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Buying a First Home: The Implications of Labour Market Change

by

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Abstract

This thesis seeks to make a contribution to the understanding of the relationship between housing and labour markets by examining the impact of decreasing job security, that is the increase in casual and contract employment, on the purchase behaviour of first home buyers in Australia. As of 2000, more than two million households in Australia were actively repaying mortgages, yet security of employment beyond two years did not exist for over 40 per cent of the Australian workforce. Homeowners with mortgages face risks. Their loan periods are often protracted, during which household relationships may change, equity may disappear through property value collapse, interest rates both variable and fixed may rise, and finally employment, in terms of place and security, may alter.

At the same time, for at least 50 years, Australia's welfare and housing policies have been based on the perceived merits of home ownership. If the risks of buying a home are seen as outweighing the perceived benefits, such as capital gain and security of tenure then current home ownership levels may not be sustained. The consequences may include private rents being forced up by stronger rental demand and increased public housing requirements. Therefore any links between labour market circumstances, which include job security, and first home buyer behaviour, are important to investigate.

The study considers also the factors important in the timing of decision to purchase a first home and to explore this behaviour within the context of items such as employment category, income, housing costs, financial well-being and concern about job security. As such the study aims to make a contribution to the theory on purchase behaviour through the linking of job security with an important stage in the housing career, that is, the purchase of a first home.

An exploratory review of the current research is presented, as well as a summary of the trends within Australian labour and housing markets. In order to investigate the impact of job security on purchaser behaviour a postal survey was conducted of home buyers who

bought their first home between 1st January and 30th June 1999. A questionnaire was sent to a representative sample of first home buyers across three state capital cities Adelaide, South Australia, Perth, Western Australia and Sydney, New South Wales.

The findings of the study are presented mainly as cross tabulations accompanied by tests of significance. The study contributes to the established theory on purchaser behaviour and to an understanding of the relationship between housing and labour markets in that the findings show that lack of job security is creating changes in purchaser behaviour and in the ways in which housing markets are demarcated. For first home buyers employment categories are almost as likely as income levels to determine housing choice. Labour market change has raised the awareness of risk by new home buyers who in terms of their purchase behaviour borrow more conservatively, purchase less expensive homes than they might otherwise afford and pay back their loans as quickly as possible. At the same time housing market factors are more important than family or employment factors in terms of when to buy a first home.

Within the context of the sustainability of home ownership the results of the study show that new purchasers continue to show interest and confidence in the benefits of owning their own home despite greater job insecurity. Given this level of support, home ownership should continue to be an important component of Australian housing policy, especially when any significant decline in home ownership among younger cohorts will put further pressure on the private rental sector and impact on demand for public housing.