Home *in* Place

SUBMISSION

Everybody's Home People's Commission

EVERYBODY'S HOME

What are the top three primary impacts your clients report experiencing as a result of the housing crisis?

- [x] **homelessness**
- [ ] inability to leave an unsafe home environment
- [ ] inability to afford rent/mortgage
- [ ] inadequate or inappropriate dwelling conditions
- [x] **inability to secure affordable and suitable housing**
- [ ] eviction
- [ ] frequent relocation
- [x] **financial stress**
- [ ] Other (please specify)

What are the top three secondary impacts your clients report experiencing as a result of the housing crisis?

- [ ] difficulty parenting or caring
- [x] **mental stress or ill-health**
- [x] **physical insecurity or ill-health**
- [x] **forgoing meals, medication or other essential services**
- [ ] ending or interrupted education
- [ ] loss of income or employment
- [ ] disconnection from family, community or important places
- [ ] moving back in with family
- [ ] Other (please specify)

Describe the experiences of people struggling to access affordable and suitable housing in the context of your organisation's work.

People grappling with the challenge of finding or sustaining affordable and suitable housing endure a relentless daily struggle that permeates every aspect of their lives. The financial strain of high housing costs often means that a substantial portion of their income is swallowed up by rent or mortgage payments, leaving little for necessities such as food, healthcare, utilities and education. This financial burden can force individuals and families into making tough choices, sacrificing basic needs to keep a roof over their heads.

For low-income renters, the options available are frequently limited, pushing many into neighbourhoods lacking in amenities and far from employment opportunities. Those unable to secure a place of their own experience additional challenges such as overcrowding with friends or relatives, or living in makeshift or improvised dwellings that are often riddled with hazards.

The instability of such living situations is a constant source of stress. Frequent moves, driven by rent hikes or the search for cheaper accommodation, disrupt lives and fracture community ties. Children are particularly hard hit as they are uprooted from schools and friends, creating cycles of disruption that can impact educational outcomes and future prospects.

The emotional and psychological toll of housing insecurity is profound. The ever-looming threat of eviction, the stress of living in substandard conditions, and the helplessness of feeling trapped in a cycle of poverty can lead to long-term psychological effects, including anxiety, stress, and depression. This emotional burden is compounded by social isolation and marginalisation, as financial constraints limit the ability to engage with the community, further deepening feelings of alienation.

The struggle for affordable and suitable housing is not just a matter of physical shelter but a profound determinant of quality of life, affecting health, happiness, and the overall sense of security and belonging.

Describe the flow-on impacts of the housing crisis in the context of your organisation's work.

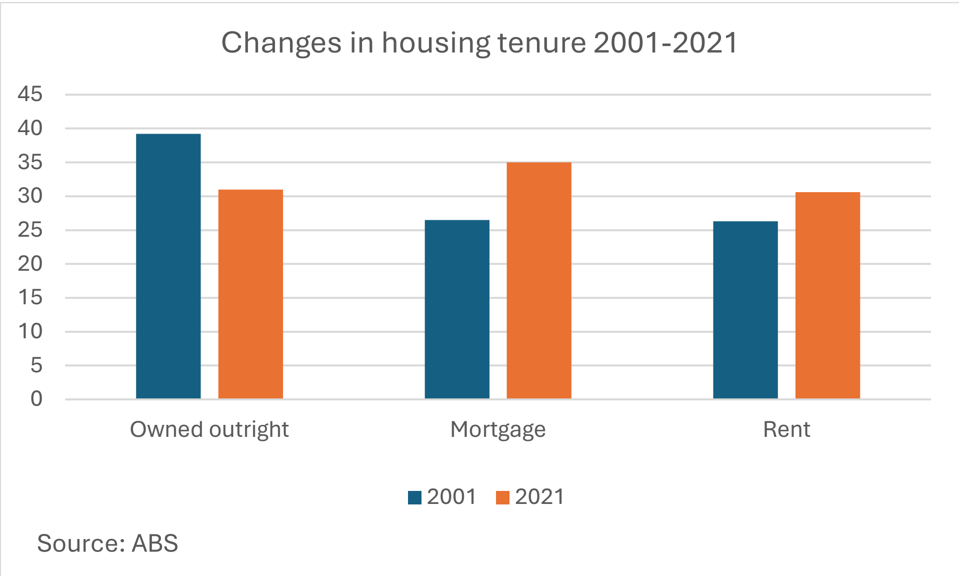
The provision of adequate housing, alongside health and education, is a prerequisite for a healthy and flourishing society. Over the past 40 years, Australia's public policy commitment to housing as a human right and a fundamental focus of responsible governments', has been steadily eroded and replaced by a view that housing is, first and foremost, a vehicle for wealth creation. Decades of poor policy have created one of the least affordable and most unequal housing markets in the world. This has had a deep and scarring impact on almost every aspect of Australian society. Further detail on a selection of the most concerning impacts are set out below.

Retirement system at risk.

The viability of both the age pension, and the superannuation system, are premised on the idea that people will own their own homes in retirement. However home ownership levels have fallen precipitously, particularly amongst younger Australians. Between 1981 and 2021, home ownership rates among 25-35 year olds fell from more than 60% to 40%. Among the poorest 40% of that age group, it more than halved, from 57% to 28%.

On current trends, home ownership rates for over 65s will fall from around 75% today to 57% by 2056. The inevitably consequence of this decline is that more people will become lifelong renters and continue to have significant housing costs in retirement. A 2020 Report by Home in Place found that the median rent for a one-bedroom unit in a capital city would consume between 45% and 91% of the maximum rate of the Age Pension plus the maximum amount of Commonwealth Rent Assistance. This being the case it is unsurprising that 50% of people who rent in retirement live in poverty[1].

A secondary consequence of the decline in affordability is that more homeowners will reach retirement age without having paid off their mortgage. A 2018 study by the Grattan Institute found the share of 55-64 year olds who owned their home outright fell from 72% in 1996 to just 42% by 2016.[2] People hitting retirement age carrying substantial debts will inevitably be tempted to use up a portion of their superannuation in doing so, thereby leaving less to cover their ongoing living expenses.



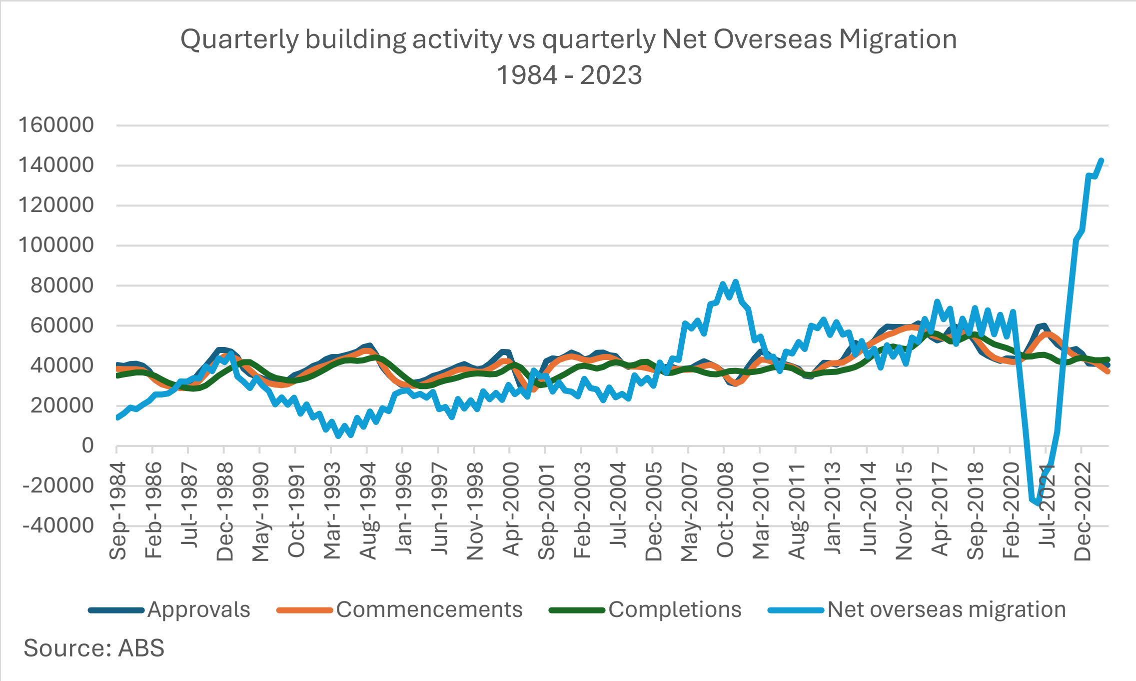
More demand on the social housing system

With the rental market now severely unaffordable for low-income households, it is likely that a growing number of people will have little choice but to turn to a social housing system that is already heavily oversubscribed.

[1] Poverty-in-Australia-2023_Who-is-affected.pdf (acoss.org.au)
[2] 912-Money-in-retirement-re-issue-1.pdf (grattan.edu.au)

A 2021 report by Home in Place identified that state government construction targets for new social housing fell far short of existing demand[3]. Recent commitments from the federal government through the Housing Australia Future Fund (HAFF) are welcome but will not meaningfully reduce the shortfall.

Social housing is already unique amongst government benefits in that it is the only one to which access is rationed. Current trends suggest that rationing will become even more severe in years to come due to unprecedented population growth driven by net overseas migration which is occurring at a rate that vastly exceeds the capacity of the building and construction industry to deliver new homes.



In a 2021 review of the state government's capacity to resolve the housing supply shortfall Home in Place identified that the supply of social housing had fallen from 6% of all homes in 1994 (ABS Social Trends, 2021) to 4%. Aggregating all state government supply proposals at that time, even if fully realised, left a shortfall of 102,883 homes, merely to house those on current state waiting lists. In this report we argued that the scale of the crisis had reached a 'tipping point' at which the states alone could not begin to meet the demand for social housing and that a major federal government intervention would be required.

Increased household debt and broader economic stagnation

In the decade following the GFC, Australia's economic growth has been fuelled not by increasing productivity, but by less inclusive and less sustainable drivers like rising household debt and rapid population growth. The spike in household debt is perhaps the most problematic as it has gone hand in hand with the rapid inflation in dwelling prices that has pushed home

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[3] [Meeting-Social-Housing-Need-A-Tipping-Point-for-Federal-Intervention_August-2021.pdf (homeinplace.org)]

ownership beyond the reach of many households, elevated price-to-rent ratios, and created the conditions for rents to grow faster than incomes.

The national fascination with property investment meanwhile, has caused a tremendous misallocation of capital into the housing market and produced an enormous opportunity cost in terms of both investment and consumption as we failed to invest in more productive parts of the economy and a significant amount of household income is now devoted to servicing mortgage debt instead of being spent on consumption.

Also of note is that since 2013 the growth in the dollar value of headline GDP has been a fraction of the total increase in the dollar value of gross government, household and corporate debt. This makes it debatable as to whether there is any actual growth happening at all because we are collectively going into debt faster than we are growing the economy.

With a household debt-to-income ratio of 190%, Australian households are among the most heavily indebted in the world. Even prior to the latest surge in dwelling prices, the share of homeowners with debts equivalent to three or more times their annual income had increased from just over 30% a decade ago, to more than 50% in 2020.

Heavily indebted households are inherently vulnerable to increases in interest rates or other cost of living pressures, a vulnerability that has been keenly felt by many homeowners during the most recent cycle of rate hikes.

Increased wealth inequality

Although income inequality in Australia is low compared to many other western countries, the same cannot be said of wealth inequality which has continued to grow, driven primarily by house prices.

Just last week, UNSW and ACOSS revealed new data showing that nearly half of all wealth in Australia is held by the top 10% of households.[4] According to the report 55% of wealth inequality in Australia was due to the unequal distribution of owner occupied and investment housing wealth. The 2023 edition of the same study found that between 2003 and 2023 the average wealth of those in the top 20% increased four times faster than that of those in the bottom 20%.[5] An earlier study by the Grattan Institute found that the wealth of households headed by people 55 to 65 and 65+ increased faster than households in any other age group, again primarily due to capital appreciation (particularly rising home values.)[6]

While soaring property prices have enriched older and wealthier households, the effect on younger and lower income households has been the opposite with supersized mortgages and sky-high deposits causing home ownership rates to collapse. Consequently, Australia is rapidly splitting into a two-tier society divided between those who already own property and those who do not. More alarming is that those locked out of home ownership often struggle to afford to rent due to the post pandemic plunge in vacancy rates and the accompanying surge in rents.

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[4] Inequality-Report-2024_who-is-affected-and-how.pdf (acoss.org.au)
[5] Inequality-in-Australia-2023_Overview_print3.pdf (acoss.org.au)
[6] Microsoft Word - 19 December 2014 - Wealth of Generations (19 December updated version).docx (grattan.edu.au)

The structural inequality of housing haves and have-nots that is rapidly becoming embedded in Australian society represents the abandonment of what has been the central promise of western capitalism for close to 70 years, i.e. that if you are willing to work hard you will be able to earn your way to a comfortable life. But when an average salary is no longer any guarantee of being able to afford an average home and may even leave you struggling to afford to rent, it is hard to credibly suggest that deal is still on the table, however much policymakers might like to pretend otherwise.

The policies that have led to this point are a complete betrayal of the basic concepts of fairness, decency, and the fabled "fair go" that political leaders nonetheless continue to insist underpin the national identity. The so-called "Bank of Mum and Dad" is already the fifth largest lender in Australia. Property prices have surged by more to 50% over the past four years and remained resilient in the face of steep increases in interest rates. On current trends, within the space of a couple of years the average worker's prospects of home ownership will be largely a question of inheritance. Left unchecked this trend has the potential to alter the political landscape in dramatic and unpredictable ways.

It is not a coincidence that more than half of Australian millennials believe capitalism has failed and the government should exercise more control of the economy[7]. Nor is it a coincidence that barely half of people aged 18-29 express a preference for democracy over other forms of government[8]. To write these results off as nothing more than the typical youthful dalliance with socialism would be a mistake. It turns out democracy also has an image problem with people aged 30-44. As recently 2018 less than half of people in this age group expressed support for democracy over other forms of government. To older Australians these attitudes might seem bewildering. But the reality is that people who have spent their lives watching their elders exploit their demographic weight at the ballot box to secure for themselves the greatest possible share of the nation's wealth, were always going to have doubts about the merits of the economic and political models that made their immiseration possible.

The uncomfortable reality is that thanks to a combination of economic dispossession and political disenfranchisement a significant minority of Australian adults no longer believe in the key ideologies underpinning our society. It should not be difficult to recognise the risks involved in sticking with the policy agenda that produced this outcome.

Describe how current policy settings impact housing affordability and access to housing from your organisation's perspective.

Social housing has been a vital component of the modern provision of public and social services that emerged in the developed world after the Second World War. In a triangle of health, education and housing, the provision of social housing for low-income families has been a vital contribution to citizen wellbeing and social integration throughout the developed world. The availability of high-quality, low-cost public housing was designed to end the squalor of the pre-war period and has provided thousands of Australians with safe and secure accommodation as a cornerstone to life. That need has not gone away and has indeed

[7] CIS/YouGov Galaxy Poll https://www.cis.org.au/app/uploads/2018/06/pp7.pdf
[8] Lowy Institute Poll 2019: https://poll.lowyinstitute.org/charts/democracy

increased as the demand for social housing far outstrips supply. The absence of social housing as an acceptable choice for low-income families places significant burdens on some of the most vulnerable populations in Australia. Meeting that demand can improve health and educational outcomes, reduce anti-social behaviour and domestic violence by decreasing family stress and contribute to economic productivity. Carefully designed and managed social housing promotes social cohesion, community integration and can be an important contribution in the journey to a low-carbon society.

It is difficult to believe in 2024 but there was a time when governments of all political persuasions recognised their responsibility to provide social housing. In the decade after the second world war, federal and state governments in Australia built close to 100,000 dwellings for low-income families; this at a time when the population was less than 10 million. Throughout the 50s and 60s roughly 20% of all new homes in Australia were built by the government. But as the 70s gave way to the 80s and politicians began to seek market-based solutions to public policy problems, social housing quickly fell out of favour. Rather than being a basic public good to which low-income workers were entitled, it came to be viewed as an extremely expensive form of welfare which should be rationed to only the most desperate of cases. As supply failed to keep pace with demand, allocation policies were gradually amended to exclude more and more people. In 2019-2020, 82 per cent of community housing and 76 per cent of public housing allocations were to tenants defined as in ‘greatest need’ (AIHW,2021). In its current incarnation the social housing system operates largely as a backstop for the health system and the justice system, catering to a clientele increasingly experiencing complex needs, many of whom require intensive support to sustain their tenancies.

Share of Australian housing stock built by government
1955 - 2023

Source: ABS 8572.0

The decline in the share of housing stock delivered by the government is notable and follows similar trajectories in other Anglophone nations, where the neoliberal doctrine of the small state has favoured government withdrawal from its role as a housing provider.

AHURI research (Lawson et al, 2018) identified a shortfall of 730,000 homes over the following 20 years, when current need and population growth are taken into account. This amounts to an annual increase of some 5.5% on current social housing stock. Currently, the proposed HAFF target of 40,000 social housing homes over the next five years pales into insignificance against the levels of investment required to meet housing need. A significant scaling up of current proposals is required to meet the crisis facing those in the private rental sector, those unable to realise their ambition to buy a property and, most critically, those languishing on social housing waiting lists.

The residualisation of social housing stock has left a growing share of low-income households navigating the private rental market where they face stiff competition for the limited supply of affordable properties. Competition in the private rental market is also being amplified by rapid population growth driven by high levels of overseas migration.

On the supply side, the lack of a consistent framework for the regulation of short-stay rental platforms has resulted in certain markets seeing a significant share of former rental stock being converted into tourist accommodation.

At the Commonwealth level policy has consistently favoured home ownership as the preferred housing market mechanism. Currently, forgone revenues from concessional taxation of property ownership vastly outweigh the support provided to renters in the form of Rent Assistance, and social housing provision via the National Housing and Homelessness Agreement.

It is important also not to ignore the role that monetary policy has played in emergence of the housing crisis. The public has been trained to believe that what central bankers do is more mathematical than political when nothing could be further from the truth. The public image of central bankers is one of brainy technocrats; people capable of absorbing and interpreting huge amounts of data, solving complex equations, and then adjusting the economic dials as necessary to make sure the economy stays on an even keel. But the truth is that the decisions made by central bankers are matters of public policy with far reaching implications for how the economic pie is divided.

By consistently cutting rates in the decade prior to the pandemic and then flooding the economy with newly printed money and crushing bond yields, the RBA forced people to take bigger risks to generate a return. Saving cash was pointless. Bonds were almost no better than saving. The RBA flooded the economy with money while taking away the refuges where that money could be safely invested. Instead, money poured into riskier assets such as stocks, cryptocurrency, and, crucially, real estate, where it pushed already inflated prices even higher. It is not an exaggeration to say that this approach enriched those with assets and punished those with savings. This isn't a trivial point. This isn't the work of mathematics, or even economics. It is a *political* decision about which sections of society should be helped, and which ones should be harmed. The result of the RBA's actions over the past decade has been a sharp increase in wealth inequality and massive growth in household indebtedness, both of which have been noted above.

Describe what actions your organisation believes should be taken by governments to most improve affordability and access to housing.

Recognise it is a fundamental duty of Governments to ensure the fundamental needs of its citizens are being met.

State constitutions generally ascribe power to governments to “make laws for the peace, welfare and good government” of their citizens. Adequate housing for its citizens through public policy is a fundamental expression of welfare and good government.

Although the states have yielded power to the Commonwealth under the Federal Constitutional heads of power, which does not specifically mention housing, it is incumbent on the Federal Government to ensure adequate funding to the States to enable the States to fulfil their fundamental obligations.

Increase funding for social and affordable housing

The NHHA currently provides insufficient funds to support state housing departments provide an effective service and develop new stock. Many state housing agencies have sold properties in order to finance the huge backlog of repairs that has accumulated from many years of underfunding. Community housing providers are able to benefit from Commonwealth Rental Assistance, but this is also currently insufficient to fund the increasing support needs of tenants arriving in the housing system. The development of a National Housing and Homelessness Plan provides opportunity to fully investigate the funding required for Australia to deliver a social housing system that meets the needs of its most disadvantaged communities.

There are strong economic reasons to invest in social and affordable housing.

A 2022 study by SGS Economics and Planning on behalf of Housing All Australians (SGS, 2022) identified a cost of failing to provide sufficient social and affordable housing of $25 billion by 2051. Costs were associated with health impacts of housing stress, educational failure of children living in precarious accommodation, labour shortages in key communities, and increased anti-social behaviour and domestic and family violence. In contrast, investment in social housing could bring benefits of up to $110 billion per year. Nygaard (2019) also identifies the costs of the failure to provide adequate supply of social housing as $676 million per annum. He sees a combination of the following factors as contributing to this high figure:

- Homelessness
- Mental health, domestic violence and alcohol/substance abuse
- Human capital accumulation and educational attainment
- Financial stress and foregone spending on food/groceries; medical and health; and family/leisure activity
- Overcrowding and family functioning
- Employment and productivity

In terms of economic benefit of building supply of social housing, an earlier 2020 report (SGS, 2020) identified that the SHARP program proposed by CHIA, to build 30,000 homes in four years, would produce up to 24,500 construction jobs at its peak delivery point. This would add $15 -$18 billion to economic output and up to $6.7billion to GDP.

Recognise social housing dwellings as assets.

The Housing Australia Future Fund involves investing $10 billion in financial assets which are expected to generate returns that can be used to subsidise social and affordable housing. Many would ask why not simply invest the $10b directly in the construction of new dwellings?

The fund is being pitched as a long-term funding source for social housing. Yet as University of Sydney economist Cameron Murray pointed out the enabling legislation says Treasury will simply credit the fund with the original $10 billion. As Murray testified to the Senate at the time, "where is that money coming from? Why doesn't *it* need a funding source?"

The reality is that federal governments that issue their own currency can "afford" whatever they want. Where money is spent is simply a question of priorities. The reluctance to invest directly in housing is particularly curious given the remarkable returns on Australian property in recent decades. Over the past 20 years, residential property in Australia, including social housing, has appreciated in value at a rate of approximately 7.7% per annum. Indeed, the returns on residential property in Australia have proven so attractive that individual investors are willing to operate at a loss in order to achieve these capital gains. It is curious that governments do not take a similar view, particularly given that state housing agencies "own the equity of an enormous property portfolio worth billions, with values growing on average 7.8% per year, or a similar amount to the Future Fund's net returns." (Murray, 2023).

Invest in supports to make "Housing First" allocation policies fit for purpose.

The collective failure of governments to deliver sufficient social housing at a rate commensurate with growth in demand has resulted in severe rationing with properties reserved for an ever-smaller section of the population. The residualisation of the housing stock has coincided with the almost universal adoption of "Housing First" based allocation policies which see homes allocated to vulnerable households with a variety of complex social and health problems. In tandem, these factors coupled with inadequate investment in medical and social support for tenants, have contributed heavily to the stigmatisation of social housing as having "a significant association with crime and criminality, disorder, anti-social behaviour, (and) welfare dependency…" (Jacobs et al, 2011). The progression of social housing from its origins as a vehicle to advance the economy by providing suitable accommodation for workers, to its current role as "housing of last resort", has contributed to a steady erosion of public support for what was once a broadly accepted form of housing tenure.

With close to 90% of social housing tenancies allocated to tenancies deemed to be in "greatest need" – typically defined as disability, poor physical health, mental illness, trauma, old-age/frailty, family violence, homelessness, exiting institutions, or a combination of the above – it is crucial that governments invest appropriately in wraparound support services to enable the Housing First approach to operate as intended with tenants receiving the support they need to be able to sustain their tenancies.

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