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Precarious housing and wellbeing: a multi-dimensional investigation

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Title

Precarious housing and wellbeing: a multi-dimensional investigation—Executive Summary

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Executive summary

Key points

- The wellbeing of singles, households with no children, low-income households, private renters and major city residents worsens when they are precariously housed.
- The gap in wellbeing between precariously housed and non-precariously housed people has widened over time.
- Forced moves and unaffordable housing have the most detrimental impact on wellbeing. The former results in a 1.6 per cent decline in the wellbeing index; the latter results in a 0.8 per cent decline in the wellbeing index. Forced moves and unaffordability also depress the mental health score by 1.7 per cent and 0.5 per cent respectively.
- Forced moves, unaffordability and neighbourhood hostility affect a greater range of wellbeing dimensions than other forms of housing precariousness.
- Satisfaction with finances is negatively impacted by forced moves (3.4% decline) and unaffordable housing (2% decline).
- Satisfaction with the community is negatively impacted by neighbourhood hostility (with a 0.7% decline for each unit increase in the hostility score).
- The receipt of housing assistance does not have a statistically significant impact on the wellbeing of precariously housed renters.

- **Young people are more likely to fall into or remain in precarious housing than older people. Among the 25–34 years age band, 19 per cent fall into precarious housing and 24 per cent stay in precarious housing from year to year. On the other hand, only 4 per cent of the 65+ years age group fall into precarious housing and just 12 per cent stay in precarious housing from year to year.**
- **Physical violence precipitates entry into precarious housing, and lengthens time spent in it. Nearly one-quarter of those who suffer physical violence while not precariously housed fall into precarious housing in the following year. Three-quarters of those who suffer physical violence while precariously housed find themselves unable to escape into stable housing by the following year.**
- **Policy reform to increase tenure security in the private rental sector would increase the wellbeing of tenants.**
- **There remains significant scope for reforming existing housing-assistance programs to improving the wellbeing of the precariously housed through better targeting and integration of housing and non-housing measures.**

Key findings

The relationship between housing precariousness and wellbeing across populations and over time

Over the period 2002–2018, the extent of precarious housing has fallen, with the mean precarious housing index declining from 1.14 to 1.05 points. This has been primarily due to a downward trend in neighbourhood crime. On the other hand, we find that the share of the population in unaffordable housing has risen over time, from 6 per cent in 2002, peaking at around 8 per cent in 2010 and stabilising at 7–8 per cent since. Despite a fall in mean precarious-housing index scores, the average wellbeing index has remained fairly constant. However, there are some distinct differences across wellbeing dimensions. For instance, average self-assessed mental health and physical health scores have declined slightly over time. Importantly, the gap in wellbeing between the precariously housed and non-precariously housed has widened over time.

Among the precariously housed, financial constraints and living in the rental sector predispose people to poorer wellbeing outcomes. People living alone, low-income households and public renters are most likely to report low wellbeing at any time point. When housing becomes precarious for a household, those most likely to suffer a drop in wellbeing are people who:

- have no children
- have low incomes
- are renting from a private landlord
- are residents of major cities.

Clearly, there exists significant scope to better target housing policy measures towards the most vulnerable in the Australian population, and these groups (low income, private renters, people living alone, and people with wider financial constraints) should be prioritised.

Dimensions of housing precariousness that affect wellbeing

Forced moves and unaffordable housing stand out as being particularly strong drivers of a decline in wellbeing. Forced moves result in a decline of 1.6 per cent in the wellbeing index, while unaffordability depresses the wellbeing index by 0.8%. Forced moves and unaffordability also depress the mental health score by 1.7 per cent and 0.5 per cent respectively. Satisfaction with finances is negatively impacted by forced moves (3.4% decline) and unaffordable housing (2% decline). However, neighbourhood conditions are not unimportant. For instance, satisfaction with one's community is negatively impacted by neighbourhood hostility, with a 0.7 per cent decline for each unit increase in the hostility score.

Dimensions of wellbeing that affect housing precariousness

Focussing on household conditions, we find financial satisfaction to be a key influencer of these outcomes. The odds of experiencing a forced move, unaffordable housing and overcrowding are all reduced when financial satisfaction grows. This is particularly evident regarding unaffordability. With each unit increase in the financial satisfaction score (which runs on a scale of 0 to 10), the odds of experiencing unaffordable housing declines by 6.8 percentage points. Satisfaction with one's community results in the greatest reduction in neighbourhood hostility, neighbourhood crime and Socio-Economic Indexes for Areas (SEIFA) score.

Housing assistance and the wellbeing of precariously housed renters

We find little evidence that housing assistance in its current form offers an effective means of improving the wellbeing of renters who are precariously housed. This finding is robust across alternative definitions of housing precariousness and is consistent across housing-assistance types. Therefore, there exists significant potential for housing assistance programs—both Commonwealth Rent Assistance (CRA) and public housing—to be reformed to increase their effectiveness in improving the wellbeing of precariously housed housing-assistance recipients.

The timing of precarious housing experiences

Average wellbeing decreases as individuals transition to higher levels of housing precariousness. The greatest decline in wellbeing occurs when non-precariously housed individuals first fall into precarious housing circumstances. Thus, it is important to understand how policy interventions can be timed to prevent people from falling into precarious housing in the first place, as well as how they can be timed to provide the greatest assistance to individuals in the midst of a transition into housing precariousness.

We find that young people are more vulnerable to falling into and remaining in housing precariousness than older age groups. Among the 25–34 years age band, 19 per cent fall into precarious housing and 24 per cent stay in precarious housing from year to year. On the other hand, only 4 per cent of the 65+ years age group fall into precarious housing and just 12 per cent stay in precarious housing from year to year. Some major life events also precipitate transitions into precarious housing or prolonged spells in precarious housing. Twenty-two per cent of those who suffered physical violence while not precariously housed in the past year fall into precarious housing in the following year. Three-quarters of victims of physical violence who were in precarious housing in the past year find themselves unable to escape into stable housing by the following year. Furthermore, similar proportions of those who have been detained in jail in the past year also enter into or remain in precarious housing.

Policy development options

The key findings in this report give rise to a series of important policy considerations and development options that broadly fall under the following policy domains:

- targeting
- regulation
- integration.

Targeting of assistance towards the most vulnerable

Financially constrained singles are most exposed to poor wellbeing outcomes when precariously housed. Young people are also more vulnerable to falling into and remaining in housing precariousness than older age groups. Clearly, there exists significant scope to better target housing policy measures towards the most vulnerable in the Australian population.

Various studies have suggested that households with children receive more generous welfare assistance than single households without children. Ong, Pawson et al. (2020) find that single private renters are most likely to be in housing stress but not receive CRA, while households with children are most likely to receive CRA while not being in housing stress. Similarly, Burke, Stone et al. (2011) find that single private renters face the greatest affordability problem, but the scale of the problem diminishes as the number of children increases. This suggests a need to consider both housing assistance and other forms of welfare, to ensure that they offer assistance in an equitable manner across different household types.

The current CRA structure is not an effective means of improving the wellbeing of precariously housed private renters. Various studies have suggested that the current CRA structure is ineffective in achieving a meaningful reduction in housing stress among low-income private renters (Henry, Harmer et al. 2010; Wood, Ong et al. 2011). The real value of CRA has fallen well behind rent inflation (Productivity Commission 2017) and there remains scope for improved targeting so that CRA entitlements more closely match the needs of different population cohorts (Henry, Harmer et al. 2010). Ong, Pawson et al. (2020) find that while over two-thirds of low-income private renters are assisted by CRA, one-third of low-income CRA recipients remain in moderate to very severe housing stress after CRA is deducted from their rents. They model various reforms to CRA and propose that changing CRA eligibility rules to better align with housing need would offer the greatest benefits by reducing the numbers of low-income rental tenants in housing stress by 44 per cent, while generating fiscal savings of \$1.2 billion per year.

Regulation

The findings from this report point to poor wellbeing scores among precariously housed public renters. They also suggest that when private renters fall into precarious housing, their wellbeing scores fall by a greater extent than other housing tenures. Related to this, forced moves are a key depressant of wellbeing. The scope for improving security of tenure in the rental sector is therefore significant. Lease terms and rent levels are currently lightly regulated in the private rental sector in Australia. A renter's security of tenure could be improved if they had the ability to exercise choice over tenancy length (Martin, Hulse et al. 2018). Tighter rent regulation or rent price control—as in countries such as Spain, Belgium and Germany—can also offer greater protection to tenants by preventing landlords from trying to 'price out' tenants in an attempt to end a tenancy (Iwata and Yamaga 2008; Minnery, Adkins et al. 2003). Abolishing 'without grounds' tenancy termination will also have the effect of improving security of tenure (Martin, Hulse et al. 2018).

Integration of housing and non-housing policy measures

Vulnerability to precarious housing is greatest:

- in earlier stages of the life course
- when victim to physical violence
- when facing jail detention.

On their own, neither CRA nor public-housing assistance are effective in improving the wellbeing of the precariously housed. Therefore, there is a need for better integration of housing policy measures with non-housing measures, so as to offer an integrated approach to assisting those suffering from housing precariousness due to non-housing-related factors. This may include whole-of-sector support for youths who are at risk of homelessness or facing prolonged unemployment, including assistance with job search and labour-market training, coupled with access to shelter.

Stronger protections against domestic violence that package both housing and non-housing support measures would also protect wellbeing. There is a need for better integration between domestic and family violence response and the wider housing system so those leaving violent relationships can access long-term, safe and appropriate housing (Flanagan, Blunden et al. 2019). Prisoners should be offered the assistance of trained case workers for housing, personal support and advocacy support both before and after their release from prison (Baldry, McDonnell et al. 2003).

The study

Wellbeing has become a critical and internationally recognised yardstick of societal progress and policy impact. Local, national and international policy makers have increasingly sought to measure whether citizens' quality of life is improving over time as a result of policy interventions—which is something that economic metrics fail to assess. Indeed, policy intervention in the area of housing has increasingly been viewed as a wellbeing issue, as well as an economic issue. Measuring the wellbeing impacts of policy rather than measuring economic growth puts individuals at the centre of evaluation.

Given the importance of housing for the wellbeing of the population, AHURI has in the past invested in research that has generated important and foundational findings on the empirical links between housing and wellbeing. With the passing of time and increasing sophistication of the conceptual understanding of wellbeing, this report represents a timely opportunity to further develop and expand our understanding of wellbeing in relation to Australian housing and our housing system.

This report will present comprehensive evidence that offers an up-to-date national picture on the links between precarious housing and wellbeing. Specifically, this report addresses four key research questions:

- How has the relationship between housing precariousness and wellbeing changed over time? Does the bi-directional relationship between housing precariousness and wellbeing vary by household type, income, housing tenure and/or geographical location?
- Which dimensions of housing precariousness affect wellbeing? Which dimensions of wellbeing affect housing precariousness?
- Does housing assistance mitigate the influence of housing precariousness on wellbeing?
- How can policy interventions be timed to effectively minimise any negative impacts of precarious housing on wellbeing?

The report draws on the Household, Income and Labour Dynamics in Australia (HILDA) survey, a longitudinal survey that has been tracking a nationally representative sample of Australians annually since 2001. The HILDA survey is especially suitable for examining precarious housing and wellbeing, as it contains an extensive set of variables that enables population-wide conclusions to be drawn across a range of precarious housing and wellbeing dimensions. Therefore we are able to observe a rich array of household-based, precarious-housing dimensions—forced moves, unaffordable housing, overcrowding—as well as area-based precarious housing dimensions—neighbourhood hostility, neighbourhood crime, neighbourhood socio-economic status. In terms of wellbeing dimensions, we explore a myriad of variables related to satisfaction (with life, employment opportunities, finances, community) and self-assessed health (both mental and physical).

A dimensionality reduction technique called principal component analysis is applied to construct both a precarious housing index and a wellbeing index. The technique is widely used when there are a number of closely related variables and the researcher or analyst wants to allow the most significant influences from these variables to remain after the index is constructed. In the present context, it allows for separate factors to be combined into one measure, allowing for a holistic examination of precarity and wellbeing.

We employ panel data regression modelling to unpack the causal links between different dimensions of housing precariousness and wellbeing. Through regression modelling, we are able to isolate the independent effect that a precarious housing predictor might have on a wellbeing outcome, while controlling for other potentially confounding predictors.

There are at least two major advantages of panel data modelling compared to cross-sectional data modelling.

1. Panel data modelling has a greater capacity to detect causal effects than cross-sectional data modelling.
2. Panel data modelling has the ability to measure within-person differences over time—which is particularly important when analysing the subjective wellbeing responses of individuals.



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