Policy Options for Housing for Low Income Households

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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

- Income
- Housing stress
- Affordability line

Time
The Housing Lifeline

- Income
- Time
- Lifeline used
- Higher marginal tax rates
- Affordability line

Graph illustrating the concept of the housing lifeline over time, with income and time on the axes.
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