

# The impacts of poverty on housing for Australians

Based on AHURI Final Report No. 410: Poverty and Australian housing: findings from an Investigative Panel



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## What this research is about

**This research investigates the key links between housing and poverty. Its purpose is to draw together different dimensions of the relationships between housing costs and poverty, including policy settings, tax and transfer systems, housing assistance and place-based dimensions and individual capabilities.**

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## The context of this research

The causal relationships between housing and poverty are complicated. Housing costs commonly comprise the largest share of living costs and can increase the risk of poverty. Insecurity caused by excessive housing costs relative to income over extended periods of time can lead to entrenched poverty that can be hard to escape.

## The key findings

While high housing costs contribute to the *causes* of poverty, poor quality housing can be an *effect* of poverty. Poverty restricts opportunities for secure housing of adequate quality in safe and suitable locations. This in turn may impose further impoverishing costs and perpetuate the experience of poverty. Housing costs and other factors, such as insecure tenure and eviction, can induce poverty among lower income households, whereas secure, affordable and appropriate housing can ease poverty and act as a foundation for employment, training and restoring health.

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## The different approaches to measuring poverty

The way poverty is measured determines how many people officially live in poverty and who they are.

Poverty is measured in both singular and multidimensional ways. The most important singular measure of poverty is an income-based or poverty line approach. In Australia in 2017–18, for example, 3.24 million people (just over 1 in 8 people and 1 in 6 children) were living below the poverty line, where the poverty line was set at 50 per cent of median household disposable income (as defined by the Henderson poverty line).

Multidimensional approaches take account of other factors, such as income or exclusion across a range of resources and activities, needed by people to maintain a standard of living considered acceptable in the societies in which they live. In Australia, the living standards (or deprivation) approach is the most influential multidimensional approach to measuring poverty. It is based on assessments, established by community consensus, that identify items and activities that are considered essential for everyone, and then determining who does not have and cannot afford those items.

The role housing has in poverty can be:

- direct: e.g. by impeding social connections through inadequate physical space or not allowing visitors, or by negatively impacting health through inadequate heating and cooling, mould or overcrowding
- indirect: e.g. housing may be located far from established relationships or required health services, and also far from adequate transport options.

In the housing and homelessness sectors, 'housing poverty' is a particularly useful measure (following that of housing costs). This can be conceptualised as a person having insufficient financial means to live a dignified and healthy life once housing costs are paid. Rental costs and affordability are other important measures of housing-related poverty. Rates of housing stress and rental vacancy rates also contribute to understanding of housing-related poverty. Together these indicators measure different but related elements of housing-related poverty.

For organisations delivering support to people experiencing poverty, assessing household needs are more relevant than assessments of poverty. Rent arrears and capacity to pay rent are especially important in assessing risks to housing stability and the impact of housing costs on the lived experience of poverty. A deprivation approach, on the other hand, provides tools to foreground what people are going without. This can be effective for advocacy. It also gives support organisations an idea of what people need.

## The lived experience of poverty is pervasive

It is vital to recognise the lived experiences of poverty and its pervasive impacts, including on housing. There is shame and stigma associated with the term 'poverty' and people experiencing it may be reluctant to disclose their circumstances. Experiences include:

- poverty is characterised by a constant sense of stress and worry about whether basic needs will be met. Housing offers safety and security; for people experiencing poverty, these elements of life are often absent or difficult to access
- community connections are critical to surviving in poverty; being forced to move from community (e.g. due to insecure and/or unaffordable housing) further disconnects and disadvantages people
- poverty means forced interactions with institutions such as Centrelink or the police. These interactions are shaped and managed by these institutions, which can lead to further precarity and effectively trap people in poverty (e.g. by perpetuating stigma and consequently limiting employment and social opportunities)

- existing measures of poverty do not capture all dimensions of its lived experience. Poverty can be conceptualised as the inability to make choices in life or feel in control
- poverty means exposure to harm and insecurity in an ongoing way, including risks to wellbeing from harmful interactions with statutory child protection agencies and other systems, and from violence, crime and theft
- understanding poverty in practice means understanding what people are going without, such as medical necessities, thermal comfort and essential services. It also means understanding that these circumstances can incur additional expenditure and further entrench poverty, and cause regular episodes of ill-health, frailty, premature ageing and even preventable deaths.

## Housing constraints created by Government policies

Policy preferences for the market provision of housing (with a focus on owner-occupation and private rental) have led to flow-on effects on poverty.

When profitability is prioritised, new supply is often concentrated in particular sub-markets, usually those that are most lucrative. This is often accompanied by a trickle-down mentality—that is, an expectation that those able to afford the new supply will move up the housing ladder and leave their former properties for others. Recent evidence suggests, however, that the limited trickling-down effect does not reach those most disadvantaged and in need of support.

Instead, there is evidence that higher income households continue to occupy lower cost housing in the private rental market that, in the past, would have been occupied by lower income households. The high cost of first purchases for owner-occupation may also be a factor; some households are remaining in lower cost rentals to facilitate saving for a housing deposit. As a consequence, the only housing available to people on low incomes and experiencing poverty is of low build quality and/or in poor locations for services and infrastructure.

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## Lack of policy to sustain tenancies contributes to housing related poverty

There is limited policy that seeks to sustain tenancies and prevent risks to them. Funding is instead often directed towards crisis responses. This serves to preserve a cycle of housing-related poverty.

The connections between poverty and eviction are self-evident. Insufficient incomes and rental stress may precipitate rent arrears and, hence, eviction, although households in poverty may forgo other necessities and endure hardships to avoid eviction. Though an obvious potential consequence of eviction is homelessness, an extensive array of other disruptive, stressful, and traumatising effects have also been shown.

## Poverty can lead to housing compromises that promote further poverty

Households experiencing poverty may compromise on housing build quality, location and access to services in order to reduce their housing costs. These compromises can increase other living costs (such as no insulation leading to higher heating and cooling costs or being far from public transport leading to high car costs), which further contributes to poverty.

Poor housing quality may be caused by several factors, including:

- substandard initial construction, which leads to major and minor defects requiring costly maintenance and repair
- the use of inappropriate and/or poor-quality materials and/or poor workmanship during construction and installation. These factors can result in housing stock that is not fit for purpose
- development and construction that adheres to legislated minimum standards rather than exceeds them—especially given that minimum standards are not regularly updated to align with international benchmarks.

## What this research means for policy makers.

Reconceptualising poverty creates opportunities for targeted housing policy towards social goals. First, poverty should be identified as the consequence of policies and systems decision making. Second, poverty alleviation should be the responsibility of institutions of society acting in partnership with individuals experiencing poverty. It should not be placed upon individuals alone.

Seeing housing as a basic right, and of the need for a universal approach to housing provision, is necessary for poverty eradication. Both shelter and non-shelter housing outcomes need to be understood as valuable to society. This perspective aligns well with housing being reframed and understood as both essential infrastructure and an infrastructure of care.

International evidence and activism have highlighted the negative individual and societal effects of highly financialised, privatised housing systems. It is also increasingly showing how market-based housing policy can be (re)governed for broader and more equitable societal outcomes. This will require an increased role for governments in the development and distribution of housing and housing assistance.

In addition, advocacy is a vital contribution to housing and homelessness policy. It must be adequately resourced in order to be effective.

## Improvements to existing Specialist Homelessness Service programs and services

Specialist Homelessness Service (SHS) programs are effective in addressing the housing and other support needs of people experiencing poverty in some circumstances. Specific program categories that work well include early intervention programs and tenancy sustainment services. More people could benefit from SHS and other programs if:

- eligibility criteria were expanded to ensure that those in need were able to access them. For example, bond assistance is currently unavailable to people with a debt to state/territory housing authorities (in some jurisdictions). Removing this exclusion criteria would extend the reach of effectiveness of bond assistance
- time-limited conditions were relaxed or removed. This would be particularly important for homelessness services, in which people with complex ongoing support needs often churn through homelessness, housing, health and justice service systems without resolution of their circumstances
- more unconditional support was offered to people in need. Mutual obligation requirements often compound people's difficulties and add stress at already difficult times
- housing and support programs were more flexible and programs followed the person rather than being tied to a property—this current requirement means a person must move to alternative accommodation if they no longer meet eligibility criteria, no longer need some aspects of support or no longer wish to engage with support

- increased investment in SHS enabled them to meet current and ongoing demand for support.

Increased investment in permanent supportive housing could bring an end to experiences of homelessness and address ongoing trauma for people who use SHSs.

## More social housing will help people in poverty

Social housing remains the model supported most strongly in research and advocacy. This is because it provides affordable and stable accommodation and links residents with appropriate support.

While social housing does not always offer an ideal living environment for people who are dealing with trauma or safety concerns, it does provide secure tenure and ongoing affordability. One way in which social housing alleviates poverty is its system of income-related rents. Most public housing tenants' rent is set at approximately 25 per cent of their household income.

## Increasing and changing eligibility for Commonwealth Rent Assistance (CRA)

CRA is a payment within the social security system for private rental housing costs. Eligibility is tied to a person receiving another social security or Family Tax Benefit payment. The amount of CRA paid is determined by tenants' household size and the amount of rent paid, subject to caps.

The following broad approaches to improving CRA may be taken:

- increasing the amount paid to recipients, primarily by increasing the caps on maximum payments.
- extending CRA eligibility to every low-income private renter who spends more than 30 per cent of their income on rent and adjusting payments such that they are equivalent to 30 per cent of recipients' total income.

As the Australian Constitution only allows the Australian Government to make social security payments on relatively narrow terms (which don't include standalone rent- or housing-related payments), it would require reforms to the connection between CRA and social security payments in order to improve the target accuracy of CRA.

## Increasing minimum rental housing standards:

Residential tenancies law should be reformed to bring provisions for termination and eviction into alignment with the right-to-housing recognised in international law. These include ensuring that evictions occur only after accessible legal proceedings to 'ascertain that the measure in question is duly justified', only as a 'last resort' and that they not 'render individuals homeless'.

Setting minimum standards on the build quality of private rental properties would significantly improve renters' quality of life and minimise their operating expenditure (e.g. on utilities).

## Private rental tenancy reform

Strategies to improve private rental housing for people experiencing poverty could include:

- tenancy law reform, particularly to regulate rents to affordable levels and improve tenant security of tenure
- adequate resourcing of independent community-based tenant advice and advocacy services (representation of tenants in termination proceedings is especially important to prevent homelessness)

## Methodology

This research comprised a series of workshops and interviews with 33 housing and homelessness experts from a range of policy and practice backgrounds.

### To cite the AHURI research, please refer to:

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