

# Housing stress and its effects

Housing and homelessness policy consortium research

A consortium of peak community sector organisations has been formed to research housing and homelessness issues in the ACT. The consortium is comprised of ACT Shelter, ACTCOSS, Women's Centre for Health Matters and the Youth Coalition of the ACT with funding from the ACT Government.

This report presents new research from the consortium that investigates housing stress in the ACT and its personal, social and economic effects. The report combines information collected through a survey of 1,000 ACT households in November 2014, focus groups and consultations.

Housing stress is commonly measured through the 30/40 rule. This states that households earning in the bottom 40% of income and paying more than 30% of their gross household income in mortgage and rent payments face housing stress. The survey found that 31% of households in the bottom 40% of the income distribution pay more than 30% of gross income in rent/mortgage (Chart 1).

The 30/40 rule is only a rule of thumb that does not reflect actual individual and household experiences of housing and financial stress. To investigate these, the research asked participants whether they had experienced rent/mortgage difficulties in the last 3 months and whether they had compromised a little or a lot in the last 12 months due to financial pressures in each of the following areas:

- food and household groceries (groceries);
- health and medical treatments (health);
- family and leisure activities (leisure);
- the size and features of your home (quality);
- the convenience of where you live (location); and
- your work/life balance (work/life). See Chart 1.

Housing stress, however measured, is an important determinant of financial stress. Despite being an imperfect measure of housing stress, the 30/40 rule predicts reasonably well the likelihood of household compromises and rent/mortgage difficulties (see Chart 2). Almost one-in-five (19%) households facing housing stress under the 30/40 rule compromised a lot of groceries in the last 12 months, compared with 5% of other low-moderate income households. Almost one-in-five (24%) households in housing stress found rent/mortgage payments very/quite difficult in the last three months, compared with 3% of other low-moderate income households. Housing stress is therefore likely to lead to financial stress, compelling households to sacrifice across multiple areas of household expenditure.



Chart 1: Housing stress and compromises due to financial pressures

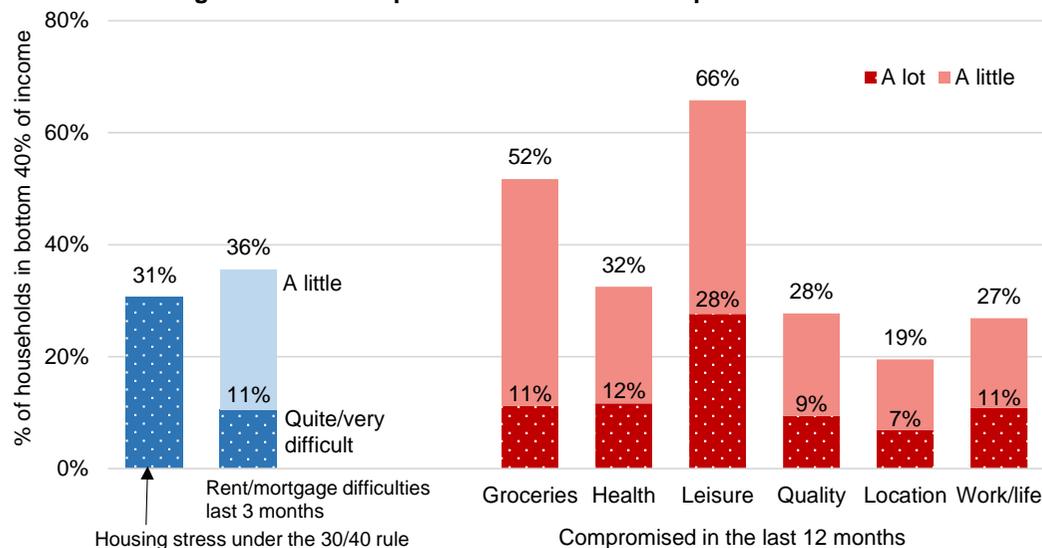
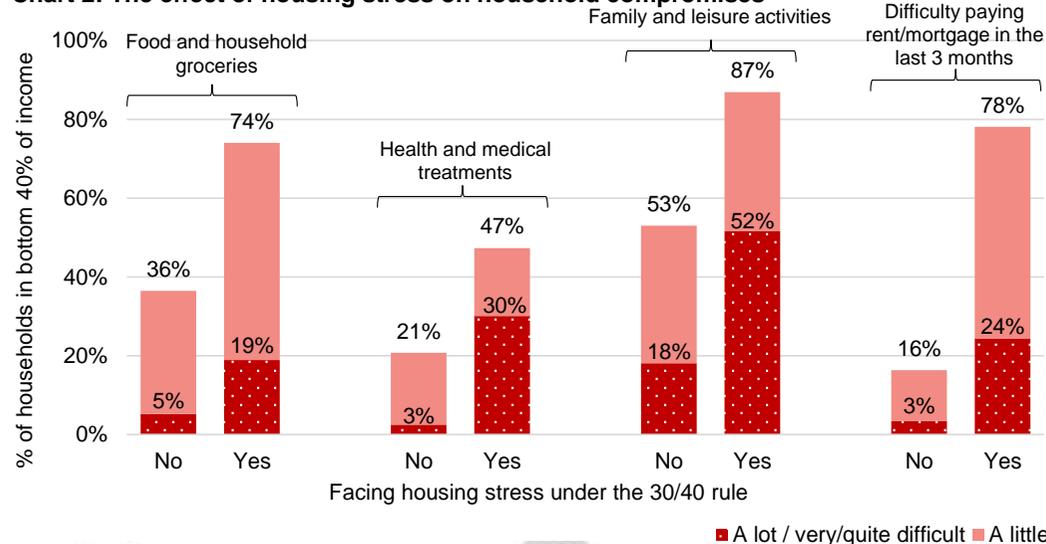


Chart 2: The effect of housing stress on household compromises



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Two of the most important determinants of housing and financial stress are labour market outcomes and household formation (and dissolution). From the survey, working age people not currently employed are the most likely to have compromised a lot in the last 12 months due to financial pressures. One-in-five (20%) people not employed and aged 18-59 years compromised a lot on food and household groceries, 13% on health and medical treatments and 39% on family and leisure activities (Chart 3).

This reflects the damaging effects of unemployment, precarious employment and labour market exclusion, as well as inadequate income support payments, on financial wellbeing. It also points to the importance of multiple household income earners to meet the high costs of living and housing in the ACT (as elsewhere in Australia).

Household expenditure compromises do not vary greatly by full-time/part-time employment status. Part-time work is a choice for some with the household financial means to work fewer hours. This is likely to disguise the level of housing stress for part-time workers unable to find or commit to full-time work, particularly in single and lower income households.

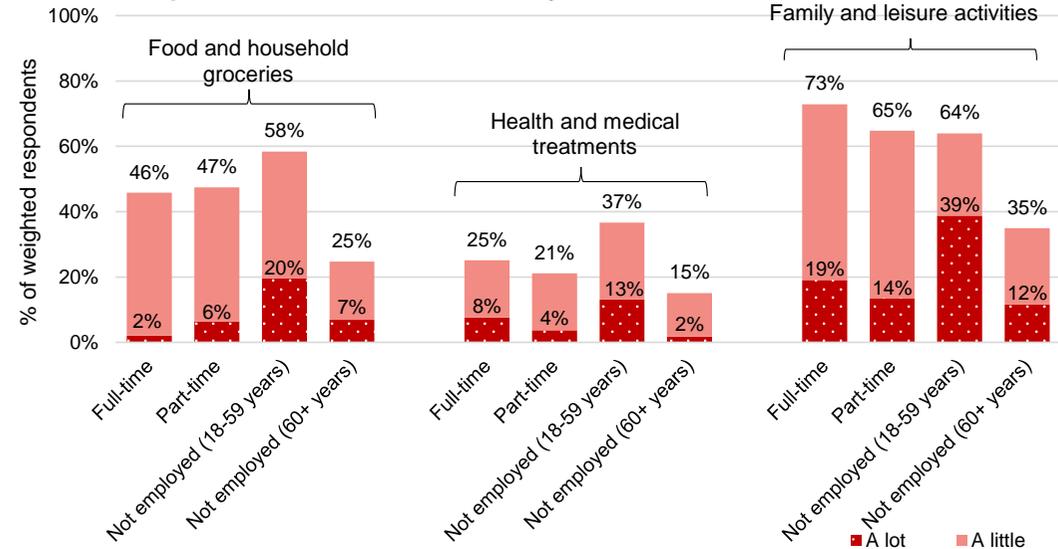
This points to the importance of the other key determinant of housing and financial stress, household formation. Many individuals manage and mitigate housing and financial stress by forming households with other income earning adults. Lone person households were found in the survey to have relatively low levels of housing and financial stress because many have the financial means to support themselves in a lone person household.

Many of those without the financial means live in larger group households. A large number of young adults also sacrifice housing independence to continue living with parents due to the risk of housing stress.

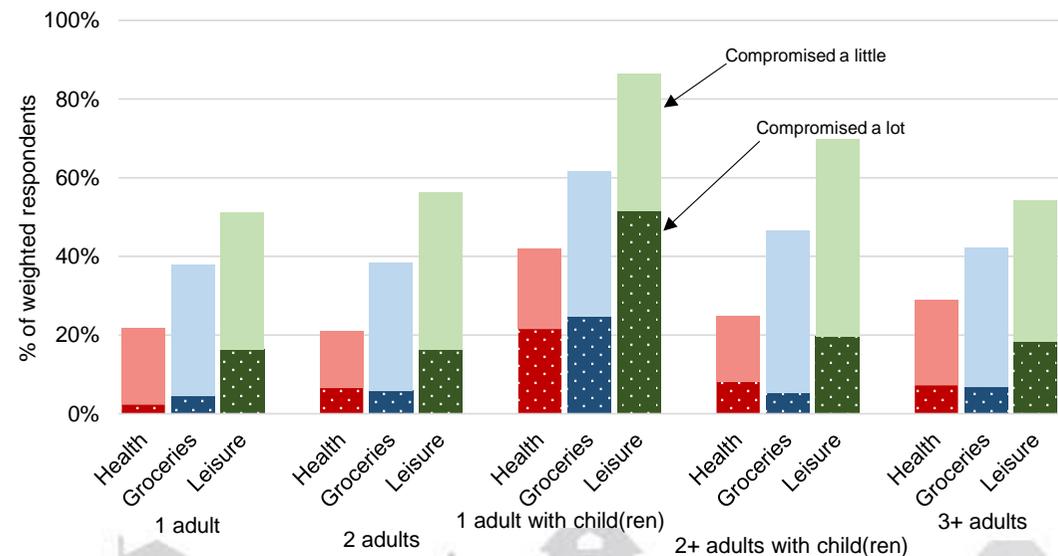
For other individuals and particularly families, this option is not available or not appropriate. This is manifest in relatively high levels of housing and financial stress among single and couple parent families. For example, among households with one adult and one or more child(ren), 22% compromised a lot on health, 25% compromised a lot on food and 52% compromised a lot on family and leisure activities in the last 12 months due to financial pressures - all significantly more than other household types. The majority of the financial burden of single parent families falls on women.



**Chart 3: Compromises in the last 12 months by labour market status**



**Chart 4: Compromises in the last 12 months by household type**



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The compromises and sacrifices individuals and households make has a notable life course component. The majority of young adults aged 18-24 years live with their parents or former guardians, so they themselves experience relatively low levels of expenditure compromise. This option for many disguises the high risk of housing and financial stress they would face and some do face in the private rental market given the relatively poor labour market options available to them.

As people get older, the risk of compromise grows though at different rates depending on the area of compromise. People aged 25-34 years are most likely to have compromised a lot on health (13%), while people aged 35-44 years are most likely to have compromised a lot on food (10%) and people aged 45-54 years are most likely to have compromised a lot on family and leisure activities (27%) (Chart 5). These reflect the interactions between labour market, housing and family formation progression.

Females are more likely than males to report compromises. More than one-in-five (22%) female respondents compromised a lot on leisure and almost one-in-ten (9%) compromised a lot on groceries, compared with 9% and 4% of males respectively. This partly reflects the financial burden on single parent families in the ACT, the majority of which are headed by females.

However, even amongst people who are married or living in a defacto relationship, females are more likely than males to have compromised. Household formation, therefore, disguises individual financial stress, particularly among females who are more likely to have had interrupted careers, rely on lower paid work and have responsibility for the family budget.

Household compromises are most prevalent among renting households. Of all renting households, 15% compromised a lot on groceries, 14% compromised a lot on health and 36% compromised a lot on family and leisure activities in the last 12 months due to financial pressures (Chart 6).

This largely reflects the fact that renting households are more likely to be lower income households than households which own or are purchasing their home. However, for many renting and mortgagee households, differences between weekly rent and mortgage costs are small. The restricted supply of social housing and the relatively high costs in the private rental market therefore lead to high levels of housing stress and compromise without any necessary financial or wealth benefit in the short or long run.

Chart 5: Compromises in the last 12 months by age and sex

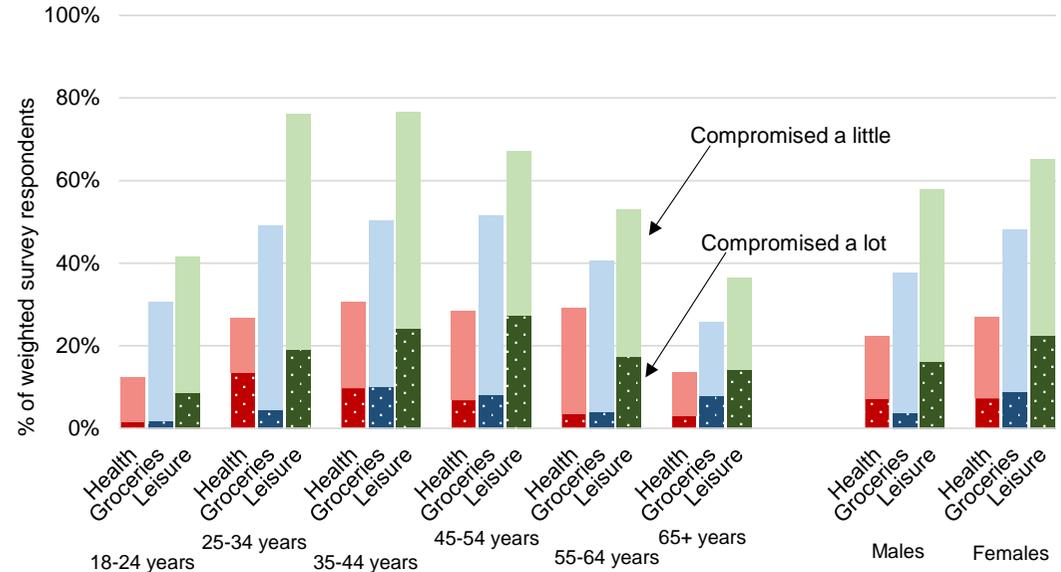
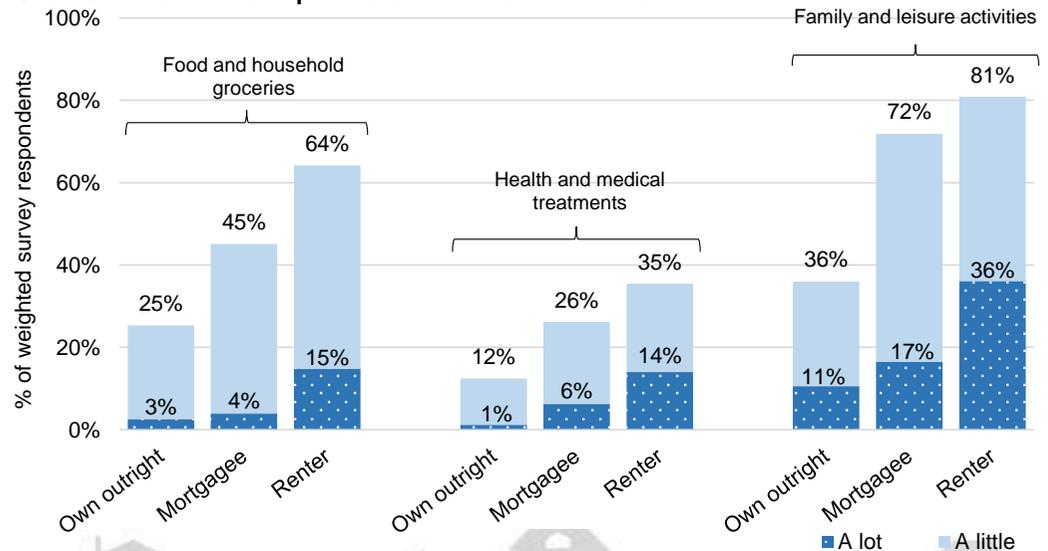


Chart 6: Household compromises in the last 12 months



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Aside from day-to-day expenditure compromises and sacrifices, households also sacrifice on their housing in the face of housing and financial stress. As stated, many individuals live in larger households with more income earning adults to share housing costs, while many young adults continue to live with parents (if they have that luxury). Others sacrifice on aspects of their housing, such as the size and features of their home (quality) and the convenience of where they live (location).

The extent of housing compromise is highest among single parent family households. One-third (33%) of households with one adult and one or more child(ren) compromised a lot on quality and 16% compromised a lot on location in the last 12 months due to financial pressures (Chart 7). A relatively large proportion compromised at least a little on location (39%).

Housing compromises also exist for other household types. Individuals in group households were the least likely to compromise a lot on the quality of their housing (4%), though more likely to compromise a lot on their location (10%). Couple parent family and couple person households were relatively highly likely to have compromised at least a little on the quality of their housing. This suggests that different family forms are more likely than individuals to be forced to compromise on size and features in the current ACT housing market.

The extent to which individuals compromise on the quality and location of housing peaks in the 35-44 year age group. In this age group, 15% compromised a lot on quality and 11% compromised a lot on location in the last 12 months due to financial pressures (Chart 8). Housing compromise was also relatively high in the 25-34 year age group where 41% compromised at least a little on quality and 24% compromised at least a little on location.

The extent of housing compromise is relatively low among young adults aged 18-24 years. Again, this is heavily influenced by the fact that most individuals in this age group live with parents. This reflects the high level of disadvantage experienced by young people and the difficulty of even having the option to move out of home, while also disguising that disadvantage for those that do not have the option of living with parents.

While housing compromises vary within demographic and household groups, the existence of compromise across all groups points to systemic issues for the ACT housing market. Respondents were evidently less concerned about housing location and more concerned with the quality of housing. While accessibility is an important concern, particularly for disadvantaged households, the ability of housing supply to deliver appropriate size and quality is an evident concern.

Chart 7: Housing compromises by household type

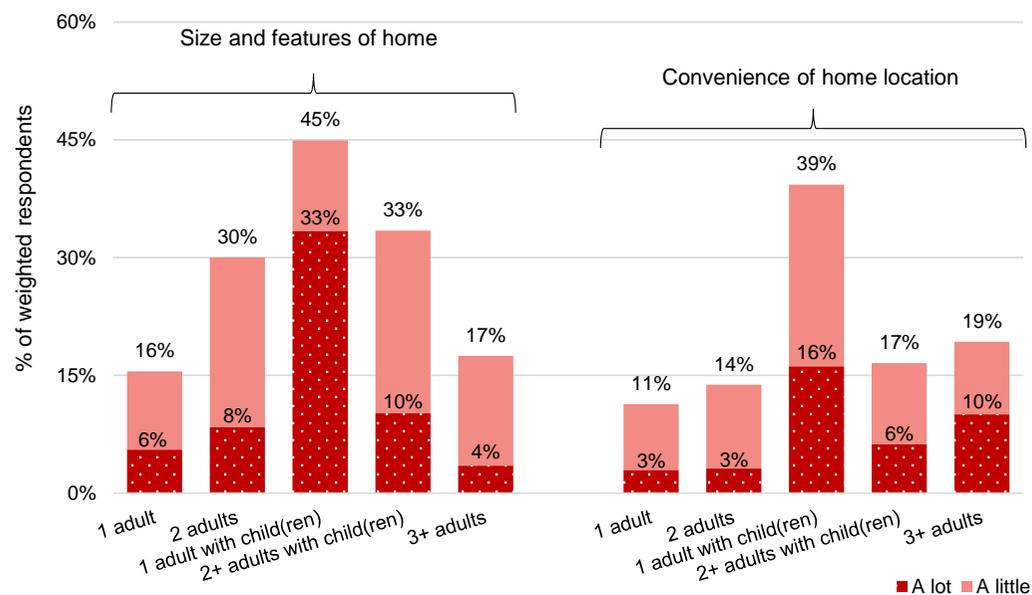
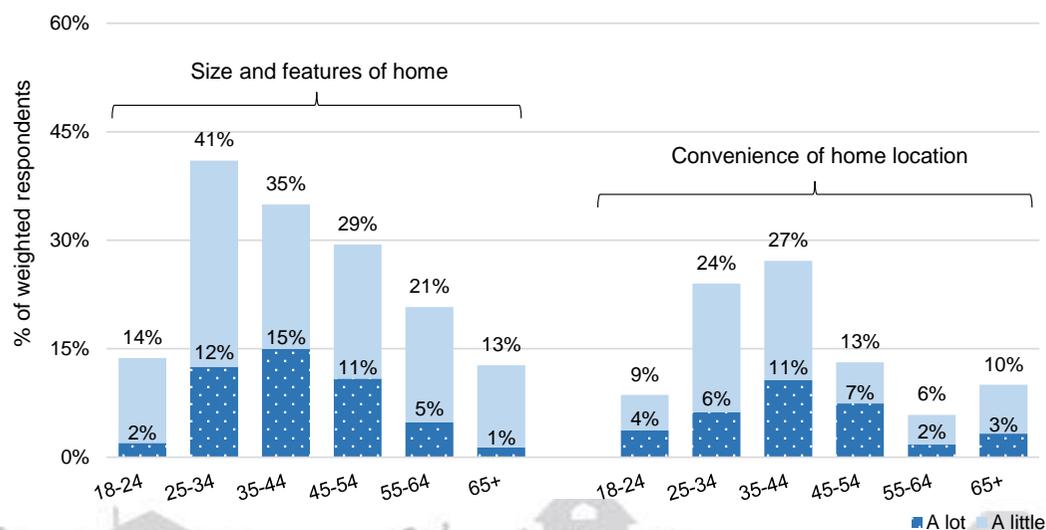


Chart 8: Housing compromises by age group



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This section attempts to identify individuals and households that face very high levels of financial stress and sacrifice. Against the three household expenditure compromises (groceries, health and leisure), the two housing compromises (quality and location) and the question of rent/mortgage difficulty in the last three months, survey respondents were scored a 1 if they compromised a little or had a little difficulty and a 2 if they compromised a lot or found rent/mortgage payments quite/very difficult. Scores against each were aggregated into a single scale from 0-12 where 0 indicated zero compromise and difficulty and 12 indicated maximum difficulty. Scores were grouped into quintiles from 0-4 where 0 indicates zero compromise/difficulty and 4 indicates they scored at least 7 on the 0-12 scale. The latter represents very high financial stress.

A high proportion of single parent families experience very high stress. Of households with one adult and one or more children, 28% were in the fourth category of stress where they scored 7+ on the scale (Chart 9). A further 31% were placed in the third category where they scored 5-6 on the scale. The majority of single parent families, therefore, experience high levels of financial stress. Only 7% had zero compromises or difficulties.

Nevertheless, households of all types experience high levels of financial stress. Of households with three or more adults, 13% scored 7+ and 8% scored 5-6. Likewise, 9% of households with 2+ adults and child(ren) scored 7+ and 12% scored 5-6. This suggests that one-in-five group households and couple parent family households experience high levels of financial stress.

Individuals experience financial stress across all age groups. Stress is highest in the 35-44 year age group where just 14% had zero compromises/difficulties and more than one-quarter (27%) scored 5+ on the scale. Levels of financial stress are also relatively high in the 25-34 year age groups and the 45-54 year age groups (Chart 10).

Housing stress and labour market outcomes are important determinants of financial stress and sacrifice. The 30/40 rule predicts stress against this scale reasonably well. Of those facing housing stress under the 30/40 rule, 24% scored 7+ on the scale, compared with 9% of those not facing housing stress. Only 7% of those facing housing stress scored zero, compared with 31% of those not facing housing stress. Unemployment is also likely to lead to high levels of financial stress. One-in-five (20%) people not employed and aged 18-59 years scored 7+ on the scale, compared with 7% of workers.

Chart 9: Housing and financial stress by household type

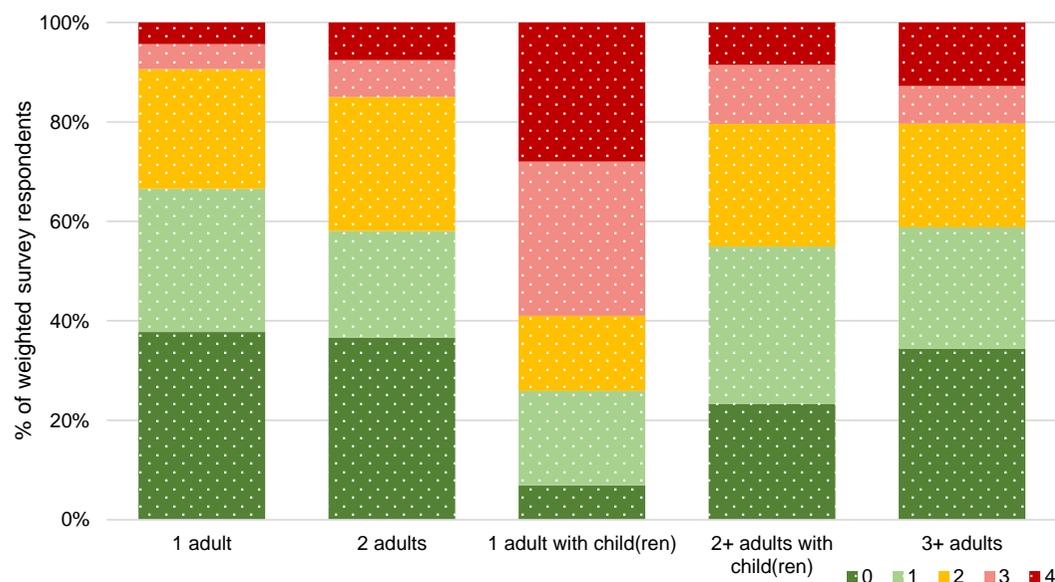
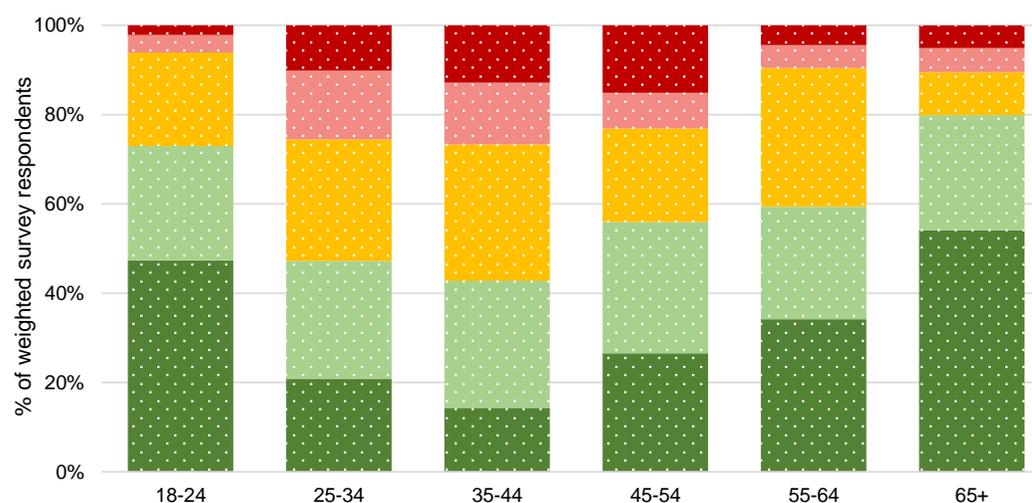


Chart 10: Housing and financial stress by age group



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On 18 and 21 January 2015, ACT Shelter in partnership with United Voice conducted two focus groups to explore housing and labour market issues in the ACT. Across the two focus groups, there were 12 participants, including ten males and two females across a diversity of age groups. All participants are currently engaged in the labour force, either employed or currently looking for work. On 26 May 2015, the Women's Centre for Health Matters led consultations with representatives of three service providers in the ACT to gauge the effects of housing stress, particularly for single parents, among those who seek support from services in the ACT.

Individuals and households continually make implicit and explicit spending decisions and compromises to pursue and retain their housing and financial objectives. Expenditure compromises on food, holidays, leisure and other personal and household items are often made with the goal of building future wealth and prosperity. In other cases, compromise and sacrifice are constant and increasing aspects of ongoing housing and financial difficulties. The nature and scale of compromise varies from household to household, with household income and income security being important determining factors.

The level of compromise can be thought to fall along a continuum. For many moderate income households, the objective of home ownership is the largest source of compromise, particularly in saving for a home loan deposit while paying rent. Moderate incomes allow households to afford all necessary expenditure, though many will sacrifice on all that they perceive to be non-essential expenditure, particularly on groceries, holidays and going out.

Home ownership is out of reach for many ACT households in the current housing market and in their current financial situation. Many are able to maintain a decent standard of living in the private rental market, though most will make what they perceive to be reasonable compromises in who and how many live people they live with, their household expenditure and/or the type and location of their home. Nevertheless, most would prefer to own a home - that belongs to them, that expands their social and economic connections to their community and that builds their wealth and prospects of a comfortable lifestyle in later years. For some, the inability to achieve home ownership creates resentment and marginalisation.

Housing stress is constant for a number of households. The compromises and sacrifices these households are forced to make are part of an endless daily struggle, which restricts their ability to plan for the future. Individuals access services in the ACT as a last resort, meaning that the people that services do support are the tip of the iceberg and typically people at the point of crisis. Inability to service debt, including housing debt, is a key trigger point for seeking the support of financial services such as *Care Financial Counselling Service*. Households in housing stress are restricted in their ability to compromise on rent, meaning that households unable to pay rent accumulate rental arrears.

## Housing objectives

*"I've always been a house owner. To own a house, you've got to go without something"* – Focus group participant

*"So three years of hard saving and you mentioned holidays, we don't have holidays. No holidays. Most of the decisions we make are about saving money. Simple as that."* – Focus group participant

*"I try and put \$200 a fortnight in saving, but I'll have to go without something for that. I'm not talking about food, but other luxuries."* – Focus group participant

*"We don't run our heaters in winter for obvious reasons. It costs too much. It would be nice to be able to run the heaters a little bit. Same with cooling in summer, it's just not done."* – Focus group participant

*"I want to have my own house and I don't want to flush my money into a toilet. Each time I pay my rent, I'm flushing it away."* – Focus group participant

*"I've given up on the dream of buying a house because it's not within the realm of plausibility."* – Focus group participant

*"We did go to the bank at one stage to look at buying, but there's no way we could save up for a deposit."* – Focus group participant

## Day to day struggle

*"I think that the concept of 'future', in the people we see, is pretty much non-existent. Because they're just so in the here and now, they have to struggle day to day to get through."* – Service provider

*"In terms of why people come to our service, (almost) everyone comes – 95% of people come – because they're in debt, and it can be a housing debt but quite often they contact us because of other debts, but it turns out they've also got a housing debt, so they've got arrears, which they haven't necessarily even identified as a debt. You know, they have arrears, or 'I'm a bit behind at the moment', so they're still making payments, and it can kind of be a hidden debt when people come to us."* – Service provider

*"We try and save money wherever we can, we buy our clothes at the op shops."* – Focus group participant



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Severe housing stress leads households to constantly juggle essential household expenditure in and around meeting housing costs. Paying rent usually has to be the highest priority, meaning that what is left after rent has to be stretched to cover utility bills, health and medical treatments, food and groceries, clothing and other items - often in that order of priority. Households minimise and delay expenditures where possible, constantly deciding whether and for what adults and children can go without.

Juggling household expenditures involves constant trade-offs and strategising. Many parents will sacrifice everything for themselves to ensure their children have enough, though parents nevertheless are forced to postpone essential expenditure on their children (including on health) wherever possible. Continually postponing necessary and compulsory expenditure in all areas is a strategy used by households to manage debts and repayments, with only the most urgent expenditures paid at any given time. Debts and servicing costs continue to grow with each postponement, leaving households spiralling towards crisis. Large unexpected expenditures leave households in immediate crisis, forcing them to take on large credit card and pay day lending debts.

The survey results demonstrated that single parent families face the highest risk of housing and financial stress. In the ACT and elsewhere, single parent families are predominantly headed by females, leaving women with the disproportionate share of the financial burden. Nevertheless, single fathers face a similar burden. The most pressing difficulties for single parents are in acting as the sole income earner in the household (usually), while also raising and caring for children and managing the household expenses usually expected of at least two income earners. As Anglicare's *Rental Affordability Snapshots* continually show, affordable housing options are not available in the ACT for single low income earners in the ACT, particularly those working less than full-time hours to balance work and caring.

Family breakdown compounds the housing difficulty for single parent families. Housing stress often arises because single parents want to keep their children in their family home to provide stability through the traumatic event of family breakdown - and in any event, often have nowhere else to go. However, the rent/mortgage and other housing costs of remaining in the family home are often too much for a single income. Single parents may be able to manage for a time under some level of housing stress, though it is usually not sustainable in the longer term and the accumulation of debt and arrears often leads to a crisis point.

*"...in terms of paying rent, a lot of people try to pay that first, but other things intervene, so the choices become, 'do we fill the prescription this week, or do we pay half the rent?', or, I guess, it's like a constant stress for them, it's like constantly juggling what are the things that I can go without. What can I go without, what can the kids go without?" – Service provider*

*"...mum will go without buying certain clothes, they'll stretch the school uniform out as long as possible, as far as they can, they'll really downsize on the food. I hear a lot of mums say, you know, I'll feed the kids but, you know, they'll have less, so they'll make sure the kids have food and lunch, but they'll only have one meal a day kind of thing." – Service provider*

*"they're constantly trading off debt from week to week. In a lot of cases it's, sort of, 'ok so we're behind with our electricity, but we're further behind in our rent, so we'll pay the one that's the most red, and we'll just put that other one off for another day'." – Service provider*

*"they're having to make do with what they've got because they can't afford their electricity bill and they're doing that constant trade-off between the basic necessities, medication, and a lot of parents, like you say, are going without because they're trying to get the basic necessities to their kids and making a lot of sacrifices along the way." – Service provider*

## **Single parent families**

*"The parent that's left with that mortgage might have a fairly well paying job, but it's not enough to cover all the expenses that they have, and they suddenly find themselves at risk of homelessness because they can't keep up with the payments and balance all the needs that they have.... So then they have to start downsizing a lot of things, but they also don't want to give up the family home because there's also nowhere for them to go." – Service provider*

*"I think stability is usually preferred. Particularly when they've had family trauma, so the family's broken up, that's a trauma, they want to keep their kids as stable as possible. So they don't want to change houses, they don't want to change schools because that's a stable base for the kids." – Service provider.*

*"it's difficult for one person and there's no backup. And quite often they're isolated, as in they don't have a lot of family support. Some of them don't have many friends or they don't appear to have many friends supporting them in the community." – Service provider*

*"Sometimes they (single parents) can sustain it for a while, but I think it's more the fact that it's not able to be sustained into the future, so something needs to be done as soon as possible to intervene here, rather than looking at going down a path where it becomes a big issue and they can't go back. So yeah, I think there's a period where some people kind of keep making the payments but then it's like they're using their credit cards more and more and more and eventually they're going to a payday lender because they can't make ends meet" – Service provider*



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Severe housing and financial stress has a range of individual and social costs. In compromising on all expenditures that are perceived to be non-essential, individual household members sacrifice their connections to their community. Adults can not socialise with people and make friends over coffee, lunch or a night out, nor are they comfortable inviting people to their homes. Self-consciousness around how people look and how they are perceived by other people because of their financial situations causes some to actively avoid social and community contact.

Social interactions among children likewise are affected. Parents may not be able to afford to send their children to the movies or the ice rink with their friends or on school excursion. Some parents are not comfortable having their children go to friends' houses in case there is an expectation that they will have to reciprocate. In that way the social and emotional development of their children can be affected, to the great distress of parents.

Financial stress manifests as mental and emotional stress. The constant pressure to manage and juggle expenses while continually accumulating and delaying debts, sacrificing on their children's' development and isolating themselves from their community places people under extreme stress, leading to heightened risks of anxiety and depression.

Indeed, service providers report that most of their clients have a mental health concern. For some, diagnosed mental illness is a long standing concern that adds to the complication of daily struggle. For others, housing and financial stress sparks mental health concerns that can be diagnosed or undiagnosed, acknowledged or unacknowledged.

For single parents, mental health concerns are magnified by a lack of support. With no one to share the burden and often no one to speak with, the stress and anxiety builds up over time, exacerbated by each new pressure. Children are exposed to that stress. Often the resulting stress and anxiety among children and the two way interactions between parents and children reinforce and compound the effects among all household members.

## **Social and mental wellbeing**

*"In terms of the other effects on their lives (of housing stress), I guess they don't have what I would call connectedness to community. So they can't, for example, send their kids to the ice rink, they can't go to the movies, they can't send them around to somebody's place, and if they do that then they're afraid they can't come round to their place because they might see they don't have curtains or they don't have a good lounge or they've got holes in the carpet." – Service provider*

*"And certainly downsizing on the luxury things, what they all consider to be extra items: the coffee at work, the lunches when they're invited out for work lunch... so they have to start saying well you know I actually can't go and do that thing with my friends on the weekend because I can't afford it, because I need to make sure that the kids' school fees are paid." – Service provider*

*"They hate the idea that the kids can't go on excursions, but then they have to start cutting back on being able to let their kids go on school excursions, because they can't afford it." – Service provider*

*"If you think about the frame of mind that that puts somebody in, it's like they're under constant pressure." – Service provider*

*"they shouldn't be under that constant level, that grinding stress of everyday is like, 'oh my god, how am I going to cope today?'" – Service provider*

*"a lot of them are very depressed. They're either diagnosed with a depressive illness or anxiety or they self-diagnose, that's the other thing. I would say 80-85% of our clients have a mental illness or mental health concern." – Service provider*

*"Some clients will actually self-identify and say, 'the family broke up, everything went to shit and then it started getting really bad', so they locate it at a point in time. Other people, they seem to have had the issue for most of their lives and they're more likely to be chronically struggling lower income families, so they've probably had a mental illness concern for years." – Service provider*

*"They're living under extreme, extreme stress and pressure all the time, so what we see in the work we do is the parents are stressed about their financial situation, where they're going to be sleeping that night in a lot of cases. And so that then often flows on to their children, and so then you have elevated stress and anxiety and depression in the children, because the children are very aware of what's going on as well." – Service provider*

*"They're (single parent) living a very high stress life and so when any extra issue gets put on top of that they've got no one else to lean on. And so then that's stressful for their children too... how they're responding to their children, and it just has this big cycle effect. That stress just keeps growing massively without that end in sight and they don't have anyone to lean on." – Service provider*

