



Legislative Assembly

Select Committee on Essential Worker Housing

Supplementary Questions for Professor Scott Eacott

Thank you for the opportunity to provide additional information to assist the Legislative Assembly Select Committee on Essential Worker Housing to make its final recommendations.

The below responses are based on the following assumptions:

- The key policy challenge is **workforce distribution** and securing the right qualified workers in the locations they are needed the most.
- The definition of 'essential worker' is **a person employed in the delivery of Government services required to meet legislative requirements**
- The key policy concept is **commutability**, as defined by housing and transportation affordability, of workplaces for essential workers.
- The goal is to ensure **ownership pathways** for essential worker for workforce stability.

QUESTION 1. Is there a need to update the Teacher Housing Authority, or its establishing Act, to ensure it remains fit-for-purpose?

RESPONSE: Yes, as explained below.

QUESTION 1a. If so, what changes would you recommended to the Authority or its Act?

RESPONSE: The provision of teacher housing predates the formal establishment of the New South Wales public school system in 1848. Over this period teacher housing has taken two main approaches:

- i) public infrastructure: ensuring the equitable distribution of staff throughout the state by providing residences, guaranteeing workforce continuity; and
- ii) incentive: used to attract and retain workers in certain locations.

Under the Act, the 'Objects of the Authority' and 'Power, Authorities, Duties and Functions of Authority' allow for both public infrastructure and incentives. Unless restructuring the Board or the remit of the THA, the Act gives sufficient coverage to undertake the role.

The operationalisation of the THA however does require some changes. Currently, the vision of the THA is limited to rural and remote locations¹. This has limited the function of the THA to an 'incentive' and the exclusion of markets (e.g., metropolitan) where additional cost pressures are impacting workforce distribution and the commutability of schools – and will get worse in the coming decades.

It is recommended that the THA expand operations consistent with the Act to focus on 'the housing needs of teachers' (6 (2) (a)) and 'throughout New South Wales (6 (2) (c)). Expanding the scale of operations, with matching resourcing, would make the THA fit for purpose based on current market and workforce conditions in New South Wales.

¹ See: https://www.dpie.nsw.gov.au/_data/assets/pdf_file/0005/619412/Signed-SBI-2023-24.PDF and https://www.dpie.nsw.gov.au/_data/assets/pdf_file/0008/619433/Department-of-Planning-THA-Annual-Report-2022-23-1.pdf

QUESTION 1b. What are the risks and/or benefits of adapting the Teacher Housing Authority to encompass broader essential worker housing?

RESPONSE: Expanding the THA to encompass a broader range of essential workers would require amendments to the Act, and particularly its governance to ensure appropriate representation.

The primary risk, for either the status quo or expansion of the THA, is insufficient funding to deliver on its expectations. There needs to be sufficient funds to deliver the quantity, quality, and variety of properties to meet workforce need.

Additional risks include the inability to recycle stock at the scale required to meet broader essential worker need, and potential maintenance backlogs. These are issues already impacting on the THA, therefore any expanded role would need matching resourcing.

The benefits include the streamlining of Government oversight of essential worker housing, potentially allowing for earlier identification of issues and a more proactive approach to state-wide service delivery. It would reduce duplication in services, and the need for co-ordination across parallel entities aiming to deliver housing to essential workers.

Greater scale of operations would allow for more ambitious projects bringing greater efficiencies and return on investment. Larger projects would also allow for greater injection of funds into local communities (assuming consistent procurement approaches as currently used).

In addition, there would be greater opportunity for a more expansive approach to generating and sustaining new stock as the THA, or its new title, could become a development corporation with a mixed portfolio of new builds, build-to-rent, Defence Housing model, leasing arrangements, to best meet changing market conditions.

Expansion of the role would also allow for greater fees received from agencies (e.g., the Department of Education) providing greater stability of THA staff and resourcing.

QUESTION 2. What reforms or changes would help ensure that increasing and maintaining a supply of essential worker housing would not divert resources from other vulnerable population groups?

RESPONSE: It is important to distinguish between 'essential worker' housing, which is aimed at specific roles in the delivery of Government services, and 'social and affordable housing' which is aimed at individuals with certain personal circumstances.

The provision of essential worker housing should be focused on areas where housing is needed to address workforce distribution. That is, where it is unaffordable for essential workers to live (either rental or ownership pathways) and the potential collapse or disruption of continuity of Government services in the area.

Increasing the expectations on all new developments to include greater provision of essential and social and affordability housing is a key planning reform required to proactively shape provision at scale over time. Current levels are too long and not in perpetuity.

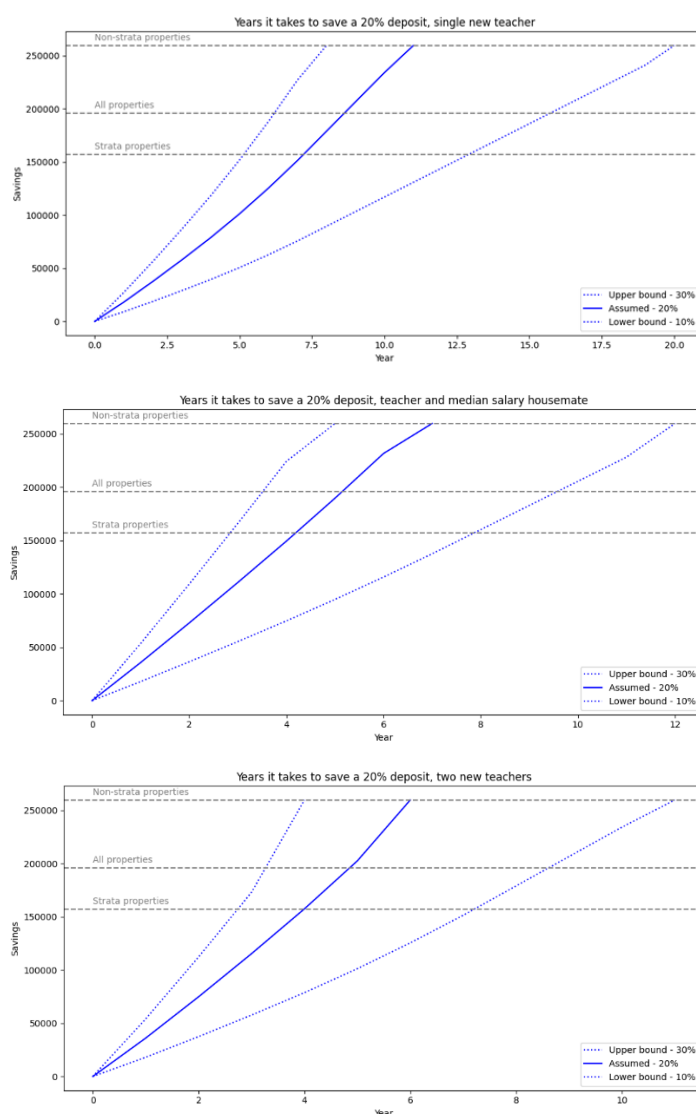
The THA, or other models of development or provision, is not limited to any single approach and therefore a mixed portfolio of new builds, build-rent, Defence Housing, leasing arrangements, among others can be adopted to meet the needs of the professions without divert resources from other vulnerable groups.

QUESTION 3. What financial eligibility criteria (e.g. percentage of median income) would you recommend for essential worker housing programs across the housing continuum?

RESPONSE: A limitation of past initiatives has been to conflate ‘essential worker’ and ‘social and affordable’ housing in initiatives. Tying essential worker housing to roles, and overcoming workforce distribution, it is the role and guarantee of staffing that is important rather than income level. It is about ensuring staffing of essential Government services.

Where Government provided essential worker housing is available (e.g., THA), the goal should be to encourage home ownership pathways. Using the latest rent and sales figures², and assuming rents are kept to 30% or less of weekly income, and savings of 20%, a new teacher could save a 20% deposit for a median priced property in 11 years, a new teacher with a median income housemate could save a 20% deposit in 7 years, and two new teachers living together could save a deposit in 6 years. Reducing rental costs to 20% of weekly income, enabling savings of 30%, would mean a 20% deposit could be saved in 8 years for a single teacher, 5 for a teacher with a median salary housemate, and 4 years for two teachers. Achieving any reduction in rents for workers does require subsidies by the employing agency.

Figure 1. *How long it takes to save a 20% deposit*



² See: <https://dcj.nsw.gov.au/about-us/families-and-communities-statistics/housing-rent-and-sales/rent-and-sales-report.html>

An exception to the above are Government schemes targeting getting families into home ownership (e.g., shared equity schemes). The intent of these programs are different (creating home ownership pathways not necessarily addressing immediate staffing needs of service). Again, it is stressed that if focused on essential workers, it is the role that is most important. Encouraging home ownership is always a positive (as it reduces long-run Government welfare costs).

QUESTION 4. What should be the role of each for each level of government (local, state, federal) in addressing essential worker housing needs?

RESPONSE: Focusing primarily on teachers (as my area of expertise), jurisdictional sovereignty creates significant limitations on the role of levels of Government. Constitutionally, education is the responsibility of the State. While the Federal Government has considerable fiscal capacity, its responsibility is limited.

The State Government has legislated responsibility for the delivery of education (and other key services) throughout the state. In delivering this role, the State Government needs to be oversight of planning and initiatives to ensure the efficient and effective delivery of education. This should primarily include either the development, or facilitation of partnerships to deliver new stock to house essential workers where they are most needed. Planning mechanisms, in collaboration with Local Governments, should embed essential worker housing in developments and rezoning to optimise efficient delivery of Government services. This should include the articulation, monitoring, and reporting on essential worker housing targets.

Local Government are responsible for planning and therefore need to ensure that sufficient allocations of properties for essential worker housing (as with social and affordable housing) through key strategies, incentives for developers, and partnering with non-for-profit housing providers to deliver innovative housing projects.

While advocating for a public infrastructure approach to essential worker housing, it is worth noting that Government (at all levels) initiatives are a guaranteed floor for provision where it is unaffordable for worker to live within commuting distance (both distance travel and time commuting) to work to address the issue of workforce distribution.

QUESTION 4a. What are the risks and/or benefits of establishing a centralised advisory board or authority to coordinate the provision of essential worker housing?

RESPONSE: Assuming consolidation of existing entities into a single entity, the centralised advisory board is an appropriate response.

A centralised advisory board would allow for a state-wide monitoring of existing assets and the identification of areas of greatest stress. Assuming appropriate representation of Government, industry, and agencies, this represents the most efficient way to solicit key information and delivery at scale – assuming matching resourcing. The goal of membership needs to be expertise, supported with a robust policy architecture and governance procedures, coupled with a membership reflective of those groups targeted in reforms.

As with all centralised responses, there are risks of bureaucratic creep and the lose of agility in responding to sector specific housing needs. There is also a risk in the composition and the balance shifting toward either Government, developers, or large employee groups, losing its relevance for smaller groups.

A key strategy would be the appointment of an independent Chair who understood the political realities of such a board and its operations, and a track record in working with potentially competing groups in delivering large-scale projects on time.