

‘WORK, FAMILIES AND AFFORDABLE HOUSING’

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Australia is experiencing significant and rapid change in its labour market. This change is occurring in the context of a neo-liberal policy framework that favours market solutions to economic and social problems, with little enthusiasm for government-financed interventions, and no argument with widening inequality. A recent international study of housing affordability concluded that housing in all Australian capital cities is ‘severely unaffordable’ by international standards (Cox & Pavletich 2006)¹: ‘housing markets where prices have risen far out of line with incomes are likely to suffer declining home ownership rates ... with material economic and even social difficulties’ (Cox and Pavletich 2006, p 19; also see Friedman 2005). The increasing misfit between incomes and the affordable housing market are partly explained by changes at work, and it is this part of the discussion that I concentrate on here, in the context of the other contributions from my Dunstan Fellow colleagues who pick up other important aspects.

In this contribution, I discuss changes at work and in Australian families, exploring some aspects of their intersection with housing. The title of this paper refers to ‘affordable’ housing, but it is clear from the Australian literature on housing policy and practice that one cannot understand one end of the housing market without understanding the whole. The fortunes at the well-off end of the housing market shape the fortunes at the other. Government policy, which allocates so much to demand-side untargeted tax benefits and subsidies like the first home buyers scheme while retreating from supply-side initiatives like direct government investment in low cost public housing stock, have interlinked effects across the income scale.

This contribution focuses on seven issues that link housing, households and work. I begin with some historical context. I then consider the quantitative evidence about the increase in housing stress amongst working Australians, followed by discussion of some spatial aspects of their experience, including their commuting demands. I then discuss what is different about poverty for workers compared to poverty experienced by those who are not working, before turning to a discussion of work-related inequality in Australia and its implications for housing. I then discuss some aspects of casual work, which is increasingly significant in shaping low pay and housing outcomes, before analysing some qualitative evidence about how low pay is affecting low paid workers in the services sector. Finally I turn to the implications of these changes on both the work and home fronts for an affordable national housing strategy.

¹ In terms of worst housing affordability Sydney ranked 7th, Hobart ranked equal 15th, Adelaide ranked 18th and Melbourne ranked equal 19th out of 100 cities across the United States, United Kingdom, Canada, New Zealand and Australia.

1. A job, a living wage and affordable housing: The historical policy link and approach

Since 1788, Australia - a settler society - has of necessity understood the connection between housing and work. Without *creating* the first, the second cannot be sustained. This truism drove the first activities of the first fleet in setting up various forms of accommodation as a necessary forerunner to anything else, just as it drove the state economic expansion policies in a state like South Australia in the post-War years. Without housing, sustained in significant part by public funds, investment and employment could not be pulled to states like South Australia easily.

Recognition of the link between work and housing has been at the heart of Australia's industrial system for most of last century, with wage fixing taking direct account of housing costs and recognition that access to housing was an essential basis for work and a 'needs based' wage. Justice Higgins' judgment in 1907 in setting the male 'family' wage took account of the needs for a family of two adults and three children, including the cost of housing. From the 1920s, the basic wage was indexed to the cost of living and for many years housing costs made up more than a quarter of the cost of living index.

Australia has witnessed significant change in patterns of work and households in the last three decades. These patterns are far from universal in shape. They vary significantly by socio-economic status, relative time poverty, urban/regional location and age, amongst other factors. However, the changing patterns of paid work (unpaid work patterns have changed much less) and household shape have important implications for housing, including for affordable housing.

As is widely appreciated, Australia is experiencing a significant demographic shift, with declines in the total fertility rate that are below replacement rates. However, this will quite probably not imply a decline in demographically-led housing demand because of changes in the housing arrangements of the population itself. The number of households is increasing through growth in the number of sole person households, sole parent households and couple households without children. Judy Yates points to the cautionary tale arising from US literature that predicted a late 20th century 'housing bust' resulting from the passing of the baby boomer bulge – a bust that never eventuated: the years in which a downward movement in US housing prices was predicted (from the late 1980s) instead saw a steep continuous kick upwards (Yates 2005, referring to Mankiw and Weil 1989).

At the same time as households have been significantly reshaped, so has the formal and informal 'rule making' around the conditions of work in Australia. From the latter years of the Keating government, the system of wage fixing in Australia changed very significantly – and with the implementation of 'WorkChoices' it has changed radically.

The unravelling of the federation settlement – with the decline in financial regulation and industry protection – has been accompanied in the past two decades by an unraveling of labour standards which privileged and protected a compressed wage structure, and mitigated market forces of labour supply and demand through awards and labour standards that promised a living wage, and fairness in remuneration across occupations and amongst classes of workers.

The more recent individualization of the 'living wage' as distinct from a 'family wage' has

important implications for Australian workers and their households². Alongside this, rapid expansion in casual part-time work has had both positive and negative effects. It has enabled some households (through the wages of a second, usually female, earner) to increase their disposable income and meet mortgage and rental costs, while for others it has meant less predictable hours of work and insufficient hours of work, undermining the capacity to save, buy or rent – and live in the ‘frugal comfort’ that Justice Higgins aimed at.

Nonetheless, until 2006, minimum wages were set by an independent tribunal under legislative instruction to take account of fairness and prevailing living – including housing - standards. Until amendments made through *WorkChoices* this year, the Australian Industrial Relations Commission (an independently appointed tribunal) was required to take account of fairness while providing a safety net of fair minimum standards in the ‘context of living standards generally prevailing in the Australian community’ (s88A of *Workplace Relations Act* prior to its amendment in March 2006; see also ‘Statement of 151 Australian Industrial Relations, Labour Market and Legal Academics’, 2005, p 14).

The new Fair Pay Commission which now takes over this function is appointed for limited terms, must be chaired by an appointee with ‘high skills in business or economics’ and must set the minimum rate guided by economic consequences. Ironically given the Commission’s name, ‘fairness’ has been removed from wage fixing criteria, as has any reference to living standards. These are critical changes to Australia’s wage fixing system which may have serious consequences for the many low paid workers who rely on this route as their only means to a pay rise. The nexus between housing costs and the minimum wage has been formally broken, though it had certainly been weakened since the late 1980s with growth in casual jobs and involuntary part-time work.

This is the latest in a series of changes that are breaking down what Mike Berry has succinctly termed the ‘functional fit between labour and housing markets’. This functional fit was the result of labour market and financial institutional practices which together allowed a living wage to households with a full-time permanent worker, and access to the possibility of home ownership through ‘a protected circuit of housing finance’ as workers moved from renting to buying with the assistance of low cost housing finance (Berry, 2001, p 11).

The traditional Australian ‘housing career’ of renting (and saving towards a home deposit) and then moving into home ownership is increasingly made precarious by high private rental costs, youthful debts accumulated in education, precarious employment, growth in low wage employment (particularly through part-time work), and – especially – the rising costs of first home entry (Berry summarises the relevant literature 2001: p 26).

In Australia, following *WorkChoices*, weaker protections for the low paid will have important consequences for their incomes, alongside prospective lower rates of increase for minimum wages. These losses include the potential loss of penalty rates, rest breaks, employment security (including protection from unfair dismissal), public holidays, annual leave loadings and

² On the positive side it was associated with the recognition that women should be paid the same rate as men, and that incomes should be paid to individuals based on the principle of equal pay for work of comparable value regardless of the household circumstances or sex of the individual.

allowances³. Many payments, like compensation for working unsocial hours, are critical to low paid workers, as they attempt to put together a living weekly wage. They also act as a brake on the expansion of unsocial and long working hours; these have been demonstrated as negative for worker well-being, as well as the well-being of children in households where parents work unsocial hours. These changes in the regulatory regime are highly likely to fuel growth in unsocial working time, bearing in mind that around two-thirds of Australians already work sometimes or regularly at unsocial times.

Early indications about the effects of 'WorkChoices' on agreement making suggest that standards for workers are in decline. A random survey of 250 of the 6263 individual contracts lodged since the federal workplace laws took effect on March 26th 2006 shows that:

- all remove one previously protected award condition
- 64 per cent remove leave loadings
- 63 per cent remove penalty rates
- 52 per cent remove shift loadings and
- 16 per cent remove all previously protected award conditions (Norington, 2006, p 22).

Clearly the agreement affecting over 6,000 retail workers at Spotlight who have lost overtime and penalty rates in exchange for a pay rise of 2 cents per hour is not an isolated example of the new wave of individual agreements.

Changes in the regulatory regime and greater rights for employers in relation to dismissal may also see further increases in average hours of work for some full-time workers. Australia already has a high proportion of workers who work long hours. The proportion of Australian employees working more than 50 hours a week increased from 15.3 per cent in 1987 to 20 per cent in 2000 (Lee, 2004, p 42). Only the US and New Zealand matched this trend.

In sum, changes in Australia's industrial regime are seeing a widening gap between the top and the bottom of the labour market. An expansion in low paid workers is likely to be associated with an increase in housing stress in Australia (assuming no change in affordable housing policies) given that low incomes are strongly associated with housing stress which I consider in the following section.

2. Housing Stress and Working Households: The incidence

It is now evident that over a million households in Australia meet the most common definition of housing stress: that is spending more than 30 per cent of their gross income on housing⁴. As

³ New agreements do not have to meet any 'no disadvantage' test in relation to relevant awards. Instead they must provide five minimum conditions: a fixed minimum hourly rate, four weeks annual leave, 10 days sick leave, 12 months unpaid parental leave and an average (but poorly defined) 38 hour week.

⁴ They use the most common measure of housing stress and compare various ways of calculating housing stress, including allowing for household characteristics. The general level of housing stress remains fairly consistent using various approaches. I agree with Disney's argument for a more nuanced definition of housing stress which takes account of the household's reasonable accessibility to the work and services that it needs (Disney, 2006, p 8). These are of vital importance to many low paid workers.

Yates and Gabriel (2005) point out, using 2002/03 data this represents one in seven or 15 per cent of all households.

They also point out that the problem is not one of a short-term, episodic nature. Fifty per cent of participants in the HILDA survey, for example, were in housing stress for over two years and 25 per cent for at least three years (2001-2004, Yates and Gabriel 2005).

Housing stress is not a problem confined to those in receipt of benefits, the unemployed, the retired, the sick or disabled, or those who have withdrawn from the formal labour market. It increasingly affects those who work, especially those who have low and/or unpredictable wages.

More than half of households in housing stress in 2002/03 were working households, and more than half of the 5 per cent of all households who were in housing crisis (ie paying 50 per cent of more of household income for housing) were working households.

Looking at the 2001 Census data, Yates, Randolph and Holloway found that 15 per cent of households faced housing stress (as above, defined as those for whom housing costs in 2001 exceeded 30 per cent or more of gross household income). Of these, 455,000 – or just over half of all those in housing stress - were ‘working households’ (where the census reference person had a job⁵). The overall incidence of housing stress amongst working households was 13 per cent. Most housing stress arose because of ‘extremely low incomes’ (less than \$399 a week) (2006, p 16). Half of working households with housing stress had incomes of \$600 a week or less, but many working households with moderate incomes also suffered housing stress according to this analysis of Census data (2006, p 18).

Not unexpectedly, housing stress amongst these ‘employed’ households was higher in Sydney than elsewhere, and in metropolitan areas, more than regional and rural.

Yates, Randolph and Holloway (2006) go on to provide us with important new insights about housing stress and its intersections with occupation and commuting. Once again unsurprisingly, the incidence of housing stress is highest amongst lower skilled workers and those with high rates of casualisation and part-time work.

Twenty four per cent of households where the census reference person worked as an elementary clerical, sales or service worker were in housing stress (2006, p 20). Seventeen per cent of labourers and related workers’ households, and intermediate clerical, sales and service workers’ households were similarly affected. More detailed occupational data are shown in table 1. In most of the occupations where housing stress exists, low household income (less than \$600 a week) is closely associated with housing stress.

Their analysis of four occupations (computing and nursing professionals, hospitality workers and cleaners) in inner city Sydney finds variable levels of housing stress by occupation. However, hospitality workers stand out as especially affected by housing stress. They speculate that the nature of their work may mean they need to live close to their jobs, and so must accept high housing costs to meet their job needs. Qualitative research supports the notion that hospitality and many other groups of casual workers must be ‘on tap’ at short notice to their employers, and

⁵ This definition of ‘working household’ built around the employment status of the census respondent is not unproblematic as Yates and Gabriel discuss.

thus have relatively constrained choice in relation to the location of their housing, with important effects on housing stress.

Table 1 The incidence of housing stress in selected 3 digit occupations, 2001⁶

<i>Occupations with most stress</i>	
Hospitality workers	27
Elementary food preparation and related workers	22
Hairdressers	21
Miscellaneous elementary sales workers	19
Sales assistants	19
Receptionists	16
Carers and aides	16
Cleaners	16
Hospitality and accommodation managers	16
Miscellaneous intermediate service workers	16
<i>Occupations with least stress</i>	
School teachers	5
Police officers	5
Natural and physical science professionals	5
Intermediate plant operators	5
Science, engineering and related assoc. professionals	4
Farmers and farm managers	4

Source: Yates, Randolph and Holloway, 2006, p 23-25.

The analysis of 2001 Census data suggests that the incidence of housing stress has increased at a much faster rate amongst lower income working households than amongst higher income working households. It has also risen strongly amongst middle income groups.

For example in inner city Sydney fifty per cent of working households with incomes of less than \$800 a week suffered housing stress in 2001, compared to 40 per cent in 1996. Housing stress also rose strongly amongst middle income working households (earning between \$800 and \$1500) in inner city Sydney: from 11.4 per cent of households in 1996 to 21.3 per cent in 2001. In contrast, in inner city Sydney households with incomes of \$1500 a week or more, only 8.8 per cent were defined as housing stressed, up from 5 per cent in 1996 (Yates, Randolph and Holloway, 2006, p 73).

3. The spatial organisation of work, commuting and housing affordability

The definition of ‘affordable housing’ goes beyond the costs of housing alone: the costs of transport to work and for services are very significant. The spatial relationship between ‘the job’ and ‘the home’ are increasingly areas of study especially in very large cities like London and New York where high concentrations of jobs and expensive housing are causing shortages of ‘key workers’ (Gobillon et al 2003, Smith and Zenou 2003).

⁶ These data exclude those who own their own homes outright who by the definition in use cannot be in housing stress. Includes occupations for which there were more than 5,000 households in housing stress.

This literature introduces the notion of 'spatial mismatch' and encourages analysis of the new urban policy quandaries - and inequalities - that are created by such mismatches. For example, highly paid skilled professionals without dependents can pay high rents in inner city locations. However, their presence 'bumps out' lower paid workers whose labour is essential to the metropolis (cleaners and hospitality workers for example). These lower paid workers then face a choice between long commutes, very high housing costs or the surrender of inner city employment options (Yates, Randolph and Holloway 2006).

This is increasingly recognized in an international literature that analyses the effects that affordable housing shortages have for inner city labour supply and thus employers. But these effects reach beyond employers:

[These concerns] extend to issues of urban form, the environment, public health and wellbeing, public infrastructure and local economic development (Yates, Randolph and Holloway, 2006, p 5).

The implications for the spatial organization of community services is also important, given that increasing numbers of dual earner and sole earner/parent households seek commodified and community services while wishing to reduce their travel in pursuit of goods and services for both time and cost reasons.

Commuting is of increasing importance to analysis of work, housing and community⁷. It is likely to become of increasing importance as congestion and fuel costs continue to escalate. Australian workers are spending more time getting to and from work, as well as spending more hours at it. Over nine million Australians commute on a daily basis. HILDA data suggest that the average commute in 2002 was just over three and a half hours a week. For full-timers it was four hours and ten minutes (Flood and Barbato 2005). The average commute varies significantly by city with Sydney-siders averaging four hours and forty-three minutes, and those lucky enough to live in Adelaide three hours and thirty four minutes (Flood and Barbato 2005, p viii).

The issues of commuting are very important to household welfare. The rise in dual earner households means that an increasing number of households have two earners making these sacrifices of time: a dual earner household in Adelaide is losing seven hours a week to commuting (nine and a half in Sydney). Ten per cent of parents in paid employment in 2002 spent more time commuting than they did with their children (Flood and Barbato 2005). Not surprisingly, as time spent commuting increases, time spent with children, or socializing with friends and family and participating in sport or community groups declines (2005, p ix). As Robert Putnam (2000) found for Americans, commuting is lethal for community fabric⁸. Australians are not immune.

The configuration of housing and work and the commute between them is thus a significant social – as well as environmental and economic – issue. The length of commute varies significantly by occupation, with higher paid managers, professionals and tradespeople

⁷ These concerns are at the heart of an ARC linkage project being undertaken by the Centre for Work and Life and Lend Lease Communities over the next three years in South Australia, Victoria, Queensland and New South Wales.

⁸ Putnam estimated that each additional ten minutes in daily commuting time cut involvement in community activity by ten per cent (2000, p 213).

experiencing the longest commutes and lower paid lesser skilled workers like labourers and elementary clerical and sales workers the shortest. Commute times rise with income. However, workers earning \$20-40,000 a year commute for average periods of more than three hours a week. Of course such commuting (70 per cent of it by car) imposes money as well as time costs for households, and where money is short, these impacts will be higher. These add to the costs of housing for many Australians.

Yates, Randolph and Holloway's close analysis of commuting, job and housing patterns in Sydney (and other inner city areas) shows that the dispersed employment of some workers like teachers and nurses means that they are able to find relatively closely co-located jobs and home. However, this varies by occupation and their analysis is suggestive that hospitality workers, for example, lack such effective choice.

4. Working poverty is different

The experience of being poor is different for those who work, compared to those who do not. There are many positive benefits of paid work: income, social connection, better health. However, on the negative side there are two important draw-backs that have important effects on the household and individual well-being of the working poor. The first of these is the incidence of costs associated with getting to work (for example the costs of job search, clothing, transport, meals, childcare, and loss of benefits like concessions including some housing concessions). The second is the loss of time to spend at home undertaking household or self-care, including the production of food, clothing, and the provision of other material and household amenities.

Many of the low paid workers that we have recently interviewed are both *income* poor and *time* poor. Unlike many welfare recipients and higher paid workers, low paid workers often face both time and financial pressures. They do not qualify for many government assistance programs, yet their incomes alone are insufficient to provide a decent standard of living and wellbeing. Consequently, household stability and formation, and the wellbeing of children are often jeopardised (Harding and Richardson, 1999, p 30; Richardson and Miller-Lewis, 2003).

This has important implications especially for working carers who must survive on low incomes: they cannot easily buy care for their children and suffer particular guilt for the time they cannot spend with them. They cannot easily substitute their own labour for commodified products given that many work long or unsocial hours.

Alongside this, they have costs that the non-working poor do not face. The low paid are in the demoralising position of having to meet the hidden costs of working, such as maintaining a car and acceptable clothing, without an adequate income to do so. Many struggle to do so. In this sense, the low paid incur a range of costs that social security recipients do not, yet often there is not a substantial difference in the two groups' take home incomes.

5. Inequality at work: More rich, more poor

Current employment law changes are implemented against a background of widening inequality, widening dispersion in standard hours of work, high levels of employment insecurity and growth in the proportion of the working poor in Australia. Eardley (1998) estimated 14 per cent of Australian workers were low paid in the mid 1990s.

Welfare agencies report that a growing number of those in need are the working poor. Evidence from charitable organisations testifying to the Senate Inquiry on Poverty in 2004 records the social suffering of many low-paid households (Senate Community Affairs Reference Committee 2004). Agencies contend that a growing proportion of those in need of charitable assistance are wage earners and their families. Anglicare Illawarra, for example, reported that 10 per cent of

people who required their help were workers (Murphy 2003, p 18).

While the proportion of low paid workers in Australia is lower than in the US or the UK, it is higher than in France or Denmark (Lucifora, McKnight & Salverda 2005, p 267-270). In the mid-1990s the proportion of Australian full-time workers who were low paid (defining this as two-thirds of median earnings) was around the mid-point of the OECD range (Richardson 2005, p 151)

Waged-base in equality is widening in Australia (Saunders 2005). There are many ways to look at this, but lets just compare the top and the middle. In Australia, the average pay of chief executives in 2005 reached 63 times that of average workers, compared to 18 times in 1989/90, based on the Chief Executive of listed companies that are members of the Business Council of Australia (Shields 2005). While inequality in our society is not as great as that of the US - where CEO pay was a breathtaking 281 times the rate of pay for ordinary workers in 2002, up from 50 times in 1980 (Elliot 2006) - the trends are similar.

In Australia, weaker protections for the low paid as a result of recent industrial re-regulation that individualises bargaining and reduces the award safety net while weakening employment security, will have important consequences for their incomes.

Housing and inequality

Housing is increasingly a key source of widening inequality in Australia. While many Australians struggle to find affordable secure housing that is appropriate to householder needs, well located, safe and enhances social connections, many wealthier Australians have been rapidly increasing their housing size (and in many cases buying a second investment property).

For those who can afford them, larger houses are increasingly common in Australia, even as actual household sizes (in terms of the number of residents) have been declining. Between 1985 and 2000, the average floor area of new houses increased by almost a third (44 per cent in NSW), while apartments sizes increased by around a quarter (Hamilton 2002, p 9). In the same period, the number of people in a household fell from an average of 2.9 (in 1986) to 2.6 (in 2000).

For many Australians living on higher incomes, housing has moved beyond a source of material utility to become a source of symbolic status and meaning. Writers like Clive Hamilton argue that goods like a large home are increasingly used by the 'joyless consumer' to create identity (and offset spiritual and psychological deprivation) (Hamilton 2003, p 69). Whatever their relationship to happiness and well-being, larger houses are increasingly common to many wealthy and middle-income Australians while public (or private) housing is increasingly out of reach for those in the lower income deciles.

6. Casual Work, Relationship Formation, Finances and Housing

Over the past two decades the proportion of Australian workers who are employed on casual terms has increased significantly. The proportion of limited term contract jobs has also increased. In 1988 18.9 per cent of Australian employees were employed casually; by 2003, the proportion had reached 27.6 per cent⁹ (Kryger, 2004) making Australia's labour market one of the most

⁹ Casual work is higher in South Australian than in most other states.

insecure in the OECD area after Spain (Campbell, 2001). Much of the recent growth in casual jobs has been in full-time work, and amongst men, although women remain disproportionately represented amongst casual workers, reflecting their high concentration amongst part-time jobs, two-thirds of which are casual (Campbell, 2000). Not all casual workers dislike their casual terms. However, where they lack two conditions – a good reciprocal negotiating relationship with their supervisor and a source of back up income (a pension, a partner or a parent for example, so that they are not totally dependent upon their own earnings), they are very likely to take a negative view of their casual work (Pocock et al, 2004).

Growth in casual work has important implications for housing in several ways. Firstly, it can affect the timing of relationship formation and then household formation. Secondly, it affects the level and predictability of earnings and thus the capacity to meet high rental costs or organize borrowing. Thirdly, as we have seen in the case of Sydney's inner city hospitality workers, it can constrain the housing options of workers and thus give rise to high levels of housing stress.

Casual work and relationship formation

Previous research has suggested that precarious employment may be contributing to delayed or failure to form relationships especially for prime-age men (Birrell, Rapson and Hourigan 2004). Interviews of 55 casual workers in 2004 (which I conducted with others) found a link between employment security and relationship formation, for both men and women in their twenties. Casual workers talked about putting work before relationships (often because refusing shifts has important consequences for their employment and earnings). Concerns about economic security and its effects on relationships were shared by both qualified and unqualified casual workers. For example a typical twenty-four year old worker in the hospitality industry felt that her many years of casual work had 'annihilated' her social life and affected her capacity to form relationships, which was less of a problem when younger but a serious problem as she approaches family formation.

Other casual workers in their twenties in this 2004 study reflected on how many young people now adopt a 'last minute' approach to social life and relationships which requires them to prioritise work over life. As one put it you learn to live 'minute to minute, financially and in terms of your activities and your relationships and everything you are doing... a bit on call'. (Pocock, et al 2004, p 178).

Casual work and finances

Beyond relationships and household formation, difficulties arising from pay and conditions negatively affect the financial planning of many casual workers, including their planning of housing. Financial worries for casuals typically relate to four issues: having a low income, having an unpredictable income, difficulties relating to borrowing and credit, and fear of having no income (Pocock et al, 2004, p 134). Many casual workers find it hard to plan their finances, to borrow and to save, and face high credit costs. In terms of housing they find it difficult to save a deposit and very difficult to get approval for loans, even where their casual work had been long standing¹⁰. For many casuals, their low and fluctuating earnings, and the threat of no earnings at all, add a great deal of stress and worry to their lives and mean that 'you live like you are

¹⁰ According to HILDA data, the average tenure of casual workers in Australia is 2.6 years (Wooden 2003).

unemployed' as one put it.

7. Some Qualitative Evidence about Housing and Working for Low Pay

Lets consider what some of the above issues look like at the personal level, starting with the issue of inequality.

Last week we learned that an Australian bank manager received an annual salary of \$21.2 million. Alan Moss, the lucky wage earner is head of Macquarie Bank. The Bank is financier to the Beaconsfield Mine and one of the world's largest providers of financial and banking services as well as operator of management funds, toll roads and infrastructure assets¹¹. The Chairman of Macquarie Bank, however, assures us that this salary is a result of the way the labour market for investment bankers works: 'If one is successful in that business, one does get large amounts of remuneration... We might wish the world was different, but that's the way it is' (Charles, 2006, p 35)¹². We can guess what kind of house(s) Mr Moss lives in, and we can be fairly confident that he is not suffering housing stress.

Let's contrast Mr Moss's situation with that of a worker who cleans luxury hotels of the kind where no doubt Mr Moss and his employees regularly sleep. Rosa¹³ is a sole parent living in Sydney. She provides for herself and five dependent children. She works two days a week as a room attendant at a major luxury hotel. She is paid \$14.33 an hour. Because of her parenting responsibilities, Rosa has made a decision to work on a more secure permanent part-time basis rather than as a casual (and forego the casual loading). In an attempt to make ends meet, Rosa also works an additional 16 hours a week at a shop, where she is paid \$10.70 an hour. She is not able to work overtime because of her family responsibilities. Her yearly wage income is about \$20,000. Rosa's youngest child goes to family day care ten hours a day, five days a week. The other children attend school for which she pays some tuition fees. Obviously she goes home to a full domestic load, without any prospect of buying commodified services to relieve her of her second shift.

Government allowances and tax benefits increase Rosa's income by almost one third, bringing it up to about \$30,000. This includes a rent subsidy. Rosa's wages are allocated to everything else. Without government support, she could not pay the rent: 'Oh, my goodness!...The government allowance helps a lot'.

She rents a three-bedroom house in the private market for almost \$1,200 per month. Rent 'is a burden'. Rosa's family moved into her current home six months ago. The house is quieter where they now live as there are more rooms. The new neighbourhood is also quieter and safer. However, Rosa doesn't get to see her neighbours because she and they are working during the day and at night they have no time for themselves and each other as they are 'just tired'. As she says, she 'doesn't have time for friends or neighbours 'as [it is all] work, work, work'.

¹¹ Over \$407,000 a week or \$10,000 an hour (if he worked 40 hours a week). Moss links his pay to globalization, saying 'There are real social consequences of globalization. It is probably natural that people would want to talk about those social consequences' (Charles, 2006, p 35).

¹² Ironically, when looking to the financial future of Macquarie Bank, its management see 'spiraling levels of household debt in Australia and the US' as a cloud on the horizon.

¹³ Rosa is her real name, used at her request. Rosa was interviewed by Jude Elton, a Research Fellow at the Centre for Work and Life, on 18th May 2006 as part of the Low Paid Services Work Project..

Rose describes her life as 'a struggle' but she also emphasises that she works hard and that she manages. She trusts God. She also stresses that while it would be better if she had a fair, livable income, she is concerned to speak up for and to assist others, and she does not want to be seen as complaining for herself. Perhaps Rosa might say, para-phrasing the Chairman of Macquarie bank, 'If one is successful in *this* business, one does *not* get large amounts of remuneration... We might wish the world was different, but that's the way it is'.

Rosa is one of many thousands of Australians who have joined the ranks of the poor despite their many hours of paid work. Her story illustrates many elements in the above analysis. She is one of the growing number of Australians who live in sole adult households with dependents. She is *time* as well as *income* poor. She could be employed casually, but 'chooses' against it in favour of predictable time with her children – sacrificing a loading of 20 per cent as a price for predictability, a paid holiday and sick leave. Rosa works two jobs. Her commute in a busy congested city includes travel between two jobs, home, school and family day care.

Rosa supplies an essential service in a large city that depends on her labour. By any definition, she experiences housing stress where she struggles to provide a frugal life for her children, despite a high level of government support. Taxpayers are underwriting Rosa's low wage rate to the tune of a third of her total income: this amounts to a very hefty public subsidy to low wage areas like the luxury hotel industry. Rosa's working conditions may well be affected by the new industrial regime: cleaners in Western Australia experienced very significant wage falls when the Liberal Government removed award protection in favour of individual contracts (Watson et al 2003). Rosa will never own her own home. She feels that the demands of her working life 'close' down and constrict her social interaction, despite the value that she places on community connections.

How common is Rosa's experience amongst low paid workers? Our current research project investigating the qualitative impact of low pay on the lives, households and communities of low paid workers in the services sector suggests it is not unusual. Housing issues, in particular, shape the experience of working poverty in profound ways, especially amongst people less than 60 years old – even in a city like Adelaide where the housing affordability is much better than in other Australian cities like Sydney¹⁴¹⁵.

The participants housing situations include public rental, private ownership (with mortgage) and

¹⁴ The study is funded by the Australian Research Council, the Brotherhood of St Laurence, the Liquor Hospitality and Miscellaneous Workers Union (LHMU) and the labour councils of NSW, Victoria and South Australia. Four universities are assisting with the project: the universities of South Australia, Adelaide, Sydney and RMIT. We use the most commonly applied measure of low pay (two-thirds of median earnings, or around \$14 an hour, \$533 a week, or \$27,716 a year based on a standard week of 38 hours). We are conducting semi-structured interviews with low paid workers canvass workers' experiences and thoughts on the effects of low pay for them personally, on their households and their level of community involvement. The data reported here, which is quite preliminary, arises from interviews with childcare workers in South Australia, cleaners in Victoria and hotel room attendants in Sydney in 2005/2006. Respondents were asked to discuss the impact of their pay on their housing, health, relationships, parenting, financial circumstances, community and social participation and family formation, and other future plans. Interviewees were randomly recruited from the membership of the LHMU, snowballing from initial interviewees, and with the assistance of the Brotherhood of St Laurence.

private rental. In most cases housing security is tenuous. For the majority of interviewees, the home in which they live is a significant factor in their overall level of life satisfaction. Their low wages directly impact on their level of, and prospects for, housing security as well as many other aspects of their lives including their social inclusion and community engagement. Securing affordable housing is a daunting challenge for many low paid workers across their life-cycle. And the purchase of a home does not signal the end of their housing dilemmas. The ongoing precariousness of their financial position often affects their efforts to not only acquire, but also to live in, maintain and keep their home. All the while, the financial pressure to meet these challenges exerts a toll on social relations within, and beyond, the home itself (we have explored some of these larger effects in Masterman-Smith, May and Pocock, 2006a and in more detail in Masterman Smith and Pocock 2006b).

Some interviewees report relatively high satisfaction with the home in which they live compared to how safe they feel, how much a part of their local community, and their satisfaction with the neighborhood in which they lived. Given that many also feel that they are living in housing that is far from ideal in their view, this suggests that they are able to make a satisfactory home even if they are living with parents or in accommodation that is not their first choice, or unproblematic in some ways. In contrast, for some, their satisfaction about safety, community, and being part of their neighborhood is relatively low and significantly affects their overall levels of life satisfaction.

Our interviews confirm that home is an important source of satisfaction. However, relationships within and beyond its walls, particularly in neighbourhoods and communities, also influence life satisfaction - and the interviews suggest that a negative view about neighborhood and community can be offset by a positive view of housing, and vice versa. Despite being dissatisfied with the home in which they live, childcare workers Ebony and Tanya for example, both rate their life satisfaction highly. Both have strong social ties with family, neighbourhood and their community that in some way offset their low housing satisfaction.

On the other hand, Jenni and Habib are completely satisfied with the home in which they live, yet they rate their overall life satisfaction quite low. This in part reflects their low satisfaction with the neighbourhood and community in which they live.

Many young people in low paid services employment express frustration at not being able to live independently or engage socially on the same footing as their peers. Social detachment from local and other communities (for example, in the workplace) is a common experience of interviewees. This suggests that in terms of life satisfaction amongst the low paid, satisfaction around 'home' is at least as much about community inclusion and social connectedness as it is about bricks and mortar. Satisfaction arising from a good home can be offset by negative effects arising from poor social connection, and a poor connection may be more significant in shaping life satisfaction at least in this small group, than the quality of the home itself.

Renting

We found that renters tend to be less satisfied with their housing situation than non-renters. Varying explanations for this emerge from the interview data. For some, the quality of rental housing they are able to afford on a low wage is poor. For workers with children the need for an adequate standard of housing and proximity to jobs, schools and other services, is vital. As a result, some renters pay a substantial proportion of their wage on housing, and some encounter high transaction costs when a change in their employment necessitates a house move. They struggle to make such transitions. In other cases, they move more than they want to because of landlord decisions.

Low paid workers like Ben and Lisa might be eligible for public housing, but they are not a high priority in terms of waiting list allocation criteria. The meagre savings they manage to accumulate

are quickly and unexpectedly spent because they have low control over their rental housing circumstances.

The prospects of saving for a house deposit are particularly fraught for low paid workers. The task is not necessarily any easier for those occupying public housing. Several public housing tenants had all but given up any hope of owning their own homes.

Being over-represented in the casual and part-time labour force, low paid workers commonly have fluctuating, unpredictable incomes, which nonetheless disqualify them from some concessions. Ebony, like other low paid workers, makes careful calculations about her labour market and housing market participation. She cuts back on her labour market participation because she believes she is better off maintaining her housing trust tenancy and part-time local work that uses her childcare qualifications. If she works two days a week - and not more - she can spend time participating in her school child's activities, save on petrol, spend less time commuting, and preserve her benefits, including her public housing access.

Needless to say, this kind of reduced participation in the labour market runs counter to government policy to increase participation rates, especially in view of the excess demand for childcare workers. Many low paid workers are caught in a double housing jeopardy; they earn too much to be a high priority for government assistance, and too little to claw their way into private home ownership or keep up with private rental costs. The work/tax/welfare interface nexus receives considerable public attention in Australia. However, the role of housing in this nexus is too rarely considered.

Home ownership: The Great Australian Dream

For a worker on \$533 a week the decision to save for a house faces many competing financial priorities. It is often suggested that saving for a house simply entails sacrificing unnecessary luxuries such as entertainment or leisure pursuits. In fact, many low paid workers are weighing up saving versus a visit to the dentist, paying for medicine or paying for school excursions (Masterman-Smith et al. 2006a). Low paid interviewees report that saving a housing deposit often involves the sacrifice of basic amenities.

Some low paid workers fall through gaps in current government initiatives on affordable housing. For example, the HomeStart fund in South Australia provides no-deposit housing loans to low income earners. However, applicants must still pay sizeable legal fees and taxes. Moreover, the amount they are able to borrow is calculated on their incomes. As one put it, these stipulations render the scheme unusable for her:

We'd never bloody be able to afford it. It's the HomeStart equity loans which offers, you know, your \$50,000 with no interest and the rest of it. I would be able to afford on my wage, \$120,000. Now where can I afford to buy a house at a \$120,000 with five people ... You'd be buying a beach shack that's falling apart. ...it's not within reach. ... I figure that I'm going to be living in a tent on an island.

When asked if the HomeStart scheme would help address her housing concerns, Pam, a single mother of two, points to the kind of location sacrifice that purchasing would mean:

Absolutely not and not for me as a single parent as well. There's people that have done it but then they're not happy with the area they're actually living in. ...The neighborhood and things like that. And that's the only choice that they've had is to buy the house in those, well, lower income and pretty much welfare areas. ...Especially crime problems and everything else that goes with it. ... you're limited also to what area I'm going to live in. ...on the amount that you earn, how much you can borrow, and then that will decide on what area you live in. ... And I think I'm as far out in the North as I'm going to go. ... I mean, safety is more

important to me than probably owning a home if I'd have to go to an area that I didn't want to live in or ... unsafe areas to me, where I don't think I'd be sleeping at night or even letting my daughter come home from school at night after school and being by herself, no.

A home of her own did not warrant risking the safety of her household. These sentiments echo Baum's (1997: 17) finding that residential and housing decisions often entail issues of proximity to family, friends and familiar environments. They are also strongly shaped by perceptions about safety and social amenity. For the low paid, the imperative to live close to social networks is heightened by their relative inability to devote household expenditure to travel and communication expenses (like phones).

Keeping House

The despondency some low paid workers express about home ownership is not just in relation to their future prospects. In some instances workers have lost their homes or cannot afford to live in them. Several interviewees recount experiences of not being able to live in the home they managed to buy.

One of the younger low paid workers we spoke with had acquired a flat with help from the first home buyers grant. However, when she took up residence she found she 'couldn't do it. I struggled and I came back home'.

For those young low paid interviewees who have managed to get out on their own, the feasibility of starting their own families is affected by the size of the house they can afford and the ongoing costs of living. This deferral of independent living or home ownership affects family formation.

Other countries with high levels of precarious employment, like Spain, provide evidence of deferred family formation directly linked to the difficulty of setting up independent living arrangements. Apprehension about obtaining a house large enough to accommodate a family was expressed by low paid interviewees across the age spectrum.

Gendered House Rules, Risks and Strategies

Being able to enter reasonable quality, secure housing - be it renting or purchasing - on a solid financial footing is complicated by the nature of relationships. It is often assumed that those on low incomes are assisted by the income of others in the household. This is true for some in our study (especially those living in a stable couple relationship without dependents (Masterman-Smith et al., 2006)). However, others in less stable relationships, or with two low incomes, or with several dependents were not so easily relieved of poverty. In some cases couples do not share incomes and the inequality between them is a source of relationship instability and pressure. This extends to housing.

Some of the younger female workers interviewed were reluctant to purchase or rent housing with their partners if they felt they could not make an equal contribution. Some are acutely aware of the possibility of relationship changes - and their financial fall out. Some are fearful of financial over-commitment and potentially losing everything or being dependent on a partner, particularly in the event of a relationship breakdown. Given a divorce rate affecting one in three marriages at present, this fear is not misplaced. Such anxiety also affect some older women. One interviewee paid \$500 a fortnight towards a home that her partner does not know about. Clearly, tensions and inequalities between women and men in some low income households affect housing decisions, and encourage some women to be very cautious about joint housing decisions. They exacerbate relationship tensions around housing for some.

8. Conclusion: The policy challenge

Many current housing policies focus upon very high need groups, especially the homeless and

those receiving various forms of welfare payments. These groups need support. However, growth in the proportion of Australians who are ‘working poor’ means that many cannot access forms of government support and their social exclusion is ensured by their poor housing status.

This analysis suggests that affordable housing policy must take account of the distinct experiences of the low paid and that around half of those households experiencing housing stress in Australia are working households. This section of the population experiences barriers to housing which are similar to, yet in some ways distinct from, those whose incomes predominantly derive from social security entitlements.

Quantitative data as well as early analysis of our qualitative data confirms that housing stress is a significant effect of being low paid. Having a job does not necessarily act as a cushion against housing stress and insecurity amongst the low paid. This issue is likely to become increasingly important if we experience continuing growth in the proportion of the working poor amongst Australia’s employees. Many circulate between employment and social services. This has particular implications for housing service providers. Affordable housing initiatives often target and prioritise the jobless. However, as Noel Murray of the Council to Homeless Persons noted in recent personal communication, service providers increasingly confront:

...the reality of the increasing number of people in low paid and insecure employment, some of who are already experiencing homelessness while others are increasingly joining the ranks of those at risk of homelessness. ... I have been receiving an increasing number of anecdotal reports from homelessness service providers that increasing numbers of people in employment, but in both insecure and low paid employment, are using homeless services because that cannot either access or maintain housing or accommodation.

Secondly, low paid workers place great value on secure housing as a source of life satisfaction. However, this satisfaction is as much about the safety, security and cohesion of their local neighborhood, the proximity of family and friends and the accessibility of services and jobs, as it is about a solid house. In fact, for some the former factors are more important than the quality of the home itself. When the costs of social activities, travel and communication constrict the world, local amenities become ever more important. This confirms that community amenity, transport and safety are of vital importance to the working poor and their housing locations.

Thirdly, it seems that policy measures like subsidies to enter home ownership are of limited value to many who are low paid. They are just enough to *enter* ownership, but not enough to secure on-going ownership or occupancy in some cases. For others, the level of support is too low to open the door to ownership. This raises the question of which income groups are accessing these subsidies and with what outcomes for the public good. In such cases, the vagaries and unexpected expenses of the private rental market shape housing outcomes, often with serious costs for the low paid.

Finally, instability in personal relationships in combination with low and unequal incomes (within couples) complicate housing stability and long term solutions for some – regardless of their age. Tensions around who pays, who owns, and who gets it when things go wrong, make some low paid workers – especially women - cautious about their housing strategies. They also affect the timing of family formation. The inadequate provision of affordable housing also impedes labour market mobility and makes labour markets ‘sticky’.

Increases in the proportion of Australians who are low paid and who cannot access some kinds of public housing services are likely to further complicate housing policy in Australia into the future.

In sum, changes in the nature of work and the growing importance of work, along with different

household configurations, create strong arguments for a new national policy in support of affordable housing. The arguments for a renewed intervention - across local, state and Commonwealth levels of government - exist on both efficiency and equity grounds. On the equity side, without such intervention, the housing market will continue to fail with important effects on the bottom half of the income and wealth scales (now including many workers), imposing high costs on those who can least afford it including a growing number of the 'working poor'. On the efficiency side, without different interventions, housing will create and expand significant sources of labour market 'stickiness' in the face of increasing rates of work-related transitions and change over the life cycle for many Australians. This is likely to have important economic consequences.

In particular, housing policies need to refocus on the supply side, given that there are few signs of a slow down in housing demand. While Australia's rate of population growth might be slowing, there are few signs that demand for housing will mirror this slowdown (Yates 2005).

In this situation, policy measures which feed demand (for example, through untargeted support to first home buyers or untargeted tax benefits for investment housing), without an expansion in supply, will place further upward pressure on prices. An expansion in supply, especially of housing products which the market under-supplies like affordable rental housing, and affordable housing for purchase, is essential if the housing market is not to see a significant expansion in stress for middle and lower income groups and if it is not to create a significant handicap to an efficient labour market.

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