

The social impact of housing providers

A summary report

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Original report by Daniel Fujiwara (February 2013)



This paper is a summary of 'The social impact of housing providers' by Daniel Fujiwara (2013), published by the HACT and sponsored by Plus Dane Group and Legal & General.

Purpose

Daniel's paper focuses on defining social purpose, as well as measuring and evidencing the extent to which housing associations are achieving delivery of positive social impact.

There are currently no common standards, methodologies or tools being adopted that clearly meet the full range of housing provider needs. There has historically been a focus on process and outcome recording, rather than using metrics with genuine evidential value that provide Boards and senior teams with the information they need to balance competing demands for investment across their businesses.

The paper demonstrates alternative methodologies, based on well-being, that can address problems inherent in earlier approaches to understanding and reporting on the social value of housing providers' activities.

Further research will be conducted in 2013 to develop a comprehensive set of social impact metrics for the social housing sector, alongside work to build tools for analysing, modelling and reporting the social value created by individual providers.

Approach and previous research

The analysis examines the impacts of housing on people's wellbeing, using data from the British Household Panel Survey (BHPS).

The **wellbeing valuation method** is used; this looks directly at how people's self-reports of their levels of wellbeing are affected by housing conditions and attaches a monetary value to this impact. Whilst the analysis is powerful, there are limitations in its scope, as there may be non-welfare related outcomes or processes that are important to housing associations, such as providing a minimum standard of housing quality.

Previous research on this topic (using different assumptions, data and analysis) has found the following to negatively impact life satisfaction:

- living in public housing
- living in an unsafe area
- living with housing problems such as dampness, noise, pollution, grime or other objective environmental problems

It is worth noting that some studies show that moving to a better home is not related to life satisfaction, suggesting that housing is not an important aspect of wellbeing or that any wellbeing gains from moving to improved housing are matched by additional costs.

Value of housing

Three different measures of wellbeing were analysed to assess the impact of housing factors on wellbeing:

1. Thinking about / would like to move home

This measures wellbeing in terms of the extent to which people's preferences are satisfied in terms of whether they are thinking about, or would like to, move home.

The top five determinants of people wanting to move home were found to be:

1. Lack of space
2. Neighbour noise
3. Local vandalism
4. Street noise
5. Having a garden

2. Life satisfaction

This measures wellbeing through people being asked 'How dissatisfied or satisfied are you with your life overall?' and answering on a rating scale from 1 (not satisfied at all) to 7 (completely satisfied).

In ranked order, the following variables were found to impact negatively on life satisfaction:

1. Neighbour noise
2. Damp
3. Poor lighting
4. No garden
5. Condensation
6. Rot
7. Local vandalism

In general, there is **no extra impact of housing tenure type over and above the impacts through housing quality, except for people in London**. People in housing association homes in London have higher life satisfaction than people in any other type of tenure, suggesting that, over and above housing quality, **there is a wellbeing impact of living in a housing association home for Londoners**.

When considering the full range of housing quality factors together, it is found that compared to a person living in a house with no problems, a person living in a house with all 11 housing problems (included in the analysis) would have 6% lower life satisfaction. This in turn suggests that **improvements in housing quality could lead to large and significant improvements in our wellbeing**.

3. Happiness

This measures wellbeing through the General Health Questionnaire (GHQ) happiness score, asking people "Have you recently been feeling reasonably happy, all things considered?" and answering on a scale of 1 (more so than usual) to 4 (much less than usual).

Happiness data taps into different aspects of wellbeing to life satisfaction. It has a more personal effect, whereas life satisfaction tends to include something about how people evaluate and reflect on their lives compared to others and compared to their own standards.

It is found that fewer housing variables impact on happiness compared to life satisfaction. They are (in order):

1. Neighbour noise
2. Damp
3. Condensation

In summary, it is found that housing factors that enter our experiences – those that impact on life satisfaction and happiness – do not necessarily correlate well with the reasons we seem to have for moving home. Therefore **asking people what they would like to have improved in their homes might not be enough**: further important information can be gleaned from looking at how they experience their lives.

Overall, the dominating factor negatively impacting the three measures of wellbeing is neighbour noise. The results suggest that where housing problems exist, **resources should be directed towards improving neighbour noise, damp and condensation problems as the first priorities.**

‘Monetarising’ the value of housing

Using the wellbeing valuation approach, the paper creates a measure of the magnitude of each housing problem. By examining the relationship between income and reported life satisfaction scores it can be determined that a certain amount of money increases life satisfaction by a certain amount (on average). The wellbeing valuation method uses this relationship to calculate the **hypothetical amount of extra income people would need in order to compensate them for a given housing problem**, such that their life satisfaction were the same as if they were not experiencing the factor.

The following table shows the ‘value’ of housing quality indicators for those housing factors that have a statistically significant effect on life satisfaction:

| Housing problem | Compensation Value (per year) |
|--------------------------------|--------------------------------------|
| Neighbour noise | £1,068 |
| Damp | £1,068 |
| Poor lighting | £1,044 |
| No garden | £783 |
| Condensation | £645 |
| Rot | £598 |
| Vandalism | £436 |
| All 7 problems combined | £5,642 |

It is important to note that these values may not be what people would state they would be willing to accept. They are based on a more subtle experiential wellbeing, rather than a stated preference.

There is also a potential impact from market conditions, in terms of worse quality houses potentially having lower selling or rental prices. Further analysis found that in fact **none of the housing quality factors were significant determinants of rental prices** and therefore, in general, people do not receive compensation for these factors in the market.

Value of non-housing interventions

This paper uses information from existing wellbeing literature, to provide guide estimates for outcomes under seven non-housing areas of activity:

1. Jobs and training

Unemployment leads to a reduction in life satisfaction which works out to a **cost of about £8,700 per year.**

2. Learning and skills

On average, **undertaking one part-time course has a value of £754 to the individual.** Learning and skills services have also traditionally focused on getting people into voluntary work placements; the associated cost of **not being able to volunteer** (on a frequent basis) is about **£11,800 per year** per person.

3. Health services

The following table uses the same 'compensation' theory, in terms of assessing the type of value interventions could generate if they impact positively on health problems:

| Health problem | Cost (per year) |
|--|-----------------|
| Depression, anxiety | £43,453 |
| Alcohol or drug related problems | £24,257 |
| Health limits daily activities | £10,220 |
| 'Good' self-reported health | £6,310 |
| Stomach/liver/kidneys or digestive problems | £6,039 |
| Migraine or frequent headaches | £3,626 |
| Health limits amount or type of work | £2,354 |
| Chest/breathing problems, asthma, bronchitis | £2,230 |
| Heart/blood pressure or blood circulation problems | £1,546 |

Further to this, health services that promote participation in sport will create social value with the following estimates of value:

- £428 per year for individuals participating in sport at least once per month
- £562 per year for individuals participating in sport at least once per week

Finally, family intervention initiatives that help to keep couples together or that assist with caring duties will have significant positive impacts on people. The negative impact on wellbeing on separation has an equivalent value of £3,400 per year. The negative impact on wellbeing for people that provide residential care for family members (have caring duties at home) has an equivalent value of about £830 per year.

4. Promoting independence

These services by and large focus on improving financial literacy and circumstances. It is found that **services that help people to lift themselves out of heavy debt will have an equivalent value of about £2,300 per person per year.**

5. Safer, stronger communities

It is found that satisfaction increases for people who **live in a safe area**, where they do not perceive vandalism and crime to be a problem, **equivalent to about £650 per annum per person.**

6. Creating better places to live

It was found that regeneration of a local area (including renewal of fascias, repairing gutters and roofs of houses; renewing property front boundary walls and paths/paved areas; road resurfacing; and improved street lighting) **increases satisfaction by an equivalent value of £6,500 per person per year.**

7. Community spaces

These activities may increase the frequency with which people meet others and socialise through clubs and activities. The value associated with **being able to socialize and meet on most days is found to be about £3,000 per person per year.**

It is worth noting that in all these studies, causality may be an issue, i.e. there may be other factors, that have not been accounted for in these models, which may impact on the outcomes.

Decision-making frameworks

The values derived in the previous sections can be used to inform decision-making in housing associations. Analysis such as this can enable tenant, community and social welfare or wellbeing to be considered alongside other factors important to housing association investments and interventions.

Most housing providers will seek to deliver multiple, blended returns from their investment in addition to maintaining a robust core business. Although it is possible to simply boost asset values and maximise surplus, **housing associations seek to generate social value and positive economic impact from their activities**, which in turn may also generate positive returns to the government exchequer.

Further work to find better ways in which these can be modelled and understood would enable impact to be evidenced and decisions properly informed by available information.

The following example provides an illustration of the ability to compare **investment options**, assessing their cost against the social value they provide:

Option 1: A home improvements programme (cost of £2m)

- Work with local police to eradicate local area vandalism problems for 200 homes
- Install or improve (where already installed) central heating systems in all homes
- Solve damp and condensation problems for 100 homes
- Insulate homes from noise pollution minimizing street and neighbour noise problems for 100 homes

Social value of £657,540 per year

Option 2: A programme of investment in community programmes (cost of £1m)

- Help get 50 people back into work
- Help get 150 adults on to a range of adult learning courses
- Improved local area safety for 300 homes

Social value of £1.4m per year

Option 3: A programme focusing on health and sports interventions (cost of £900,000)

- Provide free counselling and interventions for people with drug and alcohol abuse problems (5 people benefit) and mental health problems (anxiety and depression) (8 people benefit)
- Help get 500 young people to participate in sport at least once per week
- Provide free physiotherapy and acupuncture treatments for 300 tenants to get rid of mobility problems (arms, legs, back etc.)

Social value of £1.14m per year

Comparing the **social value against the cost of implementation, Option 3 provides the greatest return (£1.55 for every £1 invested)** in year one. If Option 1 were the only option on the table, closer analysis would be required to check that it delivered social value over an extended period since the year one returns are negative net benefits (£0.33 for every £1 invested).

It is important to note that these values and **this approach only illuminate one aspect of the decision to intervene**; and that housing associations will **also need to consider their asset value and income generation**. There is also a further potential impact on exchequer finances as these are important benefits for the economy and taxpayer, which are **benefits to society not picked up by benefits to the individual stakeholders**.

Concluding remarks

There is a **growing literature demonstrating that wellbeing is in itself an important INPUT that that leads to other more tangible or easier to measure outcomes**. People with higher wellbeing are more productive and creative at work; more altruistic in terms of giving up their time to help others; and are generally healthier. These findings have important implications for health expenditures, absenteeism at work, productivity and economic growth, and charitable giving – clearly important factors for any society.

Next steps and future research

During 2013, HACT will be working in partnership with Daniel Fujiwara and OCSI to make use of the methodologies identified in this report, alongside the successful Community Insight mapping platform, to provide more effective mapping, modelling and reporting of housing providers' social impacts. In particular, it is hoped this work will be developed in the following ways:

1. More detailed modelling of the metrics set out in the current report

Carry out further analysis of wellbeing-based metrics, based on data generated by surveys of social housing residents' attitudes, preferences and circumstances. **Bringing together a significant number of housing providers who would be willing to include a number of standardised questions in their STAR (or similar) residents surveys** would enable the generalised life satisfaction scores in the initial report to be adjusted to take account of any specific social, economic or attitudinal issues specific to social housing tenants.

2. Significant additional modelling work to better understand the social value of the sorts of community investment activities carried out by housing providers.

This would include modelling the exchequer savings generated by housing provider activities. The analysis in the current paper could be further developed through analysis of community investment programmes in **existing datasets and through analysis of the primary data collected in resident surveys**.

3. Development of a robust model capable of integrating the social value metrics, being generated by current and ongoing research, with asset valuation models used by housing providers.

4. Development of practical tools to enable housing providers to make use of the insights in this and follow-up research, to support decision making and impact reporting within their organisations.

About HACT

Founded in 1960, but relaunched in 2012 with funding and support from a range of leading housing providers, HACT is a charity, social enterprise and industry-focused think/do tank established by the housing association sector.

We seek to influence and innovate in ways which help all housing providers deliver more effectively within their communities.

To find out more about our work, please visit www.hact.org.uk

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Further research and metrics on the social value of housing providers' community investment activity will be published by HACT and Daniel Fujiwara in Autumn 2013, with generous support from Affinity Sutton and Catalyst Housing.



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