

# Key issues for key workers

Affordable housing in London



Final report of the Affordable Housing Scrutiny Committee  
February 2001

GREATER **LONDON** AUTHORITY



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## Foreword



### **Meg Hillier, Chair of the Affordable Housing Scrutiny Committee**

London is facing a crisis with many of our key services suffering from severe staff shortages as employers struggle to recruit those people on moderate incomes who drive our city.

When the Greater London Assembly was formed in July 2000 one of its first actions was to establish an all-party committee to look into the housing needs of a core group of 'key workers'. This report sets out the main findings of our work and is, we hope, the starting point for solving this crisis.

Over the past six months we have sought to address a challenging remit:

*"To investigate and report on the extent of shortage of affordable housing in London and to explore the impact which this has on London's health services, schools, transport, and, policing".*

4 While we recognised from the outset that the definition of key workers extended well beyond these sectors, it was also acknowledged that each of these key groups is associated with a clearly identified recruitment and retention problem, which is severely undermining service delivery.

Moreover, our intention throughout this investigation has been to look at where lessons learned from the scrutiny of these selected sectors can be applied more widely.

As a committee, we heard evidence in seven public hearings from those directly affected by the shortage of affordable housing in London. In discussions, we focused in particular on understanding the problems associated with the retention of staff. As such this report represents a departure from previous studies, which have tended to focus purely on the subject of recruitment. While this remains an important issue, our work looks in more detail at the need to also retain experienced staff if we are to maintain high quality services in London.

The emphasis of our examination of the crisis in London's core services has been housing. We are clear, however, that housing is only one part of the problem. Our recommendations, particularly that London weighting be re-examined for the first time in 27 years and that employers work harder to take on people from London's existing labour pool, reflect the fact that there is no one simple solution.

Finally, I would like to express my thanks to the five other members of the committee who have individually and collectively made a valuable contribution to this report. Our work is a clear demonstration of the power of the Greater London Assembly to tackle an issue that is of crucial importance to Londoners. It is only the beginning. We pledge to champion our recommendations so that we see real progress and make a difference to London.

## Executive Summary

It is widely acknowledged that London is facing a crisis in the recruitment and retention of staff for essential services. This is at least in part caused by a lack of affordable housing for both existing and prospective workers.

In July of last year the Greater London Assembly therefore established an all-party scrutiny committee to examine this issue. The committee's remit was to:

*“Investigate and report on the extent of the shortage of affordable housing in London and to examine how this impacts on London’s health services; schools; transport; and policing; as well as other key workers”.*



During a six month programme, the committee heard evidence in seven public hearings from key workers directly affected by the shortage of affordable housing in the capital. Evidence was also presented by: developers; planners; social housing providers; and, financiers as well as a range of other experts. In addition, the committee also commissioned a workplace survey to help build up a picture of the current needs and aspirations of key workers with regards to both their employment and their housing.

From the outset, the committee recognised that there is no simple definition of key workers. Attention was focused on police officers; nurses; teachers; and, bus drivers because each of these key groups is experiencing distinct recruitment and retention problems which are in turn impacting negatively upon service delivery. The intention throughout the investigation was to learn lessons from a close scrutiny of the four identified groups and to make recommendations, which could also be applied more widely.

## The main recommendations are set out below.

### 1. Keep key workers in London

Retention of key workers in London is key. While other studies have focused on problems relating solely to recruitment, it is clear that London will face an even bigger crisis if it cannot retain key staff. Tackling this issue requires employers to play a key role.

- The committee recommends that the Housing Corporation should take the lead in developing good practice in brokering partnerships between housing associations; lenders; and, employers. This policy should be pan-London and should encourage pooling of resources so that any key worker housing is available to a range of key workers rather than being restricted to specific groups.
- Employers in both the public and private sectors must be encouraged to make the best use of all existing resources to address this problem. In particular, Best Value criteria should be amended to ensure that they reflect the benefits of joint provision.

### 2. Revise London weighting

It is widely acknowledged that London weighting has not been properly examined as a whole since 1974.

- The committee therefore recommends that the London Assembly commissions an independent body to re-examine London weighting. This review should pay particular attention to the high housing costs experienced in the early years of key workers' careers.
- The committee also calls on Transport for London to examine how London weighting can appropriately be included in transport workers' pay and to modify bus company contracts accordingly.

### 3. Determine the scale of the problem

The committee supports the Mayor's Commission's<sup>1</sup> recommendation that at least 43,000 additional homes per annum should be provided in the capital of which 28,200 should be affordable.

The committee is, however, concerned about how realistic these projections are, and particularly about the capacity of the construction industry to deliver even the 19,000 new homes a year which the Mayor's Commission suggests is possible. Moreover the committee acknowledges that no in-depth assessment has been done to identify the number of key workers currently in need of housing in the capital or to explore the

<sup>1</sup> Homes for a World City:  
The Report of the Mayor's  
Housing Commission,  
November 2000

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characteristics of this diverse sub-group.

- The committee recommends that the London Development Agency takes responsibility for: identifying the relevant categories of households in need of housing at below normal market rates; and, for examining how these needs can best be addressed.
- The committee also recommends that a detailed study be undertaken to put flesh on the bones of the sub-market concept.

#### **4. Home ownership and the golden share**

Both the workplace survey and the evidence presented by witnesses highlighted the importance attached to home ownership. Making home ownership more accessible to a wider group of key workers is clearly crucial in responding to individuals' aspirations. Moreover, it is also vital to facilitate movement up the housing ladder, thus allowing those with young families to access suitable homes with enough bedrooms without having to move out of London. Shared ownership, where individuals have a mortgage on part of the property and pay rent on the remainder, is one way of addressing these issues.

- Shared ownership schemes should be flexible enough to allow very small proportions to be purchased. The committee calls upon mortgage lenders, the National Housing Federation and the Housing Corporation to develop a simplified model scheme.

- The committee recommends that greater emphasis is placed on schemes where the employer, developer or another party retains a "golden share" of the equity so that it can be recycled to assist another household when the original purchaser moves on.
- More work needs to be done to ensure that workers are not locked into one property (or a certain type of property). This could be achieved by allowing the individual's "share" to be transferred between properties in London while they are employed in the capital. The committee recommends an in-depth study of the range of possible financial instruments, which could assist in this context. This work should be commissioned by either central government or the Housing Corporation.

## 5. Use London's local labour pool more efficiently

The committee recognises that there is a significant potential labour force already living in central London, especially in the social sector. However, participation rates could be improved.

Employers should do more to attract older people, people from ethnic minority backgrounds and non-working parents into jobs. Refugees with the relevant skills should be brought into the labour force as quickly as possible. This could have an important and quick impact on the current recruitment crisis. Central government should address this as an immediate priority.

## 6. Establish a London Housing Forum

The committee supports the Mayor's Housing Commission in its call for a pan-London housing forum.

- A forum of the type envisaged in the Mayor's Commission report should be established as quickly as possible. The chair should be appointed through open advert and all relevant actors must be represented within this forum. The London Assembly would have the powers to scrutinise the forum.
- The committee recommends that London boroughs should work together and through the housing forum to maximise the funding available to London on a pan London basis.

## 7. Planning for key workers

While planning issues were not within the direct remit of the committee's work, evidence was presented by witnesses outlining the proposal by the Mayor's Housing Commission for a 50 per cent affordable housing target for new housing developments. The committee also heard examples of the effective use of Section 106 agreements in contributing to affordable housing.

- The committee recommends that detailed work should be done within the spatial development strategy to develop the Mayor's Commission's recommendations. Robust evidence should be provided on the impact of achieving the proposed proportion of affordable homes on the extent of new development and on the sources of funding required to maintain viability.

## 8. Develop the Starter Home initiative

The new Government programme for key worker Starter Homes provides an important, if limited, funding contribution.

- The national distribution of Starter Home funding should reflect the particularly acute affordability problems faced by key workers in London. The committee believes that the cost limits should be relaxed so that reasonably priced family sized housing is not excluded.

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- The committee supports the London boroughs in bidding for the largest possible share of the existing funding. It calls on the Government to monitor the initial programme and to modify the rules to ensure that family housing, which aids retention of key workers, can be included.
- This approach should be more transparent and more clearly take account of both the real costs of development and the house prices that lower income households' face. The committee recommends that the Housing Corporation re-examine the total cost indicator formula.

### **9. More flexible total cost indicators**

The committee heard a range of evidence on the need for greater Housing Corporation flexibility with respect to the total cost indicator - the figure the Corporation uses to determine the grant level for each housing association home built.

It welcomed the Corporation's assurance that there was a great deal of potential for such flexibility.



## 1.0 Introduction

1.1 It is widely acknowledged that there are critical problems in the recruitment and retention of staff for London's essential services. This is in part caused by the lack of affordable housing in the capital.

1.2 The London Assembly has noted the steep rise in the average price of homes in London, and the growing difficulties faced by many Londoners in acquiring or renting their own homes. Assembly members have also acknowledged the cost of recruitment to London employers in both public and private sectors. The Assembly believes that concerted action needs to be taken by Government, employers, housing providers and lenders to tackle the crisis. In July of last year<sup>1</sup>, it therefore agreed to set up a scrutiny of the issue. Specifically, the committee's terms of reference were:

- **To investigate and report on the extent of the shortage of affordable housing in London and how this impacts on London's health services, schools, transport and policing; and on key workers.**
- **To review current funding and strategies for delivery of affordable housing by Government, London Boroughs, the private and voluntary sectors; and,**
- **To make recommendations for the future.**

1.3 From the outset, the committee recognised that there is no narrow definition of key workers. The London Assembly gave the committee the

remit of looking at four key services because there are clearly identified recruitment and retention problems in each group resulting in poorer services for Londoners. The committee thus sought to learn lessons from a close scrutiny of the issues for nurses, teachers, bus drivers and police officers and to apply the lessons learned more widely.

1.4 Over the past six months the committee has met with a range of employees and employers within the four groups identified, as well as housing providers and financial experts (see appendix one). It has also undertaken a workplace survey of employees from these four sectors to assess their attitudes to employment and housing (see appendix four).



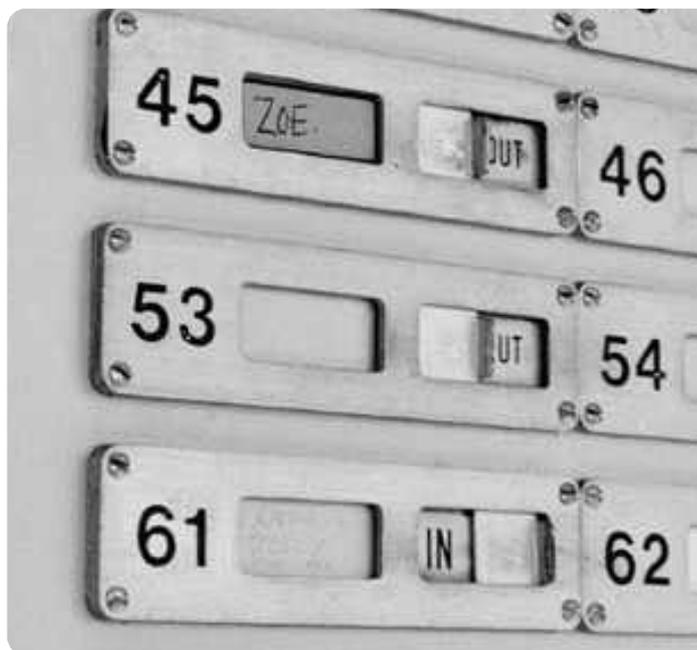
<sup>1</sup> Establishment of Scrutiny, 5th July 2000

1.5 This scrutiny committee is one of a number of current enquiries by the London Assembly into matters of importance to Londoners. It is, however the first stand-alone inquiry into an issue outside the formal executive powers of the Greater London Authority. The outcome of this detailed analysis also complements reports on affordable housing by other organisations, notably the Mayor's Commission<sup>2</sup>, and ongoing work by the London Housing Federation<sup>3</sup> and the Association of London Government. There was a broad agreement with the Mayor's Commission in terms of the need for 43,000 new homes per year in London and about the importance of addressing the particular housing problems of those on moderate incomes, which include many key workers.

1.6 The committee also fully recognised that the groups that were the subject of its inquiry represent only a part of the overall problem of recruitment and retention of key workers across all employment sectors. There are other key workers, some of whom are less well paid, that are just as necessary for the well being of London and many on moderate incomes who struggle to secure appropriate housing. Moreover there are many in greater housing need who do not fall within the key worker definition. Nevertheless, these four groups are core to the provision of the health, education, law and order and transport services and without high quality recruitment and retention of these key workers adequate services cannot be provided. Moreover it was felt that the lessons learned from an in-depth analysis of these groups could be directly translated to a wider context.

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1.7 The starting point of the committee's work was the belief that affordable housing has a key role to play in ensuring that high quality key services are provided. However, housing is clearly only one element in ensuring such provision and much of the analysis and recommendations look more widely at the interface between housing and labour markets.



<sup>2</sup> Homes for a World City: The Report of the Mayor's Housing Commission, November 2000

<sup>3</sup> Wimborne L and Hare L (2001) Through the Key Hole, London Housing Federation

*“Housing is only part of the package that determines general quality of life. The police operate within a high-profile performance culture. Being a police officer in London is very stressful and risky.”*  
Police officer (witness)

*“As well as the cost of housing in London it is important to take into account the stress of working in inner city schools or schools with inner city features. Teachers often perform the duties of the police and social services on top of their teaching duties. All these factors weigh up to make teaching in London less attractive than in other parts of the country.”*  
Teacher (witness)

1.8 The aim of the report is to make recommendations to all those agencies that will need to take action if the recruitment and retention of key workers in London is to be radically improved. Some are addressed directly to the Greater London Authority, and its related bodies. Others are directed at the local authorities working in London and beyond. Some are directed at employers. To be successful others require commitment from a wide range of agencies and organisations in both the public and private sectors. Finally, this report makes clear that the problem cannot be solved without the support of central government across the wide range of initiatives required to tackle these complex housing and labour market issues.





## 2.0 The London Problem

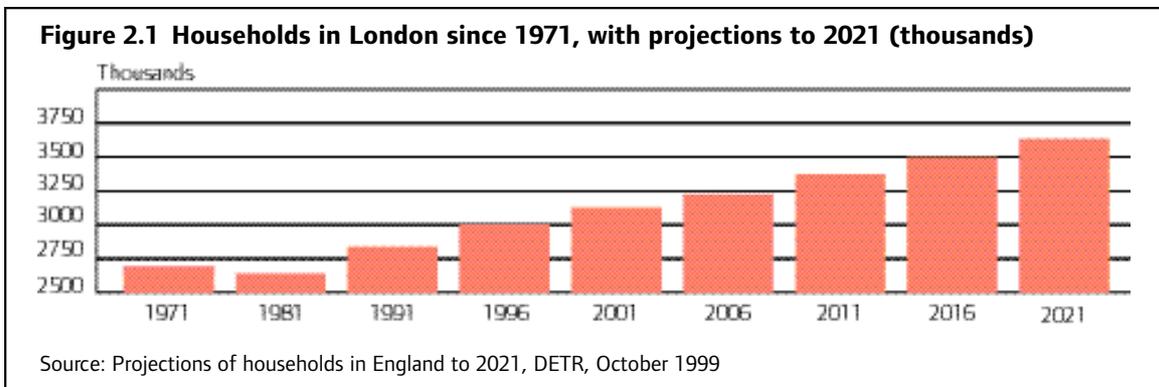
### Introduction

2.1 Problems in recruiting and retaining key workers are not unique to London. Witnesses from both the health service and education stressed that there were national shortages associated with: demographic change (falling numbers of young people coming into the labour force); uncompetitive pay scales; the declining status of these professions; and, the increasing range of other opportunities available.

2.2 Currently, the economy overall is buoyant, unemployment is falling and Britain may be close to the top of the economic cycle. It is inevitable in these circumstances that there will be increasing vacancies and turnover as people realise different opportunities. But the situation in London is very much worse than the rest of the country. First, London is the engine of the national economy and, as such, when the economy is booming it tends to lead to expansion and create more jobs. However, the capital's economy is also more volatile than the country as a whole. As a result, recruitment problems generally appear first in London and these problems are usually deeper seated than elsewhere. This in itself helps to exacerbate cyclical pressures.

2.3 Secondly, the vast majority of immigration of both people and businesses comes first into London and to a lesser degree to the South East. The internationalisation of financial and business services has put pressure on the inner London labour and housing markets. Boroughs such as Hackney and Lewisham have seen massive changes in demand and prices, putting housing which traditionally provided accommodation for workers on modest incomes out of the reach of key workers.

2.4 Immigration of population puts further pressures on the housing system, especially as these households require immediate housing, while not all will enter the labour force so rapidly (see appendix two for detailed statistics). Along with the growing number of people living on their own, this has resulted in quite significant increases in the numbers of households living in London in the last decade. Since it is impossible to rapidly expand the housing stock in London, the result has been increasing pressures on both market and social housing.



2.5 Although employment and vacancy rates are rising and there is an obvious skills shortage across the capital there are still pockets of heavy unemployment. London is not fully utilising its already resident labour force. Groups such as older workers, refugees and those currently with low skills provide a potential source of key worker employment. But there are many barriers to fuller utilisation of such groups - to the point that bus garages which expect to recruit from the local labour pool find it difficult to recruit even in areas of high unemployment.

2.6 Third, London's economy is far more dependent on commuters than other parts of the country. There is effectively one labour market encompassing substantial areas outside Greater London, and competition for jobs and workers across the whole area. Thus, workers may be choosing to work in the wider South East rather than face the stresses of London at the same time as these stresses are exacerbated by growth in the labour force overall.

2.7 Commuting patterns are subject to large swings closely related to relative rates of employment growth between London and its hinterland. The London Training and Enterprise Council skills survey in 1998 showed that commuting was relatively low among certain groups, particularly ethnic minorities and women, among those with fewer qualifications and less experience and in certain employment sectors - notably health and education. This has important implications for the availability of key workers in London.

2.8 The workplace survey presented a mixed picture of commuting patterns. Nurses wanted to live near their work, but police officers (the ones with the most choice about where they live in affordability terms, but facing the strongest constraints on where they work) not wanting to do so. However, the assumption that it is only people who work 9-5 who are prepared to commute is not supported in that while nurses and police are seen to commute, teachers are less likely to live far from where they work.

**Table 2.1 Distance from work by occupation**

Distance from work	Percentage of each occupation			
	Bus drivers	Nurses	Teachers	Police
Less than 1 mile	21	26	6	2
1-3 miles	21	12	27	18
3-5 miles	29	2	23	11
5-10 miles	17	31	29	31
10-25 miles	8	24	10	31
Over 25 miles	4	5	6	7

Source: Workplace survey 2000

**Table 2.2 Occupation by desire to live closer to work**

Desire to live closer to work	Percentage of each occupation			
	Bus drivers	Nurses	Teachers	Police
Yes	64	61	49	27
No	36	40	51	73

Source: Workplace survey 2000

## Recruitment and retention

2.9 It is clear that there are widespread recruitment and retention problems amongst all four groups. Police witnesses stated that to a significant extent London acts as a training ground for the rest of the country. Not only is there an overall shortfall in numbers but also more officers are transferring out of London than are coming in. In the first eight months of 2000, 140 police officers transferred out of London compared to only 14 who have transferred in. During the year 1999/2000, it was reported by one witness that 254 police officers transferred out of the Metropolitan Police compared to 50 who transferred in.

2.10 The figures for the National Health Service also show an overall shortfall across the country but with significantly higher vacancy rates in London compared to the national picture, and much circumstantial evidence to suggest that many experienced nurses are moving out of London. The average cost of recruitment in the NHS was said to be around £5,000 per worker. High turnover not only increases these costs but also reduces patient satisfaction. Failure to address problems of retention means that London's services operate both with higher administration costs and with less experienced staff. The same pattern was identified by witnesses from the health service, the police, and education.

2.11 Vacancy rates for teachers in London are currently the highest for ten years with some schools facing staff turnover rates of 30 per cent per annum. The London area generally has higher turnover and vacancy rates than other areas and there was a concern that a greater proportion of younger teachers are in "senior" posts.

**Table 2.3 Teacher turnover 1999**

	Percentage	
	Primary	Secondary
London	16.0	12.9
South East	13.0	12.1
England and Wales	10.3	9.4

Source: Employers Organisation

**Table 2.4 Teacher vacancies 2000**

	percentage
	All schools
London	1.9
Inner London	2.6
Outer London	1.2
South East	1.0
England and Wales	0.7

Source: DfEE

2.12 The position with respect to bus drivers is just as bad - with serious shortages affecting service and reliability. Turnover in one company - Arriva - is put at 30 per cent per annum with 70 per cent of employees leaving in the first two years, many to become other drivers in other sectors. Recruitment advertising alone cost Arriva £125,000 in 2000. Training costs can be around £2,000 for each new recruit without the appropriate license. In addition to this, Arriva spent £115,000 on hotel accommodation last year for drivers from Scotland and the North-West working in London. Transport for London, the body responsible for bus contracts, estimates that at present London is facing a shortage of between 1,500 and 2,000 drivers. The impact of these levels of staff shortage is growing levels of lost mileage and service unreliability. In August 2000 an estimated 2.6 km were lost through the impact of staff shortages - double the amount lost due to the effects of traffic congestion.

2.13 Many of these problems are common across London, although there was some evidence from witnesses that it is even harder to recruit in west London than in central London.

2.14 The workplace survey highlighted similarly worrying features showing that 48 per cent of teachers were planning to look for another job in the next 12 months, as were 39 per cent of nurses. Nurses were also the most likely group to be thinking of leaving London.

2.15 In all four cases employers were recruiting from outside London and in some cases from outside the UK. Bus companies were housing drivers from other parts of the country in bed and breakfast accommodation. Education services were heavily dependent on short term immigrants from Australia, New Zealand and South Africa. Health trusts were sending recruitment teams to Asia. The Metropolitan Police has traditionally recruited 40 to 50 per cent of its recruits from outside London. In all cases employees required immediate access to housing so that making this available was an important part of recruitment packages. Equally in all cases there are issues

about whether such recruitment can lead to effective retention. The Metropolitan Police stressed that it was often impossible for families to move to London, and many did not wish to do so. Young teachers were prepared to share in order to live in London but tended to move out as soon as they wanted to buy or needed more room. The same patterns were found among nurses.

2.16 The workplace survey found that people aged 18-34 were more likely to be looking to leave London than older workers (who may have already obtained suitable accommodation):

*“Having lived in London for a period of eight years (three of which have been spent as a teacher) I now face the prospect of moving to a more affordable part of the country in order to purchase my own property. The best I can hope for in London is a tiny studio flat and this doesn’t appeal to me. And I am fed up after all these years of paying rent for property that is of a low standard.”*

*Written evidence from a 26 year old teacher from Hounslow*

**Table 2.5 Future job search by occupation**

Occupation	Percentage undertaking future job search in the next twelve months			Future job search may not be in London
	Yes	No	Don't know	
Bus drivers	32	60	8	12
Nurses	39	26	35	35
Police	13	71	16	17
Teachers	48	35	17	7

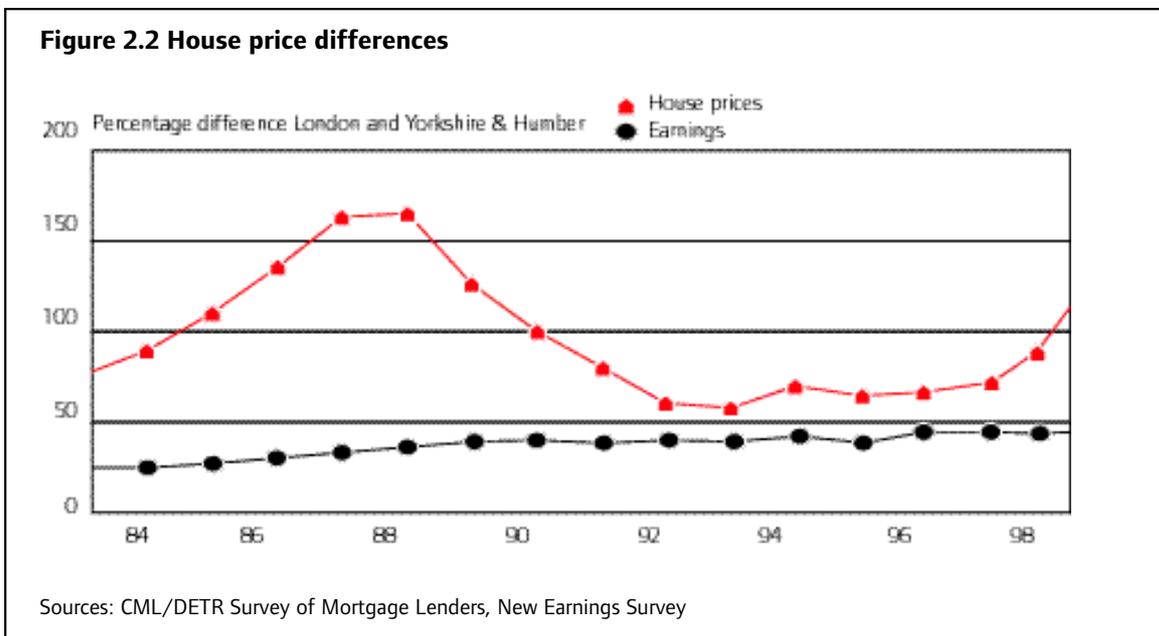
Source: Workplace Survey, 2000

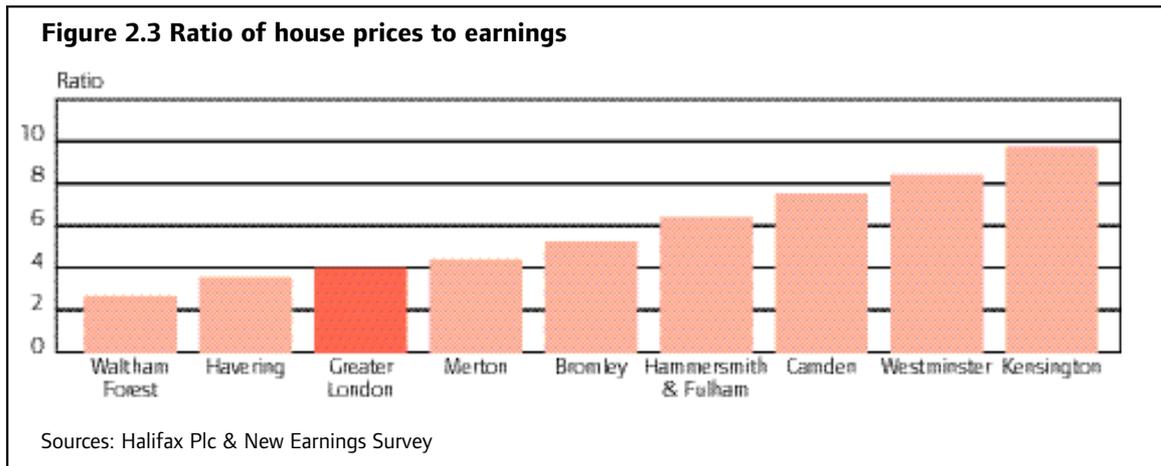
### Housing costs and incomes

2.17 House prices in London are higher than in the rest of the country (for example in 1999 they were 125 per cent higher than Yorkshire and Humberside) and they also fluctuate to a greater extent. Earnings are also higher, but not in proportion to house prices and do not change as greatly over the economic cycle (see appendix three for details). As a result Londoners have to pay a higher proportion of their income in housing costs and generally obtain both less and poorer quality accommodation. Costs of private renting are very similar to costs of owner-occupation. Renting does not therefore solve the problem. While even in the social sector rents are higher

than in the rest of the country the primary problem is that access for those in reasonable employment is relatively limited. This is especially true with the current very high demand from homeless households, and those in the greatest need.

2.18 There are large differences in housing costs across London so that there are areas where those on modest incomes can obtain accommodation. However prices and rents reflect both the quality of the neighbourhood and particularly ease of access to employment. Those working shifts or unsociable hours in high cost locations find it particularly difficult to access affordable accommodation close to their place of work.





**Table 2.6 Earnings per annum for different occupations**

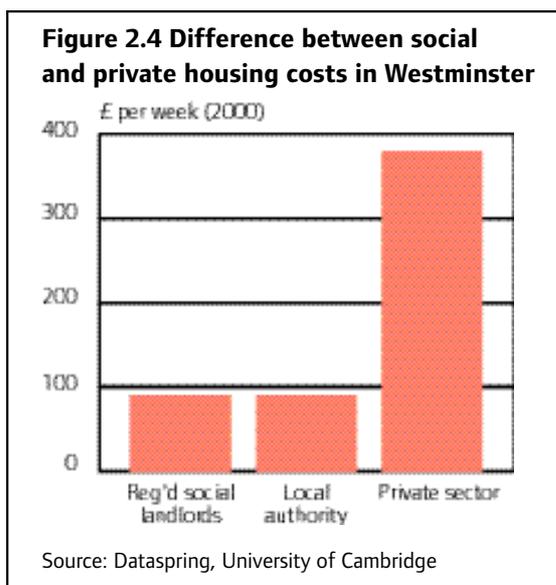
Salary band	Percentage of each occupation within salary bands			
	Bus drivers	Nurses	Teachers	Police
£10,000 - £14,999	80	17		
£15,000 - £19,999	20	74	21	2
£20,000 - £24,999	9	4	30	33
£25,000 - £29,999			30	35
more than £29,000			6	30

Source: Workplace Survey, 2000

2.19 The starting salaries of teachers and nurses are on a par with average male manual workers, but compare unfavourably with the average earnings of first-time buyers - many of whom rely on two incomes. Police starting salaries are higher, but the nature of their work, and their evident aspirations, limit their likelihood of securing housing in some of the cheaper locations

in London. Moreover location for police officers is constrained by the terms of their employment, that can require them to work at any location across the Metropolitan police area. Bus drivers earn very much lower wages both at entry level and after some years experience. They find it almost impossible to become owner-occupiers within the London area.

2.20 At the moment groups of workers earning in the £12,000 to £24,000 income bracket tend not to be catered for because they fall in the gap between traditional social and market housing. Housing associations either cater for the bottom end or to a small number of those that can afford shared ownership<sup>1</sup>. This problem is particularly acute in London because the price gap between social and private housing is so high. As a result witnesses suggested that in some parts of London only the very poor and the well-off can find accommodation.



2.21 A particular problem affecting three of the groups was the existence of national pay scales. These do not reflect the differences in labour market pressures across the country. The position in the police service is particularly difficult as pay is linked to seniority and promotion so that it is

not possible simply to offer people higher points on the scale. To some extent these problems are addressed through London weighting and by incentive packages. However these are rarely enough to offset the higher costs of living in London let alone to enable people to gain access to owner-occupation. London weighting itself can also shift the problem to outside London, creating a cliff effect whereby workplaces just outside the London weighting boundary find it difficult to recruit.

2.22 The problems for bus drivers are slightly different. Pay cannot readily be increased in the shorter term because the bus operating contracts (now being re-negotiated with Transport for London) do not adequately allow for the required rises. Equally, privatisation makes it difficult to retain drivers who can only be offered relatively short-term contracts. There has been a decline in the wages of bus drivers compared to other comparable manual jobs and compared to bus drivers in other countries. Drivers now earn less than a road sweeper and far less than a tube driver. Bus drivers are very aware of these comparisons. Evidence from Arriva showed that since 1970 a bus drivers wage had gone up around £40 in real terms, while for all occupations, it had risen by over £165. The workplace survey showed that out of the four groups bus drivers had the lowest proportion of people changing their job looking to leave London. Rather, bus drivers are leaving the profession, although there is also a degree of movement between bus companies where one offers slightly better pay and conditions.

<sup>1</sup> Conventional shared ownership allows people to part buy and part rent homes developed by housing associations. Over time, people may increase the share of their ownership as their circumstances change



### Quality of Life

2.23 There are particular stresses involved in London working that impact on each of the four groups in different ways. Witnesses variously suggested several issues which had some impact on the issues of recruitment, and especially retention. These included the problems of inner city schools, the fall-out from the Stephen Lawrence Inquiry, problems of congestion and violence when driving buses, the reduced status of nurses, teachers and policemen, and the decline in wages relative to other equivalently skilled jobs. Allied to those work stresses witnesses also made reference to the wider issues of quality of life in London. Particularly the police, but also teachers and nurses, work to national pay scales and can earn a similar salary in almost any location. This makes it relatively easy for them to change their place of work and move out of London in search of less stressful employment and enhanced quality of life.

2.24 Many factors, notably the poor quality of much of the housing on offer, inadequate service, especially education, and environmental and neighbourhood problems, add to stress and reduced quality of life. But in terms of the longer-term health of the capital perhaps the most important factor was the extent to which key workers saw it as impossible to meet their aspiration of home ownership while continuing to live and work in London. This aspiration was borne out by the workplace survey.

**Table 2.7 Non-owner occupiers who seek to become owner occupiers in the next three years**

Percentage of each occupation			
Bus drivers	Nurses	Teachers	Police
41	55	71	93

Source: Workplace Survey 2000

## Traditional responses

2.25 The problems associated with housing key workers in London are not new. They were an important reason for the development of council housing. Most councils in the post war period had schemes, which gave priority access to teachers and other council workers. Until the 1970s many employers, including the Greater London Council, provided low, often fixed interest rate, mortgages to their employees.

2.26 Both the National Health Service and the police have traditionally provided large amounts of employment related accommodation not only to new entrants but also to more experienced staff. Among the four groups under investigation, only bus drivers were without special schemes, although the GLC had recognised them as a priority group. However, given their salary levels and the need to live fairly close to their work they would, in the past, have expected to obtain council accommodation.

2.27 Most of these schemes were phased out during the 1970s and 1980s for a number of different reasons. First, the finance market became more open enabling a wider range of households to obtain their own mortgages. At the same time local authorities lost out from their fixed rate schemes. Second, central government placed greater restrictions on local authorities' capacity to invest. At the same time the needs of the poorest households came to dominate allocations policies. Third, there was pressure on public authorities of all types to realise land and housing

assets. And, perhaps most importantly, housing aspirations rose rapidly so that shared and short-term accommodation became less acceptable and owner-occupation became the norm for those in secure employment.

2.28 A review of police accommodation in 1992<sup>2</sup> recommended that there should be managed decline because of low demand, with what remained being concentrated on recruitment. A similar policy has been implemented in the health service. By the 1990s there was very little accommodation provided for teachers, except for a small amount of social housing reserved mainly for trainees. Bus drivers are the only group who still tend to be eligible for mainstream social housing, but access in London is particularly constrained. The amount of employer provided housing has fallen considerably. What is available is concentrated on new trainees and new entrants and other assistance towards mortgage payments has mainly been phased out.

*“Due to the alarming costs of housing in and around London I have been forced into transferring. I occupy a married quarter at the present time, however my tenure ends in October, and I would be expected to find accommodation for my family. As an average London home costs £155,000 this was totally out of my reach even with housing allowance.”*

*Police officer in an exit survey,  
supplied by the Metropolitan Police.*

<sup>2</sup> Enquiry into Police Responsibilities and Rewards (1992)  
Sir Patrick Sheehy (HMSO)

2.29 The second main approach to addressing the problem of the higher costs of living in London has been London weighting. This in principle provides compensation for the structural differences in the costs of living between London and the rest of the country - notably housing and transport costs - for public sector employees who are paid on national scales. A formal system was established by the Pay Board in 1974, but the methodology has not subsequently been reviewed. Moreover that system has not been formally updated for many years, and more recently levels have been set by ad hoc national negotiations. Current levels do not reflect actual costs. Equally the shift in aspirations towards home ownership means that the time profile of housing costs has changed, resulting in far higher costs at the early stages of the household's career, and thus greater affordability problems for just those groups that London needs to retain. Evidence from head teachers also points to schools in outer London, with their lower level of London weighting, being at a disadvantage in attracting staff.

2.30 The third main approach has been for individual organisations to offer incentives to potential employees - often currently employed by organisations within the capital. A great deal of evidence was given, from NHS trusts, from head teachers and from bus companies about the problems of poaching and the negative effects that this has on morale as well as on costs.

2.31 A particular problem stressed by many witnesses was the extent to which the initiatives that do exist, are limited to specific sectors and to particular areas, notably at the borough level. These did not provide adequate flexibility or efficiency in the use of the stock, and could contribute to "beggar my neighbour" approaches where the beneficiaries of these may have left working in other parts of London that also faced similar employment problems.

### Overview

2.32 There are clear problems for key workers in London - some are simply worse than elsewhere in the country; others are distinct to the capital. Some of the problems relate to the stage in the economic cycle; others are structural and set to worsen over the longer term. Many of the problems relate to pay conditions and particularly to housing.

2.33 In terms of the labour market there are fundamental and growing problems of mismatch between skills and requirements. In the public sector national pay scales make it difficult for employers to respond to market pressures. In terms of housing the most obvious problem is inherently the cost of buying or renting in the market sector and the lack of access to social housing.



2.34 Different levels of commuting in different economic conditions, and different commuting patterns among different ages, ethnic groups and gender, raises two types of issue. The first is the extent to which, especially during the upswing in the economic cycle, public sector employers are unable to match the rates available from competitor employers, particularly those in the wider south east. Second, what types of policy can be implemented to improve participation among those with the potential to fill key worker jobs.

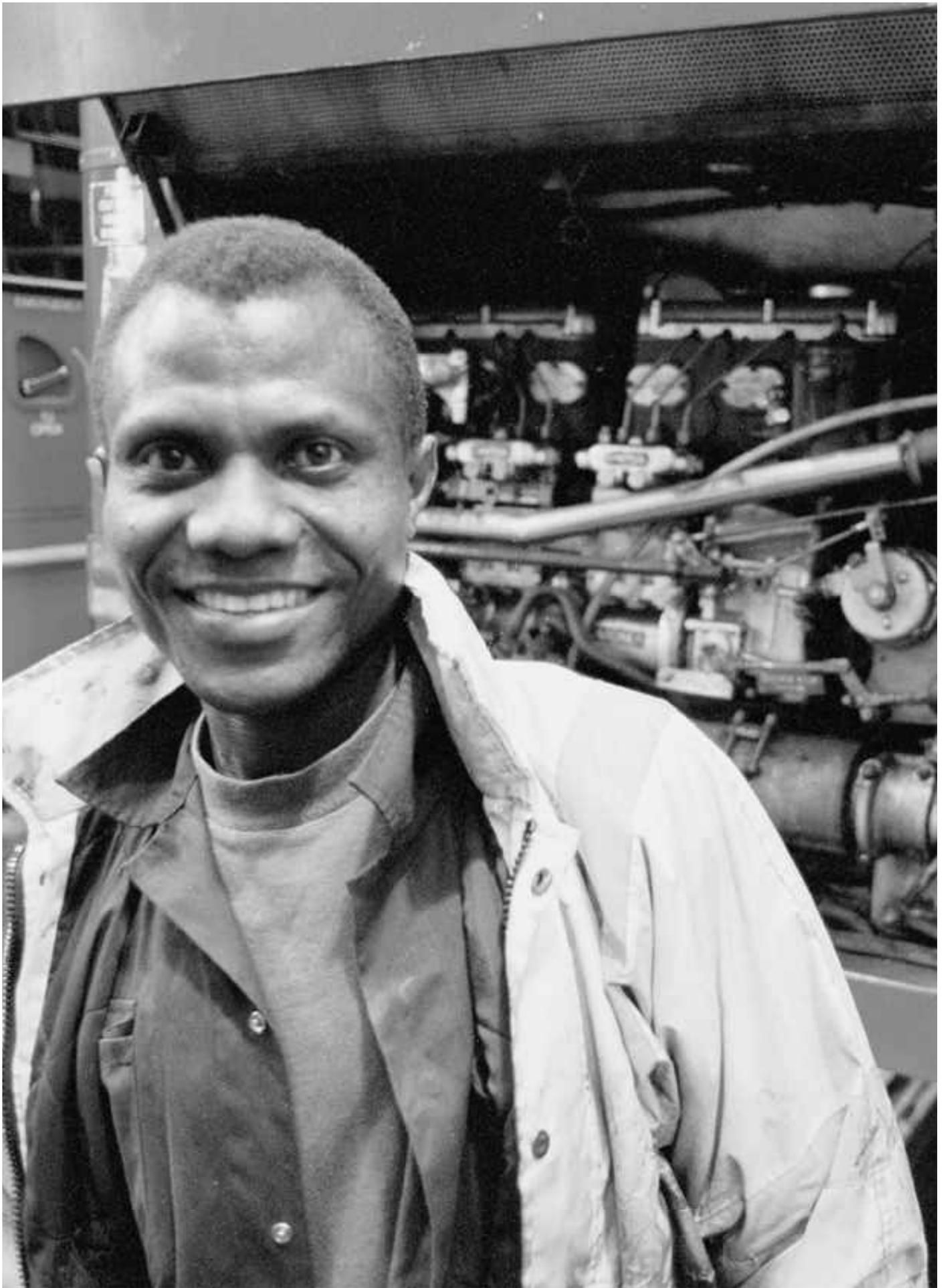
2.35 From the point of view of employers the evidence suggests that there is little enthusiasm for employer provided housing. A study by Chestertons for Westminster council suggested that employers did not usually regard it as necessary for employees to live very close to work (ie within 10 minutes).

2.36 While London does provide a basket of benefits that offset more expensive housing for some, people's priorities change through their life.

Research has shown that the vast majority of people (and this was certainly true for those in the workplace survey) aspire to own their own home.

2.37 Some of the current difficulties are clearly the result of the position in the economic cycle. However, there are important structural problems, which make the underlying trends a major cause of concern. Most notably the number of households in London is expected to rise by at least 500,000 over the next 15 years as a result of, indigenous growth, international immigration and the growing number of single person households (see appendix three). Even so by the end of the decade there is likely to be a shortfall in the labour supply, which will affect not just London but most of the South East. If London's to maintain its relative competitiveness and attract the required labour not only must transport be improved to make commuting easier, but large scale provision of additional affordable housing must also be addressed. It is in this context that we turn to potential solutions.





## 3.0 What should be done?

### The Vision

3.1 The health and prosperity of London requires a well qualified labour force to meet Londoners' needs. Such a workforce is also necessary to maintain London as a world city and the engine of the UK economy. Sufficient affordable housing must be provided both in London and its commuter belt for this to be achieved.

3.2 Clearly housing provision must go beyond basic requirements and respond to the aspirations of both individuals and their families. This point was highlighted by almost all the employers and employees taking part in the committee's investigation, and confirmed by the workplace survey. For example, young people, while initially willing to accept small (and even shared) accommodation were keen to move towards home ownership and 'good quality' accommodation in the longer term. Similarly, witnesses told the committee that the types of hostels that have been traditional in the police and nursing sectors were simply no longer acceptable except for short periods. This was reflected in the lack of demand for employer provided housing, except among new entrants. This has been one of the main reasons why both the police and the health service have reduced their residential portfolios.

3.3 If key workers are to be attracted and retained there must be a range of options, which enable them to secure a decent home. Homes must provide high quality internal and external space, as well as addressing expressed

preferences for accessibility and pleasant neighbourhoods. Tenure options must also be acceptable and homes must be affordable enough for households to be prepared to stay in London given the pay and housing they might reasonably expect to be able to secure in less expensive parts of the country. An adequate supply of affordable housing is therefore not just about providing a roof over people's heads. It is about successfully addressing a range of needs and aspirations.

3.4 In responding to evidence, the committee identified a set of core principles for the future:

- **There should be sufficient housing in London to accommodate those who need to live and work in the capital.**
- **Housing provision should promote the most effective use of the available labour force. This would mean addressing both the location and other key characteristics of residential development such as improving transport links.**
- **Affordable housing provision should aid both recruitment and retention by addressing both the needs of new entrants to the labour market and of more settled households who may wish to move on into family accommodation.**
- **Key jobs and key services should be secure. Employers should be able to compete in the labour market for appropriately skilled and experienced staff.**

3.5 This vision for the future highlights the importance for employers in London's key services in being able to compete effectively for labour. This will mean ensuring that people are compensated for the differentially high costs of living in London.

3.6 Many witnesses who addressed the committee stressed that existing resources must be better used. This applied as much to the labour market as to the housing stock, particularly since pools of unemployed and low rates of participation continue to prevail. Many also stressed the waste associated with particular groups such as refugees who are often unable to realise their potential. It was also acknowledged that there are considerable opportunities for training, recruitment and retention from the pool of those already well housed.

3.7 On the housing side there were clear concerns about the continuing levels of vacant housing in London. The Empty Homes Agency, in particular, gave evidence on the difficulties of bringing property back into use. Perhaps most important, are the problems associated with bringing land back into use - especially large mixed use sites as well as progressing developments which involve change of use.

3.8 Another important strand in the vision relates to the benefits of maintaining key workers in the local community. This was not just about ensuring that those working shifts or unsocial hours could live near their work but focused on the wider benefits of ensuring balanced communities and the long term maintenance of mixed neighbourhoods.

3.9 There was a great deal of concern expressed about the hollowing out of London - in the sense that many areas are becoming available only to the very rich and those who qualify for social housing. Witnesses agreed that such an outcome was detrimental to London's future. Housing key workers throughout London helps to ensure that this does not occur.

### **Current reality**

3.10 There have been many attempts to address the problems of key workers and their housing over the past decades, especially during upturns in the economy when problems are particularly obvious. However, the current reality is that these attempts have not solved fundamental structural problems with respect to either housing provision or labour supply.

### **Is the current stock appropriate?**

3.11 Nurses and police, the two sectors which have historically provided accommodation, both made it clear that different jobs require different types of housing. Nursing employers stressed that there is a duty to house some on-call workers while they are on call, while other workers face difficulties getting home because of shift work. National Health Service overnight serviced accommodation may be used for this but it does not address basic housing requirements.

3.12 Both nurses and police stressed the particular importance of employer provided accommodation during training. Many trainees come to London from outside the capital or from abroad and need the increased security as well as affordable housing.

3.13 Police witnesses argued that it was often inappropriate for police to live close to their work. Moreover police officers can be relocated anywhere in London.

3.14 Not surprisingly responses on appropriate solutions differed between the sectors that provided some accommodation (the police and the health service) and the two sectors where employees were almost entirely dependent on the market (education and bus companies). Nevertheless witnesses from all groups stressed that people need different accommodation at different stages of their lives. All groups were concerned with how people move on to longer term accommodation and how people could move up the market ladder to meet their aspirations.

3.15 Nursing managers were very clear that nurses want long-term accommodation and housing for couples and families, rather than traditional nurses homes which offer only short-term lets for single people.

3.16 A National Health Service witness highlighted that the growing gap between institutional and private accommodation in the health service means that people do not move on so accommodation cannot be recycled. Even so, service managers highlighted that this accommodation does not meet the needs of more settled workers or of families. Peabody Housing Trust also noted that the cluster flats being developed for the Keep London Working Partnership and Peabody Unite are intended for new entrants and do not meet people's long-term aspirations or provide housing for families.

3.17 The Royal College of Nursing stressed that different solutions were needed for nurses in different stages of their lives and careers. While registered social landlords may well provide solutions for students and for nurses in the first few years of their career, only assistance towards owner occupation would meet the aspirations of more established nurses. Peabody saw a need for a range of solutions to plug the gap between social housing and market-level housing. Being able to see how one might move between different types of tenure was seen as particularly important.

3.18 The police saw a continuing role for employer provided housing, partly because they blamed the restrictions on provision (along with the loss of the housing allowance) for a fall in the number of applicants. However they also stressed the extent to which such housing could not meet longer term aspirations. Housing provided to entrants was nevertheless seen as an important element in the package and many officers would like to remain after the year which is made available to trainees.



3.19 One of the teaching unions felt that partnerships with registered social landlords to provide rented housing would not respond to demand. However they would suit some, and might encourage people to work in London. But there still needed to be an opportunity to buy if long-term aspirations were to be met. Even so, hospital trust-specific solutions for nurses or borough-specific solutions for teachers were seen as inappropriate as they would restrict choice.

3.20 The message for the committee was clear. If retention is to be tackled, aspirations must be taken into account. Traditional employer-provided accommodation usually does not meet these aspirations. Ideally people need the option of moving from renting to owning. Key workers cannot generally afford to buy outright, so some form of shared ownership or shared equity is a good way of giving people entry into owner occupation.

3.21 From the financiers point of view, however, George Lemos of the financial consultants Freud Lemos and witnesses from the Council of Mortgage Lenders stressed that the aspiration of owner occupation may need to be looked at more critically. Owner occupation is not always possible for all groups of workers. Certainly, it may be necessary to accept that there are parts of London where key workers will not be able to afford to live, and in these areas it is not worth investing very large amounts of money for little result. It may be more useful to help key workers access the parts of London where housing is still

affordable, and this may be an area where developments in transport infrastructure and other supporting services can make a contribution.

### **Should solutions be the same across London?**

3.22 The committee took evidence from witnesses from all parts of London. To gain a particular insight into the range of opportunities and initiatives, representatives from the contrasting boroughs of Westminster and Barking and Dagenham came to discuss different approaches to solving affordable housing problems.

3.23 Westminster council sees itself as stretched by its statutory housing obligations and has only a very small scheme for probationary teachers. Another major problem is that prices are so high in areas like Westminster that shared ownership schemes are less appropriate. Westminster is, however, active in negotiating Section 106 agreements<sup>1</sup> and carrying through compulsory purchase orders. It also has partnerships with other boroughs, where housing and land are far cheaper, by which Westminster builds in these boroughs with the other borough receiving 25 per cent of the allocations.

3.24 Barking and Dagenham council, with much lower house prices and more social sector housing, is in a very different position. It has adopted a range of initiatives associated with key worker housing since 1990, for example providing temporary tenancies. It is in the process of changing its lettings policy so that five per cent of its stock is set aside as secure tenancies for key workers who are in turn given high priority

<sup>1</sup> Section 106 allows local authorities to negotiate benefits for the community in association with the grant of planning permission for development. This often takes the form of requiring a proportion of affordable housing within residential development.

on the waiting list. Giving housing to these groups has knock on benefits for public services. These benefits may off-set some of the costs such as people exercising the right-to-buy or ceasing to be key workers in the borough.

3.25 Representatives from both Westminster and Barking and Dagenham highlighted how different boroughs have very different profiles and therefore have different interests. Westminster, for example, will never expect that all the people who worked in the borough would live there, while Barking and Dagenham has a greater capacity to accommodate local employees. Equally, Barking and Dagenham did not see its policies as generating problems for other boroughs, despite the possibility that it could encourage poaching of key workers from its neighbours.

3.26 The variations in house prices, and the characteristics of local housing markets in different parts of London suggests a tailored local approach to the housing policies for key workers. For instance, mortgage subsidies may be more appropriate for people living in East London where prices are cheaper, while affordable housing secured through Section 106 agreements may be the only way forward for very expensive parts of the capital. Although the instruments used may differ across London, the objectives to be achieved are London-wide and involve extensive co-operation between boroughs to generate the greatest value for money from available resources. Policies and their implementation clearly need to be co-ordinated to ensure the overall adequacy of the supply of affordable housing for key workers.

### **How should solutions be targeted?**

3.27 Many witnesses stressed that a range of initiatives are needed to tackle the problem. A good example of immediate responses to particular problems was provided by a witness from a registered social landlord which had operated a specific scheme in Tower Hamlets for teachers when schools in that borough were facing a recruitment crisis. The houses that had been bought to house teachers were eventually sold off after demand had diminished. Some of the lessons that can be learned from this and other examples are:

- Scale: There needs to be a ready supply of new tenants for a scheme to be successful. Housing for only one occupation may be inappropriate.
- Nominations: Schemes almost certainly have to operate across boroughs to be successful. The system by which people are nominated needs to be very different from traditional local authority schemes. It needs to be London-wide and across employers.

3.28 Witnesses from the health service stressed the need for flexible, pan-London and indeed wider south east initiatives (including subsidising commuting costs). Staff should be able to move from one health trust, but remain in the same accommodation. This must not increase the potential for poaching.

3.29 Representatives from local authorities in both Hammersmith and Fulham and Hounslow reiterated that they did not want the key worker solutions to be at the expense of those in greater need. They outlined a number of initiatives they had been involved in but admitted that these did not add up to much considering the scale of the problem and the continuing losses from the social sector stock. Shared ownership is also becoming increasingly unaffordable for many key workers as house prices continue to rise. Scarcity of land and resources were considered the main barriers.

3.30 There are no rules precluding registered social landlords targeting a percentage of their lettings to key workers. However, in practice this may well not be the priority. Registered social landlords are as aware as local authorities of the impact that this could have on those in acute housing need.

### **A role for London weighting**

3.31 The evidence was overwhelming that housing solutions cannot alone solve the key worker problem in London. Much of the problem is simply the result of higher costs of living in London, both financial and in terms of quality of life.

3.32 Formal arrangements for recognising the higher costs of living in London for public sector workers were introduced in 1974, following a report by the then National Pay Board. The levels of London weighting were not officially updated until 1982. Subsequently the Labour Research Department (LRD) has unofficially

updated the London weighting calculation, but on the basis of the increasingly dated Pay Board formula. The formula for the housing cost element within the London weighting index, for example, is based on the tenure structure for London that prevailed more than a quarter of a century ago. At that time it was far more realistic for a substantial proportion of low paid workers to expect to live in the council sector.

3.33 In practice subsequent provisions for London weighting have been updated through negotiations, and in the main those provisions have lagged behind the levels indicated by the outdated Pay Board formula, especially in respect of inner London. This year the London Agreement consolidated London weighting for local government employees, but without any substantive review of the appropriate level at which London weighting should be set. The current level of London weighting calculated using the old Pay Board formula is estimated by LRD at £3,287 per annum for inner London, and £1,028 per annum for outer London. The formula takes account of housing, travel and other living costs.

3.34 The current level of inner London allowances for teachers is just £2,316. The allowance for nurses depends on their grade, and is made up of a flat rate element and an element related to their basic pay. Grade A and B nurses in inner London receive £1,913 plus an element based on five per cent of their basic salary up to a maximum of £750. Higher grade nurses

receive £2,280 plus a five per cent addition up to a maximum of £750. The overall maximum rates are thus £2,663 for A and B grade nurses, and £3,030 for higher grade nurses.

3.35 The allowance for police was doubled from £3,000 to £6,000 in the middle of 2000, as a direct response to recruitment problems in London. The higher allowance only applies to new recruits, and officers that joined the service since 1994 (earlier recruits still receive an additional housing allowance that was abolished for new recruits in 1994).

3.36 Following the privatisation of London bus services, there is no formal London weighting allowance for London bus drivers. The capacity of the bus companies to offer higher wages in response to recruitment difficulties are constrained by the terms of the contracts entered into through the process of competitive tendering.

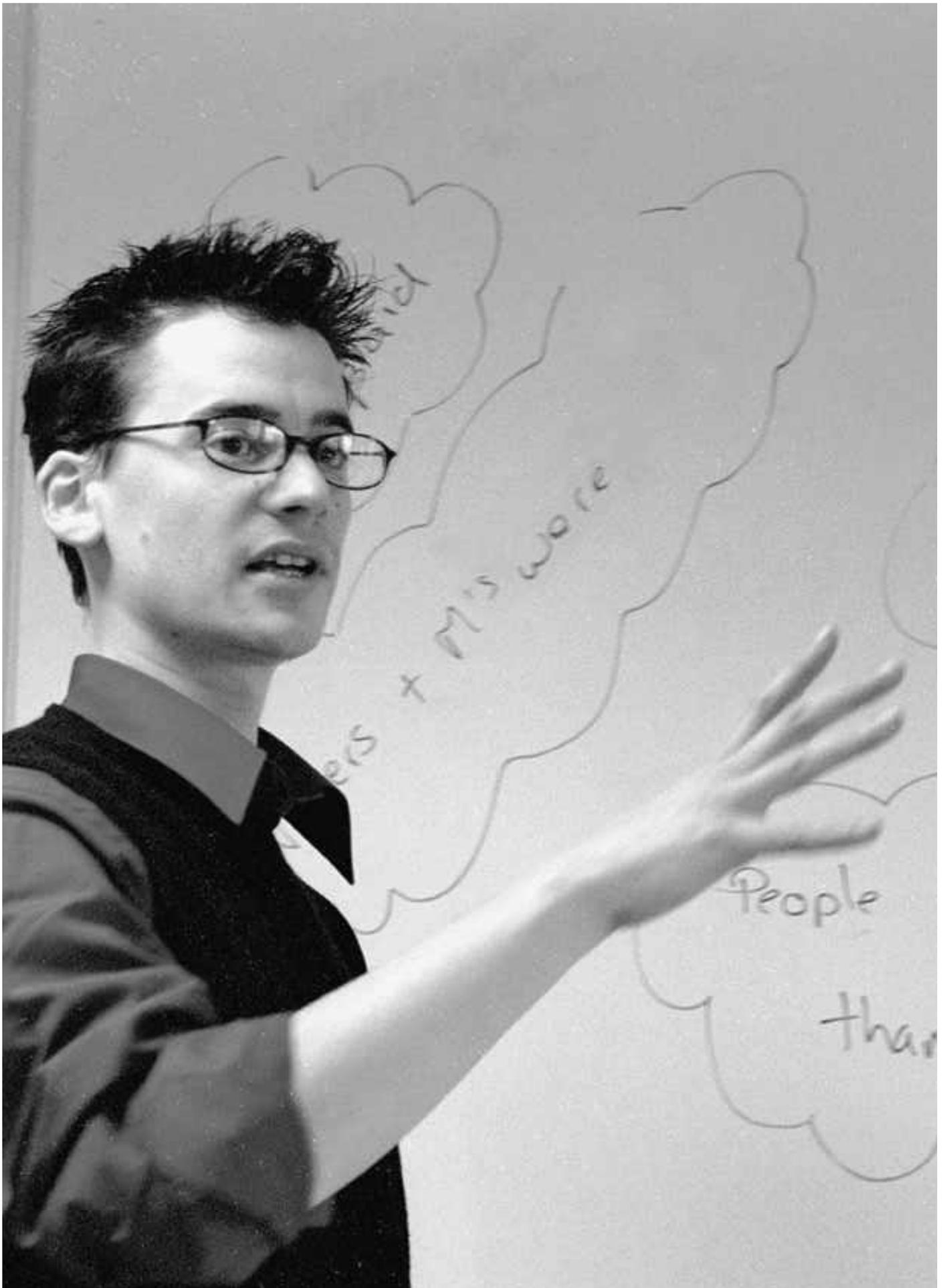
3.37 In the main, private sector businesses are less constrained by national pay structures, and can be more flexible in their responses to respond to labour market problems. While they do not always adopt a formal London weighting system (although many do), they typically increase wage rates in London to levels that enable them to recruit the people they need. In other cases, depending on the nature of their business, private sector companies may have the option of relocating to less expensive parts of the country. This option is not available to critical public services.

3.38 Employers in the teaching sector in particular have responded to recruitment problems by offering additional 'spine point' or other special payments. These ad hoc initiatives have to be met out of local school budgets and are not reflected in levels of central government support. They also lead to disruptive cycles of competition and movement between neighbouring schools and local education authorities within London, rather than making any strategic impact in improving recruitment and retention across London as a whole. Similar patterns were also noted among health trusts. Bus companies also noted the negative impacts of poaching in terms of quality of service as well as costs.

3.39 London weighting, which is specifically aimed at addressing structural differences in costs, does not address current circumstances effectively. Equally the responses to the resultant shortfalls in recruitment and retention are costly and ineffectual. The range of initiatives have been announced to help specific groups over the last year help to address their problems but often at the expense of other localities and other groups of key workers. A more joined up approach is required.

### Overview

3.40 The committee's vision of what is required to ensure good quality key services for London is clear. Traditional solutions have proved inadequate, and inflexible in the face of growing competition for labour and the need for increased service quality.



## 4.0 A way forward

### Introduction

4.1 Evidence to the committee makes it clear that affordable housing alone cannot solve problems of recruitment and retention of key workers. Ensuring that the key services can be provided requires a range of responses relating to:

- Pay and employment opportunities;
- Affordable and reasonable quality housing; and, wider quality of life issues in the context of both jobs and their housing.

4.2 The evidence presented by both employers and employees makes it clear that jobs in key services in London are seen as more stressful than elsewhere. Moreover, attitudes to housing, notably social housing, can be negative, sometimes because of the neighbourhood rather than the dwelling itself.

4.3 Any policy must recognise life cycle realities - namely that London is particularly attractive to younger people many of whom will choose to move away as their needs change. Also market housing for owner occupation will generally be more expensive in London than elsewhere.

4.4 Ensuring adequate key services requires both labour market and housing market approaches which are responsive to these pressures. No single solution is possible - but those suggested here could shift the balance and so improve both conditions for key workers and the quality of services that Londoners receive.

### Labour market solutions

#### Review London weighting

4.5 It was clear from evidence to the committee that in the medium to long term the vast majority of the key workers aspired to home ownership. This objective was seen to be far more readily attainable by their professional counterparts working outside London. Access to decent rented accommodation was seen in the main as a short-term requirement, primarily by young single workers, and by new recruits moving into London.

4.6 Both the current circumstances and aspirations of key workers indicate that the costs of home ownership in London should feature more strongly in a contemporary London weighting measure. The Pay Board formula<sup>1</sup> reflects the tenure structure in the early 1970s, when owner occupied dwellings comprised some 45 per cent of London's housing stock, compared to 56 per cent at the end of 1998.

4.7 There is a strong case for a fundamental review of the current provisions for London weighting in the pay structures for key workers, so that they can be objectively based on an assessment of current differences in the higher costs associated in working in London. This needs to revisit the principles established by the Pay Board in 1974 which have fallen into disuse, and to derive a new formula that relates to the circumstances of key workers in London in the new millennium.

<sup>1</sup> See para. 3.35, Chapter 3

4.8 Such a review should consider the issues that relate to the areas around London, as well as those in both inner and outer London, and issues about the most appropriate structure as well as the overall levels of London weighting allowances. A new approach to London weighting should also address the range of additional 'spine point' and other ad hoc payments currently made by some employers, especially in the teaching sector, which are not funded by central government and can encourage poaching.

4.9 The review should ideally be undertaken by an organisation, or specially appointed body, that has the required expertise and standing, and can be seen to be independent both of London and national government organisations. It is important it is free of any perceived bias either for or against changes to London weighting. Any higher salary costs for public sector bodies in London arising from such an independent review would then be available to central government and employers and could be considered in the various forms of financial support that central government provides for London's public services.



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### Other ways to help recruitment and retention

4.10 While a more realistic level of London weighting has an essential contribution to make towards tackling the issues of key worker recruitment and retention in London, it cannot provide a complete solution. While London weighting relates to differences in the average costs of equivalent housing in London and other parts of the country it does not reflect the variation in costs over the owner's lifecycle. These are far higher for first time buyers in the initial years following purchases. Moreover mortgage costs for new first time buyers fluctuate substantially over the economic and house price cycle, and especially so in London. In 1999, for example, the average mortgage costs for first time buyers in London were some £4,250 per annum higher than the average for first time buyers in the rest of the UK. The problems of high initial housing costs, of cyclical upturns and those who, because of shift working or other special reasons, need to live very close to their place of work in the more expensive parts of London must be addressed separately from the London weighting issue. This was recognised by both employers and union representatives giving evidence to the committee.

4.12 Such targeted additional payments have been made both to secure new recruits (golden hellos) and, to a far lesser extent to retain existing experienced staff (golden handcuffs). However, unlike London weighting, provisions for such additional payments are not automatically reflected in government grants to local public services.

As with 'spine payments' there are also dangers that such payments create competition within London rather than making a net contribution to improving labour supply for London services. Witnesses stressed their concern that the result could simply be "robbing Peter to pay Paul".

4.13 Even with a revised London weighting and policies to ensure an adequate supply of affordable housing, it is likely that there will be continuing labour shortages for particular groups of workers in particular locations, especially in areas where the job is likely to be particularly stressful.

### Using London's labour force

4.14 It was made clear by West London Training and Enterprise Council that there are continuing gaps between what employers now want (eg NVQ Level III up from NVQ Level II) and the qualifications a section of the population possesses. (For example there are continuing basic literacy and numeracy problems among a significant minority of school leavers). Barriers to employment include low skills, unemployment, and lack of affordable childcare. The more general issue of the need for appropriate training was also raised by a number of witnesses, notably the London Development Agency.

4.15 This does not mean that there are no opportunities for additional recruitment from the existing population of London, many of whom are already housed.

4.16 With respect to the police it was suggested that the relaxation of national requirements for police recruits might enable more Londoners to be attracted into the service.

4.17 Bus companies see themselves as recruiting local people who already live near garages and therefore already have some kind of accommodation. The workplace survey showed that many lived in social housing and that among those who do not, a considerable number are in insecure accommodation. Many bus garages are in areas of relatively high unemployment and should be able to target unemployed people in these areas. Bus companies thought that the main requirement was higher take home pay to attract back the large pool of people living in London who already have the appropriate license. It was emphasised that the long-term solution to bus driver shortages was accessing these (abundant) local labour pools, rather than trying to bring other labour into the capital.

4.18 Accessing local labour is also part of the NHS's recruitment strategy. A nursing witness reported that relatively few ethnic minority staff worked for her Trust despite it being in a very diverse part of London. Local recruitment and training could help to change this position in the longer term.

### **Address qualification barriers for refugees**

4.19 Employment is the single most significant problem in the settlement of refugees.

The unemployment and underemployment of refugees is estimated at 60-75 per cent. Despite their qualifications, skills and previous work experience they have difficulty obtaining jobs. This is particularly significant to London as approximately 80 per cent of refugees in the UK currently live in the capital.

4.20 Examples of problems with respect to qualifications and training included:

- The standard acknowledgement letter issued to asylum seekers as a form of identity is no longer accepted as evidence of identity for driving licenses;
- Refugee teachers need to obtain an offer of employment before they can undertake the one year course required for retraining;
- Refugee nurses who have been out of the labour market for over five years have particular problems in retraining;
- Police officers must be British or Commonwealth citizens.

### **More flexible hours and working arrangements**

4.21 More appropriate working hours and other modifications in terms and conditions was seen as one way of helping increase recruitment from local people. Bus companies for instance may be able to offer a more flexible working week as a way of attracting recruits.

4.22 The unions acknowledged the problems associated with shift-work and the impact that it can have on the ability of partners of key workers being able to enter paid employment. More family friendly approaches were seen as one way forward in improving recruitment and retention.

### **Housing market solutions**

4.23 If adequate accommodation is to be made available to key workers without harming those in greater housing need additional homes must be provided and subsidy must be commensurate with need. This is likely to involve developing approaches which involve lower levels of subsidy for key workers and possibly the use of loans rather than grants. Meeting aspirations also points to an emphasis on housing which provides many of the attributes of owner-occupation. It also points to the development of new financial instruments by which key workers can have some choice over where they live and be assisted to purchase at least part of their homes.

4.24 In this context the Council for Mortgage Lenders stressed that the fundamental problems were ones of housing supply, income levels and transport. In particular the costly volatility in the housing market over the last few decades highlights structural problems on the supply side. Providing mortgage solutions alone could simply stimulate demand exacerbating both affordability problems and house price volatility.

#### **Increasing the supply of affordable housing**

4.25 The supply-side of housing provision is of fundamental importance. London needs more homes of all kinds. Registered social landlords may be best placed to take the lead on some developments because they are not looking for short-term profitability and may be able to put in some of their own funding. However witnesses made it clear that current levels of grant were inadequate to fund the real costs of provision so the output of rented housing cannot be readily increased without changing total cost indicators and increasing government funding.

4.26 While the Housing Corporation budget alone cannot achieve the target number of affordable homes in London set out by the Mayor's Commission, registered social landlords do have access to other sources of funding particularly local authority housing grant, employer subsidies and private finance. All of these sources should be maximised.

4.27 Funding is not the only constraint on achieving the Mayor's target. Other constraints are the capacity of the construction industry; land assembly; and the managerial capacity of social landlords. While the industry is capable of gearing up to the job over a few years, and social landlords are taking the lead on implementing the Egan agenda<sup>2</sup> on innovative construction techniques, the potential for overcoming the other constraints is less clear.



<sup>2</sup> Report of the  
Construction Task Force,  
1998, DETR



### **Using Section 106 to provide key worker housing**

4.28 In the current policy framework, Section 106 provides the most obvious approach to providing additional housing for key workers. The committee heard a great deal of evidence on the effectiveness of partnership working in the context of section 106 agreements. Development can be tailored to ensure mixed communities and to vary the extent of subsidy between types of dwellings. It is also complementary to the development of new financing instruments such as shared equity. There are however important practical constraints.

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4.29 Witnesses from the development industry stressed that they welcomed including affordable housing in their developments, particularly key worker housing which helps to generate balanced communities. However, there were concerns that such developments must be properly funded if developments were to be brought on stream. Otherwise they might not be developed or be developed for non-residential purposes. Westminster also raised the issue that if too much is asked for in Section 106 agreements, sites for development will not come forward especially when the alternative is commercial use. Both further stressed that Section 106 was used to cover many other requirements.

4.30 Peabody Housing Trust agreed that additional social housing subsidy would often be required to ensure the continued supply of sites. The registered social landlords also suggested that more could be produced if the framework for Section 106 negotiations was more clearly specified, and the adverse inter association competition was eliminated.

4.31 There were examples of innovative ways of introducing additional funding from employers, notably through the Keep London Working consortium. Of particular interest was the example of a local authority which is allowing its education element of a Section 106 agreement to be in the form of teachers' housing rather than being used for direct education provision.

4.32 The chair of the Mayor's Commission, Chris Holmes, suggested that the experience in Hammersmith and Fulham and elsewhere showed that the 50 per cent target of affordable housing on all new development (one of the main recommendations of the commission's report) can be achieved. However, he agreed that these schemes need funding from the Housing Corporation and extra central government funding (complemented by depressed land values arising from Section 106 agreements). The 50 per cent figure will be the subject of an impact assessment study. Chris Holmes recognised that a prescriptive formula might be inappropriate but thought that setting a clear target provides a necessary framework.

#### **The Starter Home initiative**

4.33 The Housing Corporation is to administer the Starter Home initiative<sup>3</sup> and much of the funding is expected to come to London where the problems of access to adequate housing among those on moderate incomes are greatest.

4.34 Although the Starter Home initiative offers new money, witnesses noted that the overall total is quite small and there are limitations which will impact particularly adversely on London. The most important concern is that the price limits will rule out anything but the smallest flats in many parts of London. It can therefore do little directly to tackle the problem of key worker retention. The administrative details of how it would operate when people changed jobs etc were also still unclear.

<sup>3</sup> The Starter Home Initiative was announced by government in December 2000. It will be run as a challenge fund for the next three years during which time, starter funds will be available to assist lower income key workers to access owner occupation in particularly high housing cost areas.

#### **Single Regeneration Budget as a source of funding**

4.35 The Single Regeneration Budget (SRB) has proved important in demonstration projects. In particular it has part funded Keep London Working which has produced some of the most innovative new development schemes for key worker housing. However SRB, and its successors, cannot be a mainstream way of funding affordable housing and is unlikely of itself to generate significant numbers of units. It was also noted that new SRB funding is no longer available as this particular programme has come to an end.

#### **Employer partnerships with registered social landlords**

4.36 The two groups of employers that have traditionally been involved in the direct provision of housing both saw the benefits of working with registered social landlords to provide such housing in the future.



4.37 The Metropolitan Police is interested in innovative ways of providing affordable housing. These include through nomination rights to registered social landlords and through involvement in shared ownership schemes which can help to address officers' aspirations to get on the property ladder.

4.38 The National Health Service is a major landlord and land owner. It holds large quantities of brownfield land some of which it intends to dispose of in order to build additional accommodation. In this way it can make a contribution to bring housing within the reach of key workers. Some health trusts are also transferring their existing accommodation to housing associations.

4.39 The National Health Service recognised that this is a general public sector worker problem. As a result it is interested in initiatives that pool accommodation between groups and build sustainable communities. Nomination rights could, for instance, be shared with local authorities. The National Health Service is negotiating with housing associations and the Housing Corporation over land disposal to this end. There are however significant problems because of Treasury restrictions which mean that at the moment they must sell to the highest bidder.

4.40 Transport for London did not see itself becoming directly involved in housing provision. However, it saw the potential for a strategic role in assisting companies in partnerships with housing associations. On the other hand affordable housing per se did not seem to be the highest priority for bus companies, except through their involvement in "Keep London Working".

4.41 Some evidence was put forward, for example by Peabody Unite, on how employers might be directly involved with developers without additional subsidy. Such schemes are so far necessarily limited and associated with recruitment rather than retention. However, they point the way to the potential for providing shared equity housing which enables subsidy to be recycled when the original purchaser sells.

4.42 The Association of London Government saw more scope for employers to subsidise housing through assistance to employees such as cheaper mortgages rather than direct involvement in provision. It was noted however that such schemes can be subject to taxation as imputed income.



### Shared ownership

4.43 Traditional shared ownership, which involves renting a proportion from a registered social landlord and purchasing the rest with the possibility of ‘staircasing’ up to 100 per cent may now be beyond the reach of many key workers (especially in inner London) as house prices have risen. Peter Redman, chair of the London Housing Federation, stressed that shared ownership could be made more user friendly by reducing the minimum proportion that could be purchased and allowing staircasing down if people run into difficulties. Both the registered social landlords

and the mortgage lenders noted that there were difficulties with the traditional form of shared ownership. It is seen as financially and legally complicated. It has particular problems relating to security because of the household’s status as both borrower and tenant. This places a disproportionate amount of risk with the lender, both because of the impact of the tenancy agreement on the mortgagee’s security and because of the complexity and lack of standardisation of many of the arrangements which leave the individual lender sorting out the problems.



### Other innovative products

4.44 Mortgage lenders were supportive of changes to assist key workers to enter the market but argued that it was important to remain prudent and ensure sustainability into the longer term. There is a poor history of arrears on shared ownership in particular. There are continuing concerns about the volatile nature of the London housing market. Innovative approaches must work in the downturn as well as in buoyant housing markets.

4.45 Nurses and other key workers, while not highly paid are in very secure employment. This gives scope to think creatively about mortgage packages which take account of future incomes and the security of that income stream. Shared equity and deferred interest schemes are two ways forward. However such products are relatively complicated and sometimes inflexible. If they are to be popular among key workers their costs and benefits must be clearly understood.

4.46 Witnesses emphasised that shared equity schemes might be a simpler and easier way forward as compared to shared ownership. Peabody has introduced a scheme, through a Section 106 agreement, where people just pay into the mortgage, and do not have to pay rent as well. If house prices rise, the proportion of

equity that new tenants would initially be able to buy, would fall. This approach could generate an effective sub-market in that additional constraints can be placed on resale in order to ensure that the subsidy is recycled. It also raises the possibility of bringing in equity not only from employers but from other sources such as insurance companies, developers and pension funds interested in equity based investments. Witnesses noted however that there were complications with respect to taxation and administration.

4.47 George Lemos of Freud Lemos financial consultants stressed that if significant funding is to be made available products must be standardised and ideally of large enough scale to enable access to the wholesale funding market. At the moment each registered social landlord and each lender has slightly different specifications and the overall total was quite small. If lenders are to provide large scale funding for affordable housing, they need standardised transparent products.

4.48 Lenders need a critical mass of borrowers in order to successfully develop new types of mortgages. At the moment, for example, there is no standardised framework for shared ownership and there are not enough mortgages like this to give lenders a good basis for operation. There is certainly no capacity for securitisation<sup>4</sup>. This would require a minimum of £100m of standardised contracts. However it was not clear whether standardisation could then prohibit future innovation.

<sup>4</sup> Securitisation allows lenders to re-package loans into larger tranches which can then be sold into the wholesale market. This process can significantly reduce the cost of funding and increase the funds available.

4.49 While schemes such as rent-to-mortgage have been unpopular, moves towards flexible mortgages, for example, may hold some of the answer. These allow households to vary payments in relation to current circumstances and thus make it easier to borrow in relation to underlying income expectations.

4.50 France and Germany operate compulsory saving schemes as a way of people getting a foot on the ladder. These usually involve cross subsidy between lenders and borrowers as well as often some government subsidy. One way forward would be for employers to operate subsidised savings schemes linked to equity/house price growth, although these would be subject to tax.

## Overview

4.51 There are examples of many initiatives for providing more affordable homes and for making it easier for households to access owner-occupation. Most are currently quite limited in size. Even when, like shared ownership, they have been in place for many years, they have not become standardised products. There is an obvious need for these initiatives to be easy to replicate. Witnesses were enthusiastic about the potential for many of the schemes. But without a concerted effort by central government, local government, housing providers and financiers alike they are unlikely to make a significant impact. A step change with respect to both provision and funding is required.



## 5.0 Key conclusions and recommendations

### Introduction

5.1 A coordinated range of housing and other initiatives are required to alleviate the problems of recruiting and retaining key workers in London. If these are successful the improved recruitment and retention of key workers in London will play an essential role in improving public services in the capital.

5.2 The difficulties and costs of recruitment in London have been increasingly recognised over the last few months. On the basis of the evidence received the committee wishes to highlight particular concerns about retention with three distinct implications for key services in London and for Londoners using these services:

- **The costs of replacing lost staff;**
- **The instability of the workforce with the associated lack of capacity to build appropriate relationships with customers; and,**
- **The loss of experienced people in the workforce**

5.3 Evidence to the committee points to an immediate crisis in key services, exacerbated by the stage in the economic cycle and the buoyancy of the London economy. But it also points to a longer term structural problem of an inadequate supply of labour to provide even for current levels of service let alone to meet the reasonable future aspirations of Londoners.

5.4 These problems can be addressed through labour market policies and through improving the quality and availability of affordable housing. The committee has examined both approaches in some detail. It concludes that changes in both are required and that housing and labour market policies can act as complements to one another to alleviate the problems faced by key workers.

### Labour market policies

#### London weighting

5.5 The committee has examined the question of London weighting in some detail. The evidence it received suggests that the current position is inconsistent across sectors. London weighting should address structural differences in the costs of living in London, notably housing and transport costs but also some aspects of the quality of life. It should reflect the real circumstances of Londoners - so for instance it should put more weight on the costs of owner-occupation. It cannot address the particular problems of access - but can significantly help retention - which we see as the most important problem.

5.6 The committee recognises that restructuring London weighting so that it more accurately reflects the relevant costs of living in London (where there are national pay scales) has important implications for public funding. These will need to be addressed at the central government level - but so doing may well prove more cost effective than the proliferation of schemes that are currently being put forward.

5.7 The committee therefore recommends that the London Assembly should commission an independent body to examine the principles underlying the 1974 Pay Board formula and relate it far more closely to the current structure of housing markets and transport costs in London. This body should also address the issue of the growing number of sector and institution specific schemes. It should clarify which would be better addressed by a consistent formula and which address issues of the economic cycle and high first year costs which are not appropriately addressed through weighting payments.

5.8 There are currently no London weighting arrangements for bus drivers, whose pay and conditions are constrained by the outcome of the tendering processes for the delivery of bus services in London.

The committee therefore recommends that Transport for London should examine how London weighting can be appropriately included in transport workers' pay and should modify bus company contracts accordingly. This can help to maintain a more stable labour force and to ensure that inappropriate levels of costs are not passed on to publicly supported housing services. Cheap housing should not be a substitute for appropriate pay and conditions.

5.9 The committee also heard evidence on the adverse effect on bus driver retention of the lack of job security associated with the contract system.

In this context it is recommended that Transport for London addresses the issue of how to ensure greater stability of employment within the framework of short-term franchises.

#### **Golden hellos and retaining experienced staff**

5.10 The committee understands that many of the problems of recruitment, including those of access to accommodation are being addressed, often in quite costly ways (such as the use of bed and breakfast accommodation for some bus drivers). Most of the witnesses however also stressed the problems of retention often associated with the desired move to owner occupation. Those who provided housing as part of recruitment also highlighted the difficulties of finding appropriate 'move on' accommodation.

5.11 The second major area of concern, particularly with respect to retention, is the cost associated with competitive bidding for staff. There were strong feelings that all this process was doing was creating instability in the employment market for teachers, bus drivers and nurses, rather than increasing the pool of workers for London. Some of these problems can be addressed through a more effective London weighting - but there are important concerns about basic pay levels and access packages.

5.12 “Golden hellos” tend to be structured to aid recruitment rather than longer term retention. An important question is the degree to which assistance with housing can be one way of improving packages so as to assist retention. In part this is about access to appropriate rented housing. In part it is about ensuring that those in rented accommodation can then gain access to shared ownership schemes. But it is also about examining the possibilities associated with housing specific payments related to the length of stay in a particular job, location or sector. Such schemes can be built into shared equity schemes - generating for instance ‘sweat equity mortgages’ where bonus points can be associated with the length of time in the job or sector.

5.13 The committee recognises that such schemes are in the main a matter of individual negotiation. However there could be many more opportunities for housing related retention schemes and these should be explored.

**It is recommended that the Housing Corporation in association with employers, the Council of Mortgage Lenders and the Inland Revenue should develop model schemes and disseminate good practice.**

### **Using London’s labour force**

5.14 On average London still has higher levels of unemployment than in the rest of the country (7.5 per cent compared to 6 per cent in the country as a whole) and lower participation rates (74 per cent as compared with 79 per cent)<sup>1</sup>. Equally, key worker sectors are often losing out where employees have transferable skills. This is not just because pay is better elsewhere, but also because of the comparative terms and conditions of employment.

5.15 The committee heard evidence on the adverse impact of particular constraints on recruitment (for example the nationality requirements for police). The committee also learned about concerns relating to flexibility with respect to the working day and associated problems with child care. The increasing minimum standards for entry into the labour force and the mismatch between the skills available among the unemployed, non-participants and school leavers and what is now being required by employers are all important considerations. The committee also noted the problems with qualifications from outside the UK - especially with respect to teachers and the health service - and was particularly concerned by the evidence on the continuing problems of refugees in gaining access to work for which they had both qualifications and experience.

<sup>1</sup> Figures relate to 1999, Focus on London, Office for National Statistics, 2001.

5.16 Clearly there is a significant latent labour force already in adequate housing in London, especially in the social sector. A great deal is being done to promote participation. However, the committee suggests that more could be done, in particular by the London Development Agency, both to clarify the nature of the problems and, more importantly, to address this mismatch between Londoners' potential and actual employment opportunities. The committee also suggests that many employers have not adequately recognised the changing attributes of London's labour force in their recruitment criteria, and in their terms and conditions of employment.

5.17 The committee recommends that the question of better utilisation of the existing labour force to provide key services should be identified as a priority for the London Development Agency.

5.18 The committee also recommends that employers examine their recruitment and employment practices with respect to age, ethnicity, language, religion etc to ensure inclusion of all potentially qualified applicants.

5.19 Finally the committee strongly supports the Refugee Council and others working to bring refugees into the labour force as quickly as possible and stresses the very considerable contribution that these groups can make to the London economy. Central government should address this as an immediate priority.

## Housing Policies

5.20 Housing key workers cannot be at the expense of those in even greater housing need. The provision of key worker accommodation must be seen as complementary and additional to the supply required to meet more traditional housing needs - particularly the acute pressures of homelessness. To meet key worker requirements therefore implies not just increasing the available stock but also using the existing stock and currently available subsidies as efficiently as possible. We understand the challenges government and other agencies face in increasing the supply of affordable housing. Recent government initiatives, as outlined in the Green Paper on housing, are to be welcomed, but more needs to be done.

### Increasing the supply of affordable housing

5.21 The need to increase both the overall supply of housing and the proportion of that housing which is affordable cannot be overstated. The committee endorses the Mayor's Commission's recommendation that at least 43,000 additional homes per annum should be provided, of which 28,200 should be affordable. The committee is, however, concerned about how realistic these projections are and particularly about the capacity of the construction industry to deliver even the 19,000 new homes a year which the Mayor's Commission states is possible.

5.22 In particular there is strong support for the provision of homes for those on moderate incomes, unable to afford adequate accommodation in London. Key workers form an important group in this category. The Chair of the Commission acknowledged that the figure of 7,500 per annum quoted by the Mayor's Commission could be significantly higher.

5.23 The committee recommends that as part of the spatial development strategy, more work is undertaken to identify the relevant categories of households in need of sub-market housing, the numbers involved and the extent of assistance required.

5.24 In addition it calls for a detailed study to be undertaken of the effectiveness of different approaches to assisting key workers while achieving the best use of public resources - in other words flesh must be put on the bare bones of the sub-market concept. This work can best be led by the Housing Corporation in association with the Association of London Government.

5.25 The most immediate way of increasing the supply of affordable housing is through better use of Section 106 agreements. Much evidence was presented about the tension between achieving development and achieving a higher proportion of affordable housing. The committee also took particular note of the extent to which conditions vary between areas.

5.26 The committee supports the call for a detailed impact analysis of the proposed policy of a 50 per cent affordable housing requirement across London called for in the Mayor's Commission report. We doubt whether a 'one size fits all' policy will prove appropriate.

5.27 The committee also recognised with concern the tension between witnesses who accepted the idea of the increased planning requirement, but looked for it to be achieved through additional Housing Corporation funding and other subsidies, as compared to witnesses who thought that the proportions could be fully achieved through reduced land values. There was conflicting evidence on what was achievable. The committee noted that registered social landlords and others stressed the costs of competition among developers and registered social landlords which raise land values and reduce the affordable housing take. These issues should be addressed through the spatial development strategy.

5.28 The committee recommends that detailed work should be done within the spatial development strategy to develop the Mayor's Commission's recommendations. Robust evidence should be provided on the impact of achieving the proposed proportion of affordable homes on the extent of new development and on the sources of funding required to maintain viability.

5.29 To achieve adequate housing for all the emphasis in the spatial development strategy must be placed on ensuring that overall output levels are increased, not just on increasing the proportion of affordable dwellings - a higher proportion of a lower total is no use to key workers.

5.30 The spatial development strategy should specify guidelines based on the detailed impact analysis and the housing capacity study. These should address local conditions and the ways in which appropriate mixes of output can increase total provision and ensure financial viability. These should take account of existing tenure mix, subsidy implications and pan London requirements.

5.31 If London's housing needs are to be met there must be a clear pan London investment strategy implemented with full co-operation between boroughs, developers, registered social landlords and the Housing Corporation alike. The committee agrees that this can best be achieved through a London regional housing forum. Such a forum should be chaired by an independent chair, appointed through open competition and include representatives from all the agencies involved in the provision of affordable housing. The committee therefore recommends that a London housing forum, with an independent chair, appointed through open competition, be established as quickly as possible with the London Assembly playing a role in recruiting its members. The forum will be subject to the scrutiny of the London Assembly.

5.32 However efficiently used, the additional investment required to meet London's housing needs cannot be achieved from existing financing streams. The committee cannot stress too highly that there needs to be continued expansion in funding through the Housing Corporation, local authorities, regeneration funding and from employers. This is essential to the future of London.

The committee recommends that the boroughs should work together, and through the housing forum, to maximise the funding available to London on a pan London basis.

5.33 Of particular importance here is to be able to maximise the affordable housing take from public service land. Treasury rules have been a major constraint on enabling key employers to use their land to best purpose as opposed to the highest market valued use.

The committee recommends central government re-evaluates how the current rules are operating with a view to ensuring both greater provision of affordable housing and more rapid development of appropriate sites.

5.34 One of the responsibilities of the London housing forum should be to spread good practice about how the affordable housing needs of particularly pressured boroughs can be more appropriately met in other boroughs with the help of subsidy and nomination rights. This problem must be addressed more consistently across London if adequate provision is to be achieved.

5.35 A particular area of concern for the committee was how to speed up the process of ensuring rapid development of large sites especially where many agencies, and sometimes boroughs are involved.

The committee recommends that the London housing forum takes a leading role in monitoring progress and identifying constraints on the rapid and effective development of these sites. In the light of this evidence the forum should make recommendations to the spatial development strategy.

5.36 The committee heard a range of evidence on the need for greater Housing Corporation flexibility with respect to the total cost indicator - the figure which the Corporation uses to determine how much grant to provide for each housing association home built. The committee welcomes the Corporation's assurance that there was a great deal of potential for such flexibility.

However the committee recommends that the Housing Corporation should be more transparent and should more clearly take account of both the real costs of development and the house prices that lower income households face. The implicit trade offs between assisting the development of mixed communities in high cost areas and minimising costs of development should also be made more explicit.

### Employer Involvement in Provision

5.37 The committee welcomes the evidence from the health service and from Peabody Unite about the increasing emphasis on providing accommodation for new entrants. We were also glad to see evidence of increased willingness among employers to be involved in developments for key workers at entry level.

5.38 However a growing proportion of what is provided is only suitable for shorter term accommodation for those arriving in London. There is very little accommodation for more mature and family households or capacity to use housing as an effective incentive to retention. Experience suggests that it is not appropriate for such housing to be directly provided by individual employers or to be tied to employees currently working within a single London borough. On the other hand, especially given the decline in their role as landlords, employers should expect to play a more positive role in ensuring that employees are adequately housed. The recruitment and retention problems they face cannot be solved unless they recognise this and the reasonable aspirations of their staff.



5.39 The committee recommends that as the principle funder of housing association developments the Housing Corporation should take the lead in developing good practice in brokering partnerships between registered social landlords and employers. These must both ensure that nomination rights provide value for money for employers, and that arrangements are flexible enough to enable housing associations to fill properties effectively.

5.40 The policy should be enunciated at a pan-London level through the London housing forum and should encourage pooling of resources so that the key worker housing provided is available to a range of key workers rather than being restricted to specific groups.

5.41 It is recognised that this raises difficult issues of how to maximise the funding available, especially when this is coming from specific budgets.

London boroughs, public agencies and the private sector alike must be encouraged to be as flexible as possible to ensure the best use of potentially available resources. In particular, best value criteria should be amended to ensure that they reflect underlying realities of effective partnering.

5.42 The aspirations of many key workers can only be achieved through owner-occupation. Providing access to some form of home ownership is essential to improve the rate of retention particularly among teachers and police. Given the high price of housing in London this will often necessarily mean some form of shared equity. There are sundry forms of shared ownership and shared equity schemes, but these are often complex and confusing. The committee heard evidence on the difficulties associated with shared ownership and the lack of standardisation of contractual and funding arrangements.

5.43 It is clear that shared equity schemes - where the holder of the other share may be a housing association, an employer, a developer, an agency or a private financier - provide one of the best ways forward. They give households access to the same freedoms and capital gains, as they would obtain elsewhere in the country. They can make owner-occupation a possibility in many areas of London and they give the potential for recycling subsidy to the next generation of key workers. But for them to play this role and for mortgage lenders to view them more positively, schemes must be simpler and more transparent. They also need to be promoted so that people know exactly what they are buying into and better understand the opportunities available.

5.44 The committee recommends that shared ownership schemes should be modified so that they are flexible enough to allow very small proportions to be purchased.

5.45 In addition work should be undertaken by mortgage lenders, the National Housing Federation and the Housing Corporation to develop a simplified model scheme that helps households appreciate that they are able to achieve similar benefits to those they can achieve from full ownership in cheaper parts of the country. This should clarify and standardise terms and conditions to make them more acceptable to retail, and potentially to wholesale lenders.

5.46 Greater emphasis must be placed on schemes where the employer or another party - such as a pension fund, developer or insurance company - retains a share of the equity so that it can be recycled to assist another household when the original purchaser moves on. Such shared equity schemes have the benefit of putting the employee in a similar position to that which (s)he would be in another part of the country and so aids retention. Detailed analysis, supported by central government, is required on the specific terms and conditions most suited to particular groups of key workers and to questions such as tax liability.

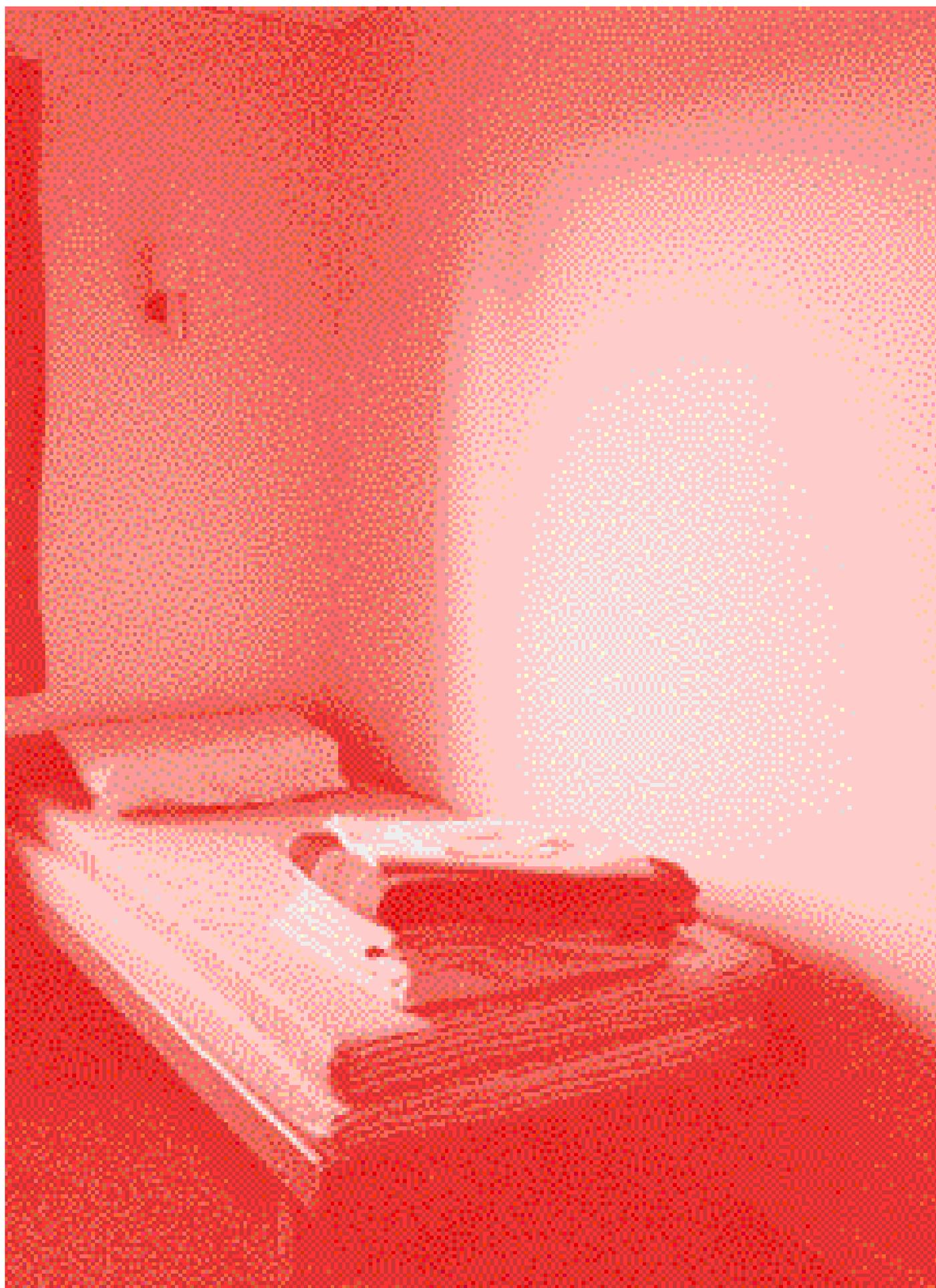
5.47 The committee also calls for a broader study of the range of possible financial instruments be undertaken drawing on good practice across funders, employers and overseas experience. This study could appropriately be sponsored by either central government or the Housing Corporation.

### **The Starter Home initiative**

5.48 The new government programme for Starter Homes provides an important, if limited, funding contribution to the problems we have identified. We do not think enough attention has been paid to London specific issues. The national distribution of that funding should reflect the particularly acute affordability problems faced by key workers in London. Evidence to the committee makes clear that key services in London face by far the greatest difficulties.

5.49 The emphasis in the Government's guidance is strongly on recruitment. The committee has identified retention as an equally if not more important problem. The committee recommends that, given the overwhelming need to retain experienced key workers in London, the cost limits, suggested in the guidance, should be relaxed so that reasonably priced family sized housing is not excluded.

5.50 The committee supports the London boroughs in bidding for the largest possible share of the existing funding. It calls on the Government to monitor the initial programme particularly with respect to potential exclusion of family housing and to modify the guidance to ensure that housing which aids retention can be included. Finally we request central government, as soon as initial findings are available, to review the overall budget with the object of increasing allocations to alleviate the housing problems facing key workers in London.



# Appendix 1

## Affordable Housing Scrutiny Committee Programme

### Meeting 1, 4 October 2000

#### Witnesses:

Christine Whitehead	Professor of Housing, London School of Economics
Tony Travers	Director of London Government Group, London School of Economics
Sukey Montford	Researcher, London School of Economics
Jon Rosser	Director, London Region, Southern Housing Group
Shelley Adams	Chief Executive, West London Training & Enterprise Council

### Meeting 2, 12 October 2000

#### Witnesses: Police

Peter Edwards	Acting Clerk, Metropolitan Police Authority
David Willis	Principal Estates Surveyor, Metropolitan Police Service
Mike Shurety	Head of Personnel, Metropolitan Police Service
Barry Scales	Project Manager Anti-Drugs Project, Dalston Police Station
Malcolm Tillyer	Chief Inspector of Operations, Peckham Police Station

#### Witnesses: Health

John Yates	NHS Housing Co-ordinator, National Health Service
Paul Harris	Accommodation Manager, University College Hospital NHS Trust
Helen Cunningham	Deputy Director of Personnel, East London & City Mental Health Trust
Cathe Gaskell	Director of Nursing, East London & City NHS Trust
Vivien Rhodes	Director of Nursing & Operations, Lewisham NHS Trust

### Meeting 3, 19 October 2000 at 10am

#### Witnesses: Transport

Joyce Mamode	Board Member of Transport for London and Vice Chair of Transport for London's Bus, Taxi and River Services Board
Paul Everitt	Head of Personnel, Arriva Bus Company, Wood Green
John Trayner	Manager, Arriva Bus Company, Wood Green
Neil Colston	Operations Manager Recruitment and Training, Metroline Bus Company, North Wembley Bus Garage

#### Witnesses: Education

Christine Whatford	Chief Education Officer, London Borough of Hammersmith and Fulham and Chair of London Chief Education Officers Group
Mike Walker	Assistant Director, Employers' Organisation
Sue John	Headteacher, Lampton School, Hounslow
Dame Helen Metcalf	Headteacher, Chiswick Community School
Michael Russell	Headteacher, Edward Redhead Junior School, Walthamstow

# Appendix 1

## Meeting 4, 2 November 2000

### Witnesses: London Weighting

Dave Statham	Researcher, Labour Research Department
Stuart Young	Head of Employee Relations, Greater London Employers Association
Graham Baird	Negotiator for Police Negotiating Board, Employers' Organisation
Phil White	Assistant Secretary, Police Negotiating Board, Employers' Organisation

### Witnesses: Police Nurse and Transport Unions

John Barrie	Joint Secretary, Metropolitan Police Federation
Dee Borley	Adviser, Royal College of Nursing
Oliver Richardson	Regional Industrial Organiser, Transport and General Workers Union

### Witnesses: Teachers Union

Tim Harrison	London Region Secretary National Union of Teachers
Pam Tatlow	London Regional Officer, National Association of Schoolmasters and Union of Women Teachers (NASUWT)
Alan Homes	National Executive Member, NASUWT

## Meeting 5, 8 November 2000

### Witnesses: Local Authorities

Simon Devitt	Housing Association Manager, Westminster City Council
Frances Mapstone	Acting Assistant Director, Housing, Westminster City Council
Mike Fairmaner	Principal Planning Officer, Westminster City Council
Tony Burdett	Head of Chesterton Research, Chestertons
Ken Jones	General Manager, Needs and Advice, London Borough of Barking and Dagenham

### Witnesses: Registered Social Landlords

Dino Patel	London Policy Officer London Housing Federation
Jerry Gilbert	Partner, Ark Consultancy
Paul Hayler	Partner, Ark Consultancy
Dave Woods	Assistant Director of Procurement, Notting Hill Housing Group
Peter Redman	Chief Executive of Notting Hill Housing Group and Chair of London Housing Federation
David Tannahill	Head of Commercial Initiatives Peabody Trust

## Appendix 1

### Meeting 6, 29 November 2000

#### Witnesses: Housing projects

Charmaine Young	Regeneration Director, St George
Wayland Pope	Specialist Project Director, St George
Ian Lindsay	Head of Strategic Services, London Borough of Hammersmith and Fulham
Barbara Perry	Housing Strategy Manager, London Borough of Hounslow
Louis Gabriel	Housing Association and Initiatives Officer, London Borough of Hounslow
Nicola Wheatcroft	Senior Planner, London Borough of Hounslow
Hattie Llewlyn-Davies	Chair of "Keep London Working" SRB Project and Peabody Trust Governor
Dickon Robinson	Director of Development and Technical Services, Peabody Trust
Tim Butler	Managing director, Peabody Unite
Steve Logie	New Business Manager, Peabody Unite

#### Witnesses: Finance and mortgage specialists

Peter Williams	Deputy Director-General, Council for Mortgage Lenders
Dean Garrett	Economist, Council for Mortgage Lenders
George Lemos	Specialist Financial Adviser, Freud Lemos

### Meeting 7, 13 December 2000

#### Witnesses

Marie Winckler	Deputy Chief Executive London Development Agency
Cllr Tony Newman	Chair, Association of London Government Housing Committee
Cllr Lisa Homan	Deputy Chair, Association of London Government Housing Committee
Cllr Thomas Fairhead	Vice-Chair, Association of London Government Housing Committee
Duncan Bowie	Housing Policy Officer, Association of London Government Housing Committee
Derek King	Regional Director, Housing Corporation
June Dawes	Deputy Regional Director, Housing Corporation
Chris Holmes	Chair of Mayor's Housing Commission and of Shelter
Deborah O'Dea	Director of Human Resources, St. Mary's Hospital, Paddington

In addition the Scrutiny Committee held two meetings on 19 July 2000 and on 14 September 2000 without witnesses.

## Appendix 2

### Housing, households, employment and the need for affordable housing in London

#### 1.0 The Current position

1.1 The housing stock in London is made up of just over 3 million dwellings. Within this total some 56 per cent of dwellings are owner-occupied, 27 per cent in the social sector and 17 per cent in the private rented sector. This compares to 67 per cent, 22 per cent and 11 per cent respectively in Great Britain. The proportions vary greatly across the capital, particularly between inner and outer London, with especially low levels of owner-occupation in some boroughs in East London.

1.2 The numbers of households and dwellings are almost in balance and moving towards absolute deficit. This implies a considerably tighter housing market than at the beginning of the 1990s (Table 1.1). Vacancy rates run at around 3.7 per cent. They are relatively high in the private sector, as they have been at least over the last century. Social sector vacancy rates are low at around 1.8 per cent.

**Table 1.1 Dwelling and households in London 1971 - 1996 (thousands)**

	<b>Dwellings</b>	<b>Households</b>
1971	2,555	2,705
1981	2,682	2,635
1991	2,927	2,841
1996	3,101	3,002

Sources:

Regional Trends 1999, Table 6.1

Projections of Households in England to 2016

Projections of Households in England to 2021

1.3 The population of London has been increasing over the last decade in the main as a result of natural increase. Net migration has been close to zero, with large numbers of international immigrants - including asylum seekers and visitor switchers and almost equal numbers of out migrants to the South East and the rest of Britain (Table 1.2). In the last couple of years, however, net migration has become significantly positive. This trend is thought to be set to continue putting additional pressure on London's housing stock.

#### 2. Projected increases in households in London

2.1 There are a number of available estimates of the numbers of households projected to live in London over the next decade. Table 2.1 shows the projected increase in households in London between 1996 and 2016 according to the official 1993 and 1996 based projections and the housing demand and need projections.

**Table 1.2 The make up of population change in the 1990s (thousands, 1997)**

<b>Starting population (1991 mid year)</b>	<b>6,889.9</b>
Natural change	229.1
Net migration	-190.0
(of which international migration)	(+87.8)
Asylum seeker and visitor switchers	178.5
Total migration	-16.5
Other changes	+19.6
<b>Final population</b>	<b>7,122.2</b>

Sources: Derived from focus on

London 2000, HMSO 2001

## Appendix 2

2.2 The housing demand and need projection made by Alan Holmans gives the highest estimate, although the GLA estimate is also higher than those available from the government. To achieve either estimate is likely to generate major capacity problems. London almost certainly cannot house that increase without a sharp worsening in housing conditions. One possibility is to make additional large scale sites available. The likely scenario, however, is further out migration and therefore commuting.

### 3. Commuting

3.1 Within the past 20 years, the extent of commuting into London appears to have fluctuated between about 400 thousand and 700 thousand workers, in a pattern directly linked to relative rates of employment growth (particularly for non manual jobs) within London and in its hinterland. Indeed, for office type jobs around 90 per cent of the impact of fluctuations in London employment (relative to trends outside) appears to be absorbed by commuting adjustments of this kind.

3.2 From a London perspective this has a double significance. On the one hand, it reflects the fact that residents from the areas of relatively high unemployment within London tend to lose out in competition for jobs with those living in the rest of the South East. On the other hand, it indicates the contribution of a relatively elastic labour supply from the hinterland in allowing employment growth to be achieved in London during periods of rapid expansion.

**Table 2.1 Projections of households in London 1996 and 2016 (thousands)**

	1996	2016	Increase
1992 based (DoE)	2,986	3,471	+485
1996 based (DETR)	3,002	3,520	+518
1998 based (GLA)	3,002	3,590	+588
1998 based	3,002	3,704	+702

## Appendix 2

3.3 Other longer term influences on levels of movement include the continuing stream of outward residential moves by people who continue (for some period at least) to work within Greater London. Such moves also show fluctuations in response to the strength of housing demand, house price differentials inside/outside London and (probably) shifts in transport cost, relative to the general cost of living.

3.4 More qualitative evidence on the role of commuting in the London labour market is available from London TEC Council's 1998 street based London Skills Survey, which reveals substantial differences in terms of London workers' likelihood of commuting in from outside the city in relation to:

- Age, ethnicity, gender and type of job: with substantially higher rates of commuting among older, white, male, full time employees;
- Occupation: with the highest commuting rates among managers/administrators (rather than professionals) and the lowest among unskilled manual, personal, protective services and sales workers;
- Employment sector: with the highest in commuting rates among financial service workers based in central London and the lowest among other services (notably education, health/social work and hotel/restaurants);
- Educational qualifications: with the highest commuting rates among those with level 3 (ie A level rather than degree) qualifications and the lowest among those with none; and
- Area of employment/interview: with higher in-commuting rates in central London and the corridors to the east and west.

3.5 More specifically, the survey indicates that around 90 per cent of those in health, education and social welfare professions (with a higher figure for nurses), road transport operatives and those in security/protective services, actually live in Greater London.

3.6 Information on housing tenure available for a sub sample showed a great diversity of situations among these groups between the professionals (with about half of the London residents in owner-occupation), associate professional/members of the protective services (each with a third in owner-occupation and another third in public rented accommodation) and the non qualified groups (with a majority in social housing).

### 4 Employment patterns

4.1 On the employment side, current levels of employment have only just been maintaining the levels of a decade ago (Table 41), although there has been considerable growth in the last couple of years. This has led to skill shortages. In addition to these shortages associated with the economic cycle, there is longer term concern that labour supply will fall structurally behind demand in the latter part of the decade, not only in London, but across much of the country.

## Appendix 2

**Table 4.1 Employment change by sector,  
1987 - 1997**

Sector	Greater London South East region		Great Britain		
	000s	%	000s	%	%
Primary	1	22	-53	-67	-73
Engineering	-92	-54	-201	-33	-16
Paper, printing	0	0	-7	-3	-1
Other manufacturing	-72	-40	-114	-26	-14
Utilities	-22	-73	-39	-53	-42
Construction	-27	-20	-20	-6	-5
Wholesale	-10	-4	70	14	18
Retail	17	5	111	16	18
Catering	47	29	93	27	22
Air	0	-1	19	31	32
Other transport	-11	-6	-3	-1	4
Finance	-16	-5	3	1	4
Professions	5	6	13	9	14
IT, R&D, Telecom	17	14	95	39	34
Business Services	-90	-30	-136	-24	-21
Government					
Education	19	10	43	8	14
Health	1	0	53	8	20
Recreation/culture	13	11	34	17	14
Other community	13	18	48	35	24
<b>Total</b>	<b>-49</b>	<b>-1</b>	<b>391</b>	<b>5</b>	<b>5</b>

Source: Census of Employment data from NOMIS

Note: These sectoral employment change estimates are based on the splicing together of data for 2 sub periods, 1987 - 91 and 1991 - 97, using classifications from the 1992 SIC for the latter and the closest available approximation from the 1980 SIC for the former

## Appendix 2

### 5 Need for affordable housing

5.1 The GLA's estimate of the need for affordable housing has two parts: meeting "emerging (new) need" and reducing existing need (also termed the backlog). The assumption made is that the backlog is to be reduced by 10 per cent a year. Emerging need, equivalent to "newly arising need" in Housing Demand and Need is generated in GLA's calculation entirely by the increase in households. The tenure of the annual net increase in households in the GLA's calculation and the figure for annual need for affordable housing derived from it, is shown in Table 5.1.

5.2 It may be noted that replacement of demolitions and other losses from the stock (eg two into one conversions, changes in the number of secondary residences) and changes in vacant dwellings do not appear in the calculation.

5.3 The estimate of need for affordable housing in Housing Demand and Need is of "newly arising need" only, ie no provision is built in for reducing the backlog. The estimate is made by dividing the net increase in households into "affordable" and market housing, then adding back transfers of households from social renting to owner-occupation by purchase as sitting tenants (included in the market housing total but not releasing dwellings for letting to new tenants) and then adding provision for replacing losses and for increases in vacants.

**Table 5.1 Tenure of net increase in households in London and annual need for affordable housing**

<b>(a)</b>	<b>Total net increase in households</b>	<b>31,800</b>
(b)	Market housing	14,800
(c)	Natural growth in need for affordable housing	7,500
(d)	Replacement for sales of social rented housing	2,000
(e)	Extra need for affordable housing due to changes in the housing market	2,500
(f)	Target for extra intermediate housing	5,000
<b>(g)</b>	<b>Emerging need for affordable housing</b>	<b>17,000</b>
	<b>(= (c) + (d) + (e) + (f))</b>	
(h)	Reduction in backlog (10% a year of starting total)	11,200
<b>(i)</b>	<b>Total annual need for affordable housing</b>	<b>28,200</b>
	<b>(= (g) + (h))</b>	

Source: Alan Holmans Demand and Need in England, forthcoming publication

## Appendix 2

**Table 5.2 Newly arising demand and need in London 1996 - 2016: 1998  
Based (thousands)**

	<b>Market sector</b>	<b>Affordable housing</b>	<b>All tenures</b>
Net increase in occupied main residences (equal net increase in households)	+529	+173	+702
Effect of transfers between tenures	-139	+139	0
Secondary residences	+16	0	+16
Vacants	+16	+6	+22
Replacement for demolitions and other losses	+91	+43	+134
<b>Total</b>	<b>+513</b>	<b>+361</b>	<b>+874</b>
(Annual average equivalent)	26	18	44

Source: Alan Holmans Demand and Need in England, forthcoming publication

5.4 These estimates generate a requirement for affordable housing of some 18,000 dwellings per annum. The net increase in main residences, equal by definition, to the net increase in households, when adjusted for the effect of sitting tenant sales is divided in proportions 56:44 between market and affordable housing, compared with 47:53 in the GLA estimate. That the totals of newly arising need for affordable housing are so similar, 17,000 and 18,000, is due to chance.

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- I R Gordon (1996)  
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Population and Labour Market Developments in Greater London and the South East Region 1981 - 1999 and Developments in London's Regional Hinterland During the 1980s and 1990s in London - New York Study, Corporation of London
- A E Holmans (2001)  
Housing Demand and Need in England 1996 - 2016 (forthcoming publication)

## Appendix 3

### House prices, housing costs and incomes

#### 1 House prices

1.1 Figure 1.1 sets out regional trends in house prices for dwellings purchased by first time buyers, for the years from 1983 to 1999. House prices in London are substantially higher than in all other regions in the country. Secondly the extent to which house prices in London are higher than in other parts of the country varies very substantially over the economic/housing market cycle.

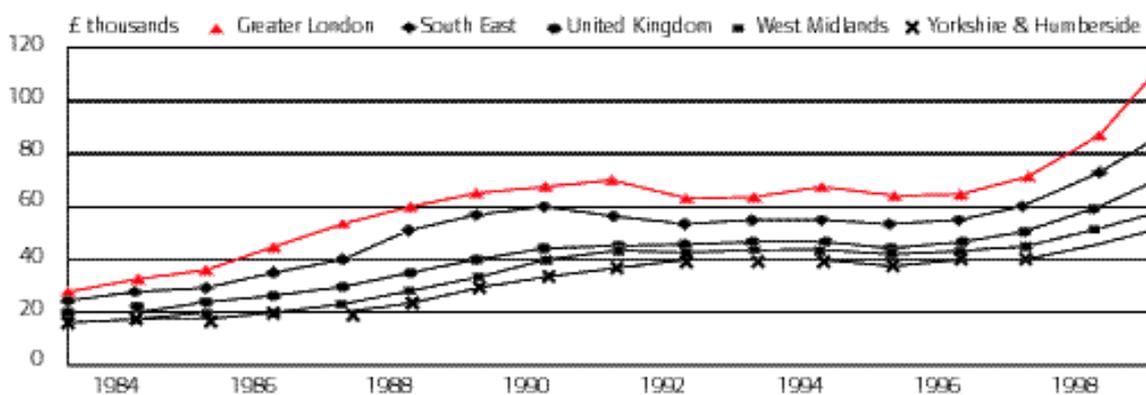
1.2 This can be readily illustrated by comparing house prices in London with those in the Yorkshire and Humberside region. Over the last 30 years house prices in London have been, on average, some 80 per cent higher than prices in Yorkshire and Humberside. However in 1999 house prices in London were some 125 per cent higher. While this is well above the average differential, it is not as great as in 1988, at the peak of the last housing market cycle, when the difference was over 150 per cent. In contrast during the "troughs" of the housing market cycle prices in London have been little more than 50 per cent higher than in Yorkshire and Humberside, and in 1993 they were just below that level.

#### 2 Earnings

2.1 Figure 2.1 sets out regional trends in average earned incomes for all adult earners from 1970 to 1999. Again there are two immediate observations that can be made. Firstly, while earnings levels in London are also higher than in other parts of the country, the extent of the differentials in earnings are far smaller than is the case with respect to house prices, as can be seen in Figure 3.1 Secondly the regional differentials in earnings levels fluctuate far less over the course of economic cycles.

2.2 Again these relationships can be readily illustrated by comparing earnings levels in London with those in the Yorkshire and Humberside region. Average adult earnings in London over the thirty year period have been 30 per cent higher than those in Yorkshire and Humberside. Average adult manual earnings have been just 12 per cent higher over the same period, reflecting growing income differentials across skills groups.

Figure 1.1 House prices by region



Source: CML/DETR Survey of mortgage lenders

## Appendix 3

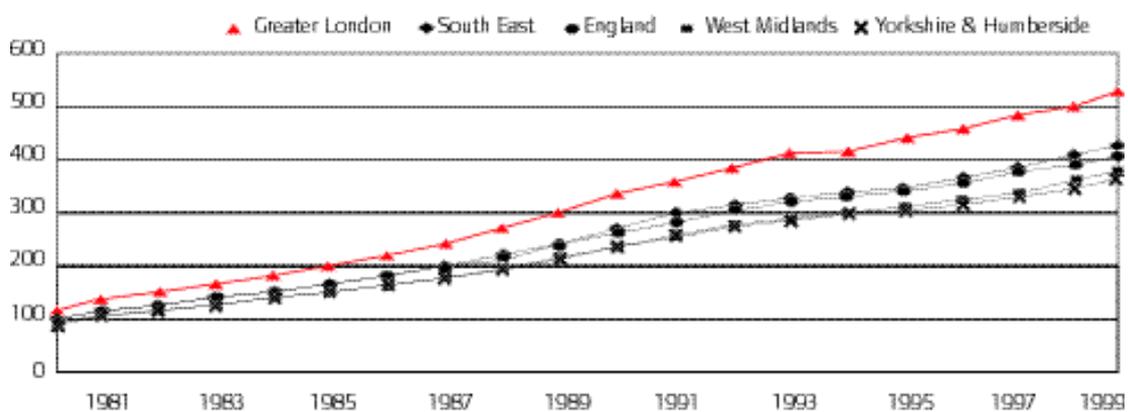
2.3 These different profiles of regional house prices and earnings over the years provide the basic context for concerns about the ability for moderately paid public sector workers to access the private housing market in London. House price to earnings ratios are generally far higher in London than in other parts of the country, and during the peak years of economic and housing market cycles house prices in London increase even more sharply relative to earnings. At the same time if essential public services are to be maintained then employers need to be able to retain and attract new staff in years of rapid economic growth, as well as in those years when the economy is more sluggish.

2.4 However, while the current differentials between London and the rest of the country are particularly high because of the stage of the economic cycle, there is an underlying structural problem over the whole cycle.

### 3 House purchase costs and household incomes of first time buyers

3.1 If the high, and volatile, ratio of house prices to earnings are fundamental parameters of the acute affordability constraints in the private housing market in London, there are also other important determining factors. The relationship between house prices and mortgage repayment costs is mediated by interest rates and tax policy. The relationship between earnings and the incomes of house buying households is mediated by the employment characteristics of adult household members, and by the constrained choices that define those households that become home buyers.

Figure 2.1 Average gross weekly earnings of all full time adult employees



Source: New earnings survey

## Appendix 3

3.2 The interrelationships between these factors can be seen in Figure 3.2. Over the years from 1983 to 1999 both house prices and mortgage repayments have risen more rapidly than average earnings; and even more so when compared to average manual earnings. One factor underlying this long term divergence between average earnings and house prices and mortgage repayments is the growing proportion of dual earner couples among home buying households. In 1962 just a third of all home owner working households comprised dual earners; by 1982 45 per cent were dual earners, and by 1993 virtually a half were dual earners<sup>1</sup>.

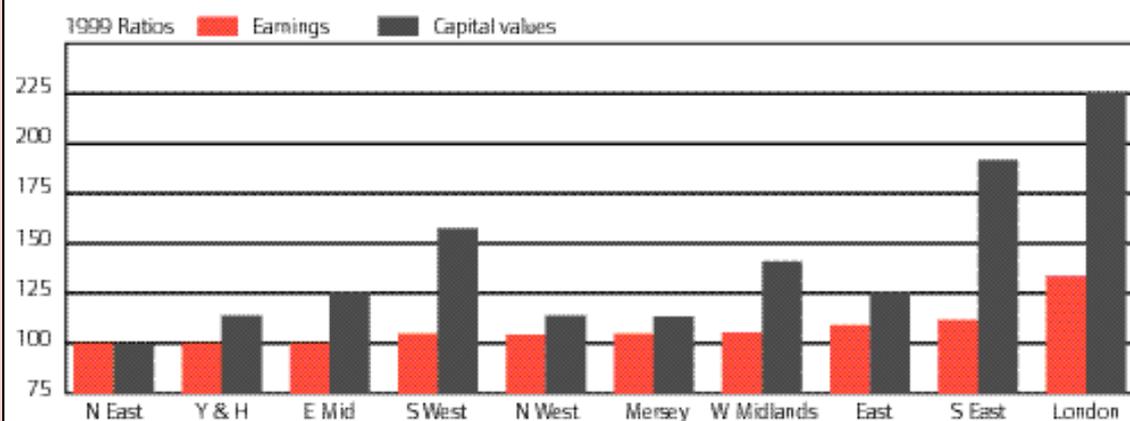
3.3 Given the far greater divergence between average earnings and mortgage costs in London, it follows that multiple earned incomes are even more likely to be required if households in moderately paid employment in the capital are to be able to access the home owner sector. In the context of a low inflation economy it should also be noted that mortgage repayment to income ratios are now eroded relatively slowly. Households that rely on dual incomes to enter the home owner sector tend to remain dependent on maintaining their dual incomes over a longer period of time in order to meet their mortgage commitments over the lifetime of their mortgage contract.

3.4 Figure 3.2 also clearly shows the strong cyclical factor involved in the affordability of house purchase in London. However it is notable that, while in the housing market boom a decade ago mortgage repayment costs diverged from earnings to a greater extent than house prices, in the more recent cycle house prices have diverged to a greater extent than repayment costs.

3.5 Indeed the house price rises in 1998 and 1999 were partly a market response to falling interest rates. This can also be seen in Figure 3.3, which shows that in London, and in other regions, the relationship between repayments costs and the incomes of new first time buyer households have remained quite stable despite the double digit rise in house prices in each of the last three years.

3.6 It should also be noted that over the last three years the average incomes of new home buying households increased far more rapidly than average earnings. While the average incomes of new first time buyers in London rose by 40 per cent between 1996 and 1999, average earnings rose by just 15 per cent. Thus the cyclical accentuation of affordability issues in London over this recent period was primarily expressed through the increased barrier to moderate income households entering the sector, rather than by higher mortgage repayment to income ratios for those still able to purchase.

**Figure 3.1 Regional earnings and capital value differentials**



Source: New earnings survey and CML/DETR Survey of mortgage lenders North East =100

<sup>1</sup> Table 9.6, Housing in England, H Green & J Hansbro, Office of Population, Census and Surveys, HMSO, 1995.

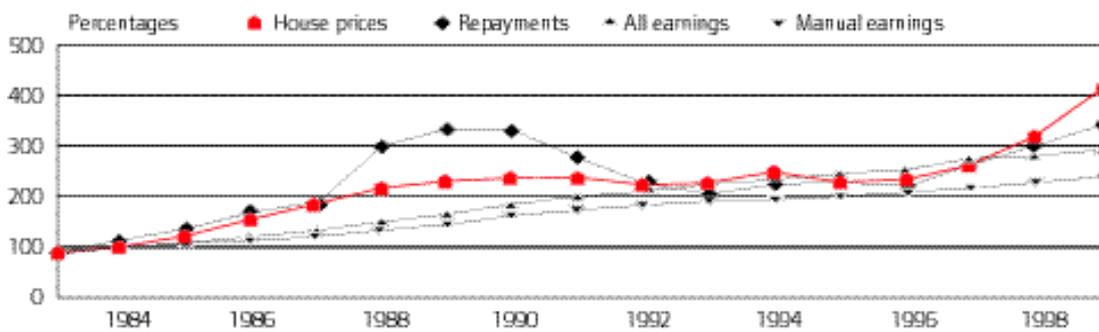
## Appendix 3

### 4 Variations within London

4.1 There are also very substantial variations in both house prices and earnings within London. Figure 3.2 shows that in 1998 even lower quartile house prices represent over nine times average (median) earnings in Kensington and Chelsea. In contrast lower quartile house prices are less than three times earnings in Barking and Dagenham and in Waltham Forest.

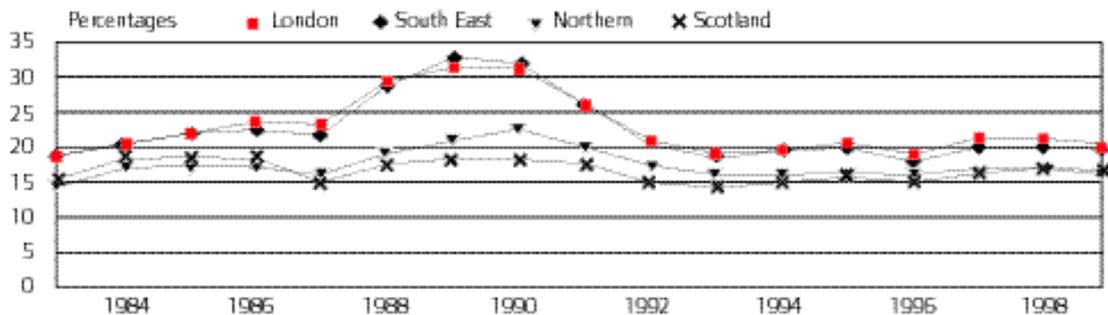
4.2 These figures suggest that, while there are locations in London where households on moderate incomes can afford to buy, they will often be far from where they work.

**Figure 3.2 Trends in London earnings, house prices and mortgage repayments**



Source: New earnings survey and CML/DETR Survey of mortgage lenders

**Figure 3.3 Regional mortgage cost to income ratios of first time buyers**



Source: As above. Mortgage costs calculated on basis of conventional 25 year annuity

## Appendix 4

### Results of keyworker workplace survey

#### 1 Aims and methodology

1.1 The aims of the survey were to build up a picture of the current situation and some of the future plans of key workers as regards their employment and housing. While not formal enough to allow the application of statistical testing, it is a useful supplement to evidence from witnesses to the committee. The situation of keyworkers as a whole and of the four different occupations that made up the committee were examined.

1.2 An employment location in inner London and outer London borough was chosen for each of the four groups. For three groups there was one place of employment for each location; for teachers both a secondary and primary school in each location was selected, giving a total number of ten workplaces.

1.3 Questionnaires were distributed through a contact person in each workplace by a variety of means. For example, in one school the questionnaires were handed out at a staff meeting; in a police station, questionnaires were posted to named officers. One workplace, the outer London bus garage, failed to distribute any questionnaires.

1.4 In all 600 questionnaires were distributed and 205 were returned within the specific timescale - a response rate of 34 per cent, which is usual for this type of survey and certainly adequate to build up the scenarios which make up the picture required. Twenty five questionnaires were excluded from the analysis because they had been filled in by people in related occupations, or by people with managerial responsibility, leaving 180 valid responses on which these results are based.

#### 2. Key Findings

##### Pay

2.1 Nearly half the respondents to our survey (44 per cent) earned less than £20,000 and 70 per cent earned less than £25,000. However pay varied widely between the four occupations, with bus drivers the least well paid. Whereas no bus-driver earned more than £20,000, only 2 per cent of police officers did not earn this amount.

**Table 1 Earnings per annum for different occupations**

Salary band	percentage of each occupation within salary bands			
	Bus drivers	Nurses	Teachers	Police
£10,000 - £14,999	80	17		
£15,000 - £19,999	20	74	21	2
£20,000 - £24,999		9	43	33
£25,000 - £29,999			30	35
more than £29,000			6	30

## Appendix 4

### Current housing situation and aspirations of keyworkers

2.2 Nearly half (46 per cent) of the respondents to the survey were owner-occupiers, 12 per cent were in social housing and 31 per cent in owner occupation. Again, a clear result of the workplace survey was that there were large differences between the occupations in terms of housing. For example, where as 40 per cent of bus-drivers lived in local authority or registered social landlord accommodation, no police officers did. For owner occupation these occupations were 12 per cent and 67 per cent respectively. Nurses and teachers were in between these two occupations, with teachers resembling police officers more closely.

2.3 Additionally, age was closely related to tenure. People moved from private renting to owner occupation or social housing as they get older. The large percentage of people over 55 in social housing reflects the large number of bus drivers in this age group, most of whom were in social housing.

2.4 Owner occupation was very related to income. The difference between occupations, to a substantial degree probably reflected differences in income rather than differences in the occupations per se. The proportions rose from 11 per cent owner occupation of those who earned less than £15,000 to 95 per cent of those who earned over £30,000. Equally nobody earning over £25,000 lived in local authority or registered social landlord accommodation.

2.5 More key workers were very or fairly satisfied with their accommodation (59 per cent) than fairly or very dissatisfied (22 per cent). Those keyworkers who were owner-occupiers are the most satisfied with their accommodation, while those in social housing were the least satisfied. This is important when considering social housing solutions for keyworkers' accommodation problems. There were too few respondents in other types of tenure, for example employer provided housing, to give meaningful results.

2.6 Satisfaction with accommodation by occupation also followed tenure which itself followed pay. Bus drivers were the least satisfied, and the police the most satisfied.

2.7 Satisfaction with accommodation by location was also related to tenure. More people were satisfied with their accommodation who worked in outer London again at least in part reflecting increased levels of owner occupation.

**Table 2 Tenure by occupation**

Type of tenure	percentage of each occupation within different tenures			
	Bus drivers	Nurses	Teachers	Police
Council or RSL	40	20	4	0
Rented, private landlord	28	39	32	24
Owner occupation	12	26	56	67
Rented, employer, time limited	0	9	0	4
Rented, employer, time unlimited	0	4	0	0
Shared ownership	0	0	2	2
Other	16	0	0	2
Living with family	4	2	7	1

## Appendix 4

**Table 3 Tenure by age**

Type of tenure	percentage in each age group with different tenures				
	18-24	25-34	35-44	45-54	55 plus
Council or RSL	0	8	21	17	67
Rented, private landlord	75	38	12	13	0
Owner occupation	6	38	56	65	33

2.8 Seventy-six per cent of respondents said they wanted to move in the next three years. Sixty-five per cent of non-owner occupiers gave 'to become an owner occupier' as a reason to move. There were again differences between occupations as to what percentage gave becoming an owner-occupier as a reason for wanting to move. However it seems likely that this was because of the likelihood of being able to become an owner occupier, rather than a lack of desire: to some extent, then, people were realistic in their aspirations. Thus, while 41 per cent of non-owner occupier bus-drivers who wanted to move within the next three years gave owner occupation as a reason, 93 per cent of police officers did. These figures support evidence that was heard from witnesses, for example that police officers will not live

in council estates, that nurses want to live closer to work (nurses were more likely than any other occupation to want to move in the first place), that police officers are concerned about the kind of area they live in. The higher number of bus drivers wanting to move because of increased family size reflected the greater amount of overcrowding experienced by this group.

**Table 4 Tenure of home by income**

Type of tenure	percentage of each income bracket within different tenures				
	£10,000 - £14,999	£15,000 - £19,999	£20,000 - £24,999	£25,000 - £29,999	over £29,000
Council or RSL	36	18	4	0	0
Rented, private landlord	29	45	32	20	5
Owner occupation	11	24	51	74	95

## Appendix 4

**Table 5 Satisfaction with accommodation by tenure**

Type of tenure	percentage of each occupation within different tenures					
	Very satisfied	Fairly satisfied	Neither satisfied or dissatisfied	Fairly dissatisfied	Very dissatisfied	No opinion
Council or RSL	10	24	24	5	33	5
Rented, private landlord	15	33	26	20	6	2
Owner occupation	38	39	11	7	5	0

### Commuting Patterns

2.9 Commuting behaviour showed a mixed picture. Nearly half of respondents (46 per cent) lived five miles or less away from where they worked) although over a quarter (26 per cent) lived more than ten miles away, highlighting the importance of commuting for keyworkers. Again, the evidence reflects the general picture of nurses wanting to live near their work, but police officers who are the ones with the most choice about where they live (unless this is because they are ones with the least choice about where they work) not wanting to do so. However, the hypotheses that it is only people who work 9-5 who are prepared to commute is not consistent with the evidence. Not just the police but also nurses were likely to commute further than average and teachers are quite unlikely to live very far from where they work. The higher numbers of nurses who commuted may reflect lower levels of pay and therefore less choice about where to live as they were more likely to want to move closer to work, see below.

### Jobsearch plans and likelihood of leaving London

2.10 Most keyworkers (61 per cent) were very or fairly satisfied with their jobs, while only 20 per cent were fairly or very dissatisfied. While police officers were clearly the best paid and best housed, they were also the least satisfied with their jobs. This indicates that solutions to police recruitment problems may be less about housing than about other terms and conditions.

**Table 6 Desire to change accommodation**

	percentage of each occupation			
	Bus drivers	Nurses	Teachers	Police
% of all respondents who want to move in the next 3 years	78	96	77	60

## Appendix 4

2.11 Although police may be least happy with their jobs, they were also least likely to say that they intend to leave London. Nurses were the most likely to say they would leave London despite being largely happy with their jobs, perhaps because they have relatively low pay (even for keyworkers) and high job mobility.

2.12 Age also had some impact on those saying they would leave London, with those under 35 more likely to say they would do so. This is not entirely consistent with the simple hypotheses that those in the middle age groups are most likely to want to leave, but reflects past experience where older workers who want to leave London have already done so.

#### Views on affordable housing and staff shortages

2.13 There was unanimous agreement that high housing costs were forcing people to leave London. However there was less agreement as to whether this was the major cause of recruitment difficulties. Although more police (38 per cent) strongly agreed than any other profession that other factors apart from housing were more important, taking those who either generally agreed or disagreed there was not that much difference between the professions.

**Table 7 Reasons for moving by occupation**

		percentage of each occupation			
		Bus drivers	Nurses	Teachers	Police
Of those respondents who are not owner occupiers	'to become an owner occupier'	41	55	71	93
	'to obtain LA/RSL home' as a reason for moving	12	13	14	0
Of all respondents	Larger home, growing family size	50	17	18	21
	Larger home, other reasons	0	26	28	36
	Closer to work	17	19	8	12
	Better area	17	24	13	39
	Other reasons	11	12	8	9

**Table 8 Distance from work by occupation**

		percentage of each occupation			
Distance from work	Bus drivers	Nurses	Teachers	Police	
Less than 1 mile	21	26	6	2	
1-3 miles	21	12	27	18	
3-5 miles	29	2	23	11	
5-10 miles	17	31	29	31	
10-25 miles	8	24	10	31	
Over 25 miles	4	5	6	7	

## Appendix 4

### 3. Implications of findings

3.1 The good news is that more keyworkers were satisfied than dissatisfied with their jobs. However around a third of keyworkers said they will be looking for a new job in the next 12 months, with another third not sure whether they will or not. A substantial minority said they will be looking outside London, although this varies between groups. What this survey shows, then, is the problems facing retention of keyworkers who are already working in London.

3.2 One of the most important findings of the survey was the difference between the occupations. Keyworkers' pay varies widely, with many police officers earning twice what a bus driver earns. Pay is an important determiner of tenure and satisfaction with accommodation.

**Table 9 Desire to live closer to work by occupation**

percentage of each occupation

Desire to live closer to work	Bus drivers	Nurses	Teachers	Police
Yes	64	61	49	27
No	36	40	51	73

**Table 10 Level of job satisfaction by occupation**

percentage of each occupation

Level of job	Bus drivers	Nurses	Police	Teachers
Very satisfied	16	20	15	17
Fairly satisfied	44	51	40	42
Neither satisfied or dissatisfied	24	20	16	21
Fairly dissatisfied satisfaction	8	7	20	17
Very dissatisfied	8	2	9	4

## Appendix 4

3.3 The survey gives some support to the dynamics that witnesses addressed in the scrutiny. People are prepared to rent privately for a while when young, but ultimately want more secure accommodation and for many keyworkers this means owner occupation. It is at this transition stage that keyworkers are most likely to leave London.

3.4 Different housing aspirations reflect different levels of pay and imply that different solutions will be needed to meet the aspirations of the respective groups. For bus drivers for instance, access to social housing may offer them the secure affordable accommodation needed to keep them in London or (perhaps more importantly) keep them as bus drivers. Thus if the objective of mixed communities in social housing including working households are achieved, recruitment and retention of bus drivers should become easier.

3.5 For teachers and particularly the police, accommodation in social housing is not seen to be an option, and they seek to become owner-occupiers. Yet these are also the groups who are the higher paid, and have more chance themselves of achieving these aims. In addition it should also be noted that across all groups, owner occupation gives a higher level of satisfaction with housing.

**Table 11 Jobsearch within the next 12 months by occupation**

(NB People could choose more than one option)

	percentage of each occupation			
	Bus drivers	Nurses	Teachers	Police
Same profession, not in London	12	35	17	7
Same profession, in London	0	11	20	0
Different profession, in London	8	0	11	6
Different profession, not in London	0	0	0	2
Don't know	16	13	9.3	9

## Appendix 4

3.6 The importance of other non housing related factors was also hinted at. Satisfaction with accommodation is correlated with tenure which is itself correlated with pay thus the police are the best housed and most satisfied with their housing. However police were also the least satisfied with their job. What is interesting, however, is that they were the least likely to leave London, perhaps because they are more likely than other occupations to be able to realise their aspirations in the London housing market. This indicates that the solutions to police recruitment and retention may not be strongly housing related after the recruitment stage, and may be internal to the Metropolitan Police service. Nurses, on the other hand, are more satisfied with their job, and earn much less. According to the results, they are also far more likely to leave London. If these findings are correct, it means that scarce resources put into affordable housing may be far more effective in keeping people in key jobs in some occupations than others.

3.7 The picture on commuting was less clear but it is apparent that there is no simple situation whereby those working 9-5 (teachers) will commute and those doing shift work won't, but amongst those not living near work this is more likely to be out of choice for police officers than nurses and bus drivers.

**Table 12 Effect of age for looking outside London**

Age Group	% of each age group in survey	% of each age group looking outside London
18-24	12	18
25-34	44	55
35-44	25	14
45-54	17	14
55 plus	2	0

**Table 13 Responses to the statement "High housing costs in London are forcing people to either leave London or leave the profession"**

	percentage of all occupations	percentage
Strongly agree	74	74
Agree	25	98
Neither agree or disagree	12	100.0
Disagree	0	
Disagree strongly	0	
<b>Total</b>	<b>100.0</b>	

**Table 14 Responses to the statement "Recruitment difficulties in this profession in London have other causes that are more important than lack of affordable housing"**

	percentage of all occupations	percentage
Strongly agree	27	27
Agree	34	61
Neither agree or disagree	20	81
Disagree strongly	6	100
<b>Total</b>	<b>100.0</b>	

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Samantha Heath GLA

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School, Hounslow.

The first part of the document discusses the importance of maintaining accurate records in a business setting. It highlights how proper record-keeping can help in identifying trends, making informed decisions, and ensuring compliance with legal requirements. The text emphasizes that records should be organized, up-to-date, and easily accessible to all relevant personnel.

Next, the document addresses the challenges associated with data management in the digital age. With the increasing volume of data generated by various sources, businesses face significant difficulties in storing, processing, and analyzing this information. The text suggests implementing robust data management strategies, such as data backup, security measures, and regular audits, to mitigate these risks.

The third section focuses on the role of technology in enhancing business operations. It explores how cloud computing, artificial intelligence, and automation can streamline processes, reduce costs, and improve efficiency. The document notes that while technology offers numerous benefits, it also requires a significant investment in infrastructure and training to ensure successful implementation.

Finally, the document concludes by discussing the importance of continuous learning and innovation in a rapidly changing market. It encourages businesses to stay updated on the latest industry trends and technologies, and to foster a culture of innovation where employees are encouraged to think creatively and propose new solutions to existing problems.

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