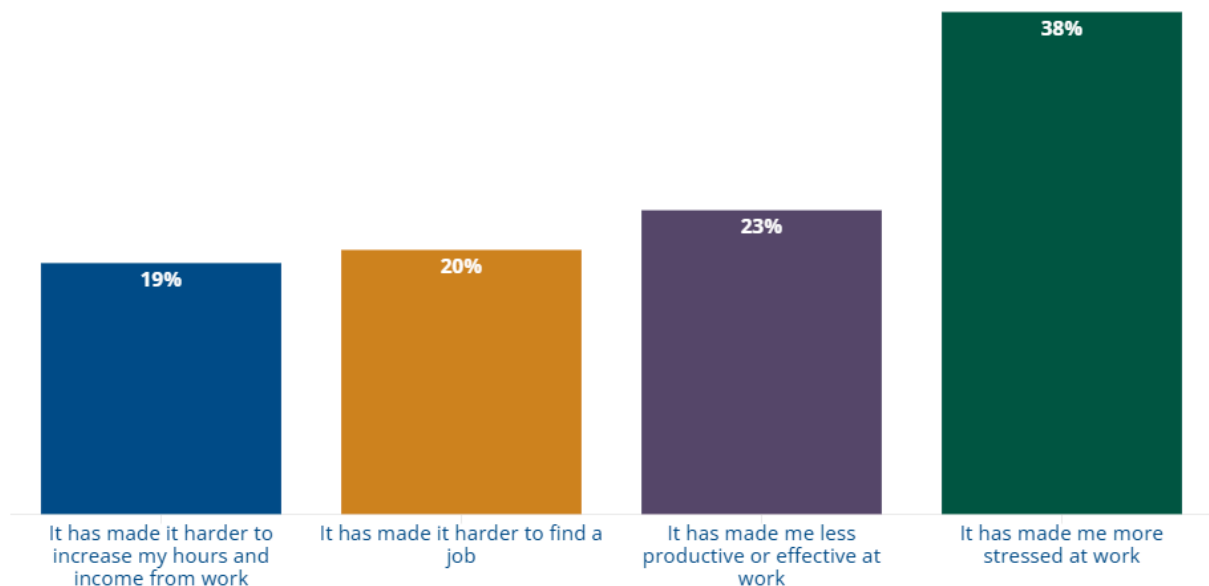
Among our debt clients, UC private renters who can't draw on income from work have an especially large share of their budgets taken up by rent. Those who are unemployed spend 54% of their income on rent compared to 40% for those who are employed.

While all groups of UC private renters are experiencing hardship, this data underlines the difference that employment can have for household finances and the importance of providing additional support for those who can't work.

Impact on employment

Across the country, households are no longer weathering one-off crises, but enduring sustained financial pressure. Having finances relentlessly stretched to, and often past, breaking point, is making low-income private renters less able to engage in work. In March 2026, 1 in 5 UC private renters in the UK reported that struggling to afford essentials was affecting their ability to find work or increase their hours (Figure 6).⁹

Figure 6. Employment impact of sometimes or often being unable to cover essentials. Representative survey of private renters receiving UC in the UK.



For many of these households, inadequate housing support is a key cause of being unable to afford essentials and meet employment related costs, as John* experienced.

John* lives alone in a privately rented 1 bedroom flat. He recently lost his job and has been struggling financially. John's age means that he's only entitled to the Shared Accommodation Rate of LHA, to rent a room in a shared house, which doesn't cover his actual rent. He's been building up rent arrears and putting his tenancy at risk. Finding a new job could help John stabilise his finances, but at the moment he has no money to afford suitable clothes for a job interview. This is making it more difficult for John to find a new job. The longer John has to look for work, the more at risk he is of losing his home as his arrears keep building up.

⁹ Unless otherwise stated, survey data in this section is from the Citizens Advice Cost of Living Tracker Survey, March 2026.

Some UC private renters are also having to actively cut back on spending that enables employment, like on childcare and transport. When surveyed in March 2026, 1 in 5 private renters receiving UC in the UK said they were not confident they'd be able to meet their transport costs over the next 6 months, and 1 in 5 said the same of childcare. 18% said they'd either cut back or stopped spending entirely on formal or paid childcare - significantly more than the 12% of UC social tenants who said the same.

Cutting this spending back has consequences. Of the UC private renters who'd cut back or stopped spending on childcare, 53% had reduced their hours or stopped working altogether as a result. Similarly, UC private renters who'd cut back or stopped spending on transport reported finding it difficult to travel to work (21%) and look for work (19%).

We also see these problems on our frontline, for people like Zohaib*. When we surveyed our advisers in August 2026 about the impact of housing support levels on clients, they overwhelmingly reported that clients were struggling to afford non-rent essentials, experiencing reduced housing security, and facing health impacts.¹⁰ In addition, 15% of surveyed advisers also reported that levels of housing support were making it difficult for clients to find or keep a job or increase their hours of work.

Zohaib* was made redundant and is now struggling to pay his rent. He lives in a 3 bedroom flat so his children have a place to stay when they visit. Zohaib regularly experiences a shortfall of £600 between the money he receives to help with housing costs through UC and his actual rent. Since losing his job, he can't afford to top up his rent. Zohaib sold his car to try and raise some extra money, but this is now making it harder for him to find a new job. Living in a remote location, he can't get to job interviews easily without a car. Zohaib now has to consider moving into a 1 bed flat to afford his rent, but this means his children won't have a place to stay when they visit.

Regional variation and placed-based impacts

Employment by rental area

The proportion of LHA households in employment varies considerably across BRMAs. In Sunderland or Fylde Coast, LHA households are half as likely to be in employment as in Newbury.¹¹ In addition, many of the BRMAs where claimants are least likely to be in work are also those where LHA shortfalls are most common. 6 of the top 20 BRMAs with

¹⁰ 89% of 138 respondents said clients' level of housing support, compared to their actual rent, affected them in terms of struggling to afford non-rent essentials, 72% in terms of reduced housing security, and 66% reported an impact on clients mental and/or physical health.

¹¹ FOI2026/66984.

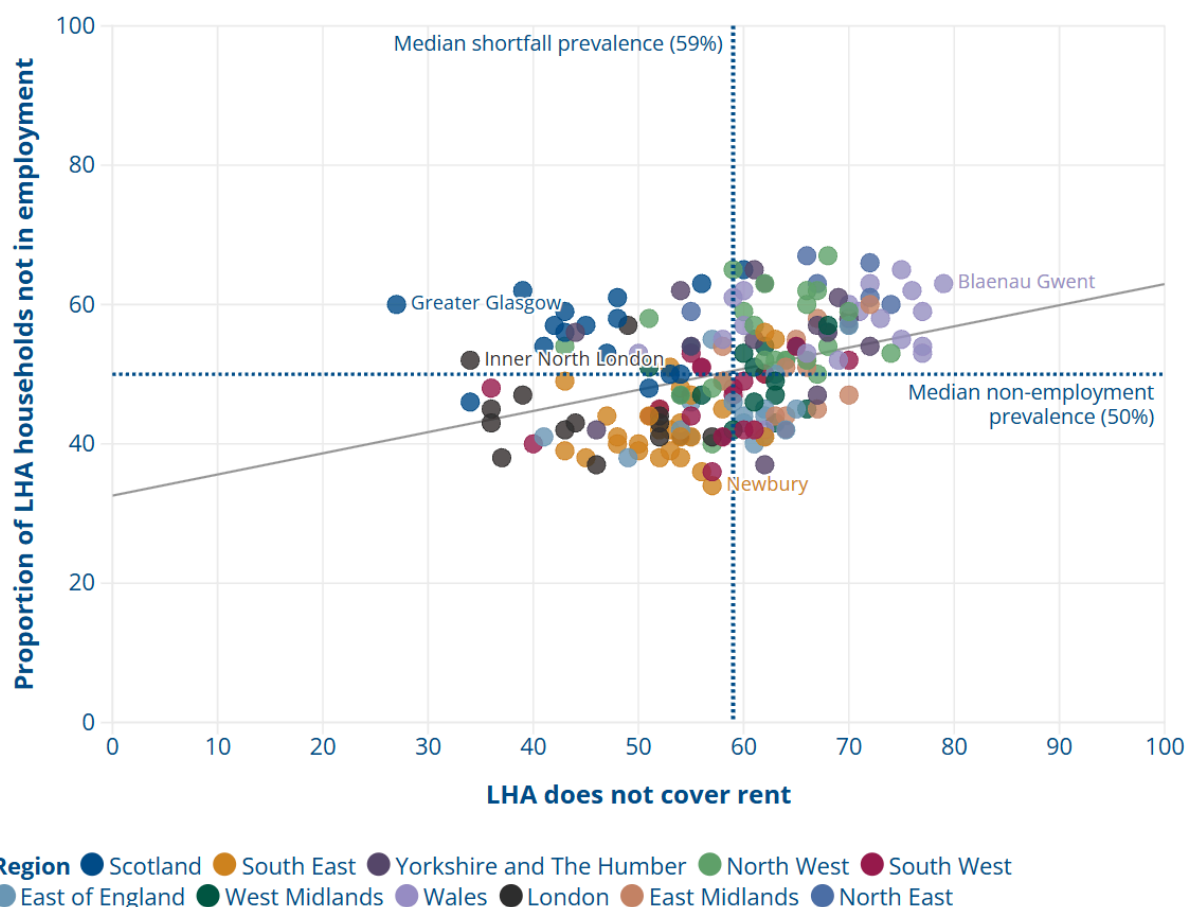
the highest prevalence of LHA shortfalls, are also in the top 20 BRMAs with the highest proportion of LHA households not in employment.¹²

BRMA	Region	LHA does not cover rent		Not in employment	
		% of LHA households	Rank / 191 BRMAs	% of LHA households	Rank / 191 BRMAs
Blaenau Gwent	Wales	79%	1	63%	8
Taff Rhondda	Wales	76%	5	62%	14
Neath Port Talbot	Wales	75%	6	65%	4
Durham	North East (Eng)	72%	12	66%	3
Northumberland	North East (Eng)	72%	14	61%	20
Bridgend	Wales	72%	15	63%	9

Because only BRMA-level averages are available, it is not possible to know whether individual households with LHA shortfalls are more or less likely to have earnings than those without shortfalls. However, at the aggregate level across English, Welsh, and Scottish BRMAs, there appears to be a weak positive correlation between LHA shortfall prevalence and the proportion of LHA households not in employment (figure 7).

¹² Out of the 191 BRMAs with available data for both measures, from DWP statxplorer January 2026 UC caseload data, accessed August 2026, and FOI2026/66984.

Figure 7. Proportion of LHA households not in work, and proportion of LHA households with LHA shortfalls, by BRMA.



Click [here](#) to access an interactive version of this figure.

The relationship between shortfall and employment prevalence also appears to be clustered by region. BRMAs in Wales, the North West, and the North East of England tend to have higher rates of households with LHA shortfalls and households not in employment. In these regions, the vast majority of BRMAs are above the British average for both measures, while the inverse is true for the South East of England and London.

This suggests BRMAs reflect broader regional dynamics. High levels of hardship could contribute to both a high prevalence of shortfalls and of LHA households not being in employment. For example, an area with higher poverty rates is likely to have a larger UC claimant population, which could lead to more pressure on the lower end of the local private rented sector,¹³ and greater prevalence of ill health, which would lower the proportion of households in work. The box below explores some of these factors, taking Wales and the South East of England as examples.

¹³ This will also depend on the local supply of social housing, outside the scope of this briefing.

Regional variation: focus on Wales and the South East of England

LHA shortfall prevalence, BRMA range

- Wales: from 50% (Cardiff) to 79% (Blaenau Gwent).
- South East: from 43% (Oxford) to 66% (Isle of Wight).

Rates of LHA households not in employment, BRMA range

- Wales: from 42% (Monmouthshire) to 65% (Neath Port Talbot).
- South East: from 34% (Newbury) to 56% (Thanet).

Change in the size of the private rented sector between 2013-2025¹⁴

- Wales: -5%
- England: +13%

Average rent increases between September 2023 - July 2026¹⁵

- Wales: +20%
- South East: +16% (below England average of 18%).

Disability prevalence¹⁶

- Wales: 26% of people are disabled, slightly above GB average of 25%
- South East: 22% of people are disabled, below both GB and England average (24%).

Competition for work relative to number of UC claimants:¹⁷

- Wales: 1 job advertised for every 22.1, 18.3, and 12.2 claimants in Neath Port Talbot, Blaenau Gwent, and Bridgend respectively.
- South East: 1 job advertised for every 1.4 and 1.6 claimants in Windsor and Maidenhead, and in Woking, respectively.

Ultimately, a high proportion of LHA households face shortfalls in the same BRMAs where LHA households are least likely to be working. This is a poor foundation for supporting more low-income renters into work.

Impacts in the community: the people we support

Evidence from interviews with staff from our frontline offices shows that frozen rates of LHA are forcing clients to make difficult choices about where to live, relative to their work and support networks. Similarly, 2 in 3 advisers surveyed said that LHA is affecting which areas clients are able to live in locally.

¹⁴ Welsh Government, [Wales Dwelling Stock Estimates, March 2025](#) ; Ministry of Housing, Communities & Local Government, [England Dwelling Stock Estimates, March 2025](#).

¹⁵ ONS [Price Index of Private Rents](#), August 2026.

¹⁶ DWP [Family Resources Survey: financial year 2024 to 2025](#).

¹⁷ Joseph Rowntree Foundation, 2025, [Health-related benefit cuts will deliver higher poverty, not employment](#). Job vacancies measured relative to the number UC claimants searching for work or unable to work due to health conditions. Data is at the Local Authority not BRMA level.

Survey respondents and the local office staff we spoke to often highlighted tensions between accessing more affordable housing and moving further from work and personal ties. This was often compounded by poor and/or expensive transport links. In addition, advisers indicated that place-based factors, such as characteristics of the local labour market and private rented sector, had a significant impact on how frozen LHA affects households.

Living closer to work and experiencing high shortfalls

Nearly half of advisers surveyed (45%) said they were helping clients who faced larger shortfalls between housing support and their actual rent to live closer to work or job opportunities. Our advisers told us that moving to a neighbouring area with cheaper rents is not always possible. Private renters often have established jobs, children in school and local support networks that would be difficult to maintain if they were to move further away. This is the case for Olena*.

Olena* has to move out of where she's been living, and has put herself on the social housing register. However, long waiting lists for social housing mean she'll have to rent a home privately for the foreseeable future. Because LHA rates are now well below market rents where Olena lives, she will struggle to afford her rent even with help from UC. Olena works morning shifts and doesn't have a car, so she has to wake up early to take public transport to work. Olena needs to stay in her area to be able to continue to get to her job. Low LHA rates put Olena in a difficult position - if she moves to a more affordable area she won't be able to keep her job, but if she stays in her area, unaffordable housing will put her under unsustainable financial pressure.

One of our frontline staff from York Citizens Advice explained how this dynamic plays out locally. Selby is an area outside York, but included in the York BRMA. It is cheaper and has more properties covered by LHA. For people who work and live in York, moving to Selby would mean a much longer commute. For those with evening shifts, it might be logistically impossible.

“On public transport, any sort of job that involved working in the evenings would be completely out. And I can't see a boss paying for a taxi all the way to Selby and back every night. And even during the day - I think it's just short of an hour on a bus.”

This issue is compounded for those with familial commitments who have to factor in distance to children's schools and childcare.

“If you're a single mum with two kids - you've got childcare. Your school is in Selby, so the childcare is in Selby. You would get a job that involved probably an

hour and a half's journey because it's an hour on the bus, but you've also got to get to the childminder. You've got to get to the bus stop. You've got to get into the center of York and then you've got to get out to wherever your job is. You're talking three hours traveling each day."

A long commute is not the only barrier to LHA households living further from their work. Lack of affordable public transport is often a compounding factor, especially since many people we help, like Olena*, don't own a car. As one surveyed adviser described, moving can have ***"a knock on effect on accessing work"***, where affordable areas are ***"rural or at edges of towns, which often have less good public transport links"***. As one of the advisers we spoke to, based in the South West of England, explained:

"It's the lack of availability of public transport in some areas. Some towns are quite well connected, but some, in the rural villages, it's maybe one bus a day and at completely the wrong time. The first bus may be at half past 10 or 11."

Limits of local housing stock

Frontline staff told us that the nature of local housing stock can be a barrier to moving. Variations in stock, particularly in terms of factors like bedroom number, can mean that there are limited suitable properties available in neighbouring areas for households of different sizes. As an adviser from a local office in the East Coast of England explained:

"Some of the properties in the coastal area are a little bit better [higher-end] for if you're looking at a single person one bedroom property. There's a real shortage of studio properties and letting agents that have those smaller properties where they might be willing to charge slightly lesser rent."

Advisers in Pembrokeshire similarly said that some of those they helped had no choice but to rent properties larger than their LHA entitlement. They attributed this to an acute lack of appropriate housing for single private renters in particular, and indicated that it often leads to even greater shortfalls between LHA and rents.

The characteristics of the local economy can also further contribute to rent inflation and housing supply problems. Frontline staff from Cornwall and Pembrokeshire Citizens Advice both told us that the proliferation of local short-term lets and holiday homes, particularly after Covid, had restricted the already limited supply of mainstream private lets in their rural areas, pushing up rents for LHA households. This has made it extremely difficult for low-income renters to find an affordable property where their seasonal and tourism-based jobs are.

Living further from work to access more affordable housing

44% of surveyed advisers said that clients needed to move area to look for more affordable housing as a result of the level of their housing support compared to their rent. For some, this has meant moving further from work or employment opportunities.

More than 1 in 5 (22%) surveyed advisers have helped clients who live further away from work or job opportunities to reduce the shortfall between housing support and their rent. One adviser we spoke to from the East Coast of England said she had supported clients who had moved and had to leave their job:

“To get from one area to the other, it probably takes an hour there and an hour back. We have people that are having to move to an area just to secure a property that they're not particularly keen on, especially due to potentially uprooting children and leaving jobs, and working out the logistics in trying to get to work, and is it worthwhile.”

Moving further away from job opportunities presents an obvious barrier to people getting into and maintaining work, as it did for Martha*.

Martha* lives with her son in a privately rented property and receives UC. She used to work in hospitality, but didn't earn enough to cover her £300 shortfall and ended up accumulating rent arrears. She is now looking for a new property with the support of the Council homelessness team. Martha has stopped working due to short term health problems, but would like to get back into work once she's settled. However, she needs to find a property in a cheaper area, which will mean moving further away from her community and work connections at her local cafés. Martha is concerned that the move will hinder her ability to get back into work, but feels she doesn't have a choice if she wants to avoid getting into rent arrears again.

Conclusion and recommendations

Inadequate housing costs support is limiting LHA households' ability to get into and maintain employment. As the gap between rising rents and frozen LHA has grown, low-income private renters have had to endure unsustainable financial pressure. Some, both among the people we support and private renters receiving UC across the UK, have had to respond by **cutting back, including on spending which was enabling them to work.**

Affordable housing and employment opportunities are also unequally spread across the country and within BRMAs. At an aggregate level, across England, Scotland, and Wales, many of the BRMAs where LHA households are most likely to be facing shortfalls are also those where LHA households are least likely to be working. Some regions, like Wales and the North West and North East of England, are seeing much higher prevalence of both issues than other parts of the country.

Inadequate LHA and unaffordable rents are also constraining where low-income private renters can live and work in their community. Our frontline advisers have emphasised how, for some of the LHA households they've supported, being near work comes at the cost of living in more unaffordable housing, and of having to endure the financial pressure and squeeze on living standards that results. Others have had no choice but to move home in search of rents that are closer to LHA rates, even though this has meant straining, and sometimes breaking, employment links.

Frozen LHA rates are a poor foundation for supporting LHA households to start or maintain work. This foundation will only weaken if LHA rates remain frozen and rents continue to rise. To turn the tide on housing costs, **the government must restore the link between LHA and real rents in the autumn budget, by uprating LHA to the 30th percentile of local rents.** The link between LHA and the 30th percentile must also be maintained permanently to prevent the unequal regional impact of freezing support.