

The implications of loss of a partner for older private renters

Dr Mike Dockery

AHURI Western Australia Research Centre

Contributors

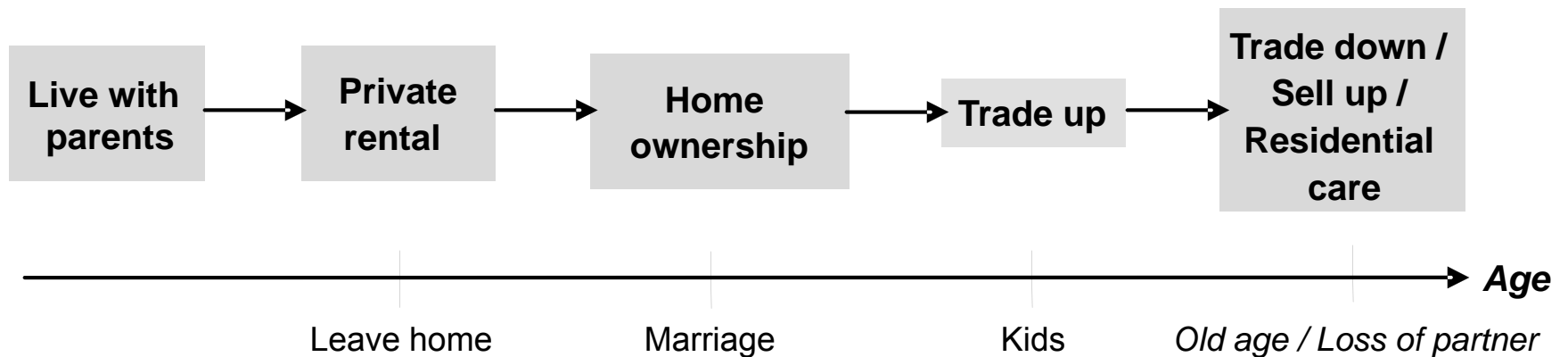


- Australian Housing and Urban Research Institute
 - RMIT-NATSEM Research Centre

Gavin Wood	Andi Nygaard
Chris Chamberlain	Alice Stoakes
Alperhan Babacan	Marc Adam
Grant Cullen	Kate Moloney
Greg Costello	

Background

The stylized housing career



Critical issues

■ Incidence:

- What proportion of the population have experienced divorce, separation and bereavement?
- Who is most prone?
- At what age do these events occur?
 - Effect of an aging population

■ Impact:

- on housing affordability
- on housing tenure
- on housing wealth and financial circumstances
- emotional impacts/quality of life

Critical issues

Cont...



■ Social and policy issues

- Population of older persons who have lost a partner.
- Adequacy of financial provisions in retirement/reliance on social security.
 - Budgetary implications.
- Suitability of their housing circumstances/housing requirements.
 - Match with existing housing stock?
- Demand for public housing.

Theory

Why is losing a partner so disruptive to housing circumstances?

■ Separation:

- Reduction in income for one or both partners.
 - While housing needs to be maintained.
- Loss of economies of scale in housing.
 - Creation of two households where there was only one.
- Change of residence → transaction costs.
- Retaining residence → overconsumption of housing.
- Lost scope for specialisation (e.g. in market and household production).
- Accumulated wealth is divided.
 - Including housing assets for home owners.

■ Bereavement:

- Typically occurs at older age than does divorce.
 - Reduction in income less of an issue.
 - Housing needs reduced .
- Loss of economies of scale in housing still applies.
- Wealth is not split.
- Change of residence → transaction costs.
- Retaining residence → overconsumption of housing.

- Focus: private renters aged 50 and over who had lost a partner.
 - But necessary to develop wider picture.
- Mixed quantitative and qualitative programme of research.
 - Quantitative – uses a range of available secondary datasets to explore different dimensions of the experiences of the separated and bereaved.
 - Qualitative – in-depth interviews with 61 older persons who had lost a partner, exploring broader psychological and emotional consequences.

■ Secondary Datasets

- Household, Income and Labour Dynamics in Australia Survey (HILDA).
- ABS Census of Population and Housing one-per cent sample file.
- ABS population projections/HomesWest's administrative dataset.
- Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA) Longitudinal Dataset of Income Support Recipients (the LDS).

Descriptive data

Marital status by age, 2001

Age	Married/ de-facto	Never married	Widowed (1)	Divorced (2)	Separated (3)	Lost Partner (1)+(2)+(3)	Sample size
20-29	16.9%	80.8%	0.1%	0.9%	1.3%	2.3%	25,767
30-39	57.2%	31.7%	0.3%	6.4%	4.5%	11.2%	28,625
40-49	67.8%	13.4%	1.0%	11.9%	5.8%	18.8%	28,145
50-59	72.0%	6.7%	3.1%	13.5%	4.7%	21.3%	23,080
60-69	72.4%	5.1%	9.1%	10.0%	3.4%	22.5%	15,129
70-79	60.9%	5.0%	26.0%	6.1%	2.0%	34.1%	11,485
80+	35.0%	5.6%	54.8%	3.4%	1.2%	59.4%	6,745

Source: ABS 2001 Census 1% Household Sample File

Who is most prone to divorce, separation and bereavement?

- Using HILDA, compared the continuously married, divorced, widowed and remarried
- Important methodological limitations
- Some key findings:
 - Most separations/divorces occur before age 50.
 - Men more likely to repartner.
 - “Investments” (home and children) appear to reduce separation likelihood.
 - Higher potential earnings have opposite effects by gender.
 - For men, reduces the probability of separation/divorce.
 - For women, increases the probability of separation/divorce.
 - Private renters with low income much more likely to be divorced.
 - Men: 3 to 4 times higher than general male population.
 - Women: 2 to 3 times higher than general female population.
 - Similar for separation.

Who is most prone to divorce, separation and bereavement?

→ Bereavement.

- Essentially older age.
- Weak evidence that lower potential income increases likelihood of being a widower.
- Otherwise likelihood similar across key variables investigated.

HARs of purchasers & renters who lost a partner

	Year of household dissolution	Year following household dissolution	2 Years following household dissolution
Continuously coupled			
Mean (%)	14.3	13.3	14.2
Median (%)	13.8	13.1	14.0
N	3,420	3,420	3,420
All experiencing HH dissolution			
Mean (%)	13.4	22.5	16.8
Median (%)	16.1	23.1	19.7
N	154	154	154
Singles not repartnered			
Mean (%)	15.1	23.6	19.3
Median (%)	18.6	24.0	20.8
N	126	126	126
Single then repartnered			
Mean (%)	8.1	19.0	11.6
Median (%)	9.7	20.3	13.3
N	28	28	28

Source: HILDA

HARs of purchasers & renters by gender

	MALES			FEMALES		
	Wave 1	Wave 2	Wave 3	Wave 1	Wave 2	Wave 3
All experiencing HH dissolution						
Mean (%)	13.8	21.1	14.8	12.5	24.0	18.8
Median (%)	14.8	20.2	16.8	15.8	24.9	20.8
N	62	62	62	92	92	92
Singles not re-partnered						
Mean (%)	15.3	22.8	16.9	13.5	24.4	21.4
Median (%)	15.3	22.4	18.0	17.9	24.9	22.2
N	50	50	50	76	76	76

Source: HILDA

Household dissolution and housing tenure pathways

	<i>Outright owners</i>		<i>Owner purchasers</i>		Renters		Total
	Sample numbers	%	Sample numbers	%	Sample numbers	%	Sample numbers
Before loss of partner	42	23.1	78	42.9	62	34.1	182
After loss of partner	37	20.3	52	28.6	93	51.1	182
Wave 1 Surviving couples	1,032	40.0	1,163	45.0	388	15.0	2,583
Wave 2 Surviving couples	1,092	42.3	1,161	44.9	330	12.8	2,583

Source: HILDA

Private renters who divorced or separated

	Prior to separation	After six months	After 1 year
Females			
Total household income	\$1,509	\$922	\$945
Rent paid	\$352	\$334	\$343
Ratio of rent to income	0.32	0.38	0.39
Prop. in Housing Affordability Stress	0.34	0.68	0.68
Males			
Total household income	\$1,053	\$613	\$651
Rent paid	\$304	\$254	\$274
Ratio of rent to income	0.35	0.46	0.45
Prop. in Housing Affordability Stress	0.44	0.80	0.74
All			
Total household income	\$1,404	\$851	\$877
Rent paid	\$341	\$318	\$331
Ratio of rent to income	0.32	0.40	0.40
Prop. in Housing Affordability Stress	0.37	0.71	0.69

Private renters who were widowed

	Prior to separation	After six months	After 1 year
Females			
Total household income	\$1,013	\$641	\$638
Rent paid	\$313	\$299	\$259
Ratio of rent to income	0.46	0.46	0.42
Prop. in Housing Affordability Stress	0.48	0.79	0.71
Males			
Total household income	\$1,025	\$676	\$678
Rent paid	\$229	\$262	\$265
Ratio of rent to income	0.23	0.40	0.41
Prop. in Housing Affordability Stress	0.33	0.75	0.76
All			
Total household income	\$1,016	\$649	\$649
Rent paid	\$293	\$289	\$261
Ratio of rent to income	0.40	0.45	0.42
Prop. in Housing Affordability Stress	0.45	0.78	0.73

Source: LDS

Projected demand for public housing by older (50+) singles

	2001 Public housing Stock	Demand as percent of 2001 stock				Change from 2010 to 2025 (percentage points)
		2010	2015	2020	2025	
NSW	114,130	7.1	7.9	8.6	9.3	2.2
Vic	54,805	10.8	12.2	13.4	14.5	3.7
Qld	47,286	10.1	11.9	13.5	15.2	5.1
WA	29,399	8.1	9.4	10.6	11.8	3.7
SA	44,686	4.4	4.8	5.2	5.4	1.1
Tas	11,611	5.4	6.0	6.3	6.6	1.2
ACT	9,858	3.5	3.9	4.3	4.6	1.1
NT	5,167	3.1	3.6	4.0	4.5	1.5
Australia	316,942	7.7	8.7	9.6	10.4	2.8

Findings from qualitative analysis

Analysis of data from the interviews highlighted three main points.

- Many experience financial hardship following loss of partner:
 - Private renters particularly impoverished.
 - Many outright owners had become “asset rich but income poor”.
- Mobility following loss of a partner varies:
 - Private renters and homeowners who have mortgages are likely to move if they lose a partner.
 - Public tenants are less likely to move if they lose a partner, because their rental payments are linked to their income.
 - Outright homeowners often stay in the family home after the death of their partner.
- Expectations of family support:
 - People from non-English speaking backgrounds either move in with children following the death of their spouse, or expect to move in with them when they need additional care and support.

Some key findings

- Household dissolution has significant and negative impacts upon housing affordability and housing tenure.
- Persons in private rental are particularly vulnerable.
 - However, if concerned about the consequences of divorce and separation, we should not restrict attention to those aged 50 and over.
- There is a large increase in the demand for housing assistance from private renters following loss of partner.
 - 41% of private renters that lose a partner either become eligible for CRA or receive more CRA following household dissolution.
- Two particularly vulnerable groups are:
 - Women with children because they are typically reluctant to leave the family home.
 - Widows (again typically women) because they often suffer an abrupt fall in income.

Some key findings

Cont...

- With population aging, older persons who have lost a partner will create significant demand on the public housing system.
 - Implications for the number and type of public residences required.
- Potential policy implications/measures:
 - For homeowners/purchasers - need for more flexible financial instruments to unlock wealth tied up in housing.
 - For private renters – as a particularly vulnerable group, older private renters could be treated separately for CRA eligibility.
 - Differentiate between working-age and above working-age.
 - Extend first-home owner concessions to those who lose home-ownership through loss of a partner.

Acknowledgement



This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) survey. The HILDA Project was initialised and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (MIAESR). The findings and views reported in this paper, however, are those of the authors and should not be attributed to either FaHCSIA or the MIAESR.