

HOUSING AND HOMELESSNESS MINISTERS' ADVISORY COMMITTEE SUBMISSION TO THE PRODUCTIVITY COMMISSION'S ISSUES PAPER ON GEOGRAPHIC LABOUR MOBILITY

Preamble

The Housing and Homelessness Ministers' Advisory Committee (HHMAC) is pleased to provide an initial response to the issues paper on Geographic Labour Mobility. HHMAC provides advice to the Council of Australian Governments' Standing Council on Housing and Homelessness.

National Affordable Housing Agreement

The National Affordable Housing Agreement is an intergovernmental agreement that commits the Commonwealth, States and Territories to the objective that all Australians have access to affordable, safe and sustainable housing which will assist them to participate in the labour force and more broadly in the community. The Commonwealth and the States have also committed to reform directions that will enhance broader social and economic outcomes from housing programs and services.¹

Accommodating labour mobility

A geographically mobile labour force is important to the nation's economic growth and there are enablers and barriers to be considered, one of which is housing. Planning for industrial development that will rely on labour mobility (either a 'fly in fly out' labour force or workers relocating to the local community) must accurately reflect, provision of or investment in, sufficient housing to accommodate the needs of industry employees, associated contractors, and key service staff.

Failure to address housing requirements has been shown to have a dire impact on housing affordability when a rapid increase in a regional centre's workforce raises housing demand and overwhelms housing supply. The rise in cost of housing and private rentals that follows creates a multiple speed economy that excludes less well-off local residents and low to middle income workers who can no longer afford to buy or rent a house. This presents an avoidable situation and a compelling reason for industry and government to plan effectively, based on sound estimates of housing need, to enable the timely availability of land, development of sufficient infrastructure and the building of the requisite, affordable range of temporary and longer term accommodation.

Recommendations

It is recommended that the Productivity Commission's Review of Geographic Labour Mobility includes two housing related aspects:

1. A systemic consideration of the intersection and cost-benefits of tax rates, welfare payments and housing assistance in creating incentives or disincentives to labour mobility.

¹http://www.federalfinancialrelations.gov.au/content/national_agreements.aspx

2. A whole of government, infrastructure planning, funding and coordination approach which explicitly includes an up front consideration of housing.

HHMAC policy perspectives supported by research under the National Housing Research Program on housing markets and labour mobility from the Australian Housing and Urban Research Institute (AHURI) form the following responses to the key themes of the Issues Paper in relation to geographic labour mobility and housing.

***Housing location and employment*²**

- *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*
- *regionallabour market conditions appear to influence decisions of unemployment payment recipients to move to areas with better labour market opportunities.*
- *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; and*
- *Modelling of the cost trade-offs between increased rent assistance and reduced unemployment payments may be worthwhile.*

Impediments and enablers of mobility and their effect on the ability to meet Australia's continually changing workforce and employment needs

More nuanced policy settings are necessary around the country to recognize: geographical and market differences, the need to support people with more affordable rental accommodation close to employment hubs, and removal of the main disincentives to mobility such as transfer duties.

Key service workers including police and emergency services staff, nurses, teachers, and community service staff in child-care and aged-care, retail and hospitality staff, often form the economic and social mainstay of communities. Social and economic disparities can be created when people cannot afford to live close to where they work. Recruitment can be problematic and successful recruitment to essential, but low to middle income, jobs entails housing that is available, affordable and close to amenities. If this is not provided even the most motivated unemployed person could not be expected to apply for work in regional areas where jobs are abundant.

The Final Report - Australia's future tax system 2010³ made recommendation in relation to the removal of stamp duties. Stamp duties, also known as transfer duties, vary depending on where the property is and can constitute 40% of the cost of a house with a resultant impact on housing affordability. A more flexible application of transfer duties could create

²*Do unemployed people move to job opportunities?* <http://www.ahuri.edu.au/publications/projects/p70065> Based on research by Bruce Bradbury and Jenny Chalmers. October 2003

³**Australia's future tax system.** Henry, K. et al 2010. http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/review_panel.htm

more interest in investment potentially delivering greater access to housing near regional industry.

Expansion of equity based finance products may also assist in creating more affordable accommodation in a range of locations. Regional centres and surrounding areas with well-developed infrastructure and amenities are attractive locations for new or expanding industrial development and have the added attraction of motivating workers and job seekers to relocate for employment. Strategic planning for industrial development in such centres is conducive to housing development which of course must be available, affordable and sufficiently close to the workplace for commuting. *Improving the responsiveness of the housing supply chain can also enhance other factors that contribute to community wellbeing, such as by increasing labour mobility.*⁴.

Patterns of geographic labour mobility in Australia

Inter-regional mobility of labour has always featured in Australia's primary industrial development with a sliding standard on what are considered basic facilities. The boom aspect of these activities raises sustainability questions for communities and means 'Place based' approaches are needed to ensure major regional and/or infrastructure developments consider housing early on as a critical part of community and economic infrastructure. Large scale projects cannot continue to start up before determining how they will house their workers.

Housing markets in resource boom towns⁵

- *Resource boom towns have experienced recurring housing shortages and affordability crises. Government and industry need to address housing shortages to ensure appropriate social and economic outcomes in these locations.*
- *Considerable challenges are faced in managing the housing implications of mining activity including: the diversity in scale and nature of the industry and its impacts; the cyclical and often unpredictable nature of the resources industry; the propensity for mining to be located in regional and remote areas; changing technology and labour market practices; and differences in policy and institutional arrangements across Australian jurisdictions.*
- *The lack of available affordable housing has a direct impact on the ability of public and private sectors in resource boom towns to attract and retain staff, especially in the service sector.*

⁴Housing Supply and Affordability Reform Report HSAR Working Party. 2012 <http://www.coag.gov.au/node/451>

⁵Housing affordability and shortages in resource boom towns Haslam McKenzie, F, et al. September 2009 <http://www.ahuri.edu.au/publications/projects/p80370>

- *The sustainability and liveability of resource boom towns could be greatly enhanced if the design and planning of towns was undertaken with an eye to permanence and a diversification of the economic base underpinning the local economy.*
- *Successful housing strategies in mining communities require coordinated action by all spheres of government as well as the mining and residential property industries.*
- *Responsive governance structures are critical to planning effectively for an adequate supply and mix of housing in mining communities and, in particular, to address the issue of affordability.*

The implications of structural, demographic and technological developments and key determinants of mobility

The phases of industry project development to being operational are different in terms of the number of jobs and the need for housing. The mining industry's use of advanced technology means it tends to require fewer workers in the operational or production phase. If the bulk of plant and operations are offshore mining companies are more likely to move to use a fly in fly out workforce. These decisions mean the requirement for housing also fluctuates leading to a reliance on temporary worker accommodation such as demountable camps instead of more sustainable housing. In this way a regional centre may be subject to a significant increase in the resource sector workforce population that can burden local amenities and services staffed by key service workers.

***How should government respond to affordability problems in regional and rural housing markets?*⁶**

Poor affordability in housing markets is driven by factors common to metropolitan markets, such as rapid population growth. However, it is also influenced by factors peculiar to regional areas, such as lack of scale economies and local geographic factors that limit housing development.

Government programs have sometimes been well understood where they have a high profile but have had uneven impacts between different locations. Governments have not been effective in releasing land and reforming local governance arrangements to improve affordability outcomes.

Government policies need to address market forces, address those that may be disadvantaged by change (e.g. Indigenous people), and ensure decisions about housing supply leverage local knowledge, such as through local government.

⁶ ***How should government respond to affordability problems in regional and rural housing markets?***
 Beer. A, et al 2012 http://www.ahuri.edu.au/publications/projects/p40586/rap_issue_154.html

Existing strategies by governments and businesses that affect geographic labour mobility and possible options to enable further mobility.

Council of Australian Governments (COAG)

In July 2012 COAG agreed to the recommendations of the Final “Housing Supply and Affordability Reform” report. The report is a consideration of the housing supply pipeline and government policies that may act as barriers to supply or that stimulate demand with an aim to increase Australian housing supply and affordability.⁷ Under COAG’s Housing Supply and Affordability Reform recommendations there has been significant progress with reforms for better planning for economic development, land use and infrastructure in cities.

In its report *Review of capital city strategic planning systems* the COAG Reform Council recommends that COAG encourage governments to actively consider ways to improve the effectiveness of the frameworks for investment and innovation in capital cities, including “by enhancing the understanding of the urban and land economics of capital cities, considering the cumulative impact of the planning, regulatory and taxation arrangements that apply to housing, jobs and infrastructure in capital cities.”⁸ The logical corollary of this capital city consideration is to extend this to regional employment hubs where significant industry exists or significant development is proposed.

Labour market, housing market interdependence within metropolitan Australia: a case study of Melbourne⁹

There are strong and stable geographic links between housing markets and labour markets within the Melbourne metropolitan area at the regional level.

- *Most people live and work in one region – or travel to an adjoining region to work.*
- *People move to different parts of Melbourne to follow job opportunities and housing opportunities.*
- *Between 1986 and 1996 this residential relocation dramatically changed the character of Melbourne’s regions.*
- *The boom in medium-density residential development in Melbourne’s Inner Core region intensified its exclusiveness and during the 1990s, this region became socially and economically distinctive from the rest of Melbourne – skill-rich, with expensive housing and host to a large number of new economy enterprises and their workers.*

The explosion of residential development did not deliver low-cost housing in the region.

⁷ **Housing Supply and Affordability Reform Report** HSAR Working Party. 2012 <http://www.coag.gov.au/node/451>

⁸ **Review of capital city strategic planning systems.** COAG Reform Council. 2012 <http://www.coagreformcouncil.gov.au/reports/capital-cities/review-capital-city-strategic-planning-systems>

⁹ **The links between housing markets and labour markets in Melbourne** - O’Connor, K. and Healy, E. January 2002 <http://www.ahuri.edu.au/publications/projects/p50024>

The National Rental Affordability Scheme (NRAS)

The National Rental Affordability Scheme (NRAS or the Scheme) is a long term commitment by the Australian Government in partnership with the States and Territories, to invest in affordable rental housing.

The Scheme, which commenced in 2008, seeks to address the shortage of affordable rental housing by offering financial incentives to persons or entities such as the business sector and community organisations to build and rent dwellings to low and moderate income households at a rate that is at least 20 per cent below the market value rent.

NRAS aims to:

- increase the supply of new affordable rental housing
- reduce rental costs for low and moderate income households
- encourage large-scale investment and innovative delivery of affordable housing.¹⁰

NRAS has resulted in a significant increase in affordable rental accommodation targeting low to moderate income households. The scheme has helped to target much needed supply of affordable rental accommodation which has helped reduce the impacts of population growth. In addition the assessment process for NRAS has been strengthened to ensure incentives can be targeted to areas in need of labour.

Further opportunities exist to target incentives to activities such as land assembly, urban redevelopment or development. The NRAS incentive is well matched with location specific housing in both high-value, inner city areas and regional growth areas, such as high cost mining centres.

Key worker accommodation

In response to issues of recruitment and retention of key service workers, as an essential part of any region's workforce, governments have invested in key worker accommodation to provide affordable housing. Key workers include, but are not limited to, skilled and semi-skilled workers employed in the following industries: childcare, education, emergency services, healthcare, hospitality, retail, tourism, trades and manufacturing, and government employees. NRAS has been a fit for purpose opportunity to provide key worker accommodation and is a response to key worker needs for affordable housing in a range of local government areas in most jurisdictions.

Employment related Accommodation

As a direct response to the need to assist local Aboriginal people to participate in mining industry employment Employment Related Accommodation (ERA) facilities have been constructed under the National Partnership Agreement on Remote Indigenous Housing (NPARIH) between State/Territory and Commonwealth governments.

¹⁰National Rental Affordability Scheme. Department of Families, Housing, Community Services and Indigenous Affairs August 2013. <http://www.fahcsia.gov.au/our-responsibilities/housing-support/programs-services/national-rental-affordability-scheme>