

What is the relationship between underemployment and housing insecurity?

UNDEREMPLOYMENT SIGNIFICANTLY INCREASES THE CHANCES OF HOUSING INSECURITY. THOSE MOST VULNERABLE ARE SINGLE-EARNER HOUSEHOLDS IN THE PRIVATE RENTAL MARKET.

KEY POINTS

- Underemployment is widespread, especially amongst unskilled workers, young people and women. It persists for longer than a year for one in three individuals.
- Housing insecurity is statistically higher amongst underemployed households than adequately employed households, especially for private renters.
- Almost two-thirds (60%) of underemployed adults live in households with other earners, which generally cushions the negative housing effects of their underemployment.
- However, 40 per cent of underemployed adults live with no other wage earner, making them more vulnerable to housing payment arrears and risk. Most are single people or lone parents, women, and in the private rental market.
- Welfare or labour market reforms that reduce uncertainty of income for underemployed persons might reduce housing payment risks. Policy interventions or assistance should target individuals and households where underemployment is severe, sustained or recurrent and there is no other wage earner in the household.
- On the housing market side, reform of Commonwealth Rent Assistance (CRA) to assist underemployed households would reduce inequities compared with unemployed households.

*This research is based on research conducted by **Dr Iain Campbell, Dr Sharon Parkinson and Professor Gavin Wood** at the AHURI Research Centre—RMIT University. The research sought to understand and respond to the impact of systemic shifts upon structures within the housing system and housing outcomes.*

CONTEXT

Underemployment refers to employment that is insufficient in terms of the number of hours of paid work as assessed by the employee. It is a cause of low income and is highly correlated with insecure employment, particularly casual contracts. This can make it difficult to meet fixed commitments such as rent and mortgage payments. Unlike unemployment, however, underemployed persons generally do not qualify for income support or rent assistance.

Whether underemployment is a major policy issue depends on its prevalence and duration, and whether it affects those who have sole responsibilities for house payments and are less able to draw on resources such as other household members or on the wealth and security of home ownership. This study sought to examine the links between underemployment and housing insecurity.

RESEARCH METHOD

The study analysed data from the first nine waves (2001–09) of the Household, Income and Labour Dynamics in Australia (HILDA) survey. It used both descriptive techniques and logistic regression modelling to examine the link between underemployment and housing insecurity. The sample design comprised adults within households considered to be responsible for meeting housing costs.

The underemployed are defined as persons employed part-time, or less than 35 hours per week, who state a preference for more hours of paid work. This measure of underemployment is extended to a household employment typology that distinguishes two types of households in which underemployment is present—multiple and single earners who are underemployed—from five other household types including: multiple and single earners who are adequately employed, unemployed with and without earners, and those not in the labour force.

Housing insecurity is operationalised using two measures: housing payment arrears and housing payment risk.

KEY FINDINGS

Underemployment is widespread especially among women and young people, and persists longer than a year for one in three individuals

Underemployment is a significant feature of contemporary Australian labour markets. It affected close to 940 000 workers in May 2014, significantly outnumbering the 720 000 who were unemployed. Underemployment affects groups of workers unequally—for example, women, younger age groups, and the unskilled tend to be over-represented among the underemployed compared with other groups. Moreover, the experience of underemployment persists for some workers, particularly those in less skilled positions. Around a third of workers underemployed in any one year remain underemployed one year later.

Underemployed adults mainly live with other earners but many live alone

The income and housing insecurity relating to underemployed individuals might be moderated for those in households that also include other wage earners ('underemployed multiple earners'), but are exacerbated if they are alone or with unemployed persons or persons not in the labour force ('underemployed single-earner').

Underemployed single-earner households comprise 3 per cent of households whilst a further 5 per cent are underemployed multiple-earner households. Of all underemployed adults, 40 per cent are in underemployed households that do not have any other wage earner to help cushion household income and contribute towards housing payments.

Underemployed single-earner households are typically composed of lone persons (48%) or lone parents with dependent children (23%), with only a quarter made up of couple or group households. Most adults in these households (62%) are women, and most rely on casual employment for income. By contrast, multiple earner underemployed households are typically composed of couples with dependent children (47%) and couples without dependent children (34%).

Underemployment is more prevalent amongst renters and purchasers rather than outright owners

Underemployment in single-earner households is of concern for housing security because it is more prevalent among purchasers and tenants than outright owners. Underemployed single-earner households are concentrated (48%) in the private rental market. By contrast, multiple earner underemployed households tend to live in housing that is being purchased (47.8%).

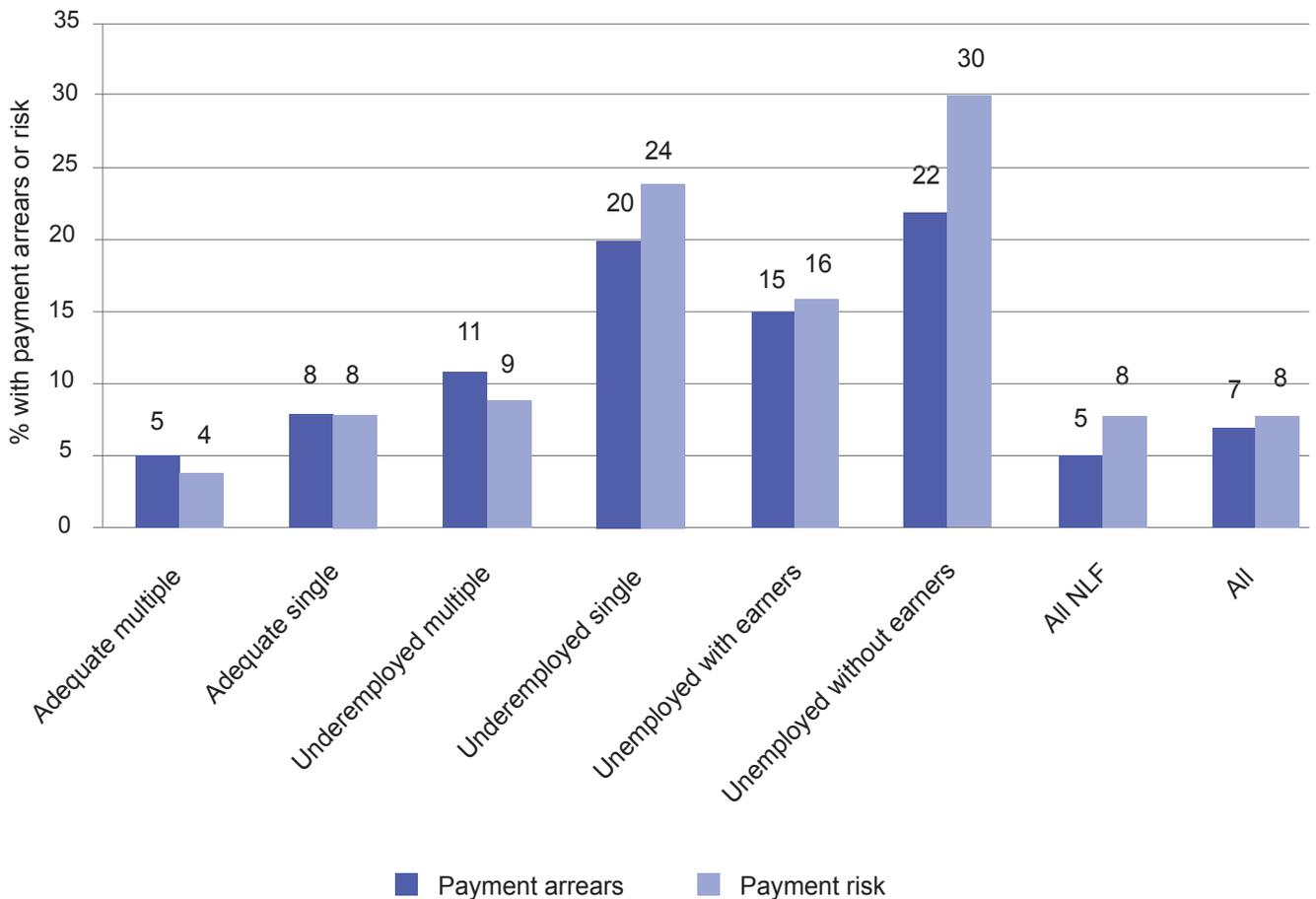
Housing insecurity is higher amongst underemployed households but the presence of other earners in the household cushions risk

The incidence of housing insecurity is higher among underemployed household types compared with the adequately employed household types. Figure 1 shows that both

housing arrears and housing payment risk are higher in underemployed single households and underemployed multiple-earner households compared to their counterpart households with adequately employed persons.

The risks for underemployed persons living on their own are especially acute. Underemployed singles are almost as likely as unemployed households without earners to experience housing payment arrears. However, the risks are significantly moderated by living with others. The payment risk for underemployed persons living in households with other earners (9%) is not much higher than the risk for all households (8%). This suggests that the presence of other earners in the household largely cushions the higher incidence of housing insecurity among underemployed households.

FIGURE 1: INCIDENCE OF HOUSING PAYMENT ARREARS AND HOUSING PAYMENT RISK BY HOUSEHOLD TYPE, 'RESPONSIBLE ADULT' MEMBERS OF HOUSEHOLDS,* HILDA 2001-09 (% OF EACH HOUSEHOLD TYPE)



Source: HILDA Release 9

Note: * HILDA unweighted pooled adult sample observations 2001-09.

Underemployment and housing insecurity are statistically linked, even after controlling for other individual and household characteristics. The presence of underemployment seems to be particularly influential in exposing private rental tenants to housing insecurity, especially payment arrears, although it also significantly raises the odds of housing insecurity among purchasers. How far hours of employment fall short of adequate levels is important, with the underemployed single-earner households most vulnerable. For renters, but not mortgagors, scarring effects were detected so that past experiences of underemployment continue to cause housing insecurity beyond the year it is experienced. Persistent underemployment therefore has a compounding effect that magnifies initial effects on housing insecurity.

POLICY IMPLICATIONS

The research findings confirm a link between underemployment and housing insecurity, most concerning of which is the incidence of housing insecurity for single earner households. Policy interventions or assistance would be best targeted at individuals and households where underemployment is severe and sustained (or recurrent) and there is no other wage earner in the household to mediate outcomes. Those prone to persistent underemployment are especially worthy of attention from policy-makers because of scarring effects that have an enduring effect on housing insecurity.

Policy responses should address both employment and housing. Interventions on the employment side could address minimum employment standards, such as consistent and regular employment for long-term casual employees, thereby assisting employees to predict income and better manage housing payments.

Many underemployed workers, especially those in single-earner households, do not receive CRA or income support payments. Unlike the unemployed, these groups fall through the housing assistance safety net. An extension of CRA to these households could be considered.

FURTHER INFORMATION

This bulletin is based on AHURI project 30674, *The housing security consequences of underemployment*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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