

# **The effect of forthcoming housing policy changes on social-tenant employment and the London economy**

## **final report for LB Camden**

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# Foreword by Cllr Sarah Hayward, Leader of Camden Council

**London is facing an unprecedented housing crisis. In Camden we are deeply concerned that the Housing and Planning Bill is likely to make it worse. It could drastically reduce genuinely affordable homes and our ability to build more, drive up rents, and damage London's economy.**

Camden and inner London are likely to be disproportionately impacted by this bill, which is why we commissioned the LSE research. Their evidence shows that these areas' economies are dynamic and successful because they have a mix of low, middle and high income earners living within close reach of their workplaces, and that the bill puts all of this at risk.

The LSE looked at the impact of the expected reductions in social housing. They found many social housing residents work in sectors vital to the community, including childcare, social care, cleaning and retail. Those people in these jobs cannot afford the cost of living increases that will be brought about by the bill. Moreover, their employers require a locally based workforce that London may soon no longer have.

The findings are particularly concerning for care professionals as they suggest a tax hike for the sector. These are ordinary working Londoners who provide support for adults and children, child minding services and nursery care. They are vital for the health of inner London's economy and essential for those who work in other roles. For example, nursery workers enable many parents to work enough hours to afford their own rents.

This is all at a time when the need for such services is growing in areas like Camden, and providers are already losing workers because of London's housing costs. This will make it much harder for families and businesses to get the help they need to look after their children, work in their shops, clean their offices and provide social care to the most vulnerable.

We have said all along that this bill is flawed. It will see Camden's residents priced out of their homes, and out of the local area. It will force people into expensive private rented property, or out of London completely, leaving employers struggling to access

a workforce for lower and medium income roles.

The findings show how the bill will be counter-productive to the aims of creating jobs and growth. Pay to Stay could result in a reduction in employment. Another concern is how it may work in conjunction with the National Living Wage. In Camden, we welcome this much-needed boost to wages. However, the Government has not considered that in combination with Pay to Stay, people could be priced out of their homes. The bill needs more research and an evidence-base to understand how it may impact complex communities and London's particular situation.

The LSE presents a solid piece of research that supports our claims. The next stages are clear – we must make this report heard by Government to create meaningful change to the Housing and Planning Bill. We must make our focus solving the housing crisis for people living in London.

## Executive summary

### Key Findings

- The expected reduction in the amount of social housing in inner London due to the Housing and Planning Bill will affect local infrastructure and employers.
- Personal care (childcare and care of vulnerable adults) is vital to healthy communities, and relies on a pool of low cost, locally based labour. Some 16% of employed inner-London social tenants work in health and social care. The need for such services in boroughs like Camden is growing, not declining, and providers are already losing workers because of London's housing costs.

### Recommendations

- Many organisations already recognise the benefits of employing local people in entry-level jobs because they are often willing to work flexible or irregular hours, they can respond quickly if there is an emergency and their commuting costs are low. Central London employers should consider the value of having local workers in certain roles, and recruit accordingly.
- We need to better understand the interaction between accommodation and employment. Further research is needed into the links between low-cost housing and employment in London before these policies are rolled out.

## The research

- The London Borough of Camden has asked LSE London to research the likely effects of a number of forthcoming housing-policy changes, singly and combination on the employment of social tenants and the London economy. The policies are
  - ‘Pay to stay’ – council tenants with incomes above a threshold will be required to pay more in rent
  - Voluntary right to buy – housing associations will offer sitting tenants the right to buy their properties at a discount, as council tenants already can. They will be reimbursed by central government for these discounts using money coming from the
  - Deemed sale of high-value voids – local authorities must consider selling high-value properties when they become empty, and will be required to remit the funds to central government (whether or not they actually sell the units).

These policies are contained in the Housing and Planning Bill 2015, which is now making its way through Parliament. They can be expected to reduce the supply of social housing in Camden in the short and medium term, and probably permanently.

- This research focuses on identifying the effects of these changes on the work incentives for existing and prospective tenants, and on the supply of labour for central and inner London employers. The research involved a review of academic and grey literature and analysis of administrative and statistical data (including the Labour Force Survey). We also conducted a programme of interviews with housing providers in Camden, and central London firms and organisations that would be likely to employ social tenants. Finally, we conducted a focus group with Camden social tenants who were seeking or had recently found employment, and hosted a round table for employers at LSE.

## • Who is social housing for?

- About a third of Camden’s housing stock is in social rental. Much of the borough’s social stock dates from the 1950s and 60s, and when built was expected to accommodate mainly low-to moderate-income working families. It was not intended solely to house the very poorest. Some—in fact quite a few—of these original households, and their families, are still tenants in the sector. Over time, the combination of demographic and economic trends plus deliberate government policy has led to the ‘residualisation’ of social housing. Many households with steady incomes purchased their properties under Right to Buy or moved elsewhere into owner occupation, leaving higher proportions of households who were retired or not in the labour force.
- There is increasing pressure from London employers to find a solution to the capital’s lack of affordable housing. A majority of London members of the CBI say housing affordability makes retention and recruitment of staff more difficult. Even in high-salary industries like accountancy, firms report that new hires from university cannot afford London housing. Social housing in Camden is genuinely affordable in a way that more recent ‘affordable housing’ products are not. However the rules around allocation of social housing mean that new entrants to the sector are more likely to be outside the labour force. The tenure is not really available as a resource for major central London employers looking to house existing staff.

## Impacts on housing stock and employment incentives

- The combined effect of the changes in the Housing and Planning Bill 2015 will be to reduce the amount of social housing available in the short and medium term. The provisions of the Bill suggest that in the long term the overall amount of social housing nationally might increase. In Camden, though, the reduction is almost certain to be permanent.
- The changes could pull Camden tenants in different ways depending on their circumstances. For example, households earning over the pay-to-stay threshold might well decide to exercise their right to buy if this was an affordable option (for many it would not be). This might incentivise them to increase their incomes by changing jobs, working longer hours, etc. On the other hand, the incentive for those households currently earning just below the threshold would be not to increase their incomes, so as not to be caught by pay to stay.

## Employment of social tenants in Camden

- Table 1 shows the work status of new social tenants in Camden. Of tenants taking up lettings in 2013/14, 58% were not in work. Of this 58%, about half were unable to work, retired or not seeking work. Some 35% of new tenants were employed, either full-time (19%) or part-time (15%), and a further 14% were looking for work.

**Table 1: Work status of new social tenants in Camden**

| In work    |            | Not in work       |             | Unknown  |            |
|------------|------------|-------------------|-------------|----------|------------|
| Full time  | 182        | Unable to work    | 155         | No reply | 68         |
| Part time  | 145        | Seeking work      | 136         |          |            |
|            |            | Not seeking work  | 119         |          |            |
|            |            | Other adult       | 63          |          |            |
|            |            | Retired           | 51          |          |            |
|            |            | Full-time student | 24          |          |            |
|            |            | Gov't training    | 3           |          |            |
| <b>(7)</b> | <b>327</b> |                   | <b>551</b>  |          | <b>68</b>  |
|            | <b>35</b>  |                   | <b>(58)</b> |          | <b>(7)</b> |

- Housing Benefit data indicate that the majority of existing working-age tenants in Camden are in work. The Labour Force Survey provides information on the employment sectors and occupations of employed social tenants in inner London (it is not possible to isolate data for Camden as the sample size was too small). Among respondents to the survey about two-thirds of employed respondents were in full-time work. The others worked part-time. Over half worked in four employment sectors: retail, health and social work; 'other business activities' (which includes security work and building cleaning) and education. The top four occupations of inner-London social tenant, accounting for just over a quarter of respondents, were retail sales, cleaning, driving (bus or taxi) and personal care.

**Table 2: Top 4 employment sectors for inner London social tenants**

| Employment sector   | % of those employed |
|---|---------------------|
| Retail trade (not motor vehicles and motorcycles); repair of personal and hhd goods | 16.3                |
| Health and social work  | 15.9                |
| Other business activities*  | 10.8                |
| Education   | 10.4                |

\*Includes investigation and security and building-cleaning activities

- The qualitative interviews supported the statistical evidence and provided useful additional detail. Social tenants are more likely to work in sectors that offer relatively low pay and depend on a local labour force. One provider of employment services said about 70% of those they supported into work earned less than £15,000/year, because the jobs were entry level and/or the work was part time. On the evidence of our interviews, Camden social tenants tended to work for smaller employers, especially in retail.
- Care and cleaning are examples of the industries that rely on local staff, many of whom live in social housing. Most carers work shifts, typically either starting at 7am until 2pm or from 2pm to 10pm. Ideally carers work in a small geographic area dealing with a cluster of clients and are able to walk between locations. Cleaners also work shifts, sometimes of only a couple of hours. Pay in both sectors is relatively low, meaning the jobs do not attract workers who have to cover high travel costs, while demand for these services in central and inner London is high.
- We found it more difficult than expected to investigate the links between social housing and employment because housing providers do not know much about the employment situations of their tenants, nor do employers know about their employees' housing. One place where the two concerns do come together is in the employment services offered by housing associations. They focus on people with difficulties in accessing employment, so their experience may not give a representative picture of the whole sector. Those providing employment support said opportunities were in the care system, security/steward/door work, retail/customer services, hospitality/catering, administration and construction.

## **The major barriers faced by Camden social tenants in achieving work were:**

- the need to work close to home, especially for mothers of school-age children;
- the cost of travel, initially to interviews and then to regular work;
- the need to find childcare.
- expectations – some did not expect to have to start in low-status and/or low-paid jobs as a route into work;
- concerns about interaction of paid employment with benefits;
- skills levels and confidence

## **Implications for London's economy**

- The provisions of the Bill will almost certainly reduce the stock of social housing in Camden and other inner London boroughs not just in the short and medium term but permanently – but by how much is unclear. This will reduce the amount of truly low-cost housing in inner London and make it more difficult for low paid workers to remain in the capital. This in turn will harm London's growth potential.
- Many social tenants make important contributions to the city's economy and to their local communities. In particular, this pool of local, flexible, low-wage labour supports services (caring for older people, child care, cleaning) that are essential for inner London's residential function. The need for such services in boroughs like Camden is growing, not declining, and providers are already losing workers because of London's housing costs. These jobs are less visible than public-facing positions at major central London employers. Nevertheless they are vital to the health of inner London's communities, and provide essential support for those who do work in other roles.
- For many unemployed tenants, getting into paid employment is far from straightforward. Many depend on benefits, which can be reduced by paid employment (especially partial HB); they may lack the required skills; the cost of travel is frequently an issue; and mothers of small children often seek work that fits the pattern of the school day. So both employers and workers lose out.

- Those tenants preparing for the labour market need the help and support of social landlords. There are many jobs for which they have a comparative advantage—child minding, care, cleaning, small retail. Such jobs could not readily be filled by others without lot more expense, and London's economy and social support systems would suffer. For tenants moving into the workforce, having genuinely affordable housing provides a platform to develop skills, find employment and become self-supporting. Cheap housing on its own may not make it possible for unemployed tenants to take lower-paid jobs, but it is a major advantage.

# 1. Introduction

The London Borough of Camden have asked LSE London to undertake research into how a number of forthcoming housing-policy changes, singly and combination, can be expected to affect the employment of social tenants and the London economy. These policies are contained in the Housing and Planning Bill 2015, which is now making its way through Parliament. They can be expected to reduce the supply of social housing in Camden in the short and medium term.

The focus of this research is on identifying (and, to the extent possible, quantifying) the effects of these changes on the work incentives for existing and prospective tenants, and on the supply of labour for crucial functions.

## 1.1 Research questions

**Our research questions are as follows:**

1. How will provisions of the Housing and Planning Bill 2015, together with other recent and proposed policy changes, affect existing low-income working households in Camden?
2. What will the knock-on effects be on the firms and organisations that employ them, and on the wider London economy?

## 1.2 Methodology

The research has been carried out in three concurrent stages. First, we clarified the detail of the various proposed policy changes, by undertaking a detailed review of the provisions of the Housing and Planning Bill 2015, following the debate in the House of Commons and in committee, and monitoring the responses of housing charities and other specialists.

We also reviewed the literature on the expected impacts of such policies on key and lower-income workers, especially in London, and carried out an audit of data about both households and dwellings affected in Camden. Sources include the English Housing Survey, Land Registry and Census as well as the borough's own information.

Finally, we carried out a series of interviews with social landlords, employers and business leaders in Camden and elsewhere in central London, conducted a focus group with Camden social tenants, and hosted a round table for employers.

# 2. Background: Social housing policy and employer concerns

## 2.1 Evolution of social housing policy since 1960s

About a third of Camden's housing stock is in social rental, and much dates from the 1950s and 60s. At the time this housing was built (largely by the local authority but also by housing associations), social housing was expected to accommodate low- to moderate-income working families. It was not intended to house the very poorest. Some—in fact quite a few—of these original households, and their families, are still tenants in the sector. Over time, however, the combination of demographic and economic trends as well as deliberate government policy has led to the 'residualisation' of social housing. Many households with steady incomes purchased their properties under Right to Buy or moved elsewhere into owner occupation, leaving higher proportions of households who were retired or not in the labour force.

The framework governing allocation to council housing, which is decided nationally, has for the last decades given priority to households in most need. Such households are, at least at the point of entry into social housing, also less likely to be in work. The current government has made it clear that they view social housing as fulfilling essentially a safety-net role for those unable to access housing in the market.

There is now a suite of so-called intermediate and affordable housing options to cater for low- to medium-income working households. These include various low-cost home ownership schemes as well as intermediate and affordable rent. This research did not examine those tenures.

## 2.2 Employer concerns about housing affordability in London

Employers have increasingly been expressing concern about the negative effect of high London housing costs on their operations. The CBI has stated that 'Housing costs and availability in London have a negative impact on firms' ability to retain and recruit staff, particularly employees on lower incomes. Almost two thirds of businesses (57%) cite housing costs and availability as having a negative impact on the recruitment of entry level staff....

Half of firms cite housing costs and availability as having a negative effect on the retention of entry level staff.' Firms surveyed believe the situation will get worse: 'Eighty percent of firms are pessimistic about affordability of the housing market in the next one to three years, suggesting that firms believe issues around the recruitment and retention of staff will only worsen' (CBI 2015).

The LCCI (London Chamber of Commerce and Industry) present similar evidence, saying, 'More... needs to be done to tackle the chronic undersupply of housing in London, which is impacting upon both businesses and their employees. For example, rising housing costs mean employers face both difficulty with recruitment and retention of employees as well as pressure to increase wages (59%). The shortage of affordable homes near to the workplaces also impacts upon employee punctuality and productivity, according to 33% of London Businesses' (LCCI 2015).

Most business-led analyses focus on the cost of private housing and do not discuss social rental (see for example CEBR 2015).

### **3. The proposed policy changes**

The Housing and Planning Bill 2015 contains a number of clauses that will directly or indirectly affect the stock and residents of social housing in Camden and other London boroughs. We set out the main policy changes below, with the current understanding of what they might mean in practice. It should be noted that the Bill contains little information about the details of how many of the provisions will be implemented. This will be laid out in future regulations.

In this section we examine three policy changes: the extension of right to buy to housing association tenants; the sale of vacant high-value council dwellings in part to finance these sales; and increased rents for higher-income social tenants (so-called 'pay to stay'). We then briefly discuss some other recent policies that will affect access to affordable housing for working families, as well as tenure security. These include the removal of secure tenancies for life in the social sector; Starter Homes and support for shared ownership; and the requirement that social landlords reduce social rents by 1% per annum for four years.

At the time of writing the bill is in Committee stage in the House of Lords. The Lords have proposed a number of amendments, including to the policies described below, and it is likely that some provisions will change before the bill becomes law. The descriptions of the proposed changes are

based on the original Bill; we have not explored the amendments in detail.

#### **3.1 Extension of Right to Buy to housing association tenants**

The government's original intention was to legislate to extend the right to buy, which was afforded to council tenants in 1980, to tenants of housing associations; the associations would have been required to sell their stock on terms determined by the government. In September 2015 the major housing associations jointly negotiated a 'voluntary' alternative (National Housing Federation 2015) that achieves much the same result, which was put to a vote of all housing associations. This agreement now appears to bind the whole sector.

The voluntary agreement commits associations to offer tenants the opportunity to buy their dwellings at the same discounts available to local authority tenants, which can reach up to £103,900 in London. The current version of the Bill contains few provisions relating to the sale process (as this is covered in the voluntary agreement), although it does say that the Social Housing Regulator may 'monitor' associations' compliance with the terms of the agreement.

Housing associations will retain the receipts from these sales and put them towards funding new homes and will receive payment from central government that covers the discount paid. These funds must go towards construction of new housing.

The voluntary agreement states that for every housing-association dwelling sold, a new social or affordable unit will be built. There is no commitment that the replacement be of the same size or dwelling type, and the housing association offer says that replacement homes would not be limited to social rented homes but could include Starter Homes, shared ownership or other part-rent/part-buy models—all of which are more costly to residents than social rental.

The housing associations' offer says 'At a national level [emphasis added], associations would deliver replacement of at least one new home for each home sold' (NHF 2015 p. 5), and there was initially concern that replacements for social rented homes lost in London could be located elsewhere in the country. The Bill is now looking to require a two-for-one replacement of units lost in London (see below), though not necessarily in the same local authority as the homes sold. This is likely to mean that new homes will be concentrated in cheaper (outer) areas, and may be smaller units.

### 3.2 Deemed sale of high-value local authority dwellings

Under the Bill, housing associations will be reimbursed for the difference between the market value of the stock sold to tenants and the discounted sales price. This reimbursement will be funded by a charge on local authorities, calculated as the amount that they could in principle raise by selling 'high-value' council dwellings as they became vacant. The threshold for 'high value' is not given in the Bill, but will almost certainly vary by region and perhaps by individual local authority.

At Committee stage the housing minister said 'the thresholds that determine which dwellings are high value will be set in due course and informed by the data currently being collected through a market value survey' (Wilson and Smith 2015 p. 30). The charge will be calculated by DCLG in consultation with local authorities based on estimates of the number of high-value units in each authority, and of how many are likely to become vacant. These assumptions may or may not be realistic—in the language of the Bill,

'A determination may provide for assumptions to be made in making a calculation whether or not those assumptions are, or are likely to be, borne out by events.'

The charge will apply whether or not the local authority actually sells the units—that is, local authorities will be able to retain their social units if they can pay the charge another way. However, the Bill says that any local authority

'must consider selling its interest in any high value housing that has become

vacant...(and) have regard to any guidance given by the Secretary of State.'

The original version of the Bill makes no reference to replacing high-value local authority homes lost through sale, although it has always been part of the political discussion. In the 2 November 2015 debate, Zac Goldsmith said he would propose an amendment containing 'a binding guarantee that London will see a net gain in affordable housing as a consequence of this policy—a guarantee that London will see, in addition to the replaced housing association homes, at least two low-cost homes built for every single high-value home sold.' This amendment was accepted by the Commons on 12 January, and the Bill that went to the House of Lords requires a two-for-one replacement of homes sold in London. The language of the amendment does not specify that these new dwellings must be owned by local authorities, nor that they must be located in the same borough as the homes sold. Indeed the incentive for central London boroughs may be to locate any investment elsewhere unless they are able to use any retained receipts as the Bill allows (in agreement with government) to increase and enable supply locally

### 3.3 'Pay to stay'

Historically, rent levels and rent increases for social rented housing by law do not depend on tenants' characteristics, including household income. Since 2012 social landlords have had the ability to vary rents for households with incomes over £60,000, but few have chosen to do so. The Bill introduces a category of 'high-income' tenants, and requires social landlords to charge additional payments. The original version of the Bill required housing associations to apply the same policy, but this was changed at committee stage. 'Pay to stay' is now voluntary for housing associations, although Brandon Lewis said, 'We expect that the majority of housing associations will consider operating a policy... As far as possible we will encourage parity between the housing (association) and local authority sectors to ensure fairness...' (Wilson and Smith 2015 p. 34).

The cut-off for 'high-income', and the determination of the new rent levels, are left open in the Bill, although ministers have made clear that the thresholds are likely to be £30,000 nationally and £40,000 in London (based on the income of the two highest earners in the household). It is not clear how much higher the new rents will be. The Bill states that regulations may require the new higher rents to be set at market level, a proportion of market level, or with reference to some other figure, and says different methods may be used in different areas. The government has indicated that they will consider tapering the additional rents so as to lessen the negative effects on work incentives (Housing and Planning Bill Impact Assessment p. 53). Adam et al (2015) modelled the effects of two

types of taper: one that increased rents by 50p for every pound of additional income, up to market rents (50% taper), and a more gradual 20% taper (p. 56 et seq).

Local authorities may be required to remit to central government the income from these higher rents. Those housing associations that adopt the policy will keep the proceeds and be able to use them to build more homes (Hansard 2 Nov 2015 column 733).

Social landlords do not systematically collect information about tenant incomes, as eligibility for social housing depends on administratively determined 'housing need' rather than income per se, and lifetime security has meant that it is only assessed at the start of the tenancy. The new policy will therefore require them to set up systems to gather this information, and the Bill says that HMRC will share tax data with local authorities for this purpose.

### **3.4 Other provisions that may interact with these changes**

#### **Starter Homes**

The Housing and Planning Bill contains a provision requiring developers to provide a proportion of Starter Homes on every new development above a certain size. These will be homes for purchase, with prices capped at £250,000 outside London and £450,000 in the capital. Starter Homes are to become the first call on S106 for affordable housing in new developments, rather than homes for social or affordable rent or indeed shared ownership. Analysts expect that Starter Homes may supplant submarket rental housing entirely in some locations, and reduce the amount of affordable/social rental provision in others.

#### **Shared ownership in London**

Shared ownership schemes are provided through housing associations. Using a mortgage, purchasers buy a proportion of the home (25% to 75% by value) and pay rent on the remaining share. To be eligible, households must be first-time buyers or previous owners who cannot afford now to buy in the marketplace and earn less than £71,000 to £85,000 per year depending on family circumstances. The government emphasis on shared ownership, Help to Buy and a Mayoral initiative using private funds will provide additional shared ownership in London.

#### **Requirement for 1% annual rent reduction for social rented homes**

In the July 2015 budget the government announced that nominal rents in the social sector would fall by 1% per year for four years from 2016/17. This reversed the policy announced by the coalition

government in 2013, under which social rents would increase by CPI+1% for ten years from 2013/14, an arrangement that was meant to give certainty to housing associations and underpin private financing for new development of social and affordable housing. Since about 2/3 of social tenants receive Housing Benefit (which compensates for any increase or fall in rents), only a minority of tenants will benefit financially; the main effect of the policy will be to reduce the government's housing benefit expenditure (IFS 2015). This may generate an incentive for housing associations to move properties out of social rent as they become vacant and transfer them into other tenancies.

New clause preventing local authorities from offering secure tenancies for life in future

On 8 December 2015, Brandon Lewis moved an amendment to the Bill that would phase out the use of secure (lifetime) tenancies for council tenants, requiring local authorities instead to offer fixed-term tenancies of two to five years. The new fixed-term tenancies would allow (though not require) local authorities to assess eligibility regularly, in a similar way as 'pay to stay'. The minister did indicate at Select Committee that if circumstances had not changed the tenant could expect to remain.

#### **Introduction of national living wage**

From April 2016, the national living wage will be £7.20 an hour for workers aged 25 and older. The lower minimum wage will still apply for workers aged 24 and under. Two earners working 40 hours/week at a rate of £7.20 an hour will earn £29,952 a year, just under the current national 'high income' threshold outside London. If they were to work overtime or their salaries were to increase, this would take them into the high-income bracket and trigger 'pay to stay'. The London Living Wage is £9.40 per hour, so if tenants are paid at this rate they would very quickly hit the threshold.

#### **3.5 Timetable**

The Bill does not contain information about when these policies will come into effect, although we assume that the government will wish to implement them as quickly as possible. Our understanding is that voluntary right-to-buy for housing association tenants may be available as early as May/June 2016 (five associations are already running pilot projects and the results will help determine the date of introduction and the scale of assumed sales). If this is accurate then there will soon be a requirement for revenue from local authority high-value sales to compensate associations for discounts.

## 4. Expected effects of policy changes

### 4.1 Effects on housing stock

These changes can be expected to reduce the amount of social housing available in the short and medium term. In the long term, the specific provisions of the Bill can be expected to increase the overall amount of social housing nationally—although this growth would take place over many years. There is no requirement that replacement homes be provided in the same local authority, or that they be of the same size and type as the homes sold, so the effects on social housing stocks at local level will depend on the investment decisions of housing associations and local authorities and on detailed regulations (still to come) about where new housing must be built.

Much of the debate and discussion around the Bill has focused on these effects on existing and future stock. The arguments are well summarised in Wilson & Smith 2015.

**Table 1** sets out the ways in which these three policies can be expected to affect stocks of local-authority and housing association homes. It shows that in the short to medium term the effect will be to reduce the stock of both council and housing-association homes. Over the longer term councils may have no incentive to build homes with market values above the threshold that would be caught by the high-value sales policy, which will probably mean that fewer homes suitable for large households are built, especially in London.

The Bill requires that each social home sold be replaced by a new affordable home (two in London). If this does happen then over the long term the social stock will regain its previous level or even exceed it, but it is almost inevitable there will be an overall reduction in Inner London.

**Table 1: Stylised short- to medium-term effects on social housing stock of three provisions of the Housing and Planning Bill 2015**

| Provision                       | Effects on  |   |   |
|---------------------------------|---|---|---|
|                                 | Existing council stock  | Existing housing association stock  | Future stock  |
| 'Pay to stay'                   | Reduction in number of council dwellings if affected tenants who can afford to do so buy their homes. Increase in turnover as those who cannot or do not wish to buy move out   | Reduction in number of dwellings if affected tenants who can afford to do so buy their homes. Increase in turnover as those who cannot or do not wish to buy move out |   |
| Right to buy for HA tenants     | Short-term reduction in amount of housing association stock may increase local authority waiting lists  | Housing association stock will shrink as sitting tenants exercise right to buy.   | Less social housing for rent in the short/medium term. Long term results unclear: depends on where replacement stock is built and form it takes   |
| Deemed sale of high-value voids | Depends on how high-value is defined. For example, if a single threshold is applied across the board, large properties would be disproportionately affected and fewer large properties would be available. Irrespective of the level of the threshold, sale of properties will reduce the overall stock, leading to a reduction in allocations to new households and increased waiting lists. |   | Unless the Bill is modified, councils will have an incentive not build new units that would be worth more than the high-value threshold. If single high-value threshold results in disproportionate loss of large council homes, then housing associations may face pressure to provide replacements. Also depends where replacement stock is built and form it takes |

## 4.2 Effects on employment and work incentives for tenants

Our research focuses on the second-order effects of these changes to housing policy—that is, on how they affect the labour-market behaviour of tenants (and prospective tenants) and how that in turn affects their employers and the wider economy. Table 2 presents an initial assessment of how each new policy can be expected to affect the incentives facing three types of household: existing social tenants in work, existing social tenants who do not work, and prospective social tenants.

It suggests that the change in incentive structures could pull households towards working more/ seeking higher pay or working less/reducing income, depending on their situations. Take the

case of ‘pay to stay’: those households in strong positions—with members in employment and earning over the pay to stay threshold—may be able to avoid pay-to-stay rent increases by exercising their right to buy if their property is affordable (existing, if they are council tenants, or voluntary for housing associations). The strength of this incentive depends on the amount by which rents rise under pay to stay, which is as yet undetermined. Even with the highest discount, purchasing a right-to-buy property will require a significant outlay, so this will incentivise some households to try to increase their incomes by changing jobs, working longer hours, etc. On the other hand, the incentive for those households currently earning just below the threshold would be not to increase their incomes, so as not to be caught by pay to stay.

**Table 2: Stylised effects on employment incentives for social tenants of three provisions of the Housing and Planning Bill 2015**

| Provision                             | Incentives facing   |  |  |
|---------------------------------------|---|--|--|
|                                       | existing in-work tenants  | existing tenants not in work   | prospective new tenants  |
| ‘Pay to stay’                         | <ul style="list-style-type: none"> <li>• Those already earning over threshold may               <ul style="list-style-type: none"> <li>o reduce earnings</li> <li>o exercise right to buy</li> <li>o move</li> </ul> </li> <li>• Those earning below threshold but not on HB may limit their incomes to stay below the threshold</li> <li>• Those on HB may similarly keep their incomes low so as to remain eligible</li> <li>• Possible increase in informal/cash-in-hand work               <ul style="list-style-type: none"> <li>• Possible changes in household composition to keep household income below threshold</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Those on HB have little incentive to seek work so as to remain eligible</li> <li>• Possible increase in informal/cash-in-hand work</li> </ul>   | <ul style="list-style-type: none"> <li>• Incentive to keep income low to gain tenancy</li> <li>• For some prospective new tenants there may be complicated calculations depending on their income, the corresponding level of rent and whether the offer is better than other possibilities particularly if there is reduced security of tenure</li> </ul> |
| Voluntary right to buy for HA tenants | Tenants may endeavour to increase incomes in order to purchase  | Where families club together to provide the necessary deposit there will still be a requirement for one or more of the tenants to be in paid work to gain a mortgage. It may mean a transition from unemployment to employment or from cash-in-hand to formal employment | Less social housing for rent in the short term   |
| Deemed sale of high-value voids       | May affect tenants’ ability to transfer to other dwellings in the social stock, depending on profile of properties sold.  |  | Less social rental housing in the short term. Possibly fewer properties for households requiring several bedrooms or multi-generational households. Possible shift from employed to non-participants in labour force   |

### 4.3 Evidence from other research

Modelling the effects of these policies on social tenants in Camden would require details of the provisions, which are not yet available. It also would require detailed information about the social housing stock and social tenants in the borough. Some of this information is available (e.g. addresses of all borough-owned dwellings), but some can only be estimated based on national surveys or data collected for other purposes (e.g., tenant incomes, market value of social homes). Because of these limitations, modelling at borough level would be subject to very large margins of error.

Other researchers have modelled the effects of individual policies at national level. Based on their work, we can provide rough indications of the range of effects of various policies on Camden. Our own research, based on interviews with employers and housing providers, complements these more quantitative approaches.

#### Institute for Fiscal Studies

Adam et al (2015), in a painstaking study for the Institute for Fiscal Studies, focused particularly on the effect of ‘pay to stay’ on work incentives. They estimated that ‘about 7% of social tenant households in England have an income above the relevant threshold (£40,000 in London or £30,000 elsewhere)’ (p.21). If this proportion applied to Camden about 2,300 households would be affected by ‘pay to stay’.

Their report highlights the issue of policy interaction. It is relatively straightforward to say how individual changes in policy affect incentives, holding everything else constant. However the Housing and Planning Bill 2015 contains three separate initiatives that interact with each other, and with other policy changes both underway and announced. This complicates the analysis tremendously.

#### Cambridge Centre for Housing and Planning Research / Joseph Rowntree Foundation

Clarke and colleagues from the Cambridge Centre for Housing and Planning Studies in November studied the likely impacts of the extension of Right to Buy for housing association tenants, together with forced sale of high-value local authority dwellings (Clarke et al 2015). The researchers needed to make several assumptions about the details of the policies; some of these may not be borne out in practice. The main one was that the thresholds for designating local authority homes as ‘high value’ would be set on a regional basis and by number of bedrooms, per a Conservative

Party press release from early 2015. The London thresholds under this assumption would be

- One bedroom: £340,000
- Two bedrooms: £400,000
- Three bedrooms £490,000
- Four bedrooms £790,000
- Five or more bedrooms £1,205,000

The analysis further assumed that all homes sold would be replaced on a one-for-one basis. The authors produced three different scenarios for the tenures of the replacement homes, and assessed the likely poverty effects of each.

The CCHPR report estimated that about 970,000 tenants nationally would be eligible to exercise the voluntary right to buy, but of these only about 180,000 would be able to afford to do so. In London the proportion of eligible housing association tenants who would be able to afford to buy was low, at 5%. Analysis of take-up of the right to buy between 2005 and 2015 suggested that a little over 10% of tenants who were eligible and could apparently afford to buy actually did so each year. This would suggest a rate of sale of 0.5% of the housing-association stock each year in London boroughs, and if applied to Camden would mean 491 sales annually (see below for stock figures).

At the margin, the ‘pay to stay’ policy might have the effect of incentivising purchases from households who would not otherwise have bought.

In terms of local authority sales, their calculations suggested that under the above assumptions about 10% of all local-authority stock would be classified as high value, but that this proportion would vary greatly among local authorities. The estimate for Camden was that 66% of the council-owned stock would be classed as high value and therefore liable to be sold when vacant (ibid, p. 22). By contrast there were several local authorities—including some in London—with no council stock above the high-value threshold.

The report focused on the poverty impact of these policies, and found that in the long-term this would depend strongly on the tenure of the replacement housing and the speed with which it was built. ‘If it is possible to build one-for-one replacement housing for that lost under both policies, and to build it at similar rent levels to the housing it replaces, then over the medium term (five to ten years), there could be a net positive impact on the availability of low rent housing’ (ibid p. 4). Implicitly there is an assumption that the replacement housing would be built in the same local authority as the housing lost, although it is recognised that ‘it may be hard for many authorities to replace lost

stock on a one-for-one basis, as issues such as land availability, initial costs of development and discrepancies between costs and revenue still remain' (ibid p. 4).

## **Liverpool Economics**

In July 2015 economic consultancy Liverpool Economics produced a report estimating the likely effect on London boroughs of the forced sale of high-value homes and right to buy for housing associations. It covered 25 of the 29 London boroughs with council-owned stock (Kumar 2015).

The report pointed out that even if regional high-value thresholds were applied, the very wide dispersion of property prices in London would mean that in some boroughs little or none of the council stock would be affected, while in others a high proportion would fall into the high-value category. Camden was in the latter group; Kumar estimated that 35% of Camden's 22,423 council-owned dwellings would be classified as high-value and that the borough could expect to have to sell 200-300 homes per year, losing about 11% of its stock over the first ten years of the policy.

### **4.4 The range of potential effects**

The evidence about Camden's housing stock, and the existing studies, demonstrate that Camden will be one of the local authorities most affected in London and indeed in the entire country. However, currently available information does not permit very precise calculation of the size of these effects: for example Clarke et al estimated that 66% of Camden's stock would be classified as high-value, while Kumar gave a figure of 35%. Beyond the lack of clarity about policies and the limitations of existing data, the uncertainty about how tenants will respond to these changed incentives makes forecasts difficult.

## 5. Profile of social dwellings and tenants in Camden

### 5.1 Number of households, dwellings and new lets

**Table 3** shows Camden households by tenure according to the 2011 census data. About a third of the population lives in each of the main tenures: owner-occupation, social and private rental. Of the social rented housing, 68% is owned by the council and the remainder by housing associations (**Table 4**).

**Table 3: Camden households by tenure**

|                         |               |
|-------------------------|---------------|
| <b>Total households</b> | <b>97,534</b> |
| Social rented           | 32,795        |
| Private rented          | 31,434        |
| Owner occupation        | 31,168        |
| Living rent-free        | 1,763         |
| Shared ownership        | 674           |

**Table 4: Camden social housing by households and dwellings**

|                     | Households    | Dwellings     |               |
|---------------------|---------------|---------------|---------------|
|                     |               | 2011          | 2012          |
| Local authority     | 22,473        | 23,596        | 23,630        |
| Housing association | 9,822         | 11,389        | 11,190        |
| <b>Total</b>        | <b>32,795</b> | <b>34,985</b> | <b>34,820</b> |

Sources: Households: Office for National Statistics, 2011 Census Key Statistics, KS402EW: Tenure

Dwellings: ONS 2011 Neighbourhood Statistics, Dwelling Stock by Tenure and Condition, April 2011 count; DCLG Live Table 100 for 2012

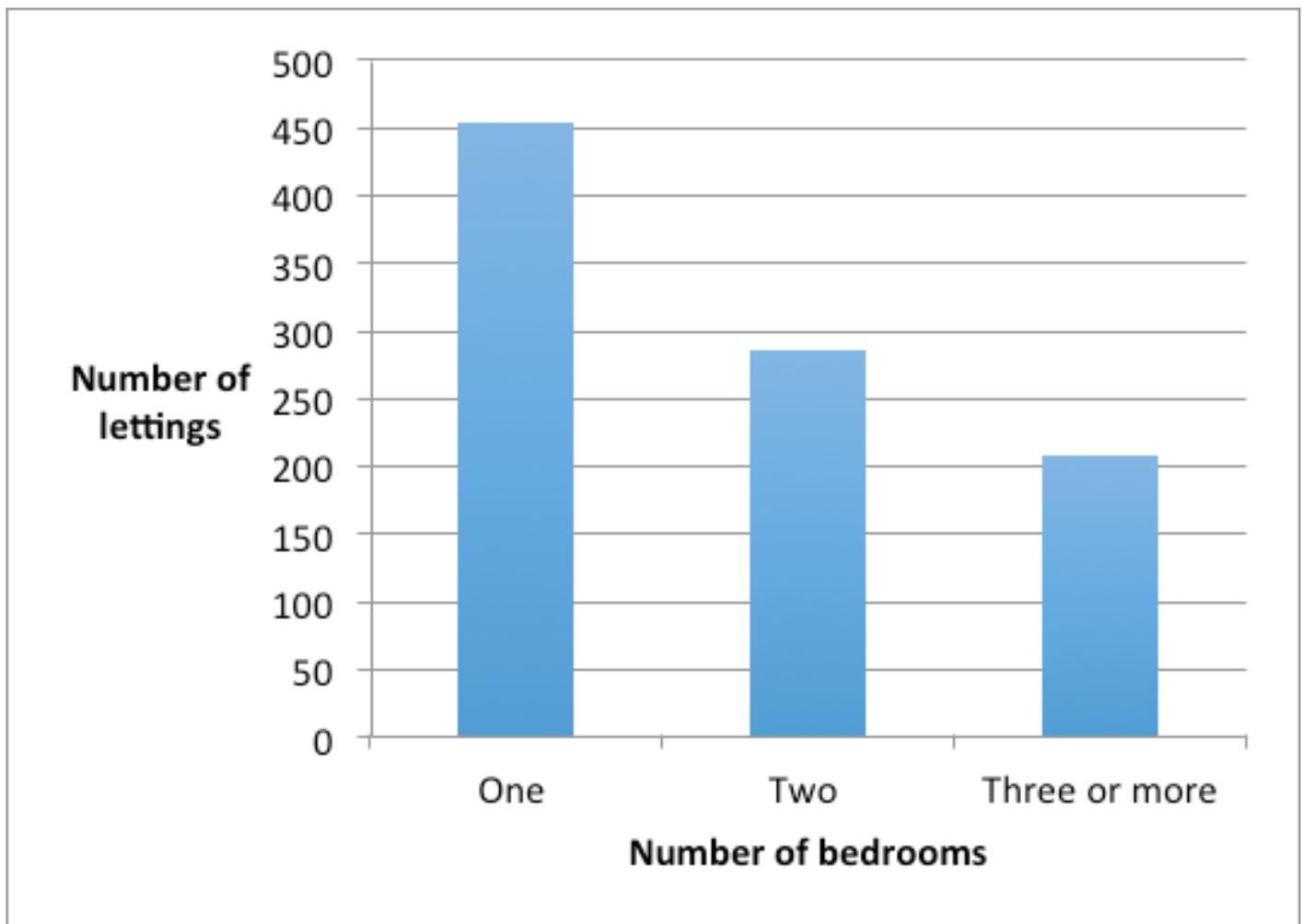
The two standard ways of classifying tenure—by household and by dwelling—give different figures, as shown in Table 4. The census identified 32,795 households living in social rental in Camden, while the dwelling count undertaken the same year found 34,985 social rented homes—a difference of 2,190, or 6% of the dwelling stock. Some of these are homes that were temporarily vacant at the time of the census or were undergoing renovation or repair. Others may be longer-term voids but the data do not allow us to distinguish these.

Data from council tax records showed that as of October 2014, there were 2,859 vacant dwellings in all tenures in Camden, of which 1,146 were long-term vacants (DCLT Live Table 615). Some 511 vacant units were owned by the council and 121 by housing associations.

In 2014/15 there were a total of 956 new social lets in Camden, which represents about 2.7% of the social housing stock by dwelling count (low by national standards—Morton 2012 gives the national average turnover rate as 6-7 per cent per annum). The pressure on the stock is demonstrated by the fact that in 2016 some 5,179 households were on Camden’s general housing needs waiting list (not including sheltered housing) – a figure equal to more than five years’ worth of allocations. The list is also now only open to those in housing need and who have a Camden connection. Despite high demand the stock of social housing fell slightly between 2011 and 2012 (Table 4), and only 15 of the lets recorded by CORE in 2013/14 were of new units.

**Figure 1** shows the number of new lettings by unit size in Camden in the last reporting year. It includes lettings by both private registered providers (PRPs) and the local authority. Of the new lets, nearly half (450) were one-bedroom flats.

**Figure 1: Number of new social lettings by size of unit, 2014/15**

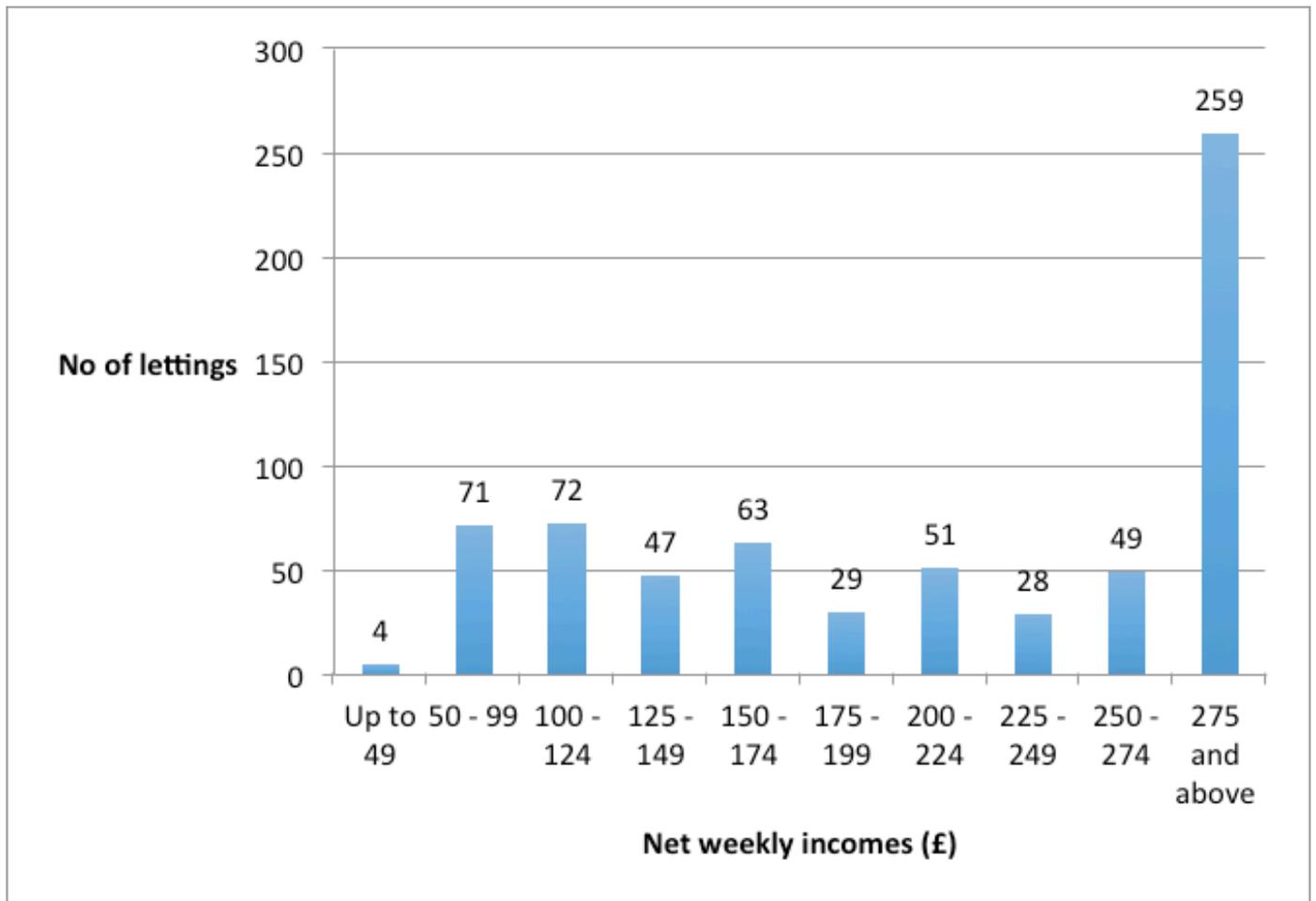


Source: Core Social Rent - General Needs: 2014/2015 Strategic and Data Submission Report - Local Authority Area Report

## 5.2 Household incomes, employment status and occupations

**Figure 2** gives net weekly incomes for new social tenants in Camden. It shows that there is a significant group of households on very low incomes (below £125/week), but that the highest number receive £275/week or more.

**Figure 2: Household incomes of new social tenants**



Source: Core Social Rent - General Needs: 2014/2015 Strategic and Data Submission Report - Local Authority Area Report

The average weekly rent for all Camden-owned social rented dwellings was £103.96 in 2013/14 (DCLG Live Table 702). Housing associations in the boroughs charged more, with an average rent of £127.14 per week in 2014 (Live Table 704). For new lets across both types of owner, the average weekly rent plus charges was £119.11 (CORE 2015).

Table 5 shows the work status of new social tenants in Camden. Of tenants taking up lettings in 2013/14, 58% were not in work. About half of those not in work could be considered to be outside the labour force—they were unable to work, retired or not seeking work. Some 35% of new tenants were employed, either full-time (19%) or part-time (15%), and a further 14% were looking for work.

**Table 5: Work status of new social tenants in Camden**

| In work   |            | Not in work         |           | Unknown     |            |
|-----------|------------|---------------------|-----------|-------------|------------|
| Full time | 182        | Unable to work      | 155       | No reply    | 68         |
| Part time | 145        | Seeking work        | 136       |             |            |
|           |            | Not seeking work    | 119       |             |            |
|           |            | Other adult         | 63        |             |            |
|           |            | Retired             | 51        |             |            |
|           |            | Full-time student   | <b>24</b> |             |            |
|           |            | Government training | <b>3</b>  |             |            |
| TOTALS    | <b>327</b> |                     |           | <b>551</b>  | <b>68</b>  |
| (%)       | <b>35</b>  |                     |           | <b>(58)</b> | <b>(7)</b> |

Source: Core Social Rent - General Needs: 2014/2015 Strategic and Data Submission Report - Local Authority Area Report

The employment picture for existing social tenants is rather different. After they enter the sector there is no regular collection of data about the employment status of social tenants, but we can produce an estimate based on housing benefit claims. Of the council's 15,570 working-age tenants, some 5,681 do not claim housing benefit—and we can assume that most of these will be in work. A further 3,292 claim housing benefit where at least one partner is working. We can therefore estimate that around 58% of working-age households have at least one person in work. This cannot be directly compared with the data in Table 5, which includes all households (not just those of working age), but it does indicate that the majority of working-age social tenants are in work.

To determine what sorts of work they do we looked at data from the Labour Force Survey on the employment sectors and occupations of employed social tenants in inner London (we were not able to drill down to Camden-specific data as the sample size was too small). At the inner-London level, about two-thirds of employed respondents were in full-time work.

**Table 6 shows the main employment sectors for inner-London social tenants. Over half of those in employment worked in four sectors: retail, health and social work; 'other business activities' (which includes security work and building cleaning) and education.**

| ISIC division | Employment sector   | % of those employed |
|---------------|---|---------------------|
| 52            | Retail trade (not motor vehicles and motorcycles); repair of personal and household goods | 16.3                |
| 85            | Health and social work  | 15.9                |
| 74            | Other business activities*  | 10.8                |
| 80            | Education   | 10.4                |
| 55            | Hotels and restaurants  | 7.9                 |
| 60            | Land transport  | 5.0                 |
| 75            | Public administration and defence; social security  | 4.2                 |
| 45            | Construction  | 4.2                 |
| 92            | Recreational, cultural and sporting activities  | 4.0                 |

**Table 7** shows the top four occupations of inner-London social tenants. The top five, accounting for nearly a third of respondents, were retail sales, cleaning, driving (bus or taxi), personal care and ‘other elementary service occupations’, which includes waiters and bar and kitchen staff. Childcare and teaching were also important. Interestingly, a recent analysis showed that several of these were among the occupational categories least able to afford private rents in London (CEBR 2015, Table 1).

**Table 7: Top occupations of inner London social tenants, 2014/15**

| SOC 2010 minor group | Occupation                              | % of those employed |
|----------------------|---|---------------------|
| 711                  | Sales assistants and retail cashiers    | 8.5                 |
| 923                  | Elementary cleaning occupations         | 6.3                 |
| 821                  | Road transport drivers                  | 5.9                 |
| 614                  | Caring personal services                | 5.8                 |
| 927                  | Other elementary service occupations*   | 4.6                 |
| 612                  | Childcare and related personal services | 4.5                 |
| 231                  | Teaching and educational professionals  | 4.4                 |

\*Includes waiters, waitresses, bar staff and kitchen and catering assistants

Source: LSE London analysis of Labour Force Survey data

## 6. The employment/housing nexus: Findings from qualitative research

This section reports on the evidence from our programme of qualitative interviews, the focus group and the employers' panel. One important finding is that there is a general lack of understanding on the part of both employers and housing providers of the interaction between accommodation and employment. This is understandable—up to now there has been no particular reason for collecting this information and indeed it may raise privacy concerns. Nevertheless it makes it difficult to explore the issues in depth.

The employment-support services offered by housing providers do provide a link between the worlds of housing and work, and we have spoken to several. Unsurprisingly they often focus on individuals with problems accessing work, so their experience may not give a representative picture of the employment prospects of social tenants generally.

### **Interviews (face-to-face or telephone) were conducted with the following:**

- Camden social housing providers (3)
- local employers (4)
- a Camden-based recruitment agency
- a local Business Improvement District
- two organisations representing businesses and employers across London (CBI and LCCI), and
- Camden Council officers from the Housing and Social Care and Economic Development Divisions

We also facilitated a focus-group discussion with a number of residents of Somers Town (the neighbourhood between Euston and St Pancras stations) who were currently using or had used a housing association employment-support service, and hosted a round table discussion for a range of London employers.

Findings from our qualitative interviews tended to support the statistical evidence: social tenants are more likely to work in sectors that offer relatively low pay and depend on a local labour force. One provider of employment services said about 70% of the people they supported into work earned less than £15,000/year, because the jobs were entry level and/or the work was part time. Housing providers who support tenants and other local people to get into employment said opportunities were in the care system, security/steward/door work, retail/customer services, hospitality/catering,

administration and construction. A minority found employment in central London's big retailers and hotels, or major employers such as UCH. Many of the jobs offered by high-profile London employers required advanced customer-service skills and/or paid wages that allowed staff to commute in from longer distances.

On the evidence of our interviews, Camden social tenants tended to work for smaller employers, especially in retail. Many Camden tenants also run small businesses from home (especially cleaning and childminding, but also e.g. furniture upcycling and food preparation). In general, Camden social tenants are more likely to work in local jobs in the service sector, often on a part-time/flexible basis.

### **6.1 London employers: Local vs regional/national recruitment**

The relationship between the level of pay and the distance people will travel was illustrated by our interview with the NHS recruitment team at a major London hospital. The hospital employs around 8,000 people in around 300 different roles. All jobs are banded 1 to 9, from entry level jobs at Band 1 upwards. The majority of positions are in bands 1 to 4 and almost all the work is shift work apart from in administration and clerical. Attrition levels are generally higher than would be liked and this year they expect to be recruiting between 400-500 Bands 1-4 positions. The jobs are advertised widely on their own website, through NHS jobs and Job Centre Plus and recruiters also attend job fairs as well as holding open days.

The location of the hospital close to several major transport hubs, together with the 20% central London weighting, means that despite shift-work requirements more than 80% of all staff commuted from outer London or beyond. This did not generate any particular problems for the hospital. Even so, they were in the process of developing an apprenticeship scheme which would be seeking to recruit from the local community.

Some employers did identify benefits of hiring locally based workers. Several interviewees pointed out that the Francis Crick Institute, soon to open next to St Pancras Station, is making a particular effort to recruit local people for entry-level jobs.

We interviewed a local recruitment agency. It describes itself as an employer-led operation to service the growing number of businesses on the Kings Cross development site and the immediately surrounding area. The centre works closely with about sixty local organisations ranging from the more formal (e.g. FE colleges) to less formal support groups, as well as the boroughs of Camden and Islington, to try and place local people in the jobs offered.

## Living locally is an advantage for many of the roles because

- wages are not that high;
- local people can come in easily if there is an emergency; and
- the majority of positions are part-time and shift work – standard for retail and hospitality - or anti-social for security work.

Even so, slightly better-paid jobs also attract people from further away: for example, a recently advertised cleaning supervisor's role at £10 per hour, Monday to Friday, daytime elicited ten responses, only two of which were from local people.

As more businesses open up on the Kings Cross site, the vacancies coming in from employers tend to be at levels 2, 3 and 4 (corresponding broadly with GCSE, A-level and degree level) rather than entry level. Even the retail operations that will open on the site in the next few years (as opposed to the retailers already located close by on the two stations) are expected to be high-end boutique style.

### Case study 1: Care

Of those interviewed, it was the care industry that placed the strongest emphasis on the need for local labour. The need for care in central and inner London is high and increasing as there is a growing older population. A common pattern is that young people who grew up in Camden move out—often beyond greater London entirely—when they form their own households, and no longer live close enough to care informally for their elderly parent(s).

We spoke to one national care firm and one that provides services across London. Both depend on employees living in close proximity to their clients; one said that there was so much work in Camden that their employees could easily work 40 hours/week. Companies match their clients' needs (which may be regularly reviewed and changed by their GP or Social Services) with their carers' schedules and skills.

Ideally carers work in a small geographic area dealing with a cluster of clients and can walk between locations. Some carers with special skills, e.g., working with post-stroke clients, may have to travel further between locations. One firm said they had a maximum travel time of 40 minutes. Most carers work shifts, typically 7 a.m. to 2 p.m. or 2 p.m. to 10 p.m.; in some cases the afternoon shift is split into two—2 to 7 p.m. and a night carers shift from 7 to 10 p.m.). Some carers are also required to do an overnight shift from 10 p.m. to 7 a.m. Visits are typically for an hour or sometimes two, but may be longer. Sometimes a 15-minute check-up visit is scheduled.

Carers are predominantly female (the ratio is around

For many of these positions, particularly at the lower levels, the focus is on helping those who want to take the next steps – those who are currently on zero-hours contracts who are ready to move on. Although this opens up entry level opportunities for others to move into, these are not necessarily on site.

Our discussions with employers suggested that smaller businesses were more likely to employ local people and, whilst not necessarily providing enormous job security, would invest in training someone to take on roles as the business grew.

### 6.2 Two industries that rely on a local workforce

The care and cleaning industries provide good examples of the types of employer that need to employ local staff. They are similar in that they often offer short shifts (which can suit those with family responsibilities but would not attract employees who had to spend time and money on travel) and/or require employees to service several clients in a small area. They are willing to employ staff with few qualifications in exchange for relatively low pay.

4:1) but some clients request a male carer. Although much of the work is with the elderly there are great variations in the support needed. Some people need a lot of personal care whilst others need help to keep living at home and being part of the community. They may need help getting to the shops or to a community centre, or going for a walk in the park. Other clients have mental health needs, learning difficulties or specific support needs associated with particular illnesses – e.g. Alzheimers, MS, Parkinson's disease or following a stroke.

There is increasingly a need for carers who can communicate in other languages, particularly Urdu and Bengali as well as Greek, Spanish and Portuguese.

Both firms said most of their clients were referred through Social Services, though some may be NHS referrals or private clients. Social services in each borough determines the care package and hence the hourly rate of pay which can and does vary between boroughs. Recruitment is carried out through job centres, internet sites, local papers, colleges, job fairs and community centres. The national firm had a productive link with One Housing's employment support service, from which it had recruited several workers.

Both companies stressed the importance of carers living close to their work. The workload continues to grow and both firms expressed concern at the possibility of the local labour pool reducing. One firm said two of its experienced carers recently moved away due to the high cost of living in central London, and it feared it would lose more.

## Case study 2: Cleaning

We interviewed a regional cleaning business with a large presence in London. The firm is a full-facilities company carrying out a wide range of activities, some of which require skilled and qualified labour. It also has cleaning contracts with many well-known national companies and in London also carries out a lot of work with schools.

Much of the cleaning work is in two-hour shifts: 5 – 7 or 6 – 8 a.m., and 6 – 8 p.m., though some schools work is 4 – 6 p.m. Most of the work is paid at or around the National Living Wage (currently £6.70 per hour, rising to £7.20 per hour from 1 April 2016) and the provision of local people is important. Many people are looking for part-time work doing a few hours a week in order to bring money into the household. It's often seen as family-friendly work.

Once recruited, cleaners have some training and must undergo DBS checks, particularly if working in schools. All cleaners are given a contract and must work a three-month probationary period, partly to recoup the cost of the DBS checks. Most are contracted for 52 weeks with four weeks' holiday. In the schools the contract is for 39 weeks (term-time only), and cleaners are encouraged to take their holidays in school holidays. Some schools also contract for a deep clean during the holidays.

In inner London the people applying for the jobs are very diverse, mainly quite young – in their early to mid-twenties—and evenly split male/female. A significant number are students. In addition to recruitment through Job Centre Plus and local papers, many applicants come via word of mouth.

Turnover is higher than they would like, especially in central London where people typically stay for between 6 months and 2 years. The workers are very price sensitive: if they hear of another job paying even 25p an hour more they will leave and go to the new job.

## 6.3 Main considerations in looking for work: Views of tenants

Somers Town residents, in a focus-group discussion for tenants using the employment support service organised by Origin Housing Association, emphasised their need for flexible working hours. The majority seeking support at the centre were women, generally mothers with school age children, and often with poor skills in English. The focus-group participants were mainly women with child care/family responsibilities who needed to be able to drop off and collect their children from school; they said childcare was the single most important barrier for them in accessing employment. This perhaps helps explain the findings of the Camden Equality Taskforce, which identified maternal unemployment as a key challenge in Camden (CET 2013).

They were well aware of the interaction between employment income and benefits, and said that in many cases their household income would be very little affected if they found work because benefits were withdrawn so quickly. Indeed their cash income might drop, because moving into work—unless it was very local—meant they would have to pay for transport, and fares were relatively high compared to pay. They said they were encouraged to think longer term, and recognised that once in a job their prospects and income might rise; even so the potential initial reduction in household income was still a significant consideration.

## 6.4 The importance of transport costs

The importance of transport costs, especially for those working part-time, was mentioned by several interviewees. One firm said most of their workers were living on tight budgets and would take the bus to a job if they couldn't walk, as it was cheaper than going by tube. This is in line with recent research into London commuting behaviour, which found that for cost reasons low-paid workers are about twice as likely to use the bus to get to work (BDRC Continental 2015).

The link between transport cost and pay is illustrated by the market for office cleaners in Canary Wharf. In the East India Docks area in particular there is no local pool of potential cleaners, so most come from Hackney, Newham or Tower Hamlets. Bus access to the area is poor, and the DLR provides the main route in and out. The cleaning shifts are often only two hours, so firms must offer higher hourly pay to cover the additional transport costs and attract workers to go there.

For those working longer shifts these costs are less of an issue. One of our interviewees had considerable experience in the security field. He said the industry relies on shift work, often during anti-social hours. The shifts tend to be long – frequently 12 hours – and the rates of pay better than for cleaners, as most security staff need to have the Security Industry Authority license. So although they often live in the same areas as cleaners, security workers are prepared to use the tube network and travel further to get to a job: the issue of proximity between home and work is less important.

## 6.6 Helping tenants into work

We spoke to representatives of three housing associations. All were involved in activities designed to help Camden residents increase their employability skills and either move into work or into better paid employment, though the focus and scale differs between them. We also spoke to the manager of a local business improvement district, which runs a start-up hub that organises courses targeting available jobs. Camden residents are encouraged to apply.

Origin Housing employs a full-time employment and training coordinator to work with tenants. Data provided for St Pancras and Somers Town, the location of most of Origin's properties in Camden, indicate high levels of unemployment amongst residents. Employability support is provided on a one-to-one basis and explores barriers to work. Help may last for six months, a year or longer. Financial support includes debt/welfare benefits and 'better off in work' calculations. There is a strong push towards digital inclusion and translating available skills into a work environment. Many residents are found to be looking for flexible working hours and Origin had brought their cleaning and caretaking roles in-house to increase opportunities for residents.

The second association, One Housing, has since 2011 had a corporate commitment to 'promote aspiration and increase social mobility' among its residents, and its Employment and Training Service has developed a range of opportunities 'to give residents the skills, qualifications, confidence and motivation to get into work in a very competitive jobs market'. One Housing has a small team of people working at its centre in Camden. It offers a wider range of employment and training services than most housing associations and is also unusual in actively engaging with employers. Most of the requests and most of the placements provided were for full-time work. The split is approximately 70% full time, 30% part time. One Housing has placed workers in a number of major organisations including big retailers such as John Lewis, Waitrose and Debenhams, catering companies and hotels.

Even so, a high proportion of opportunities were in the care system and security/steward/door work.

Peabody, the third association, works solely in London and owns and manages about 27,000 homes across the capital. As part of its community programme for residents it runs Reconnect, an employment and training service. Although Peabody has less than 800 homes in Camden, a relatively small number compared to some other Inner London boroughs, it was felt that Camden residents would be fairly typical of those seen by Reconnect. Residents helped by the service typically find work in the following sectors: retail/customer services, hospitality/catering, administration, care, cleaning, security, construction. During 2014/2015 about 70% of the people supported into work were at the lower end of the pay scale (earning under £15,000 per annum), as most went into entry-level and/or part-time employment.

- The housing associations identified the following barriers to their tenants in achieving work were:
- skills levels and confidence (including particularly IT and/or English language skills);
- ability to travel. Mothers of school-age children in particular sought employment that would allow them to drop off and collect their children from school;
- the cost of travel, initially to interviews and then to regular work. A serious barrier--many preferred to travel to work by bus so as to avoid the high cost of tube travel, which limits their potential employment radius
- expectations – some did not expect to have to start in low-status and/or low-paid jobs as a route into work.
- concerns about interaction of paid employment with benefits. Accepting a low-paid job could cause a loss of benefits that left the household little better off. There were potential benefits in the long term, as responsibilities and pay increased, but the short-term effects were a serious disincentive.
- the need to find childcare if successful in finding a job (this was echoed by participants in the focus group, who said childcare was the issue for them);

Of these factors, one association said the most critical in their experience was the cost of travel, particularly for residents on low incomes. This was supported by discussion in the focus group; the participants were acutely aware of the difference in commuting cost between one bus journey or two, or the bus versus the tube.

One of the associations interviewed reported a lot of interest in training and information to enable people to become self employed by setting up their own businesses. At the round table it was evident that some Camden social tenants were already running their businesses from home (e.g. childminding, cleaning); focus group participants knew of people making samosas and doing embroidery. Whilst these are difficult to quantify it may be argued that the potential loss of these kind of service businesses including others such as window cleaning, handymen, etc., may impact on the economy of the local area and, particularly in the case of childcare, the access of local residents to work.

## 7. Findings and recommendations

There is increasing pressure from London employers to find a solution to the capital's lack of affordable housing. A majority of London members of the CBI say housing affordability affects retention and recruitment of staff, and even in high-salary industries like accountancy, firms report that new hires from university cannot afford London housing. Social housing in Camden is genuinely affordable in a way that more recent 'affordable housing' products are not. However the rules around allocation of social housing mean that new entrants to the sector are more likely to be outside the labour force. The tenure is not really a resource for major central London employers looking to house existing staff.

It seems clear that the provisions of the Bill will result in a reduction in the stock of social housing in Camden and other inner-London boroughs, not just in the short and medium term but permanently. This will have the effect of reducing the amount of truly low-cost housing available in inner London.

Many of the tenants who live in this housing make important contributions to the city's economy and to their local communities. In particular, this pool of local, flexible, low-wage labour supports services (caring for older people, child care, cleaning) that are essential for inner London's residential function. The need for such services in boroughs like Camden is growing, not declining, and providers are already losing workers because of London's cost of housing. These jobs are less visible than public-facing positions at major central London employers. Nevertheless they are vital for health of inner London's residential function, and provide essential support for those who do work in other roles.

For many unemployed tenants, getting into paid employment is far from straightforward. Many depend on benefits, which can be reduced by paid employment (especially partial HB); they may lack the required skills; the cost of travel is frequently an issue; and mothers of small children often seek work that fits the pattern of the school day. So both employers and workers lose out.

Those tenants preparing for the labour market need the help and support of social landlords. There are many jobs for which they have a comparative advantage—child minding, care, cleaning, small retail. Such jobs could not readily be filled by others without lot more expense, and London's economy and social support systems would suffer. For tenants moving into the workforce, having genuinely affordable housing provides a platform to develop skills, find employment and become self-supporting. Cheap housing on its own may not make it possible for unemployed tenants to take lower-paid jobs, but it is a major advantage.

### Recommendations

- Many organisations already recognise the benefits of employing local people in entry-level jobs because they are often willing to work flexible or irregular hours, they can respond quickly if there is an emergency and their commuting costs are low. Central London employers should consider the value of having local workers in certain roles, and recruit accordingly.
- We need to better understand the interaction between accommodation and employment. Further research is needed into the links between low-cost housing and employment in London before these policies are rolled out.

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