POLICY EVIDENCE SUMMARY

April 2022

Responding to the pandemic: Australia's housing policy interventions and outcomes

AHURI

Based on AHURI Final Report No. 376: Australia's COVID-19 pandemic housing policy responses

What this research is about

This research reviewed Australia's COVID-19 housing policy responses to better understand their intervention approach, underlying logic, short and long term goals, target groups and level of success.

The context of this research

The rapidly evolving circumstances of the COVID-19 pandemic in early 2020 called for immediate housing policy (and related) interventions. Interventions occurred at national, state/territory and local jurisdictions and took many different forms, ranging from broad sweeping income supports through to non-binding advice or advocacy approaches.

Given Australia's federated system of government, considerable differences quickly emerged between intervention approaches across states and territories. This was also driven by the extent to which different jurisdictions were impacted by the spread of the virus, the extent and frequency of lockdowns, and damage to state/local economies.

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Welfare interventions

- **Coronavirus Supplement:** from March 2020, a payment of $550 per fortnight was granted to recipients of JobSeeker (replacing the Newstart Allowance) and several other payments. The payment was tapered and ceased following its initial six-month period.
- **JobSeeker:** supported persons stood down from their jobs, sole traders, casual workers, contractors and those unemployed or temporarily unable to work due to illness or medical conditions.
- **JobKeeper:** Introduced in March 2020, the payment supported businesses suffering significant economic impact (greater than 30% of revenue loss) and provided approximately 70 per cent of the national median wage. The scheme was extended to March 2021.
- **HomeBuilder:** provides eligible owner-occupiers (including first home buyers) with a tax-free grant of $25,000 to build a new home or rebuild an existing home. As of 9 April 2021, 121,363 applications had been submitted, pushing the expected program cost upward of $2.5 billion.
- **Family Home Guarantee:** supported up to 10,000 single parent families (with dependent/s) to build or buy a home, requiring only a 2 per cent deposit. Requirements include ability to pay and income caps of $125,000 per year/applicant.

- **JobMaker:** implemented from October 2020 to 6 October 2021, JobMaker is a taxation-credit based program to provide businesses with an incentive to employ additional young jobseekers aged 18–35 years. Social policy advocates criticised JobMaker because it could further entrench ageism and age-based discrimination in the labour force, including for precariously employed women aged 50 years and over —groups also bearing pandemic-related income and housing disruption.
  The government also introduced crisis approaches to support income 'self-reliance' and targeted economic support:
- **Early access to accrued superannuation:** Individuals were allowed to access utilise superannuation savings for financial relief; up to $10,000 in the period prior to 1 July 2020, and/or a further $10,000 to 31 December 2020. Fifty-six per cent of those who accessed superannuation in this way used the funds to meet household expenditure, with a further 15 per cent using it to pay off debt.

State and Territory response

In 2020 and 2021, targeted crisis responses, related to stay at home/lockdown orders for workers, were managed by state/territory governments.

Australian state governments announced new social housing construction of 23,000 dwellings during 2020–21. Three Australian states are notable for their early response initiatives: the Victorian Government committed $500 million to increase the social housing supply through new construction, upgrades, and maintenance to existing dwellings; the Western Australian Government initiated a $319 million Social Housing Economic Recovery Package (SHERP), on 5 September 2021 a further $875 million was committed to improve the quality and quantity of social housing. The NSW Government announced $892 million for the social housing sector to fast-track new social housing already in development, acquire new dwellings and refurbish existing dwellings in 2021, following $60 million for public housing maintenance and upgrading in 2020.

Other social housing pandemic initiatives include the Tasmanian Government's $280 million commitment for social housing and the Queensland Government's $100 million social housing investment. The governments of South Australia and the ACT committed additional funding to existing social housing programs.

States and territories implemented several policies relating to rental housing including eviction moratoriums and 'rent relief' through restrictions on increases, negotiated variations, and government payments/rebates. However, interventions in rental sectors can generally be seen as a lighter touch, with greater emphasis on encouragement for landlords and tenants to negotiate.

The key findings

The national and state policy measures implemented to support home ownership achieved the desired goal of providing short-term stimulus to the residential building sector and support to the broader economy. However, a range of anticipated and unforeseen consequences have precipitated as a result of concentrated demand-side subsidies, low interest rates and flexible lending conditions.

> 'Building social housing in response to the pandemic has been an important source of economic stimulus and re-investment in housing infrastructure.'

The effects of bring-forward demand coupled with labour and material shortages contributed to price escalation, while creating the conditions for a sudden decline in new housing construction as the incentives wind down. While the short-term impacts of home ownership interventions in relation to COVID-19 have been positive, there may be negative medium-term implications for the industry.

Building social housing in response to the pandemic has been an important source of economic stimulus and re-investment in housing infrastructure, particularly in Queensland, Tasmania, Victoria and Western Australia. However, without centralised national government commitment, it's unlikely that the 'recovery in low-cost rental housebuilding indirectly triggered by the pandemic will endure beyond 2025'. Australia's approach stands in stark contrast to large-scale, centrally led social house building industries seen internationally.

Homelessness interventions

Homelessness policy interventions from state and territory governments mostly placed rough sleepers and other homeless people into temporary emergency accommodation to protect them, and the wider public, from infection and to shelter homeless people while they were required to isolate.

By early 2021, at least 12,073 rough sleepers and thousands of others (e.g. couch surfers and shelter residents) had benefited from COVID-19 emergency accommodation programs staged by the four active states. Over and above room bookings, assistance provided during lockdowns often included meals, as well as personal support for more vulnerable service users. The scale, as well as the rapid evolution, of these emergency measures compare favourably to similar initiatives -seen internationally.

Private rental sector interventions

The form of the emergency response in private rental policy—eviction moratoriums, frameworks for rent variation and rent relief—initially semed remarkable, but the discretionary nature of some of these measures meant that implementation was patchy, and their outcomes were modest.

A small minority (8–16%) of tenants got a rent variation, and more were discouraged or refused and more moved out. There is also evidence of significant underspending in most rent relief schemes.

A survey of landlords suggests the rate of rent variation may be significantly higher—47 per cent of tenancies—but the rate of refusal (22%) is similar to that found in previous research. The survey also found high rates of tenancy termination during the emergency (by both landlords and tenants), suggesting many variations merely reduced tenant liabilities while the tenancy was ending. High rates of post-emergency termination proceedings and rent increases suggest that many landlords were determined to reverse the restrictions of the emergency period.

In discussions with sector stakeholders, there was dissatisfaction with the regime around rent variations. Policy makers should not expect the sector's landlords and agents to effect comprehensive responses to critical events. Collaborative, sympathetic actors are not absent from the sector, but there is no sense of their actions scaling into a systemic response. The state of the sector requires a mandatory approach.

COVID and Australia's economic and housing outlook (Economists' survey)

Expert opinions on Australia's economic outlook were neutral on many of the perceived risk factors to economic recovery, but supportive of the idea that the pandemic has worsened housing and wealth inequalities.

Although conditions are becoming more 'normal', this is a different normal in which fresh outbreaks of COVID-19 cannot be discounted. For instance, capital markets reacted quickly to rising infection rates in parts of the EU in November 2021 and discounted share prices heavily, and Omicron caused even greater shocks to markets. Global growth rates have picked up since early 2021 but there is a concern that, stimulated by 2020 savings, demand pressures are rising too quickly.

Growth and recovery in demand has been confronted with supply chain shortages, and some sectors and transport systems are still affected by pandemic related restrictions. Where sectors have long, complex supply chains then downturn inevitably fractures these systems. Such problems of restoring supply chains quickly have been reported in the construction sectors in Sydney and Melbourne.

COVID responses and Housing Affordability Stress

The research estimates the impact on housing affordability stress in the event of lockdown, and demonstrates the mitigating impacts of CRA, JobKeeper (in its initial, more generous phase), and the more recently applicable disaster relief payments offered in NSW, Victoria and other jurisdictions.

Table 1: Impacts of economic scenarios and interventions on housing affordability stress

Interventions	Scenario	Mortgage	Private rent	Public rent	Total
No Intervention	Mild	68,000	109,900	10,400	188,300
	Moderate	91,600	135,400	10,700	237,700
	Severe	182,700	256,500	11,100	450,300
Phase 1 JobKeeper but no CRA	Mild	-6%	-11%	-13%	-9%
	Moderate	-13%	-17%	-15%	-16%
	Severe	-30%	-31%	-17%	-30%
Phase 1 JobKeeper and CRA	Mild	-6%	-32%	-13%	-23%
	Moderate	-13%	-36%	-15%	-27%
	Severe	-30%	-46%	-17%	-40%
Disaster relief but no CRA	Mild	-0.3%	-9%	-14%	-6%
	Moderate	-2%	-11%	-15%	-8%
	Severe	-20%	-22%	-15%	-22%
Disaster relief and CRA	Mild	-0.3%	-31%	-14%	-20%
	Moderate	-2%	-33%	-15%	-22%
	Severe	-20%	-41%	-15%	-33%

Source: AHURI Final Report No. 376.

The analysis suggests that a national lockdown, such as that experienced in Victoria and NSW in mid-2021, would generate job losses and loss of earnings leading to an increase of between 188,300 and 450,300 housing affordability stress (HAS) cases (without any policy interventions).

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Factors shaping housing market outcomes

Respondents to the online survey of experts expressed near universal approval (4.23 points out of 5) for the government's approach to maintaining income support (JobKeeper, JobSeeker, Coronavirus Supplement) after March 2020 and agreed that it had strongly supported consumer spending (and employment) (4.47) and household savings (as households discretionary leisure spending) (4.17). There was strong agreement (4.24) that if support measures were to be implemented then there should be more effective targeting by regions, employment sectors and workers most at risk (4.24).

In relation to the rental housing market, there was strong agreement (4.15) that rent rise and eviction restrictions through the pandemic peaks had been appropriate policy measures.

The survey respondents were clear in their criticism of policy measures for the home owner sector. They disagreed that HomeBuilder was a well targeted measure (1.90) and they particularly disagreed with the proposition that the 2021 price boom vindicates government support for that program (1.77). In terms of overall program balance, there was strong agreement (4.28) that the government was mistaken in eschewing support for social housing investment. Taking all the sectors together, experts disagreed with the statement that Australia's housing market is now on firm foundations to cope with the possibility of rising interest rates before 2023 (2.48).

Investment in new social housing supply across four states and significant investment in renovation and retrofit programs in other jurisdictions indicates both the importance of social housing in terms of its stability and resilience, as well as the role social housing supply can play as a form of economic stimulus.

This research suggests that for ongoing innovation, social housing resilience and effectiveness of interventions to continue, additional policy and evidence infrastructure must be in place.

This could take a variety of different forms, including:

- sharing of information between state and territory jurisdictions on a regular basis to underpin social housing resilience, and lead to better refinement of policy and practice, and
- better data sharing and linking within and across jurisdictions, as well as between and within government and not-for-profit sectors.

The establishment of an agile infrastructure to support information sharing will support more effective and innovative housing policy development in the future. The state-to-state infrastructure and approaches that were developed rapidly and which supported jurisdictional responses to COVID-19 provide a template for a shelf-ready policy-sharing practice that warrants supported development across governments. This could usefully include local government as well as state and territory and national tiers of governance.

What this research means for policy makers

Greater collaboration within industry in the development of policy settings could have avoided some of the supply and cost issues (for example, with HomeBuilder) and spread the level of development activity over a longer period. Co-design of stimulus schemes from the outset could have avoided major timeframe issues, produced a more accurate assessment of scheme demand and delivered policy settings that benefited a broader cross section of the construction industry and not just those specialising in land and detached dwelling products.

Methodology

This research reviewed literature and policy from Australia, with a small number of international comparator policies also studied; conducted two online surveys (of landlords and of economists and expert housing commentators); and held three Investigative Panel sessions.

To cite the AHURI research, please refer to:

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