

Policy Options for Housing for Low Income Households

Joshua Gans and Stephen King
University of Melbourne



MELBOURNE
BUSINESS SCHOOL

The Affordability Problem

- **Long-Term**
 - Income never enough to afford minimum standard housing
 - Toughest in capital cities
 - Problem: low income rather than housing
- **Short-Term**
 - Income fluctuates (unemployment, health, rent & interest rate conditions)
 - Periodic housing stress
 - Problem: ability to manage risk



Effective Housing Policy

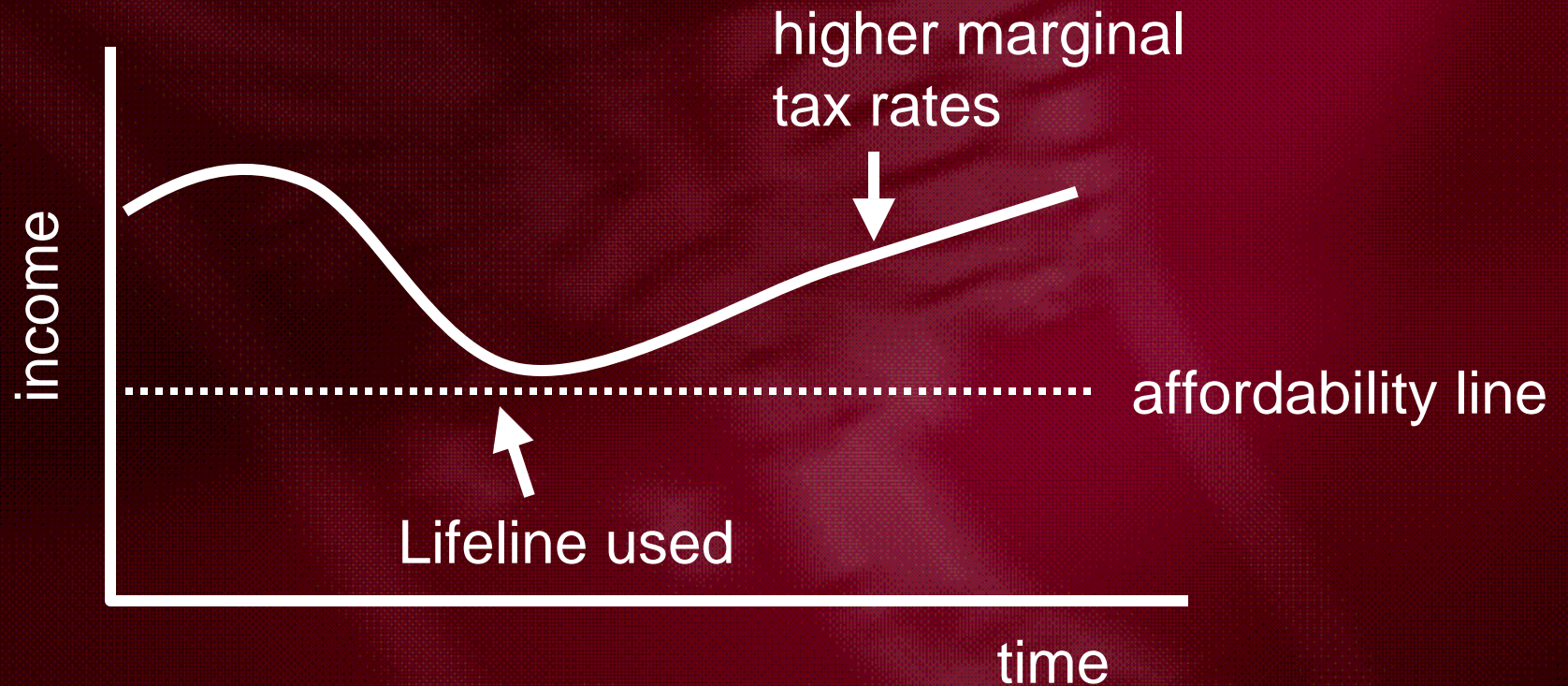
- Current housing policy treats the issue as a long-term problem
 - Micro-management and ‘second guessing’ of needs
 - Incentive traps from income-based subsidies
- Solving short-term problems requires ...
 - Empowering households to judge their own needs (differences in children, household work, life stage)
 - Providing a means of smoothing out the income bumps



Short-Term Affordability Problem



The Housing Lifeline



Benefits

- Removes *anxiety* regarding loss of income leading to loss of current housing
 - reduced stigma
 - prevent short-term problems becoming long-term traps
- Triggered by household judgment
 - subject to eligibility based on wealth assets
- Potential broad applicability
 - can apply to home owners and renters
 - improve credit and housing provision by reducing risk



Benefits

- Complements existing schemes
 - these tackle long-term affordability
- Cost effective
 - a loan not a handout
 - reduced costs of providing long-term social security
- Practical basis
 - proven mechanism in HECS

