



EQUITY ECONOMICS
AND DEVELOPMENT PARTNERS PTY LTD

DOUBLE RETURN

HOW INVESTING IN SOCIAL
HOUSING CAN ADDRESS THE
GROWING HOMELESSNESS
CRISIS AND BOOST
AUSTRALIA'S ECONOMIC
RECOVERY



Housing solutions
for **all** Australians

ABOUT EQUITY ECONOMICS

Equity Economics is an Australian based economic consultancy committed to providing quality economic analysis and policy advice to the not for profit, corporate and government sectors. With the aim of providing organisations with access to the skills and expertise required to deliver effective strategies and influence policy debates, Equity Economics' expertise includes economic analysis, policy advice, research, advocacy and strategy on some of Australia's most complex economic and social policy challenges.

The unique focus of Equity Economics on addressing issues surrounding inequality drives passion for inclusive growth, equality of opportunity and stronger bilateral and multilateral relationships. Equity Economics strives to bolster development and shared prosperity in our region and internationally.



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OVERVIEW

As Australians get set to enjoy a COVID-19 free summer, the economic and social impacts of the pandemic remain. In this report Equity Economics estimates that, compared to pre-pandemic levels, the long tale of high unemployment will lead to a:

- 24 per cent increase in the number of Australian families under housing stress; and
- 9 per cent increase in the number of Australians experiencing homelessness.

Leading economists have backed greater investments in social housing ahead of all other forms of economic stimulus for a reason - not only does it support economic growth today, it supports future prosperity by addressing entrenched disadvantage.¹

Before the impact of COVID-19 on homelessness and housing stress there were almost 150,000 people on the waiting list for social housing in Australia, many waiting years to be housed.² Addressing this backlog will take an ongoing investment from all levels of government.

The Victorian Government has led the way, announcing a \$5.3 billion investment to build social housing and support economic recovery in Victoria. New South Wales announced a \$813 million investment. However, more investment is needed across Australia.

Previous research has shown that a \$7.2 billion investment from government in social and affordable housing across Australia, through the social housing acceleration and renovation program (SHARP) proposal, could deliver:

- \$9 billion in direct investment in social housing;³
- up to 30,000 units of housing;⁴
- on average 18,000 FTE jobs per year over four years; and
- an increase in economic output of up to \$18.2 billion per year over four years.

In the long term, Equity Economics estimates that an additional 30,000 social housing units would reduce the number of Australians experiencing homelessness by around 4,500 per year and save \$135 million in direct support costs.

[1] Martin P (2020) Top Economists Back Boost to JobSeeker and Social Housing Over Tax Cuts in Pre-Budget Poll. The Conversation, 27 September 2020.

[2] Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne

[3] This estimate is based on assumed average costs of \$300,000 per social housing dwelling, with government providing an 80 per cent subsidy as per the SHARP proposal detailed here: <https://www.communityhousing.com.au/wp-content/uploads/2020/05/SHARP-Full-Report-1.pdf?x59559>

[4] Based on economic modelling from SGS Consulting on the economic benefits of building 30,000 units of public housing. While this is the upper end of their estimate it is conservative compared to recent estimates from the Australian Government <https://www.communityhousing.com.au/wp-content/uploads/2020/06/20200197-SHARP-Final-ReportSGS.pdf?x94150>

ONLY SOCIAL AND AFFORDABLE HOUSING TICKS ALL THE POLICY GOALS FOR ECONOMIC RECOVERY

<i>Policy options</i>	The goals of economic policy in the recovery phase are to support...			
	Jobs	Small & Medium enterprises	Incomes and Wealth	Disadvantaged Groups
<i>Payroll tax cuts</i>	✓	✗	✓	✗
<i>Stamp duty reform</i>	✗	✗	✓	✗
<i>Grants to local councils</i>	✓	✓	✗	✓
<i>Grants for social services</i>	✓	✗	✓	✓
<i>Increased spending on major infrastructure (e.g. roads)</i>	✓	✓	✓	✗
<i>Invest in social and affordable housing</i>	✓	✓	✓	✓

Key findings include: The report compares conditions in labour market regions across Australia from February 2020 (pre-pandemic) to June 2021 (post-pandemic). We find some areas will be more impacted than others by rising unemployment, homelessness and housing stress. The impact on employment and economic growth from the proposed increase in social housing investment is also estimated.

The modelling demonstrates that while not all of Australia will feel the negative impacts of rising levels of homelessness and housing insecurity, all can benefit from a greater investment in social housing to drive economic recovery and address existing disadvantage.

Table 1

	Unemployment Rate June 2021	Homelessness Change*	Housing Stress Change*	Total Value of Social Housing Investment (\$m)**	Number of Social Housing Units***	Impact on the Economy (\$m)	Average Jobs Impact (Per Year Over 4 yrs)
New South Wales							
Capital Region	6.0	11.7%	26.7%	97.1	324		214
Central Coast	7.0	20.9%	32.9%	136.5	455		300
Central West	6.4	19.2%	46.4%	86.4	288		190
Coffs Harbour - Grafton	11.5	19.1%	28.3%	58.7	196		129
Far West & Orana	5.0	59.3%	85.2%	48.9	163		108
Hunter Valley exc Newcastle	9.4	39.9%	72.2%	110.3	368		243
Illawarra	8.0	-2.9%	9.6%	122.3	408		269
Mid North Coast	9.1	10.8%	21.4%	89.6	299		197
Murray	6.0	20.8%	38.7%	48.8	163		107
New England & North West	8.2	5.9%	14.1%	76.7	256		169
Newcastle & Lake Macquarie	11.4	37.4%	78.0%	149.4	498		329
Richmond - Tweed	7.2	20.2%	35.3%	102.6	342		226
Riverina	7.1	-1.4%	5.6%	65.7	219		145
Southern Highlands & Shoalhaven	7.8	28.4%	63.8%	61.2	204		135
Sydney - Baulkham Hills & Hawkesbury	7.8	33.4%	135.5%	95.2	317		210
Sydney - Blacktown	9.2	13.0%	27.2%	142.7	476		314
Sydney - City & Inner South	8.8	27.7%	159.5%	140.5	468		309
Sydney - Eastern Suburbs	5.7	17.5%	72.8%	112.1	374		247
Sydney - Inner South West	8.7	22.3%	-8.9%	240.4	801		529
Sydney - Inner West	7.6	27.1%	100.5%	122.5	408		270
Sydney - North Sydney & Hornsby	7.4	24.0%	72.4%	169.8	566		374
Sydney - Northern Beaches	6.2	8.6%	36.4%	104.8	349		231
Sydney - Outer South West	8.2	21.5%	45.1%	109.9	366		242
Sydney - Outer West & Blue Mountains	7.3	4.4%	15.4%	128.8	429		284
Sydney - Parramatta	9.9	14.8%	43.3%	189.7	632		418
Sydney - Ryde	6.5	3.5%	16.7%	76.6	255		169
Sydney - South West	9.7	10.9%	22.6%	170.9	570		376
Sydney - Sutherland	4.5	16.4%	53.0%	90.6	302		199
Total New South Wales	7.7	19.1%	41.9%	3,150.0	10,500	6,868	6,935

Victoria	Unemployment Rate June 2021	Homelessness Change*	Housing Stress Change*	Total Value of Social Housing Investment (\$m)**	Number of Social Housing Units***	Impact on the Economy (\$m)	Average Jobs Impact (Per Year Over 4 yrs)
Ballarat	4.8	19.4%	33.9%	80.7	269		166
Bendigo	4.1	-9.7%	-11.5%	78.5	262		161
Geelong	5.9	23.0%	62.7%	142.2	474		292
Hume	2.4	-16.2%	-32.8%	91.6	305		188
Latrobe - Gippsland	6.1	17.4%	24.5%	137.8	459		283
Melbourne - Inner City	9.6	26.9%	126.0%	317.2	1,057		652
Melbourne - Inner East	6.5	5.6%	16.1%	184.9	616		380
Melbourne - inner South	9.0	20.4%	59.6%	206.7	689		425
Melbourne - North East	8.5	14.2%	38.2%	255.8	853		525
Melbourne - North West	11.0	21.8%	49.1%	188.0	627		386
Melbourne - Outer East	7.0	17.3%	34.9%	255.9	853		526
Melbourne - South East	8.4	8.2%	17.7%	390.5	1,302		802
Melbourne - West	9.5	7.7%	16.9%	376.5	1,255		773
Mornington Peninsula	4.5	-2.4%	-5.6%	147.4	491		303
North West	2.6	-4.6%	-4.4%	77.2	257		159
Shepparton	5.2	3.6%	-5.5%	66.3	221		136
Warrnambool and South West	2.6	-9.7%	-17.8%	62.3	208		128
Total Victoria	7.7	13.1%	32.4%	3,059.8	10,199	6,319	6,285

Queensland	Unemployment Rate June 2021	Homelessness Change*	Housing Stress Change*	Total Value of Social Housing Investment (\$m)**	Number of Social Housing Units***	Impact on the Economy (\$m)	Average Jobs Impact (Per Year Over 4 yrs)
Brisbane - East	8.8	15.6%	35.2%	78.7	262		143
Brisbane - North	7.9	7.3%	19.5%	73.3	244		133
Brisbane - South	5.1	-5.9%	-20.0%	121.1	404		220
Brisbane - West	9.0	8.4%	31.3%	63.2	211		115
Brisbane - Inner City	4.6	7.2%	30.5%	91.7	306		167
Cairns	4.5	9.1%	-4.7%	93.1	310		169
Darling Downs - Maranoa	2.3	-5.2%	-9.9%	46.4	155		84
Central Queensland	7.4	31.9%	55.2%	81.7	272		149
Gold Coast	7.3	12.7%	32.1%	210.8	703		383
Ipswich	8.9	4.0%	14.1%	115.0	383		209
Logan - Beaudesert	8.6	-4.4%	-0.7%	112.8	376		205
Mackay - Isaac - Whitsunday	4.4	-1.7%	-1.2%	65.3	218		119
Moreton Bay - North	10.8	18.3%	23.1%	84.2	281		153
Moreton Bay - South	9.1	1.4%	17.6%	68.8	229		125
Queensland - Outback	5.1	-12.5%	-58.4%	32.9	110		60
Sunshine Coast	6.0	4.4%	10.6%	127.8	426		232
Toowoomba	2.3	-28.0%	-35.7%	53.4	178		97
Townsville	4.3	-2.0%	-38.9%	84.0	280		153
Wide Bay	10.4	1.9%	7.5%	105.2	351		191
Total Queensland	6.9	3.6%	11.4%	1,710.0	5,698	3,248	3,110

	Unemployment Rate June 2021	Homelessness Change*	Housing Stress Change*	Total Value of Social Housing Investment (\$m)**	Number of Social Housing Units***	Impact on the Economy (\$m)	Average Jobs Impact (Per Year Over 4 yrs)
South Australia							
Adelaide - Central and Hills	5.8	11.5%	25.1%	47.3	158		94
Adelaide - North	8.0	6.1%	8.7%	67.9	226		135
Adelaide - South	6.1	-2.1%	-6.6%	56.8	189		112
Adelaide - West	6.3	5.9%	6.4%	36.5	122		72
Barossa - Yorke - Mid North	3.8	-9.8%	-21.1%	17.8	59		35
South Australia - Outback	5.2	-17.9%	-23.2%	14.3	48		28
South Australia - South East	6.8	4.6%	15.7%	29.4	98		58
Total South Australia	6.4	1.9%	4.2%	270.0	900	559	535
Western Australia							
Bunbury	5.7	1.0%	3.3%	78.7	262		143
Mandurah	7.2	54.9%	31.3%	73.3	244		133
Perth - Inner	2.9	-2.9%	-16.5%	121.1	404		220
Perth - North East	4.8	-2.6%	-3.9%	63.2	211		115
Perth - North West	5.9	0.6%	-2.2%	91.7	306		167
Perth - South East	8.1	15.8%	34.4%	93.1	310		169
Perth - South West	7.2	1.4%	6.5%	46.4	155		84
Western Australia - Outback (North)	2.4	-34.2%	-4.3%	81.7	272		149
Western Australia - Outback (South)	3.2	12.2%	-91.4%	93.1	310		169
Total Western Australia	5.9	-4.8%	0.8%	2120.0	5109.4	617	585
Tasmania							
Hobart	7.3	11.5%	20.6%	198.2	518.5		114
Launceston and North East	7.9	17.3%	30.3%	124.4	325.5		72
South East	8.5	21.8%	54.6%	32.8	85.9		19
West and North West	8.9	15.4%	26.1%	96.3	251.8		55
Total Tasmania	7.8	14.1%	25.9%	451.7	1181.6	283	260
Northern Territory							
Darwin	6.6	5.4%	24.3%	132.9	281.1		59
Northern Territory - Outback	5.1	-7.7%	-12.8%	92.6	195.7		41
Total Northern Territory	6.1	-5.9%	10.2%	225.5	476.7	120	100
Australian Capital Territory							
Australian Capital Territory	4.4	7.8%	23.7%	357.1	743.6	270	245
Total Australia	7.2	8.9%	24.0%	9,000.00	30,000	18,284	18,055

*Change is from February 2020 (pre-pandemic) to June 2021 (post-pandemic).

** Based on government providing subsidy for 80 per cent of investment.

***State based allocations are consistent with SGS (2020), and within state allocations are based on the distribution of homelessness in the 2016 Census.



1. INTRODUCTION

Australia experienced 30 years of continuous economic growth before the COVID-19 pandemic. While this growth slowed relative to other developed countries in the last ten years, Australia remains one of the richest countries in the world. Despite our economic successes, homelessness and housing stress - where people pay so much for housing that they struggle to meet other essential costs - remain a reality for hundreds of thousands of Australians.

In 2016, there were 116,000 people without a home across Australia, and a further 97,000 people living in marginal housing, such as overcrowded accommodation or caravan parks.⁵

The policy failures leading to homelessness and housing stress have real implications for economic equity and growth, and is why the OECD has recognised housing as key to inclusive and sustainable economic growth.⁶

The COVID-19 pandemic response has shown that, with the right motivation, government can move quickly to address homelessness and housing insecurity, and put in place policies to stop evictions in the short term, keeping people off the streets. The Federal Government's income support packages lifted over 2 million people out of poverty, removing one of the biggest risk factors for becoming homeless.⁷

[5] ABS (2020), Australian National Accounts: National Income, Expenditure and Production. Canberra, Australia And Equity Economics estimates that due to falling unemployment, the number of people experiencing homelessness fell marginally to 114,000 in February 2020.

[6] OECD (2020), Housing and Inclusive Growth, OECD Publishing, Paris

[7] Phillips, B., Gray, M., & Biddle, N. (2020). Poverty line is \$370 per week, which is 50% of median income after housing costs.

IMPACT OF JOBSEEKER POLICY

Australia's unemployment benefit, JobSeeker, has not had a real increase in 26 years and no longer covers the basic living costs of people out of work. In most capital cities it is not possible to rent a one-bedroom apartment on the single payment, even when receiving rent assistance.

Due to COVID-19, the number of Australians relying on JobSeeker doubled to 1.6 million, and the Government moved quickly to provide a supplement to the payment of \$550 a fortnight. This supplement stopped widespread financial and housing stress at the height of the pandemic, however as the payment is phased out these pressures will return.

Despite the supplement lifting over 2 million Australians out of poverty, the latest *ANUpoll* showed that almost one in eight respondents had trouble paying their rent or mortgage, up from one in 15 in April 2020.

The supplement is due to be fully phased out in March 2021 and there will then be a significant increase in housing stress and homelessness due to the economic downturn. It is this impact that we model in this report.

However, as the health crisis subsides and these short term supports are progressively removed, the housing crisis remains, with more Australians forecast to experience homelessness and housing insecurity. Higher levels of unemployment and domestic violence will only add to the pre-existing pressures on our housing system.

CASE STUDY: SINGLE MOTHER OF THREE ORDERED TO PAY RENTAL ARREARS AND DEFERRED RENT

Amira is a sole-trader and single mother of three children. As a result of the COVID-19 restrictions, her workplace has been closed since March 2020 and she has only been able to work minimal hours. In this time, Amira has been relying on JobKeeper and Family Tax Benefit. This left Amira unable to afford her full rent and she fell further behind.

When the landlord would not enter into negotiations for a rent reduction, Amira made an application to the Victorian Residential Tenancies Dispute Resolution Scheme. As the dispute was not resolved at conciliation, a Dispute Resolution Order was made, reducing her rent from March to September 2020, but also ordering her to pay deferred rent of more than \$3,000, and about \$4,500 in rental arrears. Amira will owe about \$7,500 as of March 2021.

The effect of these orders is that Amira will face eviction next year at a time when her eldest child will be completing VCE. She worries that she will lose her bond and has no spare money for a removalist company. Amira does not know what she and her children will do if they are evicted.

Equity Economics estimates that by June 2021 rising unemployment and the removal of the JobSeeker supplement will combine to increase homelessness across Australia by 9 per cent, representing 7,500 more people experiencing homelessness.

At the same time the number of Australians experiencing housing stress is also forecast to rise. It is estimated that the number of households under housing stress will increase by 24 per cent to almost 880,000 families.⁸

Addressing the structural issues in our tax, social security and planning systems are all part of the solution. As is pursuing Housing First policies, that have been shown to be effective at tackling homelessness. But ultimately, nothing beats more supply to help address shortages, and greater investment by government in social housing will help alleviate some of the pressure in the housing market and support the economic recovery across Australia.

Previous research has found that a \$7.2 billion investment in the proposed SHARP program, by governments across Australia, could leverage \$9 billion in direct investment and deliver over 30,000 homes. Importantly, it would also support over 18,000 FTE jobs, on average, per year over a four year period and generate up to \$18.2 billion in economic activity.⁹ The investment would make an inroad into the current shortage of social housing and would support jobs in the economic recovery.¹⁰

And, every year, Equity Economics estimates that an additional 30,000 social housing units would reduce the number of Australians experiencing homelessness by around 4,500, saving an estimated \$135 million in additional service costs.

In order to continue to drive down homelessness and reduce extreme housing stress over the longer term, ongoing investment in social housing will be needed, generating affordable housing options for the lowest income households.

Investing in social housing has the double benefit of reducing homelessness and housing stress, and lifting economic growth.

[8] We estimate that in February 2020 there were 709,365 households renting or with a mortgage with one or no adults employed, and that this will increase to 879,390 in June 2021 due to rising unemployment.

[9] SGS Economics and Planning Limited (2020) Economic Impact of Social Housing Investment June 2020.

[10] The proposal to build up to 30,000 unit of housing has been estimated to generate on average 15,000 FTE jobs over four years, and support up to 30,000 full and part time jobs in 2021-22.





2. HOMELESSNESS AND HOUSING STRESS

WHAT IS HOMELESSNESS?

Homelessness is not just sleeping rough, which accounts for 7 per cent of all people considered to be experiencing homelessness^[1]. It also includes people living in severely overcrowded housing, substandard accommodation and temporary accommodation.

GROWING NEED: OLDER WOMEN

The face of homelessness is changing, with older women now the fastest growing group of homeless people in Australia, increasing by 31 per cent between 2011 and 2016.

This group of women is at growing risk of homelessness, with recent research finding a further 240,000 women aged 55 or older are at risk of homelessness. The risk factors contributing to older women becoming homeless include:

- lower rates of home ownership
- not being employed full-time
- being a single parent, and
- having previously been at risk of homelessness.

Sources: ABS (2018), Census of Population and Housing: Estimating homelessness, 2016 & Lester L and Faulkner D (2020), At Risk: Understanding the population size and demographics of older women at risk of homelessness in Australia, Report for Social Ventures Australia

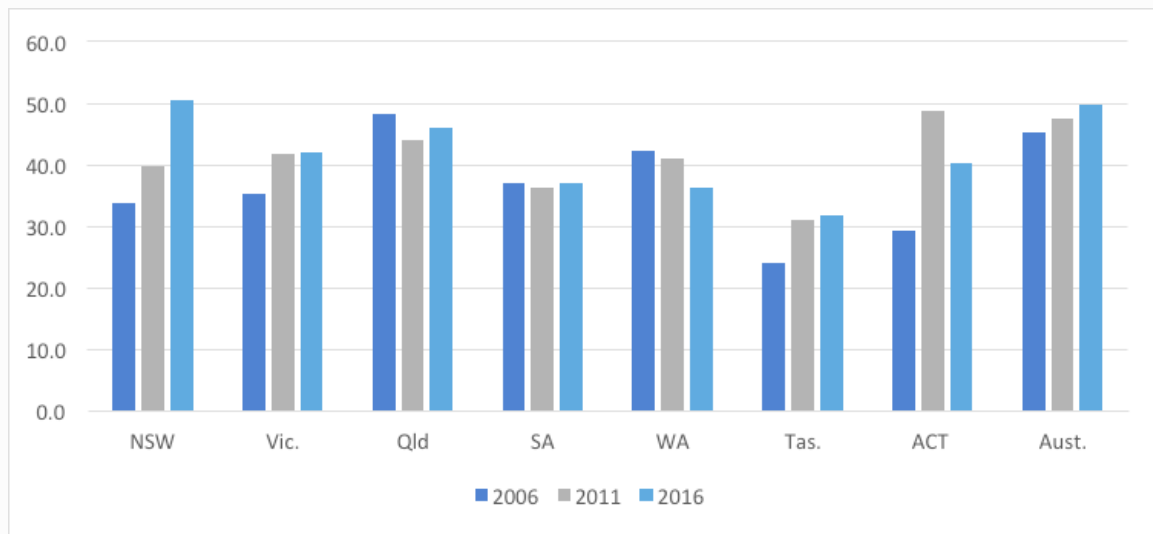
[1] AIHW (2019), Australia's Welfare 2019 – Homelessness and Homelessness Services

GROWING LEVEL OF HOMELESSNESS

Homelessness has many underlying causes including poverty, the high cost of housing, high levels of debt, insecurity of employment, low levels of education, poor mental health, and disability.

Despite strong economic growth, homelessness grew in Australia over the period 2006-2016.

Figure 1: Rate of Homelessness per 10,000 people



Source: Census of Population and Housing: Estimating homelessness, 2016, NT not included due to scaling.

The Northern Territory has rates of homelessness that are ten times higher than the Australian average – so high that they are not included in the graph above due to scaling. This reflects extremely high rates of severe overcrowding and homelessness among Aboriginal and Torres Strait Islander communities, and decades of underinvestment in social and indigenous housing.

Importantly, Government strategies are now focused on community-led solutions to improve access to affordable and high-quality housing within Aboriginal and Torres Strait Islander communities. However, substantial additional investment from government will be required to meet the high level of unmet need.

INCREASE IN HOMELESSNESS

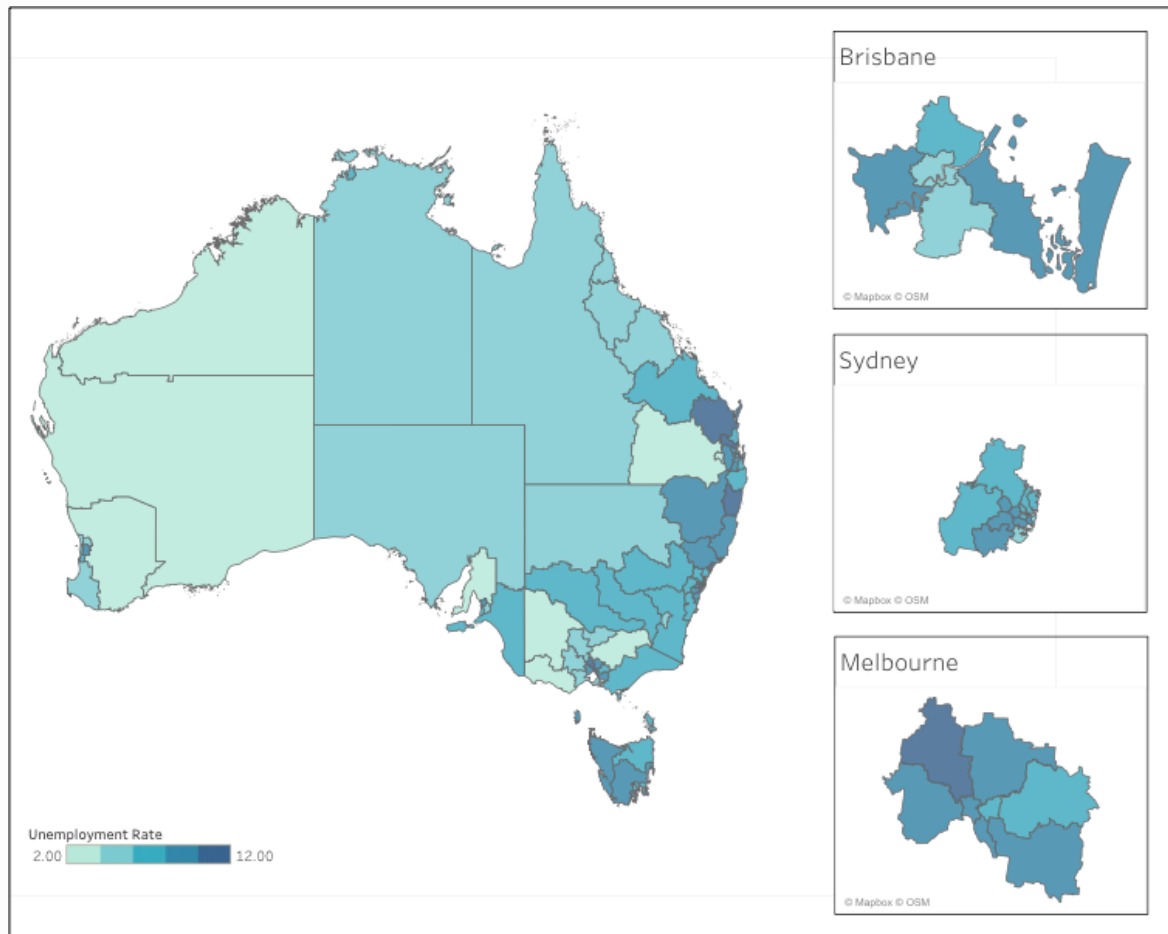
Local area unemployment is a significant risk factor in homelessness, increasing the probability of entering into homelessness and decreasing the probability of exiting homelessness.¹⁵ This increases the overall level of homelessness.

With unemployment tipped to increase over the next six months to June 2021, we forecast local area unemployment and the likely impact on homelessness.

[12] Commonwealth of Australia (2020). Closing the Gap Report, Department of the Prime Minister and Cabinet, Canberra

[13] Johnson, G., Scutella, R., Tseng, Y. P., & Wood, G. (2019). How do housing and labour markets affect individual homelessness?. *Housing Studies*, 34(7), 1089-1116

Figure 2: Levels of unemployment in June 2021



The 2016 Census reported that there were 116,000 Australians that were homeless.¹⁴

Using the findings from the Journey's Home Study, we forecast that, by June 2021, rising unemployment across Australia will increase the number of people experiencing homelessness by 9 per cent, or 7,500 people, compared to February 2020, with the biggest increases across New South Wales and parts of regional Queensland.^{15,16}

[14] Census of Population and Housing: Estimating homelessness, 2016, NT not included due to scaling.

[15] Johnson, G., Scutella, R., Tseng, Y. P., & Wood, G. (2019). How do housing and labour markets affect individual homelessness?. *Housing Studies*, 34(7), 1089-1116.

[16] Note the level of homelessness is estimated to have decreased marginally from 116,000 to 114,000 between the 2016 Census and February 2020 due to a fall in the unemployment rate across regions.

Table 2: Forecast increase in homelessness – February 2020 to June 2021

Region	State	Increase
Far West and Orana	New South Wales	59%
Mandurah	Queensland	55%
Hunter Valley excluding Newcastle	New South Wales	40%
Newcastle and Lake Macquarie	New South Wales	37%
Sydney - Baulkham Hills and Hawkesbury	New South Wales	33%
Central Queensland	Queensland	32%
Southern Highlands and Shoalhaven	New South Wales	28%
Sydney - City and Inner South	New South Wales	28%
Sydney - Inner West	New South Wales	27%
Melbourne - Inner City	Victoria	27%
Sydney - North Sydney and Hornsby	New South Wales	24%
Geelong	Victoria	23%
Sydney - Inner South West	New South Wales	22%
South East	Tasmania	22%
Melbourne - North West	Victoria	22%

This will place additional pressure on homelessness services, health and other social services. And there will be a cost to Government finances, with the increase costing around \$225 million in additional services each year based on previous estimates of the cost of homelessness.¹⁷

There is also evidence of growing demand due to a rise in domestic violence associated with the COVID-19 pandemic, which will only add to the rising levels of homelessness and have not been factored into the above estimates.

[17] Zaretsky, K., et al. (2013) The cost of homelessness and the net benefit of homelessness programs: a national study, AHURI Final Report No.205. Melbourne: Australian Housing and Urban Research Institute.



FAMILY VIOLENCE VICTIM-SURVIVOR FACES EVICTION DUE TO RENTAL ARREARS DURING COVID

Louise is a family violence victim-survivor with diagnosed post-traumatic stress disorder and anxiety, who previously experienced homelessness in her youth. She is a single mother of three kids, including a daughter with an auto-immune condition.

During the initial stages of COVID-19, Louise had fallen behind in her rent after she lost her casual job of five years due to the pandemic. When Louise initially spoke with a legal service, she was on the brink of homelessness, and expressed significant concerns about the related risks to her daughter's health during COVID-19. The lawyers were able to negotiate extensively with the landlord to prevent Louise's eviction.

Louise was only able to avoid eviction, and homelessness, because she accessed legal support.

In addition, many Australian households that lose one or both sources of income are likely to face increasing rates of housing stress.

WHAT IS HOUSING STRESS?

Housing stress is when people spend too much of their income on housing and this causes them to not have enough money for other essentials such as food, medical costs or utility bills.

CASE STUDY: BLAYKE

Blayke lives in Sydney and was working as a casual youth worker in the education system for around 36 hours per fortnight. She had been living in youth housing accommodation for many years, but the income from her work allowed her to be able to afford a private rental for the first time.

Blayke moved into private rental accommodation in Western Sydney just before the pandemic arrived. While paying the rent and other bills was never easy, the income from her work was allowing her to support herself and her dog.

However, things drastically changed with the arrival of COVID-19. With schools shifting to remote learning and her workplace unable to access the JobKeeper payment, Blayke lost her job and her income. Thankfully, Blayke was able to obtain a JobSeeker payment, which when combined with the Coronavirus Supplement provided her with around \$1,200 per fortnight.

However, given the high costs of a private rental in Sydney (\$800 per fortnight is the median rent on a one-bedroom apartment), this amount was barely covering her rent, let alone other living expenses. On several occasions Blayke was unable to pay her fortnightly rent, but was fortunate to have a real estate agent who allowed her to cover the payments at a later stage.

With schools re-opening, Blayke has been able to secure a limited number of hours work as a youth worker. However, this has coincided with the phasing out of the Coronavirus Supplement, which has reduced her fortnightly income to only \$900 a fortnight. She is once again barely keeping her head above water financially and is left with little to no money after paying her rent. She is worried about an unexpected expense occurring for her or her dog, but gets by just thinking about one fortnight at a time.

There are a number of measures of housing stress which relate to the capacity of households to meet their housing costs:

- Level of rent and mortgage arrears
- Percentage of household income spent on housing, and
- The number of wage earners in the household.¹⁸

Following Bentley & Barker (2020) we estimate the number of households and families that will have to rely on one or no wage earners to meet housing costs due to rising unemployment across Australia.

Based on projected increases in unemployment, we estimate that the number of Australians renting, or with a mortgage in housing stress, will rise 24 per cent, or by over 170,000 families.

[18] Bentley R & Barker E (2020), Australian Homes on the Line, Pursuit, University of Melbourne

Some areas in Australia will be more impacted than others as a result of existing housing composition and rising rates of unemployment. In particular New South Wales, where a larger percentage of households rely on two people being employed, will be impacted.

Table 3: Increasing rates of housing stress - June 2021

Region	State	Increase
Sydney - City and Inner South	New South Wales	159%
Sydney - Baulkham Hills and Hawkesbury	New South Wales	136%
Melbourne - Inner City	Victoria	126%
Sydney - Inner West	New South Wales	101%
Far West and Orana	New South Wales	85%
Newcastle and Lake Macquarie	New South Wales	78%
Sydney - Eastern Suburbs	New South Wales	73%
Sydney - North Sydney and Hornsby	New South Wales	72%
Hunter Valley exc Newcastle	New South Wales	72%
Southern Highlands and Shaoalhaven	New South Wales	64%
Geelong	New South Wales	63%
Melbourne - Inner South	Victoria	60%
Central Queensland	Queensland	55%



HOUSING FIRST POLICIES

There is growing evidence of the efficacy of Housing First models of support to individuals experiencing homelessness. It places the provision of secure housing as the first pillar for a person that is homeless, unconditional upon the adherence to, or uptake of, further supports. Largely designed to address rough sleeping, once housing is secured it then places further supports around individuals to address their needs, including mental health, drug and alcohol dependency, or trauma.

The model in Australia is often constrained due to the lack of affordable housing stock to quickly house people sleeping rough.

Evaluations of the approach have found that it reduces homelessness among at risk groups and improves health, well-being and employment outcomes.



3. WHY HOUSING MATTERS TO THE ECONOMY

Housing makes up the biggest, and a growing, portion of family budgets. The more households have to spend on housing, the less they have to spend on other things, such as education and health, that improve their productivity.¹⁹ In the past 20 years real housing costs have increased for all major tenure and landlord types:²⁰

- 51% for home owners without a mortgage
- 40% for home owners with a mortgage
- 52% for state or territory housing tenants
- 51% for private renters

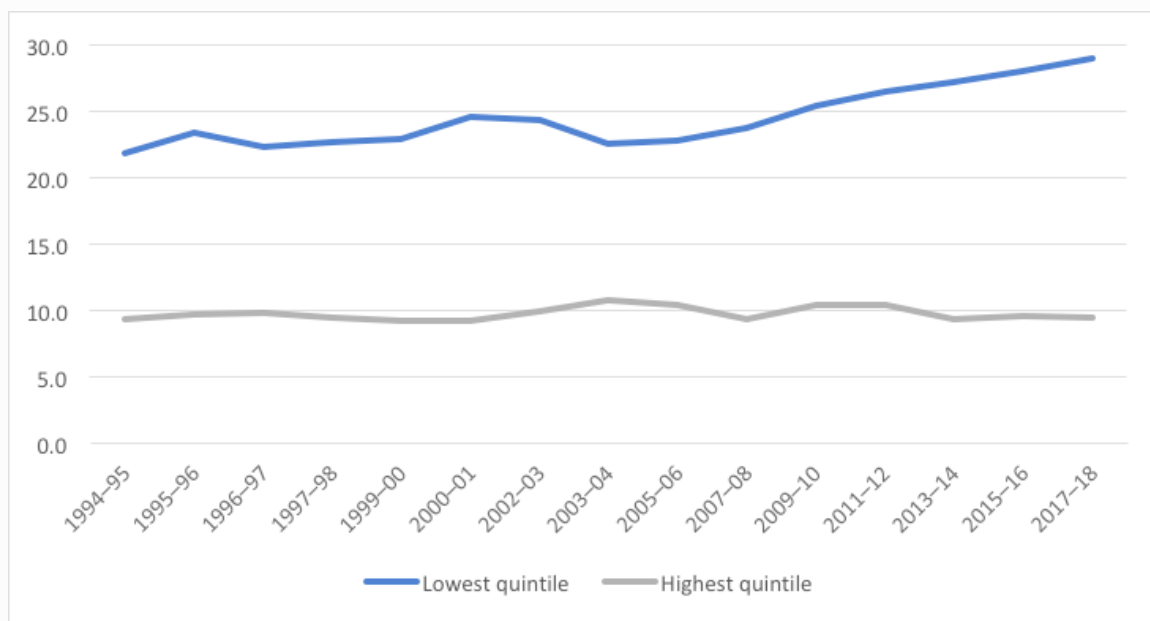
This matters more for low-income households, who spend more on housing costs as a percentage of income than high-income households. Australians in the lowest income quintile spend three times as much on housing as a percentage of their income that the highest income quintile. Housing costs to income ratios have increased substantially than for the lowest income earners since 2011-12.²¹

[19] OECD (2020), Housing and Inclusive Growth, OECD Publishing, Paris

[20] ABS (2019), Housing and Occupancy Costs 2017-18.

[21] City Futures Research Centre & Social Policy Centre (2020) Poverty, Property and Place: A geographic analysis of poverty after housing costs in Australia. Sydney, NSW

Figure 3: Share of household income spent on housing costs



Source: ABS (2019), Housing and Occupancy Costs 2017-18.

The quality and adequacy of housing also directly impacts education, health and employment outcomes. As highlighted by the COVID-19 pandemic, families living in crowded accommodation face heightened health risks relative to the rest of the population.

There are important links between the housing and labour market, with high housing costs creating inefficiencies in the labour market, as workers are less able to move to areas and jobs that best match their skills.²²

Stable housing can improve people's employment outcomes because they are better able to work and study, and do not have the stress and uncertainty associated with housing insecurity.

And the absence of a home also directly impacts health outcomes, with a homeless person dying 30 years earlier than the rest of the population.²³

Housing is also important to households' overall balance sheet, making up around 50 per cent of all assets.²⁴ It therefore plays a pivotal role in wealth generation and wealth inequality.²⁵ Countries with higher levels of home ownership have lower levels of wealth inequality.

[22] OECD (2020), Housing and Inclusive Growth, OECD Publishing, Paris

[23] OECD (2020), Housing and Inclusive Growth, OECD Publishing, Paris

[24] ABS (2019), Household Income and Wealth, Australia

[25] OECD (2020), Housing and Inclusive Growth, OECD Publishing, Paris



ROLE IN ECONOMY AND EMPLOYMENT

Residential housing construction contributes around 5 per cent to GDP and employs 134,000 Australians. The sector also has the second largest multiplier of all 114 industries that make up the economy.²⁶

The first round effects of residential construction include the impact on the output of suppliers to the industry, including subcontractors, steel fabricators, engineers, architects and town planners.

These industries directly benefiting from housing construction also engage other suppliers such as manufacturing, raw materials and transport. This creates so called second round effects.

All the additional employment from the first and second round effects then creates a consumption effect because those workers go on to spend their wages and salaries in other industries.

As a result, the National Housing Finance and Investment Corporation estimates that a \$1 million investment in residential building construction supports around \$2.9 million in output and consumption across the economy, and nine jobs*.

The outlook for residential construction is uncertain due to the drop in international migration and the poor economic outlook.

Already, the number of payroll jobs in the construction industry has fallen 5.8 per cent since March 2020. Unlike other sectors, which are expected to recover, a further 42,000 job losses in construction are anticipated throughout 2021.²⁷

*measured as person years of employment

[26] Australian Government, Building jobs: How residential construction drives the economy, National Housing Finance and Investment Corporation

[27] Australian Construction Industry Forum (2020) Australian Construction Market Report, November 2020.



4. ADDITIONAL INVESTMENTS IN SOCIAL HOUSING

Leading economists have called on governments to increase funding for social and affordable housing in response to the current economic recession.²⁸

A number of State Governments have responded, most notably the Victorian Government, which has announced a \$5.3 billion investment in social and affordable housing, and New South Wales - a \$813 million investment.²⁹ However, much more is needed to address the likely job losses in the sector and the unmet need for social housing.

The SHARP proposal to invest \$9 billion in social housing, with a \$7.2 billion government contribution, has been previously estimated to deliver a timely economic boost and to start to address unmet need for new social housing stock, through:³⁰

- Supporting over 18,000 FTE jobs per year on average over four years;
- Generating up to \$18.2 billion in economic activity over four years; and
- Delivering 30,000 new social housing units.

If the funds were allocated across the States and Territories based on current social housing allocations, the economic benefits would be spread across Australia.

[28] Martin P (2020) Top Economists Back Boost to JobSeeker and Social Housing Over Tax Cuts in Pre-Budget Poll. The Conversation, 27 September 2020

[29] State of Victoria (2020), Department of Treasury and Finance, Victorian Budget 2020-21 Strategy and Outlook – Budget Paper 2, Melbourne Victoria

[30] SGS Economics and Planning Limited (2020) Economic Impact of Social Housing Investment June 2020.

Table 4: Additional investment in social housing

State	Units of Housing	Value of Housing (\$m)	Government investment (\$m)	Economic Benefits (\$m)	Average Employment Impact (Per Year Over Four Years)
New South Wales	10,500	3,150	25.1%	6868	6935
Victoria	10,200	3,060	8.7%	6319	6285
Queensland	5,700	1,710	-6.6%	3248	3110
Western Australia	1,200	360	6.4%	617	585
South Australia	900	270	-21.1%	559	535
Tasmania	600	180	-23.2%	283	260
Northern Territory	300	90	15.7%	120	100
Australian Capital Territory	600	180	25.1%	270	245
Australia	30,000	9,000	7,200	18,284	18,055

LONG-TERM SAVINGS

On top of the immediate economic benefits associated with the construction of social housing, there will be long-term benefits due to the decrease in homelessness and increase in productivity.

The Journey Home Study found that public housing was protective in terms of reducing the entry of people into homelessness.³¹ Using these estimates, we forecast that the additional 30,000 units of housing will reduce the number of Australians entering homelessness each year by over 4,500, and as a result generate savings to Government of over \$135 million every year.

[31] Johnson, G., Scutella, R., Tseng, Y. P., & Wood, G. (2019). How do housing and labour markets affect individual homelessness? *Housing Studies*, 34(7), 1089-1116.



5. CONCLUSION

The current economic recession and forecast increase in unemployment will drive higher levels of homelessness and housing stress. This will place more and more Australians in economic hardship and increase pressure on social services.

An opportunity exists for government to invest in social housing and reduce the prevalence of homelessness in Australia, and to also help drive the economic recovery through supporting employment in the residential construction sector.

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HOUSING STRESS METHODOLOGY

We follow the methodology in Baker (2020), which used 2016 Census data on the number of households relying on two, one and no employment income and estimated the impact on the national increase in unemployment on these figures. Our analysis will be more accurate as it used local estimation of both household type and changes in unemployment. However, by not accounting for differences in the probability of losing jobs between household types we may underestimate the impact on certain groups (see below).

Households relying on only one income are categorised as being in housing stress.

In order to undertake such a calculation, we make a number of simplifying assumptions:

- only one person per household loses their job during the period;
- the probability of losing your job is not impacted by tenure type.

As a result we may overestimate the number of households in the only relying on one income category and underestimate the number of households relying on no employment income. In addition we may underestimate the impact on renters, as they have a higher probability of losing their job.

SAVINGS FROM SOCIAL HOUSING INVESTMENT METHODOLOGY

A number of studies have estimated the costs of homelessness in Australia.

The Cost of Homelessness and The Net Benefit of Homelessness Programs, A National Study estimated the cost of homelessness at \$29,450 per year in 2013. This includes the health, justice, welfare and taxation foregone and the cost of children placed in care. In 2020 dollars this equates to \$35,000 per year.

Using AIHW data on the number of people in each social housing unit, we estimate that the 30,000 units would house 56,205 people.

Assuming these people were all at risk of homelessness and experienced the 'on average' transition in and out of homelessness reported in the Journey's Home Report, we would estimate that 4,000 would have entered homelessness without access to social housing in a six month period, and that with social housing 1,000 will enter homelessness from this cohort in a six month period.³³ This difference leads to significant annual savings of \$135 million per year due to avoided homelessness.

[33] Johnson, G., Scutella, R., Tseng, Y. P., & Wood, G. (2019). How do housing and labour markets affect individual homelessness?. *Housing Studies*, 34(7), 1089-1116.

UNEMPLOYMENT METHODOLOGY

Working-age population data for Australia is from the Australian Bureau of Statistics (ABS) publication Australian Demographic Statistics: December 2019 (Cat. no. 3101.0).

Projections for the working-age population are based on ABS estimates of future population growth from the ABS publication Population Projections: 2017 to 2066 (Cat. no. 3222.0), with adjustments made for the impact of the current COVID crisis on immigration levels. Projections are checked for consistency against historical rates of death by age from the Australian Institute of Health and Welfare (Deaths in Australia: 2017), and expected additions to the working age population (from those turning 15 years of age).

Labour market data for Australia are from the ABS publication Labour Force: October 2020 (Cat. no. 6202.0).

Projections for labour market variables (labour force participation rates, the number of employed persons, the number of unemployed and the unemployment rate) are calibrated to the most recent (Commonwealth) government labour market forecasts in the 2020-21 Federal Budget and State Government Budgets.

Population and labour market data by labour market region (ASGS) and sex is taken from the ABS publication Labour Force, Detailed: October 2020 (Cat. no. 6291.0.55.001). For consistency, projections for labour market variables (labour force participation rates, the number of employed persons, the number of unemployed and the unemployment rate) are calibrated to the most recent government labour market forecasts. Projections for each ASGS are derived to be consistent with the aggregate projections for each state and territory.

HOMELESSNESS METHODOLOGY

The 2019 study How do housing and labour markets affect individual homelessness? Johnson G et al found that a one percentage point increase in unemployment within a local area increased the probability of people at risk of homelessness becoming homeless by 0.9 percentage points to 8.9 per cent and reduced the probability of someone exiting homelessness by 0.08 percentage points to 38.9 per cent.

The study sample was randomly selected from Centrelink clients deemed at risk of homelessness and included 5503 housed and 1112 homeless observations across 6 waves. We assume from this ratio and a stable homeless population, and that given there were 116,000 people homeless in Australia at the 2016 Census, there are currently 577,000 people 'at risk' of homelessness. We use local area forecasts of unemployment at the SA4 level for June 2021 to estimate the likely increase in the number of people defined as homeless from February 2020. We first estimate the change from the 2016 Census to February 2020 at the local level, and then the change from February 2020 to June 2021.

Our estimates are likely to be conservative as they do not assume any increase in the number of people at risk due to worsening economic conditions.

[1] An average of December 2019 to February 2020 unemployment rate is used given the large variation in the month to month unemployment figures at the SA4 level.