



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.

Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being made available in all forms of media, now or hereafter known.

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Chapter 1 Introduction to the study

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. It aims also to make a contribution to the theory on purchase behaviour within the housing market through its focus on the links between housing and labour markets. The study has been undertaken against a backdrop of change in the Australian housing market, both in the opportunities offered by the market, and in the characteristics of those participating. These changes and the implications for first time home buyers are also explored within the thesis.

The thesis begins with a brief introduction to the background of the research before setting out the aim of the study and the research questions. Next the conceptual framework is explained as well as how the main concepts are operationalised. The case studies selected for the study are then discussed. Finally an outline of the thesis is presented.

1.1 Background to the study

Within the context of the new millennium, a newspaper article in the Adelaide Advertiser (The Adelaide Advertiser, 2000 16th February p. 4) ran the heading 'No jobless fears, say those in work'. The article cited an Australian Bureau of Statistics report entitled 'Forms of Employment, Australia' (Australian Bureau of Statistics, 2000b) and suggested that the 1998 survey, upon which the report was based, showed that the overwhelming majority of Australia's 8.4 million workers were not worried about losing their jobs going into the next century. Instead, the newspaper article argued, the survey showed that 88 per cent of Australian workers, including the self employed, were confident they would still be with their current employer or business 12 months after the survey. While a piece of journalist reporting cannot carry the same weight as an academic piece of writing, the sentiments expressed were of sufficient interest to prompt further investigation of the claims made within it. As such, closer examination of the report quoted by the newspaper revealed that in terms of job permanency, only 38 per cent of employed persons had worked for their current employer or business for over five years. Twenty one per cent of employed persons had worked for their current employer or business for less than one year and a

further 21 per cent had worked for their current employer or business for only one to two years. The majority of self identified casual workers had worked for their current employer or business for two years or less. While the media article described the expectation of employment with the same employer beyond the next 12 months as 'no jobless fears', this survey revealed that, as of 1998, security of employment beyond two years did not exist for over 40 per cent of the Australian workforce. This trend has continued with some 22.8 per cent of employees in 2004 with their current employer or business for under 12 months and some 21.7 with their current employer or business for less than three years (Australian Bureau of Statistics, 2005a).

1.2 Implications of job security for first home buyers

What are the implications of such job insecurity for home ownership in Australia and in particular for first time buyers? As of 1999 more than two million households in Australia were actively repaying mortgages (Australian Bureau of Statistics, 2000f). Of the 400,000 households who bought their first home in the three years between 1996 to 1999, almost 90 per cent required a loan (Australian Bureau of Statistics, 2000f). 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, and with it income, may alter.

Writers in Australia such as Flatau, Hendershott, Watson and Wood (2004), Yates (1999; 2000), and Mudd, Tesfaghiorghis and Bray (1999) have documented the implications of increased demand for labour market flexibility and mobility on this type of long term commitment. Home ownership levels may be compromised if households begin to perceive the risks of home ownership in a changing job market as exceeding the long held tenets of capital gain, security of tenure, and inflation hedge. Hughes (1996) suggests that in the United States (US) housing is no longer regarded as an 'infallible savings machine' and that there appears to be a more conservative outlook on the financial and investment potential of home ownership.

The literature relating to labour market change suggests that while work patterns in Australia are changing significantly in terms of declining job security, largely as a result of

increasing part time and casual employment, the outcomes for the housing market are less clear. While labour market change, in particular the increase in casual and contract employment, is presumed to be impacting on home ownership aspirations across all income groups, there has been no attempt to specifically seek out, in a disaggregated form, the coping mechanisms of first time buyers.

This study seeks to examine a neglected area, that is, the links between labour and housing markets by focusing on an assessment of the implications of labour market change for first home buyers in Australia. In particular, if and how, first home purchase behaviour is being affected by the changes to job security resulting from more casual and contract employment. It explores, by means of a survey of purchasers who bought their first home between January and June 1999, any associations between purchase behaviour and items such as employment category, financial well-being, concern about job security and income. This is an important research question given the evidence suggesting that the traditionally high proportion of homebuyers in Australia, as distinct from outright owners, within the population may have fallen by as much as ten per cent over the last decade (Yates, 1997; 1999; 2002).

1.3 *Aim of the study*

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. It aims also, to make a contribution to the theory on purchase behaviour, by examining the factors that are important to first home buyers, against a background of decreasing job security and housing affordability. The implications of the purchase behaviour for the sustainability of home ownership in Australia will also be examined.

1.3.1 Research questions

More specifically it seeks to answer the following questions with respect to first homebuyers;

- What are the associations between employment category, income, housing costs, financial well-being and job security?
- To what extent do the above items influence purchase behaviour?
- Are the findings different for purchasers in Adelaide, Perth and Sydney?
- To what extent do these findings add to the established theory on purchase behaviour?
- What are the implications of these findings for the sustainability of home ownership in Australia?
- What contribution do these findings make to an understanding of the relationship between housing and labour markets?

1.3.2 Conceptual framework

The framework for this study brings together a number of concepts and definitions including the real estate market, job security, first home ownership, the family life cycle, life course study and housing careers. In particular it seeks to identify how attitudes or feelings about a particular issue, in this case job security, may impact on decision making in terms of one step within a housing career that is, the purchase of a first home.

The study also attempts to identify if other factors may impact on attitudes towards job security, and so influence the timing of the purchase decision. These include those associated with the family life cycle such as the birth of a child, or relationship change such as marriage or divorce, life course factors such as a new job or relocation in a job, and economic factors such as housing affordability or interest rates.

The research is explanatory in that it seeks first to identify if factors such as household type, employment category, housing costs and income, influence concerns over job security and second, to discover if job security in turn influences decision making in terms of first home purchase. These findings are then examined to see if they inform any of the established theory on purchase behaviour or add to the understanding of the relationship between housing and labour markets.

The housing market

In terms of this study a market is understood to be a set of arrangements in which buyers and sellers are brought together through the price mechanism (Appraisal Institute, 1992).

The real estate market is conceptualized as the interaction of individuals who exchange real property rights for other assets, such as money (Appraisal Institute, 1992).

Submarkets within the real estate market can be identified in terms of property type and also in terms of buyer characteristics. The focus of this study is the residential or housing sub market and within this submarket that section which can be identified by means of a purchaser group, that is first home buyers. First home buyers are defined as those individuals, couples or groups where no member has owned or partly owned a previous dwelling. In other words they are entering the ownership market for the first time (Australian Bureau of Statistics, 2000g).

As of 2003 almost 90 per cent of first home buyers within Australia purchase a dwelling by means of a mortgage (Australian Bureau of Statistics, 2003c) and as such the dwelling is described as 'being purchased'. Those buyers who do not need a housing loan in order to purchase or have paid off their loan are described as 'outright owners'. In 2003 while some 70 per cent of all households in Australia were classified as home owners, only 35 per cent of households could be described as outright owners ((Australian Bureau of Statistics, 2003c). In Australia the other main form of housing tenure is the rental market which is either publicly provided through government or community agencies, or by private landlords (Australian Bureau of Statistics, 2000d).

Within a neoclassical economic framework the housing market is understood to exhibit a number of 'market failures' (Whipple, 1995) not least of which is the lack of knowledge or experience of the market on the part of most buyers and sellers. Transfer of ownership in the market is often complex, which sets up the need for regulation and professional mediation (Whipple, 1995). This in turn acts as a delay mechanism on the transfer as does the regular need for mortgagee finance. As such these and other factors, such as the immobility of housing as a product, are seen as impediments to purchase and prevent the smooth operation of the market (Harvey & Jowsey, 2004). Within this economic framework any constraint on housing market opportunity or purchaser behaviour, such as job security, could be interpreted as market failure and may merit a policy response.

Job security

Within the context of this study the key concept of job security is considered to embrace four aspects of employment status, that is casual and part-time employment, job mobility and perception of job security. The first three concepts can be used to objectively measure changes in job security for an employee while the last is a subjective self assessment of how secure an employee feels within their job.

The first of these measures is casual employment which is an employment category applied to workers not entitled to paid holiday or sick leave who have no expectation of secure, that is ongoing or permanent employment (Australian Bureau of Statistics, 1998d). As of 2000 the number of workers in Australia within this category of employment was increasing (Stimson, 2001). The second concept of job security relates to part-time employment which applies to those workers who are employed for less than 35 hours per week. Within Australia it is recognised that a number of workers in this form of employment would prefer full time employment if it were available (Van den Heuvel & Wooden, 2000) and that many feel much less secure in their jobs than full time workers (Kelly et al, 1998). The next aspect of job security relates to job mobility; that is how often employees change their job within a certain time period, usually within 12 months. It is recognised that within Australia there has been a trend has continued over the last thirty years for employees to change jobs more regularly with some 22.8 per cent of employees in 2004 with their current employer or business for less than one year (Australian Bureau of Statistics, 2005a). The most job mobile group are those employees between the ages of 20 to 24 years (Australian Bureau of Statistics, 2005a). Finally the last measure of job security used in this study recognises that increasing levels of casual and part time employment and greater job mobility can impact on the perception of greater job security held by individual employees. Kelly, Evans and Dawkins (1998) suggest that the rapid decline in job security during the 1990s as measured in terms of greater casual employment and job mobility has increased the fears people hold for their continued employment, despite official figures to the contrary.

Each of these measures is considered to be important in conceptualising the notion of job security within a household and as such to have important implications in the decision to purchase a first home. Each measure has been incorporated into the research design by

means of a questionnaire which seeks to determine for individual households, their employment status, level of job mobility and perception of future job security with the short and longer term. The analysis of results, which seeks to identify the impact of job security on the decision to buy a first home, is also framed within the context of these employment items.

The decision to purchase a home

There is a long standing theoretical body of knowledge, upon which this study is based, which has sought to model the decision to purchase a home in terms of reasons for the move. This includes work on voluntary and involuntary moves (Cebula, 1980; Clark, Deurloo, & Dieleman, 1994; Clark, Huff, & Burt, 1979; Doling, 1976; Gustavus & Brown, 1977; Kendig, 1990; Lewis, 1982; Megbolugbe & Linneman, 1993; Short, 1978). It also includes work linking the home purchase decision to the concept of the family life cycle (Clark, 1976; Leslie & Richardson, 1961; Rossi, 1955; Thorns, 1980), to life course models (Baum & Wulff, 2003; Clark & Huang, 2003; Mulder & Wagner, 1998) and to the notion of a housing career (Kendig, 1984; Michelson, 1977; Murie, Dieleman, & Hooimeijer, 1991). These concepts are discussed in the following section.

Reasons for the move

In terms of identifying reasons for housing moves many studies have sought to distinguish the voluntary and involuntary nature of moves (Cebula, 1980; Lewis, 1982), or to identify the pros and cons, benefits or costs, such as a better location but at higher rent, of moving at a particular time (Clark et al., 1994; Clark et al., 1979; Mulder & Wagner, 1998). Megbolughe and Lineman (1993) suggest that the decision to move into home ownership is influenced most by preferences, resources and the relative costs of owning versus renting. While some of this literature does not specifically apply to first home buyers it is important to catalogue the factors that encompass the decision to move either within a tenure or across tenures in order to understand the broader context within which job security impacts on home ownership.

Other early studies conceptualized the decision to move in terms of identified trade offs or push and pull factors (Gustavus & Brown, 1977). Push factors are those factors which make the existing tenure, for instance private rental, no longer favourable. This factor may

be, for example, a shortfall in supply with rising rents a result. A pull factor is one which makes an alternative tenure, for instance home ownership, more attractive. This factor might be an improvement in housing affordability or a government subsidy, such as a new housing tax exemption.

The purchase decision has been studied in terms of family reasons for moving by Doling (1976), Short (1978), Murie et al (1991) and for family and economic reasons by Kendig (1984). In more recent studies by Merlo and Macdonald (2002) and Baxter and McDonald (2004), family factors such as marriage and children are hypothesised again as important factors in the decision to move.

The family life cycle and life course

The decision to move from a dwelling has been modelled within the concept of the family life cycle. Rossi (1955) first typified residential mobility as one in which position in the family life cycle, from single to marriage to children and beyond, was represented by particular choices in terms of tenure and dwelling type. Rossi (1955) proposed that adjustments in terms of dwelling choice were the result of changes in family composition and linked to position within the family life cycle in terms of stages described as 'pre child', 'child bearing', 'child rearing', 'child launching', 'post child' and 'later life'

Other early studies (Leslie & Richardson, 1961) suggested career moves were more significant predictors of residential mobility than changes in family circumstances. Clark (1976) argued that all shifts in occupation were essentially economic decisions. The inference is that the decision to move may not be influenced only by changes within the family composition. There may be other reasons outside the home for electing to move house such as a new job or relocation in an existing job.

This approach has been termed the 'life course' approach as it recognises the number and complexity of roles that people adopt in their life time, as well as the contextual factors which have an impact on their housing career, that is their take up of various housing tenures over time. This approach may be preferred over the more traditional family life cycle model as proposed by Rossi (1955). In their review of the literature linking home ownership aspirations to the concept of life course Baum and Wulff (2003) confirm that the approach is increasing in popularity, for example Clark, Deurloo and Dieleman (1997)

and Mudd et al (1999), as it does not restrict tenure change to stages in family formation but recognises also that economic and employment imperatives can be very important. Clark et al (2003) suggest that the life course approach has emerged as an excellent way to conceptualise and organise the sometimes complex changes that occur in households as they go through the ageing process:

We know that individuals and households do not get married, have children or change jobs in a lock step fashion with age. Rather the life course emphasises the timing and different sequencing of different states in the job, household and housing careers. (Clark & Huang, 2003 p.143)

Mulder and Wagner (1998) agree that an important step in conceptualizing the purchase decision is to link the economic perspective of income, accumulation of wealth, and job security with life course changes such as marriage and children. Within this context job security can be an important economic feature of the decision to purchase a first home.

The housing career

The concept of the housing career was first proposed in the work of Kendig (1984; 1990) who referred back to studies by Michelson (1977) on the links between mobility and housing careers. The housing career is the sequence of housing states defined in terms of tenure, from rental to purchaser to outright owner, and the quality and price of the dwellings that households occupy while they make parallel careers in family status and the job market (Clark & Huang, 2003).

Housing careers, that is occupation moves over time, have been conceptualized also as a housing ladder (Murie et al., 1991; Rossi, 1955) in which 'moves to higher rungs represent an improving housing situation with the ultimate goal being outright ownership' (Baum & Wulff, 2003 p.6). Flatau, Hendershott, Watson and Wood (2004) describe a housing career as the sequence of housing stages that an individual moves through over their lifetime. These housing stages may in turn be linked to family life cycle stages from pre-child to family with children through to the post-child stage as suggested by Rossi (1955), Leslie and Richardson (1961) and Clark (1976), or to changes in the life course as suggested by Mulder and Wagner (1998) and Clark and Huang (2003).

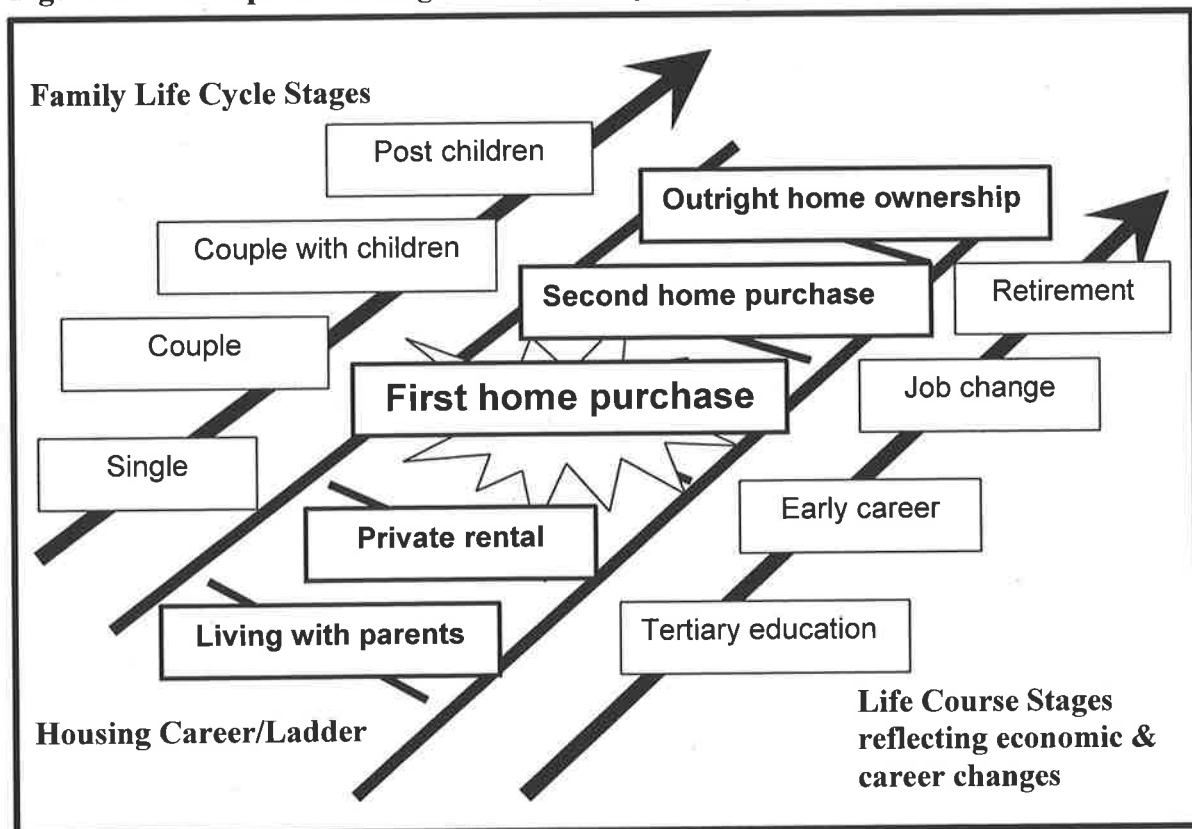
Clark and Huang (2003) have suggested that:

The life course paradigm emphasizes that changes in one dimension of the household-ageing process are necessarily linked to changes in other dimensions ...Thus changes in household composition are closely linked to changes in occupational careers, and these in turn are translated into changes in housing tenure and housing consumption, so forming the 'housing career'.

(Clark & Huang, 2003 p.143)

This describes the conceptual framework used within this study, that is to link a particular point within a housing career, the move out of the rental tenure into home ownership, with a life course juncture, generally that of early career, a stage at which the role of secure employment may be critical as a means of supporting the pathway to first home purchase. This study, of the impact of job career, in terms of job security, on the housing career, extends the application of the life course concept.

Figure 1-1 Concept of Housing Career, Family Life Cycle and Life Course Stages



Source: author's drawing, adapted from Baum & Wulff (2001)

1.3.3 Measuring impacts on the purchase decision

The means by which any hypothesized links between job career in terms of job security and the decision to purchase a home has been measured or operationalised within this study has been through a questionnaire. The survey was conducted as a cross sectional study across three metropolitan locations. This method of determining the attitudes and feelings of purchasers is well established. Baum and Wulff (2003) have conducted a major historical review of the survey methodologies adopted to track housing aspirations and attitudes and conclude, based on the work of Myers (1999), that a series of repeated cross sectional surveys is important in analyzing cohort change. In other words is important not to infer temporal change from different responses across age groups within the one survey. Within the resource constraints of this study only one cross sectional survey has been attempted and, while it does report on different aged cohorts, there is no inference made of change over time in the purchase decision.

Baxter and McDonald (2004) stress the need in housing surveys to determine the timing of first home purchase and the need for clarity on first home ownership in census questions with regard to which member of a household is the actual owner of a dwelling and whether they, or their partners, have owned a dwelling previously. In this study respondents to the questionnaire clearly indicate whether they, or their partners, have owned, or partly owned, a dwelling before so as to ensure that the target group is accurately represented by the survey. Baxter and McDonald (2004) also emphasize that studies of home purchase should ideally be linked to important life cycle events such as obtaining a job, getting married or having a child rather than basing such analysis on what they term 'the comparative static approach', for instance comparing the same census items across different time periods. The questionnaire used in this study explicitly seeks reasons, family, housing, or job related, to explain the timing of the purchase decision within the framework of job security.

Baum and Wulff (2003) identify a problem in their review to be one of incompatible measurements across surveys. Baxter and McDonald (2004) review two surveys, the 1999 ABS Australian Housing Survey (Australian Bureau of Statistics, 1999b) and the 1997 and 2000 waves of the Negotiating the Life Course Surveys and suggest that these surveys are successful in terms of demonstrating home ownership trends across time for successive

Australian cohorts. This study attempts to introduce some compatibility by using results from the 1998 ABS Housing Occupancy and Costs Survey (Australian Bureau of Statistics, 1998a) and the 1999 ABS Australian Housing Survey (Australian Bureau of Statistics, 1999b) to test the validity of the sample in terms of key characteristics such as age, household type and source of income.

The survey was conducted as a multiple cross sectional study of three state capitals selected as case studies in order to represent the different housing and employment conditions which are hypothesized to impact on first home purchaser behaviour. The rationale for the selection of the case studies is discussed in the next chapter and a review of each city in terms of population, household structure, labour and housing markets is provided.

Chapter 2 Introduction to the case studies

This study seeks to make a contribution to the understanding of the relationship between housing and labour markets by reporting on the impact of decreasing job security on the purchase behaviour of first home buyers in Australia. This necessitates the gathering of information from a representative sample of first home buyers by means of a housing survey. Baum and Wulff (2003) suggest that such a sample should represent geographic difference. They stress the importance of difference in housing survey findings according to geographic location. This, they suggest, 'could be a particularly useful avenue for research in Australia where house prices vary considerably by capital city and marked difference in house price growth have been observed' (Baum & Wulff, 2003 p.20). Pitkin (1990) also argues for geographic cohorts in terms of surveys of purchasers. Clark et al (2003) suggest that regional differences in house price need to be taken into account when examining housing careers as they can have a strong influence on the timing of the purchase decision. Clarke et al (2003) hypothesize that there will be large differences in the housing career patterns of households in different housing markets. This is supported by O'Connor and Healey (2002) who suggest that differences in the function and economic activity between cities may be reflected in patterns of suburban labour and housing markets. Their study found 'strong and stable geographic links between housing markets and labour markets' (O'Connor & Healey, 2002 p.vi).

In order to be representative of difference in housing and labour markets, three state capitals have been selected as case studies for this study. These are Adelaide, South Australia (SA), Perth, Western Australia (WA), and Sydney, New South Wales (NSW). These three metropolitan areas show difference in terms of their demographic makeup, housing markets and employment base, factors which are important to understand within the context of job security and the decision to purchase a first home.

In the following section each case study is briefly introduced in terms of its household structure, housing costs and labour market trends, as a means of introducing the geographical context of the study. A more detailed analysis of labour and housing market trends within these state capitals is provided in later chapters. The selection of these particular case studies also allowed for a more efficient surveying procedure as the mailing

lists used in the postal survey were most easily achieved through the state valuation offices operating within these cities. Each state in Australia has its own system of collecting the residential sales data that was used to draw up the sampling frame for the study. As such, the centralized system used by government in Adelaide and Perth, and by a commercial operator in Sydney, made the sampling process faster and more cost effective.

2.1 Case studies

Adelaide, South Australia

Population

The first of the three cities selected for the survey of first home buyers was Adelaide, SA. In 2001 this was the smallest of the state capitals with 430,239 households and was typified by an ageing population which, as a consequence, was growing relatively slowly (Randolph, 2004) (Table 2.1). Between the years 1981 and 2001 Adelaide grew by 13.4 per cent compared to the national average of 20.6 per cent. Adelaide's population of under 15 years dropped from 20.1 per cent in 1991 to 18.8 per cent in 2001, while the per cent of those over 64 years grew from 13 per cent in 1991 to 14.5 per cent in 2001 (Australian Bureau of Statistics, 2001c) (Table 2.1). As of 2001, the median age of Adelaide's population was 37 years which exceeded the national average of 35 years (Australian Bureau of Statistics, 2001c) (Table 2.1).

Household Structure

In terms of household structure Adelaide has gone against a national trend in losing households containing couples with children. Between 1991 and 2001 these were down from 55.9 per cent of households to 48.8 per cent (Australian Bureau of Statistics, 2001c) (Table 2.2). On the other hand, between 1991 and 2001, Adelaide experienced growth in 'couples only' which is associated with an ageing population and quite significant growth in the per cent of 'lone persons' which, at 12.3 per cent, in 2001, was above the national average of 10 per cent. In 2001 Adelaide's median household size was 2.4, a figure significantly lower than the national average of 2.6, and reflected a growing number of lone person households (Australian Bureau of Statistics, 2001c) (Table 2.2).

Table 2.1 Population Statistics Capital Cities (% of persons)

	Adelaide	Perth	Sydney	Australia
Number of households 2001	430,239	511,199	1,438,394	7,297,057
% Population growth 1981-2001	13.4	26.7	17.9	20.6
% Population under 15 years 1991	20.1	22.5	21	22.3
% Population under 15 years 2001	18.8	20.5	22.6	20.6
<i>Percentage point change 1991-2001</i>	-1.3	-2	1.6	-1.7
% Population over 64 years 1991	13	10.2	11.3	11.3
% Population over 64 years 2001	14.5	11.2	13.3	12.5
<i>Percentage point change 1991-2001</i>	1.5	1	2	1.2
Median age 2001	37	34	34	35
Index of ageing 2001	77.54	54.56	58.73	60.6

Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Table 2.2 Household Statistics Capital Cities 1991, 2001 (% of persons)

	Adelaide	Perth	Sydney	Australia
Couple family with children 1991	55.9	59	58.9	59.2
Couple family with children 2001	48.8	52.4	54.7	52.2
<i>Percentage point change 1991-2001</i>	-7.1	-6.6	-4.2	-7
Couple family without children 1991	19.1	17	15.9	17.2
Couple family without children 2001	21.2	19.5	17.3	19.8
<i>Percentage point change 1991-2001</i>	2.1	2.5	1.4	2.6
One parent family 1991	10	9.8	9.4	9.3
One parent family 2001	12	11.3	10.6	11.2
<i>Percentage point change 1991-2001</i>	2	1.5	1.2	1.9
Lone person household 1991	9.2	7.9	7.7	7.8
Lone person household 2001	12.3	10.4	8.9	10
<i>% Change 1991-2001</i>	3.1	2.5	1.2	2.2
Median household size	2.4	2.6	2.7	2.6

Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Table 2.3 Labour Market Statistics 2001 Capital Cities (% of persons)

	Adelaide	Perth	Sydney	Australia
% Employment in service sector	71.4	72.7	74.6	73.6
% Employment in manufacturing sector	14.4	9.6	11.3	12.5
% Employment part-time	28.4	27.6	24.1	26.0
% Employment casual	30.8	25.1	24.8	26.4
% Employment lowest skilled	22.9	19.3	17.7	19.9
% Workforce participation rate	60.3	66.4	62.3	63.2

Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Table 2.4 Housing Market Statistics Capital Cities

	Adelaide	Perth	Sydney	Australia
HIA Housing Index 1999	170	170	100	130
HIA Housing Index 2004	110	120	60	120
% Dwellings owned outright 2001	38.6	35.8	39	39.7
% Dwellings being purchased 2001	29.6	33.4	22.8	25.7
% Dwellings rented 2001	25.5	23.6	28.9	26.2

Source: HIA-Commonwealth Housing Report 1st Quarter 2005; Source ABS 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Labour Market

South Australia's economy has a long standing manufacturing base with some 14.4 per cent of jobs in the manufacturing sector, as of 2001, compared to a national average of 12.5 per cent (Australian Bureau of Statistics, 2003d) (Table 2.3). On the other hand it has fewer jobs in the service sector, some 71.4 per cent compared to the national average of 73.6 per cent. In 2001, there were more part time employees in SA (28.4 per cent) than nationally (26 per cent) as well as significantly more casual workers (30.8 per cent) compared to a national average of 26.4 per cent (Australian Bureau of Statistics, 2003d) (Table 2.3). South Australia also has a high per cent of the lowest skilled employees (22.9 per cent in 2001) compared to a national average of 19.9 per cent. Its labour force participation rate is lower, at 60.3 per cent in 2001, lower than the national average of 63.2 (Australian Bureau of Statistics, 2003d) while the median age of its male labour force, at 38 years, is just above the average of 37.7 (Table 2.3).

Housing Market

Adelaide typically has been an affordable city in which to buy a home. The Housing Industry Association (HIA) housing affordability index (Housing Industry Association, Commonwealth Bank, 2000) for the city was 170 in 1999 compared to a national average of 130 (Table 2.4). The higher this index the more affordable the housing market. By 2004 Adelaide had become relatively more expensive with an index of 110 compared to a national average of 120. As of 2001 Adelaide had slightly fewer dwellings owned outright (38.6 per cent) compared to the national average (39.7 per cent) (Australian Bureau of Statistics, 2001c) while dwellings being purchased were 29.6 per cent, well above the national average of 25.7 per cent (Table 2.4). The per cent of dwellings in the rental market was 25.5 below the national average of 26.2 per cent (Australian Bureau of Statistics, 2001c) (Table 2.4).

Perth, Western Australia

Population

In contrast to Adelaide, Perth with some 511,199 households in 2001 has shown quite spectacular population growth (Randolph, 2004) (Table 2.1). The city grew by 26.7 per cent between 1981 and 2001, well ahead of the national average of 20.6 per cent and it retains a relatively young population. As of 2001, Perth's median age was 34 years, which was below the national average of 35 years (Australian Bureau of Statistics, 2001c) (Table 2.1). In terms of its age profile Perth tends to match the national average. In 2001 some 20.5 per cent of its population were under 15 years, compared to a national average of 20.6, while 11.2 per cent of its population were over 65 years, lower than the national average of 12.5 per cent. In line with national trends the number of 15 year olds in Perth showed decline from 22.5 per cent in 1991 to 20.5 per cent in 2001, while the number of 65 year olds had increased over the same years from 10.2 per cent to 11.2 per cent (Australian Bureau of Statistics, 2001c) (Table 2.1). Of the three cities Perth, at 54.56 showed the lowest index of ageing compared to the national average of 60.6 (Table 2.1).

Household Structure

In terms of household structure, Perth in 2001, also lies very close to the national average with some 52.4 per cent of households couples with children, and 19.5 per cent, couples only (Australian Bureau of Statistics, 2001c) (Table 2.2). Nationally in 2001, some 52.2 per cent of households were 'couples with children' and 19.8 per cent were 'couples only'. Between 1991 and 2001 Perth was similar to Adelaide in that it showed an increase in lone person households, though the figure (10.4 per cent), as of 2001, is much closer to the national average (10.0 per cent) than for Adelaide (12.3 per cent) (Australian Bureau of Statistics, 2001c).

Labour Market

As of 2001, WA had a high state labour participation rate of 66.4 per cent, well above the national average of 63.2 per cent (Australian Bureau of Statistics, 2003d) (Table 2.3). In terms of job security it has a relatively high number of part time workers, 27.6 per cent

which is above the national average of 26 per cent, but fewer casual employees which, as of 2001, was, at 25.1 per cent, lower than the national average of 26.4 per cent (Australian Bureau of Statistics, 2003d) (Table 2.3).

Housing Market

In terms of housing affordability Perth has been relatively cheap with the HIA affordability index at 170 in 1999 (Housing Industry Association. Commonwealth Bank, 2000). In 2004 the index was still relatively good at a level of 120, just on the national average (Table 2.4). This affordability has been reflected in the large increase in the number of dwellings being purchased in Perth as of 2001, 33.5 per cent of dwellings, well above the national average of 25.7 per cent (Australian Bureau of Statistics, 2001c) (Table 2.4). At the same time Perth has shown a significant drop in the per cent of homes owned outright, down to 35.8 per cent, which is substantially below the national average of 39.7 per cent. With more people buying homes Perth's rental sector has shown a significant drop as well, with rental dwellings down from 26 per cent of the housing stock in 1991, to 23.6 per cent in 2001, well below the national figure of 26.2 percent (Australian Bureau of Statistics, 2001c) (Table 2.4).

Sydney, New South Wales

Population

Sydney, the largest of three capital cities with 1,438,394 households in 2001 grew modestly by 17.9 per cent between 1981 and 2001 (Randolph, 2004) (Table 2.1). This was below the national average of 20.6 per cent. Of the three cities Sydney alone shows an increase in the number of persons under 15 years, from 21 per cent in 1991 to 22.6 per cent in 2001, which goes against the national trend (Australian Bureau of Statistics, 2001c) (Table 2.1). However Sydney also matches the national trend of an overall increase in the number of person over 65 years in its population, from 11.3 per cent in 1991 to 13.3 per cent in 2001, (Australian Bureau of Statistics, 2001c) (Table 2.1).

Household Structure

In terms of household makeup Sydney, along with Adelaide and Perth, has shown a decrease in the number of persons who are couples with children between 1991 (58.9 per cent) and 2001 (54.7 per cent) (Table 2.2). Though as of 2001, the 54.7 per cent of households in Sydney who were families with children exceeded the national average of 52.2 per cent (Australian Bureau of Statistics, 2001c) (Table 2.2). On the other hand Sydney is a child orientated city with a lower per cent of couples only, one parent families or lone person households than the national average (Table 2.2). Its median household size of 2.7, which exceeds the national average of 2.6, reflects the lower number of lone person households (Australian Bureau of Statistics, 2001c) (Table 2.2).

Labour Market

In NSW the skill base is high with some 74.6 per cent of employees in 2001 in the service sector, above the national average of 73.6 per cent (Australian Bureau of Statistics, 2001c) (Table 2.3). At the same time job security is higher with 24.1 per cent of workers part-time, a figure which is below the national average (26 per cent) as is Sydney's per cent of casual employees (24.8 per cent), compared to the national figure of 26.4 per cent (Australian Bureau of Statistics, 2001c) (Table 2.3).

Housing Market

Of the three cities, Sydney as of 1999 had the least affordable housing market. In 1999 its HIA affordability index was 100, well below the national average of 130 (Housing Industry Association. Commonwealth Bank, 2000) (Table 2.4). By 2004, it had become even less affordable with an index of just 60 compared to a national average of 120 (Housing Industry Association. Commonwealth Bank, 2004) (Table 2.4). Of the three cities Sydney has traditionally had the highest levels of overseas migration attracted by its high employment growth (Cornish, 2005), including permanent and temporary residents with the right to work (Hugo, 2004). In 2001, 33 per cent of Sydney's population was born overseas (Australian Bureau of Statistics, 2004b). Australian house prices have a close relationship with overseas migration, with a rise in house price typically lagging an increase in migration by some 18 months (Cornish, 2005). As such, Sydney house prices

have been driven higher by strong levels of overseas migration, resulting in even lower levels of affordability. This lack of affordability is reflected in Sydney's changing tenure pattern with a decrease in dwellings being purchased, down from 31.7 in 1991 to 28.6 in 2001, which goes against the national trend of a marginal increase (Australian Bureau of Statistics, 2001c). As of 2001 the number of dwellings that are owned outright in Sydney was 39 per cent, close to the national average of 39.7 per cent (Table 2.4). Its rental sector, at 28.9 per cent of dwellings was substantially higher the national average of 26.2 per cent (Australian Bureau of Statistics, 2001c) (Table 2.4).

2.2 Summary of the case studies

In summary, Adelaide represents an older, more singles orientated housing market in which homes are affordable but job security is low. Perth matches the national average in terms of household and age structure, and in terms of job security, but it has experienced substantial population increase and, in an affordable housing market, strong purchaser growth with an increase in the rate of home ownership overall. In both Adelaide and Perth the per cent of lone households and single parent families is above the national average which means that many households are buying on one wage. Sydney shows a more modest population increase but its growing, younger population goes against the national trend. It retains a higher than average number of households who are couples with children, which offers the potential for buying on more than one salary. As well, jobs in Sydney are more secure and better paid but housing affordability is poor. This is reflected in a drop in the number of purchasers in the market between 1991 and 2001 and, as measured by dwellings, an overall drop in home ownership rates (Australian Bureau of Statistics, 2001c).

2.3 Outline of the thesis

This chapter has introduced the case studies upon which the study of first home buyers is based. The next chapter reviews some of the research literature, both in Australia and overseas, that has linked labour and housing markets, reported on falling home ownership levels against a background of greater job insecurity, and investigated changing attitudes to risk and investment, including home ownership. A rationale for the research based on the

literature review is then offered. The review is then followed by a chapter which provides background on labour market change in Australia and a discussion of labour markets in each of the states of SA, WA and NSW. A discussion of housing costs and affordability in Australia is then presented, before the methodology of the first home owner survey is introduced. Next, the results of the survey are presented followed by a summary of the main findings. Finally, the findings are discussed within the context of the research questions.

Chapter 3 Review of the literature linking labour and housing markets

This chapter provides an exploratory review of some of the existing research on labour and housing markets with a view to understanding the implications of job security for first home buyers in terms of their purchase decision. It discusses the links between labour and housing markets within Australia and other Western economies such as the United Kingdom (UK), including the impact of labour market mobility on demand for housing, the relationship between housing and economic growth, how labour and housing markets are linked through social structures and life course patterns, the concept of labour and housing risk, propensities to purchase in light of increasing job mobility and finally policy items which have both housing and labour market outcomes. It finishes by identifying some of the questions that still remain when considering the impact of job security on first home buyers.

3.1 Concepts of labour and housing markets

The literature linking labour and housing markets is limited but growing. Some writers have sought to demonstrate the association qualitatively through sociological analysis such as Allen and Hamnett (1991), Paris (1993), Winter and Stone (1998), Malone (1996), Badcock and Beer (2000), or quantitatively through models which attempt to identify points of equilibrium between the two markets (Blanchflower & Oswald, 1989; Bover, Muellbauer, & Murphy, 1989; Meen, 1996; Meen & Andrew, 1998). In both approaches housing market outcomes are recognised as the consequence of interacting variables and relationships between people, dwellings and organizations. Housing is seen within a framework which recognises that housing provision, tenures and prices are part of a wider process of social and economic change (Paris, 1993). Econometric studies have shown that historically housing prices have an important role in wage formation and hence employment levels (Blanchflower & Oswald, 1989; Bover et al., 1989).

3.2 Labour market mobility and the housing market

An important theme in the literature is how labour market developments have affected different sectors of the housing market with labour market experience predicting housing tenure (Wadsworth, 1998). Research carried out along neoclassical lines has identified that home ownership may have important effects on the labour market in terms of restricting labour mobility (Hughes 1986) thus raising unemployment (Minford, Peel, & Ashton, 1987). Home owners who have difficulty selling their homes are constrained in their ability to take up new job opportunities in other locations. This may result in homeowners losing out on employment opportunities thus increasing unemployment. The situation is particularly difficult in those areas which are already experiencing high unemployment as in this locations there are likely to be fewer potential home buyers (Minford et al., 1987).

Oswald (1996) reported in a major quantitative study, that for the US there appeared to be a positive relationship between unemployment and home ownership, in that home ownership significantly reduced job mobility. Green and Hendershott (1999; 2001) have gone on to test Oswald's thesis that home ownership constrains labour mobility and thus leads to high unemployment. They confirm Oswald's findings for the 35 to 64 age groups in the US (Green & Hendershott, 2001). Two reasons are suggested as to why home ownership in the US could be so directly linked to unemployment. First people who lose their jobs are more likely to live in regions experiencing recession; recession that can drive down the prices of houses. This in turn can make a house a hugely illiquid asset and increases the level of difficulty faced by a household in achieving new employment elsewhere. Another explanation is that recession is often aligned with high interest rates that again lock people into staying where they are.

The Oswald hypotheses on job mobility (Oswald, 1996, 1999) has become a popular theme linking housing and labour markets. Coulson and Fisher (2002) also have tested this hypothesis of inferior labour market outcomes for US home owners but at the individual level. Their findings however, do not support the Oswald thesis that home ownership is damaging to individual labour market outcomes. They report, that at the disaggregated level, no relationship between ownership and unemployment can be found and that home owners enjoy better labour market outcomes than renters under every set of conditions

tested. They suggest that home owners have lower unemployment probabilities, shorter periods of unemployment and higher wages.

More recently a major study by Flatau et al (2004) also suggests that within the context of the Australian housing market, there is no evidence to support the Oswald hypothesis that home owners have worse employment outcomes than private renters because of the constraints imposed by job immobility. In fact they find the opposite, that higher levels of ownership are associated with lower unemployment outcomes. In particular male home owners with mortgages have significantly faster exits from unemployment than private renters (Flatau et al, 2004).

Maclennan and Price (1996) and Maclennan, Meen, Gibb and Stephens (1997) believe that the volatility of the labour market, in terms of decreased security, should force a rethink of the merits of home ownership. They question whether pushing for higher rates of owner occupancy is meaningful given the long term labour market trends towards short-term and less secure employment contracts. Instead the need for increasing mobility and flexibility should allow for a large and efficient private rental sector. They argue that a housing market which facilitates employment needs, through offering realistic tenure options, will create opportunities for economic growth and thus for employment growth. Based on work in the UK and Europe, they stress that while economic change shapes the housing system, there are links back from housing to the economy (Maclennan & Price, 1996). A housing system, Maclennan and Price (1996) suggest, which facilitates labour mobility, will more easily meet regional and metropolitan labour shortages and improve productivity.

Malone (1996) also suggests that the need for greater job mobility may be resulting in an increasing tendency for households to live in the rental market. He writes that those moving out of home ownership could indicate a more permanent change associated with the need for greater mobility in a dynamic and more flexible labour market.

In Australia, Yates (2002) has also reviewed the literature reporting on housing markets, regional differences and the impact on employment opportunities which she recognizes has been an important theme in US (Di Pasquale & Wheaton, 1994) and UK literature (Meen, 2001; Meen & Andrew, 1998).

Meen and Andrew (1998) suggest that differences in house prices in the UK can cause segmentation in labour markets in that labour mobility is constrained by the large differences in relative dwelling prices between regions. Henley (1998) agrees that home ownership can be perceived as an impediment to labour market adjustment while Chan (1996; 2001) writes of the 'lock in effect' of house purchase.

3.3 Labour markets and demand for housing

Meen (1996; 1998; 2001) has shown that labour markets can have profound outcomes for housing demand. He suggests:

For the majority of families, the largest source of income and contribution to savings is derived from earnings and therefore the structure of the labour market, and shocks to it, are expected to have profound implications for household behaviour in the goods, credit and housing markets. (Meen, 1998 p.396)

Meen and Andrew (1998) discuss the influence of structural changes in labour markets on housing demand and demonstrate that the income elasticities of aggregate housing demand are lower as a result of changes in the labour market. In other words, rising incomes are not being reflected in proportionally higher levels of housing demand as labour market restructuring is creating uncertainty and acting as a shock mechanism to discourage demand.

Yong (1999) implies that in the long run real housing prices in Australia are determined in part by real weekly earning per employee, with an elasticity of 2.32, and by the national unemployment rate, with an elasticity of -2.82. That is, housing demand in Australia and hence price, is particularly responsive to labour market items such as weekly earnings and unemployment levels. Yong (1999) demonstrates that in the short run Australian house price fluctuations are determined by changes in unemployment rates, nominal mortgage rates and housing starts.

O'Connor and Healey (2002) suggest that there are strong and stable geographic links between housing and labour markets and write of a new geography of employment. They propose that inner city medium density housing development and so called suburban 'sprawl', reflects not just change in demographics, such as change in household size, but

also in employment opportunities and spatial disparities as does so called suburban 'sprawl'. They stress the importance of links between jobs and housing, and that in terms of policy, the number, type and location of jobs needs to be taken into account in any decision associated with new housing development.

3.4 Housing market links to economic growth

Green (1994) has examined the effects of different kinds of investment on the business cycle in the US and has concluded that residential investment creates GDP growth. He believes that policies designed to funnel capital away from housing may produce severe economic dislocations.

Maclennan et al (1997), in a major study provide an analysis of the housing market which suggests that sustainable home ownership must be understood in the light of sustained economic growth. Their analysis is in terms of housing supply and demand and they suggest that the response of long term supply to price signals is an important mechanism in understanding housing need, rather than demographically based projections of owner occupation. As supply is likely to be less than demand they suggest the emphasis in terms of modelling and research effort should be on that side of the housing market which is short, that is the supply side. Maclennan et al (1997) propose that an important constraint on home ownership is economic long term growth. If owner occupation is to increase in the UK then the economy must continue to grow, other things being equal. They stress that economic performance on the supply side, and sustainable home ownership, is an appropriate theme for future housing policy. Home ownership cannot be increased by the provisions of subsidies which are only capitalized into house prices. They suggest that an increasingly flexible labour market, with decreasing job security, is a major economic factor impacting on future levels of home ownership. Maclennan et al (1997) also suggest that neoclassical discussion of the housing market alone may fail to recognize many of the imperfections and rigidities of the housing market, in which consumption is constrained by capital markets and finance, and where provision is often out of step with demand.

Doogan (1996) suggests that while most studies have emphasized the impact of the housing market on labour markets, there have been few systematic attempts to establish the interrelationships between labour and housing markets. He picks up on criticisms of the

neoclassical approach in which he suggests 'remarkable little effort is expended in ascertaining cause and effect in the mathematical relationships' (Doogan, 1996 p.202).

Flatau et al (2004) also propose an integrated model of the housing market within the life course framework that 'goes beyond the confines of just the housing market and takes into account interactions between the housing and labour markets' (Flatau et al, 2004 p.10) They suggest there are important dependencies between the housing market and the labour market and vice versa.

In contrast to much of the literature which routinely links the two markets, Randolph (1991) points out the complexity and variation in the housing-labour market relationship. He stresses that the two markets are relatively autonomous and may also be relatively non-synchronous in the sense that change in one may result in little necessary change in the other. The housing market, he suggests, is the more stable of the two exerting a frictional drag on labour market change which, in line with the Oswald hypothesis, may hinder labour market flexibility by reducing the propensity or ability of workers to actively seek job relocation. However, in summary, Randolph (1991) does describe labour markets and housing markets as existing in a reciprocal relationship in that labour markets exert demand for housing and housing represents an important factor in the supply of labour (Randolph, 1991).

Hamnett (1991) also questions some of the underlying assumptions upon which discussion of the relationship between the two markets is based. He suggests that most of the evidence on the links between housing and labour markets has been based, over time, on the assumption of individuals in full time paid employment with their choice of home and work limited to spatially defined labour and housing market areas. Hamnett (1991) writes that, because houses are immobile and employment is increasingly mobile, there is a growing problem of differential adjustment between the size and structure of the labour market and its housing needs.

3.5 Social structure, labour and housing markets

Badcock (1984; 1995) argues that as housing is a commodity many aspects of housing provision can best be explained in terms of how markets actually work in practice. The

provision of housing within a society may be considered either in terms of a system (Paris, 1993) or as a market (Randolph, 1991) with the identification of submarkets distinguished by tenure and purchaser characteristics. The concept of a housing system is essentially descriptive but seeks to use empirical study to provide a focus on links within housing.

In Australia the housing market has been analysed in terms of social structures by Winter and Stone (1998) who review socio-tenurial polarization and come to the conclusion that the housing market is a means of ameliorating inequalities arising from the labour market. 'Our empirical findings lead us to conclude that the housing market appears to be acting to ameliorate, rather than exacerbate, those inequalities arising from the labour market' (Winter and Stone, 1998 p.17).

Marcuse (1991) and Watson (1991) explore the class and gender dimensions of the two markets. Marcuse (1991) concludes that the tenure divisions of the housing market are not commensurate with the class divisions of the labour market and that a narrow economic view of the linkage between work and housing would not be productive. Rather he suggests that 'research needs to look at the internal connections between changes in the processes of work and changes in the focus of housing, what they are, how they influence each other, how they can be influenced by public policy' (Marcuse, 1991 p.131).

Watson (1991) considers the role of gender in the shifting relationship between home and work and explores definitions of class from a feminist perspective. She discusses the increasing role of women in the part time and informal sectors of the labour market against a background of declining welfare provision and reduced public expenditure, which place further demands on women as carers within society (Watson, 1991). Flatau et al (2004) suggest that, while labour economists have studied changing male and female participation rates in the labour market, the housing outcomes of such changes have not been examined.

Badcock (1995) writes that 'workforce restructuring, growing long term unemployment and shrinking resources do have important implications for equity within cities, equity which is embedded in the separate markets for labour, housing and services' (Badcock 1995, p.50). Badcock also highlights the relationship between the two markets by recognizing that the impact of the changing division of labour on the household will be quite selective according to whether or not, and how many, members are actively

employed. He suggests this will continue to stratify household incomes in Australia and that a growing dichotomy is anticipated between those households with no wage earners and those with two and this dispersion of incomes will be translated into the housing market. Those households that have two wage earners are most likely to become home owners; those without a wage earner will find it increasingly difficult to find affordable accommodation in any tenure.

Forrest and Murie (1991) suggest that the links between housing and jobs are complex and advance the view that tenure divisions may not be the major divides within housing. They believe that the limited theoretical work conducted would indicate that the links are in both directions. Labour markets both affect, and are affected, by housing market conditions. They believe that the divergent opportunities of households within the same tenure are related primarily to labour market segregation. Forrest and Murie (1991) suggest that more than income differences, job security or status, it is the type of job that impacts most on housing opportunities.

3.6 Life course, labour and housing markets

An important link between housing markets and labour markets has come through the adoption of life course studies to explain the timing of tenure change. Moving on from the more traditional family life cycle approach, as proposed by Rossi (1955), the life course approach to tenure change and house purchase recognises important links between an individual or household housing career, that is move through different tenures over time, and other careers in employment (Kendig, 1990).

This linkage has become an important means of conceptualising the transition to owner occupation, identifying the steps both forward and back in terms of tenure and employment, and broadening the base in terms of understanding the factors, both demographic and job related, which impact on the transition (Clark & Huang, 2003).

Clark et al (2003) suggest that research on residential mobility and housing choice has:

Increasingly emphasized the analysis of longitudinal data sets and focused on how housing choices are intertwined with decisions about family status, job access and the whole set of decisions that are encapsulated by the notion of the life course. A

central question has revolved around just how the housing career is interconnected with other careers in the job market and the family. (Clark et al, 2003 p.143)

Smith (1989) argues also that the housing histories of individuals are strongly influenced by employment imperatives. However, she considers the picture to be a complex one and suggests there is no single one-dimensional relationship between income and access to properties of different price. In other words there is no single housing ladder.

Mulder and Wagner (1998) adopt a life course approach and itemize the benefits and cost of home ownership, both economic and social which impact on the transition to home ownership. Kendig (1984) has suggested that both life course stage and income are important for understanding tenure decisions, and has suggested that income and wealth have a greater impact on home ownership than the family life cycle. As such the traditional family life cycle approach as proposed by Rossi (1955) in which marriage and children are the primary reasons for changes in tenure, has been overtaken by the life course approach which takes account of both economic and demographic variables (Clark et al., 1994).

Mulder and Wagner (1998) extend the life course approach by incorporating conventional economic analysis into their discussion of housing careers. They are explicit in their analysis of the benefits and cost of home ownership, a theme which is typically implicit in housing career analysis (Baum & Wulff, 2003). Mulder and Wagner (1998) use a series of logistic regression equations to model the benefits and costs of home ownership under various life course scenarios and suggest that first time ownership in both West Germany and the Netherlands is occurring at increasingly younger age and, that levels of home ownership are rising.

Mulder and Wagner (1998) also suggest that a study of life course factors should be within the context of the housing market and housing policy at the time. In support of the family life cycle approach (Rossi, 1955), they find that home ownership in Germany is connected most to marriage and especially first and second child birth. Alternatively, in the Netherlands home ownership is pursued most strongly by childless couples and earlier in the life course. They suggest these differences can be explained by house prices at the time and by housing policy.

Baxter and McDonald (2004) also support the long tradition of family life cycle influences in terms of tenure choice (Thorns, 1980) in that they suggest the most significant factor associated with home ownership is marriage, meaning formal marriage. Merlo and McDonald (2002) have found also that, contrary to expectations, particular economic items such as duration in full time employment or casual employment, did not appear to affect home ownership aspirations or achievement. However, they suggest that the availability of more complete employment history data, which included partners, might show otherwise. Clarke et al (1994) also support the notion that it is the birth of the first child, that is the transition of a couple to a family, that is frequently associated with purchasing a first home.

3.7 Risk in labour and housing markets

Beck's (1986 (translated 1992)) conceptualization of increasing risk and uncertainty in society brought about by technological change and 'modernity' has become an important theme linking labour and housing markets.

Ford (1998) links the housing and labour markets using the concept of risk and seeks to identify the nature and extent of risk to home ownership resulting from the changes in the labour market during the 1990s. She identifies the increasingly flexible employment arrangements and mobility of the UK workforce and concludes that while home ownership remains the preferred tenure, attitudes to home ownership in the UK have become less positive over the same period. Ford suggests that household response to labour market risk includes a reluctance to take on housing risk in the form of increased debt or to start a family. Flexible employment results in a number of housing outcomes including payment difficulties, mortgage repossession and deterioration in housing conditions. Part-time and self employed home owners are at risk, while those who fall into unemployment are eight times as likely to fall behind in their mortgage payments (Ford, 1998).

Croft (2001) writes also in terms of risk and the housing market and identifies housing risk as arising from housing debt, negative equity and homelessness and that much of this is brought about by job insecurity.

In the same theme Forrest, Kennett and Leather (1997) describe home ownership as a game of chance in which the time of entry can be crucial. Forrest, Kennett and Leather (1999) in a later study, suggest that while unemployment and underemployment are important elements in housing vulnerability, it is job instability that predicts housing risk most consistently.

3.8 Labour markets and propensities to purchase

Dieleman and Everaers (1994) suggest that the first move from rented to owner occupied housing is a major event in the housing career of a household and is often linked to other important lifetime events. Mulder and Manting (1994) and Mulder and Wagner (1998) in their studies of first home ownership trends in West Germany and the Netherlands write that becoming a home-owner is a crucial step and 'that the effect of this step can hardly be over-stated on people's living situation, accumulation of wealth and disposable income' (Mulder & Wagner 1998, p.687). They suggest that home ownership continues to be a highly desirable good in western societies.

Baum and Wulff (2003) suggest that aspirations for home purchase in Australia for 25 to 34 year olds were relatively stable in the five year period between 1986 and 1991 reflecting a 'slower degree of social change' impacting on the cohort. However they believe that between 1991 and 1997 aspirations for home purchase may have dropped significantly for the same age group, possibly for economic reasons associated with job security. Flatau et al (2004) suggest that labour market effects are an important driver in the overall direction taken within individual housing careers.

Deurloo, Clark and Dieleman (1994) showed that a substantial increase in income can prompt the purchase of a first home. More recently, Clark et al (2003) identify a close relationship between job career and income, and income growth and the housing career. They also propose that regional differences in house price need to be taken into account as they hypothesize that these can have a strong influence on the timing of the purchase decision. In their findings they recognise that, across regions, housing careers are closely linked to family and job careers, even in very differently structured housing markets.

Dieleman and Everaers (1994) also suggest that buying a house is closely linked to marriage and the birth of children. This they believe indicates that the step to ownership is being taken only when the family status has reached certain stability. They propose that household income stability is also important for entry to home ownership and conclude that the propensity for purchase dropped markedly in the Netherlands between 1978 and 1982 when income prospects were uncertain. However they suggest also that, even when economic and housing market circumstances were unfavourable for buying a house, substantial numbers of households continue to purchase anyway. They also contest that when rents rise or when the purchasing power of renters rise, more people buy their first home. Thus they suggest economic circumstances, including interest rates, are very important in the decision.

In Australia however Yates (1999) identifies a declining propensity for home ownership over the past twenty years. She suggests that a drop in the willingness to commit to home ownership appears greatest for couples with children at the lower end of the income distribution, and for young couples at the higher end of the income distribution. Yates (1999) proposes that the decrease in home ownership propensities within Australia could reflect a greater risk aversion on the part of lower income households, households with family commitments and households with low equity, which are also likely to be younger households.

Badcock and Beer (2000) have forecast a continuation of this decline and suggest that the current national level of 66 per cent will be down to 50 per cent, and probably closer to 40 per cent, in Sydney, Melbourne and Brisbane within the next 30 years. According to Badcock and Beer (2000) labour market changes are having one of the most dramatic effects in that changes in employment characteristics have implications for people's housing options. Demands that the emerging work force be more flexible and mobile may reduce opportunities for, but also inclinations towards, long term housing commitments.

Maclennan et al (1997) also report on a slow down in home ownership within the UK. They conclude that the proportion of homes that are owner-occupied will have increased by just 0.3 per cent by the end of 1990s, well below the annual growth rate of 1.7 per cent achieved during the 1980s. This study, using surveys carried out among first and

established home buyers in Bristol and Glasgow, suggested this slow down in expansion in owner-occupation could be explained by reasons including greater job insecurity and a greater willingness to rent.

Maclennan et al (1997) argue that between 1992 and 1995 as many as a third of home owner households in the UK experienced significant disruption to their employment and or their incomes. These included one in nine households with persons on so called permanent contracts that had lost their jobs. As well it was considered significant that one in four owner households surveyed included at least one person who was self-employed or working to a non-standard contract. Maclennan et al (1997) concluded that increased flexibility and insecurity in the labour market offered the best explanation for changes in attitude among home buyers in the 1990s. Unlike the 1980s, when house price inflation in the UK created expectations of capital gains and so attracted many new buyers, decisions about ownership in the 1990s were driven by events relating to age, family and employment.

Percival (1998) reporting on behalf of the National Centre for Social and Economic Modelling (NATSEM) also demonstrates that for Australia the trend for younger age groups has been a decline in the rate of home purchasing. Between the years 1975 and 1997 the largest drop in percentage purchasing in Australia had been for those aged 30 to 34 years (about 18 per cent). The smallest decrease has been for those aged 35 to 44 years (about 12 per cent) over the same period. This provides some support for the argument that the purchase of a home, when compared with what was happening in earlier years, is now being delayed. However, the findings also show that, between 1975 and 1997, purchasing rates have declined across all age groups, suggesting that there is also a sizable group who are 'abandoning rather than just delaying purchasing' (Percival 1998, p.26). Percival (1998) indicates that the same trend is apparent for each tenure, that is, a decline in purchasing and an increase in private renters. Percival suggests that while changes in the age and family composition of households are responsible for some of the changes in tenure choices, other factors need to be considered such as income, housing costs and affordability.

Winter and Stone (1998) also provide evidence for the notion that in Australia the age of entry into home ownership for young people is increasing. They report that the percentage of homeowners who enter home ownership by the age of 26 has declined from 66 per cent for those who bought between 1956 and 1960, to 31 per cent for those who bought between 1990 and 1996. Thus the percentage of households entering home ownership below the age of 30 is decreasing. This delay in house purchase, they suggest may be either because people cannot afford it and, if they come from lower income groups, may never afford it, or through choice.

Yates (1997) agrees that uncertainty about job security in face of entrenched unemployment figures may impact on middle as well as low income groups. 'The decision to purchase housing is not only constrained by current incomes and expenditure commitments. It is also constrained by the variability and uncertainty surrounding incomes and expenditure commitments' (Yates 1997, p.274).

Whitehead (1996) speculates on the risk not of entry, but of exit, that is the difficulties of selling or otherwise adjusting payments if household circumstances change and with this fear of change, a reluctance to take the risk in the first place. She suggests middle income earners in the UK now see owner-occupation as riskier than in the past because of factors such as negative equity, repossession, or reduced capacity to trade down or out of the sector.

Ford and Wilcox (1998) also suggest that exit stages in terms of home ownership are being weighted more heavily when entrance decisions are made. Hughes (1996) shows that in the US it has become harder to trade up or sideways. He demonstrates that home ownership rates in the US remain far below their 1980s peak with the widest gaps in the younger age groups not likely to be eliminated in the foreseeable future. He suggests that in the US the first time buyers of the 1990s are the children of a generation with a lower savings rate whose bank accounts may already have been stressed by the higher cost of education. Hughes (1996) proposes that as the Baby Boomers worry about their own level of retirement resources and depleted home equity reserves, they are no longer so generous about mortgage assistance to their children.

Yates (2002) also reports that social, demographic and economic changes in Australia can be associated with the significant decline in home purchase rates among households between the ages of 25 and 44 years. She raises the possibility that falling home ownership rates might be associated with the social and spatial polarization of Australian households. Given social changes, such as the growth in single person and single parent households and the decline in the proportion of couple households with children, so household incomes, between 1986 and 1996, have fallen significantly. This change in income has been associated with a polarisation in income, a polarisation that is most noticeable in metropolitan and high growth regions such as Sydney. At the same time economic change and lower employment opportunities contribute to lower incomes in non-metro regions.

Yates (2002) concludes that while changes in household composition and income explain much of the decline in home ownership rates between 1986 and 1996, socio economic change and housing market constraints have also contributed to declining home ownership rates in Australia. She suggests that many young households are being increasingly excluded from home ownership in high cost housing markets. These effects are especially strong amongst lower income households with children, for whom home ownership would normally be a preferred tenure. At the same time, in areas where the impact of income polarisation has been strongest, house price increases have been highest. This has placed extra constraints on low income households to access home ownership. Yates (2002) concludes that increasing numbers of low and moderate income households are being excluded from home ownership in the high cost metropolitan areas. Yet, it is in these areas where home ownership has traditionally conferred the greatest economic advantage. Low and moderate income households can only afford to buy homes in regions where economic growth has yet to be observed. Thus, Yates suggests, home ownership is adding another dimension to the economic and social polarisation that has been emerging since the mid-1980s (Yates, 2002).

More recently Baxter and McDonald (2004) discuss whether trends obtained from census data up to 2001, which indicate a fall in home ownership rates of those under 35 years, should be attributed to changes in housing affordability as proposed by Yates (2002), or as the result of delays in family formation (Mudd et al., 2001). They conclude that more than

any other factor 'trends in home ownership rates among Australians aged less than 35 years are related to changes in relationship status and living arrangements' (Baxter & McDonald, 2004 p.11). They concede that changes in housing affordability in Australia after 2000, may contribute to lifetime falls in levels of home ownership. Other than age, they suggest relationship state is the most important determinant of home purchase, with married persons being five times more likely to purchase their first home than persons who are single and still living with their parents.

Baxter and McDonald (2004) are of the view that number of children within a family is a strong predictor of home ownership with childless couples the most likely to purchase. They suggest also that a person who had worked in a full time job has a greater chance of owning a home. But, overall, the most significant determinant in owning a first home is marriage. Mulder and Manting (1994) write also of the strategies of nest leavers in the Netherlands, in terms of 'settling down' versus flexibility. They conclude that for most householders surveyed singles hardly ever become home owners and that the propensity to migrate is strongly associated with initial tenure.

In their study of home ownership aspirations Merlo and McDonald (2002) found that 'of the factors that were significantly associated with entry into home ownership, employment status seems to have the strongest impact, net of all other effects' (Merlo & McDonald, 2002 p.16). The odds of buying a house were significantly greater for two income families than for unemployed households. Also the chance of buying a home was positively associated with income. Full time workers were more likely to hold stronger home ownership goals than were part-time workers. They suggest that home ownership aspirations are 'grounded in the reality of people's economic circumstances' (Merlo & McDonald 2002, p.10).

Coulson and Fisher (2002) believe that potential home owners have full knowledge of the high transaction costs of home ownership and 'recognise that the long run nature of the ownership decision and on that account only make the decision to become home owners when their job and/or wage security is high enough' (Coulson & Fisher 2002, p.48).

Flatau et al (2004) also suggest that the propensity of a household to purchase depends not just on their ability to service a loan. They suggest that meeting up front transaction costs

such as stamp duty, as well as the gathering of a sufficient deposit, are important constraints on home purchase. As well life cycle events, such as divorce and separation, can have major negative impacts on home ownership prospects.

Smith (1989) suggests that different forms of employment shape housing histories in qualitatively different ways and that the stability of employment albeit with a lower threshold, is more important than absolute income for sustaining housing loan repayments. As well she has identified circumstances with respect to leaving the parental home as a significant point in any housing career. For women, continuous employment increased the probability of attaining home ownership by $2^{1/2}$ times. This reflects the crucial importance of regular secure employment for negotiating mortgage finance and sustaining loan repayments especially in the early years when housing costs account for a particularly large proportion of disposable income. Faltau et al (2004) indicate that gender can influence housing outcomes in that they suggest female outright homeowners and homeowners in outer regional areas are more likely to be unemployed, all things being equal. They suggest that this may reflect that homeowners are in fact constrained in their search for jobs outside the region because of high transaction costs and potentially higher house prices.

Yates' (1999) explanation for declining propensities for home ownership for younger couples includes those at the higher end of the income distribution. She suggests that for this income group the onset of compulsory superannuation contributions, the impost of HECS and the introduction of full fees for post-graduate studies all increase the perceived risk of the mortgage contract. As well as these imposts it is suggested that the range of investment options open to individuals has increased significantly. Whitehead (1996) considers that in the UK there has been significant pressure for disinvestment in the housing market, given other investment opportunities, while at the same time the value of tax benefits to owner occupation has decreased significantly.

King and Baekgaard (1996) also identify for Australia a significant increase in the number of households in young age groups with no housing wealth. For those moving into employment for the first time, opportunities for investment have never seemed greater. Some of these opportunities are in the so-called new economy where the mystique of the

share market is rapidly disappearing to be replaced by an accessible e-commerce market. Though considered superficial and bound for collapse, web-based share trading continues to defy the experts and for many young professionals may be a more important avenue for investment than the bank savings account or the quarter acre block.

3.9 Labour markets, sustainability of home ownership and housing policy

Historically most Australians have been able to secure a home through the market place although at times well subsidised via the cheap sale of public housing or through first home owners schemes. As of 1999, 70 per cent of Australian households owned outright or were in the process of buying their own home (Australian Bureau of Statistics, 2000d).

In Australia the tenure of households has been strongly related to life cycle stages in that early adulthood housing careers have been typified by a pattern of renting with home ownership and ensuing mortgages entered into once partnerships were formed (Merlo & McDonald, 2002). Outright ownership of homes has normally been achieved in older age. As such home ownership levels have remained stable at approximately 70 per cent over the last 30 years (Yates, 1999). However this housing career pattern may be changing. Falling levels of home ownership in Australia have been documented by Bourassa, Greig and Troy (1995), Winter and Stone (1999), Berry and Dalton (2000) and Yates (1999; 2000; 2002) for those aged under 35 and in particular for young couples without children, for whom home ownership fell, from 60 percent in 1994 to 52 percent in 1999 (Australian Bureau of Statistics, 2001a).

The body of literature documenting falling home ownership levels in Australia, especially in terms of new purchasers, provides an important context for this study (Berry & Dalton, 2000; Bourassa et al., 1995; Winter & Stone, 1999; Yates, 1999, 2000). For every state declining levels of home ownership are significant given an Australian welfare system that has been premised on the notion that most people will enter old age owning their own home (National Shelter, 2000).

For fifty years Australia's welfare and housing policies have been predicated on the perceived merits of home ownership. Welfare benefits, both during employment and on

retirement, have been based on household investment being extended over time through home ownership (Bourassa et al., 1995). Retirement pension levels and retirement village ownership arrangements anticipate the majority of Australians entering retirement as outright homeowners. Tenure within retirement villages is offered in the form of a license or lease, the price of which normally reflects close to market prices for similar types of property. These licenses extend for the duration of time within a village and must be paid in full upon entry. There are no mortgages or loans offered and as such, if they wish to enter a retirement village, most retirees must sell the family home in order to afford entry. As well most of the assumptions underpinning welfare benefits do not reflect housing costs. For instance unemployment and parenting benefits do not consider housing needs when calculating payment levels (Winter & Stone, 1998).

As Winter and Stone (1998) have reflected, if fewer households buy homes then fewer households are able to distribute their income through to their retirement. This impacts negatively on the horizontal distribution of income for individuals through time and the vertical distribution between individuals within the Australian community, at one point in time. The implications of increasing numbers of Australians who are unable to enter old age as home owners is as yet uncertain but has been raised by Badcock and Beer (2000) as a matter of concern.

If home ownership is declining then this will have an impact not only on those who would traditionally have entered this tenure but also upon the people whom they may displace in other housing tenures (Wulff & Evans, 1998; Wulff, Yates, & Burke, 2001). Single income households find it increasingly difficult to purchase as housing prices and borrowing arrangements reflect the purchasing power of the dual income household. When home ownership becomes less attractive the demand on the private rental sector increases which usually triggers a rise in rental housing costs and a lowering of vacancy levels. This in turn displaces those at the lower end of the rental market, which increases pressure on public housing (National Shelter, 2000).

There has been also an important shift in housing policy within Australia since the 1980's. Housing provision in Australia is no longer viewed by government as form of investment but as an avenue for consumption. As such there has been a move away from supply

measures to an emphasis on demand side subsidies (Dalton, 2000; Yates, 1997). With this shift there has been an overall reduction in home purchase assistance and public housing provision towards direct rental assistance (Wulff et al., 2001; Yates, 1999) with the emphasis on reducing the disparity between subsidies for public and private tenants (Department of Social Security, 1996; Wulff & Evans, 1998).

This change represents a fundamental move towards a market philosophy in terms of housing outcomes in Australia and reflects the view that income support should be less of an entitlement and more of a social contract between government and the individual (National Shelter, 2000). However, while those who traditionally could have afforded to enter home ownership may be losing interest, rent assistance may also be acting as a deterrent to home ownership for tenants on lower incomes. Any increase in earnings results in lower subsidies, which after tax, may result in lower disposable income than before. Such an arrangement provides no incentive for moves out of the existing tenure (Department of Social Security, 1993) and could act as a significant deterrent to those considering home ownership for the first time.

Kleinman (1995) in the UK warns of 'welfare ghettos' in which households, relying on housing benefits, are condemned to unemployment for fear of being made worse off by taking up a job offer. Also in the UK, Galster (1997) discusses the arguments for and against a demand based policy of housing vouchers or direct benefits and a supply based policy of subsidizing the construction of housing by public or not-for-profit organisations, in order to reduce the rent charges to low income tenants. He writes of problems associated with the supply of rental housing in the UK, US and Europe which he suggests is primarily the result of the attractiveness of alternative investments for landlords. Governments in France and the UK have introduced a range of financing arrangements to attract more private money into social housing.

Galster (1997) considers supply incentives such as these to have resulted in increased output but of lower quality, with higher rents being paid for more remote housing. He writes of concern over the escalation of housing allowances paid as direct benefits to low income households. There is criticism that this is resulting in over-consumption of housing with little attempt on the part of householders to shop for the 'best rental bargain'.

However, he defends demand side policies which he maintains 'directly attack the root of the fundamental housing problem in most markets the inability to afford decent quality housing at current rents for such' (Galster, 1997 p.575). He argues against a rent ceiling and while he suggests that no single policy, demand or supply orientated, will attain all goals, he maintains that the market, if left alone, will respond to supply more housing to the quality level at which demand is concentrated.

However, in Australia, Yates and Wulff (2000), using data from the 1986 and 1996 census, have demonstrated that the quality of rental accommodation which is taken up is not always matched by ability to pay. They conclude that the take up of low cost rental accommodation by higher income households is displacing those who need it most and exacerbating an existing shortfall of low cost rental stock.

The logic of Galster's (1997) argument thus poses a problem for the Australian rental market which, if it is becoming more attractive to young professionals, will result in higher rents for the best properties in the best locations and upward pressure on all prices. As in the UK, incentives to rehabilitate inner city housing for social rental may disappear (Galster, 1997) with the poorest either locked into what remains of social housing or occupying the corner of the private rental sector which has been disregarded by the rest of the market.

3.10 The questions that remain

In conclusion, most writers are convinced of the relationship which exists between labour and housing markets and the impact of labour market change on home ownership as a tenure option is coming under closer examination. Analysis of the current literature offers an important conceptual and policy platform for this study which attempts to document the purchase behaviour of Australia's next generation of home owners, behaviour which is set against a backdrop of rising credit levels, contractual employment, single households and alternative investment paths.

As outlined above increased job insecurity is presumed to be impacting on home ownership aspirations across all income groups (Badcock, 1995; Badcock & Beer, 2000; Forrest et al., 1999; Yates, 1997, 1999, 2000) but is largely untested. There has been no

attempt to single out recent first home buyers in order to determine the level of such impacts. Lack of job security may not have prevented first home purchase altogether but it may still have significant impacts on the sustainability of the tenure for the purchaser. For many the impact may be financial but for others it may result in strategic and deliberate tenure choices which are linked to career paths, choices which allow for increased flexibility and job opportunities (Croft, 2001; Doogan, 1996; MacLennan et al., 1997). For an ageing Australian population any significant change in purchaser behaviour, particularly in the cohort who would traditionally have entered home ownership as early as possible, merits review (Winter & Stone, 1998; Winter & Stone, 1999). At the same time Campbell (1997) argues strongly that there is a critical need to broaden the basis of labour market research in Australia to include more work on the impact of precarious employment.

This study follows on from the research undertaken so far, much of it based on aggregate data, to ask first home buyers directly what strategies are being adopted if any, what compromises are being made if known, which will enable new owners to deal with increasing labour market insecurity. Given the significant increase in gearing by households in terms of overall debt levels, even modest rises in interest levels may mean considerable imposts. By the end of 2001 households were anticipated to pay some 7.5 per cent of their disposable income in interest, the highest level of debt servicing since 1991 when interest rates were around 14 per cent (National Australia Bank, 2001).

Research in Australia has shown a declining propensity by younger people on higher incomes to purchase and an inclination to rent as cheaply as possible (Yates, 1999, 2000; Yates & Whitehead, 2001; Yates & Wulff, 2000). Badcock and Beer (2000) have discussed how labour market changes may be reducing not just opportunities for, but also inclinations towards, long term housing commitments. This study proposes to explore, using disaggregated data, the decision making and coping strategies of new home purchasers who have made this long term commitment, despite greater job insecurity.

Malone (1996) and Oswald (1996; 1999) have suggested that the need for greater job mobility may be resulting in an increasing tendency for households to live in the rental market. This research will explore the internal connections between changes in the processes of work and changes in the focus of housing, by examining whether it is the

employment category that impacts most on housing opportunities, rather than income differences (Forrest & Murie, 1991).

It will review the premise that home ownership is significantly constrained not just by overall income levels but also by the variability and uncertainty surrounding incomes and expenditure commitments (Yates, 1997; Smith, 1986) but also extend it by documenting the strategies of recent purchasers in their repayment of mortgage finance.

This project seeks to provide new insights into the relationship between employment tenure, income levels, and house purchase by linking the purchase decision with actual prices paid. This may allow for some comment on whether housing markets mirror or mask disparities in income and job security especially for first time buyers (Winter & Stone, 1999). The project will also extend the Badcock (1995) and Merlo (2002) thesis which suggests that the number of incomes in a household is a critical factor in buying a first home, by using data which links this item to purchase price.

This study will attempt to pick up also on the theme of social and economic polarisation (Yates, 2002) by comparing the impact of job security on first time buyers who have purchased in the high growth, high priced Sydney housing market with those who have bought in the more affordable, but less dynamic, Adelaide market.

This study also will extend the work on income elasticities undertaken by Meen and Andrew (1998) and Doogan (1996) at a macro level by applying it at a household level. While elasticities are not able to be measured, some inferences may be drawn about the direction of income elasticities with respect to housing demand at least in terms of prices paid by first home buyers, if not in volume of housing units sold.

Finally this study will explore the factors important in the timing of first home purchase within the family life cycle and life course framework. As such it should add to the research that has already been conducted (Baum & Wulff, 2003; Baxter & McDonald, 2004; Deurloo et al., 1994; Dieleman & Everaers, 1994; Flatau et al., 2004; Merlo & McDonald, 2002) by asking buyers, in a multi cross sectional survey, about the timing of their first home purchase, particularly within the context of job security.

This chapter has reviewed some of the research findings linking labour and housing markets. The impact of labour market change on job security is likely to have implications for the sustainability of home ownership in Australia. However any such impact needs to be understood within existing labour market and housing market trends. These trends are discussed in the following two chapters, both at national and at case study level.

Chapter 4 Labour markets in Australia

In order to understand how employment category, income, housing costs, financial well-being and job security may impact on first home buyers, it is important to establish the labour market context within which the decision to purchase has taken place. It is particularly important to discuss those changes in the Australian labour market that have had most impact on job security over time. It is also important to identify any differences in labour markets or job security between the three metropolitan case studies, as it is hypothesized that these may in turn account for any differences in the purchase decision. As such, this chapter first reviews labour market trends within Australia over the last 20 years with a particular focus on trends which have decreased security of employment, such as the growth in part time and casual employment and the increases in female employment. Next, it discusses the gap between actual job security, in terms of statistical reporting, and perceived job security as understood by households, and the impact of this on decisions such as home purchase. It also discusses unemployment and the concept of the working poor. The last section of the chapter is a summary of labour markets in the three state capitals, Adelaide, Perth and Sydney in terms of employment growth, rates of casual and part-time employment and unemployment.

4.1 Introduction

Stimson, Taylor and O'Connor (1997) suggest that employment patterns and labour force characteristics are important indicators of the social and economic progress of a country and are convincing in their argument that, in a world which is rapidly changing and increasingly complex, patterns of employment and labour force characteristics provide a fertile and relevant field of research.

Beck (1986) described change within employment in terms of the destandardization of the labour market. Beck questioned the premise of the continuity of the traditional employment system within developed economies. He predicted an insecure employment system of flexible, pluralized, decentralized underemployment and the wholesale conversion of full time jobs into the broadest spectrum of part-time positions. Beck identified the productivity benefits of such a workforce in terms of flexible working hours

and the ability to decouple production time from work time which utilized the production arrangement longer and more intensively. Part-time work and underemployment, he suggests, broaden the scope of action for business in personnel policy by breaking apart the relationship between the labour contract and the labour market thus making it easier to push through changes in employment.

More recently Castel (2000) has written of labour markets in terms of societies at risk, of social disaffiliation and vulnerable relationships brought about by insecure work. He argues that:

Present day insecurity largely results from the growing fragility of protective regulations which were implemented from the nineteenth century onwards in order to create a stable situation for workers. We can describe the specific nature of present day insecurity as relating to the structure of wage society, its crisis or its disintegration since the mid-1970s. (Castel, 2000 p.520)

Long (1998) has described a bleak picture of the Australian labour market as being fractured by globalisation which he describes as dividing cities and regions into districts of success and failure. He writes of globalisation 'splitting cities along fault lines of employment opportunity, dividing the wealth boroughs where knowledge workers reside from the marginalised industrial suburbs housing routine producers and the jobless' (Long 1998, p.21). He confirms that Sydney is capturing most of the high status employment in the knowledge economy while regional cities such as Adelaide are 'engaged in a bidding war for the mortgage processing centres and phone farms that house the knowledge economy's back office functionaries' and writes 'we are no longer in Robert Reich's Work of Nations same large boat lifted and propelled together' (Long 1998, p.21). Instead only those who are able to compete in a global labour market will continue to float. The rest, Long suggests, will sink.

4.2 Service sector growth

The Australian labour market has shown a number of the trends discussed by Beck (1986), Long (1998) and Castell (2000). The ABS publication, Australian Social Trends (Australian Bureau of Statistics, 2001a), identifies two main trends in Australian labour markets over the last twenty years.

The first is the increasing concentration of the workforce in the service sector. Stimson (2001) identifies this as reflecting a fundamental shift in the economic structure of Australian employment while Gregory and Sheehan (1998) describe it as an epoch change in terms of the transition from goods producing industries to person based and knowledge based occupations. Employment in the Australian service sector grew from 69.3 per cent of employees in 1985 to 76.4 per cent by 2000 (Organisation for Economic Cooperation and Development, 2005) (OECD) while, for the same period, employment in the industrial sector dropped from 25.4 to 21.0 per cent. Ruthven (1999) writes that of the 8.7 million jobs created in Australia between 1965 and 1995, 50 per cent of these were in the service sector.

By 2004 there was some 74.9 per cent of the Australian workforce in the service sector (Organisation for Economic Cooperation and Development, 2005) with only 21.4 per cent in the industry sector. This concentration exceeds the average for the OECD and that of other developed economies such as those represented by the European Union (EU) (Table 4.1).

Table 4.1 Percentage of employees by industry sector 1994, 2004 Australia, OECD, G& and EU

	AGRICULTURE, FORESTRY, FISHING 1994	AGRICULTURE, FORESTRY, FISHING 2004	INDUSTRY 1994	INDUSTRY 2004	SERVICES 1994	SERVICES 2004
Australia	5.1	3.7	23.6	21.4	71.3	74.9
OECD	8.8	6.1	28.4	24.9	62.8	69.0
G7	4.0	2.6	28.8	24.1	67.2	73.3
EU-15	5.3	3.7	30.9	27.0	63.7	69.3

Source OECD (2005) OECD in Figures

There was also quite spectacular growth within particular sectors of the Australian service industry throughout the 1990s. Total employment in the recreation and personal services industry almost doubled between August 1984 and August 1994 (Australian Bureau of Statistics, 1997a). By 2000 this was the largest sector in the Australian economy and with 2,390,000 employees, accounted for 26.5 percent of the labour force (Organisation for Economic Cooperation and Development, 2005). Similarly, the finance, property and business service industries increased by two-thirds between 1984 and 1994 (Australian Bureau of Statistics, 1997a). By 2000 this sector accounted for 15.4 percent of the workforce, the third largest sector after the wholesale and retail trade sector which accounted for 24.4 percent of the workforce (Organisation for Economic Cooperation and

Development, 2005). Much of this growth has been associated with part-time employment and in certain industries, for example the recreation, personal, retail and business service sectors, part-time employment more than doubled between 1984 and 1994 (Australian Bureau of Statistics, 1997a).

4.3 Part-time employment

The growth in part-time employment is the second significant trend identified in the ABS publication Australian Social Trends (Australian Bureau of Statistics, 2001a). Between 1990 and 2000 part-time employment, that is working less than 35 hours per week, increased from 22.6 to 26.2 per cent of the Australian labour force. As of mid 2005 some 29 per cent of employees in Australia were classified as part-time (Australian Bureau of Statistics, 2005c) (Figure 4-1).

Figure 4-1 Labour Force Australia - part-time employment 1980 & 2005



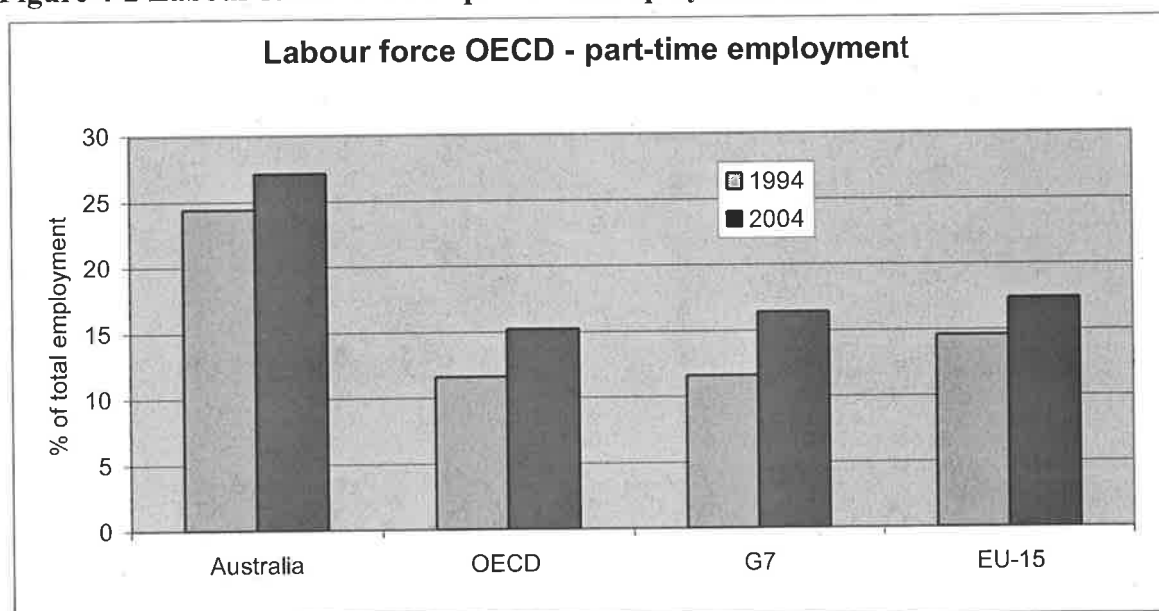
Source ABS (2005) Labour Force, Australia, Cat No. 6291.0.55.001 Table 02: Labour force status by State, Capital city - Balance of state and Sex

Kemp (1996) identifies that this trend began as early as the 1970's and comments that in Australia between 1973 and 1993 part-time jobs grew by 164 per cent while full time jobs grew by only four per cent. Van Den Heuvel and Wooden (2000) also report that in Australia in 1971 people employed full time, in permanent employment, were about 76 per cent of the workforce. By 1998 this figure had fallen to 56 per cent. They comment that in 1971 about one in 10 Australians were classified as in part time employment; that is

working for less than 35 hours per week, and that by 1998 this had increased to about one in four (Van den Heuvel & Wooden, 2000).

As of 2000 Australia was, among OECD countries, one of the larger employers of part-time labour with some 26.2 percent of workers employed part time (Organisation for Economic Cooperation and Development, 2005) (Figure 4-2). Within the OECD only the Netherlands exceeded this figure at 32.1 percent. As of 2004 the volume of part-time employment within Australia still exceeded that of the OECD and other developed economies by a difference of up to ten per cent (Organisation for Economic Cooperation and Development, 2005).

Figure 4-2 Labour force OECD – part-time employment 1994 & 2004

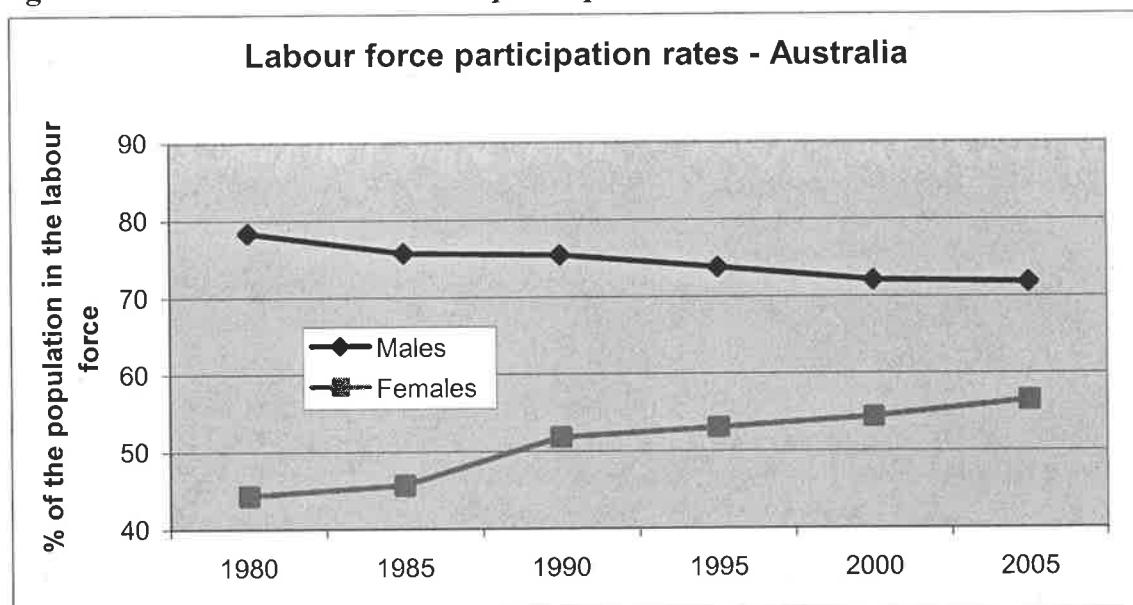


Source OECD (2005) Labour Force Statistics

Much of the growth in part-time employment in Australia has been associated with the increased desire of women to participate in the labour force particularly on a part-time basis (Australian Bureau of Statistics, 2000b). As of 2000 some 68.6 percent of Australian part time employees were female (Australian Bureau of Statistics, 2001a). Part-time employment has been popular with women who have child-rearing commitments or may have been out of the workforce for some time. During the 1990s female workforce participation rates increased from 51.8 per cent in 1990 to 54.5 percent by 2000 while male participation rates fell from nearly 76 percent in 1990 to 72.5 percent in 2000 (AMP.NATSEM (National Centre for Social and Economic Modelling), 2005). This trend

has continued with female participation rates approaching 58 per cent by 2005 and male participation rates dropping to just over 71 percent (Figure 4-3).

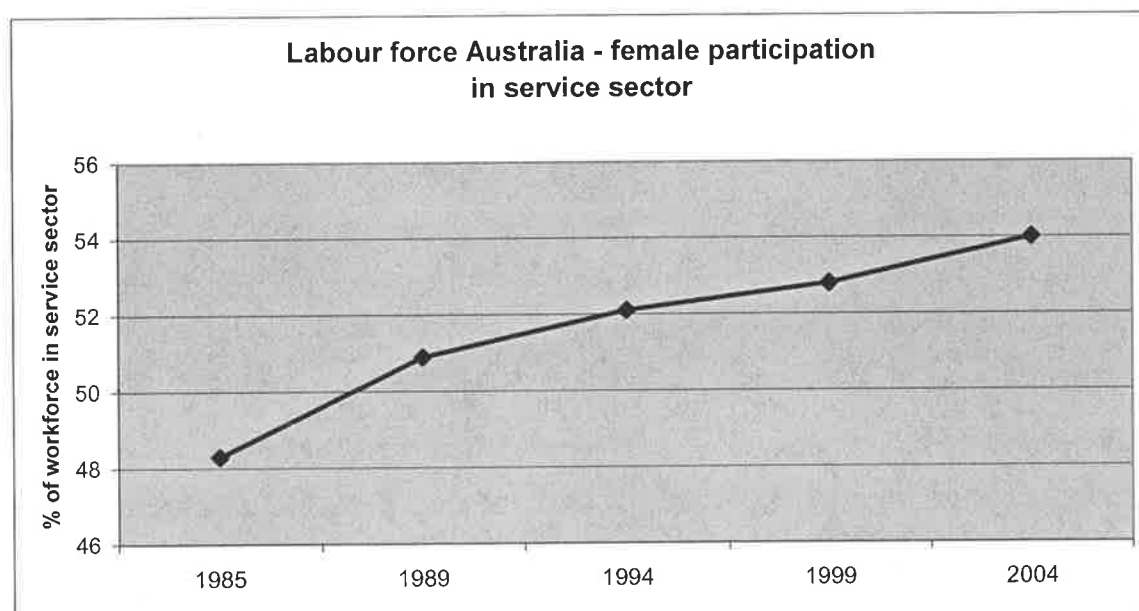
Figure 4-3 Labour force Australia - participation rates 1980 - 2005



Source ABS (2005) Labour Force Australia Cat. No. 6291.0.55

The majority of female employment has been part-time as female participation has been increasing in the service sector, a traditional part time employer (Organisation for Economic Cooperation and Development, 2005). As of 2004 some 54 percent of the Australian female workforce was in the service sector (Figure 4-4).

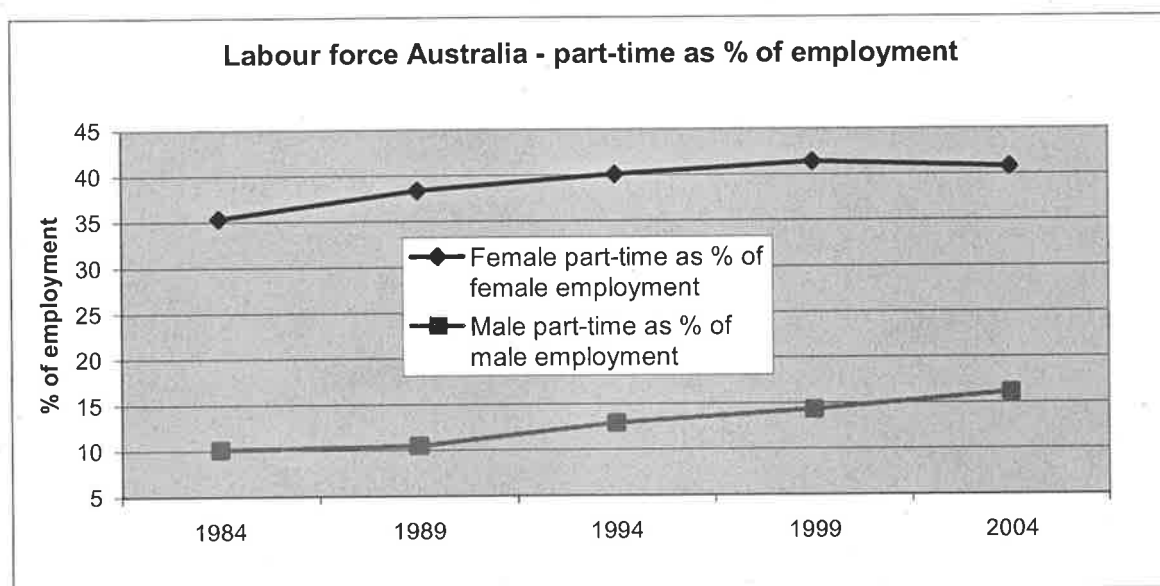
Figure 4-4 Labour force Australia - female participation in service sector 1985 - 2004



Source OECD (2005) Labour Force Statistics

While female participation rates have continued to grow there is a more recent indication of a drop in the per cent of female employment which is part-time (Organisation for Economic Cooperation and Development, 2005). Female part-time work as a percent of female employment has shown a decrease, from 41.4 percent in 1999 to 40.8 percent in 2004, while male part-time as a per cent of male employment has increased from 14.3 per cent in 1999 to 16.1 per cent in 2004 (Organisation for Economic Cooperation and Development, 2005) (Figure 4-5).

Figure 4-5 Labour force Australia – part-time as % of employment 1984-2004



Source OECD (2005) Labour Force Statistics

This confirms Stimson's analysis of a complex set of relationships emerging in the 1990s 'between gender, full-time and part-time work and structural shifts in employment' (Stimson, 2001 p.201) and the continuing redistribution of employment opportunities within Australia from men to women (Gregory & Sheehan, 1998).

4.4 Casual employment

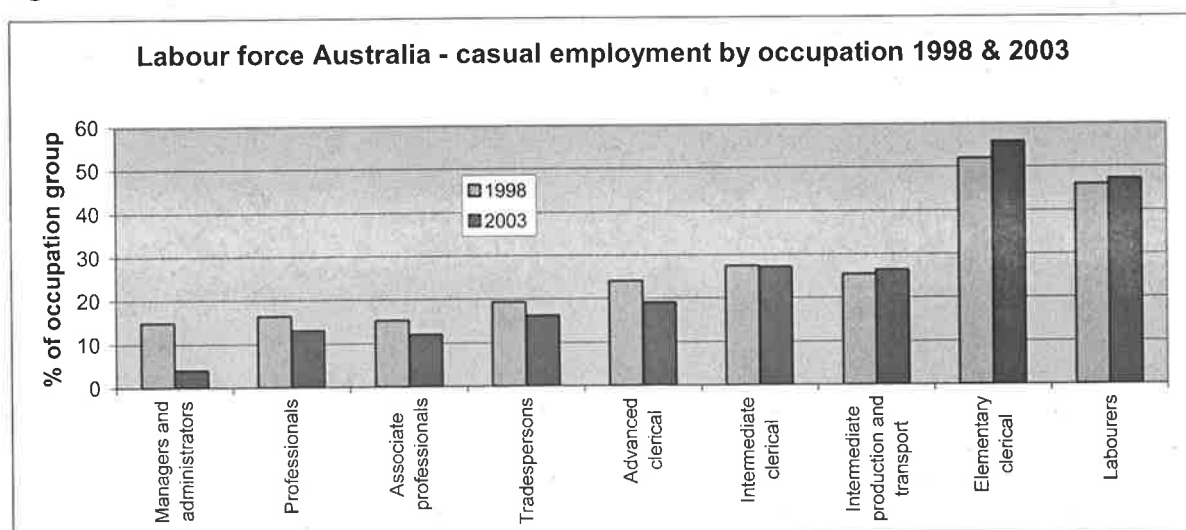
Associated with the rise in part-time employment have been increasing levels of casual employment (Stimson, 2001). There has been strong growth in casual employment within Australia over the last two decades. It is generally understood that employers take on casual workers as they are cheaper and easier to dismiss, while employers can vary hours in response to market fluctuations more easily (Australian Bureau of Statistics, 1998b) which translates into higher levels of labour turnover. Casual workers are not entitled to

paid holiday or sick leave and have no expectation of ongoing employment (Australian Bureau of Statistics, 1998d). However they may receive higher rates of pay to compensate for the lack of job security and paid leave.

In the ten years between 1988 and 1998, 69 per cent of net growth in the number of employees in Australia was in casual employment (Australian Bureau of Statistics, 1999c). The flexibility of casual employment may prove attractive to some employees, such as women or younger people. Casual employment increased from 13 per cent of the workforce in 1990 to 23 per cent of employees by 2000 with some 32.3 per cent of all female workers employed without leave entitlements (Australian Bureau of Statistics, 2002d). As of 2003, some 26 per cent of Australian workers were employed on a casual basis. There is a strong link between working part-time and casual employment which in the past has explained the high levels of female participation (Gregory & Sheehan, 1998). As of 2003, 70 per cent of casual employees worked part-time (Australian Bureau of Statistics, 2005a).

However, the growth in casual employment has also applied to male employees. Between 1988 and 1998 there was a 115 per cent increase in the number of male casual employees in Australia from 415,000 to 894,000 (Australian Bureau of Statistics, 1999c). The growth in casual employment for male employees can be partly attributed to the growth of male employment in lower skilled occupations. Between 1996 and 2003 almost half of the increase (48 per cent) in the number of male casual employees occurred in the lower skilled clerical, sales and services occupations (Australian Bureau of Statistics, 2005a). This is a traditional sector of casual and part time employment, with some 52 percent of employees casual in 1998 increasing to 55.9 percent in 2003 (Figure 4-6).

Figure 4-6 Labour force Australia – casual employment by occupation 1999, 2003



Sources ABS (2002) Labour Force Australia Special Article - Casual Employment Cat No 6203.0; ABS (2005) Australian Social Trends - Work - Casual Employees Cat No 4102.0

In Australia, as of 2003, rates of casual employment had fallen to 25.5 per cent of the workforce with both female and male casual employment showing a decline (Australian Bureau of Statistics, 2003d, 2005a) (Table 4.2).

Table 4.2 Labour force Australia – casual employment 1988 - 2003

LABOUR FORCE AUSTRALIA – CASUAL EMPLOYMENT % OF TOTAL EMPLOYED				
Year	1988	1993	1998	2003
Male	11.7	15	22.6	21
Female	28.8	30	32	31
Total	18.9	22	26.9	25.5

Sources ABS Labour Force 2003, Australia Cat No 6302.0, ABS Australian Social Trends 2005 Cat No 4102.0

However, there are also signs of a shift in employment opportunities along lines of gender with male casual employment up in sectors traditionally associated with skilled employment and low female participation. Between 1998 and 2003 there was a 5.3 per cent increase in casual employment within the electricity, gas and water sector and a 2.5 per cent increase within the mining sector. Both these sectors have relatively low percentages of female employment. In sectors such as health and community services where female participation is high, there have been decreases in casual employment in the same period (Australian Bureau of Statistics, 2003d, 2005a) (Table 4.3).

Table 4.3 Labour force Australia - % change in casual employment 1998 -2003

INDUSTRY SECTOR	% CHANGE IN CASUAL EMPLOYMENT 1998 TO 2003	% OF EMPLOYEES IN SECTOR FEMALE 2003
Health & community services	-1.6	80.4
Education	+0.3	69.4
Accommodation, cafes & restaurants	+0.7	58.7
Finance & insurance	-1.0	57.5
Retail trade	-1.9	54.5
Cultural & recreational services	+0.5	51.2
Property & business services	-5.0	49.4
Government administration & defence	-1.0	48.8
Personal & other services	-0.1	47.5
Communication services	+0.6	31.7
Wholesale trade	-1.7	29.8
Manufacturing	-0.5	26.7
Agriculture, forestry & fishing	-5.3	26.0
Electricity, gas & water supply	+5.3	25.6
Transport & storage	-0.6	24.3
Mining	+2.5	12.6
Construction	-9.6	9.5
Total	-1.4	47.9

Sources Source ABS (2003) Labour Force, Australia Cat No. 6202.0 Table 02. Labour force status by State, Capital city / Balance of state and Sex; ABS (2005) Australian Social Trends Cat No 4102.0

4.5 Job security

For many Australian workers in the 1990s an outcome of the increase in part-time and casual employment has been a rapid decline in job security. This has reflected a changing economic and industry culture in a post industrial globalised era, but is also symptomatic of retrenchments, down sizing and public sector budget cuts (Stimson 2001). James (1999) identifies that between them, Telstra, Fosters Brewing and Westpac shed some 40,000 jobs in the 1990s. In the 12 months before February 1991, a period of economic recession, some 6.5 per cent of Australian employees were retrenched or made redundant. In 1999 some 4 per cent of employees were retrenched or made redundant within a 12 month period (Australian Bureau of Statistics, 2005a). Of the 27 per cent who left work involuntarily in 2000, almost two-thirds had been retrenched (Australian Bureau of Statistics, 2001a).

As of 1998, some 14 per cent of the Australian workforce had changed their job or business, or the locality of their workplace approximately every 12 months (Australian Bureau of Statistics, 1998b, 1998c, 1998d) and of this group some 25 per cent represented

those between the ages of 20 to 24 years. While about 38 percent of employed persons worked for their current employer or business for over five years, 21 percent of employed persons had worked for their current employer or business for less than one year and a further 21 percent had worked for their current employer or business for less than three years. As well the majority of self identified casual workers and other employed persons, worked for their current employer or business for two years or less (Australian Bureau of Statistics, 1998b, 1998c, 1998d). Thus, as of 1998, security of employment beyond two years did not exist for over 40 percent of the Australian workforce.

This trend has continued with some 22.8 per cent of employees in 2004 with their current employer or business for less than one year and some 21.7 with their current employer or business for under three years (Australian Bureau of Statistics, 2005a). As well as changing employer or business, more Australians have changed occupation. Of the one million Australian who changed employer or business in 2000, 37.6 per cent also changed occupation (Australian Bureau of Statistics, 2001a).

Kelly, Evans and Dawkins (1998) discuss what the rapid decline in job security during the 1990s has meant to individual Australians. People's perception of job security can be closely aligned to changes in the level of unemployment (Borland, 2001). However Kelly et al (1998) report that at the beginning of 1990 despite the onset of recessionary times, the vast majority of Australian workers reported that they felt they had job security; that is a total of 73 per cent felt very secure or fairly secure in their jobs. However over the next few years this dropped to 63 per cent and by 1998 it had fallen even further to 56 per cent.

Kelly et al (1998) explain that within the neoclassical model if workers value job security there will be a trade off between pay and security. Thus if workers are offered more secure contracts they will be willing to accept a lower wage. They suggest that using this precept the decline in Australian job security in the 1990s is equivalent to a 13 per cent drop in income. That is, it would take a pay rise of 13 per cent in the not very secure jobs Australian have now, to make them as rewarding as the more secure jobs Australians held in the late 1980s.

As might be expected Kelly et al (1998) report that part-time workers felt much less secure in their jobs than full-time workers. However Kelly and Dawkins (1989) also report that

those in high status jobs, such as professionals and managers, are no more secure than those in middle or lower status jobs. Education has no impact on job security, net of other factors, in that more educated workers have no advantage in security. They suggest that while education is a key in getting a good job, good jobs are not necessarily secure. However job security is of high value to workers especially to low paid workers. For them security is equivalent to a very substantial part of their pay. Thus job security matters most to the income satisfaction of those at the bottom of the labour market hierarchy.

De Ruyter and Burgess (2000) agree with Kelley and Dawkins (1989) and discuss survey findings that suggest a clear trend towards increasing employment insecurity since 1975 within Australia. However they report that existing quantitative data from sources such as the ABS (Australian Bureau of Statistics, 2000b) do not necessarily suggest such a decrease in job security. De Ruyter and Burgess (2000), attempt to explain the gap between the statistical data and their own survey findings, by interpreting what job security means to the individual household. They suggest that a perception and constant feeling of job insecurity can be almost as damaging as loss of employment, damaging enough to affect family life and to explain saving and expenditure behaviour:

In summary [job] insecurity can have both desirable and undesirable consequences. It might accelerate workplace change, reduce unemployment and raise labour productivity. On the other hand it could intensify recession, increase unemployment, reduce morale, employee commitment and generate considerable anxiety to both family and community. Without weighting up these costs and benefits it would be safe to say that individuals prefer security in their employment since on that basis they can undertake longer term financial, personal and family commitments. (de Ruyter & Burgess, 2000 p.219)

Campbell (1997) writes that widespread feelings of employment insecurity in Australia appear to be well founded. He suggests 'many employees feel insecure in their employment because they are insecure in their employment' (Campbell 1997, p.16). Citing the high volume of retrenchments in Australia in the early to mid 1990s (Australian Bureau of Statistics, 1998c) he suggest that during this period 5 to 7 per cent of all employees experienced retrenchment, much of which was a strategic decision by management, rather than recession induced.

Norris and Mclean (2000) also draw attention to the paradox of officially high levels of job security against individuals reporting increasing levels of job insecurity. On the basis of

the survey evidence they have examined, job security has declined markedly and yet inspection of official ABS data suggests otherwise. They suggest that the perception of job insecurity, as much as actual job mobility, which will have a big impact on long term commitments such as home purchase. Norris and Mclean attempt to calculate the number of 'completed' jobs asking the question 'how long do jobs last in Australia' (Norris & Mclean, 2000 p.97). They conclude that many short jobs coexist with jobs that last a long time and thus, while many jobs in Australia are short, most employment is spent in jobs that last a long time. This they believe explains the disparity in official figures and the experience of employees on the ground.

Brosnan and Walsh (1998) report that employers in Australia expect the trend to less secure employment to continue. Employers in Australia 'expect much larger increases in casual part-time employment, the use of contractors and consultants and the use of temporary employment' (Brosnan 1998, p.38). They report also that in Australia:

Women are less likely to have permanent jobs and more than twice as likely to have casual jobs. Moreover workplaces that have a high proportion of female employees are less likely to provide secure forms of employment, for both male and female workers. Conversely workplaces with a high proportion of males are more likely to provide secure forms of employment.

(Brosnan & Walsh, 1998 p.38)

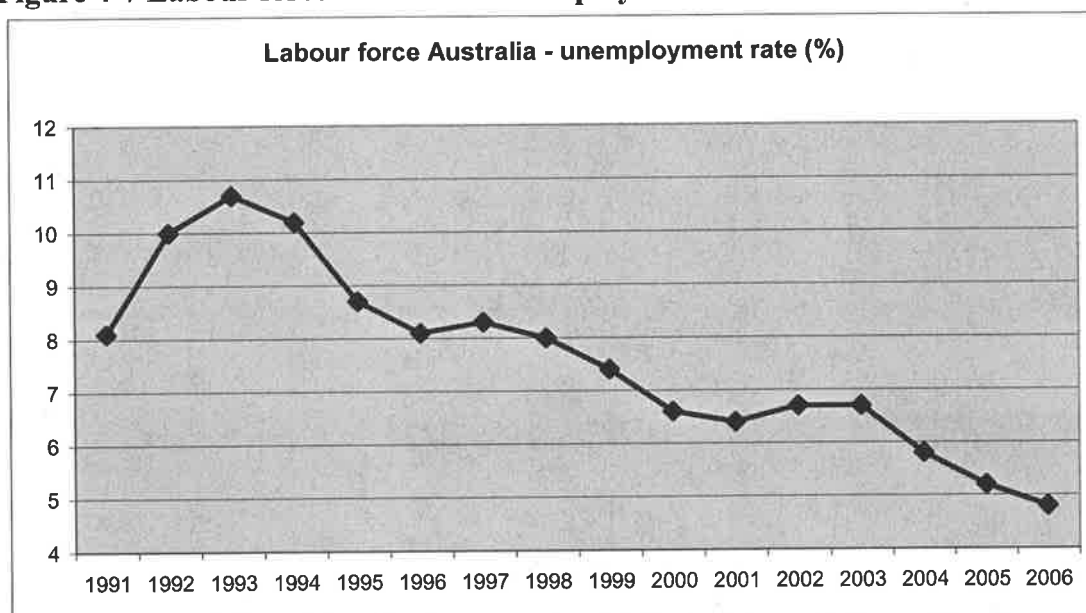
De Ruyter and Burgess (2000) recognize that one of the most important effects of job insecurity is income insecurity and report that growing numbers of low paid Australian workers are living close to the poverty line. In addition the growth of part-time and casual employment has resulted in around 40 per cent of the workforce, as of 1998, either not having a full-time or regular income.

An associated development is an increase in the number of multiple jobholders (Ruyter & Burgess, 2000). In Australia the growth in multiple jobholders has continued throughout the 1990s, from under 4.5 per cent in 1990, to over six per cent in 2003. This translates into some 549,000 Australian workers holding down more than one regular job and working on average 40 hours a week (Australian Bureau of Statistics, 2004a).

4.6 Unemployment

In Australia the decrease in job security throughout the 1990s has been associated with higher levels of unemployment. Between 1989 and 1993 there was an increase in the number of people unemployed in Australia from 470,412 to 920,000 with the unemployment rate almost doubling from 5.7 to 10.7 per cent (Organisation for Economic Cooperation and Development, 2005) (Figure 4-7). By 1993 the unemployment rate in Australia for young people aged 20 to 24 years, had reached 11.6 per cent (Australian Bureau of Statistics, 2002d).

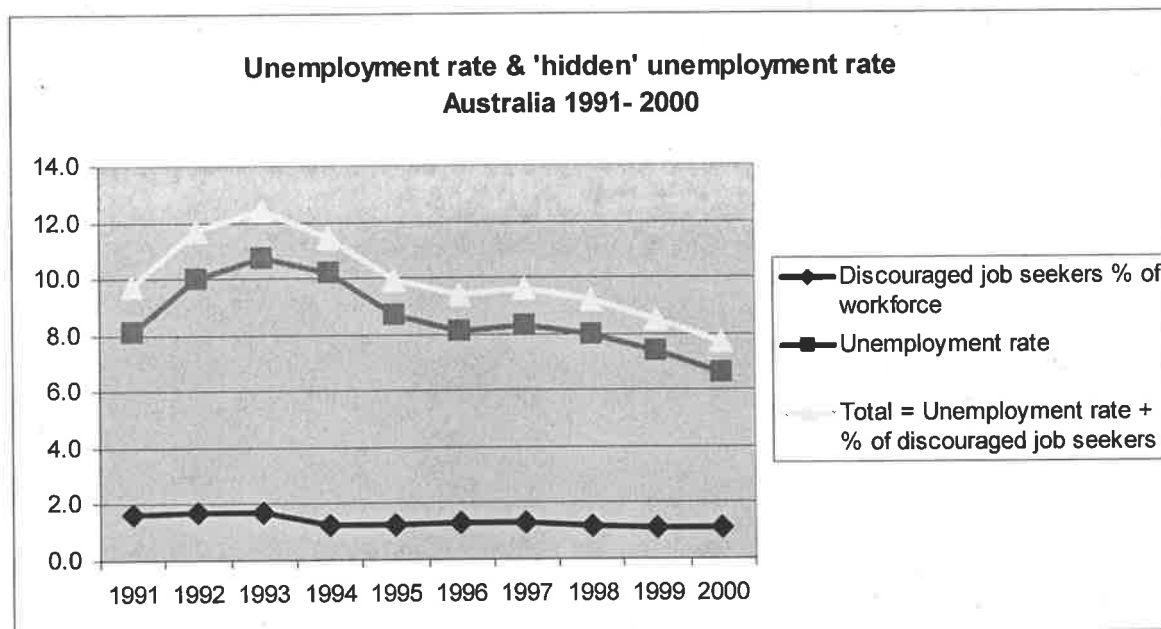
Figure 4-7 Labour force Australia – unemployment rate 1991-2006



Source ABS (2006) Labour Force, Australia Cat No. 6202.0 Table 02. Labour force status by State, Capital city / Balance of state and Sex

Stimson (2001) comments that even when unemployment dropped to 7.5 per cent in 1999, with some 750,000 Australians officially unemployed, this figure blew out to 1.75 million when so called 'hidden' unemployment was taken in account. Hidden unemployment includes discouraged job seekers who have withdrawn from the workforce through lack of success but who, under normal circumstances and given some expectation of work eventually, would be included in the workforce as a job seeker (Figure 4-8). Hidden unemployment is consistent with the restructuring of Australia's economy in which industries that used to employ blue-collar workers have disappeared while the service sector, that employs casual and part-time workers, has grown.

Figure 4-8 Discouraged job seekers Australia 1991 - 2000



Source ABS (2002) Labour Statistics Cat No 6220.0 Persons Not in the Labour Force, Australia - Main Reason not actively looking for work TABLE 3: Main reason not actively looking for work for persons not in the labour force by state - 1994-2006

This means that, overall, jobs are less secure and also that people who have been in a particular occupation or industry all their lives find on retrenchment that they are no longer suited for the work on offer (Australian Council of Social Services, 2003). While unemployment fell over the period 1997 to 2001 long term unemployment, that is those unemployed for longer than 12 months, remained high. As of 1997 some 27 per cent of the unemployed were long term, by 1999 this had risen to almost 30 per cent. As of 2004 almost 21 per cent of unemployed workers had been out of work for longer than 12 months (Australian Council of Social Services, 2003).

4.7 The working poor

For some households labour restructuring has created the phenomena of the working poor; that is a pool of low paid but employed workers for whom financial commitments, such as home ownership, are increasingly out of reach (Berry & Dalton, 2000). Their income is too high to qualify for housing benefits but their earnings fall far short of that required to buy a home. This reflects an increasing polarisation of income groups in the 1990s within Australia, which can be largely attributed to economic restructuring. Henderson (1999) noted that in 1997 the bottom 20 per cent of Australian households accounted for just 3.8

per cent of all income from all sources, while the top 20 per cent accounted for 48.3 per cent. Fincher and Wulff (1998) cite job restructuring and retrenchment as creating a new geography of poverty in Australia with regional areas and cities formerly dependent on manufacturing, the most critical.

In the UK, Ford and Wilcox (1998) also document the increasing numbers of employees who are in low-paid employment with a proportion of these having incomes from employment that are less than the income subsistence benefit. They believe that for the UK the macro picture of growing low-paid employment understates the level of change at the micro level. Kleinman (1995) writes also that in the UK there is:

A serious problem of higher social rents for the crucial group who are in low paid work. For this group, their incomes are high enough to disqualify them from housing benefit but too low to enable them to afford owner-occupation or market rents in the private sector. (Kleinman, 1995 p.35)

Campbell (1997) describes the Australian labour market as increasingly one of intermittent employment and proposes that the quality of employment, or lack of it, can be just as important as employment in explaining social deprivation. He describes the concept of 'precariousness' in the Australian labour market as being one of low levels of pay and high levels of job insecurity. He suggest that the concept can be used to explain changes in the Australian labour market such as increasing levels of casual employment and the emergence of a group known as the 'working poor'. Campbell writes:

Low pay can be defined in different ways. The central issue concerns the fear that following the model of the US labour market deregulation will foster a low wage sector comprising full time employees subjected to declining real wages that fall below a poverty line (the 'working poor'). (Campbell, 1997 p.15)

4.8 State labour markets

While the three capital cities selected for this study, Adelaide, Perth and Sydney, reflect many of the trends discussed above, they also show differences in terms of industry sector and occupation growth, levels of part-time and casual employment and rates of unemployment.

4.8.1 Employment growth

In a major study of employment within Australia between the years 1986 and 1996, Stimson, Shuaib and O'Connor (1998) have classified regions and cities as 'winners' or 'losers' in terms of employment growth. Perth was termed a 'hot spot' in gaining over .5 per cent in its share of national employment growth between 1986 and 1996. In contrast to Adelaide and Sydney, Perth has benefited significantly from employment growth in its mining sector (Table 4.4) which enjoyed a 52.3 per cent increase between 1991 and 2001. In line with most cities in Australia Perth showed also a large increase in employment in its property and business sector between 1991 and 2001 (82.7 per cent) and in its cultural and recreational services sector (57 per cent) (Australian Bureau of Statistics, 2001c) (Table 4.4).

Table 4.4 Labour markets capital city - % change in sector employment 1991 - 2001

% CHANGE IN EMPLOYMENT BY SECTOR 1991 - 2001	ADELAIDE	PERTH	SYDNEY	AUSTRALIA
Agriculture, Forestry and Fishing	34.3	17.0	13.2	3.2
Mining	-12.1	52.3	-50.5	-12.0
Manufacturing	8.1	28.0	3.4	11.7
Electricity, Gas and Water Supply	-45.1	-11.6	-42.3	-33.5
Construction	14.7	48.7	32.6	32.7
Wholesale Trade	-9.8	10.6	-4.3	3.7
Retail Trade	14.0	36.5	26.7	29.2
Accommodation, Cafes and Restaurants	25.2	51.7	45.3	44.2
Transport and Storage	8.1	10.7	7.9	10.8
Communication Services	23.3	41.1	45.8	26.6
Finance and Insurance	-25.1	-3.4	11.8	-0.5
Property and Business Services	37.8	82.7	73.3	77.1
Government Administration and Defence	-11.5	3.6	-19.5	7.9
Education	10.0	30.7	24.3	26.2
Health and Community Services	14.6	36.4	28.9	35.6
Cultural and Recreational Services	20.6	57.0	62.9	60.4
Personal and Other Services	14.1	33.4	25.9	28.2
Total	5.6	26.7	16.7	17.1

Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Perth also has had its share of growth in the information sector which employs managers, consultants and educators. Between 1991 and 2001 Perth's number of associate professionals almost doubled, while its professional sector grew by 50 per cent (Table 4.5) (Australian Bureau of Statistics, 2001c).

Table 4.5 Labour force– % change in employment by occupation 1991 – 2001 by capital city

% CHANGE IN EMPLOYMENT BY OCCUPATION 1991-2001	ADELAIDE	PERTH	SYDNEY	AUSTRALIA
Managers and Administrators	6.9	17.9	21.0	11.2
Professionals	26.1	50.0	49.7	44.1
Associate Professionals	59.7	93.0	85.7	81.3
Tradespersons and Related Workers	-8.1	16.7	-1.7	4.2
Advanced Clerical and Service Workers	-38.7	-24.1	-34.4	-31.9
Intermediate Clerical, Sales and Service Workers	39.4	65.4	55.4	62.5
Intermediate Production and Transport Workers	6.0	34.5	8.7	11.0
Elementary Clerical, Sales and Service Workers	-11.7	7.1	-4.4	0
Labourers and Related Workers	7.1	14.5	-1.9	9.2
Total	5.6	26.7	16.7	17.1

Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

As of 2001 Perth's largest employment sector was the retail trade sector (16.3 per cent) followed by property and business (12.8 per cent) and manufacturing (11.3 per cent) (Table 4.6).

Table 4.6 Labour force capital city– employment sectors 2001

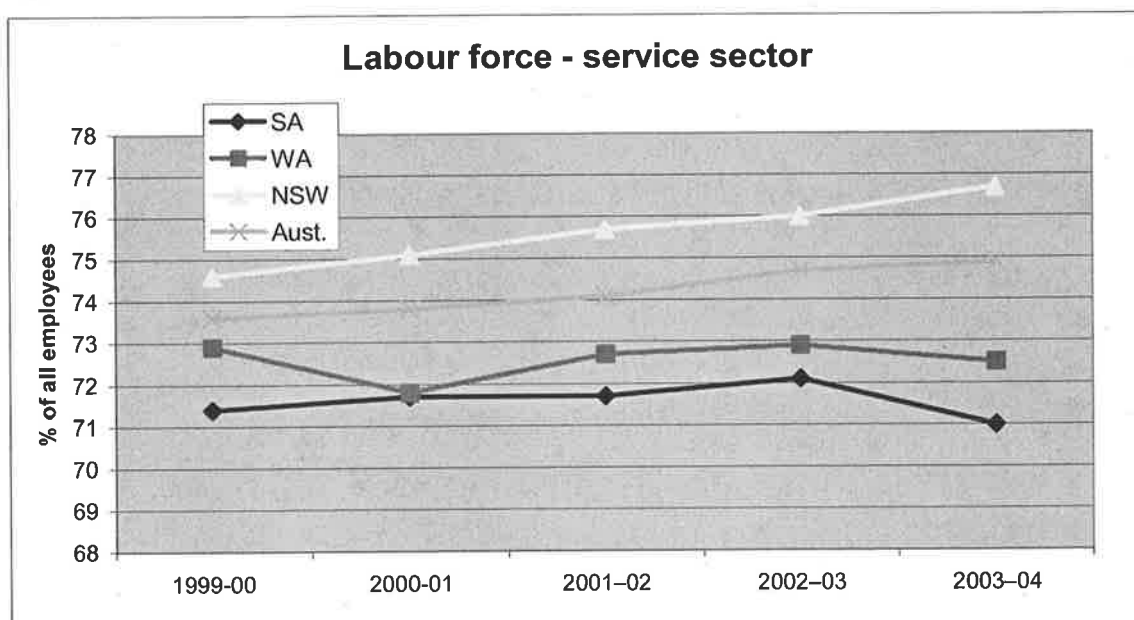
LARGEST EMPLOYMENT SECTORS –% OF ALL EMPLOYED 2001							
Adelaide	%	Perth	%	Sydney	%	Australia	%
Manufacturing	15.8	Retail Trade	16.3	Property and Business Services	14.8	Retail Trade	14.5
Retail Trade	15.4	Property and Business Services	12.8	Retail Trade	13.9	Manufacturing	12.1
Health and Community Services	12.8	Manufacturing	11.3	Manufacturing	12.6	Property and Business Services	11.1
Property and Business Services	10.8	Health and Community Services	10.9	Health and Community Services	9.3	Health and Community Services	9.7
Education	7.6	Education	8	Education	6.7	Education	7.1
Wholesale Trade	5.3	Wholesale Trade	5.7	Finance and Insurance	6.6	Construction	6.7
Government Administration and Defence	4.8	Construction	5.6	Wholesale Trade	6.4	Wholesale Trade	5.3
Accommodation, Cafes and Restaurants	4.5	Accommodation, Cafes and Restaurants	4.6	Construction	5	Accommodation, Cafes and Restaurants	4.9
Construction	4.2	Government Administration and Defence	4.5	Transport and Storage	5	Government Administration and Defence	4.5
Personal and Other Services	4.1	Personal and Other Services	4.1	Accommodation, Cafes and Restaurants	4.9	Transport and Storage	4.2

Source Source ABS 1981, 1991, 2001 ABS Census Community Profile Series : Adelaide (Major Statistical Region); ABS Census Community Profile Series Perth (Major Statistical Region); ABS Census Community Profile Series Sydney (Major Statistical Region); ABS Census Community Profile Series Australia

Stimson describes Sydney also as a 'hot spot' despite losing population and jobs overall (Stimson et al., 1998). This is in recognition of its world city status and job growth in sectors dominated by the new information economy (Stimson, 2001) such as communication services (45.8 per cent) and finance and insurance (11.8 per cent) (Table 4.4). As of 2001, the largest employment sector in Sydney was the property and business sector (12.8 per cent of total employees) which showed an increase of 73.3 per cent increase in employees between 1991 and 2001 (Australian Bureau of Statistics, 2001c) (Table 4.4). The next largest employer in Sydney, as of 2001, was the retail trade sector (13.9 per cent) followed by manufacturing at 12.6 per cent, a figure which exceeds the national average of 12.1 per cent (Table 4.6).

In terms of occupation, Sydney showed a large increase in associate professionals (87.5 per cent) as well as 55.4 per cent increase in the number of intermediate clerical, sales and service workers (Table 4.5). This reflects the continuing strengthening of the service sector as an employer in Sydney, and as of 2001 the service sector employed some 75.1 per cent of the Sydney workforce (Australian Bureau of Statistics, 2001c). This sector continues to dominate the state economy with almost 77 per cent of the NSW workforce employed in the service sector in 2004, which exceeds the national average of 75 per cent. NSW has consistently outranked WA and SA since the late 1990s in the relative size of its service sector employment (Figure 4-9).

Figure 4-9 Labour force State - service sector employment 1999 – 2004



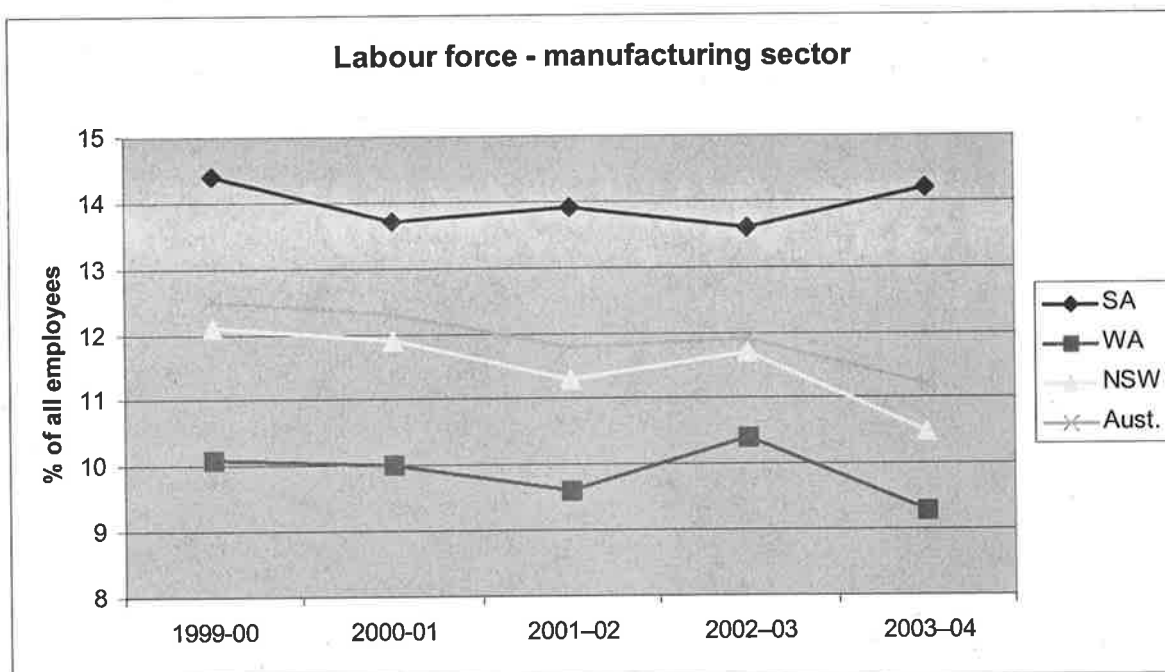
Source ABS (2000, 2002, 2003, 2004) Australian Social Trends Cat. No. 4102.0

In the language of 'winners' and 'losers' Stimson et al (1998) somewhat bleakly describes Adelaide as a 'cold spot' in that it lost at least .5 per cent of national employment growth between 1986 and 1996. As of 2001, Adelaide's largest employment sector was the manufacturing sector (15.8 per cent) (Table 4.6), a sector which has suffered most from economic restructuring and the move in employment from manufacturing to the service sector (Australian Bureau of Statistics, 2001c). South Australia saw a loss in routine production employees of 14.5 per cent between 1986 and 1996 (Stimson, 2001). This contraction is reflected in Adelaide's low overall job growth, between 1991 and 2001, of 5.6 per cent (Table 4.4). This growth is well below the national average of 17.1 per cent and Sydney's growth of 16.7 per cent and is completely dwarfed by Perth's growth rate of 26.7 per cent (Table 4.4).

Adelaide also has not seen the same growth in professional and managerial occupations as Sydney and Perth. While Adelaide's greatest expansion between 1991 and 2001 was in occupations aligned with the associate professional area (59.7 per cent), its expansion in managers and administrators (6.9 per cent) fell well short of that enjoyed by Perth (17.9 per cent) or Sydney (21.0 per cent) for the same years (Table 4.5). As well Adelaide suffered a significant loss of elementary clerical, sales and service workers (11.7 per cent) within the same period (Table 4.5).

As a state SA stands out as a major employer in the manufacturing sector and since the late 1990s employment in this sector has been above the national average. As of 2004, manufacturing employment in SA stood at 14 per cent, a figure which significantly exceeded that of NSW (10.5 per cent), WA (9.3 per cent) and the national average (11.2 per cent) (Figure 4-10).

Figure 4-10 Labour force State- manufacturing sector employment 1999 - 2004



Source ABS (2000, 2002, 2003, 2004) Australian Social Trends Cat. No. 4102.0

At the same time, despite substantial growth in the service sector throughout Australia, SA has more recently shown a downward trend in employment in this sector, from 72 per cent in 2000 to 71 per cent in 2004 (Figure 4-9). This runs contrary to the national trend in service sector growth, from 73.6 per cent in 1999 to 75 per cent in 2004 (Australian Bureau of Statistics, 2005a).

4.8.2 Part-time employment

There are also significant differences between Adelaide, Perth and Sydney in terms of part-time and casual employment and rates of unemployment. Each city has shown a substantial increase in the percentage of those employed who work part-time. Between 1990 and 2004 part-time employment in Perth increased from 23.1 per cent to 31 per cent, while Sydney increased from 18.4 to 25.1 per cent (Australian Bureau of Statistics, 2004a, 2005c)(Figure 4-11). Of the three cities considered in this study, Sydney has shown the lowest volume of part-time employees between 1990 and 2004. On the other hand Adelaide's level of part-time employment generally has exceeded that of Perth and Sydney. Adelaide's per cent of part-time employed increased from 23.7 to 31.7 percent between 1990 and 2004 (Australian Bureau of Statistics, 2004a, 2005c) (Figure 4-11).

This growth in part-time employment is associated with growth throughout Australia in the retail, hospitality and recreational sectors, all traditional areas of part-time employment particularly by females (Figure 4-4). All three cities have seen strong employment growth between 1991 and 2001 in the intermediate clerical sector (Adelaide 39.4 per cent, Perth 65.4 per cent and Sydney 55.4 per cent) (Table 4.5), a sector associated with part-time and casual employment (Australian Bureau of Statistics, 2001c).

Figure 4-11 Labour force capital city– part-time employment 1990 - 2004



Source Source ABS (2004) Labour Force, Australia Cat No. 6202.0 Table 02. Labour force status by State, Capital city / Balance of state and Sex

The trend in male part-time employment indicates that, of the three cities, Adelaide had the highest level of males employed part-time as a per cent of total employed between 1995 and 2000 (Figure 4-12). While the figure for Perth jumped to 9 per cent in 2002, Adelaide's level of male part-time employment had increased again, as of 2004, to 9.2 per cent, while levels for Perth (8.6 per cent), Sydney (7.3 per cent) and the national average (8.1 per cent) decreased after 2002 (Australian Bureau of Statistics, 2005c) (Figure 4-12).

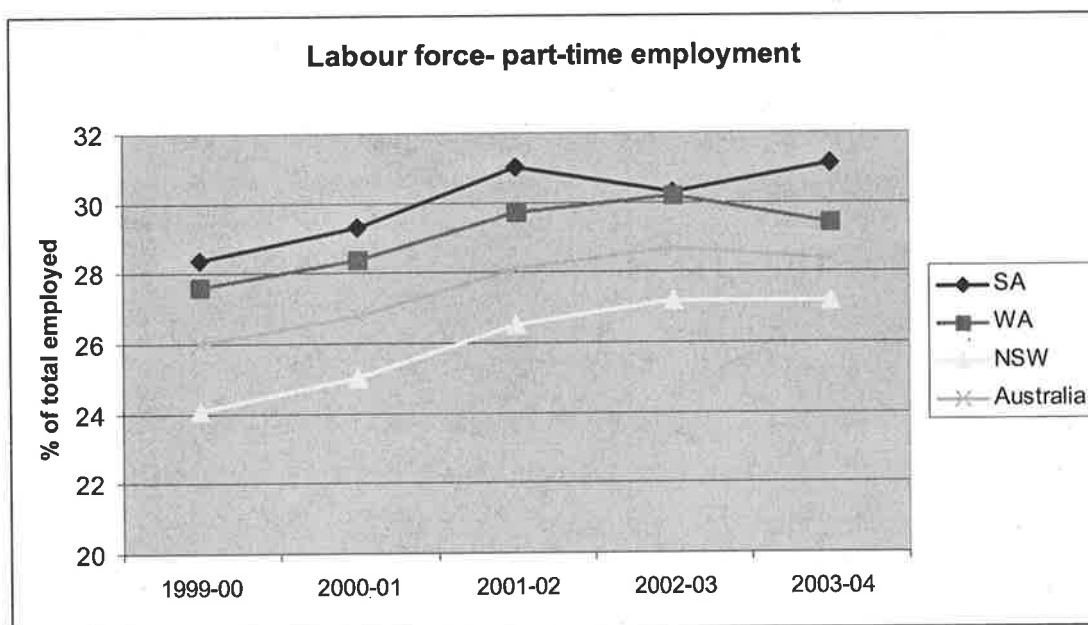
Figure 4-12 Labour force capital city male - part-time employment 1990 - 2004



Source ABS (2004) Labour Force, Australia, Cat No. 6291.0.55.001 Table 02: Labour force status by State, Capital city - Balance of state and Sex

On a state basis, the part-time employment figure for SA has regularly exceeded that of WA and NSW since 2000 (Figure 4-13). As of 2004, it was just over 31 per cent, that is, almost one third of employees in SA. Of the three cities in the study, Sydney shows the lowest per cent of part-time workers. As of 2001 this was 24.9 per cent compared to a national average of just below 30 per cent (Figure 4-13).

Figure 4-13 Labour force State – part-time employment 1999 - 2004



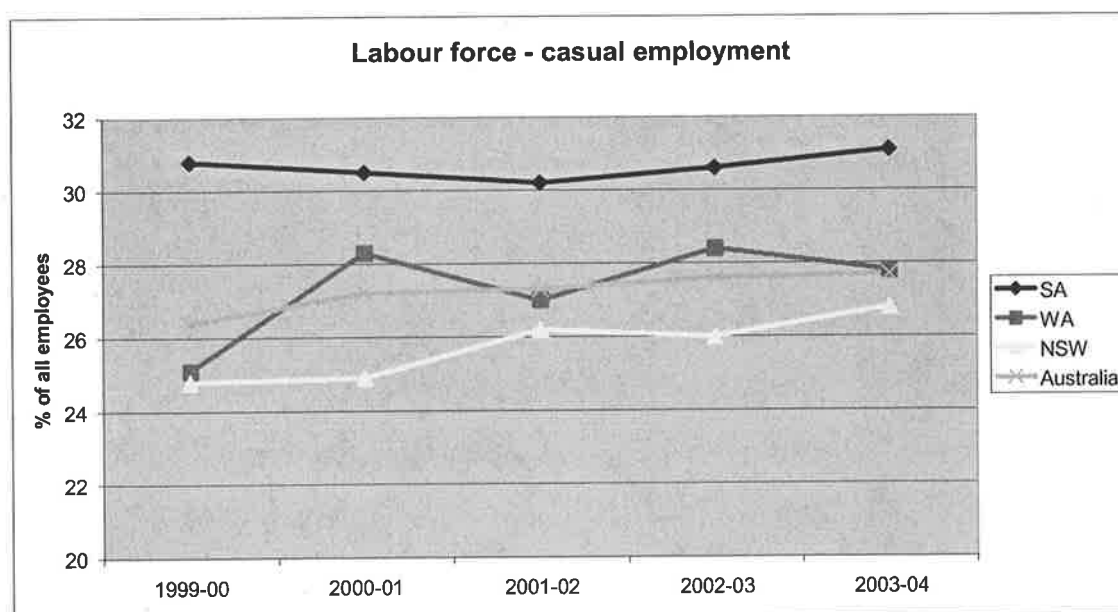
Source ABS (2004) Labour Force, Australia, Cat No. 6291.0.55.001 Table 02: Labour force status by State, Capital city - Balance of state and Sex

4.8.3 Casual employment

Spoehr (2001) comments that while Australia has a much higher density of casual employment than other nations, SA stands out as being the most precarious state labour market. He discusses how the decline in male dominated full-time jobs has created further job insecurity with men competing with women for part-time and casual employment. South Australia experienced a net loss of 20,000 full time jobs in the decade 1990 to 2000 with part-time and casual employment the main job growth area (Australian Bureau of Statistics, 1998c). Ninety six per cent, that is 17,000 of the 18,000 jobs created in SA in the three years up to 2000, were part-time while the median weekly earnings of a casual worker in SA were only 44 per cent that of a permanent employee (Spoehr, 2001). As such, in 1999, the level of casual employment in SA exceeded the national average (26.2 per cent) and that of WA (25 per cent) and NSW (24.7 per cent). This state trend has continued and, as of 2004, some 31.1 per cent of the SA labour force were without leave entitlements (Australian Bureau of Statistics, 2005c) (Figure 4-14).

In contrast, NSW has consistently been below the national average for casual employment and, as of 2004, some 26.8 per cent of NSW employees were in casual employment compared to the national average of 27.7 per cent (Figure 4-14). In WA, as of 2004, some 27.8 per cent of employees were in casual employment, close to the national average of 27.7 per cent (Australian Bureau of Statistics, 2005c) (Figure 4-14).

Figure 4-14 Labour force State casual employment 1999 – 2004

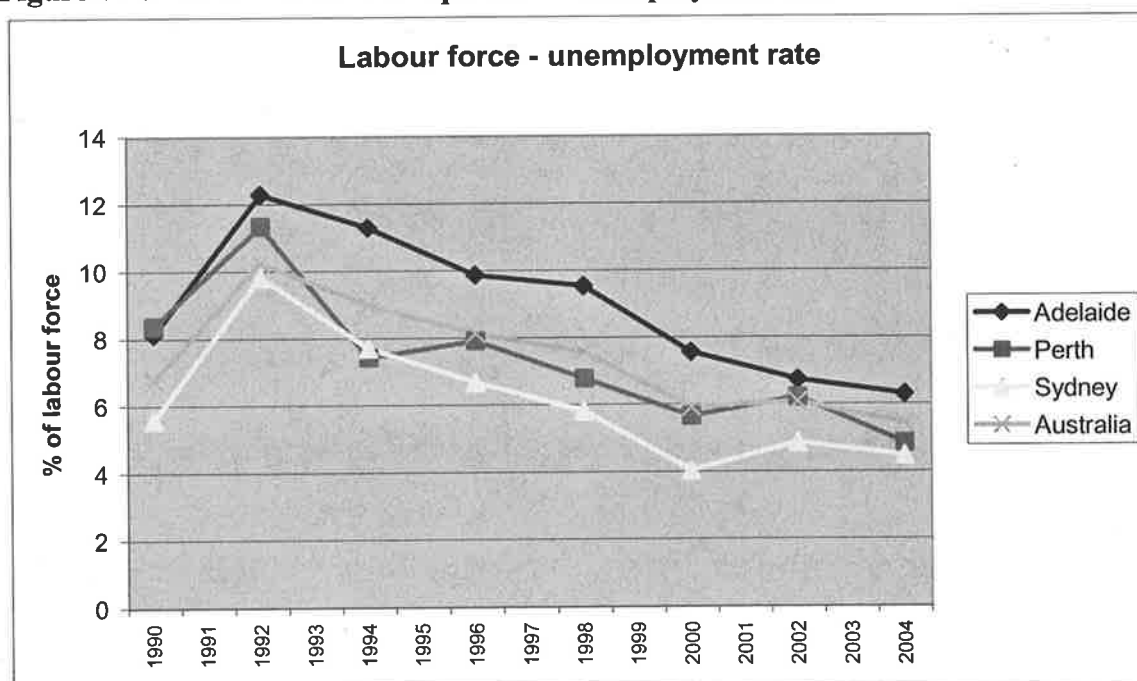


Source ABS (2004) Labour Force, Australia, Cat No. 6291.0.55.001 Table 02: Labour force status by State, Capital city - Balance of state and Sex

4.8.4 Unemployment

Adelaide stands out as having a consistently higher rate of unemployment than most other capital cities in Australia. Having moved off from a rate of 8.1 per cent in 1990, similar to that of Perth (8.4 per cent), Adelaide has since retained a higher rate of unemployment than Perth, Sydney or the national average (Figure 4-15). This is consistent with its dependence on the manufacturing sector for employment, which has suffered job losses through economic restructuring, and its lack of substantial growth in the service sector. As of 1999, its unemployment rate stood at 9.6 per cent. By 2004 this had fallen to 6.7 but still exceeded the national average of 5.8 per cent (Australian Bureau of Statistics, 2005c). Again much of this unemployment is related to the collapse of the male, full time job market. In SA male, full time employment declined by 2,500 between 1993 and 2001 (Spoehr, 2001).

Figure 4-15 Labour force Metropolitan – unemployment rate 1990 - 2004



Source ABS (2004) Labour Force, Australia, Cat No. 6291.0.55.001 Table 02: Labour force status by State, Capital city - Balance of state and Sex

Sydney consistently comes in below the national unemployment rate which is aligned to its strong employment growth in the service and information sectors. Although Sydney's unemployment rate peaked at 10 per cent in 1992 it has shown a downward trend to fall to its lowest point in 2000, the year of the Sydney Olympics (Figure 4-15). Perth's

unemployment rate has tended to track the national average since the mid 1990s (Australian Bureau of Statistics, 2005c) (Figure 4-15).

4.9 Chapter conclusion

This chapter has discussed how the Australian labour market has shown significant loss of job stability as jobs have disappeared; workers, including professionals and middle managers have been retrenched and restructuring has forced career changes. The current nature of employment in Australia acknowledges the contractual nature of jobs, and the propensity for workers to lose jobs, and, if possible, adapt and seek re-employment.

It is against this background that this study will explore the employment status, income levels, and sense of job security of first home buyers across three, quite different, employment markets. De Ruyter and Burgess (2000) suggest that the perception of job insecurity as much as job mobility itself, can forestall the taking on of long term financial debt such as a mortgage. This lends support to this study which considers attitudes to job security and feelings of financial well-being as important influences in the decision and timing of home purchase by first time buyers. The next chapter explores housing costs and trends in housing affordability which are also important precursors to understanding purchaser behaviour.

Chapter 5 Income and housing costs in Australia

This chapter reviews trends in income and housing costs within Australia. These are important issues for first home buyers who are making a substantial financial commitment against a background of increasing job insecurity. Trends in housing affordability are also discussed at national and state level. Writers such as Baum and Wulff (2003) have stressed the importance of undertaking housing research within the context of different housing markets. Clark et al (2003) suggest that housing markets and house costs need to be taken into account when investigating buyer behaviour as they can have an important impact on the timing of the purchase decision. Van der Vlist, Gorter, Nijkamp and Rietveld (2002) consider that housing costs and house price change are very important in understanding the decision to move out of the rental sector. As well falling levels of housing affordability and rising interest rates can give rise to financial stress, which it is hypothesized in this study may be compounded by job insecurity.

5.1 Income

A number of studies have suggested a widening disparity in income groups within Australia over the last two decades (Borland & Kennedy, 1998; Borland & Wilkens, 1996; Henderson, 1999; Stimson, 2001). Henderson notes that statistics for 1996 to 1997 showed that the bottom 20 per cent of households account for just 3.8 per cent of all wages, salaries pensions and benefits, superannuation payments and business income while the top 20 percent of households account for 48.3 per cent.

Stimson (2001) suggests that a GINI coefficient analysis of ABS data, a widely used measure of inequality, shows that income inequality has been on the rise since 1995, 1996 in Australia (Stimson, 2001). Borland and Wilkins conclude that between 1975 and 1994 the earning dispersion had increased both for males and females. Harding (1997) also found a rise in earnings inequality between 1982 and 1994 although offset by changes in the income tax and cash transfer systems. She writes:

The latest available evidence from large scale ABS sample surveys suggests that the inequality of earnings, among both individuals and households, increased between 1982 and 1993-4. When added to labour force changes - such as the rise in unemployment and in part-time and casual work - this produced a higher degree of

inequality in market income by the mid 1990s than at the beginning of the 1980s.
(Harding, 1997 p.19)

A later study also concluded that the distribution of earned income in Australia became more unequal during the 1990s (Harding & Richardson, 1998). Wages and salaries were spread less evenly across the population than before while 'jobs that pay a lot and jobs that pay a little are growing relative to jobs with middle level rates of pay' (Harding & Richardson, 1998 p.25).

Gottschalk and Smeeding (1997), in an international study during the 1980s and 1990s showed that disposable income disparities were relatively high in Australia compared to other countries with the suggestion of a disappearing middle income group. NATSEM reported 'a profound shift' in the distribution of wealth towards older Australians (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). Both of these findings have significant implications for those in Australia who are aspiring to own their first home, the majority of which remain under 35 years of age. As of 2000 some 62 per cent of first home buyers were under 35 years of age (Australian Bureau of Statistics, 2003b). At the same time loss of middle income wage earners and a growing disparity in income makes home owner aspirations increasingly difficult for all age groups except for those fortunate to be in the upper income brackets. Yates (1999) identified some time ago a declining propensity for home ownership in Australia amongst couples with children at the lower end of the income. The ABS reports on the asymmetric distribution of wealth between households in Australia, where a relatively small proportion of households have relatively high net worth and a large number of households have relatively lower net wealth (Australian Bureau of Statistics, 2006). Some 20 per cent of the households in Australia, with the lowest net wealth, accounted for only one per cent of total national household net wealth. As of 2003, lone persons, under the age of 35, had the lowest mean household net wealth in Australia. The net wealth of couples only, in the same age bracket, was over twice that of a single person (Australian Bureau of Statistics, 2006). This in turn impacts on the ability of single persons to take on large financial commitments, such as a mortgage, and supports the argument of Badcock (1995) that single income households are particularly disadvantaged in seeking to attain home ownership.

Yates (1999) suggested also that younger couples in the upper income brackets were also less inclined to purchase and accounted for this by recognising the impost of increased tertiary fees and costs as well as the opportunities offered by other forms of investment.

Between 1996 and 2001 real income in Australian capital cities grew by 11.9 per cent (Lloyd, Yap, & Harding, 2004). At the state level, as of 2001, NSW had the highest average household income at \$55,468, with WA third at \$50,301. South Australia was on the lowest with \$45,405. In terms of capital cities Sydney was the stand out with average income at \$63,220, as of 2001. Perth's average income was \$52,028, while Adelaide's was one of the lowest, on average \$46,840, for the same year. Households in Adelaide were on less than three quarters of the average Sydney households (Lloyd et al., 2004).

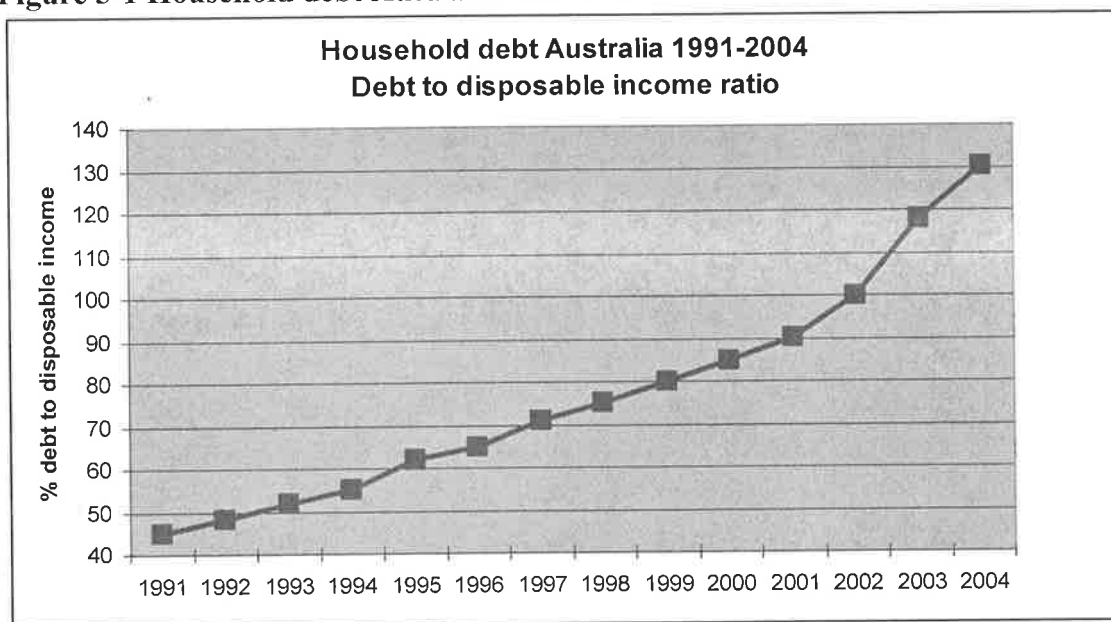
Between 1996 and 2002 Sydney also showed the greatest increase with incomes growing by 13.6 per cent in real terms. Incomes in Adelaide came in third but grew too over this period, at 11.1 per cent; Australia's average was 11.9 per cent. Perth's income growth was lower at 8.5 per cent (Lloyd et al., 2004).

Lloyd et al (2004) indicate that after housing cost have been deducted average household income within Australian capital cities was \$43,496 in 2001. They suggest that income growth is much more equally spread once housing costs are taken into account. Taking this into account Sydney had an increase in income between 1996 and 2001 of 12.1 per cent, for Adelaide it was 11.9 per cent and for Perth 8.8 per cent (Lloyd et al., 2004).

5.2 Household debt

For many Australians, including first home buyers, the 1990s and the new millennium have been typified financially by growing personal and housing debt which has increased more rapidly than incomes (Australian Bureau of Statistics, 2002d) (Figure 5-1). One of the most significant events for home purchase was the deregulation of the Australian financial system in the 1980s (Badcock & Beer, 2000).

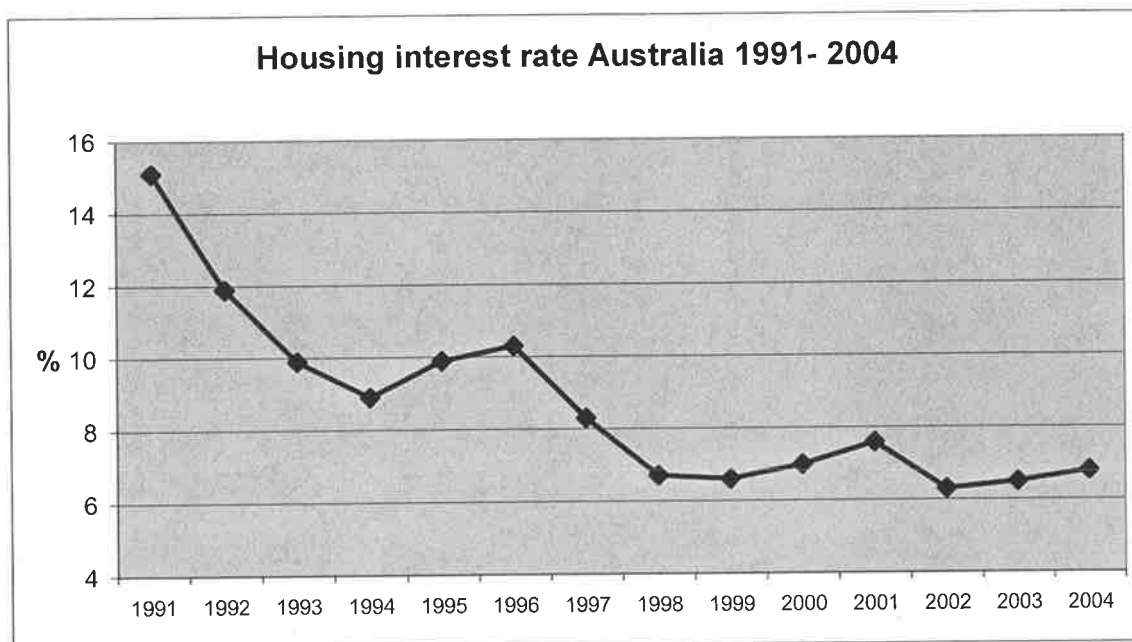
Figure 5-1 Household debt Australia 1991-2004



Source ANZ (2005) Economics@ANZ

This resulted in increased competition between mortgage financiers and falling interest rates, down from 15 per cent in 1991 to under seven per cent in 1999 (Figure 5-2), that in turn resulted in greater market participation and larger average loan sizes (Australian Bureau of Statistics, 2002d; Wood, Bushe-Jones, & Murdoch University. Economics Programme., 1989).

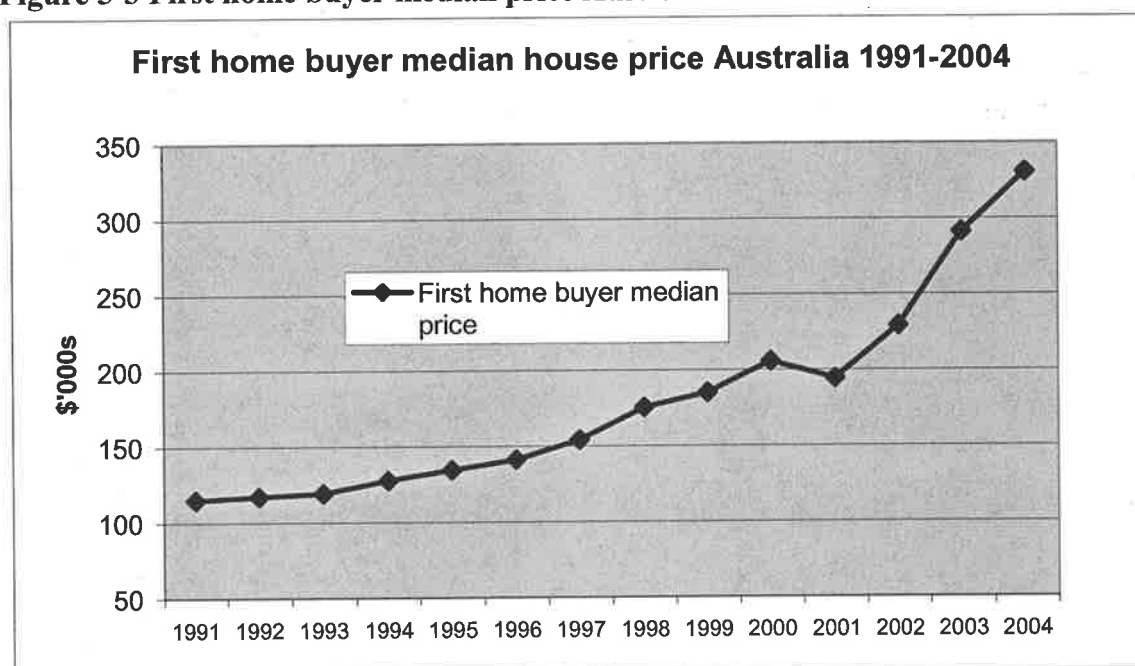
Figure 5-2 Housing interest rate Australia 1991-2004



Source ABS (2004) Australian Social Trends Cat. No. 4102.0 Table 1: Housing: National Summary 2004

Much of the increase in household debt has been related to the purchase of a home and reflects both an increase in household borrowing and in the average amounts borrowed (Australian Bureau of Statistics, 2002a, 2002d). In the 1990s, many home buyers were encouraged to buy for the first time as falling interest rates were matched by the expectation of rising house prices (Somers, 1992) (Figure 5-3). Prices paid for first homes climbed steadily from a median price of \$120,000 in 1991 to reach \$200,000 by 2000. Financial deregulation also allowed for higher loan to value ratios for borrowers and as a result the amount of deposit required as a proportion of house price declined (Australian Financial Review, 1996). This effectively encouraged households to borrow, and banks to lend, more on less (Reserve Bank of Australia, 1999, 2003).

Figure 5-3 First home buyer median price Australia 1991 - 2004

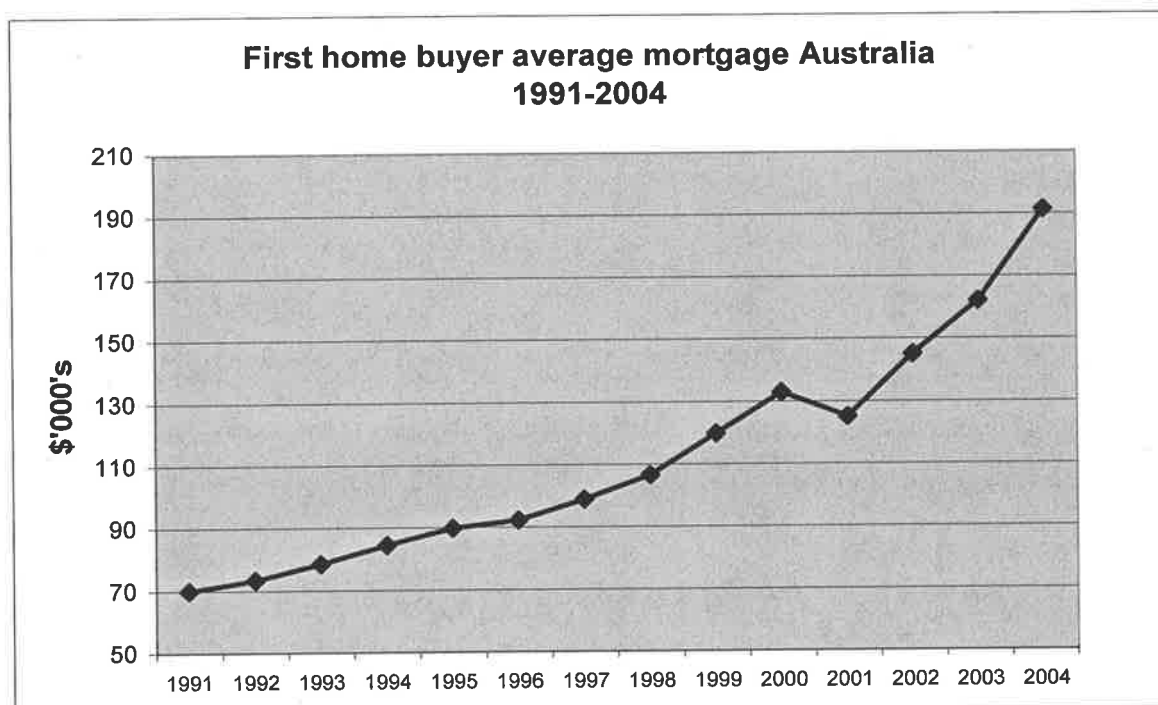


Source HIA (2004) Housing; A Quarterly Review of Housing

Berry and Dalton (2000) discuss the growing competition within the mortgage lending industry in Australia as a result of deregulation which they suggest has put 'immense pressure on lenders to lend while shaving their margins' (Berry & Dalton, 2000 p. 449). They suggest that the incentive to 'lend or perish puts pressure on the capacity to maintain high credit standards' (Berry & Dalton, 2000 p. 449).

The decline in mortgage rates in the latter half of the 1990s made repayments on larger mortgages easier for purchasers, including first time buyers. Average loans for first time buyers increased from just over \$70,000 in 1991 to over \$125,000 in 1999 (Figure 5-4). As of 1999 each of two million Australian households carried on average a mortgage of \$77,400 (Australian Bureau of Statistics, 2002a). The upward trend in borrowings continued after a short fall in 2001 with the average first time buyer loan \$190,000 by 2004 (Australian Bureau of Statistics, 2005a) (Figure 5-4).

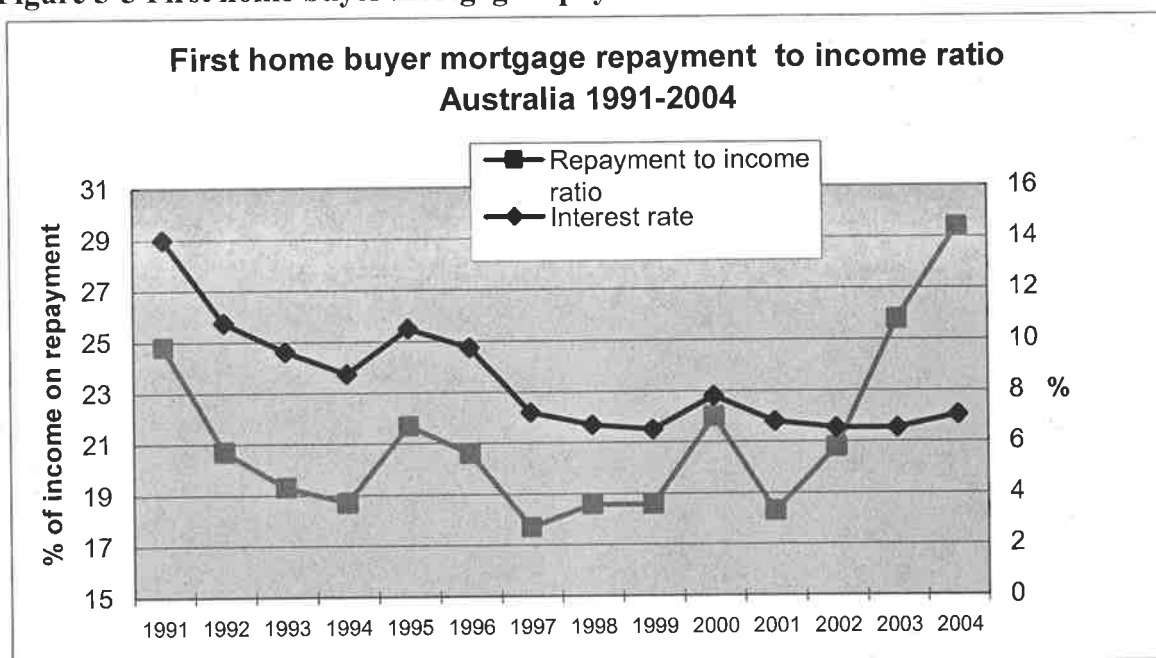
Figure 5-4 First home buyer average mortgage Australia 1991 - 2004



Source HIA (2004) Housing; A Quarterly Review of Housing

As banks became more generous and first home buyers increased their borrowings, repayment to loan ratios began to rise. The percentage of first home buyer income going to repay a loan increased from 18 per cent of income to 22 per cent of income by 2000 (Housing Industry Association. Commonwealth Bank, 2000). Up to 2000 any significant rise or fall in the ratio could be largely accounted for by interest rate fluctuations. That is, as interest rates fell, so too did the monthly repayments required to service a loan. However since 2002, despite a stable and relatively low interest rate, loan to income ratios have continued to rise (Figure 5-5). As of 2004, many first home buyers in Australia were paying close to 30 per cent of their income on mortgage repayments (Australian Bureau of Statistics, 2005a).

Figure 5-5 First home buyer mortgage repayment ratio Australia 1991 - 2004

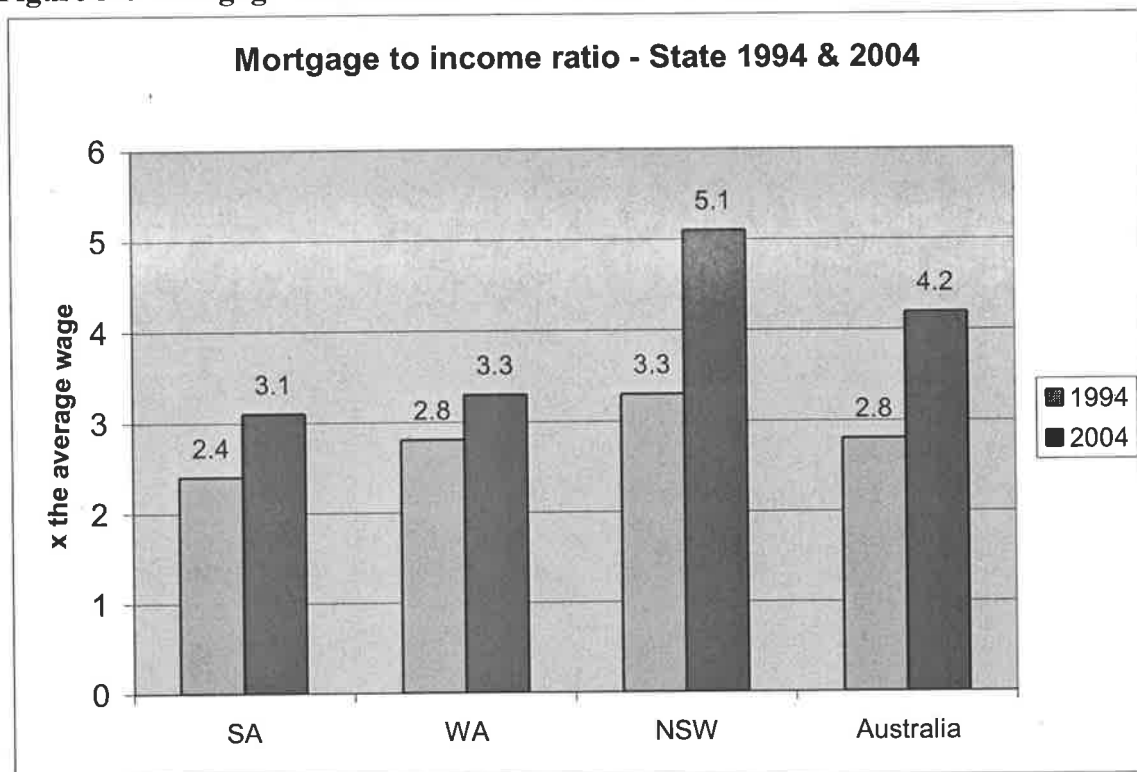


Source HIA (2004) Housing; A Quarterly Review of Housing

Increases in loan to income ratios have been reflected throughout the housing market not just in the first home buyer sub market. In 1989 the average loan size for home purchase was 1.9 times the average Australian household wage (Australian Bureau of Statistics, 2002d). This multiple increased to 2.8 by 1994 and had increased again to 4.2 by 2004 (AMP.NATSEM National Centre for Social and Economic Modelling, 2004) (Figure 5-6). In 1994 the average mortgage represented 2.8 times the average salary of \$617.50 per week. By 2004 this had increased to 4.2 times the average annual salary of \$949.50 per week (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). Even taking into account interest rate differences, 8.75 per cent in 1994 and 7.05 per cent in 2004, this represents a substantial increase in real debt (AMP.NATSEM National Centre for Social and Economic Modelling, 2004).

On a state basis some increases were not so high. For SA a home mortgage represented 2.4 times an average salary in 1994. This had increased to 3.1 by 2004 (Figure 5-6). For WA the multiple was 2.8 in 1994 and increased to 3.3 by 2004. However for NSW the ratio was much higher. In 1994 the figure stood at 3.3. By 2004 the average mortgage in NSW was 5.1 times the average household wage (AMP.NATSEM National Centre for Social and Economic Modelling, 2004) (Figure 5-6).

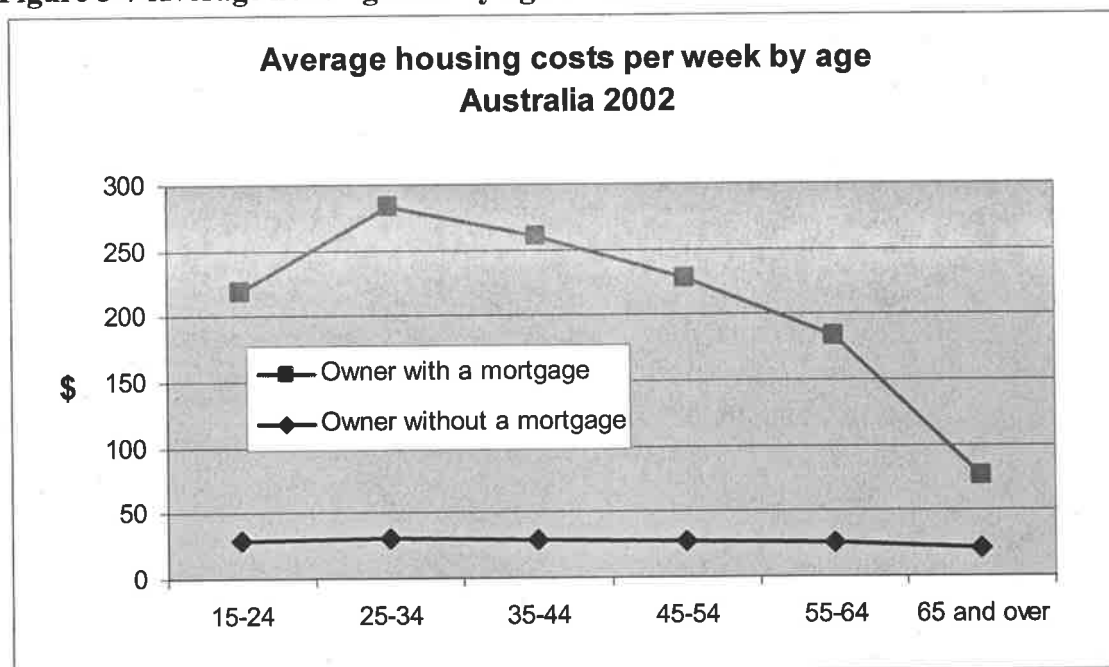
Figure 5-6 Mortgage to income ratio State 1994 and 2004



Source AMP.NATSEM (2004) Household Debt in Australia

In line with life cycle expectations, housing cost figures for 2002 show that the largest mortgages are held by purchasers in the age ranges of 25 to 34 and 35 to 44 years (AMP.NATSEM National Centre for Social and Economic Modelling, 2004) (Figure 5-9). The majority of first home buyers fall into these age categories. In 1999, at the time of this most respondents purchased their first home, some 57.9 per cent of first homebuyers were in the age range 25 to 34, with another 17.8 per cent aged 34 to 44 years (Australian Bureau of Statistics, 2003c).

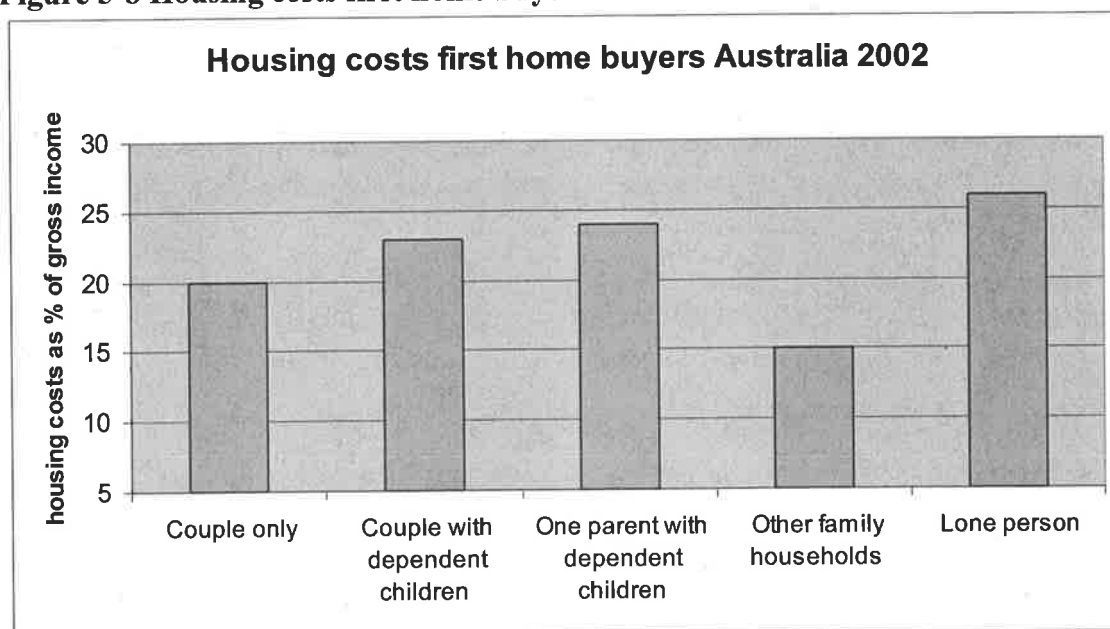
Figure 5-7 Average housing costs by age Australia 2002



Source ABS (2003) Housing Occupancy and Costs, Australia, 2002-03 Cat No. 4130.0.55 Table 23. RECENT HOME BUYER HOUSEHOLDS, Housing costs by selected household characteristics

For first time buyers, in 2002, the largest housing costs, as a proportion of income, were faced by lone persons, (over 25 per cent of gross income on housing costs), lone parents (24 per cent) and couples with young children (23 per cent) (Figure 5-8). As of 1999, some 29.5 per cent of first time buyers were couples with children, 13.8 per cent were lone persons and 2.5 per cent were lone parents (Australian Bureau of Statistics, 2003c).

Figure 5-8 Housing costs first home buyers Australia 2002



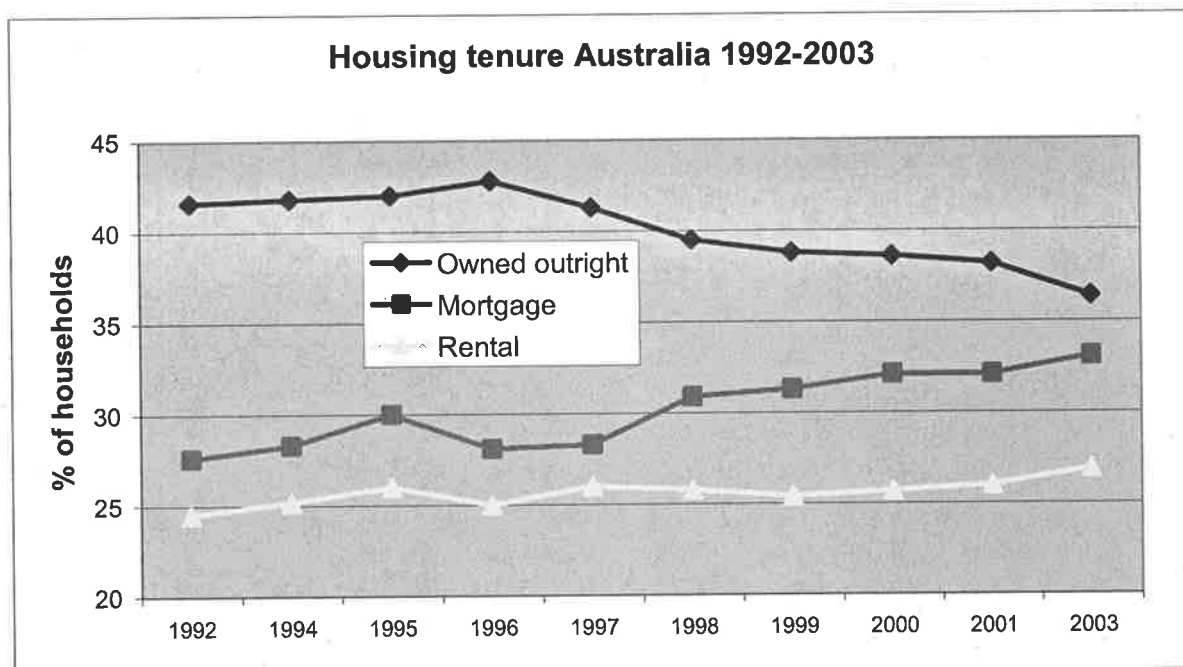
Source ABS (2003) Housing Occupancy and Costs, Australia, 2002-03 Cat No. 4130.0.55 Table 23. RECENT HOME BUYER HOUSEHOLDS, Housing costs by selected household characteristics(a)

The rate and size of borrowing throughout the 1990s appears to have left a legacy in terms of housing tenure. While there has been discussion over the sustainability of Australia's home ownership level for younger age groups (Baxter & McDonald, 2004; Winter & Stone, 1999; Yates, 2000), overall it has remained at just over 69 per cent for the last ten years despite escalating prices and increasing debt (Australian Bureau of Statistics, 2001c, 2002a).

However the tenure mix may be changing. In 1992 a break down of housing tenure showed that 41.6 per cent of Australian households owned their house outright, some 27.6 per cent of households had a home loan, while about 25 per cent of households were in some form of rental accommodation (Australian Bureau of Statistics, 2002a). That is some 69.2 per cent of Australians were in home ownership.

Just over a decade later, in 2003, the overall percentage of home owners, at just over 69.5 per cent of the population, had not changed significantly. However the ratio between households owning their property outright (36.4 per cent) and those paying off their home (33.1) had changed (Australian Bureau of Statistics, 2003a) (Figure 5-9). In other words a thirty year housing trend in Australia of outright owners exceeding the per cent of those purchasing (Badcock & Beer, 2000) may have reversed, with the number of Australians paying off their homes starting to overtake those who actually own their houses outright.

Figure 5-9 Housing tenure Australia 1992 - 2003



Source ABS (2003) Australian Social Trends Cat No. 4102.0 Table 1: Housing: National Summary - 2003

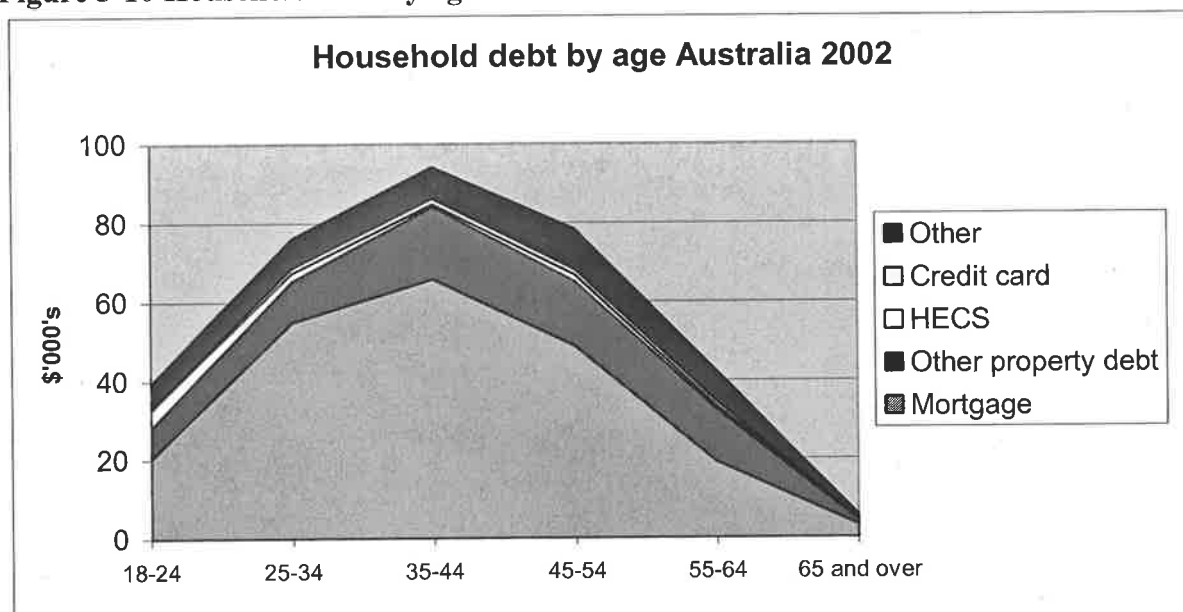
It has been suggested that this narrowing gap is consistent with rising debt levels and income to debt ratios as well as reflecting a growing community acceptance of higher household and personal debt levels (Megalogenis, 2006). In support of this argument there has been a substantial rise, not just in mortgage debt, but in overall household debt including credit card debt, in Australia since the 1990s (Reserve Bank of Australia, 2003).

Household debt jumped from 50 per cent of disposable income in 1990 to over 110 percent in 2002 (Australian Bureau of Statistics, 2002d; James, 2003) to 129 per cent in 2003. In 1999 66 per cent of Australian households were using credit cards compared to 59 per cent ten years earlier (Reserve Bank of Australia, 1999). In 2002 the average monthly credit card debt carried over every month was estimated at \$580 per household (Australian Bureau of Statistics, 2002d).

As of 2002, the greatest household debt was being carried by those in the age ranges 25 to 34 and 34 to 44 years (AMP.NATSEM National Centre for Social and Economic Modelling, 2004) (Figure 5-10), much of it housing debt but also compounded by credit

card debt, Higher Education Contribution Scheme (HECS) debt and other property debt. Again these are the age categories within which most Australians buy their first home.

Figure 5-10 Household debt by age Australia 2002



Source NATSEM (2004)

5.3 Financial and housing stress

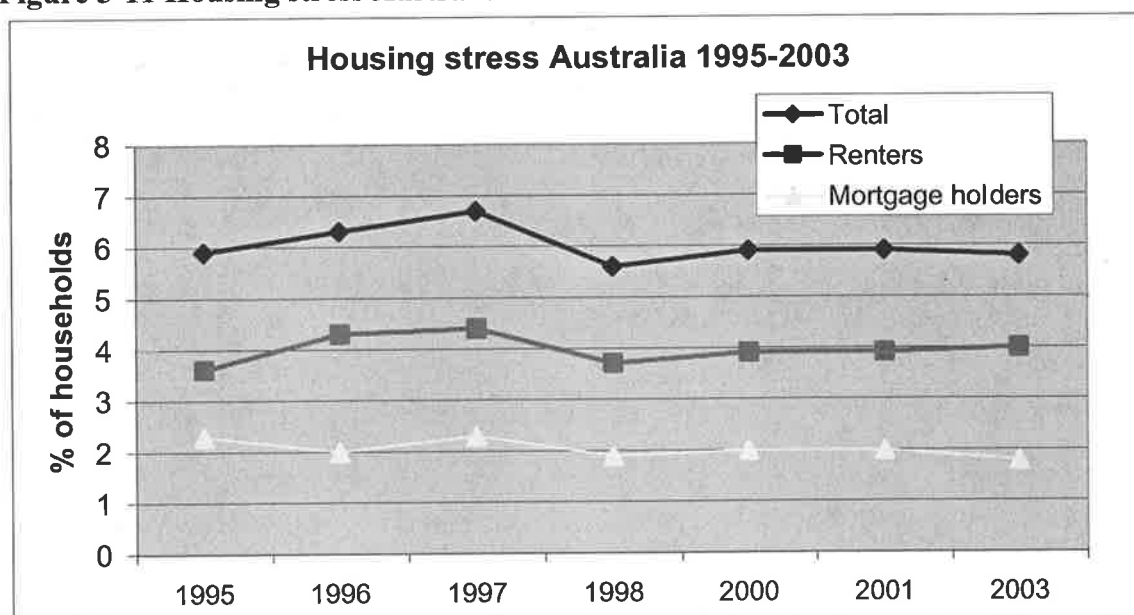
The high levels of debt in Australia means that only a small rise in mortgage rates might be sufficient to bring many households, including first time buyers, under considerable financial stress in terms of debt relative to income (South Australian Centre for Economic Research, 2001). For Australia as a whole ABS findings, based on the 1998/1999 Household Expenditure Survey (Australian Bureau of Statistics, 2000c), showed that some 15 per cent of all households reported that in the previous 12 months they had spent more money than they had received. Some 16 per cent of households indicated that they could not pay electric, gas or telephone bills on time. Over a quarter of all households indicated they could not afford a one week holiday. This ABS survey showed that, of households in the top three income groups facing greatest financial stress, 30.9 percent were owners with a mortgage. Over 53 per cent of the most financially stressed lower income households and almost 50 per cent of the most stressed higher income households reported that their living standards were lower than two years earlier (Australian Bureau of Statistics, 2000c).

While housing costs impact on levels of disposable income they are also a major contributing factor to financial stress (Australian Bureau of Statistics, 2002a) and can

result in what is termed 'housing stress'. People are said to be in housing stress if the high cost of their housing means that their income levels may not cover the full range of other goods and services accepted as a community standard (Australian Bureau of Statistics, 2004c). Households are defined as having housing stress if they have both 'relatively' high housing costs and their income falls between the bottom 10 per cent and the bottom 40 per cent of equivalised disposable household income (Australian Bureau of Statistics, 2004c). For many households in the bottom 10 per cent bracket income does not truly represent their financial situation, for instance retirees. 'Relatively' high housing costs are those above 30 per cent of gross household income (Australian Bureau of Statistics, 2004c).

As of 1998, 6.7 per cent of households or about one million Australians were considered to be experiencing housing stress (Australian Bureau of Statistics, 2002d). In 2001 the number was about the same, at 1.1 million, of which 355,000 were children. This represented some 5.9 per cent of households. Almost 45 per cent of those with housing stress were households paying off a mortgage (Australian Bureau of Statistics, 2002d) (Figure 5-11). One parent families with dependent children are most likely to experience housing stress (Australian Bureau of Statistics, 2004c). Almost 20 per cent of one parent families in 2001, representing some 270,000 children, were experiencing housing stress and at least 46 per cent of these were homes which were not receiving a government pension or allowance (Australian Bureau of Statistics, 2004c).

Figure 5-11 Housing stress Australia 1995 - 2003



Source ABS (2004) Measuring Australia Progress Cat. No. 1370.0 The Measures Financial Hardship Housing Stress

In the UK, where in the 1980s tens of thousands of households lost their homes as a result of mortgage arrears, the health consequences of housing stress and housing insecurity have been highlighted. Nettleton and Burrows (2000) suggest that the housing stress brought about by mortgage indebtedness can have severe health consequences. They write:

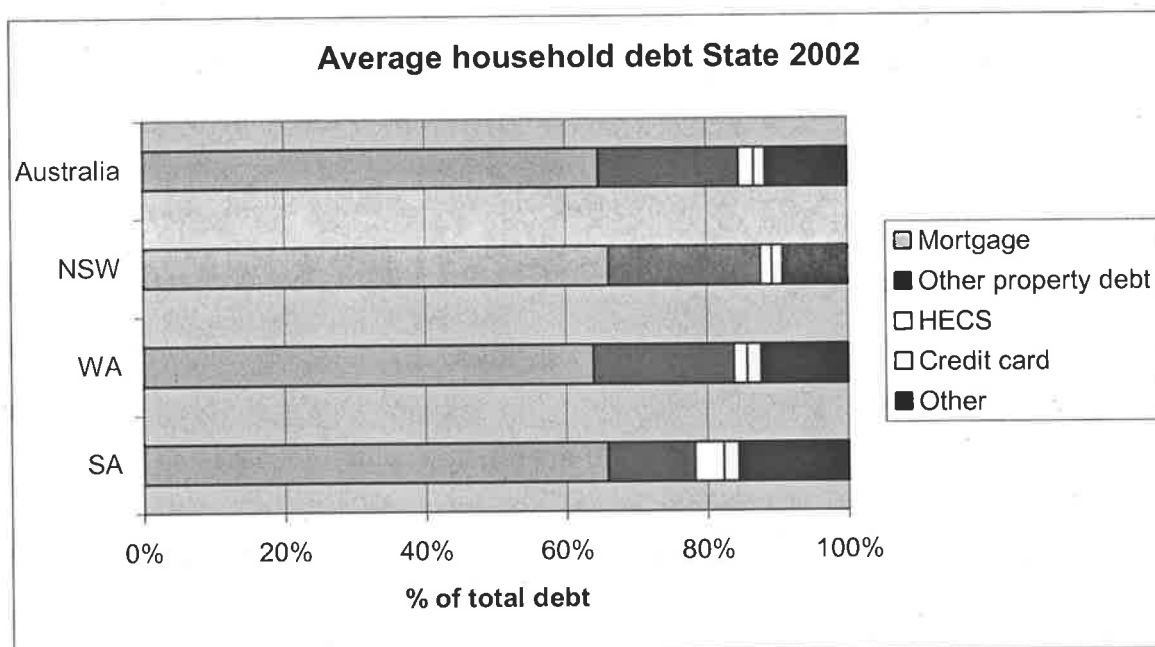
There is now also an urgent need to recognise that for significant numbers of people the cost of home ownership in a society marked by increasing levels of individualisation, insecurity and risk can be very great indeed, not just in terms of their wealth but also in relation to their health.

(Nettleton & Burrows, 2000 p.478)

Berry and Dalton (2000) have reviewed the level of mortgage arrears in Australia. They analysed all arrears outstanding in June 1999 in the mortgage portfolio of an Australian state government and summarized the households most likely fall behind in their mortgage payments. Mortgage arrears were strongly and directly linked to high loan to house value ratios. In other words those who borrowed most relative to house value were most vulnerable, as were couples with children and those who had bought established homes. Some 80 per cent of first home buyers buy established, that is previously owned, houses (Macquarie Bank, 2001).

For some capital cities in Australia housing debt has been described as an acute problem. Media reports in SA (The Sunday Mail, 8th September p.38) went so far as to suggest a 'mortgage meltdown' in the state. The newspaper reported that in some suburbs in Adelaide, up to 20 per cent of homebuyers were putting almost a third of their income into their mortgage with average household debt in SA over \$60,000, and average individual debt \$24,000, not including mortgage debt. This is consistent with other reporting on household debt (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). As of 2002, NSW showed the highest mortgage commitment as a percentage of total debt (67 per cent) but was closely followed by SA (66 per cent) (**Figure 5-12**). Families with such debt who lose a job unexpectedly are under very significant financial stress (Reserve Bank, 2003; The Adelaide Advertiser, 2002, 13th November p.3).

Figure 5-12 Average household debt State 2002



Source NATSEM (2004)

Also important to note is that across the three case studies, as a proportion of household debt, HECS debt on average is highest for SA (about 5 per cent). This could be a significant impost on attaining home ownership in a city where mortgage commitments are already high relative to income (AMP.NATSEM National Centre for Social and Economic Modelling, 2004)..

5.4 Experience in the UK

In the UK, Wilcox (2002) has recognised the perils of low interest mortgage inducements. The report suggests that while interest rates for mortgages in the UK had fallen, the cheapest home loans since the 1950s were both a boon and a potential pitfall for first-time buyers:

The fall in interest rates could well see one last flurry of house price rises before the housing market peaks. However, if record low levels of interest rates are, in the short term, a boon to would-be first-time buyers they are also a potential danger in the years ahead, especially if the current economic down turn proves to be short lived. Economic recovery would almost certainly bring about a return to higher interest rates and a hike in the repayment costs for home-buying households that purchased while interest rates were at historic low levels. The potential for such a 'delayed affordability' crisis for first-time buyers is all the greater if inflation remains low, since mortgage costs would only reduce slowly as a proportion of household income. (Wilcox, 2002 p.52)

However the housing crisis experienced in the UK in the early to mid 1990s may have resulted in greater caution on the part of both buyers and lending institutions. MacLennan et al (1997) show that mortgage lending patterns in the UK in the 1990s displayed greater stability, with a decline in the number of buyers with very high levels of debt in proportion to the value of their homes. Loan to income ratios were lower than in the late 1980s, reflecting greater use of credit screening by lenders and fewer borrowers seeking maximum loans.

MacLennan states that: 'Our surveys suggest that those who have bought their own homes since 1992 have tended to make choices that are more considered and mature'. This report also suggests that prudence on the part of lenders, who have taken deposits that average 20 per cent of house prices, has also played a part in preventing any repetition of the housing boom and bust which beset the UK housing market in 1989 (MacLennan et al., 1997).

Seavers (2000) reports on behalf of the Council of Mortgage Lenders (CML) on changing attitudes to debt in the UK. The central concern of the report is to identify and understand the current attitudes and beliefs of households with respect to home-ownership and their willingness to borrow, the key influences on these attitudes and beliefs, and their implications for borrowing behaviour and house purchase.

The CML report identifies that, while there were a number of factors in the UK market which would encourage people to buy, there were other factors, including labour market uncertainty, which would result in people adopting a more cautious approach to the housing market.

The CML report suggested that, despite the difficulties in predicting future income, a majority of households in the UK continued to value home ownership highly. Additionally that this confidence in the tenure had returned after the difficulties in the UK housing market in the early 1990s. Seavers (2000) also suggests that householders and lenders have to make decisions under conditions of greater uncertainty and complexity than ever before.

The CML report recognised also that borrowers were committing a higher proportion of their income to housing, that consumer credit was continuing to grow strongly and that

about 12 per cent of households in the UK were paying their mortgage faster than required to do so. Seavers (2000) suggested that overall there was more caution amongst borrowers and lenders than was evident in the late 1980s. Significantly only two-thirds of all households buying homes at the time of the report had a permanent job, with one-fifth of purchasers self employed or in part time or temporary employment.

As discussed above mortgage debt has increased dramatically for many families in Australia, largely as a result of increased lending regimes. However rising mortgage debt needs to be understood also within the context of decreasing housing affordability, such as was experienced during the period of this study, that is between January and June 1999.

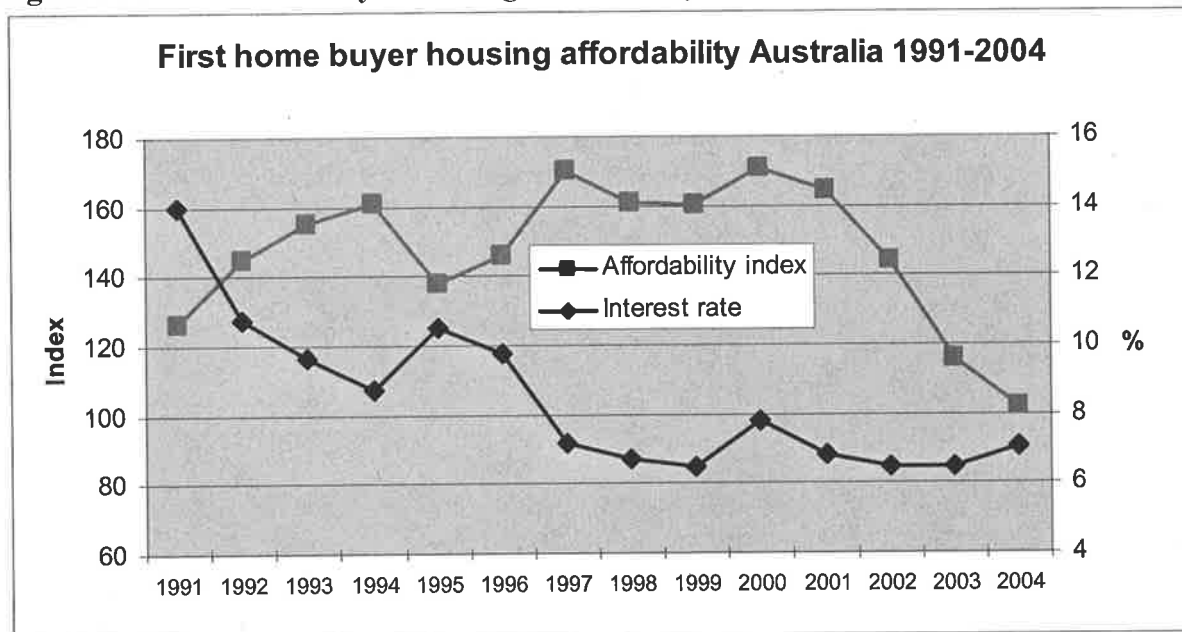
5.5 Housing affordability

In the beginning period of this study, from January to March 1999, housing was relatively affordable for most first time buyers in Australia, as indicated by the joint HIA and Commonwealth Bank Index of Housing Affordability (2001) (Figure 5-13). This HIA index, which is published on a quarterly basis and has been used throughout this study, is reported on by the Australian Bureau of Statistics (ABS 2004b).

The index is measured as the ratio of average disposable income for a first time buyer to the income required to meet payments on a typical dwelling. In calculating this required income, a deposit of 20 per cent with repayments equivalent to 30 per cent of gross income is assumed, using a conventional 25-year loan. A value of 100 indicates that a household with average income would meet the average income requirements to service the average mortgage. An increase in the index represents an improvement in affordability and is likely to reflect an increase in disposable income through falls in mortgage rates or a rise in income. For example if the median price of an average established dwelling is \$300,000, the qualifying income required will be based on 80 per cent of median price, that is \$240,000. The qualifying income required to meet this mortgage is \$50,000 per annum for a 25 year loan (QI). Given that average disposable income is \$40,000 this would produce an index of average disposable income divided by qualifying income of $\$40,000/\$50,000 \times 100$ to produce an index of 80. If average disposable income were to rise to \$45,000 the index would be calculated as $\$45,000/\$50,000 \times 100$ to produce an index of 90 which indicates an improvement in housing affordability. If

interest rates were to rise and the qualifying income required to meet the mortgage of a median priced home were to increase to \$60,000 the index would be calculated as \$40,000 divided by \$60,000x100 to produce an index of 66 which indicates a drop in housing affordability.

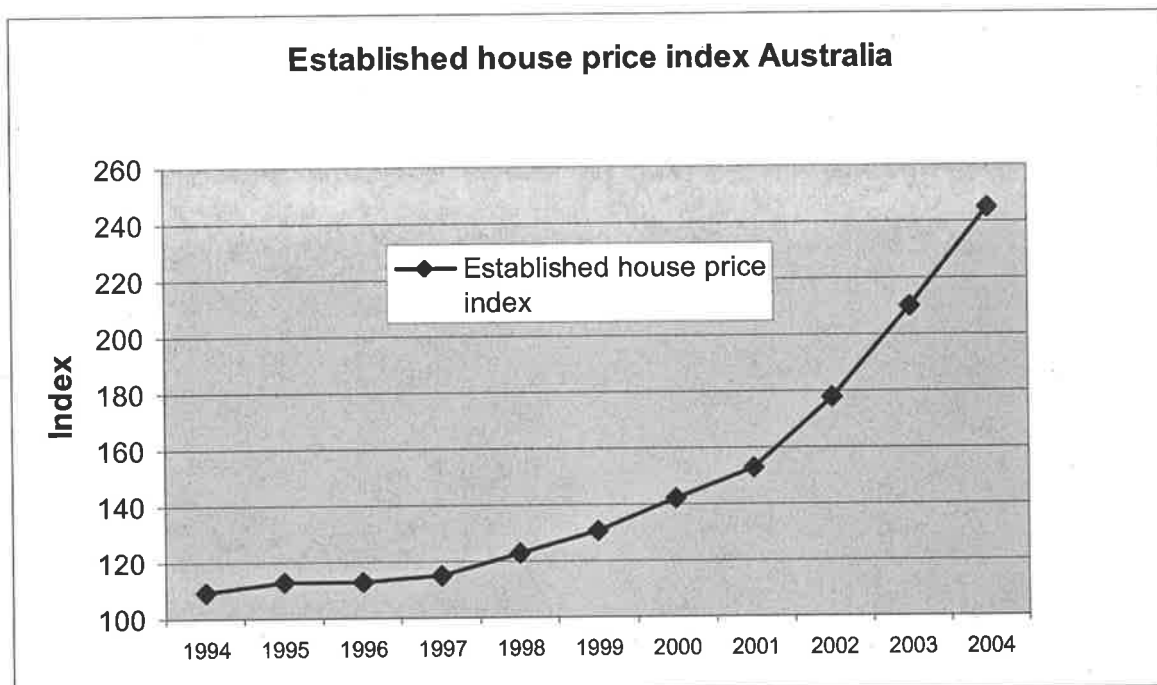
Figure 5-13 First home buyer housing affordability Australia 1991 - 2004



Source HIA (2004) Housing; A Quarterly Review of Housing Affordability

Falling interest rates, from just over 10 per cent in 1995 to just over six per cent in 1999, accounted for the improvement in housing affordability in the first quarter of 1999 (Figure 5-13). However during the second half of this study, which is from March to June 1999, median house prices began to rise across Australia, on average by six per cent for established dwellings (Figure 5-14). Given that some 80 per cent of first home buyers buy established dwellings, the affordability of housing for first time buyers, began to drop significantly from the second quarter of 1999 (Australian Bureau of Statistics, 2005b; Macquarie Bank, 2001).

Figure 5-14 Established house price index Australia 1994 - 2004



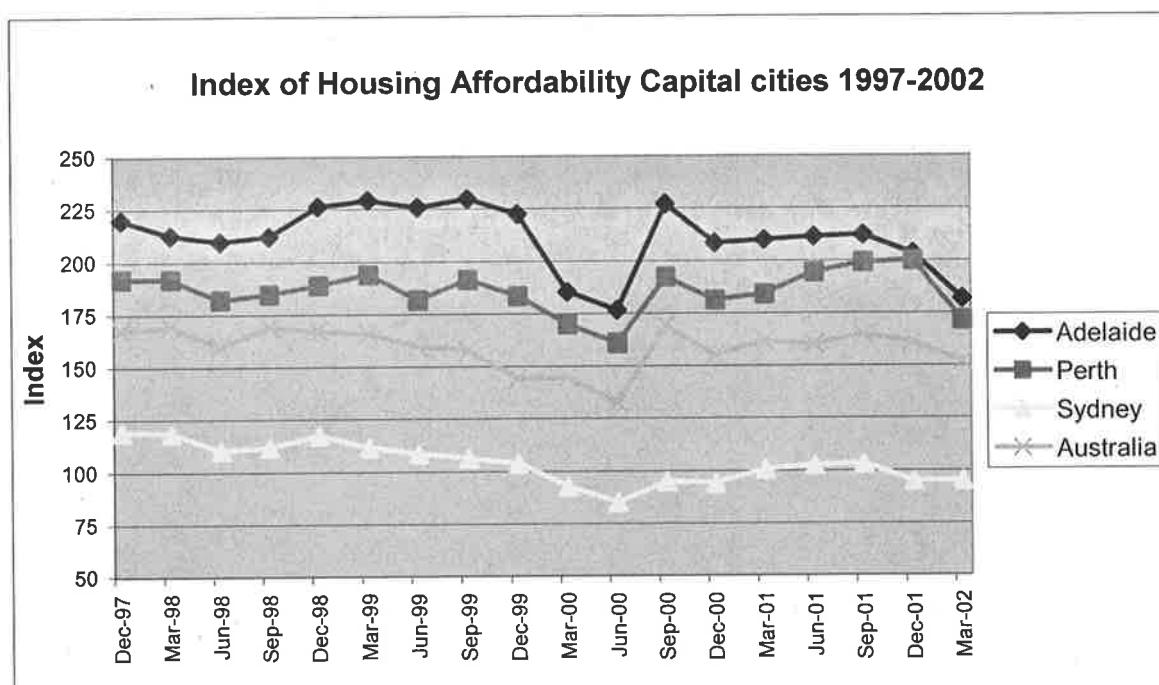
Source HIA (2004) Housing A Quarterly Review of Housing Affordability

As of June 1999, the loan repayment needed on a typical first home mortgage increased to 18.3 per cent of average gross household income (Housing Industry Association. Commonwealth Bank, 2004), up from 17.7 per cent 12 months earlier. Of the three metropolitan areas covered in this study, Perth showed the largest decrease in overall house affordability between March and June 1999 (Figure 5-15).

In the preceding 12 month period, median house prices in Perth had risen by eight per cent and, as a result the affordability of housing, fell by seven per cent. In Sydney, where homes overall were least affordable (Figure 5-15) and where house prices were moving off from an already extremely high base, house prices increased by 4 per cent with affordability falling by a further 9 per cent between March and June 1999. In Adelaide house prices rose by nearly 3 per cent over the same period (Housing Industry Association. Commonwealth Bank, 2004).

In the 1999 December quarter median house prices in Adelaide increased by eight per cent, by two per cent in Perth and by ten per cent in Sydney (Housing Industry Association. Commonwealth Bank, 2000).

Figure 5-15 Index of housing affordability capital cities 1997 - 2002



Source ABS (2004) Australian Social Trends Companion Data Table 1 Housing: State Summary - 2002 Cat No 4102.0

As a consequence, by December 1999, the monthly loan repayment needed on a typical first home mortgage in Australia had risen to \$1,120, absorbing some 21 per cent of average household income (Housing Industry Association. Commonwealth Bank, 2000). Over the December quarter alone, the average rise in house prices was 8.3 per cent with affordability falling sharply across Australia (Figure 5-15).

In the period since 2001, despite relatively stable interest rates, the affordability of housing in Australia has continued to decline, reflecting escalating median first home prices and high mortgage payments required from first home buyers to service their loans (Figure 5-13).

5.6 Chapter conclusion

In conclusion, the survey period of this study, between 1st January and 30th June 1999, covers a period of decreasing housing affordability with house prices increasing by four per cent, especially in Sydney where house prices had been historically high. Perth experienced particularly dramatic changes in housing affordability within the study period with house prices increasing by eight per cent while even Adelaide, with prices lagging

some way behind Sydney and Perth, was also beginning to show signs of a significant change in affordability with a price increase of three per cent. This is matched by a period of increasing housing and personal debt for many Australian households. Given such a scenario this study seeks to explore the implications of such housing costs for first homebuyers who face uncertain futures, both financially and in terms of employment, and to identify the impacts of these uncertainties on their purchase behaviour. The next chapter covers the methodology that was adopted in order to survey first home buyers on job security and its impact on their purchase behaviour.

Chapter 6 Methodology of the study

This study seeks to add to the understanding of purchase behaviour in the housing market by examining how a life course stage, such as full time employment or the early career stage, may have significant impact on a particular juncture in a housing career, namely the purchase of a first home. Over the period of this research there were no national data sets available which could provide information collectively on such items as job security, financial well-being and first home purchase behaviour. As such, in order to investigate the nature of the link between job security and home purchase, it was considered necessary to enquire directly of first home buyers by means of a survey. However this necessitated the identification of such purchasers. One means by which house purchasers can be identified is through the public records of housing transactions, in which housing and purchaser details are listed. However these records of house sales give no indication as to whether the purchaser is a first or second time buyer and so the problem of identifying first time buyers remains. To date there has been no methodology suggested in the housing literature (Baum & Wulff, 2003) and, as such, this chapter reports on a method of identifying first home buyers using these sales records, the sampling frame that was used for the survey, the design of the questionnaire, how the sample size was determined and the response rate to the survey.

6.1 Identifying first home buyers

The research method used to gather information on the employment, income and purchase decision of first home buyers was a postal survey. This was based on a representative sample of home buyers drawn from Adelaide, Perth and Sydney, who had purchased their home between 1st January and 30th June 1999. This was before the announcement that a Goods and Services Tax (GST) was to be introduced in Australia. The survey sought to profile buyers in terms of employment category, income, and financial well-being, identify their levels of concern about future job security, and to determine if, and how, job security had influenced the purchase of their first home in terms of items such as timing, price paid or size of loan.

The success of the survey was dependent on an accurate identification of first home buyers and on a representative response to the survey. As there were no national data sets available, the following methodology was adopted in order to identify and survey first home buyers in Adelaide, Perth and Sydney. These cities were selected as they represented not only different labour markets, but also a range in housing affordability, with Adelaide being one of the most affordable housing markets and Sydney the least affordable. As well, in each of these three cities, the housing transaction data used for the sampling frame was collected by a central agency which made the obtaining of the data, and the obtaining of permission to use it, much easier.

In most states in Australia the transfer of real estate is registered at a central government agency and such information is on public record. The public record of home ownership transfers is available through government agencies such as the Land Titles Office in SA and the Valuation Office in Perth and, for each residential property, transaction records list items such as the date of purchase, address and type of dwelling and sale price. The transfers comprise first home buyers who intend to occupy their home, first home buyers who intend to rent their home and home buyers who have previously owned or still own other real estate. Lists of property transfer data were obtained from two government agencies, the Department of Information and Administrative Services SA and the WA Valuation Office and from one commercial supplier, Residex who obtain their data from the NSW Valuation Office. These lists produced the sampling frame from which the addresses of dwellings, purchased by first time homebuyers, could be drawn and to which the questionnaire could be posted.

6.2 Sampling frame

The full sampling frame, from which first home buyers could be identified, was made up of three property transfer lists, each drawn from one of the three case studies.

In Adelaide the identification of potential first time homebuyers was made using the transfer data contained within the SA Real Estate Sales History File (Department of Information and Administrative Services SA, 2000) (DAIS). Purchasers in SA whose names have not appeared on the Sales History File before are given a Purchaser Number. This Purchaser Number can be used to identify first time buyers with an approximate

success rate of 70 per cent (DAIS 2000, private correspondence). The remaining 30 per cent is made up of couples where one partner has owned a previous property but the latest purchase is under a different name than used previously. Alternatively a different form of name entry for an existing owner can also mean a new purchaser number is assigned.

For Perth and Sydney, sales transfer data was obtained for suburbs where prices were on or below the metropolitan median price, which also showed significant inter censal population growth between 1991 and 1996 and where significant percentages of households were paying substantial mortgages (Australian Bureau of Statistics, 1996). The transfer data, which included property addresses, type of property and purchase price was obtained for Perth, by permission of the Minister, from the WA Valuation Office (Department of Land Information WA, 1999) and for Sydney from a commercial supplier, Residex (1999), who obtain their data from the NSW Valuation Office.

Using the criteria described above, a list of almost 10,000 potential first home buyer property transfers, which occurred between 1st January and 30th June 1999, was obtained from the various agencies for Adelaide (3003), for Perth (1238) and for Sydney (5438). This constituted the sampling frame and was the list from which the addresses used in the survey were drawn. The names of purchasers were not used and the survey was undertaken on the basis of strict confidentiality, no access to the data by any third party and the aggregation of all findings. Results of the survey were linked to residential sales information, obtained by permission from the SA, NSW and WA Valuation Offices, in order to identify the sale price of properties.

6.3 Sample size

Some six per cent of Australian households purchased their first home between 1997 and 2000 (Australian Bureau of Statistics, 2000d). For Australia this represents about 400,000 households per annum. In the period between January and June 1999 there were some 19,000 housing finance commitments made in SA, 34,000 in WA and 85,000 in NSW (Australian Bureau of Statistics, 2000d). On average over these six months some 21.2 per cent of finance commitments were made to first home buyers (Australian Bureau of Statistics, 2000d) which equates to about 4,000 first home buyers in SA, about 7,400 in

WA and 18,000 in NSW. On average 87 per cent of first home buyers had a loan secured against their dwelling in the three years to 1999 (Australian Bureau of Statistics, 2003b).

This suggests therefore, that between January and June 1999, about 4,500 dwellings in total were purchased by first home buyers in SA, about 8,500 in WA and 20,500 in NSW. This represents approximately 750 first time buyer sales per month in SA, about 1,400 per month in WA and about 3,000 sales per month in NSW. This provides a potential population of about 33,500 sales for the six month period of the survey.

Based on the sampling frame made up of the three residential sale transfer lists, the survey of first time buyers was sent to 450 randomly selected property addresses in Adelaide, 550 in Perth and 950 in Sydney. Given at least a 20 per cent response rate to the postal survey of 1,950 addresses and dependent on the first time buyer hit, 390 returns would represent at least one per cent of the first time buyer population (33,500 property sales).

A pilot survey was conducted, based on a sample of 20 randomly selected households in Adelaide, in December 2000, as a means of testing the wording and question sequencing of the survey and to get an estimate of the response rate. Six questionnaires were returned which equalled a 30 per cent response rate. One common response to the questionnaire was the length of time required to complete it. As a result the suggested completion time in the letter of introduction to the survey was extended from 10 to 15 minutes. The full questionnaire was then posted out to 1,950 addresses in March 2000. It was accompanied by a letter of explanation and a stamped addressed envelope (see Appendix A). One follow up letter was posted in April 2000 (see Appendix B).

6.4 Questionnaire design

The survey instrument is included in Appendix C. The questionnaire was designed to gather information about the characteristics, attitudes and purchase behaviour of individuals, couples and families who had bought their first home in the previous six months and aimed to provide information on the following items in order to answer the research questions;

- Identify first time buyers,

- Confirm a representative sample in terms of age, household type and source of income,
- Identify the household and income characteristics of respondents,
- Identify the employment characteristics and labour market experiences of respondents,
- Identify income, mortgage arrangements and housing costs, (income was self assessed but house price was obtained from the sales history file),
- Identify the financial well-being of respondents,
- Identify the factors important in the timing of their purchase,
- Identify their concern over future job security,
- Determine if and how job security has influenced the purchase of their first home.

In order to ensure that first home buyers were being sampled there was a filtering question which asked whether the dwelling that had been purchased was the first residential property the individual, or partner, had owned, or partly owned. Only those respondents who answered yes to this question were used in the study.

A number of the questions were single choice or dichotomous questions, such as questions related to first home purchase, gender, study, and the need to obtain a home loan. The questions relating to household type, occupation, employment characteristics, income, housing costs and financial well-being were multiple choice questions. The answers to these questions were ordinally coded. The questions relating to income, mortgage amounts and HECS debts had relatively large category ranges attached to them in order to encourage a response. The question on income also referred to gross household income not individual income.

The questions which sought to identify the factors important in the purchase decision and feelings about job security were set up using a Likert scale. Respondents were asked to indicate a level of importance to various items ranging from 'not important' to 'very important' in terms of the timing of purchase, and 'not at all concerned' to 'very concerned' in terms of job security. There were 'don't know' or 'had no influence' options. A Likert scale was also used to ask home buyers how job security had influenced

their purchase decision in terms of 'no influence' to 'really influenced'. These questions produced a scale which could be used to identify average values, as well as levels of deviation. For a few of these questions respondents were asked also to identify more precisely, by means of a dichotomous variable, the way in which their purchase decision had been influenced. For instance if job security had influenced the price paid for a dwelling, had more or less been paid.

The questionnaire was drawn up in sections with most of the questions answered by the tick of a box. Finally respondents were asked in an open ended question to comment on any aspect of their first home purchase they felt was important.

6.5 Response to the survey

After one follow up letter, 399 surveys were returned which equalled an overall response rate of 20 per cent. Of these responses, 252 households were first home buyers. This is approaching one per cent of the estimated total population of buyers for Adelaide, Perth and Sydney who had bought their first home between 1st January and 30th June 1999. Of these households, 84 were from Adelaide, 54 were from Perth and 114 were from Sydney (Table 6.1).

Table 6.1 First home buyer survey response by capital city location of purchaser

METROPOLITAN AREA	FREQUENCY	PERCENT OF SAMPLE
Adelaide	84	33.3
Perth	54	21.4
Sydney	114	45.2
Total	252	100%

Source Author First Home Buyer Survey 2000

6.6 Validation of sample

Most of the questions were answered satisfactorily, including those questions about income and HECS liability. The relatively large range size of \$500 in the income categories and the range of \$5000 in the HECS categories are assumed to have made people feel comfortable about answering these questions. Some respondents answered the final open ended question on their experience of purchasing a first home at quite considerable length. Some of the responses to this question have been introduced as boxed items within the

thesis and are recognised as important in adding a personal dimension to the statistical findings of the study.

The results of the survey were supported by the 1998 ABS Housing Occupancy Survey (Australian Bureau of Statistics, 1998a) and the 1999 ABS Australian Housing Survey (Australian Bureau of Statistics, 1999b). The ABS surveys did not explicitly seek attitudes to, and experiences of, home ownership in terms of job security or other employment issues, but were used to validate the sample responses, and hence the attitudes and views of first time buyers. Comparisons of household characteristics were made using the Confidential Unit Record Files of two previous ABS home owner surveys, the 1999 ABS Household Survey (ABS 2001) and the ABS 1998 Housing Occupancy and Costs Survey (Australian Bureau of Statistics, 1998a) (Table 6.2) to ensure that the SA, WA and NSW first home buyer sample was representative in terms of age, income source and household makeup.

Table 6.2 Validation of the sample of first home buyers - age group of purchaser

	ABS AUSTRALIAN HOUSING SURVEY 1999 ¹ % N=176	ABS HOUSING OCCUPANCY 1998 ² % N=457	SURVEY OF FIRST TIME BUYERS 2000 ³ % N=252
Under 25 years	15.9	11.0	18.0
25 to 34 years	56.3	56.1	50.0
35 to 44 years	19.9	22.0	22.0
45 to 54 years	5.1	6.4	8.4
55 to 64 years	1.1	2.3	1.6
65+ years	1.7	2.2	0.0
Total	100	100	100

Sources 1 ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months; 2 ABS Housing Occupancy & Costs Australia Cat 4130.0; 3 Author First Home Buyer Survey 2000

For items such as percentage of couple households, age of households, and source of income (Table 6.3) the study survey shows similar values to the ABS survey. However one item, the number of single person households, is higher than that represented in the ABS findings (Table 6.3). This may be the result of bias in the survey responses. A postal survey might elicit a higher return from single person households, rather than a door to door survey, as conducted by the ABS.

Table 6.3 Validation of the sample of first home buyers - household type of purchaser

	ABS AUSTRALIAN HOUSING SURVEY 1999 ¹ % N=176	ABS HOUSING OCCUPANCY 1998 ² % N=457	SURVEY OF FIRST TIME BUYERS 2000 ³ % N=252
Couple only	33.0	33.8	25.4
Couple with dependent children	34.1	29.3	38.0
Couple - other	11.4	4.3	1.6
<i>Total Couples</i>	<i>78.4</i>	<i>67.4</i>	<i>65.0</i>
One parent family	2.8	5.7	5.0
Lone person	15.9	17.3	29.0
Other	2.8	9.6	1.2
Total	100	100	100

Sources 1 ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months; 2 ABS Housing Occupancy & Costs Australia Cat 4130.0; 3 Author First Home Buyer Survey 2000

Table 6.4 Validation of the sample of first home buyers - income source of purchaser

	ABS AUSTRALIAN HOUSING SURVEY 1999 ¹ % N=176	ABS HOUSING OCCUPANCY 1998 ² % N=457	SURVEY OF FIRST TIME BUYERS 2000 ³ % N=252
Wage or salary	84.7	82.6	81.0
Own business	9.7	5.1	8.4
Government pension or allowance	4.0	9.6	4.0
Other income	1.7	2.2	6.4
Total	100	100	100

Sources 1 ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months; 2 ABS Housing Occupancy & Costs Australia Cat 4130.0; 3 Author First Home Buyer Survey 2000

6.7 Analysis of the survey

The survey data was entered and analysed using the statistical package SPSS for Windows Version 11 and the spreadsheet package Excel XP for Windows. The results of the analysis are presented mainly as cross tabulations with chi square tests of association provided where observed levels of significance are small and cell counts are adequate (Norusis, 1993). Where cell counts are below a critical level, associations cannot be tested. The cross tabulations are presented mainly as percentage values. However counts, that is the number of responses, are also presented from time to time in order to keep the reader informed as to the actual number of households under discussion.

As well, non-parametric tests of difference have been used to compare differences between groups based on observations from two or more independent samples (Malhotra, Hall, Shaw, & Oppenheim, 2006). Non parametric tests are useful when the data under investigation are nominal or ordinal and where the shape of the underlying distribution is not known (Malhotra et al., 2006). The Mann Whitney test is used to compare differences between two independent samples. The Kruskal Wallis test, an extension of the Mann Whitney test, is used for more than two independent samples. Both tests produce observed levels of significance which allow the null hypothesis, that the two or more samples have no differences, to be either supported or rejected.

Within this study chi square tests, Mann Whitney tests and Kruskal Wallis tests which result in significance levels larger than 0.05 mean that the null hypothesis, that is there is no difference between groups, is not rejected (Norusis, 1993). The cross tabulations, accompanying chi square tests and non parametric tests, have been used in order to identify associations within the survey data as a primary means of answering the research questions.

The survey findings are presented in line with the research questions and as described above, are reported mainly as cross tabulations with chi square tests for independence included where significant. The tests of significance are all reported at the .05 level and degrees of freedom are included. The reported findings cover household and employment characteristics, experience of the job market in terms of mobility, including income and housing costs, financial well-being, and levels of concern about future job security. Then follows a discussion of the factors important in the decision to buy and if, and how, job security has influenced first home buyers in their purchase decision.

Chapter 7 Profiling first home buyers

7.1 Introduction

This chapter introduces the results of the survey by providing some background on important features of first time buyers, such as age and household composition, and job characteristics, including employment category, income source and type of occupation. The chapter also reports on the job mobility of respondents in terms the length of time in an existing job and the number of full time jobs within a five year period. It is hypothesized that the impact of job security on the purchase decision of first time buyers is unlikely to be uniform and that it will vary according to such characteristics. As such, this chapter seeks to introduce the context within which the impact of job security on first home purchase can be assessed.

The findings of the survey are discussed in the context of the discussion on links between housing and labour markets presented in chapter three, as well as the trends in labour and housing markets presented in chapters four and five. The results are reported as percentage values in tabular form. Any tests of significant association between categorical values are presented as chi square tests (X^2) and degrees of freedom are reported (DF) (Ticehurst G & Veal A, 2000). All tests are reported at the .05 significance level.

Certain items are broken down by capital city where noticeable differences between Adelaide, Perth and Sydney can be identified. A summary of the findings and implications for first home ownership are presented at the end of the chapter.

7.2 Age

Overall 50 per cent of the 252 survey respondents were aged between 25 to 34 years. This is consistent with ABS profiles (ABS, 2000a), which indicate that on average some 55 per cent of first time buyers are aged between 25 to 34 years (Table 7.1). Perth and Sydney had comparable percentages in this age bracket. However Adelaide stood out with the largest per cent of respondents in the under 25 age category (26.2 per cent) compared to only 16.7 per cent in Perth with fewer again in Sydney (12.5 per cent). On the other hand,

Sydney purchasers were older in general and had the largest percentage of purchasers in the 35 to 44 year bracket (25.9 per cent).

The older age range of first time buyers in Sydney may reflect in part the higher house prices demanded at the time of purchase and the need for a longer time period in which to gather a deposit. It also ties in with the delay hypothesis (Percival, 1998; Winter & Stone, 1998; Yates, 2002), which suggests that the per cent of first time buyers in Australia who are under 35 years is dropping as a result of factors such as demographics, greater job mobility, lack of housing affordability or through choice. The breakdown of first homebuyers by age was broadly compatible with that of the 1999 ABS Housing Survey in that for each city and for the study as a whole the largest group of buyers was in the 25 to 34 year age bracket (Table 7.1).

Table 7.1 Age category of purchaser by capital city location – comparison to ABS 1999 Housing Survey

N=252	ADELAIDE % N=84	PERTH % N=54	SYDNEY % N=114	ABS* HOUSING SURVEY 1999 % N=176
Under 25 years	26.2	16.7	12.5	15.9
25 to 34 years	45.2	53.7	51.8	56.3
35 to 44 years	17.9	20.4	25.9	19.9
45 to 54 years	8.3	9.3	8.0	5.1
55 to 64 years	2.4	0.0	1.8	1.1
65+ years	0.0	0.0	0.0	1.7
Total	100	100	100	100

Sources Author First Home Buyer Survey 2000; *ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months.

7.3 Household structure

In line with ABS findings (2000a), which suggest that young couples are most likely to be first time buyers, couples dominate this survey (65 per cent). Overall childless couples represent just over 25 per cent of respondents (64 households) and couples with dependent children 38.0 per cent (96 households) (Table 7.2). However a significant proportion of first time buyers were single persons; (29.0 per cent; 70 households). This figure is considerably higher than that reported in the ABS Australia Housing Survey (ABS 2001) which identified that for the three capital cities combined, some 15.9 per cent of households were single (Table 7.2). The ABS Survey of Income and Housing Costs (2000a) reported that single households represented some 17.3 per cent of first time buyers.

Table 7.2 Household structure of purchaser – comparison to ABS 1999 Housing Survey

N=252	FIRST HOME BUYER SURVEY 2000 PERCENT (N=252)	ABS * HOUSING SURVEY 1999 PERCENT (N=176)
Couple only	25.4	33.0
Couple with dependent children	38.0	34.1
Other couple	1.6	11.4
<i>Total couple</i>	65.0	78.4
One parent family	5.1	2.8
Lone person	29.0	15.9
Other	2.7	2.8
Total	100	100

Sources Author First Home Buyer Survey 2000; *ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months

In this study couples with dependent children and one parent families tend to be older households than couples without children and singles. Only 9.5 per cent of families with children had a main income earner who was under 25 years, compared to 31.3 per cent of couples and 22.1 per cent of singles (Table 7.3). No single parent, able to purchase their first home, was under 35 years of age. This survey would indicate that couples without children and singles are able to make the commitment to home ownership at a younger age than other households.

Table 7.3 Age category of purchaser % by household structure

N=252	COUPLE ONLY (N=64)	COUPLE WITH DEPENDENT CHILDREN (N=96)	COUPLE OTHER (N=3)	ONE PARENT FAMILY (N=13)	LONE PERSON (N=73)
Under 25 years	31.3	9.5	25.0	0.0	22.1
25 to 34 years	59.4	53.7	0.0	8.3	45.6
35 to 44 years	6.3	30.5	25.0	50.0	19.1
Over 45 years	3.1	6.3	50.0	41.7	13.2
Total	100	100	100	100	100

Source Author First Home Buyer Survey 2000

In terms of this sample, Adelaide especially is dominated by single purchasers (47.0 per cent) (Table 7.4). This ties in with the high rate of increase in single households for Adelaide between 1991 and 2001 (12.3 per cent) discussed in chapter two, a rate substantially above the national average of 10 per cent (Australian Bureau of Statistics, 2001c). The number of single households in Adelaide is consistent also with the larger number of respondents who were under 25 years. Sydney (51.8) and Perth (40.7) have much larger percentages of purchasers who are couples with dependent children. As of

2001, Sydney exceeded the national average for this type of household (54.7 per cent) while Perth (52.4) was closer to the national average (52.2) (Australian Bureau of Statistics, 2001c). In this survey Sydney had almost 80 per cent of households as 'couples total' (Table 7.4), which is consistent with ABS findings for Sydney, indicating a lower percentage of lone person and single parents households (Australian Bureau of Statistics, 2001c).

Adelaide also had a higher per cent of single parents (6.0) who have managed to purchase their first home than Perth (5.0) and especially Sydney (3.6). This is likely to be explained by Adelaide's greater housing affordability overall, but might also be explained by the selling of substantial public housing stock in SA to tenants in the 1990s (Badcock, 1995). Close to 20 per cent of SA public housing tenants are single parents (Department for Families and Communities SA, 2005).

Table 7.4 Household structure of purchaser % by capital city location – comparison to ABS 1999 Housing Survey

N= 252	ADELAIDE (N=84)	PERTH (N=54)	SYDNEY (N=114)	ABS * HOUSING SURVEY 1999 PERCENT (N=176)
Couple only	26.5	24.1	25.9	33.0
Couple with dependent children	18.1	40.7	51.8	34.1
Couple - other	2.4	0.0	1.8	11.4
<i>Total couple</i>	<i>47.0</i>	<i>64.8</i>	<i>79.5</i>	<i>78.4</i>
One parent family	6.0	5.6	3.6	2.8
Lone person	47.0	29.6	14.3	15.9
Other	0	0.0	2.7	2.8
Total	100	100	100	100

Sources Author First Home Buyer Survey 2000; *ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months

7.4 Employment characteristics

Almost 92 per cent of first time buyers (241 households) had at least one member currently employed. Seventy six per cent (164 households) had at least one member of the household in permanent employment. Some 5.1 per cent had at least one member employed under contract (11 households) with 9.3 per cent employed on a casual basis (20 households). Almost nine per cent of households were self employed (19 households). The per cent of households in casual, contract or self employment in total was highest for Perth (35.7) while Sydney had the lowest (18.8).

This is consistent with ABS (Australian Bureau of Statistics, 2001c) figures for employment in Sydney where the city's per cent of part-time (24.1) and casual (24.8) employment is below the national average of 26 and 26.4 per cent respectively. Perth had more respondents who were self employed (16.7 per cent) while Adelaide had a slightly higher percentage of respondents in casual employment (9.9) (Table 7.5). This again ties in with 2001 figures for casual employment in Adelaide (Australian Bureau of Statistics, 2001c) which, at 30.8 per cent, is significantly above the national average of 26.4 per cent. Spoehr (2001) has confirmed SA as especially high in terms of casual employment.

Table 7.5 Employment category of purchaser % by capital city location

N=252	ADELAIDE (N=84)	PERTH (N=54)	SYDNEY (N=114)
Permanent	77.5	64.3	81.2
Contract	4.2	9.5	4.0
Casual	9.9	9.5	8.9
Self employed	8.5	16.7	5.9
Total	100.	100	100

Source Author First Home Buyer Survey 2000

Overall 81.1 per cent of respondents were wage or salary earners, with 8.4 per cent owning their own business. There was an association between source of income and city ($X^2=20.6$, 6DF). Adelaide had the largest number of households receiving some form of government pension (9.6 per cent) (Table 7.6). This is likely to reflect the higher number of single parents represented by Adelaide in the survey, but is also consistent with SA's higher level of unemployment throughout the 1990s (Australian Bureau of Statistics, 2002d), and generally older population, as discussed in chapters two and four. Perth had the largest number of households running their own business. This is consistent with the large self employed category identified for Perth which exceeded that of Adelaide or Sydney. Sydney was dominated by households whose main source of income was a wage or salary (90 per cent) which matches the city's growing economy and job market throughout the 1990s (Stimson, 2001; Stimson et al., 1997). Both Perth and Sydney had much lower levels of households on pensions than the 1999 ABS Housing Survey (Table 7.6) though the ABS survey is representative of all tenures, including private rental, and as such is likely to include more households on lower incomes and government pensions. In contrast Adelaide included a higher per cent of households on pensions than households represented by the 1999 ABS Housing Survey (Table 7.6).

Table 7.6 Income source of purchaser % by capital city location – comparison to ABS 1999 Housing Survey

N=252	ADELAIDE (N=84)	PERTH (N=54)	SYDNEY (N=114)	ABS * AUSTRALIAN HOUSING SURVEY 1999 ¹ (N=176)
Wage or salary	75.9	70.4	90.2	84.7
Own business	8.4	14.8	5.4	9.7
Government pension or allowance	9.6	1.9	0.9	4.0
Other income	6.0	13.0	3.6	1.7
Total	100	100	100	100

Sources Author First Home Buyer Survey 2000; *ABS Australian Housing Survey 1999 Unit Record File First Home Owners for Sydney, Perth & Adelaide who bought their home in the last 12 months

Overall almost fifty per cent (49.6) of respondents were employed in an administration, managerial, professional or semi professional capacity with some 16.1 per cent employed as trade persons. Some 34.5 per cent of Sydney's home buyers were in management or administrative occupations compared to 29.2 per cent in Adelaide and 25.0 per cent in Perth. Again, this is consistent with Sydney's job growth in management and administration of 21 per cent, between 1991 and 2001, which well exceeds the national average of 11.2 per cent (Australian Bureau of Statistics, 2001c).

Most households were working hard. Across all three cities almost 40 per cent of respondents worked more than 40 hours per week. In Australia, as of 2000, the average weekly hours worked by all workers was 34 hours with full time workers working on average 40.7 hours (Australian Bureau of Statistics, 2001e). In this survey some 73 per cent of households had at least one member who worked overtime and 27.2 per cent had one member who put in a minimum of 10 hours of over time every week.

7.5 Job mobility

Overall, 36.4 per cent of buyers had held their present job for at least five years which is in line with ABS estimates (Australian Bureau of Statistics, 2000b). Just over 40 per cent of those in permanent employment had been in their present job for at least five years. On the other hand, some 33.5 per cent of respondents had held their present job for less than two years, also in line with ABS estimates (Australian Bureau of Statistics, 2000b).

The mobility figures for those in casual and contract employment were significantly higher, with 60 per cent of those in casual employment and 54.5 per cent of those in contract employment, in their present job for less than two years (Table 7.7).

This held true even for older casual employees. Fifty seven per cent of casual workers over the age of 34 years had held their present job for less than two years compared to 30 per cent of permanent employees. On the other hand, only 5 per cent of casual employees under the age of 34 years had been in their present job for at least 5 years compared to 30 per cent of permanent employees in the same age bracket.

Thus, for many first home buyers in casual or contract employment, including older workers, not only is their current employment insecure, but their job history also has been one of high job mobility.

Table 7.7 Length of time of purchaser in present job % by employment category

N=214	PERMANENT (N=164)	CONTRACT (N=11)	CASUAL (N=20)	SELF EMPLOYED (N=19)
more than 10 years	18.5	18.2	0.0	5.3
5 to 10 years	21.6	18.2	10.0	26.3
2 to 4 years	30.9	9.1	30.0	36.8
under 2 years	29.0	54.5	60.0	31.6
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

A higher proportion of households in Adelaide had a history of no full time employment in the past five years (13.4 per cent) compared to 9.8 per cent for Perth and only 1.9 per cent for Sydney. This is consistent with the higher than average levels of part time and casual employment in SA (Australian Bureau of Statistics, 2003d; Spoehr, 2001; Spoehr, 2004).

However, a higher per cent of Adelaide households have had one full time job for at least five years (65.9), compared to 56.6 per cent of households in Sydney, and only 39.2 per cent of households in Perth. As such, households in Adelaide show a greater polarization in their level of job mobility, compared to the other cities. Many Adelaide households have had secure employment for some time. On the other hand, a significant number have not secured any full time employment for at least five years.

At the same time, significantly fewer households in Sydney (1.9 per cent) have had no full time work in the last five years than for Perth (9.8 per cent) and especially Adelaide (13.4 per cent). This is likely to reflect the higher levels of employment opportunity in a city characterised by high job growth especially in the rapidly expanding technology and communication sectors (Stimson, 2001). Sydney's communication sector grew by 45.8 per cent between 1991 and 2001 compared to a national average of 26.6 per cent (Australian Bureau of Statistics, 2001c).

Table 7.8 Number of full time jobs held by purchaser in past five years % by capital city location

N=239	ADELAIDE (N=82)	PERTH (N=51)	SYDNEY (N=106)
1	65.9	39.2	56.6
2 to 3	20.7	41.2	37.7
More than 3	0.0	9.8	3.8
None	13.4	9.8	1.9
Total	100	100	100

Source Author First Home Buyer Survey 2000

7.6 Chapter conclusion

In conclusion, Adelaide is distinctive in the number of single and one parent households who have acquired their first home. Sydney shows a higher per cent of managerial and administrative occupations and a lower level of job mobility. Perth has a higher number of self employed households which is reflected in the higher number of employees who own their own business. In general everyone was working very hard with over a quarter of households putting in at least 10 hours of overtime every week.

Most respondents at the time of the survey (76.6 per cent) were in relatively secure permanent employment and most were wage or salary earners. Those currently in permanent employment were also more likely to have enjoyed secure employment in the past. However, in line with ABS estimates, most households overall (63.6 per cent) had not held their present job for longer than four years. Some 32.6 per cent of households had had at least two full time jobs in the past five years.

Even more insecure were the 25 per cent of those in casual employment where the main income earner had not had any full time work in the past five years. These first time buyer households are entering into a major long term financial commitment with apparently little past experience or future expectation of job security. It is hypothesised, that for these

households, their level of job mobility is likely to have major implications for their sense of financial well-being and job security, which, in turn, may impact on their purchase behaviour. These themes are explored in the following chapters.

Chapter 8 Income and housing costs

8.1 Introduction

The last chapter profiled first home buyers in terms of key characteristics such as age, household composition and employment category. This chapter aims to report on the income situation of households by considering items such as gross household income and the number of income earners in a household, as well as housing cost, including price paid and the level of income committed to a mortgage.

These are important items to identify in order to understand the context within which the purchase of a first home is made. A number of writers have identified the importance of income in understanding the decision to change tenure (Clark & Huang, 2003; Deurloo et al., 1994; Kendig, 1990). Percival (1998) suggests that any delay in the number of younger households buying their first home may be partly explained by income. Yates (1997) suggests that, not only is current income important when buying a first home, so is any variability or uncertainty surrounding future income.

Other writers have focussed on the impact of housing costs, including mortgage cost on disposable income (AMP.NATSEM National Centre for Social and Economic Modelling, 2004; Australian Bureau of Statistics, 2002d; Berry & Dalton, 2000; MacLennan et al., 1997). In 1989, the average loan size for home purchase in Australia was 1.9 times the average household wage (Australian Bureau of Statistics, 2002c). Mortgage costs contribute significantly to household debt which is rising throughout Australia, largely as the result of increased credit card debt, HECS debt and larger loan to value mortgage ratios (AMP.NATSEM National Centre for Social and Economic Modelling, 2004; Berry & Dalton, 2000; Megalogenis, 2006; Reserve Bank of Australia, 2003). Megalogenis (2006) suggests part of the reason for this increasing debt is greater community acceptance of high personal debt levels. Berry and Dalton (2000) explain that mortgage arrears are most consistently predicted by high loan to house price ratios. As such, only a small rise in interest rates may be enough to bring home buyers including first home buyers under considerable financial stress (South Australian Centre for Economic Research, 2001). Housing stress gives rise to mortgage indebtedness which, in turn, can be associated not

only with poor financial well-being, but also with physical health problems (Burrows, 2003; Nettleton & Burrows, 2000; Wilcox, 2002).

Thus, income and housing costs are an important context within which to discuss the decision of households to buy their first home. The chapter considers whether there is any association between the price paid for a first home and a range of characteristics such as the age of the main income earner, income, household composition, employment category, or level of income committed to the mortgage. It is hypothesized that price paid is likely to be impacted by some, or all, of these characteristics and that certain households, already vulnerable because of job mobility, may be further disadvantaged in terms of buying a home. Any significant differences between the capital cities are also discussed. At the end of the chapter there is a summary of the findings within the context of purchasing a first home.

<p>We had a lot of trouble with the self employment aspect of our income. My full time income was too low for a home loan but our very small business was not taken seriously by the banks. We were knocked back a number of times. We paid substantial rent for years.</p>	<p>Couple with dependent children, Sydney</p>
<p>Buying a home for the first time is fairly nerve racking as it is the largest investment I've made.</p>	<p>Single person, Adelaide</p>

8.2 Income, employment category and household type

Households were asked to indicate their gross weekly income. The majority of households (54.6 per cent: 131 households) were on incomes of \$500 to \$1,000 a week. This is consistent with ABS figures (2000e) for average earnings which as of 2000 were \$618 nationally. However 23 per cent of first time buyers (56 households) were on weekly incomes of less than \$500.

There was a strong association between income and capital city ($X^2=23.2$, 6DF). Sydney had significantly fewer households on incomes of less than \$500 per week (12 per cent: 13 households) compared to Perth (32.1 per cent: 17 households) or Adelaide (32.9 per cent: 26 households) (Table 8.1). Over 26 per cent of Sydney households were in the \$1,000 to \$1,500 per week bracket. This percentage was significantly lower for Adelaide (8.9 per cent) and Perth (13.2 per cent). However this pattern is consistent with national weekly

earning figures as of 2000: \$666 for NSW, \$591 for WA and \$584 for SA (Australian Bureau of Statistics, 2000e).

Table 8.1 Gross weekly household income of purchaser % by capital city location

N=240	ADELAIDE (N=79)	PERTH (N=53)	SYDNEY (N=108)
\$0 to \$499	32.9	32.1	12.0
\$500 to \$999	51.9	49.1	59.3
\$1000 to \$1499	8.9	13.2	26.9
\$1500+	6.3	5.7	1.9
Total	100	100	100

Source Author First Home Buyer Survey 2000

This ties in also with findings by Lloyd et al (2004) who suggest that, as of 2001, NSW had the highest state income level. Lloyd et al (2004) find that Sydney had the largest income increase between 1996 and 2001 with households in Adelaide on less than three quarters that of Sydney. Yates (2002) also discusses the polarization of income not only across, but within, regions and identifies Sydney as showing a widening dispersal of income, characteristic of cities experiencing fast economic growth. However this sample of first time buyers does not show a wide disparity in income for Sydney householders, with only 1.9 per cent on more than \$1500 per week, the smallest per cent of the three capital cities.

While the association between employment category and level of income could not be tested because of inadequate cell counts, casual employees would appear to be disadvantaged. No household in casual employment had a weekly income of over \$1,500 per week and 95 per cent earned less than \$1,000 per week (Table 8.2). Thus, while casuals can receive a higher hourly rate of pay (Dawkins & Norris, 1990), this may not equate to overall higher weekly incomes. As well casual employees are often in less skilled employment and few are in management positions (Australian Bureau of Statistics, 1999a). As of May 2000, managers were earning, on average, \$1006 per week while those in non management jobs were earning, on average, \$783 per week (Australian Bureau of Statistics, 2000a).

Table 8.2 Gross weekly household income of purchaser % by employment category

N=203	PERMANENT (N=156)	CONTRACT (N=11)	CASUAL (N=20)	SELF EMPLOYED (N=16)
\$0 to \$499	16.6	27.3	25.0	6.7
\$500 to \$999	58.6	36.4	70.0	73.3
\$1000 to \$1499	20.4	9.1	5.0	20.0
\$1500+	4.5	27.3	0	0
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

In this survey, only 4 per cent of employees in casual or self employment were in a management position, compared to 13 per cent of those in permanent employment. Of those in casual and contract employment 19 per cent worked in the trade sector while 12 per cent were in clerical positions. The figures for those in permanent work are lower, with 15 per cent in trades and only 8 per cent held elementary clerical positions. Thus higher salaries by respondents who are in permanent jobs can at least be partly explained by a higher percentage of these employees in management and more highly skilled positions.

Of those surveyed almost 30 per cent of permanent employees, 36.4 percent of contract employees and 20 percent of self employees earned at least \$1,000 per week, compared to only 5 per cent of casual workers (Table 8.2). Contract workers showed the greatest spread in income with 27 per cent earning less than \$500 per week and a similar percentage earning at least \$1,500 per week.

Couples were bringing in the highest household incomes with 41.9 per cent on more than \$1,000 per week compared to 21.3 per cent of couples with children, 16.7 per cent of lone parents and 9 per cent of singles. On the other hand, lone parents were poorest, with 50 per cent on less than \$500 per week compared to 41.8 per cent of singles, 16.9 per cent of couples with children and only 11.5 per cent of couples.

8.3 Two income households

Overall, 51 per cent of first time buyers were bringing in more than one income. Badcock (1995) suggests that two incomes is a critical marker in the ability to enter home ownership. This is also supported by Merlo and McDonald (2002) who found that the ability to buy a home was strongly correlated with the bringing in of more than one income. As well, in this survey, households with contract and permanent employees had a higher percentage of two income households (72.7 and 56.7 per cent respectively) than households with casual (50 per cent) or self employed workers (31.6 per cent), which is another advantage in terms of purchasing a home (Table 8.3). As such, these two income households are advantaged both in the level of their income, which is significantly higher, and in the security of their income.

Table 8.3 Households with more than one income % by employment category of purchaser

N=214	PERMANENT (N=164)	CONTRACT (N=11)	CASUAL (N=20)	SELF EMPLOYED (N=19)
More than 1 income	56.7	72.7	50.0	31.6
1 income only	43.3	27.3	50.0	68.4
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

Some 60 per cent of couples with dependent children were bringing in more than one income (117 households). This is above the national figure of 55 per cent but the ABS figure is based on a wider population of couples with dependent children in all tenures (Australian Bureau of Statistics, 1999d). As might be expected, some 91 per cent of couples only were bringing in two incomes.

The association between city and more than one income was strongly significant ($X^2=16.6$, 2DF). Sydney households were dominated by two income households (64.9 per cent) with 71 per cent of couples with dependent children bringing in more than one income (Table 8.4). This ties in with the earlier finding on the higher number of total couples represented in the Sydney sample (79.5 per cent) (Table 7.4), compared to 64.8 per cent for Perth and only 47 per cent for Adelaide, and the lower per cent of lone persons and one parent families. For Adelaide, the number of two income households dropped to 38.9 per cent overall, and 50 percent for couples with children. For Perth, the

figures were lower again, with 37.3 per cent of households overall and only 35 per cent of families bringing in more than one income.

Table 8.4 Households with more than one income % by capital city location of purchaser

N=234	ADELAIDE (N=71)	PERTH (N=51)	SYDNEY (N=112)
More than 1 income	38.9	37.3	64.9
1 income	61.1	62.7	35.1
Total	100	100	100

Source Author First Home Buyer Survey 2000

As such, difference in the percentages of two income households across the three cities is consistent with the number of two adult households in each (Australian Bureau of Statistics, 2001c), but it is also likely to reflect housing affordability and job growth, especially in the service sector.

In the 1999 December quarter Sydney's median price had increased by 10 per cent, with an HIA affordability index of 100 (Housing Industry Association. Commonwealth Bank, 2000), well below the national average price index of 130. As of June 2000, housing affordability in Sydney had reached an all time low of 60 (Housing Industry Association. Commonwealth Bank, 2001). Perth's housing was still relatively affordable, though rising, while of the three cities Adelaide house prices, though increasing by 8 per cent in the December quarter, were still affordable with an index of 180 compared to national average of 130. Also, as discussed in chapter four, of the three cities, Sydney, as of 2001, had enjoyed the highest growth in the service sector overall, a sector which employs some 74.6 per cent of the city's workforce (Australian Bureau of Statistics, 2001c), compared to a national average of 73.6 per cent and significantly higher than for Adelaide (71.4 per cent) or Perth (72.7 per cent).

There was a strong association between level of household income and the number of income earners per household ($X^2=28$, 3DF). Households based on two incomes (111 households) were likely to be bringing in more money (Table 8.5). Ninety per cent of households earning more than \$1,500 per week (9 households) were based on two incomes.

Table 8.5 Households with more than one income % by gross weekly household income

N=223	\$0 TO \$499 (N=41)	\$500 TO \$999 (N=128)	\$1000 TO \$1499 (N=43)	\$1500+ (N=9)
More than 1 income	24.4	46.5	74.4	90.0
1 income only	75.6	53.5	25.6	10.0
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

Of note are the ten households, bringing in less than \$500 per week, yet dependent on more than one income. These households would appear to be particularly precarious in terms of their ability to sustain debt repayments given any level of job insecurity (Berry & Dalton, 2000; Reserve Bank of Australia, 2003; Seavers, 2000; Watt, 2003; Winter & Stone, 1998; Yates, 2002).

8.4 Housing costs

In line with ABS estimates (Australian Bureau of Statistics, 1999b; Macquarie Bank, 2001), some 91 per cent of first time buyers had bought an established home. Over 95 per cent (238 households) had obtained a housing loan in order to purchase their first home. Almost 60 per cent of households had taken out their loan for 25 years with some 27.3 per cent opting for a 30 year period. This was most typical of Sydney households.

On the whole households were paying substantial amounts of their net monthly income into the mortgage with 15 per cent (30 households) paying at least 40 per cent of their net income. In this study households were making significant efforts to pay off their mortgage as soon as possible. Over 44 per cent of families were attempting to pay off their mortgage in ten years or less. Almost 80 per cent of households in Adelaide (61 households), 81 per cent of households in Perth (39 households) and 70 per cent of respondents in Sydney (75 households) were attempting to pay off their mortgages in 15 years or less. This probably accounts for the high ratio of housing costs to income of some households.

Most households had either obtained a variable interest only loan (54 per cent) or a loan with only a one or two year fixed interest period (26.9 per cent) and most had obtained their loan through a bank (56 per cent). Next most popular was the mortgage manager. Almost one quarter of households in Sydney had used a mortgage manager (27 households) compared to only 15 per cent of households in Adelaide (12 households) and 5 per cent of respondents in Perth (3 households).

There was a strong association between gross weekly household income and the percentage of net monthly income going towards the mortgage repayments ($X^2=22.7$, 6DF) (Table 8.6). Those earning least were paying a significantly higher percentage of their income towards their mortgage. Some 30 per cent of families on less than \$500 per week were paying over 40 per cent of their income on the mortgage.

These are the households who are facing what are termed 'relatively' high housing costs, that is above 30 per cent of gross household income (ABS 2002b) And those on low incomes, especially lone parents, are the households most likely to experience housing stress (Australian Bureau of Statistics, 2004c; Burrows, 2003). Some 50 per cent of one parent families represented by this survey were on gross incomes of less than \$500 per week and four of these families were paying more than 30 per cent of net income on the mortgage of their first home.

Table 8.6 Per cent of net household income committed to the mortgage % by gross household income

N=199	\$0 TO \$500 (N=40)	\$500 TO \$1000 (N=107)	\$1000 TO \$1500 (N=41)	OVER \$1500 (N=11)
40+%	30.0	12.0	7.3	20.0
30 to 40%	37.5	56.5	36.6	10.0
under 30%	32.5	31.5	56.1	70.0
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

There was an association between cities and the per cent of income being paid into the mortgage ($X^2=10.1$, 4DF) (Table 8.7). In Adelaide, where housing was more affordable as of 1999 (Housing Industry Association. Commonwealth Bank, 2000), fewer households (11 per cent) were paying in excess of 40 per cent of their income into the mortgage compared to Sydney (21.3 per cent). This ratio is considerably higher than the ABS

estimate (2000a) which suggests 21 per cent as the average proportion of housing costs to income for first time buyers. In Sydney 18 families were paying more than 40 per cent of their net income into the mortgage and five of these families were on less than \$500 per week. Yates (2002) has documented how the impact of income polarization has been strongest in cities such as Sydney, where house prices have been highest, and suggests it is particularly hard for lower income families to purchase where economic growth has been strongest.

Table 8.7 Per cent of net household monthly income committed to the mortgage % by capital city location

N=205	ADELAIDE (N=72)	PERTH (N=43)	SYDNEY (N=90)
more than 40% of net monthly income	11.0	11.6	21.3
30 to 40% of net monthly income	38.4	44.2	50.6
under 30% of net monthly income	50.7	44.2	28.1

Source Author First Home Buyer Survey 2000

For over 48.1 per cent of Sydney households (49 households) the mortgage repayment was being met by more than one contributor (Table 8.7). Again Adelaide was distinctive in that over 70 per cent of mortgages were being paid by only one contributor and 58 per cent for Perth. This almost certainly reflects the greater housing affordability in Adelaide and Perth, early in 1999, as discussed in chapter five as well as the higher number of single households represented by the Adelaide sample (47 per cent were lone persons compared to 15.9 per cent of respondents overall) who could, given lower prices, afford to buy a first home on their own. Finally, in terms of house price, the median price paid for a first home in Adelaide was \$100,000. The median price in Perth was just \$92,000 and Sydney had a median first home price of \$156,000.

8.5 Explanation of difference in housing costs

Group differences in price paid for a first home were tested using the Kruskal Wallis test (Noursis 1993). This test indicates whether differences in the price paid for a first home can be attributed, for example, to items such as capital city, more than one income, income, household type, employment category, age, percentage of income into the mortgage or percentage of loan to house price. The chi square values produced and

associated significance levels indicate the extent to which differences in price paid can be attributed to any of these items. The characteristics that significantly explained differences in price were capital city ($X^2=92.8$ 2DF), the presence of more than one income in the household ($X^2=19.7$, 2DF), household income ($X^2=15.9$ 2DF), household type ($X^2=13.7$ 2DF) and employment category ($X^2=7.9$ 2DF).

There is a strong association between price category and capital city ($X^2=115.9$, 4DF) (Table 8.8). Over half of the homes bought in Perth (64.7 per cent) and Adelaide (53.8 per cent) were sold for under \$100,000 compared to only 9.2 per cent of those in Sydney. On the other hand, over half of Sydney homes (56.9 per cent) sold for over \$150,000 compared to none in Adelaide or Perth. This reflects the discussion in chapter five on affordability trends across the three cities. At the time of this study Sydney house prices had been at historically high levels and between March and June 1999 the HIA index for Sydney (Housing Industry Association. Commonwealth bank, 2004) increased by a further 9 per cent, indicating a further drop in housing affordability.

Table 8.8 Price paid for first home % by capital city location

N=238	ADELAIDE (N=77)	PERTH (N=51)	SYDNEY (N=110)
Up to \$100,000	53.8	64.7	9.2
\$100,001 to \$150,000	46.2	35.3	33.9
\$150,001 to \$200,000	0.0	0.0	56.9
Total	100	100	100

Source Author First Home Buyer Survey 2000

There was a significant relationship between price paid and more than more income ($X^2=20.8$ 2DF) with over one third, 37.5 per cent, of those on more than one income paying over \$150,000 for their first home compared to only 20.5 per cent of households relying on one income (Table 8.9). On the other hand almost half, 47.7 per cent of those on only one income had paid less than \$100,000. A number of writers have identified two incomes as a critical marker in the ability to purchase a first home (Badcock, 1995; Badcock & Beer, 2000; Merlo & McDonald, 2002; Yates, 1999, 2002). For the respondents in this study, two incomes are very important in determining the price paid for a first home.

Table 8.9 Price paid for first home % by number of incomes within the household

N=221	MORE THAN 1 INCOME (N=112)	1 INCOME ONLY (N=109)
Up to \$100,000 count	20.5	47.7
\$100,001 to \$150,000 count	42.0	34.9
\$150,001 to \$200,000 count	37.5	17.4
Total	100	100

Source Author First Home Buyer Survey 2000

There was also a significant relationship between price paid and household type ($X^2=27.7$ 6DF). Couples and couple with children were paying higher prices while lone persons were buying at the cheaper end of the market (Table 8.10). Almost 60 per cent, (57.6 per cent) of the homes that sold for over \$150,000, had been bought by first home buyers with children. This is associated with the normal positive relationship between house size and price paid, that is larger homes command higher prices (Whipple, 1995). Families with children could be assumed to require more space and therefore be required to pay more for their housing. It also ties in with the 60 per cent of couples with children who are bringing in more than one income and thus, presumably, able to borrow more. Some 44 per cent of homes bought for less than \$100,000 were purchased by single, one income households. This is again consistent with the large number of singles represented in the survey, especially in the Adelaide sample.

Table 8.10 Household structure of purchaser % by price paid for first home

N=234	UP TO \$100,000 (N=84)	\$100,001 TO \$150,000 (N=88)	\$150,001 TO \$200,000 (N=62)
Couple only	17.9	29.9	31.6
Couple with dependent children	29.8	36.8	57.9
One parent family	8.3	4.6	1.8
Lone person	44.0	28.7	8.8
Total	100	100	100

Source Author First Home Buyer Survey 2000

There was an expected association between income and price paid for a home ($X^2= 25.6$ 6DF). Some 54.9 per cent of those earning under \$500 a week bought in the lowest price category, under \$100,000, while 11.1 per cent of those bringing in over \$1,500 a week and 46.2 per cent of those bringing in over \$1,000 a week, had bought in the most expensive range (Table 8.11). This compares to only 5.9 per cent of those bringing in under \$500 a

week. However, some purchasers were showing caution, in that 22.2 per cent of those bringing in over \$1,500 per week also bought a home priced in the lowest price category, as well as 23.1 per cent of those on household income of \$1,000 to \$1,500 per week. Thus some households, regardless of income, are buying at the cheaper end of the market.

As such, higher incomes households are exhibiting lower levels of income elasticity in terms of demand for housing as revealed in price paid (Meen & Andrew, 1998). Housing is considered a 'normal' good and as such, higher incomes should result in greater consumption (with elasticity levels greater than one) (Jackson, McIver, McConnell, & Brue, 1998), or in the context of this study, higher prices paid for housing. However, according to Meen and Andrew (1998) the income elasticity of demand for housing may be falling, implying that, as income rises, consumption for housing is not increasing at the same rate. This suggests that housing could be seen as an 'inferior' good (Jackson et al., 1998), in that less is being consumed as income goes up. The inelasticity in housing consumption in response to rising incomes is explained by Meen and Andrew (1998) as a response to job insecurity. The finding in this study, that higher incomes do not necessarily translate into higher prices being paid for housing, confirms the impact that labour market change, that is the decrease in job security, is having on housing market outcomes.

This finding is consistent also with the findings of Ford (1998) who suggests that households, faced with greater job insecurity, become more risk averse and less inclined to take on larger debts such as a mortgage. Yates (1999) and Yates and Wulff (2000) also recognise that the relationship between ability to pay and tenure may be changing in that, those on higher incomes may be remaining in the rental sector longer, renting cheaper accommodation and show less inclination to take on mortgage debt.

Table 8.11 Price paid for first home % by gross weekly household income

N=227	\$0 TO \$499 (N=51)	\$500 TO \$999 (N=127)	\$1000 TO \$1499 (N=39)	\$1500+ (N=10)
Up to \$100,000	54.9	32.8	23.1	22.2
\$100,001 to \$150,000	39.2	35.9	30.8	66.7
\$150,001 to \$200,000	5.9	31.3	46.2	11.1
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

Finally, there was an association between employment category and price paid ($X^2=11.9$ 6DF) (Table 8.12). Households in permanent employment were more likely to purchase higher priced homes, regardless of income, with some 32.5 per cent purchasing a home for over \$150,000 compared to 20 per cent of contract workers, 12.5 per cent of self employed and only 5.6 per cent of casually employees (Table 8.12). Half of all contract and casual employees had bought for under \$100,000.

This is an important finding in that it may suggest that job security, that is permanent employment, rather than ability to pay is determining the price households are willing to pay for a home. As over 95 per cent of respondents in this study had borrowed in order to purchase their home, this also implies that job security and the level of mortgage debt householders are prepared to take on, may be related. While house price and income are linked, there appear to be a number of high income households who are being conservative in the price they pay for a first home. Some 27 per cent of respondents, in non permanent employment, were earning over \$1500 a week, compared to only 4.5 per cent of permanent employees, yet 50 per cent of permanent had bought in the lowest price category.

Coulson and Fisher (2002) have suggested that the decision to become a home owner is firmly based on the expectation of job security and the regularity of income. Mulder and Wagner (1998) consider job security to be important in explaining the purchase decision in that regular income is an important criteria for achieving home ownership, especially for families with dependent children while Yates (1997) suggests that the decision to purchase a home is significantly impacted by the variability and uncertainty surrounding income.

This finding would support this discussion in that job security appears to be impacting significantly on the disposition of a household to take on significant mortgage debt. As such it emphasises the important link between a housing career stage, that is the purchase of a first home, and the early career life course stage. Kendig (1984) has suggested that life course stage and income are important for understanding tenure decisions and that income and wealth have a greater impact on home ownership than domestic factors such

as the birth of a child. Clark and Huang (2003) and Clark and Withers (1999) have stressed the importance of employment for moves within the housing career, for instance the switch in tenure from rental to home owners. At the same time almost one third of permanent employees, (32.5 per cent), in this study had also bought in the lowest price range, reflecting the apparent, overall, conservative approach to purchase price taken by many households in this study.

Table 8.12 Price paid for first home % by employment category of purchaser

N=201	PERMANENT (N=156)	CONTRACT (N=10)	CASUAL (N=18)	SELF EMPLOYED (N=17)
Up to \$100,000 count	32.5	50.0	50.0	25.0
\$100,001 to \$150,000 count	35.0	30.0	44.4	62.5
\$150,001 to \$200,000 count	32.5	20.0	5.6	12.5
Total %	100	100	100	100

Source Author First Home Buyer Survey 2000

8.6 Chapter conclusion

In conclusion, housing costs are most strongly influenced by location with the highest prices being paid in Sydney. Of note is that, after location, the bringing in of more than one income and households type are the most important determinants of price paid. This supports the importance of two incomes in buying a first home identified by Badcock (1995), Badcock and Beer (2000), National Shelter (2000) and Merlo and McDonald (2002)). Also, while income has a strong impact on price, employment category is almost as important in determining the prices that are paid. Casual and contract workers are buying cheaper homes, whatever their income level. As such, employment category is almost as important in demarcating prices paid, as income. Job security would appear to be a critical factor in determining which end of the housing market, in terms of price, households buy a first home and supports the thesis of Coulson and Fisher (2002) and Mulder and Wagner (1998) that home ownership is firmly grounded in the expectation of job security and regular income.

However, not all households on higher incomes, or in permanent employment are buying the most expensive homes, and this is consistent across all three capital cities. Almost a quarter of those earning in the highest category had bought a home in the lowest price

category. Almost one third of those in permanent employment had done the same. This supports the Meen and Andrew (1998) hypothesis which suggests falling income elasticities in the consumption of housing.

Both these trends, that is for those on high incomes but in non permanent employment, and those in permanent employment on mid to high incomes (25 per cent of permanent employees earned over \$1000 per week compared to only 5 per cent of casuals), to buy at the lower end of the market have important implications for housing affordability. If substantial numbers of households are buying at the cheaper end of the market, regardless of income (almost 30 per cent of Sydney households were earning over \$1,000 per week), or employment category, this may exert significant pressure on prices, especially at what should be the most affordable end of the market. This is likely to put pressure on the private rental market in terms of supply, and in turn the public housing sector (Wulff & Evans, 1998; Wulff et al., 2001).

Thus, the pattern seems to be one of greatest choice for those on higher incomes or in more secure employment. Some of those who can afford to pay more, even when in secure employment, are being risk averse by buying their first home at the cheaper end of the market. Yates (1999) has identified the declining propensity of younger households, including those on higher incomes, to take on mortgage debt. This disinclination to pay more than is necessary has also been recognised within the private rental market. Yates and Wulff (2000) have demonstrated that the quality of rental accommodation which is taken up, is not always matched by ability to pay. They conclude that the take up of low cost rental accommodation by higher income households is displacing those who need it most and exacerbating an existing shortfall of low cost rental stock.

Mudd et al (1999) have discussed the tendency for those earning most to seek alternative investments rather than home ownership. This study supports this argument, in that those on higher incomes seem less inclined to invest heavily in the purchase of their first home. Whitehead (1996) has identified also, the importance of exit strategies which, for the first home buyers represented by this survey, may mean buying cheaper homes where the risks of exit and large capital losses are lower.

This chapter has discussed income and housing costs and identified those households for whom housing costs are highest, relative to income, as well as showing an important potential association between employment category and price paid for a home. The next chapter extends this discussion by focusing on the implication of income and housing costs for financial well-being.

Chapter 9 Financial well-being

9.1 Introduction

In this last chapter the income and housing costs of first home buyers were identified and the relationship between price paid for a first a first home and employment category was discussed. As such the important link between a housing career move and the life course stage of early employment was established. This chapter considers the financial well-being of households as a means of further exploring the impact of housing costs on households faced with different levels of job security.

Financial well-being can be defined as a sense of one's financial situation (Goldsmith, 1996) and collectively can account for a household's satisfaction with income, job security, and economic progress (Fox & Chancey, 1998; Sumarwan & Hira, 1993). Financial well-being is an important context within which to discuss the decision to buy their first home as a household's sense of financial well-being is likely to be an important indicator of the sustainability of their home ownership.

The financial well-being of a household can be assessed in a number of ways. It can be measured quantitatively by determining income (Palmer, Smeeding, & Jencks, 1988; Quinn, 1987) or by assessing overall wealth which includes physical assets such as a house and car (Hurd, 1990). Alternatively financial well-being can be self assessed and thus measured subjectively (Australian Bureau of Statistics, 2001f). This approach allows households to assess their economic well-being with reference to events or experiences which can have an important impact on their sense of well-being such as buying a home, job security or level of debt (Kim, Sorhaindo, & Garman, 2003).

In this study, first home buyers were asked to self assess their financial well-being. Self assessment and ranking of financial well being items has been adopted in a variety of studies, including those assessing the economic well-being of older people (Burholdt & Windle, 2006), the relationship between income and health (Gravelle & Sutton, 2003) and measuring life satisfaction (Wood, Wylie, & Schaefer, 1969). The Australian Bureau of

Statistics (2001f) suggests that well-being 'might best be assessed subjectively as it is strongly associated with notions of ...life satisfaction' (Australian Bureau of Statistics, 2001f). In this survey, households were asked to state whether they considered their financial well-being as 'very well off', 'managing pretty well', 'getting by' or 'finding it difficult'. The number of items was considered to offer an adequate, but not overwhelming, range of levels while the items were worded colloquially to make interpretation easier.

This chapter considers whether there is any association between a household's sense of financial well-being and the age of the main income earner, income, household composition, employment category, or level of income committed to the mortgage. It is hypothesized that financial well-being is likely to be impacted by some, or all, of these characteristics and that certain households, already made vulnerable because of job mobility, may be impacted more than others. Earlier findings would suggest there is a strong link between financial well-being and items such as age, household composition, level of income committed to the mortgage, drop in earnings and job security. The ABS (2004b) has identified one parent families as most likely to experience housing stress while Berry and Dalton (2000) have identified couples with young children as particularly vulnerable to mortgage arrears. Ford, Kempson and Wilson (1995) have identified job redundancy and a drop in income as particularly detrimental to sustaining home ownership while Maxwell (1986) has indicated a positive association between financial well-being and duration of longest job.

An important aspect of financial well-being is the ability to cover debt, including housing debt. Writers such as (Berry & Dalton, 2000; Burrows, 1998; Doling et al 1988; Ford et al, 1995) have identified loan to house price ratios (Berry & Dalton, 2000; Doling et al, 1988), debt to income ratios (Doling et al, 1988) and reduced income (Ford et al, 1995) as important predictors of mortgage arrears. As such poor financial well-being is likely to be strongly associated to housing indebtedness and a household's sense of financial well-being an important precursor to 'housing stress'.

Housing stress results from insufficient income to meet housing costs and includes both households in the private rental sector and in home ownership. Housing stress has been identified particularly with families and lone parents and includes significant number of households paying off mortgages (Australian Bureau of Statistics, 2000c). One formal measure of housing stress is the ratio of housing costs to income for those households whose income is in the bottom 40 per cent of the income distribution (Australian Bureau of Statistics, 2000c). Among these households, those whose housing costs consume more than 30 per cent of their disposable income are said to be experiencing housing stress (Australian Bureau of Statistics, 2000c).

This chapter will explore the impact of age, income, household composition, and level of income committed to the mortgage on the financial well-being of first home buyers. These factors will be discussed within the context of employment category as a means of identifying the extent to which job insecurity magnifies their impact on financial well-being and hence on sustaining home ownership. Writers have shown that a households sense of financial well-being is linked to high debt levels, including mortgage debt (Griffith (1985; Hong and Swanson, 1995) and to secure employment (Maxwell, 1986). As such this chapter aims to identify the impact of job security on financial well-being as a means of highlighting any risks to the sustaining of home ownership by first time buyers. Any significant differences between the capital cities are also discussed. At the end of the chapter the implications of the findings for first homebuyers are presented.

9.2 Financial well-being, income and housing costs

In this study first home buyers were asked to self assess their financial well-being. Households were asked to state whether they considered their financial well-being as 'very well off', 'managing pretty well', 'getting by' or 'finding it difficult'. Most households, some 46 per cent, considered themselves to be 'getting by', with 38 per cent 'managing pretty well' (Table 9.1).

Such a result might be expected given that first up home purchase is normally predicated upon the accumulation of a deposit (Clark & Huang, 2003; Deurloo et al., 1994).

However 15 per cent were 'finding it difficult' and only one household, out of the 247 survey responses, considered themselves to be 'very well off'. For the rest of the analysis this single household has been combined with the 'managing pretty well' category in order to ensure adequate cell counts for the tests of association.

Table 9.1 Level of financial well-being of household

N= 247	NUMBER OF HOUSEHOLDS	PERCENTAGE OF HOUSEHOLDS
Very well off	1	0.4
Managing pretty well	95	38.5
Getting by	114	46.2
Finding it difficult	37	15.0
Total	247	100

Source Author First Home Buyer Survey 2000

9.3 Explanation of difference in financial well-being

Group differences in the level of financial well-being were tested using the Kruskal Wallis test (Noursis 1993). This test indicates whether differences in households based on financial well-being can be attributed, for example, to items such as income, age, the amount of income going towards the mortgage, or household type. The chi square values produced and associated significance levels indicate the extent to which group differences in financial well-being can be attributed to any of these items.

Differences in the level of financial well-being were associated most strongly with gross weekly income ($X^2=44.7$, 2DF), but also with age category ($X^2=15.8$, 2DF), the percentage of after tax income being paid into the mortgage ($X^2=12.3$, 2DF) and household type ($X^2=7.7$, 2DF). Difference in the financial well-being of households was not associated with city or employment category.

There was a strong association between sense of financial well-being and income ($X^2=48.3$, 6DF) (Table 9.2). Households on higher incomes were more likely to describe themselves as 'managing pretty well'. No household on an income of over \$1,000 per week was 'finding it difficult' and the majority of those households, (65 per cent), who were on incomes of at least \$1,000 per week, described themselves as 'managing pretty well' financially. On the other hand, for households on incomes of less than \$500 per week, over 32 per cent were 'finding it difficult' financially.

Table 9.2 Level of financial well-being of household % by gross weekly household income

N=236	\$0 TO \$499 (N=56)	\$500 TO \$999 (N=127)	\$1000 TO \$1499 (N=43)	\$1500+ (N=10)
Managing pretty well	14.5	36.7	65.1	90.0
Getting by	52.7	50.8	34.9	10.0
Finding it difficult	32.7	12.5	0	0
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

Financial well-being was also strongly associated with age category ($X^2=21.5$, 6DF). Only 4.4 per cent of those under 25 years were 'finding it difficult' financially compared to 30.8 per cent of the 35 to 44 year age group (Table 9.3). Financial well-being improved for the 45 years plus age group with 37.5 per cent 'managing pretty well'. This is consistent with housing career patterns in which households in the age category of 35 to 44 are often faced with substantial debt; a product of dependent children, household debt and mortgage repayments, which in this case would be especially onerous for those who have just bought their first home (AMP.NATSEM National Centre for Social and Economic Modelling, 2004; Australian Bureau of Statistics, 2003c; Clark et al., 1994; Murie et al., 1991; Rossi, 1955).

Table 9.3 Level of financial well-being of household % by age category of purchaser

N=245	UNDER 25 YEARS (N=25)	25 TO 34 YEARS (N=125)	35 TO 44 YEARS (N=52)	45 YEARS AND OVER (N=23)
Managing pretty well	44.4	45.2	21.2	37.5
Getting by	51.1	44.4	48.1	37.5
Finding it difficult	4.4	10.5	30.8	25.0
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

There was also an association between financial well-being and the amount of after tax monthly income going into the mortgage ($X^2=13.9$, 4DF). Those paying least described themselves as managing best financially (Table 9.4). Of those paying the least (under 30 per cent) nearly half described themselves as 'managing pretty well' (39 households). On the other hand, almost one third of those who were paying more than 40 per cent of after tax income into the mortgage were 'finding it difficult' financially (10 households). These are the households that have been identified as most likely to be facing housing stress, especially those on lower incomes and for whom home ownership is creating the heaviest financial burden (Yates, 2002).

Table 9.4 Level of financial well-being of household % by per cent of monthly after tax household income committed to the mortgage

N=203	MORE THAN 40% (N=32)	30 TO 40% (N=91)	UNDER 30% (N=80)
Managing pretty well	25.0	38.0	49.4
Getting by	43.8	47.8	44.3
Finding it difficult	31.3	14.1	6.3
Total	100	100	100

Source Author First Home Buyer Survey 2000

This association between financial well-being and housing costs is consistent with the earlier discussion on those paying relatively high housing costs and yet on lower incomes. These are also the households most at risk of housing stress (AMP.NATSEM National Centre for Social and Economic Modelling, 2004; Australian Bureau of Statistics, 2004c). Berry and Dalton (2000) have identified high loan to house price ratios as especially significant in accounting for mortgage arrears. Some 7.8 per cent of first time buyers in this survey were paying at least 95 per cent loan to house price ratios. Six per cent had been allowed to borrow 100 per cent of the house price. This is substantially above the maximum mortgage loan to house price ratio of 80 per cent identified for Australia by the OECD (2001).

9.4 Financial well-being and household type

Financial well-being was strongly associated with household type. Significantly fewer couples only were finding life financially difficult (6.3 per cent) compared to single households (14.3 per cent), couples with children (17.4 per cent) and especially lone parents (33.3 per cent). Some 90 per cent of childless couples are households who are bringing in the two incomes which Badcock (1995), Percival (1998) and Merlo and McDonald (2002) have identified as so critical in acquiring a first home in Australia. The majority of couples with dependent children (53.3 per cent) were just 'getting by' financially (Table 9.5). These findings are consistent with levels of financial hardship as reported by McColl, Pietsch and Gatenby (2001) for 1998 to 1999 who identified that for Australia as a whole, on a life cycle basis, those most likely to experience the highest level of financial stress were lone parents with dependent children (40 per cent), single persons (21 per cent) and couples with dependent children (13.7 per cent). McColl et al (2001)

suggest that, within the lower income families, the households indicating financial stress were 'much more likely to contain dependent children'. These are the families that Yates (2002) has identified as showing a declining propensity to purchase a home.

Table 9.5 Level of financial well-being of household % by household structure

N=237	COUPLE ONLY (N=64)	COUPLE & DEPENDENT CHILDREN (N=92)	ONE PARENT FAMILY (N=12)	LONE PERSON (N=69)
Managing pretty well	58.7	29.3	33.3	35.7
Getting by	34.9	53.3	33.3	50.0
Finding it difficult	6.3	17.4	33.3	14.3
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

The extra costs of insurance and rates certainly add to the pain of budgeting. Child support do not seem to understand the extra costs in owning a home.

Couple with dependent children, Sydney

9.5 Financial well-being and employment category

While not statistically associated with employment category, statements of financial well-being were consistent overall with the earlier break down of income levels by employment category, in that more casual workers, who are generally earning less, were finding it difficult compared to permanent or contract employees. Some 15 per cent of casual workers, the large majority of which were on incomes of less than \$1,000 per week, were 'finding it difficult' with 70 per cent of casual workers just 'getting by'. On the other hand, some 42 per cent of permanent workers considered themselves to be 'managing pretty well'. Given their higher income levels overall, 25 per cent on incomes of over \$1,000 compared to only 5 per cent of casual workers, this is consistent with the earlier discussion of the greater financial well-being enjoyed by those on higher incomes. Some 55 per cent of contract workers were just 'getting by' which ties in with the larger spread of incomes in this employment category. The high per cent of self employed households

(47.4 per cent) who suggested they were 'managing pretty well' financially, despite 80 per cent bringing in less than \$1,000 per week, might indicate a certain level of motivation and self reliance on the part of these households.

These findings tie in closely with those of Bray (2003) who identifies, in a study based on the 1998 ABS Household Expenditure Survey, that financial well-being varies strongly with employment category. Bray (2003) finds that, for households with one or more part-time jobs, almost 14 per cent are facing financial stress compared to 4.5 per cent in full time employment and that there is a 'very strong association between employment' and financial stress. He also notes that multivariate analysis conducted across all households would imply that the employment effect on financial stress is independent of income, that is 'it is the fact that people are employed, not simply that they earn money which is important' in determining financial well-being (Bray, 2003 p.11).

9.6 HECS debt

Finally, in terms of financial well-being, it should be noted that across all three cities some 31.6 per cent of households held a bachelor degree or higher compared to a national average of 13 per cent (ABS Census) while 20 per cent of households had at least one member of the household still studying. As a result, 17 per cent of respondents (42 households) had an outstanding HECS debt, with some 32 per cent of this group owing at least \$5,000. This debt has been recognised by Yates (1999) as a major impost on the ability of young couples and individuals, including those on relatively higher wages, to enter home ownership. These are also the age categories in which the greatest overall household debt is being carried (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). Jackson (2002) has proposed that the HECS debt may also result in significant 'ante-natal' elements for Australia in that it may cause 'tertiary-educated women and men to delay their childbearing' (Jackson, 2002 p.1). Thus this debt is likely to reinforce the delay in home purchase not just as a financial impost per se, but also as a further constraint on what is suggested by some to be an important prompt for home purchase, the birth of a child (Clark et al, 1994; Mulder & Wagner, 1998; Dieleman & Everares, 1994). This has important implications for states such as SA where the

population is ageing (index of ageing as of 2001, was 77.54 compared to a national average of 60.6) and the proportion of 15 year olds in the population is falling (18.8 per cent of persons in 2001, compared to a national average of 20.6) and where on average HECS debts are higher as a per cent of household debt (5 per cent) than for other states (national average 3 per cent) (AMP.NATSEM National Centre for Social and Economic Modelling, 2004).

Despite differences in the level of income and housing affordability between the three cities, there was no association between capital city and sense of financial well-being. Some 31.5 per cent of families in Perth (17 households) felt they were 'managing pretty well' compared to 40.2 percent in Adelaide (33 households) and 41.4 per cent in Sydney (46 households) and a slightly higher per cent of households in Perth were 'finding it difficult' (16.7 percent: 9 households). This would suggest that despite absolute differences in housing affordability, employment opportunities and income across these three cities, as discussed in chapters four and five, a households feeling of financial well-being is a relative measure based on their own subjective experience of meeting costs, paying off HECS debts and paying the mortgage, irrespective of employment conditions or housing costs elsewhere. This would support the findings of Bray (2003) that it is employment rather than level of income which can be important in ensuring a household's financial well-being. Thus absolute differences in housing affordability and incomes across the three cities may not be so important.

Young professional people must experience greater difficulty in owning their own home, with increased costs, large HECS debts and less job security. Single person, Adelaide

9.7 Chapter conclusion

In conclusion, a household's sense of financial well-being is most strongly associated with gross weekly income, age category, the percentage of after tax income being paid into the mortgage and household type. In terms of income most households on higher incomes feel they are at least 'managing pretty well'. Those on lower incomes are finding it more

difficult financially. While financial well-being was not able to be statistically associated with employment category per se, the relationship between financial well-being and employment category is consistent with that between income and employment category. That is many employees who are in permanent and contract employment feel that financially they are 'managing pretty well', which is consistent with their higher level of household income. While the majority of self employed households believe they also are 'managing pretty well', perhaps reflecting a longer term business outlook, a substantial number (21.1 per cent) are 'finding it difficult' financially. A large majority of those in casual employment, 70 per cent, feel they are just 'getting by' with 15 per cent 'finding it difficult'. This is the employment category where incomes are lowest.

Age and household type have a consistent impact on a household's sense of financial well-being. Single households, under 25 years of age, are more likely to be 'managing pretty well' compared to those couples in the 35 to 44 age bracket with dependent children or lone parents. These are the first home owners who are likely to be worst off financially. The size of mortgage repayments also had an impact with those households paying the least into the mortgage every month describing themselves as managing best. These associations were common to all three capital cities. In general first home buyers in Adelaide or Perth did not describe themselves as better, or worse off, financially, despite lower levels of income overall (Australian Bureau of Statistics, 2000a), than those in Sydney. This would suggest that financial well-being is a relative measure which reflects household cost with respect to income for a given location. Income and financial well-being are critical elements in achieving and maintaining home ownership. This chapter is important as it has shown that financial well-being is strongly linked to income and thus employment category. As well, financial well-being is highest where there are two incomes and secure employment. It confirms earlier findings that those most at risk of financial stress are families with children and especially lone parents (McColl, 2001; Nettleton & Burrows, 1998), many of whom seem to have taken on home ownership with very little disposable income to spare. The next chapter considers the welfare of first time buyers in terms of their concern over job security and explores any associations between this and employment and household characteristics.

Chapter 10 Job security

10.1 Introduction

In the last chapter the financial circumstances of first time buyers were discussed within the context of employment category, two incomes and levels of income committed to the mortgage. A strong association was discovered between financial well-being and income, two incomes households, the type of household and the level of income assigned to the mortgage. There was also a consistent relationship between financial well-being and employment category, in that those households in the less secure work, and often on lower incomes, showed the lowest financial well-being. Some 15 per cent of casual employees described themselves as in financial difficulty and 70 percent described themselves as 'just getting by' financially. Those in more secure employment showed higher levels of financial well-being. This finding is supported by the work of Bray (2003) who suggests that it is the nature of employment, rather than just level of income, which is important in determining levels of financial stress within a household.

This chapter introduces the concept of job security which adds another dimension to the associations establish in the last chapter. It is hypothesized that lack of job security, including the perception of insecurity, is likely to magnify any financial insecurity faced by households and so impact on decision making. As such the research is trying to show the linkages which may exist between job insecurity, either real or perceived, and any housing insecurity associated with the purchase of a first home. Again the important relationship between labour and housing markets is the focus.

10.2 Job security in Australia

In Australia, job security has become an issue for home buyers as they take on mortgage debt against a backdrop of increasing levels of casual (Pocock B, Buchanan J, & Campbell I, 2004; Simpson M, Dawkins P, & Madden G, 1997; Watson I, 2004) and part time employment (Campbell, 1997; Organisation for Economic Cooperation and Development, 2005; Stimson, 2001; Stimson et al., 1997; Van den Heuvel & Wooden, 2000). Ford

(1998) has identified the nature and extent of risk to home ownership resulting from higher levels of job insecurity in the UK, suggesting that interest in home ownership as a tenure, has declined in the face of increasing job insecurity. Forrest et al (1997) have suggested that job instability predicts housing risk most consistently. Flatau et al (2004) show that labour market effects are an important driver in the overall direction taken within housing careers.

The federal government's push for workplace agreements is very disturbing. Lack of job security will surely have an effect on society. How the government can say we will all be better off under a GST is unbelievable.

Couple, Perth

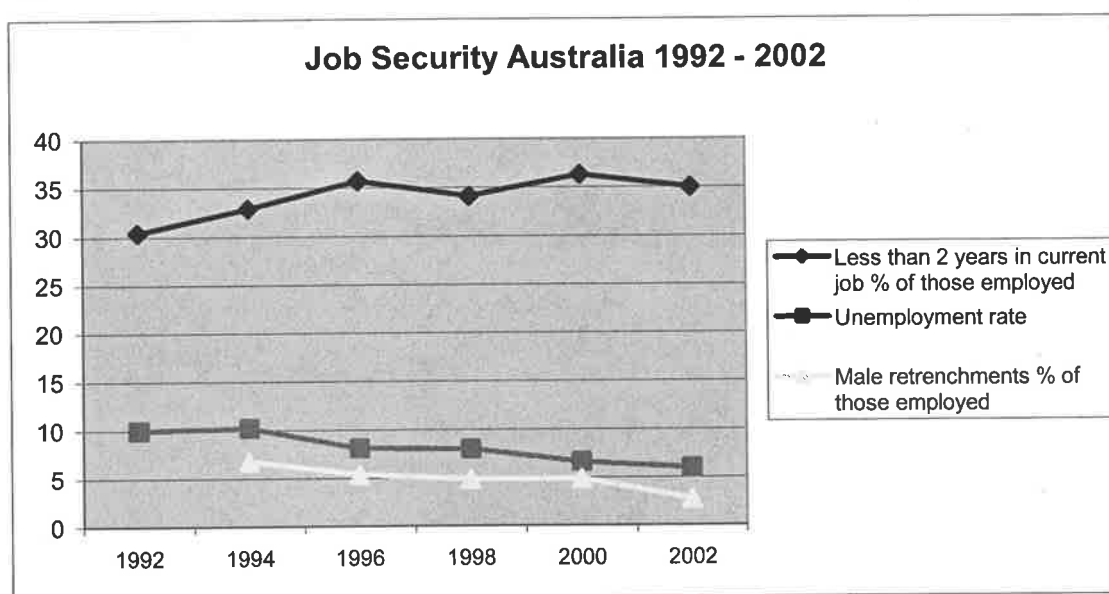
Job security does not exist for blue or white collar workers!

Single person, Perth

Yates (1999) writes of greater risk aversion to home ownership in the face of job insecurity particularly on the part of lower income households. Maclennan et al (1997) have suggested also a greater inclination to rent by households in the UK reflecting the need for greater job flexibility. Borland (2001) has suggested that people feel less secure in their jobs at times of higher unemployment or retrenchment. This would seem a reasonable outcome of seeing other people lose their jobs. At the time of this survey, March 2000, some 36.3 per cent of Australian workers had been in their current job for less than two years (Australian Bureau of Statistics, 2000b) (Figure 10-1). This figure had increased by 2.2 per cent from 1998 (43.1 per cent), and by six per cent from 1992 (30.4 per cent) (Figure 10-1). As of 2000, the unemployment rate was 6.6 per cent, down from eight per cent in 1998 and from 10 per cent in 1992 (Australian Bureau of Statistics, 2000b). As well, in 2000, some four percent of the workforce had been retrenched in the previous 12 months, down from 4.4 per cent in 1998 and 5.4 per cent in 1994. Male only retrenchments over the previous 12 months stood at 4.9 per cent in 2000, similar to the 1998 level(4.9 per cent), down from 6.8 per cent in 1994 (Figure 10-1). Thus in 2000, despite lower levels of retrenchment and unemployment, Australia's workforce continued to show increasing levels of job mobility which could account for the feelings of insecurity identified in the findings of Norris and McClean (2000).

Job mobility is highest for young employees, with 23 per cent of those aged 20 to 24 years, and 16 per cent of those aged 25 to 34 years, changing their job within 12 months (Australian Bureau of Statistics, 2000b). This compares to only four per cent of those aged 55 to 69 changing jobs within the same time period (Australian Bureau of Statistics, 2000b). Thus, job security is lowest for those in the age bracket in which most households are looking to buy their first home.

Figure 10-1 Job security Australia – 1992 - 2002



Sources ABS (2001, 2004) Forms of Employment Cat No 6359.0; ABS (1994, 1996, 1998, 2000, 2002) Labour Mobility Cat No 6205.0

10.3 Concern over job security

Households were asked to self assess their level of concern over job security in the next 12 months and in the next five years. They could describe their level of concern along a Likert scale of 'not at all' concerned, of 'minor importance', 'quite concerned' or 'very concerned'. These levels of concern about job security were then tested for association with other household characteristics such as age of main income earner, household type, employment category, income, bringing in of more than one income and percentage of income going into the mortgage. Any differences between the capital cities in terms of concern over job security were also explored.

The survey findings identify only moderate levels of concern over job security, especially in the short term. Overall 70.5 per cent of first time buyers expressed either a minor level of concern (32.0 per cent) or none at all (38.5 per cent) over job security in the next 12 months. However, some 29 per cent of respondents (32 households) were 'quite concerned' over job security while 14 per cent (30 households) were 'very concerned'.

More concern was expressed over job security in the longer term with 69 per cent expressing at least some concern over job security in the next five years. Only 31.0 per cent (66 households) were not at all concerned. On the other hand, another 66 households (31.0 per cent) thought job security was at least a minor concern while 45 households (21 per cent) were 'quite concerned' and 34 households (16 per cent) were 'very concerned' about their job security over the next five years.

Borland (2001) suggests high levels of concern over job security can be linked to high levels of unemployment such as that experienced in Australia in the 1990s when the national unemployment rate reached 11 per cent in 1993 (Australian Bureau of Statistics, 2002b). Yates (1997) suggests that uncertainty about job security in the face of high unemployment may impact on the decision to purchase a home. The survey findings here confirm the gap between official ABS figures (Australian Bureau of Statistics, 2000a) which proposed that job security, in terms of the figures for job mobility, was not a problem, while, on the ground, many households suggest that they are in fact quite concerned about their job security, particularly in the longer term.

10.4 Explanation of difference in concern over job security

Group differences in the level of concern about job security into the next 12 months, and over the next five years were tested, using the Kruskal Wallis test (Nousis 1993) against a number of characteristics. These characteristics included age of main income earner, household type, employment category, income, bringing in of more than one income and percentage of income going into the mortgage. The chi square values produced and

associated significance levels indicate the extent to which differences in concern about job security can be attributed to any of these characteristics.

Differences in the level of concern about job security into the next 12 months were most strongly associated with age category ($X^2=16.4$, 3DF), employment category ($X^2=15.0$, 3DF) and percentages of income going into the mortgage ($X^2=12.6$, 3DF). The same associations applied to concern over job security in the next five years though this was also associated with household type ($X^2=8.5$, 3DF). Most of the findings are reported for the 12 months ahead. Levels of concern over job security could not be significantly distinguished by income, the bringing in of more than one income, or by capital city. In other words those households on higher incomes showed the same level of concern as those on lower incomes. This was also no difference between those households on one income and those on two or more. As well the capital city in which a household lived made no difference to the levels of concern shown. Households in Adelaide were just as concerned or unconcerned as those in Perth or Sydney.

10.5 Concern over job security and age

Table 10.1 clearly shows that, as the age of the main income earner increases, so does their level of concern about job security into the next 12 months ($X^2=20.5$, 9DF). For older, first time buyers job security is a particular problem. While some 63.4 per cent of households under 25 years were 'not at all' concerned about their job security, some 22.2 per cent of those over 45 years were 'very concerned'.

Table 10.1 Concern about job security over next 12 months by purchaser % by age category

N=209	UNDER 25 YEARS (N=41)	25 TO 34 YEARS (N=109)	35 TO 44 YEARS (N=42)	OVER 45 YEARS (N=17)
Not at all concerned	63.4	36.1	28.6	16.7
Of minor importance	22.0	35.2	33.3	33.3
Quite concerned	2.4	16.7	19.0	27.8
Very concerned	12.2	12.0	19.0	22.2
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

As discussed in chapter seven, many of these older households are families with children (55 per cent of households, over the age of 35 years, are couples with children, compared

to only 7 per cent which are couples only) and thus household expenses are likely to be higher and responsibilities greater in terms of providing for dependents. These levels of concern are likely also to reflect larger household debt overall (AMP.NATSEM National Centre for Social and Economic Modelling, 2004; Reserve Bank of Australia, 2003), the problems of getting another job and the pressure of a shorter time line in which to pay off their mortgage.

10.6 Concern over job security and employment category

In chapter seven the association between employment category and past job mobility was explored. It showed that, in the main, those households at present in non permanent employment are more job mobile, in that they had changed jobs more frequently in the last five years, than those currently in permanent employment.

This reality in terms of past job mobility is played out in levels of concern about perceived future job security, especially in the short term (Table 10.2). Those in permanent employment showed the least concern about job security over the next 12 months with 44.8 per cent being 'not at all' concerned ($X^2=19.3$, 9DF). The majority of those in contract employment (54.5 per cent) considered job security over the next 12 months to be 'of minor importance' as did 61.1 per cent of those who were self employed. However, almost 30 per cent of those in casual employment were 'very concerned' about their job security in the short term. Thus, as might be expected, the nature of employment is very important in determining levels of job security. Those in the least secure casual employment feel most concerned while those in more secure employment are least concerned.

Table 10.2 Concern about job security over next 12 months by purchaser % by employment category

N=200	PERMANENT (N=153)	CONTRACT (N=11)	CASUAL (N=17)	SELF EMPLOYED (N=19)
Not at all concerned	44.8	27.3	17.6	11.1
Of minor importance	26.6	54.5	41.2	61.1
Quite concerned	15.6	9.1	11.8	16.7
Very concerned	13.0	9.1	29.4	11.1
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

In the longer term however, those in permanent employment, and especially contract employment, were more concerned about job security with a quarter of contract employees 'very concerned' about their job security over the next five years (Table 10.3). However casual and self employed workers did not express any significantly higher levels of concern in the longer term. This may imply that looking ahead five years does not hold much meaning for those who are especially concerned about their job prospects over the next 12 months.

Table 10.3 Concern about job security into next five years by purchaser % by employment category

N=176	PERMANENT (N=139)	CONTRACT (N=9)	CASUAL (N=11)	SELF EMPLOYED (N=17)
Not at all concerned	35.7	0.0	27.3	5.9
Of minor importance	31.4	37.5	27.3	52.9
Quite concerned	17.9	37.5	27.3	29.4
Very concerned	15.0	25.0	18.2	11.8
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

10.7 Concern over job security, housing costs, household type and income

Levels of concern over future job security into the next 12 months were associated with the percentage of net income going into the mortgage ($X^2=19.0$, 6DF). For those first time buyers paying over 40 per cent of after tax income into the mortgage some 38.5 per cent were 'very concerned' about their job security into the next 12 months (Table 10.4). On the other hand, close to half of those paying less than 30 per cent were 'not at all' concerned. There may be a threshold in terms of mortgage payment above which levels of concern quickly seem to rise.

Table 10.4 Concern about job security over next 12 months by purchaser % by percentage of net monthly income committed to the mortgage

N=177	MORE THAN 40% (N=27)	30-40% (N=81)	LESS THAN 30% (N=69)
Not at all concerned	30.8	36.6	46.4
Of minor importance	23.1	34.1	26.1
Quite concerned	7.7	12.2	21.7
Very concerned	38.5	17.1	5.8
Total	100	100	100

Source Author First Home Buyer Survey 2000

Levels of concern over job security in the longer term were associated with household type. Couples with dependent children showed the highest level of concern both in the short and long term. Couples only showed more concern in the long term, with 17.3 per cent very concerned about job security over the next five years. Couples only are more likely to bring in two salaries and to be flexible in their terms of changing employment. Some 17.9 per cent of couples with dependent children (17 families) were 'very concerned' about their job security into the next 12 months and 23.3 per cent were 'very concerned' into the next five years (14 families). Such concern is likely to reflect that these families with children are older couples and, as discussed earlier, are those households who have been identified as facing larger debts over all (AMP.NATSEM National Centre for Social and Economic Modelling, 2004), with many paying substantial amounts of their income on the mortgage. Also for those with dependent children the added responsibility is likely to increase levels of concern while making it more difficult to move location, should it be necessary given any loss of employment.

Our main reason for buying was to give our children some security and stability at school. As property prices in Sydney skyrocketed so did rents and many owner/investors wanted to sell for capital gain. We pay the same mortgage payment as rent but we are not forced to move.

Couple with dependent children, Sydney

Of interest is the finding that no single parent family was 'very concerned' about their job security in the short or long term and 42.9 per cent were 'not at all' concerned in the short term. This is an interesting finding as only 16.7 per cent of single parents surveyed were on any form of regular government pension so the large majority of these households are facing the same risks and income insecurity as other households. However this also shows this group of single parents to be somewhat unique in their ability to buy a home as most single parents are frozen out of home ownership and only those who are well off achieve home ownership as tenure.

Though not statistically significant, concern about job security in the short term did appear to have some association with level of income. The majority of those households who

were earning over \$1,000 per week were either 'not at all' concerned or considered it 'of minor importance' (Table 10.5). On the other hand over 28 per cent of those in the lowest income bracket were 'very concerned'. This reflects that those on lowest incomes are likely to be in jobs which are less secure and also are facing the highest levels of household debt and housing stress (Australian Bureau of Statistics, 2004c).

Table 10.5 Concern about job security over next 12 months by purchaser % by gross weekly household income

N=200	\$0 TO \$499 (N=36)	\$500 TO \$999 (N=115)	\$1000 TO \$1499 (N=40)	OVER \$1500 (N=9)
Not at all concerned	20.0	44.0	37.5	66.7
Of minor importance	40.0	25.9	42.5	22.2
Quite concerned	11.4	19.0	10.0	0.0
Very concerned	28.6	11.2	10.0	11.1
Total	100	100	100	100

Source Author First Home Buyer Survey 2000

There was no statistical association between the bringing in of two incomes and level of concern over job security. In other words the bringing in of more than one income did not necessarily reduce the level of concern over job security. In fact, in the next 12 months a higher per cent of the 116 double income households (31.5) were either 'quite concerned' or 'very concerned' about job security compared to 26.8 per cent of those on one income. This was played out in terms of concern over job security into the next 5 years as well, with 22.1 per cent of two income families 'very concerned' compared to only 10.2 per cent of one income households. This may reflect the dependence on two incomes by the 37 per cent (43 households) where at least one member is in less secure contract or casual employment and yet both income earners are contributing to the mortgage. Thus, while there are two incomes, one is relatively insecure, and yet both are required to pay the mortgage. It is also likely to reflect the many two income households (almost half at 46.2 per cent) that are couples with children and, as such, older households that are likely to be most in debt (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). Couples with dependent children, who have just recently moved into home ownership within the last twelve months, are very likely to be feeling financially stretched and job security would have to be a real concern.

In the last chapter no association was found between financial well-being and city and it was suggested this might show that, despite differences in housing affordability and income, a sense of financial well-being is a relative measure. Again statistically there was no significant association between city and concern over job security. However more pessimistic views did appear to be held by households in Sydney with 16 per cent of households 'very concerned' in the next 12 months compared to 13.2 per cent in Adelaide and only 11.9 per cent in Perth. This is likely to reflect the increasing cost of housing, with housing affordability much less in Sydney in 1999, than for Adelaide or Perth. The HIA affordability index as of 1999 for Sydney was 100, compared to 170 for Adelaide or Perth, and below the national average of 130.

Even stronger fears were held by Sydney households with 22 per cent very concerned about their job security in the next five years compared to 11.9 per cent in Adelaide and only 10.3 per cent in Perth. At the same time, a higher percent of Sydney householders were 'not at all' concerned (35.2) over five years than for Adelaide (27.1) or Perth (30.8). As such, this polarisation of concern in Sydney could reflect the income polarisation identified by Yates (2002) in cities such as Sydney where economic growth has been particularly strong. Between 1996 and 2002 Sydney showed the greatest increase in income by 13.6 per cent in real terms (Lloyd et al, 2004). . However over the same period NATSEM (2004) reported on a profound shift of wealth towards older Australians.

Yates (2002) suggests that increasing numbers of low and moderate income households are being excluded from home ownership in high cost metropolitan areas where the income disparities between upper and lower income groups are growing. Thus, Yates suggests, home ownership is adding another dimension to the economic and social polarisation that has been emerging since the mid-1980s (Yates, 2002). In this study this income disparity may be revealed also in levels of insecurity over employment given the lower levels of housing affordability in Sydney when compared to Adelaide or Perth.

10.8 Chapter conclusion

In conclusion, most households showed at least minor concern about their job security particularly in the longer term. Most concern was expressed by older households, those in casual employment and those who are paying most as percentage of income into the mortgage. Many of these are families with dependent children. These are families who have just recently moved into home ownership, a significant step in their housing career, and have taken on a substantial debt yet are likely to be facing high levels of household debt already. As of 2002, the greatest household debt was being carried by those in the age ranges 25 to 34 and 34 to 44 years (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). As well Bray (2003) notes that financial stress is compounded by the number of children within a family. These families, who have come into home ownership relatively late, are the households most likely to be concerned about their future job security. In terms of the family life cycle hypothesis the move into home ownership is often associated with the birth of a first child (Clark, 1976; Kendig, 1984; Rossi, 1955; Thorns, 1980). These families with dependent children have moved into home ownership some what later with substantial responsibilities and debts already to hand. As such their need for job security is paramount. Again this serves to emphasize the close relationship between employment security and housing security.

Casual employees were more concerned about job security in the short term than in the longer term. For these employees, given their history of job mobility, thinking about job security five years into the future may hold little meaning.

The percentage of income regularly committed to the mortgage does impact significantly on concerns over job security. The families who feel most secure are those with the lowest ratio of repayment to income. Again many of these families are in permanent employment.

The households in Sydney showed the greatest polarization in concern over job security especially in the long term. Many Sydney households were 'not at all' concerned but

there were substantially more 'very concerned' about their job security than for Adelaide or Perth.

Thus, the highest levels of concern over job security are shown by households for whom buying a first home would seem to be most risky and yet would also seem to have the most to lose, should they fall into real financial difficulty, that is older couples with dependent children where the main income earner is in casual employment. On the other hand, the lone parents represented by this survey and who are a very specific group, are not much concerned about job security, though many are paying most into the mortgage relative to income. The next chapter introduces the decision to buy a first home and explores those factors which have been most critical in the decision to buy. These findings are then discussed within the context of job security.

Chapter 11 Factors important in the decision to buy a first home

11.1 Introduction

This chapter reports on the factors that were important to first home buyers in their decision to move out of the rental sector and purchase a home. This study is aiming to make a contribution to the discussion on the importance of various factors in the purchase decision with the hypothesis that these are likely to reflect the impact of employment category and level of concern over job security. As such the rankings of these factors, in terms of importance, are interpreted in the context of associations discussed in earlier chapters, such as those between employment category, financial well-being and levels of concern over job security. In this way, the influence of life course factors, such as employment or career change, on an important step in the housing career, the purchase of a first home, are explored.

The purchase of a first home is seen as a very important stage in the housing career of an individual or household. Mulder and Wagner (1998) suggest that the effect of such a step in terms of the impact on the accumulation of wealth, living situation and disposable income of households, cannot be overstated. The timing of the purchase, and the reasons which prompt the decision, have received considerable attention in the literature. (Clark, 1976; Kendig, 1984; Rossi, 1955; Thorns, 1980) used the concept of the family life cycle to explain the decision to purchase a first home. This suggested that the onset of the child bearing and child rearing stages in the family life cycle prompted the decision to leave rental accommodation and to purchase a new home. On the other hand, stages in the life course, such as a change in employment status, a new job, relocation in a job or an increase in income have been described as important 'triggers' by Clarke & Huang (2003), in that these events often prompt a change in a household's housing career (Kendig, 1990; Smith, 1989). Merlo and McDonald (2004) used a life course approach to propose that employment status had the strongest impact on the fulfilment of home ownership aspirations with two income couples three times more likely to buy a house than single incomes households. Clark and Withers (1999) and Clark et al (2003) have suggested that

income growth, job change, or loss of a job are important life course factors which explain a household's change in tenure. More recently housing market conditions and arrangements have been considered as important in explaining the decision to switch tenure. Mulder and Wagner (1998) have suggested house price at the time, house price change and shortages in the rental tenure, are all important factors, as well as purchase arrangements with regard to stamp duty or deposits. Dielemans and Everarers (1994) also consider a rise in interest rates, or in rents, to be important prompts in the decision to buy a home.

There has been discussion as to the respective weighting in the purchase decision of family factors, as against life course, or housing related factors. Van der Vlist, Gorter, Nijkamp and Rietveld (2002) suggest, in their study of the Dutch housing market, that life course factors related to employment are very unimportant in the decision to purchase, while housing related items, such as housing costs, are by far the most important. Merlo and McDonald (2002) in their Australian study, also identify that employment outcomes are not important in the decision to purchase a first home. Alternatively Clark et al (2003) and Clark and Withers (1999) propose that income growth and job career are important explanations of a switch in tenure. Dieleman and Everaers (1994) have suggested that marriage and the birth of children are very important triggers in the decision to move. However Clark and Huang (2003) found in their study of the London housing market, that the birth of a child was not associated with the decision to move house.

In this study first home buyers were asked to describe the importance of the following 16 items in the timing of their decision to buy;

- Affordable house prices
- Saved enough for a deposit
- Low interest rates
- Flexible lending arrangements
- Low inflation rate
- Expected house prices to rise
- Expected interest rates to rise

- Eligible for stamp duty exemption
- Expected rents to rise
- Pay rise
- Birth of a child
- Introduction of GST
- Relationship change/marriage
- Relocation in present job
- New job
- Getting hard to find rental accommodation

These items were to be described along a Likert Scale as 'not important', of 'some importance' or 'very important'. The items covered the three themes common in the literature which were discussed earlier, that is family status, life course stage and housing factors and also included an 'other' category.

The first theme covered family status items considered important by writers such as Baxter and McDonald (2004), Mulder and Wagner (1998), Thorns (1980) and Rossi (1955). These were the birth of a child and relationship change or marriage. The second theme included life course factors considered important by writers such as Kendig (1990), Clark et al (2003) and Clark and Withers (1999) such as a new job, relocation in an existing job, a pay rise, or the gathering of a deposit. The final theme covered factors relating to housing market conditions and purchase arrangements such as those proposed by Deurloo et al (1987), Flatau et al (2004), van der Vlist et al (2002), Henley (1998) and Dielemans et al (2000). These included affordable house prices, low interest rates, low inflation rate, expected house prices to rise, expected interest rates to rise, expected rents to rise, getting hard to find rental accommodation, introduction of GST, flexible lending arrangements and eligibility for stamp duty exemption.

The items were then ranked according to the average score across all respondents. The number of cases (N) upon which this average score was based is provided in the following tables.

11.2 The decision to buy a first home

For the large majority of first homebuyers in this study, the decision to move out of their previous tenure was influenced most by housing related items rather than family or employment factors. Based on an average score across all respondents the top five ranked items in order of importance were affordable house prices (1st), the gathering together of a deposit (2nd), the financial climate of low interest rates (3rd), flexible lending arrangements (4th), which included a mix of variable and fixed rates, and low inflation (5th) (Table 11.1). The life course factor of saving for a deposit, was rated second most important, while a pay rise was ranked lower (10th) but above domestic items such as the birth of a child (11th) or relationship change or marriage (13th) which were ranked as lower in importance. However other life course factors such as relocation in a job (14th) or a new job (15th) were not considered important factors in the timing of the decision to buy.

This emphasis on housing factors is consistent with van der Vlist et al's (2002) study of the Dutch housing market in which factors related to tenure and housing costs were by far the most important in explaining the decision to move house, while employment related factors were very unimportant. It is also supported by Flatau et al (2004) in their Australian study of home ownership aspirations. They suggest that housing market arrangements such as stamp duty and the gathering of a sufficient deposit, which can be interpreted as a life course factor in that it is showing economic progress, are important in understanding the timing of the purchase decision. In this survey, the saving of a deposit was ranked as the second most important factor in the decision to buy, while stamp duty exemption was ranked also in the top ten items (8th).

Deurloo et al (1994) also identify the gathering of a deposit as important while Henley (1998) emphasises house price change as an explanation of the decision to move house. In this study affordable house prices was ranked first while an expected rise in house prices was ranked 6th.

Dieleman and Everaers (1994) highlight interest rates and rent rises as important items in the purchase decision. In this survey interest rates were ranked 3rd while the expectation

of rising rents was ranked as 9th above other factors, such as the birth of a child, marriage or a new job.

Finally Deurloo et al (1994) suggest that an increase in income can also be an important incentive to purchase. In this study the only life course factor that was significant was the gathering together of a deposit, while other life cycle factors such as a new job, or relocation in an existing job, which were ranked as not important. Merlo and McDonald (2002) find also that employment factors do not explain the propensity to purchase a home but suggest that better testing of their data might reveal other results.

The emphasis in this study on housing, rather than domestic, factors in the switch to home ownership runs contrary to the early family life cycle model of Rossi (1955) and Thorns (1980) and the later findings of Baxter and McDonald (2004) and Mulder and Wagner (1998), who argue strongly that marriage and child birth are key factors in forecasting the propensity to purchase a first home. However Clark et al (2003) consider employment factors to be important in the decision to move, and Clark and Huang (2003) found, in their study of the London housing market, that the birth of a child did not trigger a housing move, nor were they able to detect such an influence in their major cross sectional study of the UK market as a whole.

The low ranking of marriage and child birth in this study is likely to reflect the many respondents who are single (29 per cent), childless (25.4 per cent), or under 25 years (18 per cent). Within the Australian population the delay in marriage (Australian Bureau of Statistics, 1997b), and child birth (Australian Bureau of Statistics, 2001b) and increasing levels of childlessness (Australian Bureau of Statistics, 2002b) have been identified.

According to ABS 2000 estimates (Australian Bureau of Statistics, 2002b) about one quarter of women in Australia, in their reproductive years, are likely never to have children. This trend of childlessness is true also for women in other developed countries such as the UK (20 per cent) and the US (22 per cent). Childlessness is seen as reflecting lifestyle choices related to career paths or education attainment but it may also be the result of economic constraints. Jackson (2002) has hypothesized that tertiary fees are acting as an impost on fertility, further delaying the family formation of tertiary educated

couples. However, Norton (2003) suggests that the increase in mass education has been just as influential in promoting childlessness and delaying family formation. Women are increasingly better educated, participating at greater levels in the workforce and combining career paths with child bearing (Norton, 2003). Childlessness also reflects the growing number of single households in Australia, along with higher levels of divorce and separation (Australian Bureau of Statistics, 2002b). In 2000, some 10 per cent of couples in the 20 to 29 year age bracket, and 14 per cent of couples in the 30 to 44 year old bracket, separated (Australian Bureau of Statistics, 2002b).

High levels of childlessness in the Australian population have important implications for an ageing population (Hugo, 2004; Jackson, 2002) in that there will be more older people with no children and therefore without the informal care often provided by family members. As of 1999, some 55 per cent of people aged 65 years and over who were receiving informal care received it from their children (Australian Bureau of Statistics, 2002b). Without this support more reliance will be placed on government and other institutional support (Australian Bureau of Statistics 2002b). This increase in childlessness is therefore, a compounding effect of any lowering of the home ownership rate, as traditionally pension levels and retirement village arrangements anticipate the majority of Australians entering retirement as outright homeowners (Winter & Stone, 1999).

Percival (1998) and Winter and Stone (1998) have provided evidence to show that the purchase of a first home is being delayed in terms of age. Between 1988 and 1997, the proportion of first home buyer income units whose reference person was aged less than 35 declined from 70 per cent to 62 per cent (Australian Bureau of Statistics, 2000g). As a result the median age of first home buyers increased from 30.2 years to 31.8 years (Australian Bureau of Statistics, 2000g),

Delay is also apparent in terms of family formation, with a shift towards women having children later in life. In 1993, 27.6 per cent of mothers having their first child were aged over 30 (Australian Bureau of Statistics, 2001d). By 1999, in just six years, this figure had increased to 34 per cent. This delay in family formation reflects young people staying in the family home longer, delaying marriage and entering their careers at an older age than

in previous decades (Australian Bureau of Statistics, 2002c). As a result young people are achieving financial independence later in life. This is reflected in the higher proportion of under 25 year olds still in tertiary education, living with parents and working in part-time employment than twenty years ago (Australian Bureau of Statistics, 2000a). In this study some 17 per cent of respondents had an outstanding HECS debt, with some 32 per cent of this group owing at least \$5000. Again any delay in household formation has implications for home ownership, especially when housing affordability is a particular issue (Yates, 1999; 2002), and a home can only realistically be purchased on two incomes (Badcock, 1995; Merlo & McDonald, 2002).

In this study, the rankings of factors which have influenced the purchase decision would suggest that any delay in the purchase of a first home is not necessarily for reasons of delay in marriage or the birth of a child as these were not considered important in the decision to buy. If there is a delay, it is more likely to be for financial reasons, such as the inability to save a deposit or lack of affordable house prices. These are the housing and life course items that were most important in the timing of decision to purchase a first home and thus any difficulty in achieving home ownership is more likely to reflect lack of housing affordability and difficulty in gathering a sufficient deposit. This is an important finding as it would tend to support the argument that it is housing affordability (Yates, 2002) rather than demography or delays in family formation (Mudd et al 2001) which may be accounting for the drop in home ownership levels in Australia within the under 35 aged bracket (Percival, 1998; Winter & Stone, 1998; Yates, 2002). It also strengthens the case for understanding the purchase decision within the context of housing market factors (Flatau et al, 2004; Mulder and Wagner, 1998; van der Vlist et al, 2002).

I am very happy that we own our own home. Everything went very smoothly. It was easier than expected. The house we bought has increased in value since we bought it.

Couple, Perth

We found buying a home to be an unpleasant experience as the agent was geared towards the vendor not the buyer when problems arose with the property purchase. What should have been an enjoyable experience became a nightmare!

Couple, Sydney

Table 11.1 Ranking of items important in the timing of decision to purchase a first home

ITEMS IMPORTANT IN THE TIMING OF DECISION TO PURCHASE A FIRST HOME	RANK	MEAN SCORE ^A	N
Affordable house prices	1	2.56	236
Saved enough for a deposit	2	2.53	233
Low interest rates	3	2.38	238
Flexible lending arrangements	4	2.17	225
Low inflation rate	5	1.86	223
Expected house prices to rise	6	1.74	222
Expected interest rates to rise	7	1.69	217
Eligible for stamp duty exemption	8	1.50	217
Expected rents to rise	9	1.45	212
Pay rise	10	1.37	210
Birth of a child	11	1.31	211
Introduction of GST	12	1.25	216
Relationship change/ marriage	13	1.25	200
Relocation in present job	14	1.11	206
New job	15	1.11	205
Getting hard to find rental accommodation	16	1.10	215

Source Author First Home Buyer Survey 2000; ^a Likert Scale 1 Not important to 3 Very Important

As well this emphasis on housing market factors these findings needs to be interpreted within the context of housing market trends which, for each city at the time of the study, and discussed in chapter five, included rising house prices, a decrease in housing affordability, especially in Sydney, an increase in repayment to income ratios for first time buyers and the threat of an increase in interest rates, which did take place in the second half of 1999. For buyers these changes in the housing market are likely to act as important incentives in the decision to purchase overtaking other factors which might more traditionally explain the decision such as marriage. There is a feeling of urgency about the decision reflected in the importance of items such as the expectation of rising house prices (6th) and interest rates (7th). For many purchasers it would seem important to get into the market as soon as financially feasible. As indicated by Mulder and Wagner (1998), policy instruments such as stamp duty exemptions and the proposed introduction of a GST, which would further increase house prices, also need to be taken into account.

Basically I bought once I had the deposit - it took me about 9 years to save enough!

Single person, Adelaide

GST is a big worry. New home builders will try and rip you off with deposits.

Single person, Perth

We wanted to move to the coast but job security was an issue. We choose an area we could afford, in the country, close to the freeway, near new part time work close to home, all very important with school aged children. Couple with dependent children, Sydney

The main factor in buying my house was the value for money it represented.

Single person, Adelaide

When the ranking of items is broken down by employment category the timing of purchase is consistently dominated by the affordability of house prices, the gathering of a deposit, low interest rates and flexible lending arrangements (Table 11.2). Once more relocation in an existing job, birth of a child, relationship change or marriage are not ranked as important. Again, this can be understood given that many of the purchasers represented by this survey are young, single and childless.

Table 11.2 Ranking of items important in the timing of decision to buy a first home by purchasers in permanent employment

PERMANENT	RANK	MEAN SCORE	N
Affordable house prices	1	2.63	156
Saved enough for a deposit	2	2.56	154
Low interest rates	3	2.43	159
Flexible lending	4	2.16	151
Low inflation rate	5	1.92	150

Source Author First Home Buyer Survey 2000

For casual employees affordable house prices, flexible lending, low interest rates and a deposit are also important. However, stamp duty exemption is ranked more highly by those in less secure employment (Table 11.3). These are the households for whom stamp duty exemption is likely to be most relevant, as it is available immediately, applies to less expensive homes, and would make the biggest difference in terms of affordability in cities such as Adelaide, where casual employment is highest and house prices are lowest.

Table 11.3 Ranking of items important in the timing of decision to buy a first home by purchasers in casual employment

CASUAL	RANK	MEAN SCORE	N
Affordable house prices	1	2.56	18
Flexible lending	2	2.41	17
Low interest rates	3	2.37	19
Saved enough for a deposit	4	2.29	17
Stamp duty exemption	5	2.13	16

Source Author First Home Buyer Survey 2000

When broken down by income group the same financial factors were ranked as most important with saved enough for a deposit, affordable house prices, low interest rates and flexible lending arrangements the top four items within each income category. For households earning more than \$1,500 per week (4.2 per cent of respondents) and for those earning less than \$500 per week (23.3 per cent of respondents), the saving of a deposit was the most important factor. Greatest differences were in pay rise, ranked significantly higher by those on higher incomes (6th by those on weekly incomes over \$1,500), and 'getting hard to find rental accommodation', which was ranked significantly higher by those on lowest incomes (10th by those on less than \$500 per week). As well, the proposed introduction of a GST was ranked as more important by those on lower incomes. As this was forecast to increase house prices (Berry & Dalton, 2004), it is likely to impact most on those earning least.

When the rankings are broken down by household composition, all households again considered affordable house prices, low interest rates and a deposit, to be important in the timing of their purchase. However couples with dependent children were unique in that they were the only group to place birth of a child within the top five rankings (Table 11.4).

Table 11.4 Ranking of items important in the timing of decision to buy a first home by purchasers who are couples with children

COUPLES WITH DEPENDENT CHILDREN	RANK	MEAN SCORE	N
Affordable house prices	1	2.66	86
Saved enough for a deposit	2	2.61	89
Low interest rates	3	2.51	92
Flexible lending arrangements	4	2.35	84
Birth of a child	5	1.84	79

Source Author First Home Buyer Survey 2000

However, for single parents financial items such as low interest rates and affordable prices were more important, while the expectation of increasing house prices and interest rates were also incentives to purchase (Table 11.5).

Table 11.5 Ranking of items important in the timing of decision to buy a first home by purchasers who are one parent families

ONE PARENT FAMILY	RANK	MEAN SCORE	N
Low interest rates	1	2.27	12
Affordable house prices	2	2.25	11
Saved enough for a deposit	3	2.20	10
Expected house prices to rise	5	1.60	10
Expected interest rates to rise	5	1.60	10

Source Author First Home Buyer Survey 2000

Of significance is that across the three metropolitan areas, the same five items were consistently included in the top five rankings that is, affordable prices, saved enough for deposit, low interest rates, flexible lending and low inflation. This implies that even in cities such as Sydney where the population is younger (index of ageing 58.73 in 2001 compared to Adelaide 77.54), and where there are significant more couples with children (54.7 per cent of households, compared to Adelaide 48.8 per cent), childbirth and marriage were not as significant as housing factors related to affordability and mortgage cost.

11.3 Explanation of difference in the decision to buy a first home

In an effort to discover any other associations in the data, differences in the importance of items in the purchase decision were measured based on the Kruskal Wallis test against a number of characteristics (Nousis 1993). These categorical variables included number of incomes, household composition, level of financial well-being, employment category, income group and capital city (Table 11.6). Where levels of significance are small (that is less than .05) difference in the importance attached to items can be at least partly explained by the categorical variable. Of the characteristics that were tested, capital city was the one item not significant against any items important in the purchase decision. This is consistent with the earlier discussion, that capital city made no difference to the rankings of the items important in the purchase decision. The factors that did account for difference were number of incomes, household type, financial well-being, income and employment category.

Table 11.6 Identifying the factors which account for difference in the ranking of items important in buying a first home

ITEM IMPORTANT IN TIMING OF DECISION TO BUY FIRST HOME	NUMBER OF INCOMES	HOUSEHOLD TYPE	LEVEL OF FINANCIAL WELL-BEING	INCOME CATEGORY	EMPLOYMENT CATEGORY
Flexible lending	0.0019	0.0050	0.0224	n.s. ^a	n.s.
Affordable prices	0.0027	n.s.	n.s.	n.s.	n.s.
Deposit saved	0.0082	0.02207	n.s.	n.s.	n.s.
Low inflation rate	0.0232	n.s.	n.s.	n.s.	n.s.
Low interest rates	0.0436	n.s.	n.s.	0.0250	n.s.
Stamp duty exemption	n.s.	n.s.	n.s.	n.s.	0.0089
Expected prices to rise	n.s.	n.s.	n.s.	n.s.	0.0112
Getting hard to find rental accommodation	n.s.	n.s.	0.0048	0.0064	n.s.
Birth of a child	n.s.	0.0000	n.s.	n.s.	n.s.
New job	n.s.	n.s.	n.s.	n.s.	0.034682

^a n.s. not significant

Source Author First Home Buyer Survey 2000

11.4 More than one income and the decision to buy a first home

Of all the categorical variables that were tested, the presence of more than one income was most significant in explaining the importance of a series of factors related to the timing of the decision to purchase. Cross tabulations of some of the most significant items are discussed below with chi test results provided where cell counts are adequate.

The bringing in of more than one income was significantly associated with the importance of a number of items including flexible lending, affordable prices and the saving of a deposit. This ties in with the discussion by Badcock (1995), Merlo and McDonald (2002) and National Shelter (2000) who suggest that economic factors, such as the bringing in of two incomes, are critical in achieving home ownership.

More than one income is significantly associated with the importance attached to flexible lending ($X^2=9.2$, 2DF) (Table 11.7). Some 47.6 per cent of those households on more than one income described it a very important factor in the timing of their purchase. This

compares to only 30 per cent of households on one income only. An explanation of this association could be that lending institutions with flexible loan arrangements are more likely to recognise both incomes in determining the size of loan that can be approved.

Table 11.7 The importance of flexible lending arrangements in the decision to purchase % by more than one income in the household

FLEXIBLE LENDING ARRANGEMENTS	MORE THAN ONE INCOME (N=103)	ONE INCOME (N=103)
Not important	8.7	20.4
Of some importance	43.7	49.5
Very important	47.6	30.1
N=206	100	100

Source Author First Home Buyer Survey 2000

The association between more than one income and the importance of affordable house prices was also significant ($X^2=9.2$, 2DF) (Table 11.8). Some 78 per cent of households on more than one income considered the affordability of house prices to be very important in their decision to buy, compared to 59.8 per cent of those on only one income. As discussed earlier, many of these households are families with dependent children and a number are in casual employment.

Table 11.8 The importance of affordable house prices in the decision to purchase % by more than one income in the household

AFFORDABLE HOUSE PRICES	MORE THAN ONE INCOME (N=110)	ONE INCOME (N=107)
Not important	4.5	12.1
Of some importance	17.3	28.0
Very important	78.2	59.8
N=217	100	100

Source Author First Home Buyer Survey 2000

As well, the number of incomes in a household was significantly associated with the importance of saving a deposit ($X^2=9.8$, 2DF) (Table 11.9). For almost 80 per cent of households on more than one income the saving of a deposit was a very important incentive to purchase. The saving of a deposit has been highlighted by Flatau et al (2004) as an important determinant of house purchase. This was much less important for those on one income, which might imply that households on two incomes, of whom a number are couples with dependent children and facing substantial household debt, have had to save hard to gather enough to buy a home. Merlo and McDonald (2002) and Badcock (1995) found that the odds of buying a house were greatly enhanced for two income households.

Table 11.9 The importance of a saved deposit in the decision to purchase % by more than one income in the household

SAVED ENOUGH FOR A DEPOSIT	MORE THAN ONE INCOME (N=111)	ONE INCOME (N=105)
Not important	10.1	13.6
Of some importance	11.0	26.2
Very important	78.9	60.2
Total	100	100

Source Author First Home Buyer Survey 2000

11.5 Other factors important in explaining difference in the decision to buy a first home

Household type was an important factor in explaining the importance of the birth of a child in the timing of the decision to buy. Although this was not ranked highly by respondents overall, many of whom were single or childless, some 42.7 per cent of couples with dependent children described the birth of a child as very important (Table 11.10). However this still means that over 50 per cent of couples with dependent children did not consider the birth of a child as an important factor in their decision to buy. As well all the one parent families who responded (10 households) considered the birth of a child as not important in their decision to buy a first home. In this study these single parent families are a very specific group in that they have been able to buy a first home on one income and with family responsibilities carried by only one parent. As such economic items, such as income or wealth, are likely to be the factors which distinguish this group most from other single parent families, who traditionally are on lower incomes and in the rental sector (Australian Bureau of Statistics, 2002d).

Table 11.10 The importance of the birth of a child in the decision to purchase % by household structure

BIRTH OF A CHILD	COUPLE ONLY (N=54)	COUPLE WITH DEPENDENT CHILDREN (N=75)	ONE PARENT FAMILY (N=10)	LONE PERSON (N=51)
Not important	90.7	49.3	100	94.2
Of some importance	8.3	8.0	0.0	3.8
Very important	1.0	42.7	0.0	1.9
N=181	100	100	100	100

Source Author First Home Buyer Survey 2000

Difficulty in finding rental accommodation as a factor in the decision to purchase, was associated with financial well-being ($X^2=13.5$, 4DF). Almost 15 per cent of households who were finding it difficult financially considered this a very important item in their

decision to buy compared to only 3.2 per cent of those getting by and 1.2 per cent of those managing well (Table 11.11).

Table 11.11 The importance of difficulty in finding rental accommodation in the decision to purchase % by level of financial well-being

GETTING HARD TO FIND RENTAL ACCOMMODATION	MANAGING PRETTY WELL (N=84)	GETTING BY (N=93)	FINDING IT DIFFICULT (N=27)
Not important	92.9	90.4	70.4
Of some importance	6.0	6.4	14.8
Very important	1.2	3.2	14.8
N=189	100	100	100

Source Author First Home Buyer Survey 2000

The difficulty in finding rental accommodation was also significantly associated with income ($X^2=198.8$, 4DF). Table 11.12 shows that some 15.2 per cent of those earning under \$500 gross per week described this item as very important in their decision to buy a home compared to less than one per cent of those earning over \$500 per week. This is consistent with the ranking above of items, broken down by financial well-being, where the problem in finding rental accommodation was ranked highest by those in greatest financial difficulty.

Table 11.12 The importance of difficulty in finding rental accommodation in the decision to purchase % by gross weekly household income

GETTING HARD TO FIND RENTAL ACCOMMODATION	\$0 TO \$500 (N=46)	\$500 TO \$1000 (N=105)	\$1000 TO \$1500 (N=37)
Not important	76.1	91.5	97.3
Of some importance	8.7	7.5	2.0
Very important	15.2	.9	.7
N= 189	100	100	100

Source Author First Home Buyer Survey 2000

This is an important finding as it suggests that those earning least and finding it difficult financially may have moved into owner occupation not so much by choice, as through necessity, and without the financial or employment security important for such a long term commitment. Dieleman and Everares (1994) have identified rising rents as an important item in the decision to purchase a first home and the implications of a shortfall in affordable rental accommodation was discussed earlier in chapter three (Wulff & Evans, 1998; Wulff et al., 2001). Clark and Huang (2003) also have discussed the importance of rental shortages in the timing of the purchase decision.

Yates and Wulff (2000) and National Shelter (2000) also highlight the implication of those who can well afford to buy but still continue to rent, which reduces both the supply, and the affordability, of rental accommodation for those on lowest incomes. Yates (2000) and Maclennan et al (1997) also suggest that labour market restructuring and the need for greater job flexibility may have further reduced supply by increasing the popularity of the rental market, in turn forcing up rentals.

This study has revealed a group of first home buyers that are that is, those are either earning least, or in less secure employment or contributing most to the mortgage, a number of which may have entered into home ownership through lack of a tenure alternative, rather than through choice. Again this shows the importance of economic factors in housing outcomes and how those, already disadvantaged in terms of labour market security and income, may be further disadvantaged in terms of tenure. As such the housing market, in forcing the hand of these home purchasers to move out of rental and into owner occupation, is acting to increase already existing inequalities in income and job security (Winter & Stone, 1999).

My experience of renting was very bad. I had to move four times in seven years because each time the landlord decided to sell or live in the house. Inspections were intrusive and degrading. There is prejudice against single parents which makes it difficult to find rental accommodation. Single parent, Adelaide

My parents are in their late 50s but do not own their home. When I am in my 50s I want to be a lot more secure financially than my parents. As well finding a rental property is a chore. You are treated like a second class citizen. With a dog it's a nightmare! Couple, Sydney

Employment category was particularly significant against stamp duty exemption (Table 11.13). It was described as very important by 64.3 per cent of casual workers compared to 16.5 per cent of permanent employees and 21.4 per cent of self employed households. No contract worker considered this an important item in their decision to move. This links in with the earlier discussion on the higher ranking of stamp duty exemption overall by those in less secure employment and associated lower incomes.

Table 11.13 The importance of stamp duty exemption in the decision to buy % by employment category of purchaser

STAMP DUTY EXEMPTION	PERMANENT (N=138)	CONTRACT (N=8)	CASUAL (N=14)	SELF EMPLOYED (N=14)
Not important	56.8	100	21.4	42.9
Of some importance	26.6	0.0	14.3	35.7
Very important	16.5	0.0	64.3	21.4
N=175	100	100	100	100

Source Author First Home Buyer Survey 2000

The expectation of rising house prices was also very important motivation for over 50 per cent of those in casual employment (Table 11.14). Again as discussed earlier, this reflects the need for immediacy in the decision to buy. Those in the least secure employment would appear anxious to seize the opportunity to purchase while they still can.

Table 11.14 The importance of an expected house price increase in the decision to buy % by employment category of purchaser

EXPECTED HOUSE PRICES TO RISE	PERMANENT (N=147)	CONTRACT (N=8)	CASUAL (N=13)	SELF EMPLOYED (N=15)
Not important	43.5	87.5	30.8	13.3
Of some importance	34.0	0.0	15.4	46.7
Very important	22.4	12.5	53.8	40
N=183	100	100	100	100

Source Author First Home Buyer Survey 2000

11.6 Chapter conclusion

In conclusion, there are important consistencies across employment groups and city locations, in the items that have prompted the decision to purchase a first home. Economic factors such as affordable house prices, saving a deposit and low interest rates are important factors for every household irrespective of employment category, income, concern over job security or financial well-being in the decision to buy. Domestic factors such as the birth of a child, relationship change or marriage or even a new job are not considered as important. This emphasis on housing market factors, rather than family, or even employment factors, supports the findings of van der Vlist et al (2002), Flatau et al (2004) and Mulder and Wagner (1988). It may also strengthen the case for those who suggest that it is housing affordability (Yates, 2002), rather than delay in marriage (Mudd et al, 2001), that is putting home ownership most at risk.

However, the importance of some items is peculiar to particular categories. These include the importance of stamp duty exemption as a pull factor (Gustavus & Brown, 1977) for casual workers and the difficulty of finding rental accommodation, as a push factor for households on lower incomes or in financial difficulty. Again this is an important finding which shows that the housing market can act to increase disadvantage for those with least choice (Yates, 2002; Winter & Stone, 1999). While domestic factors are not ranked as important overall, the birth of a child was an important push factor for couples with dependent children.

It is important also to note that the rankings which put affordable house prices, saving a deposit and low interest rates as important riggers in the purchase decision were indifferent to location. Across all three cities, despite different levels of housing affordability, first time buyers were consistent in suggesting that their decision was impacted most by these key economic factors, rather than domestic or even employment items. Again, this has important implications for home ownership as it shows that housing affordability may be a very broadly based influence on home purchase in the same way as more traditional factors, such as delay in marriage or family formation, are hypothesized to be. Housing affordability would appear to be a relative measure and, despite differences in the rate of house price increase across Adelaide, Perth and Sydney over the time of this study, as discussed in chapter five, all households considered affordable house prices, to be the number one incentive to buy, within the context of their local housing market.

Existing levels of concern about job security were discussed in the last chapter. In this chapter factors important in the timing of purchase were identified. In the next chapter households are asked specifically if and how their experience of job security has impacted on the decision to purchase a first home.

The government subsidy was the major influence on when and how we bought our home.

Couple, Perth

The assistance received was appreciated as single income, single buyers can be pushed to the wall easily by increasing rates and the need for full time employment. Not everyone is in a relationship but still wish for their own piece of Australia.

Single person, Sydney

Buying a home is difficult. My husband is a subcontractor/bricklayer who earns twice as much as me but banks are reluctant to look at him despite never having been unemployed for 10 years. Our goal is to pay off as much as possible (if not all) as soon as possible.

Couple, Perth

Chapter 12 Impact of job security on the decision to buy a first home

12.1 Introduction

In the last chapter first home buyers indicated that housing market factors such as housing affordability and prevailing low interest rates and life course factors, such as the gathering together of a deposit, were key triggers in the decision to buy a home. Family formation factors, such as the birth of a child or marriage and life course factors related to employment were not considered important in the purchase decision. In this chapter purchasers are asked if they believe their experience of job security has influenced their purchase decision and if so, in what way.

It has been suggested that job security might have a substantial impact on the propensity and ability to purchase a home. Mulder and Wagner (1998) consider job security to be important in explaining the purchase decision in that regular income is an important criteria for achieving home ownership, especially for families with dependent children. They suggest that in order to understand the decision it is important to recognise the link between income and job security, with life course changes, such as marriage and children.

MacLennan et al (1997) identify decreasing job security as a major factor impacting on levels of home ownership in the UK and suggest that increased flexibility and insecurity in the labour market offer the best explanation for home purchase becoming less popular in the 1990s, in the UK. Baum and Wulff (2003) suggest aspirations for home ownership in Australia may have dropped significantly for the 25 to 34 year old age group because of reasons associated with job security. Yates (1999; 2000) and Mudd et al (1999) consider that demand for job mobility is likely to impact on a household's commitment to long term financial repayments such as a mortgage. Badcock and Beer (2000) propose that labour market changes, such as demands that the labour force be more flexible and more mobile, are likely not just to reduce opportunities for home ownership, but also to impact negatively on the inclination to take on a long term commitment such as a mortgage. In their study of home ownership aspirations Merlo and McDonald (2002) found that

employment status, that is, full time, rather than part-time, work was significantly associated with entry into home ownership.

If I didn't have a permanent job I would not have been granted a loan because of my gender and age. Not many organisations are keen to lend money to a single, female parent over 40!

Single parent, Perth

12.2 *Job security and buying a first home*

Respondents were asked first if they believed their experiences of job security had influenced their purchase decision. For those who answered in the affirmative nine options were offered as a means of identifying how their purchase decision had been influenced as well as an open ended 'other' category. The list of options included the following items:

- How much we paid
- The price range in which we looked
- The size of loan we took out
- How soon we repay the loan
- The type of loan we took out
- Where we obtained our loan
- Where we looked for a home
- Where we bought our home

These items are derived from criteria that have been associated in the literature with the search for, and purchase of, a residential property such as price paid and price range (Anglin, 1997; Levy, 2004; Park, 1982), location (Brown & Moore, 1970; Elder & Zumpano, 1991); loan conditions (Epley, Liano, & Haney, 1996) and area and length of search (Anglin, 1997; Barrett, 1973; Baryla & Zumpano, 1995). Using a Likert Scale of 1 to 3 householders were asked whether job security had been of 'no influence', 'some influence' or 'really influenced' these decisions. There was also an 'other' category. Respondents selected only those items that applied to them. These items were then

ranked, based on the mean score, for each item across all respondents. For some of the items there was a further question in order to elicit how purchasers had been influenced for example, if price had been influenced, whether a household had paid more or less for their home. The discussion of these further questions is broken down by capital city.

12.3 *Job security and the decision to buy a first home*

Overall, the majority of first homebuyers (53.9 per cent; 131 households) believed that their experience of job security had influenced their purchase decision (Table 12.1). This was irrespective of employment category, income or capital city.

Table 12.1 Number of households who agreed that job security had influenced their decision to buy a first home

N=243	FREQUENCY	PER CENT
Yes	131	53.9
No	112	46.1
Total	243	100

Source Author First Home Buyer Survey 2000

However household type did make a difference. The majority of couples with children (60.7 per cent) and couples only (54.7 per cent), thought job security had influenced their purchase. Under half of lone persons (48.5 per cent) thought their purchase had been influenced by job security. On the other hand, the majority of single parents, almost two thirds (64 per cent) did not think that their purchase had been influenced by job security. This is consistent with the earlier findings on levels of concern over future job security where no single parent household was 'very concerned' about their job security, either in the short or long term, and 42.9 per cent were 'not at all' concerned in the short term. Again, as discussed in a previous chapter, this group of single parents is somewhat unique in terms of their ability to acquire a home which probably reflects a certain level of affluence not normally associated with single parent families.

I needed job satisfaction and security before buying a home. Banks are guilty of daylight robbery.

Couple with dependent children, Sydney

I have only been in a position in the last year to buy my own home. I have always wanted to but never been financially secure enough before.

Single person, Adelaide

When broken down by capital city there were no significant differences in the responses (Table 12.2). The majority of Adelaide households thought that job security had influenced their purchase decision (54 per cent: 45 households) as did 55 per cent of Sydney households (62 households). In Perth, just under half of respondents (49 per cent: 24 households) believed that job security had influenced their purchase. Thus job security is acting as a broadly based influence on home purchase in the same way as affordability, and overall is indifferent to local housing and labour market conditions. Job security and housing affordability may be considered as relative measures for the individual household and exert the same level of influence on the purchase decision, despite absolute differences in housing and job security across the three cities, as discussed in chapters four and five.

Table 12.2 Percentage of households who agreed that job security had influenced their decision to buy a first home % by capital city location

N= 243	ADELAIDE (N=82)	PERTH (N=49)	SYDNEY (N=112)
Yes	54.2	49.0	55.0
No	45.8	51.0	45.0
N=245	100	100	100

Source Author First Home Buyer Survey 2000

The two most important ways in which households had been influenced by job security in their purchase decision had been in how much they had paid for their home, ranked first, and the price range in which they had looked, ranked second (Table 12.3). Their experience of job security had also influenced the size of loan they took out (3rd).

Table 12.3 Ranking of items influenced by job security in the decision to buy a first home

ITEMS WHICH WERE INFLUENCED BY EXPERIENCE OF JOB SECURITY	RANK	MEAN SCORE ^a	N
How much we paid	1	2.48	110
The price range in which we looked	2	2.44	111
The size of loan we took out	3	2.22	109
How soon we repay the loan	4	2.15	107
The type of loan we took out	5	1.97	110
Where we obtained our loan	5	1.97	108
Where we looked for a home	7	1.95	109
Where we bought our home	8	1.94	109

^a Likert Scale 1 No influence on purchase decision to 3 Really influenced purchase decision

Source Author First Home Buyer Survey 2000

Again, this indicates a greater aversion to risk by households which has been identified by Yates (1999) on the part of lower income households, households with family

commitments and young couples at the higher end of the income distribution. Yates (1999, 2000) proposes that 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. Mudd et al (1999) has also identified a declining propensity to borrow for home ownership and the lure of alternative investments for those earning most. Ford (1998) identifies the increasingly flexible employment arrangements and mobility of the UK workforce and concludes that, while home ownership remains the preferred tenure, attitudes to home ownership in the UK have become less positive over the same period. Ford (1998) suggests that a household's response to labour market risk is likely to include a reluctance to take on housing risk in the form of increased debt. This attitude to labour market risk is confirmed by this survey in that first home buyers suggest their experience of job security has resulted in them looking in a lower price ranges and buying a cheaper home.

This aversion to risk may also be consistent with behaviour often attributed to those born in the period 1965 to 1978. This is the generation typically branded as 'Generation X' and who are often cast by marketers as being more cynical (Maquire, 1995), less interested in home purchase (Watson, 2002), more job mobile (Reed & Connisbee, 2006) and more interested in alternative investments as a means of lowering risk (Rice, 1995). As of 2000, when this survey was undertaken, 50 per cent of respondents were aged between 25 and 35 years, that is within the 'Generation X' age bracket (Rice & McDonald, 1995). Such a group therefore is likely to be conservative, both in the price range in which they look, and the price they pay, for a home. Findsen (2005) also has identified risk aversion among first home owners in New Zealand, within the 25 to 35 year age group.

Mok (2002) suggests also that risk is an important consideration in tenure choice as a purchaser buys an entire home, not just a part, involving a large capital outlay as a deposit and a mortgage to finance. Should prices in the housing market begin to fall, and the investment show signs of depreciation, the purchaser cannot sell part of the ownership in order to quickly adjust to any losses and may even end up in negative equity, such as that experienced by many home owners in the UK in the 1990s (Mok, 2002; Whitehead, 1996). Flavin and Yamshita (2002) have also suggested that young households, typified

by first home owners, have large holdings of real estate relative to their net worth and are therefore highly leveraged and so forced into a situation of higher risk than older households, or those who have owned property before. March (1988) also draws on an established body of literature (Arrow, 1971; Kuhl, 1978) which demonstrates that, given the choice of two alternatives involving losses, people are more likely to select the riskier alternative. However, if the choices involve gains, then people are much more risk averse and will select the less risky alternative. The findings in this study, showing that households, when faced with job insecurity, look in a cheaper price range than first anticipated, borrow less and buy a cheaper property, support this hypothesis. Where there is choice in the purchase of a first home, a gain, households will generally go for the less risky option.

12.4 Explanation of difference in job security and the decision to buy a first home

The Kruskal Wallis test was then applied to the responses of the 131 households who agreed that job security had influenced their purchase decision. The test was used to see if certain categorical values such as household type, financial well-being, income, employment category, percentage of income going into the mortgage, two incomes or capital city could help to explain the importance of items such as price paid or price range. Where the associations are significant difference in importance can be partly explained by the categorical variable.

The Kruskal Wallis test shows that the only characteristics which account for difference in importance are household type, financial well-being and capital city (Table 12.4). Cross tabulations of some of the items are discussed below with chi square tests provided where cell counts are adequate. On the other hand, the Kruskal Wallis test shows that characteristics such as income, two incomes, loan to house price ratio, age or employment category do not explain difference between groups in terms of how much the purchase decision was influenced. This means that the degree to which job security influenced the purchase decision was not influenced by income, two incomes, loan to house price ratio, age or employment category.

Table 12.4 Identifying the factors which account for difference in the ranking of items influenced by job security in the decision to buy a first home

ITEMS IN PURCHASE DECISION INFLUENCED BY JOB SECURITY	HOUSEHOLD TYPE	LEVEL OF FINANCIAL WELL-BEING	CAPITAL CITY
Price paid	0.012095	0.03781	n.s.
Size of loan	n.s.	n.s.	0.02957
When we repay	0.018358	n.s.	n.s.
Where we looked for a home	n.s.	0.011302	n.s.
Where we bought	n.s.	0.04391	n.s.

^a n.s. not significant

Source Author First Home Buyer Survey 2000

12.5 Price paid for a first home

According to the Kruskal Wallis test the extent to which price paid had been influenced was explained best by household type and by financial well-being. There was a significant association between household type and how much price paid was influenced ($X^2=16.5$, 6DF) (Table 12.5). The extent to which job security had influenced price paid was an issue especially for couples with dependent children. Some 70 per cent of couples with dependent children suggested that the amount they paid for their home had been strongly influenced by job security, compared to only 34.4 per cent of couples. This is consistent with the discussion in the previous chapter on the factors most important in the timing of the decision to buy, in which affordable house prices were ranked as most important by couples with dependent children. Some 60 per cent of these families are on two incomes and, for the large majority of two income households (78 per cent), affordable house prices was considered very important in the timing of their decision to purchase. Thus job security has reinforced the importance of affordability in the decision to buy, especially for those first time buyers who are couples with dependent children.

Table 12.5 The influence of job security on price paid for a first home % by household structure

INFLUENCE OF JOB SECURITY ON PRICE PAID FOR FIRST HOME	COUPLE ONLY (N=32)	COUPLE WITH DEPENDENT CHILDREN (N=40)	ONE PARENT FAMILY (N=4)	LONE PERSON (N=33)
No influence	3.1	0.0	25.0	9.1
Some influence	62.5	30.0	50.0	39.4
Really influenced	34.4	70.0	25.0	51.5
N=109	100	100	100	100

Source Author First Home Buyer Survey 2000

There was also a significant association between financial well-being and how much price paid had been influenced ($X^2=11.8$, 4DF) (Table 12.5). For those families in financial difficulty price paid had been very strongly influenced. Of those who were finding it difficult financially, 58 per cent suggested job security had a major influence on the price they paid for their first home. Over 66 per cent of those who were struggling financially, also believed job security to have had at least some influence on the price they paid.

In the previous chapter, 14.8 per cent of those in financial difficulty suggested that the difficult in finding rental accommodation was a very important factor in their decision to buy a home. This factor was ranked significantly higher by those whose financial well-being was low. As such, some of the most vulnerable households may be purchasing through necessity rather than choice. In turn, job security has influenced these households to buy a less expensive home but within 12 months of purchase they considered themselves to be in financial difficulty.

This finding shows once again the important relationship which exists between labour and housing markets. A number of households, who have purchased a home because of a lack of alternative accommodation, now find themselves in financial difficulty and fear for their job security. Thus the housing market has served to increase the impact of both income and job insecurity.

Table 12.6 The influence of job security on price paid for a first home % by level of financial well-being

INFLUENCE OF JOB SECURITY ON PRICE PAID FOR FIRST HOME	MANAGING PRETTY WELL (N=46)	GETTING BY (N=51)	FINDING IT DIFFICULT (N=12)
No influence	2.2	5.9	8.3
Some influence	60.9	27.5	33.3
Really influenced	37.0	66.7	58.3
N=109	100	100	100

Source Author First Home Buyer Survey 2000

Overall, almost 90 per cent of respondents who suggested that the price they paid had been influenced by job security had bought what they described as a less expensive home (94 households). This was especially true for Sydney households where every respondent to this item (49 households) had bought in a lower price range (Table 12.7) compared to 82 per cent of households in Adelaide (29 households) and 93 per cent of households in Perth

(16 households). This reflects the higher overall house prices and low level of affordability in Sydney at the time of this study. Although prices in Perth and Adelaide were to rise later in 2000, in 1999 when purchasers in this study bought their first home Sydney affordability index was 100 points lower than for Adelaide or Perth.

Table 12.7 How job security influenced the price paid % by capital city location

N=102	ADELAIDE (N=36)	PERTH (N=17)	SYDNEY (N=49)
Bought less expensive home	81.6	92.6	100.0
Bought more expensive home	18.4	7.4	0.0
Total	100	100	100

Source Author First Home Buyer Survey 2000

Again this finding has important implications for housing affordability in that, if substantial numbers of households are buying at the cheaper end of the market regardless of income (almost 30 per cent of Sydney households were earning over \$1000 per week), or employment category, this increases demand and may exert significant upward pressure on prices, especially at what should be the most affordable end of the market. This in turn crowds out those on lower incomes, who have even less opportunity to buy into the market.

Yates (1999) has described the declining propensity to take on significant loan commitments, including that of a home mortgage, by younger households including those at the higher end of the income distribution. Whitehead (1996) has identified also the importance of exit strategies in home purchase which for those who wish to retain job flexibility, may mean buying cheaper homes where the risks of exit and large capital losses are lower. Both these trends, which increase demand at the cheaper end of the market, are likely to reduce the opportunities for home purchase for those on lower incomes or in less secure employment.

The opportunity to move into homeownership for those on lower or less secure incomes may also be impacted by the trend in the UK and Australia which sees young professionals, on relatively high incomes, renting relatively cheaply (Galster, 1997; Wulff et al., 2001; Yates & Wulff, 2000). Again this poses a problem for those on lower incomes as increased demand will result in higher rents being asked for the best properties

in the best locations and upward pressure on rents overall (National Shelter, 2000; Wulff & Evans, 1998; Wulff et al., 2001; Yates & Wulff, 2000). Higher rents make the gathering together of a deposit, identified earlier as significant in the timing of the decision to purchase, very difficult for those on lower incomes. Again job insecurity is acting to widen the gulf in the opportunity for home ownership between those with greatest choice and those with least.

12.6 Size of the loan

According to the Kruskal Wallis test there was an association between size of loan and capital city. In other words, for the majority of Sydney households (56.7 per cent; 28 households) the size of loan they took out was really influenced (Table 12.8). On the other hand, only 32.7 per cent of Adelaide and 39.3 per cent of Perth households suggested the size of their home loan had been strongly influenced strongly by job security. Again while the overall influence of job security is consistent across all three cities there may be local market factors which serve to strengthen the impact. Essentially all three cities are influenced to some degree but Sydney sees a stronger impact reflecting the heightened dynamic of the city in terms of housing affordability as discussed in chapter five.

Table 12.8 The influence of job security on the size of loan % by capital city location

INFLUENCE OF JOB SECURITY ON SIZE OF HOME LOAN	ADELAIDE (N=49)	PERTH (N=28)	SYDNEY (N=30)
No influence	18.4	21.4	3.3
Some influence	49.0	39.3	40.0
Really influenced	32.7	39.3	56.7
N=107	100	100	100

Source Author First Home Buyer Survey 2000

Most respondents (85.6 per cent) had taken out a smaller loan than they first anticipated. Again this was especially true of Sydney households where over 96 per cent (43 households) had opted to take out a smaller loan than first planned (Table 12.9). This was also the case for 80 per cent of respondents in Adelaide (26 households) and 82.8 per cent in Perth (12 households). This again is likely to reflect the decision to purchase at the most affordable end of the market, which puts pressure on supply and prices and

disadvantages those with least choice, those in casual employment, on lowest incomes, or in greatest financial difficulty.

Table 12.9 How job security influenced the size of loan % by capital city location

N=93	ADELAIDE (N=33)	PERTH (N=15)	SYDNEY (N=45)
Took out a smaller loan	80.0	82.8	96.4
Took out a larger loan	20.0	17.2	3.6
Total	100	100	100

Source Author First Home Buyer Survey 2000

According to the Kruskal Wallis test no categorical variables were statistically associated with price range. However, this item were ranked second by respondents overall in terms of influence by job security, and so is discussed below.

12.7 Price range

Almost 95 per cent of households whose purchase had been impacted by job security suggested that the price range in which they looked had been affected (105 households). The large majority, some 77.1 per cent or respondents (81 households) had looked in a lower price range). Again, this was most typical of Sydney households (Table 12.10) where 82 per cent (40 households) had looked in a lower price range for their first home. However, some 74 per cent of households in Adelaide (26 households), and 73 per cent of households in Perth (15 households) had also looked in a lower price range for their first home. Again, this is consistent with the risk averse behaviour discussed at the beginning of the chapter. All households, in all cities, are showing themselves to be conservative in their purchase in terms of price, a trend which is especially strong in Sydney. Again, in a city where affordable housing is difficult to find, this behaviour is likely to exert more pressure on the lower end of the market and in turn the private rental sector.

Table 12.10 How job security influenced the price range considered % by capital city location

N=105	ADELAIDE (N=35)	PERTH (N=20)	SYDNEY (N=50)
Looked in lower price range	74.0	73.1	82.8
Looked in a higher price range	26.0	26.9	17.2
Total	100	100	100

Source Author First Home Buyer Survey 2000

12.8 *Repaying the loan*

Finally, according to the Kruskal Wallis test, level of concern over job security in the next five years explained the extent to which 'how soon we repay' had been influenced. Of those who were very concerned about their job security in the next five years, 50 per cent (39 households) had been 'really influenced' in how quickly they repay their loan. This was not significant against employment or income group. Again the implication is that regardless of income or employment category, those who are most concerned about job security are anxious to repay their loan as quickly as possible. As such they are showing typical risk adverse behaviour (March, 1987; Kuhl, 1978) in their desire to pay off the mortgage quickly and so realize their investment gain as soon as possible. The ABS notes (Australian Bureau of Statistics, 2003c) that many higher income households (those in the top 40 per cent of the income distribution) pay substantial portions of their income (more than 30 per cent) on housing as a means of reducing their mortgage, with the intention of realizing any capital gain on the dwelling as soon as possible. It is likely that at least some of the respondents in this study are adopting a similar strategy.

Table 12.11 The influence of job security on repaying the loan % by level of concern over job security in the next five years

Concern over job security in next 5 years	Not at all (N=18)	Of minor importance (N=28)	Quite concerned (N=19)	Very concerned (N=12)
No influence	11.1	25.0	10.5	8.3
Some influence	50.0	42.9	52.6	41.7
Really influenced	38.9	32.1	36.8	50.0
N=77	100	100	100	100

Source Author First Home Buyer Survey 2000

12.9 *Chapter conclusion*

In conclusion, just over half of first home buyers believed that job security had influenced their purchase decision. For most households, many of whom belong to the Generation X age category, it has meant a more conservative approach to purchasing a home and risk averse behaviour (Rice & McDonald, 1995; Watson, 2002). For many households this meant there had been an impact in terms of the price they paid, the price range in which they looked and the size of their loan. Many of these 131 households were families with dependent children and a number were finding it difficult financially. Existing

employment category did not significantly distinguish those who believed job security had influenced their purchase. Those in less secure casual employment were influenced to the same degree as those in more secure permanent employment. This is likely to reflect the earlier discussion in chapter four, where the perception of job security is strong across the Australian workforce despite official figures to the contrary (Campbell, 1997; De Ruyter a& Burgess, 2000; Norris & McClean, 2000).

For most of these 131 households their experience of job security, irrespective of income, age or employment category, had resulted in a deliberate strategy of risk aversion whereby they had looked in a narrower price range and, for most, had bought a cheaper property. Couples with children were most influenced in the price they paid as were those who were now finding it difficult financially.

This has significant implications for the lower priced end of the housing market where demand is strongest, particularly if the private rental market is under pressure. It shows, again, the important linkages between labour and housing markets. Job insecurity is having a significant impact on housing outcomes by increasing the competition for homes at the lower priced end of the market. This is an important conclusion and means that labour market trends, which are serving to reinforce job insecurity and labour market mobility, may put further pressure on the most vulnerable first home buyers and those who wish to enter the tenure for the first time, but are on the margin financially.

The following chapter, which is the final chapter of the study, draws together the main findings of the study and attempts to answer the research questions. It also discusses the implications of the study for further research and for data collection in the future.

Chapter 13 Conclusion to the study

In this concluding chapter the aim and the objectives of the research are examined in light of the survey results, discussed in chapter eight to twelve, and in the context of the literature linking labour and housing markets, reviewed in chapter three, the labour and housing market trends discussed in chapter four and five, and with reference to the conceptual framework explained in chapter one.

This study sought to make a contribution to the understanding of the relationship between labour and housing markets, by identifying relationships between employment category and job security and the decision to purchase a first home across three state capital cities in Australia. These case studies were selected on the basis of difference as it was hypothesized that any relationship between employment category, job security and the decision to purchase a home is likely to be impacted by local housing and employment factors. The first objective of the study was to identify the associations between employment category, income, housing costs, financial well-being and job security. These are outlined below in the summary of findings.

13.1 Summary of findings

In chapter seven of the study it was shown that almost one quarter of first home buyers surveyed did not have a member of their household in permanent employment and, in line with ABS estimates (Australian Bureau of Statistics, 2000b), over one third of respondents had held their present job for less than two years. For those households in casual or contract employment their job mobility was significantly higher, with 60 per cent of those in casual employment and 55 per cent of those in contract employment in their present job for less than two years.

As such, the households in this study reflect the loss of job security and the increasing contractual nature of employment in Australia experienced by the workforce in the last twenty years. As discussed in chapter four, with rising levels of casual and part-time employment, job mobility has increased and there are greater demands for job flexibility

in the Australian workforce. As a result, there is an increasing propensity for workers in Australia to lose jobs, and where possible, to adapt and seek reemployment. Writers such as De Ruyter and Burgess (2000) have suggested that the increasing levels of job mobility have created an ongoing sense of job insecurity within households which can in turn impact on long term commitments, including taking on a housing loan.

In chapter eight of the study, it was shown that there are strong associations between employment category, income and housing costs. Those in non permanent employment are on lower levels of income (only 5 per cent of casual employees earned more than \$1000 per week compared to 25 per cent of permanent employees), fewer are in management or highly skilled positions (only 4 per cent of casual employees compared to 13 per cent of permanent employees) and are much less likely to purchase an expensive home (only 5.6 per cent of casual employees purchased a home in the upper price bracket compared to 32.5 per cent of permanent employees). As discussed in chapter three, Coulson and Fisher (2002) have suggested that the decision to become a home owner is based on the expectation of job security. Mulder and Wagner (1998) suggest job security is important in explaining the move into home ownership. For the home owners in this study the amount they have paid for a first home is strongly related to the employment category in which they work, which supports the link between job security and home purchase identified by Coulson and Fisher (2002) and Mulder and Wagber (1998).

This study also shows that households with a permanent employee had a higher per cent of two income households (57 per cent) compared to households with casual employees (50 per cent). In chapter five of the study, the discussion made reference to the findings of Badcock (1995) who suggested that two incomes was a critical marker in the ability of a household to enter homeownership. As well, those earning least, of which many were in non permanent employment, also were paying relatively more of their incomes into the mortgage. Thirty per cent of those households earning less than \$500 per week were paying more than 40 per cent of their net monthly income into the mortgage, compared to 7.3 per cent of those households earning more than \$1000 per week. These households reflect the widening disparity in income in Australia reviewed in chapter five of the study (Borland and Kennedy, 1998; Henderson, 1999; Harding & Richardson, 1998) and are

also the households most likely to face financial stress given any increase in housing costs. As Yates (1997) has highlighted and reviewed in chapter three, the decision to purchase a home is significantly impacted by the variability and uncertainty surrounding income. These households in the least secure employment would appear to be most at risk of housing stress as discussed in chapter four. Housing stress is an outcome of high costs of housing relative to income and means that a household's income is not sufficient to cover the full range of other goods and services required by the household (ABS 2004c). For those paying mortgages on low incomes, housing stress can threaten their ownership especially for those in less secure employment or paying high mortgages relative to the value of their home (Berry & Dalton, 2000).

In chapter nine of the study high housing costs were shown to impact also on the financial well-being of a household. The financial well-being of a first home buyer was best explained by income, age, housing costs and household type. Financial well being has been defined as a sense of one's financial situation (Goldsmith, 1996) and can account for a household's satisfaction with income, job security and economic progress (Fox & Chancey, 1998). In this study, those households on highest incomes, who are younger or whose mortgage repayments are lowest, relative to income, believe themselves to be managing best financially. Again, employment category has an impact in that, the majority of employees who are in permanent or contract employment feel that, in terms of financial well-being, they are managing well which is consistent with their higher level of household income. On the other hand a large majority of those in casual employment, 70 per cent, feel they are just getting by financially, with another 15 per cent finding it difficult financially. This is the employment category where incomes are lowest. Income and financial well-being are critical elements in achieving and sustaining home ownership (Coulson & Fisher, 2002) and in this study, those in the least secure employment appear to be most at risk of housing stress (Australian Bureau of Statistics, 2004c).

In chapter eight housing costs in terms of house price, are shown to be associated with income and with employment category in that those on higher incomes and in permanent employment are buying more expensive homes. Again employment category is impacting on housing outcomes in that, while income has an impact on price, employment category

is almost as important. Casual and contract workers, even on high salaries, are buying cheaper homes. As such, job security would appear to be a critical factor in determining the price households are paying for a first home and more important in demarcating housing submarkets. Again this finding supports the thesis of Coulson and Fisher (2002) and Mulder and Wagenr (1998) who suggest home ownership is firmly grounded in the expectation of job security and regular income.

However, not all households on higher incomes or in permanent employment were found to be buying the most expensive homes, and this is consistent across all three capital cities. Almost a quarter of those earning in the highest category had bought a home in the lowest price category. A significant proportion of permanent employees (32.5 per cent of permanent employees had bought for less than \$100,000) and those on higher incomes had bought homes at the cheapest end of the market (22 per cent of those earning over \$1,500 per week had bought for less than \$100,000). This confirms the Meen and Andrew (1998) thesis, discussed in chapter three, which suggests that income elasticities in the consumption of housing in the UK are falling, in that higher incomes are not necessarily being translated into the purchase of more expensive homes.

The implication of these trends for housing affordability was discussed in chapter eight, that is for those on high incomes but in non permanent employment and those in permanent employment on mid to high incomes to buy at the lower priced end of the market. As highlighted by Wulff and Evans (1998) and Wulff et al (2001), and discussed in chapter eight, if substantial numbers of households are buying at the cheaper end of the market, regardless of income (almost 30 per cent of Sydney households were earning over \$1,000 per week), or employment category, this may exert significant pressure on prices, especially at what should be the most affordable end of the market which in turn put pressure on the private rental market and the public housing sector.

As might be expected job security is significantly associated with employment category. In chapter ten it was shown that those in the least secure casual employment were most concerned about their future job security. Concern about job security is also strongly aligned with age, housing costs and household type. Those most concerned about job security were older couples with dependent children who were paying high monthly

repayment relative to income. These are families who have just recently moved into home ownership, a significant step in their housing career, have taken on a substantial debt, and yet are likely to be facing high levels of household debt already, as shown in the discussion on housing debt in chapter five. As of 2002, the greatest household debt was being carried by those in the age ranges 25 to 34 and 34 to 44 years (AMP.NATSEM National Centre for Social and Economic Modelling, 2004). As well, Bray (2003) notes that financial stress is compounded by the number of children within a family. In terms of housing career, which forms part of the conceptual platform of this research and was explained in chapter one, the move into home ownership is often associated with the birth of a first child (Clark, 1976; Kendig, 1984; Rossi, 1955; Thorns, 1980). These families with dependent children have moved into home ownership some what later than that suggested by the Rossi (1955) hypothesis, with substantial responsibilities and debts already to hand. As such their need for job security is paramount and again the close relationship between employment security and housing security is highlighted.

13.2 *Factors influencing the purchase decision*

The next objective of the study was to establish the extent to which any of the relationships identified above influenced the purchase decision. In chapter eleven it was shown that the top ranked factors in the purchase decision were affordable house prices, the gathering together of a deposit, low interest rates and flexible lending arrangements. This was irrespective of employment category, income level, capital city, concern over job security or financial well-being. The large majority of households, regardless of job security or city location, felt these items were the top four factors in their decision to purchase a home. However, for some lower ranked factors, there were differences. Couples with children ranked the birth of a child as more important (5th) than those without children, which ties in with the family life cycle hypothesis (Rossi, 1955; Clark, 1976). Those in casual employment ranked stamp duty exemption and expectation of rising house prices more highly than those in permanent employment while those on lower incomes, and in greatest financial difficulty, suggested problems in finding rental accommodation was as an important factor in their decision to buy a home.

This was considered an important finding as it suggests that those earning least and finding it difficult financially may be moving into owner occupation not so much by choice, as through necessity, and without the financial or employment security important for such a long term commitment. Dieleman and Everares (1994) have identified rising rents as an important item in the decision to purchase a first home and the implications of a shortfall in affordable rental accommodation was discussed earlier in chapter three (Wulff & Evans, 1998; Wulff et al., 2001). Yates and Wulff (2000) have identified a propensity for those on higher incomes to rent relatively cheaply which is likely to increase demand and force rents up, which may in turn encourage some, who cannot really afford the financial commitment, to move into home ownership.

As suggested earlier there are important consistencies across employment groups and city locations, in the items that have prompted the decision to purchase a first home. Housing factors such as affordable house prices and low interest rates and the ability to save a deposit, an important life course factor (Leslie & Richardson, 1961; Clark et al, 1976), are important factors for every household irrespective of employment category, income, or financial well-being in the decision to buy. Domestic or 'family life cycle' (Rossi, 1955) factors such as the birth of a child, relationship change or marriage were not considered as important. This emphasis on housing market factors, rather than family, or even employment factors, supports the findings of van der Vlist et al (2002), Flatau et al (2004) and Mulder and Wagner (1988). It may also strengthen the case, as discussed in chapter three, for those who suggest that it is housing affordability (Yates, 2002), rather than delay in marriage (Mudd et al, 2001), that is putting home ownership most at risk.

It is important, also, to note that the rankings identified in chapter eleven which put affordable house prices, saving a deposit and low interest rates as important triggers in the purchase decision, were indifferent to location. Across all three cities, despite different levels of housing affordability, first time buyers were consistent in suggesting that their decision was impacted most by these key economic factors, rather than domestic or even employment items. Again, this has important implications for home ownership as it shows that housing affordability may be a very broadly based influence on home purchase and a relative measure and that, despite differences in the rate of house price increase

across Adelaide, Perth and Sydney over the time of this study, all households considered affordable house prices to be the number one incentive to buy, within the context of their local housing market.

13.3 *Influence of job security on the purchase decision*

The next objective of the study was to identify if, and how, job security had influenced the purchase decision. In chapter eleven of the study it was shown that just over half of first home buyers believed that job security had influenced their purchase decision. For most households, many of whom at the time of this study, belong to what has been described as the Generation X age category, that is between 25 and 35 years, it had meant a more conservative approach to purchasing a home (Rice & McDonald, 1995; Watson, 2002) whereby they looked in a lower price range, bought a cheaper home or borrowed less. As discussed in chapter eleven, many of households who were most concerned over job security were families with dependent children who finding it difficult financially.

Existing employment category did not significantly distinguish those who believed job security had influenced their purchase. Those in less secure casual employment were influenced to the same degree as those in more secure permanent employment. This may reflect the earlier discussion in chapter four, where the perception of job security can be strong despite official figures to the contrary (Campbell, 1997; De Ruyter a& Burgess, 2000; Norris & McClean, 2000).

However, the overall impact of job security, in terms of buyers purchasing cheaper homes, looking in a lower price range and borrowing less was considered to be an important finding. In chapter eleven it was suggested that this finding has significant implications for the lower priced end of the housing market where demand is strongest, particularly if the private rental market is under pressure. Those who can only afford to buy cheaply may be crowded out by those who could afford to pay more but are being risk averse as a result of concern over job security. It shows, again, the important linkages between labour and housing markets, in that job insecurity is having a marked impact on housing outcomes. It is an important conclusion as it shows that labour market trends, which are serving to reinforce job insecurity and labour market mobility, may put further pressure on

the most vulnerable first home buyers and those who wish to enter the tenure for the first time but are on the margin financially.

13.4 Differences between the case studies

The next objective of the study was to determine if the impact of job security on the purchase decision was different for purchasers in Adelaide, Perth or Sydney. In chapter two it was argued that different case study locations should be represented in the study. Baum and Wulff (2003) have stressed that housing research should represent geographic difference especially where house price difference and house price change is evident. Pitkin (1990) also argues for geographic cohorts in terms of surveys of purchasers. Clarke et al (2003) hypothesize that there will be large differences in the housing career patterns of households in different housing markets.

The three case studies selected for this study show considerable difference in terms of house price and house price change. In 1999, the year when participants in this survey purchased their first home, the HIA housing index of affordability (Housing Industry Association: Commonwealth Bank, 2001) was 170 for Adelaide, 170 for Perth and 100 for Sydney, reflecting the significant house price rise that had occurred in Sydney in the two years previously and discussed in chapter five.

By 2004, Adelaide's house price index had fallen 60 points (Housing Industry Association: Commonwealth Bank, 2005), the largest drop in affordability of the three cities, and showed a significant increase in house price which began early in 2001, as discussed in chapter five. As of 2001, the per cent of dwellings being purchased in Adelaide (29.6 per cent) exceeded that of Sydney (22.8) but was significantly less than that for Perth (33.4 per cent). Perth also showed a significant drop in housing affordability between 2001 and 2004, as its house price index fell 50 points to 120 (Housing Industry Association: Commonwealth Bank, 2005). This reflects the strong demand for housing by purchasers and the substantial rise in prices in Perth which began in the last quarter of 2000. Again, this was discussed in chapter five. On the other hand, Sydney house prices, although coming off a much higher base, showed less of an increase over this period, with the HIA index dropping by 40 points (Housing Industry Association: Commonwealth

Bank, 2005). However, by 2004 Sydney house prices in absolute terms were at an historic high nationally, with an HIA index of only 60 points (Housing Industry Association: Commonwealth Bank, 2005).

For first home buyers in this study these differences in house price levels and changes in affordability have accounted for difference in terms of mortgage repayment and loan sizes principally between buyers in Sydney and purchasers elsewhere. Over the course of this study there was much less difference in incomes or house price levels between Adelaide's median house price (\$100,000) and that of Perth's (\$92,000) but both are significantly lower than for Sydney (\$156,000). The higher house prices being paid in Sydney reflect the dynamic of a moderately growing, but large city, where levels of casual employment (24.8 per cent) are below the national average (26.4 per cent), the skill base is high, the per cent of employees in the service sector (74.6 per cent) is higher than the national average (73.6 per cent), and the number of families and young children in the population are growing. These items were examined in chapter two of this study. Sydney also receives substantial number of overseas migrants on an annual basis, which also increase demand in the housing sector and results in price rise (Cornish, 2005).

In terms of purchasers in this study, the higher house prices paid in Sydney are reflected both in the higher mortgages as well as in the higher number of purchasers paying substantially more of their income into the mortgage (21.3 per cent of Sydney households were paying more than 40 per cent of net monthly income). In turn many of these higher mortgages require two incomes and, in this study, the per cent of mortgages being paid by two contributors was significantly higher for Sydney (48 per cent) than for Adelaide (11 per cent) or Perth (11.6 per cent).

The ABS (Australian Bureau of Statistics, 2000c) has shown that Sydney, against the national trend, has a growing younger population (22.6 per cent of population under 15 years compared to national figure of 20.6 per cent). This translates into a higher number of couples with dependent children. This is reflected by the Sydney first home purchasers in this study, in which a higher number of purchasers were couples with children (51.8 per cent) or older purchasers aged 35 to 44 years (25.9 per cent) than for Adelaide (18.1 per cent and 17.9 per cent respectively) or Perth (40.7 per cent and 20.4 per cent).

Yates (2002) suggests that the ability to purchase in high cost cities such as Sydney confers the greatest economic advantage in terms of capital gain and savings on rent, but suggests this advantage is becoming increasingly remote for middle and low income families in cities where housing affordability is a critical factor. This difficulty in attaining home ownership is reflected in Sydney's high percent of dwellings in the rental sector (28.9 per cent) which significantly exceeds that of Perth (23.6 per cent) and that of Adelaide (25.5 per cent) as well as the national average of 26.2 per cent.

As discussed in chapter two, overall job security in Sydney is higher than for Adelaide or Perth in that the levels of part-time employment (24.1 per cent compared to 28.4 and 27.8 respectively) and casual employment (24.8 per cent compared to 30.8 and 25.1 respectively) are significantly lower. Despite this Sydney purchasers were more concerned about their job security into the next five years than households in Adelaide or Perth. Some 22 per cent of households in Sydney suggested they were very concerned about their job security into the next five years as compared to those in Adelaide (11.9 per cent) or Perth (10.3 per cent). Many of these were families with children who are likely to be concerned over job security when they have dependents and have recently taken on a substantial mortgage, compounding an already high household debt level, or purchasers in an older age bracket, who have come into home ownership late and with less time in which to pay their loan. As discussed in chapter seven, a higher number of Sydney purchasers were in the 35 to 45 age group than for Adelaide or Perth. Kelly, Evans and Dawkins (1998) have discussed what the rapid decline in job security during the 1990s has meant to individual Australians and that people's perception of job security can be closely aligned to changes in the level of unemployment. At the time of this study, in the late 1990s, unemployment levels in Australia were falling but they had come off an historically high levels in the early 90's which again could be reflected in the high levels of anxiety expressed by Sydney households in the face of escalating house prices.

Households in Sydney reflected the same conservative approach to purchase as was the case for the whole sample. Those on high salaries, but in less secure employment, were purchasing cheaper homes. This reflects the overall risk averse behaviour identified in this study. In terms of the factors that were important in the decision to buy, it is

important to note that the rankings which put affordable house prices, saving a deposit and low interest rates as important triggers in the purchase decision were indifferent to location. Across all three cities, despite different levels of housing affordability, first time buyers were consistent in suggesting that their decision was impacted most by these key economic factors, rather than domestic or even employment items. Again, this has important implications for home ownership as it shows that housing affordability may be a very broadly based influence on home purchase in the same way as more traditional factors such as rates of family formation or marriage.

As well, where job security had influenced purchase behaviour, Sydney households were distinctive in terms of the response to the price they paid for a first home, (100 per cent had bought a less expensive home) and response to the size of loan they took out (96 per cent had taken out a smaller loan). Again these percentages are higher than for Adelaide or Perth. This has significant implications for the lower priced end of the housing market where demand is strongest, particularly if the private rental market is under pressure. As such, for Sydney, with its large rental sector, any propensity to buy at the low end of the market may increase demand and put this housing sector under further pressure. It demonstrates also the important linkages between labour and housing markets, in that job insecurity is having a marked impact on housing outcomes. A declining propensity to enter into home ownership, by young couples, on higher incomes has been identified by Yates (1999) while Wulff et al (2001) and Yates and Wulff (2000) have also shown that the many young, high income earners are renting as cheaply as possible. Sydney is likely to be more representative of these purchaser groups, than Adelaide or Perth, that is those in their early career but on higher income. The very large number of Sydney purchasers in this study, who were families with dependent children or older than 35 years, would testify to this. These young, high income earners are the same demographic group that are likely to be those identified by Mudd (1999) as looking for alternative investment opportunities, not purchasing a home and hence remaining in the rental sector longer. The need for job flexibility could also discourage the purchase decision (Flatau et al, 2004; Oswald, 1999), especially by those in their early career who are working in highly paid employment.

In this study difficulty in finding rental accommodation was singled out by those on lowest incomes as an important factor in the decision to switch tenure. In chapter eleven it was shown that 15.2 per cent of households earning under \$500 gross per week suggested that difficulty in finding rental accommodation was very important in their decision to buy a home, compared to less than one per cent of those earning over \$500 per week. This finding is consistent with the propensity for high income earners to remain in the rental sector, longer potentially crowding out those on lower incomes, a trend which is likely to have considerable impact in Sydney given its large private rental sector, higher incomes and greater income polarization (Yates, 2002) relative Adelaide or Perth.

In contrast to Sydney, the majority of purchasers in Adelaide were single persons (47 per cent) followed by purchasers under the age of 25 years (26.2 per cent). Both groups of purchasers were significantly larger for Adelaide than for Perth (29.6 per cent and 16.7 per cent respectively) or Sydney (14.3 per cent and 12.5 per cent). The Adelaide sample also showed the highest percentage of casual employees (10 per cent) compared to 9.5 per cent in Perth and 8.9 per cent in Sydney and the highest number of government pensions (9.6 per cent) compared to only 1.9 per cent in Perth and .9 per cent in Sydney. These findings are consistent with ABS figures, which suggest that, as of 2001, Adelaide has the highest per cent of casual workers nationally (30.8 per cent) compared to 25.1 per cent in Perth and 24.8 per cent in Sydney. In this study Adelaide was distinctive in the high proportion of mortgages being paid on only one income. This is consistent with the higher per cent of single households in the Adelaide population and the greater affordability of house prices. In terms of concern over job security the highest level of concern held by Adelaide respondents, was held by casual workers, particularly in the short term, a number of which had bought on only one mortgage.

As discussed earlier the per cent of lone households and single parent families in Adelaide is above the national average which means that more purchasers are buying their first home on one wage, relative to Sydney or Perth. Adelaide is also distinguished in the official figures by its high level of mortgage debt per household (66 per cent of total household debt) after Sydney (67 per cent), despite significantly better levels of housing affordability (AMP.NATSEM 2004). As well, Adelaide, in terms of official figures

(AMP.NATSEM 2004), is distinguished by its high level of HECS debt per household which is above the national average. Both these factors mean that housing stress is more likely to be an issue where incomes are low, more work is casual and the mortgage is based on only one income (ABS 2004c). Debt has implications for home ownership levels in Adelaide, in that, it may mean delay in family formation becomes more entrenched (Jackson, 2002), house purchase is further delayed (Merlo & McDonald, 2002), and again demand in the rental sector is increased.

First home buyers in Adelaide or Perth did not describe themselves as better or worse off financially, despite lower levels of income overall (Australian Bureau of Statistics, 2000a), than those in Sydney. The higher number of casual and single purchasers has meant that lower prices were paid for properties. However, if interest rates rise this will have major implications for the many single, or one income households, in Adelaide who are paying a mortgage. This will also be impacted by the high level of debt that already exists in the city. In the purchase of low priced properties by those both on higher incomes, but in less secure employment, and by those in permanent employment on average salaries, Adelaide shows the same propensity to buy cheaply, as shown by Sydney. Adelaide shows clearly how employment category can demarcate a housing market, in that those on higher salaries but in casual employment bought in the lowest price bracket. Some 27 per cent of those in non permanent employees in Adelaide were earning over \$1500 per week compared to only 4.5 per cent of permanent employees. Yet no household in non permanent employment had bought a house in the upper price bracket. Again, this has implications for demand in the low priced end of the market but is entirely rational for purchasers facing insecurity in their employment. Again, as has been discussed earlier, this shows how risk in the labour market is being translated into the housing market in terms of risk averse purchase behaviour.

Perth is typified as a 'Generation X' city in terms of the high number of purchasers in the 25 to 35 aged category (53.7 per cent) compared to 45.2 per cent in Adelaide and 51 per cent in Sydney. Perth showed the strongest population growth between 1991 and 2001, of 27.7 per cent, compared to only 13.4 per cent in Adelaide and 17.9 per cent in Sydney. As of 1999, at the time when purchasers in this study bought, Perth was still exhibiting

affordable house prices similar to those of Adelaide (HIA index 170) and was significantly cheaper than Sydney (HIA index 100). In terms of demography, Perth is close to the national average in terms of couples with children (52.4 per cent; national 52.2), couples only, (19.5; national 19.8) and single households (10.4; national 10) and in terms of the population under 15 years old, (21.5 per cent; national 20.6). Perth has a higher level of casual employment (25.1 per cent) than Sydney (24.8 per cent) but lower than the national average (26.4 per cent).

In Perth the largest purchaser group was couple with dependent children (40.7 per cent) with the next group (29.6 per cent), single person households. Traditionally Perth has been an affordable city with some 64.7 per cent of purchasers in the survey buying for less than \$100,000 but during the period of this study Perth was becoming much more expensive. As discussed in chapter five, in the last quarter of 2000, housing affordability in Perth began to drop, with prices reflecting the high levels of dwellings being purchased (33.4 per cent) compared to 29.6 per cent in Adelaide, and 28.9 per cent in Sydney.

In this study Perth was distinctive in the high numbers of purchasers who owned their own business (14.8 per cent) compared to 8.4 per cent in Adelaide and 5.4 per cent in Sydney. This reflects the strong job and business growth enjoyed by Perth over the period of this study as well as the lower levels of household debt. Overall, in this study, Perth buyers showed the least concern over job security which is consistent with the business and job growth and the relatively affordable house prices at the time of the survey.

In conclusion, while perceptions of job security may not distinguish a particular city, nor the factors that were important in the decision to purchase a home, there are important implications for those households already in home ownership given the dynamics of the local housing market and employment base. Sydney reflects low housing affordability, but high job growth, and alternative investment opportunities which may prove attractive to those on higher incomes. The propensity, for those on high incomes, to buy cheaply increases puts pressure on the cheaper end of the housing market, but also on the rental market as well. Increasing competition in the rental market is demonstrated in this study by those purchasers, on lower incomes, who had moved into home ownership as they could not find appropriate rental accommodation.

In Adelaide debt levels are high as many single households are attempting to purchase on one income. As well fears of job security are attached to the high levels of casual employment in the city. HECS debt is also a concern and such debt may strengthen the trend in Adelaide for single households (Jackson, 2002). The recent increase in Adelaide prices will make the ability to purchase on one income increasingly difficult.

Perth typifies the Generation X age bracket and has shown strong employment and income growth as its population continues to grow. While its housing affordability has dropped, it remains cheaper than Sydney and unlike Adelaide, has fewer households in casual employment and a larger number of two income purchasers. As a consequence, of the three cities, the prospects for home ownership are the brightest for Perth which already shows the largest number of new purchasers and the smallest rental sector and helps to explain its low levels of concern over job security.

As such, even when location makes little difference to the way in which job security impacts on the purchase decision or the factors important in the decision to purchase, outcomes can still be different for households within each city because of local housing, demographic and employment influences.

13.5 Understanding the purchase decision

The theoretical framework of this study has been based on the concept of a housing career (Myers, 1999, Baum & Wulff, 1998) and the extent to which this has influenced by family (Rossi, 1955), housing (van der Vlist et al., 2002) or life course factors (Clark & Huang, 2003; Clark & Withers, 1999) given higher levels of job insecurity. As such this study hoped to make a contribution to the established theory on the factors which are important in the decision to purchase a home. In this study the most important factors were either housing related that is affordable house prices, low interest rates, or flexible lending or related to the raising of a sufficient deposit, a life course factor. Across all three cities in this study, first time buyers were consistent in suggesting that their decision was impacted most by these key economic factors, rather than domestic or even employment items. For cities such as Adelaide where the majority of the purchasers were young and single this

might be expected but these findings were the same for Sydney and for Perth where the purchasers were dominated by couples with dependent children.

Rossi (1955) first typified residential mobility as one in which position in the family life cycle, from single to marriage to children and beyond, was represented by particular choices in terms of tenure and dwelling type. Other early studies (Leslie & Richardson, 1961) suggested career moves were more significant predictors of residential mobility than changes in family circumstances. Clark (1976) argued that all shifts in occupation were essentially economic decisions. In more recent studies by Merlo and Macdonald (2002) and Baxter and McDonald (2004) family factors such as marriage and children are hypothesised again as important factors in the decision to move. Clark et al (2003) suggest that housing markets and house costs need to be taken into account when investigating buyer behaviour as they can have an important impact on the timing of the purchase decision. Other writers including Van der Vlist, Gorter, Nijkamp and Rietveld (2002) consider that housing costs and house price change are very important in understanding the decision to move out of the rental sector.

This emphasis in this study on housing market factors, rather than family, or even employment factors, supports the findings of van der Vlist et al (2002), Flatau et al (2004) and Mulder and Wagner (1988). It also adds to the current theory by showing that job insecurity may be making the economic imperative even more important in the decision to purchase and that domestic factors are becoming less important in an era of increasing casualization of work and greater numbers of single households. Housing related factors and economic factors are going to dominate when there are considerable risks attached to the decision to purchase a first home and where the future is increasingly uncertain. The risks in the job market are being reflected by purchaser behaviour in the housing market.

As well, as discussed in chapter eleven the rankings of factors which have influenced the purchase decision in this study could suggest that any delay in the purchase of a first home is not necessarily for reasons of delay in marriage, or the birth of a child, as these were not considered important in the decision to buy. If there is a delay, it is more likely to be for financial reasons, such as the inability to save a deposit or lack of affordable house prices. These housing items that were most important in the timing of decision to purchase a first

home and thus any difficulty in achieving home ownership is more likely to reflect lack of housing affordability and difficulty in gathering a sufficient deposit. This finding would tend to support the argument that it is housing affordability (Yates, 2002), rather than demography or delays in family formation (Mudd et al 2001), which may be accounting for the drop in home ownership levels in Australia within the under 35 aged bracket (Percival, 1998; Winter & Stone, 1998; Yates, 2002).

13.6 Home ownership in Australia

The next objective of the study was a consideration of the findings for the sustainability of home ownership in Australia. Despite greater job insecurity, this survey reveals another generation of new purchasers with similar aspirations to the last in terms of making the commitment to home ownership (Dieleman & Everaers, 1994; Seavers, 2000). As such current home ownership levels approaching 70 per cent may be sustainable. However, this study indicates also 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. Those in casual employment are more likely to buy cheaper homes across all income levels. Alternatively those on lower income, but in permanent employment, may buy more expensive homes.

The study also shows that a number of first home buyers, as a result of their experience of job security, are adopting a deliberate strategy of lowering risk by borrowing less, buying cheaper homes and paying off the mortgage as quickly as possible (Croft, 2001; Ford, 1998; Forrest et al., 1997). For those in less secure casual employment this is made more feasible when government exemptions, such as those for stamp duty, are immediately available (Flatau et al., 2004).

For some households purchasing a home would appear to have impacted on financial well-being and these are likely to be households who are on lower incomes and in casual employment. A number of these families are couples with dependents or single parents, families for whom housing stress is a real possibility, as they are paying relatively more of their incomes on the mortgage. On the other hand the bringing in of two incomes is a

significant item in achieving home ownership and in sustaining mortgage repayments (Badcock, 1995; Badcock & Beer, 2000; Merlo & McDonald, 2002; National Shelter, 2000). A further advantage is that two income families often have at least one member in permanent employment and so have also greater security of income.

For other households, including those in permanent employment, the propensity to buy more with higher income is not so apparent. As suggested by Meen and Andrew (1998) job insecurity is impacting on propensities to purchase. Higher household incomes are not necessarily resulting in the purchase of more housing or in the case of this study more expensive homes, even for those in permanent employment. These are households who do have choice about what and how much to buy and may be electing to buy more cheaply or to invest elsewhere. The declining propensity to enter into home ownership by those on higher incomes has been identified by Yates (1999) as has the decision to rent cheaply (Wulff et al., 2001; Yates & Wulff, 2000). This survey would suggest that these propensities to avoid debt and risk are also being played out in the first home ownership market, largely as a result of job insecurity.

Unfortunately after we bought a townhouse my wife got redundant. Now it is my turn.
Redundancy is coming. Couple, Sydney

I separated from my partner last year. The house was bought jointly and since then I
have lost my job as well. Single person, Adelaide

This propensity to buy as cheaply as possible could result in increased competition for lower priced homes which will disadvantage those seeking to buy on lower incomes but is entirely rational for first time buyers wishing to reduce risk. This is especially concerning given that those on lowest incomes and in greatest financial difficulty have suggested that difficulty in finding rental accommodation has been an important factor in encouraging them to buy their first home. As such, these households are especially disadvantaged in that they are buying through necessity rather than choice, as well as facing competition from those who could afford to buy more expensive homes.

No one on a pension can survive. Buying a house was the stupidest thing I have ever done!
Single person, Adelaide

While not all new home owners in this survey are concerned about job security, especially in the short term, the links between job security and housing decisions are apparent with regard to items such as debt levels, mortgage repayments and prices paid. Labour market change has raised awareness of risk in the workforce generally and also for new home buyers, who now borrow more conservatively, purchase less expensive homes than they might otherwise afford and pay back their loans as quickly as possible.

This study shows that young couples, families, and a considerable number of young singles, 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. As much as possible the benefits of first home ownership, financial and social, should be shared across all income groups and within this context any government schemes which assist low income earners to access and sustain home ownership should be maintained.

It was the best thing we have ever done! Couple, Perth

Buying a house is a good investment and I encourage young people to purchase their own house which will pay off later. It makes life easier in the future and for their children. On a property you can never go wrong.

Couple with dependent children, Sydney

In terms of sustaining home ownership in Australia policy makers need to be aware of the changing dynamics in the first time buyer market as a result of greater labour market insecurity. Many risk averse first time buyers, including those in permanent employment are deliberately purchasing cheaper homes and for those who can, borrowing relatively less. Most wish to pay off their loans as quickly as possible and are therefore borrowing

conservatively. There is a suggestion that income elasticities may be falling in that increased wealth may not necessarily result in a comparable increase in demand. In terms of this study those on higher incomes are not necessarily buying more expensive homes. These changes will increase competition at the lower end of the market and disadvantage those on lower incomes that wish to become home owners. This would suggest the need for ongoing targeted support for these families who may be facing greater job insecurity as well as increased competition for the least expensive homes.

This study shows that housing affordability and low interest rates are key triggers in the first time buyer decision to purchase and that with declining interest rate levels many first time buyers have taken out loans predicated on optimistic expectations of continued employment and belief in their future financial well-being. However, given that households in Australia now pay 7.5 per cent of their disposable income in interest, the highest level of debt servicing since 1991 when rates were around 14 per cent (National Australia Bank, 2001) any rate increases which threaten existing levels of housing affordability must create significant imposts. As such, government supported financial counselling which is articulated appropriately and based on a sound understanding of the client base is proposed especially for first home buyers on lower or less secure incomes. This suggestion is supported by the research finding in this study, that many of those households who can only afford to buy the less expensive homes believe themselves to be in greatest financial difficulty.

Our financial broker was not helpful.

Couple, Perth

Try not to use a bank!

Couple, Adelaide

You need help on how to deal with mortgage companies and solicitors.

Couple, Sydney

The paying of bank and other charges is a large initial expense. For first home buyers support from others about the decision being made is very important.

Couple, Adelaide

13.7 Understanding the relationship between housing and labour markets

The last objective of the study was to consider if, and how, the study had added to an understanding of the relationship between labour and housing markets. The main implication to come out of the study is that labour market trends, which are serving to reinforce job insecurity and labour market mobility, would appear to be influencing home purchasers, in that they are significantly more risk averse in their buyer behaviour.

In turn the trend to purchase more cheaply, when in less secure employment, is likely to be reinforcing the propensities to delay purchase and to stay in the rental market longer as identified by Yates (1999, 2000), Yates and Whitehead (2001), Yates and Wulff (2000). This also strengthens the Meen (1998) hypothesis that there are important changes occurring between income elasticities in the job market and in the housing market.

This study also shows that labour market insecurity is impacting, not just on the home ownership sector but also on those in the rental sector, as reflected by those households, on lower incomes, who are having difficulty in finding rental accommodation, and so decide to purchase their first home. However job insecurity is likely to make this decision very difficult, as incomes are precarious, financial well-being may suffer and housing stress becomes a likely outcome. As such, some households faced with greater job insecurity would appear to look for greater security in their tenure, and as such seek this through home ownership, even when this is financially difficult. Again this serves to illustrate the strong linkages between the labour and housing markets. Disadvantage, in terms of income and housing opportunity, is being compounded by job insecurity in the Australian labour market.

13.8 Final comments

In order to fully understand the impact of job security on first home ownership it would be necessary to survey households, still in the rental sector, who would like to buy, but because of job security have not made a purchase. This would be a useful area of further research and could allow also for the investigation of the relative weighting of job security

as against others factors which are also having an impact on the decision to remain in the rental sector. Such a survey would also allow for a further investigation of the hypothesis as to whether people are remaining in the rental sector because of increasing demands for job mobility. This investigation could be particularly important in a city such as Sydney where there is high job growth requiring job mobility matched by low housing affordability and an increasingly competitive rental market. This question could also be raised with those who have just purchased to determine whether the requirement for job mobility has been impacted by their decision to purchase a home. The easy and accurate identification of first home buyers remains an issue. While information on first home owners is available nationally at aggregate level through the ABS disaggregated data is only available at irregular intervals. However the 2006 ABS Census has collected information on part time and full time employment, which can be linked to the main forms of tenure, though first home owners are not yet identified on the census.

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Appendix A

Appendix B



**The University of Adelaide
Department of Geographical & Environmental Studies
Home Buyers Survey 2000**

Dear Homeowner

Last month you received a survey from me inviting you to share your experience of purchasing a home. Home owners in Perth, Adelaide and Sydney have all been sent questionnaires as I am interested in finding out whether changes in the job market are likely to affect levels of home ownership across Australia.

I am still very interested in hearing from you and would be most grateful if you could spend 15 minutes answering the questionnaire and then return the survey form using the reply paid envelope. Most of the questions can be answered with just a tick in an option box. This survey is a very important part of my thesis and every single survey is a great help towards completion of my Ph.D. If you have misplaced the survey I would be very happy to send another!

I can assure you that your response will be strictly confidential. All results will be combined and you will not be identified individually in any way. The information you provide will not be forwarded to any third party. Should you want a copy of the survey results for your own interest, please indicate so on the enclosed slip. If you would like help with the survey or have any questions regarding the research please do not hesitate to contact me on Tel (08) 8302 0440. You may also leave a message at this number.

If you have already returned the questionnaire thank you for your help and for your time!

Yours faithfully

Valerie Kupke

*Department of Geographical & Environmental Studies
The University of Adelaide*

Please note

The University of Adelaide, Department of Geographical & Environmental Studies has approved this survey as part of a Ph.D. thesis. For further information regarding the research in this context please contact Dr Tim Doyle

Appendix C

Q 7. Which best describes your level of education? *(please tick 3 one)*

- Did not complete secondary
 Completed secondary
 Trade or other certificate or diploma
 Bachelor degree or higher
 Other *(please specify)* _____

Q 8. Are you currently studying? *(if a couple please include your partner)*

- | | | | |
|------------------------------|-----------------------------|------------------------------|-----------------------------|
| You | | Your partner | |
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Do either you and/or your partner have a deferred Higher Education Contribution Scheme (HECS) debt to pay?

- Yes No

If **Yes** about how much is your HECS liability?

- | | |
|--------------------------|---|
| You | Your partner |
| <input type="checkbox"/> | <input type="checkbox"/> Less than \$5000 |
| <input type="checkbox"/> | <input type="checkbox"/> \$5000 to \$10,000 |
| <input type="checkbox"/> | <input type="checkbox"/> \$10,000 to \$15,000 |
| <input type="checkbox"/> | <input type="checkbox"/> \$15,000 to \$20,000 |
| <input type="checkbox"/> | <input type="checkbox"/> More than \$20000 |

Q 9. As a household how would you describe your financial circumstances generally?
(please tick 3 one)

- Very well off
 Managing pretty well
 Getting by
 Finding it difficult
 Other _____

Questions about your buying your first home

Q 10. Is your present home the first dwelling you and your partner have bought either individually or as a couple?

Yes No

If **Yes** is your dwelling a newly built home? (*i.e. you are the first owner/s*)

Yes No

Q 11. As a household how important were the following in terms of **when** you bought this dwelling?

	Not Important	Of some Importance	Very Important	Don't Know
Low interest rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flexible lending arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Low inflation rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House prices were affordable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Had saved enough for a deposit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Introduction of GST	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
State stamp duty/tax exemption on offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expected house prices to rise in next 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expected interest rates to rise in next 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expected rents to rise in next 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pay rise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Getting hard to find rental accommodation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Birth of a child	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
New job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relocation in present job	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Relationship change or marriage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify) _____				

Questions about housing costs

Q 12. Did you obtain a housing loan in order to purchase this dwelling?

Yes No

If No please go to Q15

If **Yes** from where did you obtain your housing loan? (*please tick 3 one*)

Bank

Building Society

Credit Union

Mortgage Manager e.g. Aussie Home Loans

Insurance Company

Friends/family

Other (please specify) _____

Q 13. What type of housing loan do you have? (*please tick 3 one*)

Fixed rate

Fixed rate for 1 or 2 years then variable

Fixed rate for 3 to 5 years then variable

Variable rate

Line of credit loan

Other (please specify) _____

Q 14. About what percentage was your housing loan relative to the price of your new home? (*please tick 3 one*)

over 100%

100%

99%

95%

90%

80%

less than 80%

Q 15. About what percentage of your after tax household monthly income are your monthly mortgage repayments? (*please tick 3 one*)

more than 40%

30 to 40%

under 30%

Q 16. How many members of your household contribute to the mortgage repayments? (*please tick 3 one*)

1 2 3 more than 3

Q 17. How long did you take your loan out for? (*please tick 3 one*)

30 years

25 years

20 years

15 years

10 years

less than 10 years

Q 18. How soon do you hope to pay off your housing loan? (*please tick 3 one*)

30 years

25 years

20 years

15 years

10 years

less than 10 year

Questions about your employment

Q 19. Are you or your partner currently employed?

Yes No

If No i.e. neither you nor your partner is currently employed **please go to Q28**

If **Yes** please describe the nature of your present employment **and/or** your partner if employed (*please tick 3 appropriate boxes*)

Yourself

- Permanent
 Contract
 Casual
 Self employed

Your partner

- Permanent
 Contract
 Casual
 Self employed

Q 20. At present do you work? (*please tick 3*)

Yourself

- For an employer for wages or salary
 In your own business with employees
 In your own business with no employees
 Without pay in a family business
 Other (please specify) _____

Your partner

- For an employer for wages or salary
 In your own business with employees
 In your own business with no employees
 Without pay in a family business
 Other _____

Q 21. How long have you been in your present job? (*please tick 3*)

Yourself

- More than 10 years
 5 to 10 years
 2 to 4 years
 Under 2 years

Your partner

- More than 10 years
 5 to 10 years
 2 to 4 years
 Under 2 years

Q 22. In your present job how many hours a week do you work on average? (*please tick 3*)

Yourself

- More than 40 hours
 35 to 40 hours
 30 to 34 hours
 25 to 29 hours
 20 to 24 hours
 Less than 20 hours

Your partner

- More than 40 hours
 35 to 40 hours
 30 to 34 hours
 25 to 29 hours
 20 to 24 hours
 Less than 20 hours

Q 23. In your present job do either you and/or your partner work overtime?

Yes No

If Yes on average how many hours per week? (please tick 3)

Yourself

- Over 20 hours overtime
 15 to 20 hours
 10 to 14 hours
 5 to 9 hours
 Under 5 hours overtime

Your partner

- Over 20 hours overtime
 15 to 20 hours
 10 to 14 hours
 5 to 9 hours
 Under 5 hours overtime

Q 24. Which best describes your and/or your partner's job category? (please tick 3)

You

-

Your Partner

- Manager
 Administrator
 Professional
 Semi - Professional
 Tradesperson
 Clerical
 Sales or Service
 Manufacturing
 Transport Worker
 Labourer
 Other (please specify) _____

Questions about job security

Q 25. How many full time jobs have you had in the past 5 years? (please tick 3)

You

-

Your partner

- Over 6 full time jobs
 4 to 6 full time jobs
 2 to 3 full time jobs
 one full time job
 no full time job

Q 26. About how many part time jobs have you had in the past 5 years? (please tick 3)

You

-

Your partner

- Over 6 part time jobs
 4 to 6 part time jobs
 2 to 3 part time jobs
 one part time job
 no part time job

Q 27. How concerned are you about job security in your existing job? (*please tick 3 one*)

	Not at all	Of minor concern	Quite concerned	Very concerned
Over the next 12 months	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over the next 5 years	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Questions about job security and buying your first home

Q 28. Do you believe either your or your partner's **experience of job security** has had any influence on your decision to buy a home?

Yes had an influence **No** had no influence **Don't know** (if **No** or **Don't know** please go to **Q30**)

Q 29. If **Yes** please tick 3 to indicate whether your experience of job security has influenced any of the following decisions.

	No influence	Some influence	Really influenced
1. The price range I/we looked in	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>(If influenced please tick one)</i>			
I/We looked in a lower price range	<input type="checkbox"/>		
I/We looked in a higher price range	<input type="checkbox"/>		
2. The price I/we paid	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>(If influenced please tick one)</i>			
I/We bought a less expensive home	<input type="checkbox"/>		
I/We bought a more expensive home	<input type="checkbox"/>		
3. The size of loan I/we took out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>(If influenced please tick one)</i>			
I/We took out a smaller loan	<input type="checkbox"/>		
I/We took out a larger loan	<input type="checkbox"/>		
	No influence	Some influence	Really influenced
4. Where I/we obtained our loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The type of loan I/we took out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. How soon I/we repay the loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Where I/we looked for our home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Where I/we bought our home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. How soon I/we buy another home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q 30. If there is any other general comment you would like to make either about your experience of buying a house or any other aspect of this survey please add them below.

Thank you very much for your help and time!