

Asset poverty and older Australians' transitions into housing assistance programs

WEALTH AND DEBT POSITIONS ARE BECOMING INCREASINGLY IMPORTANT IN SHAPING THE PATHWAYS INTO HOUSING ASSISTANCE PROGRAMS. ANALYSIS OF THESE PATHWAYS SHOWS THAT HOUSEHOLDS WHO HAVE RECENTLY LOST HOME OWNERSHIP STATUS HAVE A MUCH HIGHER LIKELIHOOD OF SUBSEQUENTLY NEEDING HOUSING ASSISTANCE COMPARED TO THE LONGER TERM RENTER.

- Eleven per cent of older Australians who had a spell in home ownership between 2002 and 2006 lost home ownership status by 2006.
- Findings from modelling pathways into housing assistance programs highlight that those tumbling out of home ownership in recent years are much more likely to transition into a housing assistance program as compared to the typical renter.
- Importantly, clients of assistance programs typically remain enrolled in these programs.
- The research highlighted that many participants experienced their housing situation as a problem. Even if it was currently satisfactory, stable and technically permanent, the prospect of *ageing in place* was seen as precarious due to increasing private rental costs and/or unanticipated changes in circumstances.
- While participants adopted a number of coping strategies to manage housing instability their quality of life was significantly affected. Many were critical of government housing policy.

*This bulletin is based on research by **Professor Gavin Wood, Dr Val Colic-Peisker, Professor Mike Berry** of the AHURI RMIT Research Centre and **Dr Rachel Ong** of the AHURI Western Australia Research Centre. The research explored demand for housing assistance by asset-poor older Australians, their coping strategies and the importance of these outcomes to ontological security.*

- The widely held belief that home ownership is a reliable buffer against poverty in old age is not supported by the evidence. Policy-makers might consider initiatives that assist precariously positioned owner-occupiers to retain their ownership status. Equity based initiatives, such as shared equity programmes, have a potentially important role to play.

BACKGROUND

This project explored how the asset-poor status of older Australians helps to determine their demand for housing assistance, and the coping strategies used by asset-poor Australians to secure satisfactory housing outcomes. Recent demographic changes, together with job insecurity in deregulated labour markets, innovations in housing finance and housing market volatility mean that wealth and debt positions are increasingly important in shaping pathways into housing assistance programs. Threats to housing wellbeing are particularly important for older Australians as they are less resilient than younger Australians to adverse shocks that threaten home ownership and cause asset poverty.

METHODOLOGY

This research project used qualitative and quantitative methods to explore issues around asset poverty, older Australians and housing outcomes including:

- An analysis of pathways into housing assistance programs and *survival* in home ownership, focused on renters in 2002 or 2006, aged over-50, utilising data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey.
- Thirty in-depth interviews and three focus groups with older Australians on coping strategies in later stages of housing careers.
- Policy simulations based on overseas initiatives that explore whether interventions targeted on older asset-poor home owners could secure housing circumstances and reduce the need for housing assistance.

FINDINGS

Pathways into housing assistance programs

- Results from modelling of pathways into housing assistance programs indicate that renters who have recently (since 2002) dropped out of home ownership, have a much higher likelihood of subsequently needing housing assistance (in 2006) as compared to the typical renter. This is despite the longer time that the typical renter has lived in this tenure.
- Therefore, it appears that whatever equity recent home owners release on selling up, is often insufficient as a safeguard against dependence on housing assistance programs. This is confirmed by the data which showed that one in ten older Australians (50+) had a chance of exiting home ownership within the five-year period 2001–06.
- Further, it is likely that older Australians' transitions out of home ownership are precipitated by traumatic events, such as divorce, bereavement and unemployment that erode the housing equity accumulated over their housing careers. The narratives emerging from in depth interviews tend to confirm this finding.
- The analysis also indicated that being a recipient of housing assistance in 2002 increases the probability of entitlement to housing assistance in 2006 by a significant 64 percentage points. This reinforces evidence that once older Australians enter housing assistance programs it tends to be a permanent rather than temporary transition.
- Estimates do not confirm expectations that rising debt frequently precipitates entry into housing assistance programs. In fact, estimates show that average levels of debt were low among the sample of older Australian renters. However, there is a caveat for those who were in home ownership at an earlier stage in their housing careers: debt stress might precede involuntary exits from home ownership as households are forced to realise equity in order to reduce debt to manageable levels.

Coping strategies

- The research highlighted that many participants experienced their housing situation as a problem. Even if it was currently satisfactory, stable and technically permanent, the prospect of *ageing in place* was seen as precarious due to increasing private rental costs and unanticipated changes in circumstances.
- Respondents managed their housing situation in various ways and with varying degrees of success. Home owners were able to exercise more choice and could draw on the equity in their home to manage financial difficulties brought on by pressing spending needs.
- However, many participants had no equity, little or no savings, and/or inadequate superannuation to fall back on. This significantly impacted on their social and economic vulnerability, and their quality of life.
- Respondents generally held a critical view of government policies and often raised concerns about the lack of public provision for the aged with respect to general welfare services, subsidised housing, and aged care facilities.

Drivers of asset poverty and determinants of survival in home ownership

- Results from analysis of the factors determining *survival* in home ownership between 2002 and 2006 indicate that 11 per cent of older Australians that had a spell in home ownership between 2002 and 2006 lost home ownership status by 2006.

- The modelling identified demographic factors (e.g. divorce and separation) and mortgage stress as important variables shaping the chances of home ownership retention.
- Estimates also revealed that 36 per cent of those dropping out of home ownership moved onto housing assistance programs by 2006. The findings suggest that even among the over-50s, mortgage stress could still precipitate loss of home ownership.
- Simulations of overseas intervention models within the Australian context suggest that rent-to-buy solutions are unlikely to be attractive to asset-poor older Australians but that shared equity programs are more promising.

POLICY IMPLICATIONS

This project's findings question some of the key assumptions underpinning an Australian housing policy that has promoted first home ownership, but neglected the sustainability of home ownership. Most importantly, the findings challenge the widely held belief that early achievement of home ownership leads to a secure housing career.

As the population ages, increased insecurity among older Australian home owners will have more profound ramifications, particularly around dependence on housing assistance programs. To mitigate against increasing dependence on housing assistance and to encourage *ageing in place* requires explicit consideration of the sustainability of home ownership policy. Within this context,

CASE STUDY: HOME OWNERSHIP TO HOUSING ASSISTANCE

M is a 63-year-old private renter who shares a home with her son who is on a disability pension. M also receives a disability pension due to diabetes. They both receive Commonwealth Rent Assistance. Private rental is possible only because her son pays half the rent. The disability pension does not cover basic needs and she has to 'go for food vouchers sometimes', which she finds 'degrading'. M was previously partnered with a man who owned a house, but was left stranded after he died. Earlier she had been married with four children paying off a home in Frankston, but ended up in a rental property due to high interest rates. The family attempted to purchase another home, but went into bankruptcy. Later on the marriage broke down and M was accommodated in public housing. She found the high-rise Carton estate 'horrible' and said she'd 'rather die than go back there'. She finds it hard to live in private rental because her rent 'goes up every six months'. M had very little superannuation which is already spent.

there are a number of policy interventions that could assist ageing owner-occupiers to retain their ownership status including:

- Early intervention strategies such as shared equity initiatives which could substantially improve the quality of life of financially vulnerable older Australians and provide a more efficient use of government funds. Good policy design should be based on precise identification of the critical triggers causing older households to fall out of home ownership.
- Increasing the mandatory (employer and employee) contributions to superannuation which would place people in a stronger position to navigate financial vicissitudes later in life.
- Improved lifetime education in financial literacy to ensure that younger people are better equipped to manage their financial futures.
- Better understanding of how demographic factors such as separation and divorce impact and interact on home ownership retention in order to explicitly consider these issues in housing provision and regulation.
- Taxation reform to reduce asset poverty through the life course, particularly measures that shift the tax burden from savings to spending.

- Implementation of policies to insure or buffer against hardships caused by equity withdrawal. For example, fuller disclosure on the obligations and risks associated with particular mortgage products to reduce the prevalence of risky borrowing.

FURTHER INFORMATION

This bulletin is based on AHURI project 30563, *Other countries' policy initiatives to meet the housing needs of asset-poor older persons: implications for Australia.*

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

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