

What the latest evidence tells us

Professor Bill Randolph

AHURI Research Centre—The University of New South Wales

Informing Australia's housing and urban futures

Housing affordability, central city economic productivity and the lower income labour market

AHURI Research Centre—The University of New South Wales
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Outline of research

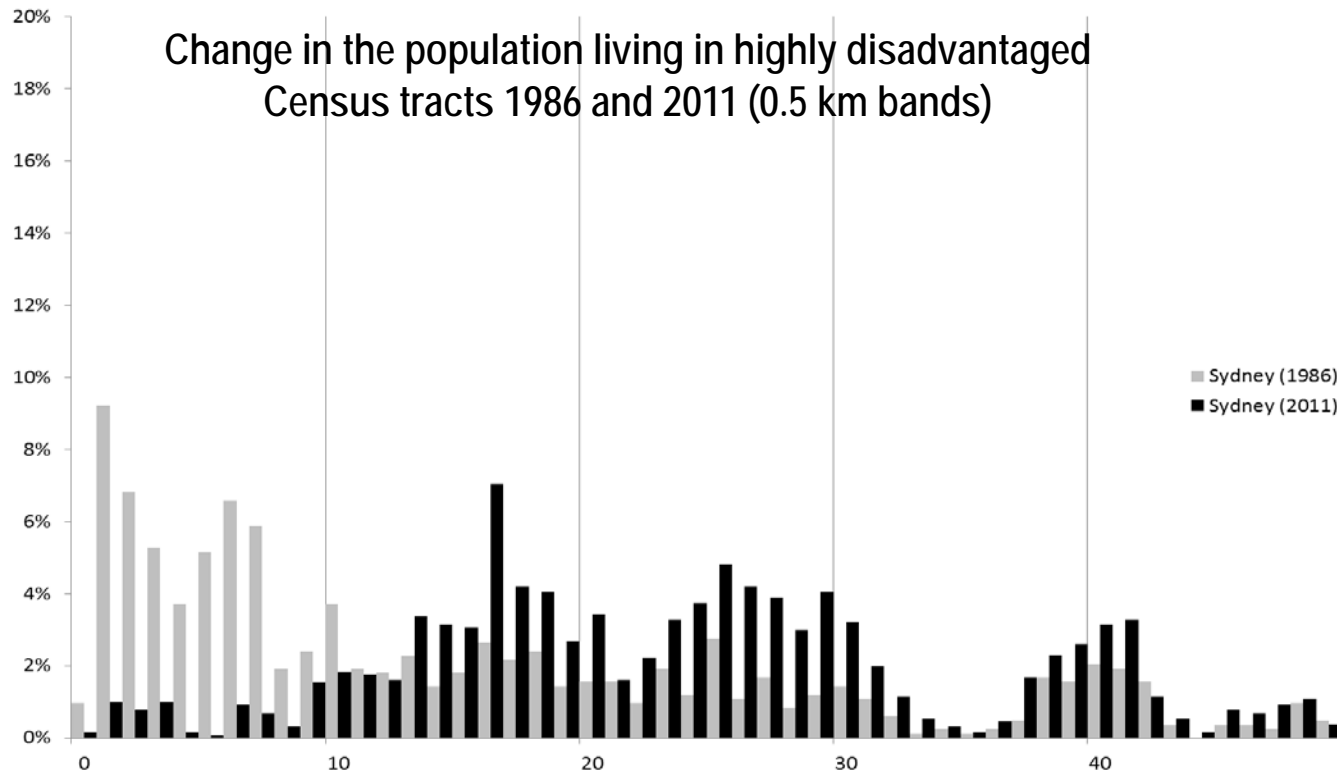
- Research jointly funded by the City of Sydney and AHURI
- April 2014 – June 2015: *preliminary findings*
- To establish whether the diminishing supply of affordable housing opportunities for lower-income workers in the ‘job-rich’ city centres is having an impact on city-centre businesses.
- Is this having an impact on overall city-centre productivity, which is critical to international competitiveness and economic wellbeing of Australia?
- Research focused on the Central City areas of Sydney, Melbourne, Brisbane, Perth Darwin. This presentation will focus on Sydney results only.
- 2011 Census analysis to identify who the Low Income Central City (LICC) workforce are and their location and housing attributes (in progress).
- Supplemented by interviews with Sydney CBD employers (in progress).

Housing Affordability, Central City Economic Productivity and the Lower Income Labour Market

- Economic theory suggests housing costs (or other housing constraints) can affect labour supply and therefore productivity. A 'spatial mismatch' of housing options and jobs markets is a sign of such constraints.
- A spatial mismatch between low-income (LI) jobs and workers can be theoretically overcome in a number of ways:
 - improving housing options near jobs markets,
 - improving job prospects near housing/labour supply
 - Connecting workers with jobs through both transport infrastructure and/or social infrastructure such as job agencies.
- These policy areas are rarely considered holistically in city planning – *agency silos*
- In Australia, only Sydney and Melbourne have this issue on their policy agendas.
Does this mean that spatial mismatch and urban productivity is not an issue?

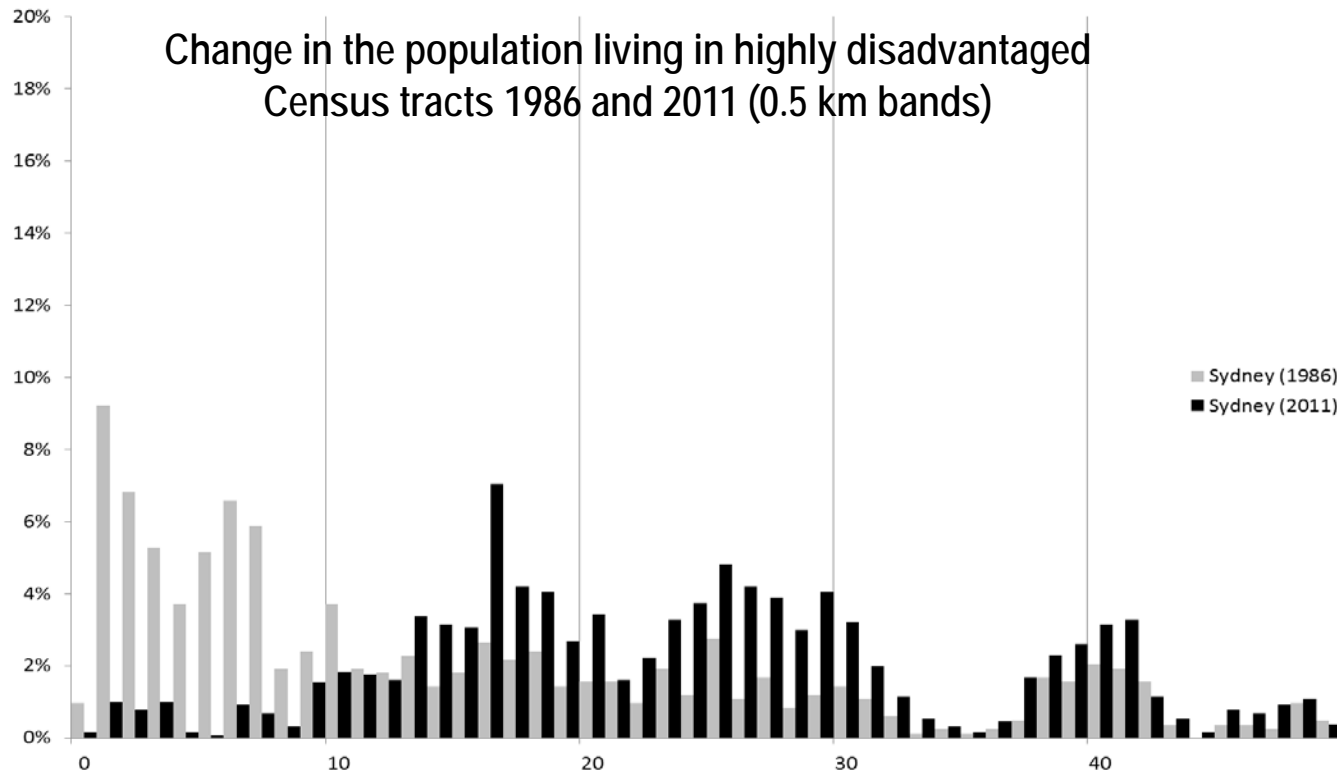
Context: polarising cities – the low income population has been pushed out of the inner city

1986 - 2011	
Distance from CBD	Net change
<10 Km	-129324
10-19 Km	78341
20-29 Km	110577
30-39 Km	41206
40-49 Km	20550
	121350
	Percent
<10 Km	-82%
10-19 Km	80%
20-29 Km	139%
30-39 Km	94%
40-49 Km	38%
	28%



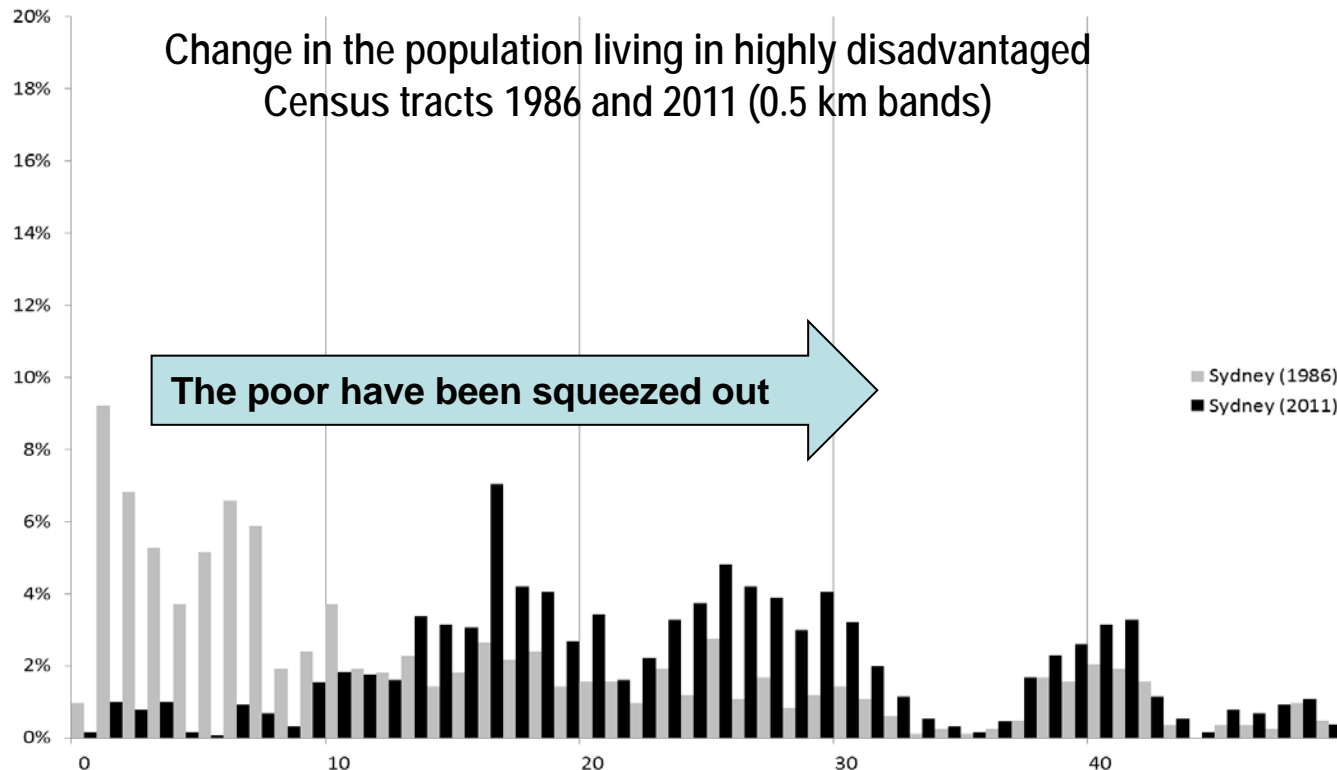
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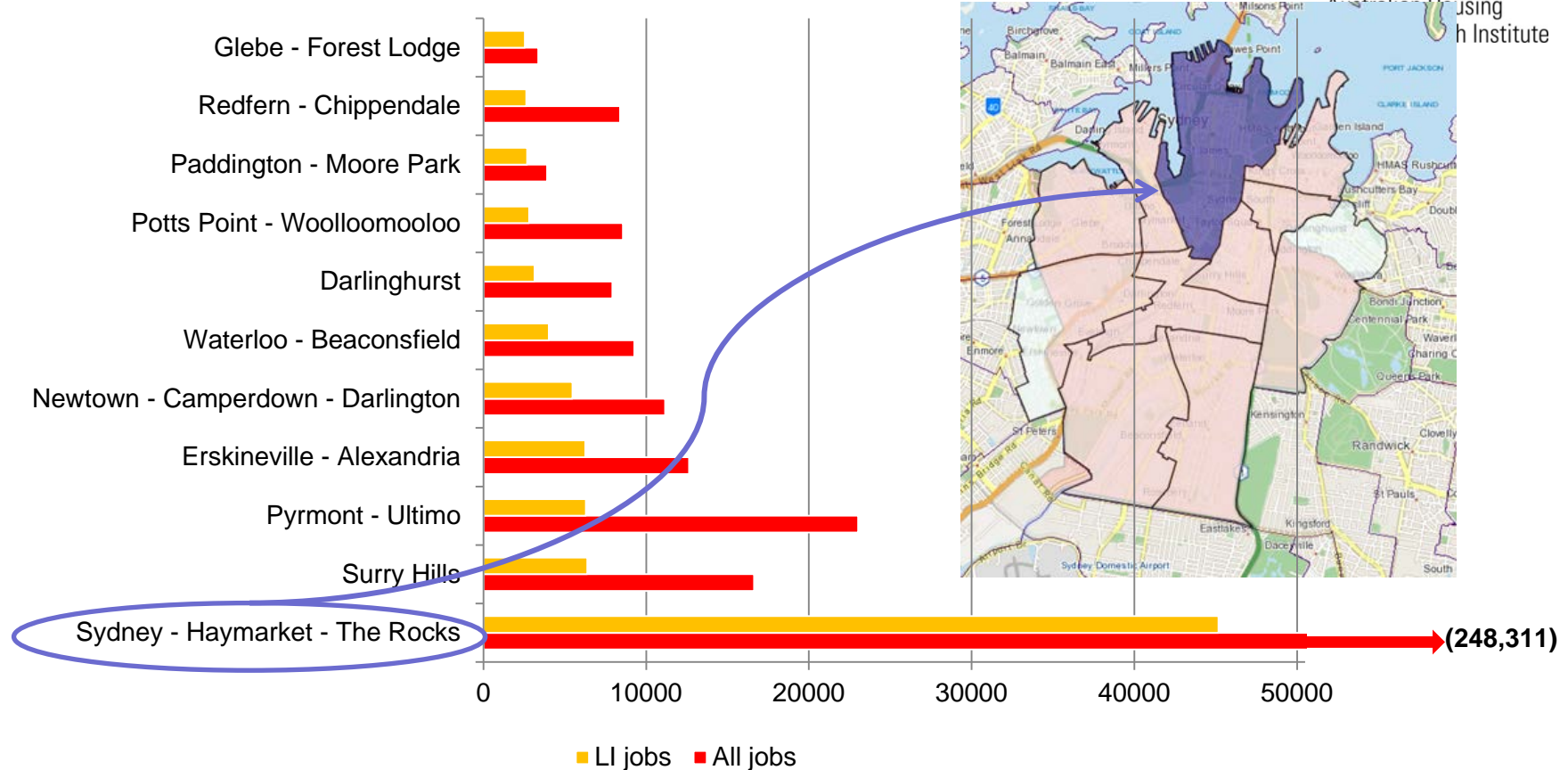
Analysis of 2011 Census data for Sydney

- Focus on *Low Income Central City (LICC)* workers - **\$799 p.w.**
- Employment and household characteristics – *who are they and what do they do?*
- Analysis of residential location and JTW within greater Metro area – *where do they live and how do they get to work?*
- Estimate the numbers of LICC workers who are likely to be the decision makers in the households (Reference Persons) to exclude dependents or those not likely to make housing decisions – *how many are there?*
- Do LICCs face significant housing affordability problems - *how many are fully exposed to the housing market?*
- Is new development assisting LICCs to find affordable accommodation in the city – *does the new apartment boom house the low income workforce?*

Sydney Low Income Central City Workforce:

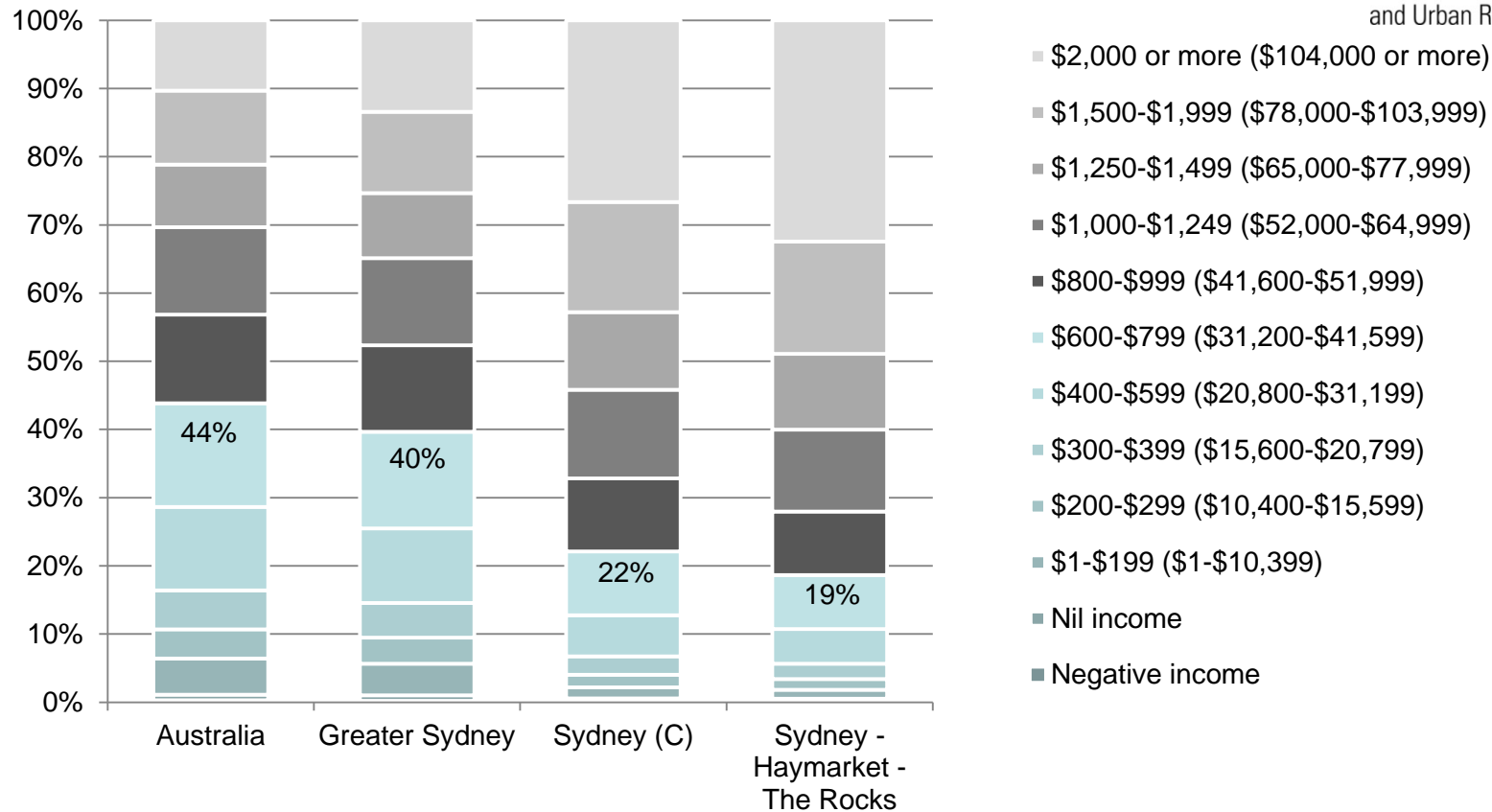
How many, who are they and what do they do?

Defining Sydney's 'Central City' (SA2)



Defining 'low income' (< \$799/week)

(NB minimum wage is \$622 per week)



So how many low income workers are we really talking about? Estimating the numbers...

Central City workforce who lived in metro Sydney in 2011:

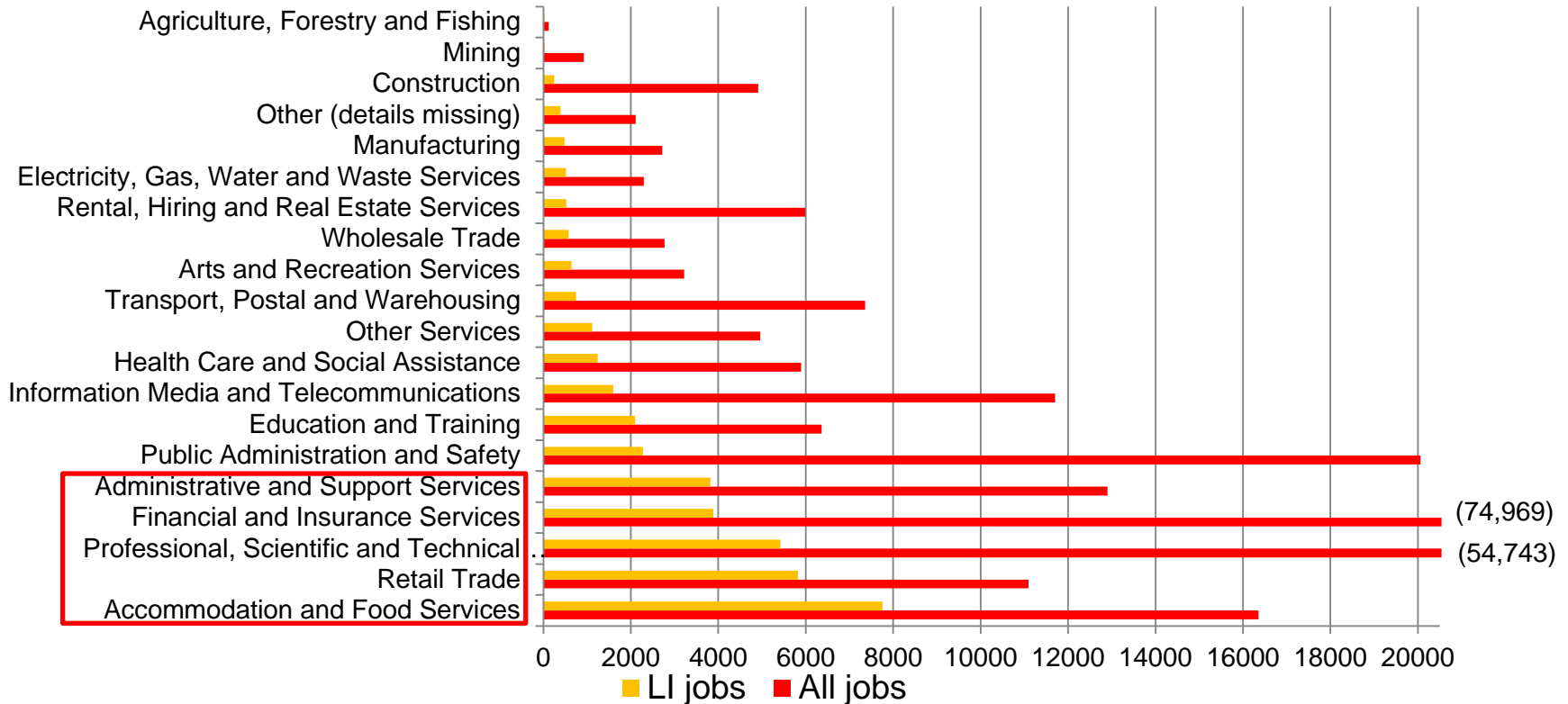
Total workforce:	242,869
LI workforce:	44,248 (~19% of total workforce)
LI Reference Persons (RPs):	14,495 (~33% of LI workforce)

Estimated (based on Sydney-wide figures):














LI workforce in LI households:	12,000 (~27% of all low income CC workers)
LI RPs in LI households:	7,000 (~16% of all low income CC workers)

Sydney CC workforce by industry sector














Sorted by number of LI jobs - Total = 44,250



How typical is Sydney's LICC workforce? Main employment sectors 2011

City of Sydney LICC workers  = ~2%	Industry sector	
	Hospitality	23%
	Professions (e.g. law & accounting)	15%
	Retail	15%
	Finance & insurance	11%
	Admin & support	8%
	Health	4%
	Education	4%
	Public service	4%
	IT & media	3%
	Other services (e.g. travel agents)	3%
	Arts & recreation	2%
	Remaining industries	8%
		100%

Metro Sydney Low Income workforce in comparison – key differences

Metro Sydney LI workers  = ~2%	Industry sector	
	Hospitality	12%
	Professions (e.g. law & accounting)	6%
	Retail	17%
	Finance & insurance	3%
	Admin & support	5%
	Health	13%
	Education	7%
	Public service	2%
	IT & media	2%
	Other services (e.g. travel agents)	5%
	Arts & recreation	2%
	Remaining industries	26%
		100%

LICC workers vrs LI Metro workers

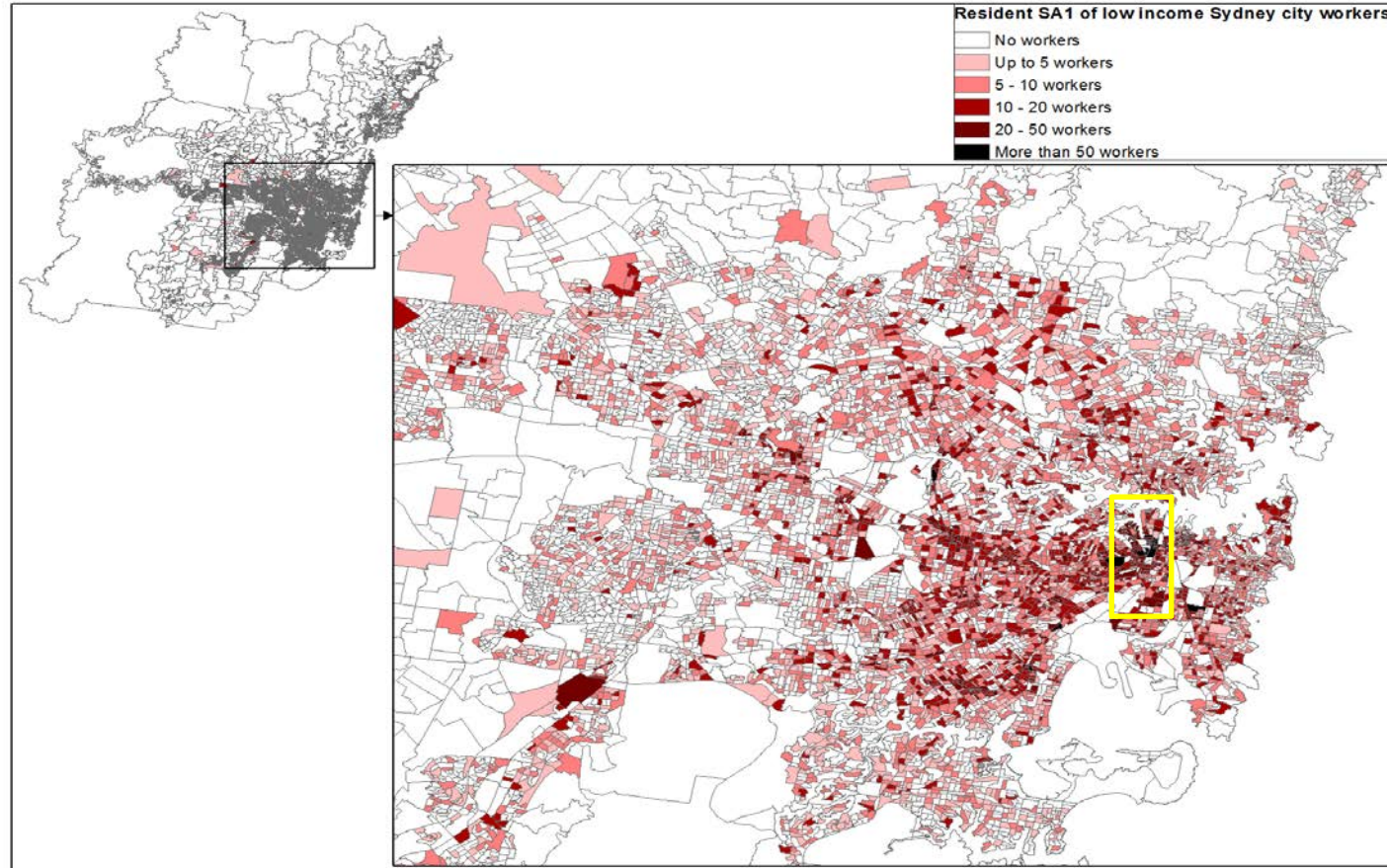
- 46% of LICC workers are in professional or administrative occupations, compared to 30% of LI Metro workers;
- 66% of LICC workers are aged 15 – 34, compared to 48% of LI Metro workers ;
- 31% of LICC workers have higher degrees, compared to 19 % of LI Metro workers;
- 66% of LICC workers have both parents born outside Australia, compared to 52% of LI Metro workers.
- Half work part-time – shift work?
- So, LICC workers tend to be younger, more professionally qualified and more likely to come from migrant backgrounds than LI workers in the Metro area as a whole and tend to work in occupations which may have better career prospects, but may also be part-time.

Sydney Low Income Central City Workforce:

Where do they live and how do they get to work?

Where do they live?

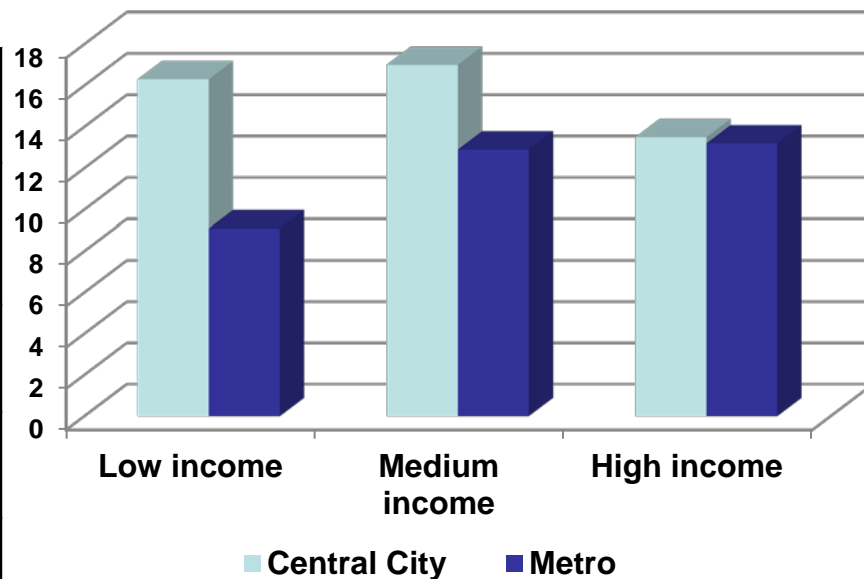
SA1 of residence for all LICC workers, 2011



Getting to work: Central City vrs Sydney Metro workforce by distance travelled

Average (crow-fly) distance to work

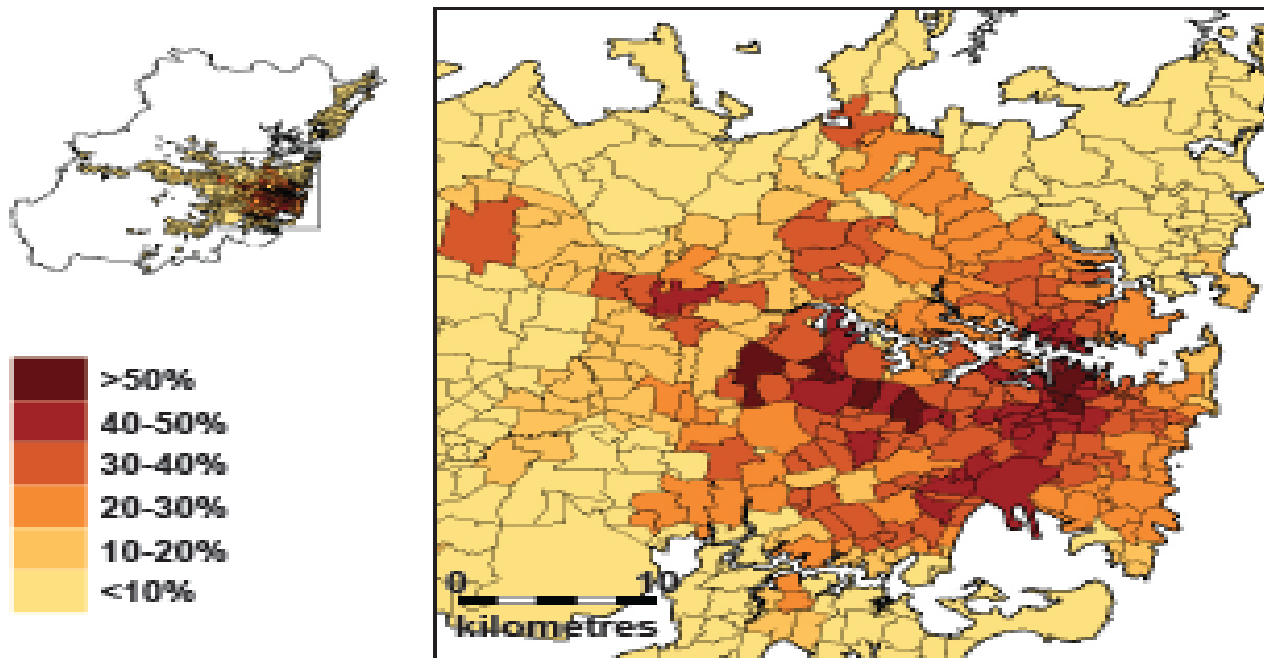
Live in ►	Sydney metro	
	Central City	Sydney Metro
Work in ►		
Low income	16.3km	9.1km
Medium income	17.0km	12.9km
High income	13.5km	13.2km



Access to jobs by public transport, Sydney

Source: Grattan Institute 2014 p 26

Percentage of jobs that can be reached in 60 minutes by public transport, Sydney, 2011



Getting to work: Central City vrs Sydney Metro workforce by J-T-W mode

Work in ►	Central City			Metro		
Travel Mode ►	Public	Private	Mixed	Public	Private	Mixed
Low income	80%	12%	8%	26%	72%	2%
Medium income	78%	11%	11%	24%	72%	3%
High income	69%	21%	10%	30%	66%	4%

- LICC workers more dependent on public transport than higher income workers.
- But the reverse is true outside the CC area.

LICC workforce travel further: Explanations?

- Low-income workers in the CC travel around twice as far to work, compared with LI workers across the metro as a whole.
- This can partly be explained by different jobs in the two geographies. The CC has more jobs in industries with better career prospects.
- It can also be partly explained by the different people doing the jobs. Young people and migrants are more likely to work in the CC.
- And, of course, it can be partly explained by the fact that it is easier to cover the greater distance since the CC is on the hub-and-spoke transport network that radiates from the central city.

Sydney Low Income Central City Workforce:

Do they face housing affordability problems and has new residential development assisted them to find affordable housing in the City?

Tenure profile of Central Sydney worker Reference Persons (RFs)

Work in ►	Central City			Metro		
Tenure ►	Owner	Buyer	Renter	Owner	Buyer	Renter
All working RPs	16%	47%	38%	20%	47%	33%
Low income RPs	19%	28%	53%	24%	36%	40%
Low Income RPs in LIHs	24%	19%	56%	27%	25%	48%

- Metro LI workforce more broadly spread across tenures;
- But Central Sydney LI workers who are Reference Persons are heavily dependent on the rental market.

LI Workers face housing affordability problems... ... wherever they are.

Work in►	Central City		Metro	
	Pay more than 30% income	Pay more than 50% income	Pay more than 30% income	Pay more than 50% income
All working RPs	21%	4%	26%	7%
Low income RPs	47%	21%	41%	17%
Low Income RPs in LIHs	64%	38%	58%	32%

- Half of CC Low Income Reference Persons pay 30% or more for their housing : while a fifth pay 50% or more.

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- But if they are in a Low Income Household, then almost two thirds pay over 30%, and almost 2 in 5 pay over 50%.

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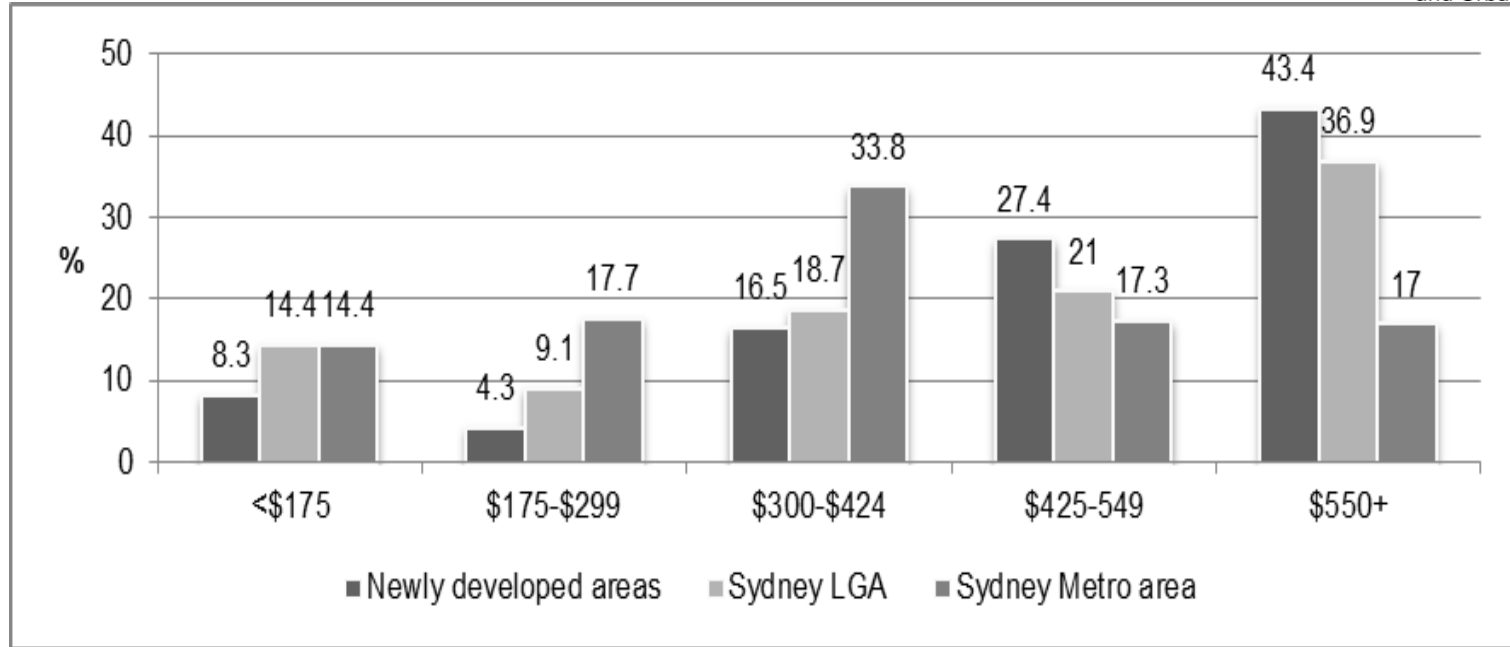
- But basically, low income workers face major housing affordability problems regardless of location.

Does new Central City development help?it's the right tenure (60% rental)



Tenure of SA1s developed between 2001 and 2011, Sydney LGA and Sydney Metro (Census 2011)

Does new Central City development help?but not at the right price



Mean Weekly Rent in SA1s developed between 2001 and 2011, Sydney LGA and Sydney Metro (Census 2011)

Policy implications: Homes or Trains?

- The Central Sydney low income workforce appears to have evolved to fit a rather different range of job opportunities compared to the equivalents in the rest of the Metro area.
- The numbers that might be considered in need of policy attention – i.e. low income workers who live in low income households – are not vast, but significant nevertheless (~ 12,000).
- Arguably they incur clear travel to work costs in terms of distance travelled and face significant housing affordability problems, principally in the rental market.
- If we need low income Central City workers, then policy options involve either providing more affordable housing opportunities nearer work or providing affordable and accessible public transport to allow them to access more affordable suburban housing.
- Arguably, the City of Sydney has some control over the former, but little control over the latter.
- *The analysis suggests a much more holistic metropolitan-wide debate is needed on the policy trade-offs to be made.*
- ***If you had a pot of subsidy, would you provide more affordable rental housing or improve affordable public transport?***



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