

HOME-WORK: HELPING LONDON'S SOCIAL TENANTS INTO EMPLOYMENT

*James Gregory
Jonathan Todd*

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TENANTS INTO EMPLOYMENT**

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Published by:

Centre for London 2012
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Series design by StudioAparte

Centre for London is a new politically independent, not-for-profit think tank focused on the big policy challenges facing London. It aims to help London build on its long history as a centre of economic, social, and intellectual innovation and exchange, and create a fairer, more prosperous, democratic and sustainable city.

Through its research and events, Centre for London acts as a critical friend to London's leaders and policymakers, promotes a wider understanding of the challenges facing London, and develops long-term, rigorous and radical policy solutions for the capital. It looks for support from a mixture of private, voluntary and public sector funders and works collaboratively with its supporters, drawing on their experience and expertise.

Centre for London was incubated by Demos.

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FOREWORD

Housing providers have a long track record of delivering schemes which are committed to improving employment opportunities for tenants. That's based on our belief that, beyond the core purpose of simply providing homes, social landlords have a vital role to play in improving peoples' life chances, reducing worklessness and an over-reliance on state support.

London's housing and labour markets have some unique characteristics which set them apart from the rest of Britain. This is both a real challenge and also an opportunity which demands some hard, imaginative and brave thinking about ways to sustain services on reduced budgets.

We need to ensure that the money we invest in employment training and other initiatives is money well spent. When we have the flexibility to get this right, housing providers can have a transformative effect on the lives of those living, not just in our properties, but also in the wider community.

This timely report provides us with excellent intelligence on the challenges faced by tenants in the capital and how we can best address their needs and aspirations.

We hope that it will be widely read and that its insights and recommendations will inform an urgently needed policy debate about the role of social housing and its relationships and interactions with other services.

Mark Henderson
Chief Executive (Home Group)

Brendan Sarsfield
Chief Executive (Family Mosaic)

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ACKNOWLEDGEMENTS

We would like to thank all the individuals and organisations who have given up their time to help us with this research. Thanks are due to our expert advisory panel: Charlotte Carpenter, Declan Gaffney, Pete Redman, John Schofield, Christine Whitehead and Matthew Waite. We are particularly grateful to Pete Redman for his help in developing our model of 'flexible rent'. We would also like to thank Rob Whitehead – former Director of Research at the Centre for London – and Giulia MacGarr, who worked as a Research Assistant on this project. Thanks are also due to the Centre for London staff and interns – Ben Rogers, Jess Tyrrell, Kat Hanna and Freya Wigzell – and too Ralph Scott of Demos for his help with the final production of this report. We would also like to thank the following people for their expertise and input on this report: Angelo Sommariva of Moat Housing Association, Crystal Fernandes of Circle Housing, Carol Carter and Sarah Thurman of Hyde Housing, Toby Lloyd of Shelter, Duncan Shrubsole of Crisis, Matt Leach of HACT and Ian Gordon, LSE.

The views in this report are nevertheless solely the authors. All errors and omissions remain our own. Finally, we would like to thank our partners, Home Group and Family Mosaic, without whom this project would not have been possible.

METHODOLOGY

The research in this report is based on a range of methods. Our analysis of the current labour market status is based on quantitative analysis of the Labour Force Survey (April to June 2010), a national sample survey based on the personal characteristics and circumstances of approximately 115,000 working-age individuals. In London this gives us a sample of approximately 12,000. Our analysis of the potential causes of worklessness in London's social housing is based upon a desk-based literature review. Included in this review is our analysis of the available quantitative and qualitative evidence on the relationship between social housing and worklessness. Finally, we also conducted our own qualitative research. Firstly, we conducted a 'sift' of publicly available evaluations of the impact of current labour-market interventions by social landlords. Secondly, we conducted a series of semi-structured interviews with social housing landlords and practitioners in the social housing sector. We also held a focus group with social tenants who had been helped into work, or who were still being helped to find a job, by their landlord.

EXECUTIVE SUMMARY

Stand outside a central London train or tube station during the first few hours of a weekday morning, and you can't but be impressed by the endless surge of adults on their way to another day's work. London is an extremely industrious place. Yet too many Londoners are denied the benefits and opportunities that a job can bring. The capital has one of the lowest employment rates of any English region. Much of this 'worklessness' moreover is concentrated among the quarter of Londoners who live in council or housing association homes.

This report begins by building up a fuller picture of work and worklessness among this large group. It then goes on to ask, why are so many not working and what can be done to support and encourage more into work?

There is good reason for addressing these questions now. First, while London has many poor people who do have a job – over one million London households work and yet remain in poverty¹ – people who can work and do work generally still do better than those who don't. Helping tenants of 'social housing' into work should help improve their lives and the lives of their families – especially now that the country's dire finances mean that there is very little prospect of creating a more generous welfare system for those who don't work.

Second, London's social homes are heavily subsidised and potentially highly productive assets. Many people argue that it is both inefficient and unfair to be using these assets to house people who do not work. How can it be right, they ask, to allow so many people who aren't employed to live in homes that many working people could never afford – especially when giving them to working people, or to people who could use the advantages of a London home to find work, could help the London and national economies? Some will also worry that social housing is not only distributed unfairly, but also seems to foster a culture of low aspirations. Might there not, these critics ask, be something in the way we allocate council and housing association homes

in London – something in the offer we make to social tenants – that discourages them from working?

These are not just academic questions. After decades in which social housing was allocated more or less on the basis of need, irrespective of employment status, and with little thought as to the cost of the property to the public purse, the Coalition Government has introduced policies that will limit the public subsidy provided to social tenants, and give councils greater discretion over their allocations policy. Some London councils, including Conservative-led Westminster and Hammersmith & Fulham, but also Labour-led Newham, are implementing policies that are giving greater priority in the housing queue to those who are already working. At the same time, social housing providers, especially housing associations, are increasingly focusing on helping their residents improve their skills and find work. Indeed, four out of five now provide into-work services.

This report is framed around three broad questions:

- 1 – What proportion of London’s social tenants work? How does this vary across different groups of tenants?
- 2 – Why are so many Londoners in social housing not working? Is there something about social housing itself – perhaps the way social homes are allocated, or social tenants treated – that discourages them from working?
- 3 – What could be done to get more social tenants into work? What, in particular, are social landlords already doing and how effective are these measures? What else could they do?

Below we provide a brief summary of our main findings and recommendations under each of these headings.

*What proportion of London’s social tenants work?
How does this vary across different groups of tenants?*

There are various ways of understanding and measuring work and worklessness. Like most economists, we are concerned both with people who are not working and actively looking for work (the ‘unemployed’), and those who are not working and are not looking for work (‘the economically inactive’).

Less than one fifth (18%) of UK households live in a local authority or housing association home, but a quarter of Londoners do so. Overall, only 44% of working age adults in these homes have a job, compared with around one in seven (69%) of those who rent privately. Even if we exclude tenants who might not be expected to work (for instance, students and the long-term sick and disabled), it remains the case that between a quarter and a third of London’s social tenants don’t work.

As our analysis shows, this is roughly in keeping with the national pattern. Moreover, we find that many groups of London social tenants are faring no worse than social tenants elsewhere or are actually faring better. So, for example, black and ethnic minority tenants and older tenants are more likely to be employed in London than nationally. Things look very different, however, when it comes to single parents. At 53%, the rate of economic inactivity among single-parents in London is 4% higher than it is for the UK. What is more, 32% of all social households in London are female single parents with dependent children, compared with 25% across the UK. These two facts – a high proportion of single parents among London’s social tenants and low employment among single parents – means that single parents make a relatively large proportion of workless London social tenants.

Why are so many Londoners in social housing not working?

There are several potential explanations as to why London’s social tenants work at a lower rate than private

renters or owner-occupiers. One relates to the way social homes are allocated: social housing tends to be given to people most in need, and being workless is an important aspect of need. Nevertheless, there is some evidence that while the circumstances of the people who are given social homes can explain most of the difference in employment rates between social tenants and other tenants, it cannot explain all of it.

Perhaps, then, there is, as some critics argue, something in social housing policy that positively discourages a work ethos and fosters welfare dependency. We distinguish two ways this might work. First, some argue that simply offering tenants a ‘home for life’ regardless of whether they work or not, discourages tenants from working. Second, some worry that the way social housing tends to concentrate large numbers of low skilled and workless families together fosters a culture of low aspiration and worklessness.

We don’t find the first of these arguments persuasive. Most people who work don’t do so just to secure a roof over their head. There are plenty of other incentives at play. Indeed, the offer of a lifetime tenancy might equally be expected to incentivise work. Where tenants in the private rented sector who move into low-paid work, or who move up the bottom end of the pay scale, see much of their increased earnings evaporate in reduced housing benefits, social tenants pay lower rent so more quickly reach a situation where their earnings are not eroded through the withdrawal of housing benefit. We remain open to the second argument – that the way social tenants are often housed in close proximity fosters a culture of low aspiration and worklessness. However, we have not found conclusive evidence one way or the other.

Changing tack somewhat, we go on to identify a number of factors that discourage poorly qualified and low income social tenants from working. These factors don’t just discourage social tenants – they also act as discouragements to similarly situated owner-occupiers and, in particular, private renters. To that extent they can’t explain the difference in employment rates between

social tenants and other categories of tenant. But, these factors do tend to weigh particularly heavily on social tenants by virtue of the large number of low skilled and otherwise vulnerable people among them.

We distinguish three issues in particular that hold these people back from getting work. First, many social tenants are discouraged from working because the financial gains from doing so are very modest. While the aims of government attempts to reform the benefit system are laudable, it remains far from clear that they will significantly improve gains to work. Second, many tenants worry about the risks associated with leaving a familiar benefits regime for what is often insecure work and then having to return to benefits. The benefit system can seem slow moving, and unpredictable. Why embark on a short flight that could well result in a risky emergency landing when you could stay at home?

Third, the barriers that deter many social tenants from seeking work are compounded, for parents, and especially single parents, by high childcare costs and other weaknesses in London’s system of childcare provision.

What more could be done to encourage and support social tenants into work? What, in particular, are social landlords doing to get more social tenants into work? How effective are their efforts and what would make them more effective?

Clearly, there is an important role for central London and local government in helping tackle worklessness among London’s social tenants. On-going efforts to improve schools, strengthen vocational education and promote social mobility are all important. Ensuring that ‘work pays’ – that tax, benefit and wage policies work to reward people who can work and do – is more urgent still. Priorities here include continuing to reform the benefits system, making it easier to understand and navigate, and reducing the taper at which benefits are withdrawn, and increasing wages for low skilled workers, through, for instance, promoting take-up of the London Living Wage.

Most of our recommendations, however, are housing focused and addressed to housing policymakers and social landlords. We group them under three main headings.

1 – A more robust approach to into-work service

As already said, social landlords would seem well placed to help with into-work services, so it's no surprise to discover that the great majority of these are already actively providing them, with housing associations leading the way. Nevertheless, there is some danger of social landlords not taking a sufficiently strategic and rigorous approach to designing and evaluating their into-work services. Few of them, for instance, have commissioned evaluations of their employment interventions, and there is very little established evidence available to them as to what works and what does not. Against this background, we recommend that social landlords should ensure that all into-work services they provide have clear objectives, are founded on a robust analysis of costs, benefits and risks, and are expertly managed and evaluated.

2 – A new flexi rent model that helps make sure work pays

We argue that social government should allow social landlords to offer a new, more flexible approach to rent that would help ensure that work pays for social tenants. This model would have three key features. First, it would introduce a progressive rent for those earning above average pay. Unlike the Government's proposed 'pay to stay' scheme, our model allows for a very gradual increase in rent in line with earnings, so not disincentivising work. At the same time, it would speak to principles of fairness and efficiency by ensuring that as a household earns more, so the subsidy on its home is reduced. It would also generate significant additional rent revenue that could be ploughed back into employment services

or more social homes. Second, our model reduces some of the risks associated with going off benefits and into work, by allowing some of the additional rent raised on higher earners to be paid into an account that households could draw on if they should fall out of work.

Third, it would avoid some of the perverse incentives in current government thinking, which threaten to confront higher earning social households with the risk of either being turned out of their home. Our model avoids this by giving higher earning social tenants a right to stay in their home, albeit at a near market rent, or to buy their home.

3 – Helping with childcare

Finally, we argue that social landlords should at least explore whether they should do more to help their tenants, who are looking for work or are in work, access affordable and flexible childcare. At the moment, social landlords appear to provide little of this kind of support, yet they are arguably well suited to do so. After all, landlords could relatively easily make local premises and business-support available to early-year and out-of-school services.

1 INTRODUCTION

Anyone over 70 today will have lived through a very profound transformation in the role social housing plays in British society and attitudes towards it. In the post war years, an ambitious programme of social housing was welcomed as a way of providing high quality homes at an affordable rent to a nation that had come together to defend democracy and win a war, and was now working hard to secure the peace. Social housing was seen as if not quite a universal benefit akin to free education or healthcare, then something close to it. For a small group of socialists it represented an important step in what they hoped would be that nationalisation of all property. For social democrats and the one-nation Conservatives who dominated the Conservative party, social housing offered a welcome improvement on the poor quality (often ‘slum’) housing found at the bottom end of the private rented market, and – especially for Conservatives – a potential stepping stone to home ownership. Given that the cost of renting a council house, though subsidised, was often higher than that of a private home, there was no shame in being housed by the council.

The situation is very different today. It has been a long time since local authorities built council housing on any scale – barely 1000 council homes were built in London in the last decade,² with almost all new social housing provided by housing associations or registered providers (RPs). At the same time, we have built less housing of all types; only 380,000 over the last two decades,³ when we needed to be building twice that number to keep pace with London’s growing population.⁴ So, we have built fewer homes for all Londoners, pushing up prices to the point where many can no longer afford to buy or rent privately, and placing even greater demand on the limited stock of social homes that have been built. More significantly still, an allocations policy that recognised a variety of entitlement claims – local roots, social contribution, and need – has given way to one that prioritises need, so that social housing now goes overwhelmingly to the most vulnerable and often marginalised citizens.

The ‘residualisation’ of social housing – the trend by which it is increasingly allocated to the most needy households – can be seen as a reasonable response to larger social pressures: the falling supply of social housing, and the increase in groups who need the support a social home provides, including a growing number of one-parent families, people with disabilities and long-term health conditions, and the long-term unemployed. But this has led, predictably, to low employment rates among social tenants. An influential 2007 review of social housing, the Hills Review, highlighted the extent to which social tenants are not working, finding that around half of working-age social tenants were workless – twice the national average.⁵

The large number of social tenants who don’t work has in turn raised widespread concern, and for at least three reasons. First, holding other things equal, people who work tend to do better than people who don’t.⁶ This is true in narrow economic terms – the longer someone does not work, the harder it becomes for them to find work, and the lower their earnings when they do.⁷ Moreover, with spending on out-of-work benefits facing continued pressure over this Parliament and the next, and possibly beyond, helping people into work will have an ever more important role in tackling poverty and disadvantage. It is also true in wider terms. People who work tend to be healthier and happier than their counterparts who do not. And their children also tend to do better in life.⁸

Second, social housing is a highly subsidised asset, and much of it a potentially highly productive one. This is particularly true of social housing in affluent areas, where there are good job opportunities. With social renters paying an average of around £100 a week and private renters paying around £200 a week, social tenants are clearly receiving a large subsidy. Many people argue that it is both inefficient and unfair to be using this asset to house people who do not work. How can it be right, they ask, to allow so many people who don’t work to live in homes that many working people could

never afford – especially when giving them to working people, or to people who could use the advantages of a well-located home to find work, could help the local and national economy?

This leads us to a third concern. Some people worry that there is something in the way we allocate and run social housing that works to discourage a work ethic among social tenants. These people acknowledge that with social homes going to the neediest households, we are bound to find lower levels of employment among social tenants than among people renting in the private sector or owner occupiers. They argue that allocations policy alone can’t explain why employment is as low as it is among social tenants. Perhaps the offer of a guaranteed home at a highly subsidised rent discourages enterprise and promotes welfare dependency. Or perhaps the concentration of a large number of low income, workless families on housing estates fosters a culture of worklessness.

These concerns loom particularly large in relation to London. Though London has a vibrant economy and is the most productive region in the UK, it has lower levels of employment and higher levels of poverty than the UK as a whole. 10% of Londoners are currently unemployed compared to 8.4% of Britons.⁹ After housing costs, London’s poverty rate is 28%, whereas in England as a whole the poverty rate is 22%.¹⁰ London also has a relatively large number of council and housing association homes, many in very expensive and popular areas, with relatively good employment opportunities. So even if the large number of social homes in London does not help *explain* the relatively high number of people out of work in London, there is good reason to think that the capital’s social tenants are being very heavily subsidised, and that worklessness is costing them and the economy dear.

These aren’t just academic questions and concerns. After decades in which social housing was allocated more or less on the basis of need, irrespective of employment status or disposition to work, and with

little thought as to the cost of the property to the public purse, the Coalition Government has introduced policies that will limit the public subsidy provided to social tenants, end guaranteed life-long tenures, and give councils greater discretion over their allocations policy. Some London councils, including Conservative-led Westminster and Hammersmith & Fulham, but also Labour-led Newham, are implementing policies that are giving greater priority in the housing queue to those who are already working. At the same time, social housing providers, especially housing associations, are increasingly focusing on helping their residents improve their skills and find work.

Against this background then, this report aims to answer three broad questions:

- 1 – What proportion of London’s social tenants work? How does this vary across different groups of tenants?
- 2 – Why are so many Londoners in social housing not working?
- 3 – How effective are current policies at addressing worklessness among social tenants? Can we identify more effective policies? What, in particular, are social landlords doing to get more social tenants into work? How effective are their efforts and what would make them more effective?

Though we focus on London, we hope that many of the findings and recommendations contained in this report will be relevant to policymakers and housing providers across the country.

2 THE LONDON PICTURE

This chapter sets out to explore patterns of work and worklessness among Londoners living in council and housing association homes.

London has a relatively large social housing sector. So where council and housing association homes make up a fifth of all homes nationally, they make up a quarter of all London homes (around three quarters of a million, in absolute terms). Another quarter of London homes are rented out privately, with the remaining half owner-occupied.¹¹ Unlike cities such as Paris, London's social homes tend to be distributed fairly evenly throughout the city, with even the richest boroughs containing a good share of social homes.

What proportion of these tenants work? There are different ways of understanding and measuring people's relation to work. Some people work full-time, and others part-time. Some who work part-time do so as a matter of choice, some because they can't find a full-time job. Others are 'unemployed' – out of work but actively looking for a job.

But the 'unemployed' category has its limits. It fails to capture the 'economically inactive' – people of working age who aren't looking for work – and, in particular, those people of working age who could work, but aren't actively looking for work, perhaps because they don't feel motivated to do so, perhaps because they are prevented from doing so by lack of childcare or eldercare.

Figure 1, drawn from our analysis of the Labour Force Survey, sets out how patterns of employment, unemployment and worklessness vary across the main kinds of tenure – owner occupied, private rented and

Understanding worklessness

This report uses the term *workless* to describe those of working age (over 16 and 64 or under) who are not currently working. This group can in turn be subdivided into two broad sub-groups. We use the term *unemployed* to refer to those who don't have a job but are actively looking for one, and we use the term *economically inactive* to denote those who are of working age but not looking for work.

social rented – for London and the UK. As already suggested, social tenants work at a much lower rate than those living in either the owner-occupied or private rental sectors. Around 45% of London social tenants are working, compared with around 70% among private renters and around 80% among people who own their own home. It also shows that rates of employment, unemployment and worklessness among social tenants are roughly the same for London as for the UK as a whole (around 45%). At a headline level, then, London looks much like the rest of the country.

While the ‘economic inactivity’ measure used in Figure 1 is widely used by economists and employment experts, this too has its limits as it includes people who we might not expect to work, notably students and the long-term sick and disabled. If we exclude these groups,

we are left, as we can see from Table 1, with perhaps a quarter of working-age Londoners living in council or housing association homes who could, if the circumstances and support were right, work. This rough estimate includes inactive individuals looking after family (13%) and the unemployed (11%). We stress that there would need to be proper support for those individuals and families, and we would not expect everyone in these categories to be able to work. On the other hand, we should also expect to be able to make some progress with the social tenants who fall into ‘other inactive’ and, more controversially, the long-term sick and unemployed categories. In sum, we believe that the figure of 25% is a reasonable and realistic aspiration.

The limits of London’s labour market

We must be careful not to conclude too much from the fact that, in general, London’s social tenants are no more or less likely to work than their counterparts across the UK. Any assessment of the issues facing the sector must depend in part on the overall patterns of unemployment and opportunity in the capital. The picture is a complicated one. London’s social tenants are well qualified, relative to social tenants elsewhere in the UK, with 19% having a degree or equivalent, and better qualified people are more likely to be employed than less

Fig 1: Economic activity by tenure in London and the UK (% of working-age population)

Source: Labour Force Survey, 2010

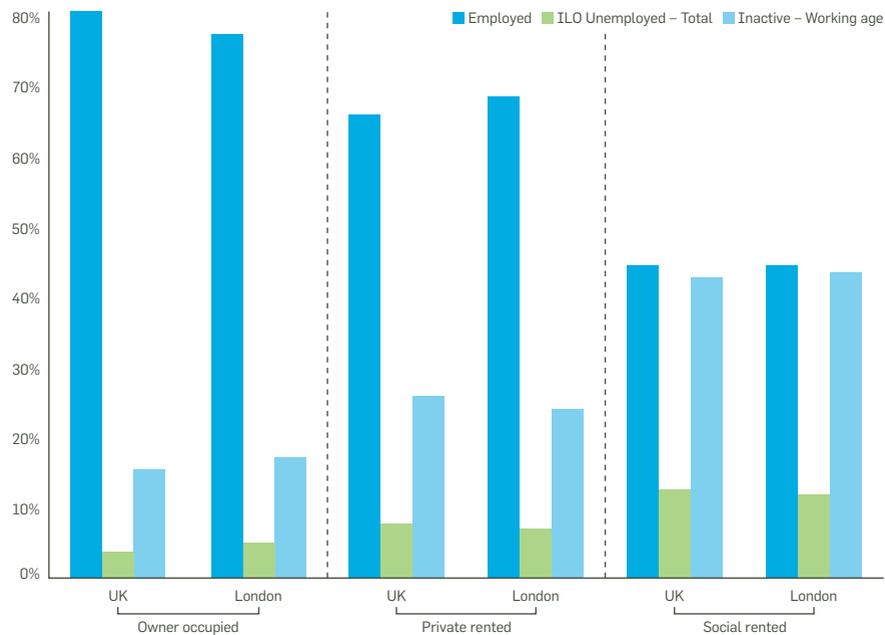


Table 1: Employment and worklessness among social tenants (working age adults all tenures)¹²

Source: Labour Force Survey, 2010

| Labour-market stats | Owner occupied | Private rented | Social rented |
|--|----------------|----------------|---------------|
| Employed | 74% | 68% | 41% |
| Unemployed | 5% | 7% | 11% |
| Inactive – student | 6% | 12% | 11% |
| Inactive – looking after family | 5% | 6% | 13% |
| Inactive – temporarily sick or injured | 0% | 0% | 1% |
| Inactive – long-term sick or disabled | 2% | 3% | 12% |
| Inactive –retired | 4% | 1% | 3% |
| Inactive – other reason | 4% | 3% | 7% |

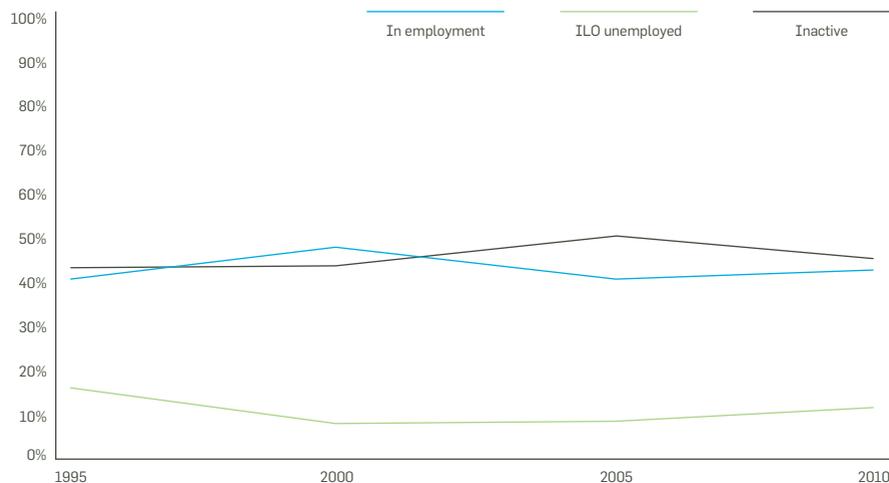
qualified people. This might lead us to expect a higher than average employment level among London social tenants. Against this, as we have already seen, London has one of the lowest employment rates in the country. This might lead us to expect a slightly lower employment rate among London social tenants.

Economic activity over time

Most of the data presented in this chapter compares patterns of work and worklessness among London social tenants with patterns in other London tenures and among UK social tenants. But what about trends over time? Has the proportion of London those social tenants not working gone up or down over time? The picture as set out in Figure 2 is slightly surprising, with social tenants more likely to be employed now than they were in the boom years of 2005. There is also a striking decline in inactivity rates between 2005 and 2010, perhaps reflecting the various policy measures designed to bring this group (regardless of tenure) back into the labour

Figure 2: Economic activity among London social tenants over time (% of working-age population)

Source: Labour Force Survey, 2010



market. But there is no strong trend over the last 15 years in employment or worklessness among London's social tenants. Nor do trends in work status among social tenants appear out of line with trends among owner occupiers and private renters. So, in 1995 41% of London social tenants were in work, and in 2010 43% were in work.

Inevitably, some types of social tenants are more likely than others to work. Analysis by the Department of Work and Pensions and others shows that there are five broad categories of people who are particularly likely to struggle to find a job or retain one:

- people with no qualifications
- people who are disabled
- ethnic minority people
- people over 50
- single parents

Below we look at how London social tenants drawn from these groups fare, relative to social tenants outside London, and to London private renters and owner occupiers. In most respects London's social tenants are not doing any worse than UK social tenants, though they trail way behind private renters and owner occupiers. However, London's single-parent social tenants do fare worse.

London's poorly qualified social tenants

As discussed above, London's social tenants are somewhat better educated and qualified than social tenants across the rest of the UK but rates of employment, unemployment and worklessness are roughly the same for social tenants in London and elsewhere in the UK. Low-skilled social tenants in both the UK and London, however, are much more likely to be out of work than are their counterparts in other tenures. 65% of London social tenants with no qualifications are economically inactive and only one in four work (Figure 3).

London's disabled social tenants

We see a similar picture in relation to disability. London's disabled social tenants are no more or less likely than their UK counterparts to be employed, unemployed or workless. But disabled social tenants are much more likely than disabled people in other types of housing to be unemployed or workless. For example, 58% of disabled Londoners who live in their own homes or rent privately work, but the figure falls to 25% for disabled social tenants (Figure 4).

People and organisations differ strongly on the extent to which we might expect this group to work. Successive governments have argued that this group includes a sizeable number who could, with the right encouragement, be expected to join the world of work. Many others argue that current government policies go too far, and expect people who should never be expected to work to start looking for work. We do not take a

position on this one way or another. For the sake of simplicity, our earlier suggestion that around a quarter of London social tenants who could work don't was based on the assumption that people categorised as long-term sick and disabled should not be expected to work. If we include this group or a proportion of this group, our estimate would go up.

London's ethnic minority social tenants

There is a contrast between London's ethnic minority social tenants and ethnic minority social tenants elsewhere. Of course, London has a far larger non-white population than the country as a whole, and a relatively high percentage of them live in social housing. Whereas 85% of social tenants across the country as a whole are white, the figure falls to below 50% in London. But London's ethnic minority social tenants are more likely than those outside London to have jobs. Where only

Fig 3: Economic activity in London/UK of those with no qualifications, by tenure

Sources: Labour Force Survey, 2010

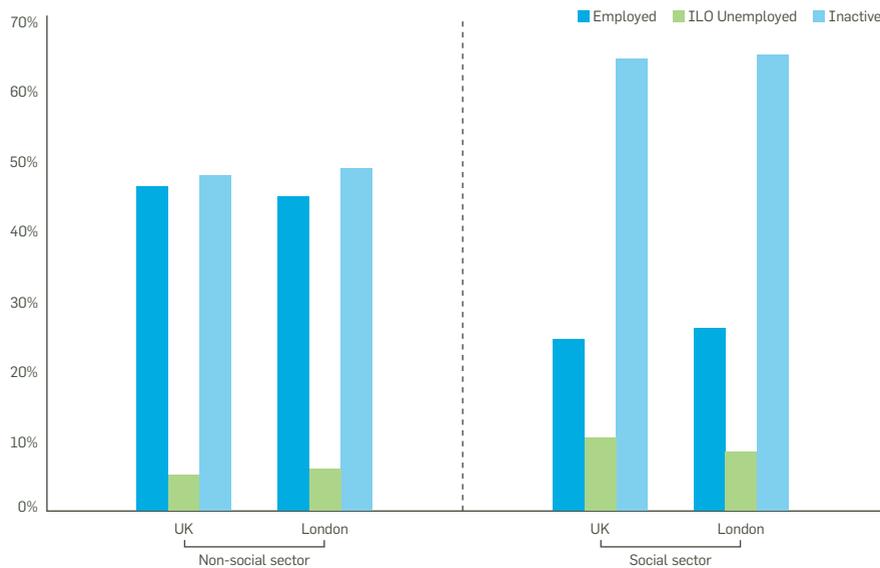
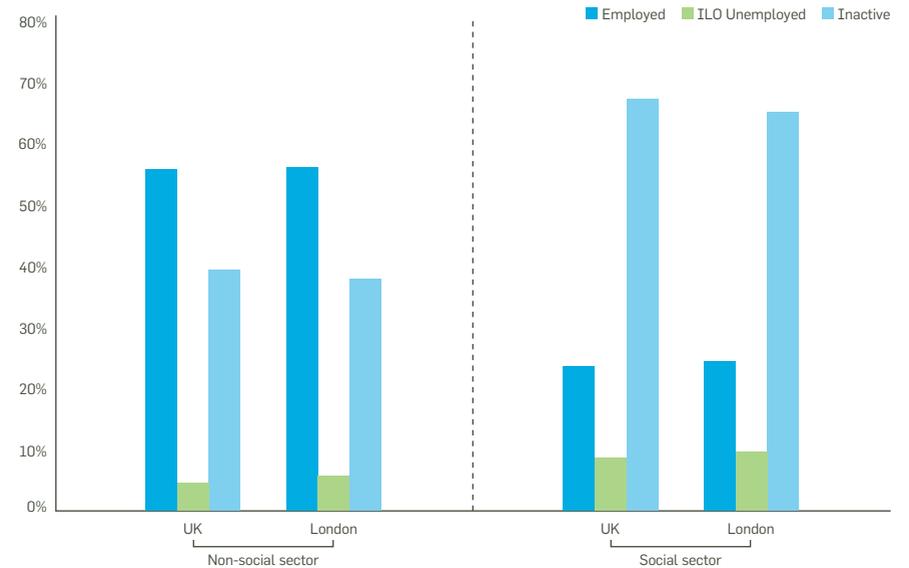


Fig 4: Economic activity of disabled people in London/UK, by tenure

Sources: Labour Force Survey, 2010



25% of ethnic minority social tenants across the UK are employed the number rises to 40% in London, though that figure is again dwarfed by the 63% employment rate among ethnic minority Londoners who live in their own homes or rent privately (Figure 5).

Older people

London's older social tenants are also a bit more likely to be working than older social tenants outside London, though the difference is not great (39% compared to 36%) (Figure 6). One possible explanation for this difference lies in the process of de-industrialisation in the 1980s and early 1990s, which affected this group but was not as dramatic in London as elsewhere in the country.

Single parents

For most of the vulnerable groups discussed above, London social tenants tend to perform better or no

worse than social tenants across the country as a whole. But this is not the case for single parents. At 33%, the employment rate for single-parent London social tenants is 3% lower than the employment rate for UK social tenants. At 53% the rate of economic inactivity among single parent social tenants in London is 4% higher than in the UK (Figure 7).

Moreover, a relatively large proportion of London's social tenants are single parents – 32% of all social households in London are single parents with dependent children, compared to 25% across the UK. This 7% point difference is large and significant. These two trends – a high proportion of single parents among London's social tenants and low employment among single parents generally – mean that single parents make up a relatively large proportion of workless and unemployed London social tenants. The overwhelming majority (94%) of these single parents are single mothers.

Fig 5: Economic activity of ethnic minority people in London/UK, by tenure

Sources: Labour Force Survey, 2010

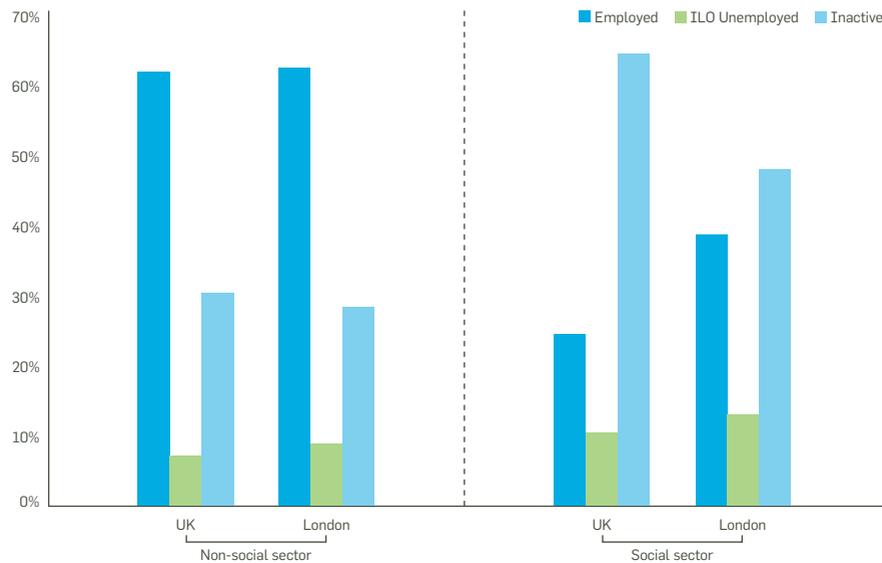
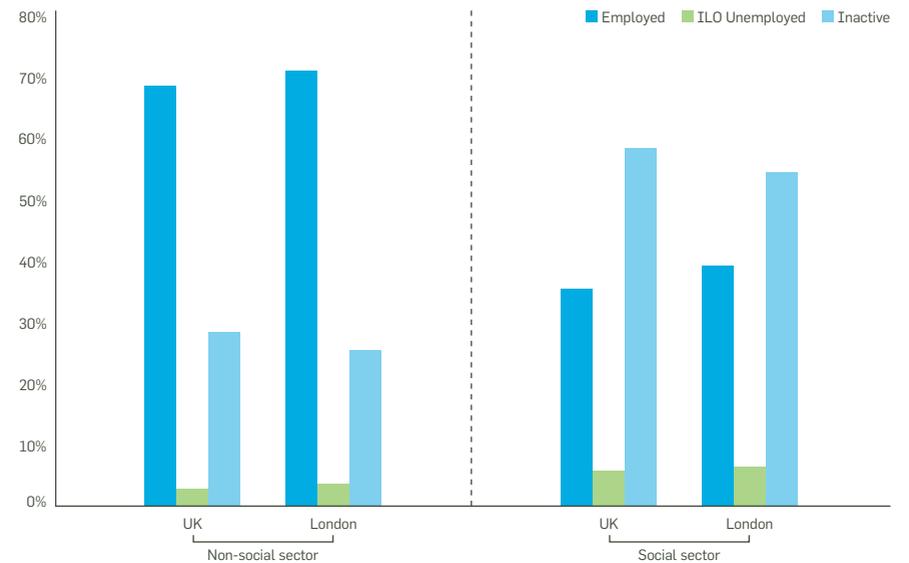


Fig 6: Economic activity of people over 50 in London/UK, by tenure

Sources: Labour Force Survey, 2010



However, the low rate of employment for single parents – or at least single mothers – is in some respects part of a larger London issue. In short, mothers are much less likely to work if they live in London than elsewhere. So 60% of mothers in the UK work, but only 43% of those in London. And this disparity holds good for all tenures – owner-occupier, private renter and social tenant, even if it is particularly pronounced in the case of London social tenants (Figure 8).

One final piece of information completes the picture of the position of single parent social tenants in London. Single parents in London are less likely to be in part-time work than single parents in the rest of the country, and this is particularly true of single parents in social housing. We say more about the low rate of part-time work, and what it means for single parents, especially single parents living in social housing, later in this report (Figure 9).

Fig 7: Economic activity of lone parents in London/UK, by tenure

Sources: Labour Force Survey, 2010

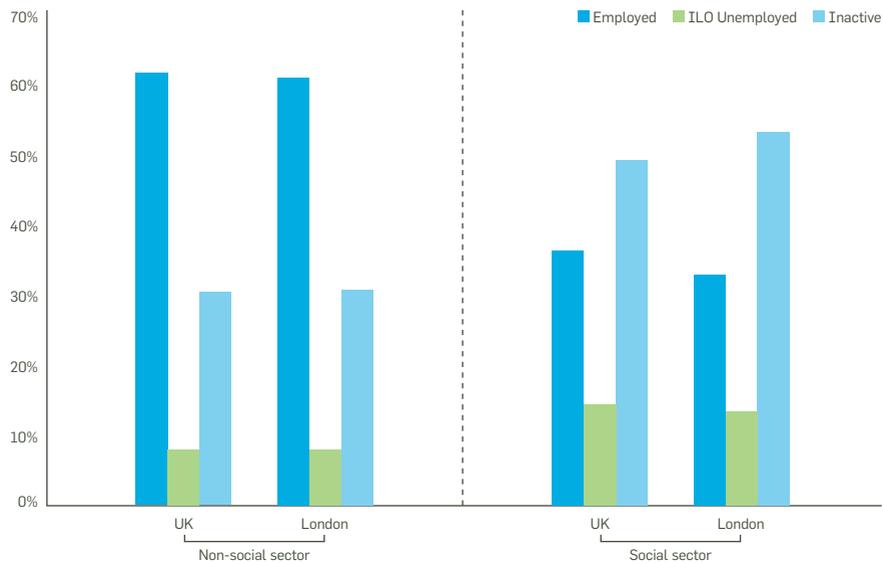


Fig 8: Full-time and part-time employment for lone mothers in London/UK, by housing type

Sources: Labour Force Survey, 2010

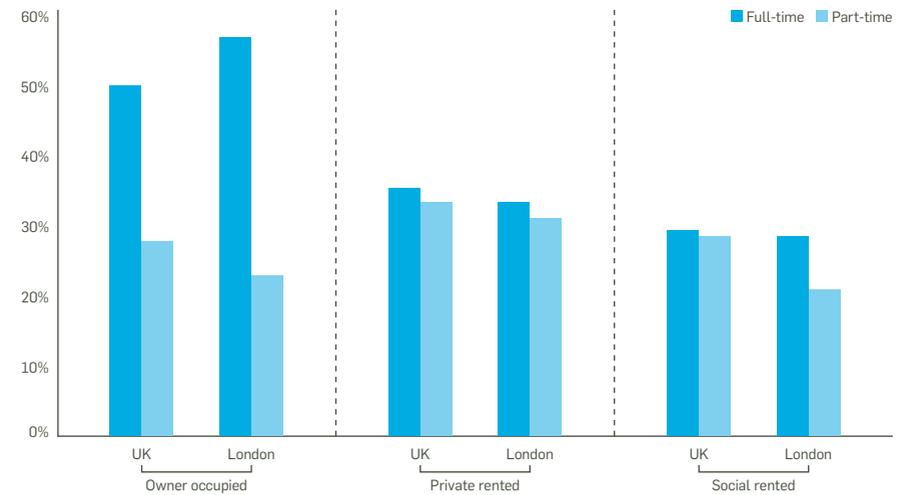
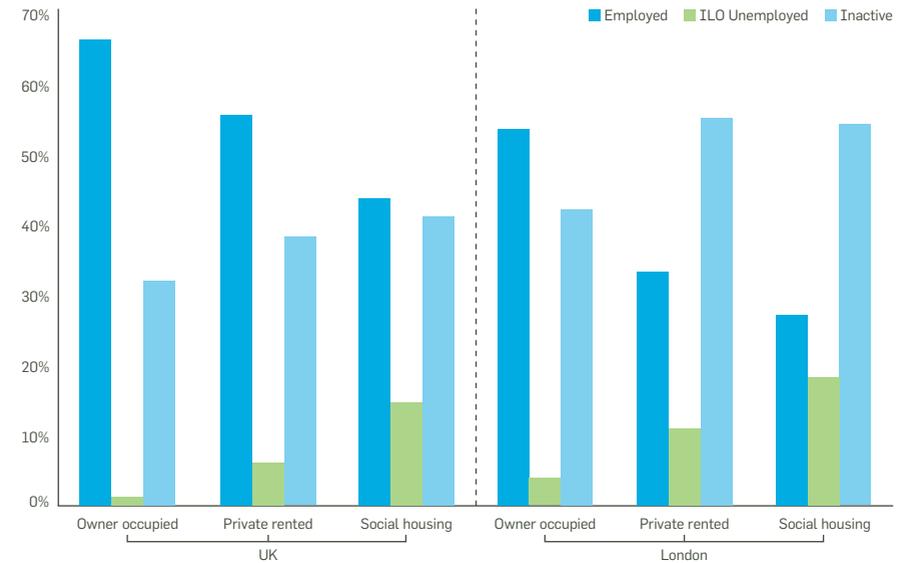


Figure 9: Economic activity of lone mothers in London/UK, across tenures

Sources: Labour Force Survey, 2010



Conclusion

We have presented a great deal of data in this chapter, which demonstrates a clear overall trend. Generally speaking, London mirrors the national pattern: social tenants are significantly less likely than people living in other types of housing to work. This pattern has remained relatively steady over the last 15 years. The main exception lies with the large group of single parents, or more particularly single mothers, who are less likely to work in London than elsewhere.

3

WHAT EXPLAINS LOW EMPLOYMENT RATES AMONG LONDON'S SOCIAL TENANTS?

We have seen that London's social tenants are much less likely than London's owner-occupiers or private renters to work. In this chapter we try to understand why this is the case.

First, we explore the possibility that if fewer social tenants work this is simply because social homes are allocated to people who are unable or ill-equipped to work.

Second, we explore arguments to the effect that social housing disadvantages social tenants by discouraging work.

We admit that we cannot find any explanation that allows us to account for all of the difference in employment rates between London's social tenants and other Londoners, though clearly allocations policy can explain a great deal of the difference.

In the final sections of this chapter we take a slightly different tack and point to some factors – in the form of the benefits system, and childcare issues – that discourage poorly qualified and low income social tenants from working. These factors don't just discourage social tenants – they also act as discouragements to similarly situated owner-occupiers and, in particular, private renters. But, as we set out in Chapter 4, tackling these barriers to work appears to be the most promising way of improving the employment prospects of London's social tenants.

Is the high number of social tenants who are not working in London simply a product of the way social homes are allocated?

The simplest explanation for the relatively high number of unemployed and workless social tenants is also one of the most powerful. Ever since the Housing Homeless Persons Act of 1977, local authorities have been under a duty to give people unable to house themselves or who are in other ways vulnerable a priority when allocating their own social housing or nominating people to receive a housing association home. With demand for social housing growing steadily since then, especially

in London, virtually all social homes have gone to the most needy tenants, many of whom are unable or unlikely to work. Not long after, in 1980, a large amount of social stock started to be sold off under the right to buy scheme. This stock was not replaced by new social housing. Together with the new emphasis on needs-based allocations, this has had the predictable effect of concentrating an increasing number of workless households in social housing.

However, while allocations policy does much to explain low rates of employment among social tenants, relative to other sectors, it is not clear that it provides a complete explanation. Evidence seems to show that people who get a social home are less likely to work than those who don't – even controlling for factors like a lack of qualifications or being a single parent, which are known to weaken job prospects. Or as Professor John Hills put it in his 2007 review of social housing: *'for any given number of overlapping disadvantages, those in social housing have lower employment rates.'*¹³ A number of longitudinal studies, for instance, allow researchers to track how people in different tenures fare across the course of their lives. These suggest that children who are brought up in social housing don't do as well, especially in terms of their work lives, as children who appear in all relevant ways similar, but are brought up in private rental accommodation. The same is true for people who move into social accommodation as adults: they don't do as well as apparently exactly similar adults who move into private rented accommodation.¹⁴

Of course, it might be the case that these studies don't in fact manage to control for everything. Perhaps, for example, individuals allocated social homes are allocated them on the basis of extra disadvantages to which those making allocation decisions are sensitive but which aren't picked up in the data on which academic studies are based. This is certainly a possibility. But, as Hills observes, *'[t]he scale of these "unobserved" extra personal disadvantages, if they are the whole explanation,*

*has to be very large – larger than the effect of being female, for instance, other things being equal. Whatever it is that is not being measured would have to have an impact on that sort of scale.'*¹⁵

Does social housing create welfare dependency?

If allocations policy alone can't explain why social tenants work less than owner-occupiers and private renters, is there something in social housing itself that disadvantages social tenants? There are a number of ways this might work. It might be for instance that the provision of social housing undermines incentives to work. Or it might be that the concentration of some social housing in certain neighbourhoods creates a 'culture' of worklessness and dulls people's desire to work. In this section we examine both of these possibilities, though we don't find enough evidence to allow us to say with any confidence that social housing does disadvantage social tenants.

Lifetime tenancies

First, some commentators argue that the offer of a relatively affordable home on a permanent or long-term basis discourages people from working.

The basic idea here is that by giving social tenants a tenancy for life (the norm until recent reforms introduced by the Coalition Government) the welfare system removes an important incentive to work – the need to provide for oneself and one's family with a home. Clearly, we all want a good home for ourselves and our families, and this desire does, as a general rule, motivate people to work.

This line of reasoning, however, is not as strong as it might first appear. It is true that allocations policy might to some degree favour people who are not inclined to work and so present as workless. It might even encourage people not to take full responsibility for themselves, in the knowledge that if they fail to stand on their own two feet, they will always be looked after by the council.

But this line of reasoning can't explain why, once people have got a social home for life, they would not want to work. After all, if work pays, it brings with it all sorts of advantages and opportunities, beyond having a home, denied to those who don't work. People work not just to secure a home, but to enjoy consumer goods and holidays, win the standing that comes with work, make a contribution to society, support charitable work and provide for their families and their older selves. It seems intuitively implausible to say that the desire to have a home is a particularly powerful motivator – quite different in kind from others – and that once this is achieved people will sit back and do nothing.

It is notable, in this context, that social tenants themselves certainly don't appear to take the view that having landed a home, they now have everything they want, and don't need to work. The Labour Force Survey asks working-age social tenants who are not working to give the reason that best explains why they are not working. Only 1% say that it is because they 'don't need employment'.¹⁶

It is also worth noting that the economic incentives for social renters to work are, if anything, greater than for private renters. Both social tenants and private renters on low incomes can claim housing benefit to help them with their rent. This is gradually withdrawn as their income increases, as will happen if they move off benefits and into work. But the situation is actually rather better for social tenants. Because social tenants pay lower rents than private renters, they more quickly get to a point where they no longer lose a proportion of increased income in the form of withdrawal of housing benefit. In other words, social tenants (because of their lower housing costs) need to earn less than private tenants to feel the benefit of work. So it is hard, when we contrast socially and privately rented households, to maintain the argument that there is a necessary failing in social housing when it comes to gains to work.

Perhaps sensing the weakness of this line of argument, some commentators have argued that social

housing policy continues to fail to incentivise work, even after people have got a home, on the grounds that the transfer system, which allows people to move from one social home to another, also prioritises need. In other words, people who want to move social homes know that the best way of getting to the front of the queue, even though they have a home, is to present as needy, and so not to work.

It is indeed the case that there is a good deal of pent-up demand for social housing transfers; some 680,000 social households are strongly interested in moving, according to one estimate.¹⁷ These are significant numbers, representing roughly one-fifth of the social housing population in England. There are also currently over 400,000 social households who have officially applied for a transfer. But this still leaves us with the vast majority of social tenants without an obvious incentive to continue to present as needy. Moreover, the chance of being 'rewarded' for trying to present as needy are extremely slim; the number who actually succeed (nationally) is in the low thousands.

Cultures of worklessness?

A second explanation for the disproportionately high level of workless tenants in London's social housing looks not to material incentives but culture. While social housing is found across almost all areas of London, including in some of the most central and expensive areas, there are also areas with relatively high concentrations of social housing and so of disadvantage and worklessness. Some have suggested that the placing large numbers of low income, workless households together encourages the development of a culture of low aspiration and makes worklessness an acceptable norm.¹⁸

For example, a study of Swedish data found that 'the risk that a person unemployed in 1991 would still be unemployed in 1995 and 1999, is only 16% if that person lives in an environment with only 0–2% unemployed people, whereas that percentage would double to 32% if he or she lives in an environment with 14–16%

unemployed.¹⁹ Similar evidence has emerged from a study of concentrated public housing and unemployment in France,²⁰ and from Germany, where a ‘significant’ negative impact has been found.²¹

There is also a large and sophisticated literature on the ‘social capital’ of such neighbourhoods that points to a very active role for cultural explanations of worklessness. This draws attention, among other things, to the way in which strong local ties among people of similar backgrounds (‘bonding’ social capital), while positive in itself, may discourage individuals from building the kind of wider links and networks that can help them move closer to the world of work.²²

The attempt to break such patterns has been one of the key policy objectives of the creation of ‘mixed communities’ in the UK. The same motivation is also seen in a number of US initiatives that have sought to break down large concentrations of poverty and worklessness. The key difference between the British and American approach is that many British initiatives aim to introduce more affluent, working households into deprived areas, whereas projects such as Moving to Opportunity in Chicago seek to take workless households and place them in a new environment.

But the evidence that high levels of worklessness fosters a culture of worklessness that in turn increases worklessness is far from conclusive. For every study showing that employment prospects are influenced by local employment levels, there are others that find no such influence. These studies argue that individual factors such as education and employment skills are more important than local employment rates in predicting an individual’s employment prospects.²³ And both British and American attempts at creating mixed communities have yielded very little evidence of a ‘peer effect’, in which the presence of working ‘role models’ has an impact on the behaviour of workless households.²⁴

This is in part, perhaps, because even when located in close proximity, social housing tenants and other types of household don’t tend to interact.²⁵

It is important to emphasise that it does not follow from the above that we should abandon policies intended to encourage mixed income neighbourhoods. First, as already said, the evidence as to whether mixed income neighbourhoods improve employment prospects for social tenants is inconclusive – it points in different directions. Anyway, there might be other reasons to promote mixed communities. There is evidence, for instance, that low income people prefer living in mixed income communities or benefit from them in other ways.²⁶

Does the benefit system prevent London’s social tenants from working?

We have been trying to identify reasons why London’s social tenants are less likely than other types of household to work. We have suggested that allocations policy plays a central role, with people who are less able or likely to work more likely to be given a social home.

In the next two sections we change tack, and identify three problems that we suggest do work to diminish the financial benefits of moving from benefits into work and so discourage social tenants from working.

The first of these problems lies with the way housing benefit works. The second relates to the risks associated with leaving benefits for work. The third arises from the shortage of affordable, flexible childcare.

These problems – a poorly designed benefits system, risks confronted by people who leave benefits, and a lack of affordable childcare – are not peculiar to London. Nevertheless, they are felt particularly acutely in the capital. Similarly, these are not problems only for London’s social tenants but for other Londoners. But they do bear most heavily on people with few skills and limited earning potential, and these people feature large among London’s social tenants.

For these reasons, tackling these problems would make a major contribution to increasing employment among London’s social tenants.

The benefits system

Housing benefit is the system of income subsidy paid to tenants – in social housing and private rented housing – who would otherwise not be able to afford their rent. With rents rising in both types of housing over the last decade, an increasing number of Londoners have had to claim housing benefit. Significantly, housing benefit is an ‘in-work’ benefit, which means that tenants can continue to receive it once they are working. Nevertheless, as we are about to see, the way in which housing benefit is eventually taken away from the tenant acts as a discouragement to work.

The latest available figures (for the first three months of 2012) tell us that there are around 563,000 housing benefit claimants living in local authority or housing association homes in London – over two thirds of all social tenants.²⁷ By contrast, only 280,700 private renters (roughly one third) claim housing benefit.

Like all needs-based benefits, housing benefit is reduced if recipients’ incomes go up, as will tend to happen if they moves into paid employment, or their earnings increase. As the system is currently designed, however, the rate at which housing benefit is withdrawn works to seriously diminish gains of moving from benefits into a low income job.²⁸ Once a claimant reaches a certain income their housing benefit support is reduced by 65% of their earned income, so for every £100 they earn they actually only end up with £35 in their pocket. This is before we even take account of the withdrawal of other benefits. When the loss of council tax benefit is included benefits could decline to as little as £15 in the pocket for every £100 earned. Some calculations, taking into account tax credit reductions as well, come up with the shocking figure that people gain by only £4.50 for every £100 they earn.²⁹

There has been a broad political consensus on the need to reform this system, and from 2017 it will be replaced by a ‘universal credit’. The aim is to bring all benefits into one system (with a housing cost component) with a single withdrawal rate, with the aim

both of increasing the gains of working and making it easier for people to understand the reality of these gains.

This is a new and welcome approach to welfare support in Britain. However, the basic withdrawal rate for the Universal Credit will remain high, at least on current proposals. Indeed, at 65 pence in the pound, it is the same as the current rate of withdrawal for housing benefit. Crucially, the Universal Credit also has one very significant exception to its ‘universality’: it does not include Council Tax Benefit. As we have just seen, under the current system the loss of this benefit can mean that, overall (combined with the loss of housing benefit), someone will only have £15 in their pocket for every £100 earned. So there is a danger that the new system will simply perpetuate current problems.

Moreover, the new system does nothing to address a related pressure that further lessens the gains to work for low-paid Londoners: the cost of travelling to and from work in London tends to be relatively high.³⁰

Risks associated with leaving benefits

The challenge of making work pay is well recognised. However, it might not actually be as important as is commonly believed – there is little evidence that individuals do make decisions about whether to work or not on the basis of fine economic calculations. We suggest that a second factor is probably more important – people on benefits worry about the risk of leaving them, and moving into work, only to find themselves without a secure income at all. Low-paid workers tend to move in and out of work relatively frequently – in part because low-paid work is often insecure, in part because of their own personal circumstances: poor health, care commitments, or a weak work ethic. Yet leaving a job can leave poor people in a very vulnerable situation: they will have to negotiate with a bureaucratic welfare system; they might have to wait a long time before they start receiving out-of-work benefits again; and there is a risk that they will find themselves receiving a lower benefits package than they received before they worked.

For example, in an extensive 2011 survey of attitudes to work and benefits, the Department of Work and Pensions reported that ‘half of respondents (49%) agreed that they would try a job that may not be ideal for them, if they didn’t have to reapply for benefits if the job didn’t work out’.³¹ A similar but less pronounced fear of job-benefit insecurity was evident in responses to the question of moving from part-time to fulltime work; the complexity and unresponsiveness of the benefits system was a key deterrent. Earlier research by the Joseph Rowntree Foundation leads to the same conclusion.³² Their research strongly indicated that the fears about an unresponsive and unreliable benefit system act as a serious work disincentive for many – especially those wanting to move back into work after experiencing some form of mental health problem.

Childcare

As we saw in Chapter 2, while London social tenants work at roughly the same rate as social tenants elsewhere, and while many groups of social tenants work at a higher rate in London than elsewhere (notably ethnic minority tenants), single parents and in particular single mothers fare badly. So where 49% of UK social tenants who are single mothers are economically inactive, this rises to 53% in London.

This, as we also saw, is not a problem limited to social tenants. A smaller proportion of women work in London than elsewhere in the UK, and an even smaller proportion of single mothers work. This has been a longstanding pattern and there is strong evidence that it is to be explained by the difficulty of accessing childcare in the capital.

First and foremost, childcare is up to a third more expensive in London than elsewhere in the UK, with parents paying an average of £119 a week for a child aged under two.³³ One survey found that the average family in the South East of England spends 40% of its income on childcare and travel costs compared to 26% for the average UK family.³⁴

Moreover, childcare in London appears to be becoming more expensive, with hourly costs for a child under two increasing, between 2011 and 2012, by 5.8% (and by 3.9% for a child over two), when wages have risen by only 0.3%.³⁵

But for London parents, and in particular, London single parents, high hourly childcare costs are compounded by other problems:

1 – *The relative shortage of part-time or flexible work:* As we saw in Chapter 2, there appears to be far less part-time work in London than there is in the rest of the UK. As a result, London’s single parents are much less likely than UK single parents to be in part-time work, across all types of housing (Figure 9). The relative shortage of part-time work weighs particularly on people with care responsibilities, including single parents.

2 – *The shortage of flexible childcare:* Various studies have found that childcare provision often fails to meet the needs of London parents. Most childcare providers offer a daytime-only service, and cater first and foremost for parents who work full-time or near full-time, and regular hours. Yet Londoners are more likely to have to have long journeys to and from work, and work irregular hours and so need access to flexible childcare that is not limited to the ‘normal’ working day. The difficulty of finding flexible childcare probably helps explain why 94% of families across the UK take up their entitlement to 15 free hours childcare a week, compared to 76% in London as a whole, and as little as 60% in some London boroughs.³⁶

3 – *Fewer support networks:* One of the great strengths of London is its ability to attract people who are not born in the area. But this also means that Londoners have weaker family support networks for childcare. Nationally, one in three

families use grandparents and family for childcare, compared to only one in five in London.³⁷

4—*A national support system that does not reflect the needs of Londoners:* Despite the significantly higher childcare costs they face, Londoners receive no extra financial help through the tax credit system. The maximum amount a family can claim for childcare is set nationally and does not take account of higher costs in London. This will also be the case when the new Universal Credit is introduced.³⁸

5—*Weak ‘supply-side’ incentives:* In simple terms, the costs of providing childcare in London are higher than elsewhere in the country. Higher rents for suitable properties (for example) mean that in 2010 just 26% of providers in London made a profit.³⁹

6—*Difficulty in finding providers:* Given the costs of running childcare in London, it is perhaps unsurprising that there is a very large shortfall in supply. According to one estimate, London has only one third of the childcare supply it needs.⁴⁰

There is a broader problem here, extending beyond London, and extending beyond the case of single parents. Nationally, the Resolution Foundation and Netmums found that, of the 1,600 part-time mothers they surveyed, ‘44% said that the lack of affordable quality childcare was a barrier to fulltime employment, rising to nearly half for those on low to middle incomes.’⁴¹ Nevertheless, the situation is significantly worse in London. A recent survey of parents (in all types of household, including couples and single parents) in the capital found that 63% said that the cost of childcare has affected their decision whether to work or not, and a full 73% said it affected the number of hours they could work.⁴² Similarly, the high cost of childcare and travel takes up 40% of a family’s income, compared with 26% for families outside of the South East.⁴³

Conclusion

This chapter has sought to make sense of employment patterns among London’s social tenants. We have looked at two possible sets of explanation that might explain high levels of worklessness among these tenants relative to private renters and owner-occupiers: first, that this is simply a reflection of an allocations system that prioritises need; second, that social housing promotes welfare dependency. We conclude that allocations policy does account for most of the pattern, but not all of it. We disagree with those who think that the offer of a subsidised social home for life fails to incentivise work. We remain open to the argument that there might be something in the way that social tenants are often housed in close proximity that fosters a culture of low aspiration and worklessness, but have not found the evidence conclusive one way or the other.

In the final sections of this chapter, we have turned from trying to identify factors specific to social housing that might foster worklessness, to problems that are not specific to social housing, but tend to weigh particularly heavily on social tenants because they lack skills or have other disadvantages. As we set out, many social tenants are discouraged from working because financial gains for doing so are very modest, and the risks of moving off benefits often seem to outweigh the gains. While the aims of government attempts to reform the benefit system are sensible, it remains far from clear that they will significantly improve gains to work. Finally, we have noted that barriers that deter many social tenants from seeking work are compounded, for parents, and especially single mothers, by a shortage of flexible and affordable childcare.

4 SUPPORTING LONDON'S SOCIAL TENANTS INTO WORK

The last chapter sought to bring greater clarity to bear on the barriers to work faced by London's social tenants. We have concluded that if there is anything in the way social housing works that discourages employment, it is not very profound. To the extent that there are low levels of employment among social tenants, this is largely because social homes are allocated to people who, for one reason or another, are unlikely to work. Instead, we have identified three barriers that are likely to have a direct impact on the labour market prospects of London's social tenants, along with other Londoners similarly situated: poor gains to work arising from the design of the benefits system, risks associated with leaving benefits for work, and the lack of flexible and affordable childcare.

In this chapter we set out a number of ideas for lowering these barriers. Most of our recommendations are housing focused. But it's important to recognise that housing ministers and officials and social landlords can only do so much to encourage and support more tenants into work and that a really effective strategy would need to involve a wide range of government departments, London government and other agencies using a great array of policy reforms. These might include policies to improve skills and raise aspirations among low income families; to oblige or encourage employers to increase wages for their lowest paid employees; to reduce travel to work costs for low-paid workers; and, controversially, to address family breakdown and a culture of single parenthood. We suggest in particular that there appears to be a good case for adopting the following London-specific policies:

- Give the childcare element of the Working Tax Credit and the forthcoming Universal Credit a London weighting, designed to reflect the greater costs of childcare in London.⁴⁴
- Lower the cost of late night and early morning fares on London Transport, as these services tend to be used by low-paid workers.

— Give the national minimum wage a London weighting as well as, of course, continuing to promote take-up of the London living wage.

Note that we are not endorsing these, but merely offer them as examples of policies that could help strengthen the gains to work for low-paid Londoners, including low-paid social tenants and merit further exploration.

The rest of this chapter sets out a series of proposals as to how in government and social landlords could best help their tenants into work. We start by examining the role that some social landlords are already playing in tackling worklessness. We conclude that while there are good reasons for landlords to help their tenants into work, there is a danger of social landlords simply undertaking interventions because ‘everyone else is’. Our first proposal, therefore, is that social landlords think clearly about the costs and benefits of employment programmes, and ensure that any employment support programmes they run are carefully designed to meet local challenges and are properly evaluated.

Our second proposal is more radical. We have seen that the benefits system can potentially discourage social tenants from taking a job. As part of an integrated response to this we suggest that there should be legislative changes that would allow social landlords to implement a system of ‘flexible rent’. As social tenants earn more they would pay more rent, but we suggest a model in which this flexibility works to improve gains to work and helps tenants manage the risks involved in moving off benefits and into work.

Our third proposal is that social landlords should explore how they can help address childcare problems that, we have argued, are holding back many parents, especially single parents, from entering the world of work. We suggest in particular that social landlords might be well placed to provide childcare directly from their own premises.

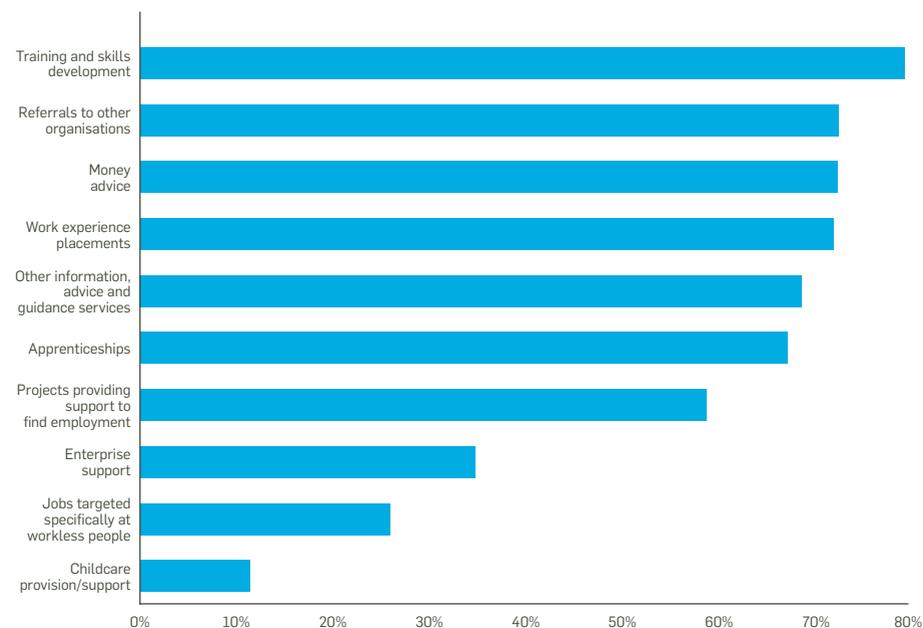
1 – Landlords and into-work services

Over the last five years, partly in response to the Hills review, London’s social landlords have taken a more active role in providing employment advice and support to their tenants. Services range from help with cv writing, job applications and interview practice to job search (Figure 10).⁴⁵ Some landlords also provide work experience or placements with themselves or a partner. Housing associations appear to have led the way in developing into-work services, with local authority providers taking a less active role.

Social housing providers would appear to be well placed to help their tenants into work. These providers have an on-going rather than transactional relationship with residents, and are in a good position to help develop personalised solutions to the issues they face. There also

Figure 10: Type of work-related support offered by housing providers

Source: Inclusion survey of housing providers, 2011



appear to be clear gains for social landlords in helping their tenants in this way. Working tenants, for example, are more likely to be able to pay their rents. On the other hand, they are not necessarily *ideally* placed. Helping people into work is not part of their core mission. And they don't necessarily have the wide networks that tend to mark out really successful into-work services.

As part of our research we organised a focus group with six London social housing tenants, who had made use of employment services provided by a social landlord, Family Mosaic. The responses of these tenants – both from those in work and from those still looking – were generally very positive. More specifically, tenants reported that their landlord was significantly more supportive and helpful than Jobcentre Plus. Interestingly, a number of tenants also commented that what set their landlord apart from other types of provider were the direct contacts they had with employers. This was felt to be far more significant than, for example, help with cv writing, which is available in a wide number of settings. However, this observation was followed by the further observation, that landlords should concentrate their efforts on extending these networks.

However, our research has suggested that there is a risk of providers taking an insufficiently strategic or rigorous approach to developing employment programmes. It is revealing that while, according to a recent survey, 88% of housing providers now offer some form of employment services, only 42% know the employment status of their tenants.⁴⁶

Similarly, we looked for and were not able to find many clear definitions of the specific objectives that housing associations have set themselves in their worklessness strategies. Nor, unsurprisingly given the lack of clarity on objectives, did we find many rigorous assessments of their costs and benefits.⁴⁷

It is therefore hard to evaluate the extent to which landlord's interventions are helping tenants, let alone whether they are proving cost effective.

This leads us to our first recommendation:

Recommendation one:

Social landlords should ensure that all employment services have clear objectives, are founded on a robust analysis of costs, benefits and risks, and are properly managed and evaluated.

Below we set out a number of simple principles that social landlords should follow as they develop employment services for their tenants.

Assess the scale of need and opportunity:

- What is the nature of the local labour market?
- What is the employment rate among different groups of tenants and for people in other types of housing?
- What types of jobs are available and what skills do they require? Who else is providing employment services?

Define the objective:

- What is the aim of the intervention? Is it to prepare tenants for work or get them into employment?
- Or is the intervention part of a broader approach to social inclusion and individual wellbeing? Is the intervention aimed only at improving the lives of tenants or is it also intended to help the landlord, perhaps by improving income or addressing anti-social behaviour?

Review the evidence:

- What does the research say about the costs and benefits of various types of intervention? Which types of intervention are likely to be most effective in achieving desired outcomes?

Create a robust plan:

- What targets is the intervention expected to meet?
- What are the key tasks and milestones that have to be achieved, and by when, to meet these targets?

Are the resources available adequate to meet these targets? What are the main risks and how can they be handled? Who is responsible for what? How will it be evaluated?

Ensure robust project management and evaluation:

Are key tasks being completed and milestones being met? Are risks being properly managed? Have targets been met? Did targets translate into outcomes? Overall, what were the costs and benefits of the project? What lessons can be learned from it? Should it be continued, adapted, scaled down or scaled up?

The London Development Agency's *What Works in Tackling Worklessness?* provides an excellent synthesis of available evidence on the costs and benefits of different into-work policies and interventions and helpful guidance on designing and evaluating into-work services.⁴⁸

2 – Making work pay: a new flexi-rent model

In this section we develop a new model of a progressive flexible rent. We propose that social landlords be given greater freedom to alter rent levels to reflect the ability of their tenants to pay. We argue that this model has many advantages over the current model and alternative approaches being proposed by the Government, and can address some of the problems we identified in the last chapter that discourage tenants from moving into work.

The model first addresses concerns that social housing is overly subsidised and gives an unfair advantage to people in a council or housing association home, while also ensuring, as far as possible, that tenants are incentivised to work. It also has the merit of raising significant additional revenue for social landlords.

Second, the model helps address the risks associated with leaving benefits and moving into work. As we have seen, many tenants are understandably unwilling to take on the risks involved in moving from a familiar benefit

regime into what is generally insecure work. They fear that, should they lose work, or fall out of it, they will have to wait for a slow and unpredictable benefits system to kick in.

Finally, it addresses the weakness in current government plans to abandon the principle of lifetime tenures, which means that social tenants who do well risk losing their home.

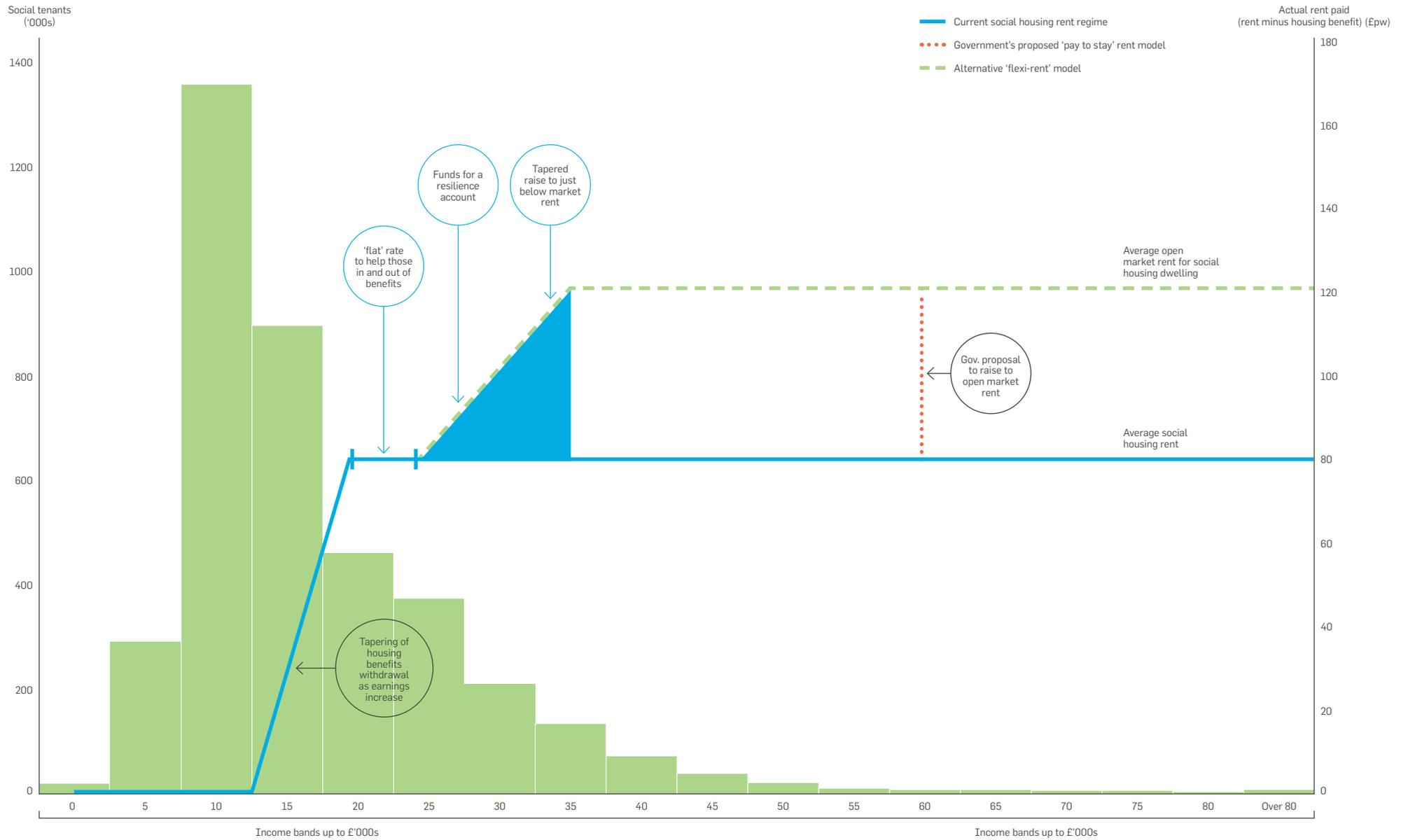
The basic features of the model we propose are presented in Figure 11 below. It is important to stress that this is an early-stage model, based on England averages rather than London-specific data, and we would need to account for the differing capital value of much housing in different parts of London. But we believe these challenges to be surmountable and that the model would be practicable in London.

Figure 11 shows the three alternative social housing rent models represented by the blue line, green dashed line and red dotted line. In each case, tenants pay more rent as their income – represented by the green bars – increases and housing benefit is removed, but the way in which rent varies in relation to income differs from model to model. The blue line represents the current social housing rent regime. The red dotted line represents the model the Government appears minded to introduce as put forward in its recent 'pay to stay' consultation. The green dashed line presents our proposed flexible rent model.

As Figure 11 shows, at low incomes all three models, in practice, work in the same way. The rent of very low earning households is entirely covered by housing benefit. As a social household's income goes up, housing benefit is gradually withdrawn, and the household pays more in rent, until housing benefit is entirely withdrawn.

From this point on, the three models begin to differ. Under the current model higher-earning social tenants pay a flat sub-market rent, regardless of their income. Under Government's recently proposed scheme, social tenants pay a sub-market rent until they reach a relatively high income (originally £100k, then reduced

Figure 11: A new flexible rent model showing the number of social households by income bands (LHS) and average rent paid in England (RHS)



to £60k) when their rent goes up immediately to the market rent.⁴⁹ Under our flexible rent model, rent goes up gradually, in line with earnings.

Figure 11 provides a powerful illustration of the point, made in the last chapter, that once a household's income starts going up and housing benefit begins to be withdrawn, it is withdrawn at a very fast rate, so seriously diminishing the gains to work. We do not expect our proposal to solve this problem. That, to the extent that it is possible, it is the responsibility of the welfare system, not social landlords. Our flexi-rent model is designed to help social tenants beyond the point at which they are no longer entitled to housing benefit. Below we describe three features of our proposed model that, we suggest, could help promote employment among social tenants, while also securing other positive objectives, including increasing rental revenues.

2(A)—A progressive rent policy

The Government has consulted on a series of reforms that will give social landlords freedom to increase rents on higher earners (so called 'pay to stay' reforms). Some social landlords view these with unease, worrying that they will prove intrusive or costly. We don't share these misgivings. We think it only fair that as social tenants earn more, the subsidy on their rent should decline.

But we do think 'pay to stay' policies need careful design if they are not to discourage work. We believe that government proposals, as presented in its 'pay to stay' consultation (and represented by the red dotted line in Figure 11) fail this test. They allow no increase in rent for those earning moderately well and a very sharp increase for those doing better. Originally, the threshold for paying a new rent was an income of £100,000 a year, though this was reduced to £60,000 a year, in recognition of the fact that a vanishingly small number of social households earn £100,000 per year. Yet once a household has reached this threshold their rent would increase in a single leap. This can hardly be said to reward work and effort – especially in London, where household earnings

are higher. (The Government estimates that nationally, there are between 12,000 and 34,000 social households with an income of more than £60,000; a disproportionate number of these are in London). The flexi-rent model we propose, by contrast, would raise rents very gradually – much more gradually than in the Government-proposed scheme, but also, it should be noted, more gradually than the rate at which housing benefit is withdrawn.

At the same time, we stop short of arguing that social rents should be progressively increased until social tenants are paying an entirely unsubsidised market rent. We suggest that social landlords should set a ceiling just below market rent, even for the highest earning tenants on the grounds that this will encourage the affluent to stay and help foster social mix. As we said in the last chapter, while we can't show conclusively that mixed communities improve the employment prospects of social tenants, we can't say that they don't, and they bring other benefits.

Another advantage of our model over the one proposed in government's 'pay to stay' consultation, is that ours promises to deliver a significant increase⁵⁰ in rental income for social landlords. In short, the financial gains to social landlords from the £60,000 threshold are very modest – the government (optimistically) calculates it would yield around an extra £22 million a year. On our model, by contrast, households would start paying an incrementally higher rent at around £25,000 (the average national income and one sufficiently above the benefit levels to help those moving in and out of benefits). This would cover roughly 300,000 households, and on a very conservative estimate could yield £200m a year across England – a sum that could make a significant contribution to building more social homes.

A final benefit of our flexible rent model is that it could allow social landlords to award lower rents to households that make efforts to secure work or otherwise make a positive contribution. Rents – for example – might be lowered for tenants who enter training, gain new skills or volunteer.

It needs to be acknowledged, however, that the regulations forbid social landlords from adopting a progressive rent of the sort we have been proposing. The coalition government has recently allowed social landlords to charge up to 80% of market rent. Social landlords are not currently permitted to raise rent beyond this. Perhaps more significantly, they do not have access to the household financial information needed to ‘flex’ rent – up or down – in response to the household’s changing circumstances, or lower rental charges in line with household income.

Hence our next two recommendations:

Recommendation two:

The Government should introduce legislation allowing social landlords to vary social rents in line with earnings up to a level just below market rent, and explore ways of granting social landlords access to the household financial information needed if this policy is to work.

Recommendation three:

Once legislation allowing progressive rents is in place, social landlords should adopt a progressive rent policy, with households on above-average incomes paying incrementally more until, on higher incomes, they pay just below market rent.

2 (B) – Emergency job-loss account

As we have seen, an important factor that discourages many social tenants claiming out-of-work benefits from trying to find work is the risk associated with losing a job or having to accept reduced hours. It can take a long time for people who lose a job to start receiving benefits and there is no guarantee that they will receive the same benefits that they received before.

In order to address this, we suggest that there is a strong case for exploring ways in which social landlords might help tenants manage these risks by creating a

‘resilience’ fund, on which working tenants would be able to draw should they leave work or find their pay reduced. There are a number of ways that this fund could work. On one model, the fund would be created through diverting a proportion of a working tenant’s rent into an individual escrow-style account. This would be overseen by the social landlord – it is legally the landlord’s money – but the landlord would offer to make some or all of the money available to any tenant who stops working or finds his or her pay reduced and needs ‘tidying over’ until benefit support is secured. On a second model, the payments would be pooled, with social landlords running something like an insurance scheme on which tenants could draw if they lose a job or experience a fall in pay.

We recognise that a scheme along these lines will not be easy to design or operate. It might even need legislative change. On the other hand, social landlords appear well positioned to run a scheme of this kind and it could offer an innovative and helpful way of addressing an important concern that deters social tenants from taking up work. But it is important to stress from the start that there could be significant financial advantages to the landlord. Firstly, social landlords would have enhanced ability to deal with late payments of rents, as the household in difficulty would have their rent paid immediately by their emergency account. Secondly, the landlord holds a significant amount of money on behalf of their tenants. As long as enough of this money was immediately accessible, the rest could be put to use in safe investments, such as government bonds. More generally, the pooling system would help to guarantee a stable flow of rental income; a crucial factor when landlords seek to borrow money in order to invest in building new homes.

Recommendation four:

The Government and social landlords should further explore ways in which social landlords could help tenants manage the risks associated with leaving benefits and entering employment. In particular

they should consider whether a portion of a new progressive rent paid by working tenants could be placed in an ‘emergency’ account on which these tenants could draw, should they cease working or experience a fall in pay.

2(c) – Homes for life

So far we have set out two features of the flexible rent model we presented in Figure 11. We now turn to a third and final feature. Like the other features, this is intended to help address issues that can or could discourage social tenants from looking for work.

The 2011 Localism Act has radically changed the legal basis of social tenancy rights. Where in the past social tenants were generally offered a home for life, local authorities and housing associations are now able to offer ‘flexible tenancies’ (distinct from ‘flexible rents’) to new tenants. The expectation is that the duration of a typical tenancy will be five years, and would be as little as two years (the original Coalition intention) only in ‘exceptional’ circumstances.

Table 2: New flexible-rent proposals – summary

| PROBLEM | POLICY | GUIDING PRINCIPLES |
|--|--|-------------------------------------|
| Social tenants who do well and whose earnings increase continue to enjoy a highly subsidised rent, while, under new government proposals, social households earning over £60,000 face a sudden steep rent rise | Social landlords to introduce a progressive rent, with tenants paying steadily more until, on above-average incomes, they pay close to market rent | Fairness, ensuring works pays |
| Social tenants fear ‘bumpy landing’ if they move from benefits to work and then from work to benefits – better to stay on benefits | Social landlords to hold some rent in a special fund from which tenants can draw down if they cease working | Supporting social tenants into work |
| Moving away from the offer of a social home for life and introducing limited tenancies could result in tenants facing a choice: do well and lose my home, do less well and keep it | Social landlords to guarantee social tenants their homes, even if their income goes up, but at nearer market rates. | Fairness, ensuring work pays |

This move is in part motivated by reasonable concern to ensure that heavily subsidised social housing goes to people who need it most. But another important motivation has been the desire to end the alleged ‘tenure trap’, in which social tenants no longer have an incentive to work when given a home for life. As we argued in the last chapter, we are not persuaded that life-time tenancies discourage work. The new tenure reforms, however, do threaten to introduce a ‘perverse’ incentive: improve your circumstances – show that your needs are now less than the needs of others – and lose your home.

The third and final feature of our flexible rent model, then, is designed to ensure that higher income social tenants receive less subsidy while avoiding the perverse incentives involved in imposing limited tenancies. The model proposes, as we have already said, that higher income households pay progressively higher rent. But it also proposes that higher earning social tenants should, assuming that they play by the rules, still be guaranteed the right to stay in their home at a near market rent, or alternatively buy their home.

Recommendation five:

Rather than face the possibility of losing their tenancies, higher earning social tenants should be guaranteed the right to stay in their home at a near market rent, or, alternatively, buy their home.

By way of a summary, Table 2 sets out the three recommendations that we have developed in this section, and the problems they are intended to address.

3 – Childcare

As we set out in Chapter 2, single parents make up a very large proportion of London social tenants, relative to the UK, and are less likely to work than their UK counterparts. The difference in employment rate is largely, we suggested, traceable to the high cost and poor availability of suitable childcare. We suggest, therefore, that social landlords explore ways of improving the

affordability and availability of childcare for their tenants, and especially for single parents. We suggest, in particular, that they should consider the case for providing childcare – or at least childcare premises – directly.

As Figure 10 showed, while social landlords now offer a range of into-work services, they have devoted relatively little resource to helping job seekers and employees with childcare. So where 80% of landlords surveyed reported providing training and skills services, only a little more than 10% offer help with childcare.

Yet there are at least two respects in which social landlords appear well positioned to help with childcare. First, one of the key problems in providing childcare in London is the cost of renting suitable premises.⁵² For example, whereas the rent on a ground floor nursery in Stockport would be £40 to £60 per square metre, in London it would be between £100 and £250.⁵³ Yet many social landlords can make premises available – for example, disused garages, workshops, launderettes and shops – at little cost. Social landlords will also have the business and administrative skills necessary to convert properties and run the business side of childcare services. The universality of this kind of service also makes it relatively cost effective. Highly targeted services seeking out the hardest to reach are very expensive and labour intensive, whereas childcare provision can be scaled far more easily.

Second, parents tend to want childcare to be provided very locally, and there is at least anecdotal evidence that local services can be hard to come by in poor areas with high numbers of social tenants. Social landlords, however, are well positioned to provide very local services. Indeed, there is good reason to think that they might be better suited to providing childcare support – in the form of early years support and out of school activities – than they are to providing other kinds of into-work support. (As we have seen, one of the constraints social landlords face in introducing tenants to employers is their relative lack of connectedness with

employers. Social landlords have relationships with their contractors, and some have used these successfully to help find tenants work, but they are unlikely to have relationships with a broad range of local employers and so only have limited power to broker relations between tenants and employers.)

We recognise, of course, that social landlords come in all shapes and sizes and the profile and needs of tenants vary widely from area to area and landlord to landlord. As we argued earlier, housing providers need to take a rigorous approach to developing, managing and evaluating employment support services. These structures apply to childcare services as well.

But there is a good prima facie case for our final recommendation:

Recommendation six:

Social landlords should explore ways of helping their tenants who are parents and are looking for work or are in work find affordable and flexible childcare.

5 SUMMARY OF RECOMMEND- ATIONS

1— Social landlords should ensure that all employment services have clear objectives, are founded on a robust analysis of costs, benefits and risks, and are properly managed and evaluated.

2— The Government should introduce legislation allowing social landlords to vary social rents in line with earnings up to a level just below market rent, and explore ways of granting social landlords access to the household financial information needed if this policy is to work.

3— Social landlords should adopt a progressive rent policy, with households on above average incomes paying incrementally more until, on higher incomes, they pay just below market rent.

4— The Government and social landlords should further explore ways in which social landlords could help tenants manage the risks associated with leaving benefits and entering employment. In particular they should consider whether a portion of a new progressive rent paid by working tenants could be placed in an ‘emergency’ account on which these tenants could draw should they cease working or experience a fall in pay.

5— Rather than face the possibility of losing their tenancies, higher earning social tenants should be guaranteed the right to stay in their home at a near market rent, or, alternatively, buy their home.

6— Social landlords should explore ways of helping their tenants who are parents and are looking for work or are in work find affordable and flexible childcare.

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Despite all the wealth and opportunity London has to offer, the capital has one of the lowest employment rates in the UK. Unemployment and worklessness are particularly high among the quarter of Londoners who live in council or housing association homes.

This report begins by offering the first detailed picture of worklessness among London's social tenants. It goes on to identify pressures that keep social tenants from the world of work, and offers new recommendations as to how they could be encouraged and supported into employment.

With social housing policy undergoing the profoundest transformation in generations, *Home-Work* represents an important and timely contribution to a vital debate.

This publication has been generously supported by **Family Mosaic** and **Home Group**.

ISBN 978-1-909037-27-4

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