

## Housing for Australia's key workers

Based on AHURI Final Report No. 355: Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities



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### What this research is about

**This scoping study examines evidence of housing affordability and the housing situations and commuting patterns of key workers across a range of occupation groups in Sydney and Melbourne. It also considers ways governments can respond to the housing challenges faced by key workers in Australia's most expensive cities.**

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### The context of this research

Sustained, rapid house price growth in Australia's largest cities means many working households now face significant challenges accessing appropriate and affordable housing, particularly to purchase. Within this cohort of low and moderate-income earners are workers whose jobs are essential to the functioning and liveability of cities. This includes moderate-income public sector workers (e.g. teachers, healthcare and emergency service workers)—often termed 'key workers'—and other low-income workers (such as cleaners and delivery personnel).

Recent disruptions and crises, particularly the COVID-19 pandemic, have highlighted the dependence of cities and their populations on these workers, as well as the risks for overall resilience when services are inadequately staffed. However, there is currently little empirical evidence of how declining housing affordability is impacting these workers' housing options and locational choices, and the implications for the communities they serve.

### The key findings

#### What is a key worker?

There is no consistent or universal definition of what constitutes a key worker, nor is the term universal, with 'essential worker' and 'frontline service provider' often having the same meaning.

In Australia, and internationally, key public service workers, whose wages are typically set at a national or state level, including teachers, nurses, police and fire and emergency personnel, are a consistent focus. However, our review of policies and programs in England, the US and the Australian states of NSW and Victoria found that definitions can encapsulate workers across the broader public sector; support / ancillary workers in healthcare, education and emergency services; workers who support the labour force (e.g. child care and aged care workers and ICT support professionals and technicians); and, low paid workers who are important for local economies, such as hospitality and retail workers.

The COVID-19 pandemic has raised further questions about the scope of the key worker definition and what occupations are 'essential' by exposing cities' reliance on a broad range of workers beyond those traditionally classified as key workers, including delivery personnel, cleaners and supermarket workers.

This points to the complexity of defining a key worker for research, planning or program development purposes. In England, while the need to plan for key workers' housing needs is embedded in national policy, there is flexibility in how a 'key worker' is interpreted in local policy to account for local economic contexts and labour recruitment and retention challenges.

## International policies supporting key workers

Policies and programs on both the demand and supply side have been introduced in England and the US to help key workers to access housing. These programs have generally been targeted at supporting recruitment and retention in regions with high housing costs. They sit alongside or within more general policies and programs to assist low and moderate income households into housing.

### England

Under England's *Key Worker Living Program*, which commenced in 2004, key workers in named occupations were eligible for:

- equity loans of up to £50,000 (up to £100,000 for qualifying teachers in London) to support purchase of a new or established home, repayable upon sale or ceasing to be a key worker
- shared ownership whereby a key worker could purchase up to 25 per cent of the value of a new dwelling (with opportunity to scale up over time) and the remaining share owned by a registered affordable housing provider
- intermediate rental housing (managed by a registered affordable housing provider) for which rents are set at below 80 per cent of market value.

The UK national government allocated £690 million to the program. Although funding for the program was not renewed, central government support for other forms of assisted ownership and discounted rate rental housing has continued with eligibility now linked more generally to income level, rather than employment in a specific occupation. This has included the introduction of policies and programs to deliver 'intermediate' forms of affordable housing. Intermediate affordable housing tenures are those situated between social housing and market rate housing on the housing continuum and include discounted market-rate rental housing and discounted market-rate and shared ownership housing for purchase.

These housing tenures have increasingly been a focus for delivery of affordable housing through the national planning policy known as 'Section 106' (S106). This policy requires developers to deliver a proportion of affordable housing as part of all significant new development (typically 10 or more houses) as a condition of development approval. Intermediate housing tenures require lower levels of government subsidy to deliver, because they target higher income earners who can afford to pay more for their housing.

There have also been examples of the National Health Service (NHS) partnering with registered affordable housing providers to develop affordable housing for staff

under a national policy that requires staff housing needs to be prioritised in land disposal and redevelopment. Rents for these properties are significantly less than rents for similar market-rate properties and have been beneficial for staff recruitment to the area.

### United States

In the United States, initiatives have been introduced at the national, state and city level to support access to housing for specific occupation groups. These have predominantly focussed on the demand side and on supporting home purchase, although there are also examples of supply side programs.

The nation-wide *Next Door programs*, initially developed by the US Department of Housing and Urban Development, provide down payment assistance of up to approximately USD \$10,000, discounts on transaction fees and access to home loans at favourable interest rates to people in eligible occupation groups to purchase homes on the open market. The programs cover a range of public service professionals including school administrative staff, college and university staff, police officers and law enforcement staff, firefighters, emergency services workers and support staff, healthcare workers, government personnel (at all levels of government) and former and active duty military personnel and veterans.

At the state level, there are examples of programs that provide low interest rate finance to developers to deliver affordable workforce housing (Massachusetts' Workforce Housing Initiative), as well as schemes at the state and city level that provide down payment assistance (for example, in San Francisco, through a silent second mortgage), grants to help with transaction costs and access to 95-100 per cent mortgage finance (New York's NYDP Home Program) to support key workers to purchase homes.

### Key worker policies in Australia

In Australia, there have been no federal or state housing programs or policies specifically designed to support key workers to access housing and delivery of affordable housing for low and moderate income earners, more broadly, has been limited by lack of enabling legislation and consistent funding.

In NSW, small numbers of affordable rental units for key workers have been delivered at the local government level under state planning legislation that enables local governments to establish affordable rental housing target schemes and to seek affordable rental housing contributions from new development. The Canada Bay local government has secured rental units which are reserved for local hospital staff through Voluntary Planning Agreements (VPAs) with developers. Waverley Council in the expensive eastern suburbs of Sydney has secured

units through the Waverley Affordable Housing Program (an inclusionary zoning policy) that are rented to local key workers at affordable rents, while Willoughby Council in Sydney's north has secured units which are offered at 20 per cent reduced market rent to those employed in the health industry, retail, child care and transport sectors in Willoughby Council area.

In Victoria, initiatives to provide key worker housing are also somewhat sporadic across LGAs and over time. The City of Yarra has adopted a Social and Affordable Housing Strategy to deliver affordable housing for low to middle-income workers through inclusionary zoning on new developments. The Health Employees Superannuation Trust Australia (HESTA) Super Fund, First State Super, and Housing Choices Australia have acquired affordable rental units to provide 20 per cent reduced market rent for key workers.

### **Where are key workers living in Sydney and Melbourne and are they experiencing housing stress?**

In Sydney and Melbourne key workers are more likely than the labour force generally to reside in outer suburbs and satellite cities, to commute 30kms or more to work and to commute by private car. Analysis of 2016 Census data found that between 2011 and 2016 key workers tended to move away from more expensive inner-city areas and to less expensive outer suburban areas and satellite cities. In particular, there was a significant movement away from inner-city areas among key workers aged 30–44.

Our analysis also revealed significant instances of overcrowding and housing stress amongst key workers in Sydney and Melbourne. Around 31,000 key workers in Sydney and over 18,000 key workers in Melbourne live in overcrowded homes, with the greatest concentration in inner subregions and among lower paid occupation groups. Over 52,000 key workers in Sydney and over 37,000 in Melbourne are living in households that can be classified as being in housing stress, equating to 20 per cent and 17 per cent of key workers in each greater city region, respectively. Again, instances are significantly higher amongst key workers residing in inner subregions.

### **Where is housing affordable to key workers in Sydney and Melbourne?**

Analysis of broad geographic patterns of affordability using indicative key worker incomes and median price and rent data for LGAs suggests that many workers on key worker incomes would struggle to find a home in much of Sydney and Melbourne, with affordable local government areas (LGAs) generally being confined to outer suburbs and satellite regions.

In February 2020, only 2 per cent of new tenancies across Greater Sydney had starting rents that were at or below the affordability threshold for households earning \$790 per week gross (broadly indicative of a wage for a laundry worker). Just 5 per cent were affordable to households earning \$960 (broadly indicative of wages for a commercial cleaner, delivery driver and entry level firefighter) and 11 per cent were affordable with an income of \$1,150 (broadly indicative of the wage for an enrolled nurse, child care worker and ICT support technician).

Even with an income in the Q3 range, there are very few LGAs with median affordable housing purchase prices. At a weekly income of \$1,450/\$1,500 (an indicative wage for an early career Registered Nurse), there are generally no LGAs with affordable median unit purchase prices in the inner and middle ring LGAs of Sydney and Melbourne or in higher value outer areas, particular to the north in Sydney and east in Melbourne. Outer and regional coastal areas are also unaffordable. In Sydney, this includes the Wollongong and Kiama LGAs and in Melbourne it includes Mornington Peninsula and the Surf Coast LGAs.

Across Greater Sydney, only two LGAs had affordable median house prices and both are located inland, more than 150kms from the Sydney CBD. In Melbourne, only the Golden Plains LGA, which is also inland and outside the metropolitan region, had an affordable median purchase price. For both cities, the satellite cities of Wollongong and Geelong did not have affordable median purchase prices for detached houses.

### **How are key workers coping and what are the implications for cities?**

In practice, the challenges individual key workers face in accessing appropriate and affordable housing relate to factors such as age, income level (including total household income), employment security and household composition. Younger key workers, those on single incomes, those in private rental and those with larger families are more likely to face significant challenges. Likewise, how individual key workers cope with unaffordable housing costs can depend on the location of other employment opportunities.

Many key workers are able to work in a variety of locations where there is a population based. Employment opportunities for many (but not all) key workers are not confined to central city areas. Our research found some key workers are responding to high housing costs by seeking employment in, or transfers to, less expensive housing market areas, typically in outer suburban areas and satellite cities. Catalysts for seeking relocation can include a desire to leave shared housing, enter homeownership and/or have children, all of which typically coincide with career progression. As a result, this can mean a loss of more experienced workers from expensive housing market areas and difficulties recruiting for more senior roles.

The research reveals that other key workers are commuting long distances from more affordable locations, sharing housing and or taking on unaffordable housing costs. Long commutes are particularly problematic for workers in policing and emergency services, healthcare and some community support roles who need to be 'on call' to respond quickly to emergency situations, staffing shortages and spikes in service demand. Many key worker jobs 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.

## What this research means for policy makers

The research findings provide another impetus for governments to address rapidly declining housing affordability, as failure to provide housing opportunities for key workers could impact the safety and functioning of Australian cities into the future. There is a pertinent need to increase the overall supply of housing that is affordable to low and moderate-income workers and, within that, to support home ownership opportunities in order to retain more experienced key workers in high cost regions.

Specific policy approaches and strategies could include:

- using public sector land to deliver affordable housing for key workers
- allowing/encouraging employers to develop homes for key workers (for example, by allowing housing in non-residential zones, but only for the purpose of affordable key worker housing)
- initiating 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
- developing a government shared ownership program for properties delivered through some of the above mechanisms.

Government support for a purpose-built, professionally-managed rental housing sector could also assist key workers to access housing close to inner city jobs, as well as to secure housing quickly when filling vacancies. The value of such a 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.

Implementing policies and programs to support key workers to access housing will require governments to define what a key worker is. The question of which occupation groups should be prioritised has arguably become more complex as many working households now face significant challenges accessing housing. Maintaining essential service standards has obvious and important public benefits, and provides a clear rationale for supporting key workers. However, assisting particular occupation groups to access housing in contexts of wide-reaching housing need nevertheless involves difficult political decisions and raises questions about equity.

One solution is that governments take the view that all workers make important contributions to the performance of cities and work to significantly expand 'intermediate' forms of housing (between market rate and social housing) and housing assistance. New policies and programs could initially be piloted with selected key worker occupation groups, and eligibility expanded over time on the basis of household income.

## Methodology

This research reviewed strategy, policy and program documents; analysed geographic patterns of rental and purchase affordability using indicative key worker salaries and data on LGA median prices and rents; analysed 2016 Census data on the housing and commuting patterns of key workers; and conducted interviews with experts in key worker occupations, labour markets, housing and urban planning.

### To cite the AHURI research, please refer to:

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