



# Housing assistance need and provision in Australia: a household-based policy analysis

Inquiry into individualised forms of welfare provision and reform of Australia's housing assistance system

## FOR THE

**Australian Housing  
and Urban Research Institute**

## PUBLICATION DATE

May 2016

## DOI

doi:10.18408/ahuri-5105201

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Title	Housing assistance need and provision in Australia: a household-based policy analysis				
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ISBN	978-1-925334-24-1				
Subject	public policy, housing assistance, housing disadvantage, home ownership, private rental, social housing, young adults, families, ageing, wealth, health, disability, employment, unemployment, spatial				
Series	AHURI Final Report	Number	262	ISSN	1834-7223
Publisher	Australian Housing and Urban Research Institute Limited Melbourne, Australia				
DOI	doi:10.18408/ahuri-5105201				
Format	PDF, online only				
URL	<a href="http://www.ahuri.edu.au/research/final-reports/262">http://www.ahuri.edu.au/research/final-reports/262</a>				

### Recommended citation

Stone, W., Parkinson, S., Sharam, A. and Ralston, L. (2016) *Housing assistance need and provision in Australia: a household-based policy analysis*, AHURI Final Report 262, Australian Housing and Urban Research Institute, Melbourne, <http://www.ahuri.edu.au/research/final-reports/262>, doi:10.18408/ahuri-5105201.

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## **Acknowledgements**

This material was produced with funding from the Australian Government and state and territory governments. AHURI Limited gratefully acknowledges the financial and other support it has received from these governments, without which this work would not have been possible.

AHURI Limited also gratefully acknowledges the contributions, both financial and in-kind, of its university research partners who have helped make the completion of this material possible.

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## Acronyms and abbreviations used in this report

AHURI	Australian Housing and Urban Research Institute Limited
AIHW	Australian Institute of Health and Welfare
CHOs	Community Housing Organisations
CRA	Commonwealth Rental Assistance
DSS	Department of Social Services
FHOG	First Home Owner Grant
HA	Housing Assistance
HILDA	Household Income and Labour Dynamics in Australia
IGs	Income Groups
IS	Income Support
NDIA	National Disability Insurance Authority
NDIS	National Disability Insurance Scheme
NFP	Not-for-Profit
NRAS	National Rental Affordability Scheme
PRBS	Private Rental Brokerage Schemes
PRS	Private Rental Sector
SOMIH	State Owned and Managed Indigenous Housing
SPRC	Social Policy Research Centre

## Executive summary

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- Housing assistance provision in Australia has been historically effective but is no longer able to adequately offset problems of housing affordability.
  - Anomalies exist such that households with objectively similar needs receive fundamentally different levels and types of support depending on housing tenure rather than need.
  - Typically housing assistance is linked to the broader income support system, yet households not in receipt of income support may also require housing assistance support to sustain their housing.
  - An increasingly individualised model of housing assistance provision may provide policy opportunity to improve current housing assistance provision.
  - Findings in this research indicate that households in need of support are highly diverse, are not all eligible for housing assistance currently, and are distributed widely across tenures.
  - Nine out of ten purchaser owners and private renters in receipt of income support are in difficult financial circumstances due to mortgage or rental costs, based on residual after-housing costs measures.
  - Among outright owners who experience substantial difficulty financially, privately held housing wealth might raise opportunities for assistance options including household-government partnerships and options such as reverse shared equity schemes. Median property equity among lower income outright owners in receipt of income support, for example, is estimated to be around \$345,000, with equity held by higher income outright owners in receipt of income support estimated to be \$450,000.
  - In the views of expert stakeholders, a shift toward an increasingly diverse model of provision would need to support households with high and complex needs in different, more intensive ways than the ways households with less complex/intense needs can be supported.
  - Expert stakeholders caution that sufficient resourcing is required for choice to be genuine and effective and that conditional assistance is likely to be counterproductive.
- 

## Key findings

This report presents findings from a research project conducted as part of a broader Evidence-Based Policy Inquiry into the efficacy of introducing individualised and/or choice-based models of housing assistance into Australian housing assistance settings (Jacobs, Hulse et al. forthcoming).

The overarching questions addressed within this research are:

- What is the nature of cross-jurisdictional housing assistance (HA) provision and innovation in Australia?
- What is the nature of HA need among households, within and across housing tenures?
- How does current HA provision/innovation ‘fit’ diverse household need, and how well can it accommodate individualised choice-driven demand?

A review of current HA provision (Chapter 2) identified the fact that (i) housing assistance is provided according to administrative categories of housing tenure, rather than household needs for assistance per se and (ii) that within the current provision model direct assistance to home ownership is considerable, relative to the household-based outcomes achieved for each dollar of expenditure. Measured in quantum alone our research indicates a large discrepancy between current targets of housing assistance and households most in need of it.

Analysis of HILDA panel data (Chapter 3) shows that on the basis of three standard measures of housing assistance need, large proportions of households with diverse demographic characteristics living across the housing system in both ownership and rental tenures, experience high levels of financial strain and hardship and appear to be in housing need. Only some of these households are in current receipt of, or eligible for, housing assistance, however. Analysis of income-housing costs measures, residual income analysis based on modified Budget Standards based assessments, as well as an exploration of subjective evaluation of hardship indicates that:

- Large numbers of households with lower incomes in receipt of income support currently receive inadequate levels of financial assistance to alleviate financial strain based on three standard measures of need.
- High proportions of low to moderate income households who are not currently in receipt of income support appear to be missing out on housing assistance they need.
- Housing assistance appears to most effectively offset financial strain—although does not remove it completely—among households with moderate to higher incomes in receipt of housing assistance, rather than those with low to moderate income.

Additionally, results indicate that large proportions of households across income groups and housing tenures, and with diverse characteristics, face financial problems associated with living and housing costs.

The ability of households to manage these is substantially affected by housing tenure, with outright ownership playing a particularly buffering effect from hardship, as well as by life stage (in which younger households are at greater vulnerability and risk of hardship than either mid-life or older households), partnering (with those living alone at more risk of financial strain), indigeneity, as well as connection to employment, which has a clear impact on net wealth as well as housing opportunity (Chapter 4).

## Policy development options

Implications of the findings presented in this research include the need for policy development to ensure a broader population approach to housing assistance that more effectively responds to the widely distributed need for assistance among highly diverse population groups, including those in receipt of income support as well as households that are not. A number of the core implications for policy development that stem from the findings of this research are:

- decoupling housing assistance from housing tenure and shifting policy focus to household need

- decoupling housing assistance eligibility from income support eligibility and shifting policy focus to household needs of various forms
- a wide approach to housing assistance provision beyond points of crisis, to include early intervention and prevention
- emphasis on enabling transitions between tenures toward secure, independent housing
- creation of partnerships of assistance to more effectively use household resources in conjunction with social insurance.

Where choice-based models of social policy provision are implemented without due resources or care, these have the potential to exacerbate rather than alleviate existing inequalities (Yeatman with Dowset et al. 2009; Lymbery 2014). With regard to housing assistance such cautions also apply. Based on findings of the present study (including expert views presented at Chapter 5) it would appear that for individualised, choice-based housing assistance provision to be effective the following conditions—at least—are necessary:

- adequate levels of system resourcing to achieve genuine choices of assistance and support options
- encouragement of genuine choice rather than models of conditionality and obligation in which housing assistance is embedded
- assistance and advocacy to negotiate any increase in housing assistance choices, particularly those that are market-based, for households with high and complex needs.

## The study

This report presents findings from a research project conducted as part of a broader Evidence-Based Policy Inquiry into the efficacy of introducing individualised and/or choice-based models of housing assistance into Australian housing assistance settings (Jacobs, Hulse et al. forthcoming). The particular contribution of this research to the broader Inquiry is its novel approach to *tenure-neutral* needs-based analysis combined with practice and policy insights of key representative groups to provide an evidence base on the shorter and longer term implications of moving towards individualised-based or choice-based models of assistance.

In this research, our focus is primarily upon determining the degree to which a 'one size fits all' versus a more tailored, nuanced form of housing assistance provision is of potential benefit, given the increased diversity of Australian households in potential need of housing assistance (Hulse, Reynolds et al. 2015; AIHW 2014; Stone, Burke et al. 2013). To do so, we shift from an account of need and unmet need, such as via analysis of take-up rates of various forms of housing assistance or unmet need such as via public housing wait lists, to an analysis of the potential need for housing assistance.

This research involved:

- 1 An account of current national and cross-jurisdictional HA provision practice using desk-based review.
- 2 Detailed profiling analysis of in-confidence HILDA data (focusing on the four most recent waves 10, 11, 12 and 13) to provide up-to-date indicators including existing wealth that impact upon need for housing assistance, and their dynamics across housing tenures, diverse population and policy priority groups.
- 3 Analysis of in-depth interviews with government, community sector and industry stakeholder experts about the efficacy of current forms of housing assistance and the potential benefits

and risks associated with a model of housing assistance that includes increased individualisation and/or choice-based demand-side provision.

Findings provide a national account of current housing assistance adequacy, potential need for support and expert views about the efficacy of increasingly individualised policy models to more effectively respond to demand for housing-related assistance at the household level. The particular, novel contribution of the research is a thoroughgoing assessment of the incidence of housing need, across a wide diversity of households with varied income profiles, living across home ownership *and* rental sectors.



# 1 Housing assistance need, provision and reform in context

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- In the context of a wider Policy Inquiry into individualised and choice-based housing assistance in Australia, this research focuses on the potential need for increasingly diversified housing assistance responses.
  - To enhance housing assistance, Australian policy-makers require:
    1. a detailed, household-based analysis of HA drivers, dynamics and transitions among lower income households, within and across tenures
    2. a comprehensive account of current HA provision and innovation across jurisdictions and sectors in Australia
    3. an analysis of how well current HA provision ‘fits’ diverse household-based needs.
  - Assessing the relevance of an individualised housing assistance approach provides scope for considering the role of housing assistance in providing early intervention and prevention as well as crisis support.
  - Understanding diversified need can provide guidance to policy-makers about future housing assistance innovations, enable assessment of current housing assistance provision and form part of an evidence base for reform.
- 

## 1.1 Why this research was conducted

This report presents findings from a research project conducted as part of a broader Evidence-Based Policy Inquiry (EPI) into the efficacy of introducing individualised and/or choice-based models of housing assistance into Australian housing assistance settings (Jacobs, Hulse et al. forthcoming). The particular contribution of this research to the broader EPI is its novel approach to *tenure-neutral* needs-based analysis combined with practice and policy insights of key representative groups to provide an evidence base on the shorter and longer term implications of moving towards individualised-based or choice-based models of assistance. The research includes a needs-based exploration of how well current housing assistance provision appears to respond to households most in need of assistance, as well as an exploration of the specific needs for housing assistance among vulnerable households of key policy concern. Specifically, this report presents analysis of:

- The breadth of housing assistance need across diverse population groups, relative to current forms of housing assistance provision.
- How households in need of housing assistance are situated across housing tenures in Australia, including within social housing, private rental, as well as ownership tenures.
- Specific versus common needs for housing assistance across diverse population groups in need of housing assistance support, including households living in a range of housing tenures and circumstances.
- Key expert views about how and whether a policy shift toward an increasingly individualised form of housing assistance provision in Australia could respond to the increasingly diverse

range of households in potential need of housing assistance across housing tenures, and the conditions under which such a shift might be most effective in achieving enhanced support outcomes.

The overarching questions addressed within this research are:

- What is the nature of cross-jurisdictional HA provision and innovation in Australia?
- What is the nature of HA need among households, within and across housing tenures?
- How does current HA provision/innovation 'fit' diverse household need, and how well can it accommodate individualised and/or choice-driven demand?

As we established in the wider policy inquiry, the concept of individualisation in relation to welfare is often used interchangeably with 'choice' (Borghi and van Berkel 2007; Jacobs, Flanagan et al. 2014: 12–14). What is meant by 'individualised' for the purposes of this study? The term individualisation is frequently conflated with 'choice' yet means something quite distinct. In Jacobs, Hulse et al. (forthcoming) we distinguish between terms as follows. Individualisation, it is argued, can best be understood as a 'guiding principle or rationale that re-orientates practitioners towards more tailored or customised forms of service delivery' whereas 'choice' can be viewed as a means of implementing more individualised forms of services, either via supply-side or demand-side interventions (e.g. subsidised building programs that deliver affordable housing, on one side, or provision of funds to enable individuals to access private market based housing, on the other).

## 1.2 An exploratory approach

In this research, our focus is primarily upon determining the degree to which a 'one size fits all' versus a more tailored, nuanced form of housing assistance provision is of potential benefit, given the increased diversity of Australian households in potential need of housing assistance (Hulse, Reynolds et al. 2015; AIHW 2014; Stone, Burke et al. 2013). To do so, we shift from an account of need and unmet need, such as via analysis of take-up rates of various forms of housing assistance or unmet need such as via public housing wait lists, to an analysis of the potential need for housing assistance.

Typically, analyses of need for housing assistance are restricted to households with lower income only, or to households living in certain housing tenures or with selected economic or demographic characteristics. As well, existing evidence tends to focus on questions of how well particular types of housing assistance, such as public housing or private rental assistance, addresses need. Such evidence is essential for highlighting the experience of population groups of key policy concern, or problems within respective tenure-based delivery of housing assistance yet cannot provide a holistic account of the full extent of potential need for assistance among households across the whole housing system.

In contrast, this research takes a 'wide', exploratory approach to empirically investigate household 'need' for housing assistance and related assistance, across household and tenure types (Chapters 3 and 4). This includes those households who are and those who are not formally connected with income support payments as well as households living in ownership and rental tenures.

Taking what we call a *tenure-neutral* approach in this report enables identification of households in potential need of housing and related assistance across the housing system. By tenure neutral we mean an analysis of housing assistance that is not linked to any particular housing tenure, or administrative line of support associated with tenures, such as Commonwealth Rent Assistance (CRA) for private tenants, or the provision of social housing to public tenants.

While household-based need for support via housing assistance takes many forms, from cash transfers to wrap around supports and many variations in between (see Chapter 2), the primary means of assessing need for assistance in the empirical data analysis we use in this research is financial measures of need for housing. The rationale for this approach is that housing affordability stress and related financial problems experienced by households are indicative of *inadequate* household-based income/wealth to withstand income and housing shocks without financial housing assistance.

The interviews with key informants provide further insights into the practicalities and challenges in meeting diverse needs within an individualised framework of housing assistance. A more detailed analysis of the complexity of assistance required for those with high and more complex needs for support in addition to the provision of financial housing assistance is examined in a related Inquiry project, which focuses on challenges and opportunities emerging from the reforms to NDIS.

### **1.3 Policy context: An individualised approach to housing assistance provision**

Existing evidence indicates that vulnerable households, whose insecurity and wellbeing is compounded by the housing and locational choices available to them, are prevalent across all tenure groups, including social and private rental, marginal housing/homelessness sectors and lower income home ownership (Hulse and Saugeres 2008; Wiesel, Easthope et al. 2012; Stone, Burke et al. 2013; Parkinson, Ong et al. 2014 ). Yet, the extent and nature of housing assistance available to potentially similar households living in different housing circumstances is currently determined more by their housing tenure category (i.e. social housing, private rental) than household need or choice.

The amount and eligibility for housing assistance has historically been tied to tenure despite changing needs and events throughout the life course that may impact upon a household's demand for both shorter and longer term assistance. The provision of housing assistance in its current form is still largely predicated upon the notion of the traditional housing career and a secure wage earners' welfare state—home ownership for most towards mid adulthood, a transitional private rental sector and small social housing sector for those unable to secure market-based housing. However, as pathways into housing have become more fragmented, it is argued that former policy assumptions and responses to housing need also become less tied to traditional tenure-based approaches and become more responsive to assisting those most vulnerable across and within tenures and at a time when they need it most. A more individualised approach to housing assistance may ensure a closer alignment of housing assistance with employment and housing shocks and time points and life stages in which households most need support.

Existing household-based evidence provides detailed insight about discrete segments of HA need (typically focused on a single housing tenure or population group of policy concern), while a comprehensive account of HA need, *across the housing system*, for increasingly *diverse household types*, remains a key knowledge gap. Specifically, there is limited information about the longer term transitions of diverse groups as they enter into, remain in and move/remain within or across different types of HA and tenures. Similarly, a comprehensive account of household-based triggers, potential trade-offs and risks associated with movement/stability *within* and *across* tenures (social renting, private rental, marginal housing/homelessness and low to moderate- income home ownership) remains a neglected area of analysis, yet is crucial in the context of the movement towards more individualised housing provision (MacLennan and O'Sullivan 2012).

At the same time, responding to increasing and changing demands for HA, governments in all jurisdictions are exploring the types of HA provisions at their disposal and how these can most effectively be utilised. Rapid innovation is occurring in HA types and models of delivery, both within and beyond government, including market-based and hybrid models. Understanding common housing assistance needs as well as more individualised needs for support might inform such innovation.

In the context of international trends towards increasingly individualised housing assistance (HA) provision (Jacobs, Hulse et al. forthcoming), Australian policy-makers require:

- 1 a detailed, household-based analysis of HA need and transitions among low to moderate income households, *within* and *across* tenures
- 2 a comprehensive account of current HA provision and innovation across jurisdictions and sectors in Australia
- 3 an analysis of how well current HA provision—based largely on tenure-based administrative categories—‘fits’ the individualised and diverse household-based dynamics of HA need.

## 1.4 Research methods

This research has been undertaken in three related stages:

- 1 an account of current national and cross-jurisdictional HA provision practice using desk-based review
- 2 detailed profiling analysis of in-confidence HILDA data (focusing on the four most recent waves 10, 11, 12 and 13) to provide up-to-date indicators including existing wealth that impact upon need for housing assistance, and their dynamics across housing tenures, diverse population and policy priority groups
- 3 analysis of in-depth interviews with government, community sector and industry stakeholder experts about the efficacy of current forms of housing assistance and the potential benefits and risks associated with a model of housing assistance that includes increased individualisation and/or choice-based demand-side provision.

### 1.4.1 A review of current provision of housing assistance

The review of current housing assistance provision in this report contextualises the extent to which individual types of housing assistance needs are currently accommodated within current forms of assistance provision.

The desk-based review draws heavily upon data made publically available by the AIHW in their regular reviews of housing assistance provision in Australia. Also included is original analysis of publically available rental and income support data to illustrate the extent to which Commonwealth Rent Assistance (CRA), specifically, is keeping up with current rent costs and pension/benefit provision. The review is supplemented by a desk-based cross-jurisdictional collation of community sector and market-based provision of various forms of housing support. Currently information about Australian HA initiatives is lacking coherent collation due to the pace of innovation and reporting.

The review highlights the types of limitations associated with current provision, related to the alignment of housing assistance with income support provision in a majority of cases, as well as the administration of housing assistance on the basis of housing tenure rather than household need.

### 1.4.2 Analysis of housing assistance need and transitions using Household, Income and Labour Dynamics in Australia (HILDA) data

The empirical data analysis for this report draws on the Household, Income and Labour Dynamics in Australia (HILDA) survey. HILDA is a nationally representative longitudinal survey that follows a sample of individuals aged 15 years and older and the households they live in each year. The survey commenced in 2001 when there were 13,969 individuals responding from 7,682 households. In 2011, an additional 2,153 households were added to the HILDA sample with new participants followed each subsequent year as per those in the existing sample (see Summerfield, Freiden et al. 2014 for more details on the survey). HILDA provides a comprehensive and rich account of housing tenure and costs, use of government pensions and income support, wealth, and individual characteristics that can be analysed as a cross-section and over time. As our research is concerned with current housing need, we contain our analysis to the period between 2010 and 2013, focusing on both cross-sectional and a pooled data sample analysis to examine transitions. We include wave 10 in our sample as it contains the most recent module on household wealth available at the time of analysis.

The analysis of HILDA data is undertaken in two parts. Part one (Chapter 3) is designed to explore the extent to which different income groups living across housing tenures, appear to be in need for housing assistance. The income groups are derived from a sample population of adults or independent individuals who are assigned to one of four mutually exclusive typology groups based on the level of equivalised household income, and whether or not a member in the household is in receipt of income support payments. These foundational income groups (IGs) are used throughout the analysis (see Chapter 3 for a more detailed discussion of how the typology was derived for the purpose of this analysis). The typology provides a framework to assess the extent to which those living in households with lower incomes in receipt of income support and those not in receipt of income support appear to need housing assistance, based on three key measures (see Chapter 3):

- median housing cost to income ratio
- residual income measure using a modified Budget Standards approach
- subjective assessment of financial hardship.

The second part of the HILDA analysis (Chapter 4) builds on the first, and examines the housing assistance needs of vulnerable groups of policy concern. Our focus is on the identification of the extent to which these population groups appear to need housing assistance support, as well as what resources they have at their disposal to manage housing and other financial shocks and include the following:

- older persons (65 and over)
- single persons
  - young (15–34 years)
  - mid-life (35–54 years)
  - pre-retirement (55–64 years)
- Indigenous persons
- lone parents with dependent children
- unemployed persons.

The quantitative analysis builds directly on current AHURI research on sustaining private rental tenancies (see Stone, Sharam et al. 2015) and exiting social housing (Wiesel, Pawson et al. 2014) in which the nexus between housing pathways, life events (economic, demographic,

health/carer) and changes in housing circumstances are mapped longitudinally, and key risk and trigger points related to HA receipt and changes in the nature of housing assistance uptake (including transitions between private rental and social housing) are identified. The project also builds on earlier investigations of housing transitions among income support recipients (Parkinson, Ong et al. 2014; Wiesel, Easthope et al. 2012; Seelig, O'Flaherty et al. 2008) and other vulnerable groups (Hulse and Saugeres 2008; Sharam 2011; Campbell, Parkinson et al. 2014).

### 1.4.3 Interviews with expert stakeholders

The data-based profiling of housing need is complemented by a more in-depth qualitative analysis of the views and perspectives of key policy, industry and not-for-profit sector stakeholder experts about the viability of a shift towards an increasingly individualised and/or choice-based-approach to housing assistance provision in Australia.

Executive level managers or representatives in fields directly relevant to the study were contacted and invited to participate in an interview. Representatives from national and state-level organisations in all Australian jurisdictions were interviewed with 30 informants participating. Table 1 below shows the geographical and sector breakdown of interviewees. The industry informant and most of the not-for-profit organisations were from sector/industry peak bodies, with a handful of organisations providing particular experiences of interest, or because there was no specialist peak body of direct relevance.

Interviews were conducted in person if possible or via telephone if not. Interviews typically lasted 45 minutes to one hour. The informants agreed to be interviewed on the basis that their responses would be anonymous. Information Statement and Consent forms are included at Appendices 2 and 3 respectively.

**Table 1: Interview participants by sector**

<b>Sector</b>	<b>No. of interviews</b>	<b>Interview participants</b>
Government	7	10
Homelessness	4	4
Housing	3	4
Youth	1	1
Industry	1	1
Ageing	1	1
Migrant	1	1
Women	1	1
Welfare	1	1
Indigenous	2	2
Tenancy	2	3
Disability	1	1
<i>Total</i>	25	30

Interviews were electronically recorded and later transcribed in full. NVivo software was used to identify key themes to aid analysis. The interviews followed an interview guide covering a range of general and specific questions relating to housing assistance provision (see Appendix 1, along with additional fieldwork documentation at Appendices 2 and 3). Questions included overall assessment of how well the current system of housing provision functioned, or were not working so well; who benefited from current provision and if there were notable exclusions from

support. What a more diversified, 'choice-based' system would look like was then canvassed with the National Disability Insurance Scheme (NDIS) and aged care reforms providing a starting point. Knowledge of innovation was sought and views on the challenges and risks, as well as the institutional structure and settings that could be required to deliver greater choice.

## **1.5 Structure of this report**

The report is structured in six chapters. Following the Introduction, Chapter 2 presents a review of current housing assistance provision as background to the analysis to follow. Chapter 3 presents detailed analysis of longitudinal panel data in which the need for housing assistance within key income groups is explored. Chapter 4 extends this analysis by focusing on key policy groups, again assessing their overall need for assistance and examining the nature of their individual characteristics and circumstances. In Chapter 5 the views and perspectives of expert government, community sector and industry stakeholders about the potential benefits and risks associated with a policy shift toward increased individualisation/choice in housing provision are presented, before concluding remarks and policy implications are explored in Chapter 6.



## 2 Housing assistance: demand, unmet demand and need

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Housing Assistance (HA) in Australia is based primarily upon income support (IS) eligibility and is administered on the basis of housing tenure.

The Australian Institute of Health and Welfare (AIHW 2014) indicate that as of 30 June 2013:

- The most dominant form of housing assistance is Commonwealth Rental Assistance (CRA), with 1,267,979 recipients at a cost of \$3.95 billion.
- Social housing forms a sizeable component of overall HA provision. In 2013 there were 414,135 social housing tenants (AIHW 2014).
- Indigenous-specific social housing is an important component of the HA provision model, assisting 17,470 households (AIHW 2014) at a cost of \$101.0 million.
- Specialist Homelessness Services provided support to 59,882 clients (Commonwealth funding \$115 million).

While all states and territories have at their disposal a range of additional measures of support for renters, these are used very little when compared with the provision of CRA or social housing.

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### 2.1 Housing assistance in Australia

Housing assistance provides an important *safety net* in the Australian social insurance system that enables households in need to access housing or remain housed. However, despite the increasingly diverse population groups who are supported by housing assistance annually in Australia, the models of housing assistance that are most used across jurisdictions in Australia are to a very large degree part of a 'one size fits all' approach and are founded on a tenure-based system of need that no longer reflects the distribution of households in potential need across the housing system. Housing assistance options that are available to households relate to the tenure of households rather than to their particular needs for support at any given time.

In this chapter we briefly review the most intensively used forms of housing assistance in Australia, as background to the analysis that follows. Our review builds heavily upon publically available data collated and published by the Australian Institute of Health and Welfare (AIHW), supplemented via a desk-based review of grey literature across state and territory jurisdictions.

The section is structured by themes of housing assistance demand. To conclude the section we also consider in more detail the concept of 'need' of housing assistance, a concept we explore empirically in Chapters 3 and 4.

### 2.2 Current provision of housing assistance

The range of programs offered to households varies significantly across jurisdictions and includes support for private rental and private home ownership in addition to social housing (Table 2).

Housing assistance for private renters is focused on facilitating entry into tenancies through rental subsidies (with CRA being the most significant), by enabling low to moderate income households to cover the costs of establishing a new private rental tenancy and managing the process of finding and negotiating the tenancy. Such programs include:

- CRA is the most dominant form of housing assistance for private rental with 1,267,979 recipients and expenditure of \$3.95 billion in 2012–13 (AIHW 2014).
- Bond loan and advance rent—interest-free loans for part or full rental bond and advance rent required by landlords. In 2012–13, the average bond loan package across all Australian states and territories was valued at \$984 (AIHW 2014: 70). Some states, such as WA require fortnightly repayments to commence immediately. Other states such as Victoria only require that the bond be repaid at the end of the tenancy.
- Tenancy guarantee—to ease access for eligible tenants into private rental. State housing authorities provide private landlords or real estate agents with a formal guarantee to cover potential future rent arrears or property damage over and above the rental bond. An example is the Western Australian Rental Pathways Scheme.
- Relocation assistance—a loan (in Queensland a grant equivalent to two weeks rent) to assist eligible private tenants to cover the costs of establishing a new private rental tenancy, such as removalist expenses and electricity/gas connection. In 2012–13, the average relocation package across all Australian states and territories was valued at \$214 (AIHW 2014: 70).
- Private tenancy facilitation—short-term assistance to help people to understand private renting, including property searches, collecting appropriate documentation and dealing with landlords and real estate agents. Tenancy facilitation also provides information on paying a deposit, bond and advance rent, setting a tenancy start date, signing the tenancy agreement, completing the property condition report and paying rent, and information about moving into the property, including organising telephone, gas and electricity connections.

In addition to these initiatives, in some jurisdictions additional programs are available to assist renters to sustain their current private rental tenancies. They include:

- Private rental subsidy—ongoing or time-limited subsidies designed to cover a proportion of the rent. State housing authority sponsored private rental subsidies in New South Wales, administered under the Housing Pathways program, are targeted at priority applicants for social housing awaiting a suitable social housing vacancy, and women escaping family/domestic violence. They are designed such that the private renter pays an equivalent amount as a social housing tenant and the subsidy covers the difference in rent. In Western Australia, private rental subsidies are available under the Rental Pathway Scheme and designed to encourage tenants' exit from social housing. Across all Australian states and territories rental grants, subsidies and relief in 2012–13 was \$984 on average per recipient (AIHW 2014: 70).
- Private rental brokerage—assistance to access and sustain private rental tenancies, including monitoring of tenancies, through a mix of supports tailored to individual needs.
- Arrears assistance—an interest-free loan or grant provided to eligible tenants at risk of eviction due to rent arrears.
- NRAS—provides eligible tenants with a discount off market rent of 20 per cent.
- Affordable rental—some governments offer 'key worker' rental housing that provides discount on market rent. The ACT provides several affordability bands.

All state housing authority private rental assistance programs are targeted at low-income households and apply strict income and asset eligibility rules. Some programs apply additional eligibility rules, including the requirement to demonstrate 'significant reasons' for moving to a

new private rental tenancy. This might include: medical reasons; family/domestic violence or eviction; financial difficulties arising from short-term problems such as sudden illness; long-term complex needs such as mental illness, drug or alcohol problems or physical or intellectual disability; or exit from social housing or priority applicants waiting for a suitable vacancy.

Private rental assistance provided by state housing authorities is generally viewed as an once-off support to start tenancies; however, for tenants experiencing ongoing or episodic forms of housing stress the capacity of such programs remains limited (Jacobs, Seelig et al. 2005).

A number of additional programs to assist private renters are delivered by government and non-government agencies other than those noted above.

Home modification grants are available to assist with the costs of physical alteration to dwellings to make them more accessible and liveable for people with disability. Such grants are available to households in different housing tenures including private rental (subject to landlord's approval). Home modification grants are currently delivered by state government human services, ageing and disability departments, and will be provided under DisabilityCare Australia (formerly the National Disability Insurance Scheme) as it rolls out nationally in the coming years.

Information on tenants' rights and responsibilities is available from consumer affairs or fair trading bodies operating in each state and territory. These bodies can help private tenants to sustain tenancies through providing information to tenants and landlords regarding arrears repayment plans for renters and mediating disputes between landlords and renters in independent tribunal hearings. Some states have introduced specialist tenancy mediation services.

Non-government organisations such as tenants unions, welfare and advocacy groups provide free information, legal advice, representation and advocacy services to private renters. State government fair trading agencies, in some cases using the interest earned on private renters' bond trust accounts funds some of these programs.

**Table 2: Main types of private sector and home ownership assistance provided by states and territories**

Assistance type	WA	SA	Vic	NSW	Tas	QLD	ACT
<i>Home purchase</i>							
First Home Owners grant	x	x	x	x	X	x	X
Direct Govt lending	x	x				x	
Deposit assistance	x	x			X		
Mortgage relief			x	x		x	x
Shared equity products	x	x		x	x	x	x
Affordable purchase program	x	x		x	x		x
Concessions on duties, taxes and fees	x	x	x	x		x	x
<i>Private Rental</i>							
Tenant rental subsidy				x			
Bond loan/rent in advance	x	x	x	x	x	x	x
Arrears	x	x	x	x	x		
Tenancy guarantee	x			x			
Relocation	x		x				

Source: Review of state housing authority websites and information sheets on private rental assistance.

Housing Purchase Assistance is significant with \$11 billion expended in 2012–13. The Commonwealth funds the Home Purchase for Indigenous Australians program operated by Indigenous Business Australia, with states such as WA and NSW partnering to promote home ownership opportunities for Indigenous people. The Commonwealth has discontinued First Home Owner Grants but most states still offer grants although typically to new builds. Some states offer duty and tax concessions to first home buyers and some concession card holders. States such as WA, SA and QLD offer mortgage finance to eligible purchasers (who may otherwise struggle to obtain finance in the market), sometimes waiving the requirement for mortgage insurance and accepting a minimal deposit. States such as SA, Tasmania, WA and ACT have house and land development programs aimed at providing affordable housing to eligible buyers. Victoria has a small program at Norlane.

Most state housing authorities permit tenants to purchase their home in full or through shared equity arrangements. Shared equity arrangements are also available to other eligible low to moderate households in some states. Queensland also has a program that provides mortgage relief where the home owner is at risk of repossession.

The states and territories provide social housing with the NAHA providing Commonwealth financial support. Most directly own and operate the bulk of the social housing stock, although Tasmania has transferred management of public stock to community housing organisations (CHOs). CHOs also typically manage some public stock and dwellings owned by other organisations, as well as owning and managing their own stock. Both governments and CHOs head lease private rental stock. In the Australian context it is the not-for-profit sector that is providing new types of services for tenants in need. At the time of writing, however, such innovation has not been investigated by researchers or public agencies, despite developing rapidly. Additionally, insights from international policy and practice illustrate various options for development of housing assistance related to tenants in the Australian Private Rental Sector (PRS), in light of the increased significance the PRS plays in the Australian housing system as a whole, as well as given the increasing role it plays in housing low and moderate-income households, potentially for lengthy periods.

## **2.3 The policy implications of current housing assistance provision and demand**

The overview of the current provision of housing assistance presented here, as well as the analysis of the adequacy of current provision for particular groups raises questions about how effective housing assistance can be when it is only partial.

Very crudely, Australia's annual housing assistance expenditure of around \$25 billion is divided between social housing (one-quarter), private tenants (one-quarter), and home owners (one-half), with private tenants taking the smallest per capita share. Assistance to private renters is spread very thinly while assistance for home owners is spread relatively thickly. Understanding the efficacy of this assistance requires evaluation of programs. This is beyond the scope of this research. However, the analysis that follows highlights the inadequacy of existing assistance for particular groups, thus raising the question of the effectiveness of existing housing assistance provision.

In the analysis that follows in Chapters 3 and 4 we present exploratory findings around the potential breadth of housing assistance need, only some of which is 'met' within current housing assistance eligibility criteria. This is not an evaluation of any given form of support; it is an account of the distribution of need for assistance. Understanding the full extent of potential housing assistance need across diverse household types and across household tenures is essential if (i) housing assistance is to be effective, and (ii) if a more individualised form of

assistance might better respond to 'upstream' need for assistance, before need becomes chronic or entrenched.

### **3 An exploration of diversified need for housing assistance**

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There are various ways of measuring ‘need’ for housing assistance, each involving its own assumptions, strengths and limitations. Objective need is one established by ‘experts’ on some standard criterion or measure, such as a poverty line or affordability measure. Subjective need is that expressed by clients based on their own perspective of need.

In this research we use an income-housing costs ratio, a residual income approach and a subjective assessment of hardship approach to assess the potential need for housing assistance.

The research uses a ‘wide’ analytic approach that assesses household-based financial strain among households in all housing tenures and irrespective of income support receipt status.

Findings indicate that substantial numbers of households not currently in receipt of housing assistance are able to be assessed as in need of housing assistance based on three measures of affordability used in this report.

Households that are particularly vulnerable are lower income households not currently in receipt of income support or housing assistance; and households living in the private rental sector and, to a lesser but notable extent, households with a mortgage.

While substantial proportions of outright owners without a mortgage are also found to be in financial difficulty, analysis of their wealth holdings indicates that policies could be tailored to enable outright owners in need of support to access support in ways that do not undermine their current housing stability.

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#### **3.1 A wide analytic approach**

Much current evidence about the adequacy of current forms of housing assistance provision focuses either on particular household types, defined in terms of key demographic characteristics, or upon households with varied demographic characteristics living in particular housing tenure types. Such evidence is critical for establishing how particular population groups are served by current models of provision, as well as how key components of the broad housing system function at the household level.

There is mounting evidence in the Australian context that the provision of various forms of housing assistance is inadequate to offset housing-related disadvantage for all households, in the face of record low housing affordability in home ownership tenures (Burke, Stone et al. 2014), as well as housing system architecture that undermines both affordability and security within private rental sectors of the market (Hulse, Burke et al. 2012). In addition, highly targeted social housing provision is such that many households with high and complex needs are unable to secure timely social housing. The key question of relevance for the present research, is how the breadth of unmet need can be assessed and interpreted.

### 3.1.1 How can 'need' for housing assistance be understood?

Before considering how we might conceptualise and measure need for housing assistance it is important to distinguish between housing assistance demand, unmet demand and need. The terms 'need' and 'demand' are sometimes used interchangeably. In the context of housing assistance provision, demand for housing assistance can be understood as the extent to which households receive housing assistance, or apply to receive housing assistance (e.g. that reviewed at Chapter 2 above). This approach captures the actual rates of housing assistance provision and the demand on services as well as the unmet demand for services (e.g. measures of the number of households who are registered on public housing waiting lists). Housing assistance demand is reported on extensively within government data collections such as the centrally collated reports made public by the Australian Institute of Health and Welfare (AIHW).

There are various ways of measuring 'need' for housing assistance, each involving its own assumptions, strengths and limitations. *Objective need* is one established by 'experts' on some cultural standard and policy criterion or measure, such as a poverty line or affordability measure. *Subjective need* is that expressed by individuals or households based on their own perspective of need, and this may be similar to or deviate from objective measures. Individuals may not be able to adequately identify their needs (as distinct from their wants), or their needs may focus on what is their most immediate harsh day-to-day realities or by the relative comparisons of the resources available that those in their immediate family and friendship groups have. These groups' resources might be similar or might deviate from their own situation. Similarly, seemingly objective service-based criteria of need based on scarcity and rationing of program funding may significantly differ from an individual's assessment of what is needed to assist them to access and maintain housing.

*Expressed need* is often used by economists as it equates with demand, whether expressed through the market (amount of goods or services that consumers are willing and able to pay for) or through waiting lists for public or community services. For market expressed demand, there is the dilemma of whether it genuinely represents a person's need or whether it reflects the lack of alternative consumption possibilities such as, in the case of housing, affordable and available private rental housing. There is also a more fundamental problem: that market-based demand requires an income to express it, and therefore if demand is not expressed there is no need.

### 3.1.2 Assessing the incidence of need: moving beyond an assessment of housing assistance provision

In this research, we take a wider analytical approach than assessment of demand and unmet demand by assessing and attempting to uncover both objective and subjective indicators of need. We do this by decoupling the assessment of household need for assistance from housing tenure as a starting point for the analysis. Instead, we begin with a focus on income support receipt (of any type) and household income. Individuals classified as being in receipt of income support are those who receive a regular pension or income support payment as their main form of income. It does not include those who only receive a family tax benefit payment. Using these factors, we establish four key groups that form the foundation of our analysis. The use of income support and income are used as proxy variables to identify those households who are eligible for receipt of housing assistance, in comparison with those who are not, along an income continuum.

The four income groups framing our analysis of housing assistance need are shown in Table 3 below. The first two groups are historically assumed to be in the highest housing need and/or be eligible for receipt of housing assistance in the form of rental assistance. These are the households that will typically occupy outright ownership, social housing or be in receipt of rental assistance. Outright ownership for this group has traditionally served as a buffer against the dramatic decline in income accompanying retirement and old age. The third group is also



considered to have high needs but are not currently in receipt of income support and housing assistance. The final fourth group are less likely to be in housing need, although there will be a proportion that will experience difficulties in their housing, particularly if housing costs are high or they slip back to a position of increased vulnerability.

Throughout the analysis in Chapters 3 and 4 of this report, these groups form a foundational and indicative grouping of potential need. In the remainder of this section we profile the characteristics of these groups before investigating the incidence of apparent need for housing assistance within each group.

**Table 3: Definition of income groups**

<b>Income support (IS) group</b>	<b>Definition</b>
IS recipient and low-moderate income (IG1)	Household member/s receives any government pension/benefit and their household income falls below 50 per cent of the income distribution based on OECD equivalised income.
IS recipient and not low-moderate income (IG2)	Household member/s receives any government pension/benefit and their household income is above 50 per cent of the income distribution based on OECD equivalised income.
Not IS recipient in low-moderate income (IG3)	Household member/s do not receive any income support and their household income falls below 50 per cent of the income distribution based on OECD equivalised income.
Not IS recipient and not low-moderate income (IG4)	Household member/s do not receive any income support and their household income is above 50 per cent of the income distribution based on OECD equivalised income.

## 3.2 Sample of income groups

In both housing and income group analysis the typical cut off for a low-income household is 40 per cent of the income distribution based on equivalent disposable income (See Parkinson, Cigdem et al. 2013; Parkinson, Ong et al. 2014, Gabriel, Jacobs et al. 2005). In our analysis we extend the cut off threshold to below 50 per cent of the income distribution to incorporate lower-moderate income households that as a group are increasingly vulnerable to housing stress, particularly in major cities with high house prices relative to income such as Sydney and Melbourne. Many lower-moderate income households are likely to be families with children in receipt of family benefits and for those renting in the private rental market will face significant challenges progressing to home ownership.

The identification of individuals living in lower-moderate household incomes in HILDA builds upon the approach in Parkinson, Cigdem et al. (2013) and Parkinson, Ong (2014). In order to identify income thresholds, we use household disposable income and remove negative and zero income. Household income is then equivalised using the OECD modified equivalence scale to take into account overall economies of scale derived from the number of people living in the household who share an income. The OECD modified equivalence scale assigns a weight of 1 to the first adult, 0.5 to each additional adult, and 0.3 to each child. Household disposable income is then divided by the total weight for each household. Household population weights within HILDA were then applied to determine the income threshold at each equivalised disposable income percentile generalisable to the Australian population. Using cross-sectional

weights enables robust estimates of the distribution of household income across the Australian population to be determined for each given year. Household income derived in the household file is then used to identify cut off thresholds for responding individuals within the HILDA combined file. Individuals living in the same household, as identified by a household ID, will have the same household income. In our sample of responding individuals we exclude dependent children but retain independent children. The remaining sample is based on adult individuals within the household and independent children. We retain independent children as they are considered a separate income unit within the household and can qualify for their own income support. We also retain individuals living in groups and multi-family households, except where specified.

In HILDA, household measures such as household income and housing costs assume the same value for each individual living within the household. Assigning household measures such as household income to each individual living within a household allows us to identify and analyse the type of household circumstances an individual lives in (for our purposes adults/independent children living in a household), as well as to analyse the household by selecting only one adult/independent children from each household. The latter household unit of analysis provides an enumeration of households and is used when we report indicators such as housing costs and household income. We use the individual unit of analysis when examining individual characteristics such as gender, age and employment type and then *attribute* these characteristics to one of the four income support group households that one lives in. The discussion that follows moves between the individual and the household as the unit of analysis and we indicate to the reader when this occurs.

The descriptive analysis is primarily cross-sectional and draws mostly on wave 13 of HILDA, corresponding with the year 2013. To examine the wealth profile of income support groups we use wave 10 corresponding with the year 2010, which was the most recent wealth module available at the time of analysis. Analysis of transitions commences from wave 10 to 13 as we aim to capture the most contemporary period of housing need, particularly given more recent growth in housing costs. We also focus on more recent waves as it corresponds with the period in which new sample members have been added to the HILDA survey.

The unweighted sample and weighted Australia-wide population estimates for the four income support groups based on a cross section of wave 13 (2013) from HILDA are presented in Table 4 below. The weighted figures show that over two-thirds (68%) of responding adults live in a household without any form of income support and whose household income does not fall below 50 per cent of the income distribution. A further quarter of responding adults live in a household that is in receipt of some form of income support with 13 per cent falling within a lower income range and 14 per cent whose household income is above a lower-moderate income threshold. A remaining smaller proportion of individual adults (5%) live in a lower-moderate income household but do not receive or report receiving any form of government-based income support.

**Table 4: Unweighted and weighted sample of income support groups, individuals HILDA 2013<sup>a</sup>**

	Unweighted N	%	Weighted N	%
IS recipient and low-mod. income (IG1)	2,529	16	2,193,462	13
IS recipient and not low-mod income (IG2)	2,179	13	2,402,063	14
Not IS recipient in low-mod. income (IG3)	986	6	816,241	5
Not IS recipient and not low-mod. income (IG4)	10,566	65	11,305,476	68
Total	16,260	100	16,717,242	100

a. Sample of responding adults/independent children.

The main types of income assistance for groups in receipt of income support who fall above and below a low-moderate income threshold are shown in Table 5 below. Individuals in receipt of an age pension are more likely to live in a low-moderate income household (67%) as are those in receipt of disability support (51%) compared with other income support groups. Those in receipt of parenting payment (69%) and those in receipt of Family Benefit A (72%) and B (70%) are more concentrated among those above a low-moderate income threshold.

**Table 5: Most common types of income support by income groups, HILDA 2013<sup>a</sup>, unweighted sample figures (row %)**

	IS recipient low-moderate income		IS recipient not low-moderate income		Total	
	N	%	N	%	N	%
Age Pension	1,436	67	713	33	2,149	100
Parenting payment	134	31	294	69	428	100
New start	251	42	343	58	594	100
Disability support	383	51	362	49	745	100
Youth allowance <sup>b</sup>	118	47	134	53	252	100
Carer payment	120	37	200	63	320	100
Other pension	67	38	109	62	176	100
Family Benefit A	230	28	580	72	810	100
Family Benefit B	225	30	535	70	760	100

a. Note does not select all types but the main types of government income support. Income support groups can receive both regular payment and family benefit. Data are unweighted.

b. Does not include dependent children in receipt of youth allowance.

### 3.3 A housing need profile across income and tenure groups

Housing analysis will often commence with tenure groups and then set out to identify how the needs of each group compare to one another. In the context of the broader inquiry exploratory focus on the potential merits of individualised housing assistance, a key contribution of this empirical section is to examine indicators of housing-based need across four main household income groups where the analysis is not tied *a priori* to a particular tenure or to a particular measure such as housing stress *per se*; rather the analysis is linked to the type of household that one lives in and moves through. This allows us to compare individual and household needs

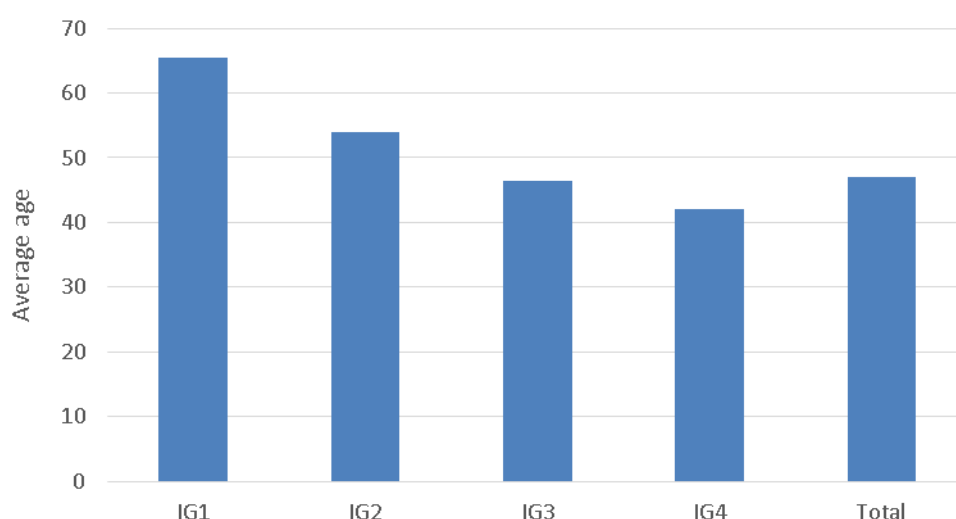
as they are shaped by events, the resources available and the dynamics of these groups over time. The aim of this exploratory empirical section is to build a comprehensive descriptive profile of individual and household needs related to the income support profile of four household groups.

### 3.3.1 Demographic profile of income support groups

This section compares the individual and household characteristics of each of the four income support groups in order to build a profile of need within each group and to determine the key intervention points where individualised forms of housing assistance would be most beneficial.

Figure 1 below indicates that living in a low-moderate household and being in receipt of ongoing income support is strongly correlated with age. The average age of those living in an IG1 household is 65 years while for those in an IG2 household the average age is 54 years, reflecting the relatively higher proportions in receipt of a pension among these household groups. For those not in receipt of income support, the average age declines to 42 years for those living in the most well off IG4 households and 46 years for those in low-moderate IG3 households.

**Figure 1: Average age of income groups, HILDA 2013<sup>a</sup>**



a. Sample of responding adults/independent children.

Table 6 below provides additional demographic information about each group, showing first that women tend to be overrepresented among those who are in receipt of income support in IG1 and IG2 households, for both those falling below (59%) and above (55%) a low-moderate income threshold. Individuals born overseas (23%), in non-English speaking countries are slightly overrepresented among those in IG3 household groups compared with an average of 21 per cent across all groups.

Being partnered is typically associated with higher overall household income and not being in receipt of income support. Individuals whose marital status is either legally married (59%) or de facto (15%) tend to be more concentrated in the highest income group IG4. Interestingly those living in an IG3 household with low-moderate income but without government income support have relatively high proportions (38%) that are single and have never been married compared with the average for all income groups (20%). There is a high proportion in the lowest group IG1 who are single and widowed, again reflecting the older age profile and tendency for those in older age groups to live alone.

Individuals who live in IG4 households are more highly educated compared with other household income groups. Most individuals (84%) living in IG4 households have a post-secondary (69%) or year 12 education (15%). In contrast, among those living in IG1 households, the proportion with a post-secondary education is approximately half (34%) those in IG4 households and they have the largest proportion with schooling of year 11 or below (56%) of all income groups. Some of this education gap would be reflective of the older age profile of IG1 households where participation rates in year 12 and post-secondary education were historically much lower than the younger cohorts of today. This suggests that education is increasingly becoming a divider of both income and housing opportunity that was not so apparent for previous generations.

**Table 6: Demographic characteristics of income support groups, individuals HILDA 2013<sup>a</sup>, weighted (column %)**

	IG1	IG2	IG3	IG4	Total
Male	41.3	45.3	52.9	51.7	49.5
Female	58.7	54.7	47.1	48.3	50.5
	100.0	100.0	100.0	100.0	100.0
<i>Country of birth</i>					
Australia	68.0	71.7	67.5	66.9	67.8
Main English speaking	12.5	9.1	9.3	12.2	11.7
Other	19.5	19.3	23.2	20.9	20.6
Total %	100.0	100.0	100.0	100.0	100.0
Legally married	41.8	47.6	33.2	59.1	53.9
De facto	4.1	8.6	7.1	14.9	12.2
Separated	3.7	4.1	4.7	2.3	2.9
Divorced	13.5	6.9	10.8	3.8	5.8
Widowed	20.5	9.4	6.4	1.0	5.0
Never married and not de facto	16.4	23.4	37.8	19.0	20.2
Total %	100.0	100.0	100.0	100.0	100.0
Degree or above	8.2	10.1	21.2	36.1	28.0
Diploma/certificate	25.8	33.0	28.4	33.0	31.8
Year 12	10.1	13.5	20.2	15.0	14.4
Year 11 and below	55.9	43.4	30.2	15.9	25.8
Total %	100.0	100.0	100.0	100.0	100.0

*a. Sample of responding adults/independent children. Uses individual responding person cross sectional weight.*

The majority (89%) of individuals living in IG1 households are out of the labour force (Table 7). Among those in IG2 households, nearly three quarters (71.2%) are out of the labour force and they have the highest rate of unemployment (8%) compared with other groups. Although individuals in IG1 have low participation rates in work (8%), those who are employed typically have casual contracts (73%). Individuals in IG2 households also have relatively low participation rates in work but higher than average proportions engaged in casual employment (52%) for those who are employed. Participation rates increase for those living in IG3 households and

they tend to be slightly over represented among those in part-time (26%) and casual employment (46%) compared with the average across groups. In contrast, those in IG4 have high participation rates (83%), particularly in full-time employment (63%) that is permanent (83%).

**Table 7: Labour market status of income support groups, individuals HILDA 2013<sup>a</sup>, weighted (column %)**

	IG1	IG2	IG3	IG4	Total
Employed FT	0.6	5.4	35.1	63.4	45.5
Employed PT	6.9	15.7	26.3	20.0	18.0
Unemployed, looking for FT work	2.5	6.2	3.1	1.6	2.5
Unemployed, looking for PT work	1.0	1.5	0.6	0.6	0.8
Not in the labour force, marginally attached	10.4	13.4	7.3	3.6	6.1
Not in the labour force, not marginally attached	78.4	57.8	27.2	10.4	27.0
Employed, but usual hours worked unknown	0.3	0.1	0.3	0.3	0.3
Total %	100	100	100	100	100
Casual <sup>b</sup>	73.1	52.3	46.0	17.0	20.6
Permanent	26.9	47.7	54.0	83.0	79.4
Total %	100	100	100	100	100

a. Sample of responding adults/independent children. Uses individual responding person cross sectional weight.

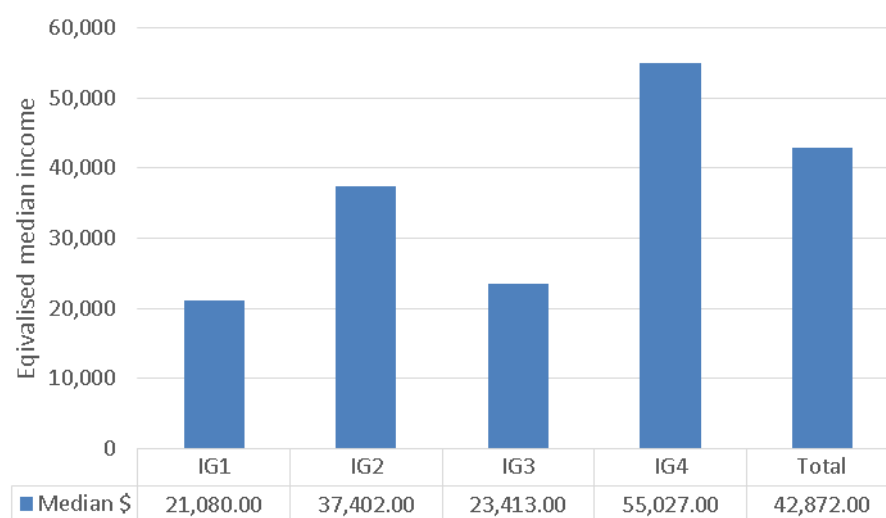
b. ABS definition of casual employment.

### 3.4 Housing assistance need: an income and housing-based analysis

Using the income groups established above, our research focuses on three measures to assess the apparent need of housing assistance among households of diverse types, and living within a range of housing tenures. The rationale is to contribute to an evidence base about the efficacy of an increasingly individualised form of housing assistance provision in Australia. The application of objective and subjective measures of need for housing assistance within this research provides opportunity to cross-validate findings for each group, as well as to consider the unique contribution of each measure of need. The first of these measures is an assessment of the relationship between income and housing costs for each group.

Both income and housing and the interaction between the two have been mainstay indicators for determining where need for assistance will be most acute. Housing, particularly through ownership, has provided a buffer against low incomes into retirement. Conversely high housing costs can compound the effects of a low income, in young adult, mid-life and older life stages. As to be expected and by definition, Figure 2 below shows that IG1 (\$21,080) and IG3 (\$23,413) households have the lowest median equivalent disposable income across the four income groups. This is followed by those in IG2 households (\$37,402), whose median disposable income is around \$18,000 lower than an IG4 household.

**Figure 2: Median equivalised disposable income of income groups, weighted households HILDA 2013<sup>a,b</sup>**



*a. Sample of responding households selects one member from the sample of responding adults/independent children.*

*b. Uses OECD equivalence scale. See method section.*

The extent to which lower overall household income impacts upon housing costs is also interesting to consider. The tenure profile of each income group is shown in Table 8 below. For the most part, IG1 households live in the more secure tenures of outright ownership and social housing. More than half (53%) of IG1 households are owners without a mortgage while a further 15 per cent live in social housing. However, there is a sizable fifth (21%) of these lowest income households who reside in the private rental sector.

Outright ownership (46%) also tends to be higher than average among IG2 households. This group has the next highest proportion of social renters (8%). Around a fifth of IG2 households live in housing with a mortgage (20%) and a further quarter (24%) rent privately. Households in IG3 tend to be over represented in the private rental sector (41%) compared with other income groups. This, combined with relatively low incomes, suggests that they appear to be falling through the existing housing assistance safety net given that they do not receive income support and therefore rent assistance, nor do they benefit from more affordable housing costs relative to IG1 and IG2, although they do have the highest proportion living rent free (6%). Almost half (47%) of the more well off IG4 households are owners with a mortgage and over a quarter (27%) rent privately. As a group, they have the lowest rate of outright ownership, potentially reflecting their younger age profile.



**Table 8: Housing tenure of income groups, Households HILDA 2013<sup>a,b</sup> weighted (column %)**

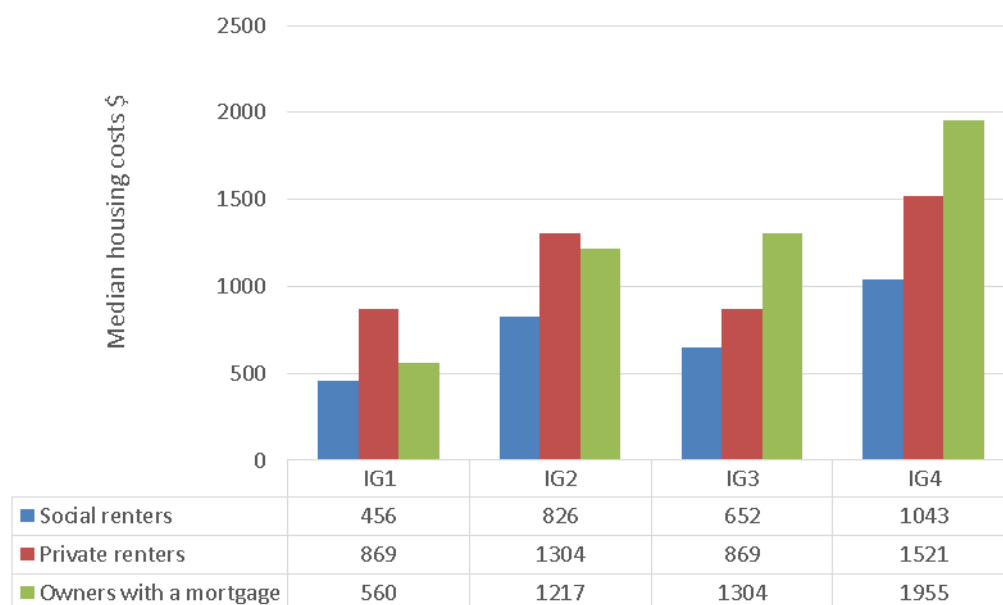
	IG1	IG2	IG3	IG4	Total
Owners without a mortgage	52.5	45.5	30.7	22.1	31.1
Owners with a mortgage	6.7	20.0	19.3	47.1	34.4
Private renters	20.5	23.9	41.3	27.3	26.6
Social renters	14.9	8.0	2.9	0.9	4.5
Rent free	5.4	2.7	5.9	2.6	3.3
Total %	100	100	100	100	100

a. Sample of responding households selects one member from the sample of responding adults/independent children.

b. Uses cross sectional household population weight.

Generally, Figure 3 below shows that housing costs increase for each household income group, indicating that there is a market matching process at work in which higher income households mostly live in higher cost housing. The exception to this is purchaser costs for IG2 and IG3, which are similar despite differences that were shown in their overall household incomes. To some extent, lower housing costs can offset lower incomes, however this is not always the case as we examine more closely through a number of housing indicators below.

**Figure 3: Median monthly housing costs by income groups, weighted households HILDA 2013<sup>a,b</sup>**



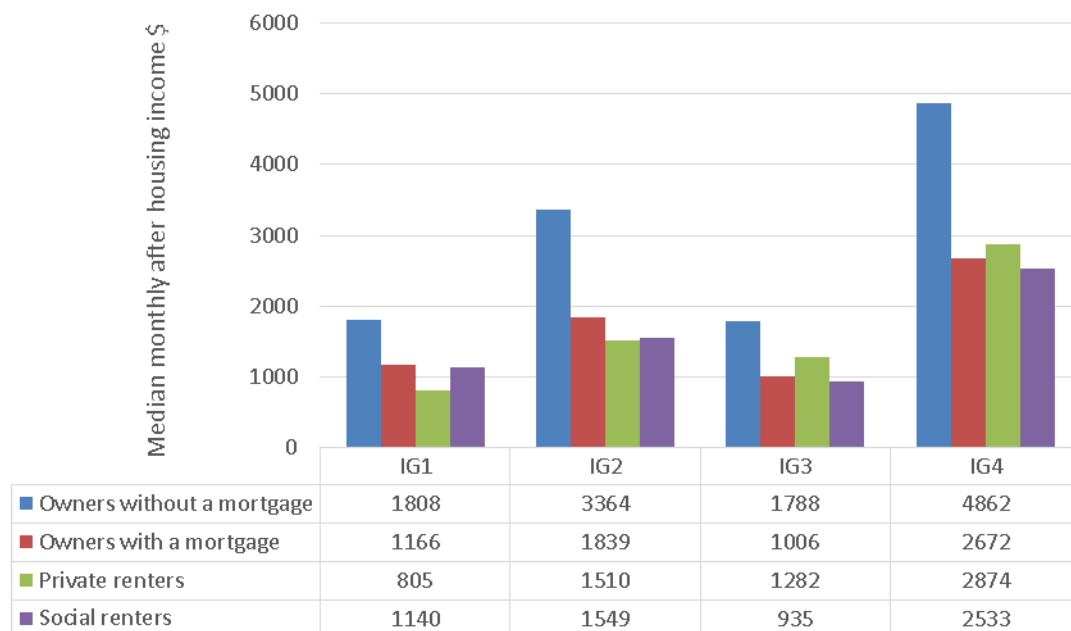
a. Sample of responding households selects one member from the sample of responding adults/independent children.

b. Uses cross sectional household population weight.

Figure 4 below provides a comparison of the after housing income across income groups. After housing income is computed by subtracting monthly housing costs from monthly equivalised household income and then calculating the median across all groups. As to be expected, Figure 4 shows that those who live in owner-occupied households without a mortgage have higher after housing income given their relatively low housing expenses. The after housing income benefit is most marked for IG2 and IG4 households whose incomes are considerably

higher than those with regular housing costs in the form of rents or mortgages. Private renters in IG1 have the lowest overall after housing income, suggesting these households are particularly vulnerable in being able to sustain their tenancies, as they have inadequate resources to respond to housing shocks and critical life events (Stone, Sharam et al. 2015).

**Figure 4: Median monthly after housing income, households HILDA 2013<sup>a,b,c</sup>**



- a. Sample of responding households selects one member from the sample of responding adults/independent children.
- b. Uses cross sectional household population weight.
- c. Excludes those who are living rent free.

### 3.4.1 Summary: an income and housing costs approach

In short, the analysis of income and housing costs in relation to the income and tenure groups indicates that it is both private renters and purchaser owners who experience highest financial difficulty—and hence highest potential need for housing assistance, relative to other groups. This measure of potential need highlights the buffering influence of both social housing for the lower income groups as well as outright ownership for higher and lower income households. Effectively, we find that households paying significant housing costs experience financial strain—regardless of the type of housing costs being paid (mortgage or rental payments).

Further, while income support appears to offset costs relatively effectively for households in income group 2 (households in receipt of income support but with moderate-higher incomes), we find that it is the lower income households that continue to experience financial strain regardless of their primary income source. When we examine the incomes after housing costs of lower income households who are in receipt of income support payments compared with those who are not, we find that income support only marginally improves financial strain. Of most concern are lower income households not in receipt of income support—and most particularly, households in this group (IG3) who are social renters, purchaser-owners or private renters.

### 3.5 Housing assistance need: a residual income analysis using a Budget Standards approach

Burke, Stone et al. (2011) identify the residual income method as an alternative means of assessing financial stress at a household level, that takes account of housing costs as well as living costs. As they explain:

*[T]he residual income approach to measure housing affordability ... is an alternative to the benchmark method of affordability measurement and calculates how much is left over for rents or mortgages after relevant expenditure items for different household types have been taken into account. If there is insufficient left for rents and mortgages after meeting this budget standard, a household has an affordability problem. (Burke, Stone et al. 2011: 6)*

In the Australian context, researchers at the Social Policy Research Centre (SPRC) have previously developed a Budget Standards approach to measuring after housing living costs that can readily be used for this purpose (Saunders, Chalmers et al. 1998). Two measures were developed, one based on a Low Cost budget that is indicative of a highly frugal lower income budget, and one termed a Modest Standard, that is more normative while still not profligate (Saunders, Chalmers et al. 1998). While the indicators used in these standards are now considerably out-of-date, for the purposes of our analysis in this research we have modified these for contemporary use, and adjusted individual items and indexing.<sup>1</sup>

To begin, we assess the Low Cost budget standard measures across the income groups, assessing financial wellbeing by housing tenure. The percentages shown are for households that fall below the low cost standard, indicating significant financial stress once living expenses and housing costs are accounted for. As shown in Table 9 we can see first of all, that social renters, followed by private renters, owners without a mortgage and lastly owners with a mortgage, are all prone to living in financial stress once housing costs and living costs are accounted for. IGs 1 and 3 are clearly in most difficulty. High proportions of purchasers and private and social renters in IG1 live with inadequate income according to this measure, with more than two-thirds of outright owners also assessed as having inadequate income in this group. More than half of households in IG3 in each tenure, respectively, also have inadequate incomes—although to a lesser percentage than that for IG1. Most notably, purchasers and private renters with low incomes and not in receipt of income support appear to be in acute financial strain. A third of purchasers and private renters in IG2 also appear to have inadequate income according to the low cost standard, as do close to a fifth of social renters.

The buffering effect of home ownership among outright owners and the safety net of social housing among social tenants in IG1 sets these groups apart from both purchasers and private renters, despite all groups being found to have a large majority of households living below the Low Cost budget standard. How the wealth and savings of the various groups relates to their financial strain is a topic we examine further below.

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<sup>1</sup> For detailed discussion of the use of Budget Standards measures in housing affordability research see Burke, Stone et al. (2011).

**Table 9: Low Cost Budget standards by tenure by income groups, households HILDA 2013<sup>a,b</sup> weighted (column % within tenure groups), showing households below the Low Cost Budget standard**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total % low cost
Owners without a mortgage	67.6	0.6	56.6	1.0	29.9
Owners with a mortgage	93.9	37.5	88.4	12.6	20.4
Private renters	91.1	35.6	67.3	6.8	29.8
Social renters	88.2	18.6	54.0	8.5	71.1

a. Analysis of budget standards is based on households with only one income unit. There is no budget standard for multi-family and group households. The analysis of households selects the first person in income unit 1.

b. Uses cross sectional household population weight.

Striking is the finding that a very large proportion (close to 100% in some cases) of all households in IGs 1, 2 and 3 across all tenures appear to have inadequate incomes when modest cost budget standards are used to examine income adequacy once housing costs are accounted for. These findings reinforce the picture that recent housing evidence in Australia shows, regarding the very low affordability of Australian housing. The only exception seen in Table 10 is IG4, members of which have the financial wherewithal to withstand currently unaffordable housing costs. However, even within this IG, it is again only those with no housing mortgage who appear to have adequate income as assessed by the modest standard, with between a third and a half of all purchasers, private and social renters all falling below the modest standard level.

**Table 10: Modest cost budget standards by tenure by income groups, households HILDA 2013<sup>a,b</sup> weighted (column within tenure groups %), showing households below the modest cost budget standard**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total % modest cost
Owners without a mortgage	93.1	19.8	83.4	10.7	48.0
Owners with a mortgage	98.7	73.2	98.9	36.6	43.6
Private renters	99.2	79.2	97.0	29.3	52.6
Social renters	99.0	59.7	100.0	49.3	89.9

a. Analysis of budget standards is based on households with only one income unit. There is no budget standard for multi-family and group households. The analysis of households selects the first person in income unit 1.

b. Uses cross sectional household population weight.

Table 11 below shows income levels for households in the four income groups, living in different housing tenures. Average equivalent household incomes for households that fall below or above the Low Cost Budget standard are shown. What is most remarkable about the findings are the low incomes of households who fall under the low standard, in all groups and in all tenures. To a large degree those who own their home with low income are older persons, reflective of post-retirement incomes. For those with mortgages, however, and private renters and social tenants, income amounts across all income groups that fall below the low standard are also remarkably low relative to incomes above the Low Cost standard. This includes those

households in receipt of income support (e.g. low-income households in IG1) as well as lower income households not in receipt of income support in IG3, where, for example, average after living and housing cost residual incomes are remarkably similar to those found among IG1—a group with access to a range of supports (e.g. health care card concessions and similar) not available to those in IG3.

**Table 11: Equivalent household income by Low Cost Budget standards by tenure by income groups, households HILDA 2013<sup>a,b</sup> weighted**

	IG1	IG2	IG3	IG4	Total
<i>Owners without a mortgage</i>					
Below low BS	20,365	17,779	13,133	23,828	20,100
Above low BS	27,500	40,667	32,663	60,369	45,154
<i>Owners with a mortgage</i>					
Below low BS	20,120	27,770	20,595	32,636	29,232
Above low BS	29,678	40,518	36,205	60,838	59,886
<i>Private renters</i>					
Below low BS	20,000	26,847	20,980	29,002	21,862
Above low BS	29,159	37,528	35,000	53,713	50,259
<i>Social renters</i>					
Below low BS	19,600	20,815	15,000	24,269	19,600
Above low BS	26,801	34,622	33,170	46,180	33,185

a. Analysis of budget standards is based on households with only one income unit. There is no budget standard for multi-family and group households. The analysis of households selects the first person in income unit 1.

b. Uses cross sectional household population weight.

Table 12 below presents income information across groups and tenures, this time showing average incomes of households who fall below and above the Modest Cost standard. The most notable feature of these data are that it is again households in each of IG1 and IG3 living below the Modest standard, whose incomes are remarkably low. The findings illustrate the gap in income quantum between those who live below the Modest standard and households living below it, where across all groups there appears to be a 30–50 per cent increase in incomes in those living above a Modest Cost standard, in comparison with households living below this residual income level. Another striking feature of these findings are the relative financial wellbeing of IG2 in comparison with either IG1 or IG3, indicating that income support for households in this group may be most effective.

**Table 12: Equivalent household income by modest cost budget standards by tenure by income groups, households HILDA 2013<sup>a,b</sup> weighted**

	IG1	IG2	IG3	IG4	Total
<i>Owners without a mortgage</i>					
Below modest BS	21,468	30,459	18,622	30,467	22,183
Above modest BS	37,231	43,024	37,725	63,701	54,955
<i>Owners with a mortgage</i>					
Below modest BS	20,172	31,623	22,783	40,574	36,803
Above modest BS	35,060	51,450	36,205	68,745	68,405
<i>Private renters</i>					
Below modest BS	20,540	30,293	26,034	37,124	28,496
Above modest BS	42,088	49,306	36,831	60,736	60,212
<i>Social renters</i>					
Below modest BS	20,000	27,763	24,302	30,008	20,680
Above modest BS	37,608	40,109	N/a	53,509	48,428

a. Analysis of budget standards is based on households with only one income unit. There is no budget standard for multi-family and group households. The analysis of households selects the first person in income unit 1.

b. Uses cross sectional household population weight.

### 3.5.1 Summary: a residual income approach

The clear implication of the residual income analysis across income groups and housing tenures is that there is a very high level of financial strain experienced by large majorities of all households, across housing tenures and income groups, with the exception of the highest income group not in receipt of income support. The Low Cost budget standard used in this analysis as an indicator of residual income illustrates widespread inadequacy of incomes across households once housing costs are taken into account. When Modest Cost standards are considered, even lower proportions of households within each income group and tenure appear to have adequate income to get by on, once living costs and housing costs are accounted for.

What this analysis highlights most specifically is the difficult financial position of households with lower incomes in receipt of income support, as well as households with lower incomes not in receipt of income support, in both home purchase as well as private rental tenures. This is in addition to the difficulties we might have expected the lowest income groups in receipt of income support to experience—in both outright ownership (due to the extent of retirees in this group) as well as in social housing, where occupants by definition typically have very low income. The way that these financial difficulties—experienced by a wide range of households currently living in tenures that attract high levels of housing assistance subsidy as well as those that do not—manifest in the experiences of households, are explored next.

## 3.6 Housing assistance need: subjective assessment of financial hardship

A third and final way we assess need for housing assistance in our analysis of income groups within this research is via households' own subjective assessment of financial hardship. Using a standard suite of measures geared to assess various dimensions of financial and material hardship (Bray 2001; Breunig and Cobb-Clark 2005), we consider the extent to which

households in each of the income groups and housing tenures experienced any of the following in the previous 12 months due to a lack of income:

- pawned or sold something
- asked for financial help from friends
- asked for help from welfare/community organisations
- went without meals
- was unable to heat their home
- couldn't pay the mortgage or rent on time
- couldn't pay utilities on time.

Subjective assessments have the advantage of capturing otherwise hidden information about the impact of particular aspects of living standards on household wellbeing. They also capture the impact of difficulties with cash flow that may emerge from sudden or irregular incomes. Figure 5 below shows, first, that as we would expect IG4 is least likely to report any of the types of hardships survey respondents were asked about, during the previous 12 month period. Interestingly, however, around 10 per cent of the higher income group nonetheless reported that they had difficulty paying electricity.

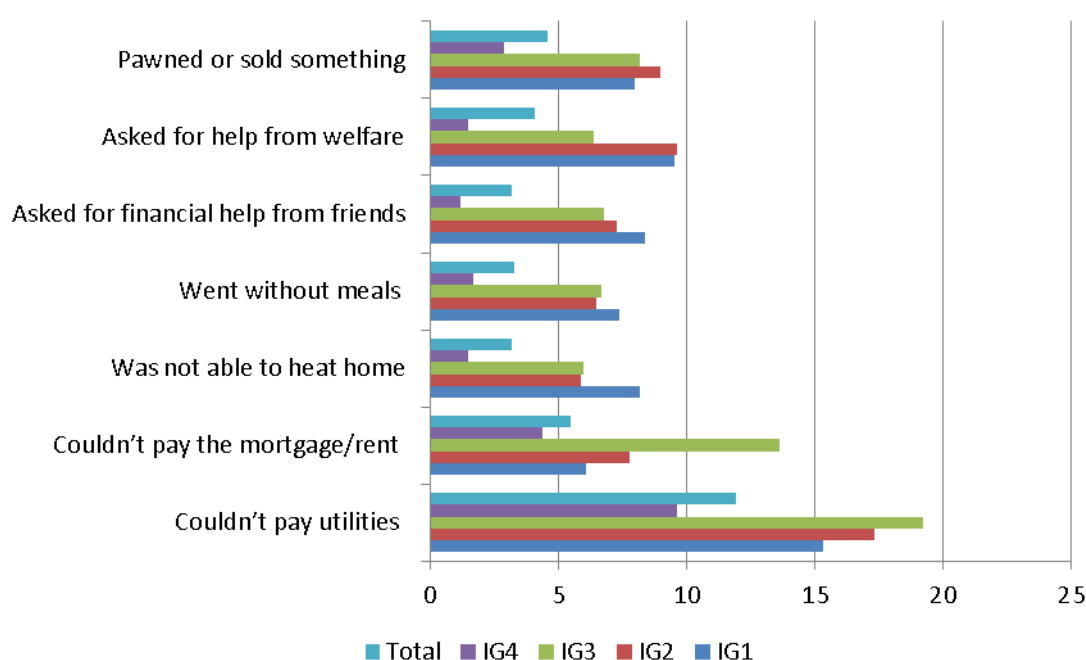
While we might expect IG1 to report most difficulty on all measures, findings indicate that households in both IG2 and IG3 are most likely to report having had difficulty in paying electricity and that they were most likely to have asked for financial assistance from friends during the 12-month period. In each case, around a fifth of each IG reported these hardship measures. Relatively high proportions of IG1 also reported the same difficulties, with 8.4 per cent of this group asking friends for financial support and 15.3 per cent having had trouble paying electricity in the previous year.

Close to 10 per cent of IGs 1, 2 and 3 reported having pawned or sold something during the previous year, indicating substantial difficulties of cash-flow for these households. Smaller numbers of each of these groups also reported going without meals. For IG1, 7.4 per cent of households reported this hardship, compared with 6.5 per cent for IG2 and 6.7 per cent for IG3, all well above the population average of 3.3 per cent. Housing standards and cash flow difficulties combined among IG1 households mean that close to 10 per cent (8.2%) of these households also experienced being unable to heat their homes in the previous year. Considering that many of the IG1 households comprise elderly persons living on pensions, this is particularly of concern.

In relation to housing costs specifically, a small but notable proportion of households across income groups, and particularly in IGs 3, 2 and 1 (in that order) reported having had difficulty in meeting costs in the previous 12 months. The largest proportion of any group reporting difficulties in meeting housing costs is in IG3, in which 13.6 per cent of households could not pay housing costs on time. Remembering these are households not in receipt of income support payments means this group is particularly vulnerable as they are not directly linked to various types of housing assistance. Next, 7.8 per cent of Group 2 households reported having had difficulty—a group, like IG3, that includes a substantial number of purchasers as well as private tenants. Among IG1, a lower proportion (6.1%) of households reported having had difficulty meeting housing costs, a figure that is relatively low due to the higher proportion of post-retirement aged outright owners in this group.



**Figure 5: Indicators of financial stress (hardship measures) by income groups<sup>a</sup>**



*a. Sample of responding adults/independent children.*

### 3.6.1 Summary: subjective measures of hardship

The analysis of hardship measures in this research confirms the findings related to both income and housing costs and residual income approaches to assessing financial strain and need for housing assistance. Notably, we find evidence that there is a proportion of households across income groups who appear to require some form of assistance to offset hardships directly related to housing costs and housing running costs, including paying mortgage and rental costs on time, heating their homes, paying for electricity and living adequately while doing so. The hardship measures indicate a lower level of potential need than either of the objective measures, above, perhaps indicating that households normalise their experiences. In the case of missed bills, rents and mortgages, individuals and households have little option but to pay and if at risk of significant hardship will often adjust their housing consumption. This is a common strategy among private renting households in particular, who will either move into group households, return home to parents, or move to more affordable locations with lower rents (Sharam and Hulse 2014; Parkinson, Cigdem et al. 2013).

Consistent with the earlier findings, is that in addition to the households in receipt of income support there are small but significant numbers of individuals living in households with lower incomes who are not in receipt of income support but who appear to require housing-related assistance. This group, whose profile is one of the working poor, with increased transience and limited security in housing and employment, are clearly an emergent group of policy concern.

## 3.7 Persistence of need and household-based wealth

In assessing overall need for housing assistance we also consider the extent to which households remain in income groups and housing tenures that are most likely to be associated with the need for housing assistance, explored above, as well as the wealth and savings available to households to withstand housing and income shocks. Focusing on longer term dynamics as well as the household-based capacity to manage income shortfalls is critical to understanding the potential individualised pathways through income and housing assistance



need and how policies might be better shaped to respond with shorter versus longer term policy interventions.

### 3.7.1 Moving between tenures

The analyses above have shown that particular income groups and tenures are more likely to be associated with financial and related strain experienced at a household level. In this context, an important policy question that emerges is what is the likelihood of moving between tenures for different income groups? Transitions between tenures are the result of many factors shaped by household decisions—new unions and separations and employment opportunities, among other factors. The way we count or are able to identify such transitions also relates to how tenure status is measured in most major statistical collections. For instance, an individual's transition out of a tenure to the next could be the result of a couple buying a new property or could be the result of a new union or relationship where one person might marry into home ownership. Nonetheless, an individual can still assume some of the benefits, disadvantages, stigmas and statuses of the tenure transition regardless of whether they are an 'owner' or officially on the lease. Similarly, when an individual moves out of private rental and assumes ownership status through a partnership they will no longer be eligible for rental assistance.

As revealed in Table 13 below, the majority of individuals and households remain in the same tenure between consecutive years. This is particularly evident for owners without a mortgage, in which 88 per cent of those who were in this tenure in 2012 still remained there in 2013. The most noted shift in tenure status between consecutive years is for those who are rent free in 2012, with the largest proportion assuming private rental status (22%) in the following year. The size of this shift raises questions about the extent of housing assistance required to support individuals and households into private rental from either more supported accommodation (e.g. in family arrangements where young adults are leaving home) or from precarious situations (e.g. where individuals or households are in transition between marital/partnerships, have recently experienced mobility, or similar).

**Table 13: Tenure transition probabilities of all income groups between 2012 (*t*) to 2013 (*t+1*), individuals HILDA (row %)<sup>a</sup>**

	Tenure <i>t+1</i>					Total %
	Owners without a mortgage	Owners with a mortgage	Private renters	Social renters	Rent free	
Tenure <i>t</i>						
Outright without a mortgage	88.0	8.5	2.4	0.2	1.0	100
Owners with a mortgage	8.3	86.7	4.0	0.1	0.8	100
Private renters	2.3	7.5	85.4	1.8	3.0	100
Social renters	0.5	0.2	11.4	86.2	1.8	100
Rent free	9.7	10.9	22.3	1.5	55.6	100

a. Sample of responding adults/independent children who have an observation between consecutive years.

The next set of tables focus on the transition probabilities of each income group, commencing with the lowest IG1. As shown at Table 14 below, nearly all IG1 individuals living in an owned home without a mortgage remain in the tenure the following year. A small proportion (15%) of owners in IG1 households who have a mortgage in 2012 no longer have a mortgage the following year. The majority (91%) of social renters in IG1 households remain in this tenure between consecutive years, consistent with relatively low exit and vacancy rates in the social

housing sector overall (Wiesel, Pawson et al. 2014). Table 15 below indicates a very similar pattern for IG2.

**Table 14: Tenure transition probabilities of income group 1 between 2012 (*t*) to 2013 (*t+1*), individuals HILDA (row %)<sup>a</sup>**

	Tenure <i>t+1</i>					Total %
	Owners without a mortgage	Owners with a mortgage	Private renters	Social renters	Rent free	
Tenure <i>t</i>						
Owners without a mortgage	95.1	2.3	1.2	0.4	0.9	100
Owners with a mortgage	15.1	82.2	2.0	0.7	0.0	100
Private renters	1.9	3.2	85.7	6.6	2.6	100
Social renters	0.6	0.3	6.3	91.4	1.4	100
Rent free	9.3	3.5	16.3	1.2	69.8	100

a. Sample of responding adults/independent children.

**Table 15: Tenure transition probabilities of income group 2 between 2012 (*t*) to 2013 (*t+1*), individuals HILDA (row %)<sup>a</sup>**

	Tenure <i>t+1</i>					Total %
	Owners without a mortgage	Owners with a mortgage	Private renters	Social renters	Rent free	
Tenure <i>t</i>						
Owners without a mortgage	93.1	2.8	2.0	0.7	1.5	100
Owners with a mortgage	10.6	83.0	5.3	0.3	0.8	100
Private renters	2.3	4.2	89.0	2.1	2.5	100
Social renters	0.0	0.0	12.8	87.2	0.0	100
Rent free	17.1	9.8	14.6	4.9	53.7	100

a. Sample of responding adults/independent children.

As income increases, movement between tenures tends to increase. A small but interesting proportion of owners in IG3 households without a mortgage in 2012 gain a mortgage in 2013 (Table 16). This pattern is indicative of a growing tendency to borrow against or withdraw equity against the outright owned home through a second mortgage (Parkinson, Searle et al. 2009; Ong, Haffner et al. 2013). Around a quarter of those living in IG3 households move from having a mortgage in 2012 to not having one in 2013. A slightly higher proportion of those in IG3 households who are rent free will move to private rental.

**Table 16: Tenure transition probabilities of income group 3 between 2012 (*t*) to 2013 (*t*+1) (row %)<sup>a</sup>**

	Tenure <i>t</i> +1					Total %
	Owners without a mortgage	Owners with a mortgage	Private renters	Social renters	Rent free	
<i>Tenure t</i>						
Owners without a mortgage	89.7	6.5	1.9	0.0	1.9	100
Owners with a mortgage	22.1	69.9	3.7	0.0	4.4	100
Private renters	3.1	5.3	85.8	1.4	4.5	100
Social renters	0.0	0.0	19.0	66.7	14.3	100
Rent free	3.6	18.2	27.3	3.6	47.3	100

a. Sample of responding adults/independent children.

Table 17 below results show that the trend towards owners without a mortgage becoming a purchaser or acquiring a mortgage increases to 14 per cent for those in the highest IG4 households. This result is again consistent with the findings of Parkinson, Searle et al. 2009 and Wood, Parkinson et al. 2013 who find that equity withdrawal or mortgage borrowing increases with income. Compared with other income groups, a higher proportion of those in IG4 move from renter to an owner with a mortgage status (10%). The movement out of social housing status into the private rental market is also higher (23%) for individuals living in IG4 households compared with all other income groups. Policy implications of these shifts can include sustained periods of housing assistance receipt where households are unable to become and remain in employment while living in the private rental sector (Wiesel, Pawson et al. 2014; Stone, Burke et al. 2013). Policy options to assist secure housing transitions for lower income households seeking access to more secure housing tenures is an area of research and policy development that warrants greater attention. Similarly, such measures may enhance the ability of young adults leaving home and households that have faced significant disruption via migration, mobility or other critical life events, to achieve secure, independent housing.

**Table 17: Tenure transition probabilities of income group 4 between 2012 (*t*) to 2013 (*t*+1) (row %)<sup>a</sup>**

	Tenure <i>t</i> +1					Total %
	Owners without a mortgage	Owners with a mortgage	Private renters	Social renters	Rent free	
<i>Tenure t</i>						
Owners without a mortgage	82.4	13.7	3.1	0.0	0.8	100
Owners with a mortgage	7.5	87.6	4.0	0.1	0.7	100
Private renters	2.3	9.5	84.5	0.8	3.0	100
Social renters	1.0	0.0	23.1	75.0	1.0	100
Rent free	10.0	12.2	24.9	0.5	52.5	100

a. Sample of responding adults/independent children

### 3.7.2 Persistence in income groups

The extent to which income groups remain in the same state overtime is also important in the context of individualised housing assistance policy responses. Table 18 below shows that movement out of income groups is not common between consecutive years but does increase somewhat over time. For instance, 82 per cent remain in IG1 between 2012 to 2013, but from 2010 to 2013 this decreases to 75 per cent. Interestingly, around one-fifth of those who were not in low income but had income support or IG2 in 2010 move to the lower IG1 in 2013 while another fifth move to higher income and out of income support. This points to the potential for both downward and upward mobility among this IG2 group, and whom should be the focus of more detailed policy interest. Those in IG3 are the least likely of all groups to remain in the same income state, with the majority moving into higher income status in subsequent years. Generally those who are in the highest IG4 group tend to remain that way over time.

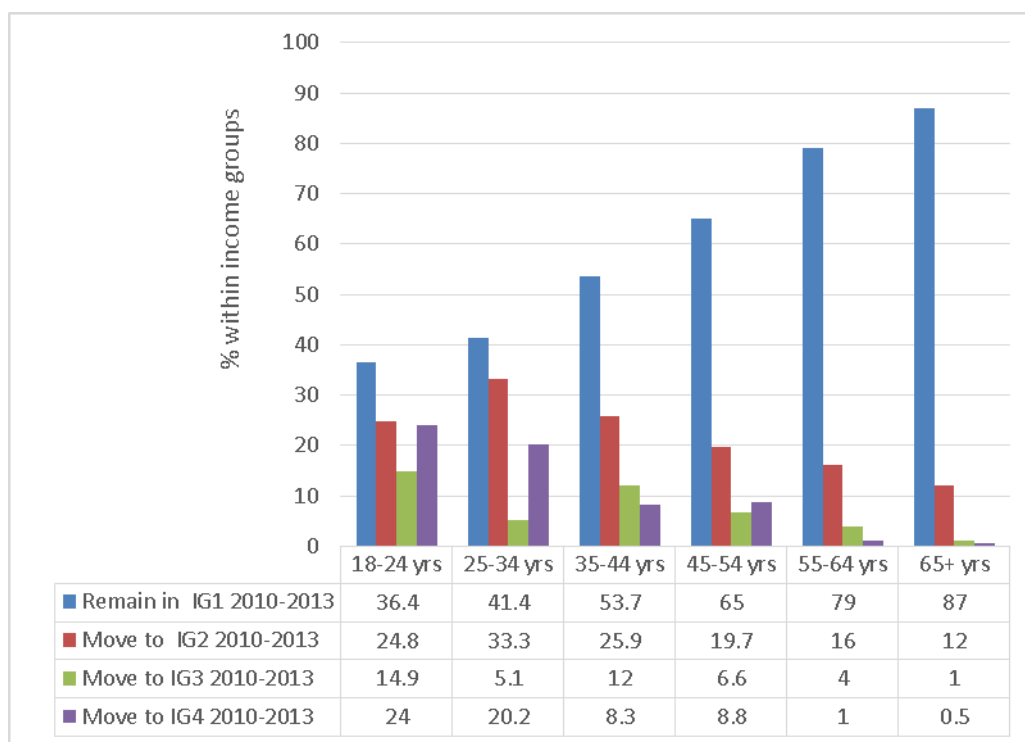
**Table 18: Transition probability of remaining in or moving income groups in 2013 from each consecutive year since 2010, HILDA 2010–13 all individuals (row %)<sup>a</sup>**

		Income support groups 2013				Row %Total
		ISP low income	ISP not low income	Not ISP in low income	Not ISP not low income	
ISP low income	2010	74.8	16.4	3.9	4.9	100
	2011	77.1	15.6	4.1	3.2	100
	2012	81.5	13.3	3.6	1.6	100
ISP not low income	2010	21.4	57.1	2.9	18.6	100
	2011	20.6	59.4	2.6	17.4	100
	2012	17.3	67.2	2.3	13.2	100
Not ISP in low income	2010	13.7	10.1	28.4	47.8	100
	2011	14.3	9.0	36.4	40.2	100
	2012	9.0	6.5	44.7	39.8	100
Not ISP not low income	2010	2.2	4.6	4.8	88.3	100
	2011	1.7	4.1	4.3	89.9	100
	2012	0.9	3.0	3.8	92.2	100

a. Sample of responding adults/independent children.

Figure 6 below shows the probability of remaining in IG1 between 2010 and 2013 according to age. Generally, the likelihood of remaining within IG1 increases with age. This suggests it is increasingly difficult to move out of low income over time and policies need to be targeted and specific across the life course. The implications for housing assistance policy is that the need for housing support will increase the longer an individual remains in a low income position with likely effects of cumulative disadvantage in their housing. Previous generations, as shown here have been able to get by due to high home ownership. Low-income households, particularly those approaching midlife and who do not currently own or are purchasing their dwelling should be a core policy group for more individualised support in the future.

**Figure 6: Persistence in income group 1, 2010–13, HILDA<sup>a</sup>**

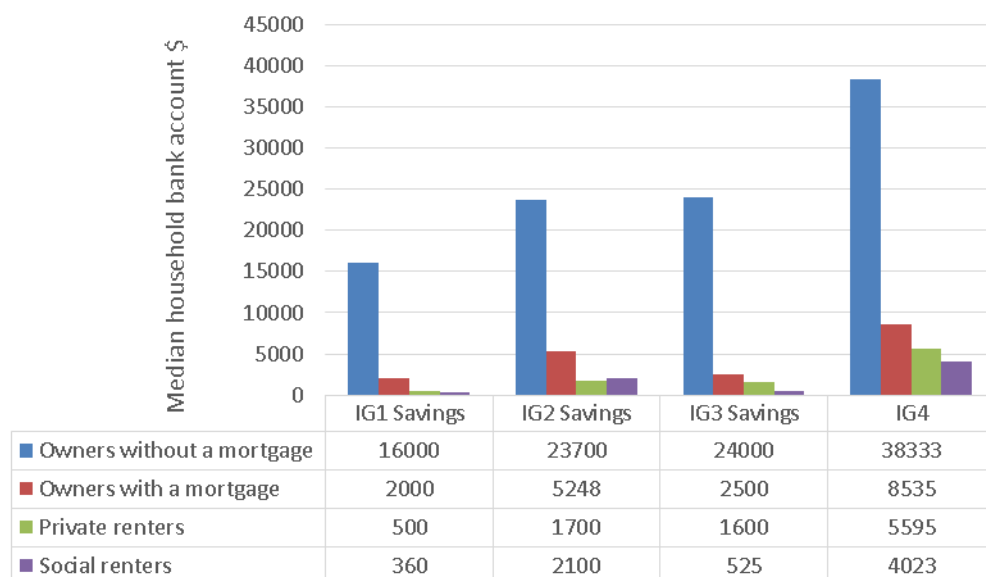


a. Sample of responding adults/independent children.

### 3.7.3 Household capacity to respond to need: savings and wealth

The capacity of households to draw on savings can mitigate or provide insurance against the effects of unplanned events or crisis, such as unemployment, familial change, ill health or other planned or unplanned critical life events (Stone, Sharam et al. 2015). Figure 7 below compares the median household bank accounts within tenure and income groups. Not only do owners without a mortgage benefit from the wealth in their housing they typically have high savings compared with other household groups. Owners without a mortgage have the highest amount of savings in each income group with the amount of savings increasing consecutively from IG1 to IG4. Conversely, the median savings of private (\$500) and social renters (\$360) in IG1 households is negligible—leaving little resources to meet urgent spending needs and necessitating living from one pay day to the next. Interestingly, purchasers across all income groups have low savings with no group exceeding a median \$10,000. With relatively high housing costs compared with other tenures, purchasers across the income spectrum are vulnerable to the consequences of an unexpected economic shock.

**Figure 7: Median household bank accounts, weighted households HILDA 2013<sup>a,b,c</sup>**



*a. Sample of responding households selects one member from the sample of responding adults/independent children.*

*b. Excludes those living rent free.*

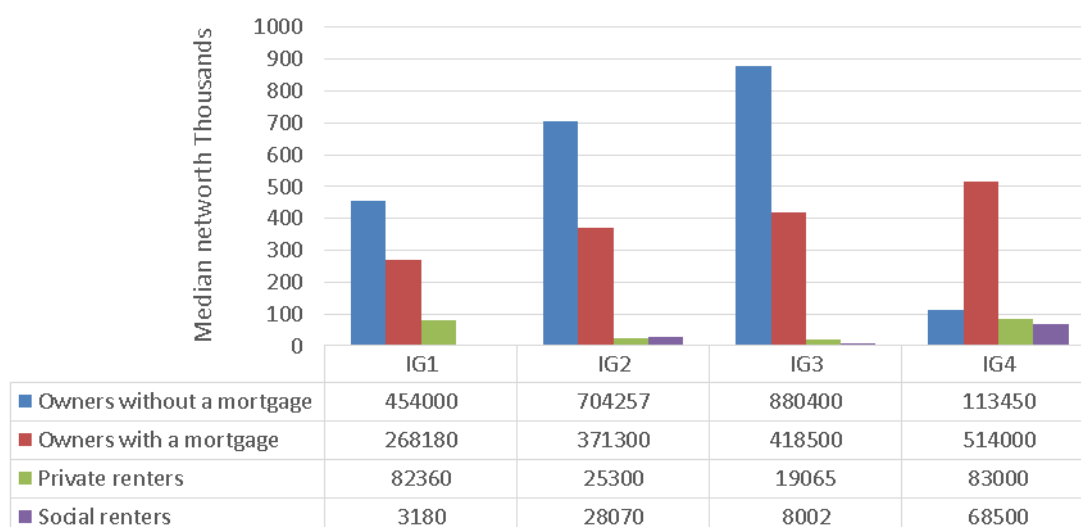
*c. Uses cross sectional household population weight.*

The unevenly distributed ability to accumulate housing wealth in ownership is becoming a source of significant 'social cleavage' above and beyond inequalities shaped by income. The findings of this analysis also suggest such differences might feature in different approaches to housing assistance to households in need, related to tenure of occupancy as well as overall wealth holdings. Most notably, although the analysis throughout this section has indicated that outright owners can experience financial strain in a range of ways, the findings of this analysis suggest that housing wealth may form part of a solution to cash flow problems, discussed in more detail in the policy implications at the end of this report.

Figure 8 below shows the inequity in net worth among owners without a mortgage compared with those without a housing asset. What is immediately apparent is that wealth holdings across all forms of savings and wealth are necessary to take into account in any policy approach to housing assistance that involves means testing or repayment. For IG4 households, for example, average wealth rates increase substantially for outright owners once all wealth holdings are included in the wealth calculations, increasing from under \$40,000 to around \$113,000. The picture for owners with a mortgage is even more pronounced, increasing from a median of less than \$10,000 of wealth holdings in the same IG4 grouping, to more than half a million dollars in overall wealth holdings. The holdings of private renters also need to be assessed carefully in housing assistance provision, as indicated in median wealth once all wealth holdings are included in the analysis.

A small number of social tenants also appear to have some savings, a form of wealth holding that might result in the ability of some households to exit social housing if and when it is appropriate for them to do so.

**Figure 8: Median net worth by tenure and income groups, weighted households HILDA 2010<sup>a,b</sup>**

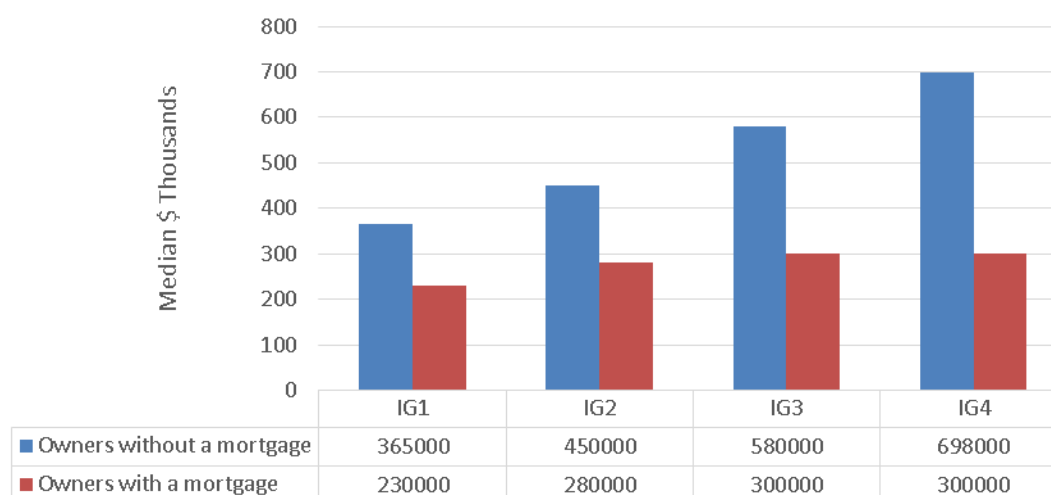


a. Sample of responding households selects one member from the sample of responding adults/independent children.

b. Uses cross sectional household population weight.

Figure 9 below shows the median amount of equity held in all properties showing the property based wealth holdings of owners with a mortgage in their current residence, and those without a mortgage in their place of residence. The total value for all owners without a mortgage, in particular, increases quite considerably once all property based wealth is included in the analysis, and is evident for outright owners across all income groups. Again, these property holdings suggest that housing assistance options for households with substantial property based wealth holdings could be provided in considerably different ways, involving upfront or deferred payment, than for households with no or limited wealth or property. An important implication is that where owners without mortgages face difficulties of cash flow, for example, wealth holdings could be used to respond to these needs either directly via equity withdrawal where available, or via various other existing or potential schemes to increase the liquidity of wealth to offset income and housing shocks.

**Figure 9: Median amount of equity held in property, weighted households HILDA 2013<sup>a,b</sup>**



a. Sample of responding households selects one member in the household that owns property.

b. Uses cross sectional household population weight.

### 3.8 What are the policy development implications of these research findings?

The analysis presented in this section indicates that substantial proportions of households not currently in receipt of housing assistance are in significant financial and material strain based on analysis of three key indicators: income-housing costs ratio, residual income approach using Budget Standards, and subjective assessment of hardship. The households in difficulty yet not in receipt of support or who are in receipt of housing assistance and income support yet remain in financial difficulty are found across housing tenures, yet in most substantial numbers in private rental, ownership with a mortgage and in social housing. Sizeable proportions of outright owners without a mortgage are also found to be in considerable difficulty based on some of these same measures.

Policy implications can be grouped according to the income and income support profile of households. First, we find that the current level of housing assistance provision for IG1 lower income households in receipt of housing assistance is inadequate to offset considerable housing costs faced by this group, regardless of housing tenure, with the sole exception of outright ownership. Implications in the short term revolve around reducing the immediate cost burden to reduce risks of slippage into entrenched disadvantage and homelessness. Longer run implications involve a considerable potential cost burden to government if demand-side measures alone are relied on to respond to the housing burden at the household level.

For IG3 households with lower incomes not in receipt of income support, findings indicate a need to provide access to housing assistance in ways that are not necessarily linked to income support. The employment profile of this group indicates a higher degree of engagement with paid work than lower income households in receipt of income support, yet the group faces considerable precarity in both labour and housing markets. This is particularly acute where these households reside in private rental (reflecting evidence in other research of private rental housing disadvantage (Hulse, Reynolds et al. 2015; Sharam and Hulse 2014; Wiesel, Pawson et al. 2014; Campbell, Parkinson et al. 2014; Parkinson, Ong et al. 2014; Stone, Burke et al. 2013). The ability to access intermittent forms of housing assistance (e.g. bond loans, and similar) may assist this group to remain relatively financially independent.

Those in IG2 households in receipt of income support with moderate to higher incomes are also found to be in difficulty, particularly where they reside in private rental or are purchasing their



homes. The implications, again, are to provide access to these households to housing assistance of forms that enables them to remain financially buoyant and/or withstand difficult stages of home purchase (e.g. the first years of mortgages or where critical life events affect their ability to pay housing costs such as in divorce transitions).

In this research we also find substantial numbers of outright owners who experience considerable financial strain on all measures we have used. Policy implications for this group differ from other groups, as on average the wealth holdings of outright owners (and some purchasers) are substantial. Policy implications for these groups could readily be geared to enable households to retain their homes/housing security but to access their housing wealth to withstand temporary or longer term periods of economic hardship, such as through delayed repayment of housing assistance loans and other lateral options such as reverse shared equity schemes. Enabling households in these circumstances to retain housing security while smoothing financial hardship could offset the considerable housing assistance burden for government.

## **4 Vulnerable households' need for housing assistance: an analysis of diversity across housing tenures**

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In this chapter of the report we examine the housing tenure, income and net wealth of households that existing evidence suggests are vulnerable to need for housing assistance. Focal populations are: older persons, single persons, lone parents with dependent children, Indigenous households and unemployed persons.

The ability of households to manage is substantially affected by housing tenure, with outright ownership playing a particularly buffering effect from hardship, as well as by life stage, partnering, as well as connection to employment, which has a clear impact on net wealth as well as housing opportunity.

Where vulnerable households face housing-related financial strain it may be most cost effective to implement housing assistance options that are not necessarily linked with income support receipt and which could be made available to a wide range of households across tenures, to maintain secure housing.

For others, additional implications of these findings are to implement schemes that assist households to develop savings and wealth, and to benefit from the types of indirect forms of assistance that are most typically associated with assistance to home owners rather than renters and other households.

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### **4.1 Vulnerable households and housing assistance needs**

To assess the extent to which individualised provision of housing assistance is relevant in the Australian context it is not only necessary to establish the breadth of housing assistance need (Chapter 3 above) but also the particular circumstances of vulnerable households of key policy interest.

Existing evidence points to the difficulties, for example, faced by young adult households attempting to transition into either private rental housing or home purchase (Burke, Stone et al. 2014; Beer and Faulkner 2009; Baxter and McDonald 2004); to the increasing number of families with dependent children in housing difficulty (Hulse, Reynolds et al. 2015; Sharam and Hulse 2014). Wood, Ong et al. 2014 have recently published an analysis of the length of time households remain living in housing stress in Australia that highlights the difficulties families face over extended periods, while other evidence points to transition points particular types of households make between tenures and housing situations available to lower income households (Seelig, O'Flaherty et al. 2008). Literature on pathways into homelessness also provides substantial information about the types of households most at risk of being vulnerable to housing shocks and critical life events that can lead to acute housing disadvantage (Wiesel, Easthope et al. 2012), including increasing numbers of older persons who experience first time homelessness in older age (Sharam 2011).

Drawing available evidence together indicates a growing disparity between the household circumstances and opportunities available to single income and dual income households (Burke, Stone et al. 2014). Where household income is affected by critical life events (Stone, Sharam et al. 2015) or is single income only, there is far less capacity within a household to buffer the considerable housing costs that are now a feature of both ownership and rental

tenures in Australia. Increasingly, too, evidence indicates that housing disadvantage is manifesting in spatial inequalities that can compound existing problems such as access to employment, health care and other essential infrastructure (Pawson, Hulse et al. 2015).

In this section of the research we build on the analysis presented above, using income groups as our analytic foundation for exploring the specific housing assistance need profile of particular groups of potential policy interest, identified on the basis of existing research. Once again, we take a wide approach, assessing the overall financial need profile of each group, and identifying particular factors relevant to each, in relation to the potential need for housing assistance. For each group, we present a summary profile of potential need for housing assistance and consider commonalities and variation among these. Focal population groups are lower income households, with the following characteristics:

- older persons (65 and over)
- single persons
  - young (15–34 years)
  - mid-life (35–54 years)
  - pre-retirement (55–64 years)
- Indigenous persons
- lone parents with dependent children
- unemployed.

## **4.2 Older persons 65 years and over**

Ageing is a time of particular vulnerability due to reduced earning capacity, the potential onset of health conditions or worsening of these, and a consequential need for particular types of housing and/or housing stability or security. Often coupled with various forms of aged pension payments, housing assistance to older Australians is provided across tenure forms, with direct payments most likely to target those living in social housing or private rental (AIHW 2014).

### **4.2.1 Older single persons**

To begin, we examine the housing need profile of older single persons aged 65 years and over, for whom income is typically restricted by retirement, and the likelihood of partnering that can result in improved housing circumstances is reduced relative to earlier years. Single persons include those who are widowed, separated/divorced, never married and not in de facto relationships in the households.

As Table 19 below shows, a large majority of older single persons in this age range live alone in lone person households, have a high likelihood of living with lower incomes and are in receipt of income support (79%). Interestingly, the data indicates how the pairing up of lone persons with either family members or non-family members can be strongly related to income groupings. In contrast with those living alone in lone person households, we see a buffering effect of relationships whereby close to three-quarters of those living with other family members are not in the lower income group. Similarly, living with others appears to be associated with a higher incidence of not having a lower income.

**Table 19: Relationship within household and gender older persons aged 65 years and over, singles, unweighted sample figures HILDA 2013 (row & column %)<sup>a</sup>**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total %
<i>Relationship within the household</i>					
<i>row %</i>					
Lone parent household	19.4	61.1	6.9	12.5	100
Lone person household	79.2	5.4	6.7	8.6	100
Other family member in the household	12.2	73.2	0.0	14.6	100
Unrelated to all others in household	35.7	57.1	0.0	7.1	100
<i>Gender column %</i>					
Male	27.0	35.3	25.4	44.4	28.8
Female	73.0	64.7	74.6	55.6	71.2
Total %	100	100	100	100	100
N	742	51	63	81	937

*a. Single persons older person including widowed, separated, divorced, never married and not de facto relationship in the household. Figures for all housing and wellbeing indicators are based on those singles persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.*

Table 20 below focuses on those who are living alone in lone person households in this age group. While a large majority (70%) own their homes without a mortgage, a smaller but significant minority of older single persons either live in the private or social rental sectors, around 10 per cent in each case. A further 6 per cent live rent free and a smaller number again live in their own homes with a mortgage—a circumstance likely to increase in future years due to a combination of delayed home purchase among young adults and high housing costs (Beer and Faulkner 2009; Burke, Stone et al. 2014). In this case, households with mortgages in retirement years appear to be primarily in the higher income groups, with lower proportions of purchasers found in IGs 1 (3%) and 2 (4%). As we might expect, the incidence of living in either private rental or social housing is highest among those with lower incomes and who are in receipt of income support (13% in each case). The implications of older persons living in each of these tenures are considerable for ongoing need for housing assistance, as rents increase at greater real rates than pensions.

Using the residual income method and focused on the lowest income group in receipt of income support (IG1) we also see that very large majority proportions of these households in all tenures are currently living well below the Low Cost budget standard measure. These proportions are highest for social renters, who would appear to be highly vulnerable if not living in social housing (91%), to 83 per cent among private renters, for whom rent assistance relief does not appear to be adequate, 85 per cent for home owners with a mortgage and a lower but nonetheless large proportion of 68 per cent among outright owners with no housing debt. In the case of the latter two groups, this evidence again suggests that housing equity may provide a way of easing current financial strain, if it were able to be released in ways that did not undermine the housing security of these vulnerable households by placing them into more precarious housing circumstances such as living in the private rental sector.

**Table 20: Housing tenure of income groups of older single persons aged 65 years and over, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)<sup>a,b,c</sup>**

	IG1	IG2	IG3	IG4	Total %
<i>Tenure (2013)</i>	2013	2013	2013	2013	
Owner without a mortgage	65.2	82.3	89.6	86.4	69.5
Owner with a mortgage	2.8	3.6	5.1	5.6	3.2
Private renter	13.2	0.0	1.2	3.4	10.9
Social renter	13.1	1.8	1.8	0.0	10.6
Live rent free	5.8	12.2	2.3	4.6	5.8
Total % within IGs	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups) (2013)</i>					
Owner without a mortgage	68.4	n/a	n/a	n/a	55.3
Owner with a mortgage	85.3	n/a	n/a	n/a	69.6
Private renters	83.2	n/a	n/a	n/a	81.2
Social renters	90.6	n/a	n/a	n/a	88.7
<i>Savings and wealth (2010)</i>					
Median amount of savings (Bank Accounts )	12,000	40,000	30,000	60,000	15,000
Have superannuation (% with IGs)	15.2	46.1	27.5	44.9	19.9
Median amount for those with superannuation (\$)	67,000	15,2000	393,973	200,000	100,000
Median net worth (imputed)	301,000	661,304	937,100	1,137,397	351,300

a. Single persons older persons including widowed, separated, divorced, never married and not de facto relationship in the household.

b. Figures for all housing and wellbeing indicators are based on those single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets. Housing equity is calculated for lone households that report being an owner of their home or other property.

c. n/a indicates cells in which numbers of respondents are too small for reliable reporting of results.

Finally, the wealth profile of older Australians who live alone varies in substantial ways according to their overall income levels and receipt of income support in ways we would expect. There are vast differences in the savings, superannuation and net wealth holdings of members of IG1 in comparison with IG2, 3 and 4. The difference in net wealth, for example, on average for these groups is more than four-fold. Notable is the fact that IG3, those with lower incomes yet not attached to income support, are more likely to have less wealth and savings than the moderate to high income group who are in receipt of income support, raising concern about the overall vulnerability of this group.

For those with lowest net wealth it has traditionally been the bricks and mortar of social housing or outright ownership that have buffered households from housing insecurity or financial strain. Increased individualisation within housing assistance models that does not provide equivalent security runs the risk of increasing and exacerbating housing disadvantage rather than alleviating it, by placing older lone person households in market-based housing tenures such as private rental, potentially with limited support and security.

#### 4.2.2 Older couples

Older persons living in couple partnerships can also be vulnerable to housing-related financial strain and disadvantage in older age. As Table 21 below shows, a majority of this demographic

group are outright home owners, reflecting the outcomes of post-war housing policy and a period of economic and labour market security. Even within IG1, households with low to moderate incomes and in receipt of pensions, three-quarters of older couples own their own homes without housing debt. Interestingly, it would appear that the higher income groups are more likely to have a mortgage than their lower income counterparts, with a fifth still reporting mortgage debt. It is beyond the bounds of this research to examine this in detail, however it is likely that this reflects the increasing use of equity withdrawal by older Australians to support their income needs in older age. Where incomes are high enough to sustain this practice, households may be able to withdraw equity while maintaining sufficient housing equity to remain in place. In contrast are home owners with lower incomes, among whom relatively small proportions of older couple owners report mortgage debt (6%).

The situation for IG3 is interesting and warrants policy attention. It would seem that this group, who have relatively low incomes and no pensions, are more likely than other groups to have mortgage debt. A clear policy implication is that these households may require assistance to remain in home ownership, rather than accumulating debt levels that would threaten their housing security as they age. Policy levers such as deferred payment loans and shared equity schemes may be relevant.

**Table 21: Housing tenure of income groups of older couples aged 65 years and over, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)<sup>ab</sup>**

	IG1	IG2	IG3	IG4	Total %
<i>Tenure (2013)</i>					
Owner without a mortgage	75.4	82.8	72.7	77.7	78.1
Owner with a mortgage	6.4	9.8	24.2	18.9	11.1
Private renter	7.1	3.2	0.0	1.2	4.2
Social renter	6.6	2.4	0.0	0.9	3.7
Live rent free	4.6	1.7	3.0	1.4	2.9
Total % within IGs	100	100	100	100	100
<i>Below low cost budget standard (column% within tenure groups) (2013)</i>					
Owner without a mortgage	63.4	n/a	n/a	n/a	27.6
Owner with a mortgage	100	n/a	n/a	n/a	37.8
Private renters	96.1	n/a	n/a	n/a	71.6
Social renters	89.0	n/a	n/a	n/a	65.5
<i>Savings and wealth (2010)</i>					
Median amount of savings	16,000	17,750	45,000	60,000	21,000
Have superannuation (% within IGS)	24.4	62.9	60.9	80.8	46.7
Median amount for those with superannuation (\$)	128,000	150,000	82,000	430,000	180,000
Median net worth (imputed)	451,000	700,200	1,86,3000	1,942,500	682,500

a. Total unweighted sample numbers=1676: IG1 n=700, IG2 n=524, IG3 n=47, IG4=405.

b. Unit of analysis is the household selected by household ID for one member of the couple in the household.

Strikingly, the overall levels of savings and net wealth are far higher on average for couples in older age than for singles living alone. Again, however, there is close to a four-fold increase in overall net wealth among moderate to high income couples not in receipt of income support

(IG4) compared with lower income couples living on a pension (IG1), indicating the possibility of using housing equity to smooth living cost and housing shocks.

### 4.3 Single persons

Not surprisingly, a large majority of singles at this life stage live in the private rental sector (Table 23). Across all income groups, proportions hover around three quarters of this demographic group per income group living in private rental, ranging from 70 per cent for IG4 to 87 per cent for IG2. It is beyond the bounds of this research to examine these patterns in more depth, however, these figures would appear to indicate that where young adults are able to rent privately they do so.

#### 4.3.1 Single young people (15–34 years)

**Table 22: Relationship within household and gender, single young people 15-34 years, unweighted sample figures HILDA 2013 (row & column %)<sup>a</sup>**

	IG1	IG2	IG3	IG4	Total %
<i>Relationship within household row %</i>					
Independent child	3.0	17.2	2.2	77.6	100
Other family member	2.1	24.1	14.5	59.3	100
Lone person	19.2	1.3	33.6	45.8	100
Unrelated to household members	8.6	19.5	5.2	66.7	100
<i>Gender column %</i>					
Male	56.6	40.0	52.8	61.3	57.3
Female	43.4	60.0	47.2	38.7	42.7
Total %	100	100	100	100	100
N	143	10	250	341	744
Average age	23.70	24.50	23.83	27.52	25.51

*a. Single persons aged 15–34 include those who are widowed, separated, divorced, never married and not in a de facto relationship. Figures for all housing and wellbeing indicators are based on single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.*

Perhaps the most striking result in this table however is the difference between the early age housing pathways of young single households in IG4, the more affluent group, and IG1, the least affluent group in receipt of income support. A fifth of IG4 young singles had purchased in this age cohort (ages 15–34) compared with 6 per cent of those in IG1; whereas 12 per cent of IG1 young adult singles live in social housing, compared with 2 per cent of those in IG4. These early differences in housing careers are likely to have long-run effects on the housing careers of this ‘next generation’ of Australian adults across their life course.

These early differences in housing pathway opportunity are also borne out in both residual income measures as well as in overall levels of savings and wealth held by young singles with varied income/income support profiles. Very large majorities of young singles in IG1 have inadequate financial resources to live well once their regular Low Cost budget standard of living and housing expenses are taken into account. In comparison, relatively few young singles in IG4 experience the same degree of financial strain.



**Table 23: Housing tenure of income groups of young singles aged 15–34 years, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)<sup>a,b</sup>**

	IG1	IG2	IG3	IG4	Total %
<i>Tenure (2013)</i>					
Owner without a mortgage	0.0	0.0	1.6	3.0	2.2
Owner with a mortgage	5.6	0.0	6.5	20.8	14.4
Private renter	70.7	87.4	82.3	69.7	73.6
Social renter	12.4	6.0	0.0	0.8	2.2
Live rent free	11.3	6.6	9.6	5.7	7.6
Total % within IGs	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups)(2013)</i>					
Owner without a mortgage	n/a	n/a	62.8	0.0	13.1
Owner with a mortgage	n/a	n/a	87.0	11.5	25.8
Private renters	93.7	0.0	61.7	3.5	33.4
Social renters	93.5	0.0		0.0	70.2
<i>Savings and wealth (2010)</i>					
Median amount of savings	250	200	1,800	5,000	2100
Have superannuation (% with IGs)	65.7	87.5	89.8	97.4	88.2
Median amount for those with superannuation (\$)	4,000	7,000	7,000	25,000	17,000
Median net worth (imputed)	20	6,980	11,860	83,000	34,530

a. Single persons aged 15–34 include those who are widowed, separated, divorced, never married and not in a de facto relationship.

b. Figures for all housing and wellbeing indicators are based on single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.

The financial ability to manage housing and income shocks at these ages is also variable for these young singles, with those in IG1 having an average of just \$20 net wealth at their disposal, compared with \$83,000 among young singles in IG4. Policy interventions, including via housing assistance and housing support programs, that promote both savings/wealth and housing equity accumulation are clearly implicated as a key policy priority in these findings given the capacity for this early-stage wealth gap between those at the highest and lowest ends of the income spectrum to substantially affect the life chances and longer term income and housing support needs of these groups.

#### 4.3.2 Single at mid-life (35–54 years)

At mid-life it is the moderate-higher income group not in receipt of income support that appears most able to live alone, relative to those in other income groups, with 60 per cent of mid-life singles who are single person households falling into this higher income group. Around twice as many mid-life singles living alone are men rather than women (Table 24) and the most common housing tenure at this age and life stage is private rental (45%) followed by home purchasing (32%), outright ownership (14%) and social housing (6%) (Table 25). Close to 5 per cent (4.6%) live rent free.



**Table 24: Relationship within household and gender of income groups of mid-life single persons aged 35-54 years, unweighted sample figures HILDA 2013 (row & column %)<sup>a,b</sup>**

	IG1	IG2	IG3	IG4	Total
<i>Relationship within household</i>					
Independent child	11.0	39.0	5.9	44.1	100
Other family member	19.5	32.5	3.9	44.2	100
Lone person	16.9	1.8	21.2	60.2	100
Unrelated to all HH members	22.2	16.7	1.9	59.3	100
<i>Gender</i>					
Male	53.8	81.8	63.2	65.9	63.5
Female	46.2	18.2	36.8	34.1	36.5
Total %	100	100	100	100	100
N	106	11	133	378	628

a. Single persons aged 35–54 include those who are widowed, separated, divorced, never married and not in a de facto relationship.

b. Figures for all housing and wellbeing indicators are based on single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.

**Table 25: Housing tenure of income groups of mid-life singles aged 35–54 years, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)**

	IG1	IG2	IG3	IG4	Total
<i>Tenure (2013)</i>					
Owner without a mortgage	15.5	10.9	11.6	13.8	13.5
Owner with a mortgage	8.5	24.8	25.8	38.5	31.6
Private renter	34.0	53.8	53.4	44.0	44.6
Social renter	32.7	0.0	4.3	0.4	5.7
Live rent free	9.3	10.4	4.9	3.4	4.6
Total % within IGs	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups)(2013)</i>					
Owner without a mortgage	87.2	0.0	32.0	0.0	19.4
Owner with a mortgage	85.9	16.7	71.9	8.9	22.0
Private renters	83.0	6.9	56.6	1.5	23.3
Social renters	89.3		36.9	0.0	77.7
<i>Savings and wealth (2010)</i>					
Median amount of savings	108	3,000	3,000	6,003	3,000
Have superannuation (% within Igs)	60.7	87.9	91.8	98.7	90.8
Median amount for those with superannuation (\$)	10,000	35,000	28,000	70,000	56,685
Median net worth (imputed)	21,004	103,710	70,000	267,000	190,850

Findings clearly show that by this age the differences between income groups' net worth is large, strongly reflecting the differences described above for young adults. Here we find that large proportions of both IG1 and IG3 mid-life single person households have incomes that

place them under the Low Cost budget standard once living costs and housing costs are factored into the equation, yet with limited resources to manage either income or housing shocks. Indeed by mid-life, the wealth differential between groups is striking. Those with lower incomes, either in receipt of income support or not, have far less financial wealth than those in moderate to higher income groupings, although the differences are most extreme once we take into account pension/benefit receipt. Net median wealth for IG1 mid-life single persons is just \$21,000 at these ages, compared with \$70,000 for lower income households not in receipt of income support (IG3), moderate to higher income groups in receipt of income support (\$103,700) and moderate to higher income groups not in receipt of income support (\$267,000).

To a very large degree these differences are based on property based wealth accumulation opportunity, raising policy questions about either addressing the indirect housing assistance advantages that promote housing-based wealth for the moderate to higher income groups, and/or supporting the lower to moderate income groups to secure savings

#### **4.3.3 Single pre-retirement (55 to 64 years)**

Tables 26 and 27 below present equivalent results for single persons aged in pre-retirement years, at ages 55–64. For these ages, differences that are found in the present data are likely to increase over time, as the younger generations (above) that have not been able to accumulate housing security and/or wealth age (Burke, Stone et al. 2014). The ageing of households without adequate superannuation, savings or property wealth in retirement years represents something of a ticking bomb in the Australian social policy landscape. Findings of this research are consistent with other recent research evidence on these points: disparities between age cohorts and income groups based on housing opportunity appear to be increasing, and are likely to have a potentially significant social policy impact in years to come as increased proportions of households in older age require assistance.

On average, 60 per cent of this age are either outright home owners (40%) or own their home with a mortgage (20%), with wealth holdings between these groups a strong indicator of likely financial wellbeing in older age once retirement has occurred. A further quarter of this group of pre-retirement single persons live in the private rental sector, and 11 per cent live in social housing. Differences in income groups are strongly correlated with likely housing tenure at this age and life stage. Once again, we find that being single is disadvantageous in housing terms, reflected and reinforced by housing tenure opportunity.

The analysis of residual income based on Budget Standards at this age and stage shows some quite stark results. It is Igs 1 and 3 who clearly are exposed to a considerable likelihood of financial strain if they are single in pre-retirement years and in lower to moderate income groups, regardless of whether they are in receipt of income support or not. Purchasers, private renters and social tenants are more likely to experience this financial strain than those who own their homes, an asset which acts to substantially buffer outright owners in IG1 from hardship relative to non-owners (although nonetheless this group still faces considerable cash flow difficulty according to this measure). The wealth differential between income groups is substantial at these ages. For single person households in pre-retirement years the wealth difference between IG1 and 4 is more than five-fold (net wealth for IG is \$104,500 compared with that of IG4 \$586,140).

**Table 26: Relationship within household and gender of income groups of pre-retirement singles aged 55-64 years, unweighted sample figures HILDA 2013 (row & column %)<sup>a,b</sup>**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total %
<i>Relationship within household</i>					
Independent child	12.5	33.3	0	54.2	100
Other family member	6.8	54.2	5.1	33.9	100
Lone person	32.7	2.2	23.5	41.6	100
Unrelated to all HH members	33.3	46.7	0.0	20.0%	100
<i>Gender</i>					
Male	37.9	55.6	38.9	41.7	40.1
Female	62.1	44.4	61.1	58.3	59.9
Total %	100	100	100	100	100
N	132	9	95	168	404

a. Single persons aged 55-64 include those who are widowed, separated, divorced, never married and not in a de facto relationship.

b. Figures for all housing and wellbeing indicators are based on single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.

**Table 27: Housing tenure of income groups of pre-retirement singles aged 55–64 years, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)**

	IG1	IG2	IG3	IG4	Total
<i>Tenure (2013)</i>					
Owner without a mortgage	33.4	36.0	47.1	42.1	40.2
Owner with a mortgage	5.6	29.4	25.2	28.1	19.8
Private renter	28.5	34.6	18.3	26.7	25.5
Social renter	28.0	0.0	6.5	0.0	11.0
Live rent free	4.5	0.0	2.9	3.2	3.5
Total %	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups) (2013)</i>					
Owner without a mortgage	60.6	0.0	36.6	0.0	27.0
Owner with a mortgage	86.4	0.0	78.3	2.4	32.4
Private renters	94.4	0.0	61.6	0.0	46.0
Social renters	85.1	n/a	38.8	n/a	78.9
<i>Savings and wealth (2010)</i>					
Median amount of savings	1,000	5,000	6,000	12,000	5,000
Have superannuation (%)	27.1	79.0	85.0	95.5	66.1
Median amount for those with superannuation (\$)	50,000	64,000	60,000	150,000	96,000
Median net worth (imputed)	104,500	489,000	512,000	586,140	377,120

## 4.4 Lone parent families with dependent children

There is mounting evidence that families with dependent children are also under considerable pressure in both private rental sectors and home purchase sectors of the market (Wood, Ong et al. 2014; Hulse, Reynolds et al. 2015; Stone, Burke et al. 2013). In this analysis we examine families with a focus on single parent headed families—those who are more likely to receive income support and housing assistance (AIHW 2014) and those who are most affected by growing housing-related opportunity differential between single and dual income earner households in child-rearing years (Burke, Stone et al. 2014).

Clearly single parenthood status is also gendered, with 87 per cent of these households headed by women, and only 13 per cent headed by lone fathers (Table 28). Overall, 40 per cent of lone parent households reside in the private rental sector, with 35 per cent who are purchasing a home with a mortgage and another 10 per cent who own their homes outright (Table 29).

**Table 28: Household type and gender of income groups of lone parent families, unweighted sample figures HILDA 2013 (row & column %)<sup>a,b</sup>**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total row %
<i>Household type</i>					
Lone parent only	24.6	29.2	5.3	40.8	100
Multi-family household	4.6	64.6	0	30.8	100
<i>Gender</i>					
Male	9.6	3.2	26.5	19.2	12.6
Female	90.4	96.8	73.5	80.8	87.4
Total column %	100	100	100	100	100
<i>N</i>	157	186	34	260	637

a. Analysis of lone parents with dependent children is based on those living in a lone parent only household.

b. Figures for all housing and wellbeing indicators are based on single persons who live as a lone person and who are assumed to be primarily responsible for living costs and are the owner of assets.

**Table 29: Housing tenure of income groups of lone parent families, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)**

	IG1	IG2	IG3	IG4	Total %
<i>Tenure (2013)</i>					
Owner without a mortgage	6.5	10.5	8.6	12.0	10.2
Owner with a mortgage	12.5	22.9	42.2	53.2	35.0
Private renter	53.3	48.4	28.9	29.7	40.1
Social renter	21.8	16.6	11.1	4.2	12.0
Live rent free	5.9	1.6	9.3	0.9	2.7
Total % within IGs	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups) (2013)</i>					
Owner without a mortgage	100	0.0	55.9	2.8	24.5
Owner with a mortgage	97.0	41.7	100	18.8	35.2
Private renters	96.2	25.2	84.8	3.6	44.0
Social renters	81.6	4.6	100	0.0	55.2
<i>Savings and wealth (2010)</i>					
Median amount of savings	261	1,130	600	4,780	1,700
Have superannuation (% within IGs)	47.5	83.6	83.2	96.6	79.6
Median amount for those with superannuation (\$)	4,900	17,150	10,000	46,000	24,000
Median net worth (imputed)	6,400	42,700	37,400	307,300	79,010

Large proportions of lone parents living in IG1, IG3 and to a lesser degree IG2 are found to experience considerable financial disadvantage based on the Low Cost budget standard, indicating they have very little financial reserve on a regular basis once living and housing costs are taken into account in household budgets. These figures are particularly pronounced among lone parents in IG1 in receipt of income support who live in either private rental housing (96% of whom are in financial strain according to this measure) or purchasing their home (97% of whom are living below a Low Cost budget standard).

Analysis of net worth among lone parent households by income grouping mirrors the pattern we have seen for all vulnerable population groups in this section: there is a large discrepancy between the overall net wealth of higher and lower income groups that is also affected by whether or not households receive income support (resulting in overall lowest wealth) or are working poor/insecure (which has a slight financial advantage in terms of net wealth holdings, over receipt of income support payments). The total wealth held by the higher income group of lone parents in IG4, is roughly equivalent to that seen above for mid-life singles who may be considered to be equivalent yet without dependent children.

In the case of lone parents, the difference in median net worth between the lowest and highest income groups is close to 48 times, indicating a clear imperative to support lone parent households with low incomes and those not in home ownership tenures to gain financial security and achieve wealth creation that will buffer them from income and housing shocks in future years and enable them to provide their children with appropriate housing security for optimal development and educational outcomes (Dockery, Kendall et al 2010; Phibbs and Young 2005).

## 4.5 Indigenous households

On almost every housing indicator Indigenous households in Australia are known to be disadvantaged relative to non-Indigenous households. What we find in this analysis is that for Indigenous households it is the combination of family/household status, income/employment and income support and housing that determine overall financial wellbeing. In this way Indigenous households are no different from other potentially vulnerable households we have examined above.

In terms of family and household relationships we find firstly that it appears to be partnerships rather than larger family groupings that is associated with Indigenous households' likelihood of being in a moderate to higher income rather than lower to moderate income household, and in receipt of income support or not. Around two-thirds of group households, for example, are found in IG1, compared with similar proportions of Indigenous couple families without children found in IG4. Substantially more Indigenous women than Indigenous men are likely to be members of IG1 (70% to 30%) with more men than women falling into IG3 (lower income not in receipt of income support) (64% compared with 36%) (Table 30).

**Table 30: Household type and gender of income groups of Indigenous persons, unweighted sample figures HILDA 2013 (row & column %)<sup>a</sup>**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total row %
<i>Household type</i>					
Couple family without children	21.9	9.6	6.8	61.6	100
Couple with children	12.4	32.3	1.2	54.0	100
Lone parent	30.2	34.9	7.5	27.4	100
Other related family	31.8	22.7	22.7	22.7	100
Lone person	46.4	2.9	26.1	24.6	100
Group household	62.5	12.5	12.5	12.5	100
Multi-family household	10.9	67.4	0.0	21.7	100
<i>Gender</i>					
Male	29.9	37.8	64.1	51.0	43.3
Female	70.1	62.2	35.9	49.0	56.7
Total column %	100	100	100	100	100
<i>N</i>	117	135	39	194	485

a. Analysis of Indigenous households is for all family groups.

Table 31 below shows that large proportions of Indigenous households reside in social housing, reflective of targeting of social housing programs for Indigenous households, with a substantial 36 per cent of the Indigenous population living in private rental and a lower 35 per cent who own their homes either with a mortgage (25%) or without (10%). It is interesting that larger proportions of Indigenous households are likely to live in private rental regardless of which IG they are in (a pattern that is different from the groups above, in which there is a stronger correlation between home purchase and higher income that is evident). Another substantial difference is the relatively lower rates of outright ownership found among lower income Indigenous households, a difference likely to be reflective of differential home purchase opportunity for older Indigenous Australians when they were in their earlier working age years.

**Table 31: Housing tenure of income groups of Indigenous households, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)<sup>a</sup>**

	IG1	IG2	IG3	IG4	Total
<i>Tenure (2013)</i>					
Owner without a mortgage	5.6	6.0	19.5	14.2	10.4
Owner with a mortgage	8.4	12.0	11.0	41.8	25.0
Private renter	37.8	35.8	54.1	35.2	36.9
Social renter	46.9	43.5	8.0	4.2	24.1
Live rent free	1.2	2.7	7.4	4.6	3.6
Total column %	100	100	100	100	100
<i>Below low cost budget standard (column% within tenure groups) (2013)</i>					
Owner without a mortgage	47.1		62.0	0.0	17.0
Owner with a mortgage	100	13.4	100	10.6	12.3
Private renters	92.7	8.9	72.2	10.2	36.3
Social renters	89.1	59.4	0.0	12.6	75.7
<i>Savings and wealth</i>					
Median amount of savings	201	245	1150	6300	2150
Have superannuation (% within IGs)	37.6	82.3	80.1	97.3	81.8
Median amount for those with superannuation (\$)	500	14,000	29,000	65,000	40,000
Median net worth (imputed)	2,700	12,012	43,000	249,966	95,914

a. Unit of analysis is the household selected by household ID for one member of the household.

Living in a higher income grouping, particularly not in receipt of income support and having independent financial means, is substantially associated with a lower risk of living with inadequate income once living and housing costs are assessed using the residual income measures. Those most badly off financially once costs are taken into account are IG1 and IG3 members living in private rental, social rental, purchasing or—for IG3 particularly—who are outright owners (not in receipt of income support). Assisting these households to remain in home purchase is an area of policy development that warrants further exploration, as part of an early intervention approach to prevent household 'slippage' into less secure housing options as they age.

Levels of net worth among Indigenous households reflect those found for lone parents and single person households, above, showing clearly inadequate financial resources among the lower income groups to withstand either income, housing shocks or critical life events without substantial support. Notable, too, is the relatively low overall net worth of IG2, who on average have a lesser wealth profile than other vulnerable groups examined above. Clearly, large proportions of Indigenous households require access to schemes and supports that enable them to create savings and wealth, and access housing opportunities.

## 4.6 Unemployment

The final group of households we examine are those in which there is a household member who is unemployed. Tables 32 and 33 below present the household, housing, residual income and wealth profile for households in which the main reference person (primary respondent) is unemployed. While not all adults in the household may be unemployed, the presence of even



one unemployed member is likely to substantially affect the housing and income profile and potential housing assistance needs of all household members (Campbell, Parkinson et al. 2014).

Table 32 presents a household composition analysis that suggests there are three major relational types that are associated with increased likelihood of the main reference person being unemployed. There are first, couples (with or without children in approximately equivalent proportions) who have moderate to higher income and are not in receipt of income support; next are lone parents with children, who appear to be in receipt of income support irrespective of whether they have lower to moderate or moderate to higher income levels; next are households of either 'other family' or 'unrelated' members, and finally there are singles. Unemployment, then, affects a highly diverse range of household types and life stages, as well as being roughly equally distributed between women and men.

**Table 32: Household type and gender of income groups of unemployed persons, unweighted sample figures HILDA 2013 (row & column %)<sup>a</sup>**

	ISP recipient and low income	ISP recipient not low income	Not ISP in low income	Not ISP not low income	Total %
<i>Household type</i>					
Couples without children	18.3	27.5	8.5	45.8	100
Couples with children	9.4	36.3	3.1	51.2	100
Lone parents with children	50.0	41.7	2.1	6.3	100
Non dependent child	9.8	55.4	0.9	33.9	100
Other family member	11.9	57.1	16.7	14.3	100
Lone person	52.8	6.7	21.3	19.1	100
Unrelated to all HH members	35.1	48.6	2.7	13.5	100
<i>Gender</i>					
Male	46.8	58.1	56.5	42.6	50.2
Female	53.2	41.9	43.5	57.4	49.8
Total column %	100	100	100	100	100
<i>N</i>	141	227	46	216	630

a. Analysis focuses on the unemployed, excluding dependent children.

At Table 33 below we see that close to half of the households in which a respondent person is unemployed reside in the private rental sector, with around a quarter who are purchasing their homes with a mortgage, 15 per cent who own their homes without a mortgage and around 6 per cent living in social housing, with a further 5 per cent currently living rent free. The ownership and rental proportions differ quite markedly from those of Australian households on the whole, with the high rate of private renting among this group close to double that of the general Australian population (Hulse, Reynolds et al. 2015). The policy implications this raises are potentially considerable, and relate to the relative flexibility of households to relocate for employment if they have the funds to do so (and taking account of the needs of other household members), as well as to the ability of households living with unemployment to sustain tenancies, rental costs, transition costs between tenancies as required, and related expenses, while living with low incomes.



**Table 33: Housing tenure of income groups of unemployed individuals, residual income, and household savings and wealth, HILDA 2010 and 2013—household weighted data (column %)<sup>a</sup>**

	IG1	IG2	IG3	IG4	Total
<i>Tenure (2013)</i>					
Owner without a mortgage	24.6	14.3	16.5	11.8	15.0
Owner with a mortgage	5.5	20.0	16.3	37.8	26.5
Private renter	48.6	47.8	53.3	45.2	47.0
Social renter	16.9	12.1	0.6	1.1	6.3
Live rent free	4.4	5.8	13.3	4.1	5.3
Total %	100	100	100	100	100
<i>Below low cost budget standard (column % within tenure groups) (2013)</i>					
Outright owners	82.0	22.5	80.6	5.3	41.2
Purchasers	100	44.0	100	34.2	42.3
Private renters	90.4	42.6	89.5	10.6	41.4
Social renters	92.0	56.4	0.0	0.0	73.8
<i>Savings and wealth (2010)</i>					
Median amount of savings	5,000	70,000	76,000	425,000	100,000
Have superannuation (% within IGs)	64.3	96.6	87.8	99.6	88.4
Median amount for those with superannuation (\$)	4,900	10,500	19,000	70,700	25,600
Median net worth (imputed)	4,900	62,127	52,810	212,000	62,127

*a. Unit of analysis is the household selected by household ID for the member in the household that is unemployed.*

Large proportions of IG1 and IG3 across tenures are shown in these results to live below Low Cost budget standards, with fewer although still substantial proportions of IG2 households (with moderate to higher incomes but in receipt of income support) also living with less than adequate regular income once living and housing costs are taken into account. The exception for this group concerns outright ownership, which acts as a clear buffer to financial hardship in the event of unemployment.

Notable are the relatively low overall wealth holdings of all income groups affected by unemployment, in which even IG4 has considerably lower median net worth than for other groups we have identified as vulnerable in this analysis. An important question is whether there is variation within the unemployed group, in relation to the length of unemployment and its effect on wealth creation, and/or in the way households may use any existing wealth to buffer income/employment or housing shocks. Housing assistance that can support households including those experiencing spells of unemployment or longer term employment precarity to maintain home ownership, may be cost effective housing assistance strategies in the long term.

#### **4.7 Vulnerable households need for housing assistance across housing tenures: what are the policy implications?**

There is considerable variation in the housing circumstances, net wealth and income profile of the households we have identified as being particularly vulnerable to need for housing assistance and which we have examined in this section. Overwhelmingly, large proportions of

each of the demographic groups we have considered face financial problems associated with living and housing costs. The ability of households to manage these is substantially affected by housing tenure, with outright ownership playing a particularly buffering effect from hardship, as well as by life stage (in which younger households are at greater vulnerability and risk of hardship than either mid-life or older households), partnering (with those living alone at more risk of financial strain), as well as connection to employment, which has a clear impact on net wealth as well as housing opportunity.

In summary, the implications for housing assistance in relation to these groups varies by life stage, by household wealth as well as by additional risk factors including care of dependent children (for lone parent families in particular), for Indigenous Australians (particularly those who are not partnered, and who have not become home owners by mid/older ages) as well as low connection to the labour force.

Where vulnerable households face housing-related financial strain it is possible to speculate that it will be most cost effective to implement forms of housing assistance options that are not necessarily linked with income support receipt and which could be made available to a wide range of households across tenures, to maintain secure housing. For others, additional implications of these findings are to implement schemes that assist households to develop savings and wealth, and to benefit from the types of indirect forms of assistance that are most typically associated with assistance to home owners rather than renters and other households.

## **5 Housing assistance provision and reform: expert stakeholder views**

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This chapter reports on the views and perspectives of key policy, industry and not-for-profit sector stakeholder experts about the viability of a shift towards an increasingly individualised and/or choice-based approach to housing assistance provision in Australia.

Theme 1: when asked about the current housing assistance model in Australia, key experts identified a range of problems, many of which related to undue reliance on demand side rather than supply side responses to a difficult housing environment for households.

Theme 2: innovation in housing assistance was seen as largely taking place outside of government, notably in the community sector and not-for-profit agencies that were trialling novel approaches to diversify the types of assistance they provide in response to diverse need.

Theme 3: social housing is perceived as having considerable advantages not available in other current forms of housing assistance, yet is perceived as being undermined by lack of investment and flexibility.

Theme 4: high needs population groups who are highly vulnerable are perceived as not receiving adequate assistance outside of social housing in current housing assistance provision.

Theme 5: the private rental sector is perceived as highly problematic for households in need of support and as compounding problems.

Theme 6: a shift to a more choice-based approach is perceived as potentially offering the advantage of achieving a wider range of assistance options yet is considered as high risk (for households and government expenditure) if housing assistance options are not adequately funded to support both implementation and ongoing provision.

Additionally, expert views caution against a housing assistance model that is founded on conditionality and/or obligation.

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### **5.1 The benefits and risks of individualised housing assistance provision to meet household need: views of expert stakeholders**

The analysis presented throughout Chapters 2, 3 and 4 has identified considerable aspects of the current system of housing assistance in Australia that appear to be responding well to aspects of household needs for assistance, such as the stability of public housing to those in most need, as well as key areas for potential policy development, including the inadequacy of cash transfers in the private rental system to offset considerable rental costs facing large

numbers of tenants. Chapters 3 and 4 have also identified households that are not currently eligible for housing assistance yet whose income and living standards, across a range of ownership and rental tenures, appear to warrant at least temporary or intermittent forms of support. The analysis has also explored the extent to which some households can play a potentially larger role in responding to income and housing shocks via withdrawal of housing equity and/or other forms of wealth, such as in the case of outright owners who are experiencing financial hardship.

In this final substantive section of this report we consider what the views of key expert stakeholders from government, the community sector and industry are, about the adequacy of current housing assistance provision, the potential benefits of a more individualised approach, as well as their views of the conditions under which any reforms to housing assistance provision that are more individualised and/or choice-based are likely to be effective.

## 5.2 What housing assistance is working?

An important starting point for discussing how the current system of housing assistance might better respond to individualised needs, is understanding which parts of the housing assistance system key stakeholders believe are working well. It is essential to acknowledge that many of the experts interviewed perceived the high levels of support currently provided very favourably. Notably, community and social housing were identified as parts of the housing assistance system that—although oversubscribed—provided significant positive benefits to those households that could access them. Community housing, in particular, was viewed as avoiding a number of perceived problems associated with public housing such as concentrating disadvantage within neighbourhoods.

*I think in particular there's some really innovative work going on there [community housing] around trying to find ways to leverage what they've got in terms of properties and assets, in order to build stock and to build stock that is appropriate to the needs of the people in the community in which they are working. (Women 1)*

*Certainly older people who were in public housing and are still there, that generally works for them. (Seniors 1)*

*The parts of the system that are working well are the social housing system, but it's just so narrow in terms of who it can supply housing to. It's the rest of those people in need that we're not really addressing their needs. (Housing/homelessness 5)*

### 5.2.1 Social housing undermined by targeted allocations policy and inadequate investment

While social housing was viewed as a generally positive part of the housing assistance continuum, allocation policies and continued disinvestment was repeatedly identified as a challenge. While 'the level of support that most housing assistance recipients are getting is making a positive impact on their lives' (Government 4) most experts did not regard current housing assistance provision as deep, or as broad, or as responsive enough to meet need.

*There are some fundamentals that are sound, but it's perhaps a question of the way some of those interventions are designed and the level of investment in them and their adequacy ... the profile of tenants has become so disadvantaged that it's then become financially unsustainable and it's kind of a self-perpetuating cycle. (Welfare 1)*

*Is the current provision of housing assistance adequate to meet the full range of needs and the level of demand? And the answer to that would broadly be no. And there is a*

*requirement and a need to understand need in a deeper way and to diversify the range of housing assistance products we offer. (Government 4)*

### **5.3 Problems with current systems of housing assistance provision**

Beyond resource constraints, a number of the experts identified systemic issues as leading to problems within the current provision of housing assistance. Firstly, they noted that it was not a system but many systems resulting in inconsistency, fragmentation, incoherence and lack of integration.

*It isn't a single system, it's an interlocking series of different systems run at different levels of government, with different agendas and different populations as their primary targets, and I think that it all lacks cohesion. (Women 1)*

At a more fundamental level the experts identified market failure: the underlying lack of supply of affordable private housing available to those with low incomes, which they saw policy-making as failing to respond to adequately and at times exacerbating it. The market failure was characterised as a 'demand-side' problem: of housing consumers whose incomes are too low to participate in the market, and a 'supply-side' problem (of under-supply of dwellings contributing to the inflation of housing costs).

#### **5.3.1 Inability to respond to high levels of need and diverse need**

On the demand-side it was argued that there is a significant number of people for whom 'affordability issues are chronic if you like or are ongoing, they're not temporary' (Government 4) because:

*they're either old people who have done their work and they're too old now to come back into the workforce, or they're people with significant levels of disability for whom it's very unlikely they will be employed, or people with other issues, you know, drug and alcohol issues or other health issues. (Disability 1)*

In addition, new demand for housing assistance such as by older, single women was identified as being driven by social change.

*[There are] other factors that are happening in Australia, all come in to play ... older, single, aged women never used to be a problem but they are a problem now whether it's in buying or less superannuation. (Industry 1)*

De-institutionalisation was identified as placing pressure on social housing systems.

*The public housing system has effectively replaced functions of institutions (Housing/homelessness 5)*

Yet because the public housing system is so heavily rationed, deinstitutionalised people form a significant group who cycle in and out of the homelessness population.

Other groups, such as young people no longer living with their families were viewed as being particularly disadvantaged by their lack of income. Neither youth income support or youth wages assumes young people need to access market housing.

*Young people on Youth Allowance, it's very difficult for those people to be housed because their costs to income ratios are much higher, their housing costs ... they would be virtually impossible or there's very few—affordability in the private rental for them ... (Housing/homelessness 7)*

The experts supported Youth Foyers as they achieved the combined goals of housing, and education or employment, thus addressing a key pathway into adult homelessness. But demand for appropriate youth support outstrips supply.

*You [don't] necessarily have choice to access those services because ... they may be full and there's no places, so yes, we've got a Youth Foyer that's been set up and is working very well. (Housing/homelessness 7)*

The problem of inadequate income was recognised as being a more generalised problem, one that reflected increasingly precarious employment.

*For some people it is just a matter of poverty and being a low-income worker and needing to bridge the gap between the market cost of housing and what people can afford to pay. (Government 4).*

*The workforce has changed where people don't have a single stable job, you know. Lots of young people have two or three casual jobs, which they juggle, so there are issues there with providing or demonstrating, sort of, income history etc. (Industry 1)*

The experts identified two main groups of housing consumers in need of assistance: those whose incomes were low because they were no longer able to work (e.g. the aged, those with disability or health issues, those who had caring responsibilities), and those whose employment was low paid and/or precarious. The nature of this demand belied, as one government expert said, 'governments' obsession with employment' as the solution to housing affordability and focused these experts on supply-side issues.

### **5.3.2 Market-based assistance and unintended outcomes**

The experts cited the national shortage of housing as a significant problem, but cautioned that this was primarily a problem with the supply of housing affordable to those in the lowest two-income quintiles (see Hulse, Reynolds et al. 2014; Hulse, Reynolds et al. 2015). The rising cost of home ownership and private rental housing was seen as excluding lower income households from market provision and driving demand for housing assistance.

*This is going to sound maybe fairly basic, but I think the housing market's got to be made to function more effectively ... if you've got a functioning housing market then you'll still have issues that require intervention, but they'll be less so ... broadly what you need to do is have enough supply that's affordable for people to live their lives without the need to enter any formalised system. (Government 4)*

Experts argued that many government interventions in the market inflated housing costs to the detriment of affordability.

*We see a whole range of treatments that ... [are] supposedly driving affordability. Whether that's land release or whether that's CRA or ... negative gearing ... huge investments by the Federal Government, but I'm not seeing that correlating into actual housing affordability for ... the bottom ... 40 per cent of the population. (Housing/homelessness 5)*

### **5.3.3 Social housing as a key area for potential positive reform**

The appropriate policy response to market failure—reiterated again and again by the experts—was to increase social housing stock.

*I just would want to re-emphasise that point which is no matter how effective demand-side solutions are they will not be as effective as supply-side solutions. I think there's so much evidence to support that. And I think housing assistance is an example of that, which is essentially you're ameliorating the consequences of supply-side failures.*

*And the issue about the chronic and growing shortage of affordable housing nationally is going to overwhelm any demand-side issues if we don't really get serious about the supply issues. (Government 4)*

### **5.3.4 Rental assistance unable to meet need for rental support**

The private rental sector (PRS) was acknowledged as accommodating the vast majority of households receiving housing assistance. There were two areas of concern: the efficacy of CRA and the regulation of residential tenancies. The CRA was regarded as inadequate because it did not bridge the gap between the cost of rental and what the household could afford.

*Commonwealth Rent Assistance payment has just fallen well behind the level that's required to make housing actually affordable for people, even though governments are spending an increasing amount on that payment, more and more people are relying on it and the budget's increasing, but the maximum rate is just nowhere near enough. It hasn't kept pace with rent inflation, it's indexed to CPI and everybody knows that rent inflation has been a hell of a lot steeper than price inflation. (Welfare 1)*

*So CRA doesn't really stretch sufficiently to be able to get people into appropriate accommodation without either squeezing into stuff that's too small or generating overcrowding problems. (Indigenous 2)*

*Commonwealth Rental Assistance, of course, it hasn't grown in relation to the private rental market for some time, and isn't differentiated based on different pricing across housing markets. Partially that's as a result of two levels of government running different systems with not too much interlinking between the two. (Government 1)*

The lack of differential in payments to reflect costs in different housing markets was a concern because it increased the likelihood of low-income households locating in lower cost localities exacerbating the risk of poor labour market attachment.

*Families or households that are on low incomes aren't actually able to compete for private arrangements in the market. Which puts them under stress, which also means that when you think about—when you try and link that back to workforce participation, if they even are in the workforce, can often push them out to the fringes, which makes their employment prospects more difficult. (Government 2)*

Experts saw the market filtering low-income households into lower cost housing markets and contributing to the growing spatial polarisation evident in larger Australian cities.

The disconnection between CRA as financial assistance and tenancy laws was raised. State-based legal protections for tenants were criticised for failing to deliver security of tenure, and minimum dwelling and appliance standards.

*We've got very weak rental tenancy protections, which mean that particularly vulnerable individuals are kind of ripe for exploitation within the system. (Welfare 1)*

The European PRS were regarded as attractive because people could have secure, affordable tenancies across their life-course.

*We don't have the kind of structures or systems or whatever that, you know, lots of European countries do where people rent for their whole lives. But I think their systems are designed to protect long-term tenants much better. (Disability 1)*

These issues highlight the shortcomings of the economic underpinnings of the PRS in Australia, where small landlords are the norm and who are typically motivated by capital gains rather than rental returns: investors competing with home purchasers is widely believed to be a major cause of housing price inflation. The need for institutional investment in private rental was



raised by three of the community sector organisations as means of encouraging rational investment

*We actually need to change the whole dynamic of who provides rental accommodation in Australia. So, currently, that's all about mum and dad investors taking advantage of an over generous tax system, which doesn't produce the kind of supply that we need. If, though, we had measures that supported and subsidised investment by institutional investors who were making long-term rational choices in a planned way and could provide the kind of scale housing we need within mixed tenure developments for the broad range of people that we need it for.*  
(Housing/homelessness 1)

It was argued that the policy foundations of the private rental sector in Australia were out-of-date.

*Most of the settings for private rental in our country are not conducive to long-term renting or stability ... To me, that tenure is the one that's least secure, has the affordability issues and lack of security of tenure issues that Australia as a whole has never addressed. Because it's understood in the past that private rental is a transitional tenure as you stepped up from living at home to living in private rental to eventually getting a house. (Government 1)*

*CRA was viewed as failing to bridge the gap between low-income and high rental costs. This failure was seen as exacerbating the movement of low-income households into localities with poor employment prospects, and into poorer quality housing. Increasing assistance to overcome the gap without tightening eligibility nevertheless was seen as prohibitively expensive. The problems of CRA were viewed as reflecting fundamental problems with private rental housing policy.*

## **5.4 Anomalies and gaps in housing assistance provision**

A key concern about housing assistance raised by the experts was the anomalies in the provision of subsidies, both between tenures and within tenures.

*Even if you look at the traditional, or not now traditional, affordable rents of 75 per cent or just under of market rent, in our housing market 75 per cent of \$500 a week is still quite a significant impost .. on a family, a single-parent-headed family with three or four kids for example. So that is quite unaffordable for a number of people in that situation. Then we've got at the opposite end, the 25 per cent income-based system within public housing which still has exemptions associated with it, so people in public housing are paying less than 25 per cent of their gross income and have the protection of that rebate system. Whereas even somebody receiving an affordable rent in the private rental market is paying potentially two or three times more in rent. So there's that gap issue between public housing and even affordable housing combined. [This] is a significant issue in our housing market, [it] is a significant issue around the targeting and provision of housing assistance. (Government 4)*

While the anomalies within CRA and social housing were noted, the larger subsidies available to home owners and the lack of rationality for them were noted.

*There's probably different models for different types of people in receipt of housing assistance ... owners or buyers, what are they getting? Well they're getting I guess various forms of tax relief ... They're not getting land tax ... the imputed rent issue. So that's ... that's a sort of a tax model of assistance. (Government 3)*



*A really good example [was] ... the First Home Owners Grant ... So really people that could afford to get into home ownership ... [got] \$30,000 cash in your hand ... No income limits. No real limits on the value of the house, although I think they did introduce a cap eventually. So if you're rich enough to be able to get into home ownership you get \$30,000 for nothing. If you're poor and have to rely on public housing, ... you need to scrap, beg and run through hoops, try and get on our waiting list, wait for ten years and then get a crappy house at the end. (Government 1)*

Negative gearing was widely criticised for providing tax breaks to wealthier households thereby inflating house prices without stimulating new housing provision.

*We're quite keen on the idea of having a good hard look at negative gearing, but we're also keen on looking at ways to use negative gearing or similar mechanisms to encourage investment in those areas of the market that need stimulation, so the building of new properties rather than the purchase of existing properties; the building of properties that meet a criteria for affordability and universal design. (Women 1)*

Government experts highlighting how First Home Owner Grants (FHOG), stamp duty exemptions and concessions were also inflationary and initially did little to promote new supply (governments around the country eventually restricted their FOHG to new builds). But they also recognised that the emphasis on new supply and affordability encouraged greenfield development on the city fringes that is not unproblematic.

*The reasons for targeting the new dwellings is obviously to increase the housing supply as well. But it may be pushing some younger people further out and there's possibly traps around affordability ... you've bought a relatively cheap house, but you've got an hour and a half commute every day ... sometimes that's something that's not considered by people as the overall affordability of a property. (Government 7)*

In summary, there were two types of anomalies of concern. The first was horizontal equity, and the second were those public policy interventions in the market ostensibly aimed at stimulating supply that inflated housing prices without adding significantly to supply.

#### **5.4.1 Gaps in provision and the needs of specific cohorts**

The experts identified gaps in the provision of housing assistance, and new cohorts who require assistance. The ageing of the population was nominated as a key demographic change driving demand for housing assistance, largely because of the growth in lone person rental households.

*I just wanted to touch on the issue of the ageing population ... but also for example other cohorts that are coming into public housing at the end of their working career. And that can be women for example who don't have savings or superannuation or it can be people who have relationship breakdowns at that point in their lives or ... there's been a death of a spouse for example. (Government 4)*

*Changing demographics. So we've got more people living alone, smaller average household sizes which means that there is a greater number of dwellings required to meet the requirements of the population. Part of that's to do with family breakdown and people are partnering later, living longer and leaving their partners so there's a whole lot of demographic changes that have influenced housing demand. (Welfare 1)*

One of the implications of the growth in lone person households is the lack of economies of scale in consumption and the cost of supplying single-person housing units.

*Maybe a couple of generations ago this wasn't happening because those women were still in marriages ... or some of them, they might have maybe later moved in with a son*

*or daughter. But now, but all the things that have brought change about where, you know, there's increasing relationship breakup and so many more of them are separated or divorced. (Disability 1)*

*What I think about the increasing prevalence of homelessness among older women is that it's not of the same characteristics as some other forms of homelessness, that is, it's actually precipitated by financial [issues], lack of financial capacity at or near retirement and then some kind of crisis in relation to their housing which means that they then, much to their surprise, find themselves homeless. (Seniors 1)*

*We have entrenched issues of gender inequality, which in turn lead to issues of entrenched and long-term poverty ... we've got a large population of women who have had broken work histories, who have had a long period of time of working without superannuation, even those who had superannuation probably cashed it in to buy the first home; relationship breakdowns; they have always been paid less and more likely to have been on casualised [sic] or part-time work, so we see that sort of structural economic inequality playing out now in the housing market. (Women 1)*

Other significant demographic and social changes were raised, such as those occurring in Indigenous communities.

*[Aboriginal peoples are] the fastest growing population sector in the state by a long way ... So you get married or partner up earlier so you need a house earlier. You've got kids early so you need a bigger house earlier. And your family breaks down earlier. So then you need two houses. And sometimes grandma needs a new house because she's got a few of them as well. People coming in and out of prison more likely, so there's transitional housing needs and all of that. (Indigenous 1)*

Recent migrants were also identified as a new group in need of assistance. Recent migrants experience particular barriers to private rental, such as lack of references, which brokerage schemes were overcoming but precarious employment and high housing costs are exhausting their savings and diminishing their prospects for the future purchase of housing and successful settlement (Stone, Sharam et al. 2015).

*There's a whole category of migrants that come on working visas who get very little support, like skilled migrants and they're expected to manage on their own pretty much completely because they've come to work ... they're very much left to fend for themselves ... They're ... very dependent on employment conditions ... there's a huge amount of vulnerability for that group. (Migrant 1)*

Signalling a shift from earlier migration experiences in which employment provided a pathway into home ownership, many recently arrived skilled migrants are finding settlement increasingly difficult largely due to housing and employment market conditions.

The Western Australian and South Australian Governments shared equity programs and affordable purchase options were cited as successful examples of targeting assistance to low-income home purchasers that were filling some of the gaps that had emerged.

In the next section we turn to what the experts understood as 'choice' and what might be meant by individualisation of housing assistance.

## **5.5 Individualisation and choice in housing assistance**

In this section we present the experts' understandings of 'choice' and 'individualisation' of public assistance; understandings or views which they specifically framed in reference to contemporary public policy discourse(s). In particular, the experts were familiar with current

policy reform proposals contained in the *Reform of the Federation White Paper: Roles and responsibilities in Housing and Homelessness* (DPMC 2014) and *A New System for Better Employment and Social Outcomes* (DSS 2015), or aware of the general tenor of these papers. Most also had some knowledge of the National Disability Insurance Scheme (NDIS), which we raised as an example of the shift to individualised assistance, and a number were well informed about aged care reforms, which they raised as being a more progressed example of the model. Given their public policy knowledge, discussion shifted in many cases from the hypotheticals put to them, to the specifics of the reform papers.

This linkage between the reform process and our questions meant individual ‘choice’ was, for many experts, a politicised concept. The proposals contained within the white papers were widely interpreted by the experts as emphasising the role of private (market) provision and placing public provision on a more market-like footing.

*Are we seeking to create greater choice by providing the product that people can choose, or by providing the resources that people bargain with? I think that's one of the big questions. (Housing/homelessness 1)*

Nevertheless, this does not mean that informed ‘choice’, reflecting agency and genuine options was not seen as a desirable policy objective.

*Diversification and choice is in theory a really good idea. (Government 7)*

*In the long run the more choice would actually benefit the government if the government's just looking at the economic side of it ... just having a more content community then spills into less mental health, women's health issues, so overall it probably would advantage the government. (Housing/homelessness 2)*

There was a concern that to criticise ‘choice’ as a concept would create a perception of appearing to be ‘anti-choice’.

*I don't want to sound like I'm anti-choice or anti-tenants having the choice on what they spend. (Housing/homelessness 2)*

This statement implies two understandings of ‘choice’. The ‘choice’ being supported can be broadly described as a social democratic understanding of empowered citizens who are entitled to a range of goods and services necessary for existence in a ‘civilised country’ disregarding the market power of the individual (Disability 1).

*We're very supportive of the principle of individuals having agency and being able to self-determine in terms of the services that they receive ... as a principle we should be supportive of the idea of individuals being empowered to make decisions about their housing futures. (Welfare 1)*

*Choice is only a choice if there's genuinely choice to have. One of the things that we find most difficult in the service we deliver, and it is a broad-based service through housing services ... is that people are sort of disempowered by what we offer them. You know, we offer programs and practices and stuff and they're sort of—they've got policies around them and they define what you can and can't get. In a choice-based system, where you can actually make those definitions yourself within parameters of course, it potentially breaks down those sort of disempowering barriers of government and ... government systems and policies. (Government 5)*

The ‘choice’ being criticised refers to the conception of individuals as consumers in markets, and market mechanisms being the most desirable tool for allocating goods and services.

*In a market-based housing system, the bottom line about that, is the people with a lot of money get to exercise a lot of choices, and the people with not much money get to exercise very few choices. (Tenancy 1)*

*In the private market, there is no equal plane. The winners tend to be people on higher incomes and people that might understand how to navigate the market. In addition, I think many of our clients still face systemic discrimination in markets. To assume that just providing choice means every consumer is on a level playing field is a bit false. (Indigenous 1)*

Almost all the experts implicitly framed 'choice' by reference to these two ideological positions. Inherent in the responses was a concern that the policy drive for 'choice', via market-competition fails to account for the root causes of inequality and disadvantage.

*I mean it's easy enough to say that we've all got the same choices but that's bullshit. I mean you don't have the same choices in an environment where one person can be born into a wealthy family and basically stuff their way through university and get a degree and others can be born in the desert communities in the outback and have to basically almost kill themselves to get into any form of education. (Government 5)*

Accordingly, there was a great deal of cynicism concerning the potential outcomes of reforming housing assistance provision.

*Whilst I support absolutely the principle of providing people with great choice, if the choice is between more shitty outcomes, it's not much of a choice. (Housing/homelessness1)*

*One of the dilemmas about service purchasing is it implies a sort of sensible, rational purchaser. And the truth of it is hardly any of us are sensible, rational purchasers. We're not even sensible and rational when we go down to the supermarket. (Tenancy 1)*

Concern was repeatedly expressed about the inadequacy of current funding and many experts questioned the rationality of the focus on choice when more substantial structural problems were not in scope.

*Just [putting assistance] in the hands of consumers is not going to necessarily create magic. (Indigenous 1)*

*Choice implies a sufficient level of service to begin ... I'd question in a highly competitive ... market, where the pie is being cut smaller and smaller, whether it's sensible to put resources into how the pie is cut versus making the pie bigger. (Migrant 1)*

*If you're operating in a constrained or an unfair market then the reality of choices is questionable ... that would be an even starker challenge in the housing market unless there were some pretty fundamental changes ... to move too quickly to a choice principle without doing any of that fairly fundamental structural reform of the system could be potentially quite dangerous. (Welfare 1)*

The proposed reforms were described as 'very simplistic' and 'unanalysed' (Housing/homelessness 4); while others suggested the reforms were 'dangerous' (Welfare 1). At issue was not whether there was a need for reform but the understanding of the problem and how it should be addressed.

### 5.5.1 Tenure neutrality

A key concern was the recommendation that public housing tenants should pay full rent but receive Commonwealth Rent Assistance (rather than pay a rebated or reduced rent). This would permit assistance to be vouchered so tenants could choose to spend their housing subsidy on social housing or on private rental thus providing greater choice, and ending the discrepancy in the level of assistance provided to public and private tenants.

*It worries me—if that kind of model is looked at as being client-centric or providing the client with choice, it actually doesn't because each of the clients that receives that CRA payment, they'll still want to get into the same tenure option, which is the one that provides them with the lowest level of rent and that is the public system or the community system. (Housing/homelessness 5)*

None of the experts suggested the subsidy to private tenants was likely to be increased (to the level provided to public tenants) or that the overall pool of funds for assistance would be increased.

*Choice and control is a good place to start but it's actually not real if people can't exercise it. And also it is somewhat dependent on a different funding model and a different funding environment to the one that is likely to sit over housing assistance ... And again there is concern about the increasing liability for CRA that the Commonwealth Government has and I guess in the context of their welfare reform it would not be surprising if they sought to reduce or minimise that future liability under CRA. (Government 1)*

*We've seen propositions around extending CRA into social housing to create a bit more of, on the one hand, an evenly-offered subsidy system, but I think if that's all it did, it would fall short of the real reforms and sorts of things you're talking about in terms of client choice. (Government 6)*

It was generally assumed that creating a tenure-neutral subsidy would mean public housing tenants would receive a lower subsidy than they currently receive.

*In theory [choice] looks like it could lead to improvements for households, but if you then have a disappearing public housing system, so there's really no choice there, and without an adequate increase in supply in the private rental market, and I can't see how this would actually drive that. (Housing/homelessness1)*

The lack of choice social housing tenants have over localities and type of housing was noted, and the private rental sector by virtue of its current scale and allocation process was acknowledged as providing choice in this regard. However, lack of affordability was viewed as a severe limitation on choice of properties.

*Giving somebody a Commonwealth Rent Assistance, now that person gets to choose where they live but choosing in a market in which, well I can't remember what the Anglicare figure was, but less than 1 per cent of dwellings were affordable for a person on Newstart for example. (Welfare 1)*

Security of tenure was also a major point of difference between public and private rental systems. Both government and not-for-profit (NFP) experts said many public tenants were choosing security of tenure, and until there was reform of residential tenancies legislation, private rental housing could not satisfy this key consumer demand.

*I can see potentially real adverse outcomes because we could lose choices through a community housing sector and a public housing system which at least provides secure tenure and a good standard of housing to those people who just won't survive in a*

*market, even if they were provided with additional assistance in a choice-based system. So one of the things that public housing does really well is long-term tenure for people who need long-term tenure. The private market doesn't provide good tenure for anybody in the rental system. So I can't see how a choice-based system, which to me would mean greater use of the private rental market in Australia, actually leads to better outcomes. (Housing/homelessness 1)*

*And I think it's really important in housing assistance not just to think about affordability because affordability is a really, really important element, but I think it's very obvious and clear that, for example with public housing, people value ... security of tenure ... They also value the government or a credible not-for-profit provider being there to act as a safety net so that in the event that they experience difficulty that somebody will step in and offer them support. They also recognise that public and community housing as opposed to what low cost rental will look like is likely to be better accommodation or better located accommodation at least than what might be available on the private rental market. (Government 1)*

As noted earlier, the experts were concerned about the shortage of social housing stock and of affordable private rental dwellings, but vouchers and 'choice' was not viewed as increasing supply.

*Unless you gave people a heck of a lot of money, considerably more money than they're getting now ... how ... would [a subsidy neutrality] drive increase supply to meet the demand? ... I just can't conceive how it would possibly drive a market, really. It won't, will it? (Housing/homelessness 3)*

Given the shortage of private rental properties, there was a concern that vouchers could be inflationary, further reducing the stock available for low-income people (and thus reducing choice).

*If you're talking vouchers, well, all that does is push rent up. (Tenancy 2)*

*In the case of the first home owners grant or CRA in particular it's highly arguable that all they do is have an inflationary impact on the overall housing market and actually don't increase people's access or address affordability issues. (Government 1)*

The industry expert, a representative of the real estate industry, stated that CRA had not promoted new supply (its ostensible rationale) because landlords were motivated by capital gains rather by rental yields.

The experts argued that in the absence of substantial increases in CRA payments and a commitment to increasing social housing, tenure neutral assistance posed considerable risks including further inflating prices and could in fact reduce the choice available to low-income households.

### **5.5.2 Risks associated with a choice-based model of provision**

As previously noted, there was a view that moving precipitously to a choice-based (market) model would be 'dangerous'. In part this view was informed by experience of the NDIS, aged care reforms and marketised employment services. The welfare organisation argued that multiple, competing providers had done little to empower job-seekers.

While there was very broad in-principle support for the NDIS, experience with disability housing provision and early results from one of the NDIS trial sites indicated the type of problems that could arise for the supply-side, which has implications for 'choice'.

*If you're looking at it from a disability point of view, if you need to get a certain quantum of people living in a house to be able to provide the support, not even in an economic way, but in a vaguely feasible way, then people can't exercise choice in that pure sense. Their choice has to be constrained in some way. (Housing/homelessness 5)*

*I have concerns about providers gobbling up most of the money and the hours being less perhaps than they were before. In housing people with disabilities we ran a lot of group homes and that was just more and more about cramming as many people into a house as possible so that the support dollars could be split further. With individualised support packages, I can see that that may happen more and more, just so that people can get more bang for their buck by sharing across a larger group of people to get the services they need. (Indigenous 2)*

For housing providers, the shift from an allocations process based on a waiting list, to one in which to some extent the provider must wait for the recipient to come to them increases the risk of housing assets failing to generate anticipated revenue streams.

*They've got houses that ... have had just been finished, they want to know who's moving in ... The NDIA can't move fast enough because it's all around choice and different people will be living there. So they are sitting on empty properties. It's stupid ... service providers [need to know they will] ... have clients who will come, rather than this notion that if you are good enough clients will come, like the open market. See, how do you plan under those sort of situations? How do you borrow money from banks? (Housing/homelessness 5)*

*[The] challenge is also going to be not only have I got a week-to-week subsidy, but where does the financing part of that sit to provide confidence with investors about how you're going to do it, because what triggers would that take into the supply field? (Government 6)*

This issue indicates a shift in the 'structure of provision' (Ball 2012) for affordable housing supply under the NDIS model. Demand-side uncertainty in the private residential development industry is the most significant risk faced by developers, particularly of apartments, which cannot be satisfactorily mitigated and which adds substantially to the cost of supply (Sharam, Bryant et al. 2015a, b). Social housing supply is the cheapest form of housing supply in part because there is no demand uncertainty.

Competition is also likely to impact on the structure of the market. The experts suggested that individualised assistance packages change the allocation process, and would open the way for cherry-picking of more profitable market segments, and non-servicing of other segments.

*One of the things I think is really challenging about the NDIS and [National Disability Insurance Authority] (NDIA) model ... is that broader system response. So, for example, in the social housing system you might have ... you could have a bunch of different sort of housing providers that go out and provide their products and their response, but you could end up having them creating overlap or competing or missing things or not filling gaps because it's not financially appropriate to do so. I mean you could end up having people in NDIS who are provided with a support package to broker a service that is not sufficient for them to be able to broker a suitable service and then providers will choose to opt out of providing to those individuals. So it provides choice to a point, but without any sort of overarching responsibility somewhere to create a system that actually responds to that need, you potentially run the risk of having people falling through the gaps. (Government 5)*



The necessity for service providers to compete for clients and the implications for regulatory standards was raised, particularly where for-profit services entered the market. It was feared that the behaviours experienced in the aged care sector would be replicated in housing assistance.

*The for-profits inevitably have more complaints. They go broke more often. There's been more issues with stealing of bonds and all that sort of stuff.  
(Housing/homelessness 5)*

There was also concern that funds would be used for marketing without compensating benefits.

*There's a higher cost of promotion and awareness that's needed. To me, I'm not sure that higher cost would be offset by improvements in access that that service would necessarily bring. (Migrant 1)*

*I suppose some of the risks that have been flagged in the NDIS context that savvy marketers could well effectively dupe people into procuring services that aren't necessarily the best ones for them in their circumstances. (Welfare 1)*

The experiences in other sectors such as aged care and the NDIS shaped the views of the experts who raised issues concerning the structure of such new markets and the behaviour of supply-side actors. They questioned whether the type of choice created by marketisation would be of sufficient benefit as to offset what they saw as some obvious losses that could occur that would be detrimental to consumers. One of many issues they identified concerned the personal capacity to make choices. The experts urged caution in making housing assistance highly reliant on the skills, knowledge and personal capacity of individuals in need.

## **5.6 Capacity of individuals to 'make choices'**

While 'choice' was central to empowerment in both the market and non-market conceptions, most experts had strong reservations regarding the competency of some individual recipients of housing assistance to exercise choice. A number of cohorts were discussed, such as those with intellectual disabilities or those with poor mental health, but also included those who were in crisis for whom it would be unreasonable to insist that they make binding decisions that affected them long term; those with poor literacy; Indigenous people; and those who lacked the confidence to navigate systems and advocate for themselves. One expert (Migrant 1) suggested that the complexity of assistance was already such that even advocates often found it difficult to keep abreast of information and service changes.

*I'm thinking of the homeless population or people coming out of homelessness or coming out of domestic violence situations ... making decisions, which may have long-term implications, they're not necessarily in the best position to make that sort of decision. They may be a little way down the track, but quite often people coming from homelessness, their mental capacities are not always as strong as yours or mine might be. (Housing/homelessness 4)*

The issue of personal capacity to exercise choice was acknowledged as a major issue because of the number of people in these categories who currently receive assistance. It was noted that deinstitutionalisation had meant that the social housing sector housed many people who were formerly in institutions, and that many more now made up a large part of the homelessness population.

*If we're thinking about housing assistance going to people in situations around homelessness, and around social housing, because a significant proportion of them*



*have underlying factors that I think impact on their ability to be able to exercise that choice appropriately, in their best interests. (Government 3)*

The need for individual advocates was mentioned repeatedly.

*Vulnerable people required to navigate systems by themselves can find this process particularly difficult, especially if they don't have a community of interest supporting them. They could miss out on the best opportunities, be forced into making choices that they don't particularly want or just be completely overlooked and not receive a service at all. It's the same with the rollout of the individual packages for people in aged care. (Indigenous 2)*

There was a concern that in systems where providers compete for clients, advocates would be required to not only ensure vulnerable clients accessed support, but would also be needed to ensure services were accountable. There was a fear that services would put the organisation's financial interest before the client's interest.

The experts said they had already observed that individualised packages for aged care and in NDIS trial sites had resulted in the establishment of intermediaries and broker/advocates.

*They exist in the system now, but what they will in future have is instead of brokering around what they want to see, what they want to offer they'll be brokering around—the client will be the consumer and then they'll be out there connecting and finding services that the consumer wants. (Seniors 1)*

*The importance of community housing providers or community-based non-government organisations who can potentially act as, you know, brokers or you know, agents in helping a person identify the kinds of housing assistance that they might want to buy with some kind of individualised entitlement or the wrap around services that they might want to buy as well. The role of non-government organisations in that brokerage role becomes pretty important. (Government 3)*

### **5.6.1 Person-centred—investment model for 'genuine' choice**

Many of the experts made reference to the need for 'genuine' choice. This generally meant having viable options. Most housing assistant recipients were regarded as having few if any options in the housing market but faced highly rationed housing assistance that was inflexible and disempowering.

*Our current welfare system, our income support system is like the federal government's shitty insurance system ... [you] get it if you need it. It's probably not enough to make you really want it, but it's enough to make you survive for a bit until maybe hopefully you springboard into jobs, which we know a lot of people don't.. (Government 5)*

As discussed above, the current assistance system is viewed as having very substantial problems and in need of reform, including a greater focus on individualisation and choice.

*In principle it's a ... good direction to be going in. Taking and putting more power in the hands of the person themselves. (Government 3)*

*What does 'choice' mean and is it really choice? ... if you're talking about the principle of really listening and respecting and giving people real choice, that's the way to go. And you could even do that in the current system. (Tenancy 2)*

However, models of support that focus on individual needs rather than bluntly allocating resources on the basis of broad categories of disadvantage, that is 'person-centred' models, were suggested as ideal.

*Targeting assistance to the person rather than to their economic status would be a really good start. (Women 1)*

*Someone has to do a decent sort of whole-of-person analysis about what their needs are that's not just around their housing need. What are the other things going on in their life that have led them to have a housing issue. So what do they need in terms of employment, education? What do they need in terms of health services? Are they bumping up against the justice system on a regular basis? And whether there's some kind of mechanism for, them ... therefore sort of identifying a sort of a bucket of money that they could attach to them. Now this is ... common in other service systems. So it could be quite possible that ... there are many doors into ... this sort of ... individualised funding system. (Government 3)*

Such person-centred models it was said enabled housing provision with wrap-around support services as required. 'Choice' in this context equated with getting what the person needed rather than merely being offered competing providers.

*We've got to take a positive approach, be very client-centred as well and to really recognise that individuals are very well placed to understand what their needs and aspirations are. And the way we provide our services has got to support those needs and aspirations rather than be focused necessarily on government priorities or objectives ... individuals will know what they need to do in their lives to get their lives back on track and most people will have employment as an aspiration in their lives or betterment of their circumstances. But you've got to be able to walk with the citizen and support the citizen to get that way rather than imposing that on them. (Government 4)*

### **5.6.2 The potential for innovation in an individualised model**

While marketisation as a means to provide choice was not met with much enthusiasm, choice and individualisation via the person-centred investment model was seen as delivering multiple objectives. The increased reliance of low-income households on private rental has necessitated innovations, primarily in the NFP sector, which takes a much more individualised approach.

Private rental brokerage schemes (PRBS) operate in various states and territories. The purpose of many schemes is to prevent evictions in cases where the tenant is struggling with affordability (so as to avoid the person cycling in and out of homelessness at great cost), or permit tenants to gain a tenancy through additional rental and bond support. Some PRBS provide training for tenants and maintain a watch in brief on the tenancies, in effect guaranteeing the tenants behaviour, relieving real estate agents of some risk in taking a tenant they may have otherwise rejected. This type of scheme has been successful in providing access to tenancies for groups such as those who do not have much rental history, and who struggle to find properties in the real estate managed sector.

The tenant organisations, however, argued that while PRBS improved access to tenancies for certain disadvantaged groups, thus enabling greater choice, it sometimes came at a cost. Tenancy 2 said those real estate agents who most actively engaged with such PRBS were those with the worst track records in terms of complying with residential tenancies legislation. Tenancy 1 suggested that brokerage schemes were an example of how illusory 'choice' could be.

*[Brokers] do a whole range of different things, including acting as an intermediary in the landlord's dealings with the tenants. Now, from our point of view, sometimes that can be awful because they will trade off the tenant's entitlements to maintain their relationship with estate agents and landlords ... So this is just a classic illustration of the terrible choices that have to get made with this kind of assistance. (Tenancy 1)*

In summary, 'choice' as a principle was supported because it was seen as empowering individuals. However, there was considerable concern about 'choice' driving reform in the absence of broader structural changes that more directly addressed housing market failures and the shortage of affordable housing. Further, there was little support for 'choice' being created through introducing markets in services or mechanisms such as vouchers. There was enthusiasm for person-centred investment models, which was viewed as being able to deliver 'genuine' choice.

### 5.6.3 Early intervention, prevention and 'upstream response'

Early intervention and providing people with agency was argued as cost effective, although it would mean significant investment.

*There are key points in life where if you can get the housing working, a whole lot of other problems fail to materialise or are more simple to resolve. (Women 1)*

*You bring in the support around people. You build that sense of agency. If you've got something working in a more flexible way, and it's going to cost money these things aren't free. But you can individualise and customise what you package around an individual at various points. (Indigenous 1)*

*You provide early interventions into the systems, so up-front investments into that person's case early on in their [situation]—whether it's welfare dependence or something else, then you can improve social outcomes down the line. (Housing/homelessness 5)*

This type of service delivery model desired both by Aboriginal and non-Aboriginal NFP organisations was described as relational:

*You can deliver them and manage them in such a way that is not big stick, but is actually relational. You cannot talk into a person's situation unless you have a relationship with them. Otherwise, you can't expect them to change. Some people you have a relationship [with] will just say 'bugger off', but you don't have the right to speak into their situation unless you do have a relationship with them. (Indigenous 2)*

*[It's] really about significant relationship building. (Tenancy 1)*

Several experts raised the investment approach of the New Zealand Government, which was outlined in the white paper and which involves an actuarial assessment of lifetime costs. This approach advocates early intervention and investment on a highly individualised basis because it saves money over the long term. The need to increase public outlays in the short term, however, was regarded as a significant barrier to the model being adopted in Australia. Premised on an avoided costs argument, there was concern that it would be too difficult to convince governments that investment in housing assistance would result in savings in, for example the health or justice systems:

*If we had a social impact investment [model] that saved money on—improved the life of a homeless person, probably the greatest cost that they add to the system is not the homelessness services that we fund, but through the justice and the health system where they have to, you know, you're put in jail and ... they rock up in hospitals and one of the problems with that sort of thing is to make sure that, you know, when costs—when the costs of a social issue is defrayed across government, how do you capture that cost to say it's a saving. (Government 5)*

The experts drew a picture of the existing housing assistance system in which little choice can be exercised but were sceptical about introducing market-like provision as a solution. For most, their preference was for a person-centred, investment model. It was argued by one expert

however (Indigenous 2) that each of the above models fails to recognise that Aboriginal people are more comfortable operating communally or as part of a wider family grouping:

*Aboriginal people have just been driven more and more to have individualised arrangements and those arrangements have been developed within urban-centric policy frameworks. (Indigenous 2)*

The emphasis on individual choice was viewed as not merely a failure to comprehend the nature of the problems facing regional and remote Aboriginal communities, but as exacerbating the problems faced by them. Underlying the need for housing assistance was the need for communal solutions to wider issues:

*It's about community development, it's about place making ... it's about giving people responsibility, but it's also about helping them exercise their rights and have good complaints processes and be listened to and to explain carefully why things can't be the way they can or listen carefully and say why can't it be like that? It's just that thing of trust, it's that thing of getting involved and working with people. (Indigenous 2)*

Indigenous expert 1 drew attention to how excessive focus on compliance with conditions on assistance could undermine the purpose of programs. In the next section we turn to whether the experts saw individualised assistance and choice as also being tied to certain obligations on the part of the recipient.

#### **5.6.4 Mutual obligation in housing assistance provision**

The experts were asked broad questions about how well current housing assistance provision worked, if a more individualised and choice-based system might improve outcomes, and whether housing assistance or associated support services could or should be tied to obligations on the part of recipients. While there was a high degree of consensus, both about the problems of the current system and what choice may or may not mean, there was some divergence of views regarding the extent to which housing assistance should be tied to mutual obligation(s).

Most of the NFP organisations were opposed to imposing any form of mutual obligation:

*We need to be very careful about making housing assistance conditional because it's such a fundamental foundation for participation in every other aspect of life as well as health, physical and mental. (Welfare 1)*

The imposition of non-housing conditions in exchange for housing assistance was regarded as being the antithesis of choice. Engagement and support was seen as desirable rather than compulsory:

*My observation ... people ... self-select out of that social housing model to exercise more choice on location, amenity, return to community of origin, moving for work, all those sorts of things. But they made those choices after they had been heavily supported for a long time and then those choices were based on the fact that they had income. So I don't see a log jam of people getting caught in social housing for the rest of their lives and not choosing to work because they get subsidised housing. I think people are much more savvy than that. (Indigenous 2)*

The seniors' organisation drew attention to the 'restorative' process underpinning aged care assessment in Western Australia, arguing that seniors rarely refuse to participate in programs because 'it actually says you're not an older person on the slippery slope, on the way out, you've still got capacity to contribute and we're going to help you work out how to do that'. (Seniors 1).

Two housing organisations (Youth 1 and Housing/homelessness 6) pointed out that the *Housing First* approach and conditionality are conflicting concepts. Despite this, several of the Youth and housing/homelessness experts acknowledged that the Youth Foyer model was an example of conditional housing assistance, one that they supported. There were caveats; Youth Foyers should be just one of a number of options for young people which should include non-conditional access to housing; secondly, that some conditionality is appropriate for the age group who need a substitute for parental supervision.

More prosaically, these experts argued obligations are too often counter-productive, and that social return on investment research demonstrated the value of positive incentives and empowerment. Conditionality is 'fundamentally driven by suspicion about the recipients'. (Tenancy 1)

Even experts supportive of obligations warned that obligations could be counterproductive. Government (1) cited how many single parents are caught in a poverty trap because the low earnings threshold of Parenting Payments discourages employment take up. Aboriginal organisation (1) argued that requiring sole parents to seek employment when their youngest child turns six undermines good parenting:

*You have to be very clear that the conditionality or the mutual obligation or the extension of the social contract has a clear purpose and is reasonable in the context that it's applied. But that also you have to be very conscious about the perverse outcomes or impacts that might flow from such a decision. (Government 1)*

The Migrant (1) organisation pointed out that real care was required in setting incentives. Migrants and refugees were described as highly motivated to find employment and become economically independent. This means many take up employment rather than attend or complete free English language education. Lack of English language proficiency, however, is a barrier to better jobs, thus long-term outcomes are sacrificed for short-term gains.

Turning to those experts (only four) who at least in part supported some notion of mutual obligation, two, both governments (1 and 3) suggested the issue really was one about the social compact between governments and citizens, and went on to argue there could only be a very narrow application of the conception of mutual obligation, and that encouragement and support were better policy options. One of them highlighted (as did one of the NFP opposing mutual obligation) that other recipients of assistance (e.g. Family Tax Benefit A) received benefits unlinked to obligations.

The other two experts in the 'pro' group were one of the Aboriginal organisations (1) and a Government (7). For the former, mutual obligation was not something that should apply in all situations. However, the expert did see it as a means of establishing a 'compact'. Mandatory direct debit of rent was described as a form of income management, one without which social housing provision would fail. Government 7 cited the example of an Aboriginal community, which adopted a system of collective responsibility for individual non-compliance in order to ensure all children attended school.

Across the board there was little interest on the part of the experts in having conditions relating to employment or further education for example. These they saw as either things that people wanted to do anyway, or as being incapable of because of age, disability, discrimination, or parental responsibilities. Ensuring children went to school was the exception, with three of the government experts suggesting that attendance at school *might* be an objective in setting conditions on housing assistance. One government expert as noted above, implied it was only of use in cases of broader community-led community development. The second government expert acknowledged that such measures often set people up to fail but nevertheless mentioned probationary leases as a potential tool. The third government expert said it was under consideration:

*In terms of the provision of public housing, I know that there is some thought given to obligations to maintain tenancy, which might even extend to, for example, that you're required to send your children to school, and that's part of your tenancy arrangement. And so trying to come out with a multitude of social issues, but using housing.*  
(Government 2)

Nevertheless, this government expert was still concerned that using housing assistance as a means of realising other government objectives:

*... just brings us back to housing, housing is a fundamental element to a person's wellbeing and their ability to participate, but also using that as part of the broader package, that not only stabilise their housing, but start to address whatever factors that are impacting on their capacity to sustain housing, by themselves.* (Government 2)

In summary, while there was some support for mutual obligation—or extension of obligations—the thinking behind the support was not particularly developed, except where it involved compacts with and within Aboriginal communities. Overwhelmingly, imposing additional conditions on housing assistance for the purpose of achieving non-housing policy goals was rejected as being unnecessary and counter-productive. Mutual obligation was, moreover, viewed as removing agency and choice, attributes, which were otherwise seen as important foundations for support. While the concept of individualised housing assistance, by which is meant tailored responses, was viewed positively by key stakeholders, it is clear this cannot be confused with a market-based ‘choice’ model which might be associated with a roll-back of government involvement and potential under-resourcing.

## **5.7 Policy development implications of research findings**

Overwhelmingly experts interviewed for this research suggested that a demand-side model of housing reform on its own, without substantial supply-side intervention and regulatory reform, will be unsuccessful in responding to the increasing extent and diversity of housing assistance need in Australia. Further, that current forms of housing assistance provision are not working adequately due to a combination of disinvestment (e.g. in public housing) and increased support needs due to the increase in housing-related disadvantage in recent decades in Australia.

Experts from government and the community sector in particular identify aspects of social housing that are key to supporting those households with highest needs for assistance, many of whom now reside in the private rental sector. There is a clear need for policy reform that enables a diversity of types of support to be provided to households irrespective of housing tenure. Many experts identified the higher needs and lower needs groups living in private rental, social housing and in homelessness support sectors and were aware of their diverse support needs.

A shift away from a ‘one size fits all’ approach to housing assistance was perceived as necessary by key experts. Delivery of an effective way of delivering diverse forms of housing assistance with diverse needs is highly challenging in a constrained financial environment. Any shift towards a choice-based model that is not underpinned by adequate regulation and funding is perceived as introducing risk into the housing system and potentially resulting in even greater degrees of housing disadvantage for the households most in need of support.

Households with high and complex needs will require assistance and advocacy to negotiate any increase in housing assistance choices, particularly those that are market-based. Housing assistance that is linked in conditional or punitive ways to income support and/or obligations is unlikely to be effective. And, finally, on its own, a demand-side response to housing assistance

need is unlikely to be effective without substantial supply-side intervention such as in the supply of adequate and affordable housing as well as in regulation of existing housing conditions.



## **6 Conclusions and policy development options**

### **6.1 What are the key questions the research answers?**

This report presents findings from a research project conducted as part of a broader Evidence-Based Policy Inquiry into the efficacy of introducing individualised and/or choice-based models of housing assistance into Australian housing assistance settings (Jacobs, Hulse et al. forthcoming).

The overarching questions addressed within this research are:

- What is the nature of cross-jurisdictional HA provision and innovation in Australia?
- What is the nature of HA need among households, within and across housing tenures?
- How does current HA provision/innovation 'fit' diverse household need, and how well can it accommodate individualised or choice-driven demand?

Several key policy issues underpin the research presented in this report. First is a concern regarding how well all households in need of various forms of housing assistance are currently able to access that assistance in current models of housing assistance provision. Second, the research has examined the respective needs of households of a range of types—focusing on key policy groups—living in a wide range of housing tenures, to identify key, common needs among households. Third, the research has also identified the particular needs most important for key policy groups, from which it is possible to identify options around tailored, or 'individualised' assistance approaches, including the more effective use of household-based resources in some cases. Finally, the research has explored the views of experts from government, industry and the not-for-profit sector around the efficacy of a shift toward increased individualisation and choice within housing assistance provision in Australia.

The research methods used to address these concerns are mixed, including a desk-based review of current housing assistance provision (HA demand), a wide analytic exploration of the extent of housing assistance need based on the analysis of large scale HILDA panel data to identify major gaps in provision (unmet demand and need), focused analysis of the potential housing assistance needs of vulnerable households, also using HILDA analysis (need) as well as a qualitative, thematic analysis of experts' views about current and future housing assistance provision based on interviews undertaken for this research.

Using these methods, the research has resulted in findings that can inform a reframing of current understandings of tenure-based HA categories, to an individual, choice-based conceptualisation of housing need and provision that places household choice at the fore. In a context in which HA provision could potentially become increasingly driven by individual, household-based choices, it becomes even more crucial to understand and anticipate what choices might be made by individuals in order to facilitate strategic planning for the system as a whole.

### **6.2 Do all households in 'need' receive housing assistance?**

Our desk-based review of current HA provision (Chapter 2) identified the fact that (i) housing assistance is provided according to administrative categories of housing tenure, rather than household needs for assistance per se and (ii) that within the current provision model direct assistance to home ownership is considerable, relative to the household-based outcomes achieved for each dollar of expenditure. Measured in quantum alone our research indicates a large discrepancy between current targets of housing assistance and households most in need of it. The clear interrelated administrative and systemic reasons for this are, first, that current



provision of housing assistance is targeted to particular housing tenures rather than households based on assessment of need and, second, that home ownership tenures are favoured in current models of housing support.

The analysis of HILDA panel data in Chapter 3 shows that on the basis of three standard measures of housing assistance need, large proportions of households with diverse demographic characteristics living across the housing system in both ownership and rental tenures, appear to be in housing need. Yet, that only some of these households are in current receipt of, or eligible for, housing assistance. Analysis of income-housing costs measures, residual income analysis based on modified Budget Standards-based assessments, as well as an exploration of subjective evaluation of hardship indicating assistance need, show that:

- Large numbers of households with lower incomes in receipt of income support currently receive inadequate levels of financial assistance to alleviate financial strain based on three standard measures of need.
- High proportions of low to moderate-income households who are not currently in receipt of income support appear to be missing out on housing assistance they need.
- Housing assistance appears to most effectively offset financial strain—although does not remove it completely—among households with moderate to higher incomes in receipt of housing assistance, rather than those with low to moderate income.

Additionally, we find that there is an interaction between housing tenure and income that affects the extent to which households have access to the housing assistance they require. Those in social housing, for example, are clearly in receipt of considerable assistance (although not always found to be adequate to offset financial strain), while households living in the private rental may or may not be in receipt of assistance—despite findings indicating that large proportions of private tenants appear to require financial and related assistance to manage their housing and living costs. Households with lower incomes who may or may not be in receipt of income support and HA who are purchasing their homes can also require assistance yet may not be eligible (with many among this group not currently in receipt of assistance). Finally, significant proportions of outright owners are also found to be in need of assistance according to the three standard measures applied in this research. The way need for housing assistance can be responded to, depending on levels of household-based savings and wealth, is a point returned to in the discussion of policy options, below.

### **6.3 Are some forms of housing assistance common to all vulnerable households?**

In this analysis we have investigated the need for housing assistance across households living in tenures across the housing system using three standard measures: (i) income-housing costs, (ii) residual income and (iii) subjective assessment of hardship. Our analysis indicates overwhelmingly that on all financial measures we have examined, a large and diverse proportion of households across ownership and rental tenures are currently living in considerable financial stress, indicating that financial relief related to housing costs is a critical, foundational basis for housing assistance provision in Australia.

Beyond the bounds of the present research is analysis of the consequential types of housing outcomes and/or disadvantage that are known to flow from financial housing stress, such as vulnerability to precarity in the private rental sector, longer term reliance on social housing, inability to purchase housing or inability to maintain a mortgage in ownership tenures, as well as difficulties meeting the running costs of home ownership, even where ownership is not linked with housing debt. What can be gleaned from the present research, however, are that financial problems associated with housing costs can be considerable, and that such problems are far

more widely spread among households and across housing tenures, than current housing assistance provision is designed to respond to.

Financial problems associated with housing and living costs found in this study affect households most acutely in the absence of (i) home ownership (purchase but especially outright ownership) and (ii) partnering. In these cases, households that are single person households and sole parent headed households living in non-ownership tenures of private rental housing and social housing. Yet, while housing-related financial problems do feature more prominently among these groups and to higher degrees, problems of housing costs are found across all household types and tenures, with the exception (for the most part) of those in the highest income groupings who own their homes without a mortgage.

## **6.4 Are some forms of housing assistance particular to some vulnerable households?**

Our analysis has shown that there is considerable variation in the housing circumstances, net wealth and income profile of the households we have identified as being particularly vulnerable to need for housing assistance and which we have examined in this section. Overwhelmingly, large proportions of each of the demographic groups we have considered face financial problems associated with living and housing costs. The ability of households to manage these is substantially affected by housing tenure, with outright ownership playing a particularly buffering effect from hardship, as well as by life stage (in which younger households are at greater vulnerability and risk of hardship than either mid-life or older households), partnering (with those living alone at more risk of financial strain), as well as connection to employment, which has a clear impact on net wealth as well as housing opportunity.

In summary, the implications for housing assistance in relation to these groups varies by life stage, by household wealth as well as by additional risk factors including care of dependent children (for lone-parent families in particular), for Indigenous Australians (particularly those who are not partnered, and who have not become home owners by mid/older ages), as well as low connection to the labour force.

Where vulnerable households face housing-related financial strain it is possible to speculate that it will be most cost effective to implement forms of housing assistance options that are not necessarily linked with income support receipt and which could be made available to a wide range of households across tenures, to maintain secure housing. For others, additional implications of these findings are to implement schemes that assist households to develop savings and wealth, and to benefit from the types of indirect forms of assistance that are most typically associated with assistance to home owners rather than renters and other households.

## **6.5 On the basis of this research, how can housing assistance be developed?**

Implications of the findings presented in this research are the need for policy development, including in the context of increased individualisation, to ensure a wide approach to housing assistance that more effectively responds to the widely distributed and need for assistance among highly diverse population groups. A number of the core implications for policy development that stem from the findings of this research are:

- decoupling housing assistance from housing tenure and shifting policy focus to household need
- decoupling housing assistance eligibility from income support eligibility and shifting policy focus to household needs of various forms

- initiating a wide approach to housing assistance provision beyond points of crisis, to include early intervention and prevention
- encouraging partnerships of assistance to more effectively use household resources in conjunction with social insurance.

A striking feature of the empirical findings related to some of the households that appear to be in need of housing assistance yet not in receipt of it, is the extent of their own savings and wealth holdings. This is particularly true of outright home owners who do not currently have any housing debt and, to a lesser degree, of purchaser owners and renters.

As part of an effective policy strategy, enabling households with wealth holdings yet little income flow to access their wealth, a large proportion of which takes the form of property equity, appears to be an obvious policy option for future reform. Critically, however, doing so in ways that enable households to retain their housing security and independence is essential for effective outcomes (rather than the creation of even greater dependency on housing assistance, particularly for households in post-retirement years). Lateral options involving partnerships between households and government such as 'pay later' loans or shared equity based withdrawal schemes are options which the findings of this research suggest warrant greater exploration.

Similar types of partnership may pave more secure exit points for social housing tenants wishing to exit from public/social housing, but who (perhaps quite rightly) are wary of the costs and insecurity associated with the private rental sector as the major exit point from social housing. Shared equity and other innovative partnerships again warrant exploration as a more viable, longer term approach to meeting the needs of social housing tenants exiting the tenure, as well as the potential expansion of such schemes for private tenants wishing to purchase homes of their own.

Additionally, partnerships that provide the opportunity for lower income households to accumulate savings to offset high and long-term need for assistance throughout the life course and into retirement years, are also critical, and could form part of an effective and empowering means of more effectively meeting the needs of households currently unable to save wealth due to high living and housing costs.

### **6.5.1 Effective deployment of housing assistance as part of an early intervention and prevention response to housing assistance need**

Taking a wider approach to the provision of housing assistance of various types is likely to at least partially address some of the need for housing assistance we have reported in the present study. In addition to a household rather than tenure-based approach, a system of housing assistance provision that enables households in need to access financial or other forms of housing assistance when they need it may also form an effective platform for early intervention and prevention of more entrenched housing disadvantage.

## **6.6 Can a more individualised and/or choice-based model deliver better housing assistance outcomes?**

A key question in the context of the Policy Inquiry of which this research forms part, is whether the types of policy developments outlined at Section 6.5, above, can be achieved via a more individualised and potentially choice-based model of assistance. As established in the introduction to this report, while individualised service delivery refers to more tailored, particular types of support based on identified needs, a choice-based model of delivery refers primarily to the market-based forms of delivery of such services. While these concepts might occur

simultaneously, better targeting of support for vulnerable households does require a choice-based approach as its underpinning.

Policy development that alters the current model of housing assistance provision in Australia could achieve innovative responses to the very wide breadth of need for housing assistance across the housing system reported in this research, as well as the need for intensive forms of housing and homelessness support that complementary research has reported on (Wiesel and Habibis 2015; Jacobs, Hulse et al. forthcoming; Jacobs, Lawson et al 2015). However, what the evidence suggests is that demand-side responses alone are likely to be ineffective in resolving widespread need for housing assistance, that is likely to continue to increase due to population change and housing-related pressure stemming from this. In conjunction with supply-side responses to a more individualised model of housing assistance (see Jacobs, Hulse et al. 2015 et al. for discussion), it may be possible to achieve positive household-based outcomes.

Policy reform also has the potential to enable innovative responses to emerging and entrenched forms of need for housing assistance. As set out by Jacobs, Hulse et al. 2015, according to Foster, Henman et al. (2012: 332), individualisation can be interpreted as a sign that the state is ceding power to service users and allowing them, as citizens, ‘to drive innovation and competition within the social care market’, alluding to ‘the many guises of personalisation, including the empowered but also “active citizen” taking more responsibility for meeting their own needs’ (Foster, Henman et al. 2012: 339). Certainly, these research findings suggest that there is an appetite and readiness in the not-for-profit sector, most notably, for opportunities in policy and practice delivery that can facilitate innovative approaches to housing (and homelessness) service delivery. An aspect of such innovation might involve enabling households to access housing assistance of various types prior to housing crises and might enable a more diversified system of provision to shift from a crisis-based one to a framework including early intervention and prevention responses.

As established via interviews with experts in the present research, a move away from a universal, one-size-fits-all approach to housing assistance provision, to more tailored and innovative responses, may have the potential for positive outcomes if undertaken with certain conditions. Where this individualisation is aligned with choice-based models of social policy provision and these are implemented without due resources or care, this can potentially exacerbate rather than alleviate existing inequalities (Yeatman with Dowsett et al. 2009; Lymbery 2014). With regard to housing assistance such cautions also apply. Based on findings of the present study it would appear that for individualised, choice-based housing assistance provision to be effective the following conditions—at least—are necessary:

- adequate levels of system resourcing to achieve genuine choices of assistance and support options
- encouragement of genuine choice rather than models of conditionality and obligation in which housing assistance is embedded
- assistance and advocacy to negotiate any increase in housing assistance choices, particularly those that are market-based, for households with high and complex needs.

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# Appendix 1: Interview guide

## Toward improved housing assistance provision

A Swinburne University of Technology research project, conducted by Dr W Stone and Dr A Sharam, Swinburne Institute for Social Research. Contact [asharam@swin.edu.au](mailto:asharam@swin.edu.au) or Wendy Stone 9214 8967.

### Interview schedule

Thank you for taking time to speak with us as part of this AHURI funded research project. As part of this research, we are seeking your professional views about current and possible models of housing assistance, and how and for whom this might be achieved. Part of this conversation will involve asking about your views about possible changes in housing assistance that will involve a move from 'one-size-fits-all', tenure-based forms of housing assistance, to opportunities for more diverse, 'choice' based models.

*Housing assistance:*

- *By housing assistance, we mean all forms of assistance such as social or public housing, cash payments for private renters in the form of rent assistance, bond assistance and brokerage, homelessness support services, and so on.*
- *We are not referring only to one group of households, one housing tenure, or to one form of intervention.*

### Part 1: The current system of housing assistance provision

To begin, *overall*, how well do you think the current model of housing assistance, taking into account assistance across tenures and from different levels of government and providers, responds to the needs of households in need of support?

- Which aspects of the system are working well?
- Who benefits from the current system?
- Which parts of current housing assistance provision are not working well (in what ways)?
- Who does not benefit, or is excluded from potential support, if anyone?

What do you see as the key drivers and dynamics of HA demand by households, within and across housing tenures?

What do you think are the priorities in housing assistance provision in Australia right now?

### Part 2: A diversified 'choice-based' model of housing assistance

There are longstanding critiques of welfare systems that are top-down, one-size-fits-all structures in which the individual recipients of welfare are clients with little or no opportunity for control or choice about the nature of assistance they receive.

*Definition: The aims of 'choice-based' assistance models potentially: give people greater control over their own lives; promote personal responsibility; develop a diverse range of services which can meet needs in a more customised way; diversify service provision through the involvement of a range of private and not-for-profit providers; and make government assistance more cost-effective. They can be seen as a move away from what have been seen as inflexible and costly supply-driven systems.*

The NDIS as a model was conceived as putting those with a disability in control of their assistance via providing them with choice.

Today we'd like to talk to you about the potential for a more individualised, choice-based approach to housing assistance.

- Again, by housing assistance we are speaking broadly, to include a wide range of assistance types.

Are you familiar with the move toward a greater level of choice in the NDIS policy model? If so, in what ways do you see the NDIS as being either beneficial or problematic?

Have you considered this type of policy shift in relation to housing assistance?

Are you aware of any choice-based models such as common ground and foyers or choice-based lettings, and what do you think they add (or fail to add?)

In your jurisdiction, or sector, are you familiar with any examples of innovation or change in which individual households are able to play a more active, choice-based role in the types of assistance they access? Can you tell us about these?

What, if any, do you believe are the potential benefits of a more diverse, individualised, choice-based model of housing assistance provision in Australia? For households? For providers (public and private)?

Who do you think would benefit most and least from a choice-based, individualised model of housing assistance provision? i.e. would there be 'winners' and 'losers' in a move to a choice-based housing assistance model?

What are the potential obstacles, challenges and risks associated with a more individualised, choice-based model of housing assistance support? For whom?

What financial implication would a choice-based model have for government, individual households, providers?

What institutional structures and settings need to be in place for a choice-based, highly individualised and diverse model of housing assistance to work well (i.e. to deliver high quality, appropriate housing assistance)?

How would you see your organisation/sector responding to calls for a move toward a choice-based housing assistance model?

What role do you see for government if there is a shift to individual choice in housing assistance? What type of commitment is involved?

### **Part 3: Eligibility for housing assistance**

Which parts of the housing system, or housing tenures, could such a model provide most opportunity for positive change?

What types of housing assistance innovations do you feel are particularly well-suited, if any, to a more individualised form of housing assistance provision?

- What kind of assistance could or should be part of a choice-based housing assistance model mix?
- What sorts of mechanisms and means of implementation could be involved?

Are there particular population groups that a choice-based model is likely to support best?

Do you see that a choice-based model may enable better targeting of the types of assistance needed by households? (e.g. one-off loans compared with ongoing rent support)

Do you think a shift to a more diversified model could usefully be extended to low-income home owners and other vulnerable households in a choice-based model of provision? (i.e. to avoid greater need for assistance at a later time)?

- How might this work?
- What would be the benefits/costs?

What opportunity does a shift to a more diversified model create for early intervention and prevention rather than crisis-oriented housing assistance and support? (e.g. wrap-around supports)?

In some cases, choice-based models of support are linked with various other wrap-around services, and/or obligations. Do you feel that housing assistance should or could be linked with other forms of assistance and obligations? That is such as job search etc.?

Thank you and wrap up.

## Appendix 2: Interview information statement



### **Housing assistance demand, dynamics and provision in Australia: a household-based policy analysis**

You are invited to participate in research conducted by the Institute for Social Research at Swinburne University of Technology in Melbourne on *Housing assistance demand, dynamics and provision in Australia: a household-based policy analysis*.

#### **Background to the project**

In the context of international trends towards increasingly individualised Housing Assistance provision, Australian policy-makers require (i) a detailed, household-based analysis of Housing Assistance drivers, dynamics and trajectories among low-moderate income households, *within* and *across* tenures, (ii) a comprehensive account of current Housing Assistance provision and innovation across jurisdictions and sectors in Australia, and (iii) an analysis of how well current Housing Assistance provision – based largely on tenure-based administrative categories – ‘fits’ the individualised and diverse household-based dynamics of Housing Assistance demand.

The research is funded by the Australian Housing and Urban Research Institute (AHURI), an independent national research organisation.

#### **About this project**

We are interviewing housing practitioners and policy makers regarding current Housing Assistance practices, perceived gaps and successful interventions.

If you agree to be part of this project one of our researchers will contact you to arrange an interview with you. Interviews will be at a place agreed upon by you and the researcher such as your workplace or at the University. The interview will take between 45 minutes to an hour to complete.

Participation in this project is entirely voluntary. If you are asked a question you do not wish to answer just let the interviewer know. If you change your mind about participating in the study, you are free to withdraw from the research project at any time

#### **Privacy**

Your privacy is assured. We are not seeking your name or any contact information other than to arrange the interviews. The university will not keep, or make available, any personal information or individual responses to a third party (i.e. any individual, organisation, agency or researcher not directly involved in this project). The information gathered will only be used for research purposes. Swinburne’s Institute for Social Research will de-identify the transcriptions and securely store your information until it is destroyed in line with privacy laws. No publicly available results (i.e. reports or journal articles) from the project will contain information that could identify either you or your organisation.

With your consent we will electronically record the interview so that our records of what you say are more accurate. However, **any information you provide will be completely confidential**, we will **use a pseudonym (pretend name) instead of your real name** when writing reports from the

results of the research and **we will take out any other information that could identify you**. This means that **no one will have knowledge of what you have personally told us**. All the information collected will be held by the University in a locked and secure room until it is destroyed.

As a condition of our funding for the project we are also required to submit the de-identified data to the Australian Data Archive ([www.ada.edu.au](http://www.ada.edu.au)), a national service for the collection and preservation of digital research data and to make these data available for secondary analysis by academic researchers and other users. Your identity is not provided to the ADA.

If you agree to take part in this research under the conditions outlined here, we need you to sign this form to say that you agree to participate in the interview.

The anonymous information we find out from the research will be used in a variety of ways. These will include:

- conference papers and presentations
- progress and a final report for AHURI to be published in written form and electronically
- published academic journal articles
- published practitioner journal articles
- newspaper articles

The data will not be supplied in any form (other than published or publicly presented papers) to any other researcher, individual, organisation or agency.

## 1. Further information about the project

For further information about the project, please contact

Dr Andrea Sharam Institute for Social Research Swinburne University of Technology <a href="mailto:asharam@swin.edu.au">asharam@swin.edu.au</a> 03 9214 5465	Dr Wendy Stone Institute for Social Research Swinburne University of Technology <a href="mailto:wmstone@swin.edu.au">wmstone@swin.edu.au</a> 9214 8967	Dr Sharon Parkinson Institute for Social Research Swinburne University of Technology <a href="mailto:sparkinson@swin.edu.au">sparkinson@swin.edu.au</a> 9214 8404	Dr Sean McNelis Institute for Social Research Swinburne University of Technology <a href="mailto:smcnelis@swin.edu.au">smcnelis@swin.edu.au</a> 9214 8777
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## Concerns or complaints

This project has been approved by or on behalf of Swinburne's Human Research Ethics Committee (SUHREC) in line with the *National Statement on Ethical Conduct in Human Research*. If you have any concerns or complaints about the conduct of this project, you can contact:

Research Ethics Officer, Swinburne Research (H68),  
Swinburne University of Technology, PO Box 218, HAWTHORN VIC 3122.  
Tel (03) 9214 5218 or +61 3 9214 5218 or [resethics@swin.edu.au](mailto:resethics@swin.edu.au)

## Appendix 3: Interview consent form



### Consent Form

**Project Title:** Housing assistance demand, dynamics and provision in Australia: a household-based policy analysis

**Principal Investigator(s):**

**Dr Wendy Stone, Dr Andrea Sharam, Dr Sharon Parkinson, Dr Sean McNelis**

1. I consent to participate in the project named above. I have been provided a copy of the project consent information statement to which this consent form relates and any questions I have asked have been answered to my satisfaction.

2. *In relation to this project, please circle your response to the following:*

- |  |            |           |
|--|------------|-----------|
| ▪ I agree to be interviewed by the researcher  | <b>Yes</b> | <b>No</b> |
| ▪ I agree to allow the interview to be recorded by electronic device   | <b>Yes</b> | <b>No</b> |
| ▪ I agree to make myself available for further information if required (We may seek to clarify comments once analysis commences or seek additional material) | <b>Yes</b> | <b>No</b> |

3. I acknowledge that:

- (a) my participation is voluntary and that I am free to withdraw from the project at any time without explanation;
- (b) the project is for the purpose of research and not for profit;
- (c) any identifiable information about me which is gathered in the course of and as the result of my participating in this project will be (i) collected and retained for the purpose of this project and (ii) accessed and analysed only by the researcher(s) for the purpose of conducting this project;
- (d) my anonymity is preserved and I will not be identified in publications or otherwise without my express written consent.
- (e) my employer has given permission for my participation.

By signing this document I agree to participate in this project.

**Name of Participant:** .....

**Signature & Date:** .....

## AHURI Research Centres

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AHURI Research Centre—The University of New South Wales

AHURI Research Centre—The University of Sydney

AHURI Research Centre—The University of Western Australia

AHURI Research Centre—University of Tasmania

### **Australian Housing and Urban Research Institute**

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