

## EXECUTIVE SUMMARY

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# Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities



**Authored by**

**Catherine Gilbert**, The University of Sydney

**Zahra Nasreen**, The University of Sydney

**Nicole Gurrán**, The University of Sydney

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**Authors**

Catherine Gilbert, The University of Sydney  
Zahra Nasreen, The University of Sydney  
Nicole Gurrán, The University of Sydney

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# Executive summary

## Key points

- There is no single definition of what constitutes a ‘key worker’. The term usually refers to employees in services that are essential to a city’s functioning but who earn low to moderate incomes. In cities and regions with high housing costs, this makes access to appropriate and affordable housing in reasonable proximity to work difficult for key workers.
- All key worker jobs require physical presence—few key workers can ‘work from home’. Proximity to work is particularly important in healthcare, emergency services and some community and welfare support roles in order for workers to cover shifts, quickly respond to increases in service demand and attend emergency situations.
- This study finds that Sydney and Melbourne’s teachers, nurses, community support workers, ambulance and emergency officers, delivery personnel and cleaners are struggling to find appropriate and affordable housing. Twenty per cent of key workers across Sydney and 17 per cent across Melbourne experience housing stress, with much higher rates in inner subregions.
- Further, approximately 31,000 key workers across Sydney and 18,000 in Melbourne are living in overcrowded homes.

- **Difficulties accessing housing that is both appropriate and affordable are extending beyond the lower income (Q1 and Q2) households traditionally considered in need of welfare support to also include workers earning incomes in the Q3 range. For example, in Sydney (the more expensive of the two cities):**
  - No LGAs in the Sydney metropolitan region or its satellite cities of Wollongong and Newcastle have a median house price that is affordable to an early career registered nurse, and only a few LGAs have affordable unit prices.
  - Close to 8,000 teachers are in households experiencing housing stress.
  - Approximately 4,500 registered nurses and midwives are living in overcrowded homes.
- **Key workers are more likely than the labour force generally to reside in outer suburbs and satellite cities and to commute more than 30kms to work.**
  - In Sydney, just under 44,000 key workers commute over 30kms to work, and just under 16,000 commute 50kms or more.
  - In Melbourne, just under 38,000 key workers commute 30kms or more and over 10,000 commute 50kms or more.
- **Between 2011 and 2016, inner subregions of both cities experienced a net loss of key workers, while more affordable outer suburbs and satellite cities gained key worker residents.**
- **In England and the US, challenges attracting and retaining key workers in expensive metropolitan regions is being addressed by governments through assisted home ownership programs and planning and funding support for ‘intermediate’ housing products situated on the continuum between social rental and market rate housing.**
- **In Australia, policies and projects to support key workers (variously defined) to access housing are limited and sporadic and statutory planning policies and funding programs to support the provision of affordable housing generally, and affordable housing for moderate-income earners more specifically, are limited.**

- **In responding to the key worker challenge, governments should introduce planning policies and funded programs to increase the supply of affordable housing across both rental and ownership tenures, support the scaling up of a purpose-built rental housing sector and help key workers to access information about housing options.**
- **Non-housing based support mechanisms could include transportation subsidies or income supplements for key workers working in expensive housing market areas, but these would not address the problem of rising housing costs over time.**
- **Further research should build on this scoping study by:**
  - analysing geographic patterns of housing affordability at a finer spatial scale
  - taking a longitudinal view in order to better understand changes and trends over time
  - capturing the perspectives of key workers themselves on their housing constraints, choices, aspirations and perceptions of affordability
  - canvassing employers' perspectives on recruitment and retention challenges, and
  - examining the peri-urban and regional dimension of key-worker housing stress.

## **Key findings**

There is no single definition of what constitutes a key worker. However, the term broadly refers to workers who provide services essential to the functioning of cities, but who earn low to moderate incomes. This makes accessing appropriate and affordable housing challenging for key workers, particularly in cities with expensive housing markets. Traditionally, the term has encapsulated occupations such as teaching, nursing and other healthcare roles, policing and emergency services. However, our review of the research literature and policies and programs to support key workers to access housing in English, US and Australian cities revealed that the inclusion of occupations beyond these traditional groups varies in practice. This variation reflects the nature of different local economies and the specific recruitment and retention challenges experienced by different employers. In the context of COVID-19, there is evidence that some jurisdictions are considering an expanded definition, with occupations in delivery services and retail food services, for example, now also seen as important to the functioning and resilience of cities in times of crisis.

Because key worker jobs are generally population-serving, key workers have the opportunity to work in most locations where people live. This means that there is little incentive for them to move to or remain in expensive housing market areas with unaffordable housing costs. Internationally, government policies and programs to support key workers to access housing are generally designed to support the recruitment of key workers to higher cost cities and regions and to retain more experienced workers over time. Our international review of programs revealed examples targeting both the supply of housing for key worker groups as well as 'demand side' support, with assistance to enter home ownership seen to be particularly important for longer-term retention of key workers.

Using data on median house prices and rents, indicative incomes for key workers at different career stages and 2016 Australian Census data, we examined geographic patterns of housing affordability across Sydney and Melbourne and their satellite cities and regions and the housing situation and commuting patterns of key workers across a range of occupation groups. The research revealed that some key workers in Sydney and Melbourne are struggling to afford appropriate and affordable housing. Unsurprisingly, housing unaffordability, incidences of housing stress and overcrowding were found to be greatest in inner subregions and among lower income occupation groups.

Nevertheless, the analysis revealed that many outer suburbs and coastal satellite cities now also have median house prices that are unaffordable on most key worker incomes and that evidence of difficulty accessing appropriate and affordable housing is extending to workers earning incomes in the Q3 range. For example, in Sydney, which is the more expensive of the two greater metropolitan regions examined, we found that:

- No LGAs have a median house price that is affordable to an early career registered nurse, and only a few LGAs in the metropolitan region have affordable unit prices.
- Close to 8,000 teachers are in households experiencing housing stress.
- Approximately 4,500 registered nurses and midwives are living in overcrowded homes.

As interviews with industry and policy experts revealed, difficulties accessing appropriate and affordable housing also relate to factors such as age, income, security of employment, overall household income and household composition. Younger key workers, key worker households on low and or single incomes and workers with children often face the greatest affordability constraints, the latter related to the need for larger homes.

The interviews revealed that one response to unaffordable housing costs in central city areas is for key workers to reside in outer suburbs and even satellite cities. This requires key workers to endure lengthy commutes, with examples given of workers commuting to the Central Business District (CBD) from the Blue Mountains, Central Coast and Illawarra. The analysis of 2016 Census data also revealed that key workers are more likely than the labour force generally to reside in outer suburbs and satellite cities and to commute more than 30kms to work. Across Sydney and its satellite cities and regions, for example, just under 44,000 key workers commute over 30kms to work, and just under 16,000 commute 50kms or more. Between 2011 and 2016, in both Sydney and Melbourne, inner subregions experienced a net loss of key worker residents, while more affordable outer suburbs and satellite cities gained key worker residents.

As interviewees with expertise in specific key worker occupation groups explained, key worker jobs require physical presence. They can also be physically demanding and performed over long shifts, during anti-social hours and in high stress situations. Housing stress and insecurity and long commutes can exacerbate the stress and fatigue that is already inherent in many key worker jobs, with implications for service quality, workplace health and safety and the long-term retention of more experienced workers. Moreover, long commutes to work mean that key workers in some service areas are unable to be on-call to cover shifts or respond to increases in service demands and emergency situations.

There are, therefore, compelling reasons to support key workers to access appropriate and affordable housing close to the populations they serve. However, as our policy analysis revealed, while there is increasing recognition of essential workers and the housing needs of low and moderate-income working households more broadly in strategic planning in both Sydney and Melbourne, there is a lack of statutory tools and funded programs to support the delivery of housing to meet those needs. Moreover, particularly in NSW, policies and programs only support the provision of affordable rental housing which, the interviews revealed, is misaligned with the aspirations of many key workers for home ownership. Even if significantly scaled up, such housing may not support long-term retention of key workers within high housing cost areas.

## Policy development options

The findings presented in this report add to the weight of evidence that Australia's housing system needs fundamental reform. The data detailed in this study presents a picture of key workers struggling to access appropriate and affordable housing in Sydney and Melbourne; including workers on incomes in the Q3 range; and, shows that even outer suburbs and some satellite regions are now also unaffordable for these essential employees. If not addressed, there is a risk that key workers who provide essential services but who earn low and moderate incomes will be unable to live in Australia's most expensive cities, threatening ongoing capacity to sustain critical urban functions across the public and private sector. To address this risk, governments must support initiatives to increase the overall supply of housing that is affordable and suitable for low and moderate-income workers, while recognising their aspirations for home ownership.

These supply initiatives should embrace diverse tenure options and can be achieved by:

- using public sector land to deliver affordable housing for key workers, as part of mixed tenure developments
- allowing/encouraging key worker employers to develop homes for workers (for example, by allowing housing development on non-residential land, but only for the purpose of affordable key worker accommodation)
- instigating inclusionary zoning requirements to deliver affordable housing for key workers in health and education precincts
- supporting models that can secure affordability over the long term, such as community land trusts
- supporting/encouraging more superfunds to invest in housing for key workers
- initiating government shared ownership programs for purchase of properties delivered through some of the above mechanisms.

While not replacing the need for affordable housing, government support for purpose-built, professionally managed rental housing offering secure tenure, could also improve housing options in rental markets with low vacancy rates.

The value of a scaled-up purpose built rental housing sector, would be maximised if landlords were required to lease a proportion of units to key workers; prioritise key workers in tenancing decisions; and/or include a proportion of affordable rental housing for low and moderate-income key workers in their developments. Governments could also help key workers to access information about affordable housing options (market rate and affordable housing) near major key worker employers and in expensive housing market areas, for example, through a centralised property listing and enquiry service.

Other options to consider could be to subsidise transport costs for low-income key workers and/ or subsidise wages in central city locations and/or high housing cost subregions. However, the cost of those options could prove very significant over time if the overall affordability of housing in expensive subregions does not improve. Moreover, there will always be a need for key workers in some occupations, particularly healthcare, emergency services and some community services roles to reside close to where they work in order to respond to sudden changes in demand and emergency situations. Although subsidising the cost of commuting would help lower income key workers with the cost of living, it would not address this need.

Finally, while there is a clear public interest in supporting key workers to access housing in high cost regions and subregions, singling out specific occupation groups for special government assistance may raise questions about equity. Moreover, as there is no single definition of what constitutes a key worker, determining which occupation groups to include when designing specific policies and programs is also a difficult decision. Further research to better understand the housing challenges and needs of workers in different occupation groups; the decisions and trade-offs key workers are making regarding housing; evidence of recruitment and retention challenges among different employers; and how all of the above are playing out in different locations (including beyond Sydney and Melbourne) and over time would further develop the evidence base from which to make these policy decisions.

As the review of policies and programs in England and the US revealed, policies and programs targeted to specific occupation groups typically sit alongside or have evolved into broader initiatives designed to support low and moderate-income households to access housing. One option for governments to consider would be to pilot policies and programs to deliver intermediate forms of affordable housing or affordable home ownership programs with a cohort of key workers, but then to roll them out to other occupation groups and to low and moderate-income households more broadly over time.

## The study

Following a decade of significant house price growth, particularly in Sydney and Melbourne, housing affordability is now a significant issue for many cohorts, including households in stable employment earning low and moderate incomes. In this context, there have been claims that high housing costs are impacting the recruitment and retention of low and moderate-income workers who perform essential city functions—for example, in healthcare, emergency services, child care and education. At the same time, the recent COVID-19 pandemic has served to highlight the essential role many low and moderate-income workers play in the functioning and resilience of cities, particularly during times of crisis. To date, there has been little comprehensive research on whether and to what extent these workers in different essential services face challenges accessing appropriate and affordable housing in Sydney and Melbourne. This extends to how those workers are responding to high housing costs, and what governments could potentially do to support key workers to reside near and/or access jobs in high cost regions. In this context, this scoping study sought to capture new evidence of:

- whether and how governments in selected international jurisdictions as well as in Sydney and Melbourne are supporting different types of key workers to access housing
- evidence of housing affordability, housing situations and commuting patterns of key workers across a range of occupation groups in Sydney and Melbourne, and
- potential ways that governments in Australia could respond to the issues identified.

Corresponding with these aims, the research was conducted in the following stages using mixed research methods.

### Scoping practice in planning for and addressing the housing needs of key workers

The scoping research commenced by examining whether and to what extent governments in Sydney and Melbourne and selected international jurisdictions are considering the housing needs of key workers and what specific policies or programs have been implemented. Examples of policies and programs to support key workers across a variety of occupations were identified in the course of the literature review and via a web search process. The international component of the analysis focussed on England and the US and, within those countries, on the highest cost cities and regions. Policies and programs were reviewed against a series of questions designed to consistently capture key characteristics, including eligibility criteria and funding and governance arrangements.

## **Scoping housing affordability and the housing situation of key workers in Sydney and Melbourne**

Drawing on the findings of the literature and practice review, 21 occupation categories (based on four digit occupation categories in the Australian Census) were selected as the focus of the analysis. While the selected occupations were not exhaustive, they represented incomes ranging from the lower end of the second quintile to the mid point of the third quintile range. Selected occupations included those traditionally associated with the term key workers, including teachers, nurses, police and emergency service workers, but also included laundry workers and cleaners, delivery drivers, public transport operators, ICT and communications technicians, aged care and child care workers and community services and support workers.

In the light of evidence that workers are increasingly commuting into Sydney and Melbourne from adjoining regions, the analysis included each metropolitan region, as well as its satellite cities and immediately surrounding regions.

Geographic patterns of housing affordability for workers in the selected occupations was examined by comparing affordable rent and purchase prices at different indicative key worker income levels to actual median rents and purchase prices for applicable dwelling types at the Local Government Area (LGA) level, and then spatially mapping the results. Data was derived from Corelogic via the Security Industries Research Centre of Asia-Pacific (SIRCA) (prices), publicly available government datasets (rents) and industry awards and job listing services (incomes). Evidence of the housing situation (including housing suitability), commuting patterns and residential move patterns of workers in the selected occupation groups were examined using 2016 Census data derived from ABS TableBuilder which was analysed spatially and to generate descriptive statistics. Custom data was commissioned from the Australian Bureau of Statistics (ABS) in order to examine rates of housing stress across each occupation group and subregion.

## **Scoping industry and policy perspectives on challenges and potential responses**

Finally, the findings of the quantitative analysis were triangulated through interviews with professionals in Sydney with expertise in specific key worker groups as well as planning, housing and urban policy. The interviews also captured participants' perspectives on:

- the different ways that governments could potentially assist key workers to access housing and/or connect to jobs, and
- policies and programs that would be best targeted to different key workers' needs and aspirations.



**Australian Housing and Urban Research Institute**

Level 12, 460 Bourke Street

Melbourne VIC 3000

Australia

+61 3 9660 2300

[information@ahuri.edu.au](mailto:information@ahuri.edu.au)

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