

Insights

SHOULD COMPANIES PROVIDE HOUSING FOR EMPLOYEES?

EMPLOYMENT LAW HORIZON SCANNING – PUBLICATION #5

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SUMMARY

In the fifth iteration of our 2022 Employment Law Horizon Scanning blog, we consider why employers might start providing or assisting employees with housing and accommodation. We also consider where this trend originates from and what the important considerations for employers would be.

There are many employers, particularly in the city of London, who prefer their employees to be in the office, not working from home.

Working from home was not unusual before the pandemic, but it was not part of normal working. Although the experience of lockdown is a contributory factor, there is still the question of why employees are reluctant to attend work, certainly in the way they used to?

Employees may move to the capital for career opportunities, particularly in financial services and the professions, but can find their pay, even if relatively high, disappears quickly in mortgage payments, rent payments, service charges and a high cost of living. If pay is not relatively high, things can be worse. In 2021, a “Shelter” survey found that 24% of private renters had to borrow money to pay rent, 18% had to cut back on food, including skipping meals, and 12% had to cut back on heating. The recent and forthcoming increases in mortgage rates, rent, fuel and general living expenses are only going to increase affordability issues.

The lack of affordable housing close to the office can force employees into more far-flung towns and villages, where rents in particular and the cost of living are lower. However, employees need to live a long way out of London to save to any significant degree on rent and general costs of living expenses and this means a tiring, long and expensive daily commute, as the CIPD survey reflects. Faced with this, it is not surprising that commuting from outside London is the main reason employees prefer to work from home.

Additionally, housing issues really matter for employees and employers. According to figures from the Centre of Social Justice (CSJ), almost half (48%) of large UK employers say that housing issues have a negative effect on staff wellbeing and 54% of employers say that housing issues adversely impact recruitment. 43% of employers say that they harm business productivity. The CSJ consider that this is often due to “tiring and long commutes” and “housing insecurity reducing productivity.”

The shortage of affordable housing close to the office has left some employers worried about recruiting and retaining top talent and, as a result, some employers are considering taking action to offer or assist with accommodation close to work as part of an overall employment package. This would help reduce barriers to recruitment and attract better talent. Living close to work with assistance would help to promote wellbeing and reduce concerns surrounding very high rents. This approach could also facilitate attracting the best talent in the market. It also removes the main attraction of working from home – the tiring, expensive and stressful commute.

This may seem an unusual move by employers but it is not as rare as some may think.

THE REALITY – HOW PREVALENT IS THE TREND?

Accommodation provided by employers is not a new concept. One of the earliest examples occurred when, in 1879, George Cadbury created the Bournville “model village” which provided affordable rental housing for his chocolate factory workers. Lever brothers similarly built a whole town on the Wirral, “Port Sunlight”, to accommodate its workers.

In the present day, housing assistance for employees is now gaining traction in London. In 2017, Hachette UK partnered with The Book Trade Charity to offer subsidised accommodation in London to people starting out on careers in publishing. In Inverness, Parklands Care Homes has submitted plans to build homes to encourage workers to live nearby.

In 2018, a substantial number of employers, including Deloitte and KPMG, joined with the Mayor of London in a pledge to help employees with the costs of living in London. KPMG offered to arrange preferential mortgage rates for employees and Deloitte set up around 150 new recruits in its East Village apartments, including offering graduates two weeks’ accommodation rent-free and exemptions from agency fees.

In the US, employer-funded accommodation is more common, with one large tech company building 1,700 apartments next to its Silicon Valley headquarters, and others also offering affordable housing for employees.

Post-pandemic, we can see assistance with accommodation close to offices becoming an established feature of London remuneration packages, with the dual benefit of employers having employees with easy access to the office, which is a valuable retention tool, and employees having the security of good quality accommodation in London, close to work, keeping the horrors of commuting to a minimum.

However, if employers do continue to offer assistance with accommodation, what issues might they face?

IMPORTANT CONSIDERATIONS FOR EMPLOYERS

Given the possible trend referred to above, we outline some key considerations for employers:

1. Employers should consider who should be eligible, for example, would employees at all levels of the business be eligible or perhaps just graduates/new recruits? If accommodation is only available for select employees, employers should carefully consider whether this could give rise to any direct or indirect discrimination claims by those who have not been offered assistance or accommodation.
2. Where an employer provides actual accommodation as opposed to assistance, there is the issue of regaining possession of the property at the end of employment. The employee may have accrued rights of security of tenure as an assured tenant. This could lead to issues arising in respect of the employee's termination and lead to a difficult and potentially costly dispute. The relationship between employment and accommodation should be very clearly set out, including provisions for termination.
3. The loss of a home could mean that an employee is awarded a higher level of compensation in a successful tribunal claim as they will be able to show greater loss.
4. Employees may feel pressurised to avoid asserting rights as tenants, and also entitlements to repairs and safe housing, where the landlord is also their employer. Indeed, "the risk for employees is that they are dependent on their bosses not just for wages but for housing" (Financial Times, 2022).

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MEET THE TEAM



Jemma Green

London

jemma.green@bclplaw.com

[+44 \(0\) 20 3400 4575](tel:+44(0)2034004575)



David von Hagen

London

david.vonhagen@bclplaw.com

[+44 \(0\) 20 3400 3576](tel:+44(0)2034003576)

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