

Employment Security of Social Housing Tenants in London

The government's Comprehensive Spending Review in 2010 outlined plans for Affordable Rent – a new product that will form the principal element of the new supply of affordable homes from 1 April 2012. Affordable Rented homes will be made available to tenants at up to a maximum of 80% of market rents and will be allocated in the same way as social rented housing is at present. At the same time, new flexibilities will allow relets of social rented homes to become Affordable Rented homes. In this way, additional financial capacity should be generated so that public funding goes further and the government's target to deliver 150,000 affordable homes across the country in the next four years is met.

London's most pressing need is for more family-sized affordable homes, and the Mayor expects a significant number of three bed or larger homes to be delivered through the new Affordable Rent product. There have, however, been concerns that the Total Benefit Cap, being introduced as part of the government's welfare reforms, might be a challenge to the delivery of larger Affordable Rented homes in London. This is because of the combination of high rents in the capital compared to elsewhere in the country and the high level of worklessness and job insecurity among those that are likely to be moving into Affordable Rent homes.

This Update examines some key indicators of employment security and compares the characteristics of people resident in social housing with both those in the private rented sector (PRS) and owner occupiers.

The data included in this *Update* are taken from the Annual Population Survey (APS). The APS data used in this report are obtained under special licence¹ from the Office for National Statistics. This dataset allows for more flexible and tailored analysis and enables the GLA to draw out findings of particular relevance to London. As the APS is a sample survey, all figures are estimates not precise measures and are subject to a degree of sampling variability.

Key Findings

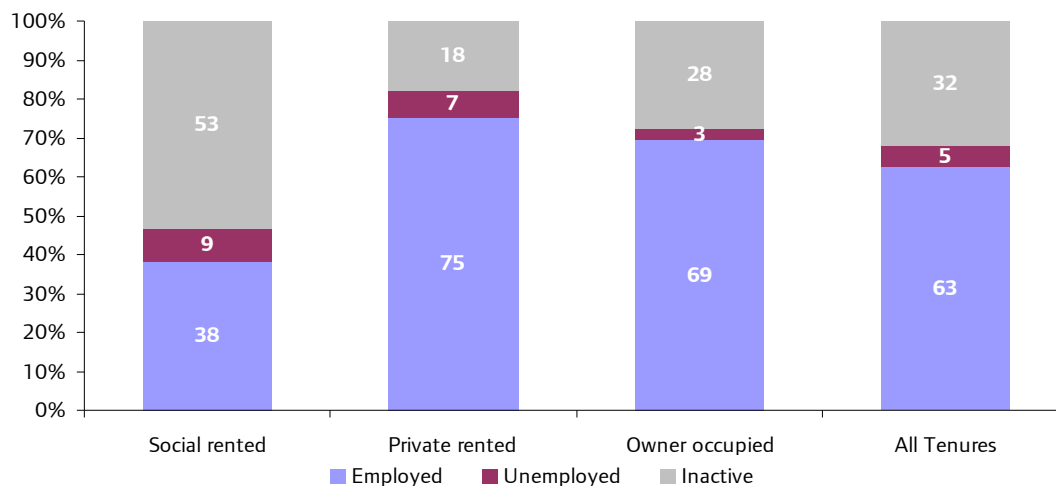
- Heads of households in social housing accommodation are less likely to be in employment (38 per cent) than those in other forms of tenure (63 per cent).
- Economic inactivity is far more prevalent among household heads from social housing tenure (53 per cent) compared with the overall rate (32 per cent).
- Among those heads of households in employment, a larger proportion are employed on a part-time basis (30 per cent) compared with the overall rate (12 per cent).
- Unemployed social housing household heads are more likely to have been out of work for five years or more (29 per cent) than other forms of tenure (16 per cent).
- Those who have been resident in social housing for less than five years are five percentage points more likely to be in employment, five percentage points more likely to be unemployed (but actively seeking work) and 11 percentage points less likely to be economically inactive.
- The gross hourly pay of a head of household from social housing (£9.61) equates to two thirds of overall hourly pay of household heads in London (£14.64).

¹ A special licence is required because the data are heavily restricted to protect respondent confidentiality.

Results

According to APS estimates there were almost 850,000 households² living in social housing (including local authority and housing association accommodation) in London in 2009, equivalent to 25 per cent of all households in the capital. The private rented sector accounted for 21 per cent (690,000) with the remaining 54 per cent (1.8 million) being owner occupied households. Chart 1 shows each tenure by the proportion employed (inc self employed), unemployed and economically inactive.

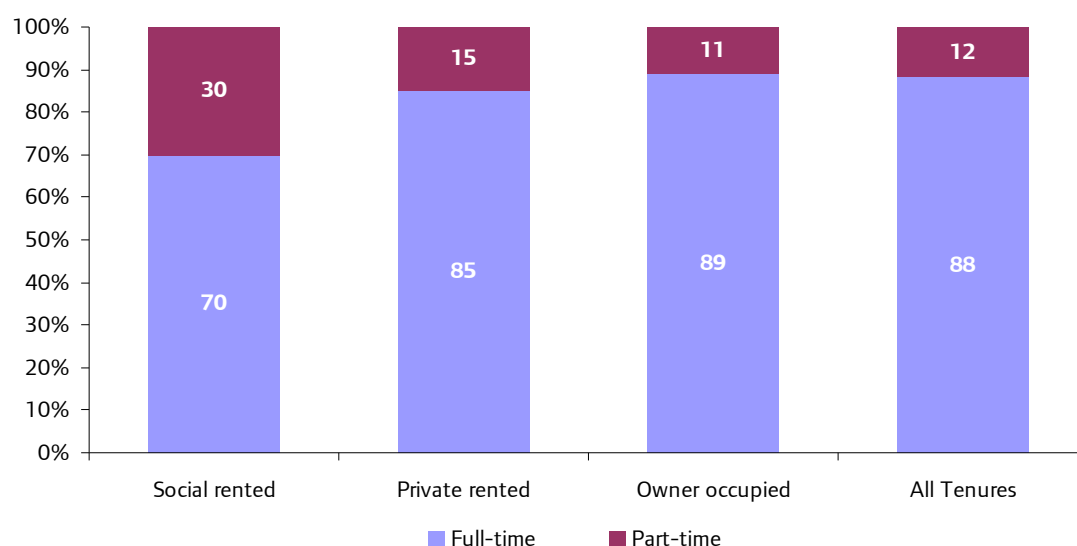
Chart 1: Tenure by economic activity of the household head, London, 2009



Source: Annual Population Survey 2009 (Jan-Dec)

Only 38 per cent of household heads in socially rented accommodation were in employment compared with a rate of 75 per cent in the private rented sector and 63 per cent across all tenures. Heads of households in social housing were far more likely to be inactive than in any other tenure, with more than half currently not employed nor looking for work. This compares with 28 per cent in owner occupied accommodation and 18 per cent in the private rented sector.

Chart 2: Full-time/Part-time status of household heads by tenure, London, 2009



Source: Annual Population Survey 2009 (Jan-Dec)

Social housing also had the highest proportion of household heads who are unemployed at nine per cent of all households, marginally higher than the private rented sector (seven per cent). However, when the

² The head of household has been used as a proxy for the number of households in these calculations. The head of household is the person who owns the accommodation or is responsible for paying the rent. If responsibility is shared, the person with the highest income in that household. If jointly responsible members have equal incomes, the oldest member is the head of household. Unless otherwise specified, the household figures in this report refer to household heads aged 16 or over.

number who are unemployed³ are expressed as a percentage of the economically active population (those either employed or unemployed and seeking work) the unemployment rate of social housing household heads was 19 per cent, compared with nine per cent in the privately rented sector.

In addition to lower employment rates, social housing tenants were less likely to be in full-time employment than those in other tenures. Of the 320,000 social housing household heads in employment, 70 per cent (224,000) were employed on a full-time basis, the lowest proportion of any tenure and 19 percentage points lower than the highest rate in the owner occupied sector at 89 per cent (See Chart 2).

Table 1: Employed heads of household by permanent/temporary status, London, 2009, per cent

	Permanent	Temporary
Social rented	95	5
Private rented	91	9
Owner occupied	96	4
All Tenures	95	5

Source: Annual Population Survey 2009 (Jan-Dec)

Table 1 shows the proportion of the employed population by tenure and employment status. The proportion of social housing household heads in permanent roles was 95 per cent which mirrors the overall rate across all tenures. Those in the private rented sector were slightly less likely to be in permanent roles, with one in ten employed on a temporary basis. Owner occupier household heads had a similar rate to those in the social rented sector, with 96 per cent in permanent job roles.

Just under one in five unemployed heads of household in social housing had left a job within the last six months, compared with 31 per cent across all tenures and almost half in the owner occupier sector. Six months is a crucial threshold when looking at unemployment as it is the maximum period for which an individual can claim the National Insurance Contributions based element of Job Seekers Allowance. However, it is important to understand that not all of those who were unemployed would necessarily have moved from employment to unemployment, some may be re-entering the active labour force, having previously been inactive. A smaller proportion of unemployed social housing household heads have been out of work for between six months and two years (25 per cent) than those in other forms of tenure. However, the proportion that had been out of work for five years or more was far higher than other tenures at 29 per cent, almost double the overall rate (16 per cent). Unfortunately small sample sizes do not permit an analysis of these particular data using just the working-age population. However, it is important to recognise that those who were beyond working-age and retired may be skewing the results towards longer periods out of employment.

Table 2: ILO Unemployed household heads by time since left last job, London, 2009, percent

	Less than 6 months	6 months but less than 2 years	2 years but less than 5 years	5 Years or more	Never had paid job
Social Rented	18	25	17	29	12
Private Rented	31	32	14	10	13
Owner Occupier	48	36	8	6	2
All Tenures	31	30	13	16	9

Source: Annual Population Survey 2009 (Jan-Dec)

Table 3 looks at the effect of length of residence⁴ on economic activity by tenure. A head of household in social housing was five percentage points more likely to be in employment if they have been resident for less than five years, than if they have been there longer (41 per cent and 36 per cent respectively). However, the disparity in rates was much larger across other tenures, with those in the private rented and owner occupier sectors 17 and 28 percentage points more likely to be in employment respectively. Those who had been resident in social housing for less than five years are five percentage points more likely to be

³ The Annual Population Survey uses the International Labour Organisation's (ILO) definition of unemployment which states that an individual is unemployed if they are not currently in work, but have actively sought unemployment within the last four weeks.

⁴ The length of residence refers to length of time at current address.

unemployed than those with longer residencies. Rates of economic inactivity were higher among those heads of household who had lived in social housing for five or more years at 57 per cent compared with 46 per cent among those with shorter residencies. Again, the disparity in rates according to length of residence was smaller among social housing tenants than those in other tenures.

Table 3: Economic activity by tenure and length of residence, London, 2009, per cent

	Less than 5 years			5 years or more		
	Employed	Unemployed	Inactive	Employed	Unemployed	Inactive
Social rented	41	12	46	36	7	57
Private rented	77	7	15	60	5	35
Owner occupied	89	4	7	61	2	37
All Tenures	74	7	19	54	4	43

Source: Annual Population Survey 2009 (Jan-Dec)

In this context, it is also useful to look at working-age⁵ household heads by tenure and length of residence excluding those who are beyond working-age. Those of retirement age or older are more likely to be economically inactive than those of working-age. Removing this group from the calculations provides a more accurate picture of activity within the traditionally active labour pool. Perhaps expectedly, Table 4 shows economic inactivity to be lower among social housing household heads regardless of length of residence. However, those of working-age with a residence of five years or longer are more likely to be inactive relative to other forms of tenure. The working-age figures show a social housing household head is more than twice as likely to be inactive than a private rented sector head and more than three times as likely as an owner occupier. This compares with ratios of 1.5 and 1.6 per cent respectively when those beyond working-age are included in the calculations. Those resident in social housing for five years or more are 13 percentage points more likely to be in employment when the retirement age population are excluded, and three percentage points more likely to be unemployed.

Table 4: Economic activity of working-age household heads by tenure and length of residence, London, 2009, per cent

	Up to 5 years			5 Years or more		
	Employment	Unemployed	Inactive	Employment	Unemployed	Inactive
Social Rented	46	14	41	49	10	42
Private Rented	78	8	15	74	7	18
Owner Occupier	92	4	4	84	3	13
All Tenures	77	7	16	73	5	22

Source: Annual Population Survey 2009 (Jan-Dec)

Chart 3 shows the median gross hourly pay of employed household heads by tenure. Those in social housing earned £9.61 per hour compared with an overall figure of £14.64 across all tenures. That is, those in social housing had median earnings equivalent to just two thirds of the average across all tenures. Owner occupiers had the highest median earnings at £17.71 per hour, almost twice the amount earned by social housing tenants. Household heads in the private rented sector had median hourly earnings of £13.74, lower than the overall rate, but still significantly higher than the rate for those in social housing. This suggests existing social housing serves as intended as a provision for those with lower incomes.

Social housing household heads in full-time employment (£10.58) earned on average 50 per cent more than those employed on a part-time basis (£7.00). However, in relation to those in other tenures, part-time employees fair better than full-time. A head of household in social housing employed in a full-time role earns 67 per cent of the average across all tenures, compared with 86 per cent for part-time workers. Again,

⁵ Working-age refers to all individuals aged 16-64.

owner occupiers had the highest rates for both forms of employment at £18.27 for full-time workers and £11.11 for part-time employees.

Chart 3: Median Gross Hourly Pay by part-time/full-time status and tenure, London, 2009, (£)



Source: Annual Population Survey 2009 (Jan-Dec)

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