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Is there a spatial mismatch between housing affordability and employment opportunity in Melbourne?

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INTRODUCTION

Context for the research

The research reported in this paper is situated at within a set of contemporary literatures concerning the spatial development of large urban areas, within the context of the ongoing restructuring of urban employment and housing markets. These restructuring urban markets are themselves responding to processes of increasing globalisation and inter-metropolitan integration, but are also throwing up new problems for urban and social policy makers. The spatial dispersion of high employment opportunity within urban regions does not necessarily match the way in which lower socio-economic status households are spatial distributed within cities through the operation of residential housing markets. The lack of sufficient means of transport by low income households which would enable them to traverse this spatial divide and access and employment opportunities within the city, could have serious implications for issues of economic and social development, and social equity.

Aims of the research project

The AHURI research project on which this paper is based examines the links between spatial labour markets and spatial housing markets in terms of whether there is a 'spatial mismatch' between locations of high housing affordability for low-income households and locations of high employment opportunity. The specific question posed is whether households with lower labour market status are pushed into locating in areas with limited employment opportunities due to the interaction between metropolitan housing and labour markets? A specific further concern of the project is the role that urban transport systems have in mediating between areas of high housing affordability (or low housing cost) and areas of high employment opportunity. If, for example, areas of high housing affordability are served by poor public transport, then other modes such as car ownership can result in high relative costs for low income households who are travelling to high-employment opportunity destinations. In this context urban transport services are a crucial dimension of the likely outcomes faced by lower labour market status households.

By investigating this issue, the project traverses a series of government policy interests. The main Federal government interest with which this project connects is the desire to ensure that individuals receiving income support are encouraged and

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enabled to access employment opportunities, thus potentially reducing the assistance burden on the government. By assessing the extent to which urban structure mediates between housing affordability and employment opportunity, the project will assist in identifying avenues for adjustment or reconsideration of Federal income assistance.

Likewise, state governments have an interest in ensuring equitable outcomes from their urban spatial planning policies. Where these policies can be identified as creating socially inequitable outcomes, whether from the unfettered operation of spatial housing and employment markets, or through spatially uneven levels of transport service provision, then it would appear to be incumbent upon these state governments to undertake policy re-adjustments to ameliorate these adverse socio-economic consequences.

The research which the present paper reports is continuing, such that this paper focuses primarily on the first element in the discussion of spatial mismatch, which is the way affordability in housing markets and opportunity in labour markets are distributed across the metropolitan area. Accordingly, the paper seeks to achieve three objectives. First to identify recent patterns and processes of urban socio-spatial change in Melbourne as these have been reported by urban researchers; second, to consider the literature on spatial mismatch and the extent this is relevant to the Melbourne context. Finally, the paper examines some preliminary empirical evidence which assists in understanding the relationship between housing affordability and employment opportunity in Melbourne. The paper concludes with some observations concerning future investigations.

THE BASIS FOR THE PRESENT RESEARCH

Metropolitan labour market shifts

Patterns of Urban Employment

Understanding the spatial dynamics of urban labour markets helps us understand how labour market opportunities, in terms of employment, are distributed across metropolitan areas. This section of the paper reviews some of these labour market shifts, in terms of where employment is growing, where it is declining and the extent to which different groups are advantaged or excluded by these patterns.

Globally during recent decades there have been a number of prominent shifts in the way labour markets operate at the metropolitan scale. The most prominent of these has been the re-emergence of the central city as a valued location for employment, as Sassen's (1988; 1991; 1994) work on the 'producer services' employment sector within the core areas of 'global cities' has demonstrated. Conversely, the development of the suburban 'edge city', as identified by Garreau (1991), has highlighted another major trend in urban labour markets, towards a growing share of metropolitan employment being located in suburban areas.

This phenomenon appears to have been partially replicated Melbourne, as O'Connor and Healy (2002) report that, at least in percentage terms, employment growth has been most substantial in the outer suburban areas. Hence while the number of jobs in Melbourne's core rose by 19.4 per cent during 1986-1996, jobs growth in the outer north, outer east and outer west was 54.2, 58.4 and 66.6 per cent respectively (O'Connor and Healy 2002).

Sectoral Composition

There are however distinctive spatial labour market patterns associated with industry sectors. Brain (1999) found that Melbourne's core exhibits a distinctive concentration of high labour market value '21st Century' employment (similar to Reich's 'symbolic analytical' work). By comparison, middle and outer suburban areas have 'medium' to 'very low' concentrations of such employment, by Brain's calculations. O'Connor and Healy's (2002) findings support Brain's contentions, finding that in Melbourne's central region the 'new economy' group of workers had the highest level of 'self containment' and the highest location quotient of all sectors.

O'Connor and Healy's (2002) work demonstrates that outer suburban areas were overly represented in terms of 'old economy' or 'routine production' work. For example, Melbourne's outer northern region had a location quotient of approximately 1.8 for 'old economy' jobs and a location quotient of approximately 0.35 for new economy jobs. This compares markedly from Melbourne's core where the respective location quotients for 'old economy' and 'new economy' jobs were approximately 0.6 and 1.5 (O'Connor and Healy 2002).

Regional self-containment for 'new economy' jobs was also found to be a low 14 per cent for fringe suburban areas such as Melbourne's outer north, when compared to old economy jobs in these areas of approximately 30 per cent (O'Connor and Healy 2002). Generally stated, outer suburban work is tending to be of a type that is of lower labour market status than employment which is located within Melbourne's central city.

Given that 'old economy' employment is typically viewed as vulnerable to shifts in the organisation of global production, urban areas with high a high dependence on this sector for employment are subsequently likely to have a workforce which is more vulnerable to such shifts. These patterns have implications for community sustainability: households located in middle and outer suburban areas are likely to face modest local job opportunities, or are likely to face long commutes to access higher status employment in central city areas. Areas with a dependence on 'old economy' employment have been most vulnerable to adverse economic shifts during the past two decades (Baum *et al.* 1999; Beer and Forster 2001). A previously uneven distribution of manufacturing employment, for example, resulted in some areas of Melbourne suffering to a greater extent from adverse economic conditions during the late-1980s and early-1990s.

The spatial distribution of employment opportunity is closely connected to the operation of the spatial housing market, as the capacity of individuals and households to purchase housing, whether rental or via home ownership is largely dependent on their income status. The following section reviews recent research on Melbourne's housing markets in terms of the distribution of costs and socio-economic opportunity.

Housing Markets

Prices and affordability

Since the mid-1990s, Melbourne's housing market has experienced a similar high levels of house price inflation to other large Australian cities, particularly Sydney and Brisbane. Burke and Hayward's (2000) review of the Melbourne metropolitan housing market for the recent *Melbourne 2030 Metropolitan Strategy* demonstrated that there were strong spatial patterns of house price inflation. Between 1990 and 1999, Burke and Hayward calculated, the real median price rises for the top twenty

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suburbs exceeded 50 per cent. By comparison, in the bottom twenty suburbs real median house prices declined by at least 14 per cent.

The highest price rises during the 1990-1999 period favoured inner metropolitan locations, while outer urban locations were prominent among the suburbs with the lowest house price gains (Burke and Hayward 2000). Burke and Hayward suggest that the spatial differentiation in the inflationary house price gains indicates that the housing market is acting to accentuate the inequalities arising from the operation of the labour market. The high income areas, particularly those in the inner city which are associated with the high-status informational employment sector, have recorded higher rates of inflation than lower income areas, and have thus generated greater wealth for owners.

Socio-economic patterns and housing

These housing market price shifts described above are reflected in socio-economic patterns in Melbourne. One of the clearest depiction of these patterns has been (1999) study of 'community vulnerability' in Australia. Baum et al demonstrated that the changes in Melbourne's urban economy had resulted in particular areas experiencing diminished opportunities in the metropolitan labour market. Among the most vulnerable were areas that Baum et al (1999) categorised as 'extremely vulnerable old manufacturing economy clusters'. Such areas included the Sunshine-Maribyrnong areas in Melbourne's west, the Broadmeadows-Thomastown-Preston areas in the outer north and the Springvale-Dandenong area in the outer south east.

Conversely the spatial locations of high 'opportunity' as ordered through the residential housing market in Melbourne were largely located in inner areas (Baum et al. 1999). These included the 'transitional/gentrifying' areas covering much of Melbourne's inner city, including the municipalities of Yarra, Port Philip, Melbourne and southern parts of Moreland and Darebin, as well as inner eastern areas of Kew, Camberwell, and Prahran.

A further more recent phenomenon reported by Dodson and Berry (2003) in Melbourne - and by Gwyther (2002) in Sydney - has been the emergence of new 'suburbs of opportunity' on the metropolitan fringe. These new residential areas, often consisting of master-planned privately developed estates are attracting

successful middle and outer suburban households who have sufficient income and wealth to afford housing priced at the middle to upper end of the market. These new communities are socio-economically divided from the older outer suburban areas such as those described in the Baum et al (1999) study, which remain disproportionately beset by problems of labour market disadvantage (2003). Dodson and Berry (2003) also noted that the disadvantaged 'old economy' areas were largely being bypassed by any regenerative effects arising from the emergence of these new fringe estates.

The findings reviewed above demonstrate that Melbourne's spatial socio-economic patterns are clearly associated with the housing market. The housing market appears to be acting as a mechanism through which socio-economic status, as determined by the metropolitan labour market is distributed, and in many cases concentrated. The implications of these patterns have also been made clear. While central and inner areas remain job rich high skill and high housing cost locations, middle and outer areas face a less secure employment context and limited housing advantage (O'Connor and Healy 2002).

Spatial Affordability

Housing affordability patterns reflect the socio-economic and house price patterns described above. Burke and Hayward (2000) for example calculated affordability ratios for both the private rental market and the home ownership market. They found that there had been a decline in low-cost rental stock between 1986 and 1996, and that this decline was spatially distributed. Inner Melbourne areas exhibited particularly strong declines of between 20 and 50 per cent, in the proportion of rental stock in the 'low-cost' bracket. By comparison, outer areas, such as Greater Dandenong in the south east and Brimbank in the west experienced increases in the proportion of low cost rental stock of greater than 20 per cent. Similar findings were reported by Yates (2002) who noted that inner Melbourne for example, lost more than 4,000 low rent dwellings between 1986 and 1996.

Wulff and Evans' (1999) investigation of Commonwealth Rent Assistance also demonstrated similar strong spatial affordability patterns. Households receiving Commonwealth Rent Assistance (CRA) payments were concentrated spatially in Melbourne. but this concentration varied across the different types of household

receiving CRA. Thus single unemployed CRA recipients were concentrated in the core and inner areas, while sole parent and family households were concentrated in middle or outer areas. Of particular relevance to the present research project, locations with a relatively high proportion of CRA recipients tended to be those outer areas which also had high levels of unemployment.

Burke and Hayward (2000) also found that the ratio of median house price to both average yearly male earnings, and average dual income household earnings, had increased across much of Melbourne during the period 1989 to 1999. This effect was particularly marked for inner and inner-eastern areas of the metropolitan area. Interestingly, in a number of outer-suburban areas, particularly those in the south east, housing affordability had improved during the 1989-1999 period. Such findings appear to reflect the differentials in house price inflation which Burke and Hayward reported earlier.

The combination of decreasing affordability of housing in inner areas of Melbourne and the improving or static affordability levels in outer areas confirm concerns expressed by many authors since the early-1990s that Australian cities are becoming increasingly spatially polarised due to shifts in the labour market and housing market. Concerns voiced by authors such as, for example, O'Connor and Healy (2002) and Baum et al (1999) remain relevant. This issue of how labour market and housing market dynamics shape socio-economic opportunity is of particular relevance to policy makers who are concerned with, for example, reducing the number of households receiving income assistance, or ensuring equity of spatial access to employment and services. Such concerns are closely linked to issues of 'spatial mismatch' and it is to this notion that discussion turns.

SPATIAL MISMATCH AND TRANSPORT EXCLUSION

Spatial Mismatch

Concerns in the US the late-1960s over differences at the metropolitan scale between locations where employment opportunity is greatest, and where those who are in greatest need of availing themselves of such opportunities actually reside, gave rise to the notion of a 'spatial mismatch'. The spatial mismatch hypothesis was explored empirically by Kain (1968) in a major investigation of the places where low-

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income non-white households were located, in comparison to the locations where employment growth was greatest. Kain found that because the housing markets of large US cities were spatially segregated along ethno-racial lines, the areas where African-American households were able to locate, were typically areas which had limited employment opportunity. The urban socio-spatial structure, therefore placed African-american households at a disadvantage relative to white households. As described briefly above, much of the employment growth experienced in the US since the late-1960s has been in the suburbs, areas from which African-americans have faced discriminatory access to housing. By being located in areas with limited employment opportunity, African-american households suffered both job-search problems, as well as longer commutes once employment had been accessed.

Kain's 'spatial mismatch' argument resulted in numerous subsequent studies of the residential and employment geography of large US urban areas (Holzer 1991; Ihlanfeldt and Sjoquist 1998). While some studies have been sceptical of the argument (Taylor and Ong 1995), the majority appear to support the hypothesis (e.g. Ihlanfeldt and Sjoquist 1998; Pugh 1998), that the geography of employment location and racial residential segregation adversely effects the socio-economic opportunities for low-income non-whites.

The spatial mismatch hypothesis is not without its critics however, who have criticised spatial mismatch theory on both empirical and theoretical grounds. Moore and Laramore (1990), for example, suggest that inner urban households do not possess the requisite skills to avail themselves of the central city employment opportunities. In this characterisation, spatial mismatch is understood as a mismatch of labour skill resulting from the transition from the old economy to a 'higher order' labour market, which is then combines with the historic patterns of racial residential segregation to disadvantage inner urban African American households.

Ong and Taylor have suggested that spatial mismatch is not in itself a problem but that an 'automobile' mismatch exists, such that low-income inner urban households have lower rates of automobile ownership than suburban households, and as a result are unable to access suburban employment opportunities to the same degree. By comparison, Sanchez (Sanchez 1999) modelling for Portland and Atlanta in the US,

for example, suggests that proximity to public transport is a positive factor in determining labour participation.

Understandings of the patterns of racial residential segregation, which have been highly visible factor in US urban areas, are of limited applicability to the Australian context. Australian cities generally lack strong socio-ethnic segregation, and rather than being areas of low socio-economic status, Australian cities' inner-urban areas typically contain high levels of employment and socio-economic opportunity. However the socio-economic dimensions of the spatial mismatch hypothesis remain applicable in Australia given the context of the ongoing restructuring of urban housing and labour markets. If Australian housing markets segregate households on the basis of socio-economic status, and spatial patterns of employment growth do not favour areas where such households are concentrated, then comparable socio-economic opportunity problems to those experienced by US cities are likely to arise, albeit without such a strong ethno-racial dimension.

The purpose of the present research is to investigate the spatial concentration of labour market opportunity relative to the concentration of spatial socio-economic housing opportunity, in the Australian context, focussing on Melbourne to evaluate the extent of any geographic mismatch. A second component of the study will examine the role that transport systems play in overcoming any spatial mismatch

Transport and Social Exclusion

A further issue that is related to spatial mismatch and the concentration of socio-economic disadvantage is that of access to transport services in urban areas. There is a strong overseas understanding of the importance of transport, particularly public transport in reducing the effects of social exclusionary housing markets on socio-economically disadvantaged households (Murray *et al.* 1998; Sanchez 1999; (DLTR) Department of Transport Local Government and Regions 2000; Gleeson and Randolph 2001; National Shelter 2001; Social Exclusion Unit 2002; Litman 2003). A UK government study (DLTR 2000) of the links between social exclusion and transport, for example, concluded that:

Households without a car, in a society in which household car ownership is the norm, are “socially excluded” within our definition of the term since they cannot fully participate i.e. behave as the vast majority behaves.

Even non-possession of a driving licence can be a disadvantage in that, to take a specific example, it reduces job opportunities. (p.76)

This issue has only been given sporadic attention in Australian urban research and policy discussions. Morris (1981) for example, noted that one-sixth of Melbourne's households did not own a car, such that:

The consequences of inadequate or inappropriate public transport are far from trivial. Car ownership is an expensive necessity for most low income families and imposes an undue strain on their budgets. (p.21)

Morris (1981) also noted that while Melbourne had very good public transport infrastructure, the geographic spread of these services, was focussed on the central and middle suburbs, rather than those areas on the fringe where services were considered poor.

Similar concerns were echoed in the Australian Social Justice Research Program into Locational Disadvantage (Travers Morgan 1992) and by the National Housing Strategy (1992) in the early 1990s. The National Housing Strategy (1992) concluded that:

People without private transport, especially where public transport is not readily available are likely to be disadvantaged. In particular older people, young people and members of a car-owning household who cannot use the car, are more likely to have problems and/or longer travel times to services and jobs. (p.57)

More recently, the Victorian State Government has noted the poor spatial coverage of public transport services in Melbourne's outer suburbs in *Melbourne 2030* (Department of Infrastructure 2002). There is a strong rhetorical focus within this strategy on redressing inequities in the spatial coverage of public transport services. However the underlying basis for the strategy, which is supported by the most recent expenditure decisions, is that transport in Melbourne's outer areas will remain focussed on roads, including freeways, and the private automobile, for the foreseeable future (Dodson 2003). For those households who are unable to drive, or who lack access to adequate public transport, their access to community services and employment opportunities are likely to remain constrained. While spatial

mismatch is the primary focus of the present paper, second component the project of which it forms a part will focus more closely on the transport dimensions of social exclusion.

ASSESSING SPATIAL MISMATCH IN MELBOURNE

The remainder of this paper presents preliminary empirical evidence to assess the extent to which spatial mismatch between housing and affordability and labour market opportunity is occurring in Melbourne. The data is drawn primarily from 2001 census data, however other data is used where relevant or necessary. The section is divided into three parts: housing affordability, labour market disadvantage and opportunity, and the links between housing and employment opportunity.

Housing expenditure and affordability

Housing Expenditure

The first major dimension of the empirical investigation of spatial mismatch seeks to identify locations where housing is most affordable for low-income households within the metropolitan area. Both rental and home-ownership affordability are considered. Census data as published by the Australian Bureau of Statistics is not ideal for this purpose, as the data is published in categorised in ways which limit the cross-tabulation of different household characteristics. Nonetheless, the study has mapped three housing cost variables across the Melbourne metropolitan area, to the statistical local area level. The first of these maps examines household rental expenditure (Figure 1)

There is a clear spatial differentiation in the proportion of private rental households in Melbourne metropolitan SLAs for whom rents are less than \$150 per week. The most obvious pattern is the difference between the inner city and the middle and outer areas. Less than a quarter of households in most of the inner city and inner and mid-eastern suburbs are paying rents under \$150 per week. By comparison areas further out, such as in the outer western older industrial area of Sunshine and the northern older industrial area of Preston had high proportions of up to 50 per cent of households paying low rents, while over 50 per cent of households in the older industrial area of Dandenong were paying rents at or below the \$150 level. The only

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other areas where the proportion of households with low rental payments was the same or higher than Dandenong included those effectively beyond the urban fringe, such as on the Mornington Peninsula or the Yarra Ranges. Many of the areas in the middle-outer east and south of Melbourne, and the middle-outer east had between 25 and 37.5 per cent of households paying less than \$150 per week in rent. Two noteworthy exceptions to this pattern are the proportion of low-rent paying households in the recently settled areas of Melton East and Narre Warran – Berwick on the outer west and outer east respectively, where a low proportion of households are paying low rents, when compared to adjacent areas.

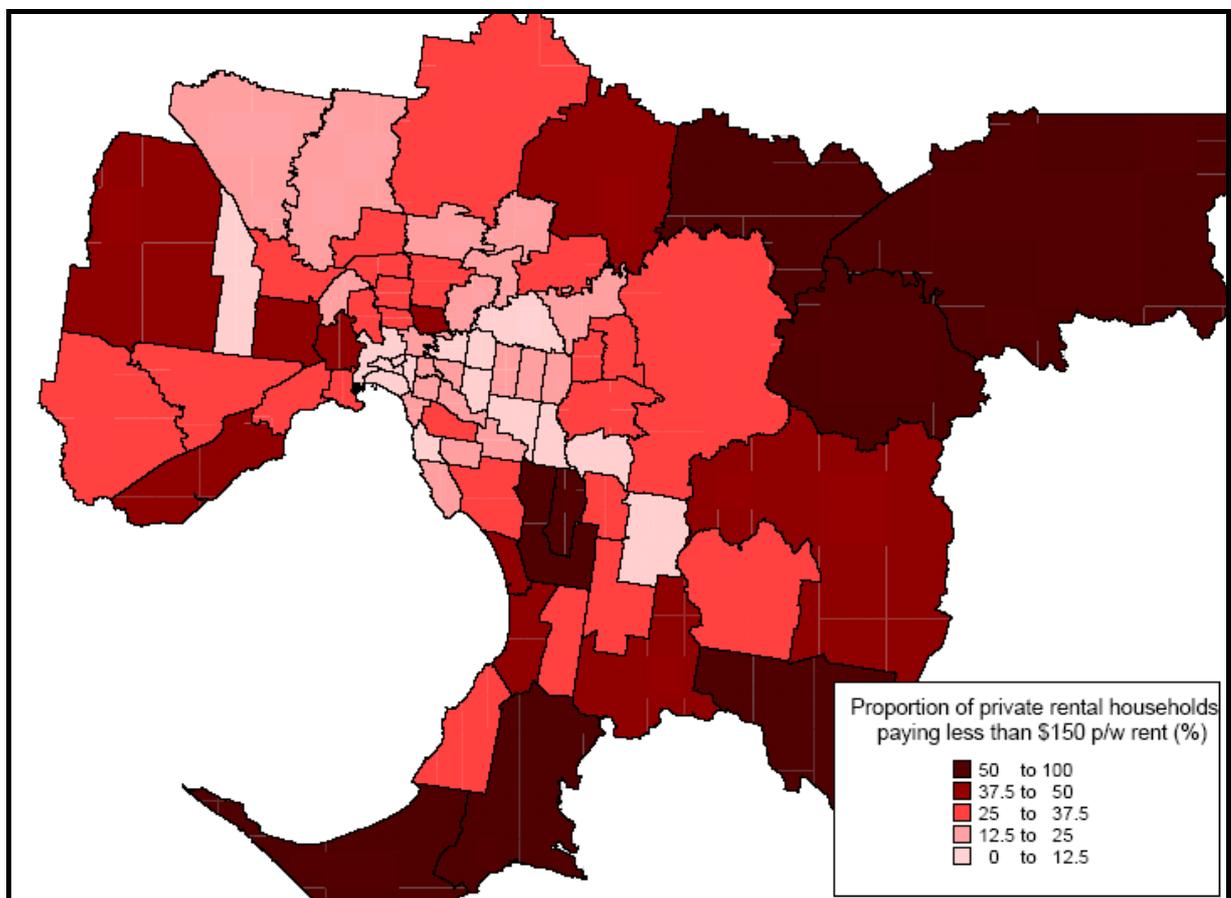


Figure 1: Proportion of private rental households paying rents less than \$150 per week, for Melbourne statistical local areas, 2001 (Source: ABS CDATA 2001).

The patterns above are consistent with previous research findings, particularly those of Burke and Hayward (2000) and Yates (Yates 2002) such that recent shifts in the rental housing market appear to be continuations of trends from the mid-1990s. The only major new phenomenon are the outer areas such as Melton East where there are relatively few low-rent households. Melton East is the site of the medium- to high-price new estates identified by Dodson and Berry (2003) which are attracting

mid- to high-socio economic status residents, and it is not surprising therefore that this area might have a low proportion of households paying low rents.

Mortgage repayment levels also display strong spatial patterns which largely mirror those in the rental market. Figure 2 maps the proportion of households whose monthly mortgage repayments were less than \$600 in 2001. The \$600 figure was chosen because this approximates a \$150 weekly rental cost converted to a monthly figure. As Figure 2 demonstrates, much of central Melbourne, the inner north, eastern as well as the north east are areas where at most 15 per cent of households are paying less than \$600 per month on their mortgage. Middle suburban areas, in the west, north and east also have relatively low proportions of households with low mortgage repayments.

Households with mortgages requiring less than \$600 per month are more concentrated in areas in the middle and outer west, such as Sunshine and Altona, as well as the outer north, including Fawkner and Preston, and the outer south east, such as Pakenham and Beaconsfield. The highest concentrations of households with low mortgages appear in the Broadmeadows and Dandenong areas in the outer north-west and outer north-east respectively. These areas were also areas of relatively concentrated low-rental households.

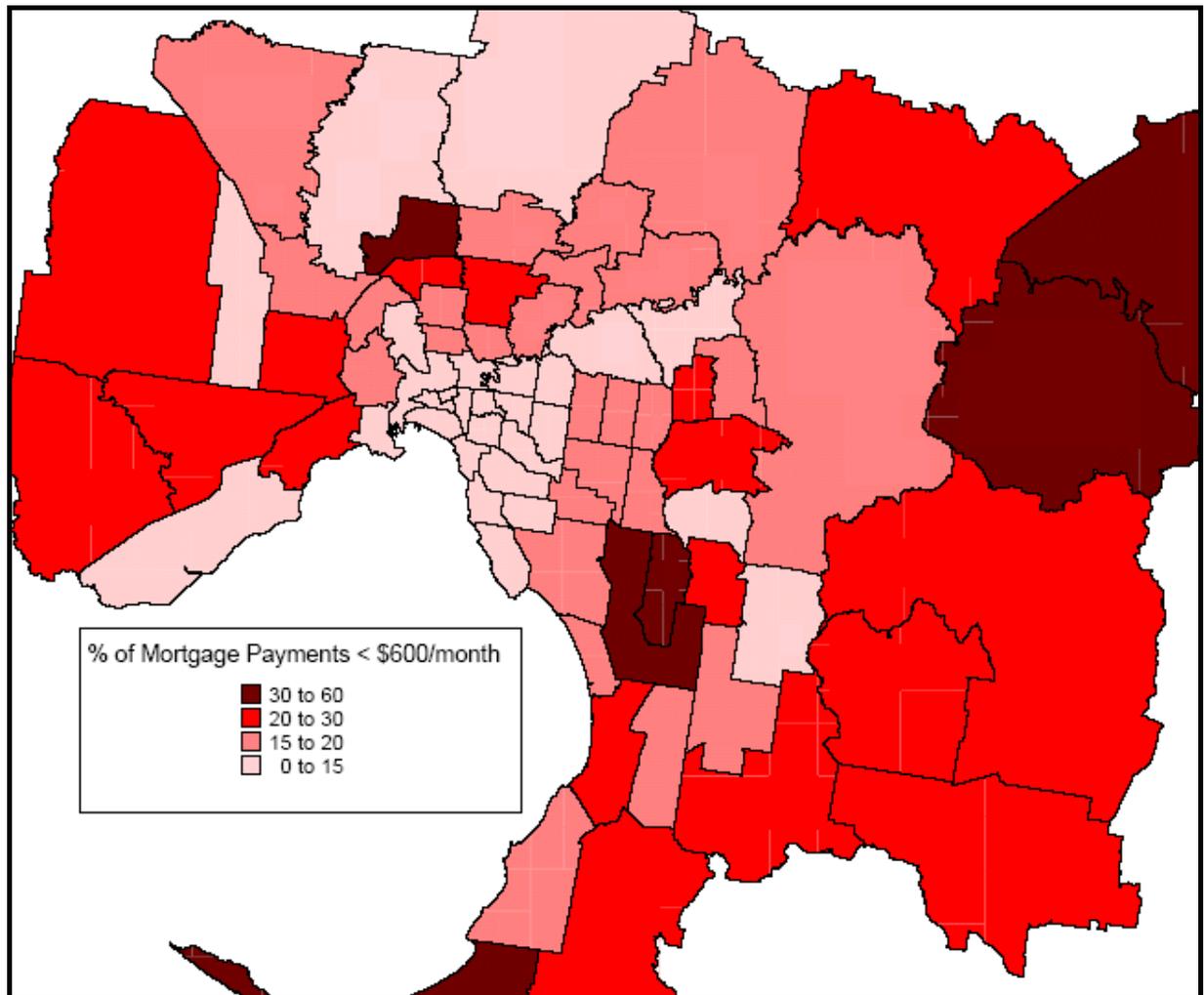


Figure 2: Proportion of households paying less than \$600 in mortgage repayments per month, for SLAs in Melbourne, 2001 (Source: ABS CDATA 2001).

A further phenomenon to note are the outer areas where, like low rents, low mortgages are less concentrated. These areas again include Melton East and Narre Warren Berwick, reflecting the relatively higher house prices of these areas relative to other adjacent locations. Dodson and Berry (2003) noted a band of high labour market status households across the mid-north west of Melbourne between Melton East and Moonee Valley. This tract of low-unemployment areas is reflected in the low proportion of households in this area having mortgages of less than \$600 per month.

Affordability

Housing affordability patterns also reflect the way in which the housing market is interacting with labour market and broader socio-economic opportunities, to enable or exclude socio-economic status households from particular areas. This section examines across the low-income rental housing sector and for the modest-income

home-ownership sector. The first analysis concerns the spatial affordability patterns for rental housing for households receiving Commonwealth rental support, using a 30 per cent affordability threshold, as calculated by the Victorian Office of Housing (OoH) (Figure 3). The study uses Local Government Area as the basic geographic unit, which diminishes the detail, but nonetheless enables the broad affordability patterns to be observed. Figures from July 2002 are used because this is the most recent issue of OoH rental data.

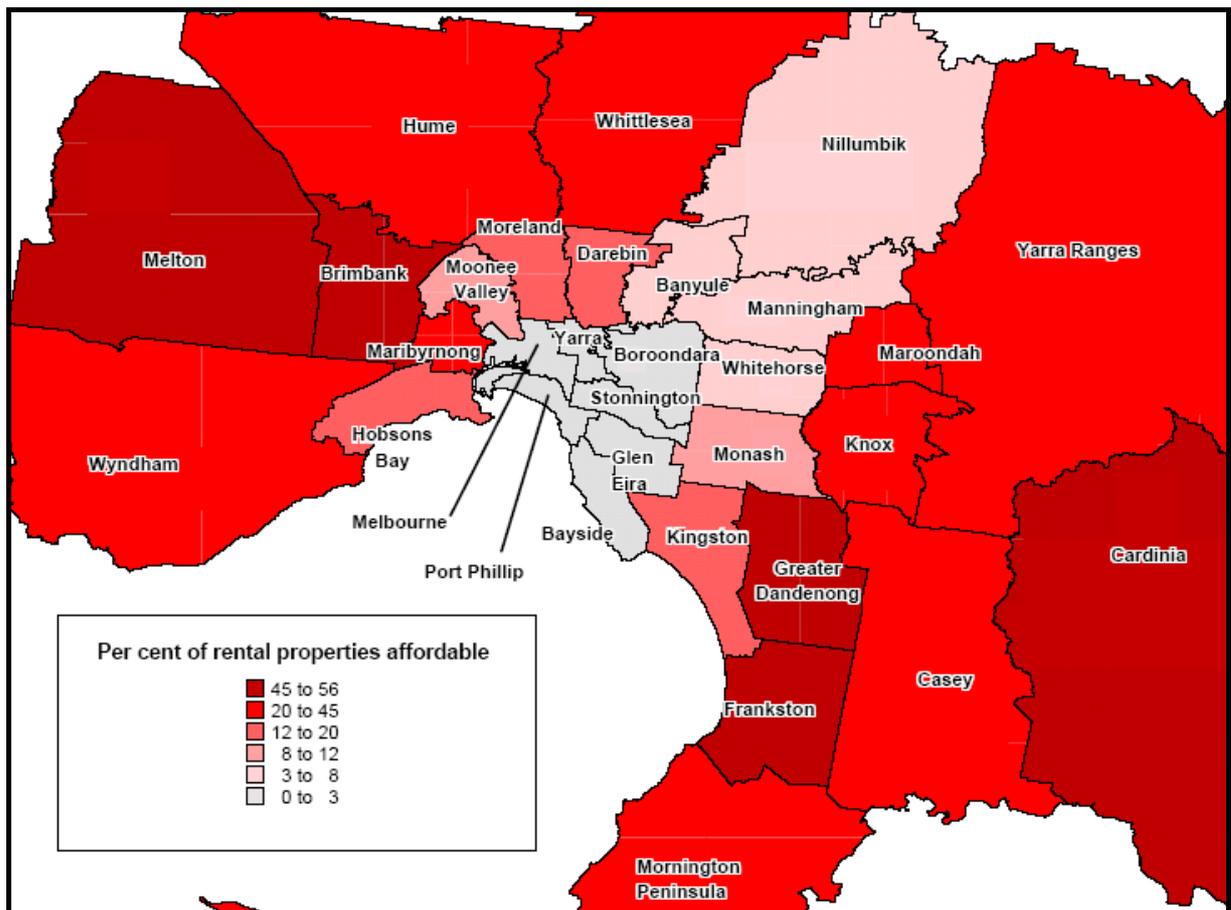


Figure 3: Proportion of rental housing affordable for households in receipt of Centrelink pensions at the 30% of income level of affordability, for Melbourne LGAs, July 2002 (Source: Office of Housing (2002)).

As Figure 3 demonstrates, the affordability of rental housing for low income households is highly geographically constrained. Less than 12 per cent of rental properties in most central, inner-east and north-eastern municipalities are affordable to Centrelink income households. Affordability levels are particularly low in the central area, with, for example, less than three per cent of rental properties in Melbourne, Yarra, Port Philip, Boroondara and Stonnington affordable to Centrelink income households at the 30 per cent threshold.

The most affordable LGAs for rental housing are in outer or fringe areas. Of particular note are the older industrial municipalities of Brimbank and Dandenong, which have a relatively high proportion of rental properties affordable to low-income households. These affordability patterns are not unexpected, given the way households paying low rents were found to be distributed (Figure 1).

To assess the costs of home-ownership relative to income, a measure of affordability was constructed and mapped at the suburb level (Figure 4). The measure used is based on a dual-income average-wage family purchasing a median priced house at the suburb level, in 2002. The measure assumes a 20 per cent deposit, an interest rate of 6.75 per cent and a 25 year repayment schedule.

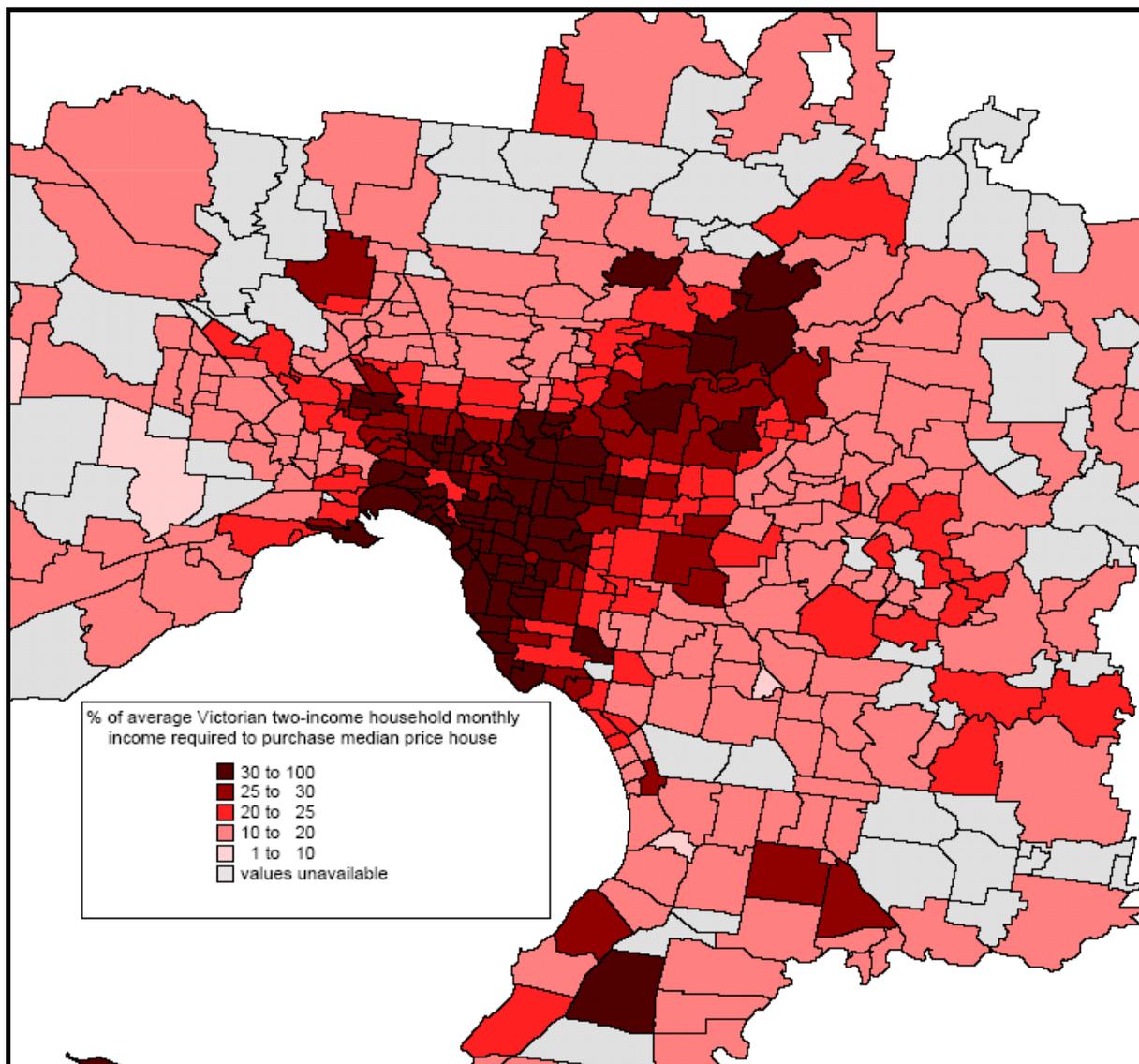


Figure 4: Proportion of average Victorian dual-household income required to purchase median price house for Melbourne suburbs, 2002 (Source: Valuer General Property Data; ABS Cat. 6302.0).

The data presented in Figure 3 demonstrate similar patterns for to those observed in Figures 1 to 3: low affordability in the central city, particularly within the north-east axis between St Kilda and Hurstbridge. This area of low affordability is bounded to the north and east by areas of constrained affordability, and includes the inner north, as well as some parts of the inner south east. Outside the central and inner areas, housing affordability is relatively good with a dual-income average income household needing to pay 20 per cent of its monthly income or less on mortgage repayments in order to purchase the median priced house. The measure used is relatively conservative as it assumes a dual-income household earning approximately \$7500 per month or just over \$90,000 per year. For the many households below this

income level, such as those with a single below-average income earner, affordability would be even more constrained to outer-urban locations.

The housing price and affordability data presented above demonstrate that households with modest incomes face significant spatial access constraints on their residential location within the Melbourne metropolitan region. The patterns observed provide a recent confirmation of the continuity of earlier trends identified by previous investigations of spatial housing cost burden and affordability in Melbourne, such as Burke and Hayward (2000), O'Connor and Healy (2002) and Yates (2002). Melbourne's housing market continues to spatially segregate households on the basis of income and affordability, a phenomenon which is not new.

The fact that low- and modest-income households are being concentrated in specific locations, particularly in outer areas is not of direct concern to the present project. What is of concern is whether these housing market patterns place low- and modest-income households at a subsequent disadvantage in the spatial labour market. Do the residential locations that are affordable to low- and modest-income households diminish the geographic employment opportunities for these households, and what are the results of this effect. The following section examines recent patterns in Melbourne's spatial labour markets and assesses the extent to which labour market opportunity is co-located with housing affordability. The analysis is primarily concerned with the magnitude of employment opportunity rather than the quality of that opportunity, such as the sectoral composition of geographically proximate jobs.

Spatial Labour Market Disadvantage and Opportunity

Labour Market Disadvantage

Previous research (see above) has described the spatial patterns of unemployment in Melbourne, based on 1996 Census data. While central and inner areas of Melbourne exhibited relatively low unemployment rates, particular outer areas, such as Sunshine, Broadmeadows and Dandenong had much higher rates. Figure 5 below maps 2001 Census unemployment data for all persons for metropolitan Melbourne at the SLA level. The shading is organised around the 2001 metropolitan rate of unemployment of 6.6 per cent.

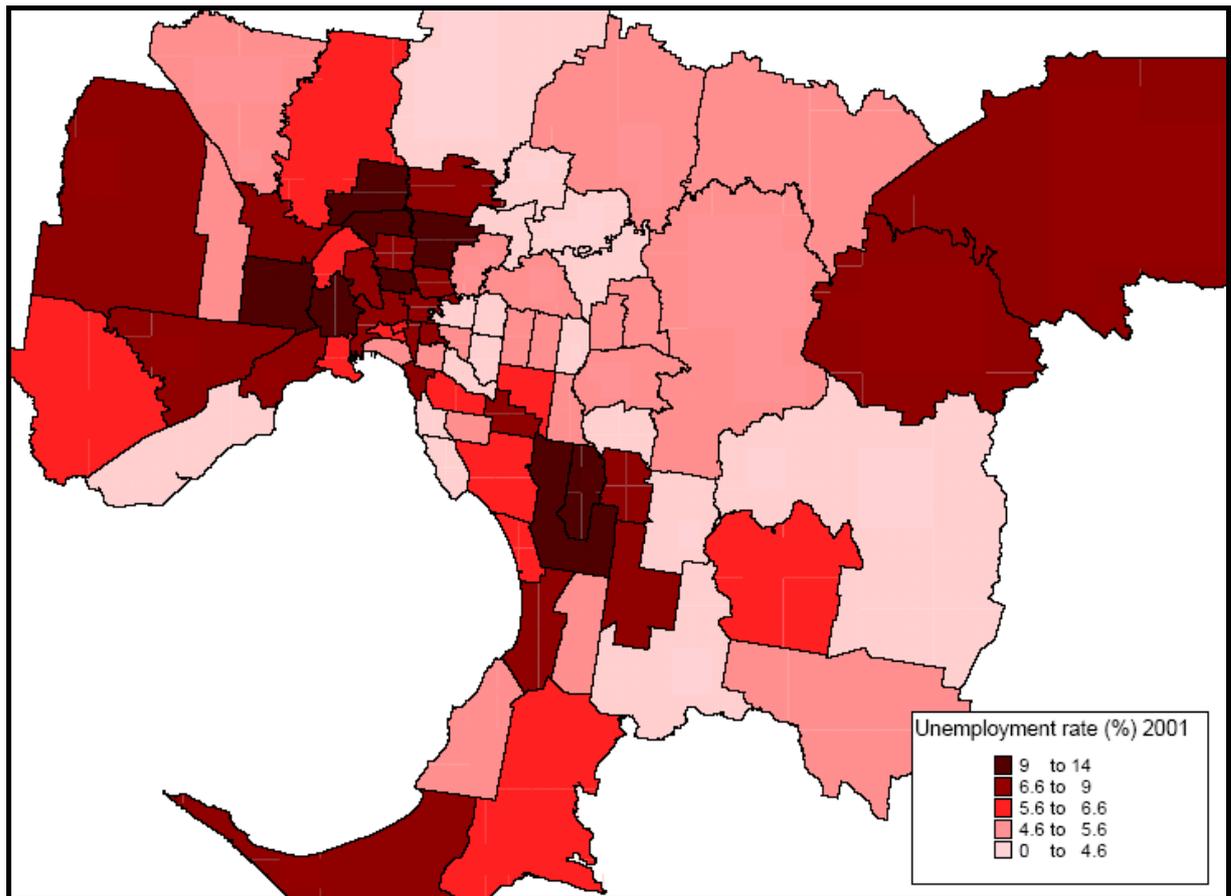


Figure 5: Unemployment as a proportion of the labour force, Melbourne SLAs, 2001.

The 2001 spatial unemployment patterns also largely reflect previous trends. For example the areas with the lowest levels of unemployment are concentrated in the inner-east and north east, where the unemployment rate was at least 1 per cent less than the metropolitan rate. Similar levels of unemployment occurred in the outer north, outer south-east and the outer north- and south-west. These areas of low unemployment appear to be the locations of the new estates with medium- to high-socioeconomic status households which were reported by Dodson and Berry (2003).

High unemployment is also spatially concentrated in some areas, such as Dandenong in the south east of the metropolitan area, where unemployment was higher than 9 per cent. However, a broad region across Melbourne's north and west experienced high unemployment rates in 2001. Of particular note in this region are the areas where unemployment was higher than 9 per cent, such as Sunshine and Maribyrnong in the west, and Broadmeadows, Glenroy and Preston in the north. Again, these areas of high unemployment are consistent with the regions of

community vulnerability identified by previous researchers, such as Baum et al (1999).

Unemployment Decline 1996-2001

While a static view of unemployment rates enable an understanding of the labour market situation at a point in time, the present project is also interested in the spatial patterns of labour market opportunity. Spatial patterns of labour market opportunity can be depicted in two basic ways. The first is by describing the spatial patterns of decline in unemployment over time, while the second assesses where new jobs are located over time. The changes in unemployment rates have been calculated for Melbourne at the SLA level between 1996 and 2001 (Figure 6). The change in the unemployment rate refers to the number of percentage points by which unemployment either declined or increased during the period in question such that a negative figure indicates a declining unemployment rate.

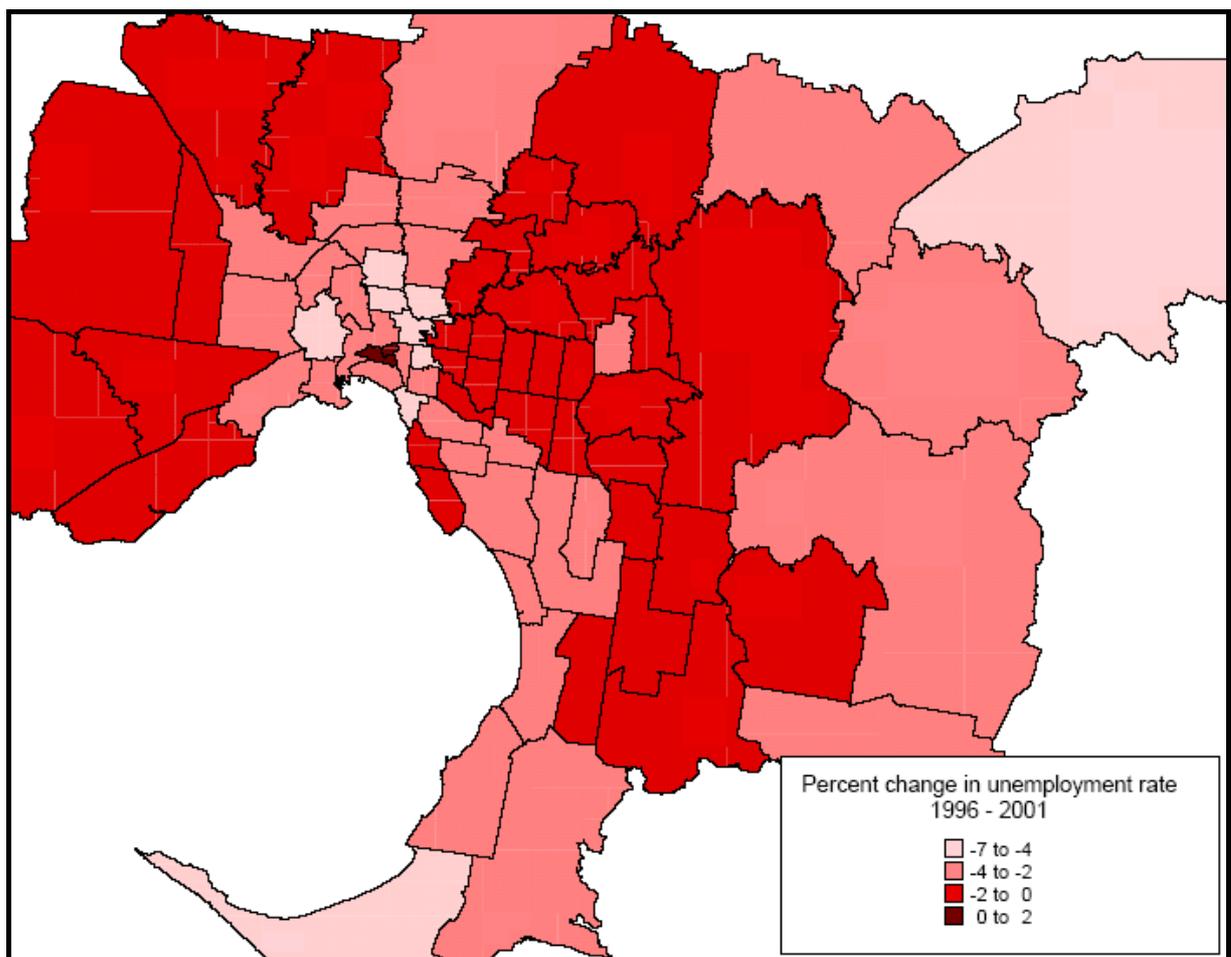


Figure 6: Percentage point change in unemployment rate for Melbourne SLAs, 1996-2001 (Source: ABS CDATA 2001).

Three broad patterns are apparent from Figure 6. The first is the unexpected increase in unemployment in the inner Melbourne and Docklands areas. Given that these areas are strongly associated with the high-status 'informational' economy it is surprising that increased unemployment was recorded for residents of these areas. This outcome is most probably the result of shifts in the statistical boundaries – Docklands is was added after the 1996 Census and as a result, the values in the adjacent existing SLAs in Melbourne were reduced through redistribution. However the effect may also in part be due to the downturn in the 'informational' employment sector which occurred after 1999.

Other noteworthy areas are those where unemployment has declined by between four and seven percentage points, such as Yarra and Brunswick in the inner north and Maribyrnong in the inner west. Maribyrnong has in recent decades been an area of relatively high unemployment in Melbourne and a strong unemployment decline there would suggest some recovery from previous labour market disadvantage. But Maribyrnong and the inner north area has also been the site of gentrification by professionals associated with the inner-city labour market, such that the positive shifts in unemployment in these locations could be the result of displacement of individuals experiencing labour market disadvantage, rather than an in-situ improvement in their employment circumstances.

Areas with reasonably good decline in unemployment rates include the middle and outer west and northern areas, such as Sunshine, Broadmeadows and Thomastown, and areas in the outer south east such as Dandenong and Frankston. This is a positive sign, given that these areas are most frequently cited as concentrations of labour market disadvantage.

A final set of areas with limited unemployment decline are those in the outer west, inner east and north-east, as well as the outer east and south-east. In these areas, unemployment declined by, at most, two percentage points between 1996 and 2001. This however is not entirely unexpected, as these areas already had low unemployment rates, and thus had proportionally fewer workers to be absorbed into the ranks of the employed.

The patterns described above demonstrate that during periods of economic growth, areas with high unemployment rates can experience a rapid change of fortune. While unemployment rates in 2001 remained higher than the metropolitan rate in areas of historic labour market vulnerability, such as Sunshine or Dandenong, these areas also experienced strong improvements in their overall labour market position during 1996-2001. By comparison areas with already strong labour market positions also underwent an improvement but to a much lesser extent.

Employment Growth 1996-2001

The growth in employment across Melbourne SLAs between 1996 and 2001 is presented in Figure 7, calculated from ABS Working Population Profile figures. The patterns of employment growth are dominated by suburban SLAs. Almost all the areas with greater than 20 per cent employment growth during the 1996-2001 period in western areas of Melbourne were almost exclusively further than 10 kilometres from the Melbourne CBD. In the east, most of the dominant areas of employment growth were located further than 15 km from the CBD. Clearly the suburbs dominate employment growth, with outer and fringe areas being particularly important in this regard.

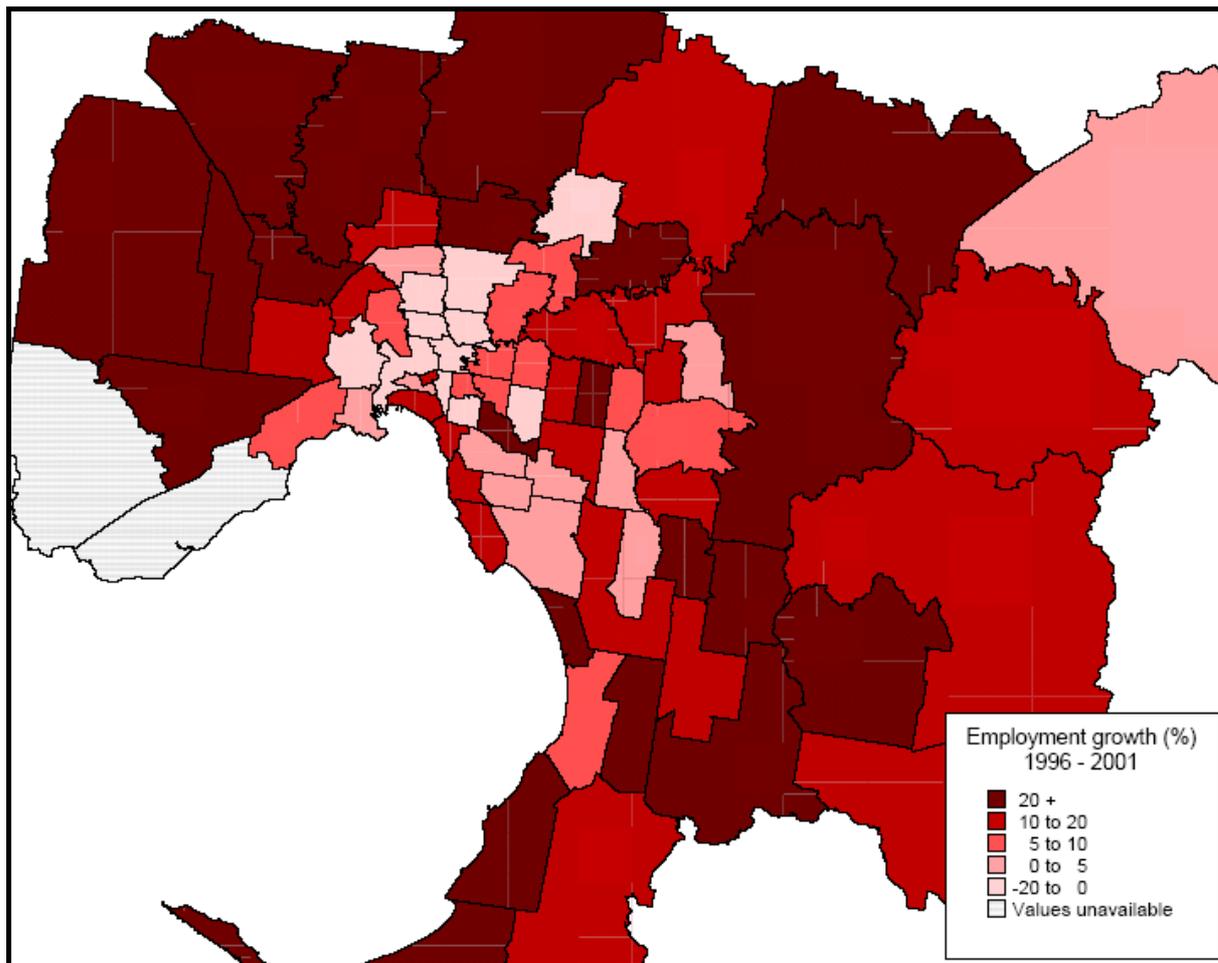


Figure 7: Employment growth in Melbourne SLAs, 1996 – 2001 (Source: ABS CDATA 2001).

It is possible that new employment in fringe areas could be more apparent rather than actual, as firms re-locate to outer areas which were previously not settled, and thus the statistical gains appear greater than their real numbers indicate. However there is also a middle-outer ring of suburbs, from Altona in the west, through Sunshine, Broadmeadows, Thomastown-Lalor, Greensborough, and through Ringwood, Rowville and Dandenong, which have experienced strong employment growth. This would confirm that the general pattern of middle and outer suburbs receiving higher employment gains is the dominant pattern.

By comparison, inner areas performed relatively weakly in terms of employment growth. In particular locations close to the Melbourne CBD, such as Maribyrnong, Melbourne City, Carlton-Fitzroy and inner northern areas such as Brunswick and Northcote experienced employment declines of up to 20 per cent. Employment growth in inner and middle eastern locations was stronger, but somewhat mixed, with

some areas such as Mount Waverly–Oakleigh declining, while others such as Hawthorn and Kew experiencing modest improvements.

Employment growth proximate to low cost housing areas

To make an assessment of the extent of spatial mismatch between areas which are affordable to low-income households the number of jobs which were added to low-cost housing areas which also had high unemployment levels, during the period 1996-2001 have been charted (Figure 8). The low-cost housing areas selected were Sunshine, Broadmeadows and Dandenong.

As can be seen from the 10 km commuting distances around Sunshine, Broadmeadows and Dandenong, these areas of lower cost housing and high labour market disadvantage are reasonably well situated relative to new employment opportunities. All are situated in locations surrounded by areas where employment is increasing. Perhaps the most strongly placed out of these locations is Dandenong, where the labour market is expanding in the south eastern urban growth corridor. This growth corridor has been more intensively developed and consists of more urbanised area than the fringe areas to the west of Sunshine and Broadmeadows. The western localities however have much closer access to new employment opportunities in the CBD.

These differences in access to employment growth are reflected in Table 1, which sets out the total number of jobs added to the 10km commuting distance for each of the low-cost housing high unemployment areas depicted in Figure 8. As the table demonstrates, the total number of jobs added to the areas within 10 km of the selected SLAs is many times larger than the total number of unemployed within the SLAs in 1996. It would be wrong to suggest that each unemployed person had multiple employment opportunities open to them as population growth and competition for new jobs from other areas make a simple comparison of this kind difficult. However it does appear that the geography of housing affordability and employment growth are sufficiently co-located to provide some conclusions about the extent of spatial mismatch in Melbourne.

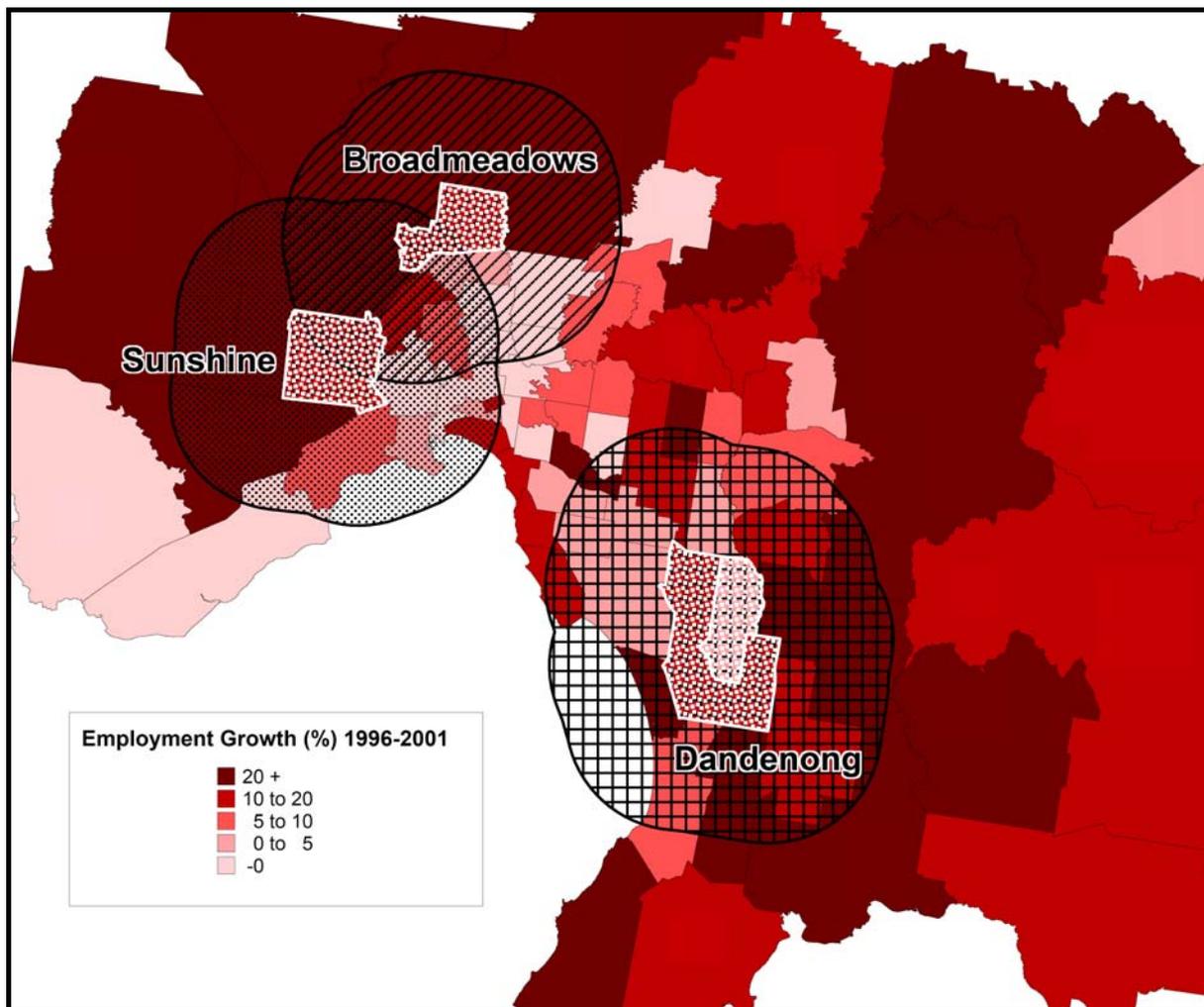


Figure 8: Low cost housing areas relative to employment growth (1996-2002) for SLAs, within 10 kilometre commuting distance (Source: ABS CDATA 2001)..

Table 1: Additional jobs within 10 km radius of low-cost housing areas with high unemployment rates, 1996-2001.

SLA	Sunshine	Broadmeadows	Dandenong
Additional jobs within 10 km, 1996-2001	65495	47999	45036
Total Unemployed 1996	5576	4238	8302

CONCLUSIONS: A MISMATCH BETWEEN HOUSING AFFORDABILITY AND EMPLOYMENT GROWTH IN MELBOURNE?

The empirical material presented above has investigated the extent to which there is a spatial mismatch between housing affordability and employment opportunity in Melbourne. The housing affordability data demonstrated that low-income households

are unevenly distributed across the metropolitan area, and are concentrated in specific locations. This concentration effect is present across both the private rental and home-ownership market. These areas in a number of instances are also locations where unemployment is high, and where local employment is heavily dependent on industries that are declining as a proportion of the total labour force.

When a selection of these lower cost housing areas are considered relative to new employment opportunities however it is found that most are within or adjacent to areas where employment is growing strongly. This effect is in part due to the strong suburban dimension to job growth in Melbourne. Within a 10 kilometre distance of each of the selected low-cost housing areas, a substantially greater number of new jobs were found to have arisen during the 1996-2001 period, than the number of residents who were unemployed in 1996, and presumably would have been available to residents of those areas who were seeking employment. This fact is reflected in the observation that the outer areas with strong employment growth also experienced proportionally greater unemployment decline than most middle and inner areas.

What conclusions then, can be drawn about any spatial mismatch of housing affordability and employment opportunity in Melbourne? The first is that it is difficult to relate the phenomenon of socio-economically disadvantaged households concentrating in low-cost housing areas, to a direct lack of locally available employment. Thus on the evidence presented, it would be difficult to sustain a claim that a strong spatial mismatch exists in Melbourne. But given that the areas focused on included those that have long been seen as sites of locational disadvantage, such as Sunshine, Broadmeadows and Dandenong, the findings of a weak spatial mismatch deserve some explanation, which is in part provided by the second tentative conclusion.

When outer suburban socio-spatial and locational disadvantage became an object of research and policy interest in the late-1980s and early-1990s, these areas were located on the urban fringe as it was then. Since that period, subsequent urban expansion has occurred which has diminished the extent of isolation which characterised the disadvantaged fringe areas, and which has also brought new employment opportunity. In the case of Dandenong, development has continued to expand outwards, along the Casey corridor. In the case of Sunshine, further

development has expanded along the Melton East growth corridor, while new development has occurred near Broadmeadows in both Melton East and the Plenty Valley. While further research would be required before a firm conclusion could be drawn, on the basis of the present evidence, it might be suggested that continued urban expansion is mitigating the effects of locational disadvantage on the fringe. By the time the Melbourne growth boundary is filled in 30 years there should be even more local and regional employment opportunities for the currently disadvantaged areas. A note of caution is perhaps relevant here. Dodson and Berry's (2003) study of Caroline Springs in Melbourne's outer-west found this new residential estate had had limited regenerative effect on adjacent socio-economically disadvantaged areas.

What is of further interest is the extent to which continued relative high labour market disadvantage in the focus study areas is due to either a skills mismatch, or to inadequacies in the urban transport system. It is quite possible that the unemployed residents of, for example, Sunshine, Broadmeadows and Dandenong lack the requisite skills to enable them to gain employment in the growing sectors of the suburban labour market. Further work will be necessary to draw solid conclusions about any skills mismatch in these areas. The problem of continued concentrated disadvantage may also, in part, be due to transport networks which are inadequate to link residents of disadvantaged areas to local employment opportunities. Public transport services are notoriously poor in outer-suburban locations, and the second part of the broader project from which this paper is drawn will examine the role of the transport system in perpetuating or ameliorating labour market disadvantage.

A final conclusion is a more general, and somewhat speculative point about the differences in suburban development between Australian cities and overseas developments. Freestone and Murphy (1998) have demonstrated that Australian cities are diverging from the US experience, for example, more than they are converging, a view shared by Mees (1994). On the basis of the evidence presented the patterns of socio-economic disadvantage in Melbourne, Australia's urban spatial structures are not following the US path. US cities contain a substantial highly disadvantaged inner urban population, a phenomenon which is not present in Australia. While suburban employment growth is stronger in the US than in Australia, the inner-city/suburban divide in the US will not be ameliorated by suburban expansion providing new employment to fringe areas. In Australia, there is more

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potential for urban expansion to have an ameliorative labour market effect on social disadvantage in fringe areas.

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