

The right to move

A new agenda for
social housing tenants



Tim Leunig

Foreword by Kate Davies, edited by Natalie Evans

policy
exchange

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Foreword by Kate Davies

Tim Leunig covers the history of social housing, its potential value to society, and the limitations of much of the current system in a straightforward and concise manner. He notes that mobility in the sector is low, and that many tenants are less satisfied with their homes than comparative occupants of rented accommodation in the private sector. By critiquing many of the traditional solutions to these problems, he shows that there is scope for new ones.

Part 4 is where he comes up with his key proposal – giving tenants with a good record the right to move. Existing social tenants would have the right to choose a property on the open market of the same value as their existing home. The landlord would sell the one and buy the other. There would be some costs associated with the transaction, but apart from increasing the happiness of tenants it would also empower them, put the neediest into more mixed communities and give greater incentives to care for one's home and community. It seems to be a pretty good idea, although there would be costs which would be borne by the state, landlord and tenant between them.

Landlords will probably not like the proposal as they could find their stock of holdings broken up and scattered, thus making it more challenging to administer, although management agreements could allow local landlords to step in to help. They would also need support if they were expected to bring the new homes up to current social housing standards where this was possible. The other major worry is that the ex-social housing flat or house may be sold to a buy-to-let landlord who puts in a homeless family and then fails to manage it properly. This is already a problem which needs to be tackled on many council estates due to the right to buy and this report suggests a number of possible solutions. The third major issue is the cost of moving. Tim proposes to allow tenants to move only once every five years and this is probably sensible – owner occupiers tend to move every ten years or so, and that the state should pay all the costs except the tenants' removal expenses.

In terms of improving the proposal I suggest that the original valuation is done by Hometrack at the tenant's expense. At Notting Hill this is how we respond when tenants express an interest in buying their current home. To date hundreds of tenants have paid for a valuation. This only costs about £25 and would allow the tenant to look for a new home at about the right price, with formal valuations being carried out later, once a firm commitment to move has been established. I would expect a number of social landlords to retain the unwanted home themselves, taking out a mortgage for the new home, on behalf of the moving tenant. This would enable them to continue to manage their own estate, perhaps letting the home at the market rate, or selling it as a shared ownership unit (in effect replacing the cost of the new unit in this way). If the numbers are not overwhelming this would seem to be a good use of reserves. In order to determine the costs of the proposal I would urge the government to allow a few local authorities, or major housing associations, to pilot it, perhaps with their own set of "rules", to see how it would work. It might be too radical to offer a "right" to move until it had been tested in a real situation.

In my view this proposal has much to recommend it. In always prioritising the needs of the homeless and those who are waiting I feel we often fail our existing tenants. As Tim Leunig notes very few ever get the chance to move as their needs are almost always less than those who get housed. In London and other high demand areas almost every vacancy goes to a homeless family and the overcrowded or badly housed family is thwarted. If legislation were changed to no longer require local authorities to house every homeless household in permanent social rented housing, they would be able to use a greater proportion of their empties to allow existing tenants to move within the stock. Each move would create a vacancy and there would still be a home to allocate to homeless people at the end.

Executive Summary

There are around 4 million houses and flats owned by local councils and housing associations in England alone, as well as many more in the other nations of the United Kingdom. These properties are generally more spacious than their tenants would otherwise be living in, and following a decade of investment they are in better condition than private housing. And yet tenants are unhappy. Something has gone wrong.

Low rents mean that social housing tenants finding work do not face a poverty trap caused by housing benefit, making it easier for them to get jobs. But theory and reality diverge: social tenants are only half as likely to be in work as other people whose characteristics are otherwise identical. Indeed, there is only a 1 in 100 chance that a social housing tenant and both of their immediate neighbours will be in work.

The choice of housing is a very individual matter. Some people like the buzz of a lively environment, others like peace and quiet. Some want space above all else, others care more about local amenities. Some want to be on the ground floor, others want a garden. Owner occupiers and private renters can pick a place that suits them, but social tenants are allocated housing by someone who knows virtually nothing about them or about their preferences. In the pursuit of official targets set by government bureaucrats, social housing has failed to focus on the individual preferences of the people who live in social housing.

There is an exception, and it is an important one. In recent years some social housing agencies have given new tenants a limited choice of houses. This scheme, known as “choice based lettings”, has proven amazingly popular. We should go further, and give every single social housing tenant the right to require their landlord to sell the house they live in on the open market. The landlord would then use the money to buy a property that the tenant has

chosen, which would be rented to the tenant under exactly the same conditions as before. Tenants could then live where they want to live, not where the State tells them to live.

Tenants would obviously be better off. But society as a whole would also benefit. Most social housing is built on estates, and, since it is increasingly given only to people with weak socio-economic status, the evidence is that we are creating areas in which paid work and school performance are both much weaker than we would expect from the residents' characteristics. There is a danger that we are creating areas of low aspirations and intergenerational poverty, entrenched by poor school performance and little or no connection to the labour market.

Some social housing agencies are aware of these trends, and have taken steps to prevent this spiral of decline. The Rowntree Housing Trust sells off every other house on their estate in York to the private sector, and uses the money to buy up individual houses in other parts of York. The estate has become more diverse, with all the socio-economic benefits that diversity can bring.

The 'Right to move' scheme proposed in this report would do likewise, but it would do so much more quickly, and with much greater benefits to tenants. It would allow young families in city centre flats to do what so many middle class families do, and move to the suburbs, where housing is cheaper, gardens are bigger, and schools are, by and large, better. It would allow many people to move to be nearer their families: grandparents would be able to play a part in bringing up their grandchildren, while combating the isolation that so many older people experience. Those who want more space can move to a larger place in a cheaper part of town – or a cheaper town altogether. And people can move in search of a job, or when offered a better job.

“ There is a danger that we are creating areas of low aspirations and intergenerational poverty, entrenched by poor school performance and little or no connection to the labour market ”

As some social tenants move, others will move in to the houses that become available. The evidence from York is that bringing in people able to pay market prices or market rents is good for an area characterised predominantly by social housing. It increases local purchasing power, making it easier for local shops and businesses to flourish, increasing local employment opportunities. The evidence is that greater diversity raises school attainment rates, helping the next generation to succeed. Creating the freedom to move will create more mixed communities, lower unemployment and improve skill levels.

The right to move also gives tenants a financial incentive, for the first time, to look after their property and their area. A house or flat that is not well-looked after, in an area that is run down, is worth less, meaning that the tenant will find it harder to move if and when they wish to. The fact that they might want to move at some point gives them an incentive to look after their own property, and to look after their area. The right to move rewards people who act in ways that strengthen communities and improve neighbourhoods.

Creating a right to move gives people in social housing the same freedom that the majority of people have: the freedom to decide where to live. This is a freedom that the middle class take for granted, but which has been denied to those unable to afford their own housing for generations. Creating the right to move is the right thing to do in and of itself. It will also create more mixed communities, in which employment rates are higher, and educational failure less common. It will create a society that is both richer and more equal.

1

Introduction: history, potential and reality

“It is entirely undesirable that in modern housing estates only one type of citizen should live.”¹

Social housing is a general term used in Britain to cover housing owned by councils and housing associations (“registered social landlords”) which is rented at below market (“affordable”) rents to people who society decides to be most in need of such housing.

a) History

The provision of social housing has a long history: almshouses were founded in York and Winchester more than a thousand years ago. The mid-19th century saw independent philanthropists build housing that was to be let to the “respectable poor” at rents that philanthropists saw as fair. George Peabody, the first American to be awarded the freedom of the City of London, donated £500,000 in 1862 – around £35 million in today’s money, or an even more remarkable £400 million if indexed to earnings – for “the construction of such improved dwellings for the poor as may combine in the utmost possible degree the essentials of healthfulness, comfort, social enjoyment and economy” for Londoners, an act described by Queen Victoria as “wholly without parallel”.² Many such organisations, including the Peabody Trust, continue to provide housing to this day.

Following the passing of the 1890 Housing of the Working Classes Act, local councils were able to provide social housing for the first time, a development given huge impetus by Lloyd

¹ Foot M, *Aneurin Bevan 1945-60*, vol 2: Paladin, 1973 p78

² www.peabody.org.uk/pages/GetPage.aspx?id=110

George's provision of subsidies from national government under the 1919 Housing Act.

The destruction of four million houses in the South of England during the Second World War led to widescale council house building after 1945, with the emphasis on houses giving way to a growing reliance on flats from the end of the 1950s. Again, central government subsidies were crucial, and both Labour and the Conservatives vied to see who could build the most houses. Indeed, Harold Macmillan first came to prominence in the early 1950s as the man who delivered on his promise to build 200,000 council houses a year.

In the 1970s, under Conservative administrations, the Greater London Authority allowed tenants to buy their house, and a national "right to buy" policy was introduced by the Conservative Government in the 1980 Housing Act. Discounts were given to long-standing tenants, and 2.2 million houses were sold in what the then Environment Secretary Michael Heseltine described as "one of the most important social revolutions of the century".³ These houses were not replaced; councils were instead required to use the money raised to pay off their debts.

Since 1979 most new social housing has been built by independent housing associations, rather than by councils. Constraints on the ability of councils to raise funds to maintain their council housing has effectively led many to transfer ownership to independent social landlords. What many people refer to colloquially as "council housing" frequently turns out to be social housing provided by housing associations. The distinction matters little to most intents and purposes.

b) Practice

Social housing has five important attributes. First, the rents charged are below those that prevail in the market, sometimes dramatically so. Second, social housing requires and receives significant levels

³ Paul Balchin, *Housing Policy: An Introduction* (Routledge, 2002), p. 188

of subsidy. Third, the housing is rationed and allocated by bureaucrats. Fourth, once an individual or family is given social housing, they have security of tenure over that particular property. Fifth, residents are allocated a particular house and rarely move from it. It is worth exploring these attributes in more detail to understand how the system works, and its strengths and weaknesses.

Social housing rent averages less than half the equivalent private rents.⁴ In fact, in 2004 the average council tenant paid just £14.50 a week over and above the cost of management and maintenance.⁵ The extent to which rents are lower than those prevailing in the private sector varies by area. Council and housing association rents average around £62 per week.⁶ They vary less across the nation than private sector rents, so they are much lower than the market in London and the South East than in most other parts of the country.⁷

Given that rents are significantly below market levels, social housing requires subsidy: it is not possible to rent property for less than £15 a week above the cost of repairs without one. This subsidy can be given either at the time the house is built (for example, by building a house and then writing off its value immediately), or on an ongoing basis, to cover the gap between rents collected and the cost of provision. In reality, governments use a mixture of the two systems. Although these different funding systems generate very different subsidy patterns in accounting terms, the underlying economics is the same. John Hills, a social housing expert, calculates that the economic value of the subsidy is currently about £6.6 billion for England alone, even though he assumes a rental yield after expenses of just 2.66% on the value of the property.⁸ Using a more realistic return of 4.5% implies a subsidy of £14 billion a year for England.⁹

The ability to rent a property for less than £15 above the cost of maintenance means that many people would like to live in social housing. It is equivalent to being given a lump sum of £35,000 to £75,000, depending on the assumptions used; while the value of

4 Hills J, *Ends and Means: The Future Roles of Social Housing in England*, Centre for the Analysis of Social Exclusion Report 34, 2007 figure 8.6, p81

5 *ibid*, p63, table 6.4

6 *ibid*, pp 57-8, uprated to present day

7 *ibid*, p62

8 Hills argues that property generally appreciates and so there is an additional capital gain that raises the total return. As investors have found out this year, property does not always appreciate and therefore it is appropriate to assume that rents must cover a higher proportion of the value of the housing stock in equilibrium

9 This calculation assumes a return of 4.5% on 2004 values

gaining a London tenancy can be as high as £150,000.¹⁰ Clearly this is an attractive proposition and the result is that there are currently four million people on the waiting list. About 200,000 will be allocated social housing this year, so there are 20 applicants for every available house.¹¹ (No doubt many more would apply if they thought that they had any realistic chance of success.)

With such demand, houses have to be rationed very strictly. Councils use a needs-test that gives more points to applicants who meet all sorts of criteria. Those with most points are awarded housing. Thus in Stratford-upon-Avon, an applicant receives five points for each child, five points for being a private tenant, five points for being the victim of domestic violence (but only if this has led them to leave their home). Having a child and not having a garden gets you ten points, as does having no toilet. And so it goes on – there are 41 categories under which points can be awarded – including 50 discretionary points in exceptional circumstances. Only people who meet one of the high point categories – 150 points if your home is statutorily unfit for human habitation, your health is so adversely affected by your current housing that you cannot continue to live there, or you are unintentionally homeless and a priority need – are likely to reach the top of the list quickly.¹²

The need to ration housing so stringently means that the application forms are substantial, with basic ones often running to more than 20 pages (typical requirements include having to specify which of 23 housing categories the applicants currently fall into, which of 11 benefits they receive, as well as the amounts of each, and answer questions such as “Do you have an outside WC? If yes, do you have to share it?”).¹³ Clearly running a system such as this is a costly undertaking, not least because the incentive to fraud and manipulation is significant.

The traditional approach to allocating housing was for councils to give the next house of relevant size that became available to the

¹⁰ Hills, *op cit*, p62, assuming a 20-year tenant and computed at returns of 2.66% and 4.5%

¹¹ *ibid*, fig 12.8, p145

¹² www.stratford.gov.uk/files/seealsodocs/8461/Guide%20to%20the%20Waiting%20List.pdf; see also Hills, *ibid*, pp21-2

¹³ www.fareham.gov.uk/pdf/shousing/hwlfmformay07.pdf

family at the top of the list. The family could then accept or reject it, but rejecting it could be taken as evidence that they did not need a house. In reality most families took whatever was offered. As Hills notes, "...it might seem remarkable that a system affecting such a large part of people's lives should have been run in a way that did not allow very much choice to prospective tenants."¹⁴ In 2001, the Government piloted a scheme offering new tenants greater choice. This system of "choice based lettings" will be rolled out nationwide by 2010, although even then it will not cover all lettings.¹⁵

Under choice based letting, the council offers people at the top of the list a choice of those properties currently available. However, this choice is not very extensive, and is always limited to houses that are currently owned by the council or the relevant social housing landlord. As Hills notes, "The 'choice' in choice based lettings is a highly constrained one."¹⁶ Nevertheless, the policy is very popular with tenants.¹⁷

The fourth distinctive feature of social housing is security of tenure, in two senses. First, except in an emergency or when large-scale redevelopment occurs, the council or social landlord cannot move you from one house to another. Once you are allocated a house, then so long as you do not get into serious arrears or are not an antisocial tenant, it is yours for as long as you want to live there. You are, in essence, as secure as an owner-occupier would be. This is true even if an assessment of your housing needs would suggest that you have become "over-housed" – there is no requirement, for example, for people whose children have grown up and left home to move to smaller properties. Given that the social rent on family houses is rarely much more than the rent on smaller flats, few council tenants volunteer to trade down. Nor can councils require people whose economic circumstances have improved to

“ The need to ration housing so stringently means that the application forms are substantial, with basic ones often running to more than 20 pages ”

14 Hills, *op cit*, p163

15 *ibid*, p163

16 *ibid*, p165

17 *ibid*, p163

move out of social housing: once in, it is yours for life. In contrast, private tenants can generally be required to move at a month's notice once they have been there for six months, simply because the landlord wants to live in the house, sell the house or let it to someone else.

The fifth and final distinctive feature of social housing is the near complete inability to move house. If you wish to move, you can apply to do so, but your application for a new house will be compared with that of every other applicant for social housing: to succeed you have to be the applicant most in need of social housing. Since many applicants from outside the sector are homeless, it is rare for existing tenants to be able to move in this manner. That said, a few tenants do move. There are swap schemes that try to match tenants who want to swap directly with each other, but these are generally ineffective – despite 60,000 tenants registering with Homeswap, only 2,000 manage to swap in a typical year. That is an overall mobility rate of just 0.05%.¹⁸

c) Potential: what social housing should offer

Social housing offers many potential advantages for tenants and society in comparison with the private rented sector. The potential advantages to tenants are obvious: low rents and security of tenure.

The potential advantages to society are less obvious, but no less real. First, it is almost impossible for private renters to gain security of tenure. This may make it hard to put down roots and establish local social links. It may even prevent them from staying in an area, which can be critical in terms of schooling continuity. For that reason security of tenure can be advantageous to society as well as to individual tenants.

Given that tenants face costs when they move, private sector landlords can get away with being unreasonable to existing tenants to an extent. This could take the form of poor quality or slow repairs, or failing to carry out statutory duties, such as gas safety

¹⁸ *ibid*, box 10.1 p108

inspections. If the extent of the unreasonableness is less than the cost of moving – taking into account that the next landlord may also be unreasonable – the tenant is likely to put up with it, and so unreasonable landlords are able to prosper. In such circumstances the State may be best placed to guarantee to remain a reasonable landlord in perpetuity.

The Government can locate social housing to ensure that it is not clustered together, but is instead integrated into the wider community. There may be good social and economic reasons to dislike areas of concentrated social housing that can have weak links to labour markets and other opportunities, and may create a self-reinforcing culture of underachievement.

The provision of social housing at sub-market rents has huge potential gains in terms of getting people back to work. First, it can be located in areas that are well connected to employment opportunities, so that those who might otherwise be unemployed literally find it easier to find work. Second, lower rents reduce the disincentive to work, since little or none of the wages earned are clawed back by government in the form of reduced housing benefit. In essence, sub-market rents mean that the “effective marginal tax rate” is reduced for those entering work, working overtime or getting promoted. This is particularly important in expensive areas such as London, where the disincentive effects associated with housing benefit for private renters are very high.

d) Reality

i) Housing quality

At one level social housing is delivering on its potential for tenants. It provides reasonable quality homes, with security of tenure, at low cost.

Social housing is generally in good condition. Both housing association and local authority social housing are more likely to meet

the decent homes standard than private rented housing. Indeed, housing association homes are often better than owner-occupied homes. Social housing has made big strides in quality in the past decade.¹⁹ For people who are poor or unemployed social housing is more likely to be decent than either the owner-occupied or private rented accommodation that they would otherwise live in.²⁰

“Less than 4% of owner-occupiers and 7% of private renters say that their area has a serious drugs problem, but more than 22% of social tenants in estates with blocks of flats report this as a salient issue”

Although, perhaps self-evidently, owner-occupied housing is the most spacious, social housing is on average markedly more spacious than private rented housing for any given level of household income.²¹

Social rented housing is also better insulated on average than any other type of housing, and much more likely to be really well-insulated – such houses are almost three times as likely to have an SAP rating of more than 70 than are owner-occupied houses.²²

Social housing organisations are also seen as providing a satisfactory standard of repairs and maintenance: social tenants are twice as likely to report them as “nearly always or often” good as are their counterparts in private rented accommodation. In contrast, private sector tenants are three times as likely as social housing tenants to say that their landlord is “often or nearly always bad”.²³

Thus we find that social housing is, in the main, in relatively good condition, and that social landlords are responsive and good at maintenance.

ii) Satisfaction

Despite these apparently objective measures of success, social housing tenants are not satisfied. They are 30% more likely to say that they are dissatisfied with their accommodation than are private sector tenants.²⁴ Dissatisfaction is particularly high among tenants of working age: those in their twenties are three times as

¹⁹ Ibid, fig 4.6, p32

²⁰ Ibid, fig 7.2, p67

²¹ Ibid, fig 4.8 p37

²² Standard Assessment Procedure (SAP) is a government measure of energy efficiency; Hills, *ibid*, table 7.1, p68

²³ Hills, *ibid*, table 7.4, p70

²⁴ Ibid, fig 7.4, p71

likely to be dissatisfied as those who have retired.²⁵ Nor do social tenants like their landlords much: while only 11% of private tenants say that they are dissatisfied with their landlord, 20% of social tenants report being dissatisfied.²⁶

We noted that social housing was more spacious than people at any given level of income would enjoy in the private rented sector, yet the evidence is clear: social housing tenants are much more likely to be dissatisfied with the amount of space that they have. While only 9% of owner-occupiers and 22% of private rented tenants in the smallest tenth of houses are dissatisfied, 29% of social tenants in such small houses report that they are unhappy.²⁷ The issue appears to be one of choice: to some extent at least, owner-occupiers and private renters who live in small houses have chosen that house for themselves. In contrast, social housing tenants in small houses who have not had any choice of accommodation may well be people for whom space is their primary consideration. (Equally, there may well be people in spacious social housing for whom space is not a particularly important housing attribute.)

Social housing tenants are also more likely to be dissatisfied with their location. While 7% of owner-occupiers and 9% of private renters are dissatisfied with their areas, 14% of social tenants are unhappy.²⁸ They report more serious problems with drug dealing, burglary, vandalism, crime, litter and dog mess than people living in other forms of housing. Those living in social housing estates, particularly those dominated by flats, report that they experience these problems more acutely than those living in non-estate social housing.²⁹

Less than 4% of owner-occupiers and 7% of private renters say that their area has a serious drugs problem, but more than 22% of social tenants in estates with blocks of flats report this as a salient issue.³⁰ More than half of social housing tenants do not feel safe alone outside after dark, and a truly shocking 18% of social

25 *ibid*, fig 7.8, p74

26 *ibid*, fig 7.5, p72

27 *ibid*, fig 4.10, p38

28 *ibid*, fig 7.7, p73 and fig 9.9, p97

29 *ibid*, fig 9.7b, p95

30 *ibid*, fig 9.7b, p95

housing tenants living in estates of flats do not feel safe even in their own homes.³¹

Overall, 9% of social housing tenants and 14% of social housing tenants on such estates are “very dissatisfied” with their neighbourhood, compared with dissatisfaction rates of just 2% for owner-occupiers and 4% for private renters.³²

iii) Employment

We noted earlier that the housing benefit of social housing tenants living in expensive areas who enter work falls by less than that for private renters. The result should be that, compared to people with similar skills levels and other characteristics, social housing tenants are more likely to be in work than private rented sector tenants. This is emphatically not true. Taking into account factors such as disability, lone-parenthood, and lack of qualifications, people living in social housing are only half as likely to be in work as those living in other forms of housing.³³ This points to serious failings in the way that social housing operates.

Not only are social tenants more likely to be unemployed at any given time, those who are in employment are also more likely to lose their job. The latter are more than twice as likely to be out of work ten years later than owner-occupiers.³⁴ Furthermore, unemployment among those who live in social housing lasts longer: social housing tenants who are unemployed in any given year are more than twice as likely to be unemployed ten years later as owner-occupiers.³⁵

The effect of this failure is to create large estates in which regular, full time employment is not a feature of everyday life for a large proportion of the population. Employment rates among social housing tenants are low and falling: the proportion in full-time work declined from 52% to 22% between 1977-78 and 2006.³⁶ This means that there is only a 1 in a 100 chance that a social housing tenant and their neighbours on either side will be in full-time work. Employment rates are lower still on estates.³⁷ The idea that work is a normal part of everyday life is simply not the reality in many areas of social housing.

31 *ibid*, fig 9.8, p96

32 *ibid*, fig 9.9, p97

33 *ibid*, figures 10.2 and 10.3, p102

34 *ibid*, table 10.2, p105

35 *ibid*, table 10.2, p105

36 *ibid*, table 10.1, p100, based on Labour Force Survey data

37 *ibid*, table 9.2, p90

Far from making it easier for people with a weak position in the labour market to find work, social housing seems to prevent people from getting jobs. Living in an area in which no one works makes it harder to find work. Social networks have weak links to employment and there is little money generated locally that can be used to employ others. Low levels of employment are bad for the people concerned – and bad for society.

iv) Education and intergenerational employment

Growing up in social housing is linked to poor educational results. Even after taking into account all the usual factors that can lead to poor educational outcomes, children growing up in social housing are twice as likely to end up without any qualifications as children from otherwise identical family circumstances who do not.³⁸ In an assessment of the quality of schools in poor areas, Ruth Lupton found that school quality, as assessed by Ofsted reports, was worse if the area contained high levels of social housing. The harsh reality is that children growing up in social housing are more likely to attend bad schools than children growing up in equally poor neighbourhoods that are not made up of social housing. And since social housing does not allow parents to move, there is very little that they can do about the situation.³⁹

Children from social housing are also more likely to be unemployed as adults. Even when we take into account parental attributes, a child growing up in social housing is twice as likely to be unemployed aged 30 as someone whose parents were otherwise identical but did not live in social housing. Furthermore, these results are based on children growing up in the pre-1979 era when social housing was more mixed. It seems almost inevitable that these effects are much more pronounced for children growing up in social housing today. We are locking in poverty not just for the current generation, but for the next one.

38 Sigle-Rushton W, Inter-generational and Life-Course Transmission of Social Exclusion in the 1970 British Cohort Study, CASEpaper 78, London School of Economics, 2004, p86

39 Lupton R, "Social justice and school improvement: Improving the quality of schooling in the poorest neighbourhoods", British Educational Research Journal 35, 2005

2

Analysis

Social housing offers many potential advantages, both for tenants and society as a whole, but the evidence shows that it is failing to deliver many of them.

In particular, social housing ought to be able to offer tenants good quality accommodation at low cost, thus allowing them to live in properties they like and reducing the barriers that they face to getting into work. Instead, the sector is supplying properties that meet supposedly objective (governmental and bureaucratic) standards of quality, but failing to meet individual (customer focused) preferences, all the while creating areas of concentrated poverty that are dislocated from the labour market. We need to understand how this situation has come about if we are to work out how best to improve it.

There are in essence two issues: the first is that the existing stock is poorly allocated. Houses are very personal and what suits one person may not suit another, even if a bureaucrat thinks that both people are in similar circumstances. As such, the process of allocating houses is almost guaranteed to ensure that tenants are forced to live in houses that bureaucrats may deem suitable, but which just do not suit them.

Hills notes that the reason social renters are more likely to be dissatisfied with the amount of space they have than owner-occupiers is that “owners have in some sense chosen the trade-off between the space they occupy and its price and other characteristics, while social tenants have not.”⁴⁰ This intuition is important: choice is an important prerequisite for satisfaction in this area.

Readers can verify the intuition that bureaucratic allocation of housing reduces satisfaction by looking at the property paper

when it next comes through the letterbox. Simply start on the top left of page one, and look at the houses in the order that they appear. As soon as you find a house that is the same size and value (or rent level) as your current property, imagine that a bureaucrat has allocated you that house instead of allowing you to choose the property that you actually live in. Would you be happier? Most likely you prefer your current place – that is why you live there after all. Non-market systems of housing allocation mean that “matching between what different consumers want and the range of housing available will be correspondingly inefficient”.⁴¹

“The second fundamental problem is that social housing is increasingly located in areas of concentrated social disadvantage”

The second fundamental problem is that social housing is increasingly located in areas of concentrated social disadvantage. In 1949, Aneurin Bevan stated that: “It is entirely undesirable that in modern housing estates only one type of citizen should live.”⁴² Reality has become ever more detached from this vision over time.

This outcome is the result of building social housing primarily as estates, and then allocating it strictly according to tight needs-based criteria.

There is no reason for social housing and housing “estates” to be synonymous – but in practice they often are, both in Britain and many other countries. This stems from the way in which social housing was built. In the 19th century, social housing was designed to replace slums, and tended to be built as large-scale developments. In theory this allowed communities to move location together, thus preserving social capital, although there is little evidence that reality matched the theory. The pattern of large scale developments was repeated when councils built housing in both the interwar and postwar periods.

⁴¹ *ibid*, p20

⁴² Foot M, *Aneurin Bevan 1945-60*, vol 2: Paladin, 1973 p78

In addition, houses and flats in the least popular estates were least likely to be bought under right-to-buy legislation. Combined with relatively low levels of social housebuilding in recent years, this means that social housing today is disproportionately made up

of flats on estates (around two thirds of the total). These flats are overwhelmingly occupied by social tenants: only 12% of flats on estates were sold under the right to buy.⁴³

The location of social housing on estates does not mean that we will inevitably create areas of concentrated social disadvantage, but it does mean that we have the ability to do so. The outcome is determined by the allocation mechanism: if social housing is allocated to a wide selection of people then social housing

estates will be socially mixed, as Bevan wanted.

When council estates were built, council housing was made available to the many and not the few. In 1979, a fifth of the richest 10% lived in social rented housing, and people around the middle of the income distribution were only a little more likely to be owner-occupiers than to be social housing tenants.⁴⁴ The result was that social housing estates were mixed communities.

Today, the shortage of social housing and allocation on the basis of need (the level of need required to be given social housing can be very high indeed) means that estates are increasingly being filled with those with the weakest socioeconomic positions. Virtually no one from the top decile lives in social housing today and those in the middle are four times more likely to be owner-occupiers than to live in social housing.⁴⁵

A combination of having social housing estates and needs-based allocation is creating polarised areas of deprivation: half of social housing is in the most deprived fifth of Britain's neighbourhoods, and over a quarter is in the bottom 10%.⁴⁶ The problem

“Today, the shortage of social housing and allocation on the basis of need means that estates are increasingly being filled with those with the weakest socioeconomic positions”

43 Hills, *op cit*, p88-9

44 *ibid*, fig 9.1a, p87

45 *ibid*, fig 9.1b and c, p87

46 *ibid*, fig 9.3, p91

of polarisation is far worse in Britain than in other European countries. In France and Germany, for example, people in social housing are only 25% poorer than the national average, whereas those in social housing in Britain are 50% worse off than the average household.⁴⁷

Nor has this transformation of social housing estates been completed. As those social tenants of average or above average incomes leave the sector, they will be replaced by people with more pressing needs. This in turn will make the concentration of poverty even more pronounced over time.

⁴⁷ *ibid*, fig 9.2, p88

3

Potential solutions that will not work well enough

This analysis suggests that any solution will need to improve radically the level of choice that social housing tenants are able to exercise, so that they are matched to houses that suit them, both when they enter social housing for the first time and as their circumstances and preferences change.

Furthermore, that solution also needs to reverse the concentration of poverty on social housing estates, which reduces attachment to labour markets, and cuts school quality and attainment levels. Ghettos must not be allowed to develop and people must be given the ability to escape areas that are already polarised.

a) Abandon needs-based allocation of the existing stock of social housing

One potential solution would be to make the stock of social housing available to all who apply for it on a first-come, first-serve basis, without the current stringent points-based testing. This would, by definition, create more varied communities, with a higher proportion of relatively affluent people and people in work. Given the level of subsidy available to those in social housing it is likely that many people would want to enter the sector.

In reality, this apparent solution is deeply unattractive. It is the shortage of houses that necessitates rationing, so that a first-come, first-served approach would mean the State giving preference to those with fewer needs, perhaps far fewer needs, over those with

pressing needs. The latter would then be pushed into the private rented sector, and housing benefit. Since the private rented sector offers little security of tenure, vulnerable people would face having to move every six months, in perpetuity. Even if this approach managed to create stable mixed communities in social housing areas, this would come at the cost of inflicting great instability on some of society's most vulnerable people.

b) Build more social housing for people with fewer needs

A second obvious solution would be for the state to build and rent additional houses for the not-so-poor, or perhaps even the not-at-all poor, ensuring that social housing contained a diverse mix of households without reducing the existing stock. This would answer the criticism made of the first scheme, that allocating social housing to people who are not in need would lead to social housing being denied to those in the worst circumstances. Nevertheless, there remain two powerful objections. First, given that there are currently four million people on social housing waiting lists, allocating additional new social housing to those who are not poor would still deny housing to the next applicants on the waiting list who will have substantial needs.

The issue remains exactly the same as before: it is hard to justify giving subsidised houses to those with few needs, when there are many who are more in need of social housing. Furthermore, building social housing is expensive. To increase the stock of social housing by, say, a quarter would cost around £60 billion.⁴⁸ This is an unthinkable amount in two senses. First, spending £60 billion to build subsidised housing for people who are not poor is unlikely to chime with any sense that the electorate may have of natural justice. And second, and more brutally, the Government simply

“ The issue remains exactly the same as before: it is hard to justify giving subsidised houses to those with few needs, when there are many who are more in need of social housing ”

⁴⁸ *ibid*, p62, footnote 17

doesn't have £60 billion sitting around, looking for a home. A solution that costs billions is no solution in the current climate.

c) Relocate some social housing away from estates

The third alternative is to “pepper-pot” social housing throughout the community, so that most areas have a mix of social housing, privately rented and privately owned homes. There are different ways to do this. One option would be the centralist social planners’ approach, which would involve demolishing and rebuilding whole estates. But such approaches are costly, and big projects such as these have, at best, a mixed record.

A more sensitive and less costly approach is that pioneered on York’s New Earswick estate by the Rowntree Housing Trust. Concerned that the estate was gaining a reputation for deprivation, the Trust decided that it needed to alter the mix of people living there. Like everywhere else, houses on the estate become vacant from time to time. But the Rowntree Housing Trust only allocates half of such houses on the basis of need. The other half it sells on the open market. It then uses the money raised from the sales to buy properties in other parts of York, which it offers to people on the social housing waiting list. The scheme is known as SAVE (“selling alternate vacants on estates”).⁴⁹

This has two effects. First, those social housing tenants who are allocated the newly purchased properties in different parts of York live in economically and socially mixed communities. Second, by selling off some of the New Earswick properties, the estate has become economically and socially more heterogeneous.

This is in essence the right solution, but the New Earswick approach is too slow. In the first five years, only 35 properties were sold. At this rate of progress it will take a further 18 years to reach the levels of diversity sought by the Trust.⁵⁰ That cannot be an acceptable national solution; we need to deliver these outcomes far more rapidly across Britain as a whole.

49 *ibid*, p181

50 Martin G and Watkinson J, *Rebalancing communities: Introducing mixed incomes into existing rented housing estates*, Joseph Rowntree Foundation, 2003

In addition, this Rowntree model pioneered in New Earswick does nothing to help existing social tenants who want to leave the estate for any reason. Equally, there may be social tenants who want to move to the estate, perhaps to be near family, for example, who are offered property in other parts of York. Although the scheme will (slowly) reduce polarisation, it does little to increase choice.

4

A solution that will work: giving tenants the right to move

The best solution is the most radical: one that seeks not only to reduce polarisation, but also to give tenants a real choice.

The policy is simple: create a “right to move” for all tenants. Put simply, and with some conditions set out below, everyone living in social housing should be able to move house if they want to do so. Tenants wanting to move could require their landlord, whether council or housing association, to sell the house that they were currently living in on the open market. The tenant would then choose another house on the open market up to the value of the one that had been sold. Their landlord would then be required to buy that property, and to rent it to the tenant who had chosen it under the same terms and conditions as before. The social housing provider would own the new property, just as it owned the previous one, so although the location of social housing would change, the quantity and value of social housing would not be affected. This option would be available to social housing tenants once every five years.

The idea is similar to, and builds on, the system used in New Earswick, but with two crucial differences. First, the tenants themselves would choose the location of the new property. Second, existing tenants would be able to move. Neither of these conditions pertains in the New Earswick scheme.

a) Advantages for tenants

The advantages for tenants are obvious. They can move to a property that they prefer for any number of reasons. They may want to live

in a bigger house and not mind being far from the town centre. Or they may want to be near a good school and be prepared to live on a noisier road. They may prefer a ground floor flat or want the extra light that being many floors up can offer. They may want to be on a bus route or near the shops. They may prefer the feel of a newer property or an older one. The system is advantageous even for those who used a choice-based letting system, because it massively increases the choice of houses available, from a handful to thousands, and because it allows them to move as their needs and preferences change.

“ The best solution is the most radical: one that seeks not only to reduce polarisation, but also to give tenants a real choice ”

Second, social tenants may want to move area. Families with young children in social housing may want to leave city centre flats and move to suburban houses, just like the middle classes do. Given that city centre properties usually command a premium it will often be possible for social housing tenants in even quite small city centre flats to move to houses further out. They may do so for more space or better schools. And they may do it to escape living in areas dominated by gang culture.

Other people will want to move nearer to family. Older people whose family have moved away may be able to move to be nearer to them, to be more involved in their grandchildren's upbringing. Some will choose to move to the seaside in retirement as many middle-class people do. Still others will move for work-related reasons: to get a job or a better job.

At the moment such moves are all but impossible. Very few social tenants move to a property that suits them better either within the same area or to a different area for job or family reasons. Yet owner-occupiers and private tenants can and do select their own homes according to their preferences, and move as and when their needs change or when new opportunities present themselves. People in social housing should have the same freedom.

Even the limited amount of choice offered by choice-based letting systems has proven popular with tenants, so this policy is likely to prove extremely popular. Even were there to be no advantages to society from this proposal, the advantages to tenants alone would make the scheme worth enacting.

b) Advantages for society

This proposal offers many advantages to society, both in the short term and in the longer term. These revolve around reducing the concentration of social housing in areas that are characterised by social deprivation.

i) Reducing polarisation

If the principal advantage to tenants is greater choice, the principal advantage to society is less concentration of social housing in areas of social deprivation. In short, this policy reduces the likelihood that areas will be socially polarised. Some people on social housing estates will want to move out of their estates. Those houses would be sold on the open market and others will move into the area. The Joseph Rowntree Housing Trust found that this reduced polarisation and increased diversity on the New Earswick estate and it would be expected to do the same elsewhere.

ii) Increasing employment

Reducing the extent to which social housing consists of large areas characterised by high levels of deprivation is likely to raise employment levels among people in social housing. First of all, there is the direct effect: some social housing tenants will move house in order to find work. Second, as a more diverse group of people move in to large areas of social housing that are currently characterised by high levels of worklessness, work will become more firmly embedded in the everyday life of the community. This increases the extent to which local social networks are connected

to the labour market, and also brings in money that can be used to employ people locally. Finally, young people will no longer grow up in a culture in which worklessness is the norm.

iii) Improving school results

Areas that have high concentrations of social housing generally have poor quality schools, where children underperform. Creating the right to move will help to overcome this in two ways. First, social housing tenants who are dissatisfied with schooling in their area can move house, in the same way as owner-occupiers and tenants in the private rental sector can do at the moment. Children will move from bad schools to good schools, to their obvious benefit. Second, as social housing estates acquire a pattern of more mixed tenure, the evidence is that school results in the area improve, even when we take family background into account. There is, therefore, good reason to think that the quality of education would improve for those children who remain, simply because their neighbours will be more heterogeneous.

Improving school results for people in social housing will help to improve Britain's very low rates of social mobility and to break the intergenerational cycle of poverty that is all too common.

iv) Effects on the government budget

Getting people back to work directly raises tax revenues and cuts benefits expenditure. In addition, improving school results makes it more likely that people will enter reasonably well paid jobs. Leaving school with no qualifications is closely associated with outcomes such as crime and drug abuse that are undesirable and expensive in public policy terms.

c) How the scheme would work: getting the details right
The essence of the scheme is simple: social housing tenants could

require their landlord to sell the property in which they currently live and buy a new property of the tenants' choice, up to the value of their current property. We set out here details of how the scheme would operate in practice.

“Since one of the attractions of the scheme is that tenants can move to another area of the country, it is important to be clear that social landlords would have no right to refuse a property simply on the grounds of distance”

i) Who is eligible to move?

The scheme would be open in principle to everyone who lives in social housing, whether their house is owned by their local council or by an independent registered social landlord, such as a housing association.

Against that, the right to move would be conditional on having a good record as a tenant, just as the right to a mortgage is conditional on having a good record with your bank or building society. People who were in arrears on their rent, or who had had significant rent arrears in the recent past, would not be eligible. Equally, antisocial tenants would also lose their right to move. The scheme therefore increases the incentive to behave considerately. It strengthens the incentive for individuals to do things that are beneficial for themselves and for the community in which they live.

ii) Which houses can tenants buy?

Since the aim is to leave landlords unaffected, landlords would be able to refuse to buy properties that were disproportionately expensive to manage or maintain. Tenants would not be able to require their landlord to purchase a thatched cottage, or a flat with high service charges, for example, because these properties would require higher than typical maintenance costs. Nevertheless, the vast majority of houses in England would be eligible to be purchased under this scheme, just as the vast majority of properties meet standard mortgage criteria.

Properties would have to be in habitable condition and to meet the standards set by the landlord. But tenants should be allowed to choose a cheaper house requiring improvement, if the purchase of the property and the work required cost no more than the sum generated by the sale of their original property.

Since the landlord, and not the tenant, becomes the owner of the new house, the landlord clearly has the right to inspect the property before purchase. The landlord would also be responsible for commissioning a survey on the property concerned. In many cases landlords would use in-house surveying teams, rather than commercial surveyors, particularly for local moves.

Since one of the attractions of the scheme is that tenants can move to another area of the country, it is important to be clear that social landlords would have no right to refuse a property simply on the grounds of distance. If we are serious about allowing social tenants to move house in order to gain work, take up a better job, or be nearer to family we need to ensure that tenants are not restricted to their current local authority area.

It is unlikely to be economic for councils and social landlords to try to maintain individual properties spread across the length and breadth of Britain. We would therefore expect councils and social landlords who have houses in only one part of the country to subcontract the maintenance of houses that they acquire elsewhere to the relevant local authority, or to a local housing association or commercial property management company. Only if they can show that there is no such body willing to maintain the house concerned at an economic rate would they be able to refuse to purchase a property on grounds of location alone.

Equally, a company agreeing to maintain a property would have some rights to get the tenant's records, just as a commercial landlord has the right to ask the would-be tenant for references. A maintenance company, whether commercial or social, would have the right to decline to take on a property for a tenant with

a history of vandalism, for example. In such circumstances the current landlord would have the right to refuse to purchase a house for the tenant concerned.

Finally, landlords would be able to limit the size of the house that the tenant could buy. In general, the house purchased could not be larger than the current property, unless that property was too small for the tenant's needs. Thus someone living in a two-bedroom house would be eligible to buy another two-bedroom house; they would be able to buy a larger property if, for example, they had two or more children. What we wish to preclude is those tenants who live in particularly valuable properties, particularly in inner London, buying very big houses elsewhere.

iii) What happens if the value of the new house differs from the previous house?

It is very rare that someone sells a house and buys a replacement house for exactly the same amount of money. If the new house is cheaper than the previous house the landlord would gain the difference in value. Against that, the landlord would have the right to offer tenants a financial incentive to move to a cheaper property. A landlord might wish to do that because it would generate a surplus that they could then use to increase the stock of social housing.

If the new house is dearer than the house that is being sold, the tenant must pay the difference. The house would then become a shared ownership house, the tenant owning a proportion that matches their share of the purchase price. The scheme would serve as an excellent route into shared ownership for many social housing tenants.

Once more, there is no change in the quantity of social housing, since the social housing organisation continues to own the same value of social housing. In the future, when the shared-ownership resident moves out of the social housing sector and the property is sold, the social housing agency will recover its stake, which should

be sufficient to buy a property equal in value to the one that it originally owned.

iv) Who pays the expenses?

There are always transaction costs when buying or selling a house. We have identified the following potential costs. First, landlords will need to hire an estate agent, or act as an estate agent themselves to sell the property that the tenant no longer wants to live in. Landlords may not know the value of their property, and therefore need to value it, since they have a financial interest in maximising the returns from the sale. They will also need to commission a survey on the property being purchased, and there are legal fees on both the sale and purchase, as well as search fees on the purchase. It is important to note however, social landlords are exempt from stamp duty, the largest bill for many owner-occupiers and private landlords. Finally, there are moving expenses. So who should pay these costs – tenant, landlord or government?

The costs of moving vary by area, and by whether the property concerned is freehold or leasehold. Building societies have shown that there are real economies of scale in hiring surveyors and in commissioning conveyancers to do large amounts of work. Social landlords would also be in a strong position to bring down the cost of these items and negotiate on the fees charged by estate agents; alternatively they could act as estate agents themselves. Nevertheless, even with the do-it-yourself estate agency services, it is unlikely that the transaction costs of moving will fall below £1,000.

This valuation is in keeping with estimates social landlords gave in 2004, when the Government consulted with social landlords about giving them the right of first refusal to buy back any social house purchased under right-to-buy legislation in the ten years after it had been bought by the tenant. Social landlords were asked to estimate the likely administrative costs; 42 commented on this issue, with 36 suggesting that there would be costs involved. Of those 36 only

six actually estimated the costs, which ranged from £300 to £1,000. Ten argued that the costs would be “high” although seven said that they would be “minimal”.⁵¹ These responses – which cover only purchase costs – suggest that, despite some uncertainty, a cost of the order of magnitude of £1,000 or so would not be unreasonable.

Although not a large proportion of the total cost of a house, this sum would act as a real constraint for many households. As a result, if the tenant were required to pay all the costs, it is unlikely that many would be able to afford to move. Since there are benefits – including financial benefits – to society as a whole from reducing polarisation, increasing employment rates and breaking the inter-generational cycle of poverty, it is appropriate for the Government to pay some of these expenses.

That said, we do not want to create a system in which people move frequently because it is free to do so. Tenants will gain from moving house and it is right that they should pay something towards that. We therefore propose that tenants should always be responsible for paying the costs of removals, but that the State should pay all the remaining costs of one move every five years. Those wishing to move more often would be required to pay the associated transaction costs.

In the medium term, the Government should carry out a cost-benefit analysis to see whether the benefits to society outweigh the costs. If the benefits are sufficiently greater than the costs, it may be appropriate to allow more frequent moves at state expense. If the analysis shows that the benefits to society are smaller than the costs, then it may be appropriate to require tenants who move to pay a higher share of the costs. For example, requiring tenants to pay a £3 a week supplement on their rent (for which housing benefit would not be available) would be likely to cover the costs over a ten-year period. Those who thought it worth £3 a week to move would do so, and those whose preferences were weaker would stay where they were.

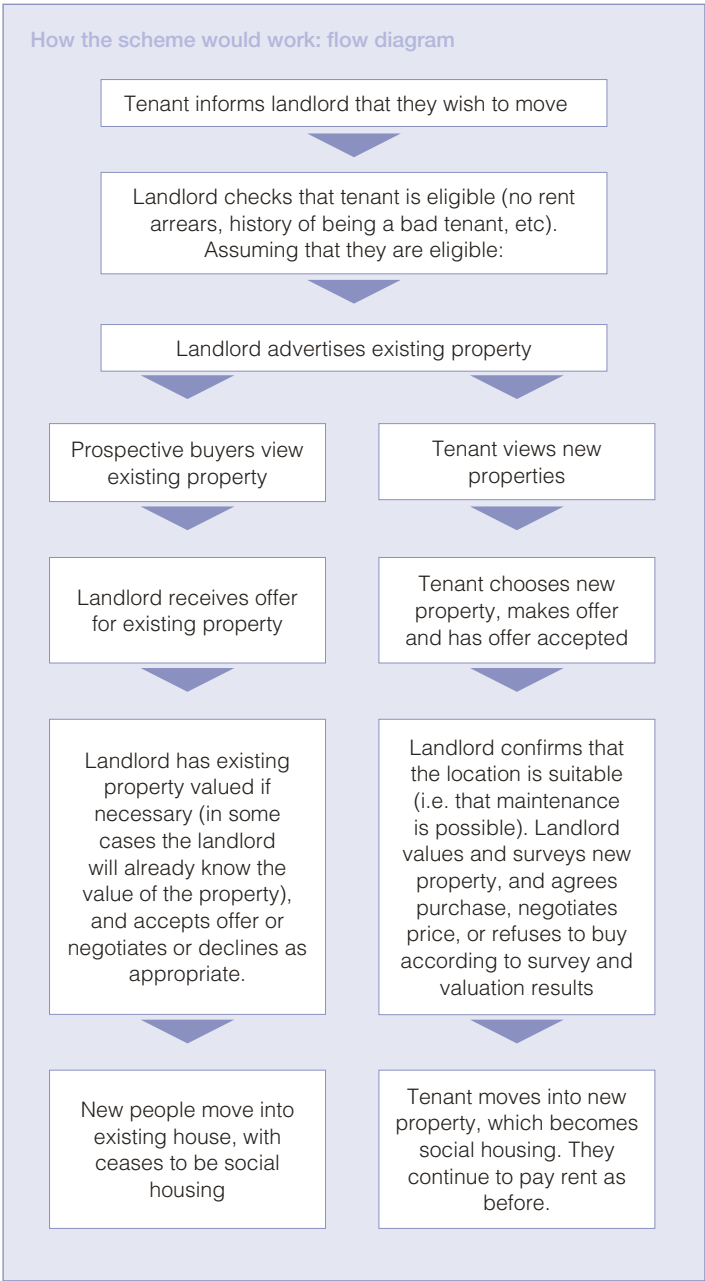
⁵¹ [www.communities.gov.uk/
documents/housing/pdf/138193.
pdf](http://www.communities.gov.uk/documents/housing/pdf/138193.pdf)

v) What happens when there are disputes?

There are two potential areas of dispute. First, the tenant and landlord could disagree on the value of either the property being sold or the property being bought. If the two parties cannot agree, the case would be taken to the Leasehold Valuation Tribunal. This is already the procedure when, for example, a sitting tenant of a commercial landlord wants to acquire a freehold, or when a social housing tenant disputes a service charge. It would be straightforward to ask the Leasehold Valuation Tribunal to rule on whether a social housing landlord has acted reasonably in refusing to accept a particular offer for a property, or to refuse to pay a particular price for a property that the tenant wanted to live in.

“ ... we do not want to create a system in which people move frequently because it is free to do so. Tenants will gain from moving house and it is right that they should pay something towards that ”

The second potential area of dispute would be over whether a property was a reasonable one for the landlord to acquire. We noted earlier that if the property was expensive to maintain, either intrinsically or because the landlord was unable to find an organisation to maintain it at reasonable cost, they could refuse to buy it. Again, since the Leasehold Valuation Tribunal already deals with disputes between landlords and tenants over service costs, it would be well equipped to deal with disputes over whether a landlord's claim that a property was disproportionately expensive to maintain was legitimate. The onus of proof would lie with the landlord. In reality a body of case law would rapidly be built up: we have already suggested that thatched roofs and flats with high service charges would be ruled out, and a more definitive list would soon develop. This, in turn, would allow social landlords to issue guidance to would-be movers about properties that would never be acceptable.



d) Which social housing tenants would move?

At one level it appears obvious who would move: those who are dissatisfied with their accommodation or their area. Nevertheless, we need to accept that it is very hard to predict how people will behave if given new opportunities. It is possible that some who dislike their accommodation will stay in the area because they have strong local connections and are willing to tolerate their accommodation as a result. It is also likely that at least some people will stay in areas that they say that they do not like because it is “their” area.

Since the whole point of the scheme is to allow individuals to express their individual, and diverse, preferences, it is hard to assess in advance who will move. Indeed, were it to be obvious, then central planners could do a reasonable job of facilitating those moves within a planned environment. Since it is hard to predict what people want to do, it is best to allow them to decide for themselves. Nevertheless, there are some categories of tenant who seem particularly likely to want to move.

The first group are people whose accommodation is unsuitable, but not unsuitable enough that they can easily be rehoused under the current system – like the case of a man in social housing whom I met recently. He is in his nineties and lives in a second- floor flat. He cannot manage the stairs unless both his grandsons carry him up and down. He described himself as a prisoner in his own home, but the council has told him that he is a low priority for rehousing. Under this scheme, he would be able to move.

The second group of people are those who live in areas that make them fearful. Many people join gangs in such areas not because they want to be in gangs, but because it seems the best way not to stand out, and so the best way to be safe. Social housing

“ It is possible that some who dislike their accommodation will stay in the area because they have strong local connections and are willing to tolerate their accommodation as a result ”

tenants are more likely to say that their area suffers from crime and public disorder, drugs and graffiti. Under the right to move they could choose to move to an entirely different area, although they might have to move further out from the centre to find somewhere that they could afford. But it would be possible – selling a three-bedroom ex-local authority flat in Peckham, for example, would allow the purchase of a wide range of similar size flats in Croydon and would certainly be more than sufficient to buy a house in a good area in Milton Keynes, Medway or Portsmouth.

Of course, the wish to move area because of fear is by no means limited to parts of major cities, or to families. Years ago I knew an elderly man who lived in social housing in an area with a reputation for crime. He wanted to move to another part of town. He didn't mind where, or what sort of place he ended up in. He just wanted to feel safe. Eventually he was rehoused, though only after being mugged. Cheerful as ever, he told me that if he could find the young man who had mugged him for £10, he would give him another tenner as a thank you. The black eye had not hurt much, but the blow had knocked him over and he was taken to hospital. Had the right to move existed then, he could have moved without being mugged.

The third group are families in inner-city areas. Many young professionals live in central London for instance when they are young, free and single and remain there when they are young couples without children. But then children come along and they move out to the suburbs. To many people, central London is not an ideal environment in which to bring up children. In contrast, suburban living offers bigger houses for any budget and (much) bigger gardens, and more parks, and green spaces. Crime is lower and school results are generally better. Suburbs are good places to bring up children. It is easy to imagine that many families living in social housing flats in Southwark, Brixton, Islington and so on might well decide that a terraced house a zone or two further out,

or a semi-detached house on the edge of London, offered them a better standard of living and better prospects for their children. Since inner-city flats in London command high prices they would be able to do this with relative ease. The same is true in other cities as well, although the concentration of social housing in the centres is less pronounced, and a generally smaller property price differential between the centre to the suburbs means that the choice for those who wished to move would be more limited.

e) How many people would move?

Since this scheme would be new, it is hard to predict how many people would move, either at the beginning or in equilibrium. Nevertheless, we can get some sense of potential magnitudes for equilibrium movements by looking at the behaviour of owner-occupiers.

The number of owner-occupiers who move varies dramatically from year to year, but taken over the long run a comparison of the number of house sales to the housing stock suggests that around one house in ten is sold a year. Of these, about 10% are the result of new households being formed, that is, around 9% of owner-occupied households move in any one year.⁵² Were 9% of social housing tenants to move a year this would involve about a third of a million households.

It is likely that this number represents an overestimate of the number of moves that would actually occur. The figure for owner-occupied moves is an average, and consists of some people who virtually never move, and some who move much more frequently. Since the right-to-move scheme limits tenants to one move every five years, there will be no “frequent movers” in the social housing sector, which will bring down the overall number of moves in any given year.

In addition, we know that many owner-occupiers in work move in order to trade up. People get new jobs, promotions, pay rises

52 Halifax housing indicators, Hills, op cit, fig 5.9, p51

and so on, their families grow, and they move house. Since social housing tenants are less likely to be in work, these reasons for moving will be reduced.

For these reasons it seems likely that the equilibrium number of moves would be unlikely to exceed 250,000 a year, which represents around 6% of the total number of social housing households.

It is much harder to estimate the number of people who will move in the short run. At one level, since the vast majority of current

tenants were given no choice as to where to live, and even those who were given a choice were offered a selection of only a handful of properties, it is possible that the vast majority of tenants could find an alternative that would suit them better. In reality the majority of people are unlikely to move. People develop many local links, with immediate neighbours, for example, that make them attached to the property in which they live, even though it may not have been their first choice originally. Equally they have furniture or other items that they have chosen and work well in their current house. There is also a real cost to moving, in time and effort, even if the transac-

tion costs are paid for by the State.

The evidence shows that around 15% of those living in social housing are dissatisfied with their accommodation.⁵³ A similar proportion are dissatisfied with their area, although it is not clear to what the extent these two groups overlap.⁵⁴ It is plausible, therefore, that perhaps 15-20% of people would want to move as soon as the scheme was announced. This would amount to 600,000-800,000 properties being offered for sale. It is plausible that this is an underestimate, since many people currently in social housing might decide that although they were not dissat-

“... since the vast majority of current tenants were given no choice as to where to live, and even those who were given a choice were offered a selection of only a handful of properties, it is possible that the vast majority of tenants could find an alternative that would suit them better”

53 Hills, *op cit*, fig 7.4, p71

54 *Ibid*, fig 7.7 p73

isfied with their accommodation or area, they would be more satisfied elsewhere. It might be sensible to imagine that as many as one in four households would choose to move relatively soon after the scheme was introduced.

f) Who would buy their houses?

There are three obvious groups of people who would buy the houses offered for sale by social housing tenants wanting to move. The first is other social housing tenants in the same area. Someone with the small but quiet house can buy a house near other members of their family from someone who in turn buys a house near the bus stop from the person who buys the small but quiet house and wishes to avoid the noise of the buses. We should not underestimate the extent to which within area moves will be important under this scheme.

Second, we know from experience that young urban professionals are often willing to live in areas that estate agents describe as “up and coming” – areas that are relatively well-connected and offer good value for money. These are not necessarily places that they wish to live in for the rest of their lives, but they may be more prepared to tolerate problems with local antisocial behaviour than the families and pensioners who currently live in those areas.

Third, some of the houses will be sold to landlords who will let them out to those in need of cheap accommodation, including students and migrant workers. We discuss the implications of this group becoming a greater presence on social housing estates later on, and suggest some potential remedies to the problems that this sort of purchaser can bring to an area.

Fourth, the council or housing association who currently own the property could, as it were, buy it using money from their reserves, and rent it out at market rents. This would be an attractive option if the council or housing association felt that there were advantages in retaining complete ownership of the estate.

g) Extensions to the scheme

i) Making the scheme work for those entering social housing

The scheme can be applied to those who are new to social housing. Rather than offering the household at the top of the waiting list a particular property as in the traditional model, or handful of properties as in the choice-based lettings model, the council would offer them not only the properties that it currently owned, but also the right to find a property of their choice, on the open market, up to a certain value. If the family chose a property on the open market the council would sell a property of equivalent value that it currently owned in order to finance the one chosen by the tenants. Again, while the location of the stock of social housing will change, the amount of social housing remains the same.

ii) Making the scheme work for new build in the social housing sector

It would be even easier to use the scheme for new build social housing. In essence councils and housing associations would stop building properties. Instead they would use the money that they would otherwise have used to build properties to buy homes chosen by the tenants at the top of the waiting list. The private sector would then build more houses in lieu of those that would previously have been built by the social sector. It is worth noting that this element of the scheme would not involve the social landlord in any extra costs.

h) Potential problems

i) Potentially fewer social houses available for new tenants

Under this scheme some of the people who currently have to give up their social tenancy would be able to keep it. In theory, a tenant who won the National Lottery could choose to remain a social

housing tenant, but move to a more valuable property, paying the extra himself and becoming a shared owner. In this instance, although the scheme does not reduce the stock of social housing, it does reduce the flow of newly available social houses, since this person would otherwise have moved out of social housing, allowing the house to be made available to someone on the waiting list. Clearly this is an undesirable side effect of the policy.

Although winning the National Lottery is not the only way in which social tenants move out social housing, it is important to realise just how few households in the social housing move to other types of housing. Excluding the right to buy, only 11,000 people move from social housing to owner-occupation in a typical year; a further 47,000 move from social housing into the private rented sector. This represents considerably less than 2% of the number of people currently living in social housing.⁵⁵

In any case, not all of these people would be eligible to take their rights to social housing with them. In particular, we noted that the size or value of the house that they would be eligible to buy would be limited under the scheme. Our lottery winners would not be able to put the value of their current house down as part payment for a 12-bedroom mansion. More generally, placing a restriction on the proportion of the house that could be owned under this scheme would prevent those who come into money from exploiting the scheme. Additional restrictions would prevent people from buying property from close relatives or people with whom they were cohabiting.

When tenants move from a more expensive property to a less expensive one, landlords will retain the saving. As such, the overall effect on the number of social houses that could be offered to new tenants each year is ambiguous. It might increase the number of houses that became available or it might decrease it, but any effect will be small as a proportion of the total stock of social housing.

⁵⁵ Hills, *ibid*, fig 5.9, p51

ii) More people will want to move into social housing

Granting social housing tenants the freedom to choose where to live, both initially and as their needs and preferences change, increases the attraction of living in social housing and so we would expect more people to want to live in it. Since social housing is rationed, and allocated by need, and since the level of need required is high, it is unlikely that there are many people who meet the criteria but are not already on the four-million-long waiting list. Although the number of people expressing an interest in applying for social housing might increase, there is unlikely to be any material change in who actually gets allocated social housing.

It is worth noting the parallel with the earlier right-to-buy legislation. This also increased the attractiveness of living in social housing, since it offered a low-cost route into owner-occupation. Despite this, we did not see a disruptive surge in applications for social housing. Similarly we would not expect the enactment of right-to-move legislation to drastically alter the quantity or type of people applying for social housing.

iii) Can social housing tenants sell their houses?

Granting social tenants the right to require that their landlord sells the property in which they live is a useful right if and only if someone is prepared to buy the house at a price that allows the tenant to move. Realistically, we need to recognise that many social rented properties are valued at below the average rate for the area. This will clearly constrain tenants' choice. In particular, it is conceivable that when the scheme is first launched everybody in particular areas will try to leave. At that point the oversupply of houses for sale will cause the price to fall. There are two solutions to this, one a market solution, the other a regulatory one. The market solution is simple: when the value of properties in a particular place fall, people are less likely to want to move. After

all, the attractions of leaving your current home are in part determined by the sort of place to which you can move. If your house loses value relative to other houses, the attraction of moving is reduced. Thus like any well-designed system that relies on the market, this system has self-equilibrating forces.

Second, we noted that landlords would value the property being sold. Clearly, they would have the right to demand that the house was sold for no less than the valuation. If there were a hiatus in the market, for whatever reason, it would be legitimate for landlords to refuse to allow houses to be sold for very small sums of money. After all, they have a duty to protect the value of the social housing stock that they own.

“ If your house loses value relative to other houses, the attraction of moving is reduced. Thus like any well-designed system that relies on the market, this system has self-equilibrating forces ”

iv) Political: the benefits are greater for tenants in some areas than others

Since housing in the South East, and particularly in London, is more valuable than housing elsewhere, someone living in social housing in those areas would have a wider set of opportunities available to them under these proposals. Someone currently living in social housing in Islington would, under this scheme, find it easy to move to Newcastle. But someone living in Newcastle would not find it easy to move to Islington.

Although this may seem unfair, the scheme simply makes arrangements more transparent. Hills reports, for example, that the level of economic subsidy per house is eight times as high in London as in the North East.⁵⁶ Similarly, there are already schemes that are available only to social housing tenants in some areas. For example, there are schemes to help pensioners in social housing in London move to rural or seaside areas, whereas there are no equivalent schemes for people in Newcastle.⁵⁷

⁵⁶ *ibid*, table 6.4 p63

⁵⁷ *ibid*, box 10.1 p108

It is unlikely that many social tenants in Islington would want to move to Newcastle, or that many Newcastle social tenants would want to move to Islington. The reality is that the vast majority of people move only short distances. More than half the owner-occupiers who move house move less than five miles, 70% move less than ten miles. Only one in eight owner-occupiers moves more than 50 miles.

This is important because it tells us that across Britain many social tenants will get a reasonable range of property to choose from in the area that they want to move to: the area in which they currently live. There are two groups who will have obvious alternatives: those in houses and those in city centre flats. In most markets social housing houses sell for prices that are similar to those of small Victorian terraces, often closer to the centre of town. Most social housing tenants who occupy a house will be able to move to a terraced house somewhere else in the area in which they live. They would also be able to afford a wide selection of flats.

Those in city centre flats in most towns would be able to move to a house in a suburban area. Although the central London to suburbs price premium is larger than elsewhere, the value of a housing association or council flat in the centre of any major town – particularly in, say, Birmingham, Manchester or Leeds – is sufficient to allow the tenant to move to a house further out from the centre. As we have noted, many middle-class people do not see city centres as the ideal environment in which to bring up children, and we can imagine that many social housing tenants living in flats might well also prefer to move out to the suburbs.

Finally, (almost) all tenants are likely to be able to move to an apparently similar place within the immediate locality in which they live. This may not, at first sight, sound like a particular advantage. But the 90-year-old man I met didn't want to move a mile, let alone 50, he simply wanted to move downstairs to a ground

floor flat: the sort of switch that would be made possible in every community in the country. The current choice-based letting scheme offers properties only from a limited area and is extremely popular. Even those for whom low property values limit the range of places to which they could move would see welfare gains in line with those delivered by choice-based letting.

It is worth remembering that the right-to-buy legislation also gave a greater advantage to those who were living in valuable properties. This did not undermine either the political appeal of the scheme or its practical effectiveness. Everyone in council housing gained a new right and that was sufficient to ensure its popularity with tenants. The same would be true for creating a right to move.

v) Cost to government

We have estimated the equilibrium number of moves at no more than 250,000 a year, while acknowledging that this figure is highly uncertain. If each move cost the Government £1,500 the direct ongoing cost to government would be £375 million a year. This would be offset by falls in benefit spending and rises in tax revenues if more people are better connected to labour markets, and if the number of students failing to gain any qualifications falls over time.

We also noted that it was difficult to assess how many people would want to move in the short run, but that the number could be as high as a million households. The direct cost to government from such a volume of moves would be around £1.5 billion in the short run, although again that would be balanced to some extent by rises in tax revenues and falls in benefit spending. The overall implications for the Exchequer cannot be assessed *ex ante*, and can be determined only by experience.

In order to control costs in the short term, the right to move could be phased in for social housing tenants.

vi) The effect on communities

It is important to consider the effect that a scheme like this would have on the communities involved. This is potentially very important and we therefore consider it in some detail. In particular we try to learn the lessons of the effect of right-to-buy legislation on communities in both the short run and the long run.

• The quality and appearance of an area: incentives for current tenants

Since tenants may want to move at some point later in their life they will, for the first time, have a direct financial incentive to look after the property that they live in. Put simply, tenants who look after their house or flat will be able to move to a better place since their house or flat will be worth more. Thus creating a right to move gives people a de facto financial incentive to look after the property in which they live.

Tenants will have a similar incentive to look after the area in which they live. The quality of a housing estate is an important determinant of the value of the properties within it. Again, for the first time, tenants will have a financial incentive to ensure that their estate is well looked after. This is an important aspect of the right-to-move legislation: it involves strengthening the incentives for people to behave in a neighbourly manner and to stand up against antisocial elements in their community.

• The quality and appearance of an area: new owners

The effect on communities rests to a large extent on who purchases the houses that are sold. If those houses are sold to people who are community minded, the benefits to the community are obvious. Equally, if they are sold to people who have no interest in the local community, there is a potential for it to be harmed. It is therefore very important to understand who is likely to buy the properties concerned when tenants decide to move. This is particularly true

for people buying newly available properties on housing estates, many of which already have quite serious problems.

Here the evidence from right-to-buy legislation is not encouraging at first sight. Right-to-buy properties are often sold on to low quality landlords who let them out to transient and marginal members of the community, such as migrant workers and students. Such tenants are often crammed in because the landlord is confident that they will not complain about the conditions. This can have a negative impact on the sense of community for local residents.

Talk to any housing professional and they will tell you that this is true. Talk to any council estate resident and they will show you that it is true. But talk to an economist and they will argue that the underlying issue is the high cost of housing, rather than council house sales.

Immigrants, for example, have come to Britain in large numbers in recent years; they are often poorly paid and housing is expensive. They do not want to live in cramped and sometimes squalid conditions but cannot afford anything else. Some rented houses are in illegally bad condition, but, as Liam Smith, deputy leader of Barking and Dagenham council put it: “A lot of them are vulnerable people, so they’re hardly likely to be complaining about it. They’re scared”.⁵⁸ Since there is a demand for sub-standard housing from people who cannot afford better, sub-standard housing will be supplied.

The right to move merely alters the location of social housing. It cannot, therefore, increase the demand from immigrants, students or other poor people for very low cost private sector housing, nor can it increase the aggregate supply of such accommodation. Nevertheless, insofar as the right to move increases the potential supply of reasonably large, cheap property on housing

“ Right-to-buy properties are often sold on to low quality landlords who let them out to transient and marginal members of the community, such as migrant workers and students ”

⁵⁸ John Harris, “Safe as houses”
John Harris The Guardian,
Tuesday September 30 2008
[http://www.guardian.co.uk/
society/2008/sep/30/housing.
houseprices](http://www.guardian.co.uk/society/2008/sep/30/housing.houseprices)

estates, the proposal does have the potential to attract increasing numbers of such landlords to housing estates from other places where they might currently be operating, such as areas of inner-city terraced housing.

Moving a problem is not as bad as creating it, but that is of little comfort to those who would remain on the estate. This is therefore an issue that needs addressing.

The only long-term solution is to build more houses, perhaps many more houses, so that housing costs come down sufficiently far for more people to be able to afford to buy or rent a decent place to live. At that point demand for shabby rooms in shabby shared houses will fall and landlords will find that offering such properties is no longer a good way to make money. In addition, falls in the price of market housing will reduce the number of people seeking social housing, alleviating pressure on social housing waiting lists and reducing the number of vulnerable people forced to rely on cheap, low quality private rented properties.

In the short term councils can and should be given new powers that would ameliorate the problem. If excessive concentration of houses let out by the room (“houses in multiple occupancy”) has bad effects on local communities, planning law could be changed so that councils could refuse to allow houses to be converted from single family to multi-occupancy houses where the latter were already numerous. Since there is demand for such houses, this would not reduce the number of such houses, but it would spread them more widely. Insofar as it is the concentration of such houses that is problematic, this would go some way to a solution.

Second, councils could make more efforts to enforce housing law. Tenants may not be prepared to report landlords acting illegally, either through fear or because poverty leads them to prefer low-cost, low-quality illegal housing, but others in the area could well be tempted to report modern-day *Rachman* landlords who are harming their community. This would be especially likely

if people were offered Crimestoppers-style financial rewards for doing so.

Third, landlords who persistently break the law should lose their right to rent property, just as those who persistently break other trading laws can be barred from operating. In extremis, those who persistently flout planning law, or let out rooms that are of an illegally low standard should be sent to prison. Communities should not have to tolerate landlords who destroy an area by acting illegally.

Finally, as we noted earlier, councils and housing associations could use their reserves to, as it were, buy the property from themselves, and rent it out at a market rent. This eliminates any chance of a poor quality landlord taking over some properties, and allows the area's principal landlord to control who moves into the property itself.

Conclusion

Allowing existing social housing tenants to move house to a place that they prefer offers many advantages. Self-evidently it would improve the lives of those who move: the very fact that they choose to move demonstrates this effectively. Current levels of tenant dissatisfaction would fall significantly.

But it will also have favourable effects on those who choose not to move. Estates of social housing will become more mixed, with higher levels of employment. Connections to the labour market will be improved and school standards will rise. The next generation will be in a better position to be economically successful.

People would have an incentive to look after their house and their neighbourhood because under this system that house is a real asset to them, just as it is for owner-occupiers.

Falling levels of worklessness and increased education standards are also good news for those who do not, and never will, live in social housing. Worklessness is not only unpleasant for those who experience it, but also is costly for society as a whole. It reduces national income and tax revenues, and raises benefit expenditure. The same is true of school underachievement. These are costly and reducing them benefits us all.

The “Right to move” gives every social housing tenant the right to require their landlord to sell their current property and replace it with one of the tenant’s choice. Tenants can move to get work, cutting unemployment. Or to take a better job, raising tax revenues. Or to be near good schools, raising educational standards. Or simply because they do not like their current house and location.

The “Right to buy” was one of the Thatcher government’s defining policies, offering new opportunities to many social tenants. The “Right to move” offers opportunities for all social tenants. It can be a defining policy for this decade.



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