

# **Impact of housing costs and affordability on local businesses**

*Results of Employers survey*



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**Executive Summary**

There is evidence of a direct link between the affordability of housing and the ability of businesses to recruit the workforce they require. A mix of housing and range of household types is needed to support strong public and private services. The cost of housing determines disposable household incomes, with consumers required to support the vitality and growth of our town centres. Furthermore, the 2008 Taylor Review concluded that a lack of supply of housing resulted in labour shortages and unfulfilled potential in rural England<sup>1</sup>. Not enough affordable housing is likely to be a contributory factor in local employers facing skills shortages and finding in hard to fill certain types of vacancies across the area.

More than four fifths of companies based in Waverley we surveyed viewed a lack of housing that people can afford in the local area as having had a great deal of impact on the local economy. 88% of respondents viewed a lack of affordable housing in the local area as having some or a great deal of impact of their ability to recruit or retain staff. 68% of respondents reported that employees commute into work because they cannot afford to live in the area, with 32% of respondents believing this factor has had the greatest impact on their organisations efficiency. 42% of respondents reported that employees have relocated away from the local area as the cost of buying a home in the local area is too high.

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<sup>1</sup> Taylor, M (2008) Living, Working Countryside, The Taylor Review of Rural Economy and Affordable Housing

## **Background**

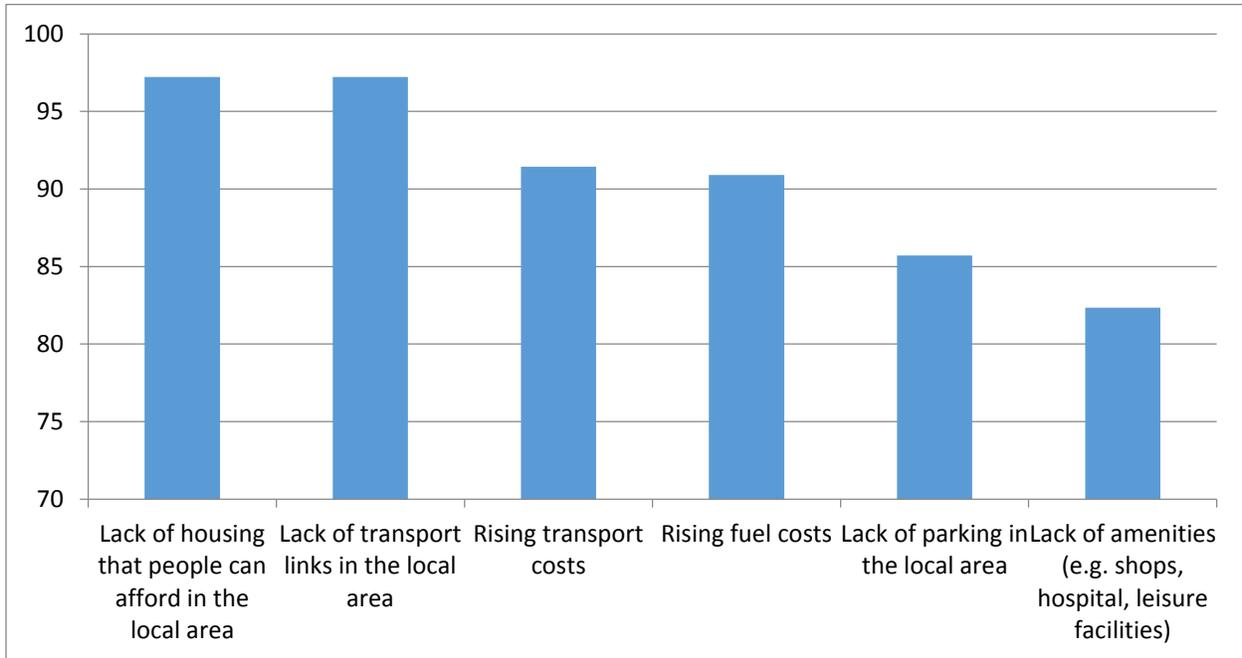
Research was carried out to ascertain views regarding the impact that a lack of housing which people can afford has had on local businesses based in Waverley. The questions were designed to discover whether line managers consider a lack of housing that people can afford to be a problem for their company in terms of recruitment / retention, and their company's general economic performance and if it is to find out if there are any solutions.

An online survey of local employers was carried out over a two week period in September 2014 with invitations to respond sent via email. A total of 482 members of Waverley's Business Forum, 48 schools, 27 care home and supported housing providers and other public sector organisations such as were all approached. 43 responses were received; 54% of whom were from the private sector (including independent schools, public houses, gyms, estate agents, private care homes and insurance brokers) and 56% in the public sector (including schools, NHS North East Hampshire and Farnham Clinical Commissioning Group, Waverley Borough Council, Fire and Police Services and state schools.) This equates to a response rate of 8%, which is similar to expected response levels for on line surveys of about 10%.

Although online surveys are time and cost effective, and provide easier access to a wider population than other methods, response rates for online surveys are generally lower than more traditional models. This may be due to respondents feeling over surveyed, a lack of face to face contact or respondents opting out if they feel too busy or view the message as junk mail. Therefore, if further research is required, additional collection methods may be advisable. Nevertheless, the survey has been a useful exercise and highlights a number of issues.

## Results

Nearly all respondents reported that a lack of housing that people can afford in the local area has a negative impact on the local economy. Lack of transport links in the local area and lack of parking in the local area were also highlighted as having a great deal of impact by a high proportion of respondents.

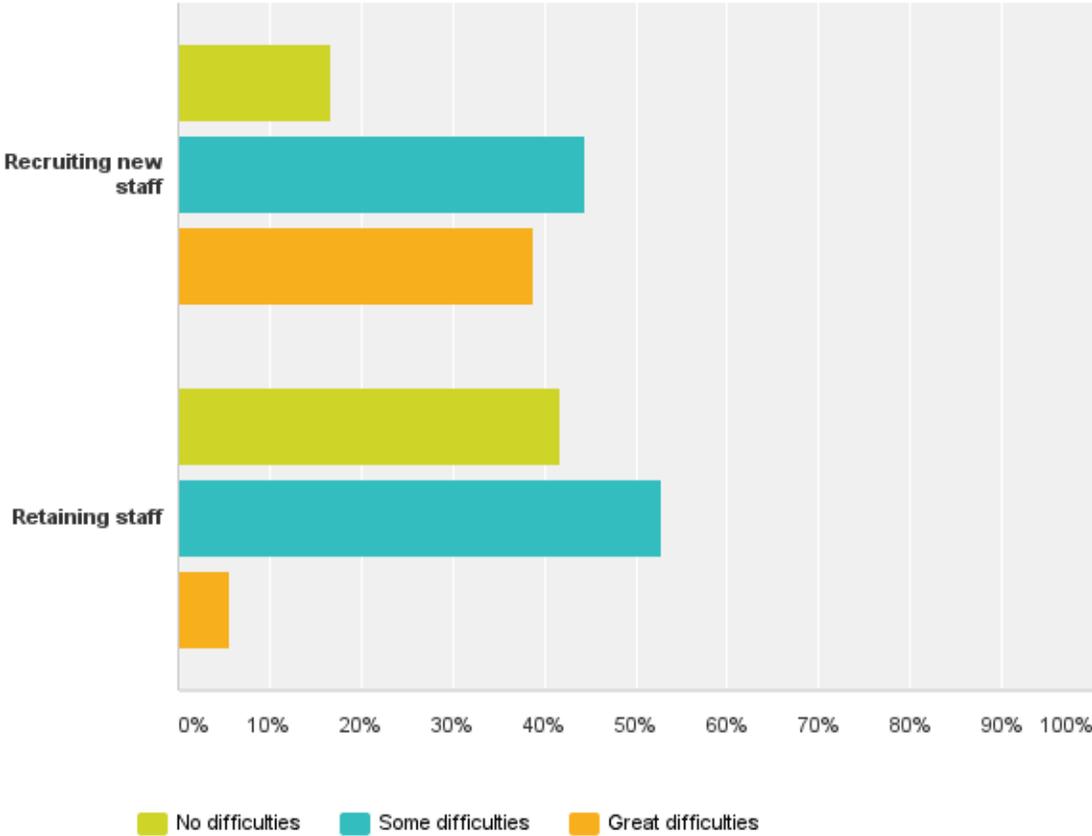


*Figure 1: Percentage of respondents viewing each of the above factors to have a great deal or some negative impact on the local economy*

83% of respondents reported some or great difficulties in recruiting new staff. 94% of public sector employers had experienced some or great difficulties, as opposed to 75% of private sector employers. 59% of respondents reported some or great difficulties in retaining staff, with 62% being from the public sector as opposed to 55% in the private sector. The public sector in Waverley continues to represent a significant source of employment across Surrey, accounting for 25% of employment in the borough which is slightly above the wider Surrey economy.

### Q6 Do you feel that your company/ organisation has difficulty in recruiting or retaining staff?

Answered: 36 Skipped: 7



Most respondents (71%) highlighted a lack of housing that people can afford in the local area as having a great deal of negative impact on their ability to recruit or retain staff. This was as opposed to rising fuel or transport costs, lack of transport links or parking in the local area.

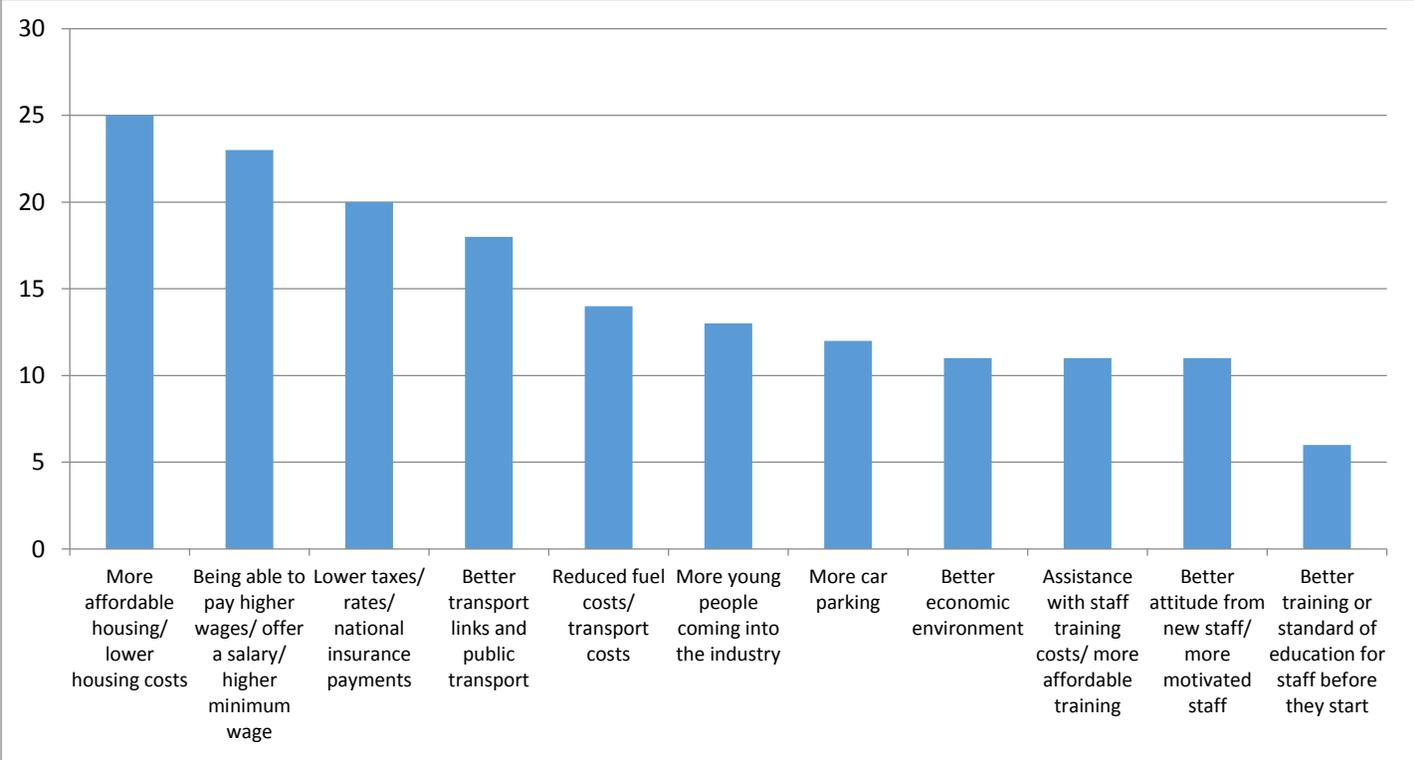
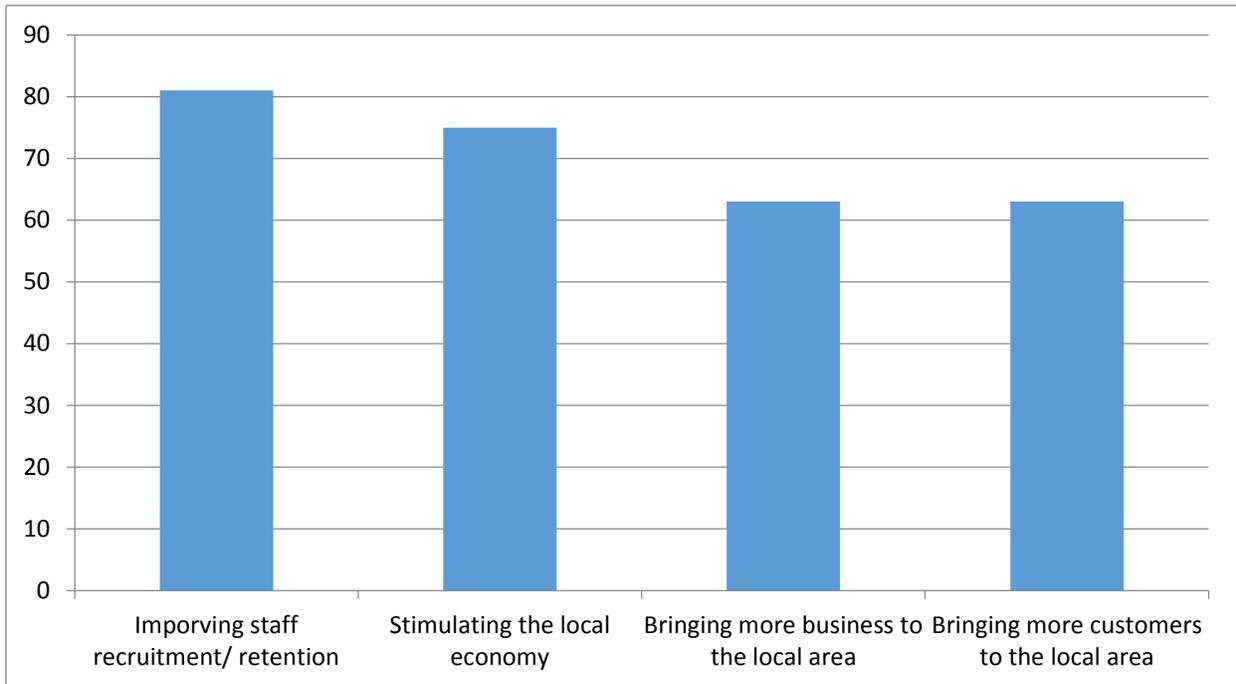


Figure 2: What else do you feel would have a positive impact on your ability to recruit or retain staff? Please tick all that apply (number of responses)

81% of respondents overall viewed more affordable housing or lower housing costs as having a positive impact on their ability to recruit or retain staff. 75% of respondents in the public sector reported more affordable housing or lower housing costs as having a positive impact on their ability to recruit or retain staff, as opposed to 59% of private sector respondents. Being able to pay higher wages or offer a higher salary/ minimum wage and lower taxes/ national insurance premiums also rated highly. One respondent went onto say that as an employer in the hospitality industry in a small rural village, they had unsuccessfully written to local colleges and schools to offer apprenticeships, without success.

78% of respondents strongly agreed with the statement that the cost of buying a home that people can afford in the Waverley is a problem. Most respondents believe building more housing that people can afford would improve staff recruitment and retention.



*Figure 3: If more housing that people can afford were to be built in Waverley, which of the following affects, if any, do you believe it would have? Please tick all that apply (%)*

68% of respondents reported that employees commute into work because they cannot afford to live in the area, with 32% of respondents believing this factor has had the greatest impact on their organisations efficiency. 42% of respondents reported that employees have relocated away from the local area as the cost of buying a home in the local area is too high.

72% of respondents said that the availability of housing that people can afford would be an important part of a decision to expand or relocate their business. Of these respondents, most said that their staff would need somewhere affordable to live or that theirs is the sort of business that needs staff to live close at hand.

## Discussion

Most local employers who responded to the survey had experienced difficulties recruiting or retaining staff. A lack of housing that people can afford in the local area was the highest rated answer for why this may be the case. This response was similar across public and private sector employers, suggesting that income levels for workers across sectors based in Waverley are commonly below the level required to rent or purchase without assistance. Furthermore, low paid workers in the private sector may still be providing essential services whilst not have sufficient income to rent or buy privately.

On average, households working in the borough earn 70% of incomes of households living in the borough, demonstrating households working locally tend to earn less than workers who live in the borough but commute out to higher paid areas such as London. This is a much lower percentage than differences between live or work incomes for Guildford, Surrey or the South East. This suggests that people in local employment who therefore contribute to the local economy are more likely to be marginalised from the housing market.

**Figure 12: Annual Workplace and Resident Earnings (2012)**

	Median		Lower quartile	
	Workplace	Resident	Workplace	Resident
<b>Waverley</b>	£26,252	£36,770	£20,000	£22,544
<b>Guildford</b>	£31,883	£35,365	£23,367	£23,939
<b>Woking</b>	£25,159	£32,827	£17,616	£22,225
<b>Surrey</b>	£31,473	£34,595	£21,785	£23,515
<b>South East</b>	£28,181	£29,491	£20,010	£20,654

*Source: NOMIS/Annual Survey of Hours and Earnings 2012*

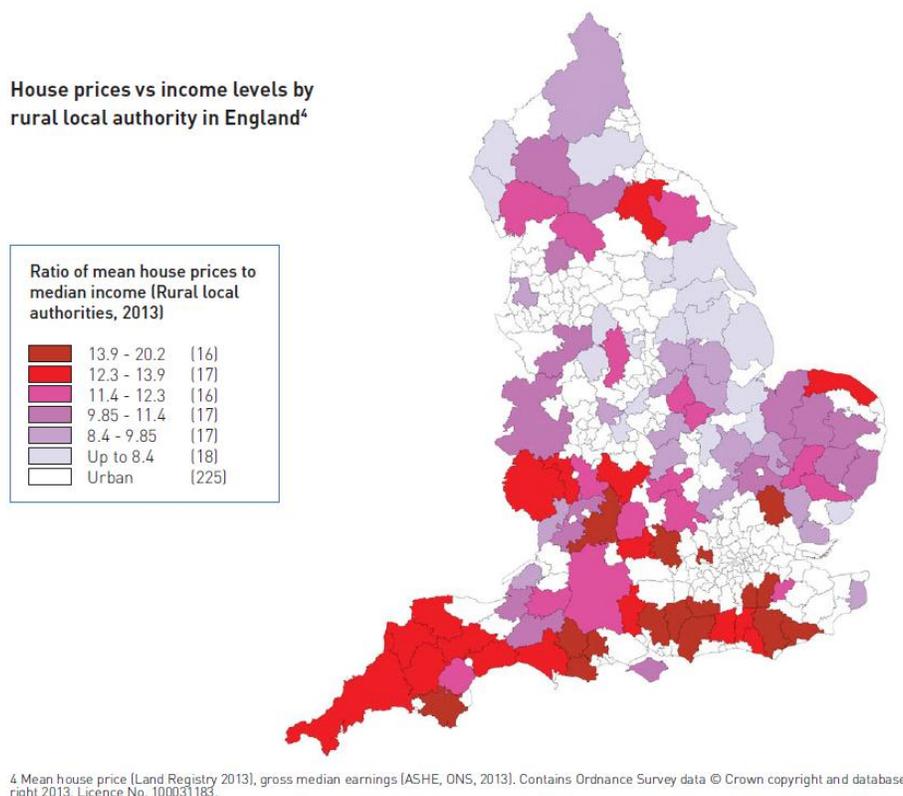
**Figure 4: Annual workplace and resident earnings (2012)**

High house prices, low wages, seasonal rental and jobs markets, high levels of second home ownership and an ageing population are all piling pressure onto rural communities and local services. According to figures provided by Hometrack<sup>2</sup>, a gross household income of £55,025 is required in Waverley to buy a property outright,

<sup>2</sup> Hometrack (2014), Enterprise M3 Housing Study August 2014, page 30.

£46,100 pa to rent privately and £36,174 pa to rent at an 'affordable' rent. This is opposed to the overall average (median) income of all households in the Borough, estimated to be around £38,700 with a mean income of £51,000, with around 44% of local household's unable to buy or rent privately without assistance<sup>3</sup>.

Rural areas such as Waverley face profound affordability issues with housing price growth exceeding increases in local incomes. In his Living, Working, Countryside report Lord Taylor<sup>4</sup> highlighted the choice to be made between building more affordable homes in rural areas or seeing younger people and families moving away and schools, pubs, shops and services disappearing from communities. Research from the National Housing Federation (2014) suggests the current house price boom may have hit some people struggling to buy in the countryside even harder than those looking in towns, with median house prices in rural parts of Waverley over 17 times mean earnings, as opposed to the DCLG recommended a ratio of 3.5%.



<sup>3</sup> Waverley 2013 SHMA, paragraph 5.29

<sup>4</sup> The Taylor Review of Rural Economy and Housing, Loving, Working, Countryside (2008)

Although it is difficult to draw conclusions from this small scale study, it does illustrate the wider economic benefits of affordable housing. This can be further illustrated by research carried out by English Rural Housing Association. English Rural Housing Association is one of the Council's partner housing associations, who have a specialism in developing affordable housing in rural areas. In order to quantify the social and economic value of their work with rural communities, they set up a project group to find out more about English Rural's Social Return on Investment, using a specific Social Return on Investment software programme supported by the Cabinet Office for Social Value. Using data from one of their schemes in Kent, they found that each pound invested in local needs housing in rural communities for English Rural had generated a social return of £6.50. This was through benefits to families who were enabled to stay or return to the village, securing benefits from a good support network of families and friends, boosting local shops, the post office and pubs, supporting the local school, freeing up other properties and the financial incentive of New Homes Bonus and income from Council Tax on new properties.

## Conclusions

In recognition of the links between the ability of an organisation to recruit and retain staff and the availability of affordability housing, the Council's Allocations scheme includes a work connection to the borough as an eligibility requirement to go onto the Housing Needs Register. This scheme takes into account the benefit that households with a work connection to the borough bring to Waverley, by expanding eligibility households with an income under £60,000 per annum, who have worked in the Borough for at least one year and the work in 16 or more hours a week and a permanent contract. This is also the means by which it is proposed applicants for shared ownership should be prioritised. Furthermore, this is expanded upon in the Council's Template Nomination Agreements for rural exception schemes, where a requirement for eligibility is that a household should have a local connection, which may include 'a need to move into the Parish to secure or continue employment locally and have either existing permanent employment or imminent prospects of employment in a service to be offered to the village.' Officers have also responded to DCLG consultation seeking views on proposals to introduce regulations to enable existing social tenants who need to move within England to take up work or training to do so. As similar difficulties were reported by public and private sector employers, it is not proposed that any distinction should be made between whether or not an individual is considered a 'key worker.'