5 ways housing associations underpin inclusive growth

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The RSA Inclusive Growth Commission hosted the last of its seven seminars in February, 2017. The roundtable convened voices from central and local government, academia, campaigners, as well as organisations across the housing sector. We explored the existing role housing associations play in underpinning inclusive growth and what an enhanced role for housing providers might look like.

The roundtable brought together over 30 experts, policymakers, academics and practitioners. The speakers were:

David Orr  
Chief Executive, National Housing Federation

Duncan MacLennan  
Professor in Public Policy, Glasgow University

Kevin Dodd  
Chief Executive, Wakefield District Homes

Stephanie Flanders  
Chief Market Strategist for J.P. Morgan and Chair of the Inclusive Growth Commission (Chair)
Introduction

Concluding in March 2017, the RSA Inclusive Growth Commission is identifying practical ways to make local economies across the UK more economically inclusive and prosperous. With the support of the National Housing Federation, we are particularly interested in the role and potential of the housing sector in inclusive growth1. The Commission argues that investment in social infrastructure should be on par with physical infrastructure in investment and policy decisions, and indeed social infrastructure is an important condition for growth.

This summary paper outlines five key areas in which housing associations can and do support inclusive growth, within the context of wider housing market conditions which vary considerably across localities in England (where NHF members operate) and other UK nations. It is informed by research undertaken by the Commission, by representations to our recent call for evidence, and by contributions made by over 30 experts who attended a roundtable on 7 February 2017 at the RSA. Together, this evidence makes clear that housing associations are a core element of the social infrastructure of local economies.

With NHF, our shared aspiration is that housing associations are better equipped to influence the inclusive growth agenda, nationally and in their localities. Specifically, housing associations:
• Manage and maintain homes to allow low pay households to participate in local economies.
• Help tenants and residents make their most productive contribution to the economy.
• Maximise inclusive economic growth within their organisations.
• Support the most vulnerable in society to live independently.
• Build substantial new affordable housing and new market housing.

1. Managing and maintaining homes to allow low pay households to access local economies

Housing Associations provide affordable housing in almost every town and city in the UK. There are over 1520 providers in England registered as not-for-profit organisations. In England the sector manages 2.577m homes – more than all local authorities combined (1.61m)2, and about one in ten of all the homes in England.

The right price, in the right place

The relationship of housing to inclusive economic growth is more complex than simply the adequate supply of a housing ‘product’ that citizens require and demand. The majority of that product needs to be close to employers and jobs.

A well-functioning housing market is supportive to a well-functioning labour market. Urban economies are characterised by broad diversity in pay, and so need accessible housing at a range of price levels. Housing is the largest expenditure for the vast majority of households. A million households spend more than 30 percent of their disposable income on housing3. Addressing housing affordability – which defines the charitable mission and business model of housing associations – releases disposable income, which has a higher multiplier effect in the local economy than property wealth accumulation4.

The logic of agglomeration in how the economy produces goods and services means jobs are more highly concentrated, spatially, than residences, and will become increasingly so. Transport infrastructure, obviously, connects the two. Over time, employers can move the location of their production (for both goods and services) more quickly than economies are able to create new housing nearby. The growth that employers aspire to realise is often constrained if the local housing market does not offer an adequate range of housing options. London, in recent years, has added jobs faster than it has added homes, and both employers and residents now list the availability and affordability of housing as their number one concern5.

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1 The Commission defines Inclusive Growth as broad based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes.


In housing we know lots about costs in use (heating etc.) – but you need to involve planners because looking in a spatial sense allows you to think where things are…for example consequences for high expenditure on transport or poor walkability in suburban locations.

Richard Blyth, Head of Policy, Royal Town Planning Institute, RSA Roundtable (9 Feb 2017)

When people’s homes are located far from places of work and other amenities, this creates demand for travel and for the associated infrastructure investment to support this, and the ‘friction of distance’ has further damaging repercussions. In Sheffield, 25 percent of job vacancies are hard to fill because they are insufficiently accessible to applicants and potential applicants6.

“Housing affects productivity, it is not just cohesion and inclusion however. This is a critical argument to make to treasury – it is not just a multiplier effect, it is more. The cost of housing is driving skilled labour outside of metro areas. Firms relying on these skills are having to move out to new places – overall national productivity goes down though because firms are no longer in the most productive areas. If you create housing capital in the right kinds of ways you add human capital. We risk overwhelming the knowledge economy, missing out on agglomeration economies, because we didn’t invest properly in housing. We need a much more coherent system view on how we change housing policy.”

Professor Duncan MacLennan, Glasgow University, RSA Roundtable (9 Feb 2017).

**Good quality homes are healthier, supporting economic inclusion**

Furthermore, poor quality housing has knock-on health impacts, creating costs for the NHS estimated at £1.4bn annually in England alone7; 3.5m English homes have at least one serious health and safety hazard. Taking into account less serious hazards, the cost of such poor housing is estimated at £2.5bn annually – comparable to the impact of smoking or alcohol (£3bn each). These figures exclude the savings to other public services (such as emergency services and social care provision), and excludes the property value that would be created by removing hazards.

The Health Survey England shows that those living in bad housing are disproportionately at greater risk of poorer general health, low mental wellbeing and respiratory problems including asthma and breathlessness8. Poor health has a knock-on impact on the productive capacity of local people of working age. The RSA Inclusive Growth Commission has identified that poor health is the limiting factor for about a quarter of working-age adults in England and Wales who are economically inactive9. In 60 neighbourhoods poor health is accountable for over 30 percent of economic inactivity among residents. Housing association homes are more often in a better state of repair than any other rented tenure homes10, and safer than owner occupied homes or private rented homes, largely as a result of the maintenance and investment made in housing association stock. The quality of housing association homes tends to be equal to the quality of housing for households who own their homes.

Housing associations exist to put a roof over our heads. In most towns and cities, HAs are among the biggest landlords to tenants, and freeholders to owner-occupiers. As charities, any profits they make are re-invested in housing including improving quality and the creation of new, additional housing. The business model means wealth created through housing is retained in local areas, or used to cross-subsidise affordable housing between neighbouring areas, rather than returned to shareholders nationally and globally. There was warm support for the idea that housing associations should be able to set their rents independent of government, who in turn could set housing benefit independent of rents.

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9 Note: this excludes people who are unemployed, but actively seeking work – and, thus, economically active.

2. Helping tenants and residents to make their most productive contribution to the economy.

In accounts of the primary drivers for economic growth, prosperity and inclusion in cities, towns and communities, the active contribution of housing associations is often missed. Housing associations across the UK provide training, apprenticeships and entrepreneurship coaching, support and grants to their residents and beyond into neighbouring communities.

In 2014 39 percent of housing associations offered some form of employment or skills support to their residents, while another 28 percent had plans to do so in the near future. As opposed to merely seeing themselves as providers of housing, 32 percent of housing associations stated that supporting their residents as well as the wider community into work was a ‘top priority’. For many housing associations providing job training and opportunities isn’t merely an added bonus to their core business of home provision. Improving employment prospects, opportunities and rewards among the communities that they serve helps housing associations maintain healthy rental incomes and makes these communities more positive places to live and grow up.

As a sector, we possess significant financial, property and people expertise and we think more broadly about how we can contribute to the social and economic wellbeing of the nation. We now offer a whole range of tenures and a whole range of services alongside this. But unless we have a coherent understanding of how the whole housing system fits together we won’t solve the problems of the poorest or those just managing in the middle.

David Orr, Chief Executive, National Housing Federation, RSA Roundtable (9 Feb 2017)

Training, support and apprenticeships

Take Clarion Housing Group, for instance, which through its Ready 2 Work service helped over 1000 people into work, placed 112 new apprenticeships and created 319 work placements nationally last year, with a particular focus in Bromley. The programme includes one-to-one coaching, grants for training courses or expenses incurred in the process of securing work, and continued support up to six months after a programme participant starts work. It is through programmes like these that housing associations are aiding groups of people often excluded from opportunities to participate meaningfully in the local economy.

Perhaps the greatest asset brought by housing associations to the inclusive growth agenda is their unique position embedded in some of the poorest and hardest to reach communities in the country. Through day-to-day proximity and familiarity with residents, housing associations are able to offer a detailed understanding of the local contexts and conditions.

A further contribution made by housing associations that deserves to be highlighted is the support that they offer to aspiring entrepreneurs. At Rhondda Housing Association in South Wales, for instance, one tenant recently received funding to attend a computer skills class in order to equip them to set up the Phoenix Initiative CIC—a social enterprise that provides IT services to vulnerable communities across South Wales. In Lambeth, eight young people have set up their own online clothing companies as a result of a course run by Youth Skills Network, funded through a grant from the L&Q Foundation.

“We are people who are running businesses – we understand place and the needs of an area. At Aspire we have the strategic capacity to act. We bought a training company who train over 2,000 people every year because there was lack of educational attainment, and unemployment but we understood that this was best addressed working in partnership with anchor institutions. We all want economic regeneration of area. We sometimes don’t make the case of all that we offer as a sector.”

Will Nixon, Deputy Group Chief Executive, Aspire Group, RSA Roundtable (9 Feb 2017).

The breadth of the work being done by housing associations to support citizens to participate in the economy means that they are integral to the kind of place-based inclusive growth strategies being championed by the RSA. We should be looking to further build housing associations’ capacity and connections with other critical local institutions – schools, colleges, universities, job centres, and local employers – to maximise their potential for impact. Greater joint working between employment service providers and housing providers, building on existing alliances, would be cost effective and deliver a greater impact for individuals and communities.

3. Maximising inclusive economic growth within their organisations.

Housing associations are a major economic player on the national stage, as well as having a significant presence within local economies. Across England, the management of £447bn of property (2,57m housing associations homes), together with the development of 40,000 new homes per year (see below), is a £38bn industry. The sector employs 145,000 staff across a range of skills and salaries. We estimate that the investment by housing associations in new housing development, both private and affordable (see below), supports a workforce of around 175,000 to build new homes – directly in construction and indirectly in related activities.12

The UK-wide spread of housing associations means that economic benefits are geographically spread, injecting resources into local communities across England to support people and businesses.13 Housing associations also provide significant local income through their supply chains, which span a multiplicity of goods and services from meals for older people to property repairs. Through relationships with local businesses housing associations stimulate further employment opportunities – many housing associations are proactively developing and prioritising local supply chains. In doing so, housing associations represent important anchors for inclusive growth in localities across the country. In key economic sectors, housing associations can act to develop and retain key skills and capacities in the local economy.

Over the last three years, housing associations have directly employed over 12,000 apprentices in England; they directly employ apprentices at three times the rate of other employers, nationwide. Housing associations are increasingly recognising the leverage they have through their supply chains. Aspire housing in Staffordshire is an excellent example of this; as well as employing 12 percent of its workforce as apprentices, as of 2014 it had created a further 850 positions through supply chain links. Recognising the benefits of apprenticeships to their residents and beyond, housing associations are increasingly embedding contractual obligations in framework agreements, setting out the employment and training responsibilities of contractors and subcontractors.

Housing associations have also been recognised as exceptionally good places to work. In its 2016 Top 100 Not-for-Profits to work for The Sunday Times recognised 28 housing associations, with first and second place both being housing associations. Housing associations have proven committed to ensuring that work is meaningful and fulfilling, with particular success in fostering personal growth and development.

SLH Group, based in Liverpool, has been recognised by The Sunday Times as the best place to work in the not-for-profit sector by its employees for the past four years. Alongside being able to take advantage of flexible working hours and wellbeing benefits, 94 percent of SLH Group’s employees find their job good for their personal growth and believe they can make a valuable contribution to the group’s success. Housing associations such as SLH Group not only benefit their employees directly, they provide local models of best practice that support the inclusive growth agenda.

This extends to the housing association sector’s take-up of the living wage movement of recent years. The National Living Wage Foundation lists 92 housing associations in its list of 2900 accredited living wage employers; research by Inside Housing found that in 2014 two thirds of housing associations were paying the living wage.14 Offering entry level employment which adequately meets basic living costs boosts employee commitment and loyalty, and generates significant multiplier effects in local areas. The housing association sector’s embrace of the living wage agenda aligns closely with an inclusive growth strategy which seeks to enable everyone to benefit from and contribute to local economic growth.

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4. Supporting the most vulnerable in society to live independently.

Housing associations look after some of the most vulnerable people in society, including supported accommodation for older people and people with disabilities, and running family intervention projects to keep households together and diminish risky behaviours. The success of such programmes relieves pressure on local public services. The strength of relationship that housing associations can build with residents can allow them to be more effective in reaching the ‘hard to reach’, taking preventative approaches to potential social issues, thus allowing the public sector to invest in more productive (rather than responsive) social investment.

In line with their social missions to assist the most vulnerable in society, housing associations are the largest provider of sheltered and supported housing in the country, renting a total of about 500,000 units. They provide support and tailored housing needs to a multitude of different people, including the homeless, those fleeing domestic violence, the elderly and those with disabilities. According to the National Housing Federation, 33 percent of housing association residents report themselves as having a disability, while 20 percent report mental health problems.

People in vulnerable situations around the country depend on their housing associations to support them in challenging circumstances. Where possible the integration of care and support into people’s homes is typically preferable to both public services and the public they serve. But there is a long way to go:

“We can’t talk about care in the home without thinking about housing.”

David Orr, Chief Executive, National Housing Federation, RSA Roundtable (9 Feb 2017).

Sheltered housing is usually designed for older people who wish to remain independent, but have help on hand should they require it. It often comprises of flats or bungalows specially built with the needs of older people or people with a disability in mind. Supported housing reaches those who require housing-related or care-related support in their homes on a regular basis, and is not designed with any particular group in mind.

The nature of help available to people living in sheltered or supported housing varies depending on the particular housing association and needs of the tenant. L&Q Housing, for instance, manage over 4000 specially designed sheltered homes to cater to a range of needs, with different facilities. Nationwide, there are over 100 specialist supported housing associations, offering forms of support such as 24 hour on-site care staff, home visits, basic skills classes such as cooking, group support activities, and providing meals and cleaning services.

Alongside clear social benefits from sheltered and supported housing, evidence has shown there to be considerable financial benefit to public authorities: ‘as well as transforming lives and allowing people to live independently and with dignity, homes and services deliver significant savings to the public purse’. Research by Frontier Economics, for instance, has found that for every person accommodated in supported or sheltered housing, roughly £1000 per year is saved in public expenditure. These savings are particularly significant in relation to people suffering with mental health problems, where the saving is calculated as over £4,000 per person per year, and for those with disabilities, where estimated savings are estimated at over £6,000 per person per year. However, several associations represented at the RSA’s roundtable were concerned that the case for sheltered and supported housing was often under-appreciated outside the housing sector.

These savings largely come from the preventative gains of suitable housing and support. Adaptive equipment in the home has been found to reduce falls by 60 percent among the elderly, for example, easing demand on the NHS. Furthermore, those living in supported housing for mental health reasons generally have reduced needs for home care services compared to those living outside of sheltered or supported housing, reducing demand on clinical mental health services.

Through their proximity to and understanding of resident needs, housing associations are effectively positioned to relieve strains on front-line public services, allowing the profile of public spending to focus on productive investments, pro-actively pursuing an inclusive growth agenda. In many instances, housing associations have often successfully coordinated with the public sector to share intelligence in relation to shared local challenges such as reducing domestic abuse and anti-social behaviour. As one chief executive of a housing association shared:

“We employ three mental health officers, five occupational therapists, five employment advisors, and our own police officers. The connection between health and housing is as strong as ever, but it is not discussed together – they are speaking different languages. If you can’t get people to live independently, then you get nowhere. The value of services we provide will only be seen after the services we offer aren’t there. But, being the kind of people we are, we will find ways to keep them going.”

Kevin Dodd, Chief Executive, Wakefield and District Housing, RSA Roundtable (9 Feb 2017)

There are opportunities for this collaboration to deepen in the future. For example, the Government is replacing the Work Programme with a revised Work and Health Programme, which will focus on individuals with health barriers to working, with support provision co-commissioned at the local level between DWP and local government.

At the time of writing this report, the Government was undertaking a review of how the revenue costs of supported and sheltered housing are met. The direction and detail of forthcoming policy will be crucial in enabling supported housing providers to make clear decisions about their ongoing commitment to providing specialist accommodation.

5. Building substantial new affordable housing and new market housing.

Housing associations built about 40,000 of the total of 140,000 new homes completed in England last year. Housing associations have moved in recent years to become increasingly invested in the private housing market. Building homes to be sold or rented at market rates generates cross-subsidy which can be reinvested in affordable homes. In 2015/16, housing associations built 7,300 homes for market sale or rent. And while housing associations built 22,800 homes within the government’s Affordable Housing Program – an average of £20,000 public subsidy per home – an additional 10,000 affordable homes were completed for housing associations without public subsidy, including through section 106 agreements with private developers.

Participants at the RSA roundtable held different perspectives on this hybrid role of market-dependent subsidy. For some, housing associations risked their charitable status as they became increasingly “assimilated… into part of a sickly and damaging financialised economy”. Others saw the criticism of entrepreneurial housing associations “leaving their roots” as misguided; if the government cuts subsidy for a sub-market product, housing associations are compelled to fill this void by their mission.

The charitable purposes of housing associations mean that their housebuilding plans are not restricted to the pursuit of profit, as with private developers. The result is that housing associations are meeting demand for new homes in some of the poorest areas in the country, where weak profit potential discourages private developers. In 2015/16 housing associations completed more homes than the private sector in nine local authorities in England. At the height of the economic downturn in 2011/12 this figure was 19, as private developers contracted their activity in response to economic uncertainty. In contrast, DCLG data shows that housing association completions actually increased nationally in 2011/12 on previous years.

The willingness of housing associations to build homes in times of economic uncertainty has a secondary, less obvious benefit of sustaining housebuilding infrastructure during fallow periods. By continuing to build, housing associations support construction-related companies in their supply chains to remain economically viable. When the private sector regains confidence to increase their activity, activation times and costs are lessened by the presence of companies capable of commencing new projects quickly.

Just looking at the 50 largest housebuilding housing associations – who built 32,000 homes across the UK in 2015/16 - £490m in government grants was used to deliver affordable housing (27,000 homes). But the investments from associations themselves was £5.3bn. The same 50 housebuilders anticipate building 39,000 annually in the next two years, and 48,000 annually in the last two years of this decade.

By building new homes – both affordable and private – housing associations help to underpin inclusive growth. By providing jobs and investment directly and indirectly through their extensive housebuilding, housing associations bring significant economic benefits to the places in which they operate. Affordable housing provision underpins inclusive growth, ensuing that rising employment and wages locally benefit households through ensuring increased spending power.

However, the actions of housing associations were deemed insufficient to tackle unaddressed structural issues in the wider housing market. According to Professor Michael Edwards of UCL, “someone has to say that the British fetish for asset value appreciation has to be tamed. We have to find politicians willing to begin a process of change.” Ultimately, the land market was considered the arena where policy efforts should focus. One idea was to ensure that in public sector land disposal, prices were fixed and set rather than auctioned to the highest bidder; this would incentivise competition on quality of supply and associated social value, rather than price. For others, a more strategic conversation was needed, that reframed housing as a utility to consume rather than an asset market in which many to invest and speculate.

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About the RSA Inclusive Growth Commission

Launched in April, 2016, the Inclusive Growth Commission is an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous. Chaired by Stephanie Flanders, former BBC economics editor and J.P. Morgan Chief Market Strategist (UK and Europe), and building on the success of the RSA’s City Growth Commission, the Commission will seek to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area.

The RSA City Growth Commission demonstrated how the largest UK cities can drive prosperity through place-based investment and economic policy making, enabled through devolution and new forms of governance and finance. This economic narrative has since driven policy developments, but it has become increasingly urgent to understand how we can deepen and broaden this vision, tackling the entrenched inequalities within and between neighbourhoods that act as a drag on growth, and ensuring that the benefits of this place-based approach are more widely shared.

Find out more and get involved

To find out more about the Commission and view its latest content, visit www.thersa.org/inclusivegrowthcommission or our Twitter on @incgrowth.

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