

# Housing Affordability and Public-Sector Recruitment in London

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## Context

London has been facing an affordability crisis in recent years, especially in the housing sector. This crisis was exacerbated by various factors, such as the COVID-19 pandemic and an acute supply/demand mismatch. This note presents an illustrative example that demonstrates the extent to which unaffordable housing undermines public sector recruitment in London.

## Key Points

- Median annual public-sector pay in London has been approximately 20% higher than that for the UK since 2016. Nevertheless, it has grown at a slightly slower rate in London (14.9% from 2016-2022) than the UK (15.5%), and at a slower rate than London's private-sector pay (17.4%)<sup>1</sup>.
- London continues to have the highest average property price in the UK, despite experiencing slower year-on-year price growth. According to HM Land Registry data for 2021, the average house price in London was 45% higher than that of the region with the second-highest average property price (Southeast England)<sup>2</sup>.
- A typical public-sector worker in London (e.g., a police constable) spends a much higher percentage of their income on rent or mortgage costs than an equivalent worker living outside London.
  - In a hypothetical and illustrative example, GLA Economics analysis shows that a police constable in London on a starting salary of about £37,000 in 2023 would spend over half their gross income on rent in a borough such as Greenwich (i.e., where residents' median incomes resemble the London median) since 2016, compared to an equivalent constable living outside of London, in a borough such as West Suffolk (i.e., where residents' median incomes resemble the UK median), where rent represents just under 40% of gross income.
- The stark difference in housing affordability has impacted on public-sector recruitment and retention in London. ONS data shows that since 2018, growth in public-sector recruitment in London lagged all UK regions except the East of England and the West Midlands (see Figure 1).

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<sup>1</sup> [Public sector employment, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/publications/articles/public-sector-employment-uk)

<sup>2</sup> [UK House Price Index - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/publications/articles/uk-house-price-index)

## Background Information

- Public-sector wages in London exceed those in other UK regions (for comparable roles). Since 2016, the median annual public-sector wage in London has been nearly 20% higher than that of the UK.
  - Nevertheless, the growth of London’s real (i.e., not inflation-adjusted) median annual public-sector wage between 2016 and 2022 lagged that of the UK (14.9% vs. 15.5%). Moreover, it lagged growth in median annual private-sector wages over that same period (17.4%).
- Meanwhile, property prices in London significantly exceed those in other parts of the UK.
  - Data from HM Land Registry shows that in 2021, the average house price in London represented nearly twice the UK average, and was 45% higher than that for Southeast England (the region with the second-highest average house price).
  - London has been underperforming other UK regions when it comes to housing affordability over the past decade, with the situation getting worse since 2016<sup>3</sup>. Various reports have linked London’s unaffordable housing to the city’s anaemic productivity and high inequality<sup>4</sup>.

## Housing Affordability and Public-Sector Recruitment: Illustrative Example

- Combined with London’s weak public-sector nominal wage growth since 2010, unaffordable housing has undermined the City’s ability to hire and retain public-sector workers.
  - To demonstrate the extent of the housing crisis’ detrimental impact, GLA Economics developed a hypothetical and illustrative example to compare the effect of the housing crisis on equivalent public-sector workers in and outside of London.
- The example looks at the situations of entry-level police constables in a London borough and a borough outside of London. Table 1 lists the assumptions concerning the profile shared by our two constables in the example.

**Table 1: Assumptions behind the illustrative example (apply to both constables)**

Characteristic	Assumption
Profession	Police constable (entry-level)
Marital status	Single
Benefits claimed	None
Property (owned or rented)	One-bedroom apartment

- In this example, we chose two boroughs: one in London and one outside of London. Both boroughs were chosen based on whether their residents’ median gross incomes resemble those of the London-wide or UK-wide medians. Therefore, we assumed our London constable resides in Greenwich (which

<sup>3</sup> [Ratio of house price to equivalised disposable household annual income deciles - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

<sup>4</sup> [Centre for London | Housing and Inequality in London](https://www.gla.ac.uk/research/centres/centre-for-london/)

ranks 16<sup>th</sup> out of 32 boroughs by median income<sup>5</sup>), while the other constable resides in the district council of West Suffolk (where median incomes resembled the UK median in 2021<sup>6</sup>).

- Data from the Metropolitan police shows that an entry-level constable can expect to earn about £37,000<sup>7</sup> as a starting salary in 2023. Meanwhile, a police constable outside of London<sup>8</sup> can expect to earn about £23,000 as a starting salary. We assume these are our constable’s respective gross annual salaries, and that they don’t earn any other income during a given tax year. We also don’t account for the possibility that different forces pay different allowances to their constables based on location.

### Scenario 1: Our constables own their one-bedroom apartments

- Below are the assumptions for the scenario where our constables own their one-bedroom apartments.

Characteristic	Assumption	Considerations
<b>Year apartments bought</b>	2018	
<b>Mortgage product taken</b>	Five-year fixed; 75% LTV ratio; 25-year term.	This is a very common mortgage product on offer, with a 25% deposit being typical for prospective homeowners. We implicitly assume the two constables have the same credit history/rating, and that they would get identical mortgage rates.
<b>Property price in 2018</b>	Greenwich: £413K West Suffolk: £112K	According to data from <a href="https://www.home.co.uk">home.co.uk</a> , median flat/apartment prices in London grew by about 9% from 2018 to 2022 <sup>9</sup> . For West Suffolk, price data from Zoopla show that they resemble the UK median, and so median prices were used for 2018 and 2022.
<b>Property price in 2022</b>	Greenwich: £450K West Suffolk: £150K	The median price of a 1-bedroom apartment sold in Greenwich in 2022 <sup>10</sup> is approximately £450K; data for West Suffolk <sup>11</sup> is taken from Zoopla.
<b>Mortgage Rate (2018-2022)</b>	2% <sup>12</sup>	Both constables are assumed to have the same fixed-term mortgage product and incur the same rate. Both are expected to renew their mortgage (with new term starting in 2023).
<b>Mortgage Rate (2023-2027)</b>	6% <sup>13</sup>	Both constables are assumed to choose the same product upon renewal of their mortgage for 2023-2027. The higher rates account for the increase in benchmark interest rates since early 2021.

- Under this scenario, the mortgage costs incurred by our London constable per year since 2018 are more than 3.5 times those incurred by our West Suffolk constable, despite both facing the same mortgage rate and having the same loan-to-value (LTV) ratio.

<sup>5</sup> [London's richest and poorest boroughs: The average incomes in 2022 where you live - MyLondon](#)

<sup>6</sup> [Income and tax by borough and district or unitary authority - GOV.UK \(www.gov.uk\)](#)

<sup>7</sup> [Police constable | Benefits and rewards | Metropolitan Police](#)

<sup>8</sup> [UK Policing Ranks from PC to Chief Constable - Police Success](#). **Note:** This source suggests the starting salary of a constable in the UK ranges between 20k and £26k, and so for our example we chose the mid-point (£23k).

<sup>9</sup> [Home.co.uk: House Prices Report for London - January 2016 to December 2022](#)

<sup>10</sup> [Properties For Sale in Greenwich | Rightmove](#)

<sup>11</sup> [Find 1 Bedroom Flats and Apartments for Sale near West Suffolk College, Suffolk, IP33 - Zoopla](#)

<sup>12</sup> [Quarterly development of mortgage rates UK 2000-2023 | Statista](#)

<sup>13</sup> [Compare Fixed Rate Mortgages \(moneyfactscompare.co.uk\)](#)

**Table 2: Annual mortgage cost as a percentage of gross annual income (2018-2023)**

	London constable	West Suffolk constable
2018	47%	20%
2019	45%	20%
2020	44%	19%
2021	43%	19%
2022	43%	19%
2023	47%	21%

- Table 2 shows that during the first five-year mortgage term (both constables faced a 2% rate), mortgage costs represented just under half of the London constable's gross income due to the considerably higher price for the same one-bedroom apartment owned by the West Suffolk constable.
  - In our example, we also assumed that our constables renew their five-year fixed rate mortgages in 2023. With the Bank of England raising benchmark interest rates since early 2021, our constables faced a 6% rate for the same product. As a result, our London constable's mortgage costs rise to represent just under half their 2023 gross income, while for our West Suffolk constable, the costs rose to 21%.

## Scenario 2: Our constables rent their one-bedroom apartments

- Below are the assumptions for the scenario where our constables rent their apartments.

Characteristic	Assumption	Considerations
<b>Year rent started</b>	2018	Both constables rent identical one-bedroom apartments, and the rent increases every year by the average increase for London and the UK (for the West Suffolk apartment).
<b>Rent in 2018</b>	Greenwich: £1,594 West Suffolk: £679	These rates were calculated from the 2023 average private rental rates for one-bedroom apartments in Greenwich and West Suffolk. For Greenwich, London's year-on-year change in Index of Private Housing Rental Prices was used to calculate the rents for previous years. For West Suffolk, the UK's Index figures were used given that rental market's relative resemblance to the UK average <sup>14</sup> .
<b>Rent in 2023</b>	Greenwich: £1,700 <sup>15</sup> West Suffolk: £750 <sup>16</sup>	

- The annual rental costs incurred by our London constable since 2018 represented nearly 2.3 times the costs incurred by our West Suffolk constable for an identical apartment.

<sup>14</sup> [Index of Private Housing Rental Prices, UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

<sup>15</sup> [Properties To Rent in Greenwich | Rightmove](https://www.rightmove.co.uk/property-for-rent/properties-to-rent-in-greenwich)

<sup>16</sup> [1 Bedroom properties to rent near West Suffolk College, Suffolk, IP33 - Zoopla](https://www.zoopla.co.uk/property-for-rent/details/123456789)

**Table 3: Annual rental costs as a percentage of gross annual income (2018-2023)**

	London constable	West Suffolk constable
2018	57%	39%
2019	55%	38%
2020	55%	38%
2021	54%	37%
2022	53%	38%
2023	54%	38%

- Table 3 shows that rental costs represent over 50% of our London constable’s gross annual income, compared to just under 40% for our West Suffolk constable. This difference exists in spite of them renting identical apartments and the London constable’s considerably higher income.
  - While growth of private rental prices in London is slower than the UK’s, London’s considerably higher rents and weaker public-sector wage growth combine to aggravate the financial burden our London constable faces compared to their West Suffolk counterpart.

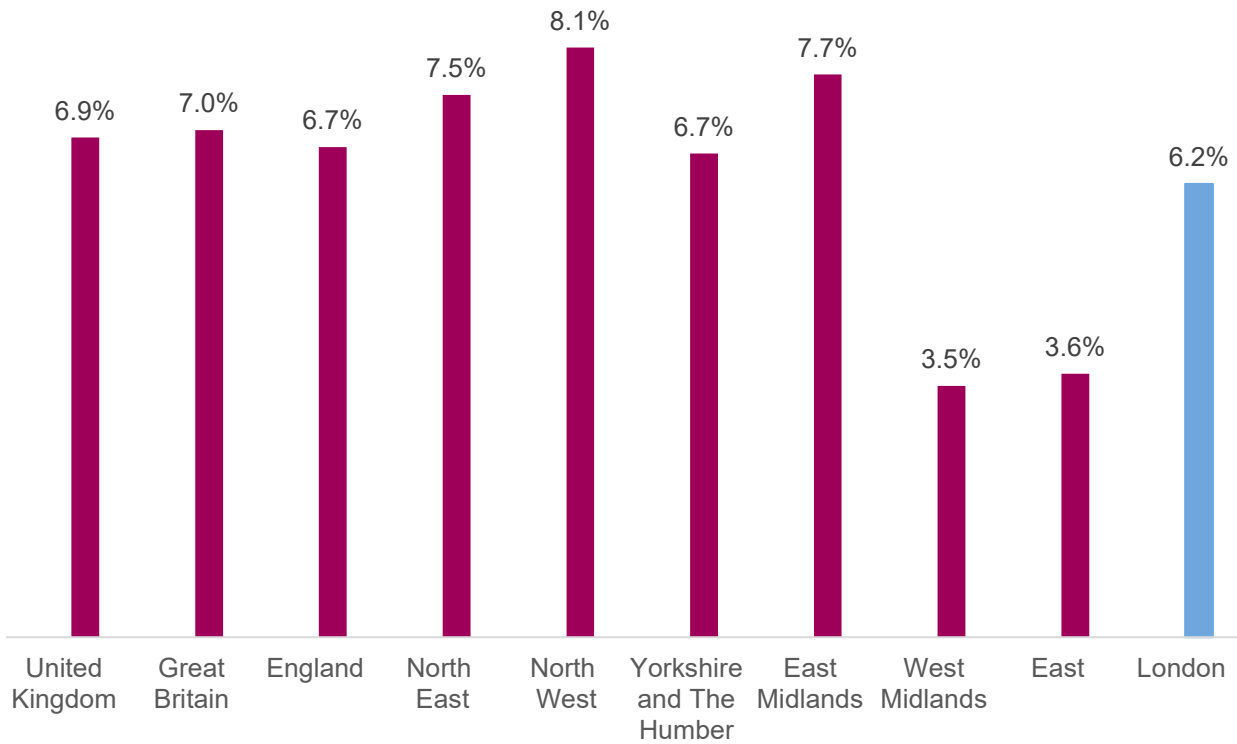
## Considerations

- The above example, whilst only hypothetical and illustrative, demonstrates the extent to which unaffordable housing in London can undermine the financial wellbeing of public-sector workers in the city, compared to their non-Londoner counterparts. Our findings confirm the results of previous reports on the impact of the housing crisis on London’s ability to attract and retain talent<sup>17</sup>.
- Recent data from the Office for National Statistics suggests that the housing crisis is already undermining public-sector recruitment and retention in London.
  - Growth in public-sector employee headcount in London (6.2%) was slower than the UK (6.9%) and England (6.7%) (see Figure 1)<sup>18</sup>.

<sup>17</sup> [London’s productivity growth lags well behind global competitors | Centre for Cities](#)

<sup>18</sup> [Public sector employment, UK - Office for National Statistics \(ons.gov.uk\)](#)

**Figure 1. Increase in public-sector employee headcounts by UK region (2018-2022)**



- With public-sector nominal wage growth in London being slower, this situation is likely to get worse, further harming public-sector employee retention at a time when most public services are based in the capital and when public-sector organisations are in greater need to hire and retain talent than ever before.