

# FUTURE CITIES SERIES: BEYOND APPLAUSE - KEY WORKERS IN FUTURE CITIES

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The contribution made by key workers to our cities has never been more essential – or more appreciated. Yet many of our cities are increasingly unaffordable for nurses, paramedics, teachers and police officers. The Covid-19 pandemic may result in a renewed focus on enabling key workers to live and thrive in our cities, ensuring cities have access to a sufficient healthcare workforce when needed.

This article is part of our Future Cities series where our sector experts examine the most pressing issues facing our cities in the post-Covid era and provide their views and advice on how to prepare for, and adapt to, the long-term legacy of the crisis.

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## THE AFFORDABILITY CHALLENGE

In many cities, key workers occupy a housing affordability gap. They earn too much to access social housing and rent assistance, but not enough to rely on the market alone. For shift workers, driving to work may be the safest option, so transport affordability is also a challenge. Moving to the outer suburbs and accepting a long commute may not be sustainable, so key workers look for work closer to where they live, or pivot towards higher-paying work. Over time, cities with a high cost of living face a net loss of key workers, while the demand for their services continues to grow.

### HOUSING AFFORDABILITY FOR AN ICU NURSE

Key workers may experience housing stress where the cost of rent, or of servicing a mortgage, exceeds 30% of income. The graphs below show the percentage of average income for an ICU nurse which is spent on rent or mortgage payments across 20 global cities.



## A LACK OF FOCUS?

In many countries, housing affordability is a major political issue at a national and inter-generational level. As a result, housing affordability for key workers has become subsumed within the broader issue of housing affordability generally.

This is particularly evident in the UK. Between 2001 and 2004, a range of programs directed specifically at key workers (with both ownership and rental options) were put in place. The government's current home ownership policies share some features with the earlier key worker schemes, but are open to anyone (subject to income tests). Key worker-specific programs tend to be localised and ad hoc, and are often more focussed on rental than on home ownership.

## INTERACTION WITH READINESS

One learning from the pandemic is that cities should maintain a deployable, scalable, locally-based pandemic workforce. Priority roles include nurses (especially ICU-capable nurses), paramedics, medical technicians and contact tracers. Housing or tax incentives, or cash stipends, could be made available to suitably-skilled individuals who maintain pandemic training and can be called up if required (like a specialised army reserve).

While a 'pandemic reserve' is not directly aimed at addressing affordability, by giving these workers extra income or other incentives, their buying power is improved. In this way, the community can maintain as-needed access to workers who choose to pursue higher incomes eg in management roles.

Another likely post-pandemic trend is 'de-casualisation' of healthcare workforces. Predominantly casual workforces have been problematic during the pandemic, including due to increased risk where workers work at two or more facilities. Healthcare workers are facing significant risks, and demands for greater employment stability (and higher wages) should be expected as a result. In turn, this improves buying power.

### **KEY WORKERS AS A SAFE BET**

Compared to other occupation categories, key workers are more likely to maintain stable employment during a pandemic. The safe investment features of key worker housing are amplified when the economy is disrupted. If pandemic lockdowns become semi-regular events, the investment characteristics of key worker housing will diverge from other housing development projects, for example student housing.

## **ADDRESSING AFFORDABILITY**

There are a number of existing and emerging models which seek to address housing affordability for key workers.

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|  <p><b>'HOMES FOR HEROES' STIMULUS</b></p> | <p>Many countries implemented repatriation housing programs in the aftermath of WWII, including low-cost mortgages for returned service personnel. With key workers the heroes of the pandemic, will post-pandemic stimulus programs include similar measures? While such measures would be popular, housing instability is arguably more pressing in other occupation groups.</p>   |
|  <p><b>CAMPUS REDEVELOPMENT</b></p>        | <p>'Marble and brass' hospital buildings can inhibit efficient service delivery, and divert funds into maintenance. As models of care evolve, buildings and land may become available – often located near healthcare hubs within a city. This provides an opportunity for brownfield developments including key worker housing. These projects can often be commissioned and controlled by health services themselves.</p>  |
|  <p><b>PARTIAL EQUITY MODEL</b></p>        | <p>In a partial equity model, key workers buy 70-80% of the value of their home and the government or a special purpose financier holds the remaining 20-30%. The deposit and the repayments are reduced, making home ownership significantly more affordable. Unlike models which only focus on releasing more stock into the market, partial equity creates a continuing relationship with the key worker homeowner, reducing the chances of the homeowner selling out for a windfall gain and moving away from the area.</p>  |
|  <p><b>ALGORITHMIC ZONING</b></p>          | <p>Algorithmic zoning is the use of technologies such as blockchain and machine learning to allocate amenity values to different land use outcomes, as a means of driving planning decisions. For example, an apartment within a development sold to a local primary school teacher would generate a different amenity value to an apartment sold to a stockbroker. Because algorithmic zoning uses the prevailing consensus about proportionate contribution to amenity, post the pandemic, significant value could be attributed to having key workers live locally.</p> |
|  <p><b>CO-DEVELOPMENT</b></p>             | <p>In a co-development model, a group of key workers is supported to manage development of a housing project, avoiding the developer's premium and achieving significant savings. A hybrid model is where a key worker-focused pension fund manages the development, making a moderate (and de-risked) return.</p>   |
|  <p><b>COMMUNITY LAND TRUSTS</b></p>     | <p>Community land trusts are non-profit, non-government organisations which hold land on which homes are constructed. Participating homeowners own the improvements, providing secure tenure and the opportunity to realise a capital gain. Like the partial equity model, the continuing relationship between the trust and the homeowners creates the opportunity to impose conditions eg. sale to another key worker. As the trust does not need to make a commercial return, discounted rental dwellings can also form part of such developments.</p>                  |

## THE ROAD AHEAD

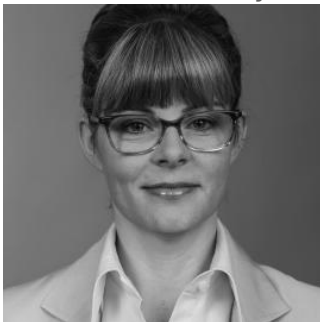
Despite the current focus on our key workers, it seems unlikely that housing affordability policy at a central government level will shift from affordability generally to key worker housing affordability specifically – including because key workers have been less hard hit, economically, than other occupation categories during the pandemic. If cities want to localise and future-proof their most essential workforce, innovative local solutions will be key. For developers, key worker-focused developments may be amongst the safest, most bankable projects (as well as being a social good) as we head into the new normal.



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## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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