



A place to call home: housing vulnerable Victorians

**Presentation to the Inquiry into Homelessness in Victoria
9 September 2020**

Brendan Coates, Household Finances Program Director

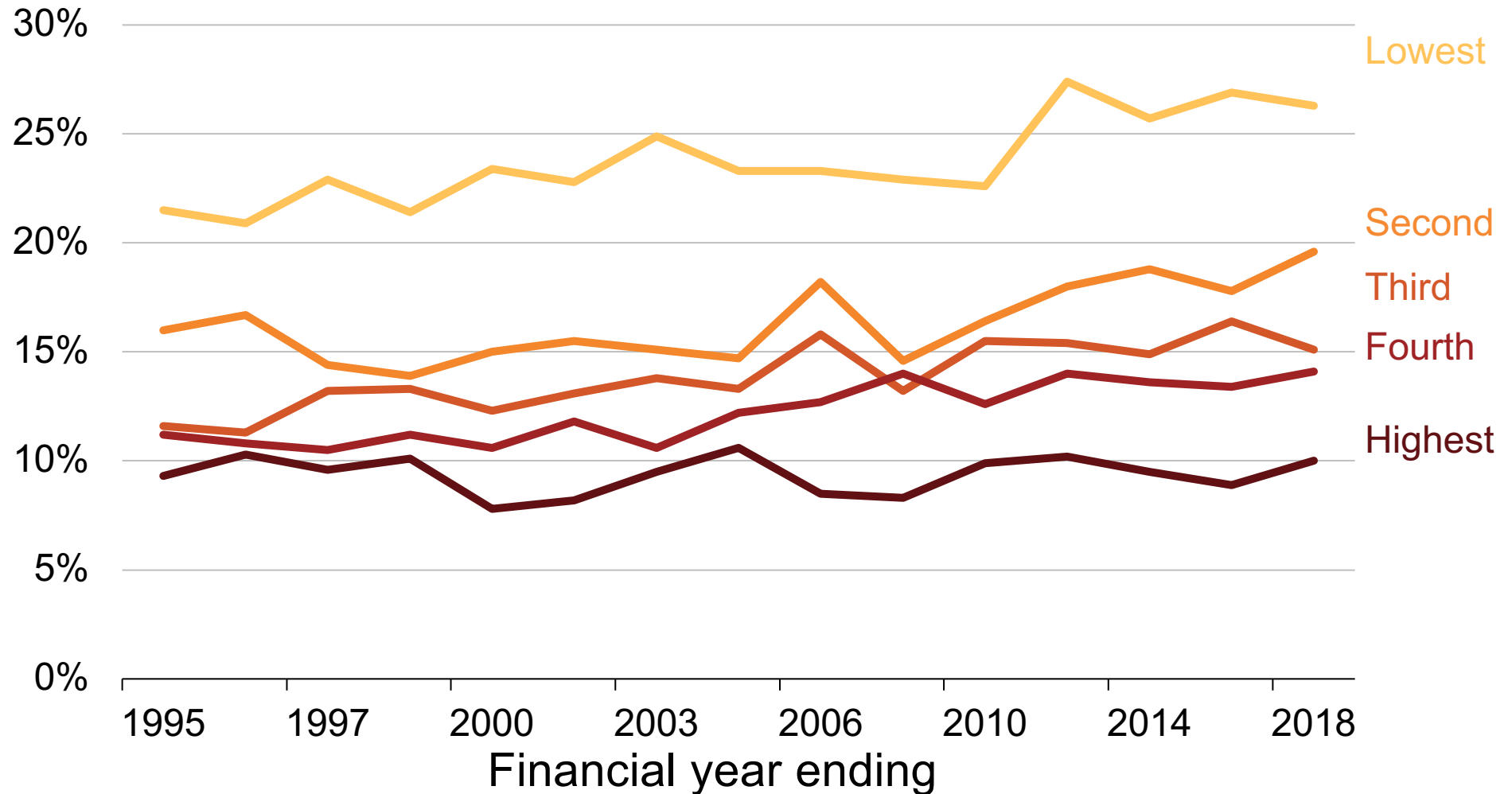
Housing vulnerable Victorians

Housing isn't affordable to low-income earners

- Low-income households are spending more of their budgets on housing
- Victoria's **homelessness** problem is getting worse
- Worsening housing affordability **widens inequality**

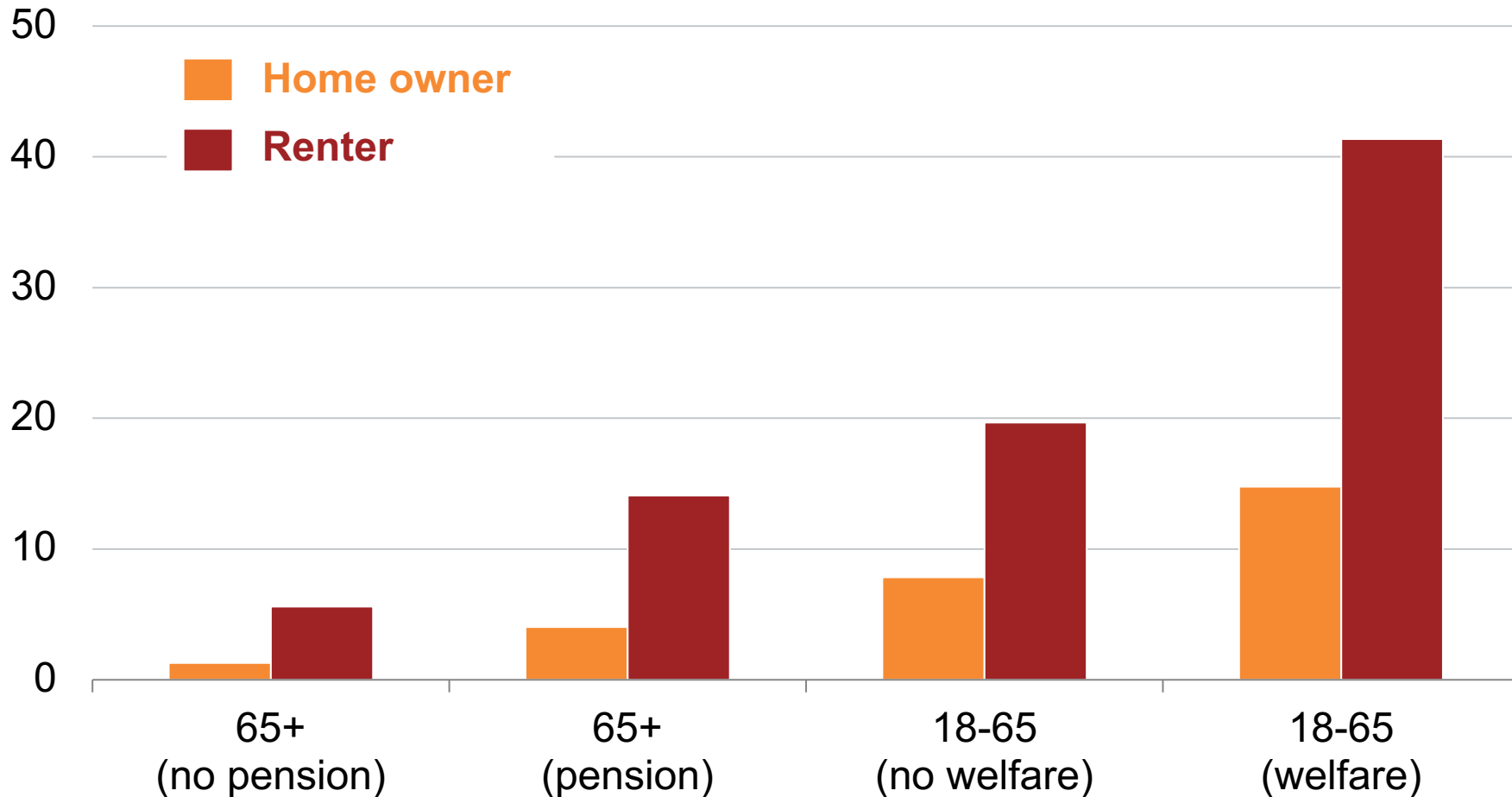
Low-income Victorians are spending more of their incomes on housing

Share of income spent on housing



Households that rent are much more vulnerable – particularly young people on income support

Per cent of households facing at least one financial stress, 2015-2016

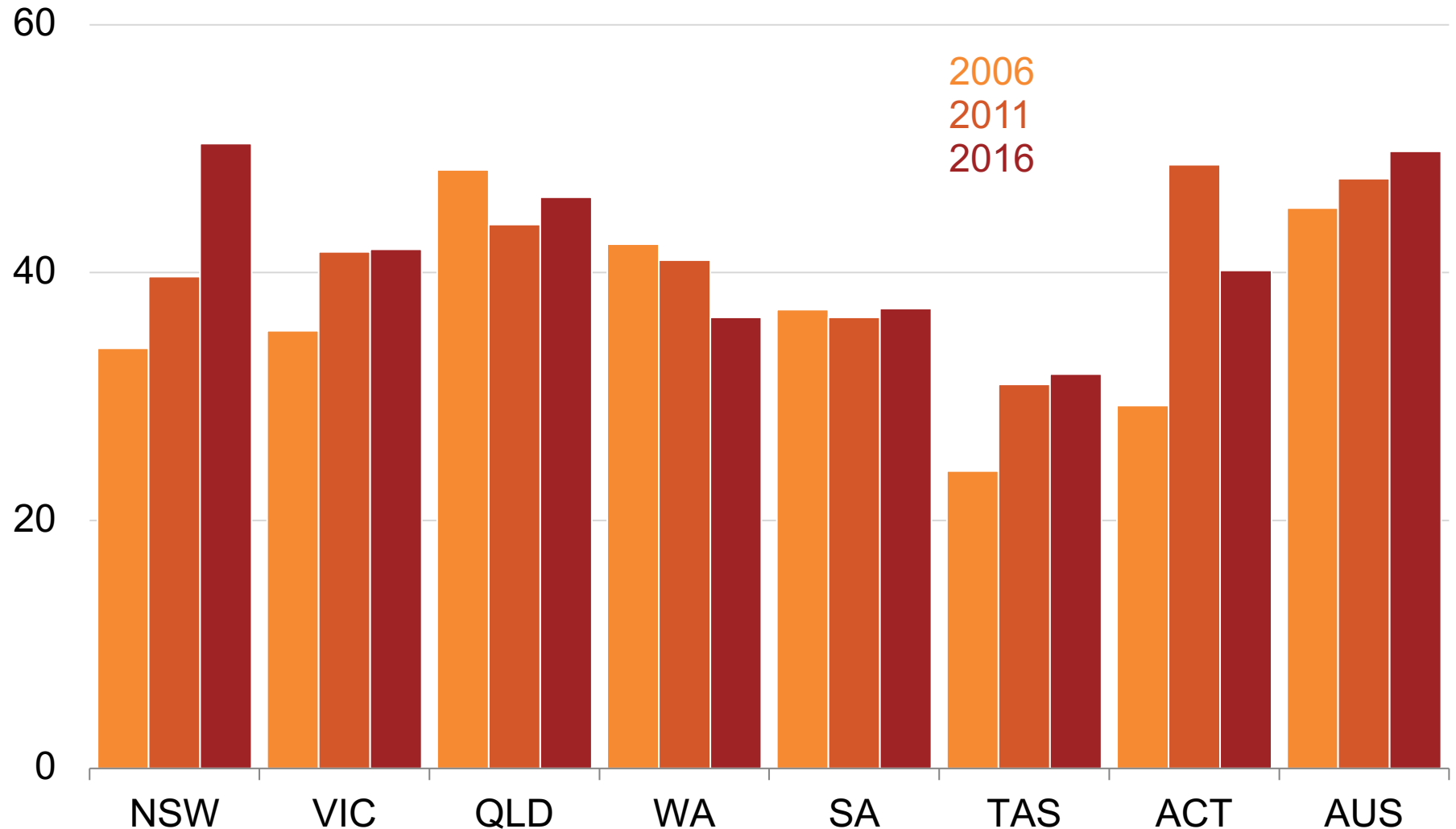


Notes: Financial stress defined as money shortage leading to 1) skipped meals; 2) not heating home; 3) failing to pay gas, electricity or telephone bills on time; or 4) failing to pay registration insurance on time. 'Pension' includes everyone over the age of 65 who receives social assistance benefits in cash of more than \$100 per week. 'Welfare' includes those who receive more than \$100 per week from a disability support pension, carer payment, unemployment or student allowance, or other government pension.

Sources: ABS Household Expenditure Survey 2015-16, Grattan analysis.

Homelessness is increasing, especially among overcrowded dwellings

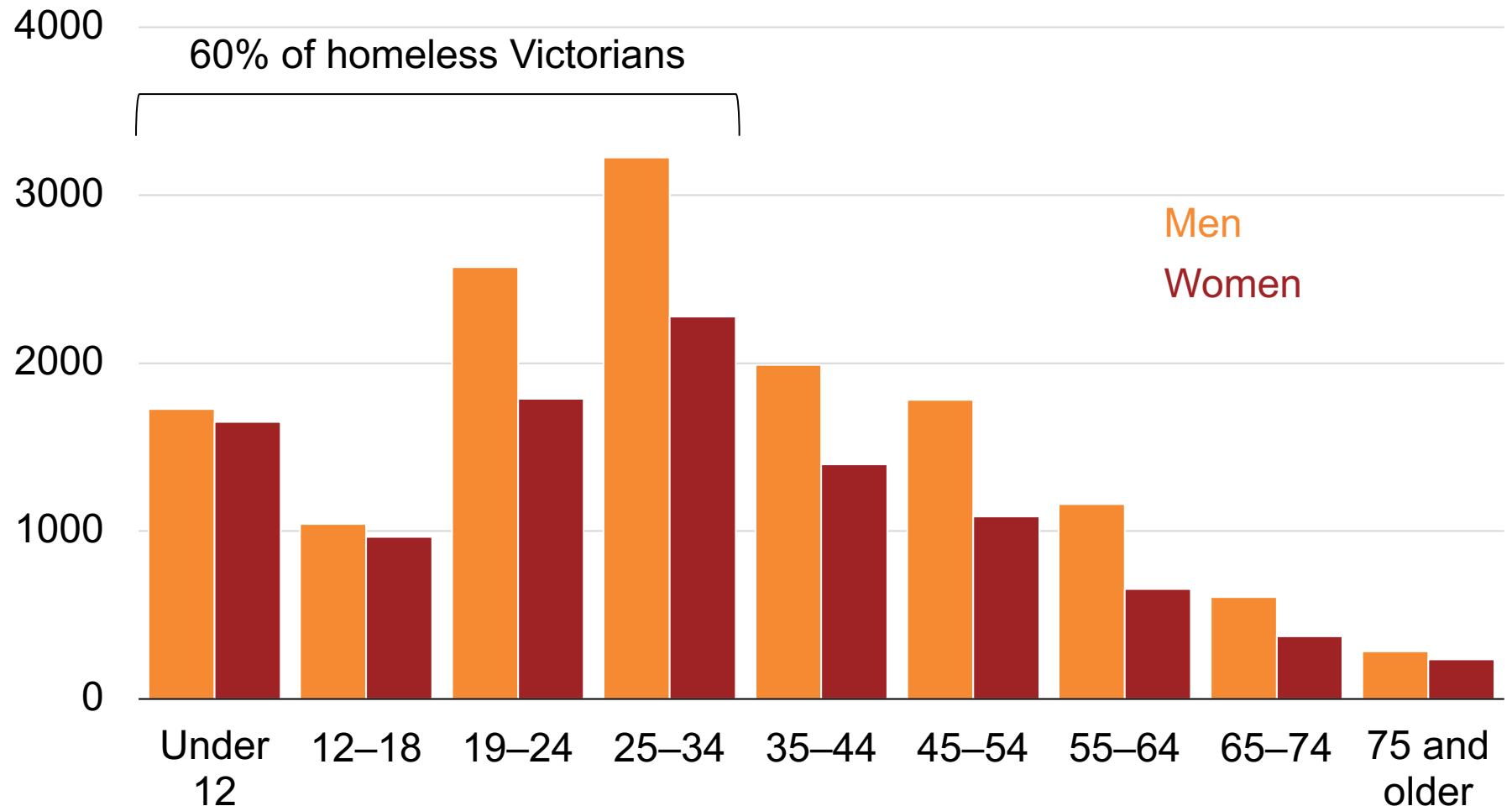
Number of homeless per 10,000 of population, per state, 2006 to 2016



Note: The NT is excluded for readability.
Sources: Estimating Homelessness, ABS (2016)

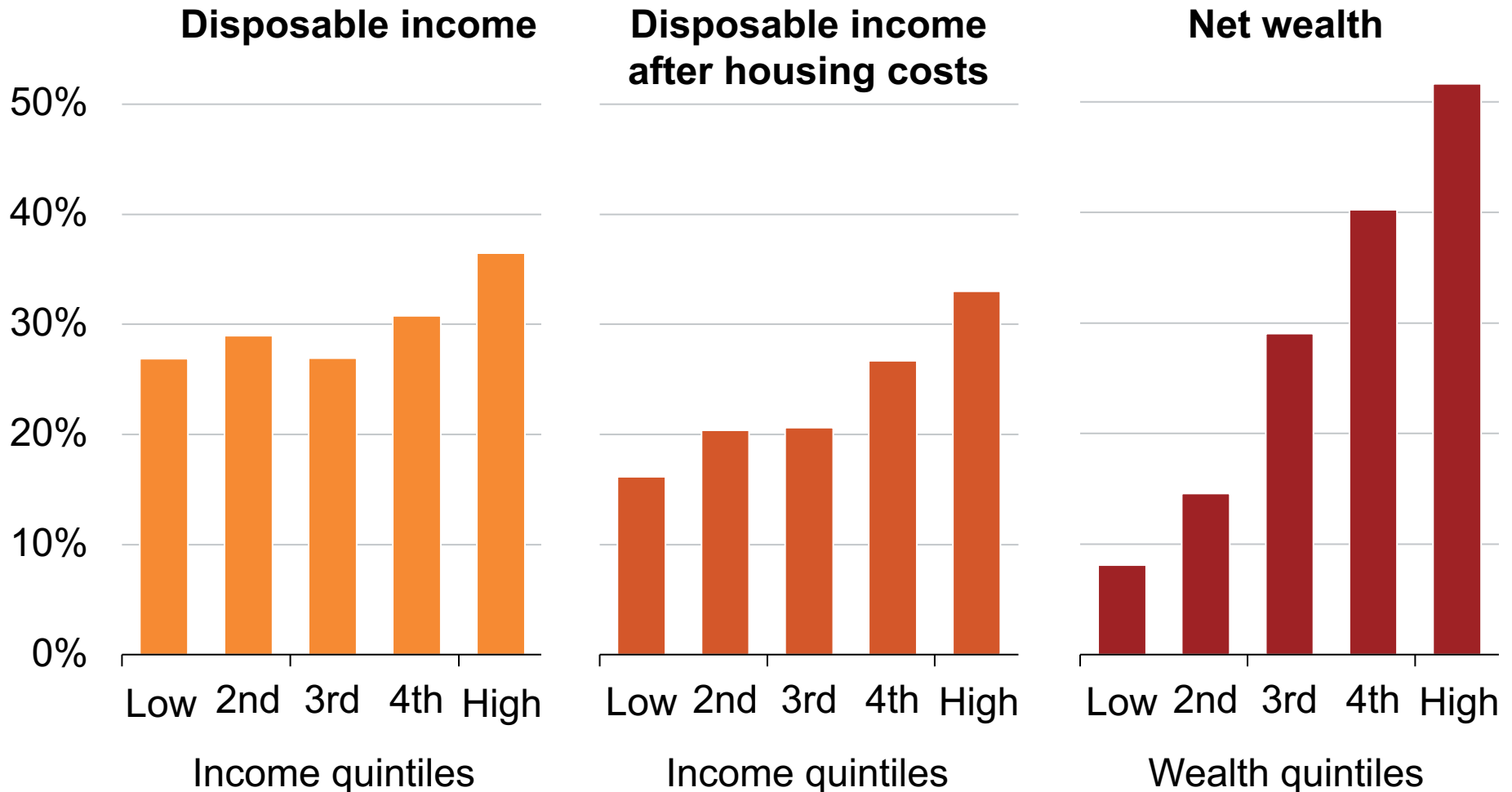
Most homeless Victorians are under the age of 35

Number of homeless per 10,000 of population, per state, 2006 to 2016



Incomes have risen across the board; but less so after housing costs

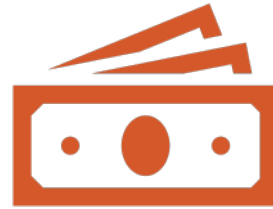
Real growth from 2003-04 to 2015-16 per equivalised household



Notes: Income estimates for 2003–04 onwards are not perfectly comparable with estimates for 2015-16 due to improvements in measuring income introduced in the 2007–08 cycle.

Source: Source: for income, ABS SIH 2003-04 and SIH 2015-16; for wealth, ABS 6523.0 Household Income and Wealth

The challenges faced by low-income earners in securing affordable housing



Housing is **more expensive than it should be** because our cities have not built enough housing to meet the needs of Australia's growing population.

&

Some **households can't afford housing**, because their incomes are too low to cover the rent or a mortgage.

&

Some households **face other barriers to accessing housing**, such as those with severe disabilities, mental health, or other issues.

Housing low-income Australians in need

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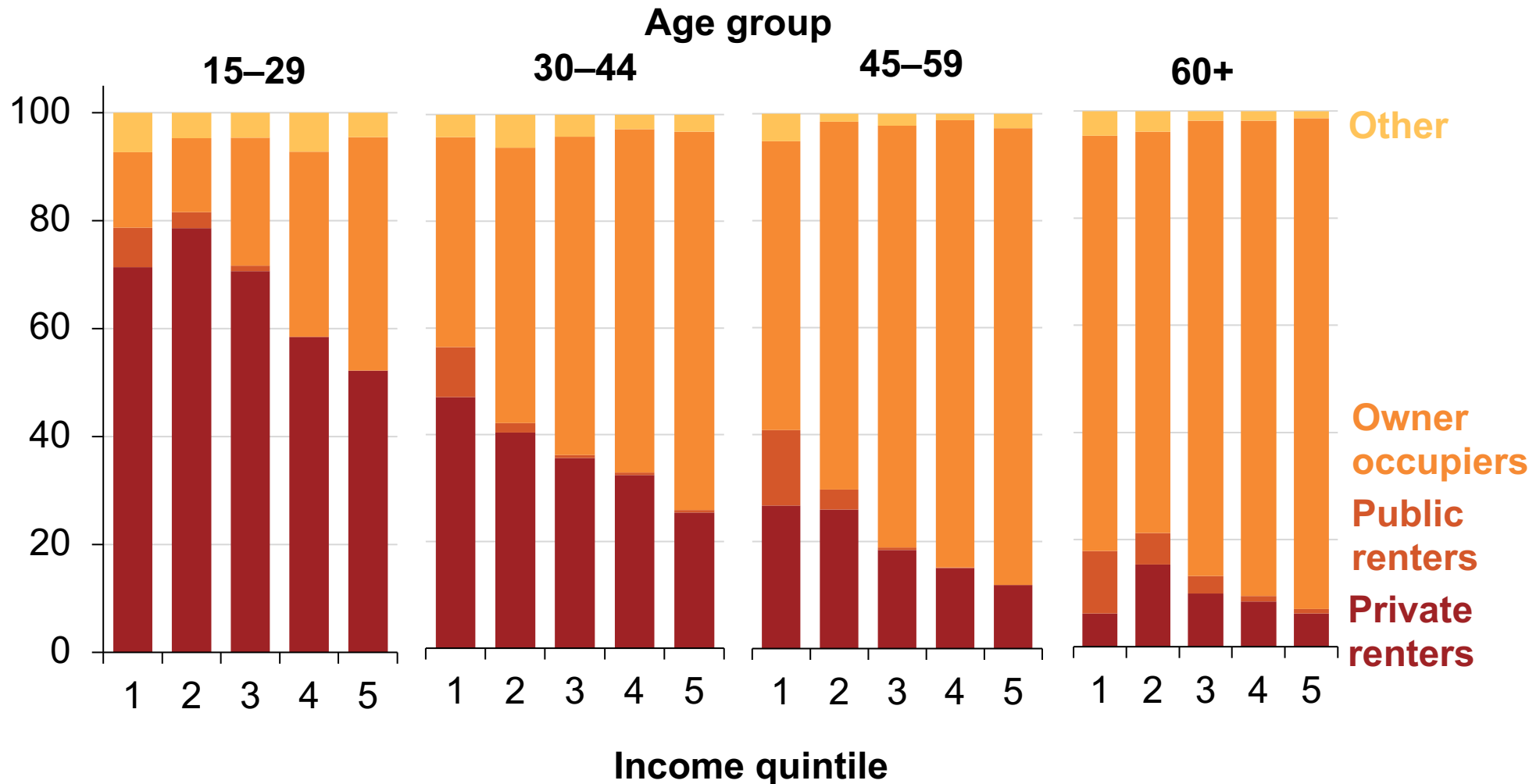
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Housing supply matters for people at the bottom but policy is failing

- **Private rental** is important for the bottom; but **construction** lags **population growth**
- **More supply** would **reduce rents**; **tenancy reforms** to make housing secure

Younger, poorer Australians live in private rentals

Share of each age and income quintile by housing tenure type, 2015-16

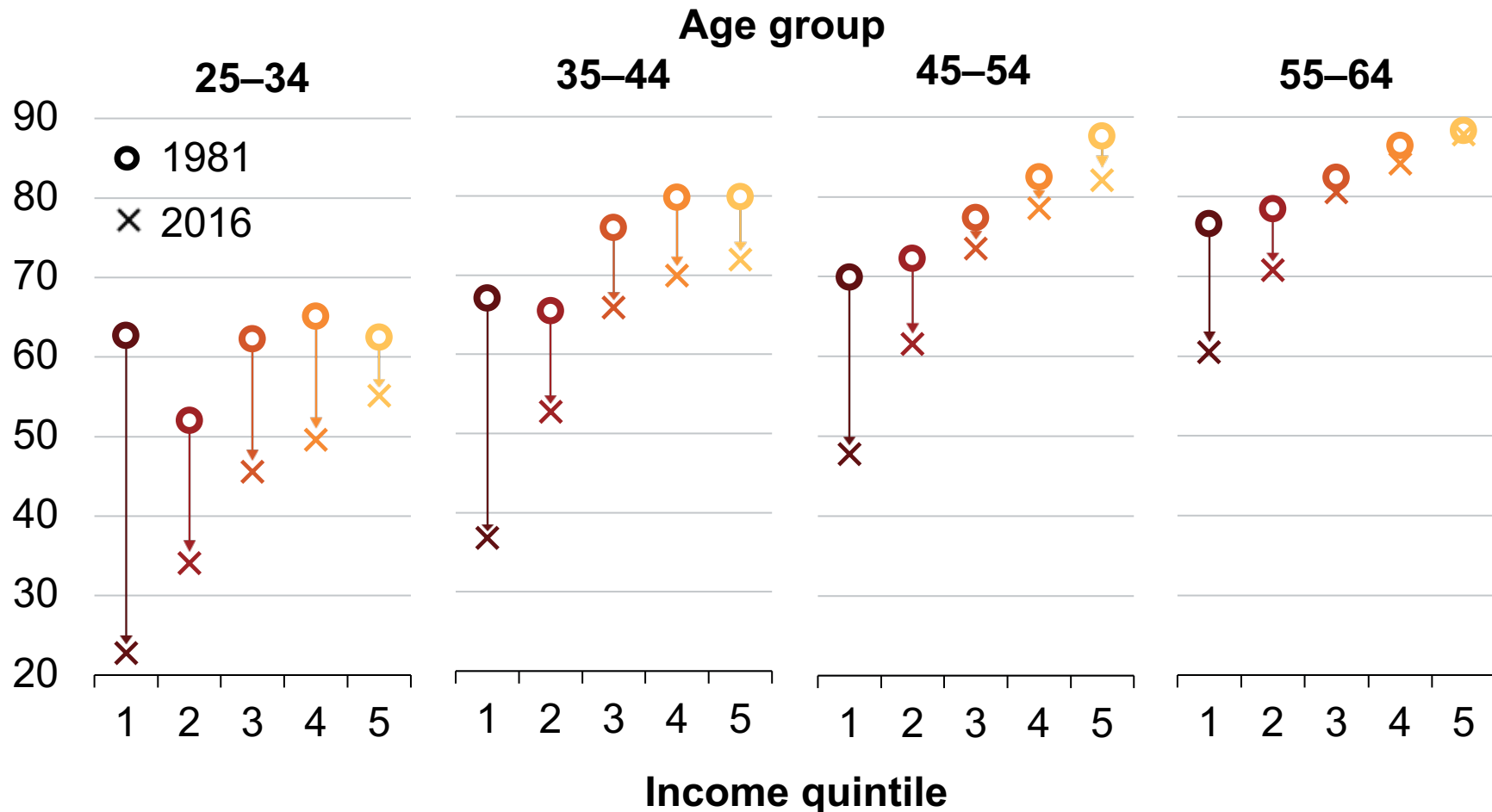


Notes: Age groups are determined by the "Age of Household reference person" category given in the Survey of Income and Housing. Income quintiles are calculated by age group based on equivalised household disposable income

Source: ABS Survey of Income and Housing (2017)

Fewer low-income Australians own their homes compared to the past

Home ownership rates by age and income, 1981 and 2016, per cent

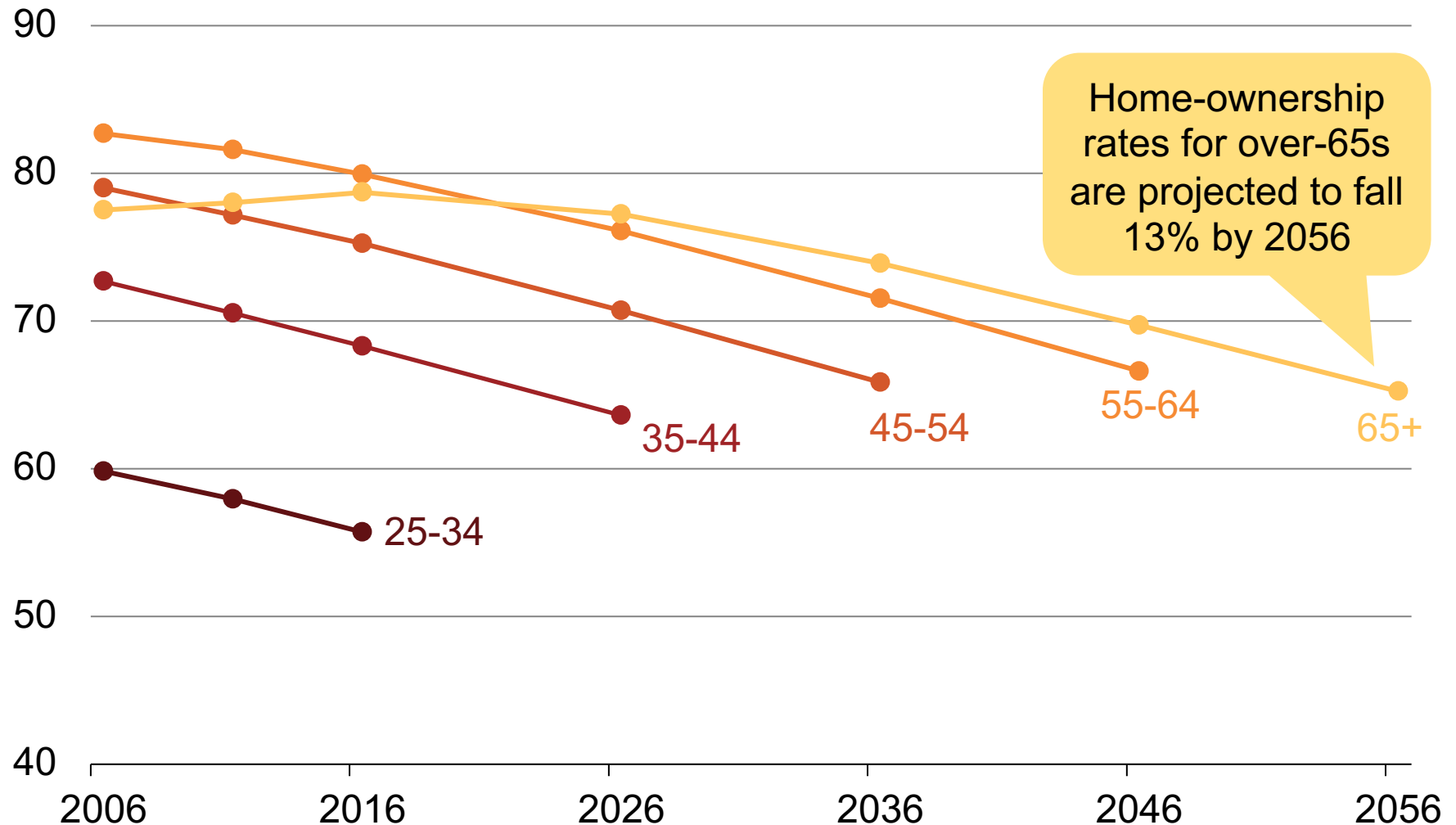


Notes: This graph updates Burke et al 2014 using Census data obtained from the ABS. Difficulties in accurately calculating household incomes across time using Census data means that changes in home ownership rates by age and income are indicative and small changes in ownership rates should be ignored. Excludes households with tenancy not stated (for 2016) and incomes not stated. Household age group according to age of household reference person. Income quintiles are equivalised household income quintiles.

Sources: ABS Census; Burke et al 2014 'Generational change in home purchase opportunity in Australia'; Grattan Institute

Retirees of the future are more likely to be renters

Homeownership rate by age, per cent

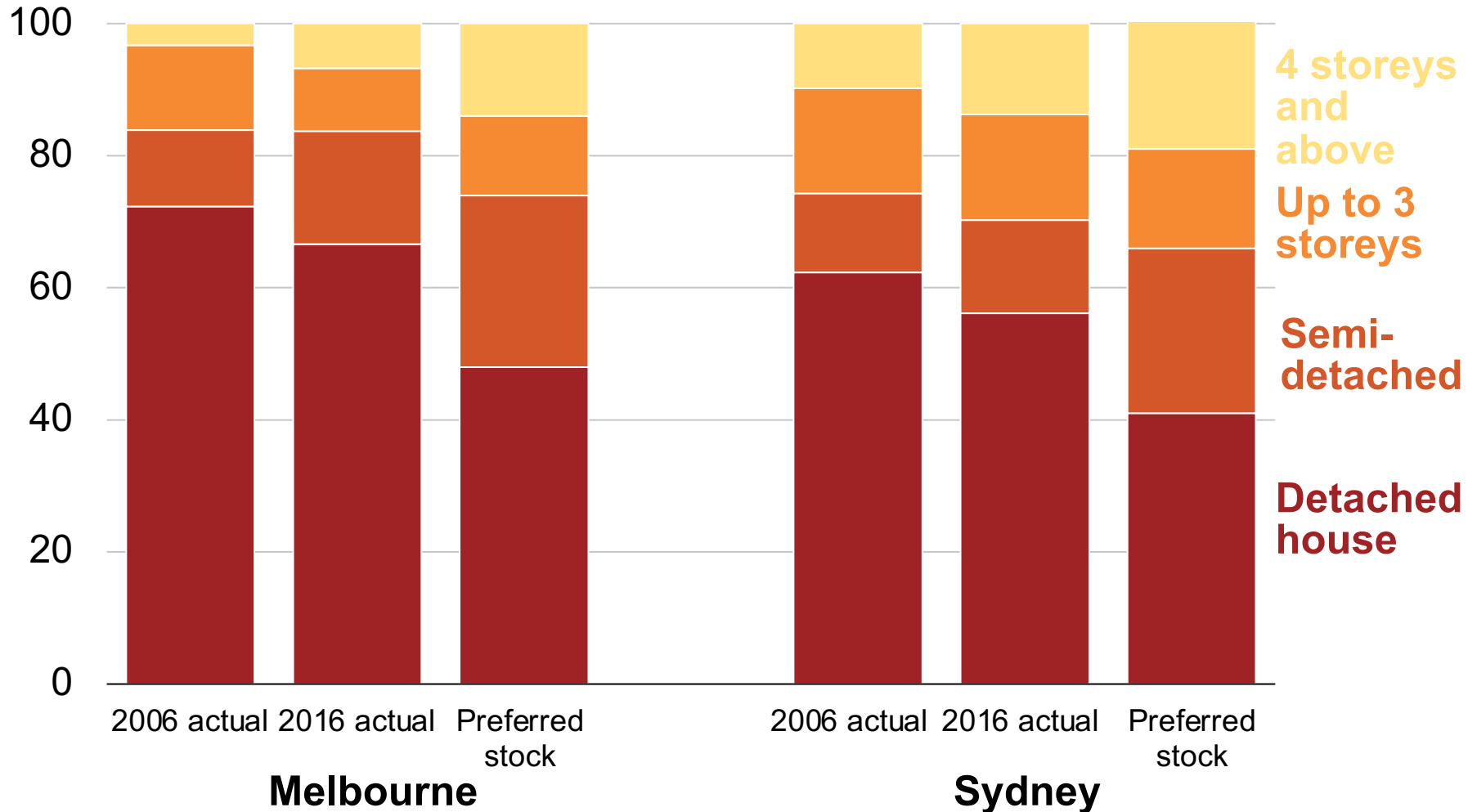


Notes: Home ownership projections have been updated since Coates and Chen (2019) to exclude temporary migrants, many of whom are younger and have low rates of home ownership but are unlikely to stay in Australia long term.

Source: ABS (2018); Grattan analysis.

There's a shortage of medium density housing compared to what people want

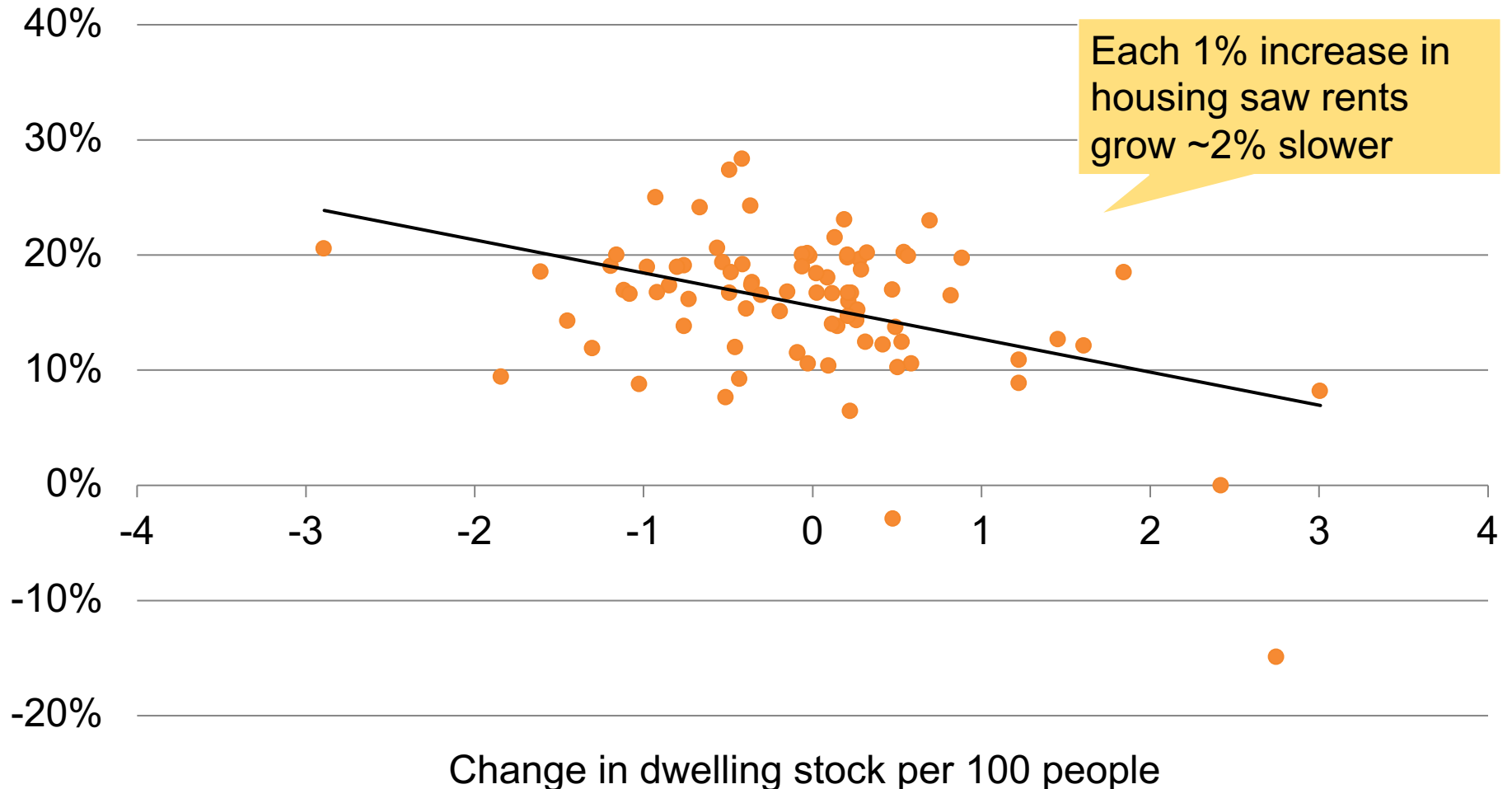
Per cent of housing stock, actual and preferred



Notes: 'Preferred stock' is from the survey of 700 residents about housing preferences from Grattan's 2011 report, *The housing we'd choose*. Data may not sum to 100 due to rounding. Excludes dwellings listed as 'Not stated' and 'Other dwellings', such as caravans. Source: Census; *Housing we'd choose*; Grattan analysis

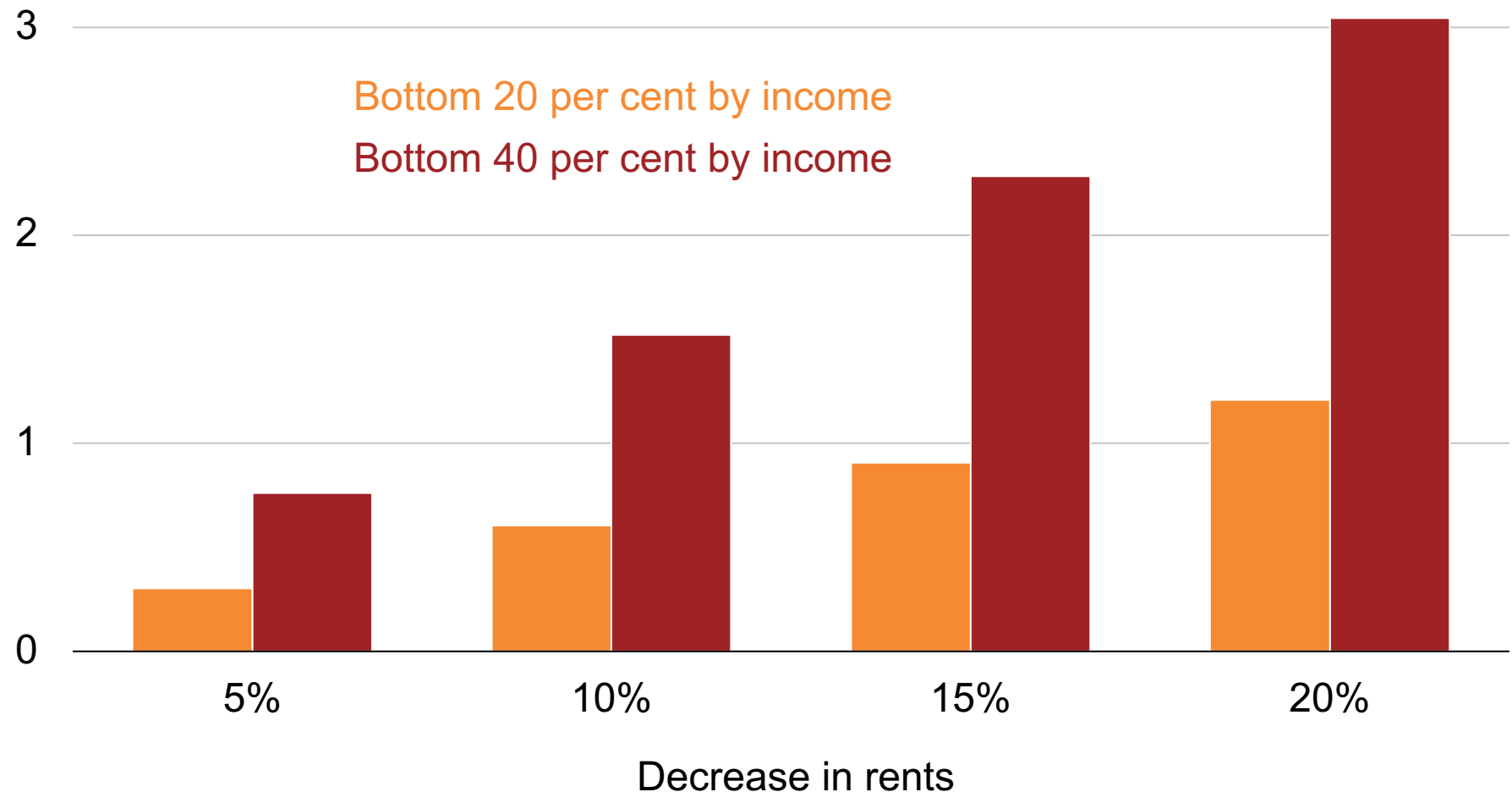
And areas that built more have seen slower rent increases for those *at the bottom*

Change in the bottom quintile of private market rents paid from 2011 to 2016, by SA4, per cent



Lower market rents could better house low-income Australians even without bigger rental subsidies

Rental savings to low income private renter households, billions of dollars

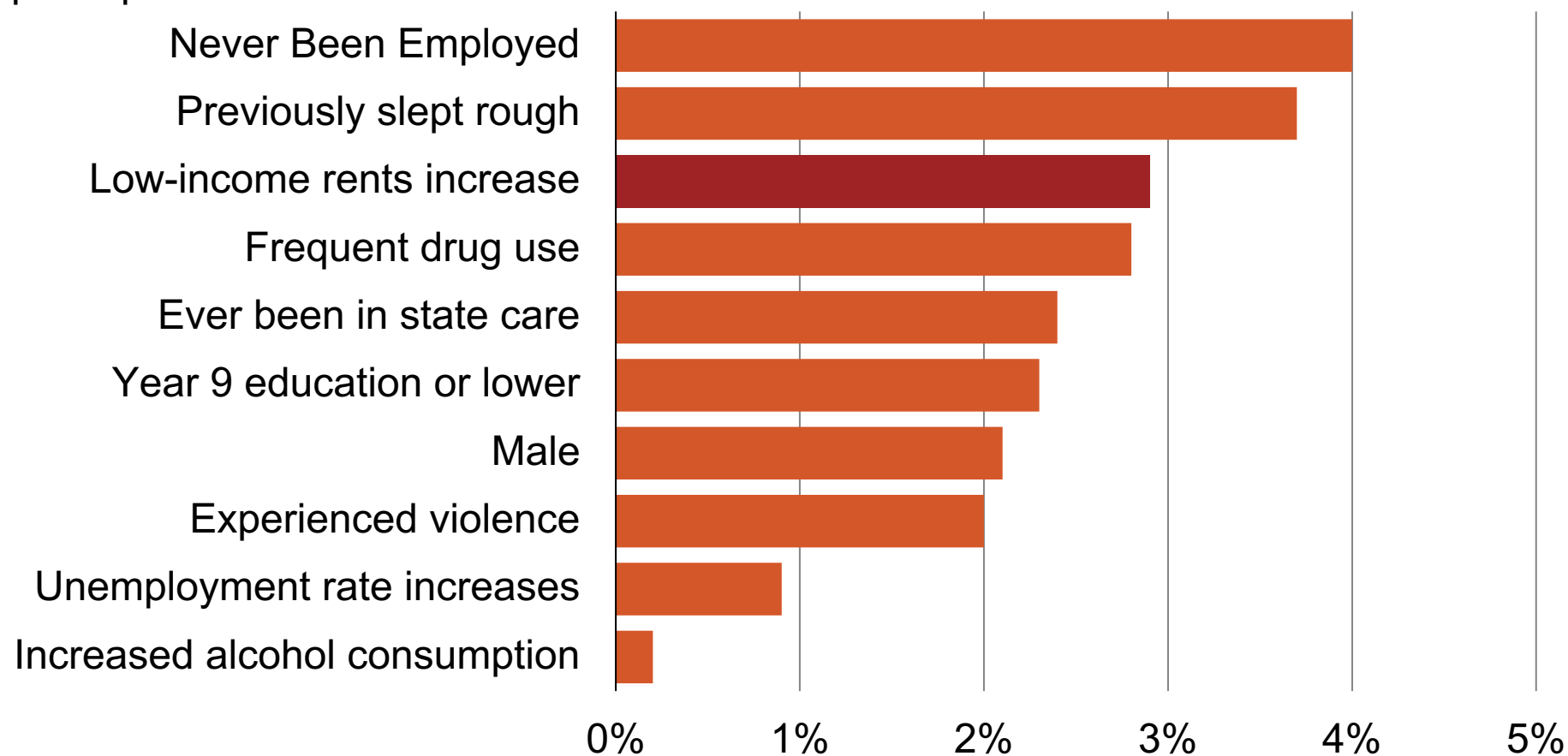


Notes: Excludes those with tenure type not stated. Private market includes those renting from a real estate agent, parent or other relative, or other individual.

Source: ABS Census Data (various years)

Increasing rents is one of the key drivers of rising homelessness

Increase in probability of entering homelessness among Journeys Home participants



Notes: Journeys Home surveyed very disadvantaged income support recipients who were already at risk of homelessness. Therefore these results are not representative of the entire population. Low-income rents and the unemployment rate are structural variables measured at the SA4 level. Low-income rents are the 20th percentile of weekly rents. An increase in low-income rents is defined as a \$100 increase in weekly rent. An increase in the unemployment rate is defined as a 1 per cent increase. Some of the variables are excluded for readability.

Source: Johnson, Scutella, Tseng, and Wood (2018); Moschion (2017).

Housing low-income Australians in need

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Housing supply matters for people at the bottom but policy is failing

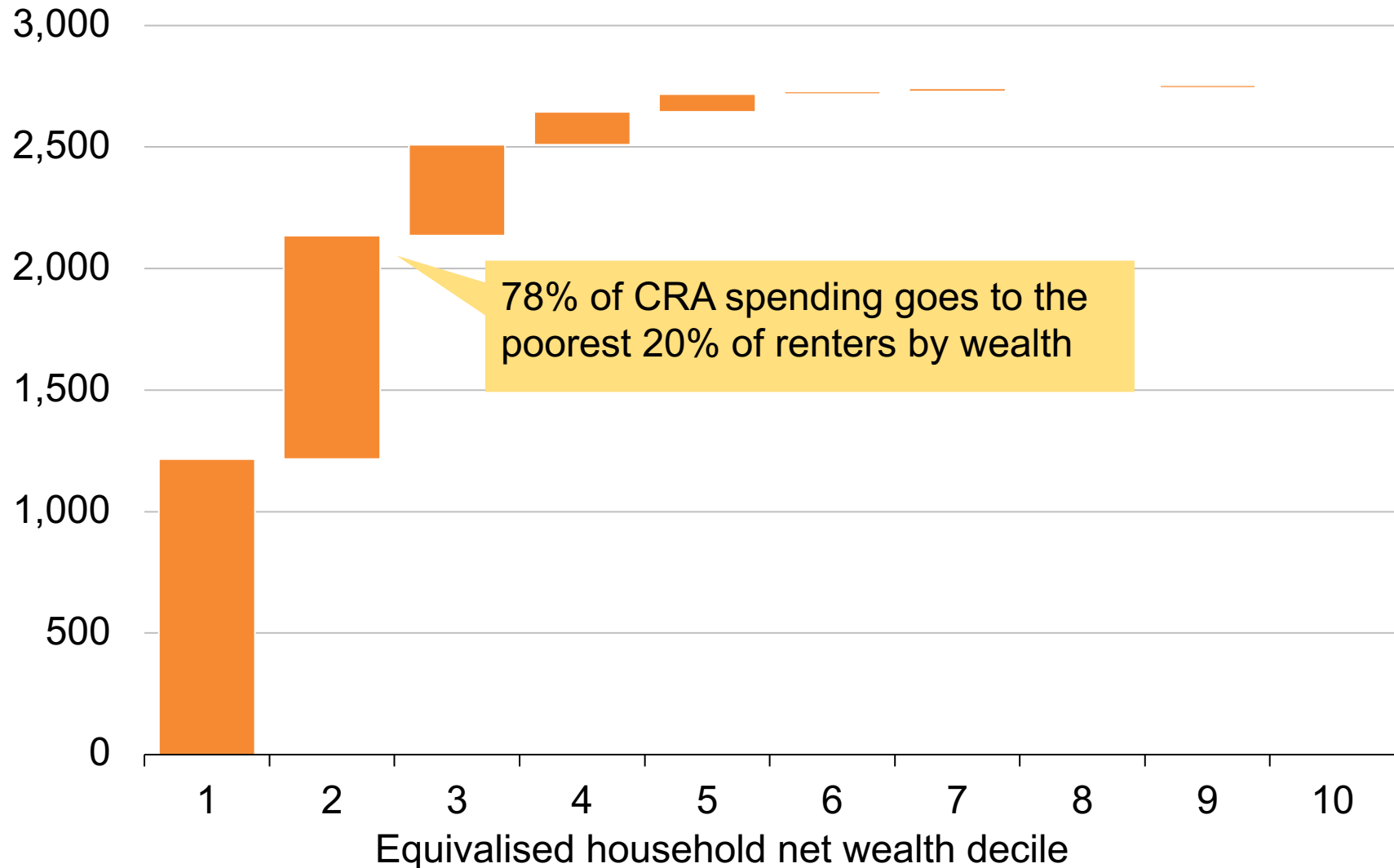
- **Private rental** is important for the bottom; but **construction** lags **population growth**
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Rent assistance is a cost-effective way to house most low-income earners

- Rent assistance is **well targeted** by need; it's **fair**; but it **hasn't kept up with rental costs**
- Little evidence that Rent Assistance **pushes up rents**

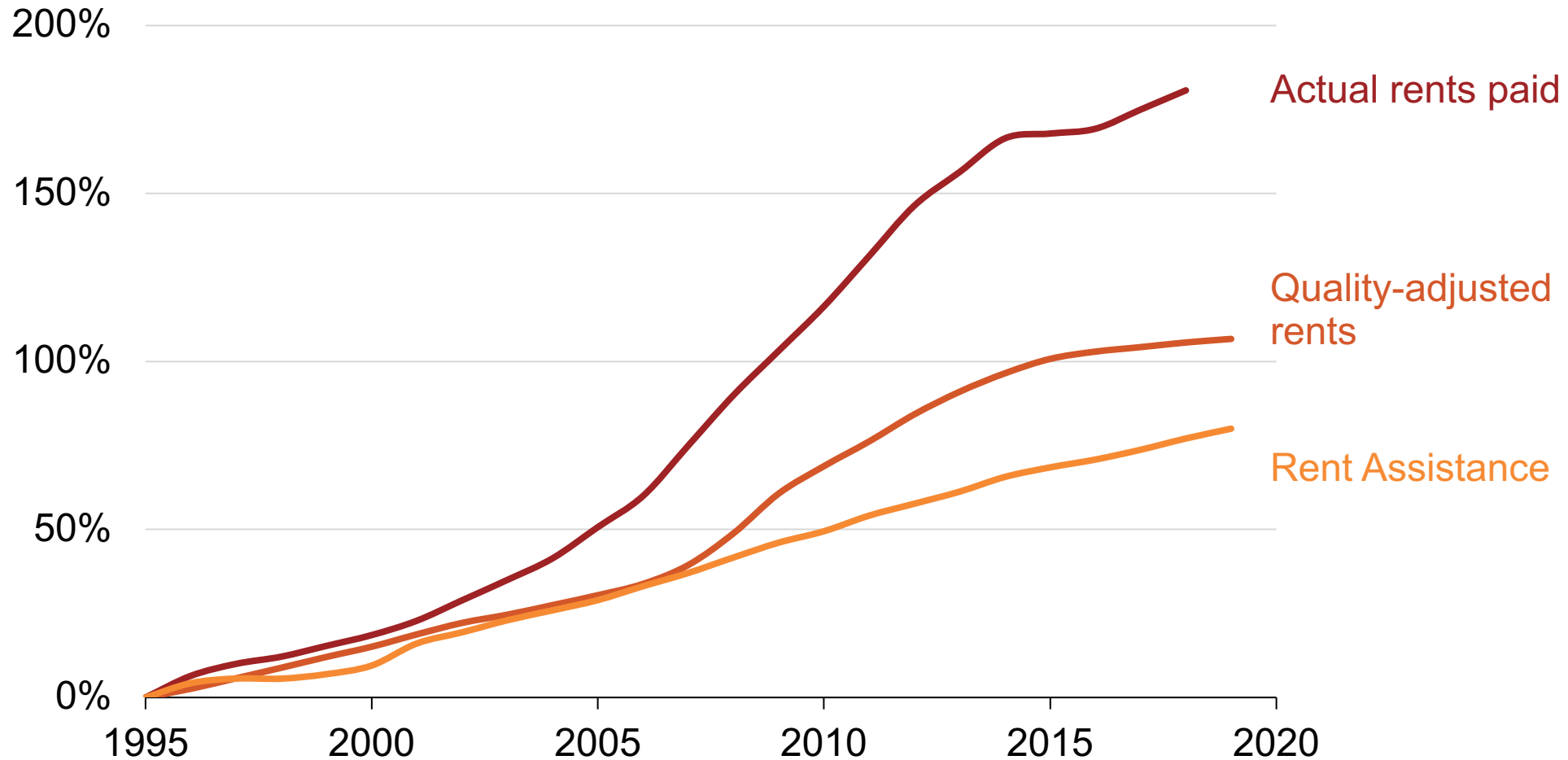
Most rent assistance goes towards the bottom 20 per cent by wealth

Rent assistance spending for private renters by household wealth decile, \$ millions



Commonwealth Rent Assistance hasn't kept up with rents, or low-income households expenditure on rent

Rent, change in the maximum rate of CRA, low-income HH median expenditure on rent, index, weighted average of eight capital cities



Note: Rent index for all households is constructed by the ABS using a weighted average of the eight capital cities. Max rate of Commonwealth Rent Assistance is indexed to CPI. Note that low-income households' median expenditure
Sources: ABS (2019), 6401.0 - Consumer Price Index, Australia, Jun 2019, A2325841T, A2331876F

Australian literature suggests increasing Rent Assistance has little impact on rents

Most of any increase in Rent Assistance wouldn't be spent on rents

Foard (1995) – Renters are likely to spend almost all additional net income on non-housing goods and services

Pender (1996) – Even with a segmented private rental market, a \$100 million increase in CRA would only increase rents by 0.59%

Bray (1997) – When people on low incomes gain higher incomes, they spend most of it on food, clothing, or bills

Rents would be unlikely to increase

Vipond (1987) – The price elasticity of supply for the private rental stock is almost perfectly elastic, meaning landlords don't increase rents when demand increases

Bray (1997) – Each \$1 of Rent Assistance raises rents by 1 and 5 cents

Hulse (2002) – concludes Australian housing market is already relatively well-informed, regulated, and competitive – suggesting CRA increases would be unlikely to cause rental price inflation

Increases in rental subsidies

Hyslop and Rea (2018) – Increased rental subsidies in Auckland saw rents increase by 36 per cent of the value of additional subsidies, but mostly reflected extra spending on (better) housing rather than higher rental prices.

Kangasharju (2010) – Increasing housing allowances in Finland in 2002 also increased rents by 60 to 70 cents in the dollar. But in Finland housing allowances are paid directly to the landlords.

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Expand social housing for the most vulnerable, but not for everyone

- There is a strong case for **more social housing** for those at risk of **long-term homelessness** that **can't access private rental housing**
- Stagnating social housing stock means little available for new high-needs groups
- Housing first approaches are effective, but **expensive**, and there are no free lunches
- **Social housing** would be an effective **fiscal stimulus** giving slowing residential construction

Social housing substantially reduces the risk of homelessness

“...a lack of adequate and affordable housing contributes to housing stress and homelessness, and is detrimental to people’s physical and mental health. Homelessness affects life expectancy, with **homeless people estimated to live 15–20 years less than the mainstream population.**”

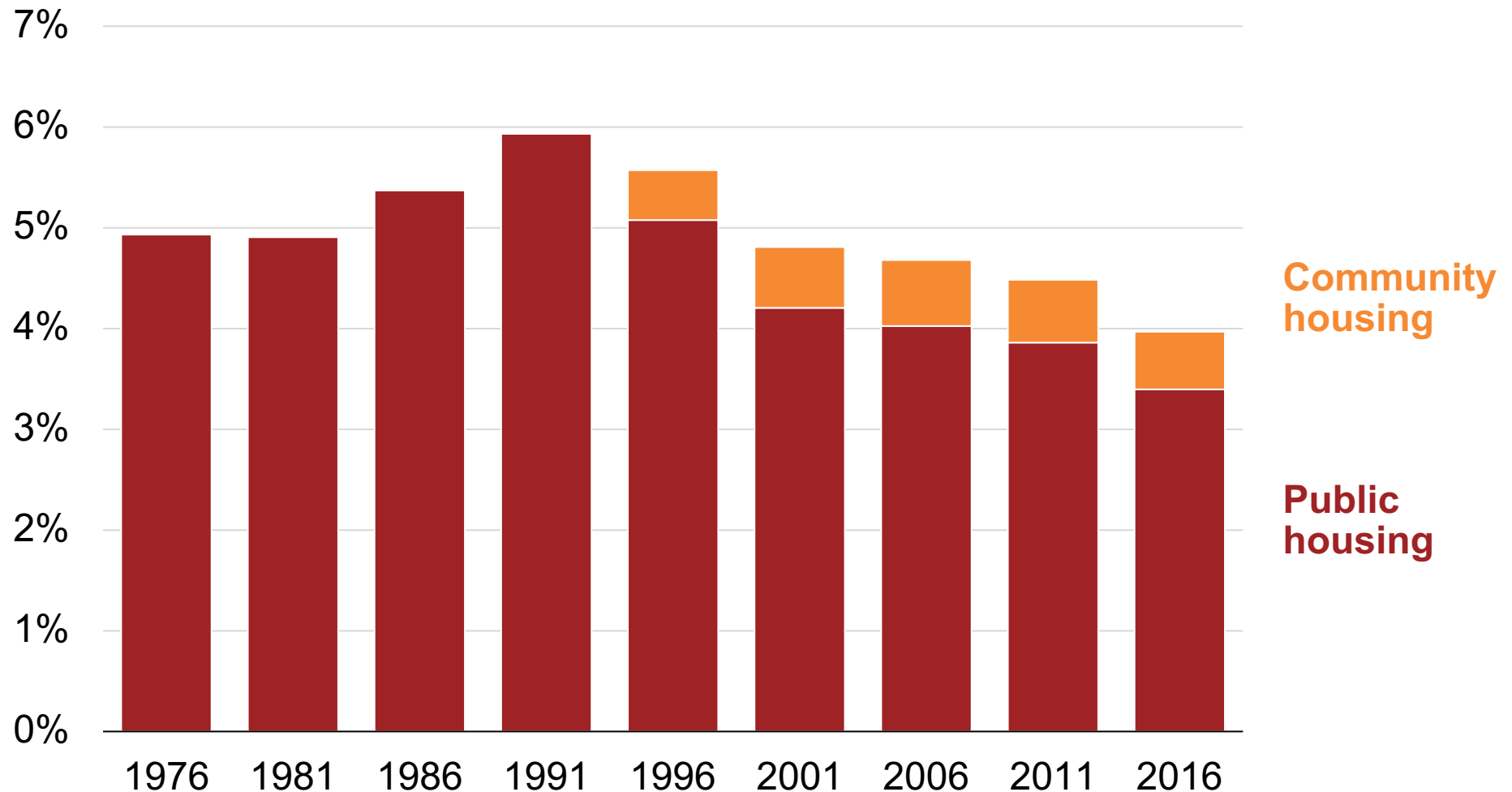
Productivity Commission, *Report on Government Services: Housing and Homelessness*, 2017, G.11

“In the period following placement, **the person’s probability of experiencing homelessness was 13 percentage points** lower than similar individuals not in social housing, who have a homelessness rate of about 20%. This is equivalent to a **65% reduction in the risk of homelessness for social housing residents.**”

Scutella, R., *Social housing protects against homelessness – but other benefits are less clear*, The Conversation, 4 July 2018

Social housing has never housed most low-income Australians, but the stock is stagnating

Social housing as a proportion of all housing, per cent



Many Australians are ‘eligible’ for social housing, but for most it’s a false promise

Gross income limits to apply for social housing waitlist, per state, 2018

	Single, no children		Couple, no children	
	Gross income threshold (\$)	Share eligible	Gross income threshold (\$)	Share eligible
NSW	31,720	48%	43,680	24%
VIC (Register of Interest)	51,584	66%	78,936	50%
VIC (Priority access list) ^a	28,860	40%	49,868	30%
QLD	31,668	44%	39,260	17%
WA (Metro and country)	22,360	13%	34,840	9%
WA (North West and Remote)	31,720	48%	48,880	32%
SA	50,856	74%	66,508	46%
TAS ^b	28,704	52%	49,608	35%
ACT	37,180	29%	46,436	8%
NT	41,028	34%	53,300	12%

Notes: Assumes 5 per cent nominal wage growth from 2015-16 to 2018. Application eligibility criteria may be different from the ongoing eligibility criteria once allocated housing. **a.** Priority access applicants may be offered a home sooner. Applicants may be eligible if they are subject to violence in their own home, need to move for health reasons, have current housing inadequate for their family size, live in emergency or transitional housing, stay with someone temporarily while looking for a home.

b. To be eligible for social housing in Tasmania, one’s incomes must qualify for a Commonwealth Low Income Healthcare card.

Source: ABS Survey of Income and Housing (2017), State Government Websites (2018), Department of Human Services (2018)

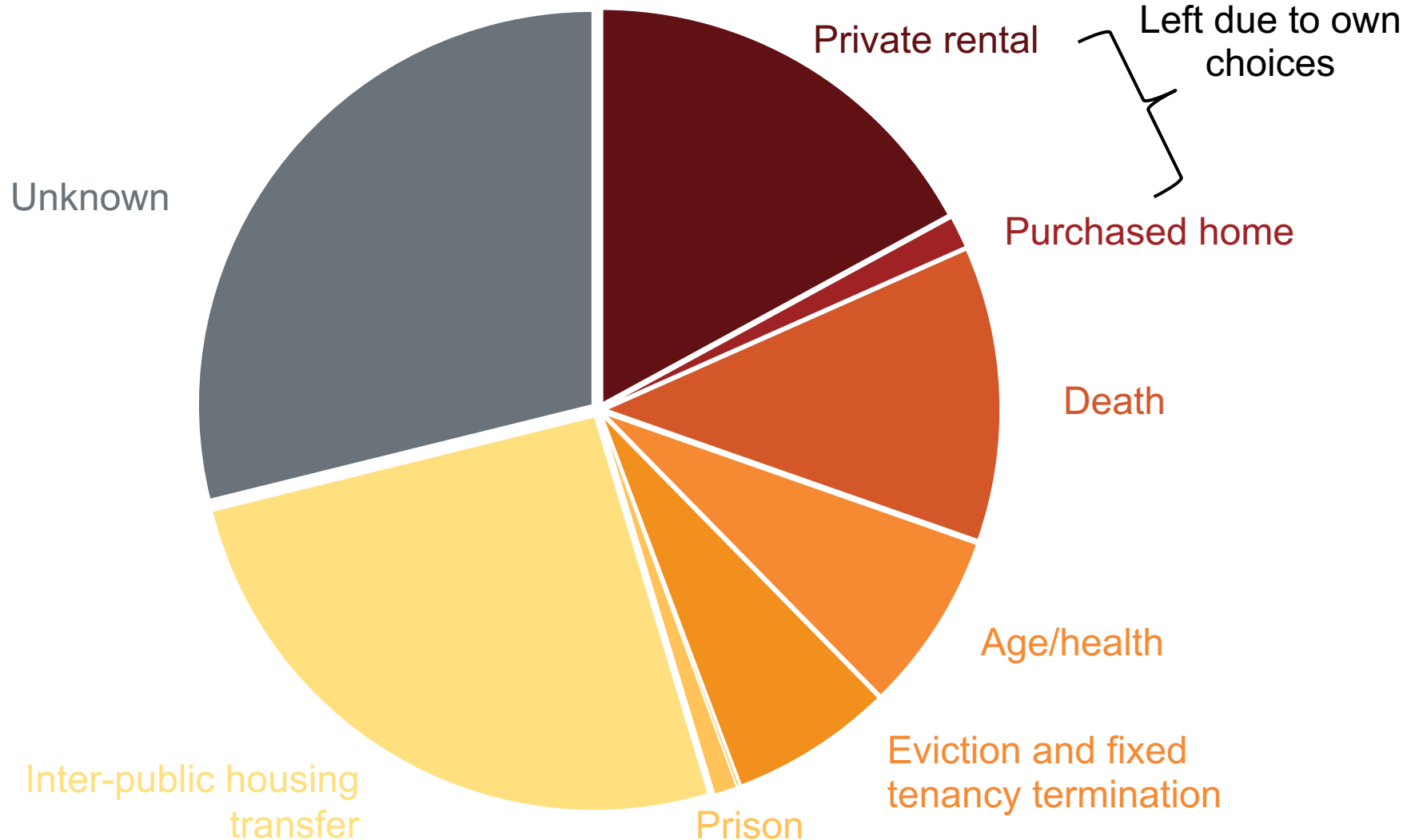
Most social housing tenants have been there for more than five years

Per cent of social housing households, 2016



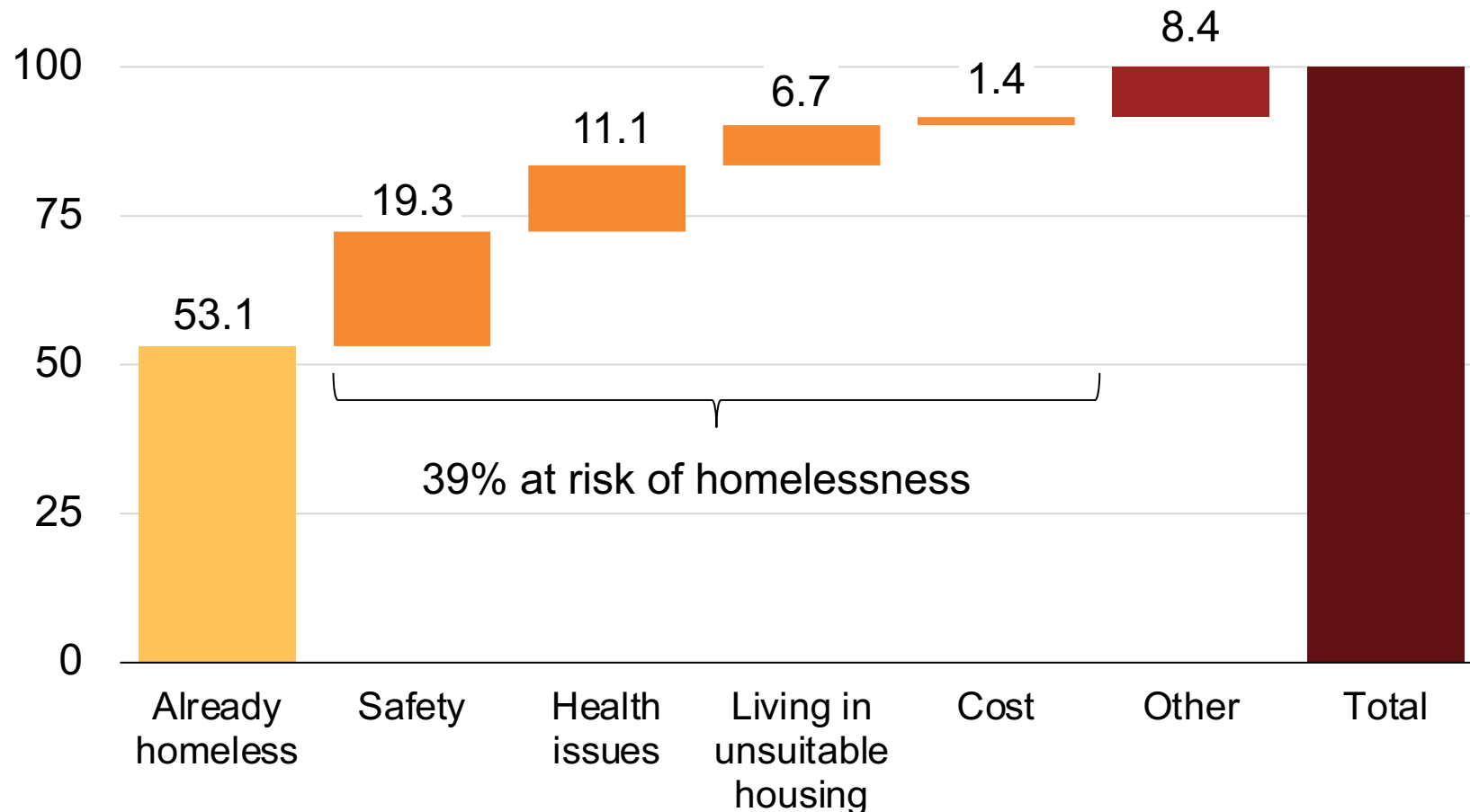
Very few tenants leave social housing of their own accord

Per cent of public housing exits, 2012-13



New 'greatest needs' public housing tenants were mostly homeless prior to entry

Greatest need households allocated into public housing by main reason for need, proportion, 2016-17

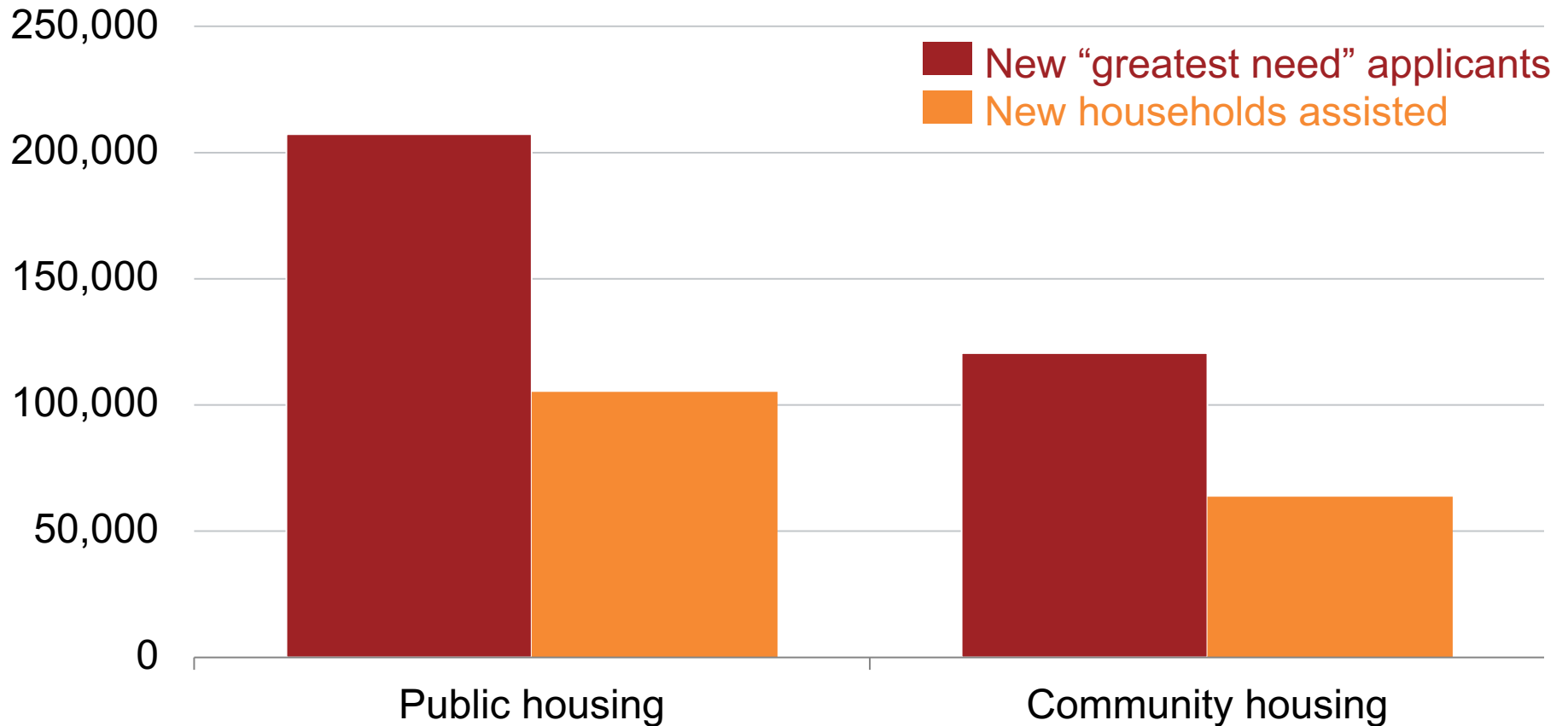


Notes: Data unavailable for NT. Where multiple categories apply main reason is recorded. "Other" is undefined in the source data, but likely includes other outstanding reasons for which the State Housing Authority would determine a household in great need.

Source: AIHW 2018 Housing Assistance – Priority Groups. Table priority.2

But many high needs applicants aren't getting assisted

Number of new “greatest needs” applicants and number of new households assisted for social and community housing, 2013-2017

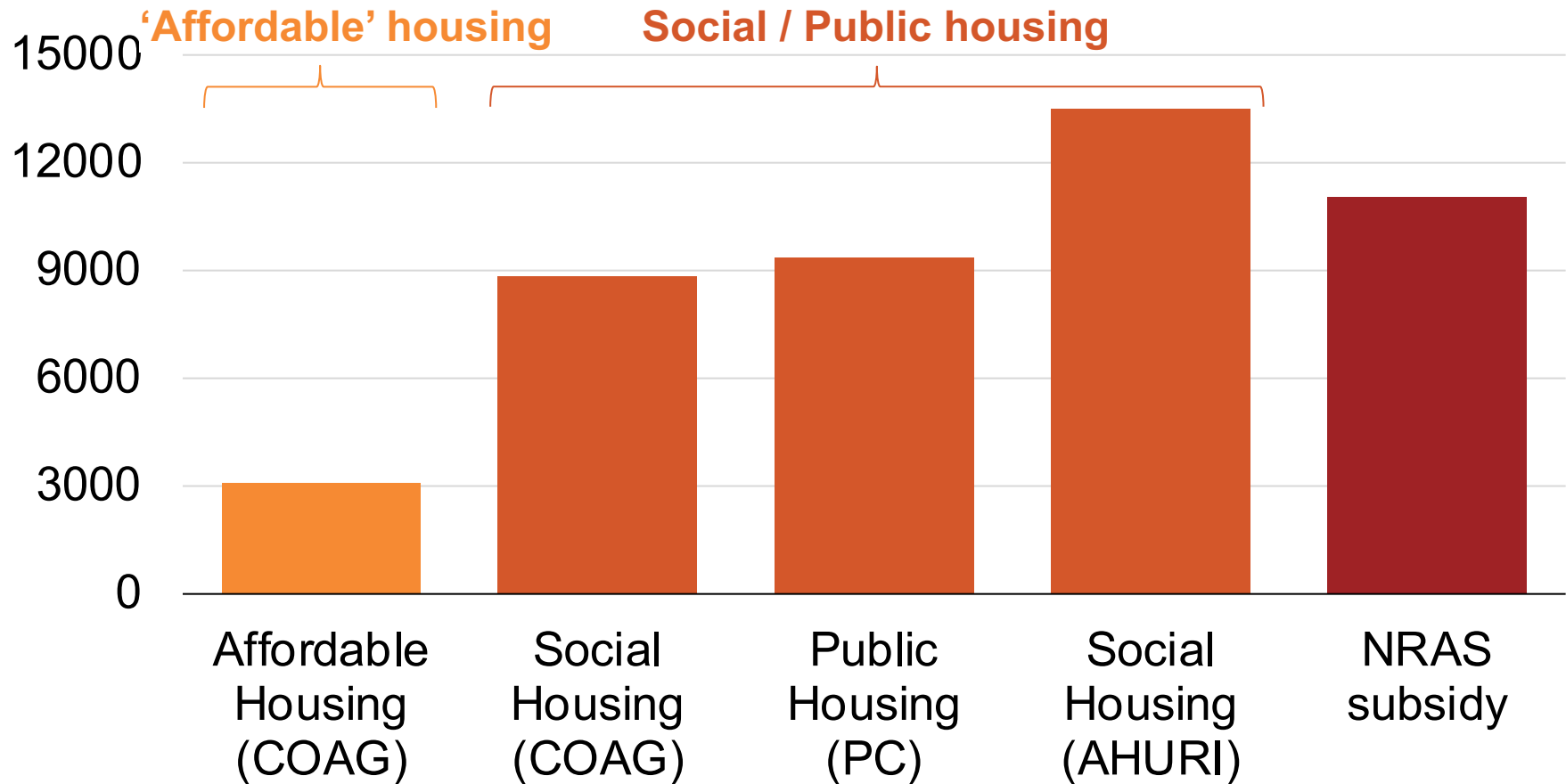


Notes: A “greatest need” applicant is a low-income household which at the time of allocation was either homeless, had their life or safety at risk in their current accommodation, had housing inappropriate to their needs, or had very high rental housing costs. A low income greatest need household satisfies eligibility for housing assistance

Source: Productivity Commission, Report on Government Services, Housing, 2018

But providing substantially more social housing will be very expensive

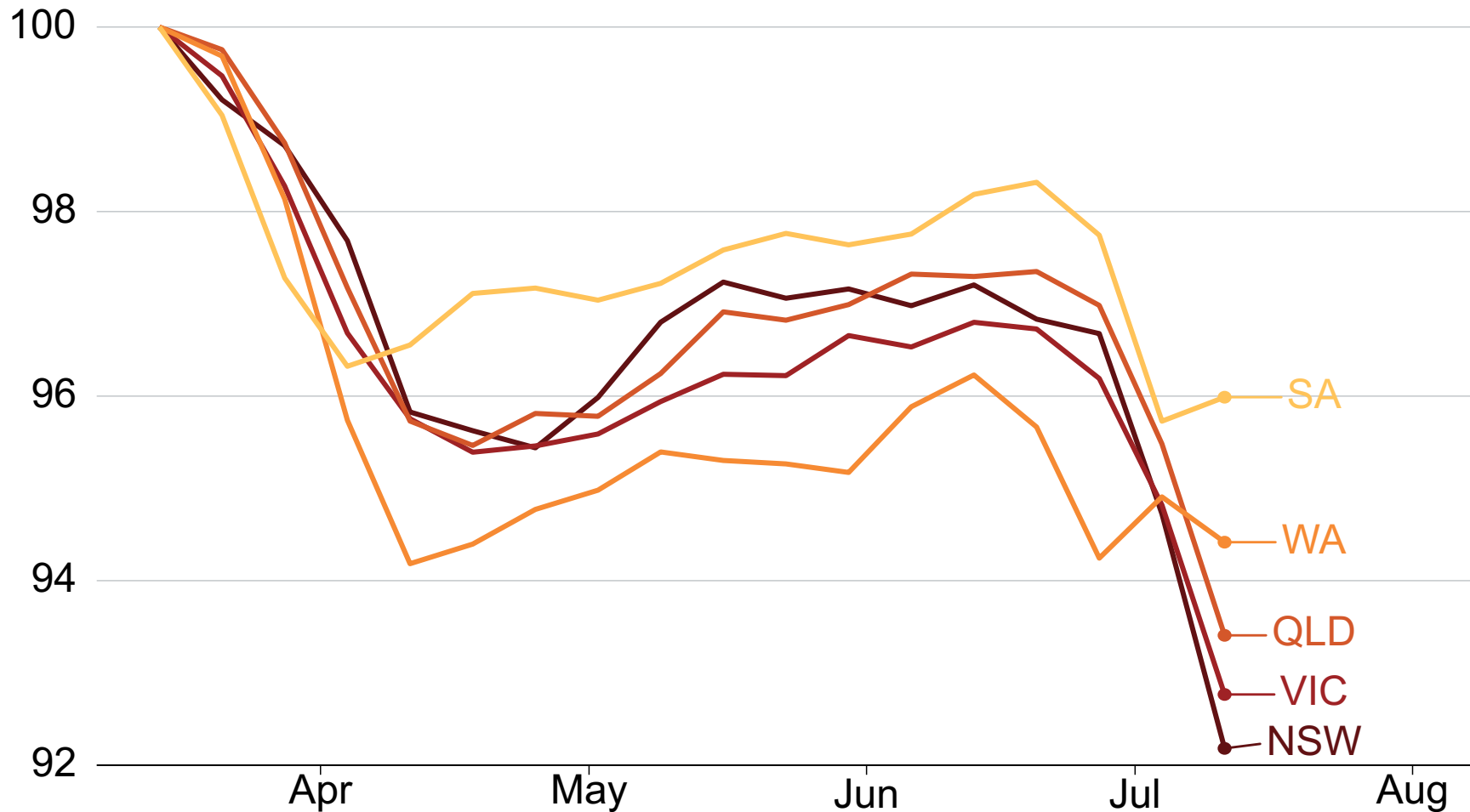
Estimates of average cost per year of providing a social and affordable housing unit, compared to NRAS subsidies



Notes: COAG estimates are for income based rents, not exceeding 25 % of a \$30,000 annual income for social housing, or 75 % of a \$47,500 annual income for affordable housing. Public Housing is based on net recurrent real government spending per average public housing unit. AHURI estimate based on providing 5.5% increase on social housing dwellings across 20 years. COAG figures also assume a capital cost of \$225,000. Sources: COAG Affordable Housing Working Group, Supporting the implementation of an affordable housing bond aggregator, September 2017, p.12.; Productivity Commission Report on Government Services, Housing 2018; Lawson, J et al (2018), Social housing as infrastructure: an investment pathway, AHURI Final Report 306, p. 55.

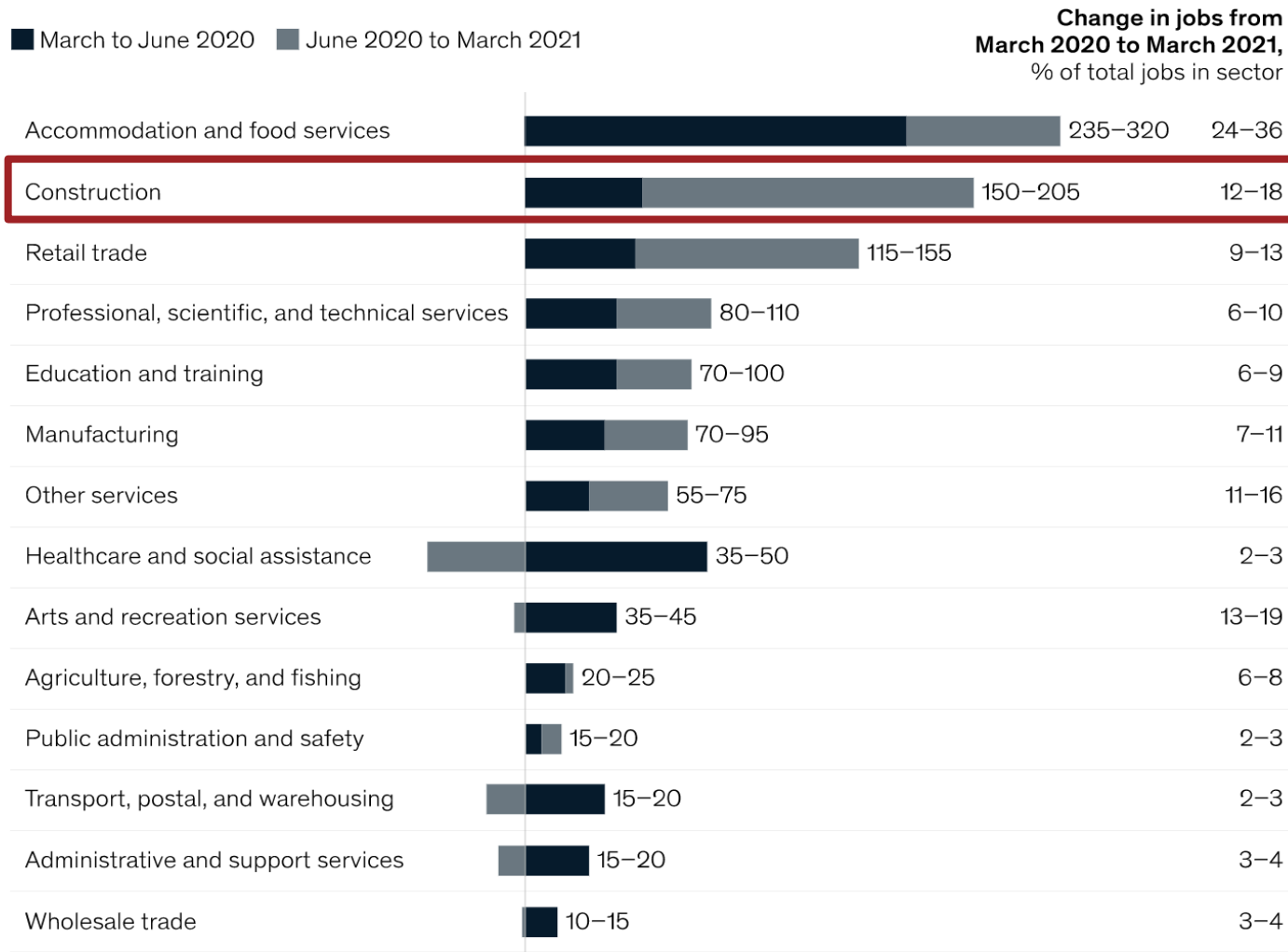
The fall in construction employment appears to be accelerating

Weekly Payroll jobs index, benchmarked to 14 March 2020



Expect more job losses in the coming months, especially in construction

Potential change in jobs in sector assuming no government assistance from March 2020 to March 2021, thousands



150k-205k jobs (12-18% of total workforce) to go by March 2021

Social housing would make for very effective stimulus

*"The Commonwealth **Social Housing Initiative** will provide **up to \$6.0 billion** to fund the construction of approximately **20,000 new public and community housing dwellings**, to be largely completed by **December 2010**.*

*"The Government will also provide \$200.0 million in 2008-09 and \$200.0 million in 2009-10 for **repairs to existing public housing stock**."*

Australian Government, *Updated Economic and Fiscal Outlook*, February 2009.

NATIONAL PARTNERSHIP AGREEMENT ON SOCIAL HOUSING



An agreement between

the Commonwealth of Australia and
the States and Territories, being:

the State of New South Wales;

the State of Victoria;

the State of Queensland;

the State of Western Australia;

the State of South Australia;

the State of Tasmania;

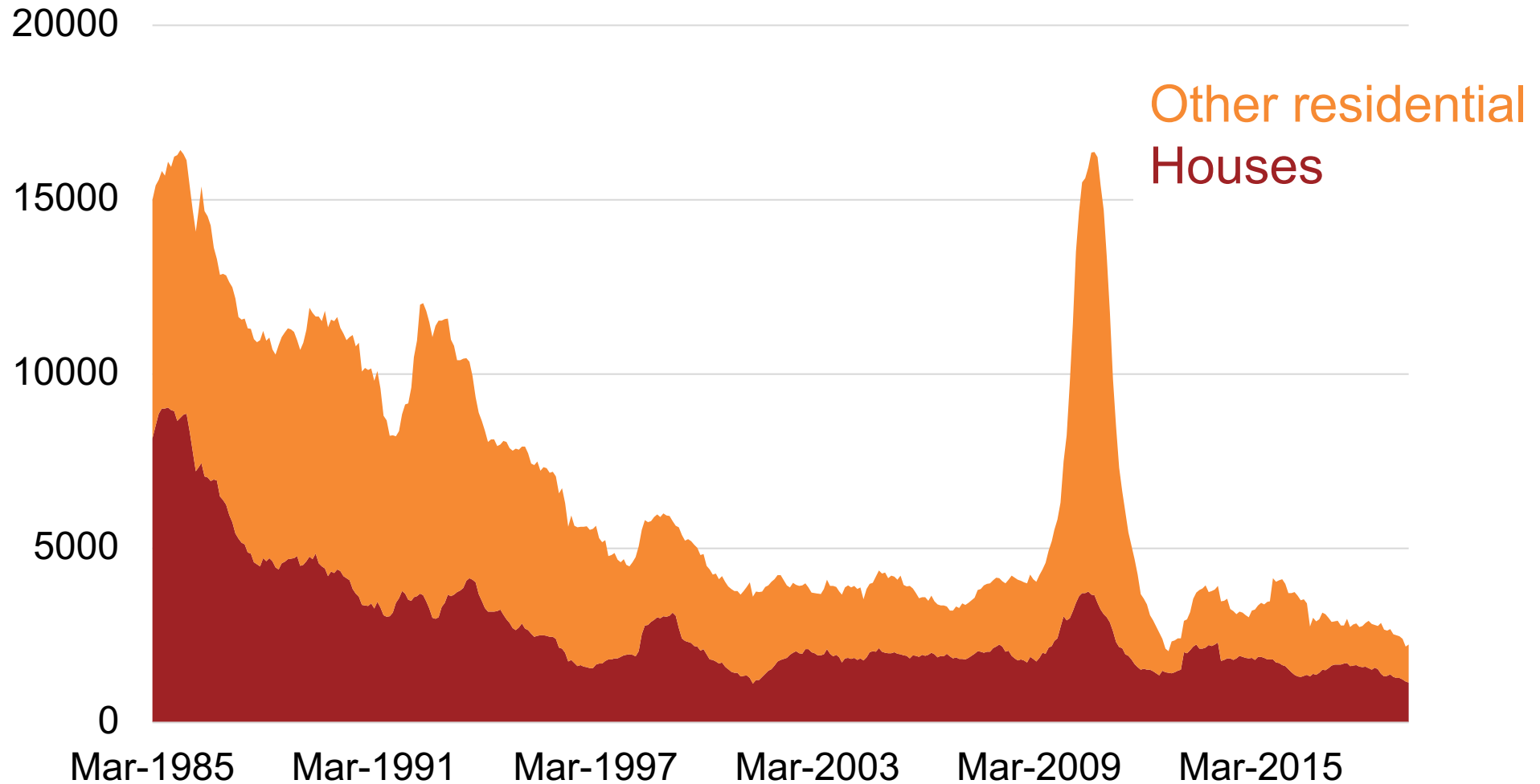
the Australian Capital Territory; and

the Northern Territory of Australia.

This Agreement facilitates the establishment of a 'Social Housing Growth Fund' that will support reforms to increase the supply of social housing.

... and in very quick time

Dwelling approvals, public sector, rolling 12 month sum



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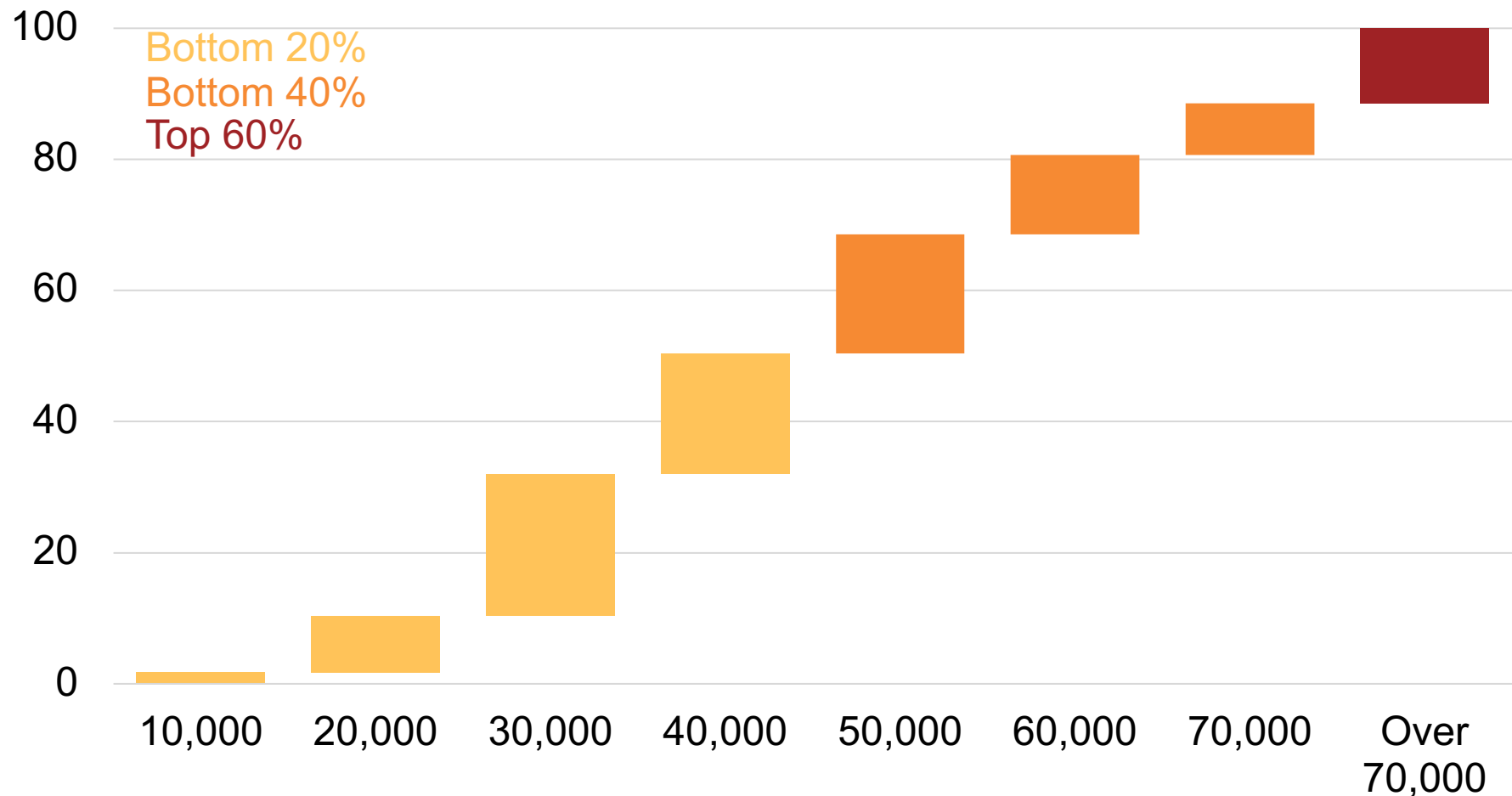
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More affordable housing is not the answer

Affordable housing is typically not well targeted at those that need it most

Share of NRAS households by unequivalised household income, 2015-16

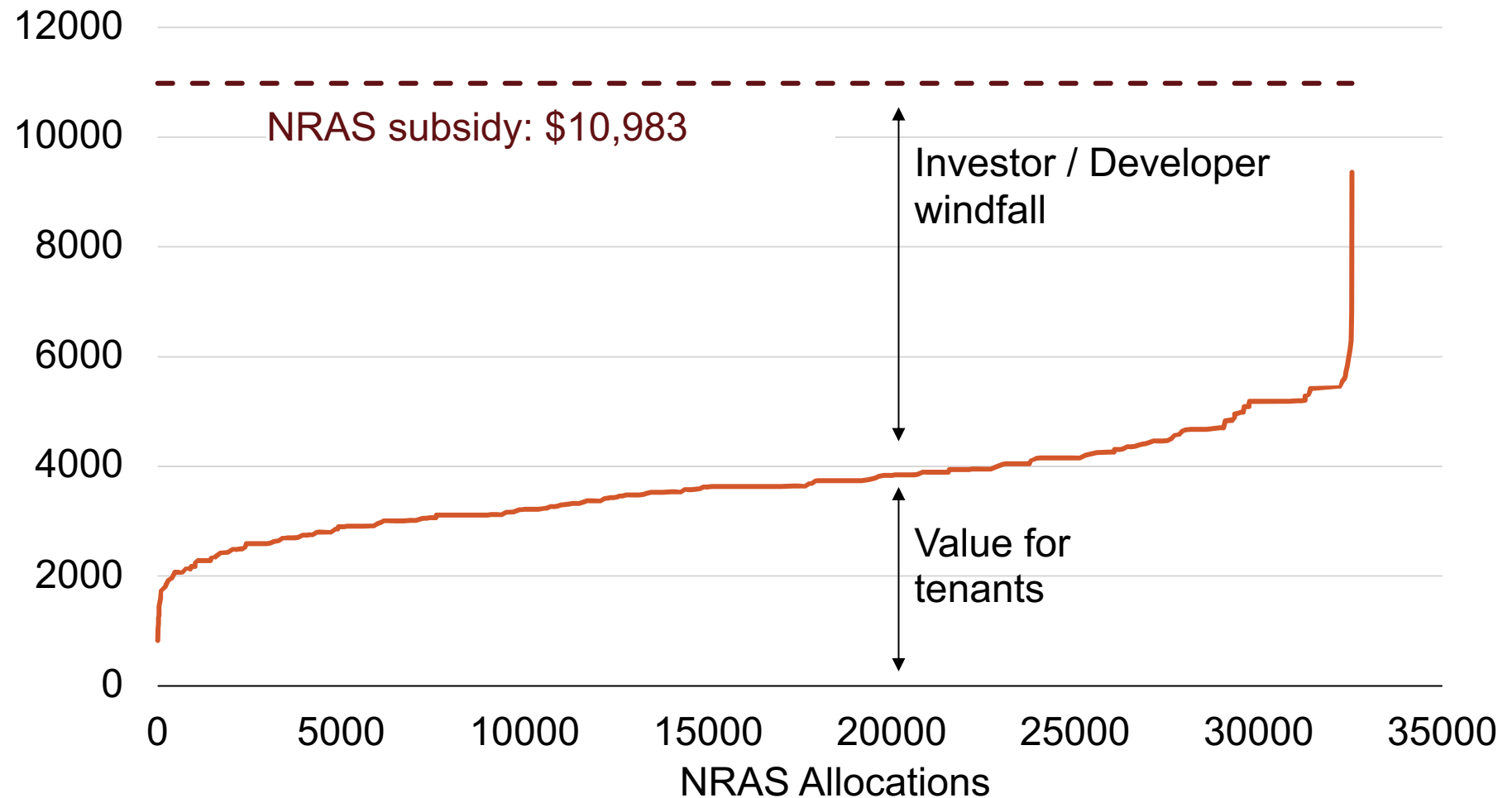


Households with gross household incomes below...

Notes: Household income isn't equivalised for household size due to limitations in the NRAS data.
Source: DSS Tenant demographic report 2016; ABS SIH 2015-16; Grattan analysis

NRAS subsidies are greater than what's required in every suburb in Australia

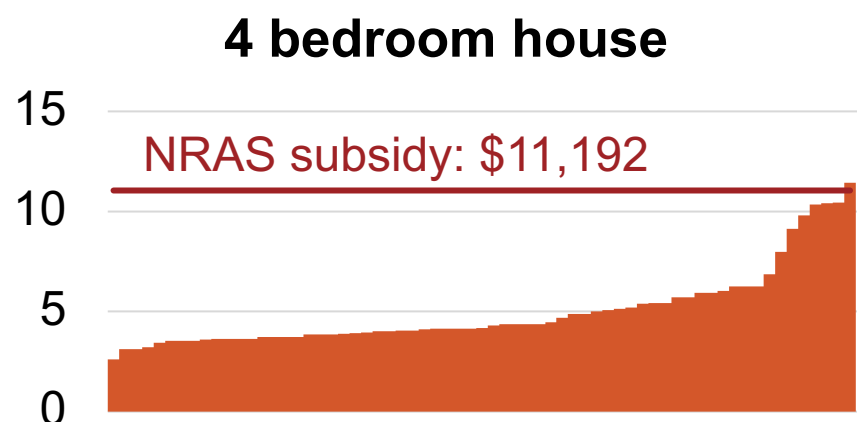
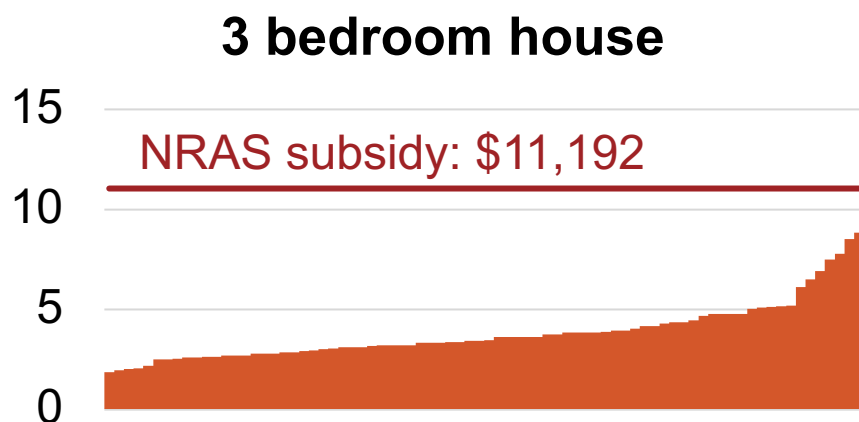
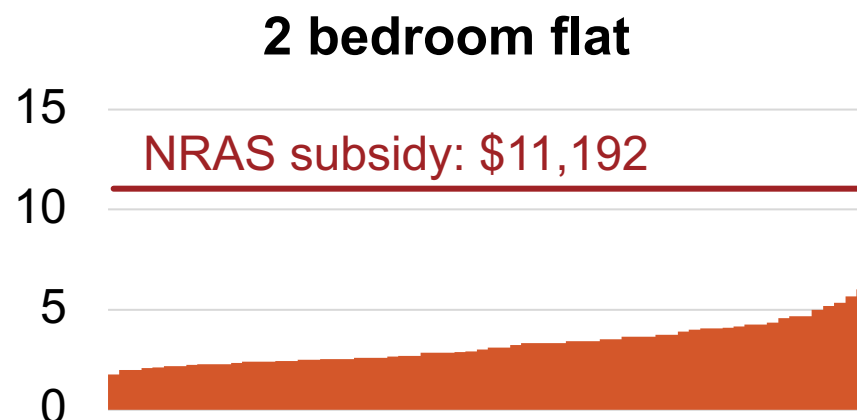
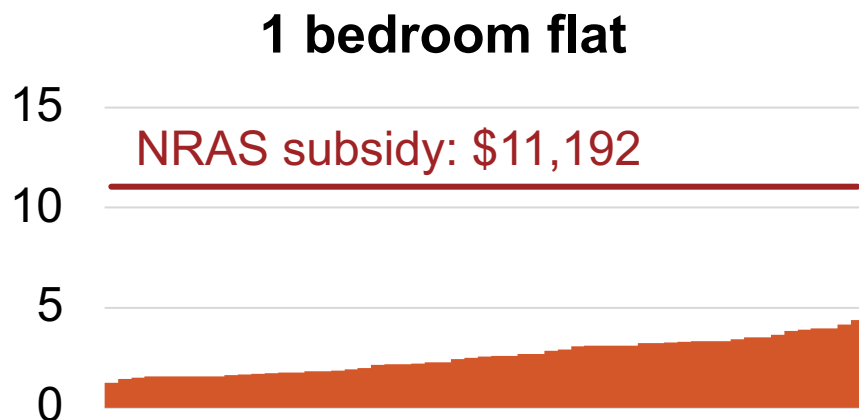
Value of a 20 per cent discount to median rent for each NRAS allocation, 2016



Notes: Assumes a landlord incentive of \$10,983 for a 20 per cent rent subsidy in each suburb. Incentive for the 2015-16 calendar year is an average of incentives for the 2015-16 and 2016-17 financial years. Assumes that each allocation would have market rent equal to the suburb median. Some suburbs are unable to be matched up, given different naming between the ABS and DHS, however the analysis captures over 99 per cent of all NRAS allocations. Source: DHS December 2016 NRAS Quarterly Report; ABS Census 2016

NRAS subsidies also don't vary with the size (or location) of the dwelling constructed

Value of a 20 per cent rental discount on the median rental dwelling by SA2, Victoria, 2018, thousands

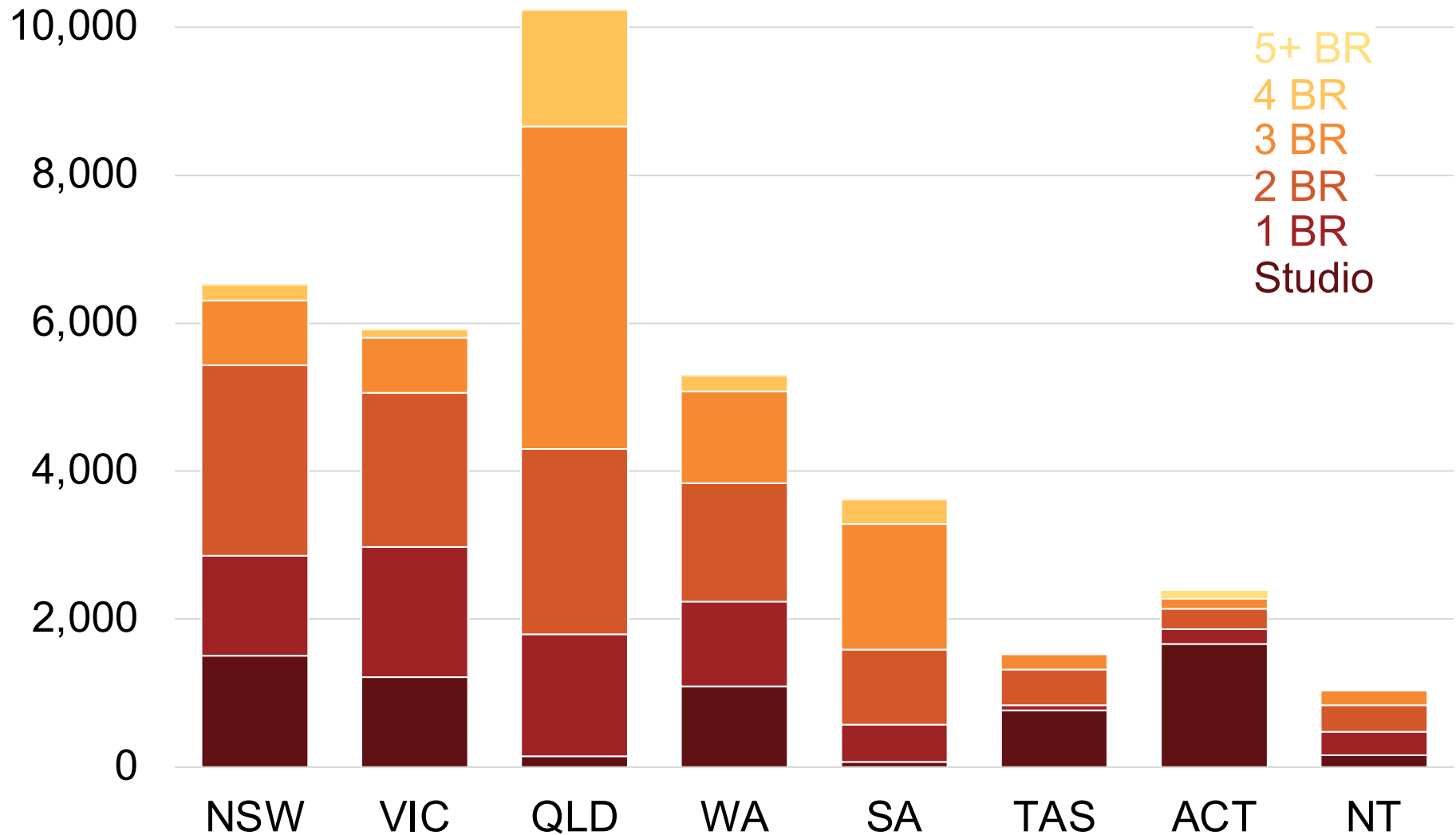


Notes: Data is for new bonds lodged in September 2018. Total LGAs = 79. Data unavailable for some LGAs, for some dwelling sizes, due to small number of new bonds lodged. 1 BR Flat reports 57 LGAs, 2 BR Flat reports 68 LGAs, 3 BR House reports 78 LGAs, 4 BR House reports 65 LGAs. NRAS Incentive reported is for 2018-19, valued at \$11,192. Use of new bond information likely incorporates the new build premium which may boost the market rent value of NRAS properties.

Source: Victorian Rental Report September Quarter 2018.

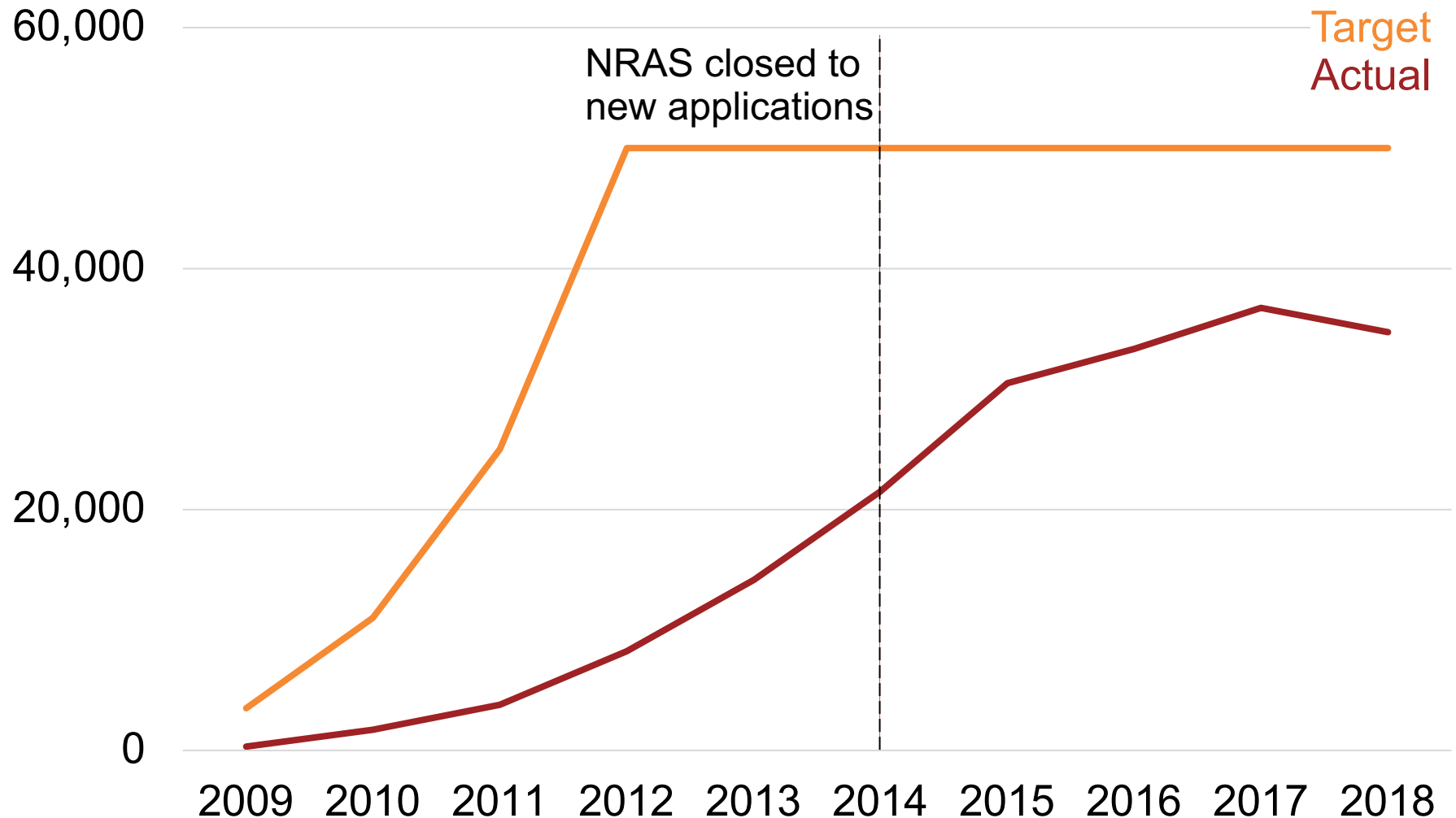
Most NRAS dwellings were small, so landlords could pocket more of the subsidy

Allocations by number of bedrooms by state/territory, 30 Sept 2018



Fewer NRAS properties were delivered than planned, and at a much slower rate

Subsidies provided to NRAS investors, cumulative, March 2018

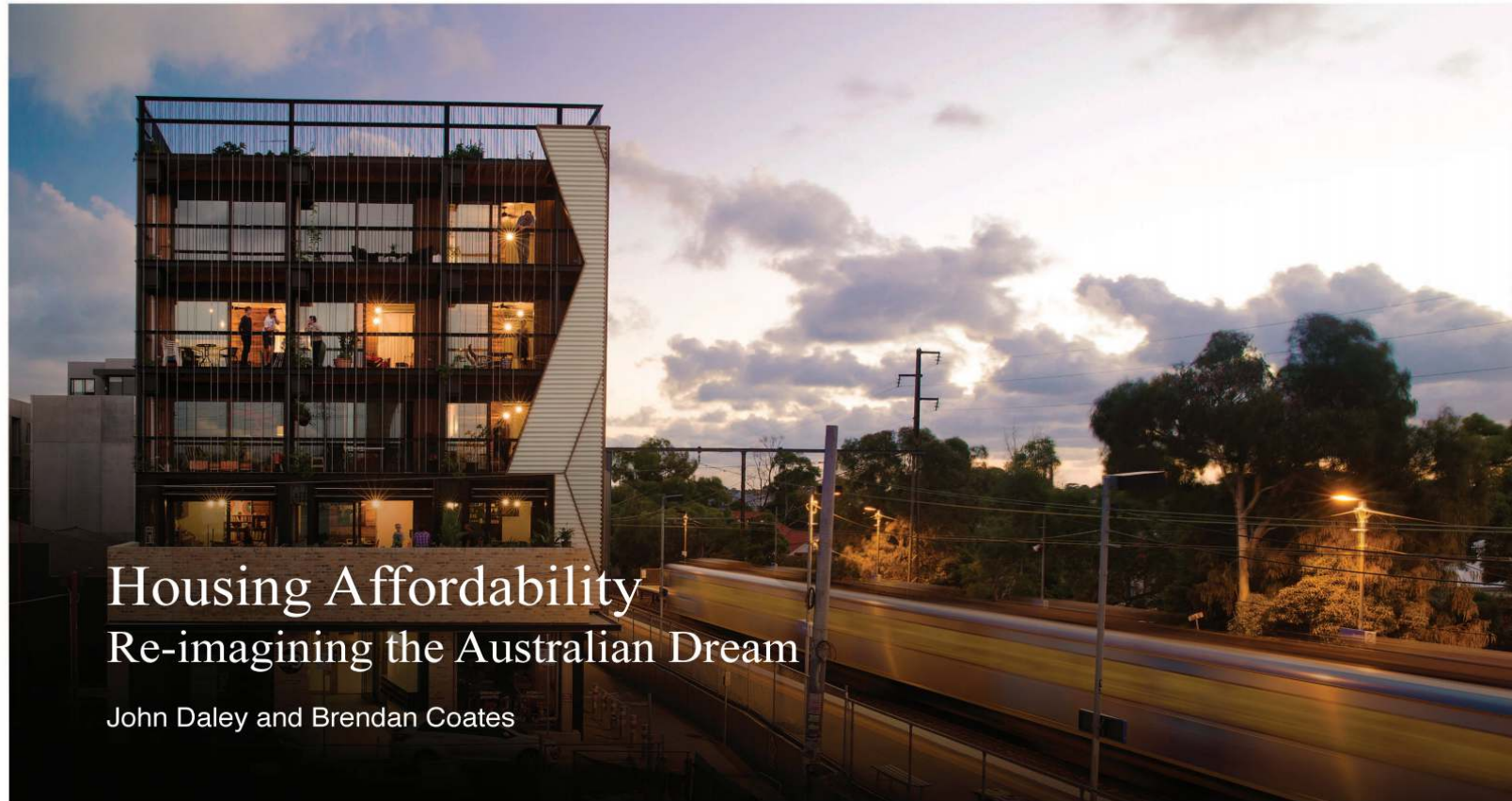


Source: DSS Monthly and quarterly reporting

Notes: Cumulative figures at April for each year. 2018 figures are for March due to available data. Figures are for dwellings built and able to be rented, do not include reserved allocations still being built.

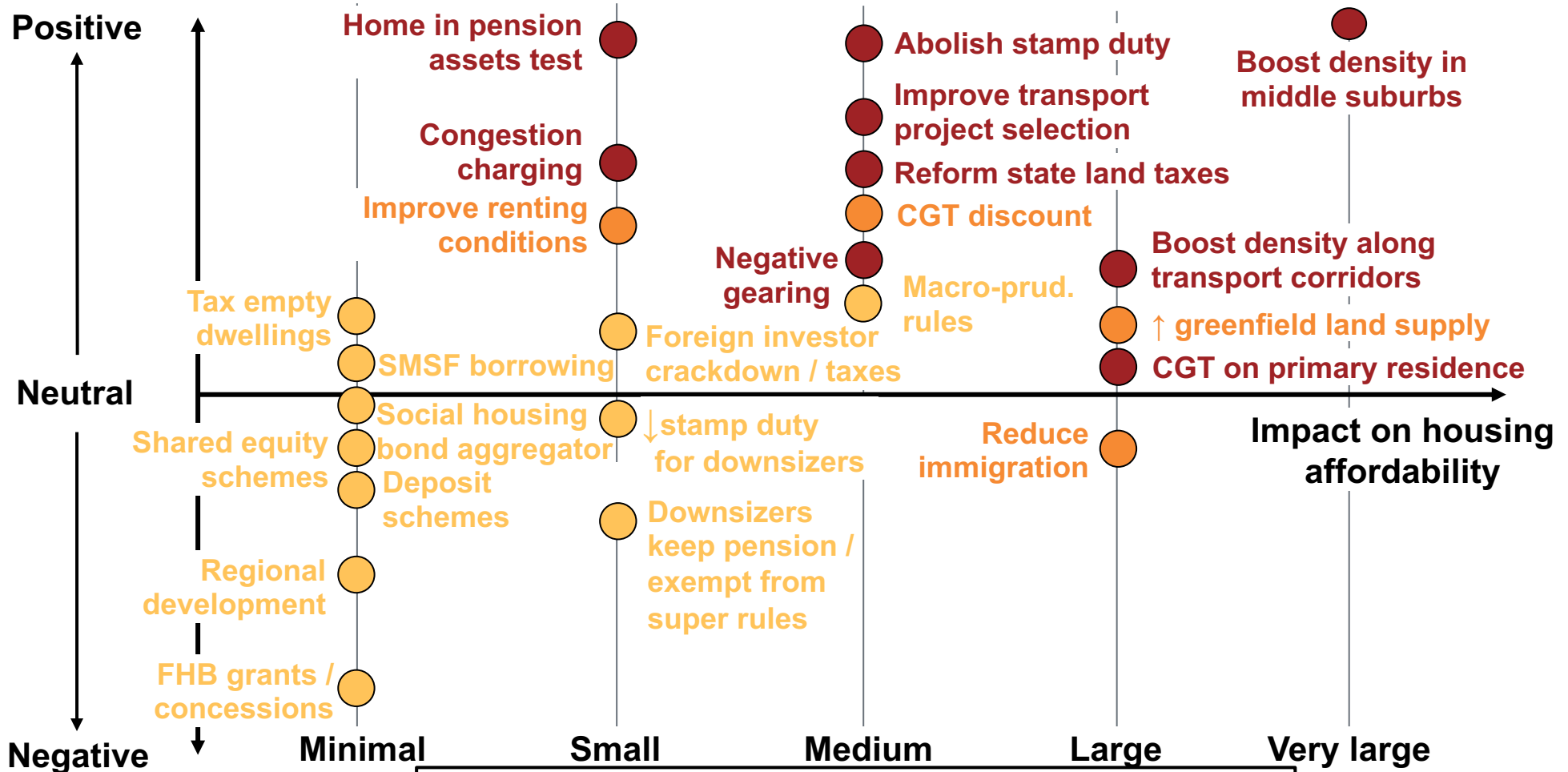
Grattan's earlier housing work focused on affordability more broadly

March 2018



It found that all the important reforms are difficult; all the easy reforms are cosmetic

Social, economic and budgetary impacts



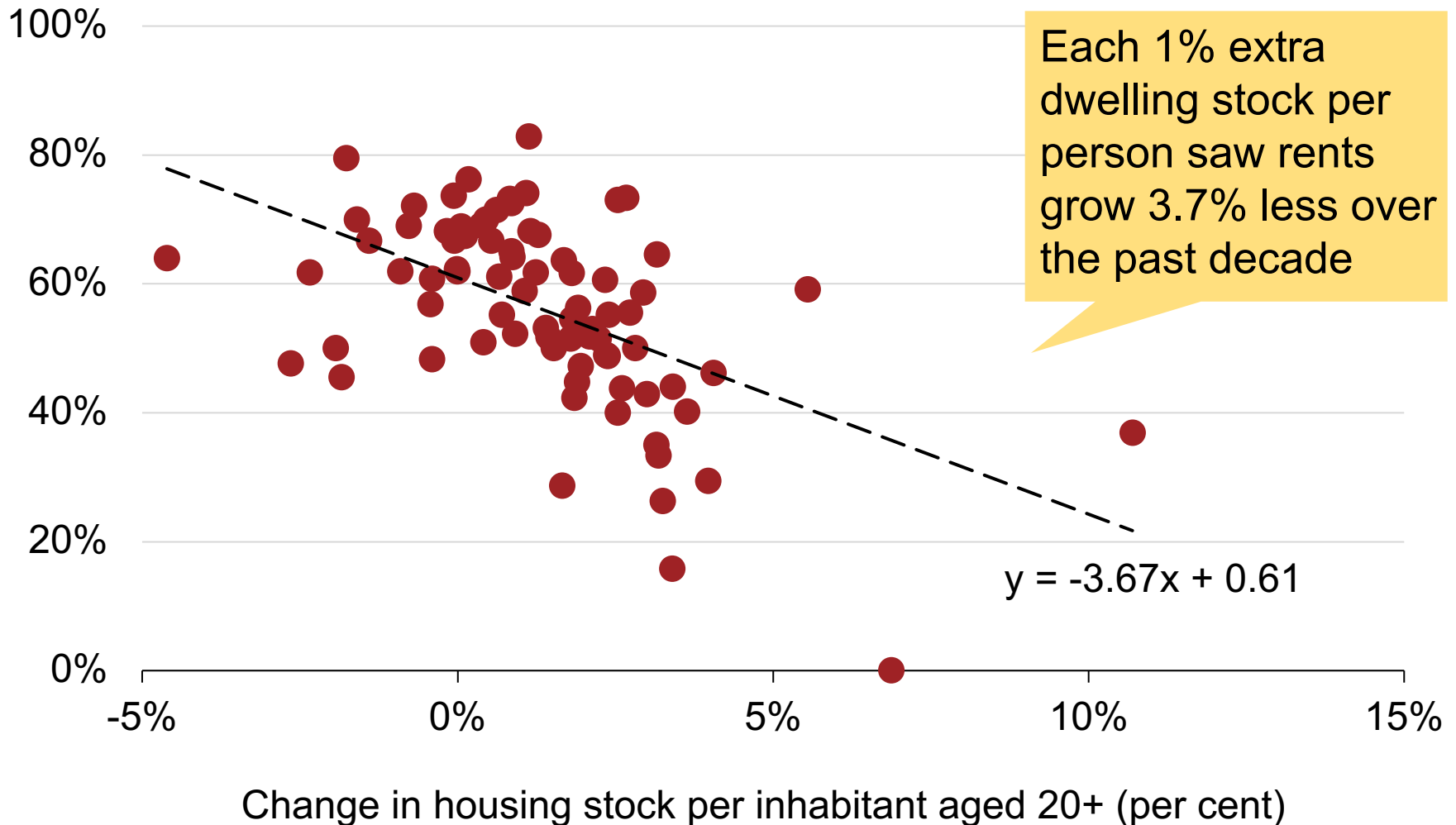
Political difficulty: Easy (Yellow circle) Medium (Orange circle) Difficult (Red circle)

Source: Grattan analysis.

Notes: Prospective policies are evaluated on whether they would improve access to more affordable housing for the community overall, assuming no other policy changes. Assessment of measures that boost households' purchasing power includes impact on overall house prices. Our estimates of the economic, budgetary or social impacts should not be treated with spurious precision. For many of these effects there is no common metric, and their relative importance depends on the weighting of different political values. Consequently our assessments are generally directional and aim to produce an informed discussion.

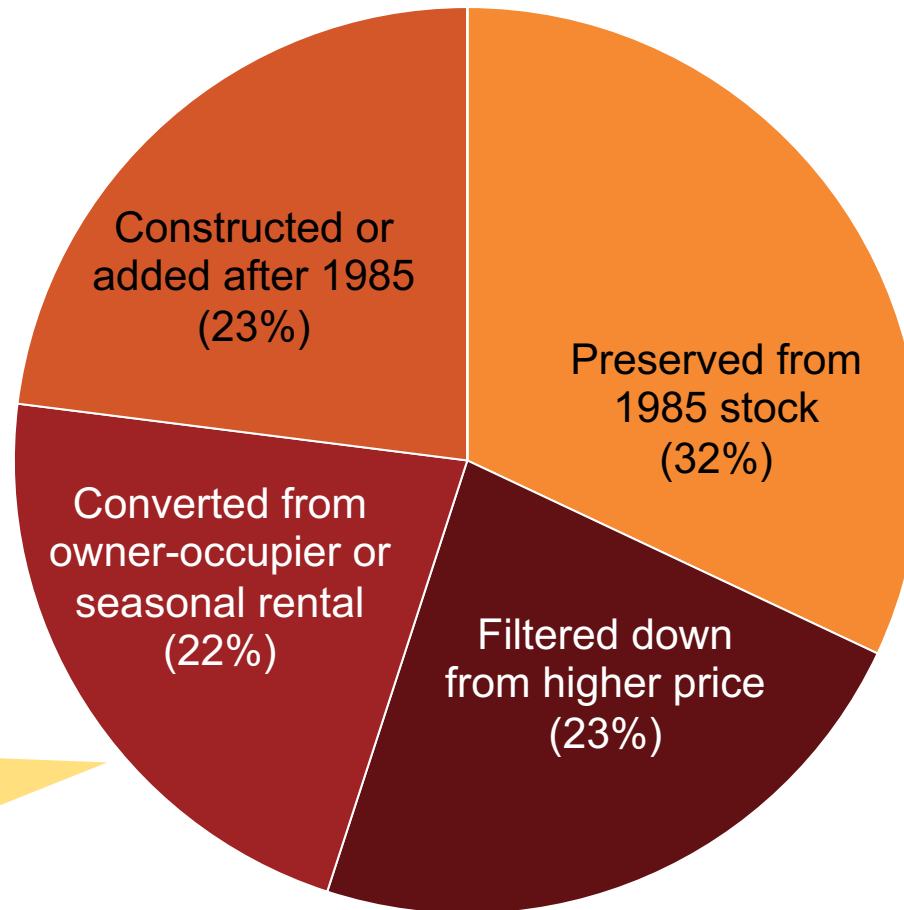
In Victoria, areas that built more housing have seen lower growth in rents

Change in median rents by LGA, 2006 to 2016



Filtering is an important source of affordable housing for low-income earners

Per cent of US affordable rental housing stock in 2013 by source



Filtering accounts for 45% of affordable housing available to low-income earners in the US

Notes: Affordable housing is defined as costing no more than 30 per cent of income for households with very low incomes (earning less than 50 per cent of area median). Units added include rentals that were temporarily out of the stock in that year.

Source: Weicher, Eggers, Moumen (2016), The Long-Term Dynamics of Affordable Rental Housing.