

# **Evidence to the Senate Select Committee on Housing Affordability in Australia**

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## Introduction

Thank you for the invitation to appear before you. We appreciate the opportunity to raise issues on housing affordability in Australia and note that your terms of reference raise the following specific issues:

- the taxes and levies imposed by state and territory governments;
- the rate of release of new land by state and territory governments;
- proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply;
- the role of all levels of government in facilitating affordable home ownership;
- the effect on the market of government intervention in the housing sector including planning and industrial relations laws;
- the role of financial institutions in home lending; and
- the contribution of home ownership to retirement incomes.

We note that in large measure your terms of reference focus on issues of housing supply – such as rates and levies and rates of land release – as well as the question of the contribution home ownership makes to retirement incomes.

In our evidence we wish to address these themes and would note that while these issues are usually considered with respect to their impact on the broader population – or conventionally defined groups such as first home buyers – the inability to gain access to home ownership and the unaffordability of much housing has a more profound impact on some groups within society including women, the aged, and persons affected by a disability. It is also important to develop an aggregate picture of different levels of housing need and what that means for entry to home ownership.

This submission will focus on the following specific issues:

- The aggregate picture of housing need and the role of entry to home ownership; (Baker)
- Access to home ownership for persons affected by a disability; (Beer)
- Women and access to home ownership (Tually);
- The contribution of housing to post retirement incomes (Faulkner);
- The role of the First Home Owners Grant and home ownership rates (Beer).

Much of the material presented today and discussed within this paper comes from our recent research including a report on housing and women (Tually, S. Beer, A. and Faulkner, D. 2007 *Too Big to Ignore: The Future of Housing for Women to 2025*, Southern Research Centre, Adelaide); and our work on *National Research Venture 2: 21<sup>st</sup> Century Housing Careers and Australia's Housing Future*. The final report for this latter work will be published this year by the Australian Housing and Urban Research Institute. Much of the data presented here is drawn from the *Housing 21 Survey*, a survey of housing needs and preferences that is representative at the State/Territory level and was undertaken in late 2006 and early 2007 (See Appendix A).

## Aggregate Housing Need

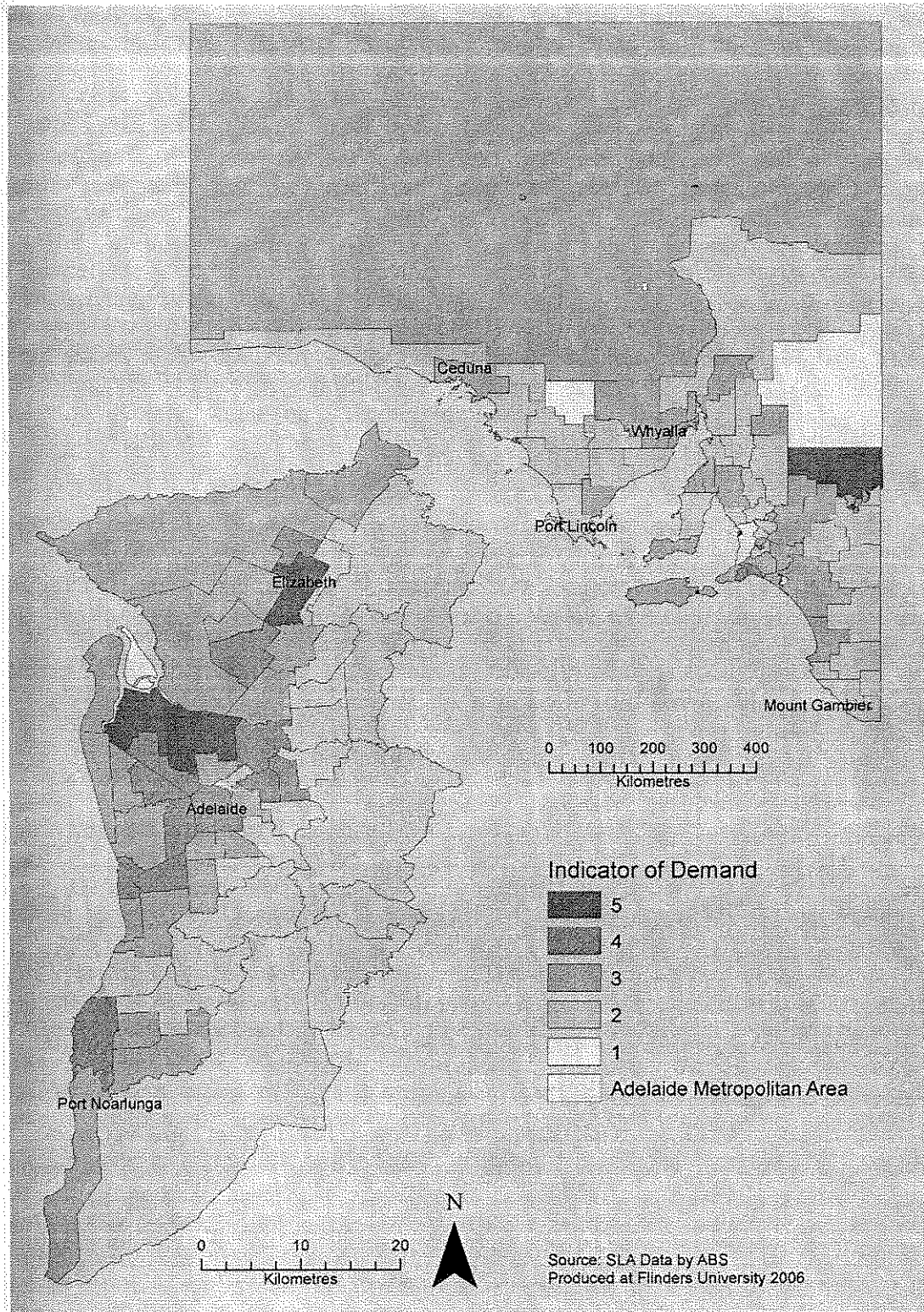
Housing affordability problems vary in their scale and have a clear spatial expression across our cities and non-metropolitan areas. Knowledge of this distribution is important because it affects both the demand for, and supply of, affordable housing.

Housing affordability is broader than being able to purchase or rent a dwelling, it is about being able to afford housing that is appropriate and adequate. Households that "cannot afford 'appropriate and adequate' housing" (AIHW, 1995) are classified as being in housing need. **At the last published census 1.1 million Australian households were classified as occupying unaffordable housing** but this number hides the many Australians who could not afford appropriate or adequate housing. Some groups with other special needs in our community (such as households containing members with a disability, Indigenous persons, sole-parents, or women) are especially vulnerable to housing need. Also these groups are more likely to have low or unstable incomes, and parallel requirements for housing that supports their health. It should also be noted that there are insurmountable barriers to home ownership for many population groups (and for some it is an inappropriate tenure), for these groups policy attention needs to be focussed on providing affordable housing in alternate tenures.

The distribution of unmet affordable housing need is focussed in areas with low affordable housing supply, and high concentrations of population in housing need. Recent modelling of unmet housing need (as shown in Map 1) in South Australia, suggests that significant unmet need is concentrated in the inner City, outer northern Adelaide, and in non-metropolitan areas such as Goolwa and Ceduna.

Our work has highlighted the importance of considering location in the design of affordable housing policy, as well as the need to focus the provision of appropriate and adequate housing on those groups within the community that are vulnerable to housing need.

**Map 1. Composite Indicator of Housing Need in South Australia, 2001 Census**



Source: Baker, E and Beer, A (2007) Developing a Workable Model of Housing Need: Applying Geographical Concepts to a Problem of Public Policy, *Applied Geography*, 27, 3-4, pp. 165-180.

## Housing and Disability

As part of our work on 21<sup>st</sup> Century Housing Careers and Australia's Housing Future (Beer and Faulkner *forthcoming*) we have undertaken research into the housing of persons affected by disability. **This research has shed light on the low rates of home ownership amongst many persons affected by disability and we believe that this issue should be considered by this Inquiry.** The disability-focussed component of the research was supported by the Helen McPherson Smith Trust and the Gandel Trust and was undertaken in Victoria. The research was commissioned with the intention of 'mainstreaming' the discussion of the housing careers of persons with a disability in order to promote policy solutions that are not limited to the disability sector alone.

The disability research focussed on the housing careers of persons – and their carers – affected by four types of disability:

- Mobility impairment;
- Sensory impairment;
- Psychiatric disability;
- Cognitive disability.

The research was further focussed on three regions within Victoria: Darebin as an example of an inner metropolitan region; Gippsland as an example of a non-Territories the metropolitan region; and Sunshine/Brimbank as an example of an outer metropolitan region. While the research was undertaken in Victoria the results are transferable to other jurisdictions. A policy review paper undertaken as part of NRV2 (Tually 2007) demonstrated that across Australia's States and policy frameworks linking housing and disability are broadly similar. In all jurisdictions publicly-owned housing is seen as the primary vehicle for assisting persons with a disability with their housing. In addition, there is a strong focus on providing services that support individuals maintain as much independence as possible.

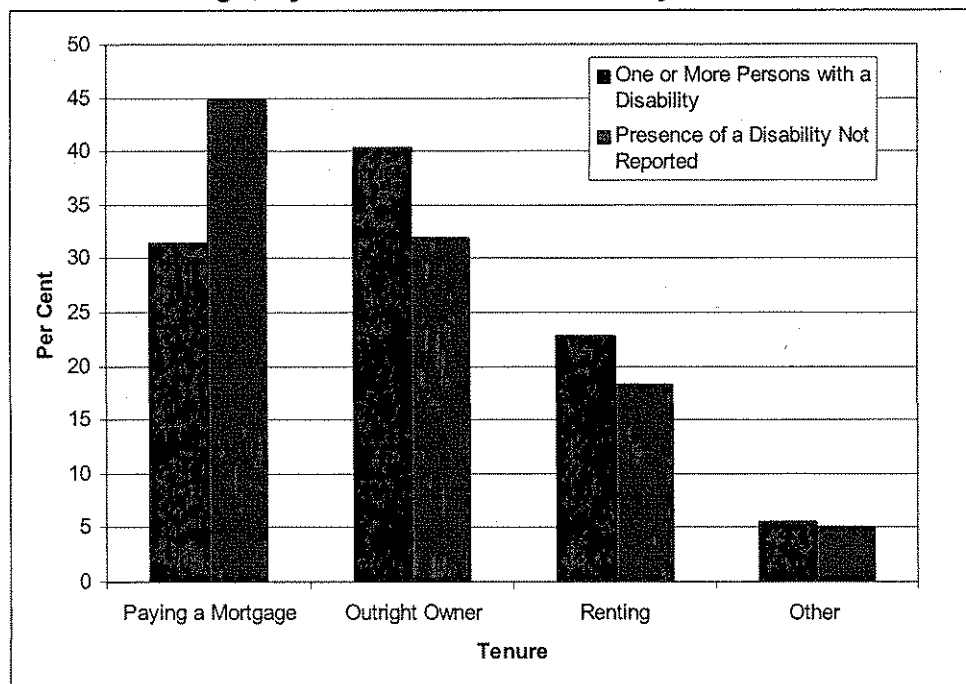
Prior to moving to consider the ways in which disability shapes housing affordability and access to home ownership it is important to examine how households are affected by disability. The household rather than the individual is the primary unit of analysis in the overwhelming majority of housing research because it is the household as a whole that occupies the dwelling, is affected by decisions to move or relocate and which jointly pays for accommodation. The review of the literature on disability and housing (Beer, Faulkner and Gabriel 2006) noted there was substantial discussion in the published research around the impact of disability on the housing careers of family members. Research has noted that parents with care responsibilities may face higher housing costs and greater transport costs as a consequence of disability and that one parent is often unable to engage in paid work – thereby reducing household income – due to their care responsibilities (Hughes 2007). Lower household income reduces the level of choice within the housing market and may truncate housing careers. Society, however, relies upon the efforts of unpaid carers to meet the needs of those affected by disability (Jenkins et al 2003). **Importantly, we can conclude that it is the housing career of the household as a whole that is affected by the presence of a disability.**

Of the 2,698 households who participated in the *Housing 21* survey some 595 households (22 per cent) reported that one or more household members had a long term health condition, disability or impairment. This rate of self-reported disability is consistent with both the 2006 Census (Hugo 2007) and earlier Australian Bureau of Statistics data collections on the prevalence of disability. In most instances only one household member had a disability, but in 74 cases two persons were reported as disabled and in three instances there were three people with a disability in the household. In 182 instances – some 7 per cent of the total population and 30 per cent of households living with a disability – respondents reported that a household member was needed to provide assistance with self care, mobility or communication. The figure is compatible with the AIHW's (2003) estimate of the incidence of persons affected by a disability to the extent that it represents a 'core activity limitation'.

Some 381 respondents reported that they or a member of their household provided care and assistance to a person with a health condition or disability. Of this group, just over half (53 per cent) were assisting a person living within their household, while 54 per cent reported that a household member was assisting a person living outside their household. In approximately ten per cent of cases household members were assisting both a person within their household and a person living elsewhere.

Analysis of the *Housing 21* data revealed significant variation between the tenure of households where the respondent was under 65 years of age and one or more persons had a disability on the one hand, and the population of households where no member of the household reported a disability or long term health condition on the other (Figure 1). The former households were – in percentage terms – less likely to be home purchasers, and more likely to be outright home owners. At the same time, households where a disability was present were more likely to be renting or paying board.

**Figure 1. Tenure for Households Where Respondent was under 65 Years of Age, by Presence of a Disability**



Source: *Housing 21 Survey*

Importantly, the source of tenancy varied between households affected by disability and those where disability was not reported and while 22 per cent of respondents to the *Housing 21* survey were tenants within the public rental sector, fully 39 per cent of households where a disability was present rented from a government agency, compared with 16.1 per cent of the population of households where disability was not recorded in the household (Figure 2). These data are consistent with information on new housing allocation released by the AIHW (2007). Persons with a disability were also over-represented in community housing. Tually (2008 p.9) commented that

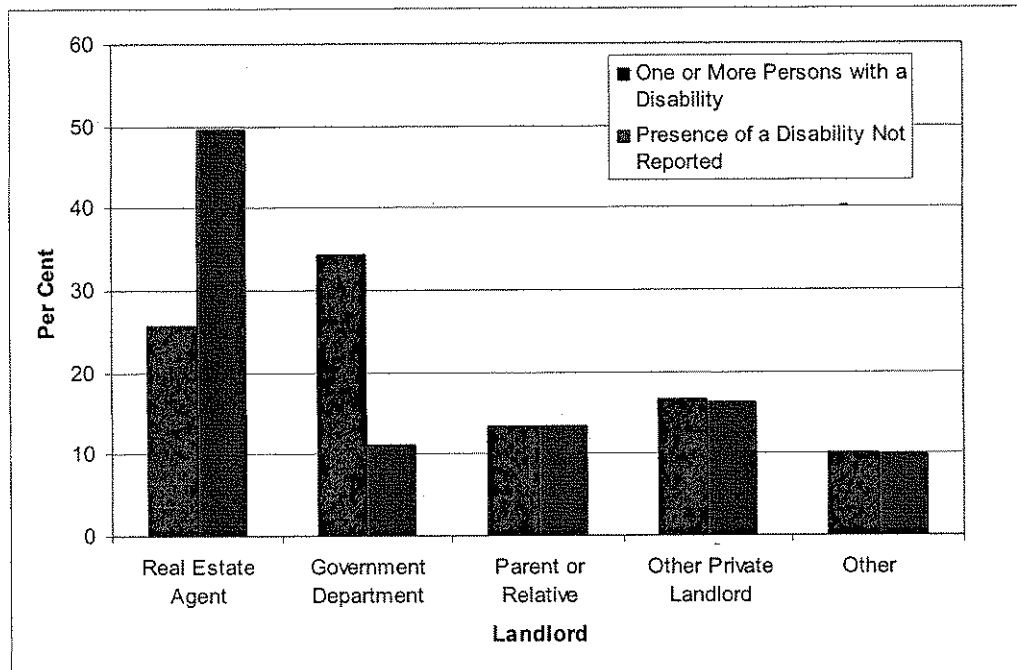
Acquiring a disability was also a key pathway out of homeownership for respondents and for many of the social housing tenants interviewed was the reason they were allocated their dwelling. Four of the social housing tenants who were interviewed were previous homeowners who had been forced to sell their home because of medical reasons and were granted a social housing dwelling as a medical necessity. That is, because they had to be near particular major medical facilities and because renting privately was affecting their health and wellbeing; mostly because their housing was insecure and unaffordable.

Tually's (2008) findings suggest that one of the reasons persons with a disability are under-represented amongst households purchasing their home is that these households are unable to maintain their tenure. This conclusion underlines the vulnerability of this population within the housing market and reinforces their dependence on social housing.

Just under 50 per cent of tenants where a disability was not present in the household rented from a real estate agent, compared with only 24 per cent of households where a disability was present. Overall the tenure data suggest a significant concentration – and/or dependence – of households where one or more persons have a disability in the social housing sector. This outcome reflects contemporary allocation policies and the tight rationing of the social housing stock (Parkin and Hardcastle 2004).

The incidence and impact of discrimination was one of the particularly unattractive aspects of rental accommodation for persons with a disability. A significant number of participants in the focus groups felt they had been discriminated against in the rental housing market because of their disability. Discrimination was seen to take a number of forms, including the landlord being unwilling to rent to a person with a disability, unfair treatment once the tenancy had commenced and a reluctance to agree to modest modifications to the home in order to make the dwelling more appropriate to the person with a disability. Persons with a psychiatric disability felt especially vulnerable to discrimination but as one participant from Morwell said, 'it doesn't matter what disability you have, the landlords and the real estate agents treat you terribly'.

**Figure 2. Landlord Type for Households Where Respondent Was under 65 Years of Age by Presence of a Disability**



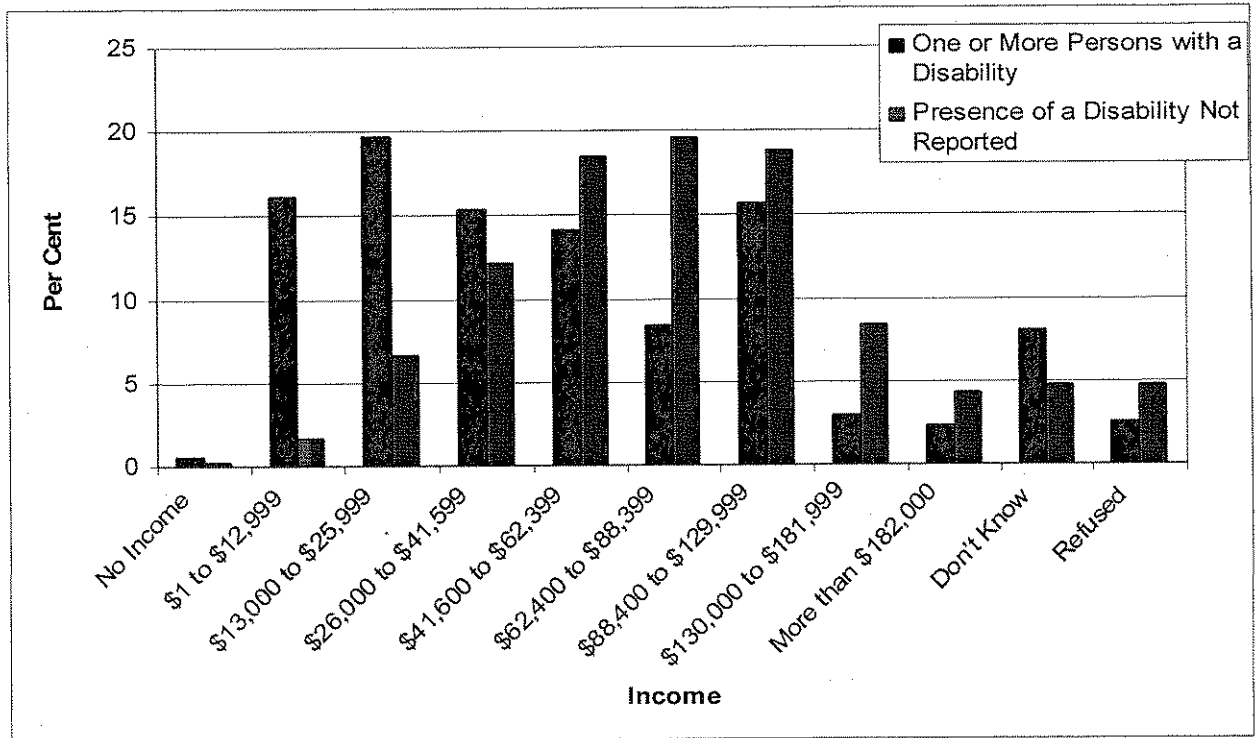
Source: Housing 21 Survey

The affordability of housing is clearly an important determinant of housing careers and a factor likely to be affected by the presence of a disability within the household. Income data for households where the respondent was under 65 years of age are presented in Figure 3 which emphasises the significantly lower incomes of many households affected by disability. Fully 35 per cent of households where a disability was reported had incomes of less than \$25,000 per year, compared with just 10 per cent of those where a disability was not reported. Clearly the capacity of these households to meet their housing needs within the market would be severely constrained. A measure of the impact disability has on earnings and housing careers is provided in this quote by a wheelchair-bound participant in a focus group in Gippsland who said:

Before my disability I was earning \$40,000 plus and after the accident went down to a pension of \$11,000. This made my life and that of my family very uncertain and has had an immense emotional and financial impact on my whole family. (Kroehn et al p. 7)

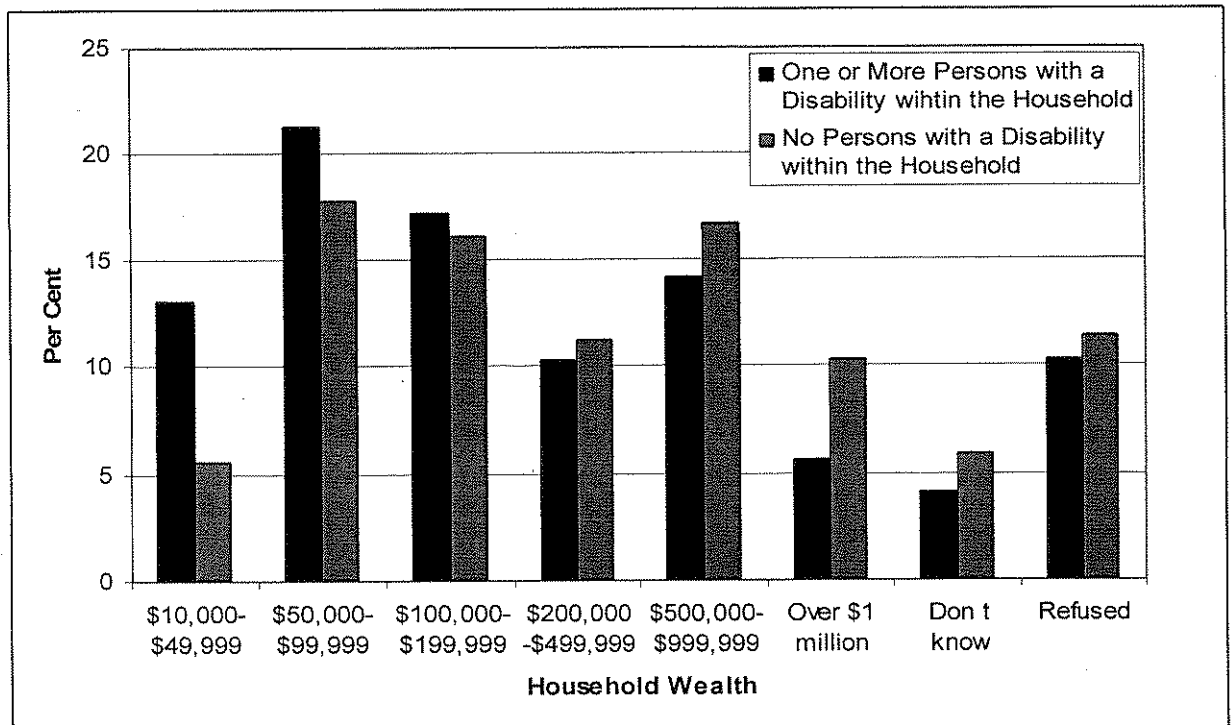


**Figure 3. Household Income for Households Where Respondent was under 65 Years of Age by Presence of a Disability**



Source: Housing 21 Survey

**Figure 4. Estimated Household Assets for Households where Respondent was under 65 Years of Age by Presence of a Disability**

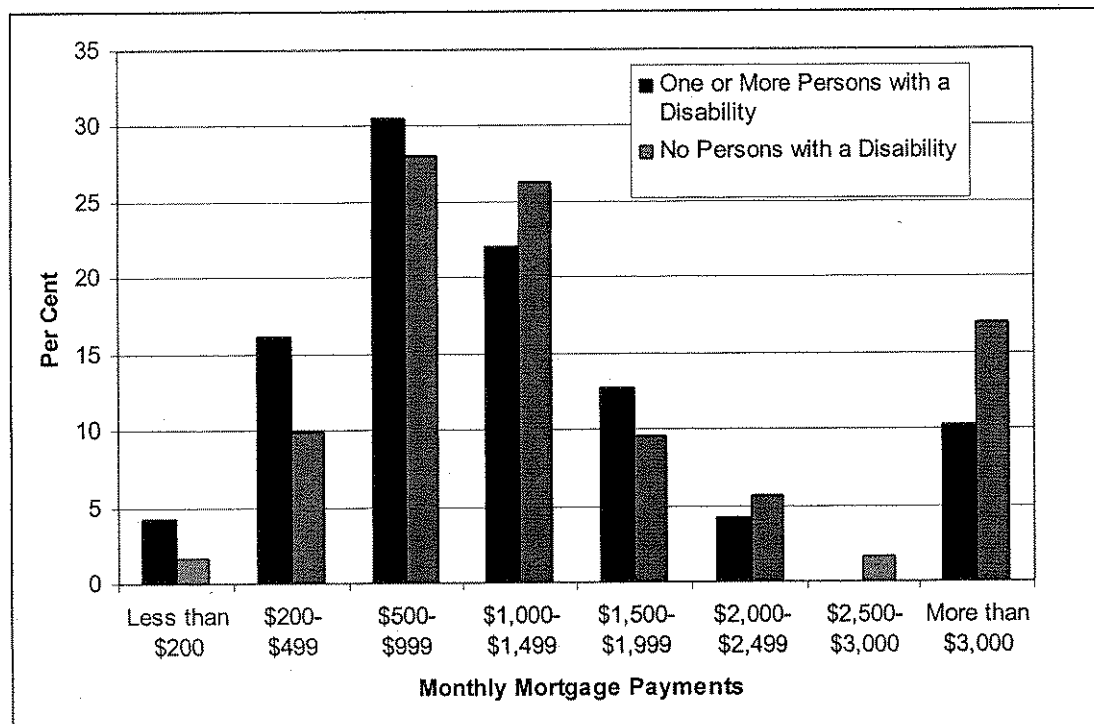


Source: Housing 21 Survey

The assets a household owns are an important economic resource, particularly in gaining access to home ownership. As Figure 4 shows, households in the Housing 21 Survey where one or more members of the household had a disability or long term illness had significantly fewer assets than the general population. This estimate of assets includes the value of the family home and the relatively substantial reliance of households affected by disability on public rental housing in particular which would contribute to the lower wealth of this group. Significantly from a housing affordability perspective, low wealth – both with respect to housing and more liquid assets – narrows the range of housing available to any group in the future.

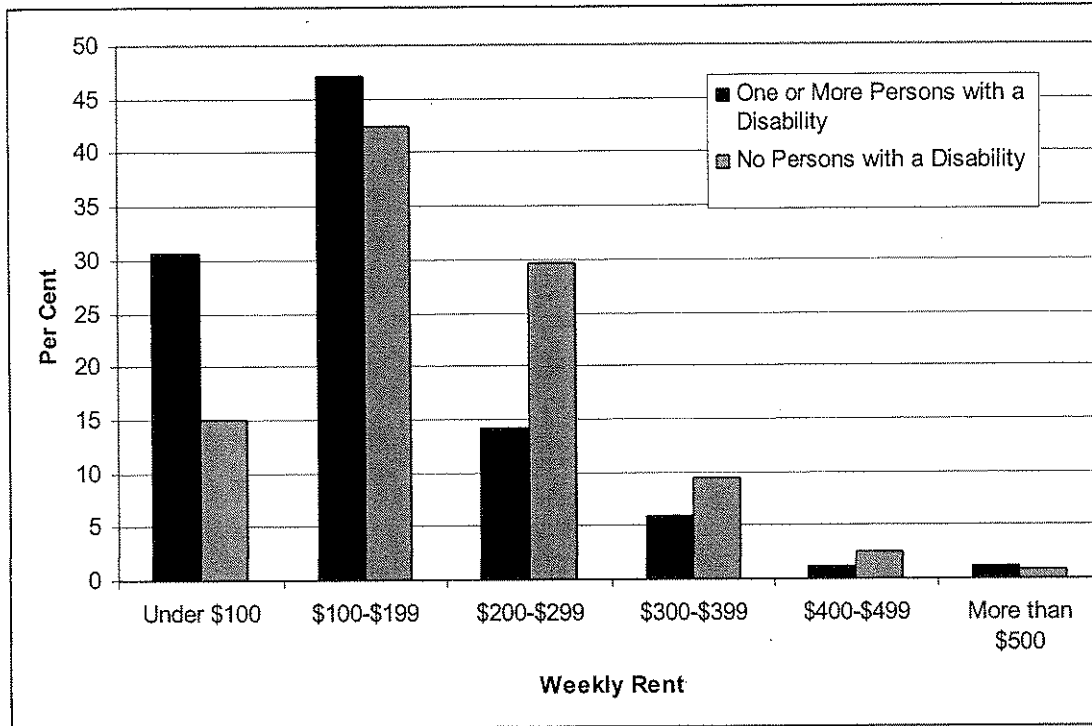
Households where one or more persons are affected by a disability tend to have both lower mortgage payments and lower weekly rents than the general population (Figures 5 and 6). Significantly, while the lower rents paid by households affected by disability reflect the more modest cost of housing in the public rental sector compared with the private rental sector, mortgage payments clearly do not. Households where one or more persons have a disability or long term health condition must engage in one or more behaviours that limit their mortgage liabilities. These strategies include 'staying put' within the housing market and not adjusting their housing as their needs change, buying more affordable housing that may be distant from essential services, and living with relatives.

**Figure 5. Monthly Mortgage Payment for Households where Respondent was under 65 Years of Age by Presence of a Disability**



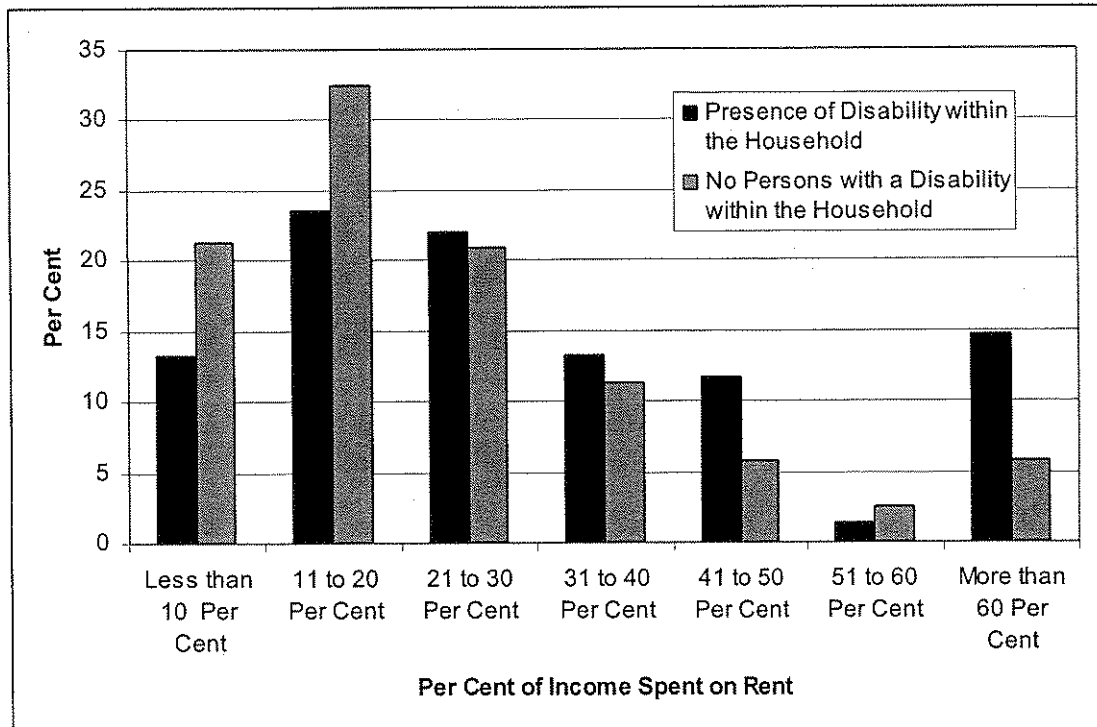
Source: Housing 21 Survey

**Figure 6. Weekly Rent for Households Where Respondent was under 65 Years of Age by Presence of a Disability.**



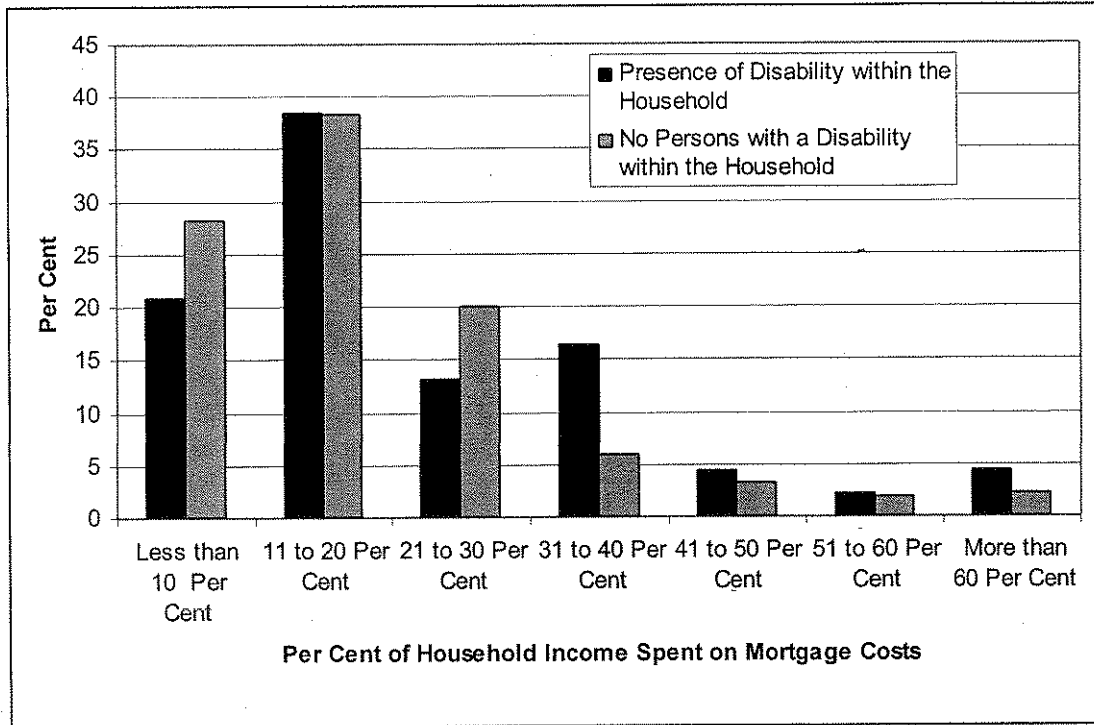
Source: Housing 21 Survey

**Figure 7. Housing Affordability for Tenants Aged under 65 Years by Presence of a Disability**



Source: Housing 21 Survey

**Figure 8. Housing Affordability for Home Purchasers Aged under 65 Years by Presence of a Disability**



Source: Housing 21 Survey

It is important to acknowledge that lower incomes than the general population and lower housing costs may, or may not, result in a greater incidence of affordability problems for households affected by disability. The data presented in Figures 6.14 and 6.15 suggest that **housing affordability is a major challenge for households affected by disability**, especially within rental housing. **Just under 15 per cent of households where one or more person was affected by a disability or long term health condition who were renting paid more than 60 per cent of their gross income for their housing.**<sup>1</sup> Fully 36 per cent of households affected by disability and accommodated within private rental housing paid more than 30 per cent of their income for their housing.

Those households affected by disability who were purchasing their home were less likely to be confronted by unaffordable housing than tenants and this reflects both their higher household incomes relative to tenants and the impact of historical – rather than current – housing costs, as a majority have been home purchasers for a considerable period of time. This said, home purchasing households affected by disability were more likely than the general population of home owners to be paying more than 30 per cent of income on housing with some 27 per cent paying more than 30 per cent of gross household income for accommodation compared with 13 per cent for the general population of purchasers.

<sup>1</sup> It is important to discount the argument that those paying 60 per cent or more of their income in housing were living in an institutional or community care setting where living costs and housing are provided as a bundle. In common with other CATI surveys, such living arrangements were under-represented in the *Housing 21* survey.

Clearly the private rental market presents significant challenges for persons with a disability and their family members. The difficulty of sustaining private rental accommodation is highlighted by the experience of a male participant with a psychiatric disorder interviewed as part of the in-depth interviews undertaken as part of NRV2 to provide greater insight into the personal experiences, of and issues confronting, people with disabilities

*I tried private rental in [north-western suburb] and living on a pension and paying private rental ... It was extremely hard. I was evicted ... I couldn't maintain the rent, yeah... It was a friend that I played cricket with, it was one of his properties. He sort of said, yeah, that's fine, as long as you maintain the rent then we'll have no problem. But yeah, I fell behind. (Saugeres 2008, p. 21)*

Other people had to compromise on the quality of their accommodation in order to afford to rent privately.

The insights offered by the *Housing 21* survey are entirely consistent with the findings of the qualitative research. Many of those who participated in the qualitative research voiced the view that the combination of high house prices and low incomes meant that persons not already owner occupants would find entry into the tenure difficult. A group from Sale in Gippsland who were already owner occupiers were thankful that they had their own places as they believed *'it would be impossible to enter the housing market due to rising prices'* and *'securing a loan on part-time or casual work was difficult'* (Kroehn et al 2007 p. 20). One participant in a Morwell focus group explicitly acknowledged the importance of receiving an insurance settlement for his disability – and by implication the source of his disability – noting that *'Being paid out made buying a home and modifying it possible to do. I don't know where I would be without the payout'*. Tenants by contrast, noted that finding appropriate accommodation was difficult and diminished greatly the options for where they lived, even within an affordable housing market such as Morwell. Participants in a focus group in Melbourne affected by a mobility impairment felt that the city's housing market had either failed them – or was not relevant to them. Only one member of the group was an owner occupier and no-one rented privately. At least one participant and one carer had rented privately in the past, but the private rental market was seen to be difficult because of the inaccessibility of the housing stock, high rents and the inability to find and sustain work.

Respondents reported that while work is available for them, it is often short term in duration, part-time and not especially rewarding financially. Those who could find work part-time often struggled financially as the income earned was little more than what was available through the Disability Support Pension (DSP). In addition, the fact that the DSP is income tested could be a disincentive to finding full time employment particularly as the health of many of these people is unstable and reliance on this pension is anticipated long term. A young respondent in the qualitative interviews expressed this concern about what would happen if she lost her Disability Support Pension due to gaining full time employment

*I'm a bit concerned about that, yes. If I earn too much money I will lose my disability pension and there goes, you know, I won't be able to see a doctor, I'll have to pay and things like that ... I am a bit concerned about that because it is a bit of a security net, you know? ... Like I only get my granny flat because I have a disability pension ... So I might lose my granny flat as well. So I don't really want to do that. (Saugeres 2008, p. 22)*

## Women and Access to Home Ownership

Recent work undertaken by the AHURI Southern Research Centre shows there is a gender dimension to housing need in Australia (see Tually, Beer and Faulkner 2007; Baker and Tually 2008; Baker and Beer 2007), with women in general more vulnerable in the housing market than their male counterparts. For the most part this is because women on average still earn less than men – a result of the persistent gender wage gap in Australia, and because women continue to shoulder the major responsibility for caring in society; caring for children, people with a disability and the elderly. Most women in Australia still have significant periods out of the workforce because of their caring responsibilities and many women work only part-time (and for lengthy periods) in order to meet their caring responsibilities. The important consequence of this is that it limits the earning capacity of many women compared with men, and affects both their lifetime earnings and their accumulation of wealth, and especially superannuation (see Clare 2007).

As financial capacity determines people's housing choices and circumstances, the limited earning capacity of many women compared to men is a significant concern. It is also a barrier to accessing homeownership for women generally, and for female headed households in particular. It is certainly the case for many female headed single parent families and female headed lone person households, where one low or part-time income, or complete reliance on income support payments, is not sufficient to enter into or sustain homeownership. Particularly when housing is the most unaffordable it has been for many years and the cost of living continues to outstrip average wages growth.

Given this, it is logical that programs to assist disadvantaged groups of women into homeownership and to sustain homeownership are needed. This is especially the case for those women who have lost a partner – through death, divorce or separation, and for women (or households) where the primary income earner has acquired a disability or for some other reason suffered a significant loss of income. Importantly, assistance programs are needed for women of all ages. They are needed for young women who have divorced (including those who have separated from more than one significant relationship), for middle aged women whose partner may have acquired a disability or unexpectedly passed away reducing their household income significantly, and for older women approaching retirement who have been divorced and a single parent for a significant period of their lives. Programmes such as HomeStart finance's *Breakthrough Loan* (SA Government), the WA Government's *First Start Scheme* (through Keystart Home Loans) and the other "shared equity" mortgages offered by financial institutions, as well as other housing assistance programs – concessions on mortgage insurance and temporary assistance with mortgage repayments (See SA's HomeStart Finance and WA's Keystart Home Loans programs)<sup>2</sup> may offer workable solutions for women. Research is clearly needed into the benefits of these programs for the housing situation of women, and other special needs groups.

It should also be noted here that lone person households and single parent families are the two household types projected to grow most significantly into the future (see ABS 2004a). They are also the two household types most likely to be in housing stress – whether in private rental or homeownership (ABS 2004b; Baker and Beer 2007; Yates and Gabriel 2006). As such, the number of women likely to need some form of housing assistance to enter the housing market and to sustain their position as

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<sup>2</sup> See the HomeStart Finance website: <http://www.homestart.com.au/home-loans/home-loans> and Keystart website: <http://www.keystart.com.au/key/home.htm>

a homeowner (or tenant) is likely to increase dramatically into the future. Addressing the need for assistance with accessing affordable housing from women then, must be a policy priority.

A number of clear barriers exist in terms of women and access to homeownership in Australia. These barriers must be addressed if women generally, and certain groups of women in particular, are to be lifted out of their disadvantaged position in the housing market. We see the following three issues as crucial in this respect.

First, there are still unacceptably high levels of family and inter-personal violence (domestic violence) in Australia (ABS 2007; Mouzos and Makkai 2004), and this often results in a period or periods of homelessness and/or time in crisis accommodation for affected women and their children (AIHW 2005). We need to remember that for many of the women who have survived or escaped from domestic violence the impact of domestic violence on their housing extends beyond just the immediate impact, or moving from the family home into another home. For many women their exposure to domestic violence also precipitates a change in tenure in the housing market. Many women fall out of homeownership because of domestic violence, losing all or most of what they own, including the wealth accumulated in their housing. Importantly, for some women falling out of homeownership because of domestic violence locks them out of re-entry into the tenure for a significant period, or indefinitely. We believe that women in this situation need some sort of assistance to get them back into homeownership if they want to, or to move into more affordable and secure accommodation in another tenure. The fact that the current First Home Owners Grant (FHOG) is not available again to women who have previously had the Grant and experienced domestic violence is discriminatory, and with long-term and on-going consequences for affected women. If the FHOG is to continue to be one of the Federal Government's housing assistance programs an exception needs to be made for women who have previously had the Grant and survived domestic violence so that they can access the Grant again to assist them into homeownership – and whether they are entering the market as a single person, single parent family or part of a couple. Addressing this situation is made even more urgent given that the future of social housing in Australia is uncertain, and as housing stress is most acute in the private rental market – increasingly the only tenure option available for women escaping domestic violence.

Second, and related to the eligibility for the FHOG issue, we advocate for the introduction of a programme or programmes (a grant or some other assistance) to help people who have divorced or separated from a significant relationship and who are at risk of falling out of homeownership or have fallen out of homeownership because of divorce/separation in the past.

Research completed as part of AHURI's National Research Venture 2: 21<sup>st</sup> Century Housing Careers and Australia's Housing Future (Tually 2008) points to the need for a grant like the FHOG or other once-off or temporary assistance to help women with their mortgage immediately post-separation. Some of the women interviewed for this research expressed anger at having lost their family's home after initially being awarded it in their divorce settlement, and many felt they were now locked out of the housing market because of the recent housing boom, with clear consequences for their sense of self-worth and control over their lives (see Tually 2008, especially Chapter 5). By contrast, the majority of the respondents who had repartnered or remarried were now back in homeownership, showing the importance of two incomes or one solid (or high) income for entering and sustaining a mortgage. This finding fits with that of de Vaus et al (2007) that remarriage is a clear pathway out of the financial

devastation of divorce for many, and especially for men who are more likely than women to remarry or repartner following divorce (Jain 2007).

Other AHURI research (Babacan et al 2006) investigating the issue of loss of a partner on the housing situation of older Australians points to the precarious position of divorcees:

Older Australians that have lost a partner are much more likely to have low incomes and be dependent upon income support programmes. They are also more likely to experience housing affordability stress. However, for private renters Commonwealth Rent Assistance plays an important role in bringing levels of housing affordability stress more into line with the levels experienced among other private renters. **With no housing assistance to fall back on, divorcees in homeownership are significantly more likely to experience housing affordability stress** (p.6, emphasis added).

The same research notes that women are more often disadvantaged financially and in terms of their housing post-separation and divorce than are men.

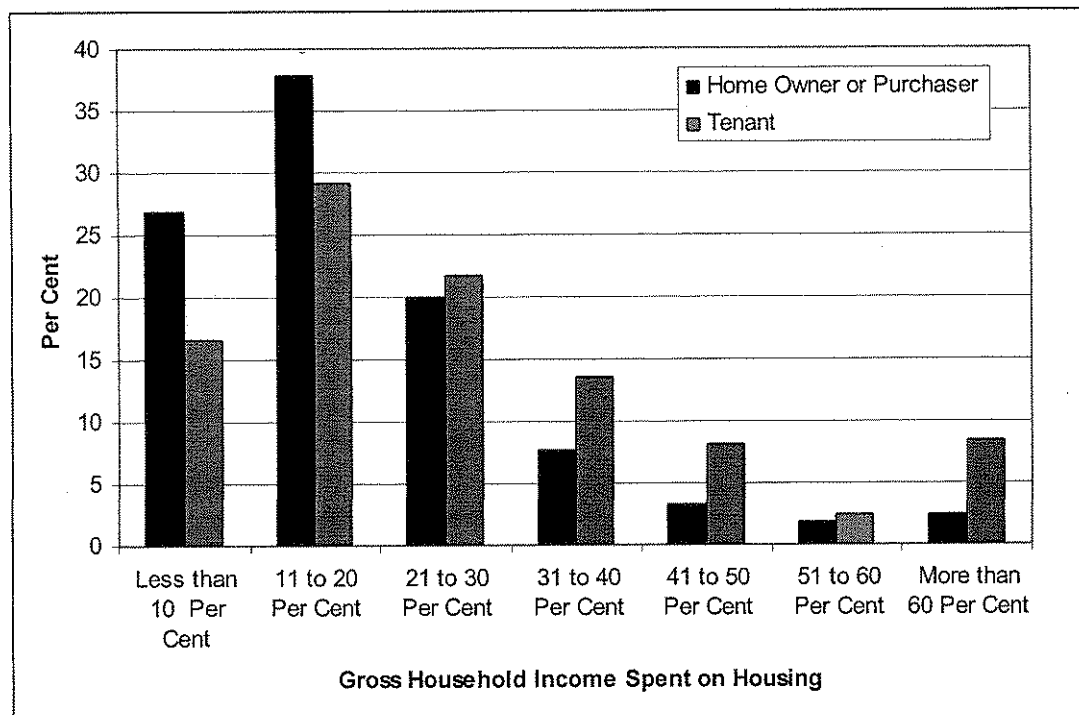
Finally, the lower superannuation balances of women compared to men is an issue of significant concern in terms of housing affordability. Most people use all or part of their superannuation at retirement to reduce or pay off their mortgage, significantly minimising their housing costs in retirement when incomes are generally at their lowest. As women have much lower superannuation balances than men and generally lower lifetime earnings, it is far more likely that women without a partner (and especially those who have not had a partner for a long period of time) will not be in a position to buffer against high housing costs in retirement. We see this as a significant problem in terms of housing affordability and for sustaining homeownership and an adequate standard of living in retirement for the many female headed households who have not been covered by the Superannuation Guarantee until late in their working lives, and particularly for Baby Boomer women. This situation may also be ongoing for women, as the current divorce rate is expected to be sustained into the future and it seems likely that women will continue to earn less across their lifetimes than men, and we may indeed see more women into the future entering retirement with a large mortgage still to service if something is not done to address house prices and women have to pay more to enter into homeownership. Clare's (2007) call for more to be done to encourage women to contribute to their super – including extending the Federal Government's Super co-contribution scheme – seems justified in this respect and a possible way to address housing affordability in retirement.



## Contribution of Housing to Post Retirement Incomes

Stable and appropriate housing (in combination with accessibility to services) can strongly influence the physical and psychological well being of older people (CAS Government of South Australia 2007). Home ownership – at around 80 per cent for the population aged 65 years and over – contributes significantly to the ability of older people to age successfully. Such a high rate of ownership means, proportionally, fewer older people are likely to be suffering housing stress compared to other age groups in society (Temple 2008). For older home owners housing costs as a proportion of gross household income are considerably less than for other tenure types, allowing home owners to maintain a modest but adequate standard of living (Figure 8).

**Figure 8. Housing Costs as a Percentage of Gross Household Income for Australians Aged over 55**



N= 380 tenants, 640 owner occupants.

Source: *Housing 21 Survey*

While home ownership is generally viewed as an advantage as it provides security of tenure and the means to alter through the housing market, a person's housing situation to suit their changing needs, the current generations of the aged population are heavily dependent on a government pension (Harding et al 2002; Kelly 2003; Headley et al 2008). While home owners may be better able to manage on a pension compared to people in the rental market, they often have little money and therefore a very limited capacity in terms of savings to contribute financially to their own retirement. While the baby boomer generation are wealthier than previous generations current research indicates that most households within 20 years of retirement are

likely to be partly reliant on the aged pension (Headley et al 2008). Income and wealth disparities will continue to limit the housing choices of many older Australians.

Significant rises in the value of housing is increasing attention to the way in which older home owners could draw on assets in their home to supplement retirement incomes. This can be achieved most obviously by downsizing, through equity withdrawal such as reverse mortgages or by exchanging home ownership for rental accommodation. In general however older people have resisted any pressure to use housing wealth to meet their needs in old age.

### **Downsizing**

While mobility rates are increasing among the population aged 55 years and over research indicates few move to specifically downsize financially to allow the release of funds (Housing 21 survey – Beer and Faulkner 2007; Olsberg et al 2006). While there is an increasing trend for older people to seek smaller more manageable housing this does not necessarily result in the release of equity. In fact the lack of diversity in housing in South Australia, the cost and location of smaller accommodation (and the associated costs of moving), and the lack of assistance programs often precludes older people on limited incomes from moving (Faulkner, Tually, Baker and Beer 2007). This results in the under-occupation/utilisation of family homes that could be used by younger families.

### **Equity withdrawal through reverse mortgages**

For the population aged 75 years and over equity withdrawal products are viewed by many with suspicion. Recent research on attitudes to reverse mortgages, the growth in the number of products (Choice 2007) and rapid expansion in the number of accounts (80 per cent growth over the last twelve months) (Hickey et al 2007; Trowbridge Deloitte in Age 2007) suggest however attitudes regarding the 'value' of housing (not just as a place to live but as viable asset that can be accessed to release capital) may be changing, particularly among the 'young old' and the first waves of the baby boom generation. Data from the Housing 21 survey indicates that nearly 83 per cent of respondents aged 55-64 agreed or strongly agreed that a person can sell or borrow against a home to provide for their needs in old age, compared with just 65.8 per cent of people aged 75 years and over. (Beer and Faulkner 2007)

### **Exchanging home ownership for rental accommodation**

Wood et al's research (quoted in Flatau et al 2003 p. 15) suggests that older Australian homeowners would be financially better off if they became renters. The uncertainty of the rental market, the inappropriateness of much the private rental accommodation in meeting the needs of older persons, the effects on pension entitlements and the deep attachment and belief in home ownership in Australia all mitigate against the release of equity in this way.

In concentrating on the importance of home ownership to retirement incomes it is important that those older people that have been unable to secure home ownership and, in many respects, are social and economically vulnerable are not ignored by policy. No matter how housing costs are defined older residents in rental housing spend a considerable amount of their gross household income on housing costs (see figure above) and in fact according to the ABS data on 'housing occupancy and costs 2005-06' households with a reference person aged 55 years and over who are renting spent more of their gross household income on housing than any other lifecycle group (ABS 2007).

Research indicates (Jones et al 2008) that the number of older renters is going to increase substantially over the next 20 years (in the order of 115% to 419,000 by 2026) with many of these households being lone person households and dominated by women. Part of this increase will result from people who are unable to sustain home ownership. From research we have undertaken (Beer and Faulkner *forthcoming*) **remarkably 82 per cent of renters aged 55 years and over indicated they had previously been home owners** and their reasons for moving were both voluntary and involuntary. With the decline in boarding houses, caravans and most importantly social housing, many people will be reliant on the private rental market and at a time in their life when they are more susceptible to disability and ill health.<sup>3</sup> Lack of resources will force many to trade off various attributes of housing to gain access and this is likely to result in housing that is not appropriate to the needs of an ageing person.

For the current generation of older people home ownership is a significant hedge against poverty and social exclusion. For many of the baby boomers superannuation and other investments will increasingly be available as a means of support in retirement. Not all of the baby boomers, however, have prospered over the years and they will enter the older age groups with few assets. It is these vulnerable households that will increase pressure for new and varied forms of housing assistance.

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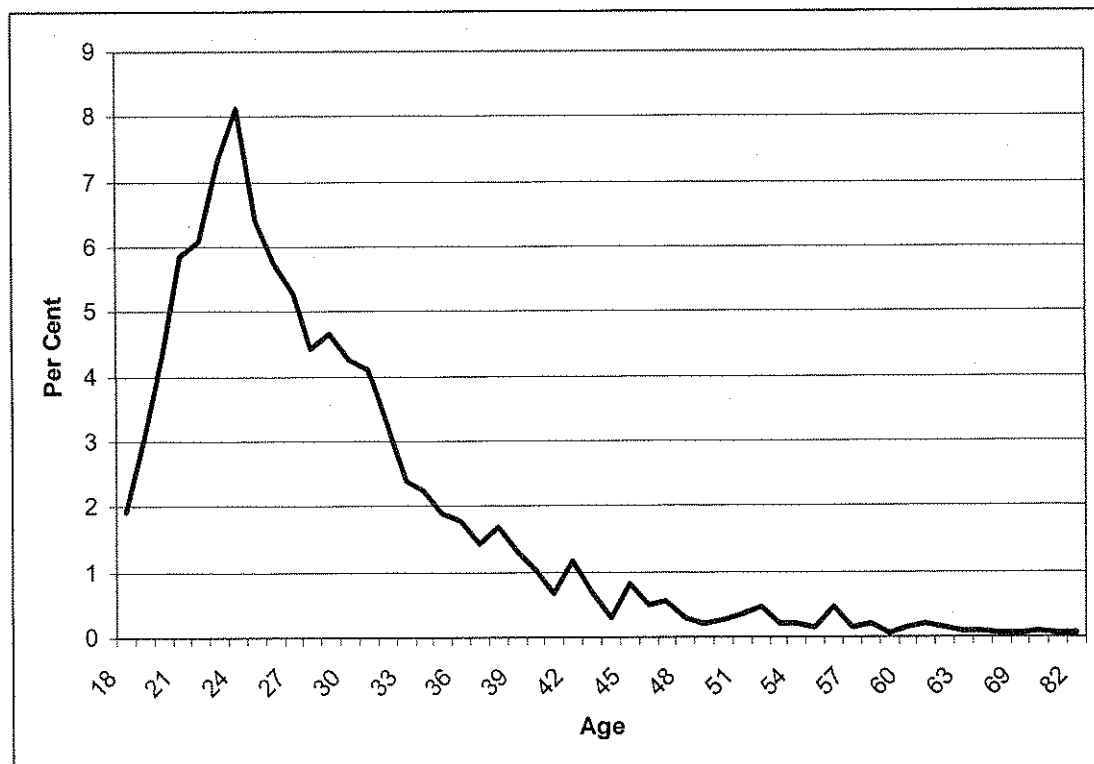
<sup>3</sup> Rental retirement villages (like Village Life) are yet to prove themselves to be a reliable and suitable housing option for low income older people.

## The Role of the First Home Owners Grant

Over the last decades there has been a great deal of discussion about whether younger Australians are able to gain access to home ownership given that earlier research (Yates 1996; Yates 2003) unveiled a significant decline in the rate of entry into home purchase for those aged 25 to 34 years. Work by Baxter and McDonald (2004) drawing upon the Negotiating the Life Course Survey concluded that younger Australians are postponing, rather than cancelling, entry into home ownership and that most households achieve the tenure status of earlier generations by age 44. While the results presented by Baxter and McDonald (2004) are robust, they have not been verified by other data collection instruments and some doubt as to capacity to generalise those findings must remain. This section considers the issue of entry into home ownership and whether there has been a fundamental shift in the capacity of younger Australians to achieve home ownership.

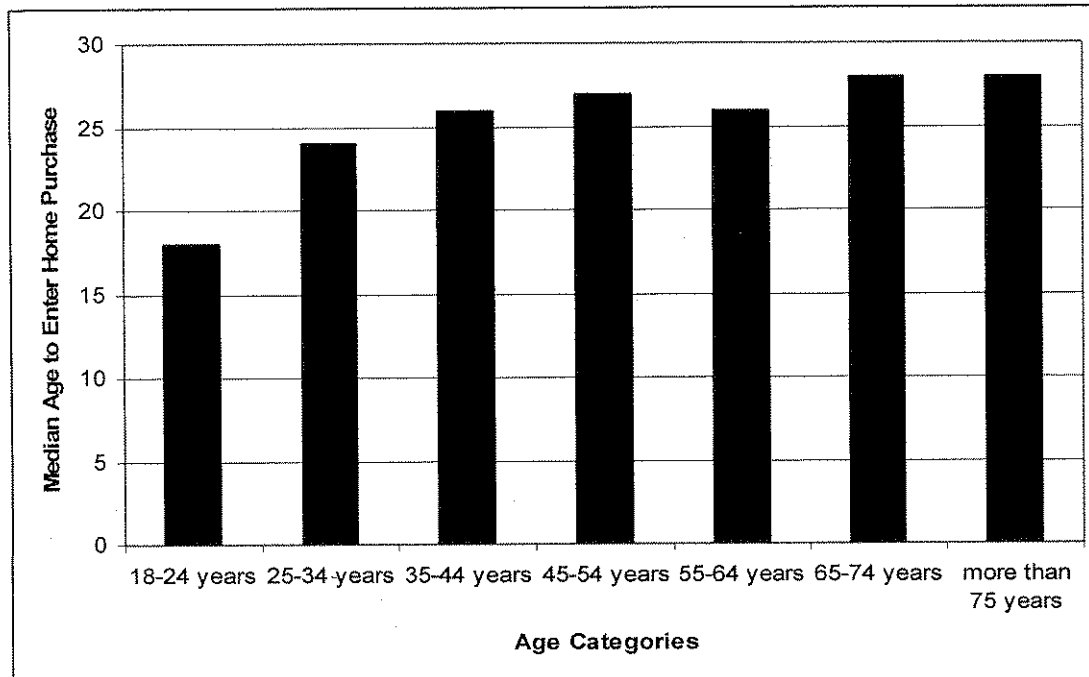
As Figure 9 shows, most Australians who become owner occupants enter home purchase relatively early in their adult lives with 67 per cent of respondents to the Housing 21 survey doing so by age 30. These data, however, relate to all of the approximately 1,900 respondents who had entered home purchase regardless of current age. The data presented in Figure 10 shows that amongst those who have achieved home ownership, there is relatively little variation in the median age of entry into the tenure. Indeed the younger age cohorts show a slightly lower median than the older groups but this reflects the incomplete nature of data for this cohort with those who will purchase later in life not yet part of home ownership.

**Figure 9. Age at Which Entered Home Purchase, All Respondents**



Source: *Housing 21 Survey*

**Figure 10. Median Age of First Home Purchase for those who have Achieved Home Purchase by Age Group**



Source: *Housing 21 Survey*

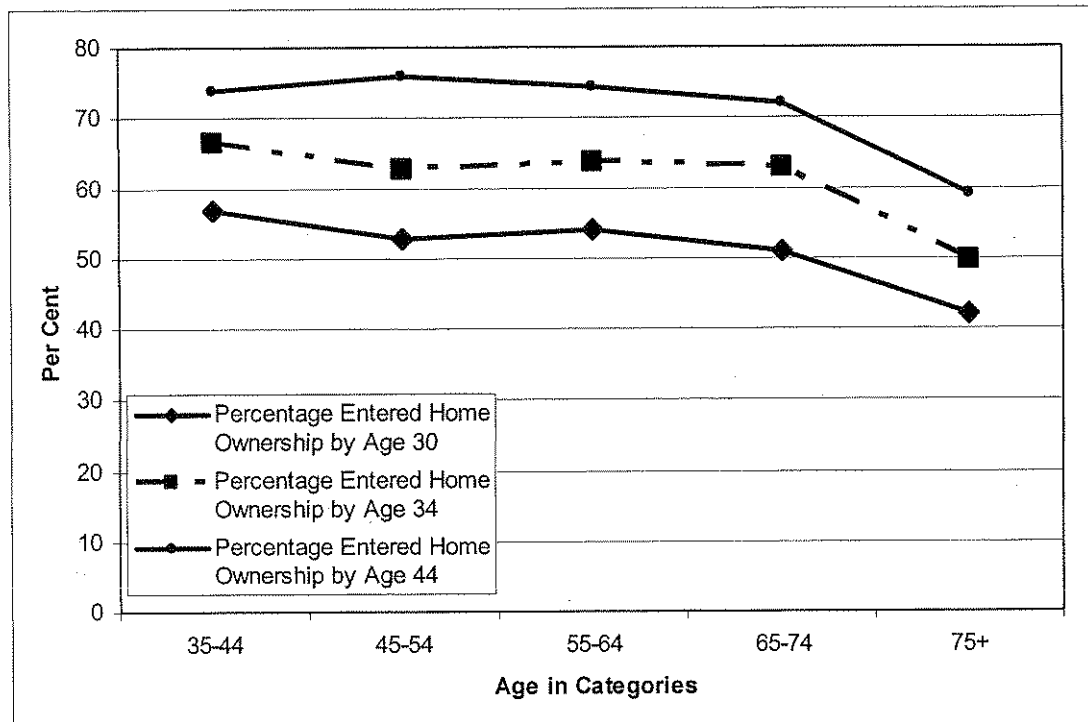
The data presented in Figure 10 suggests that the median age for entry into home ownership for those who have achieved this tenure has declined slightly over the past 40 years. A more important question, however, is the percentage of each cohort to enter home ownership by a particular age, and especially age 34 and 44, the traditional and emerging thresholds for measuring the rate of recruitment into owner occupation. The Housing 21 data permitted the calculation of the age at which the respondent first entered home ownership and for the total population (including persons currently tenants) 51 per cent had taken out their first mortgage on a home by age 30 and 16 per cent of those aged 18-24 were already home buyers. The more critical data is the percentage of each cohort to become home purchasers or owners at a benchmark date and Figure 11 reveals that the results contradict the conventional interpretation that younger cohorts have found it more difficult to enter home purchase than older groups did at the same age. For those aged 25-34, fully 56.7 per cent had entered home purchase by the age of 30, this compared with 56.8 per cent with the 35-44 cohort, 52.6 per cent of the 45-54 group, 53.9 per cent of those aged 55-64, 50.8 per cent of the cohort aged 65-74 and 41.9 per cent of those aged over 75. Similar trends are evident at the other benchmark ages of 34 and 44 years and it is worth noting that the percentage of households to have entered home purchase by age 44 is broadly comparable between 35 to 44 year olds and 45 to 55 year olds, even though the majority of the former group had not achieved that age at the time the survey was conducted. Put simply, the Housing 21 data show that more Australians have been able to enter home ownership at younger ages over recent decades.

The introduction of the First Home Owners Grant (FHOG) in 2000 contributed to early entry into home purchase with **Wood et al (2003) showing that the FHOG 'brought forward' home purchase decisions for a significant number of households.** **Kupke and Marano (2002) concluded that for those households able to secure the FHOG, the timing of home purchase was determined by access to the grant.**

However, the FHOG alone does not explain the younger ages for entry to home purchase because of the relatively modest level of assistance provided and the high rates of entry to home purchase amongst those currently aged 35 to 44. While the overall finding appears to be at odds with earlier analyses (Yates 1996; 2003; Baxter and McDonald 2004), it is consistent with the outcomes we would expect within a liberalising housing market and an increasingly prosperous economy. The older generations were confronted by the need to save for an extended period in order to secure a home loan, had lower household incomes and had higher rates of entry into public housing. Moreover, some groups, such as women, were effectively excluded from entry into the housing market by discriminatory lending and employment practices (Watson 1991).

It is important to consider why the results on entry into home ownership by age from the Housing 21 survey appear to contradict earlier research. Critically the data discussed here report on the age at which the respondent entered home ownership, regardless of their current tenure. A significant percentage of those who have entered home purchase would have left the tenure subsequently and as discussed previously, this would be due to a number of factors of which divorce/relationship breakdown is the most significant. Other research has simply considered the age of the population at a point in time – for example the 1996 or 2001 Census – and their current tenure, regardless of whether they have ever been an owner occupant. Importantly, our results lead us to conclude that entry into home ownership for younger age cohorts is not the major challenge, instead it is the rate at which they leave the tenure. **The Housing 21 data show that younger Australians are both more likely to enter home purchase and exit from that tenure. The policy challenge, therefore, may be in assisting people to retain owner occupation following divorce, rather than increasing the rate of entry.** The findings also suggest that in terms of being a determinant force within housing careers, in the 21st Century divorce or relationship breakdown has a comparable standing to that held by marriage in the 20th Century. It is a pivotal life course event that is likely to be associated with change in an individual's housing circumstances in a significant way.

**Figure 11. Percentage of the Population who have Entered Home Purchase by Cohort, at Age 30, 34 and 44**



Source: *Housing 21 Survey*

Earlier discussion on the age of entry into home ownership challenged the conventional wisdom within the Australian housing literature (Yates 1996; 1998; 2000; 2003) and showed that **younger Australians are now more likely to have entered home purchase by ages 30, 34 and 44 than their parents or grandparents.** In many ways this finding is not surprising given the deregulation of labour markets that has taken place in Australia over the previous 15 years and the growing level of prosperity within the community (Stephens 2007). Home purchase rates appear to have fallen for younger Australians because at the date of the Census enumeration many households who had previously entered home purchase had 'fallen out' of the tenure. In large measure **they had left owner occupation because of divorce or separation, with 20 per cent of Housing 21 respondents reporting that they were divorced or separated and 28 per cent recording that they had been divorced or separated at some stage in their life.** The implications of this finding are substantial as to date policy attention has focussed on assisting young households into home purchase whereas there is a more pressing need to help households maintain home purchase, especially when confronted by the realities of divorce or relationship breakdown (Gwythyer 2007). This issue was discussed in some depth at policy workshops undertaken in November 2007 by Beer and Baker with considerable support for 'some form of CRA for home purchasers'. That is, it was recognised that there would be benefits with respect to both public sector expenditures and the wellbeing of the community if home owners at risk of leaving the tenure were assisted to remain in owner occupation. It was felt that a no-interest loan for a set period would be an attractive policy option, as it would maintain vulnerable households in their housing without unduly subsidising individuals. We would argue that such an approach would be an essential component of a suite of programs designed to assist Australians with their housing transitions through the 21<sup>st</sup> Century.

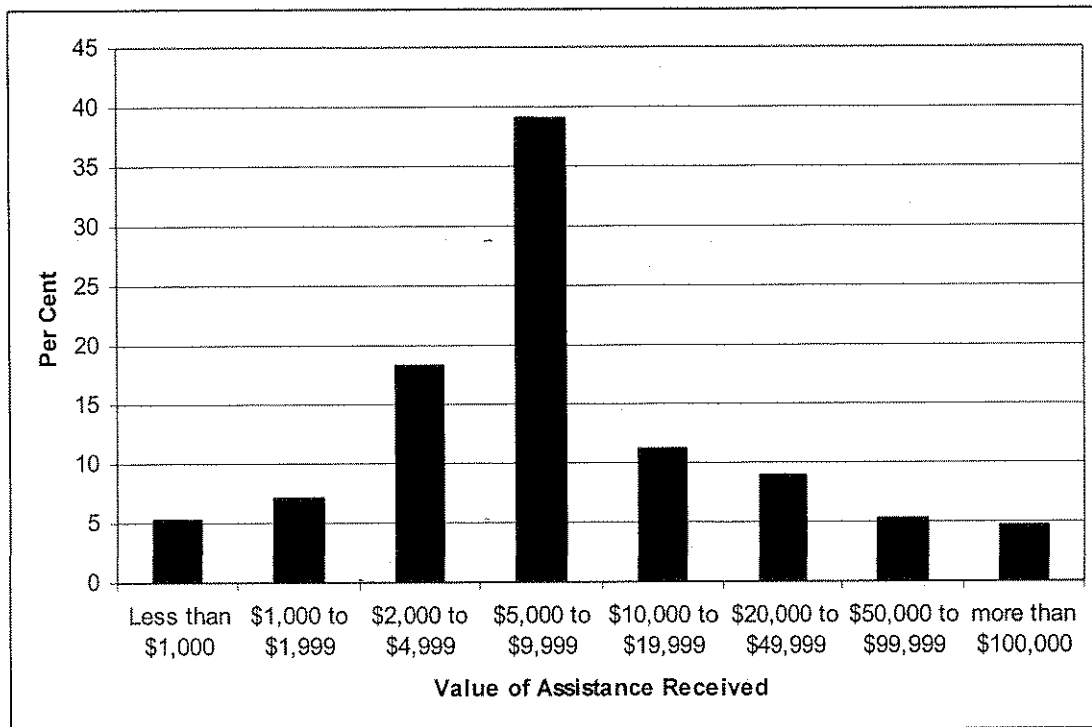
We suggest that the first priority of governments in assisting households with the challenge of becoming home owners is the provision of appropriate, targeted supports to those at risk of falling out of owner occupation. The Household Organisational Management Expenses (HOME) Advice Program funded by the Australian Government's Department of Family, Housing, Community Services and Indigenous Affairs (HCSIA) provides support to families at risk of becoming homeless. An evaluation of the program (McKenzie et al. 2007) found that this intervention was effective in reducing the incidence of homelessness, with most recipients resident in the private rental markets. The evidence from the Housing 21 survey presents a very strong case for extending and expanding this program, with a specific focus on households at risk of falling out of home ownership because of divorce or relationship breakdown. It is important to acknowledge that even in its current form the potential demand for this service exceeds provision (McKenzie et al 2007). However such a policy initiative would have a significant impact on households at risk of falling out of owner occupation and the beneficiaries of such a program will include some of the most marginalised groups within society, including sole parent mothers and their children. There are also grounds for arguing for an on-going role in assisting with first entry into the tenure. Yates and Milligan (2007) have argued for the tighter targeting of the Australian Government's First Home Owners Grant (FHOG). The Housing 21 survey suggests that the FHOG is viewed favourably by the community although there is evidence that the level of assistance offered is insufficient in itself to bring many households into home purchase. It is also important to acknowledge that the FHOG was not established as an instrument of social or housing policy, instead it was implemented to compensate the building industry following the introduction of the Goods and Services Tax (GST) (Beer 1999).

Some 381 respondents from the Housing 21 survey reported that they had received assistance in entering into home purchase, with approximately one quarter (94 households) being in receipt of the First Home Owners Grant (FHOG). It is likely that a higher proportion had received FHOG but could not recall the source of their assistance. FHOG was very important to the Indigenous Australians who had entered home purchase. Importantly, 88 respondents received assistance from family members to enter home ownership and as Figure 12 shows, while the majority of respondents received modest assistance, some received very substantial support to become home purchasers.

Interestingly, the Housing 21 data confirms the findings of research by Wood et al (2003) which concluded that FHOG played an important role in bringing forward the demand for housing. Some 40 per cent of recipients said the FHOG was very important in shaping their decision to purchase a home, while a further 11 per cent said it was important. One third said it had been very important in the timing of the decision to purchase a home, while 16 per cent said it had been important. These findings give us the opportunity to reconsider the nature of first home ownership assistance from the perspective of the life course. If we now know that more Australians are entering home purchase at younger ages and that more are falling out of the tenure than previously, perhaps it is timely to consider new forms of assistance for entry to home ownership that might result in later, but more secure, home purchase. This could take a number of forms including access to subsidised income protection insurance, tax exempt savings accounts and new forms of mortgage protection insurance.



**Figure 12. Value of Assistance Received by First Home Buyers, All Sources**



Source: *Housing 21* survey

## Conclusion

This Senate Inquiry represents a unique opportunity to reconsider the capacity of Australian households to secure affordable housing and gain access to home ownership. Central to our argument today, has been the proposition that this question needs to be posed with respect to particular groups within society – Indigenous Australians, women, persons affected by disability, older Australians et cetera – and that a single focus on the capacity of young Australians to enter home purchase is misguided. Our research shows that younger Australians currently enjoy better access to home purchase than either their parents' generation or their grandparents' generation. The challenge for younger Australians today is to remain in home ownership and not fall out of the tenure. The evidence also shows that divorce and relationship breakdown, not rising interest rates, represent the greatest threats to continuing in owner occupation.

We would suggest that there is a need for policy reform and that it is now timely to remove the First Home Owners Grant and introduce measures that are better targeted to the most vulnerable groups within society – including the disabled, women fleeing violence in the home and older renters – and which help 'at risk' home purchasers maintain their grip on the 'Great Australian Dream'.

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### Understanding the *Housing 21 Survey*

The *Housing 21 Survey* was developed through 2006 as a 'flagship' product within NRV 2: 21<sup>st</sup> Century Housing Careers and Australia's Housing Future. The intellectual foundations for the survey and its content can be traced back to the NRV 2 Research Plan<sup>4</sup> and the first major report published out of NRV 2, the Project A Literature Review.

The examination of current research and writing on housing careers suggested three key drivers of housing careers:

- Demographic shifts – such as marriage and the birth of children. In the past housing careers have been seen to be largely driven by these major life course events;
- Changes in the labour market. Work by Ian Winter and Wendy Stone in the late 1990s (Winter and Stone 1998) suggested that changes in forms of employment – notably the growth of part time and casual work – was exerting an increasing influence on key transitions through the labour market;
- Shifting consumption patterns. Recent work by David Clapham (2002, 2004; 2005) suggested that increasingly individuals and households see the place in which they live as central to their sense of identity. Housing consumption decisions – and associated social signifiers – have subsequently become more important for many households.

The *Housing 21* survey sought to investigate the relative importance of these three potential drivers of contemporary housing careers. The survey asks questions about demographic change, labour market circumstance, education, and the importance of housing – and its component attributes – in the value set of the respondents. A copy of the survey instrument is included in Appendix A.

Following a competitive tender, the survey was contracted to the Population Research and Outcomes Studies Unit within the South Australian Government's Department of Health. The survey was to be undertaken using a Computer Aided Telephone Interview (CATI) Method as this method of data collection:

- Results in the immediate entry of data input;
- Is of lower cost than face-to-face interviews;
- Can accommodate the multiple pathways anticipated in the study of housing careers within the population;
- Is more likely to result in valid responses for sensitive questions.

The target sample size for the *Housing 21* survey was 2695 completed interviews, with a minimum of 385 surveys in each of the seven States and Territories (with NSW and the ACT combined). Respondents were randomly selected from within each State/Territory and compiled in a master list comprised initially of 4851 respondents, with a subsequent batch of 4545 respondents drawn at a later date to offset non-responses and refusals (Dept of Health 2007). There were no replacements for non-contactable persons and if the selected person was not available the interview was conducted with an alternative household member.

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<sup>4</sup> Available on the Southern Research Centre Website: [www.ssn.flinders.edu.au/geog/src](http://www.ssn.flinders.edu.au/geog/src)

An introductory letter was sent to the household of the randomly selected respondents. The letter informed the household of the purpose of the survey and indicated that they could expect a telephone call in the near future (Dept of Health 2007). A pilot survey was conducted with 50 randomly selected households prior to conducting the main survey and the original survey was amended slightly on the basis of the information obtained.

Data collection commenced on the 31<sup>st</sup> of October 2006 and ended on the 16<sup>th</sup> of January 2007. Calls were generally made between 9.30 am and 11 pm on weekdays, and from 9.30 am to 3 pm on Saturdays, as well as from 10 am to 8.30 pm on Sundays. On contacting the household the interviewer identified themselves and the purposes of the survey and the interviews were conducted in English unless an interpreter conducted the survey (Dept of Health 2007). Provision was made to conduct the survey in several languages including Chinese, Vietnamese and major European languages.

At least ten call backs were made to the telephone number selected for the interview, with each call back scheduled for different times of the day. If a person was not available for immediate interview, a time was made for subsequent interview. The overall response rate was 38.8 per cent, taken from a sample of 9396 households. Sample loss occurred through non-connected telephone numbers (2027); fax/modem connections (176) and the death of the respondent (5). The response rate for each jurisdiction and the reasons for non-participation in the survey are set out in Table 1.1.

The total number of respondents cited on the tables throughout this report is not consistent as the data used does not always include not stated categories. As Table A1.1 shows a total of 2698 interviews were completed but there were missing responses in many question categories which have been eliminated in the current calculations.

Finally, it is worth noting that the *Housing 21* survey has been used as the basis for a separate data collection exercise involving interviews with persons with a disability and the carers of persons with a disability living in three regions of Victoria. This second data set is not discussed here and will be the focus of later publications. However it is useful to note that this second data set has been developed and that its findings will be broadly comparable with the outcomes of the *Housing 21* survey.

**Table A1.1** Response Rates for Individual States and Territories – Housing 21 survey

	New South Wales/ Aust Capital Territory		Victoria		South Australia		Queensland		Western Australia		Northern Territory		Tasmania	
	n	% (of eligible sample)	n	% (of eligible sample)	n	% (of eligible sample)	n	% (of eligible sample)	n	% (of eligible sample)	n	% (of eligible sample)	n	% (of eligible sample)
<b>Initial eligible sample</b>	<b>1543</b>		<b>1593</b>		<b>993</b>		<b>1193</b>		<b>1318</b>		<b>1793</b>		<b>963</b>	
Sample loss (disconnections, non-residential, fax/modem, respondent deceased or not in the area, tel no or household in sample twice)	424	27.5	359	22.5	225	22.7	272	22.8	335	25.4	629	35.1	215	22.3
<b>Eligible sample</b>	<b>1119</b>		<b>1234</b>		<b>768</b>		<b>921</b>		<b>983</b>		<b>1164</b>		<b>748</b>	
Refusals	452	40.4	482	39.1	250	32.6	368	40.0	392	39.9	376	32.3	236	31.6
Non-contact after ten attempts	140	12.5	232	18.8	78	10.2	84	9.1	58	5.9	299	25.7	74	9.9
Incapacitated	62	5.5	45	3.6	22	2.9	51	5.5	24	2.4	34	2.9	38	5.1
Respondent unavailable	22	2.0	15	1.2	8	1.0	31	2.3	48	4.9	36	3.1	6	0.8
<b>Completed interviews</b>	<b>385</b>		<b>385</b>		<b>388</b>		<b>385</b>		<b>385</b>		<b>385</b>		<b>385</b>	
Response rate*		34.4		31.2		50.5		41.8		39.2		33.1		51.5
Participation rate**		85.3		79.7		88.8		88.6		86.0		71.1		89.0

\* completed interview/initial eligible sample

\*\* completed interview/(initial eligible sample-non-contact after ten attempts)