

**A CHECK LIST OF ISSUES IN HOUSING/
LABOUR MARKET INTERACTION**

For NCRA Panel

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This summary adopts the simplifying assumption that we can distinguish clearly between discrete spatial labour market areas (LMAs), and between those factors which operate inside such an area and those operating between them. In reality the situation is less clear-cut because LMAs tend to overlap.

1. Tenure/cost and the distribution of worklessness within LMAs:

- a. many of the same background factors affect both individuals' labour market competitiveness (and hence their risks of being out of work) and the housing opportunities they can access (in terms of tenure and cost – and the areas where accessible/affordable housing is located).
- b. this shapes the map of worklessness within LMAs, but will not affect individuals' chances of being in/out of secure work, unless either:
 - realistic housing opportunities for high risk groups are distant from relevant work opportunities; or
 - neighbourhood effects, in terms of role models or information networks, exacerbate chances of being out of work in areas where workless rates are already very high.

There is no convincing evidence for either proposition currently.

2. Tenure and constraints on labour migration between LMAs

- a. Housing tenure has long appeared to exert a clear influence (over and above related social, demographic and skill influences) on propensities to migrate for job reasons between regions. Mobility of social tenants has tended to be significantly lower than expected, whereas that of private tenants is significantly higher (though this may be at least partly a matter of self-selection of tenure on the basis of expected mobility).
- b. For people with very specific skills relating to jobs that are thinly distributed across areas, the effect should be to depress expected earnings and increase chances of worklessness for those in tenures which constrain mobility.
- c. More generally, the effect of constraints on mobility should be to increase the disparity of earnings and worklessness rates across LMAs, both generally, and particularly for those skill groups/job types/places, with a larger proportion of workers in the constrained groups. This effect is an aggregate one, however, and would not particularly affect the position of

the individuals in different tenures. And it should only raise levels of worklessness in those areas where it would anyhow be above average.

3. **Tenure and individuals' chances of being workless**

- a. There is evidence over a very long period, that individuals' chances of being out of work are substantially higher than would be expected (given location and other observed characteristics) if they are in social renting (typically around twice as likely), and somewhat higher if they are in private renting, whereas they tend to be lowest among those currently buying their house with a mortgage (as distinct from owning it outright).
 - It is not simply a reflection of the restricted tenure options that are available to those lacking an employment income.
- b. This applies in areas of strong as well as weak labour demand. Hence it cannot (primarily) reflect the impact of constraints on the ability to move to areas where jobs are generally more available.
- c. Other more plausible explanations are that:
 - i. (social) renters tend to share some unmeasured/ unobserved characteristics which make them lower their competitiveness in the labour market; and/or that
 - ii. employers generally regard people with a mortgage to maintain (like those men with wives/families) as more likely to be responsible/ trustworthy, because they have more to lose.

4. **Impacts of Constraints from Housing Supply on LM Outcomes**

- a. In LMAs (and broader regions) where labour demand is strong, but housing supply is especially inelastic, because of a restricted supply of land, rates of worklessness clearly tend to be lower, and earnings higher,
- b. There are presumably knock-on effects on rates of achieved employment growth, depressing those in the areas with the inelastic supply, and displacing some (unknown) proportion of the frustrated demand to other regions (and/or abroad) where such constraints are not an issue.

5. **Housing Benefit, Local Housing Costs and the Incentive to Work**

As I (rather partially) understand it, it is expected that in areas of especially high housing costs (but with no corresponding increment to the Minimum Wage), housing benefit may operate as a stronger disincentive to working than elsewhere, for those who are in receipt of it?

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