

Housing futures in an ageing Australia

POPULATION AGEING IS DRIVING ENORMOUS CHANGES IN HOUSING DEMAND. CURRENT POLICY SETTINGS AND RELIANCE ON MARKET FORCES ARE UNLIKELY TO DELIVER APPROPRIATE AND AFFORDABLE HOUSING FOR ALL OLDER AUSTRALIANS IN THE FUTURE – PARTICULARLY FOR THOSE WITH LIMITED ASSETS.

KEY POINTS

- By 2021, an estimated 18% of the population will be aged 65 years and over, and close to four in every 10 households will be occupied by at least one older person, the majority living alone or in a couple.
- Complex social trends will combine with population ageing to make these older households more diverse and present new challenges for housing an ageing Australia, including:
 - more young-old retirees seeking housing suited to their lifestyles;
 - more frail, very old people, especially older women living on their own, creating a greater demand for housing that incorporates some forms of support;
 - sustained and substantial numbers reaching old age as renters and whose housing choices will diminish as they grow older;
 - increasing intergenerational inequity stemming from transfers of housing assets.
- Past and projected trends of population ageing have not been matched by housing policy, which remains focused on low income elderly, with provision of public housing through the jointly funded Commonwealth State Housing Agreement, and Commonwealth Rent Assistance.
- A relatively high rate of home ownership is expected to continue for the next 20 years, but there are questions about how policy can assist older owners to operate in the housing market to adjust their housing to fit their changing preferences and needs.
- The current high level of home ownership may result in policy complacency and obscure the need for more creative options, especially those that realise the potential of the private and social housing sectors.
- The level and range of public housing is insufficient, and rent assistance is ineffective in overcoming the affordability difficulties faced by older renters competing in the private housing market.

*This bulletin synthesizes the presentations at a conference jointly convened by AHURI and The Myer Foundation to provide a research based contribution to the Foundation's **Project 2020: A vision for aged care in Australia**. The conference addressed issues associated with the housing needs of an ageing population, particularly the policy options that might be considered now to influence future outcomes.*



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- There is a need to develop clear strategic objectives in housing policy that address the increasingly diverse housing needs of older Australians and their varying capacity to use their housing assets to meet these needs, including paying for residential aged care.

HOUSING TENURE OF OLDER AUSTRALIANS

In 2001, 12% of Australia's population was aged 65 and over, and 23% of private households were occupied by at least one older person. By 2021, 18% of the population will be aged 65 and over and an estimated four in 10 households will be occupied by at least one older person, the majority living alone or as a couple.

Housing tenure is important for this older population because it not only describes the objective basis on which older people occupy their housing but also indicates their hold on that housing: the firm hold of owners contrasts with the tenuous grip of private renters and many of those in other tenures.

Some 73% of the population has achieved home ownership by age 65, and another six per cent are purchasers close to ownership. The level of home ownership in Australia has increased only marginally over the last 20 years, and remains stable over the age range to age 80, but then drops markedly.

Another 12% enter old age (65+) as renters; this proportion has changed little over the last two decades, but the share of those renting in the public sector has declined slightly and the share in the private sector has increased.

A further eight per cent are in "other" tenures in private households. This is more common with advancing age, reflecting in part moves to live with younger family members precipitated by increasing frailty and care needs.

The proportion in non-private dwellings, mainly Commonwealth-approved residential aged care homes, has declined by 25% over the past 20 years, and has become more concentrated in the oldest age groups. Fewer than three per cent of those aged 65-69 are in non-private dwellings, but the proportion reaches over 20% from age 80.

SOCIAL TRENDS SHAPING FUTURE HOUSING NEEDS

The first of Australia's large cohort of 'baby boomers' are already moving into retirement. They can expect to live longer and healthier lives than previous generations and their housing needs are likely to change from the beginning to the end of this extended later life.

Population ageing is one of the main drivers of the increased number of smaller households. The variety of demand emerging within the older population is diverging from the demands of younger age groups, and these differences call for policy that promotes housing diversity.

Contrary to widely held assumptions that ageing, low birth rates and low immigration will combine to reduce demand for housing in the future, recent AHURI research (McDonald 2003) has shown that a shift to single person households across all age groups is driving demand for additional and more diverse types of housing in Australia. A continuing and rapid rise in the number of single person households, particularly in major capital cities, is projected for the next two decades.

- More 'young-old' retirees will be seeking housing suited to their lifestyle. Some will move to 'sea change' locations but the majority will 'age in place' in their present communities in the suburbs or country towns. Research from the National Centre for Social and Economic Modelling presented at the conference showed that although the majority of people aged 65 and over lived in one or two person households, most occupied two or three-bedroom houses. Moreover, most of the one and two-person elderly households who had purchased a home in the past three years, had purchased three bedroom houses.
- The absolute number of people entering old age as renters will increase, and more will be renting in the private market. The ability of older renters to access affordable and stable housing is set to be an even more pressing issue than it is now.
- There will also be an increasing number of frail very old people – predominantly women – living

on their own. Many of these individuals are likely to need housing that incorporates some form of support for at least some period.

At the same time, demand for single person housing among younger age groups is being driven by a falling marriage rate and low birthrate, and high rates of divorce and separation. The types and location of housing likely to meet this demand, particularly inner city high-rise apartments, differ markedly from the preferences of older singles and couples.

There is a lag in housing adjustment to these social trends. New housing construction continues to be dominated by family housing and fails to offer the range of choices that are attractive and affordable to many older homeowners. Housing policy settings have also remained largely unchanged, but policy could take a pro-active role in shaping adjustments that respond to these social trends.

CURRENT POLICY CONTEXT

Two kinds of housing policies currently shape housing options for older Australians, although neither has an age-specific focus. One set of policies is focused on housing support for low-income people, and the other set are interventions in the broader housing market such as subsidies to homeownership urban planning policies, land taxes and interest rate policies. These policy settings are based largely on the assumption that the current high level of home ownership among older people will continue and that existing conditions will provide older homeowners with adequate opportunities to adjust their housing to meet their changing needs.

The main housing policy measures directed to assisting older people are the joint Commonwealth-State Housing Agreement and Commonwealth Rent Assistance. Both are focused on the needs of low-income people of all ages.

The **Commonwealth State Housing Agreement** (CSHA) is mainly concerned with public housing, and it makes an important contribution to meeting the housing needs of the low income elderly in a wide variety of housing forms, in both general and age-specific public housing across Australia. However, the supply of public housing in Australia

has been diminishing recently and there is increasing competition for the available places.

Commonwealth Rent Assistance is paid to renters of all ages in the private sector who receive income support, including older renters. Speakers at the conference pointed out that older renters, who generally have low fixed incomes, are least able to compete for a dwindling supply of low-cost private rental housing – and Rent Assistance is of limited help to them. They also face many other barriers in accessing suitable, low cost accommodation, such as their need to have housing close to public transport, shops and other services.

In addition, the last two decades have seen a number of initiatives in housing for older people that have pushed the boundaries of innovation within mainstream programs. Some supported group housing projects, such as Abbeyfield houses, have been developed under the Australian Government Residential Aged Care Program, and the CSHA has sponsored some joint ventures with the private sector in redeveloping and diversifying public housing estates for older tenants. Other projects linking housing and support services have been piloted under the **Australian Government Assistance with Care and Housing for the Aged Program** (ACHA) and some parallel state programs.

However, these initiatives remain small scale and localized, and many have been one-off. Their planning and administration lacks strategic purpose and is scattered across different Australian Government and state agencies, with some involvement of local government, non-government organisations and the private sector. More generally, changes in State urban planning schemes have fostered higher density housing, but much of this is in high cost, inner city locations, and in multi-story dwellings not suited to the needs of older people.

The development of Independent Living Units (ILUs) by the social housing sector, which was supported by matching funding under the **Aged and Disabled Persons Homes Act** (ADPHA) to the mid 1980s, has fallen by the wayside. While the winding back of ADPHA was justified on equity grounds, no alternative policy measures have been formulated. AHURI's research shows that the potential of the existing ILUs is far from fully realised.

Policy measures aimed at the broader housing market focus on assisting entry to home ownership for first-time buyers, typically younger people. Indirect measures affecting older people, such as exemption of the family home from the Age Pension assets test, may hinder rather than promote housing adjustment.

Conference speakers argued that the current fragmented approach and narrow range of policy measures are already failing to meet the changing housing needs of older Australians, particularly those on low incomes. Although Australia's high rate of home ownership amongst older Australians is likely to continue in the near future, current policy settings and the market are not always proving sufficient to enable older home owners to make their preferred housing adjustments. Some segments of the market are responding to the demands of some sectors of the older population – demonstrated by conference presentations on retirement villages and the Delfin-Lend Lease initiatives in building purpose designed housing for older people in mixed developments. But speakers were clear that policy needs to facilitate greater choice within the market, particularly at the lower cost end.

The conference identified challenges emerging from four sources.

I. BARRIERS TO AFFORDABLE HOUSING

Low-income older people face several barriers to securing affordable housing. Not least is the lack of comprehensive research into the needs of this group. Two AHURI projects presented at the conference are investigating demand issues and options for low-income elderly who either rent or who have very insecure housing and are at risk of homelessness.

The Affordable Rental Housing Project is aiming to increase understanding of demand for low rental housing. As well as analysing demographic drivers of continuing demand, it is investigating housing preferences of older tenants and exploring options for private sector investment in low income rental housing that could assist meet this demand.

The Housing and Support Needs of Older

Homeless People Project surveyed 43 agencies assisting older people through the ACHA Program. Interviews with managers and clients found that public housing was the overwhelmingly preferred solution. Almost all clients needed advocacy and outreach services to gain access to low cost, secure housing, some needed on-going case management and social support and only a small number needed home or personal care services.

A practical example of how older renters can be assisted was demonstrated in the supported housing model, one of a number of initiatives aimed at adding value to independent living accommodation provided by the Office of Housing in the Victorian Department of Human Services. In this model, an on-site worker is employed in high-rise estates to assist older residents to maintain their independence and to provide help in obtaining home care services when needed.

The main challenge to reducing the barriers to affordable housing lies in extending the supply of affordable rental housing (both public and private) in locations preferred and needed by older tenants. A second challenge is to expand the kind of support services that ACHA has shown to be effective in assisting very low-income elderly with unstable housing histories. Once stable and affordable housing is secured, the third challenge is to provide a link to community services for those who need care.

2. INCREASING MARKET SEGMENTATION

Two presentations at the conference showed that demand is increasingly being satisfied by specialised segments of the market that provide purpose built housing designed to meet the needs of older people.

Retirement villages are the main avenue through which older people convert their existing housing assets into purpose built accommodation. They have become a distinct segment in the housing market. On-going research into retirement villages shows they are now home to some 150,000 older Australians. Steady growth of villages has seen an increased diversity of built forms and levels of support services, a wider geographic spread and price range, and varying financing arrangements in response to demand. At the same time, the

conversion of housing assets involved in moves to retirement villages has released a significant amount of family housing into the general housing market.

Special housing for older people is not restricted to retirement villages. Retirement by Design Pty Ltd., a member of the Delfin Lend Lease Group, developed its **mixed housing model** in recognition of the expressed housing preferences of the growing market segment of people aged 55+ for low maintenance living and security that enhanced their independence. Design options responding to these needs ranged from smaller houses with low maintenance gardens to multi-generation living in adjoining, self-contained dwellings. More compact housing was scattered through some developments and clustered in others, but always as part of larger community developments catering for all age groups and providing for a range of facilities and services.

Retirement villages come under State consumer and planning legislation, as do mixed housing models, but otherwise remain largely outside policy consideration. The challenge here is to give greater recognition to the extent to which these forms of housing already do, and can further, substitute for hostel accommodation provided under the Commonwealth Residential Aged Care Program.

A small pilot of Community Aged Care Packages (CACPs) in retirement villages is a start in exploring how additional support services can best be delivered to residents. Many retirement village operators are also approved providers of residential care and so can provide CACPs, not only to their residents, but to others living in the local community. However policy remains ambivalent as to whether village residents should be seen as living in the community and have access to community care on the same conditions as other older people in the community, and as to how retirement villages should be taken into account in planning provision of residential care places.

3. SEPARATION OF HOUSING AND AGED CARE POLICY DEVELOPMENT

The growing separation of the housing and care components in Australian Government aged care policies from the mid 1980s was evident in two areas of discussion at the conference.

The stock of Independent Living Units (ILUs) for older people constructed with earlier funding under ADPHA has been largely overlooked in policy deliberations. Recent work by AHURI has found that this 'forgotten' social housing sector accounts for one quarter of all social housing for older people, and offers a diverse range of housing and related services.

ILUs are facing a watershed because of the need to upgrade the stock and to sort out management issues. The researchers concluded that there was a real risk of loss of ILU stock, reducing the options available for low-income elderly and shifting demand to the under-resourced public sector. To avert these outcomes and realise the full potential of ILUs in meeting housing and support needs of low income elderly, the challenge was to bring ILUs back into policy discussions, with collaboration between small ILU organisations and larger aged care providers, and all levels of government.

Aged care programs have addressed older people's housing from three quite specific but very different perspectives.

1. Home is a setting for care services delivered through the Home and Community Care Program (HACC). These services include home maintenance and modifications and provision of aids and equipment that enhance the home environment as a setting for care.
2. The adoption of ageing-in-place and other measures to bring hostels and nursing homes together in an integrated Commonwealth Residential Aged Care Program has transformed the role of hostels and blurred the boundary with nursing homes. Those needing accommodation and social support but with only limited personal care needs have found it increasingly difficult to gain admission, and even more so if they are unable to pay an accommodation bond on admission. The market alternative for these individuals is "pension only" boarding houses that vary widely in quality and support provided.
3. Separation of funding of the accommodation and care components of residential care has seen increasing calls on older people's housing assets to pay accommodation bonds on entry to low care

homes (hostels). Means tested accommodation charges have also been introduced to generate capital funding for nursing homes. These complex arrangements still fall short of an integrated and effective capital funding system.

The setting up of reviews into pricing arrangements for residential aged care and community care in recent years indicates that the nexus between accommodation and care services in aged care policy and service delivery has not yet been resolved. Increasing reliance on capital generated by accommodation bonds has seen growing inequity in access to capital between providers of low care and high care facilities, between providers located in areas of lower and higher housing values, and between facilities admitting lower or higher proportions of “concessional” residents who are unable to pay for their accommodation and for whom the Commonwealth pays a fixed accommodation supplement. Addressing these inequities is a major challenge if providers are to meet higher standards required by 2008 and to ensure development can be sustained to meet the growth in need projected over the longer term.

4. USING HOUSING ASSETS

Housing assets are currently taken into account in only two policy areas – the assets test for Age Pension eligibility and determining accommodation charges in Commonwealth residential aged care. Conference presentations from several different perspectives suggested that more effective use could be made of housing assets in an ageing population.

From an intergenerational perspective, two considerations are central. Research carried out by the National Centre for Social and Economic Modelling confirmed that housing assets are the main source of wealth for older Australians, but showed this wealth is very unevenly distributed and only a minority of people stand to receive substantial inheritances. The richest 20% of older people own some 60% of the wealth, and the poorest 40% own less than 10%. Second, the majority of the elderly are asset rich but income poor. They have few means of using their assets to generate income and the present treatment of assets in pension policy is a disincentive to doing so.

From the perspective of providers of retirement housing and aged care, housing assets are being used as capital finance at the point of residents' entry, and for management of property and assets over a long time horizon. Research into retirement villages, some of which include aged care facilities, found wide variations in current provider experience and pointed to considerable scope for improved management that can lower costs and increase viability.

From an actuarial perspective, reverse mortgages are identified as a potentially useful option for financing aged care that can limit risks for individuals, financiers and care providers. Taking account of current patterns of ownership and likelihood of use of aged care, initial estimates suggest that housing assets could cover 60% of the cost of residential care. More imaginative forms of reverse mortgages are needed to realise this potential.

From the perspective of older people, retention of ownership and control of housing assets are the paramount considerations for the current older generation who are very risk averse. The baby boomer generation may be more willing to use their housing assets to support their desired lifestyles, and policy changes could give them more incentives to do so.

It is readily apparent that each of these perspectives presents different challenges for policy makers. Developing acceptable policy options will require careful balancing of the interests of groups with different perspectives on how housing assets might be best used by individuals, and shared across generations and the community as a whole.

POLICY IMPLICATIONS

A clear message from the conference was that the policy implications of housing an ageing population have yet to be addressed in a concerted way in Australia. There is no evidence of policy-makers viewing the housing system from the perspective of the needs of an increasingly diverse and numerous group of older Australians, or of moves to develop a policy with clear strategic objectives for housing older Australians. Housing issues received scant attention in The National Strategy for

an Ageing Australia, released by the Commonwealth Minister for Ageing in 2002. The Intergenerational Report released with the 2002-03 budget, overlooked transfers of housing assets that are the main form of intergenerational transfers in Australia.

Discussion at the conference agreed that strategic policy objectives for housing an older Australia were needed to address the different housing needs among the older population, variations in capacity to meet need, and the imbalance between incomes and asset wealth within and between generations. Some of the key strategic objectives identified in the conference were:

- **Housing affordability and security for those who enter old age as renters** stands out as the highest priority. The dollar amount of rent assistance is insufficient to enable older renters to compete in the rental market, and many need other support to find housing that meets their needs in terms of location and utilities, and that provides secure and stable tenure. Presentations emphasised that public housing was the most viable potential solution to the housing needs of low-income older people. Widening the scope of the CSHA to incorporate options for redevelopment of Independent Living Units is one of the measures that could contribute to a solution.
- **Finding an effective and equitable way of funding capital development of residential aged care** is a persisting priority. Measures announced in the 2003-04 Budget in line with the findings of the Pricing Review address some of the demands of the sector, but the full set of policy proposals emerging from the Review will not be released until later in 2004. Conference participants suggested that in addition to accommodation bonds which draw on housing assets at the time of use of residential care, payments could be made in advance, through a social insurance scheme. Or reverse mortgages could provide loan funding to pay for residential care, with repayment on realisation of assets after the event. Or, most radically but most comprehensively, through death duties. It remains to be seen how far the Pricing Review will go in

considering these and other possible alternatives for using housing assets for capital funding of residential care.

- **Changes to the current assets testing for the Age Pension** could be made to encourage conversion of housing assets into a mix of more appropriate housing and an income stream. This would enable coming generations of retirees to make better provision for their own retirement and would reduce the costs to be carried by younger generations.
- **Overcoming the lack of integration of housing and aged care** at the policy and program level was seen to be vital, as were efforts to promote the capacity of the private sector to meet changing housing need and bring about adjustments that make more effective use of housing assets.
- **Research informed debate** that engages stakeholders in the public, private and not-for-profit sectors and the community at large was seen as the next step towards a more comprehensive policy framework. Ideally this debate would be informed by a continuing research program that goes beyond evaluating present options to developing new approaches and bringing them into the policy arena.

FURTHER INFORMATION

The conference, Housing Futures in an Ageing Australia, brought together researchers and those working in the aged care and housing sectors, as well as government representatives. The keynote address was delivered by consultant gerontologist Anna Howe. Research presentations were made by the AHURI Queensland, Swinburne-Monash and UNSW-UWS Research Centres. Advocacy and provider organisation responses came from the Housing for the Aged Action Group, Aged and Community Services Australia and Wintringham. A forum on the use of older people's housing assets covered the perspectives of different generations, providers, risk managers and consumers with speakers from the National Centre for Social and Economic Modelling (NATSEM) at the University of Canberra, the AHURI Queensland Research Centre, the Australian Institute of

Actuaries, and the Council on the Ageing (Victoria). Case studies of housing models were presented by private and public sector providers: the Retirement Villages Association, Retirement by Design Pty Ltd and the Office of Housing, Victorian Department of Human Services.

Papers presented at the AHURI conference are available at www.ahuri.edu.au > events > event calendar > Housing Futures in an Ageing Australia.

For more information about The Myer Foundation Project 2020: A vision for aged care in Australia and The Myer Foundation, visit www.myerfoundation.org.au

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