1. Introduction

The APPG on Housing and Social Mobility will undertake, in 2020, an inquiry into social housing and employment, specifically asking:

- What is the relationship between social housing and employment?
- Why are social housing tenants more likely to be in lower paid and unstable employment than people living in other tenures?
- How can the social housing sector be the catalyst for closing the social housing employment and earnings gap?
- What can Government do to support the social housing sector and tenants, to reduce the social housing employment and earnings employment gap?
- Cross-cutting the above four questions: What lessons can we learn for future employment innovation that will embed tenants and engage with them fully and effectively?

All of these questions must now be inflected by the impact and repercussions of the Covid-19 pandemic, shutdown and future recovery. We already know that the impacts on the economy will be colossal and that this will not be evenly spread.

In this sense the Inquiry could not be more timely.

The APPG Inquiry will take in written evidence followed by a range of oral evidence sessions, reporting towards the end of September 2020, and launching in October 2020. The deadline for written evidence is now 30 June 2020.

This background research paper, compiled by the UK Collaborative Centre for Housing Evidence (CaCHE), selectively summarises relevant recent research. While this research background was drafted prior to the shutdown and is largely unchanged – we do return briefly to the pandemic and its aftermath in the conclusion. The paper builds on an earlier study for the Joseph Rowntree Foundation (2016) by Gibb, K., Stephens, M et al., on housing and work incentives for people experiencing poverty. The earlier study is summarised and then updated drawing on academic and grey literature published in the intervening period.

This short paper begins (section 2) with a recent paper by Judge (2019) which clearly sets out (and then qualifies) the conventional thinking about the measured gap in economic activity
and employment between working age social renters and other tenures. We then go on to summarise the Gibb, et al, 2016 study both in terms of its evidence review and its primary research findings. The next section (3) considers more recent research both on the employment gap and housing-led or potential wider policy responses aimed at this problem. Section 4 summarises key messages for the APPG Inquiry.

2. Starting Points

In this section we focus on two specific studies, starting with Lindsay Judge’s paper ‘Social Housing: A Working Hypothesis’, before looking at the main evidence review messages primary research from the 2016 Joseph Rowntree Foundation research by Gibb, K, Stephens, M et al ‘Housing and Work Incentives’.

The Relative Employment Performance of Social Renters

The 2019 paper by Judge for the Resolution Foundation on the relative employment performance of social renters provides a helpful point of departure for the Inquiry. The paper goes behind the headline figures about the apparently much lower rates of employment and economic activity amongst working age social tenants. In the period 2014-18 just over half of working age social tenants were at work compared to 80% of those owning or in the market rented sector. At the same time, more than a third of social tenants of working age are economically inactive, twice the rate of other tenures combined. However, these stark differences are in part explained by the different characteristics of working age social tenants i.e. the sector is made up of working age people more likely to have people with long term illness or disability, higher levels of families with dependent children (including single parents), and lower level qualifications. As Judge points out, irrespective of housing tenure - each of these features is associated with lower levels of engagement in labour markets.

Judge then returns to the employment rate contrasts between social renters and other tenures, having controlled for these underlying differences. She finds that: “60 per cent of the employment gap disappears (falling from 27 to 11 per cent). If all tenures matched the characteristics of the population as a whole, we could expect 7 out of 10 social renters to be in work, compared to 8 out 10 living in other tenures. The effect of the exercise is strongest on inactivity rates: controlling for personal characteristics reduces the inactivity gap between social renters and others from 21 to just 7 per cent” (Judge, 2019, pp1-2).

These are still significant but much less dramatic differences, once the composition of social renting, mediated by the cumulative effects of allocation priorities in social housing, are properly reflected in the analysis. Judge also finds that social renting tends to be more concentrated in areas with weaker labour markets, and that social tenants may also be disadvantaged by possessing lesser digital skills and weaker family support networks. This all suggests that interventions aimed at increasing economic activity and employment rates have a higher set of hurdles to overcome if they are to be successful. Judge concludes that we need more evidence, including qualitative evidence, to see how tenure, labour markets and commuting/transport options and costs interact. She identifies four policy conclusions:

1. Because of the importance of disability and mental health issues for social tenants, there needs to be more focus on ‘closer to work’ initiatives.
2. Build more social homes nearer to job opportunities (though they will typically be more expensive per unit).
3. Social or tenure mix matters in that living close to people in work can help work opportunities via informal or word of mouth channels. Living in areas of high home ownership increases the chances of social tenants living next to working neighbours.
4. In the last recession unemployment rates rose higher for social tenants before falling back in the recovery – so, pursuing policies that smooth economic cycles will have a relatively large positive impact on the employment rates of social tenants.
Key Messages from the 2016 Evidence Review on Housing and Work Incentives
Gibb, et al., (2016) included a substantial international evidence review on how housing impacts on work incentives for people in poverty and at the margins of work. What were the key messages that we can take from that review? Below we summarise and synthesise the evidence at quite a general level for the purposes of this background paper. We would encourage the interested reader back to the original publication if they want to pursue more detail and specific references.

1. Economics and Work Incentives
US Research suggests that some welfare programmes impede participation rates particularly for female headed households but that these supply effects do not explain poverty rates particularly among such households. Moreover, these welfare programmes do not seem to impact on long term labour supply trends. US studies have also drawn on random control trials to test spatially-targeted welfare, employment and housing interventions with varied results. Any transferability has, in any case, to be cautioned against because of considerable country-level differences in institutional arrangements, benefits and labour replacement ratios, as well as the marginal tax rates implied by different benefits. How labour demand varies has a major effect on paid work, shaping the nature of working contracts and creating incentives to move. Poorer outcomes are more likely to be associated with women, younger workers and the less skilled.

Research synthesised by the Joseph Rowntree Foundation (Goulding, 2010) suggests that around a fifth of poverty is recurrent. But it is not just explained by work status. Other drivers include family circumstances, qualifications, age and the benefits system. Similarly, moving out of poverty is not just about a job per se but also the quality, pay and security of the work. There is also a regional gradient in terms of jobs, pay and wealth, and this will be reflected in house values and rents that themselves create barriers to work. Bouncing between low pay and unemployment is common and has become more frequent. It is generally true that employment reduces the chances of poverty, but most working age people in poverty live with another household member in paid work. A key recent trend is that the share of poverty is high for working households, but the risk of poverty is lower for working households.

2. Deprived neighbourhood effects
Housing can constrain work opportunities at neighbourhood level, which can lead to poorer job prospects for long-term residents. Social networks are important to accessing employment and local face-to-face contact is particularly important. Local jobs markets matter most to those with low skills levels, who are likely to search for and take up jobs in smaller geographies than the highly skilled. The evidence, second, is unclear, however, as to whether mixed tenure neighbourhoods help low-income residents find work. Third, place-based stigma may prevent employers from locating-in or selecting employees from deprived neighbourhoods. While there is little evidence of behavioural neighbourhood stigma effects, there is mixed evidence whether ‘postcode discrimination’ is a disincentive to employers.

3. Housing can be a spatial barrier to employment
There is often a spatial mismatch between people and jobs, i.e. housing areas are distanced from areas dense with job opportunities. Low skilled groups are particularly disadvantaged because they have fewer commuting options, even when jobs are relatively close. Reliance on public transport can prevent commuting if services are unavailable or expensive. Relocation is an alternative to commuting. However, moving involves financial and other transactions costs, especially for low-paid workers who may have less to gain than higher earners. Short-term, low-paid or irregular hours jobs are unlikely to compensate for the loss of other enabling systems of support such as informal established exchanges of flexible free childcare. Despite social housing being associated with low mobility and joblessness, the evidence regarding social renting on employment outcomes is inconclusive. Nonetheless, limited stock choices and long waiting lists in social housing may inhibit quick relocation for job opportunities.
4. Self-employment
The rise in self-employment in the UK post-recession included a significant increase in self-employed home workers. This can enable earning opportunities for those otherwise disadvantaged in the labour market. There is also a risk, however, that disadvantaged groups are ‘forced’ into self-employment. Most who decided to run a business from home did so because it is cheaper than renting premises. Housing can act as either an enabler or a barrier. Spare space is often easier for homeowners. Social tenants are likely also to be constrained by their tenancy conditions.

5. Welfare changes and work incentives
Work incentives have been fundamental to welfare reform debates, which have increasingly sought to raise the employment rates of ill or disabled people and lone parents, using conditionality models originally designed for unemployed people without impairment or caring obligations. Compulsion to actively seek work increased incrementally until government extended work-related conditions to lone parents and ill or disabled people. Universal Credit (UC), has reduced marginal effective tax rates for many people, but it has also manipulated work incentives in varied, complex and problematic ways. The in-work conditionality of UC is particularly challenging, since workers face sanctions unless they increase their hours. However, it is employers who often control terms and conditions.

There is little econometric evidence that withdrawal rates of housing benefit create strong deterrents to entering employment. Qualitative research is more likely to identify such effects, but even here the evidence is relatively weak. Early impact studies indicated that welfare reforms may trigger relocations for benefit recipients and low-paid workers who can no longer afford to live in high cost areas. Relocating to lower housing cost areas can also mean moving away from job opportunities. Despite this, evidence reports former benefit recipients taking paid work despite being financially worse off.

6. Non-housing influences on work incentives
Incentives to work are also shaped by powerful non-financial influences. The gap between the pay offered to mothers compared with non-mothers is compounded by the increased barriers created by childcare obligations and costs, although there is disagreement about how big an effect this has. We do know however that the costs of childcare are often equal to or higher than housing costs. Financial rewards for lone parents to return to work were found to be limited. Economically inactive lone parents with older children were more likely to have other barriers to employment, such as low/no educational qualifications. Evidence also suggested that the employment rate gap has widened between disabled and otherwise similar non-disabled people and has remained high.

Key Findings from the Housing and Work Incentives Primary Research
Primary research in the Gibb, et al (2016) study focused around five local case studies and a longitudinal quantitative analysis of poverty pathways. The longitudinal analysis confirmed that the majority of working age people who experience poverty do so despite being a in a household where at least one person works. Of those people who were in poverty in 2000, two-thirds moved in and out of it in the period to 2008, whilst only 7 per cent remained poor throughout. Although rates of poverty are much higher among social tenants than the population as a whole, social renters also had high exit rates from poverty. Strikingly, almost 70 per cent of people who were in poverty in 2008 were mortgaged owners and most of these had been owners since at least 2000. As the private rented sector has grown, so it has become more important in the representation of cycles in and out of poverty. Although employment does not ensure a life free of poverty, few people exit poverty without being in employment (see, also: Goulding, 2010; Stephens and Leishman, 2017).

The case studies allowed the study team to examine real situations for people at the margins of work and poverty in a variety of housing and labour market contexts across the UK. Locality
matters in terms of labour market opportunities, transport cost and availability. While some interviewees identified possible alternative locations and housing options, for other more vulnerable individuals, there was little choice but to make the best of present arrangements. The study found a well-entrenched work ethic among people who are likely to command only modest wages. It also, however, demonstrated that they face multiple disincentives to employment. These disincentives have been exacerbated by flexibility in the labour and housing markets. Consequently, investment in skills and both the employability and wages that people can command is likely to be key to any long-term strategy to tackle poverty. The research also suggested a need for policy makers to understand and address the dilemmas faced by people at the bottom of the labour market, such as their lack of control over hours, pay and progression.

Key messages:
- Neighbourhoods can facilitate social networks that provide informal recruitment channels that enable local people to find employment. The support provided by friends and families is also vital to facilitating employment. Exclusion from local labour markets experienced by outsiders and the support lost by leaving one’s own community help to explain a reluctance to move.
- A poor-quality home and neighbourhood can demotivate some people, whilst others regard it as an incentive to seek work so that they can improve their position.
- Changes in labour and housing markets have combined to create additional barriers to mobility. The reluctance to move that arises from the lack of security in the private rented sector is exacerbated by insecurity in the labour market. The shortage of social rented housing not only makes it more difficult to move between social tenancies, it increases the value of the security the tenure social renting offers.
- The changing nature of jobs exacerbates the effect that the cost and reliability of public transport have on employment incentives. Public transport does not always cater well for the needs of part-time employees and employees working anti-social hours and, on occasion inflexibility by employers.
- The cost of car ownership (running costs and repairs), can thus be a significant disincentive and barrier to working, even for those people who have a car.
- The underlying level of rents emerged as the principal housing factor in affecting the incentive to work. It is notable that whilst Housing Benefit is recognised as protecting out-of-work incomes, its role as an in-work benefit is downplayed.
- The effects of housing on employment incentives are experienced most acutely by people with fewer skills who are more likely to enter low-paid, part-time and insecure employment. This is further compounded by age discrimination and poor health.

Policy Recommendations
Effective context-specific interventions need to be devised locally and regionally rather than just nationally. This means that the necessary policy infrastructure and delivery mechanisms need to be created to pursue these important work-related anti-poverty actions, some of which directly involve housing, neighbourhoods and place:

1. Investing in neighbourhoods can reinforce positive social networks and provide jobs and income for local people. Social landlords are often de facto community anchors in many such neighbourhoods. Their long-term commitment and wide reach among stakeholders often make them well placed to work with statutory and other partners to deliver local employment and related programmes.

2. Affordable transport is a critical constraint on employment. Evidence suggests the need to review public transport routes prioritising these labour market considerations. This might include subsidizing individual commuting costs.

3. More security would improve willingness to move and lower rents would provide a much clearer financial incentive to work. Social rented housing, fundamentally, is a key way to
enable employment. This could be supported by allowing social housing allocations systems to facilitate mobility. High rents are also a disincentive and rental policy should be reviewed and re-prioritised.

4. The design of Housing Benefit and Universal Credit should not deter work.

5. Childcare availability and affordability are a key barrier to employment.

3. Relevant Research and Commentary since 2015

In this section we look at a selective set of relevant studies carried out since the Joseph Rowntree research. These are mainly reports and grey literature though we have included academic papers based on a simple search of relevant journals.

**Barriers and Challenges**

In a report to the National Housing Federation, Wilson, et al (2015) first set out key barriers facing social tenants seeking employment, noting that there are large gaps for lone parents BME households, women, the young and the over 50s compared to the working age population as a whole (though note Judge’s earlier caveat). Three key disadvantaged groups are those with low or little qualifications, those who are disabled or with limiting long terms conditions and those with mental health issues.

Tunstall and Pleace (2018) provided an evidence review on social housing for the MHCLG social housing green paper. This included evidence from a 2016-17 profile of social housing tenants. This indicates that compared to the wider population, social tenants have lower incomes, more lone parents, more BME and women headed households, single person households and higher rates of disability. In labour market terms (pp.xviii): “thirty-seven per cent of householders in social renting were in employment, compared to 59% in the population…. and 23% were outside the labour market due to being sick, caring for others or being in education, compared to …. 9% of the population overall. Nine per cent were unemployed, compared to 3% nationally. Fifty-five per cent of householders in social housing were in ‘routine or semi routine’ occupations, compared to just a quarter in the population as a whole.”

Scanlon, et al (2019). Ask what the implications for the London economy of reduced social housing in the capital as a result of housing policy change. Apart from endangering the supply of flexible labour to support many key services for the region, the authors point to the wider disadvantage to residents caused by benefit changes and reduced ability to pay rents, in term so fits impacts on their ability to secure work that pays and pays enough to manage living in London.

Peabody (2019) produces an index of the employment and disability earnings gap in London. For 12018 they found that, in a context of rising living costs, the income gap compared to non-social residents in London had widened, that social tenants were disproportionately in insecure and low paid work and that the situation for those with a disability was worsening and relatively more difficult in London.

In a new study working with the Clarion Housing Group, Judge and Slaughter (2020) focused on the inter-relationship between housing, work and poverty. They look at the longer-term impact of households moving into work and especially the notion of in-work poverty and the growing sense that work does not pay. They also ask whether tenure plays an important role in influencing then nature and incidence of in-work poverty. They note that the poverty differential for social tenants compared to others is higher for working households (34% compared to 13%) than for out of work households (66% compared to 49%). Their research concludes:
• Entering work has a strong downward effect on (rates and depth of) poverty
• The reduction in poverty depends on specific factors
• The poverty rate does not improve any further once work is entered, even for those who stay in work
• Moving out of poverty is common but cycling in and out of poverty is common
• Social renters in work are more likely to be in poverty
• Lower pay and fewer hours increase the risk that social renters are in poverty
• Reduced in-work support increase low-income households’ exposure to poverty
• While in work, interacting with the benefits system can be problematic
• Key policy agenda is to help people in low pay progress, have improved access to more efficient benefits and improve the quality of their work.

Initiative and Innovation

In a series of studies, Riverside have explored the nature of worklessness and financial exclusion among their tenants and then considered what to do about it. A PSI research study for Riverside (PSI, 2009) undertook detailed quantitative and qualitative research, recommending that social landlords should signpost services that would support work, training and skills; landlords should promote creche facilities and other child care support services and promote start-up businesses in this area; landlords should provide prioritise work-related support for disabled, those with long term limiting illnesses and those with mental health challenges; and, they should promote and support access to affordable credit and financial inclusion advice. Riverside (2013) followed through a qualitative longitudinal study of clusters of households, indicating both widening income differentials and improving employment outcomes despite a difficult context (e.g. the under-occupation penalty) and stereotyping of social tenants on benefits in the wider media. Ill health remained a key barrier to work and progress within work.

NHF (2014) is a useful overview of what their members do in terms of housing’s role in supporting employment, but also what else they can do to promote employment among tenants and residents. They stress that nearly 40% of housing associations are providing employment and skills support and nearly 30% more are planning to do so. They identify the particular skills and strengths that associations are likely to have to played positive role in the local labour market and for employability. They set out case studies of good practice which stressed working in partnerships with other key providers (including councils, government departments, employers and the voluntary sector). They also remind us that associations are on the front line of managing welfare reform but that they are also major employers in their own right (and indirectly so via their ongoing programmes and supply chains).

Wilson et al (2015) asked what works for key disadvantaged working age tenants not in work. They conclude (p.35) that “research points to the critical importance of personalised, intensive, face to face support. Typically, this includes support to: Prepare for work – building confidence and motivation, setting goals, referral to specialist support, preparing for interviews and applications; Look for work – assessing skills and capabilities, understanding where and how to look, support to then find jobs, overcoming setbacks/ maintaining confidence; Get into work – through engaging employers and then brokering between them and candidates, supporting with application processes; and Stay in work – particularly through the first few days and weeks.”

Wilson, et al., argue that housing associations are in a strong position to help residents in to and to progress in the labour market because (pp.48-49): They have a unique relationship with their residents; They operate in some of our most deprived areas; They take a long-term approach to working with their residents and the communities in which their homes are based as part of their general social purpose; They are major employers in their own right, with established supply chains which can provide further employment opportunities.
investment in the success of their employment, training and skills programmes: They have a good understanding of the local employment market and strong relationships with other organisations across both the public and private sector; and, they use their own resources as well as attracting investment from partners."

Wilson, et al., go on to identify nine specific interventions that offer different degrees of costs and benefits (all with positive cost to benefit ratios of greater than 1.0) but which all could help improve employment, employability and also reduce the economic disadvantage faced by the most marginalised (pp.50-69). These include strategies such as: skills academies i.e. workforce training and work experience; jobs-plus i.e. intensive saturation approaches to support people into work; intensive support to help people prepare for and find work; intermediate labour market work with e.g. temporary jobs to act as a stepping stone into more long term employment; and, targeted financial incentives in the form of return to work bonuses.

Dromey, et al., (2018) examine the role that housing associations can play supporting employment. They argue that the sector has a key role in increasing employment rates and reducing poverty. They estimate that housing associations provide annually £70m on employment support but that national employment policies have failed to properly engage with the housing association sector, undermining the opportunities to develop more focused place-based employment programmes and initiatives. They make six recommendations:

1. Local areas should establish Work and Health Partnerships
2. Future employment and skills services should be further devolved, and commissioned by local government, in order to support more effective place-based support, with housing associations playing a major role.
3. Associations have an opportunity to play an enabling role Supporting the transition to universal credit
4. Adult skills devolution: local government should work with housing associations to support residents to access skills training.
5. Housing associations are local anchor institutions, with the ability to shape their economies and support inclusive growth. This should be fostered and nurtured.
6. Government should ensure that the Shared Prosperity Fund, which will replace ESF after Brexit, is quickly established and that it is accessible to housing associations to provide high-quality employment skills support.

Wilding, et al., (2019) asks what we know about the employment and training support by organisations like housing associations before conducting primary research among CtW members and case studies. Their work generated four principal findings and six recommendations. The findings were: first, housing associations do provide vital employment and training support to their tenants; second, there is a strong business case to do this for associations in terms of management of arrears; third, investment in employment support policies and programmes work: they do improve employment rates; and fourth, associations are increasingly using external tools to measure the impact they are having or could have in this field of work. Recommendations flow logically from these findings and include proposals such as increasing the investment in the employment support function, improving data capture on impact, among others.
4. Messages for the Inquiry

In reflecting on the Inquiry’s key questions and the recurring patterns of evidence identified in this initial and selective background research summary, a number of themes emerge for the Inquiry which may trigger further thinking and evidence.

- Relative performance in the labour market by social tenants is weak but is largely explainable by the characteristics of, and outcomes experienced by social tenants. Nevertheless, this makes corrective and supportive policy requiring wider and more integrative joined-up policies.
- It is striking how often the same messages arise from different studies regarding the drivers of the barriers to employment and the positive role associations can play. Is this true going forward in 2020 and what good practice is there if what works and can this be scaled up and replicated? For instance, what institutional and partnership working delivers the most at local levels and enables housing associations to productively engage in these employment support related activities yielding good social returns on their investment? How can this impact best be measured and recorded on a consistent basis?
- New approaches to where social or affordable housing are built matters (in stronger labour markets and possibly with more tenure mix), as does rethinking allocations policies more broadly. But these are more or less policies at the margin and will take a long time to have the large impacts required. Focus is also needed on earnings, benefit levels and their interaction with work incentives, support with transport costs, and policies and initiatives that help with supportive networks that allow people to work (e.g. childcare). How do we focus more on seeking employment gains for the stock of tenants already living in housing association properties as opposed to the much smaller flow of new homes? Can the role of services, maintenance and other supply chains from day to day work offer employment and training opportunities directly by the associations as employers?
- Should HAs all be diversifying into employment support? See Gibb et al (2016) who examined how associations should manage and cope with new risks, finding that not all should diversify into new areas and certainly all should perform due diligence on the costs and benefits of so doing before they make strategic decisions with possible consequences for their tenants and businesses. Another way of making the same point is that we need to consider in more detail how general principles of promoting employment can be tailored not just to local labour market contexts and institutional arrangements but to be sensitive to the capacity and resources of the associations themselves.
- Regarding the role of government, and recognising the lags and required time to deliver effective employment support policies, it would seem that providers and relevant agencies require a stable policy and practice environment, they need to be enabled and supported to work in local partnerships sensitive to market contexts locally and that should also include opportunity to innovate and experiment locally (but also drew generalisable lessons from such practice) and of course that these programmes of work should be resourced for sufficient time to be adequately monitored and evaluated. Government should also incentivise employment support activities so that consistent impact measurement is a part of funding requirements.
- Each of these five points needs to be examined through the lens of the Covid-19 virus and the economic damage wrought by the shut down and consequent economic recession and recovery. To what extent will social tenants be disproportionately affected? What lesson can we learn from good practice by housing providers that may help overcome the barriers created by not just ones’ structural position in the labour market but the consequences of such a collapse on demand? How might local provider housing policies support employment opportunities and can construction industries be steered more towards helpful models of working? How can government build on its
interventions during the lockdown to protect incomes, employment, housing security and affordability, to now pursue housing-active interventions in the recovery that also support the labour market and housing security and ability to pay?

Please refer to the APPG Inquiry Response Template to submit your response to this Inquiry. The deadline for receipt of written evidence submissions is now 30 June 2020.

5. References


