

# Are housing affordability problems creating labour shortages?

**UP UNTIL 2001 THERE WAS LITTLE DIRECT EVIDENCE THAT HOUSING AFFORDABILITY PROBLEMS WERE HEIGHTENING LABOUR SHORTAGES, AS LOW-INCOME JOBS MOVED TO LOW COST SUBURBS, AND THOSE JOBS IN THE INNER CITY – SUCH AS HOSPITALITY OR RETAIL JOBS – WERE FILLED BY YOUNG PEOPLE WHO WERE MORE LIKELY TO SHARE HOUSING COSTS IN GROUP HOUSEHOLDS.**

## KEY POINTS

- Until 2001 there is little direct evidence to suggest that skill shortages in Australia stem from housing affordability problems. Employers in high housing cost inner city areas were generally able to attract workers even though housing costs nearby were high. City core employers increased their workforces between 1996 and 2001 by importing from the suburbs as well as employing increased numbers of workers resident within the city.
- There is evidence that housing affordability problems – defined to be where a household spends more than 30 per cent of its income on housing costs – were prevalent for low-income occupations such as hospitality workers and sales assistants. Public sector 'key worker' occupations such as teachers and police officers were less likely to experience such problems.
- Housing affordability problems partly reflect a households' low income, which is related to the principle earner's occupation. They are also due to location: low-income workers facing the worst affordability outcomes, such as those in hospitality, were more likely to work and live in expensive inner city areas.
- Low-income jobs were moving to the suburbs where housing costs were lower than the inner city, reducing the potential for housing affordability problems for other low paid occupations. Others who were reliant on CBD employment – such as cleaners – evaded poor affordability by commuting. Nevertheless, with the exception of some groups – such as computing professionals in Sydney who were increasingly commuting – metropolitan workers were increasingly living close to their place of work.

*Based on research by Associate Professor Judy Yates (AHURI Sydney Research Centre), Professor Bill Randolph and Darren Holloway (AHURI UNSW-UWS Research Centre), this bulletin examines the housing affordability outcomes of workers in particular occupations, to what degree these are due to their residential location, and whether housing affordability problems affect employers' access to labour. The study examines households in metropolitan areas of Sydney, Melbourne and South East Queensland, using Census data from 1996 and 2001.*

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## KEY POINTS

- Occupation is likely to be less significant in explaining where people locate than socio-demographics: those locating closer to work by renting were generally young, childless or affluent. The casualised nature and lack of long term career paths in jobs such as hospitality and retail suggests that employers avoided employees' long term affordability concerns by tapping into a transitory and predominantly young labour force.
- Policy initiatives focused on low-income households more generally or on improving supply of low cost housing in certain locations, rather than targeting occupations, are likely to be the most successful in alleviating housing affordability concerns.

## BACKGROUND

The research undertaken for this report was motivated by a concern that high housing costs in the central city are excluding many, particularly low paid, workers from living and working there. This link between the supply of affordable housing and labour market shortages is one of the ways in which the chronic instability of housing markets can impact upon the efficiency of the economy.

## METHOD

This research project examined the housing affordability, occupation and residential location of working households in Sydney, Melbourne and South East Queensland using 1996 and 2001 Census data.

The research looked at which occupations and income groups were most likely to experience housing affordability problems. 'Housing affordability problems' were defined to exist when the household was spending at least 30 per cent of its gross income on housing costs.

The research focussed on specific high cost regions in the three cities, and used Census journey to work data from 1996 and 2001 to examine whether four 'indicator' occupations were more likely to live near work or a commutable distance away. These four occupations were chosen because they were broadly representative of new economy jobs, they had relatively large numbers of workers involved and because they covered the spectrum from low skilled to high skilled occupations. Nursing professionals, cleaners and hospitality workers

were seen as occupations where jobs were likely to be relatively dispersed; computing professionals were seen as occupations where jobs were likely to be concentrated in the city centres.

Finally, location, tenure, household composition, age and other socio-demographic data in the Census were assessed together with housing affordability data to see what kinds of trade-offs working households made in order to access suitable work.

The study focussed on working households – where at least one member of the household was currently employed either part-time or full-time. At the household level of analysis, occupation of the household was defined to be the occupation of the household reference person. The data preceded the peak of the housing boom, which occurred after 2001 and would have exacerbated housing affordability problems.

## KEY FINDINGS

### ***Do employers face skills shortages due to housing affordability considerations?***

- Until 2001 there is little direct evidence, besides that of an anecdotal nature, that employers were facing skills shortages as a consequence of the housing market.
- In net terms the inner city locations in Melbourne and Sydney gained 26,000 residents who also worked in the city, presumably reflecting the increase of higher density housing supply in these areas. This evidence suggests that increased housing supply has at least partially served to improve inner city employers' access to labour. However, an additional 17,000 workers commuted into inner Sydney and inner Melbourne from 1996 to 2001, suggesting that employers continued to draw from outside the inner city boundaries to satisfy labour demand.
- In addition, around 455,000 households with at least one member in full or part-time employment were paying more than 30 per cent of their income on housing costs. This represented 13 per cent of all working households across Australia. Affordability problems for working households were most acute in Sydney at 18 per cent. However, they were also especially apparent in the Northern Territory as a whole at 16 per cent.

### Which occupations face housing affordability problems?

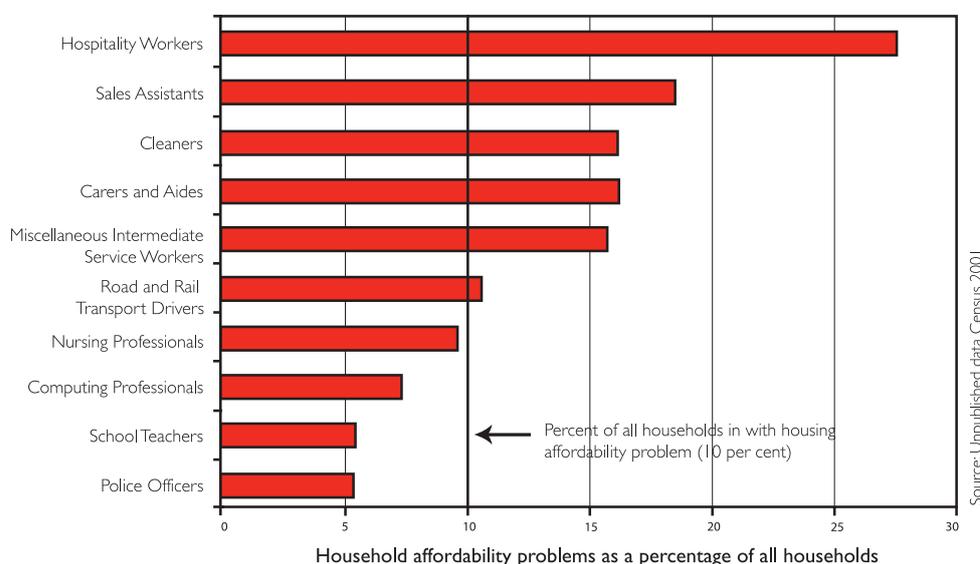
- The occupation with the greatest incidence of housing affordability problems was hospitality workers. 27 per cent of all households with hospitality workers had housing affordability problems. Other occupations with high incidences included sales assistants (19 per cent), cleaners (16 per cent), carers and aides (16 per cent) and miscellaneous intermediate service workers (16 per cent).
- Across Australia, the greatest numbers of those facing affordability problems were sales assistants, (over 23,000 households with an affordability problem). But other occupations with large numbers included road, rail and transport drivers (over 16,000 households), carers and aides (over 13,000 households) and hospitality workers (over 10,000 households).
- Employees classified as 'key workers' in UK and US literature, such as teachers or police officers, did not have above-average affordability problems. The incidence of problems among these occupations was around 6 per cent.
- The poor housing affordability outcomes for households with hospitality and sales assistants reflect the low incomes of these occupations (more than half of all working households with affordability problems had gross incomes below \$600 per week). This was especially pronounced for certain occupations: for example, over 75 per cent of sales assistant households received less than \$600 per week.

- The incidence of housing affordability problems amongst working households was highest for those working in Sydney. Seven of the top ten local regions across the country where the incidence of housing affordability problems was highest were found in central Sydney, with Inner Melbourne, City Core Brisbane and the Gold Coast also having high incidences. The highest housing costs (as measured by median rents) were found in inner, central and northern Sydney, as well as parts of inner Melbourne and the Gold Coast.
- It is important therefore to find out whether the location of work influences where people live, and thus in turn impacts on their affordability outcomes. In particular, this research focused on whether certain occupations faced affordability problems because they lived in expensive locations, such as inner city areas.

### What jobs are in high cost locations?

- Table 1 shows that amongst the four indicator occupations chosen in this study, jobs for computer professionals and hospitality workers were over-represented in the inner city locations of Sydney, Melbourne and Brisbane. For example, it shows that 40 per cent of all computing professionals in Sydney worked in the inner city compared to only 22 per cent of all workers. Nursing and cleaning work was generally more dispersed across city locations. Significant concentrations of hospitality and cleaning work were also found in Inner Melbourne and the Gold Coast.

**CHART 1: INCIDENCE OF HOUSING AFFORDABILITY PROBLEMS BY OCCUPATION**



**TABLE 1: PERCENTAGE OF ALL CITY JOBS IN INNER CITY LOCATIONS (FOR INDICATOR OCCUPATIONS), 2001**

	Computing Professionals	Nursing Professionals	Hospitality Workers	Cleaners	All Workers
Inner Sydney	40%	9%	25%	14%	<b>22%</b>
Inner Melbourne	62%	26%	41%	22%	<b>28%</b>
City Core Brisbane	59%	32%	25%	15%	<b>22%</b>
Gold Coast	8%	14%	26%	20%	<b>16%</b>

Source: Unpublished data Census 2001

**Where do households in various occupations live relative to their work?**

- With the exception of the inner city and some industrial locations (which tend to import much of their workforce), people tended to live in the region in which they worked. In Sydney, Melbourne and Brisbane in 2001 about half of the working population lived in the area they worked and this percentage was much higher for many other outer or regional locations (81 per cent in Outer Western Sydney for instance).
- In addition, on average, rates of employment self-containment increased marginally between 1996 and 2001 for Melbourne and Sydney, suggesting more people were living close to where they worked. Though workers in outer suburban areas continued to commute longer distances compared to those in the inner city, increasingly those in outer suburbs were commuting less. This may have been because an increasing proportion of all jobs were being created in outer suburban areas, where households were locating, reducing the need to commute.
- In higher housing cost locations such as the inner city, the majority of workers commuted from other suburbs. In 2001, less than 200,000 people (less than 20 per cent) of the over one million workers in the inner cities of Sydney, Melbourne and Brisbane actually lived there.
- Nevertheless, inner city workers in some occupations were more likely to report that they lived in the inner city. For example in Sydney, 36 per cent of hospitality workers, 34 per cent of nurses and 29 per cent of cleaners working in the inner city lived in the inner city (compared to only 21 per cent of all persons). By

contrast, only 16 per cent of computing professionals working in the inner city lived there (others commuted). The unusually high proportion of inner city hospitality workers living in the inner city was also apparent for Melbourne (35 per cent) and Brisbane (24 per cent). The need to locate near work may have been due to shift work arrangements in this industry.

**What occupations commute to high cost locations?**

- 'Job deficits' exist across a number of occupations in inner city areas and employers are reliant on 'importing' such labour from neighbouring suburbs. 19,100 computer professionals were imported into Inner Sydney and Lower Northern Sydney, which is close to 43 per cent of all jobs in the industry. By contrast, only 2,100 nursing professionals, or 5 per cent of all nursing professional jobs, had to be imported. Relatively few hospitality workers, 4,300 or 13 per cent, and cleaners, 1,900 or 6 per cent, commuted to Inner Sydney. Similar patterns were apparent for Melbourne and Brisbane.

**Is occupation significant?**

These results – which show that even low-income occupations such as hospitality workers choose to locate near to their work – raises the question of whether location of residence is a function of occupational characteristics or other factors. The results from an earlier study in Sydney, as well as new research conducted for this study, show that location and tenure outcomes are driven by socio-demographics and household income more than occupation. For example:

- Younger workers, regardless of occupation, tended to rent in inner locations whereas older workers were

more likely to purchase in middle and outer suburbs. There has also been an increase in the proportion of double income households in Inner Sydney with at least one worker working in the CBD, which helps to reduce commuting costs.

- The choice to live in the inner zone with higher levels of housing stress suggests high housing costs have been chosen over commuting costs. More detailed analysis indicated that workers in the four indicator occupations in Inner Sydney were far less likely to be the reference person in the household and they were also far more likely to live in a shared household, which suggests that sharing housing costs is a strategy to meet those expenses.

## **POLICY IMPLICATIONS**

While employers in high cost areas such as the inner city are able to attract workers, including low-income occupations, this is only partially due to the increased supply of housing, and it has been despite significant housing affordability problems. However, policies directed towards improving affordability outcomes for public sector workers – similar to those advocated for the UK and US – would be poorly targeted given that workers with the greatest affordability problems are more likely to be those in the private sector such as retail sales assistants, cleaners and hospitality workers.

Even so, there is evidence to support the claim that those who work and live in inner city areas – even those sharing a house – experience significantly greater housing affordability problems compared to those who work in the inner city but live elsewhere. This suggests an inner city housing affordability problem that is reducing housing options for lower income earners in general. A more likely long term consequence is that the young, those who prefer to rent, the affluent and those without children will populate the high-cost inner regions of the city. For low-paid workers who are the breadwinners of their household, the pressure will be to relocate to lower cost regions where newer and lower paid jobs are emerging. However, those who locate in lower cost regions but continue to work in the inner city will face additional transport costs.

If shortages do emerge in low-skill, low-income occupations, employers might be able to attract employees by providing better wages and better conditions, and may be able to

continue to target a supply of young, mobile workers. However, the costs associated with continuous retraining might need to be passed on in higher prices. There might also be a further cost in terms of the loss of social diversity within the city.

Alternatively, if Governments wish to support the supply of employees suitable for more sustainable employment, one potential way forward is to follow the UK and the US in implementing affordable housing policies. In London these require 50 per cent of all new housing developments to be affordable. In a number of States in the US, they require 15 to 25 per cent of all housing developments to be affordable. The renewal of lower Manhattan includes a 20 per cent affordability quota. In both countries, these policies are underpinned by national and state based financial arrangements that ensure such policies are feasible.

## **FURTHER INFORMATION**

This bulletin is based on AHURI Project 60279, *Housing Affordability, Occupation and Location in Australian Cities and Regions*.

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au)

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



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