

**Submission  
No 88**

## **OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES**

**Organisation:** The University of Sydney

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September 2024

## **Submission to the NSW Legislative Assembly Select Committee on Essential Worker Housing**

We are pleased to provide this submission to inform the Legislation Assembly Select Committee's investigation into Essential Worker Housing.

### **I. Evidence of essential worker housing need in NSW**

We have been researching the effects of declining housing affordability on the essential workforce, particularly across Greater Sydney, Wollongong and Newcastle, since 2017 (Gurran et al 2018; Gilbert et al 2021; Gilbert et al 2023). Our analysis indicates that housing affordability for workers who perform essential public services has declined markedly over the last decade (Gilbert et al 2023) and that this is presenting significant challenges for recruitment, retention, and the future viability of essential public services (Gilbert et al 2021). This is symptomatic of broader failings within the housing system.

Our analysis of data from the 2021 Census<sup>1</sup> (Gilbert et al 2023) revealed that across Greater Sydney:

- Over 36,000 essential workers were living in overcrowded homes
- Over 52,000 essential workers were experiencing housing stress, including 29,000 in rental stress
- 2000 more essential workers were in rental stress in 2021 than in 2016

Workers employed in essential services are more likely than the labour force generally to reside in outer suburbs and regions adjacent to the Sydney metropolitan region, such as the Illawarra, Central Coast and Newcastle. The table below, adapted from Gilbert et al. 2023,

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<sup>1</sup> This analysis focused on 21 occupation groups captured in the census. This included teachers (early childhood through to secondary school and special education, Registered Nurses and Midwives, social workers, ICT support professionals and telecommunications technicians and trades, ambulance officers and paramedics, enrolled and mothercraft nurses, welfare support workers, childcares, educational aides, aged and disability carers, nursing support and personal care workers, police, prison officers, bus and coach drivers, train and tram drivers, delivery drivers, commercial cleaners, and laundry workers. This does not constitute an exhaustive list of the occupation groups that could be considered essential workers.

shows the concentration of essential workers by LGA relative to the labour force generally. A figure below one indicates a relatively low concentration, while a figure above one indicates a relatively high concentration. As shown, inner and middle ring LGAs with high housing costs have comparatively low numbers of essential worker residents, while more affordable outer suburbs and regional cities adjacent to the metropolitan region have relatively high concentrations.

Figure 1: Where essential live relative to the distribution of the labour force

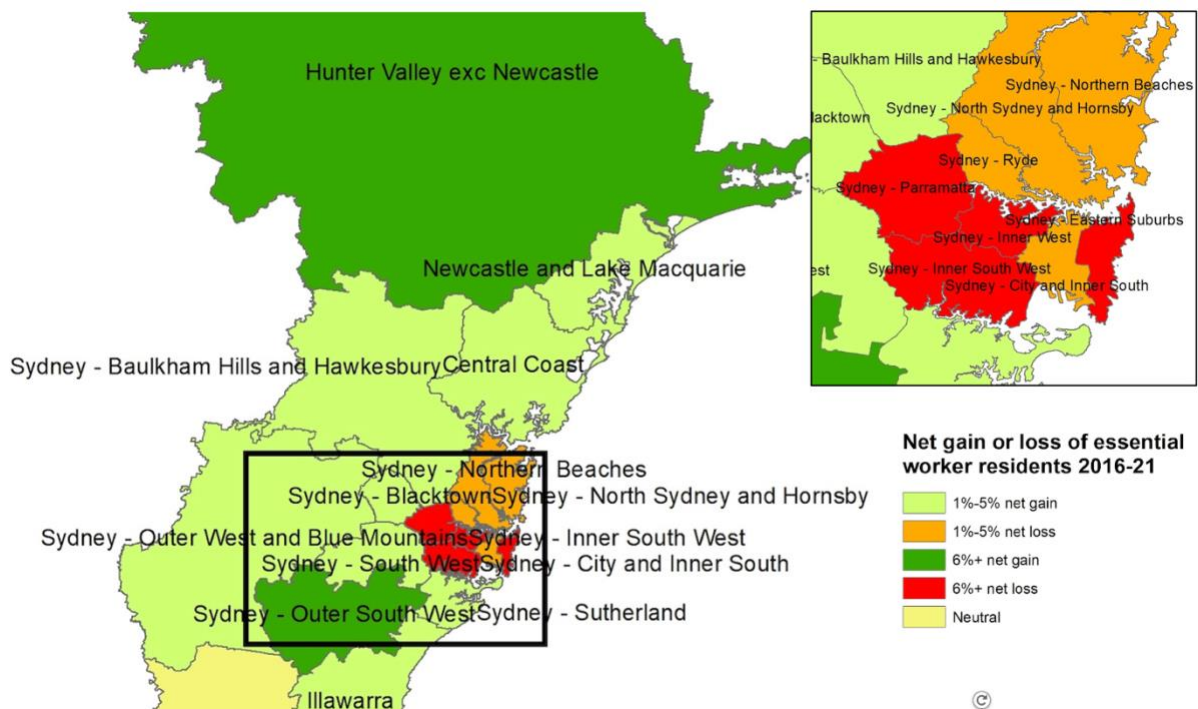
LGAs with LOW relative concentration of key workers	LGAs with HIGH relative concentration of key workers
Woollahra (0.37)	Shellharbour (1.37)
Mosman (0.46)	Blue Mountains (1.36)
Waverley (0.52)	Lake Macquarie (1.31)
North Sydney (0.53)	Central Coast (1.30)
City of Sydney (0.54)	Maitland (1.28)
Hunters Hill (0.60)	Wollongong (1.27)
Willoughby (0.62)	Campbelltown (1.26)
Ku-ring-gai (0.64)	Newcastle (1.26)
Lane Cove (0.68)	Cessnock, Camden, Kiama (1.21)
Canada Bay (0.71)	Blacktown (1.16)
Inner West (0.75)	
Ryde (0.79)	

Source: adapted from Gilbert et al 2023 p.39 and 40

Interpretation: A figure of 1 means that the proportion of essential workers who live in that LGA is consistent with the distribution of the general labour force.

This spatial pattern is unsurprising given the cost of housing in Sydney's inner and middle ring and north. However, our analysis also indicates that this spatial pattern is intensifying over time. For three consecutive census periods, inner and some middle ring subregions of Sydney have experienced a net loss of residents employed in essential services, while outer suburbs and adjacent regional areas have gained them (Figure 2).

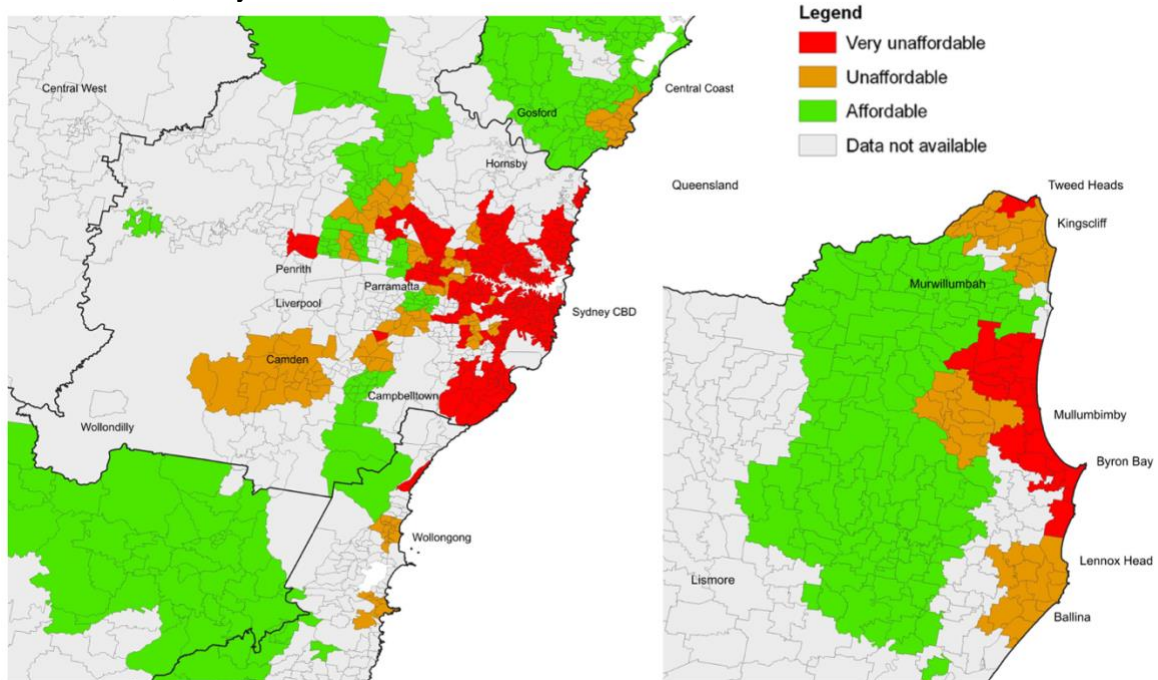
Figure 2: Net losses and gains of essential worker residents, by subregion, 2016-2021



Source: Gilbert et al 2023 p.45

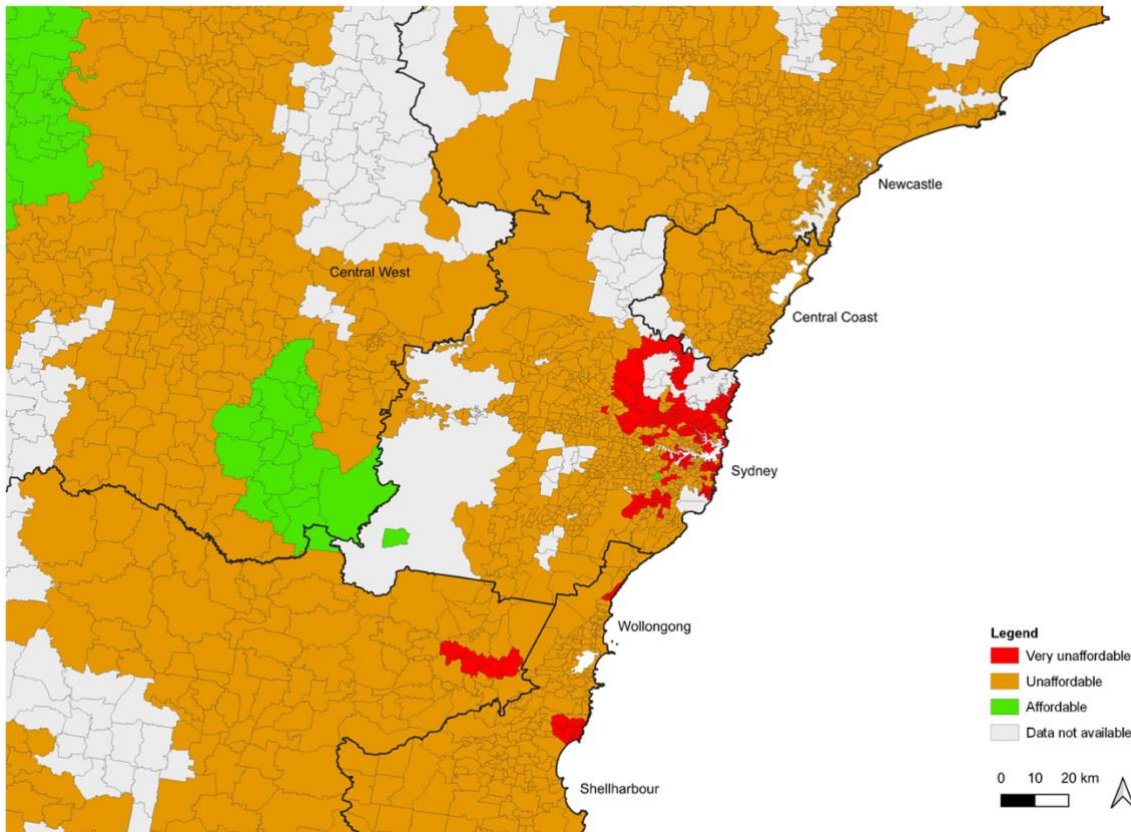
This trend of essential workers moving further away from expensive housing market areas (where jobs remain concentrated) is unlikely to cease without a significant change in the supply and accessibility of housing essential workers can afford. Our recent analysis of geographic patterns of housing affordability for select essential workers at different career stages (Gilbert et al 2023) revealed that most of the Sydney metropolitan region is now unaffordable for essential workers to rent or purchase. Many coastal regional areas are also unaffordable. The maps below, from a presentation given by Gilbert at the NSW Nurses and Midwives Union conference (August 2024) shows postcode areas that have a median rent (for a one bedroom dwelling) that is affordable to an early career Enrolled Nurse (earning a net salary in this scenario of approx. \$65,000). The second map shows postcode areas with a median price for a strata-titled dwelling that would be affordable for a mid career Midwife or Registered Nurse (earning a net salary in this scenario of approx. \$93,500).

Figure 3: Affordability analysis: one-bedroom rental (@March Quarter 2024) based on salary for a full-time, early career Enrolled Nurse



Source: analysis by Gilbert using rental medians derived from NSW Department of Communities and Justice 2024a

Figure 4: Affordability analysis: purchase of a strata-titled dwelling (@December Quarter 2023) for a full time, mid career Registered Nurse



Source: analysis by Gilbert using median prices (strata-titled dwelling) derived from NSW Department of Communities and Justice 2024b

Taking together, our analysis of housing affordability for indicative essential workers, over the past seven years indicates that this is a problem that is persistent and worsening, rather than cyclical or temporal, and that it is extending outwards into areas that historically offered more affordable housing options.

## **II. Evidence of the implications of unaffordable housing for essential workers and essential services**

The negative implications for health, wellbeing and work performance of living in housing stress and enduring long, car-based commutes to work are well document. But for workers in healthcare, policing, emergency services and community welfare support, these factors can exacerbate the stress and fatigue accrued in the workplace (as a result of working night shifts, high stress situations and experiences of vicarious trauma), exacerbating burn out (Gilbert et al 2021).

International research, predominantly from the UK, and recent research from Australia, reveals that a range of issues can arise when essential workers cannot access appropriate and affordable housing within a feasible commute of where they work. These include:

- a. Disruption to models of community embeddedness.
- b. Operational challenges, particularly in essential services where workers are required to be 'on call' to fill shifts and respond to spikes in serve demand and or emergency situations.
- c. Difficulty recruiting workers to fill vacancies; and,
- d. Difficulty retaining staff, particularly more experienced staff at mid career stages

All of these factors present risks for the quality and functioning of critical public services (see Morrison and Monk 2006; Morrison 2013; Airey and Wales 2019; Gilbert et al 2021; Eacott 2023).

## **III. Defining an essential worker**

Defining an essential worker is important for effective monitoring of housing needs; for policy and program design (to address those needs), and for determining eligibility for housing assistance. But it is not straightforward.

Our review of scholarly research and key worker housing policies and programs in Australia, the UK and US revealed that there is no single or universal definition of what constitutes a

'key', 'frontline' or 'essential' worker (Gilbert et al. 2021). Definitions for policy and program purposes vary in terms of the occupations and roles they include. Low and moderate income workers in frontline public services including education, healthcare, policing, emergency services, community welfare support and public transport are consistently included. But inclusions can also extend to:

- Support or auxiliary works in frontline services (this includes para-professionals and support staff in the public services mentioned above)
- Low and moderate income workers in the broader public sector;
- Low and moderate income workers in the private sector whose work is critical to the functioning of cities or for local economies. This was particularly evident in the pandemic when the term was applied to workers in essential retail and shipping and distribution services and is common in tourism areas (Gilbert et al 2021 p. 20-21).

Another way of thinking about what defines an essential worker is to focus on job characteristics, rather than naming specific occupations. In our research, we argue that essential worker jobs share a variety of common characteristics that should be reflected in a definition:

1. They perform work that constitutes an important public service and or that has a significant public benefit;
2. They earn low to moderate incomes, making accessing suitable housing difficult in higher cost housing markets; and,
3. They are required to be physically present to perform their work, meaning that where they live relative to where they work is important.
4. Related to point three, they may also need to live proximate to work in order to be 'on call' to respond to emergency situations and or spikes in service demand.

In developing a definition, it will be important to clarify the problem that government action is seeking to address. If a core motivation for government intervention, for example, is to address worker recruitment and retention challenges in high cost housing market areas, then evidence of the jobs and roles that are difficult to fill or to retain staff in as a result of housing accessibility and affordability should inform the definition / occupation groups included.

### ***Definitional flexibility***

Our review of international key worker housing policies and programs (Gilbert et al 2021) found that, in England, local governments are required to consider the needs of the essential



workforce in planning for housing and in allocating affordable housing delivered through the planning system. While the national government has produced an indicative (and broad) list of key worker occupations, local governments are given some flexibility to develop their own local definition / list of included occupations. This flexibility is important as housing markets, economies and the services required by populations can differ significantly across areas.

### ***Expanding access over the longer term***

Defining occupation groups for housing assistance is politically challenging. In England, housing assistance programs targeted to specific moderate income 'key worker' groups were introduced in the early 2000s. But overtime, eligibility for 'intermediate' forms of affordable housing and for assisted homeownership programs, have been scaled up and eligibility is now defined more broadly in relation to income, rather than income and occupation.

#### **Recommendations:**

- Providing definitional clarity on what constitutes an essential worker will support more effective tracking / monitoring of housing need amongst this cohort to inform policy development. We recommend that the NSW government adopt a broad definition that includes traditional, frontline 'key worker' occupations, as well as low and moderate income auxiliary and support workers in public services. We recommend also considering extending the definition to encapsulate low paid workers that are critical to local economies.
- For program eligibility purposes, we recommend that what constitutes an essential worker be defined in terms of the nature of the work performed and income earned, rather than via a list of applicable occupations, which risks missing occupations that merit inclusion.
- If a state-wide definition is adopted for policy purposes, listing indicative occupation groups, there should be flexibility for local governments, in their affordable housing policies and programs, to determine which occupation groups or needs groups to prioritise, taking account of local circumstances and labour markets.
- Finally, we recommend that a goal of any state government programs that may be implemented to assist essential workers to access housing have the aim of scaling up and expanding eligibility over time to include more occupation group and or implement broader income-based eligibility.

## **IV. Options to increase the supply of housing for essential workers**

## ***Understanding essential worker housing need across the housing continuum***

Essential workers share common characteristics in terms of the nature of the work they perform. But their incomes vary significantly by occupation. For example, University-educated essential workers, such as Teachers, Registered Nurses and Midwives have significantly higher incomes than commercial cleaners in hospitals, aides and personal care workers and aged care workers, all of whom should be considered 'key' or 'essential' workers.

Recognising this diversity within the category 'essential worker' is important for considering appropriate responses. Income is a key determinant of households' capacity to pay for housing, and also determines eligibility for social and affordable housing in NSW. Income limits for social housing are defined in eligibility criteria published by NSW Department of Communities and Justice. 'Affordable' housing has higher income limits than social housing, is more flexibility in terms of how it's allocated, and is often delivered through planning requirements and incentives. Income limits for affordable housing are published in the NSW Affordable Housing Ministerial Guidelines. Current income limits for social and affordable housing eligibility are shown in Table 1.

Table 1: Income limits for social and affordable housing in NSW (at mid 2024)

Household type	Social Housing	Affordable housing (Sydney region)	Affordable housing (Rest of NSW)
Single person household	\$40,600 (Gross, annual)	\$77,600 (Gross, annual)	\$70,100 (Gross, annual)
Single person household +1 dependent	\$60,300 (Gross, annual)	\$100,900 (Gross, annual)	\$91,100 (Gross, annual)
Couple household	\$55,900 (Gross, annual)	\$116,400 (Gross, annual)	\$105,200 (Gross, annual)
Couple household +1 dependent	\$75,660 (Gross, annual)	\$139,700 (Gross, annual)	\$126,200 (Gross, annual)

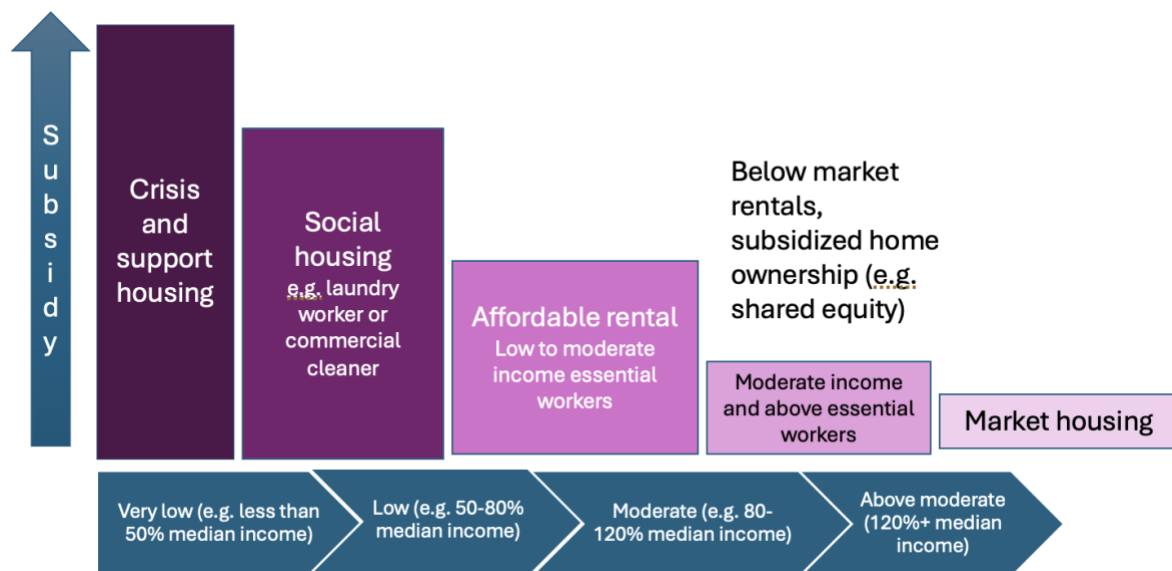
Source: compiled by Gilbert from Department of Communities and Justice 2023 p.18-19; Department of Communities and Justice 2024

Although allocations policies for affordable housing often reference essential workers, many essential workers, once they pass early career stage, and if they work full time, earn incomes that are too high to qualify for affordable housing. This includes Registered Nurses and Midwives, Teachers, Police Officers and Emergency Services workers. But they still struggle

to afford market rate housing (see Figures 3 and 4), meaning that they currently sit within a policy gap.

The diversity of housing need amongst essential workers is indicative of the growing spectrum of households in housing need across NSW. It means that an effective strategy for improving access to housing for essential workers, and the wider NSW community, needs to address multiple points in the housing continuum. The housing continuum is a concept used in housing research and policy to conceptualise the range of housing needs, correlating housing products and the relative level of public subsidy required to produce them. The figure below (adapted from Gurran et al 2018; Benedict et al 2022) shows where essential workers sit on the housing continuum.

Figure 5: The continuum of housing needs and products and implications for essential workers



Source: Adapted by Gilbert from Benedict et al 2022; Gurran et al 2018

### ***Recognising geographical differences in housing supply and affordability***

It's also important to recognise geographical differences in housing supply and affordability. Regional communities face a number of specific housing market challenges. Firstly, rental markets are 'shallower' in regional areas, where residents traditionally have had higher rates of home ownership, meaning that less of the overall housing stock is available for people seeking to relocate to a regional community or unable to afford home ownership. This issue is exacerbated by the fact that housing in non metropolitan Australia tends to be more homogenous – primarily detached larger dwellings not suitable for many renter households and requiring a higher rent than smaller units. Pressures have grown since the COVID-19

pandemic which saw many regional communities retain existing and attract new residents, increasing housing market demand (Yanotti et al., 2022). At the same time the rise of short term rental platforms such as Airbnb and ongoing competition between second home tourism and the housing needs of permanent residents continues to reduce the supply of affordable accommodation (Gurran et al., 2020). Health, retail, aged care, childcare centres, and hospitality industries in regional areas all report significant barriers to workforce recruitment and retention due to the lack of affordable rental housing for lower paid employees. Consequently, while denser urban areas are characterised by greater supply of rental housing and smaller, one and two bedroom homes, regional and particularly remote areas, even if rents are theoretically affordable, often have very little supply of suitable housing available on the market at any time.

**Recommendation:**

We recommend that in considering options to increase the supply of housing for essential workers, attention is given to the full housing continuum. A four fold approach is needed, which includes:

- Increasing the supply of social housing, including for essential workers on very low and low incomes (such as laundry workers and cleaners).
- Increasing the supply of affordable rental housing for moderate income essential workers and those at early career stages.
- Innovating new housing products and models for essential workers whose incomes are too high to qualify for affordable housing, but who nevertheless cannot afford market housing within a reasonable commute of their jobs. This might include below market rental products and or shared ownership arrangements linked to new supply.
- Working collaboratively in regional areas to demonstrate and deliver housing products that are undersupplied in local markets. This could involve government land developers working with affordable housing providers, charitable organisations and local builders to demonstrate well designed and diverse housing development options which deliver smaller rental units in regional employment areas. Generally lower land values in regional areas mean that affordable keyworker home ownership schemes are likely to be viable without government subsidy and could form part of mixed tenure affordable housing demonstration projects, potentially with financial support for essential worker components from local employers or by superannuation schemes.

## **(i) Planning tools and reforms**

Planning reform has been a significant focus of government efforts to address declining housing affordability in NSW for more than a decade. But land use policy reforms to enable smaller and more diverse housing types have not ameliorated the affordability crisis. We strongly caution against reliance on reforms intended to increase or 'speed up' the production of market housing as a means to address the affordability crisis. We recommend that the NSW government focus reform efforts on more effectively utilising the planning system to deliver dedicated affordable housing for eligible low and moderate income households.

### ***Inclusionary zoning***

Inclusionary zoning is a planning tool that offers significant opportunity to deliver designated affordable housing for eligible groups as part of new development. It can also work to address socio-spatial inequality by delivering new affordable housing in locations where growth and development are occurring, including around transit nodes and employment. When mandatory affordable housing requirements are implemented at the time of rezoning ('up zoning'), the cost of including affordable housing should be factored into the price of land i.e. borne by the landowner. In other words, this approach is designed to capture some of the land value uplift generated when rules governing the development capacity of land are changed, for a public benefit.

Local governments are now able to implement local inclusionary zoning policies via affordable housing contributions schemes. But few local governments in NSW have successfully implemented these in practice due to the lengthy state approval processes needed to enact endorsed schemes. While local governments are required to assess and plan for housing needs in their local areas, including workforce housing needs, regulatory and policy tools to actually address those needs through the planning system remain limited.

The NSW Government's application of inclusionary zoning requirements in TODs is a positive step towards providing more affordable housing in accessible locations. However, requiring up to 15% affordable housing in Tier 1 TODs leaves requirements very uncertain, and the 2% requirement on projects exceeding 2,000 sqm gross floor area across Tier 2 TOD is minimal, both in relation to housing need and by international standards. Expectations in NYC, for example, are that 20 – 30% of residential floor area (depending on the income groups targeted ranging from very low to moderate) be allocated for affordable housing, and 35% of residential development is expected to be affordable housing across Greater London (Gilbert and Zanardo 2024).

**Recommendation:**

Future planning reform efforts need to focus on enabling and expanding inclusionary zoning provisions in NSW. The NSW government should consider:

- Enabling local governments to introduce small scale inclusionary zoning requirements across their local government areas, and to introduce higher, mandatory inclusionary zoning requirements when land is 'upzoned'.
- Allocate resources to support timely implementation of affordable housing contribution schemes;
- Maximise inclusionary zoning requirements in TOD precincts. Targets for Tier 1 TODS should be articulated as a minimum, rather than a maximum. Requirements for Tier 2 TODs should be maximised and exceed 2% of gross floor area.
- Inclusionary housing requirements for affordable workforce housing should also apply to residential development within and around planned Health and Education precincts

Aspects of policy design that contribute to the effectiveness of inclusionary zoning schemes, include:

- Clear and predictable requirements able to be priced into feasibility calculations
- Broad based application so that developers can't go 'jurisdiction shopping'
- Within minimum contribution requirements, some flexibility regarding the type of affordable housing provided relative to local market conditions, housing needs, and the availability of government subsidy
- Strong communication and education strategies to build community and local government awareness and support, and to familiarise industry players with the policy
- Policy consistency – once in place, requirements must be maintained rather than continually adjusted
- Annual monitoring and reporting on outcomes

These principles should inform the design and implementation of planning requirements for affordable housing inclusion.

***Employment and special purpose land***

Rezoning land to allow for residential uses and or permitting residential development within non-residential zones risks inflating land values and undermining a zones purpose. However, the NSW government could consider exceptions to zoning rules within employment and

special purpose zones, but only where residential development is for the purpose of affordable workforce housing in perpetuity. A pathway for exceptions to zoning rules could also be created for key worker employers looking to develop workforce housing on their own land. This might further be enabled via an expedited assessment processes and or other planning incentives. It will be important at the development consent stage to ensure that any issues arising from competing land use be considered and mitigated in development design.

**Recommendation:**

- Consider introducing additional flexibility in industrial, commercial and or special purpose zones for residential development **but only** if it is affordable housing provided in perpetuity.
- Consider enabling key worker employers to develop their own land for affordable workforce housing by clarifying the permissibility of such development and offering planning incentives such as an expedited assessment pathways. This might also be extended to charitable entities looking to develop their own land for affordable housing.

**(ii) Incentives for development on privately owned land**

NSW has had a state-wide density bonus to incentivise affordable housing inclusion in otherwise market-rate residential developments since 2009. In contrast to inclusionary zoning requirements, density bonuses encourage developers to include affordable housing in their projects through the offer of additional development yeild (floorspace) beyond what is allowed under baseline planning controls (Gilbert and Zanardo 2024). Rather than passing the cost of affordable housing provision back to the landowner, a density bonus ‘funds’ the cost of affordable housing provision by increasing the revenue potential of a development project.

Our analysis of the performance of the NSW state-wide density bonus for affordable housing in 2018 (Gurran et al 2018) found that it had resulted in very little affordable housing supply, with the vast majority of residential developers electing not to use it. This finding is consistent with international research which has found that incentive-based policies for affordable housing inclusion, including density bonuses, have delivered less affordable housing over time than mandatory requirements (Wang and Fu 2023).

Density bonusing has a number of other problems. Allowing developers to exceed height and density limits on a site can undermine the perceived legitimacy of baseline planning controls and encourage speculation. The real value of a density bonus may diminish over time as the

bonus becomes capitalised into land values (Phibbs 2023). While there is a perception that density bonusing offers a ‘free’ way to deliver affordable housing, there are nevertheless infrastructure and service requirements arising from (often unplanned for) population (Calavita and Mallach 2009; Gilbert and Zanardo 2024).

We also note that the state-wide density bonus for affordable housing in NSW, in the State Environmental Planning Policy (Housing), only requires housing to remain affordable for 15 years. While the additional density allowance exists in perpetuity, the affordable housing provided is temporary.

**Recommendation:**

- Density bonuses produce limited affordable housing and can create challenges for effectively planning growth. For this reason, we recommend that the NSW Government not focus on planning-based incentives as a strategy to address essential worker housing need.
- If density bonuses are utilised, the affordable housing delivered should be required to remain affordable for the life of the building or in perpetuity.

**(iii) Opportunities within developments on government owned land**

Government owned land presents a significant opportunity to delivery permanently affordable housing, and to do so in a timeframe that is not dependent on the decisions of market actors. Larger sites provide additional opportunity to demonstrate new housing types and tenure models and to achieve built form diversity through detailed master planning and collaboration (Gilbert et al 2021). Achieving this will require government to have clear social, affordable and workforce housing targets for government land, and to commit to maximise affordable housing outcomes on these sites.

**Recommendation:**

- Government should seek to maximise the delivery of social and affordable housing on government land. At minimum make a firm commitment to the target to achieve 30% social and affordable housing on government land and, in addition to this, use government land to demonstrate mixed tenure schemes and innovative housing models for essential workers

**(iv) Investigating reforms that promote fiscal sustainability, innovation and essential worker housing in perpetuity**



### ***Maximising the impact of public subsidies***

To ensure that government subsidies and planning incentives and requirements provide public benefits in perpetuity, we suggest the following principles:

- Affordable housing delivered on government land or should remain in public ownership for affordable housing in perpetuity.
- Developments making use of concessions for residential development on employment lands need to ensure the housing remains for those employed in the local area who would not otherwise be able to access appropriate, affordable housing.
- Any subsidies for affordable home ownership must be able to be recycled via, for example, transparent shared ownership arrangements wherein any capital gains are cycled back into the program.

Housing on government land or delivered via a government subsidy should also demonstrate high environmental standards, diverse housing types able to cater to different household requirements, and should demonstrate sensitivity in design to area character and local context.

### ***Private sector involvement in social, affordable and key worker housing***

Our recent AHURI-funded research into private sector (including not-for-profit sector) involvement in social and affordable housing, found that there is strong demand from the private sector to be involved in the financing, development and management of social and affordable housing. There is also significant private sector interest in financing and delivering housing specifically for essential workers at discount to market rents and or through shared equity arrangements. There is an opportunity to leverage this interest to support the scaling up of much needed housing supply across the housing continuum, including housing for the essential workforce. But realising this opportunity will require government leadership, strong regulation and ongoing funding commitment to support social and affordable housing provision (Benedict et al 2022). Specifically, government needs to:

- Provide strategic leadership, including by quantifying the housing needs of the essential workforce and settings clear targets for new homes by market segment;
- Commit to policies and essential worker housing programs that can engage the private sector

- Recognise that social housing can only be delivered with government subsidy and commit to a consistent, long term funding to support scaling up of social housing production
- Implement strong, principle-based regulatory systems to control and monitor the quality of housing and affordability outcomes delivered through programs.  
(based on Benedict et al 2022).

**(v) Other matters**

It is important to recognise that certain groups face additional challenges accessing suitable housing and heightened risk of exploitation, including modern slavery (Barnes et al., 2023). This includes workers in essential services and economically significant regional industries who are temporary workers or have irregular migration status, and whose work is low-paid and often informally arranged. Significant challenges accessing housing not only impact the work satisfaction and job retention of this cohort but also create conditions for exploitation (NSW Anti-slavery Commissioner, 2024). Although temporary migrant housing may not be directly within the scope of the inquiry, this is an important dimension of workforce housing issues that needs to be considered.

**Conclusion**

Our research, conducted over seven years, indicates that housing affordability for workers who perform essential public services is worsening. Curbing this trend is critical to ensuring key public services remain viable going forward. But it also presents an opportunity for the NSW Government to develop a strategic and holistic approach to scaling up social and affordable housing production, and developing novel policies and programs to assist the growing cohort of households who are unable to access market housing, but who do not qualify for affordable housing. In addition to addressing the negative labour market effects of declining housing affordability, this is a chance to start charting a path towards a fairer and more sustainable housing system.

We would be happy to provide further information or advice to the Committee if we can be of assistance.

Yours sincerely,

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