

Key Worker Housing

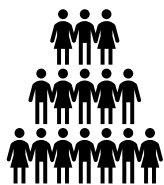


Housing affordability is a major threat to the recruitment and retention of key workers

Key workers make up around a third of the UK workforce, but they are finding it increasingly difficult to find a home that they can afford. This is a real problem for recruitment and retention of key workers in health, education, and so many of the sectors on which we all rely on for our wellbeing and our capacity to contribute to a growing UK economy.

This briefing note looks at the current state of play for key worker housing, and the potential for creating new key worker-led housing solutions to provide both affordable and quality housing for key workers, supporting recruitment and retention and local workforce stability.

Summary



10.6 million

Estimated number of key workers in the UK



51%

of key workers are employed in healthcare or education



-16%

Decline in real wages for teachers since 2010



1 out of 97

local authorities in London and South East where a newly qualified nurse can afford to rent a 1 bedroom flat

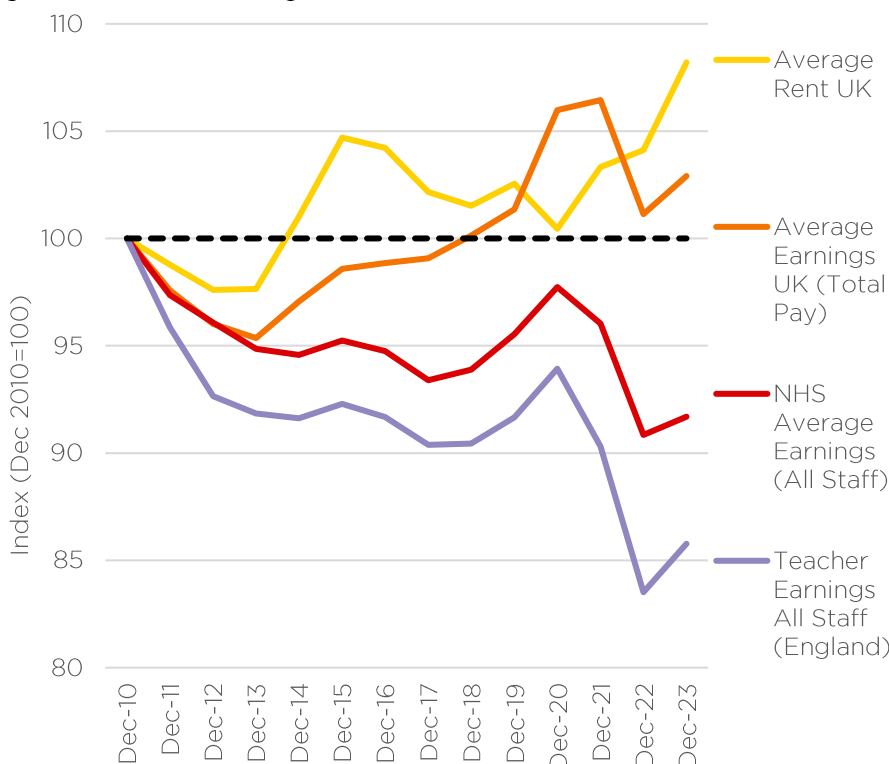
For many, the concept of “key workers” first became familiar during the Covid-19 pandemic. In practice, key workers make up a broad cross-section of society, including medical staff, teachers, police officers, and civil servants in both local and national government.

Recent high levels of inflation have heavily impacted public services. Limited in their ability to raise wages, many employers have struggled to fill key worker roles. Earnings in many key worker roles have failed to keep pace with either UK average earnings or the cost of living.

Using the NHS as an example, in real terms (taking account of inflation), earnings in the health service have fallen 8% since 2010, compared with a 3% increase in average earnings across the UK. The cost of living squeeze on NHS staff has been severe since 2020, with a 6% decline in real earnings, compared with the 3% experienced by the average UK earner. The situation is worse for teachers in England: wages have fallen by over 14% between 2010 and 2023 in real terms.

Coupled with rising interest rates significantly impacting mortgage costs and a lack of available rental stock causing rapid growth in rents – a critical part of solving the shortfall in key workers is helping to reduce housing costs and for employers to provide affordable housing solutions within workforce strategies.

Figure 1 Rents and earnings in real terms



Source Savills using data from NHSE, DfE, ONS and Zoopla Rental Index powered by Hometrack
NB: Average earnings represent mean average pay across all workers, including annual pay increases and changes to the makeup of the workforce



Key workers in numbers

How many key workers are there?

Definitions of key workers vary significantly, creating challenges in determining who should be prioritised. These definitions range from the current national planning policy focus on essential frontline workers in health, education and community safety to much broader definitions in London housing policy. At the highest level, the ONS estimated there were around 10.6 million key workers in the UK in mid-2020. This equals about 15% of the UK population, and a third (32.6%) of the total workforce. Within regions, the share of the workforce can vary, from 25% in London to as high as 40% in the South West of England. Over half of all key workers work in either health and social care (31%) or education (20%)

With a median age of 39.4 years, key workers are marginally older than the working-age population at large (39.0 years). This is largely due to fewer young key workers: only 9.2% are aged 16-25 compared to 11.5% among all workers.

What about their current housing situation? 70% are estimated to own their home either with a mortgage or outright – a little higher than working-age households at large at 65%, likely due to fewer key workers under 25. Key workers who live in the private rented sector, however, face considerable affordability challenges.

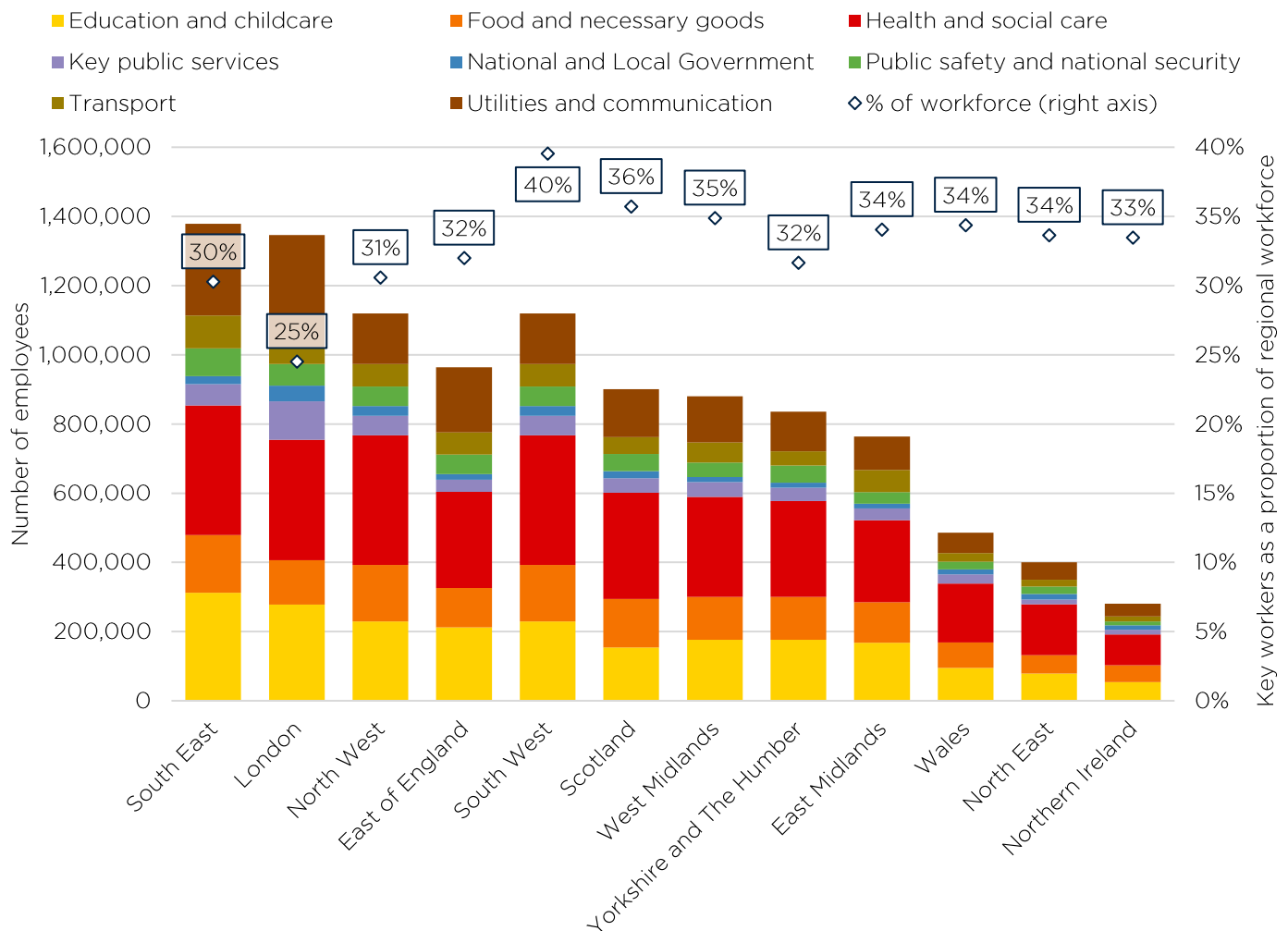
Impact on staff recruitment and retention

Recruitment and retention of staff is a key challenge impacting the sustainability of key worker employment

In particular, there is an acute shortage of staff relative to requirements across the NHS. There were 121,070 full time equivalent vacancies in the NHS in September 2023, equivalent to 8.4% of the total staff workforce, according to NHS data. A recent report by the NHS Homes Alliance noted that “the lack of available affordable, quality homes in appropriate locations” was “a common theme” impacting staff recruitment and retention. 68% of staff surveyed at Oxford University Hospitals Trust stated that a lack of affordable housing would be a key driver in leaving their current job in the near future.

The link between a lack of affordable housing and housing of a suitable quality, and staff recruitment and retention has prompted many key worker employers to look at more direct housing-led solutions, including the provision of key worker housing for staff. Various key worker housing schemes, including schemes for affordable rent, discounted market rent or long-term agreements with external housing providers where homes are reserved for key worker staff, have been explored.

Figure 2 Key workers in numbers



Source ONS

The housing challenge

Key workers renting in England struggle to afford decent homes

Rapidly increasing rents and long-term house price inflation have considerably impacted the affordability of housing across much of the UK. A recent ONS survey found that 40% of adults found it somewhat or very difficult to meet their rent or mortgage payments. Affordability of housing is a critical issue for the recruitment and retention of key workers (as demonstrated by reports from [The Royal College of Nursing](#) and [more recently NHS Providers](#)), especially key workers who live in private rented homes.

To understand how steep the affordability challenge has become, we have looked at median rents across England, as a proxy for homes of a suitable quality (around 25% of homes in the private rented sector do not meet the Decent Homes Standard, according to the English Housing Survey). On top of this, another fundamental challenge is the availability of affordable rental stock in local markets.

Using a newly qualified NHS nurse as an example, across most of England they will earn a salary of around £28,400. Assuming they spend 30% of gross income on housing costs, they can afford to pay around £710 a month on rent. Thanks to pay allowances, salaries rise the closer one gets to London, peaking at just over £34,000 for inner London. Due to much higher costs, Londoners also typically end up paying 35% of their income on housing costs, giving a maximum budget of £994 for properties in the capital.

Put all that together and compare with median rents, and a stark picture is revealed: a newly qualified nurse is unable to rent the median one bedroom property in over half (58%) of England’s local authorities.

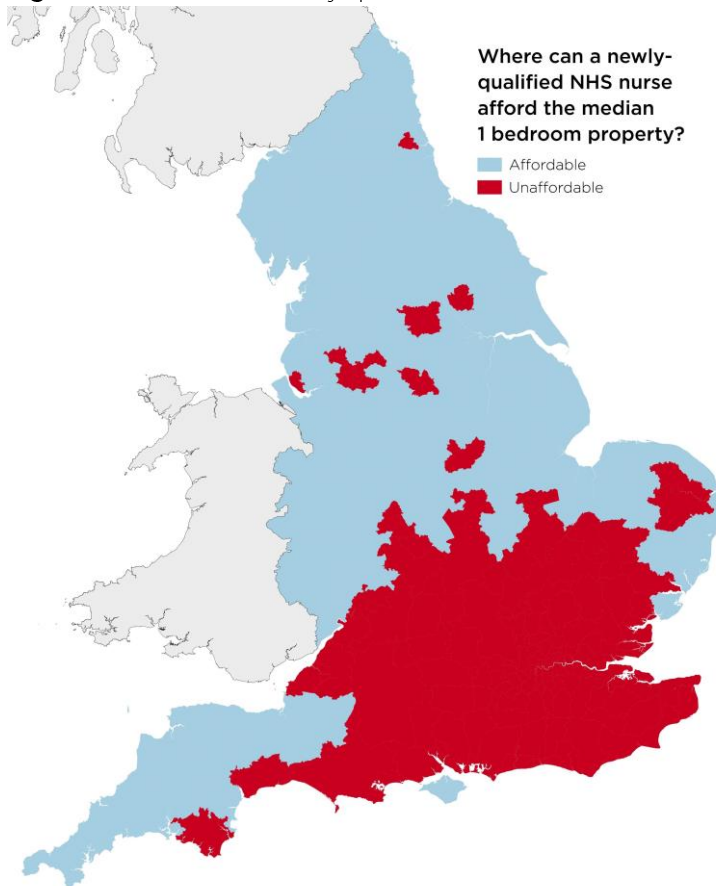
Behind this figure is a sharp geographic divide (see Figure 3). While the nurse can afford the median one bedroom property in almost every part of the North East, they are priced out of every borough of the capital and all but one district in the South East – even after adjusting for higher pay and spending on rent.

What about a young family with children? In this case, we have assumed our family has one and half incomes equivalent to a nurse’s salary and have factoring in childcare costs. Generally, they can afford to spend c. £940 on rent, with this rising to a maximum of £1,340 for inner London.

Despite the increased budget, our young family would find themselves unable to afford to rent the median two bedroom property in over half of the country (53% of authorities), as shown in Figure 4. The situation is even worse if they found themselves with a need for greater space and family housing. Nearly three-quarters of England’s housing market inaccessible, with the median three bedroom property affordable in only 23% of authorities.

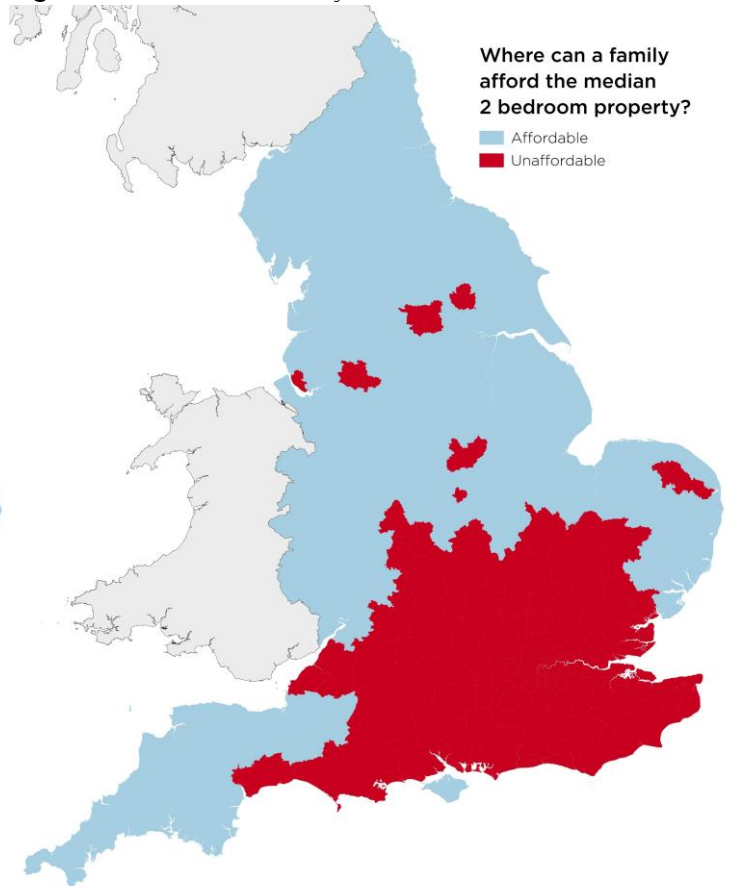
Even a relatively experienced key worker, such as a teacher several years into their career, earning at least c. £38,300 or more in high-cost areas, would struggle to rent a median one bedroom property in over a quarter (27%) of districts. For a family looking for a three bedroom home and where the teacher is the main earner, half (50%) of local authorities prove unaffordable.

Figure 3 Where can a newly qualified nurse afford to rent?



Source Savills using data from NHSE, Zoopla Rental Listings powered by Hometrack

Figure 4 Where can a family afford to rent?



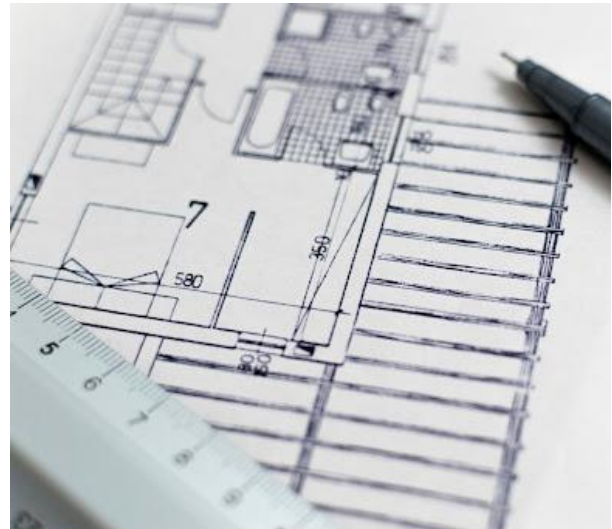
Source Savills using data from NHSE, Zoopla Rental Listings powered by Hometrack

The planning context

Staff housing is typically secured through retention of land or through using the Section 106 agreement to secure the staff housing when disposing of the land as part of a planning permission. This of course comes with a time and cost implication, and sometimes the purchaser goes back through the planning process. This can add costs and take time.

Currently, housing for particular groups of workers or key workers is recognised in national planning policy and in some Local Plan policy. However there is a general need for more local councils to raise key worker housing as a priority in Local Plan making and local housing strategies to allow key workers higher priority in affordable housing allocation policies, helping to support local workforce stability.

Within the terms of the National Planning Framework, essential local workers are recognised as a priority for affordable housing provision. However, under the current Affordable Homes Programme 2021-26, there is no allocation of capital grant funding for building affordable homes for key workers.



As an example at a more local level, the Oxford Local Plan, adopted in 2020, identifies employer-linked housing as a form of housing that would allow employers to address their recruitment and retention challenges. In exchange for being relieved of the usual affordability requirement (typically 50% of new homes), employers can use their land to provide housing to their employees, in perpetuity at a rent affordable to these groups of staff. Eligibility for this type of housing is subject to a legal agreement with the council.

How are employers thinking about key worker housing?

NHS Key Worker Housing

In the face of the housing pressures facing key workers, many public sector employers are addressing this challenge directly to improve staff recruitment and retention. This can take various forms. A recent paper from the [NHS Homes Alliance](#) considered several models, from working with Housing Associations to joint ventures with private partners, while staying within Government accounting rules for the public sector. The preferred option proposed in the paper was that the Trust and a partner organisation would outsource staff accommodation to a third-party vehicle. The housing would be built on land owned by the Trust, be rented to Trust key workers, and upon expiry of a long lease be returned to the Trust. Though this model has yet to be implemented, it would provide steady rental income for the partner and control of the assets for the NHS, ensuring the benefits of the housing – most importantly, retaining staff – are enjoyed over the long term.

Case studies

Finchley Memorial Hospital

To address the lack of affordable housing for NHS staff in London, a partnership between the Department for Health and Social Care, One Public Estate, The London Estates Delivery Unit and GLA developed the Homes for NHS Staff toolkit intended to guide NHS estates to identify surplus land and consider disposal for residential development. As one of the partnership’s pilot projects, in 2021, Community Health Partnerships (CHP) were successful in obtaining outline planning permission for up to 130 homes for NHS staff on a site adjacent to Finchley Memorial Hospital, London Borough of Barnet. The scheme is intended to provide 100% affordable homes for staff on surplus NHS land surplus to clinical requirements.

A detailed housing need assessment undertaken by Savills identified acute housing need amongst staff with a direct link to the retention challenge across the North Central London health area. Alongside delivering much needed affordable homes for key workers, the model could be applied more widely to other sectors.

Hampshire Isle of Wight Integrated Care Board

The Hampshire Isle of Wight Integrated Care Board is actively promoting housing as a solution for local healthcare workforce stability, focusing on reviewing the NHS land holdings and existing assets to identify and bring land forward for key worker housing.

A detailed housing need assessment and staff survey analysed by Savills identified significant levels of financial stretch and housing dissatisfaction amongst NHS staff working across Hampshire, the Isle of Wight, Portsmouth and Southampton. Affordability pressures in the local housing market are impacting staff recruitment and retention with a significant proportion of staff expressing the desire to relocate as a result of these housing challenges.

Alongside a review of the NHS estate, the Integrated Care Board is also championing strategic initiatives such as the Housing Hub which provides one to one housing support to internationally recruited colleagues and their families to find settled housing in local communities. Since August 2022, the Housing Hub has helped secure 471 housing tenancies for these colleagues and has provided support for a further 285 colleagues. The Housing Hub became cost neutral in the first five months of operation due to the cost avoidance of agency staff and bank staff savings.

University Linked Housing

Another example can be found at universities. Both the University of Oxford and the University of Cambridge, as world leading universities, are nurturing and employing high value talent but are challenged by some of the least affordable housing in the country. The universities are exploring initiatives to provide more affordable housing to research staff and other employees to ensure they can retain talent.

The University of Cambridge has taken perhaps the most direct solution, building out the first phase of an entirely new community, Eddington, set within the North West Cambridge Development. When complete, Eddington will provide around 1,500 homes for University and College staff and accommodation for 2,000 postgraduates, as well as 1,500 private houses for sale to help support wider affordability issues in the city. The scheme offers a model for how public sector and aligned employers might tackle housing challenges for their staff.



Source: University of Cambridge

What next for key worker housing?

Given the complex and chronic challenges facing many employers to recruit and retain key workers and the associated challenge of improving the housing options for their employees, creative approaches are essential to support workforce stability in local communities. Key worker housing will continue to grow in importance providing a key benefit-in-kind for employers to offer staff secure, affordable and high quality homes and helping to address recruitment and retention challenges as housing is an enabler of workforce strategy.

Key considerations for employers:

- Identifying the scale and profile of housing need amongst staff.
- Reviewing the use of public sector land holdings and identifying surplus or underused land and existing assets that could be unlocked for development of key worker housing.
- Collaboration and partnerships across public sector landowners to bring forward land for uses that help meet local policy objectives and include the provision of key worker housing.
- Local planning policies and local housing strategies to recognise employer-linked housing as a type of affordable housing product that would allow employers to address their own recruitment and retention issues using their own land supporting local workforce stability.
- Exploring the role of the NHS charities. NHS Trusts are constrained in their ability to deliver housing at the expense of clinical delivery and also face restrictions entering joint ventures with partners. Charities are not subject to the same constraints, and are able to leverage other sources of income.
- Ringfenced funding allowing public sector employers to release land for staff housing without significant impact on best value and focus on delivery of public services.

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