The David Hume Institute

The Story so far: Housing Associations and the Scottish Economy

Summary

Duncan Maclennan

and

Andrew Robert Watson

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The scale of the sector

Housing associations are usually described as providers of social housing. That is true - but it profoundly understates what they do. Scottish housing associations are already substantial economic organisations. SFHA members have approximately:

- **£2.27 billion turnover**
- **£1.80 billion operating expenditure**
- **£579 million staff costs**

These figures do not capture the full scale of their activity. Associations also invest in new homes, refurbishment, retrofit, repairs, maintenance, adaptations and regeneration. They employ people across a wide range of occupations and purchase substantial volumes of goods and services. Their economic impact therefore extends well beyond their own organisations through contractors, suppliers and the spending of employees.

There are three levels of impact:

- **Direct** - jobs and expenditure within housing associations.
- **Indirect** - activity generated through contractors and suppliers.
- **Induced** - further economic activity generated when employees and suppliers spend their incomes.

The economic footprint of housing associations is therefore much larger than the headline figures suggest.

The not-for-profit difference: money can keep circulating

This is one of the most important parts of the economic story. Because housing associations are **not-for-profit organisations**, the value they generate can be retained and reinvested in homes, services and communities, rather than distributed to shareholders. Where spending is also retained locally, this can strengthen local economies:

Housing association expenditure → local contractor → local jobs → local wages → local spending → local businesses → local employment → further local investment

Housing associations can retain, recycle and reinvest economic value in the communities they serve. That makes the sector particularly relevant to Scotland's ambitions for **local economic development, inclusive growth and resilient communities**.

Housing associations are economic anchors

Housing associations are often among the most significant long-term institutions in the communities they serve. They own assets, employ people, buy goods and services, invest for the long term and understand local communities. They can remain committed to places when other organisations have moved on. This makes them **anchor institutions**.

Their contribution extends beyond housing to:
- regeneration
- community facilities
- commercial workspace
- apprenticeships
- employability
- local procurement
- social enterprises
- welfare advice
- tenancy sustainment
- specialist housing
- care and support
- energy investment.

Procurement should not be viewed simply as a route to obtaining services at the lowest price but as a mechanism for strengthening local businesses, employment, skills and wider social value. This is economic development happening on the ground. Yet housing associations are still too often treated as **housing delivery bodies rather than economic partners**.

Good housing reduces public expenditure

The economic case is also about what good housing can **prevent**. Housing instability and poor housing can contribute to:

- homelessness
- ill health
- financial insecurity
- educational disadvantage
- social isolation
- pressure on health and social care
- higher demand for emergency services.

Housing associations already undertake significant preventative work. They sustain tenancies, provide welfare rights advice, support people experiencing homelessness, provide adaptations and specialist housing, and help people remain independent.

For example, welfare rights activity by Govanhill Housing Association which generated more than **£5 million in financial gains for tenants**, alongside tenancy support and homelessness prevention. These are social outcomes. But they also have an economic value.

The key question for government should be:

How much public expenditure can good housing prevent or reduce?

At present, this question is not answered well enough.

The problem: we do not measure the full impact

The sector already understands much of their wider economic role but the evidence is inconsistent. Some associations measure local procurement, employment, apprenticeships and financial gains for tenants. Some measure community benefits. Some measure the proportion of expenditure retained locally. But there is no consistent framework that allows the sector's full economic contribution to be aggregated and understood.

Existing financial reporting is not sufficiently granular to show how much expenditure is retained and recirculated within local economies. This creates a vicious circle:

Government does not ask for the information → associations do not consistently collect it → the economic contribution remains invisible → investment decisions are made without understanding the full return.

That cycle must be broken.

What government should do now

The answer does not require another lengthy strategy. It requires a change in how housing investment is understood and assessed.

1. **Treat housing as economic infrastructure.** Housing should be considered alongside transport, skills, digital infrastructure and business investment when assessing economic growth.

2. **Recognise housing associations as economic partners.** Housing Associations should have a stronger role in local and regional economic development strategies.

3. **Measure the full return on housing investment.** Government should assess not only housing outputs but employment, supply chains, productivity, household income, regeneration and public-sector cost avoidance.

4. **Model the local multiplier.** Scotland should establish how much economic activity is generated by housing association spending and, crucially, **how much is retained locally.**

5. **Recognise the not-for-profit advantage**. The economic analysis should recognise that housing associations can retain and reinvest surpluses rather than distributing profits to shareholders.

6. **Measure the cost of not investing.** Every housing investment decision should consider not just the cost of spending money but the economic and public service costs of **not** investing.

What housing associations should do

The sector also has a responsibility. Housing associations should become much more confident in describing themselves as economic institutions and systematically measure:

- local employment
- local procurement
- SME participation
- supply-chain expenditure
- apprenticeships and skills
- tenant income gains
- local economic circulation
- surpluses reinvested
- regeneration impacts
- preventative public-service benefits.

The objective should not be another bureaucratic reporting burden. It should be to answer one simple question: **What economic value does this housing association create for the people and places it serves?**

And then, collectively:

What economic value does the housing association sector create for Scotland?

The opportunity

We do not yet have a single definitive figure for the total economic impact of housing associations. But that is not a reason to ignore the evidence. **It is a reason to build better evidence.**

Scotland needs to understand:

- **How much do housing associations invest**
- **How many jobs do they support**
- **How much of their expenditure stays within local economies**
- **How much additional economic activity does that spending generate**
- **How much value is retained and reinvested because the sector is not-for-profit**
- **How does affordable housing affect employment and productivity**
- **How much public expenditure can good housing prevent**
- **What is the economic cost of not investing**

These are questions that matter far beyond the housing sector.

The bottom line

The economic case for housing associations is not an optional addition to the social case. **It is integral to it.**

Housing associations already employ, invest, procure, build, regenerate, develop skills, support businesses, enable people to work and help prevent pressure on public services. And because they are **not-for-profit**, they have a distinctive capacity to retain, recycle and reinvest economic value in the communities they serve.

The problem is not that this value does not exist. **The problem is that we do not yet count enough of it.**

That has consequences. If government measures only the immediate cost of housing investment, it risks missing the wider economic return - and the costs that investment may prevent elsewhere.

The choice is increasingly clear:

Continue to see housing as a cost — or recognise it as an investment in Scotland's economic capacity.

Housing associations are already creating the value. **The challenge now is for government and the sector to measure it, understand it and make investment decisions based on the full return.**

It is time to tell the full story.

Building the Narrative from the Ground Up

This new research, uses a mixed-methods approach, combining population-level regulatory and financial data and documentary analysis with a survey of SFHA members, group interviews and one-to-one interviews. The research focusses on identifying the missing macro narratives, laying the foundations to build a ground upwards synthesis of the economic activities and impacts of housing associations.

Read the full report:
www.davidhumeinstitute.org

This report was commissioned by the Scottish Federation of Housing Associations (SFHA)