Final Report

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Asset poverty and older Australians' transitions onto housing assistance programs

authored by

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ACRONYMS

APC	Australian Productivity Commission
ARIA	Accessibility/Remoteness Index of Australia
CRA	Commonwealth Rent Assistance
ECG	Electrocardiogram
HAR	Housing Affordability Ratios
HECS	Higher Education Contribution Scheme
HILDA	Household Income and Labour Dynamics in Australia
NAHA	National Affordable Housing Agreement
OECD	Organisation for Co-operation and Development
OoH	Office of Housing
RMIT	Royal Melbourne Institute of Technology
RSL	Registered Social Landlord (UK)
SES	Shared Equity Scheme

EXECUTIVE SUMMARY

This project aims to explore how the asset-poor status of older Australians helps to determine their demand for housing assistance, the coping strategies used by the asset-poor as they strive to secure satisfactory housing outcomes and the importance of these outcomes to ontological security. Recent demographic changes, together with insecure employment circumstances in deregulated labour markets, innovations in housing finance and housing market volatility mean that wealth and debt positions are increasingly important in shaping the pathways into housing assistance programs. There are growing fears that those most exposed to these risks will enrol in housing assistance programs, because they can threaten home ownership status and cause asset poverty. Moreover, it is argued that these threats to housing wellbeing are particularly important for older Australians as they are less resilient than younger Australians when adverse shocks threaten their housing situation.

Research approach

This research project uses both qualitative and quantitative methods to address the research issues raised above. Specifically, we apply the following three approaches:

1. Analysis of pathways into housing assistance programs and 'survival' in home ownership.
2. In-depth interviews and focus groups with older Australians on coping strategies in later stages of housing careers.
3. Policy simulations based on overseas initiatives that explore whether interventions targeted on older asset-poor home owners could secure housing circumstances, and reduce the need for housing assistance.

Analyses of the pathways into housing assistance programs (Commonwealth Rent Assistance (CRA) and public housing) was performed using a large panel of Australians that are 'at risk' of becoming recipients of housing assistance programs. The empirical work focuses mainly on Australians aged 50 and over, and is an extract of individuals that are recorded in the Household, Income and Labour Dynamics in Australia (HILDA) Survey as being renters in 2002 or 2006. This approach provides a dynamic picture of our sample's wealth and debt circumstances as well as home ownership status in 2002, and then identifies whether there are correlations with housing outcomes 'further down the track'. It therefore enables us to ascertain whether the asset-poor's housing careers are scarred such that future interventions to support their housing circumstances become more likely.

Our qualitative approach was based on 30 one-to-one interviews conducted in 2009 and three focus groups comprising older asset-poor Australians currently living in Melbourne's metropolitan area. The qualitative interviews and focus groups teased out the concerns, hopes and aspirations of asset-poor older people for their future housing circumstances and their views on current policy settings, as well as the constraints they must respond to as they strive to achieve a secure housing future. This data sample enables us to uncover the housing predicaments facing over-55s who did not accumulate sufficient housing or other wealth to cushion their retirement years and their views on how and whether current national policies address their housing needs. It complements the findings from the quantitative research by helping us to identify the emerging issues and challenges facing policy-makers as awareness of the housing problems of asset-poor older citizens spreads beyond the policy community.

Modelling techniques were also employed to analyse the factors determining 'survival' in home ownership between 2002 and 2006. Based on these results, we go on to evaluate the effectiveness of 'early intervention' policy initiatives that are employed overseas. We conduct simulations of the benefits that might eventuate from two such programs that could be implemented in the Australian context. We adapt England's Rent to Buy scheme and the Shared Equity scheme so that they accord with Australia's institutional arrangements, and run simulations that shed light on the extent of their effectiveness in helping marginal older home owners in Australia to secure home ownership into old age.

Findings

Results from our modelling of pathways into housing assistance programs indicate that renters who have recently (since 2002) exited home ownership have a much higher likelihood of subsequently needing housing assistance (in 2006) as compared to the typical renter, who will have lived in this tenure longer. It seems that older Australians' transitions out of home ownership are likely to be precipitated by traumatic events, such that the housing equity accumulated over their housing careers fails as a safeguard that can help steer these individuals away from housing assistance programs. We also find that being a recipient of housing assistance in 2002 increases the probability of entitlement to housing assistance in 2006 by a very large 64 percentage points (as compared to the typical member of the sample that was ineligible in 2002). There is evidence here supporting the hypothesis that once older Australians enter housing assistance programs they are unlikely to leave them. But the estimates do not confirm expectations that rising debt frequently precipitates entry into housing assistance programs. In fact they show that average levels of debt are low among our sample of older Australian renters. There is an important caveat for those who were in home ownership at an earlier stage in their housing careers; debt stress might precede involuntary exits from home ownership as households are forced to realise equity in order to get debt levels down to manageable levels. The prior pathways of those exiting home ownership before 2002 are not observed given the time frame of this study.

Our qualitative data on the coping strategies used by asset-poor older Australians close to retirement age, or in retirement, often reflect an unenviable situation. The majority of the asset-poor is drawn from the renting segment of the older Australian population who have little or no savings, and inadequate superannuation to depend on. Our respondents managed their housing situation in various ways and with varying degrees of success. Property owners display more choices and can draw on the equity in their home to cope with financial difficulties. Respondents also generally held a critical view of government policies and generally raised concerns on the lack of public provision for the aged with respect to general welfare, providing subsidised housing and securing decent aged care facilities.

Findings from a modelling exercise analysing the factors determining 'survival' in home ownership between 2002 and 2006 indicate that among older Australians that had a spell in home ownership between 2002 and 2006, 11 per cent lost home ownership status by 2006. Our modelling identifies demographic factors (e.g. divorce and separation) and mortgage stress as important variables shaping the chances of survival. Estimates also reveal that 36 per cent of those dropping out of home ownership moved on to housing assistance programs by 2006. Our findings suggest that even among the over 50s mortgage stress can precipitate loss of home ownership. Further, our model simulations suggest that rent to buy solutions are unlikely to be attractive; on the other hand shared equity programs are more promising.

Policy implications

This project has found, in line with earlier AHURI research, that some of the assumptions underpinning Australian housing policy rest on weak grounds. In particular, the widely held belief that home ownership necessarily provides a guaranteed buffer against housing-related poverty in old age does not stand up to scrutiny. The most significant implication of the research for housing policy-makers is the finding that owner occupiers who exit home ownership after 50 years of age are significantly more likely than longer term renters to make transitions onto housing assistance. Moreover, these transitions onto housing assistance programs typically persist. Therefore, policy-makers might consider policy initiatives that assist ageing owner occupiers to retain their ownership status to both improve the quality of life of vulnerable older Australians, and more efficiently use government funds. To achieve this, policies would need to address the different triggers causing older households to fall out of home ownership.

In dealing with asset poverty, we suggest that increasing the mandatory (employer and employee) contributions to superannuation would place people in a stronger position to navigate vicissitudes later in life. Improved lifetime education in financial literacy may provide a knowledge basis on which younger people can better manage their financial futures. Developing strategies for avoiding over-reliance on credit card and similar debt obligations would be part of this approach. Future taxation reform also offers levers for reducing asset poverty through the life course, particularly measures that shift the tax burden from savings to spending.

Housing problems that are correlated with mortgage stress can also be alleviated with the implementation of policies that insure or buffer against hardships caused by equity withdrawal. In turn, this could reduce involuntary loss of home ownership and future reliance on housing assistance. For example, fuller disclosure on the obligations and risks associated with particular mortgage products could reduce the prevalence of risky borrowing.

Separation or divorce among partnered couples was found to be a potent trigger and pathway to loss of owner occupation status. While policies that directly address the complex emotional, psychological, social and financial causes of breakdown go well beyond the scope of housing policy, a better understanding of how these factors impact and interact may provide housing policy-makers with some guidance on how to tailor housing provision and regulation to reinforce the efficacy of primary social policies targeted directly at the problem.

1 INTRODUCTION

In this final report our focus is on how the asset-poor status of older Australians help determine their demand for housing assistance, the coping strategies used by the asset-poor as they strive to secure satisfactory housing outcomes, and the importance of these outcomes to ontological security. We are familiar with the idea that income plays a critically important role in shaping the housing outcomes of Australians, including older Australians. We are less familiar with the role that asset and debt positions (net worth) might play and, in particular, their relevance to the need for housing assistance. However, there are sound reasons why asset and debt positions have become more important factors shaping pathways into housing assistance programs.

- Assets and most prominently housing assets, are being used to secure rising levels of debt that can threaten financial security (Berry et al. 2010).
- Historically high rates of divorce and separation break up families, but also result in division of assets that can leave both partners in more precarious financial positions (Hendershott et al. 2009).
- As our population ages, there is likely to be an increasing number of older 'lifetime renters' missing out on soaring house prices and wealth accumulation that has accrued to their 'lifetime homeowner' counterparts. But the numbers of older renters are swollen by a relatively new phenomenon—those falling off the home ownership ladder due to adverse circumstances that precipitate moves into rental housing later in housing careers. In 2006, 18 per cent of older (50+ years) renters had been homeowners in 2002, and 50 per cent had been homeowners at some point in their housing careers.

These developments are a reflection of underlying demographic changes, insecure employment circumstances in deregulated labour markets, innovations in housing finance, and housing market volatility. There are growing fears that those most exposed to these risks will become clients of housing assistance programs, because they threaten home ownership status and can cause asset poverty. Moreover, these threats to housing wellbeing are larger for older Australians because their chances of recovery are more remote.

Our Final Report explores these issues in three ways:

- first, through an analysis of pathways into housing assistance programs
- second, through in-depth interviews and focus groups with older Australians on coping strategies in later stages of housing careers
- third, through policy simulations based on overseas initiatives that explore whether interventions targeted on older asset-poor home owners could secure housing circumstances, and reduce the need for housing assistance.

The report proceeds in the following way. In Section 2 we report the findings from modelling exercises that chart the variables shaping older Australians' pathways into housing assistance programs (see research question 2 on page 7 of the research proposal). There is a strong persistence in housing assistance status over time, but we also find that asset and debt positions, as well as tenure status, are important even after controlling for income and other personal characteristics. Indeed, those who were home owners before their most recent spells in rental housing are *more likely* to be housing assistance clients than other renters. Case studies drawn from in-depth interviews illustrate the consequences of some of these pathways for housing wellbeing.

Section 3 offers a discussion drawn from our qualitative program of research into the coping strategies used by asset-poor older Australians to address the housing implications of their asset and debt positions (see research question 3 on page 7 of the research proposal).The positioning paper documents how the majority of the asset-poor is drawn from the renting segment of the older Australian population, and we also find that these people have little or no savings, and inadequate superannuation to fall back on. In addition, a proportion of older owner-occupiers face the prospect of retiring with a housing debt and are devising strategies to cope with this situation. The qualitative interviews and focus groups teased out concerns, hopes and aspirations of asset-poor older people for their future housing circumstances, their views on current policy settings and the constraints they must respond to as this group of Australians strive to achieve a secure housing future. Overseas and Australian housing policy initiatives (reviewed in our positioning paper) that might assist older asset-poor Australians are highlighted.

In Section 4 we expand on an important finding that one-half of older renters were home owners at some earlier point in their housing careers, and the more recent drop outs from home ownership have elevated chances of subsequently becoming clients of housing assistance programs. It is then important to understand these pathways into renting at later stages in housing careers. We report findings from a modelling exercise that analyses the factors determining 'survival' in home ownership between 2002 and 2006. Among older (50+ years) Australians that had a spell in home ownership between 2002 and 2006, 11 per cent or nearly 350 000 had lost home ownership status by 2006. Our modelling identifies demographic factors (e.g. divorce and separation) and mortgage stress as important variables shaping the chances of survival. Since 36 per cent of those dropping out of home ownership moved on to housing assistance programs by 2006, it is helpful from a policy perspective if we can identify 'early interventions' that help people secure home ownership into old age, and retain the benefits that will accrue in terms of security and wealth accumulation. We simulate two such early interventions that are modifications of overseas policy initiatives that we reviewed in this project's positioning paper (see research question 1, page 7 of the research proposal). There is a proviso here; it is of course possible that these people were exposed to unacceptable risks by virtue of their home ownership positions, and would have been better off in later stages of their housing careers had they the opportunity to rent and take advantage of some financial vehicle that would offer some of the 'tax fuelled' wealth accumulation benefits that accrue to home owners.

In the concluding section we attempt answers to these policy challenges. We address the following questions:

1. Do overseas policy initiatives offer blueprints for effective early interventions?
2. Are there vehicles that might offer lifetime renters and marginal home owners the benefits that accrue to lifetime home owners?
3. What do older asset-poor Australians expect from policy-makers?
4. Would existing rental markets offer sufficiently attractive housing opportunities to marginal home owners who find these vehicles attractive?

Research into the role that asset and debt positions play in shaping housing careers and wellbeing is in its infancy. The final report winds up by charting a future program of research that could assist in an understanding of the pathways that asset-poor Australians traverse as their housing careers mature. Housing policy toward older Australians could be better informed and the possibilities here are briefly touched on.

2 PATHWAYS INTO HOUSING ASSISTANCE

2.1 Introduction

In this section, our key aim is to uncover the role that wealth and debt play in shaping the chances that a person becomes eligible for housing assistance. As noted in our introductory section, recent changes in housing and labour markets combined with demographic trends point to wealth and debt positions becoming more important factors shaping pathways into housing assistance programs. Our empirical approach in this chapter is based on analyses of a large panel of Australians that are ‘at risk’ of becoming clients of housing assistance programs. The main programs are Commonwealth Rent Assistance (CRA) and public housing. We therefore chose a sample design that takes individuals recorded in the Household, Income and Labour Dynamics in Australia (HILDA) Survey as being renters in 2002 or 2006.[1] An important attribute of this sample design is that it will include renters in 2002 that have previously been home owners, as well as those 2002 home owners who have more recently dropped out of owner occupation. Home ownership is a vital factor shaping asset status. We also construct measures of non-housing wealth and debt in 2002 and estimate their role as determinants of housing assistance status in 2006. Our main focus is older (50+) Australians, but we also report findings for under 50s as differences can shed light on life course-related heterogeneity in the routes preceding entry into a housing assistance program.

This approach provides a dynamic picture of our sample’s wealth and debt circumstances as well as home ownership status in 2002, and then identifies whether there are correlations with housing outcomes ‘further down the track’. It is then capable of ascertaining whether the asset-poor’s housing careers are scarred such that future interventions to support their housing circumstances become more likely. Are those who have been unable or unwilling to accumulate savings, or taken on large amounts of credit card and other non-housing related debt more vulnerable? Is this vulnerability greater as a person ages and has progressed beyond the peak of life cycle earnings? These are the kinds of questions that we are keen to answer.

There are, of course, other factors such as demographics, labour market and housing tenure statuses together with financial stress that can help influence the chances of future housing assistance status. Our models introduce controls for these potential drivers by including measures of these factors in model specifications. We can also learn a lot from our findings with respect to control variables that further motivate the study. The inclusion of 2002 housing assistance status allows consideration of whether there is a high degree of persistence in enrolment patterns. The sample design permits identification of those who became renters between 2002 and 2006 following a period in home ownership. These recent transitions could be accompanied by substantial losses of housing wealth that boost the chances of housing assistance status in 2006. This housing dimension to asset and debt positions is a particularly interesting one. Confirmation that ex-home owners are more likely (than other renters) to need support in the form of housing assistance, will reflect precarious housing circumstances that are not often associated with owner occupation. We begin by outlining details of sample design, variable measurement and modelling approach.

[1] Both assistance programs are targeted on renters and so an ‘at risk group’ should be defined as those renting in 2002 or in 2006.

2.2 Method

The sample comprises people who were renters in either 2002 or 2006. As the sample design requires people to be survey respondents in both 2002 and 2006, we first investigate the extent of attrition between the two years. Our concern is whether subsequent analyses will be prone to attrition bia.[2] Among the 11 032 people observed as either a home owner or a renter in 2002, 2502 people, or 22.7 per cent, were lost due to attrition by 2006. Table 1 below shows that those retained in the panel over successive waves, and those missing due to attrition, are insignificantly different in terms of age, education qualifications, proportions who are (unmarried) partners or separated, and proportions with non-permanent contracts; on the other hand they do differ significantly in terms of other characteristics, including renter and housing assistance status, gender, health, number of children, other job contract and marital states.

Table 1: Renters: Sample subgroups, under and over 50 years of age, number and per cent

Selected 2002 socio-demographic characteristics	*People retained*	*People missing due to attrition*	*Are the differences significantly different?*
Mean age	46.6 yrs	46.7 yrs	n.s.
Renter	25.8%	37.0%	**
Housing assistance recipient	12.1%	15.7%	**
Female	54.3%	49.0%	**
Has disability	22.0%	27.5%	**
Mean number of dependent children	0.8	0.7	**
Married	62.1%	52.8%	**
Defacto	11.4%	10.8%	n.s.
Separated	3.5%	4.0%	n.s.
Divorced	6.5%	5.5%	n.s.
Widowed	5.1%	7.6%	**
Single never married	11.4%	19.3%	**
City resident	61.6%	61.8%	n.s.
Permanent job contract	40.7%	33.7%	**
Fixed term job contract	5.8%	5.7%	n.s.
Casual or other job contract	11.5%	12.8%	n.s.
Not employed	42.1%	47.8%	**
Bachelor degree or higher	21.2%	16.5%	**
Other post-school qualification	30.3%	28.6%	n.s.
No post-school qualification	48.5%	54.7%	n.s.

Source: Authors' own calculations from the 2002 and 2006 HILDA Survey

Notes: ** Significantly different at the 1 per cent level

* Significantly different at the 5 per cent level

n.s. Not significantly different

[2] Attrition commonly arises because original members of the sample design cannot be tracked down. If those who are lost from the sample due to attrition are disproportionately drawn from particular subgroups, the resulting analyses will be based on increasingly unrepresentative samples (attrition bias).

The sample is framed to target three 'at risk' subgroups for analysis:

- → those renting in both 2002 and 2006
- → those renting in 2002, but not in 2006 because they had shifted into home ownership by then
- → those in home ownership back in 2002, but renting in 2006.

Renters in 2002 who owned other properties are excluded as these were presumably people who owned their own homes but were temporarily renting for various reasons such as temporary work relocation.

The sample size of each subgroup is reported in table 2 below. The table indicates that over three-quarters of the under 50s and two-thirds of those aged 50 or over were renters in both years. While the proportions that fell out of home ownership between 2002 and 2006 are similar at around 15 per cent, persons aged 50 and over are more than twice as likely to have moved into home ownership by 2006. These estimates question the conventional wisdom that decisions about whether to become a home owner are the responsibility of the young; older Australians made these decisions many years ago and do not change tenure. While this might have been true in the twentieth century, it is certainly not true in the twenty-first century.

Table 2: Renters: Sample subgroups, under and over 50 years of age, number and per cent[a]

Sample sub-group	*50 years or over*		*Under 50*		*All age groups*	
Renter in both 2002 and 2006	307	76.6%	894	65.4%	1201	68.0%
Renter in 2002, not 2006	35	8.7%	258	18.9%	293	16.6%
Renter in 2006, not 2002	59	14.7%	214	15.7%	273	15.4%
Total	401	100.0%	1366	100.0%	1767	100.0%

Source: Authors' own calculations using the 2002 and 2006 HILDA Survey

Note: a: Excluding people lost due to attrition and those with missing responses critical to the modelling exercise.

Our modelling approach is based on estimation of a model of the likelihood that housing assistance is received in 2006. The standard approach to regression modelling is the ordinary least squares (OLS) estimation technique. But in the present case, where the outcome we are seeking to explain is dichotomous (the person is either receiving housing assistance, or not), OLS is inappropriate. A technically more robust maximum likelihood estimation method—the probit model—is used.

From the sample of 1767 renters, 776 or 43.9 per cent are receiving housing assistance (either CRA or public housing) in 2006, the others (991 or 56.1%) surviving unassisted in private rental housing in 2006. We therefore have a reasonably balanced distribution across the two possible 2006 outcomes, a feature of the data set that can be helpful because those skewed to one outcome are less likely to yield robust findings. Ordinarily a longitudinal data set such as HILDA is ideally suited to panel model estimation techniques, but in the present context this has proved impractical.[3]

[3] Non-housing asset and debt measures are only available from the special wealth modules of 2002 and 2006, so could not be included as time varying variables in survival models. Future research to fill this gap could yield richer insights into the routes Australians navigate and the hazards that are experienced in the years preceding a transition on to a housing assistance program.

The pathways followed in the period preceding 2006 housing assistance status are explored by the inclusion of explanatory variables that are measured in 2002. They yield a potentially fascinating vision of how personal history can affect future housing circumstances, in this case the prospect of assistance to support housing needs. Our drivers are grouped into four vectors of variables (see Table 3 for details on measurement). First we have the key category of non-housing wealth, debt and financial stress variables. The amounts that have been accumulated in bank deposits, equity and cash investments, business assets, superannuation and other personal investments make up the wealth variable, while the sum of business debts and unsecured loans such as credit card and HECS debt comprise the debt variable. Financial stress is picked up by whether the rental tenant is having difficulty paying utility bills due to a shortage of money during the calendar year. These measures and their statistical significance in model estimates will be important indicators of whether asset poverty and associated financial stress characterise pathways into housing assistance.

A series of variables measuring housing circumstances represent a second set of variables that are, in part, important because they recognise that asset positions will reflect housing tenure history. To home ownership status in 2002 we add a housing cost burden measure and indicator variables for housing assistance status, residential location in a major city and whether there has been a change of address from 2002–2006. Housing cost burdens are measured as net housing costs as a proportion of equivalised income unit disposable income.[4] We know from previous research that there is considerable churning (among tenants, in particular) in and out of housing affordability stress (Wood & Ong 2009), and so the 2002 burden measure may not be a good predictor of assistance status ‘down the track’; one of the explanations for churning is a high rate of residential mobility among renters who adjust to affordability stress by moving into cheaper rentals. We expect the mover variable to negatively impact on the chances that a person is a recipient of housing assistance in 2006. But a major city location may further cut the odds of transition into housing assistance programs, because urban labour markets offer more jobs and a greater variety of opportunities than those in more remote locations.

Finally, the 2002 housing assistance indicator of whether one received CRA or lived in public housing can tell us whether participation in programs tends to persist. Though this is a control in our model, it will be of interest to policy-makers because it sheds light on whether housing assistance might erode rather than add to capabilities, with welfare dependence the end result (Henry Review 2010, Section F, p.487).

There are two other sets of controls. Demographics in the form of age, gender, health status, presence of dependent children and marital status are common additions to housing outcome models. They help modellers to avoid confounding (in the present context) asset poverty with the hazards associated with demographic characteristics. For example, older generations of Australians may have greater need for housing support because of physical problems and deterioration of mental faculties; they may also have had less opportunity to accumulate wealth so that their asset position is inferior, though asset position itself might not be an important driver of transitions on to housing assistance programs. The inclusion of age (and other demographics) is a safeguard against false conclusions about the importance of asset poverty. Finally, the addition of a group of labour market and human capital measures recognises their close links with housing market circumstances. While current income’s influence will

[4] Income is equivalised using the OECD equivalence scale with a weight 1 assigned to the first adult, 0.7 to the second adult and 0.5 per dependent child. A couple with two dependent children is the benchmark income unit.

be captured by the housing cost burden variable, arguably it is long-term income prospects and the certainty of earnings that are more important determinants of housing market outcomes. This motivates adding educational attainment indicators, permanent contract status and post-school spells of unemployment (and hence decay of human capital) as variables in the probit model.

Descriptive statistics in the form of mean values are listed in Table 3 for both over and under 50-year age groups. There are some interesting observations to make here; average accumulated wealth is only $67 000 and, although the over 50s have had more time to accumulate (non-housing) wealth, average amounts accumulated are more or less the same. More than one in ten was recently (2002) a home owner and their average levels of wealth including housing equity came to $403 000 in 2002. This is noticeably lower than the $630 000 accumulated by all home owners in 2002. This is particularly the case for the over 50s. Among home owners aged 50 years or over in 2002 who had lost homeownership status by 2006, mean total wealth in 2002 was $388 000; this was only around half the wealth of all home owners aged 50 years or over in 2002 ($693). In comparison, the 2002 average wealth levels of under 50 home owners who subsequently lost home ownership status by 2006 was $408 000, around 70 per cent of the average wealth of all home owners aged under 50 years ($573 000). Rates of *recent* loss of home ownership status is almost the same in the two age groups, but at 54.6 per cent there is a much higher proportion of *ex-home owners* among the over 50s than under 50s (42.2%). Indeed, while the majority (66.2%) of the under 50 asset-poor are currently renters, most of the older asset-poor have been home owners or are currently home owners (75%). How older people become asset-poor and their home ownership careers are intimately connected.

Just over 40 per cent of the ‘at risk’ sample of renters was receiving housing assistance in 2002. But there are big differences in housing assistance (2002) status with the incidence among over 50s (at just over two-thirds) being twice that of under 50s. The incidence of long term health conditions, separation, divorce and bereavement, as well as not working are all much higher in the older age group. In contrast, they are much less likely to have dependent children, experience difficulty in meeting utility bills, be single never married or to have moved between 2002 and 2006. Because this is a group of renters (in 2002 or 2006), rates of residential mobility are high with over two-thirds of the sample moving between 2002 and 2006. This is less apparent among the over 50s where a relatively low 40 per cent moved. From these differences, it is evident that routes into housing assistance will be heterogeneous; for example, the presence of dependent children and whether married over the life course are unlikely to affect the chances of older Australians enrolment in housing assistance programs.

Table 3: Variable definition and means

Variable	*Definition*	*Binary / Continuous*	*Means*		*Total*
			Under 50	*50 or over*	
Wealth, debt and financial stress					
Non-housing wealth ($100,000)	Sum of wealth stored in trust funds, life insurance, superannuation, bank accounts, business, vehicles and collectibles in $'00,000s	Continuous	0.68	0.63	0.67
Non-housing debt ($100,000)	Sum of wealth owed on business, credit card, HECS, car loans, investment loans, personal loans, hire purchase and overdue bills in $'00,000s	Continuous	0.08	0.02	0.06
Difficulty paying utility bills	Could not pay electricity, gas or phone bills on time in the calendar year due to shortage of money	Binary	0.38	0.19	0.34
Housing circumstances					
Whether home owner in 2002	Whether income unit owned a primary home in 2002	Binary	0.16	0.15	0.15
Housing cost burden	Net housing costs as a proportion of equivalised disposable income (%)	Continuous	13.33	11.05	12.81
Whether housing assistance recipient in 2002	Whether self or partner received CRA or were living in public housing in 2002	Binary	0.37	0.65	0.44
Major city	Living in a region classified as a major city in the Accessibility/Remoteness Index of Australia (ARIA) scores from the 2001 census	Binary	0.63	0.65	0.63
Whether moved between 2002 and 2006		Binary	0.78	0.40	0.70
Demographics					
Age	Age in years	Continuous	31.94	63.76	39.16
Female		Binary	0.56	0.58	0.57
Has long-term health condition or disability	Has a health condition or disability that has lasted or is likely to last at least six months, restricts everyday activity and cannot be corrected by medication or medical aids	Binary	0.17	0.48	0.24

Variable	*Definition*	*Binary / Continuous*	*Means*		*Total*
			Under 50	*50 or over*	
Number of dependent children	Number of children aged under 15, or aged 15-24 years who are studying full-time, not working full-time, and live in the same household	Continuous	0.88	0.13	0.71
Legally married (omitted)		Binary	0.33	0.42	0.35
De facto		Binary	0.22	0.05	0.18
Separated, divorced or widowed		Binary	0.13	0.47	0.21
Single never married		Binary	0.32	0.07	0.26
Human capital					
Permanent job contract		Binary	0.44	0.15	0.37
Fixed-term, casual or other job contract		Binary	0.25	0.08	0.21
No job contract (omitted)	Not working	Binary	0.31	0.77	0.42
University degree or higher	Bachelor degree, graduate diploma, graduate certificate or postgraduate degree	Binary	0.19	0.10	0.17
Other post-school qualification	Advanced diploma or diploma, certificates	Binary	0.28	0.22	0.27
No post-school qualification (omitted)	Year 12 or below	Binary	0.52	0.69	0.56
Percentage of time unemployed since leaving full-time education		Binary	7.41	2.45	6.28

2.3 Findings

Table 4 lists coefficient estimates, their standard errors and statistical significance plus marginal effect estimates *for the over 50s*. The statistical significance tests are designed to scrutinise whether we can reliably say that a variable has a non-negligible effect on the likelihood of transition onto housing assistance programs. The sign (negative or positive) of coefficient estimates indicates the direction in which a variable will push the likelihood of transition onto housing assistance. But we prefer to use the marginal effect estimates in preference to the coefficient estimates to aid interpretation of the findings. Marginal effect estimates are an important tool aiding interpretation of the probit model because the coefficient estimates themselves have no ready interpretation.[5] The marginal effect estimates are a very helpful summary measure of impact; for a zero-one explanatory variable they represent the increase or decrease in probability of 2006 housing assistance status when the variable takes the value 1, all other variables held constant at their mean values. By keeping all other variables at their mean values we are describing the typical sample member, in this case the typical tenant. When presented for a continuous variable (e.g. non-housing wealth) it is the increase or decrease in probability for a one unit change in the variable ($100k in the case of non-housing wealth). Two models are presented, one with and the other without the 2002 housing assistance status variable. The alternative specifications are motivated by the observation that those with high housing cost burdens in 2002 are also expected to receive housing assistance in 2002, and so the independent effect of high housing cost burdens (or receiving housing assistance) could be obscured.

We turn first to our findings for the specification that includes 2002 housing assistance status. While the pseudo R^2 suggests that the model correctly assigns a little over 50 per cent of the sample to their 2006 housing assistance status (on the basis of predictors at their 2002 values), only five variables are statistically significant. In spite of the extensive controls, non-housing wealth and 2002 home ownership status are both influential but 'pulling' in opposite directions. Each extra $100 000 of non-housing wealth has a statistically significant effect, but it is relatively small with the probability of housing assistance status (in 2006) falling by 8 percentage points. So non-housing wealth accumulation is important, but it appears from coefficient estimates as if other drivers are more influential. The significance and positive effect of 2002 home ownership status is worth remarking on at this stage because these are people that had chosen earlier in their housing careers to accumulate at least some if not most of their wealth in housing assets. However, for one reason or another, this vehicle of accumulation has been spurned. It seems that this decision is more likely to be the result of severe constraints as these persons' chances of receiving housing assistance in 2006 are lifted by *29 percentage points*. This is a large lift in the chances of transition onto housing assistance and actually means that renters who have recently been home owners, are much more likely to be recipients of housing assistance than typical renters that have been tenants for longer periods of time. To gain a better appreciation of the influence this 29 percentage point marginal effect estimate represents, consider the financial stress variable *difficulty in paying utility bills* (in 2002). It is not statistically significantly different from zero, and at 2 percentage points its impact is trivial when considered alongside the recent home owner variable.

The circumstances surrounding loss of home ownership among the 50+ is clearly a critical research question. Case study M (below), drawn from the in-depth interviews conducted for this project, describes M's fall out of ownership following mortgage

[5] See Pindyck and Rubinfeld (1998) for an accessible account of probit modelling.

stress, then marriage breakdown, loss of a second partner and finally long term health issues. It also hints at a possible explanation behind our finding that relationship breakdown and long term health conditions are statistically insignificant in our over 50s modelling of routes into housing assistance programs. If M is representative, then the demise of home ownership status is often accompanied by adverse events that guarantee eligibility for housing assistance. These events are critical signposts along the trail that culminates in an acute need for housing assistance, but they are obscured in the modelling reported in Table 4 by the tumble out of home ownership that they precipitate. We explore these ideas further in Section 4.

Case study M
M. is a 63-year-old private renter who, over the decades, churned in and out of various tenures. 'You won't have enough pieces of paper to write down where I've lived', M told us. She currently shares a home with her son who is on a disability pension. M is also on a disability pension due to diabetes. They both receive CRA. 'If it wasn't for my son we couldn't live here because he pays half the rent.' Still, the disability pension is not enough and she has to 'go for food vouchers sometimes [and] I feel degraded at 63 to have to go around for what I call begging, but I'm in that situation'. M. was previously partnered with a man who owned a house, but was left stranded after he died. Earlier she was married with four children for many years and the family was paying off a home in Frankston, but 'then we lost that house because it was eighties and interest rates were just too high and four kids, it was just too hard. So we ended up getting out of that and going into rentals'. The family attempted to purchase another home, but went into bankruptcy. Later on the marriage broke down and M was accommodated in public housing. She found the high-rise Carton estate 'just ghettoes, horrible: I'd rather die than go back there again'. She also finds it hard to live in private rental because her rent 'goes up every six months'. 'By God, this rent paying business and then trying to survive on a pension is just ridiculous.' M had very little superannuation which is already spent. She is very critical of government policies on housing the aged: 'The aged aren't cared about much in this country'. M. told us there are 'probably plenty of housing options for older people if you've got money'. She thinks 'housing is the most important thing. Housing for everybody should be a right not a luxury […]'.

The recent home owner variable also enriches our understanding of the mover measure that is estimated to lower the probability of 2006 housing assistance status by 20 percentage points. It records whether the person has changed address since 2002 and, because the majority of 2002 home owners have moved,[6] it controls for the circumstances surrounding moves triggered by loss of home ownership status. So, on controlling for these circumstances we are left with a large negative impact that is presumably due to private renters moving to cheaper rentals in order to reduce housing cost burdens. A by product of such moves is a lower probability of subsequent eligibility for housing assistance.[7] The impact is in fact a large one given the marginal effect estimate of 20 percentage points.

[6] Thirty households or 10 per cent of homeowners in 2002 that are no longer home owners by 2006 nevertheless live at the same address in 2006 and as renters are presumably leasing the same property from those that purchased but apparently did not immediately need to occupy.

[7] The CRA program has a lower rent threshold below which entitlements are zero. In previous research we examined the length of spells in housing affordability stress and found that moves are important in terminating such spells. The findings here are consistent with the hypothesis that moves during a spell of housing affordability stress will typically be 'down market'.

Table 4: Probability of receiving housing assistance in 2006, probit model, 50 years or over

Explanatory variables (from 2002)	*Includes housing assistance indicator*				*Excludes housing assistance indicator*			
	Coef.	*Std. err.*	*Sig.*	*Marg. effect*	*Coef.*	*Std. err.*	*Sig.*	*Marg. effect*
Non-housing wealth ($100,000)	-0.28	0.07	0.00	-0.08	-0.39	0.07	0.00	-0.12
Non-housing debt ($100,000)	-0.01	0.73	0.99	0.00	0.41	0.61	0.51	0.12
Net housing costs as a proportion of equivalised disposable income (%)	-0.01	0.01	0.66	0.00	0.01	0.01	0.58	0.00
Age	0.18	0.14	0.18	0.05	0.29	0.12	0.02	0.09
Age squared	0.00	0.00	0.19	0.00	0.00	0.00	0.03	0.00
Whether housing assistance recipient in 2002	2.09	0.27	0.00	0.64				
Whether home owner in 2002	1.99	0.34	0.00	0.29	0.83	0.30	0.01	0.19
Whether moved between 2002 and 2006	-0.69	0.22	0.00	-0.20	-0.67	0.19	0.00	-0.21
Female	0.05	0.20	0.83	0.01	0.20	0.18	0.26	0.06
Has long-term health condition/disability	0.05	0.21	0.81	0.01	0.18	0.18	0.33	0.05
Number of dependent children	-0.04	0.18	0.82	-0.01	0.12	0.17	0.48	0.04
De facto	-0.24	0.47	0.61	-0.07	0.17	0.44	0.69	0.05
Separated, divorced or widowed	-0.20	0.23	0.38	-0.06	0.06	0.19	0.75	0.02
Single never married	0.43	0.46	0.35	0.10	0.68	0.39	0.08	0.16
Major city	0.04	0.21	0.87	0.01	0.08	0.19	0.68	0.02
Permanent job contract	-0.63	0.34	0.06	-0.21	-1.28	0.27	0.00	-0.46
Fixed-term, casual or other job contract	-0.37	0.36	0.30	-0.12	-1.09	0.29	0.00	-0.40
University degree or higher	-0.12	0.34	0.73	-0.04	-0.31	0.29	0.29	-0.10
Other post-school qualification	-0.37	0.23	0.10	-0.11	-0.22	0.20	0.28	-0.07
Percentage of time unemployed since leaving full-time education	0.02	0.01	0.07	0.01	0.02	0.01	0.05	0.01

Explanatory variables (from 2002)	*Includes housing assistance indicator*				*Excludes housing assistance indicator*			
	Coef.	*Std. err.*	*Sig.*	*Marg. effect*	*Coef.*	*Std. err.*	*Sig.*	*Marg. effect*
Difficulty paying utility bills	-0.06	0.24	0.81	-0.02	-0.24	0.21	0.24	-0.08
Constant	-6.16	4.55	0.18		-9.04	3.95	0.02	
Sample	401				401			
LR Chi-sq(21; 20)	249.01				179.15			
Prob>Chi-sq	0.00				0.00			
Pseudo R-sq	0.53				0.38			

Source: Authors' own calculations using the 2002 and 2006 HILDA Survey

Among the over 50s we find that current position and history of participation in the labour market, as well as educational attainment, are in all but one case (permanent job contract) unimportant. There is no confirmation here for the hypothesis that asset-poor individuals are working longer to sustain an independent position in the housing market. However, definitive statements of this kind must await examination of a larger sample that includes over 50s home owners. By focusing only on renters, we might be missing the way extended labour market participation is supporting housing careers into old age. We return to this idea in Section 4.[8]

Finally, we turn to the 2002 housing assistance variable, which turns out to be the most influential in the over 50s modelling. Being a recipient of housing assistance in 2002 increases the probability of entitlement to housing assistance in 2006 by an extremely large 64 percentage points (as compared to the typical member of the sample that was ineligible in 2002). If we drop this variable the models performance deteriorates as is evident from the pseudo R^2 reported in Table 3, which falls from 0.53 to 0.38. We might also note in passing that the housing cost burden variable remains statistically insignificant, so it seems that housing assistance status in 2002 is not masking the effect of 2002 housing cost burdens.[9]

So presence on housing assistance programs is not generally transient; of the 260 2002 recipients, 239 (or 91.9%) were still receiving housing assistance in 2006. There is here evidence supporting the hypothesis that once older Australians enter housing assistance programs they are unlikely to leave them.[10] This comes as no surprise given the advanced age of most of this sample of over 50s. When the situation of older people have deteriorated to the extent that they become eligible for housing assistance, their limited future earning prospects and failing physical and mental powers are a serious impediment to the achievement of unsupported and sustainable housing outcomes. Case study G (see below), once again drawn from the in-depth interviews conducted for this project, describes the prospects of a 58-year-old male. 'G' regards public housing as a permanent housing solution, and it is one that he is relieved to accept given his housing career and life course to this point. Public housing is targeted on high need applicants; it would then be unsurprising if older Australian public housing tenants had similarly adverse life experiences and a future that will require permanent housing assistance. Our modelling suggests that this conclusion is also likely to apply in the case of older private rental tenants.

[8] We are grateful to an anonymous peer reviewer for suggesting this line of inquiry.

[9] On the other hand, labour market variables now become significant and their effect is large. Older Australians who had not secured employment, had withdrawn from the labour force (most likely retired) in 2002, or who had experienced lengthy spells unemployed since leaving full-time education are highly likely to be receiving housing assistance in 2006. Of course, these same people will probably be receiving housing assistance in 2002, so labour market position and housing assistance status are closely interlinked. Among those who were not employed in 2002, 78.4 per cent were receiving housing assistance in 2002. In contrast, only 18.7 per cent of those who were employed in 2002 were receiving housing assistance in the same year.

[10] There are important caveats. The modeling approach has not fully exploited the longitudinal data using panel modeling techniques. These techniques can be used to diagnose duration dependence—the idea that as presence on welfare rolls lengthens so the chances of 'escape' decline. This is an important future direction for research.

Case study G
G. left home when he was 17 and had a ‘shocking life, of my own making. I used heroin for over 30 years and was in jail for a period of time’. He contracted hepatitis and was unable to do physically demanding jobs. He started his rehabilitation when he was offered a stipend to do a Masters course at RMIT. G. is now a 58-year-old public housing tenant. He has recently been allocated a bed-sit ‘after a very long journey trying to get into public housing’. He is hoping that in a couple of years he would be eligible for a one-bedroom flat. He had applied for public housing in the 1980s with no success and later ‘moved to Sydney and slipped off the list’. Up to 2005, G. had been a single renter, variously and intermittently in casual or/and low-paid jobs. In 2005, he was persuaded to buy a home through a ‘low-doc’ loan with Perpetual Ltd. and ‘went bankrupt as a result of it’. He told us he was driven by his ‘desire for security’. G. considers private rental to be precarious, insecure and ‘poorly regulated’. Once he turned 55, a friend who works in social welfare encouraged him to apply for public housing again. This time, he ‘made an effort to kick up a fuss’ and was successful. He is satisfied with the current solution: ‘Essentially till I die I’ve got a roof over my head. Now housing is the greatest ameliorator of poverty without a doubt. You fix the housing situation for people and essentially their problems are solved.’ He sees public housing as his permanent solution and is adamantly set against moving into a nursing home when he’s older, arguing that age-care services are only good for the well-off: ‘the rich get to choose the good places’. ‘They’ll have to dynamite me out of here, thanks very much. Carry me out feet first.’

The focus of this report is the over 50s. However, by modelling the pathways that under 50s traverse prior to enrolment in housing assistance programs, we get a sense of whether older Australians have age specific factors that distinguish them from the rest of the population. We are particularly interested in whether asset poverty and housing dimensions of asset poverty (loss of home ownership status) play a more important role in shaping the routes that over 50s travel along before gaining housing assistance. Table 5 reports our findings for under 50s and again we report two model specifications—one with and the other without the housing assistance 2002 variable.

It is intriguing to discover that a far wider range of variables shape the pathways followed by under 50s, because we now have family circumstances (presence of children), long-term health conditions and the current labour market situation all ‘playing a part’ in the story. Having a job in 2002, whether permanent or not, reduces the chances of subsequent transition on to housing assistance in 2006 by over 10 percentage points, while long-term health conditions push in the opposite direction raising probabilities by more than 10 percentage points. Each dependent child also causes probabilities to increase by 10 percentage points. The direction in which these variables are ‘working’ make sense, and some of them ‘work’ because these personal characteristics are more prominent among the young (presence of dependent children, for instance), and are also central to the rules governing eligibility for housing assistance.

Table 5: Probability of receiving housing assistance in 2006, probit model, under 50 years

Explanatory variables (from 2002)	*Includes housing assistance indicator*				*Excludes housing assistance indicator*			
	Coef.	*Std. err.*	*Sig.*	*Marg. effect*	*Coef.*	*Std. err.*	*Sig.*	*Marg. effect*
Non-housing wealth ($100,000)	-0.28	0.06	0.00	-0.10	-0.30	0.06	0.00	-0.11
Non-housing debt ($100,000)	-0.13	0.27	0.63	-0.04	-0.08	0.26	0.75	-0.03
Net housing costs as a proportion of equivalised disposable income (%)	0.00	0.00	0.58	0.00	0.00	0.00	0.39	0.00
Age	-0.04	0.04	0.31	-0.01	-0.05	0.04	0.22	-0.02
Age squared	0.00	0.00	0.27	0.00	0.00	0.00	0.18	0.00
Whether housing assistance recipient in 2002	0.55	0.10	0.00	0.20				
Whether home owner in 2002	0.23	0.13	0.08	0.08	-0.03	0.13	0.84	-0.01
Whether moved between 2002 and 2006	-0.44	0.10	0.00	-0.16	-0.48	0.10	0.00	-0.18
Female	0.20	0.09	0.02	0.07	0.22	0.09	0.01	0.08
Has long-term health condition/disability	0.40	0.11	0.00	0.15	0.47	0.11	0.00	0.17
Number of dependent children	0.28	0.04	0.00	0.10	0.35	0.04	0.00	0.12
De facto	-0.21	0.12	0.08	-0.07	-0.19	0.12	0.11	-0.07
Separated, divorced or widowed	-0.24	0.14	0.10	-0.08	-0.15	0.14	0.29	-0.05
Single never married	-0.14	0.12	0.25	-0.05	-0.09	0.12	0.45	-0.03
Major city	0.09	0.09	0.32	0.03	0.09	0.09	0.32	0.03
Permanent job contract	-0.40	0.11	0.00	-0.14	-0.57	0.10	0.00	-0.20
Fixed-term, casual or other job contract	-0.48	0.11	0.00	-0.16	-0.57	0.11	0.00	-0.18
University degree or higher	-0.26	0.13	0.04	-0.09	-0.31	0.13	0.02	-0.10
Other post-school qualification	0.05	0.09	0.57	0.02	0.05	0.09	0.60	0.02
Percentage of time unemployed since leaving full-time education	0.00	0.00	0.07	0.00	0.01	0.00	0.02	0.00
Difficulty paying utility bills	0.29	0.08	0.00	0.10	0.28	0.08	0.00	0.10

Explanatory variables (from 2002)	***Includes housing assistance indicator***				***Excludes housing assistance indicator***			
	Coef.	***Std. err.***	***Sig.***	***Marg. effect***	***Coef.***	***Std. err.***	***Sig.***	***Marg. effect***
Constant	0.25	0.67	0.71		0.64	0.66	0.33	
Sample	1366				1366			
LR Chi-sq(21; 20)	486.75				457.51			
Prob>Chi-sq	0.00				0.00			
Pseudo R-sq	0.27				0.26			

Source: Authors' own calculations using the 2002 and 2006 HILDA Survey

Even among those variables that are statistically significant in both models there are differences. We obtain confirmation that non-housing wealth has a protective effect, but it is somewhat more influential among the under 50s. It could be that large numbers of younger renters are aspirants to home ownership and saving hard to pay deposits. The labour supply and boost to income associated with this savings effort rule out eligibility for housing assistance. Those individuals who were home owners back in 2002 are again more prone to subsequent entry on to housing assistance programs. However, the under 50s might have greater powers of recovery, or the circumstances causing moves away from owner occupation could be less traumatic, because the probability of housing assistance status in 2006 is increased by only 8 percentage points, less than one-third of the impact among over 50s. Perhaps surprisingly, we find no evidence of (*non-housing related*) debt stress as a statistically significant marker along the assistance trail. This is also apparent among over 50s, but lower indebtedness among the over 50s is to be expected. Despite the increasing concerns about spiralling levels of personal debt, it seems that this dimension of asset poverty plays no role in both age groups.

Enrolment in housing assistance programs is more likely to be transient among the under 50s; the marginal effect is down to 20 percentage points, and only 313 (or 61.5%) of 2002 housing assistance recipients were again eligible to receive housing assistance in 2006. If we drop this variable from the model specification, the impact on model performance is much less dramatic than it is for the over 50s model. Once again, there is no evidence that this variable is obscuring the impact of housing cost burdens.

Two other variables are worth commenting on. Difficulty paying utility bills, our indicator of financial stress, is much more important among the under 50s (marginal effect of 10 percentage points), and the descriptive statistics in Table 2 suggest that this will affect a much higher proportion of the younger age group. Moves by the young again have a large negative impact, and furthermore the younger group have a higher propensity to move, so this is likely to be a common as well as important safeguard that reduces the need for housing assistance in this age group.[11]

2.4 Concluding remarks

Asset poverty has a number of dimensions. Imprudence, bad luck and social disadvantage can leave older renting Australians with little if any accumulated savings. This can threaten sustainable housing circumstances because savings may be drawn down to meet emergencies that might otherwise severely damage housing positions. The income stream from savings can also support housing consumption. Saving for retirement (for example, superannuation) is particularly important as people age. We find that saving in the form of non-housing wealth acts as a modest safeguard in reducing the chances of subsequent need for housing assistance.

In fact, the majority of older Australians choose to accumulate the bulk of their savings in housing wealth (see positioning paper by Wood et al. 2010, Section 4.3, pp. 43–51).[12] But nearly 350 000 older Australians released whatever housing equity they held by selling up between 2002 and 2006 and becoming renters. It turns out that this dimension of asset poverty—loss of home ownership status—is very important among the over 50 age group analysed here. Those recently (since 2002) exiting home ownership have a much higher chance of subsequently needing housing assistance

[11] There is an important caveat here. These moves may alleviate housing cost burdens, but at the expense of satisfactory housing standards.

[12] In 2006, housing assets made up an average 56.8% (63.2%) of the total assets of Australians aged 50-64 years (65 years and over).

(in 2006) as compared to the typical renter, who will have lived in this tenure longer. It seems that older Australians' transitions out of home ownership are likely to be precipitated by traumatic events, such that the housing equity accumulated over their housing careers fails as a safeguard that can steer these individuals away from housing assistance programs. It is important to learn more about the events that cause such abrupt changes in housing circumstances late in housing careers, and Section 4 reports the findings from further investigations.

Asset poverty can also arise due to high levels of indebtedness that is the product of debt-fuelled consumption binges, or borrowing in desperate times to meet urgent spending needs. There is no evidence among the over 50s of borrowing as a signal along the pathway preceding entry into housing assistance programs. In fact, average levels of debt are low among this sample of older Australian renters. But, before we dismiss debt as unimportant, we need to acknowledge the potentially important role of debt stress in hastening exits from home ownership. As we noted above, recent loss of home ownership is a very important predictor of 2006 housing assistance status. If debt stress is frequently causing these exits out of home ownership, then it could play an indirect role in elevating the chances of future enrolment in housing assistance programs. We explore this issue further in Section 4.

3 HOUSING CAREER PATHWAYS, COPING STRATEGIES AND VIEWS ON HOUSING POLICY: QUALITATIVE EVIDENCE FROM A SAMPLE OF ASSET-POOR OLDER AUSTRALIANS

In this chapter we analyse qualitative data collected through 30 in-depth semi-structured interviews and three focus groups comprising older asset-poor Australians currently living in Melbourne's metropolitan area. This part of our report drills down to uncover the housing predicaments of over-55s [13] who did not accumulate sufficient housing or other wealth to cushion their retirement years. It complements the quantitative material discussed in the preceding chapter which looked at the role that assets and debt play in shaping the pathways older Australians travel along before entering housing assistance programs. Both approaches aim to identify the emerging issues and challenges facing policy-makers as awareness of the housing problems of asset-poor older citizens spreads beyond the policy community.

The interviews and focus groups were conducted and recorded in late 2009, then fully transcribed. The two different qualitative data collection methods have the potential to result in different types of data. The confidential one-to-one interview generally puts interviewees at ease so they are more likely to provide unguarded but considered responses. This is especially important in a project like this when private issues such as finances and adverse life events are discussed. The focus group (up to 10 participants) situation is more 'public' and dynamic and usually results in brainstorming and critical exchanges between participants, where a multitude of issues, perceptions and attitudes come to the fore. Consequently, interviews and focus groups were differently focused: the first on personal situations and the second on policies. This chapter thematically analyses those narrative data. Members of the research team responsible for this part of the project met several times before, during and after the qualitative data collection process to ensure that it proceeded in a coordinated manner and that high quality data was gathered to illuminate the following research questions:

1. What coping strategies are being used by asset-poor older Australians to address the housing implications of their financial situation?
2. What are their views on how and whether current Australian policies address their housing needs?

Our sample of asset-poor respondents was selected with reference to the variables of gender, age/retirement status and housing tenure. Of the 30 people interviewed, 16 were in rental tenures (6 in private rental, 10 in public or another form of subsidised rental) and 14 were owner-occupiers. Of the 16 renters, nine were over-65s and seven were over-55s. Among owner-occupiers, 2 were over-65s and 12 were over-55s. Women were overrepresented among renters while men were overrepresented among home owners, which is not surprising as it matches the gender-imbalance in the distribution of wealth in the general population. Older divorced men are more likely to subsequently re-partner than divorced women; economies of scale in consumption promote couples' rates of asset accumulation and are influential in helping older men regain or sustain home ownership.

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[13] While the nature of the quantitative data used in this report favoured the use of the 'over-50' category, our interview data was collected with over-55 participants. The main consideration in this decision was that most people remain economically active in their early 50s and, if so, are likely to be at the crest of their earning curve. Therefore, their 'asset-poor' circumstances are more likely to be final later in life.

Our plan was to achieve a gender- and age-balanced sample (55–65 age group as the 'pre-retirement' age and over 65s as 'retirement age'). Our final sample is not fully gender-balanced because female participants were considerably readier to take part in interviews. This is a well established phenomenon in social research: women are less guarded in sharing their 'problems' with researchers while men, under more social pressure to 'succeed', especially in economic terms, might have been reluctant to participate in research investigating the housing consequences of relative 'asset poverty' in later middle age. Our sample, therefore, consists of 20 women and 10 men. Similarly, 55–65 year-olds predominate in our sample—we interviewed 19 55–65 year-olds and 11 over-65s. These 'imbalances' do not compromise the quality of our data and our ability to draw from them, because the number of interviews is sufficient to cover every sample-selecting variable. The age of respondents varied from 55 to 92, with a majority of respondents being in the 55–70 age group.

The final structure of the sample is partly a function of the nature of our recruitment process, which began by general calls to the public and was followed by a more targeted recruitment call to council services dealing with people over 55 and in housing stress. Our call for participants was also advertised in 'seniors' magazines distributed by the Housing for the Aged Action Group, North Yarra Community Health Services and Women's Information and Referral Services. We also advertised our research projects through RMIT email networks. A number of services that work specifically with older people, including the Royal District Nursing Service and Wintringham, were also approached. Among people who responded to our call via council assistance programs and similar services there was a high number of lower-income older people living in situations of housing stress—that is, spending more than 30 per cent of their income on housing.

In the Australian policy context, housing assets are the most important vehicle for wealth accumulation. Until the late 1990s Australians had 60–65 per cent of their wealth tied up in bricks and mortar (Badcock & Beer 2000) and about 17 per cent of Australian taxpayers are small real-estate investors, owning approximately 20 per cent of the housing stock (APC 2004, p.xviii). Using estimates from the HILDA Survey, we find that these proportions have remained unchanged up to 2006. It is therefore unsurprising to find that renters are overrepresented among asset-poor older citizens. However, with a changing social context, the housing pathways of the baby boomer generation are responsible for a new group of asset-poor Australians: those entering, or who are likely to enter, retirement as heavily indebted owner-occupiers—an outcome often associated with one or more breaks in owner-occupation earlier in life. Tenure churning—households bouncing back and forth between tenures—is usually due to separation and divorce, while other adverse life events, such as job loss and illness are less common catalysts. The worst affected asset-poor group seem to be private renters, many of whom face housing stress after retirement. Some find it impossible to afford market rents in the private rental market, and can be 'rescued' from acute housing insecurity by the supply-side housing assistance programs, that is, public or community housing, though growing waiting lists mean shrinking opportunities in this housing sector.

In the rest of this chapter we look at three themes that feature strongly in the interview and focus groups data:

- key features characterising the housing career pathways of older asset-poor Australians, which help shed light on how this group ended up in their present predicaments
- their coping strategies and future prospects

→ their assessment of how and whether government policies assist asset-poor older citizens with their housing needs.

All three themes are illustrated by verbatim (except for shortening indicated by square brackets) citations from interviews and focus groups. Quotes are attributed to participants by identifying their relevant demographic characteristics (gender, age, tenure[14]) and interview number. This information is placed in brackets after the direct quote. The real names, locations and any other particulars that can identify participants are avoided or changed for confidentiality reasons.

Our interview data cover a broad range of experiences that characterise retirement insecurity. While this project is concerned primarily with economic/financial insecurity based on asset poverty and its consequences for housing situations at the time that people's incomes inevitably decline due to retirement, another issue features prominently in our participants' accounts—a more broadly and not just economically-based feeling of (in)security, that we analyse under the label of 'ontological security'. The 'emotional economy' of asset deprivation in older age is a dimension that quantitative analyses of secondary data cannot unearth. A concluding section to this chapter draws the three main themes together, and discusses what constitutes an 'ontologically secure' retirement, with a special emphasis on the role of housing.

3.1 Housing career pathways of asset-poor older Australians

We identified two main pathways into relative asset poverty in older-age: the most usual seems to involve 'tenure churning', while the other one is life-long renting. *Tenure churning* happens when a precarious foothold in home ownership (often aided and abetted by marriage) is dislodged, commonly because of separation and divorce, but sometimes because of other generally unanticipated adverse shocks. Many people repeated this pattern more than once, some of our respondents three or four times.[15] Every time they married or got involved in a committed relationship, it was celebrated by an attempted come-back in the housing market. One of our respondents purchased his last property at age 68, but could only secure a short-term home loan and consequently buckled under the devastating combination of a debt burden and his third wife's terminal illness. A female respondent told us that when her marriage broke up 'she lost everything and went back to renting for 4–5 years with two children'. Later on, she re-partnered and bought another co-owned property, but the relationship broke up again and she ended up in the rental market one more time—this time alone because her children were independent by this stage. She is now once again an owner-occupier. Another woman told us that when her husband (a highly-paid professional) 'left without warning', she was 'left with virtually nothing but [four] children'. The large mortgage secured against a farm property that they also lived in was repossessed and she had to confront a 'terrifying moment of being virtually homeless'. Now at the age of 63 she has returned to home ownership but cannot afford to retire.

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[14] Tenures: HO=homeowner (outright owner or owner-occupier with a mortgage debt); PR=private renter; PubR=public renter (a person living in public housing); AC=aged care housing; CH=Community Housing (subsidised housing, but not public housing managed by the State Government)

[15] It is worth recalling the quantitative findings in Chapter 2, and in particular the large numbers of previous owners that bounce back and buy another house shortly after what are often financially stressful situations. Of those who fell out of home ownership between 2001 and 2006, 45.5 per cent had returned to home ownership by the end of the data collection period (2006).

The insecure pattern of tumbling out of home ownership and later on scrambling back, with the help of a large mortgage, means that many people approach the end of their working life as either renters with minimal assets, or home-occupiers with a substantial mortgage debt. In both cases their predicament means that they lack the security of assets that can be drawn on in emergencies. While divorce is the most common catalyst of tenure churning, death of a partner can also prompt the end of owner-occupation, as in the following case:

> When B. died, the property was in his name, I didn't own any [proportion] of the house we were living in, and his kids evicted me. Before that I was with the Office of Housing [in public housing] and really liked it, so I'm trying that again.

The other main housing career pathway into asset poverty in older age is *life-long renting*. If combined with modest income, this is often a precarious existence, as the following example illustrates:

> Well, I've only been living in public rental housing for two years. And the previous forty-two years I lived in forty-three rental places. That's more than one shift a year. More often than not, the landlord sells and off you go, back looking in real estate agents' windows. Or perhaps the rent goes up to an unaffordable level and you've got to move […] I made the list, I was about six months into living in public housing, where I could breathe. The equation of food or rent this week no longer existed because I could afford to eat and pay my bills after I'd paid the rent. And I sat down, it was one night, and just wrote down all the addresses I'd lived at. […] Well, I missed some, but probably over a fortnight I reckon I got the lot and it added up to forty-three. Moving on. Moving on …

Apart from the financial pressure from rising rents, this example also draws attention to the debilitating housing instability of private renting, as the longest lease is as a rule only twelve months long. For life-long renters with low incomes, short leases and virtually unregulated rents, their housing careers can add up to one of permanent housing stress. In some cases, especially when low income is combined with illness or disability leading to pension entitlement, long-term private renters are able to make a transition into public housing or other forms of subsidised social or community housing. While some people enjoy this as a satisfactory 'final housing solution', others see it as a social risk. We return to this issue below.

3.2 Coping strategies and future prospects

A condition of asset poverty close to retirement age, or in retirement, represents an unenviable situation because the Australian age pension is a basic entitlement calculated to cover not much more than essential living costs. It is therefore problematic if the cost of housing—in the form of either private rent or mortgage repayments—continues to be high at this time. Our respondents managed this situation in various ways and with varying degrees of success. Property owners had more choices and can draw on the equity in their home, as indicated in the following quotes:

> My housing is quite secure but the house needs a lot of work. Instead of borrowing to fix the house I may knock the house down and build four smaller dwellings, live in one and sell others to contribute to my retirement fund.

Another owner-occupier had a similar idea but due to a big mortgage debt felt insecure:

> My mortgage now is bigger than I've ever had a mortgage before … so I feel in some ways trapped by it … And I feel like I have a lack of options available to me. I have to keep working. 'Cause you have no other option … If I want to retire at any reasonable sort of age, something would have to happen to help to pay that mortgage off, and I'm actually considering subdividing the block.

A number of our participants experienced their housing situation as a problem. Even if it was currently satisfactory, stable and technically permanent, the prospect of 'ageing in place' may be unsustainable due to circumstances that cannot be anticipated with perfect foresight. These circumstances include health, home maintenance, declining income, and increasing costs (e.g. medical costs and amenities). For some people, the quality of life was adversely affected by their current housing and/or financial situation, e.g. essential needs such as nutrition, housing comfort (e.g. heating and cooling) and social contacts (meeting friends regularly and keeping in touch with extended family) had to be reduced or carefully managed. The ability to pursue favorite pastimes (e.g. joining sport or other clubs, travel, attending concerts, exhibitions, etc.) was, of course, compromised in such a situation. The following quotes illustrate how precarious financial circumstances shape the life styles and opportunities of people:

> There's just so much stuff you have to go without … Petrol [is expensive], so you can't get out much. I don't like going on buses and things…The car gives you an amount of independence, … I'm able to go down and see my daughter and the grandkids. … I'm not that way ['money hungry']—I just need money to survive and pay my bills and just do a little bit of living … If it wasn't for my son we couldn't live here because he pays half the rent. I couldn't pay it and he gives me half the food.

Private rental is an insecure housing solution for people on an age or disability pension. The following participant was hoping to be allocated public housing:

> Like now I only use powdered milk which costs $6 and lasts about two weeks. And I don't have any accounts except the one at the chemist. It's been quite a bit of a worry because I don't exactly know where I'm going to go. I'm not quite sure which way to think. Planning for the move will be a rushed thing I think [because] they [Office of Housing] can't give me too much notice. They will just say 'here's the place' and I will have to go.

Another participant alleviates a financially constrained life style by employment in a very low-paying part-time job, despite being way past retirement age:

> Well, I go to these places for free meals and I get a bit of help from those [services]. And I do pamphlets and earn just a small amount on that…which all helps, [it] keeps you going. I worked it out—I get about $3 an hour, that's all it pays. [Lack of money] sort of curtails your life and [for a time] I wasn't going out and I wasn't doing anything. … I was like a hermit.

The following quote comes from a participant who had to compromise on a basic home comfort:

> And we are finding gas and electricity now climbing higher and higher. I only set the heater when somebody comes in. Nine times out of ten I have got a doona around me.

Some people who were currently able to cope well financially nevertheless expressed concerns about the future. Consider the following quote:

> … electricity is going up, rates are going up and that sort of thing, all the amenities are going up, telephone, I often wonder if I am going to be in my old age too scared to turn on the heater because I can't afford it. I mean, when I got my last gas bill I nearly fell over, it was nearly $400 … If I'm healthy I will be OK, if I don't have huge medical bills or I don't get a condition where I have to have some medication that costs a fortune or any sort of procedures or anything like ECG, it costs a fortune … So yes, I will continue doing what I do now [working part time as an internet copywriter]. I do not want to live off the age pension. I mean what is it? It's breadline money—I think it's $300 a week?

Most interviewees seemed to handle their situation remarkably well. There was a sense that these older Australians accepted the 'inevitable'—the idea that once a person runs out of choices s/he had to make do with what is available. Nonetheless, there was criticism of government policies, as shown below. The following quote made by a home owner emphasises the importance of making one's housing choices in a timely fashion:

> I feel it's very relevant to say that everybody has to downsize while they're still capable of doing it themselves so that they can decide whether they like the place and the area and not wait until they actually depend on someone else to make those decision for them … they've got to look at locality being close enough to relatives but not expect them to see your daughter every day … And you've also got to look for availability of something like clubs and things that you might like to join. You've got to do it yourself.
>
> [Q: How do you feel about the prospect of perhaps transferring to the nursing home?]
>
> I realised that it doesn't matter how I feel about it, there's nothing I can do about it, it's kind of becoming inevitable.

The following quote comes from a participant who planned to combine downsizing with part-time work in order to maintain a reasonable standard of living in future years:

> I probably will have to keep working, I don't know how, and that is something that I need to actually think very carefully, how I am going to do it. I suppose probably I will have to get into some kind of business, maybe EBay. At the moment I am sort of thinking along those lines. And I'm actually thinking should I keep on building superannuation … I think about selling the house within the next couple of years and move to something smaller when I'm working, or buy something now and rent it out so there are quite a few possibilities...

Downsizing to release equity is of course an opportunity not available to renters. The latter frequently reported working part-time and at an age when most would be retired, but the earnings were critical in order to meet private market rents that typically continue to increase past retirement age.

Apart from managing financial stress, there are the important psychological and emotional strains that older people must cope with, especially those who live alone. In this context, extended family, local community and friendly networks were highly valued among our participants. For many, close relatives, primarily grown-up children, lived far away and could not assist on a daily basis.

Place of residence preferences for their desired 'final housing solution' varied substantially among our participants: from opting to live in the urban hub to enjoying rural space and peace:

Things like building [flats] over a railway station, that would be terrific. You're right on transport, you're right in the shopping centres, so that sort of thing I think would be perfect for older people.

Not everyone shared such inner-urban tastes. Several respondents had rural preferences and a so-called 'tree change' (moving out of cities to country areas) was often perceived as a way to reduce housing costs.

I actually probably think I'd like to go and live in a big regional town or somewhere like that because my background, we've always had farms and things like that. I actually like the space…

Some housing career plans and preferences were clearly culturally determined. Asian Australians, at least the first and second generations, generally have a strong sense of familial obligations and in turn a pronounced aversion to 'institutional solutions' such as aged care facilities. The following quote comes from a participant who lived in a three-generation household, with her grown-up children (who did not contribute to the cost of running the household), and her mother. This generosity towards the grown-up children was made with the expectation that it would be reciprocated when the parents reach old age:

I would…my husband and I we would probably rely on our children for help when we're older, when we need it … Hopefully I won't be living there [in a nursing home] because sometimes, I heard a lot of things about it, because although the carers are really good, sometimes they don't have enough [carers]. So that is really a concern …

Anglo-Australians tend to emphasise the importance of independence in retirement, in accordance with the general cultural norm of individualism and financial autonomy—people priding themselves on not needing financial assistance. In this cultural context, reliance on children for support is considered a last resort to be avoided:

I mean that's horrific—fancy having to live with your kids, you know. And it became quite an issue at the time, you know, absolutely not. You know, we're going to make our decisions about our lifestyle and not having other people, you know, making decisions for us. … The privacy thing, the independence, it's independence more than privacy, to maintain that, and it's tied up with self esteem and direction and control of your own, your ability to make decisions you know, and that gives you…that's all to do with self confidence and a whole lot of different things.

As one participant in community housing told us, 'It [a lack of choice due to financial restrictions] erodes your sense of independence'. Another woman living in an aged care facility due to advanced age and illness, rather than financial reasons, had no complaints about the accommodation and standards of care, but still regretted being 'stuck here' while she'd much 'prefer to have lived independently at home'.

Attitudes and emotional responses to the problem of housing in older age were, not surprisingly, varied. Consistent with a recent British report, however, we found a feeling of optimism about the future among the younger cohort (55-65 year-olds), which did not always correspond to their 'objective' situation. A UK Department of Communities and Local Government (2008:8) report states that most people are 'reluctant to consider their future [older] selves'. This may be an understandable denial of ageing and its consequences for housing and other aspects of life. The following quote is illustrative:

… that's something which we were agreed kind of, that we won't talk about things that are going to worry us or whatever, you know. But I suspect it's in my mind more than Heather's [wife]. Periodically Heather gets into a bit of panic about it, and I sort of hose her down a bit, and everything's okay…

Somewhat puzzling were the perspectives of a number of interviewees who faced difficult financial situations (e.g. living on age pensions and in private rental), yet expressed less concern about the future, than home owners and other people with seemingly more housing choice in old age. Perhaps this is a matter of expectations and the housing and wealth accumulation profiles preceding their current situation, To a participant who successfully kicked drug habits after decades of drug abuse and intermittent homelessness, his present position as a recipient of housing assistance in the form of public housing, coupled with a disability pension, seems an excellent outcome, as the following quote indicates:

> Well, I think basically public housing's fine for me. It is the solution for me … It's the security that I can never get thrown out. That essentially 'til I die I've got a roof over my head. Now housing is the greatest indication of poverty without a doubt. You fix the housing situation for people and essentially their problems are solved. You know let's take out drug addiction and gambling and those sorts of things, but look I've self-quarantined my income. I've got [amenities] directly debited out of my account.

For someone who lived a conventional middle-class existence but lost much of their accumulated wealth through divorce or other adverse events, being at the receiving end of a housing assistance program would no doubt provoke different feelings. People who spent their working lives gainfully employed but did not reach what they would consider a satisfactory level of financial comfort by late middle age, are likely to feel frustrated or even bitter about their housing circumstances. One participant commented:

> By the time I reached that stage [retirement] this incredible difference between haves and have-nots just escalated so incredibly that I found myself in a demographic of poverty. And that's quite shocking, I can talk to anyone around here [in community housing] and they would all agree. They had all done the same things. They all owned their own homes. They all worked. They all raised families, everybody. And now they're here, you know, and find themselves in that category that is looked down upon … So, yes, from that point of view, the housing has not met my expectations … In terms of what is available to me, and it seems, when I go, went from my own home to this and now, I might end in a high-rise somewhere. What does that say about our society?

The following two quotes also convey an unfulfilled sense of entitlement: a feeling that one has not received a fair share of general prosperity. Such a sentiment may lead to 'scapegoating' as the following two quotes illustrate:

> People like me, my generation, we've busted our guts our whole life and paid taxes and we don't get nothing back for it. And I get annoyed when I see, not all people on the dole are bludgers, there's a lot of people out there who are very genuine. But I also see a lot of people … living off the bloody government pensions and stuff and I'm a real political dinosaur here, I don't know your background, but single mothers and things like that have multiple children to multiple fathers and all this, that should be stopped. If I was a politician, that wouldn't happen. Everyone's entitled to one mistake…

> … I'm not racist but I do get upset when I hear along the grapevine about people coming from other countries and coming into our country and getting better deals than what the Australian people do …

3.3 Assessment of government policies assisting asset-poor older citizens with their housing needs

There is a critical view of government housing and retirement policies, which is to be expected from a sample of asset-poor older citizens. But the criticism is particularly strident on the subject of housing opportunities for older Australians. The following quotes take a broad sweep on housing policy in Australia:

> I believe the housing market is a gigantic fraud. It rests on exclusion and it's essentially a political issue. If you can keep the populous happy and housed, the majority working their lives away to pay off their house, [that's] fine, but the reason that we've got 180 000 people on the public housing [waiting] list in Australia is because the previous government believed in the free market and the free market doesn't work. There's no such thing as a free market. It is always subject to regulation and control. It's just who controls it and whether they're going to do anything about it [housing older asset-poor people]

> Housing for everybody should be a right not a luxury and for a lot of people now housing is becoming a luxury, it's just terrible … Other countries throughout the world have got better [housing policy] than what we [do] …

> Well, public policy is seriously lacking … There is a flurry, and there's lots of announcements and Julia Gillard has taken on the extra portfolio of social inclusion but, you know, not a lot happens … I remember, back when I was in my forties, I think it was, when governments were still selling off public housing. And they're paying for it now because they just don't have the stock. And because they had assumed along with everybody else that people would always buy their own homes and then be able to just go on from there. But it's not always the case and, you know. … And that's part of this great divide. There shouldn't be. I mean, there have always been sections of the population that have lived, needed some form of housing provided, and you know, there was never a stigma attached to it before. It's only come about with this incredible divide that's been artificially created with inflated salaries etc. and access to money, like access to finance.

The following three quotes express concerns about the lack of public provision for the aged in regard to general welfare (1), providing subsidised housing (2) and securing decent aged care facilities (3):

> I don't think the governments are looking back [at older people], they are looking forward at the next generation with the first home buyers grant and infrastructure about employment and all that stuff. They're looking that way instead of at all these people who were never on the dole and put this infrastructure in place and never got anything, never lived off [government support]. They have just neglected us [baby boomers] completely in the fact that they have not provided for us.

> But no, the aged aren't cared about much in this country. In other countries they look after their aged people, the family looks after the aged people and all that sort of stuff, but not here, we live a different sort of life. I always wonder what happens to this money that the Ministry of Housing gets … what they do with it, they don't do much upkeep on the houses and they don't build much.

> After seeing dad in a nursing home, I do not want that for my mother. Regardless of what, how bad she is, I will take her in and look after her until whatever. Because, again, the hospital system is a disgrace. I can tell you some horrendous stories when dad had his stroke and things like that. Aged

> care is absolutely minimalistic. It's, you know, my dad worked three jobs when he first come to Australia. He worked around the clock … And to end up in a little room where nobody really gives a damn and because of budget cuts, budget cuts … I mean, because of his stroke, he couldn't go to the toilet, he lost use of his legs, and they were allowed three pads a day. So if you pooped or wet more than three times a day well that's too bad because the budget says you can only be changed three times.

Our participants often emphasised home ownership as crucial for one's financial well-being in older age, but the relationship with the 'Australian dream' of home ownership and housing wealth was both a financial and an identity issue: being a part of the wide Australian 'home-owning middle class'. One woman who fell out of homeownership through divorce but regained the status via shared ownership with her sister told us:

> It needn't be big, but it needs to be mine, yeah…because renting, I absolutely understand financial reasons for why you would rent and the pros and cons, but it doesn't satisfy my need for security and also I like to alter, I like to create my own space … And we all own, I am lucky you know, I am middle class, we are all in, you know we are all middle class, we all own or nearly [own] our places.

According to many analysts, however, the Australian home ownership rate is likely to decrease in the future. This projected decline, combined with chronically underfunded public housing assistance programs, is likely to leave an increasing number of people in the private rental market. Current developments in social housing reform, as formally set out in a recent Federal Housing Minister's Discussion Paper (Australian Government 2010), seems focused on creating a more differentiated and integrated social rental market, in which housing associations and other private non-profit providers compete to supply affordable housing. This housing reform has the potential to make social rented housing a more attractive alternative to owner-occupation, and if it succeeds the home ownership's grip on Australian household aspirations may weaken, with the result that our housing system will look more like those of several European countries (Elsinga et al. 2008). This could improve housing choices for older asset-poor people, but it will have to be a longer-term process from which baby-boomers are unlikely to benefit. This vision for Australian housing is one that contrasts with international developments, where unitary rental markets may be under threat, and most developed countries are moving towards the home ownership society model that is characteristic of the Anglo-American countries (Elsinga et al. 2008).

Most of our participants took the view that public or affordable social housing should be available as an appropriate housing assistance solution for asset-poor older people:

> Australia cannot get up and talk about how it's lucky if you've got widespread homelessness. It's absolutely no excuse for it. None whatsoever in Australia. You know America is the perfect example of where the free market fails. Look at the housing situation in America. It's absolutely diabolical. You will get social violence in Australia on a pale with what happens there if you don't and that's what will happen. So if they want to keep a lid on it, that's what they've got to do [provide enough social and affordable housing].

> Oh, I need cheaper rent, that's [my] ideal [housing] scenario. [But] the only option is to get into one of those Ministry of Housing places. [But] you have got no hope, it is 10 years wait. [It is] only one-bedroom units that I would get into (i.e. not bed-sits).

> I do not in any way think the government provides adequate housing for those people that need it. I think there should be much more government housing. I think it should be really pleasant.

> I don't have a great deal of faith in the government's approach to public or community housing. They just do not see it as big an issue as those people who need it. And in my lifetime it won't ever be, it won't ever reach the amount of housing that is really needed.

In terms of type of communities for the aged, our participants were in favour of more communal, connected living which benefits not just the elderly but everyone because 'families are also isolated in the suburbs'. Advocating mixed communities that do not isolate older people from the rest of the community was a point made repeatedly:

> Ideal housing would be a communal kind of housing where there would be children, a mix of people that are old and alone and people who are young just starting families and that is actually something that support each other because a lot of young families who are by themselves are isolated, the children and just a mummy and daddy unit which I believe is really bad. … I think there are some developments in Northern Europe where they build sort of areas where they are circular. So the houses, is accessible by the car from the outside; the inside is basically a park and garden and playground for kids. Something like that where actually a community sense can develop, I would think that is ideal.

Several other participants expressed a similar view:

> Yeah, with housing the only thing I've thought quite deeply about is it's a pity that older people are isolated into you know, specific nursing homes and that sort of thing because it's as though in a way they're no longer useful to society and you know that's actually not true.

> I think it should be mixed communities…they're not creating a proper community because a proper community would never be all the same sort of people in one place. It would be older people, young people, rich people, poor people and I think the government is actually creating social problems by doing this. It's creating little pockets of unhappiness, I suppose.

> I don't want to live with a lot of old people …. It [should be] purpose-built public [housing] for every age group, so it's like a little village … but supposing a child needs babysitting then: 'will you do it?'. 'Sure.' That would be wonderful. That sounds ideal.

For several respondents, public housing as it is today was not seen as a desirable housing assistance solution. While their financial stress may be eased on moving into public housing, the move concerned them as 'socially stressful'. Some people choose to isolate themselves and not communicate with their 'bad neighbours'. We heard the view that a sense of neighbourhood community was absent in the public housing environment; rather the neighbours may be a burden or pose a risk. In some cases, a public housing tenancy resulted in such isolation that people tried to keep in contact with their previous communities.

> I actually went to the housing commission. Told them my story. I was just old enough, had to be 55, and they had special places for older people. I wouldn't put a dog in there. I just wouldn't. It was awful.

The following respondent also had a very critical view of the public housing environment, but blamed policies and regulation rather than tenants:

> I didn't envisage being in the OoH [Office of Housing] situation. But then again that was before I got the tumour and things happened and one of the daughters was left in the lurch with four kids to raise, and things like that. These things happened and they change your plans. It would be nice to win some money in tatts lotto and I could help them out better … It's a bed-sitter [Q: how does that work for you?] As though I'm in a box … As soon as I moved in there, I got [another] application [for another public housing flat]. They have this policy of not allowing residents to drink down in the outdoor area around the flats. What they're doing, as far as I'm concerned, by forcing people just to sit in their bed-sitters and little units to have their drink, they're going to have a lot of problems as far as mental attitude goes … I always used to grow my own veggies. [But] OoH sold public land to a private developer, destroying community garden and most of outdoor space. And where's the open space for the residents in 12-storey blocks, where's your open space?

Our participants also had a number of suggestions for the design of dwellings and communities housing older people. There was an across-the-board support for the 'universal design' of dwellings that remain suitable for people as they age. Other suggestions included car-free green spaces accessible to the elderly and disabled as well as family friendly spaces that are part of 'mixed' communities. The latter were preferred to what one respondent described as 'an old people's ghetto'.

3.4 Conclusion: the importance of housing for an ontologically secure retirement

It has been more than two decades since the notion of ontological security was first used in housing research (Saunders 1990). Giddens (1991) argued that basic to a feeling of ontological security is a sense of 'reliability of persons and things'.

Although it is widely accepted that people need more than economic security to live happy and fulfilled lives, in a market democracy such as Australia, where economic growth (for societies) and economic prosperity (for individuals) are considered the main criteria of success (Pusey 2003), many people view economic security as the primary source of ontological security.

The past decades have witnessed a weakening of the nuclear family and local communities as sources of identity and ontological security. This is partly due to high residential mobility. On the other hand connections between consumption, status and identity have become more prominent—the diminishing of 'people-based' ontological security may be compensated by the emphasis on 'things-based' security.

For most people we interviewed, their home was on the top of the list of 'things' they needed in order to feel ontologically secure. Their financial situation and the household's corresponding housing circumstances, particularly housing tenure, were universally acknowledged as critical to an ontologically secure retirement. This is clearly expressed in the following quotes:

> Work and work hard [when you are young] and get yourself into a property, buy yourself a property when you're young and do it that way so that you've got somewhere to live for the rest of your life.

> I feel like I am in the group in the middle and I've done everything myself and it's very important for me to be independent. I don't want to rely on anyone ever financially. I have to feel in control because that gives me a sense of security

Apart from a general emphasis on the home as a source of security, housing tenure is part of one's identity—being a 'home owner', a 'home purchaser' or a private or public tenant may shape how one is perceived by others and how one perceives oneself (Colic-Peisker and Johnson 2010). In Australia, home ownership provides a higher status than renting, and owner-occupiers are often considered to be more active participants in the life of their neighbourhoods, a connection which represents another source of ontological security. Home owners are more likely to couple the interests of their neighbourhood and suburb with their own (Colic-Peisker & Johnson 2010). In a society where personal wealth accumulation happens primarily through housing (see Wood et al. 2010, pp.9–10, p.16, p.18, pp.49–55), home ownership is also a ticket to full financial citizenship. Asset-poor older people who, in the majority of cases did not achieve, *or did not continuously enjoy*, the advantages of home ownership, may therefore feel less ontologically secure, a feeling that can exacerbate the psychological and emotional vulnerabilities of older age. This is an important point in view of our findings (to be reported below) that significant numbers of older Australians are falling out of home ownership, often because of financial stress. Furthermore, we discovered that these people were more likely to subsequently transition onto housing assistance programs than the typical renter. This is alarming in view of the strident criticism of housing policy evident in so many of the interviews reported in this chapter.

We asked our participants how important housing was in their current and future quality of life. The answers varied from 'extremely important' to 'not at all important', with most respondents siding with the former view. The following quotes illustrate a range of positions on the subject:

> It will probably be something like living in a tent or in a caravan [in retirement] because that will be affordable and I want to spend as little as possible for housing. I can't see myself spending most of my pension on housing. That's not where I want to be. Social housing? The way it is at this point in time, if I look at the stuff here in Melbourne; no thanks! It's, I think, just really quite degrading.
>
> [Q: What role does housing play in your quality of life?]
>
> It's minimal. If it happens, great, if not, I'm adaptable. I don't feel like I need some amazing house to feel happy. I believe that's a lot of crap … I guess having been brought up with it, my parents rented, we never owned a place. In Germany, it's the normal thing. You regard your [rental] place as your own, so I've always regarded my place as, even here, as my own.

However, this was not a widespread view, as most respondents attributed high importance to their housing circumstances in older age:

> Roof over my head is the most important to my quality of life. I do not want to be in public housing … this reflects my lifestyle. I have bought [my property] to reflect the lifestyle I wanted in the area I wanted with the neighbourhood that I have wanted. It is really, really important.

For most people, satisfactory housing included an expectation that they would be able to maintain their desired lifestyle, and afford things they cared about. Hence, security of tenure and family support may not in all cases translate into ontological security. For example, as already mentioned, most Anglo-Australian baby boomers have their doubts about living with their grown-up children. Consider the following two quotes:

> My daughter wants me to go and live [with] her at the back of their place. I can't imagine anything worse: being stuck in the suburbs in the back of

somebody's property, I mean to me that would be like a jail sentence. I wouldn't tell her that, but that's how I would see it, a shocking kind of isolation …

I have an offer of accommodation with my son and his wife, that's in Brunswick. They're, one of these days, going to remodel their house and there's a room and a bathroom for me, they keep saying. But I don't think I would like to do that. It would be nice, but I'd have to uproot and change everything all over again … At the moment, cynically, I'm useful. What happens if I'm not useful? It's not an if, it's a when.

Expectations are a prominent factor in creating a feeling of ontological (in)security. There are powerful generation-specific and class-specific expectations that may override financial realities. Middle-class baby boomers expected to be home owners and also expect an active retirement:

I'm not really a house person. I don't want to sit around at home all day. The idea of sitting down and reading a book is kind of a fantasy that's out there, and if I did it, it would be at home … [Q: What role does your housing play in your expected quality of life as you age?] Probably not much. Its location is really important. If we weren't where we were our lifestyle would be very different. So I suppose in that sense it's very important.

For the majority of people who have expectations of a comfortable retirement made financially possible by home ownership, it is painful if such expectations are thwarted:

… Because we can have it [home ownership] in Australia, we want it… because it's available and was once readily available, and we have enjoyed it and it was once the goal of everybody and the fact that it's affordable to a certain extent … in my time it was affordable and an expression of self.

For those who can afford it, retirement may represent the beginning of a desired lifestyle, rather than its end. While financial security in retirement often hinges on full home ownership, one of our married respondents described their vision of retired life to be 'making up for lost time'—even if this means living as a renter:

We just love travelling and seeing new places, doing new things. We would hate to think that we couldn't travel, we'd hate it. And for both of us it has come quite late in life … it's a second time marriage for both of us and so we haven't been able to be financially secure up until now to do it so we're making up for lost time.

Q: So this decision [not to buy a house upon moving to Melbourne ten years ago] is about saying 'well maybe housing isn't as important as being able to do these other things'.

P: Yep.

The reliability of 'persons'—the second factor singled out by Giddens (1991) in his conceptualisation of ontological security—pertain, within the issues we explored with our participants, to family and wider social networks that one can be depended on in retirement. People who were partnered (a minority of eight among our participants) had a considerably more positive outlook on their retirement future, regardless of their 'objective' financial circumstances. It is hardly surprising that a stable life partnership can enhance a feeling of ontological security, even if financial foundations are not rock-solid. This goes beyond the mere economic consideration of 'economies of scale' that give a couple economic advantages over a person living alone. Their feelings of security were equally importantly founded upon the expectation of emotional support and the prospect of activities that can be enjoyed together. Loss of a partner either through death or divorce makes economic survival in retirement more difficult and also requires more emotional reliance on social networks, as shown in the following account:

> I don't have my husband with me. And that then, you know, that made, I guess that coloured why I'm here, too. Because on your own, you feel, well, I'm sort of naturally drawn to a community I miss. So there is a community here [in community housing in St. Kilda], a sense of community. Had he still been alive, I guess we might have looked at some other option.

The following quote in a way summarises the issue of ontological security discussed in this section. It draws attention to the fact that the prospect of ageing in our individualistic society may in itself represent a challenge to this security.

> I am really very frightened about the entire prospect of growing old, and being alone, and having the responsibility of maintaining a home with no real family support—and I don't imagine I am the only one. I think that with an increasing migrant population, increasing levels of single home owners—or renters—and the ongoing 'separation' effect of the nuclear family, that these fears will become more real and more widely acknowledged.

The interviewee makes a connection between ageing, housing and the prospect of loneliness among many older single householders. She also suggests, implicitly, in line with many other accounts, that home ownership—in her particular case an outright home ownership—and generally secure housing, while probably not a sufficient condition for the feeling of ontological security, is a very important contributing factor in the Australian socio-economic context.

4 THE DRIVERS OF ASSET POVERTY; DETERMINANTS OF 'SURVIVAL' IN HOME OWNERSHIP

4.1 Introduction

Among older Australians, a key dimension of asset poverty is loss of home ownership status. The quantitative analyses reported in Section 2 offers strong evidence to suggest that those recently selling up and subsequently renting map out an important pathway onto housing assistance programs. The qualitative evidence paints graphic pictures of the often desperate circumstances that characterise the routes travelled along before housing assistance becomes inevitable. This group are much more likely to be eligible for housing assistance than the typical older renter. In this section, we learn more about these individuals and the circumstances surrounding their exit from owner occupation. Identification of the events and situations that precipitate such transitions can help the design of preventative interventions that could help precariously positioned home owners evade housing assistance, and maintain satisfactory housing conditions into old age. The numbers of older Australians affected by this dimension of asset poverty are in the hundreds of thousands. We estimate that among older (50+ years) Australians that had a spell in home ownership between 2001 and 2006, 11 per cent, or nearly 350 000, had lost home ownership status by 2006. In 2006, 18 per cent of older (50+ years) renters had been homeowners in 2002 and 50 per cent (or 527 300) had been home owners at some point in their housing careers. Of the nearly 350 000 that dropped out of owner occupation since 2002, 36 per cent or just over 1 in 3 were clients of housing assistance programs in 2006. This section is then addressing the asset poverty problems of a sizeable section of the Australian population that is likely to bulge as population ageing intensifies.

We begin by outlining the methods employed in the quantitative analyses of 'survival' in home ownership. Data sources, sample design and measurement issues are all addressed here. We follow with a description of our main findings and their importance. The models have a direct policy application because they can be used to simulate policy interventions designed to promote survival in home ownership. Following a description of two overseas policy initiatives we report results on their likely effectiveness.

4.2 Method

We start off by selecting a balanced panel of independent responding people who have complete records in every wave between waves 1 to 6.[16] The reason for selecting a balanced panel is that we require everyone in the sample to have wealth data from wave 2, a critical variable that enters our model of survival in home ownership.

We then go on to create a dataset containing home ownership spells, where a spell is a period of time during which the sample member has retained some kind of status such as unemployment or, as in the present study, home ownership. The home ownership spells are constructed using survey responses to questions eliciting housing tenure in each wave of the HILDA survey. Our approach is based on the analysis of spells in home ownership that were ongoing in 2001 or that started after 2001. So, if a person is recorded as a home owner in 2001, 2002 and 2003, but falls

[16] A balanced panel has the same people forming the sample in each wave of the longitudinal timeframe.

out of home ownership in 2004, the home ownership spells data contains records for this person from 2001 until 2004. If a person is a renter in 2001 and 2002, but enters home ownership in 2003 and remains in home ownership until 2006, the spells data contains records for this person from 2003 until 2006. The sample design includes repeat spells so home owners becoming renters in (say) 2002, but recovering their home ownership status in 2004, are treated as having two spells, and each is included in the sample. Our attention is restricted to Australians 50 years or over at the start of their first home ownership spell. For those with ongoing spells in 2001, we are unable to observe the start of their home ownership spell, so it is their age in 2001 that we use to define whether they are aged 50 years or over. The quantitative analysis has been conducted for both over and under 50s, but for reasons of space we only present findings for the older age group, though brief remarks about the more important under 50s findings are footnoted below.[17]

Our sample comprises 2815 home owners over 50 years of age. Over 95 per cent have only one home ownership spell. Among those with repeat spells, most have two home ownership spells. There is noticeably more churning in and out of home ownership among younger home owners. For those aged under 50 years at the start of their first home ownership spell, around 8 per cent have more than one spell though, as with the older group, the majority of these have two spells only.

Among home owners aged 50 years or over who fell out of home ownership between 2001 and 2006, 46 per cent or 130 managed a return to home ownership during the data timeframe. The proportion of younger home owners who managed a return to home ownership between 2001 and 2006 is almost the same at 45 per cent.

Table 6: Number of home owners (over 50 years of age) and number of spells in home ownership between 2001 and 2006

Number of home owners with	*Frequency*	*%*
One home ownership spell	2,685	95.4
Two home ownership spells	127	4.5
Three home ownership spells	3	0.1
Total	2,815	100.0

The empirical analysis seeks to uncover the important factors determining ‘survival’ in home ownership. Since it uses a longitudinal rather than cross section data set, panel modeling techniques rather than standard regression models are appropriate. A hazard or survival modeling approach is used that is broadly similar to that we used in our previous analyses of housing affordability dynamics (see Wood & Ong 2009). The terminology used to describe these statistical techniques reflects their origins in medical research, where the factors shaping the chances of surviving a life threatening disease (or injury) are commonly analysed using these techniques. The hazard is disease (or injury) and the researcher is often evaluating the effectiveness of a medical intervention, after allowing for the influence of other relevant variables that might include age, diet, gender etc. on survival.

The particular context here is survival in home ownership, and the hazard is transition into renting. When involuntary, this transition has adverse effects on wellbeing and most people will strive to cling on to home ownership in the face of adversity. We therefore model home ownership spells data as a function of key financial and housing cost variables, controlling for the confounding influence of various socio-

[17] Results for the under 50s are available from the authors on request.

economic and demographic variables. Our approach models the occurrence and timing of exits from home ownership.

Logistic regression analysis is used to estimate the relationship between the probability of exiting home ownership and a range of explanatory variables. The explanatory variables are of two kinds—time indicators and predictors. Time indicators index the discrete time periods that comprise a spell of home ownership. If the maximum possible duration of a spell is five years, there are five indicators $D_j \left(j = 1,2,3,4,5\right), where\, D_j = 1$ if the person's record belongs to time interval j, zero otherwise. The coefficient estimates on the time predictors represent what is called the baseline hazard function. It profiles the likelihood of exiting home ownership in a say year 3, conditional on having survived as a continuing home owner up to that time, and given base values for the explanatory variables in the model.[18]

Explanatory (or predictor) variables are measures of the factors that we believe should be influential in shaping the probability of sustaining spells in home ownership. The coefficient on predictor variables can be transformed to obtain the increments in the conditional probabilities in every time period, controlling for the other predictors in the model. These are commonly referred to as 'hazard rates'. It is common and more intuitively appealing to transform the coefficient estimates into odds ratios. When the predictor variable is dichotomous—for example, a variable such as 'divorced' that indicates whether the individual is divorced in year j of a home ownership spell—the odds ratio is the odds of falling out of home ownership when a person becomes divorced, relative to the odds of falling out of home ownership when a person remains married. The odds ratio is then a measure of how likely divorcees are to fall out of home ownership, relative to married people.

The model is known as a 'discrete time hazard model' because it estimates the conditional probability of falling out of home ownership using a discrete time measure, where time is measured once every year rather than using a narrower time increment, such as day, week or month. As suggested by the terminology used earlier, it is also typically referred to as a 'survival' or 'hazard model', depending upon the way in which the findings are interpreted; continuation of a spell in a 'good' state is typically referred to as survival, and hazard is used to describe exit from a 'good' state. We are interested in continuation in home ownership; hence the findings will be interpreted as 'survival', rather than 'hazard'.

The survival model examines 'four groups of variables as drivers of endurance in home ownership; we expect owners to have greater 'staying power' if their financial position is healthy. The chosen measures of financial health include net worth[19] and mortgage stress estimates. Net worth data is only available in waves 2 and 6 of the HILDA Survey; we insert net worth from 2002 (wave 2) into the model as a time invariant variable (that is, a variable whose value is the same in every wave). Mortgage stress is mortgage repayments as a proportion of equivalised disposable income. Income is equivalised using the OECD original equivalence scale where the first adult in the income unit is assigned a weight of 1, the second adult a weight of 0.7, and each dependent child a weight of 0.5. The mortgage stress variable is lagged by one year. Consider a person who is purchasing their home with the aid of a mortgage

[18] The base values are the omitted or reference categories for dummy variables. For example, if with a gender dummy females = 1, then males are the omitted or reference category. For continuous variables it is the value zero, but their meaning needs careful interpretation because if (say) the age variable is defined as age minus 18, then a zero value corresponds to a base value of 18 years of age.

[19] The modeling did experiment with asset and debt variables, but the net worth measure yielded when subtracting debt from assets was more successful.

in 2003, and 2004, and fell out of home ownership in 2005. The mortgage stress value recorded against this home owner's 2003 (2004) record is the mortgage stress value from 2002 (2003). When the person falls out of home ownership in 2005, his/her mortgage repayments in 2005 would be zero. The concurrent mortgage stress variable would therefore lead us to falsely conclude that the probability of falling out of home ownership is highly correlated with zero mortgage repayments, i.e. absence of mortgage stress. By adopting a lagged measure, we ensure that when the person falls out of home ownership in 2005, his/her 2004 mortgage stress value is recorded against his/her 2005 event of falling out of home ownership.

Residential relocation can prematurely (and possibly temporarily) terminate spells. This two-variable group also contains a major city location on the grounds that thin housing markets are rare, and so alternatives that facilitate adaptation to shocks are more abundant in major cities. We then have a larger vector of demographic variables. Marrieds are expected to be more resilient than singles because of economies of scale in consumption and risk sharing advantages (Grossbard-Shechtman 1993; Lehrer 2003). The victims of relationship breakdown through separation, divorce and bereavement can be identified and they are separately analysed alongside singles never married. With advancing age physical and mental deterioration can be expected, and so independent living in home ownership becomes more challenging. Age is then one of the demographic groups of variables.

Our final category is human capital and labour market measures that profile each home owner in terms of their (un-)employment history, current employment status (including type of employment contract, if employed) and educational attainment. Employment could promote the resilience of older Australians in owner occupation in the face of financial hardship, and will shed light on whether work beyond retirement age is a coping strategy that precariously positioned home owners are resorting to in old age. Current incomes will be reflected in the mortgage stress variables, but earnings capacity will be partly determined by educational attainment and this motivates inclusion of qualifications variables. Those variables not previously defined in Section 2's Table 1 are listed in Table 7 as follows.

Table 7: List of variables in home ownership spells model not already defined in Table 1

Variable	*Definition*	*Binary / Continuous*
Wealth, debt and financial stress		
Net worth in 2002 ($100,000)	Total assets less total debt in 2002 in $'00,000s	Continuous
Mortgage stress	Mortgage repayment as proportion of equivalised disposable income—lagged by one year. Income is equivalised using the OECD original equivalence scale	Continuous
Housing circumstances		
Whether moved interstate	Whether moved interstate during home ownership spell (as opposed to whether moved intra- or interstate between 2002 and 2006 in Table 1)	Binary

Key descriptive statistics for the sample are presented in Table 8. These sample estimates are measured at the start of each spell in home ownership, unless otherwise stated. There are 2473 spells; 266 are terminated by exit from home ownership and 2207 are spells that are ongoing at the end of the data collection period (2006).[20] Nearly one in five home owners over 50 years of age are still meeting payments on mortgages, but amid those dropping out of owner occupation it reaches nearly one in three, a clear sign that mortgage stress might play a role. It is also noteworthy that the median net worth of drop outs is only just over a third of the median net worth of those continuing in home ownership. Given the age group analysed, the finding that one-third have a long-term health condition (including disability) is unsurprising. This group appears to be more vulnerable as their share reaches 41 per cent among those exiting owner occupation. Singles comprise 28 per cent of the sample and are more prone to loss of home ownership, particularly singles that have lost a partner through separation, divorce or bereavement. This observation is consistent with previous research that we have conducted (see Hendershott et al. 2009). Nearly two-thirds of the over 50s sample have no job, and over 50 per cent left full-time education with no post-school qualifications.[21] There is some evidence that those enduring in home ownership are doing so by extending working careers, but differences between the drop outs and the survivors are not as striking as those commented on above. Firmer conclusions can be reached by using multivariate techniques of estimation.

Table 8: Descriptive statistics, home owners aged 50 years or over who fell out of home ownership or remained in home ownership between 2001 and 2006, observations at t=1 (start of spell in model where event occurrence is possible)

Variables	*Fell out of home ownership*	*Remained in home ownership*	*All*
Sample of home owners	266	2,207	2,473
Median net worth in 2002/$100,000	1.3	3.6	3.4
Median mortgage repayment as % of disposable income—lagged	0.0	0.0	0.0
% with mortgage repayments—lagged	28.9	17.8	19.0
% moved interstate during spell	6.4	1.9	2.3
Median age (yrs)	64.3	62.7	62.8
% female	58.3	52.7	53.3
% with long-term health condition/disability	41.0	32.2	33.2
% with dependent children	7.1	7.2	7.2
% married	51.9	70.4	68.4
% de facto	3.8	3.6	3.6
% divorced	13.5	7.1	7.8
% separated	6.8	2.4	2.9
% widowed	18.4	12.5	13.1
% single never married	5.6	4.0	4.2
% major city	53.8	57.8	57.3
% with permanent job contract	15.8	16.7	16.6

[20] The number of spells here in table 4.3 is lower than the number of home owners in table 4.1 as some home owners have been excluded from table 4.3 due to missing responses in one or more variables that enter the hazard model.

[21] There are major differences here when compared with younger (under 50 years of age) home owners. The younger age group have much better educational attainments and rates of employment that are more than three times the over 50s. Other differences are lower proportions with a long-term health condition, and the burden of meeting mortgage payments reaching a substantially higher fraction of the younger age group.

% with fixed term job contract	1.9	2.5	2.4
% with casual or other job contract	5.6	5.4	5.5
% with no job contract	66.9	63.1	63.5
Median number of earners in income unit	0.0	0.0	0.0
% with university degree or higher	13.5	14.6	14.5
% with other post-school qualification	22.9	29.9	29.1
% with no post-school qualifications	63.5	55.4	56.3
Median time unemployed as a percentage of time since leaving full-time education	0.0	0.0	0.0

Source: Authors' own calculations using the 2001–2006 HILDA Survey

4.3 Key factors shaping loss of home ownership status 2001–06

Table 9 is a life table presenting the number of home ownership spells that *begin* between 2001 and 2005, the number of spells that are terminated (on transition into renting) during each year, and the number of spells that are censored. A censored spell is one that is continuing when the data collection window closes. For example, a single person who is a first time purchaser in 2003 and subsequently recorded as a home owner in each successive year including 2006, when the data collection window closes, is a censored spell in year 3 (see also footnote a, Table 9).

As mentioned earlier in the chapter, the sample design includes repeat spells so home owners in 2001 that became renters in (say) 2002 but recovered their home ownership status in 2004 are treated as having two spells, and each is included in the sample. On dividing the number of spells that are terminated in year t into the number of spells that are still ongoing at the start of that same year, we obtain the hazard rate. It is the probability of a home ownership spell being terminated in a year conditional on survival in home ownership up to the start of that year. The survival rate measures the chances of retaining home ownership status *n* years after a spell has begun. We have used HILDA weights to arrive at population estimates though, as mentioned above, a home owner with two home ownership spells will in fact be counted twice in the sample, so if a home owner loses their status on two occasions we treat this as if it were two different individuals.[22]

Table 9: Rates of survival in home ownership, population estimates, and home ownership spells among persons aged 50 years or over

Year[a] (t)	***Number***			***Hazard rate*** $H_t = N_t / T_t$	***Survival rate*** $S_t = S_{t-1}(1-H_t)$
	Home owner at start of year (T)	Fell out of home ownership during the year (N)	Censored[b] at end of year		
0	3186351	0	57,983		1.000
1	3298187	149787	53,519	0.045	0.955
2	3249886	61032	49,191	0.019	0.937
3	3280247	49405	42,457	0.015	0.923

[22] Since there are only 130 home owners with repeat spells out of 2,815 home owners, this interpretation is of little consequence. Of the 311 exits from home ownership, 157 are a second or third exit by the same individual. There is then considerable churning in and out of home ownership even among this older age group.

4	3212038	46380	52,221	0.014	0.909
5	3143979	36508	310,7471	0.012	0.899
Total		343112	3,362,842		

Source: Authors' calculations using the 2001–2006 HILDA Survey

Notes:

a. Home ownership status is measured only once per year. The wave when a person is first recorded in home ownership is then labelled Year 0 because the person cannot leave home ownership until the following wave, which is then labelled Year 1.

b. Censored means that Year t+1 occurred after the end of the data collection period. For example, a spell of home ownership that begins in Wave 6 will inevitably be censored at the end of Year 0 because Wave 6 is the last wave of data collection.

While the hazard rate in each year might be considered small, the cumulative effect is such that one in ten over 50s fails to survive beyond the fifth year of home ownership. There is evidence from the decline in hazard rates that ownership becomes more durable the longer the spell. This is commonly referred to as negative duration dependence, and could be due to lower mortgage stress levels as repayments of principal reduce outstanding mortgage debt.

We now turn in Table 10 to the results from a multivariate hazard model. Consider first the asset and mortgage stress variables; both are statistically significant but 'pushing' in different directions. Net worth has a protective effect, so that a $100 000 portfolio results in odds of losing home ownership that are 17 per cent less than those holding no net worth. This result implies that those securing high levels of debt against their home, and running up large outstanding balances on credit cards, personal loans and so on, end up occupying more precarious positions in home ownership. Their vulnerability is aggravated if mortgage payments account for a relatively high share of income; each percentage point increase in the mortgage payment burden is estimated to raise the odds of exit from home ownership by 4 per cent. So mortgage stress has clearly become influential even among a group in the later years of housing careers.[23]

Table 10: Odds of falling out of home ownership, discrete time hazard model, 2001-06

Explanatory variables	*Coef.*	*Std. error*	*Sig.*	*Odds ratio*
First year of spell	-2.850	0.315	0.000	0.058
Second year of spell	-3.548	0.333	0.000	0.029
Third year of spell	-3.839	0.344	0.000	0.022
Fourth year of spell	-3.863	0.347	0.000	0.021
Fifth year of spell	-3.930	0.351	0.000	0.020
Net worth in 2002/$100,000	-0.188	0.032	0.000	0.829
Mortgage repayment as proportion of equivalised disposable income—lagged	0.038	0.007	0.000	1.039
Whether moved interstate during spell	1.298	0.276	0.000	3.663
Age—50	-0.032	0.024	0.189	0.968
(Age—50) squared	0.002	0.001	0.011	1.002
Whether female	0.026	0.141	0.855	1.026
Has long-term health condition/disability	0.105	0.136	0.440	1.110

[23] It turns out that model estimates find that mortgage stress (low net worth, high mortgage repayment burden) is in fact less important among the under 50s.

Explanatory variables	*Coef.*	*Std. error*	*Sig.*	*Odds ratio*
Number of dependent children	-0.212	0.177	0.233	0.809
De facto	0.533	0.326	0.103	1.703
Divorced	0.658	0.211	0.002	1.931
Separated	1.706	0.247	0.000	5.506
Widowed	0.226	0.202	0.265	1.253
Single never married	0.458	0.289	0.112	1.581
Major city	0.123	0.136	0.365	1.131
Permanent job contract	-0.048	0.259	0.853	0.953
Fixed term job contract	0.400	0.468	0.393	1.492
Casual or other job contract	0.366	0.305	0.230	1.442
Number of earners in income unit	-0.092	0.148	0.535	0.912
University degree or higher	0.254	0.203	0.209	1.290
Other post-school qualification	-0.325	0.164	0.047	0.722
Percentage of time unemployed since leaving full-time education	0.005	0.016	0.735	1.005
Sample (person-period cases)	11296			
Chi-square	13422.771		0.000	
Cox and Snell R square	0.695			
Nagelkerke R square	0.927			

Source: Authors' calculations using the 2001–2006 HILDA Survey

On the other hand, all human capital and labour market variables are unimportant. Of course participation in the labour market is tailing off at these later stages of the life course, and past earnings and employment history will be reflected in accumulated net worth. It is also conceivable that for those in marginal situations the earnings that can be obtained from employment are too small to make any difference. Case study A below is indicative; while an often tragic marital history clearly has a bearing on his current housing predicament, the meager earnings from delivering pamphlets offers no prospect of a return to secure home ownership.[24]

As already noted Case study A suggests that relationship breakdown is an important feature of housing careers in which home ownership proves unsustainable. The model estimates confirm this belief with the demographic variables separation and divorce found to have very large impacts. Separation results in odds of exit from home ownership that are more than five times those of marrieds; divorce is not such a threat but it is nevertheless very important with odds nearly twice those of marrieds. These findings offer more evidence that the divorced and separated are particularly exposed to risks that threaten home ownership status.[25] Taken in conjunction with Section 2 findings they suggest that this demographic subgroup deserves particular attention from policy-makers.

While many of those falling out of owner occupation prompt concern, there is a group for whom this transition is a matter of choice. Our modeling indicates that interstate movers are one such case. They likely choose to rent while they find their feet in

[24] The failure of labour market variables suggests that working into old age is not an option that these home owners are opting for or able to achieve in order to keep a foothold in home ownership. In fact only 10.8 per cent of home owners at or beyond 65 years of age are still working.

[25] Relationship breakdown is found to be equally important among the under 50s.

unfamiliar surroundings, including housing markets that they have probably not purchased in before. There could also be some among the 'survivors' that warrant attention because their situation is so uncertain. We have in mind people like the woman in Case study S; she has experienced the type of events that our modeling is suggesting precipitates loss of home ownership, but she is clinging on with considerable fortitude. However, her shaky foothold in owner occupation causes her concern and the choices that she needs to make (e.g. move to cheaper location) are challenging.

Case study A
A. is a 75-year-old private renter. After a number of adverse events that affected his housing, finances and life in general, he now lives 'from hand to mouth'. He successfully held various jobs during his working life, including sales management and insurance. He was married three times and had four sons with his first wife, one tragically dying in an accident as a teenager. Two divorces meant losing not only home ownership, but also a 'lot of [superannuation] money'. His third wife died of cancer. While trying to cope with her illness, they bought a unit close to a hospital, but they had to give it up because he was 68 at the time and could only get a short term loan. He returned to private rental after his wife's death and now pays $1,084 monthly rent. The rest of his age pension cannot cover his basic living costs. He sometimes avails himself of free meals from charity outlets and also delivers pamphlets which 'pays very poorly', but it helps him to make ends meet and 'keeps him fit, walking a lot'. A. says that his finances 'curtail his life'. His two sons live in Queensland and one offered to move him in with his family, which A. thought was a reasonable idea but in the end 'just could not do it: Age, I think, was part of it and I have always been a Victorian'. Given the high rents in the private rental market, A. thinks his only lasting solution would be to 'get into one of those ministry of housing places'. But 'it's an enormous list, [a] 10-year wait … and because I'm not ill …,' He had been offered a couple of 'crumbly' bed-sits 'up the stairs' which were unacceptable because he 'would not be able to cart his pamphlets up and down the stairs'. 'You know, I've always been a steady sort of a person and worked with my mum and dad in the shop for eight years and never even drew any pay. And I never, ever thought … I never ever thought I would be in this situation', he told us. Nonetheless, A. demonstrates a remarkable resilience and after years of 'living like a hermit', he met a lady he's now partnered with while delivering pamphlets.

Case study S
S. is a 63-yo home owner, holding a part-time teaching job. Her housing career is gender-determined to a considerable degree. Originally from the UK, she lived in several countries with her husband who was a well-paid career professional, and their three children. They owned a home wherever they moved and were, according to S. 'forever renovating'. In Australia, they first moved to a rented flat in South Yarra, but soon moved to a larger property in an outer suburb and after that they bought a farm close to Melbourne. They also owned a flat in Sydney, where her husband often travelled for work. However, her husband 'left without warning' and she was left with a farm and a large mortgage she could not service. The property was repossessed and she was left 'homeless, with nothing but the children'. After a short time in crisis accommodation she rented for a year and took a full-time job again. She succeeded in clawing her way back into home ownership again in St. Andrews, outside Melbourne. She also cared for her mother, who died in the meantime, and her aunt after that. After she inherited some money from her father and the children had left home, she moved to Eltham where she currently lives. S. is not sure whether she'd be able to

stay in her current house after she is fully retired. She has very little superannuation so she would like to stay in paid work as long as possible in order to supplement her income. She is considering downsizing and perhaps moving to a retirement village if this proves financially viable. If not, she'd consider moving to the country where properties and life in general, are cheaper.

Our survival model indicates that relationship breakdown, mortgage stress and asset poverty are key factors shaping the chances of exit from home ownership, and precipitating variables that signal concerns for policy-makers. We know from our Section 2 modelling that these people are more likely to transition on to housing assistance programs than the typical renter. Furthermore, they are also there to stay given the high levels of persistence on housing assistance programs in this age demographic. So early interventions that *may* secure sustainable independent solutions could result in large pay offs. We now discuss two early interventions that are drawn from an overseas review of policies reported in our positioning paper.

4.4 Model simulations: Rent-to-buy and Shared Equity schemes

The recently released Henry Review (2010) did not recommend the kind of programs that we simulate here. The Review took the position that mortgagors have access to mechanisms to smooth cash-flow difficulties—including repayment deferral or restructuring options through their banks, or through accessing equity in their homes—that are not available to renters. Further, assistance for mortgagors based on the cost of their mortgages is an interest rate subsidy that could be the source of *moral hazard* because it encourages greater borrowing. It would also represent an addition to already generous subsidies through the non-taxation of home owner equity, and its exclusion from income support means tests.

We nevertheless consider two overseas programs. While acknowledging the Review's arguments in relation to younger households, they lose a lot of their force when considered in relation to older Australians. Restructuring options are not generally available to older home owners, and they cannot access their home equity as easily as the young because their participation in the labour market is coming to an end, or has already finished. The Review might have had younger home owners in mind when dismissing these interventions, believing involuntary loss of home ownership to affect only a very small number of older Australians. While 30 years ago we might have regarded home ownership as a pathway to security and wellbeing in old age, this is no longer the case for significant numbers of older Australian home owners. Many of the nearly 350 000 over 50-year-old Australians that lost home ownership status between 2001–2006 appear to have been plunged into rental housing as a result of constraints, and have little prospect of making a return. Rather than evaluate overseas initiatives with respect to all Australian home owners, we examine their potential effectiveness among the older segment of the population.

The interventions that are simulated were contained in the Mortgage Rescue Scheme introduced in England in January 2009. It helps people at risk of repossession to stay in their homes. It does this in one of two ways; either through a *Rent to Buy scheme* or through the *Shared Equity* scheme. Applicants are ineligible if secured mortgages are more than 120 per cent of property values.

4.4.1 Rent to Buy scheme

Under the UK Government's Rent to Buy scheme, the local Registered Social Landlord (RSL) buys the property for 97 per cent of its value. The RSL keeps 3 per cent of the sale price for their costs in organising the sale, valuing the property etc. The RSL then leases the property back to the former owner for an amount based on a government determined 'affordable rent' and can subsequently become eligible for Housing Benefit, the UK equivalent of CRA. The former owner loses title over the property but retains tenure. The scheme targets families, the elderly and those who would be entitled to homelessness assistance if they were to lose their property. The tenancy is guaranteed for three years, at which time it will be reviewed and may be renewed. Some RSLs offer a buy back scheme through some sort of shared equity scheme.

The variant that we model below is tailored in the following way to Australian institutional arrangements. Those accepted on to the program will have their property purchased by a public housing authority at 97 per cent of the owner's self-assessed property value. The public housing authority takes on management (repairs, collection of rent) responsibility of the property in return for a rent, and the authority also inherits the outstanding mortgage debt. The occupier has tenure and can therefore 'age in place' a feature that could be attractive for this age group.

We assume that rents would be determined under present rent setting rules (25 per cent of assessable income) as they are applied by Australian public housing authorities. Two calculations are made in the simulations; one where rents are *not subject to the market rent cap* and the other with the cap in place.[26] We also assume that those eligible for the Rent to Buy scheme also become eligible for CRA. We select all home owners aged 50 years or over who have a mortgage debt, the group that are likely to be most vulnerable and where the intervention will be of most assistance. Table 11 presents the simulation results; incomes are lower for those falling out of owner occupation, but nevertheless they are such that mean housing affordability ratios (HAR) will actually rise without a rent cap in place, and despite entitlement to CRA. Among those that exit from home ownership 41 per cent are predicted to have lower housing cost burdens if they take advantage of the rent to buy scheme. If rents are subject to the market rent cap mean HAR do fall (15.5% to 11.4% among all over-50 owners with a mortgage) and over 50 per cent have lower housing cost burdens on taking a Rent to Buy option. But even with the rent cap in place, it is difficult to see how this intervention would prove attractive to any other than the most desperate. Unless there is some kind of buy back guarantee, occupiers lose the benefits of ownership, and the lower housing costs will only eventuate for those with relatively large mortgage debts.[27] Finally, there are substantial capital outlays that are likely to deter governments. Capital outlays will amount to $486 billion if the government were to purchase the homes of all home owners aged 50 years or over who have a mortgage debt.

[26] Public housing authorities set rents at 25 per cent of tenants' assessable income up to a maximum equal to the market rents.

[27] Those with lower housing costs under 'Rent to Buy had mean mortgage debt outstanding of $238,815 compared to $89,277 for those who do not obtain lower housing costs.

Table 11: Housing affordability before and after enrolling in the Rent to Buy scheme, persons 50 years and over with a mortgage debt who fell out and retained homeownership, 2001–06

(a) Rent not subject to a market rent cap

Measure	*Rent not subject to a market rent cap*			*Rent subject to a market rent cap*		
	Fell out of home ownership	*Retained home ownership*	*Total*	*Fell out of home ownership*	*Retained home ownership*	*Total*
N	95	717	812	95	717	812
Income						
Mean disposable income unit income ($)	46691	68680	66108	46691	68680	66108
Mean equivalised disposable income unit income ($)	76142	107078	103458	76142	107078	103458
Mean net housing costs ($)						
Before	7687	10605	10264	7687	10605	10264
After	11948	16517	15982	5702	7754	7514
% change	55.4	55.7	55.7	-25.8	-26.9	-26.8
Mean HAR—non-equivalised income (%)[a]						
Before	16.5	15.4	15.5	16.5	15.4	15.5
After	25.6	24.0	24.2	12.2	11.3	11.4
% pt change	9.1	8.6	8.6	-4.3	-4.2	-4.2
Mean HAR—equivalised income (%)[a]						
Before	10.1	9.9	9.9	10.1	9.9	9.9
After	15.7	15.4	15.4	7.5	7.2	7.3
% pt change	5.6	5.5	5.6	-2.6	-2.7	-2.7
People whose housing cost will be lower						
N	39	216	256	53	380	433
%	41.1	30.1	31.4	55.8	53.0	53.3
Mean housing equity withdrawn ($)	184142	338408	319997	184142	338408	319997
Impact on government budget (million$)[b]						
Rental income (+)	1289	11955	13243	697	6487	7184
Capital outlay 97% of property value (-)	44610	442258	486869	44610	442258	486869
CRA (-)	181	1575	1755	166	1531	1697
Net impact	46080	58140	59608	45473	52628	53491

Notes:

a. Mean HAR = mean net housing costs/mean income * 100%

b. Population weights are applied to calculate the impact of the reform on the government budget. The weight is applied from the last year that a person is observed to be in home ownership, that is, the year before they fell out of home ownership for uncensored spells and 2006 for censored spells.

4.4.2 Shared Equity scheme

Traditionally, shared equity has been viewed as a devise to promote access to home ownership among the young, but in principle they can be promoted as a preventative measure designed to secure home ownership. They are likely to be a more promising alternative to rent to buy because it allows the troubled owner to retain an equity stake in their home. The assistance takes the form of an equity loan from RSLs that can be between 25 per cent and 75 per cent of a home owner's current mortgage. It is transferred directly to the home owner's lender thereby reducing the monthly repayments to a more manageable level. The home owner must retain a minimum of 25 per cent and up to a maximum of 40 per cent equity in their home. The loan from the RSL is secured against the property as an equity loan, which means that the RSL acquires a *share* of the home that must be paid out by the owner occupier if they wish to discharge the equity loan. The RSL loan has a very low interest rate (1.75% pa in monthly instalments) but there is an RSL charge of 3 per cent of the equity loan, and although the homeowner can pay off the loan in full or in instalments at any time, the amount payable increases if the value of their home increases. If the equity loan is financed by government, as seems likely in the current post-GFC environment, there will again be a very substantial upfront capital outlay. The returns on this capital outlay as equity loans are repaid could well take many years before amounting to anything substantial.

The model simulations make the following assumptions. Australian state housing authorities can offer to buy a share in the occupier's property of between 25 per cent and 75 per cent of a home owner's current outstanding mortgage, and it is used to pay down the owner's outstanding mortgage with their bank or building society. A 3 per cent of equity loan charge is introduced and this eats into the owner's net worth. Nevertheless, there is a fall in outstanding mortgage debt and repayments (equal to 25%, 50% or 75% of pre equity loan levels) that are used in the hazard models to estimate the intervention's effectiveness in warding off threats to ownership status. We run the simulations at 25 per cent, 50 per cent and 75 per cent of homeowners' outstanding mortgages.

As in the UK program, it is assumed that the state housing authority charges a once off 3 per cent fee (charged as a percentage of the equity loan) that is met by the home owner from their equity. The state housing authority therefore acquires an equity share equal to the equity loan plus 3 per cent of the equity loan. This must be repaid from the proceeds of any sale. For example, if the equity loan plus 3 per cent is one-third of home value when the shared equity arrangement begins, then on sale one-third of the sale proceeds are returned to the state housing authority. The occupier's new housing costs are the monthly repayments on the now lower bank mortgage plus the low 1.75 per cent interest rate charged on the equity loan. This will then lower the net housing cost burden measure in the hazard model. On the other hand, the 3 per cent charge eats into the model's net worth measure, and will have an offsetting impact given the protective effect that net worth has in the hazard model.

We run the simulation on a sample of people who had a mortgage debt throughout their spell and fell out of home ownership. This is the group that interventions need to target in an effective manner. We assume that they take out the equity loan in the first year that we observe them as a home owner in the data collection 'window'. For example, if the equity loan is 75 per cent of the mortgage, the outstanding mortgage debt in the simulation is set at 25 per cent of the outstanding mortgage debt in that first year. The equity loan in the first year of the spell is 75 per cent of the mortgage plus 3 per cent of the equity loan and this is subtracted from the 2002 gross wealth figure. But net worth falls by an amount equal to only the 3 per cent charge. The simulation compares predicted hazard rates with and without take up of the shared equity loan scheme (SES).

Findings are presented in Table 12 where the first column lists the year of spell in home ownership, and the remaining columns show hazards rates under different equity loan scenarios. Consider the predicted hazards when this precariously positioned subgroup of home owners does not exercise the shared equity loan option. In the first year of spells, the predicted conditional probability that there will be loss of homeownership is high at 17 per cent. As spells lengthen, home ownership becomes more durable but nonetheless much higher than the full sample hazard rates in Table 9. Impacts with shared equity loans are then revealed in the following three columns. Because mortgage stress plays an important role in the hazard model, equity loans do lower the conditional probabilities, and the larger the equity loan the more secure is the recipient's home ownership status. In the first year of spells the chances of losing home ownership status are nearly halved by a 75 per cent equity loan, the hazard plunging by around six percentage points. As the size of the equity loan falls so its impact is diminished as its corresponding impact on mortgage stress falls. The equity loan continues to lower hazard rates throughout spells although its largest effect is in the first year when owners are most vulnerable. The shared equity scheme simulations bode well for interventions of this kind, and deserve consideration.

Table 12: Predicted hazard rates

	Hazard rate			
T	***No SES***	***SES 75%***	***SES 50%***	***SES 25%***
0	0.000	0.000	0.000	0.000
1	0.166	0.108	0.122	0.140
2	0.082	0.053	0.061	0.070
3	0.062	0.040	0.045	0.052
4	0.060	0.039	0.044	0.051
5	0.056	0.037	0.041	0.048

4.5 Concluding remarks

Even among the over 50s mortgage stress can precipitate loss of home ownership. Furthermore, asset poverty also poses a threat for this demographic group. These risks are seriously compounded by the breakdown of relationships, a finding of some significance given this group's relatively high propensity to fall back on housing wealth in retirement (Wood & Nygaard 2010). While younger home owners can typically look forward to many years of future earnings, this is not the case for those approaching retirement or past retirement age. For some of those who bounce back into home ownership, housing circumstances could remain precarious for many years. Those making more permanent transitions into rental housing have elevated chances of enrolling in housing assistance programs, and there is a case for examining early interventions that might help marginal older home owners to secure home ownership into old age. Our model simulations suggest that rent to buy solutions are unlikely to be attractive; on the other hand shared equity programs are more promising.

But the findings in this chapter have a broader meaning. They shed doubt on the view that home ownership offers everyone who achieves it a path to financial security and wellbeing in old age. Our policy approach has been geared to helping young households get onto the home ownership ladder, but it has assumed that those getting a foothold will remain on the ladder until deteriorating physical and/or mental health forces us into nursing homes or some form of assisted housing. These ideas need to be reconsidered, and their policy ramifications should be teased out. We turn to these questions and the predicament of lifelong renters in the concluding chapter.

5 POLICY IMPLICATIONS AND FUTURE DIRECTIONS FOR RESEARCH

In this concluding section we raise a number of important issues for policy-makers stemming from our research and suggest some fruitful areas for future research.

Policy issues and implications

This project has found, in line with earlier AHURI research, that some of the assumptions underpinning Australian housing policy rest on weak grounds.[28] In particular, the widely held belief that home ownership necessarily provides a guaranteed buffer against housing-related poverty in old age does not stand up to scrutiny. Changing patterns of partnering and labour market organisation, along with changing attitudes and access to debt, are creating a greater diversity of, and volatility in, housing careers. The 'churning' of households between tenures has increased for some groups, not excluding older cohorts. As an ageing society, Australia will increasingly face new policy challenges. The findings of this study, focused on older asset-poor households, have begun to identify what some of these challenges are likely to be.

Perhaps the most significant implication of the research for housing policy-makers is the finding that owner occupiers who exit home ownership after 50 years of age are significantly more likely than longer-term renters to become dependent on housing assistance. Moreover, this dependence persists. Therefore, policies that successfully assist ageing owner occupiers to retain their tenure promise to both improve the quality of life of vulnerable older Australians and more efficiently utilise government funds. To achieve this, policies would need to address the different triggers causing older households to fall out of home ownership.

The three key factors identified in earlier sections of this report are: asset poverty, mortgage stress and relationship breakdown. We would offer the following comments on each.

Asset poverty. Increasing the mandatory (employer and employee) contributions to superannuation savings would place people in a stronger position to navigate vicissitudes later in life. Improved lifetime education in financial literacy may provide a knowledge basis on which younger people can better manage their financial futures. Developing strategies for avoiding over-reliance on credit card and similar debt obligations would be part of this approach. Future taxation reform also offers levers for reducing asset poverty through the life course, particularly measures that shift the tax burden from savings to spending.

Mortgage stress. High and rising levels of mortgage indebtedness in Australia during the housing boom that started in 1997 and—with short gaps—still continues in many segments of the capital city markets, has increased the vulnerability of recently, highly leveraged households to mortgage distress and default (Berry et al. 2010).[29] Mortgage market innovation has seen product proliferation, including products aimed specifically at older owner occupiers. Some forms of equity withdrawal may leave older households vulnerable to unexpected income and other shocks. Policies that insure or buffer against hardships caused in this way could reduce the forced exit to renting and reliance on future housing assistance. For example, fuller disclosure on

[28] See, for example, the publications from National Research Venture 2.

[29] The final section of this AHURI final report discusses a range of policy interventions aimed at reducing mortgage stress and vulnerability to default, many of which would assist older asset-poor Australians.

the obligations and risks associated with particular mortgage products would aim to reduce the prevalence of risky borrowing. The design of appropriate policies (e.g. mortgage insurance for borrowers) would need to consider the problem of moral hazard raised in the Henry Review.

Relationship breakdown. Separation or divorce of previously partnered couples was found to be a potent trigger and pathway to loss of owner occupation status. Policies that directly address the complex emotional, psychological, social and financial causes of breakdown go well beyond the scope of housing policy. However, a better understanding of how these factors impact and interact may provide housing policy-makers with some guidance on how to tailor housing provision and regulation to reinforce the efficacy of primary social policies targeted directly at the problem. Moreover, it is clear from other research (e.g. Berry et al. 2010) that the three triggers interact. Increasing mortgage stress can erode net worth and place increasing strains on family relationships. Conversely, relationship breakdown can radically reduce the wealth, income and debt servicing capacity of one or both partners. A number of the case studies and interviewee comments presented in preceding sections underscore this mutually reinforcing impact of multiple factors.

What is, perhaps, surprising is that our analysis (Section 4) did not find that illness/disability figured as a significant risk factor, in contrast to earlier research. It may be that this factor acts mainly through the adverse impact on household income—both in terms of diminution and suddenness—leading to mortgage arrears and eventual sale (voluntary or forced). There is some support for this interpretation in the case studies presented above. This raises the question, taken up in the next section, as to what research gaps need to be filled before policy-makers gain a fuller grasp of the appropriate levers to deal with the plight of the marginal older home owner.

Directions for future research

It is clear from the qualitative analysis that home ownership is still a powerful source of (ontological and financial) security for Australians as they age. Given, the likely increase in the numbers of both 'lapsed' home owners and lifetime tenants, this creates major challenges for policy-makers. Both in the period leading up to and in retirement, rental alternatives are seen by most Australians as inferior options, under current circumstances. Future research, in this context, could seek to inform policy in the following ways.

1. *Are there alternative vehicles that could provide lifetime tenants and marginal owner occupier households with (most of) the benefits of home ownership? Do international initiatives offer a lead in this respect?* The benefits would cover both financial and non-financial aspects. It would also explore the perceived disadvantages of existing rental options, both private and public. The issue of what is acceptable to people who grew up in a culture that privileged home ownership is critical to whether non-ownership or partial ownership models are workable. These vehicles could then be compared (in cost-effectiveness and efficacy terms) to policies aimed at (a) encouraging marginal younger householders into owner occupation and (b) maintaining households in this tenure as they age.

2. *More specifically, what wealth withdrawal strategies and financial products are most likely to protect vulnerable older marginal home owners, while delivering adequate retirement lifestyles?* This would require an inventory of current approaches/products and a comparative evaluation of selected cases against best-practice internationally.

3. *What are the specific transition pathways of asset-poor older households as they transition to reliance on housing assistance?* This work would extend that detailed in Section 2 by improving measures of (non-housing) household assets and debt and charting housing trajectories through time.
4. *Can older owner occupiers more effectively navigate their pathway to and through retirement by accessing appropriate employment opportunities? What policies would help to achieve this outcome?* Our research has found that this is not currently a significant strategy. From a broader social and economic viewpoint, the twin prospect of an increasing dependency rate and labour shortages suggests that encouraging greater workplace participation by older home owners would have a range of positive outcomes, including delayed dependence on housing assistance.
5. *What are the factors that enable some older households who exit home ownership to re-enter the tenure, while others are permanently excluded?* We found that a proportion of people leaving owner occupation, within a short period, re-entered the tenure. Why? Was this the best option for (a) themselves and (b) future government assistance?
6. *What role does tax reform have in addressing the research questions identified above?* This question would take off from housing-related issues raised in the Henry Review and relate to the next question.
7. *How effective are current reforms under the National Affordable Housing Agreement (NAHA) in dealing with the problems raised by ageing asset-poor households?* This research would explore and evaluate the likelihood of NAHA and the overall housing reform agenda contributing to this policy agenda.

A final comment

This study drew on both quantitative and qualitative data and methods of analysis. We believe that this approach is most likely to be able to tease out some of the complexities involved in understanding the changing terrain of the housing futures of older Australians. Clearly, researchers are constrained by the paucity (relative to overseas housing research) of robust longitudinal data. Many of the questions posed above would greatly benefit from data sources that followed a cohort of subjects over the longer term, as in conventional health research projects. Building further wealth, debt and housing-related questions into HILDA would be one possibility. Alternatively, the creation of a dedicated housing situation panel with provision for recurrent annual in-depth qualitative interrogation of the cohort over the long period would be an expensive, but very effective way of generating the evidence base on which to craft future policy aimed at improving the housing condition of a growing group of marginally housed older Australians, while limiting future claims on housing assistance.

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