



**Labor Council of New South Wales'
Submission to The Productivity
Commissions Inquiry Into "First
Home Ownership**

OCTOBER 2003

1. INTRODUCTION

The Labor Council of New South Wales is the peak union body representing trade unions and union members in NSW. The Labor Council has over 75 affiliated unions and Trade & Labor Councils representing over 700,000 workers across NSW.

The Labor Council acknowledges the substantial changes in the nature of the employment in recent times. These changes have resulted in a labour market characterised by flexibility, diversity and uncertainty. The lack of secure employment for Australian workers now provides additional complications for entering the housing market. There is mounting evidence to suggest a reluctance to lend to many workers due to the instability of their current employment, the uncertain stability of future employment and income and their ability to service a mortgage over the period of the loan.

This submission aims to provide an insight into the relationship between employment tenure, income levels, the ability to purchase a house and whether housing markets mirror or mask disparities in income and job security for first time buyers. The essence of the submission is that the changing nature of work is not only having a significant impact on people's ability to enter the housing market, it is also affecting their ability to remain in the housing market.

2. BENEFITS ASSOCIATED WITH HOMEOWNERSHIP

The financial benefits associated with home ownership have been clearly documented. Benefits include disciplined savings and investment that provides a vitally important income supplement in aged retirement¹, strategic investment can generate more wealth than could possibly be earned through employment², or home ownership may be used as collateral for securing a loan to establish a business. Homeownership also provides benefits that accrue across generations through inheritance. However, for most people the benefits of homeownership provides for a secure place to live and raise a family. It has distinct political and cultural advantages over renting³ which is often insecure and temporary.

For the individual, the main advantages of home ownership are:

1. Eventual debt-free ownership after all mortgage repayments have been paid, with the property owners acquiring perpetual freehold ownership of the property;
2. An ability to alter the residence in any manner at the discretion of the homeowner, within local government requirements. This can take many forms from painting to extensive renovations, that suit the owner's circumstances and tastes without requiring the consent of others;
3. An intangible sense of pride in home ownership and their investment, often promoted as a primary reason for home ownership⁴;
4. Long-term stability from control of tenure. Owners have 100% control and are able to decide exactly when and where they move (with the exception of resumption by statutory authorities); and
5. A hedge against inflation. An investment in housing will usually keep abreast of inflation, causing a gradual but regular overall increase in the capital value of the property⁵.

¹ Castles, (1997) cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

² Badcock, B & Beer, (2000), *Home Truths: Property Ownership & Housing Wealth in Australia*, Melbourne University Press, Melbourne.

³ Winter, (1994), cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

⁴ Heikkila, (2000), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne.

⁵ Waxman, (2000), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

3. TRENDS IN AFFORDABILITY

The level of housing affordability in Australia has decreased substantially over the last twenty years. Yet there has been no one comprehensive explanation as to why housing price levels for Australia, have increased from average to now well above international standards⁶. This continual increase in the price of housing has placed tremendous pressure on the level of housing affordability for those Australian purchasers faced with a 'rent vs. buy' decision. Paradoxically, for those in, or able to enter the housing market, the prospect of an appreciating investment is certainly not considered undesirable.

3.1 Home Loan Affordability

In the December 2002 quarter, 16.6 per cent of all home loan borrowers were first homebuyers and their average mortgage was \$159,000. For the same period the average loan was \$175,056 compared to \$73,300 in 1992⁷. This is a 139 per cent increase in little over a decade. The average monthly loan repayment was \$1,171 a 4.3 per cent increase on the previous quarter. The national average proportion of family income required for mortgage repayments rose to 26.8% in the December 2002 quarter compared to 26.1% in the September quarter⁸. The average proportion of family income required for mortgage repayments continues to rise placing people further into debt and poverty in order to be able to service their mortgage.

While housing prices continued to rise and interest rates remained stable over the same period, there were relatively low increases in median weekly family income over the same period. Thus, the weekly income is generally covering larger mortgages and monthly loan repayments, which has also contributed to a decline in home loan affordability. The story of housing affordability suggests that the two-income family has become necessary for owning a home. The risk now is that if interest rates were to rise again, families, already reliant on two incomes, would be further obliged to extract the maximum income from both parents or bear mortgages worth more than the value of the asset⁹.

⁶ Ellis & Andrews, (2001) cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

⁷ AMP Banking Australia, (May 6, 2003), *Home Loan Affordability Report*, Available Online at: http://www.reiv.com.au/pdfs/6may2003_amp_reia_release.pdf

⁸ Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

⁹ Figures provided by BIS Shrapnel, using data from BIS Shrapnel *Building in Australia 1991-2005* Sydney 1991 and the Real Estate Institute of New South Wales. Available Online at: http://www.hreoc.gov.au/sex_discrimination/pml2/57

- **There is a need to reduce the demand for housing in capital cities, especially in Sydney, by:**
 - 1. increasing the amount of new land available for release;**
 - 2. developing better urban planning strategies that make better use of existing vacant Crown land and implement sustainable urban consolidation strategies; and**
 - 3. develop incentives, strategies and support infrastructure that will encourage people to locate to major regional centers.**

4. TRENDS IN AUSTRALIAN LABOUR MARKET

Between 1990 and 2000, there have been three main trends in the Australian labour market:

1. An increasing concentration of the workforce in the service sector, from 68 to 73 per cent of employees;
2. Increasing levels of part time employment, from 21 to 26 per cent of employees¹⁰; and
3. The increasing level of casualisation within the labor market, predominately for male workers.

4.1 Increasing Proportion Of Non-Standard Work

The number of permanent full and part time employees has dropped from 79.8 per cent of all employed persons to 62.2 per cent in the space of thirty years (1971-2000). The Australian Bureau of Statistics estimates that only 54.6 per cent of female employees and 55.3 per cent of male employees are now permanent. Overall, the number of people employed in full time permanent work has declined from an estimated 76.4 per cent to 53.4 per cent of employed persons¹¹. This drop is a result not only of an increase in the number of casual employees, but also from persons who are self employed and those in restricted tenure jobs.

In Australia, between 1973 and 1993 part time jobs grew by 164 per cent while full time jobs grew by only four per cent¹². Increasing numbers of those working part time, 18 per cent in 1990 to 24 percent in 2000, would like more hours of work. Some 50.3 per cent of part time

¹⁰ Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

¹¹ Mark Wooden "The changing labour market and its impact on work and employment relations" cited in: Callus, R., Lansbury, R., (2002) *Working Futures: The changing nature of work and employment relations in Australia* Federation Press Sydney.

¹² (Kemp 1996) Human Rights and Equal Opportunity Commission, (2002), *A Changing Australia: The Need for a National Scheme of Paid Maternity Leave in 2002*, Available Online at: http://www.hreoc.gov.au/sex_discrimination/pml2/partb.html#2home

workers are engaged in this type of employment because there is no other employment available¹³.

The nature of the labour market has changed dramatically in recent times and is now characterised by flexibility, diversity and uncertainty¹⁴. However, this tenure of employment provides additional complications for people making mortgage applications and may be accompanied by a reluctance to lend to such mortgage applicants due to the instability of their current employment and the uncertain stability of future employment and income.

4.2 Casualisation Of The Australian Workforce

For people entering the job market today, employment is uncertain and unstable. The casualisation of the job market means that many people will not participate in the labour force through full-time work but will combine part-time and casual work. This has a profound effect on home ownership opportunities for these people.

Between 1988 and 1998, 69 per cent of the net growth of employees in Australia was in casual employment¹⁵. Over the same period there was a 115 per cent increase in the number of male casual employees from 415,000 to 894,000¹⁶. In 1998, 30% of females and nearly 20% of males 25 to 34 years of age were in casual, labour hire or restricted tenure positions¹⁷. It is also worth noting that although people are working longer hours, fewer are covered by entitlements. For example, the number of workers employed without leave entitlements has increased from 19 percent in 1990 to over 27 percent in 2000¹⁸.

- **Given the fundamental change in the nature and structure of the labour market, the Federal Government needs review the lack of entitlements available to part-time and casual employees, to assist them cover financial commitments (mortgages) during periods of illness.**

Increasing levels of labour turnover have accompanied the rise in casual employment¹⁹. In terms of job permanency, some 14 per cent of the Australian workforce change their job, business or where they work, approximately every 12 months. Of this group, approximately 25 per cent are between the ages of 20 to 24 years. While approximately 38 percent of

¹³ Callus, R., Lansbury, R., (2002) Working Futures: The changing nature of work and employment relations in Australia Federation Press Sydney 2002.

¹⁴ Ayres-Wearne, (2001), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

¹⁵ ABS Data (1999), cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

¹⁶ Callus, R., Lansbury, R., (2002) Working Futures: The changing nature of work and employment relations in Australia Federation Press Sydney 2002.

¹⁷ Australian Bureau of Statistics, (2000), *4102.0 Australian Social Trends*, ABS, Canberra.

¹⁸ ABS Data (2001) cited in: IHUG, (2002), *Meeting Women Workers Needs In The Public Transport Industry*, Available Online at: <http://homepages.ihug.com.au/~peterp/news/news%20articles/Meeting%20Women%20Workers%20Needs.html>

¹⁹ ABS findings (1998, 1998a, 1998b) Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

employed persons work for their current employer/business for over five years, 21 percent of employed persons work for their current employer/business for less than one year and a further 21 percent work for their current employer/business for only one to two years. This means the majority of self identified casual workers and other employed persons work for their current employer/business for two years or less²⁰. That is, for over 40 percent of the Australian workforce security of employment beyond two years does not exist.

As well as changing employer or their enterprise, more Australians are changing occupation. Of the one million Australians who changed employer or business in 2000, 37.6 per cent also changed occupation²¹. Of the 27 per cent of employees who left work involuntarily in 2000, almost two thirds had been retrenched²². School leavers in 2000 can expect to change their career, not just their job, three times in their working life and a university graduate can expect to change jobs seven times and four of these will be involuntary²³. There has also been an increase in the mobility of individuals within the labour market in terms of job location and job type, particularly for those under 30 years²⁴.

4.3 Insecurity At Work

In Australia, there is a general understanding that part time and casual work has increased as a proportion of all employment²⁵. The casualisation of employment has been an emerging trend for over twenty years and although it masks a high level of underemployment, the rate of unemployment has also increased during this period²⁶. This pattern of insecure employment covers all employment sectors and industries²⁷.

Internationally these trends have had the affect of polarising income distributions into highly paid, full time professional elites, separate from low paid part time and casually employed labour and service personnel²⁸. The consequence of these trends in Australia has been a

²⁰ Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

²¹ Australian Bureau of Statistics, (2000), 4102.0 *Australian Social Trends*, ABS, Canberra.

²² Callus, R., Lansbury, R., (2002) *Working Futures: The changing nature of work and employment relations in Australia* Federation Press Sydney 2002.

²³ Kemp, (1996), cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

²⁴ Kemp, (1996), cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

²⁵ Stilwell, (1993), cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

²⁶ Gregory & Sheehan, (1998), cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

²⁷ Callus, R., Lansbury, R., (2002), *Working Futures: The Changing Nature Of Work And Employment Relations In Australia* Federation Press Sydney 2002.

²⁸ Reich, (1991), cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

20 per cent decline in the number of middle-income earners since the early 1970s²⁹. With growth occurring at the top and bottom of the employment and income levels, and with declines in the middle class, the structure of society is shifting from an egg to an hourglass shape³⁰.

Although the complexities hinder firm conclusions, the concern is that the housing market is reinforcing, rather than ameliorating, the nature and character of the inequity in employment markets and income levels³¹. More specifically, the threat is that increasing income polarisation is leading to a polarisation of tenure whereby increasing numbers of households are being locked out, or are falling out, of home ownership³².

Whereas mainstream Australia may be experiencing an erosion of its middle-income earners, it is generally accepted that low and moderate-income earners, are enduring the worst of the employment and income repercussions of economic restructuring³³. The advent of the term 'working poor', applied to 800,000 of Australia's lowest paid working households, suggests that intermittent work, and single-worker families relying on part time or casual work are an increasingly common and disadvantaged phenomenon in Australia³⁴.

Several studies in Australia have pointed to the decline in the propensities of particularly low-moderate income earners aged under thirty to access home ownership, ³⁵. Other research suggests that the realisation of homeownership aspirations is increasingly dependent upon the prospect of two income households³⁶.

While acknowledging the nature of the labour market has changed dramatically in recent times to be characterised by flexibility, diversity and uncertainty, the Labor Council believes that there is a need for State and Federal Governments to address the security of employment undertaken by people in the workplace.

²⁹ Kemp, (1996) cited in: Reed, R., Greenhalgh, E. (2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

³⁰ Australian Bureau of Statistics, (2000), *4102.0 Australian Social Trends*, ABS, Canberra.

³¹ Winter & Stone, (1999), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

³² Wulff, M. (2001), 'Out with the old and in with the new?: Housing's role in the new social settlement' in *Future directions in Australian social policy: new ways of presenting risk*, The Committee for Economic Development of Australia, Melbourne.

³³ Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

³⁴ Australian Bureau of Statistics, (2000), *4102.0 Australian Social Trends*, ABS, Canberra.

³⁵ Yates (1994); Berry (1998); Wulff & Newton, (1995) cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

³⁶ Merlo & McDonald, (2002) cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

- **The federal government needs to review the taxation system to accommodate workers who seek to undertake more than one part-time and/or casual position. Any taxation advantages should be targeted and capped at \$50,000.**
- **The review of the taxation system needs to be conducted in conjunction with improving the security of employment within the workplace. Increasing security of employment would improve the ability of individuals to plan over the long term. Given the nature of part-time and casual employment, this would place those wishing to secure an additional casual and/or part-time job in a better position to do so.**

5. SERVICING HOME LOANS

An apparent hesitancy among potential first homebuyers is closely related to the perceived income and employment insecurity³⁷. Government assistance to support marginal income households to access homeownership serves to compensate first homebuyers entering the housing market as a result of the GST. However, it is important to recognise that accessing homeownership is only the first challenge, and that given the insecurity at work and at home, it is the discipline of the long-term payment regime that poses the biggest challenge. That is, the ability of families or individuals to service home loans over the duration of the loan.

Large increases in land prices have been accompanied by a decrease in housing affordability for single income earners. Whereas in 1976 the average weekly mortgage repayment was 6.5 per cent of Average Weekly Earnings, it is now 52 per cent³⁸. For many families, two incomes are now essential to support the purchase of a home.

Mortgages are premised on the assumption of stable employment over a long period of time. However, there is an increasing disconnection emerging between the supposed need for flexible labour markets and the ability of people to sustain mortgage payments over long periods. It would seem that as long as this disjuncture exists, homeownership will remain problematic and more importantly, unsustainable for a significant proportion of Australian homeowners³⁹.

The uncertainty that accompanies job insecurity and fluctuating incomes also negatively impacts upon household consumption and saving patterns⁴⁰. In attempting to service

³⁷ Wulff & Evans, (1999) cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

³⁸ Bytheway, Z., "In support of flexible work practices" *Jobwatching: The Official Publication of Job Watch Inc.*, cited in: Human Rights and Equal Opportunity Commission, (2002), *A Changing Australia: The Need for a National Scheme of Paid Maternity Leave in 2002*, Available Online at: http://www.hreoc.gov.au/sex_discrimination/pml2/partb.html#2home

³⁹ Badcock, B & Beer, (2000), *Home Truths: Property Ownership & Housing Wealth in Australia*, Melbourne University Press, Melbourne.

⁴⁰ Ford et al, (1995), cited in: Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

mortgage payments, it becomes increasingly difficult for low and moderate-income households to budget for large bills such as rates, water or unexpected home maintenance costs. Although mortgage-originating practices factor in these eventualities, the implication of structurally insecure employment is that employment circumstances and income levels are subject to change and the capacity of individuals and families to service a mortgage is subject to change⁴¹.

Even a contraction of hours or wage rates is enough to edge some marginal income households into default⁴². Such dynamics manifest as an arrears profile of 'skipped' mortgage payments, which may be strung out over several years, which in turn contributes to the accumulation of an increasing level of debt. Credit cards and other credit mechanisms are then relied upon to bridge the gaps created in household income streams which only further compounds the problem⁴³.

Given that home purchase and maintenance requires a stable income stream, the increasing casualisation of the workforce suggests an emerging disconnection between the ability of many households to meet the financial commitments of mortgage repayments and funding basic daily requirements. In this context, unemployment benefits and other welfare payments can serve a critically important role in ameliorating household income fluctuations.

In the UK, such was the scale of the retrenchment and foreclosure; welfare benefits were introduced to cover the interest rates on home mortgages⁴⁴. For example, people who had a mortgage or loan to purchase a home or to carry out necessary repairs or improvements, the Income Support Scheme was able to assist with the interest payments. Income Support did not cover the capital repayments, endowment premiums or building insurance connected with the mortgage, but it did cover the interest on 'qualifying' loans. 'Qualifying' loans are those that have been taken out for the following reasons:

- **To purchase an interest in the home** This usually means buying a home, but also includes loans taken out to buy someone else's interest in the home. You do not have to own the home outright. Interest can be paid on a shared ownership property;
- **To pay for repairs and improvements** which are needed to maintain the fitness of the home for human habitation;
- **To pay for certain service charges for repairs and improvements** which are needed to maintain the fitness of the home for human habitation;

⁴¹ Shelter WA, (2000) cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

⁴² Ford et al, (1999), cited in: Human Rights and Equal Opportunity Commission, (2002), *A Changing Australia: The Need for a National Scheme of Paid Maternity Leave in 2002*, Available Online at: http://www.hreoc.gov.au/sex_discrimination/pml2/partb.html#2home

⁴³ Davis & Dhooge, (1993), cited in: Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

⁴⁴ Williams, (1999), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

- To repay a loan which had originally been taken out to purchase an interest in the home or to pay for qualifying repairs or improvements

- The Federal Government needs to investigate the establishment of employment insurance schemes that encompass unemployment benefits and other welfare payments, in order to reduce household income fluctuations for individuals who are experiencing unemployed and underemployed.

6. OTHER FORMS OF DEBT

A number of recent changes appear to have adversely affected the rent versus buy decision including the increasing exposure to other forms of non-housing debt. A number of new forms of debt have arisen in the late twentieth century that have diverted funds away from the goal of saving for a housing deposit. Some of these newly evolved and rapidly increasing liabilities have been identified as credit cards, mobile phone bills and Higher Education Contribution Scheme (HECS) debt⁴⁵. Such expenses are regular and although “short-term” are unavoidable for certain households and severely erode the ability of individuals to save for a housing deposit and to meet the ensuing repayments. It is important to note that most of these additional expenses did not exist for previous generations of Australians.

7. ISSUES TO BE ADDRESSED

As housing affordability is linked with location there is a greater likelihood that people on low to moderate incomes will purchase low cost housing in locations with greater risk of stagnation or even depreciating value. These factors when coupled with the inability to meet the loan repayments create serious difficulties for people who fall into mortgage arrears for any reason. This generally leads to a loss of the economic resources invested into the property⁴⁶. The ensuing hardship is likely to be prolonged through such factors as exclusion from future credit services, and in some extreme cases, homelessness may result⁴⁷.

Policy makers need to be aware of the changing dynamics in the first time buyer market as a result of greater labour market insecurity. Those in less secure employment even on higher incomes are showing caution in their purchase. Thus security of employment rather than income is defining choice.

⁴⁵ MacDonald & Holm, (2001), cited in: Kupke, V., Marano, W., (2002), The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

⁴⁶ Wulff, M. (2001), ‘Out with the old and in with the new?: Housing’s Role In The New Social Settlement’ in *Future directions in Australian social policy: new ways of presenting risk*, The Committee for Economic Development of Australia, Melbourne.

⁴⁷ Ford & Burrows, (1999), cited in: Reed, R., Greenhalgh, E. (November 2002), *The Changing Rent vs. Buy Decision in the Housing Market*, The Annual University of Melbourne Property Conference, Melbourne

While first homebuyer grants, such as the \$7000 grant for established homes, are enticing, it demonstrates they are only as important as other factors such as stamp duty exemption and interest rates in facilitating first home ownership. Federal grants designed to boost general levels of consumption also increase housing prices and impact on housing affordability across the board. In this environment first homebuyers are at greatest risk as they are most exposed to interest rate increases, have the least equity and therefore least ability to cope with adverse circumstances. Grants and exemptions are therefore an important factor in the timing of purchase by those in the least secure, casual employment and also for those households who have borrowed the maximum loan available to them, who are generally on lower incomes, and are finding it difficult financially⁴⁸.

Such grants should be targeted, as this would better assist those on the margins of home purchasing and impact less on general price levels. Also rising prices especially for homes within the range of first time buyers encourage profit taking by investors in the rental market and this adds additional pressure to the rental sector especially at the low cost end. Targeting of grants should be appropriate and judicious so as to ensure the long-term viability of first time homebuyers on low incomes⁴⁹.

- **The Federal Government needs to review its first homebuyers grant scheme in order to target those on the margins of purchasing their first home while ensuring the impact of such schemes on general price levels is minimized.**

There is a need to consider targeted assistance for essential service workers in Sydney, so that those living in Australia's most expensive housing market, and who service our community (policemen, nurses, child care workers, teachers etc) can afford to live locally to their employment. The UK experience is based on subsidising the construction of key worker homes for rent at a level between market rent and affordable rents. The benefit of such a scheme is that it enables the government to increase the number of homes it actually provides. This is done through such housing requiring less public subsidy as it is financed by significant contributions from the key workers themselves in the form of mortgages to part-buy the property, or extra rent. This means, the government is able to provide two key worker homes for the same cost of a grant to build a single affordable rented home. The additional social benefit of such schemes is that it assists in creating more balanced communities and avoids concentrating the poorest families in the same areas⁵⁰.

- **There is a need for State and Federal Governments to consider developing targeted assistance programs for essential service workers (policemen, nurses, child care workers, teachers etc) so their employment options remain attractive by allowing them to live locally to their employment.**

⁴⁸ Ballard, J., Greive, S., Hillier, J., Peter, V., Taylor, C., Walker, R., (2003), *Falling Through the Net? A Risk Management Model for Home Ownership Support Schemes*, Australian Housing and Urban Research Institute, Curtin University of Technology, Perth.

⁴⁹ Kupke, V., Marano, W., (2002), *The Implications of Changes in the Labour Market for the Ownership Aspirations, Housing Opportunities and Characteristics of First Home Buyers*, Australian Housing and Urban Research Institute, Southern Research Centre, Adelaide.

⁵⁰ Weaver, Matt, *The Guardian Unlimited*, September 18, 2002, <http://society.guardian.co.uk>

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The Age, (2003), *How Well is Casual Labour Working?* Available Online at: <http://www.theage.com.au/text/articles/2003/08/09/1060360545220.htm>

Weaver, M., (2002), The Guardian Unlimited, Available Online at: <http://society.guardian.co.uk>

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