



## Public housing and employment

**EFFECTIVE HOUSING POLICY SHOULD SUPPORT AND ENABLE PEOPLE'S PARTICIPATION IN SOCIAL AND ECONOMIC LIFE. TO UNDERSTAND THE LINKS BETWEEN PUBLIC HOUSING AND EMPLOYMENT WE NEED TO EXAMINE A COMPLEX MOSAIC OF HOW PUBLIC HOUSING AS A TENURE IS DESIGNED, WHO TENANTS ARE, AND WHERE THEY LIVE.**

### KEY POINTS

- The incidence of jobless households amongst working age adults in public housing has risen from 43% in 1981 to 66% in 2001.
- Targeting public housing to those most in need has shaped the employment profile of public tenants: the percentage of sole parent households has risen from 16% in 1981 to 27% in 2001; the percentage of disability support pensioners has risen from 8% to 26% over the same period.
- The incidence of jobless households amongst public tenants should be lower. This expectation is based on the presence of a rising labour market since the mid 1990s, particularly for women, an increased proportion of female public housing tenants, and higher percentages of public tenants with post-school qualifications.
- As public tenants pay a fixed percentage of their income in rent, typically 25%, they automatically lose 25% of any additional income they earn in increased rent. This rent-setting policy creates a disincentive to earn extra income.
- Housing public tenants in places of high unemployment can reduce employment prospects due to negative social and behavioural effects such as limited social and employment networks, poor community work role models, and low levels of social capital and community cohesion.
- Other factors, such as access to public transport or childcare, add to the complexity of the public housing – employment nexus.

### POLICY CONTEXT

Federal government mutual obligation policies such as *Australians Working Together* have produced a range of initiatives, including the 'Work for the Dole' program, which require welfare recipients to 'give something back' to the community in return for their welfare benefits. This can take the form of physical labour, volunteering or involvement in social and community activities that provide facilities and services for local communities. These policies highlight the non-financial benefits of employment including: improved self esteem and confidence; independence; better health outcomes; greater respect within the community; skill maintenance and development; meaningful social interaction; a sense of purpose; goal setting skills; and

*This bulletin by **Connie Hughes** synthesises Australian Housing and Urban Research Institute (AHURI), and other research, on the incentive and disincentive effects of public housing on employment. In particular it draws on the latest findings from the AHURI National Research Venture, Housing Assistance and Economic Participation, led by **Professor Gavin Wood**. This bulletin was written whilst Connie was on secondment with AHURI from the Victorian Neighbourhood Renewal Branch in the Office of Housing.*



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increased responsibility. The longer a person has been unemployed the more important these non-financial benefits become due to their ability to improve personal circumstances and break the cycle of disadvantage.<sup>1</sup>

Government economic participation goals have been pursued across policy fields. In housing policy the 2003 Commonwealth State Housing Agreement (CSHA) required all State Housing Authorities (SHAs) to research, design and implement policies that reduce workforce disincentives and promote economic and social participation amongst public housing tenants. However, identifying how and why public housing creates disincentive effects is not a straightforward matter.

## TENURE, TENANTS AND LOCATION

Housing status is only one of the many factors influencing employment outcomes. To understand the relationship between public housing and employment, three key headings provide a useful framework: tenure, tenants and location.

**Tenure** focuses our attention on the defining aspects of public housing, such as security of tenure, rent setting policies and relocation policies.

**Tenants** focuses our attention on the social, economic and demographic characteristics that qualify tenants for assistance through public housing, their work readiness and skills.

**Location** focuses our attention on the location of public housing relative to jobs, the transport links to employment, as well as the impacts of the spatial concentration of social and economic disadvantage found in public housing estates, known as neighbourhood effects.

Each of these different aspects could impact upon the employment decisions of individual public tenants, with the same factor acting as an incentive to employment for some, whilst acting as a disincentive to others.

In developing a framework to understand public housing and employment outcomes, deciding what factors are aspects of public housing is not straightforward. For example, location can be identified as an aspect of public housing because a decision was made to build / purchase the property in a particular area. Whereas, public transport access to appropriate local jobs, services and local infrastructure are contingent on factors beyond the control of public housing authorities.

In addition it is also possible (and likely) that a myriad of other secondary factors will affect the relationship between public housing and employment outcomes. These secondary factors can weaken, or strengthen, the disincentive and incentive effects. For example, whilst security of tenure may provide a stable base that encourages engagement in the workforce, any feelings of security could be compromised if domestic violence is present. Finally, it should be remembered that successfully employed people are unlikely to remain in public housing tenancies for long. They are more likely to leave the public housing system and this biases the effect of public housing itself on unemployment.<sup>(2, p51)</sup>

## Tenure: security of tenure, rent-setting, and relocations policy

Public housing provides security of tenure. It provides affordable housing that reduces housing cost stresses and allows rent savings to be used for essentials and work related items. Public housing can provide more appropriate housing that meets tenants current needs e.g. disability modifications. These factors are influential in creating greater certainty and stability for tenants as well as improved health outcomes and workforce incentives.<sup>3</sup> Addressing a tenant's shelter needs can enable them to focus on securing and maintaining employment, but it can also reduce their need to retain employment.

Research shows that entry into public housing coincides with a reduction in labour force participation and hours worked for those already working.<sup>4</sup> A recent study tracking the employment outcomes for a particular group of public housing tenants found that tenants worked an average 14.4 hours per week in 2001, declining to 12.7 hours per week in 2002. In 2001 46% were participating in the workforce, by 2002 this had fallen to 39%.<sup>(4, p55)</sup>

Public housing rent setting policy may create employment disincentives by creating poverty traps. 'Poverty traps arise when small increases in work effort yield little financial reward because of the interaction between means tested government benefits or subsidies (including housing assistance), and marginal income tax rates. The commonly used measure is effective marginal tax rates (EMTR)'.<sup>(5, p7)</sup>

It is clear from the available evidence that public housing tenants face very high EMTR caused by the combined effect of Centrelink payment withdrawal and income tax / Medicare levy.<sup>(1, p44)</sup> Recent research has found that 16% of working age public tenants face EMTR higher than 60%, compared with 9% of all income support recipients of working age). Further, it was found that 'If rents in public housing were to be 'de-coupled' from assessable income, the proportion of public housing tenants with EMTRs exceeding 60% would be more than halved.'<sup>(5, p7)</sup>

A second way in which public housing rent setting policies may create an employment disincentive is through unemployment traps. An unemployment trap arises when the dollar value of a prospective new job is lessened by the disposable income available from government income support when not employed. The commonly used measure of unemployment traps is the replacement ratio – disposable income when not employed expressed as a proportion of disposable income when employed.'<sup>(5, p7)</sup>

Some 64% of public tenants of working age face replacement ratios of more than 75%. That is, for these nearly two thirds of working age public tenants the value of their income when not employed amounts to more than 75% of the income they are likely to receive if they were employed. These figures are higher for women (72% face exit replacement ratios over 75%) than men (40% face exit replacement ratios over 75%).<sup>(5, p8)</sup>

A further workforce disincentive is potentially created by public housing relocations policy. Public housing tenants are less willing to relocate to areas of higher employment opportunity because of perceived risks associated with such relocations. Current policy does not give priority to those moving for employment related reasons and as a result

tenants who relocate often have to forego public housing and the security of tenure this provides. Also, the transaction costs associated with moving are high and require access to disposable income.<sup>2</sup>

### **Tenants: employment and skills**

Seventy-five per cent of public housing tenants across Australia are not participating in the labour market. Eight per cent are unemployed but actively seeking work and 16% are employed.<sup>6</sup> Forty-eight per cent of public-housing tenants in Australia say the reason they do not work is because they are unable to work (e.g. either too young, old, ill or disabled).<sup>6</sup> The data indicates that 39% of public housing tenants aged between 15 – 64 years in 1998 had a disability compared to 17% for the rest of the working age population.<sup>(4, p12)</sup> In a recent study lack of skills / self-confidence were nominated by 61% of public housing tenants as the most common reason why they were having difficulty getting a job<sup>1</sup>.

One of the often cited explanations for the high proportions of public tenants not participating in the labour market, is that public housing is mainly allocated to those with the greatest needs; by definition public tenants are disadvantaged and less likely to have key job skills.

Examining recent history, amongst working age adults living in public housing the incidence of jobless households has risen from 43% in 1981 to 66% in 2001. This is in part explained by compositional changes, between 1981 and 2001, in who working age public tenants are. For example, the percentage of sole parent households has risen from 16% to 27%; the percentage of disability support pensioner households from 8% to 26%. However, the public housing tenants of 2001 are marginally better qualified than those of 1981, with 27% holding post-school qualifications, up from 24%.

In fact, the research finds that the public tenants of 2001, if operating in the labour market of 1981, would have had a higher employment rate (58%) than the public tenants of 1981 actually did (40%). So 'explanations other than changing socio-economic and demographic characteristics...explain the declining rate of economic participation among public tenants'<sup>(5, pp3-6)</sup>.

Public housing tenants in employment are most likely to be working in the manufacturing industry. Figures from the 2001 Census, for Victoria, show that 23% of public housing tenants located in Neighbourhood Renewal areas were employed in the manufacturing industry compared with 15% for Victoria overall.<sup>7</sup> Manufacturing is, however, an 'old' industry. The explosion in the requirement for IT skills, generally across all industries, has created a 'digital divide' between those that have these skills and those that do not. Working age public tenants are less likely to have access to a computer at home (37%) and access to the internet (19%) than other income support recipients (65% and 60% respectively) and are therefore less likely to have developed these 'new' skills.<sup>5</sup>

### **Location: density and distance**

The neighbourhood a public tenant is housed in can have a direct impact (both positive and negative) on employment prospects. It is possible that grouping unemployed people in a location of poor employment opportunity may further reduce employment prospects due to negative social and

behavioural effects including: low work expectations; poor peer group pressure; inter generational unemployment; limited community work role models; absence of affluent or well educated neighbours, high crime rates and drug activity; limited social employment networks; and low levels of social capital and community cohesion. Further employment disincentives may be created due to 'statistical discrimination' whereby all individuals from a certain 'disadvantaged' street or neighbourhood are actively passed by for employment because of their address.<sup>8</sup>

Conversely, it is probable that those housed in less disadvantaged areas can be better off because of positive neighbourhood effects including: increased access to services and employment opportunities, strong community role models and a sense of community and strong social capital. Anecdotal evidence suggests that encouraging tenants to be actively involved in decision-making process and committees responsible for their local area provides opportunities for people to engage and interact with their community and develop employment networking opportunities.<sup>8</sup> Giving residents a voice, and the opportunity to make decisions, builds self-confidence and improves personal development skills including communication, team building, time management and conflict resolution skills. These skills may improve tenants level of work readiness and serve to increase their employment prospects.

Historically, public housing estates were planned around major industrial hubs to maximise employment opportunities for tenants. In a relatively short period of time the phenomenon of globalisation has resulted in industrial reform and structural change, which created spatial mismatches between local labour skill sets, supply and economic opportunity. Many traditional 'blue collar' jobs moved offshore resulting in increased unemployment for domestic low skilled workers.<sup>9</sup> Public housing allocation policies may reduce tenant mobility by placing people in high unemployment regions. As a result, it is possible that tenants face increased commuting times and transaction costs if they travel to jobs in higher employment regions.<sup>(8, p41)</sup>

Whilst there is no specific research on the impact of travel to work patterns on public housing tenants' work outcomes per se, in a recent study 47% of public housing tenants identified increased travel costs as a disincentive to working.<sup>1</sup> Amongst public tenants in employment we know that the typical full time employee spends more time commuting to and from the workplace (4.8 hours per week) compared with other income support recipients (3.5 hours).<sup>(5, p10)</sup> Another study examining public transport services in Broadmeadows, Sunshine and Dandenong (three areas with high concentrations of public housing) found services to be inadequate. Forty per cent of Sunshine residents, 61% of Broadmeadows and 56% of Dandenong residents were outside the train buffer zone and therefore effectively excluded from public transport.<sup>(10, p43)</sup> Consequently, these residents had limited access to regional employment opportunities, particularly outside of peak travel to work times. It would be beneficial to compare such findings with areas of low concentrations of public housing to identify the extent of the relationship between public transport exclusion and public housing tenant's employment outcomes.

## POLICY IMPLICATIONS

Whilst examining the complex links between public housing and employment may seem to go beyond 'housing policy', providing a clear understanding of the nature of these is an important part of building a housing policy that enables participation in social and economic life.

On the basis of the evidence about the links between public housing and employment outcomes a number of implications for policy development arise:

- To lessen the impact of barriers such as income based rent setting, EMTRs and unemployment and poverty traps, State Housing Associations (SHAs) could pilot new rent setting policies in areas of high unemployment. These policies could change the definition of assessable income to after tax income rather than before tax. A subsidised market based system that is not affected by employment status could also be considered.
- Australian research shows intensive support is required both prior to and immediately after the transition to employment to overcome and manage these multiple barriers and maximise employment outcomes.
- To address skill shortages, SHAs could work with local employment providers and other community education agencies to pilot life long learning programs designed to reskill and retrain tenants. For example, by working with the community and employers, Employment and Learning Coordinators are able to develop a number of partnerships that ensure existing resources are utilised and effectively targeted.
- To reduce negative neighbourhood effects SHAs could review allocation policies to give greater priority to tenants wanting to relocate for employment reasons.
- To reduce the workforce disincentive created by family commitments, SHAs could consider establishing childcare co-operatives or subsidised estate based childcare ventures. Flexible policies could also be implemented to enable tenants skilled in legitimate capacities such as childcare workers and textile employees to work for a specified number of hours per week, from home.

## RELEVANT RESEARCH

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3. Phibbs, P. with Young, P. (2005) *Housing Assistance and Non-Shelter Outcomes*, Final Report, Australian Housing and Urban Research Institute, Melbourne
4. Whelan, S. (2004) *An Analysis of the Determinants of the Labour Market Activities of Housing Assistance Recipients*, Final Report, Australian Housing and Urban Research Institute, Melbourne
5. Wood, G. (2005) *Housing Assistance and Economic Participation*, Australian Housing and Urban Research Institute, Melbourne.
6. National Social Housing Survey (2003)
7. ABS, Neighbourhood Renewal Employment and Learning aggregated data set, 2001
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9. Bryson, L. and Winter, I. (1999) *Social Change, Suburban Lives*, Allen Unwin, Sydney
10. Dodson, J. (2004) *Is there a spatial mismatch between housing affordability and employment opportunity in Melbourne?* Positioning Paper, Australian Housing and Urban Research Institute, Melbourne

## FURTHER INFORMATION

The AHURI National Research Venture, *Housing Assistance and Economic Participation*, is continuing to provide the evidence base to underpin housing policy that is concerned with the economic participation of housing assistance recipients. Its findings will continue to be reported throughout 2006.

Reports can be found on the AHURI website ([www.ahuri.edu.au](http://www.ahuri.edu.au)) or contact the AHURI National Office on +61 3 9660 2300.



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