

Identifying assistance to sustain low to moderate income private rental tenancies

DEVELOPING A FRAMEWORK TO SUPPORT TENANTS TO ACCESS, MAINTAIN AND MANAGE RENTAL TRANSITIONS IN AN INCREASINGLY PRESSURED PRIVATE RENTAL SECTOR.

KEY POINTS

- Two distinct groups of low to moderate income tenants live in private rental: those who are managing but are vulnerable to economic shocks due to limited reserves; and those who have experienced critical life events (CLEs) that undermine their economic and capacity to rent.
- Very few households reported having formal market based insurances (e.g. income protection insurance) to help manage the negative impacts of adverse events.
- Housing affordability problems shape tenant experiences of the private rental sector, with housing stress featuring as the top CLE affecting tenancies.
- As the main form of housing assistance for private tenants is Commonwealth Rent Assistance (CRA), there is a need for policy adjustments to address the support needs of an increasingly diverse range of tenants.
- This research presents a new framework for understanding the housing assistance support needs of tenants, including opportunity for assistance that promotes early intervention and prevention of problems.

*This bulletin is based on research conducted by **Dr Wendy Stone, Dr Andrea Sharam and Ms Liss Ralston** at the AHURI Research Centre—Swinburne University of Technology, **Dr Ilan Wiesel** at the AHURI Research Centre—The University of New South Wales, and **Dr Sanna Markkanen and Dr Amity James** at the AHURI Research Centre—Curtin University. This research examined the role of critical life events, housing shocks and insurances in accessing and sustaining tenancies.*

CONTEXT

The private rental sector (PRS) is growing as a proportion of Australia's housing system, particularly for low to moderate income households. These households now occupy dwellings in the PRS in greater numbers and for longer periods than before. The identified shortage of affordable and available homes for low and low-moderate income households has implications for the ability of tenants to attain private rental lease agreements, to maintain tenancies and to manage exit transitions.

RESEARCH METHOD

This research examined households with incomes up to the Australian median household income who were renting in the PRS so as to provide more nuanced understandings of the types of support such households may require in order to remain adequately housed.

The research used Household, Income and Labour Dynamics in Australia (HILDA) survey data to profile low-income tenants' critical life events, together with 76 in-depth interviews with low to moderate income private tenants in Melbourne, Sydney and Perth about their life-event-housing experiences and 16 interviews with key practitioners to identify emerging types of support for tenants.

KEY FINDINGS

New conceptual framework

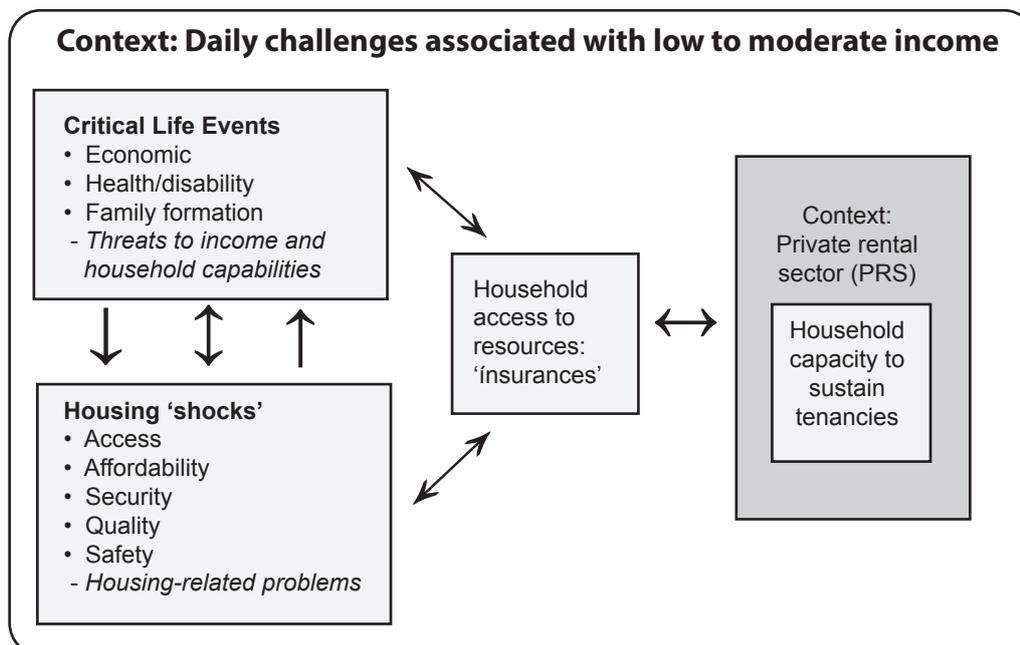
To respond in more effective ways to the difficulties lower income households can experience in the PRS, a new conceptual framework (Figure 1) was developed that takes into account *CLEs*, *housing shocks* and *insurances* (i.e. a range of resources that individuals and households may have at their disposal to manage life events). Importantly, the framework also provides an entry point for early identification of risks and opportunities for early intervention.

Critical life events

From a CLE perspective two distinct tenant groups emerge:

- Tenants who have experienced numerous CLEs that create difficult social and economic circumstances and can have extreme difficulties attaining leases and maintaining cash flow to afford rent and utilities.
- Tenants with relatively few CLEs that affect income and who are managing but may require housing assistance to manage events or to assist with a transition.

FIGURE 1: CRITICAL LIFE EVENTS, HOUSING SHOCKS, TENANT INSURANCES AND CAPACITY TO SUSTAIN HOUSING IN THE CONTEXT OF DAILY CHALLENGES: A FRAMEWORK FOR ANALYSIS



HILDA data shows that higher rates of CLEs occur among low to moderate income tenants than for households in other income or tenure circumstances.

Qualitative research identified the top five CLE types: housing stress (shown to affect 66 of the 76 tenants interviewed); labour market difficulties; migration; loss of partner; and disability, injury or illness.

Housing shocks

Housing shocks include affordability problems; unwanted or forced mobility; poor housing standards; inability to secure new tenancies; and conflict with landlords.

The qualitative research shows that housing affordability affected tenants' experiences of gaining leases, their types of dwellings and rental locations, and their ongoing ability to maintain rental payments.

Household insurances

The ability of a tenant to manage or avoid the negative impacts of an adverse event depends upon the resources available to that household (termed insurances). Insurances typically include combinations of: personal attributes such as resilience and skills (human capital); social capital (networks that can be drawn on for support); financial capital (in the form of savings or access to affordable credit); market-based insurances (e.g. contents insurance, income protection/life insurance); and government assistance/welfare support.

Few households in the study reported having formal market based insurances. Credit was often used to fund housing related needs, however acquiring a debt can undermine tenancies through reduced capacity to meet financial commitments and can potentially damage credit worthiness.

Private rental risk cycle

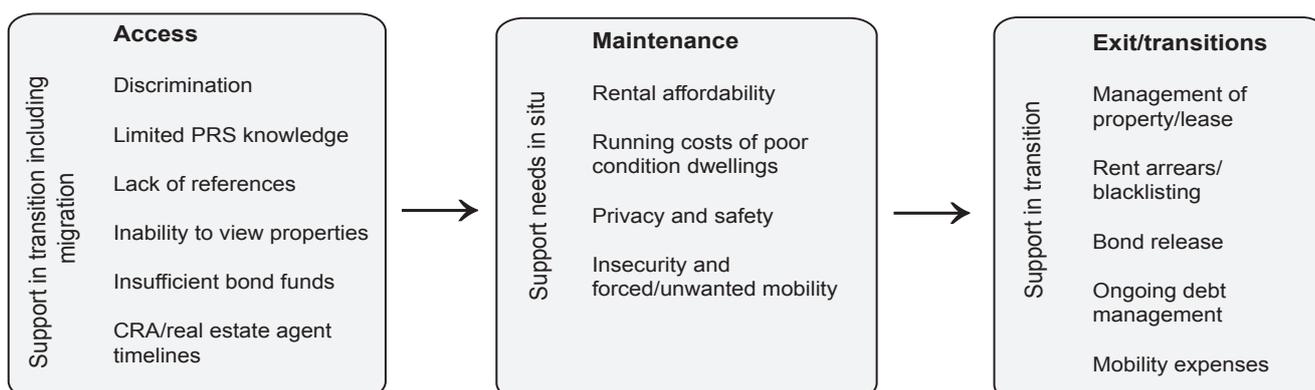
Qualitative research identified three key risk points (Figure 2) for private rental tenancies. To sustain tenancies in a highly pressured, relatively lightly regulated and sometimes precarious private rental sector, tenants require support with points of access, maintenance and exit/transitions.

POLICY IMPLICATIONS

Key areas of support to assist households to access and maintain private rental tenancies include:

- Information transfer—increased knowledge about the PRS is essential, particularly for tenants who are inexperienced in the Australian housing market such as newly arrived migrants, young adults, or adults entering or re-entering the private rental sector.
- Financial assistance—practical measures such as bond assistance should be readily available to tenants in need of financial support to secure housing. These measures must consider levels of debt already carried by tenants and their genuine capacity to pay. Interest free loans or bond payments (non-loans) to support tenants to access or transition between tenancies may also be effective.

FIGURE 2: TENANT RISK POINTS ASSOCIATED WITH PRIVATE RENTAL TENANCIES



- Brokerage—intermediaries in the market to provide support for tenant groups, such as families, aged, migrants and the underemployed, faced with systemic discrimination.
- Regulation and standards—greater regulation of housing standards such as costs; quality; tenant privacy and safety; and exploitation, particularly for the informal PRS where tenants can be exposed to increased risk. There may be an ongoing role for government in regulating and monitoring tenancy databases used by estate agents that can adversely affect the most disadvantaged tenants.
- Early intervention and prevention—made available through contact points such as health services, legal centres and other support services (e.g. migrant support)—could minimise the impact of CLEs on housing outcomes. The potential to support tenants at early stages of payment difficulty will likely result in significant housing assistance savings when compared to the potential costs of homelessness and/or social housing.

FURTHER INFORMATION

This bulletin is based on AHURI project 51020, *Sustaining private rental tenancies: targeted tenant support across life events and housing transitions*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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