

# Do unemployed people move to job opportunities?

**UNEMPLOYED PEOPLE TEND TO MOVE TO AREAS OF BETTER EMPLOYMENT OPPORTUNITIES AND THEREBY INCREASE THEIR LIKELIHOOD OF LEAVING INCOME SUPPORT. PRIVATE RENTERS ARE MOST LIKELY TO MOVE, NEXT PUBLIC RENTERS AND HOME OWNERS ARE LEAST LIKELY TO MOVE.**

## KEY POINTS

### THE DRIVERS OF HOUSING MOVES

- There are large numbers of unemployed people who move both to better and to more disadvantaged labour markets.
- Most moves are to labour markets where the unemployment rate is within one percentage point of that of the former labour market, suggesting that seeking to improve employment opportunities is not the main reason for residential relocation.
- Housing affordability does not appear to be a driver of moves between regions.
- On balance, however, there is a tendency for unemployed people to move away from those regions with the poorest labour markets and cheaper housing costs.

### THE IMPACT OF HOUSING MOVES ON LABOUR MARKET OUTCOMES

- Unemployed people who move to an area with higher unemployment than the area they left behind have a greater probability of remaining on income support. If the area's unemployment rate is one percentage point higher than the area they left, their increased time on benefits is approximately nine per cent.
- However, part of this association could be due to the fact that people with low skill levels can only afford to live in high unemployment regions.
- To address this issue, the research estimates the impact on benefit receipt for individuals who move between different locations. Using this method, it found people who move to an area with an unemployment rate one percentage point higher than the area they left behind increased their time on income support by about five days.
- These results provide some support for both employment assistance and housing assistance policies that seek to influence the movement decisions of income support recipients (and the unemployed in particular).

*Based on research by Bruce Bradbury and Jenny Chalmers of the AHURI UNSW-UWS Research Centre. The research used the Department of Family and Community Services, one per cent Longitudinal Data Set (LDS) and the 1996 Census to examine the housing moves of unemployed people (unemployment payment recipients).*

## MOVING HOUSE: TENURE AND HOUSING COSTS

- The unemployed people who move are most likely to be private tenants and least likely to be home owners.
- Most moves by unemployed people are within either a capital city or a non-capital city and do not result in a significant change in housing costs; the numbers who move to regions with higher housing costs is about the same as those moving to areas of lower housing costs.

## FINDINGS

### THE DRIVERS OF HOUSING MOVES

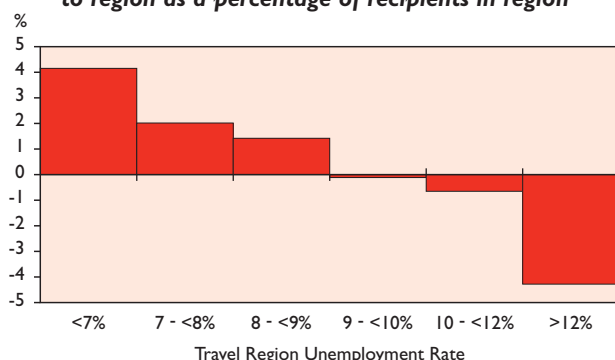
Recent Australian research has documented migration out of the major cities by low-income people. High housing costs in the major cities have been identified as a key driver of this.

This study found that unemployed people are more likely to move than other income support recipients.

In general, between any two regions, significant numbers of unemployed people are moving in both directions.

Looking at the net impact of these moves, on balance, unemployed people move away from the regions with the poorest labour markets. About 4200 unemployed people a year are leaving the regions with the highest unemployment rates (see Figure 1). This is 4.3 % of the average total number of unemployed people in those regions, or 17.1 % of gross flows (the average of those moving in and out of the region). Associated with this, there is a tendency for unemployed people to move towards the larger labour markets.

**Figure 1: Unemployment payment recipients: net inflows to region as a percentage of recipients in region**



Holding other factors such as housing costs constant, an increase in the unemployment rate of one per cent in any region was matched by a one per cent increase

in the net outflow per year of the unemployed people in that region.

A similar relationship exists for both short and long duration unemployment payment recipients.

### THE IMPACT OF HOUSING MOVES ON LABOUR MARKET OUTCOMES

How much impact do regional labour market conditions have on the likelihood that a person will be employed or not receiving income support?

The research found that a one-percentage point increase in the travel region unemployment rate, which summarises the labour market conditions of areas within commuting distance, was associated with a five per cent drop in a person's probability of going off unemployment benefit. This translates into an increase in average benefit duration of around nine per cent.

This partly reflects the fact that people with low skill levels can only afford to live in high unemployment regions (though the analysis does control for housing costs).

To control for the effect of people with low skill levels only being able to afford to live in high unemployment regions the research also examined the change in benefit receipt for those people who moved between regions.

Under this analysis, the change in labour market conditions associated with moving has a significant impact.

People who moved to an area with an unemployment rate one percentage point higher than the area they left behind had an increased time on income support of about five days or one third of a fortnight. To put it in perspective, this is about two per cent of the average number of fortnights of income support an individual would receive a year. The researchers believe this is a better measure of the true impact of location on labour market outcomes. However, data limitations mean that this result should not be regarded as definitive.

## MOVING HOUSE: TENURE AND HOUSING COSTS

Forty five per cent of moves were within a state capital city, four per cent between capitals, 10 per cent non-capital to capital, 10 per cent capital to non-capital and 31 per cent within non-capital regions. Unemployed people tended to move further than people receiving other payments.

Analysing the housing tenure of unemployment payment recipient movers, finds that private tenants are the most likely to move, followed by those living rent free, then public tenants and those least likely

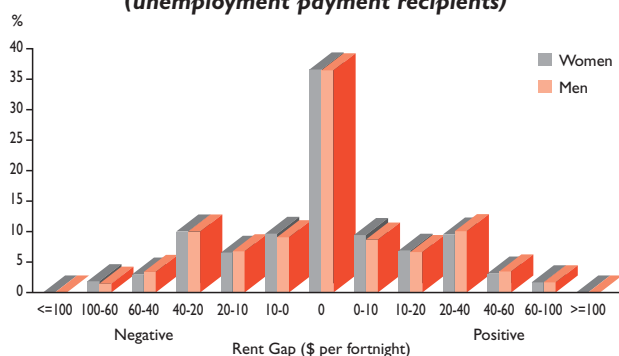
**Table 1: Probability of moving for unemployed people, based on regression analysis of the fortnight pairs of income support receipt**

	Change in probability of moving (%)	Change in probability of moving more than 10 km (%)	Change in probability of moving more than 100 km (%)
Pays rent and lives in public rental	-1.8	-1.3	-0.7
Pays no rent and owns a home	-2.9	-1.8	-0.7
Pays no rent but does not own a home	-0.4	-0.1	-0.0
Pays rent and lives in private rental	Base	Base	Base

to move are home owners (see Table 1). Note that tenure is defined by status, before the move. Table 1 shows the probability that an unemployed person moved, from one fortnight to the next, when he/she was a recipient in both fortnights. Private tenants were the most likely to move and they were taken as the base case against which movement of those in other tenures was compared. When considering moves greater than 100km, public tenants and home owners were equally likely to move, but both groups were still less likely to move than private tenants.

The research findings suggest that housing affordability issues are not the main driver of moves between regions. This is somewhat surprising given other AHURI research which found that housing costs were a significant driver of moves for income support recipients moving from metropolitan Sydney and Adelaide to non-metropolitan NSW and SA. To reach this conclusion, the study looked at changes in housing costs for unemployed people that make a residential move. Figure 2 illustrates that no change was the most likely outcome. The percentages of moves that resulted in lower housing costs were similar in profile to the moves that resulted in higher housing costs. These apparently small changes in housing costs could disguise changes in the quality or quantity of housing being paid for. A household moving to an outer-suburban area may get a lot more or much better quality accommodation for a similar amount of money than it could in the inner city.

**Figure 2: Change in regional rent level (unemployment payment recipients)**



## CAVEATS

The analysis focuses on income support payments for every fortnight between January 1995 and June 2001. Whilst the final report considers the mobility of all income support recipients, this bulletin has concentrated on the analysis of unemployment payment recipients.

People are defined as moving when they change postcode while receiving income support. Moves within a postcode area are not analysed. A move that coincides with a cessation of income support also is not analysed.

The labour market conditions of each postcode area are measured using a travel region unemployment rate, which summarises the labour market conditions of areas within commuting distance.

Data on 'rent paid' from the LDS is used to estimate relative rents for each travel region. The rent figure is thus an estimate of the extent to which a particular location has a higher than average rent (controlling for family size). The use of an average rent figure is likely to disguise, somewhat, actual changes in rent paid.

## POLICY IMPLICATIONS

Overall, the results of the research suggest that regional labour market conditions do matter, at least for unemployed people, as they tend to move towards areas of better labour market opportunities (though this is by no means the main factor influencing residential mobility). The estimates of the independent impact of regional characteristics also support this view.

The research therefore provides some support for the effectiveness of policies that seek to influence the movement decisions of income support recipients (and unemployment payment recipients in particular), such as the current rules that penalise unemployment payment recipients if they move to areas of higher unemployment. Whether the strength of the

relationships observed here are sufficient to justify particular policy interventions can only be assessed in the context of the costs and other benefits of those policies

With regard to housing assistance measures, approximately two-thirds of the housing moves of unemployed people result in no change, or a reduction, in housing costs. Arguably more unemployed people could find work if they were more able to move to areas of better employment prospects and higher housing costs. Since unemployed people who are private renters are most likely to move house, then adjustments to Commonwealth Rent Assistance to provide greater rent assistance in areas of higher housing costs may help hasten a return to the labour market and thereby reduce unemployment payment costs. Modelling of the cost trade-offs between increased rent assistance and reduced unemployment payments may be worthwhile.

In the context of current debates about work disincentives associated with housing assistance, finding that unemployed private tenants are more mobile than public tenants, who in turn are more mobile than home owners (controlling for the affect of a range of other factors), raises questions about the reasons behind such variations in residential mobility.

## **FURTHER INFORMATION**

For more information about this research project, the following paper is available:

Final Report: [www.ahuri.edu.au/attachments/70065\\_final\\_HousLocEmp.pdf](http://www.ahuri.edu.au/attachments/70065_final_HousLocEmp.pdf)

Other related papers:

Migration of low-income earners from metropolitan to non-metropolitan locations – see the final report: [www.ahuri.edu.au/attachments/70066\\_final\\_welfareoutcomes.pdf](http://www.ahuri.edu.au/attachments/70066_final_welfareoutcomes.pdf)

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



Australian Housing and Urban Research Institute

[www.ahuri.edu.au](http://www.ahuri.edu.au)

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**HEAD OFFICE** Level 1, 114 Flinders Street Melbourne Victoria 3000 **TELEPHONE** +61 3 9660 2300  
**FACSIMILE** +61 3 9663 5488 **EMAIL** [information@ahuri.edu.au](mailto:information@ahuri.edu.au) **WEB** [www.ahuri.edu.au](http://www.ahuri.edu.au)

**ACKNOWLEDGMENTS** This material was produced with funding from the Commonwealth of Australia, Department of Family and Community Services. AHURI Ltd gratefully acknowledges the financial and other support it has received from the Commonwealth, without which this work would not have been possible.

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