

## EXECUTIVE SUMMARY

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# The utility of new data in understanding housing insecurity



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# Executive summary

## Key points

- **This exploratory data project investigates the potential of the DSS DOMINO dataset to support housing research and policy development.**
- **The key difference is that DOMINO is mainly comprised of flow data which gives within year income volatility data rather than stock data which gives a single annual, or point-in-time income and labour force status data.**
- **Demand for Commonwealth Rental Assistance (CRA) is far higher than commonly understood and there is a significant churn of individuals who receive CRA.**

## Key findings

- Between January 2000 and October 2017, 11 million Australians were identified to have received a Centrelink payment. This finding offers compelling evidence that welfare is as much part of mainstream life as health and education.
- Over five million individuals received CRA during this period.
- Demand for CRA is far higher than commonly understood. We identified nearly two million (1,967,028) income units who received CRA payments during 2016.
- There is a significant churn of individuals who receive CRA that is not captured by stock data commonly used in housing policy analyses. We found a highly fluid population relied on CRA during 2016, with 747,167 income units starting to receive this payment and 505,942 ceasing receipt.
- CRA recipients received on average 3.2 instances of CRA payments; half of them receiving 2 instances of CRA payments during the period studied.
- 70 per cent of those who received CRA between January 2000 and October 2017 received less than three years total accrued CRA payments.
- The most recent CRA benefit spell experienced by a recipient was quite short—51 per cent of recipients most recently received this payment for less than a year. Over a quarter only received CRA payments for under 120 days, suggesting within-year income volatility.

- Most CRA recipients appear to have received at least one one-off irregular CRA payment, suggesting within-year income volatility.
- Overall, women are more likely than men to receive CRA, and were more likely than men to have (most recently and commonly) received CRA for spells of more than 270 days.
- Conversely, men are more likely than women to have (most recently and commonly) received a short spell of CRA (less than 270 days).
- Newstart recipients were far more likely to have most recently (77%) received a spell of CRA shorter than a year—reflecting the policy design of this payment. In contrast 72.6 per cent of the most recent CRA spells linked to FTB payments were for more than a year—reflecting the longer term needs of families with dependent children.
- While the number of people receiving CRA payments per year has increased over time, there are fewer new CRA recipients joining every year.

## Technical findings

A deeper understanding of the database's complex variables and values—and their historically- and policy-inscribed relationships—is required for more detailed research.

- Once these issues are resolved, DOMINO offers a unique and powerful resource for housing and welfare research. Regressions, time-series analyses and other modelling techniques are likely to yield important findings for a wide range of academic disciplines.
- We strongly encourage pursuit of further studies utilising this rich information source.
- We note that successful investigations will demand significant resources in terms of personnel and labour as well as liberal timelines, unlike studies typically undertaken in our field. In particular, teams comprising domain experts in welfare, public policy and econometrics/statistics are necessary.
- Our main finding is that we have shown that receiving CRA is a more common experience than is generally thought, and further, that flow data analyses can reveal both the diversity of engagements Australians have with the social security system and their distinctive patterns.

In Australia's predominately private rental market, Commonwealth Rent Assistance (CRA) is an important social security payment designed to assist low-income households with rental costs. This project explores the potential of a novel dataset to yield new insights into patterns of CRA receipt in households reliant on Newstart Allowance (NSA), pensions and Family Tax Benefit (FTB).

In the month prior to the onset of the COVID-19 crisis, DSS data extracted on 27 December 2019 showed that CRA was being paid to nearly 1.3 million income units (individuals or couples) living in rental accommodation (DSS 2019). Significant proportions of those in receipt of Newstart Allowance (38%) and Parenting Payment Single (PPS) (53%) relied on receiving CRA at this time.

UN Secretary General António Guterres has warned that the current coronavirus outbreak is the biggest global challenge since World War Two (BBC 2020). There are mounting fears that the world will experience a lengthy recession of a depth not witnessed since the Great Depression of the 1930s (New York Times 2020).

In Australia, government policy interventions to support the rental and mortgage sectors were swift. Measures introduced include: income assistance, such as a temporary doubling of the JobSeeker payment; the JobKeeper labour market retention initiative; a moratorium on evictions and rent increases; land tax relief; direct financial assistance to tenants in hardship; encouraging mediation between tenants (commercial and residential) and landlords; and landlords deferring or renegotiating mortgage payments with their financial institutions (AHURI 2020).

As the pandemic subsides, the reverse is happening with unemployment and underemployment-related payments such as JobSeeker Allowance (Newstart) and Parenting Payment. In its August *Statement on Monetary Policy*, the Reserve Bank of Australia forecasted unemployment to peak at over 10 per cent in December 2020 and remain at over 7 per cent for up to two years (RBA 2020). CRA payments will reflect this unparalleled increase in income support payments.

Developing nuanced and effective housing policy responses to the pandemic's impact requires a firm understanding of the potential demand for CRA—the likely scale, scope and prevalence of households' needs for rent assistance. One key aspect of meeting those needs is for an adequate, fast, reliable and steady rental support payment when required.

### Income volatility

International studies suggest that low-income households with volatile incomes face sharply higher risks of housing instability (McKernan, Ratcliffe et al. 2016; Smith-Ramani, Mitchell et al. 2017). To date, however, Australian housing policies, programs and practices lack an evidence-based understanding of how erratic incomes may weaken housing affordability, destabilise tenure,<sup>1</sup> and undermine household financial risk management strategies.

From a housing and broader public policy perspective, a robust understanding of the impact that income volatility may have on households should be actively sought. International studies have found that households whose incomes fluctuate by more than 25 per cent from pay to pay experience sharply higher risks of emotional conflict (Hill, Morris et al. 2013), housing instability (Smith-Ramani, Mitchell et al. 2017) and financial hardship (Hacker, Huber et al. 2012; Morris, Hill et al. 2015; Nichols and Rehm 2014).

### Stock and flow data

Australian housing research commonly relies on datasets offering stock data—annual or point-in-time income and labour force status data. Most HILDA, ATO and Household Expenditure Survey/Survey of Income and Housing stock and survey data, however, do not capture within-year income heterogeneity. Statistical investigations into questions of household financial risks in labour, housing and welfare markets therefore confront the potentially significant problem of aggregation bias.

This is the first academic study of 'flow data' from a newly available DSS dataset to assist investigations of within-year income volatility in Australia. The unit-record data in DOMINO is primarily comprised of events—each a record of a *change* that occurred in an individual's circumstances that day which may affect their social security payment eligibility, rate or payability.<sup>2</sup> This very large, highly complex dataset includes, at an individual and household level, daily event-based information on all Australian social security recipients' demographics, benefits history, concessions, and housing since the year 2000.

There are a wide range of circumstances where an event is recorded, ranging from changes in household composition and address; adjustments in rates due to the Department's assets and income tests; application of the activity test; compliance with administrative procedures; and transfers to another payment. The period between an event recorded on one day and the next event is therefore not fixed.

As an initial step to explore the potential relationship between income volatility and housing instability, this research examines the individual within-year and across-year patterns of CRA receipt.

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<sup>1</sup> Households suffer from housing instability and insecurity when they live in housing that is unaffordable and does not adequately meet their need for safety, considering the quality of the housing stock and its location. Housing stability is the extent to which an individual's customary access to housing of reasonable quality is secure (Frederick, Chwalek et al. 2014). Housing instability can be reflected by frequent moving, staying with family and friends, and/or experiencing homelessness.

<sup>2</sup> For a definition of payability see Social Security Guide, 3.1.6.10 General payability provisions, <https://guides.dss.gov.au/guide-social-security-law/3/1/6/10>.

In statistical terms, we investigated the CRA population using flow data, rather than stock data. Official statistics of people receiving income support payments (through which the CRA supplement is paid) use stock data. For example, the quarterly and annual DSS reports count the number of recipients on one day close to the end of the quarter<sup>3</sup> or year.<sup>4</sup> There is also a monthly report that counts the number of recipients on each Friday of the month to arrive at an average figure.<sup>5</sup> These types of stock data, however, do not count the total number of individuals who received an income support payment over the period of a month, quarter or year. Our exploratory study of flow counts moves beyond this limitation.

The results from this project aim to contribute within-year insights into the financial experience of households receiving CRA and showcase DOMINO as a potentially rich resource for AHURI research. This pioneering study offers policy makers and researchers a more nuanced appreciation of a potential housing tenure risk facing some of our most vulnerable households and individuals—the timely receipt and adequacy of CRA and of primary income support payments.

Overall, these initial findings from this study of a sample of the database illustrate DOMINO's potential for actionable research. Our insights are conditional and based only on data provided by DSS. Other data not requested by the research team may alter these provisional findings.

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<sup>3</sup> DSS Payment Demographic Data available at: <https://data.gov.au/data/dataset/dss-payment-demographic-data>.

<sup>4</sup> DSS Payment Trends and Profile Reports. Available at <https://data.gov.au/dataset/ds-dga-4ccff587-4a46-4ab9-8833-76dadaa10ebe/details?q=DSS>.

<sup>5</sup> <https://www.dss.gov.au/labour-market-and-related-payments-march-2016-labour-market-and-related-payments-may-2018-labour-market-and-related-payments-november-2019/labour-market-and-related-payments-february-2020>.



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