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HOUSING AN OLDER AUSTRALIA: MORE OF THE SAME OR SOMETHING DIFFERENT?

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1. INTRODUCTION

1.1 Views of older people's housing

Older people's housing is not only of interest to older people themselves: it attracts the attention of many others, each viewing it from their own perspective, and so each with different interests in the future of older people's housing. At least six different views that feature in debates about housing and older people can be identified:

1. The views of older people themselves, most of whom want to stay in their own home; but most is not all, and the view of the minority, particularly those who do not own a home, is rarely heard, while for those who do own their own home, it is not necessarily the same house for ever;
2. The micro-view of professionals in aged care services who see older people struggling to stay in housing that no longer suits their needs and who advocate "flexible housing" but rarely define just what "flexible" means;
3. The more macro-views of urban planners who see changing housing for older people as a means of levering wider change in urban structure and housing markets;
4. The less clear views of public housing policy makers, less clear because of the blurring of boundaries between housing and care services;
5. The views of those concerned about financing residential aged care, whose beady eyes see older people's housing as assets that can be realised to pay for care; and
6. The more distant views of those who expect to inherit, who see their elderly relatives' housing as property that will one day be theirs, and so want to hold on to the property for as long as possible.

Reconciling these different perspectives is a central task in developing policy options for housing an ageing Australia. The task is made more complex because it is not restricted to developing options for housing older people but has to take account of relationships with other segments of the housing market and consideration of wider policy concerns such as intergenerational transfers of housing assets. The objective of today's Conference is to assess the effectiveness of current policy settings and canvass a range of options in a wide policy context.

The aim of this paper is to set the scene for these discussions, and to this end, it covers four areas:

1. It begins with an introductory overview of current policy, research and practice in aged persons housing.
2. The current housing situation of older Australians is examined next, focusing on housing tenure.
3. A framework for developing policy options is then presented, taking account of the inclinations and needs of older people to adjust their housing, and their capacity to do so.
4. Four main themes identified in the course of this examination are then taken up to establish the dimensions of policy options for housing an ageing Australia. In canvassing these options, the aim is not to come up with a definitive housing policy for an ageing Australia, but to elaborate on the range of circumstances that require policy intervention and the forms of direct and indirect intervention that are appropriate to these different circumstances.

1.2 The Policy Context

A starting point for looking to housing futures in an ageing Australia is to look at trends over the last 10 to 15 years to show us where we have come from, and point to where we might go, and indeed where we might not go.

The National Housing Strategy of the early 1990s included an analysis of housing options for older people that canvassed affordability, adjustments and care. That work was carried out concurrently with the Aged Care Reform Strategy (Howe, 1992). While a wide range of policy options were proposed, few initiatives of any significance followed. Three main reasons for this limited outcome can be posited:

1. The Commonwealth has a virtually no role in direct housing provision and it has not used the Commonwealth - State Housing Agreements (CSHA) as a vehicle for pursuing developments in aged persons housing;
2. Instead, most change in older people's housing comes about in the private housing market, outside the scope of direct Commonwealth and State interventions; and
3. To the extent that other macro-economic measures are directed to the private housing market, they have been largely concerned with entry of first home buyers into the market rather than the dynamics of home ownership among older Australians.

The three Commonwealth initiatives that have touched on older persons' housing over the last 5 to 10 years have all been outside the CSHA.

1. The small **Assistance with Care and Housing for the Aged** initiative (ACHA) sought to improve access to aged care for those living in marginal housing, particularly supported residential services that catered for those with pension only income (Alt, Statis & Associates, 1996). ACHA was one of many off-shoots from the Home and Community Care Program, with the Commonwealth and some states each taking their own initiatives, and some, including Victoria, making this area a priority within HACC.
2. Most recently, the Commonwealth has initiated pilot projects for provision of **Community Aged Care Packages in retirement villages** as part of its residential care program.
3. Compared to these two small scale and low key measures, the third policy initiative attracted very strong response: the attempt to extend the longstanding and non-controversial **accommodation bonds** that generate capital funding for hostels to nursing homes. This measure was proposed under the Aged Care Act in late 1997, and its failure has seen capital funding of high level residential care persist as a major problem area in ageing policy, culminating in the Pricing Review of Residential Aged Care that began in early 2003 and is due to report in November (Hogan, 2003).

The first two of these initiatives have been *ad hoc* and on a small scale, and they made only limited contributions to developing policy links between aged care and housing. In contrast, the three options available for paying accommodation bonds that may be charged on entry to residential care at low care level (formerly hostels) open up some interesting possibilities on a wider scale. These and other options are taken up later in this paper and in other sessions of today's conference.

One reason why the Commonwealth scene provides little by way of way of policy development is because the CSHA is narrowly confined to the public and community housing sectors. The States have more influence on housing for older people not only as direct providers of public housing, but through other areas, notably urban planning and consumer protection, by way of legislation covering retirement villages and regulation of other forms of supported residential services. But the planning area is concerned as much with medium density development in general as specifically with aged persons housing, and regulation of supported residential services covers other groups besides the aged. The wider scope of these measures means that on one hand, they are not necessarily viewed as applying primarily to aged persons housing, and on the other, many aspects of aged persons housing have to be addressed in very diverse contexts.

Commonwealth interest in housing policy and ageing is not restricted to the CSHA but extends to a range of other programs concerned with housing assistance, with non-shelter outcomes and housing finance. Accordingly, several Departments are involved. The Department of Family and Community Services is responsible for Commonwealth Rent Assistance and the Supported Accommodation Assistance Program (SAAP); while older people are recipients of benefits and services under both these programs, their eligibility is based on low income and need for shelter, not age. The Department of Health and Ageing has an interest in the accommodation component of aged care programs, including older people's own homes as a setting for care. Treasury has an interest in direct financing measures such as the First Home Owners scheme, and in the area that probably has the greatest impact of all on the housing market, albeit indirect, namely interest rates.

Policy for housing in an ageing Australia may be emerging as a subject of interest to the whole of government, but it has yet to be addressed in an integrated manner across different areas of government. Housing has not appeared on the agenda of the Council of Australian Governments for discussion between levels of government, and debate over the CSHA is negligible compared to the contention surrounding the Medicare Agreements. The National Strategy for an Ageing Australia recognised the significance of housing for older people's well-being, but the three key issues identified focused on the built environment, housing design, and the need to promote awareness of housing options by greater dissemination of relevant information (Bishop, 2000). The release of the Intergenerational Report as Budget Paper No. 5 to the 2002-03 Budget signalled that Treasury was to take a wide ranging and continuing interest in intergenerational transfers, but its focus on pensions and health care meant that for the time being at least, its attention did not extend to the main form of intergenerational transfers that lie outside the taxation system, namely the transfer of housing assets.

In this policy vacuum, aged persons housing policy has to some extent become policy by default. While piecemeal measures have realised their intended outcomes on practice in the aged persons housing field, indirect effects of other policy actions have impinged on the field, with a number of unintended consequences. While actions taken at this micro level have made important contributions to housing older people, they have not addressed the macro-level policy issues of housing an ageing Australia.

1.3 The Practice Context

Lacking any clear policy direction, the field has continued on its many ways with continuing elaboration of many of the alternatives that were emerging a decade ago. The 23 case studies included in a report prepared in 1992 in conjunction with the National Housing Strategy (Forsyth, 1992) are listed in Appendix 1 to illustrate the range of innovations at the time, and later sessions today will, quite coincidentally, provide updates on some of these and add some new case studies.

Looking back over the ideas that were identified as innovations in the early 1990, it is evident that while many have been elaborated further in practice, none have met the "sliced bread" test of successful innovation – they have not caught on widely– with one significant exception: retirement villages.

The retirement village sector has proved remarkably responsive to demand-side factors, and has developed a diversity of products that appeal to a wide range of customers. As later sessions will show, these products encompass a wide mix of built forms, support services and financing arrangements. On the supply side, the retirement village sector has also been stimulated at times by rulings of the Australian Taxation Office (Stimson, 2002: 129-42). This example of the power of a policy instrument not generally considered to have a bearing on aged persons housing is one of several lessons that can be learned from the experience of the retirement village sector. Further reference is made to this experience through this paper not to advocate for this particular form of housing, but rather to highlight lessons for policy on housing and ageing more widely.

This "look back" to developments in housing practice over the last decade points to some useful lessons for future policy development:

1. It is not surprising, but development in practice are a good reminder, that there is no single solution, but a need for multi-faceted policy that accommodates and promotes diversity.
2. Policy development is a dynamic process: one positive outcome of a relatively unconstrained policy environment is that has allowed for practical experimentation that can subsequently be consolidated in policy.
3. Third, the area that has shown most rapid growth, retirement villages, is an outstanding example of policy by default. It was the scaling down of Commonwealth capital subsidies for independent living units through the Aged and Disabled Persons Homes Act from the early 1980s that opened the way for resident funded retirement villages as an alternative means of transferring older people's assets from one form of housing into another. The ATO subsequently opened the door wider, then closed it. This lesson is a cogent reminder of the interconnectedness of policy measures and the potential impacts of policy measures outside the direct housing policy arena.

1.4 The Research Context

Retirement villages continue to be an area of abiding interest for researchers. Early on, the basis of this interest was curiosity, verging on suspicion, about motivations of both buyers and sellers of retirement villages. More recently, attention has turned to understanding the operation of the industry, notably in the work of Stimson and others (2002).

AHURI's work program, as detailed at www.ahuri.edu.au, has included some of this work on retirement villages along with a number of investigations of specific aspects of housing for the aged which will be reported in a later session. These projects constitutes almost the totality of research into aged persons' housing in Australia over the last decade. Housing has not been a conspicuous topic of recent Australian ageing research. A search of the *Australasian Journal on Ageing* over the last five years located only four papers on housing unrelated to residential care. Two of these papers concerned decision making about entry to retirement villages (Buys, 2000; Knight & Buys, 2003) and a third examined the application of rent assistance policy to residents of retirement villages (Eardley, 2000). The fourth paper reported findings of a survey of attitudes towards use of housing assets to support a more comfortable retirement (Beal, 2000); while an exploratory rather than definitive study, the findings point to the diversity of views about use of housing assets between different age and socio-economic groups, and the author concludes that there is scope for government initiatives to encourage older people to use their housing assets more effectively for their own satisfaction. A search of the newly established Ageing Research Online web-site (www.aro.gov.au) located only one project on housing; this project aims to investigate intergenerational and interfamilial housing transfers and shifts in later life and is part of AHURI's research program.

AHURI is carrying work on housing and ageing into the future through its Collaborative Research Ventures on housing careers and housing futures in the 21st century. Projects to be carried out will examine the implications of individual and structural ageing for housing demand, assistance and policy. The range of research that has been carried out recently through AHURI, and the activity planned for the future, has been largely from a housing perspective. It can be hoped that in taking up the opportunities now presented in AHURI's Housing Futures research program, housing researchers with interests in ageing will be joined by gerontological researchers with interests in housing. One step that could bridge these interests would be for the AIHW which currently reports on housing and aged care in separate chapters of its bi-ennial *Australia's Welfare* to publish an integrated account of housing and accommodation across the range of aged care services in a future edition.

The importance of a sounder research base for informing policy is readily apparent in the projections of housing need developed by McDonald (2003). While the conventional assumption might be that population ageing, low birth rates and low immigration lead to lower demands for housing, these analyses show quite different interactions of household formation and associated housing needs. Continued high demand is projected both for the shorter term to 2011 and over the longer term to 2030: whereas the population was projected to increase by 37% between 1996 and 2030, the number of households is projected to increase by almost twice as much, 61%. Beyond continued population growth, the main driver of the growth in households was an accelerated movement to smaller household size as the population ages.

2. CURRENT HOUSING SITUATION OF OLDER AUSTRALIANS

For the purposes of today's discussions, it is most relevant to review the current housing situation of older Australians in terms of tenure. Tenure is indeed doubly relevant as an objective descriptor of the basis on which older people occupy their housing, and as a expression of the subjective relationships that hold older people to their housing so strongly. Tenure also establishes property rights and defines the conditions under which individuals can choose to stay or leave the housing they occupy.

The whole aged population is covered in the six tenure categories detailed in Table 1:

1. owner,
2. purchaser,
3. renter in the public or private sector,
4. other forms of tenure including living rent free with other family members,
5. group households and
6. living in a non-private dwelling.

Presentation of this data for each census from 1986 to 2001, by five-year age groups from 65 to 80 years and over, enables an examination of trends over time, and over the age range. As tenure is closely related to household composition, data on household composition are presented in Table 2. Full data of tenure by household composition for each year are at Appendix 2.

A brief review of trends in tenure over the last 15 years presents a salutary lesson for those who want to change older people's housing as there has been very little change in aggregate patterns.

Home ownership

- has increased over the last 15 years as more of the cohorts reaching old age have already achieved homeownership and bring it with them as they move into old age.
- the proportion who are still purchasers has declined accordingly;
- taking owners and purchasers together, the proportion has increased from 71.8% to 73.0%.
- the high level of ownership only declines from age 80, and then quite sharply.

Renters

- have consistently accounted for around 12% of the aged population for the last 15 years;
- from 1986 to 1991, the share of renters in public housing grew marginally then declined from 1996 to 2001, with balancing movements in the share in private rental; these trends reflect the decline in the stock of public housing from the mid 1990s.
- the pattern of rental tenure remains remarkably constant through to the oldest age group.

Other tenures

- show more dynamic patterns even though accounting for only a small part of the total aged population;

- the proportion in other tenures took one small jump between 1986 and 1991, but has since stayed the same at something over 7%; one explanation for this one-off jump may lie in the definition of new forms of leasehold tenures in retirement housing from the early 1990s.
- the increase in other tenures over the age range, and particularly from age 75, most likely reflects older people moving to live rent-free with younger family members in the face of changes in household composition, notably widowhood and the onset of frailty.

Non-private dwellings

- show a steady decline over the last 15 years, from 10.4% to 8.1%; given the limited margin for change in this tenure group, this fall of more than 25% is all the more significant because it is in marked contrast to the overall stability in housing tenures.
- the fall has occurred across all age groups; although the proportions in NPDs are lower at younger age groups, the declines have been relatively greater;
- the lower proportions in NPDs has flowed through with the ageing of successive cohorts, so that the proportions in NPDs are now very low until age 80 and over.
- Commonwealth funded residential care homes account for the major part of NPDs, some 70% in 2001, and the extent to which the decline in the proportion of the very old population in NPDs can be attributed to Commonwealth policy is taken up below.
- Although accounting for a smaller share of all NPDs, the decline of forms of supported accommodation outside the Commonwealth program has been more pronounced. It is not clear how far this decline should be interpreted as indicating an improvement in the housing situation of older Australians who no longer have to live in these forms of congregate accommodation, or whether it represents a worsening in the supply of low cost accommodation for those with no other choices.

Table 1: Housing tenure of population aged 65 and over, 1986 to 2001

Tenure		Age Group	65-69	70-74	75-79	80+	Total 65+
Private dwellings	Owner	1986	**66.9**	67.1	64.1	51.4	63.5
		1991	69.2	**67.4**	65.1	52.7	64.7
		1996	73.2	71.1	**67.3**	54.1	67.3
		2001	73.0	73.2	70.4	**56.8**	68.5
	Purchaser	1986	**11.5**	8.4	6.4	4.4	8.3
		1991	8.9	**7.3**	5.3	3.5	6.7
		1996	5.8	5.9	**4.8**	3.0	5.0
		2001	5.7	4.4	4.2	**3.3**	4.5
	Public tenant	1986	**5.4**	5.5	5.2	3.9	5.1
		1991	5.3	**5.7**	5.7	4.4	5.3
		1996	4.8	5.0	**5.0**	3.9	4.7
		2001	4.5	4.7	4.5	**3.8**	4.4
	Private tenant	1986	**7.3**	7.6	7.8	6.5	7.4
		1991	6.3	**6.5**	6.5	5.4	6.2
		1996	7.3	6.6	**6.7**	5.8	6.7
		2001	8.0	7.2	6.7	**6.1**	7.1
	Other	1986	**4.8**	5.3	6.0	5.4	5.2
		1991	6.5	**7.5**	7.9	7.1	7.1
		1996	5.6	6.9	**8.8**	9.4	7.4
		2001	6.1	6.8	8.1	**9.3**	7.5
Non-private dwellings		1986	**4.1**	6.1	10.4	28.4	10.4
		1991	3.7	**5.5**	9.6	26.9	9.9
		1996	3.3	4.6	**7.4**	23.7	9.0
		2001	2.7	3.7	6.1	**20.7**	8.1

Household composition

If housing tenure has been stable, household composition has been static. Changes in household composition – who older people are living with – are almost imperceptible overall over the last 15 years.

- The proportion in **family households** declines over the age range, but improved longevity of older men has seen a modest increase in family households over time up to the oldest age group.
- The proportion in **lone person households** increases over the age range, largely as a result of widowhood.
- The single conspicuous change in household composition over time is the increase in the proportion in lone person households in the oldest age group, from 28 to 34% of the population aged 80 and over. While this change mirrors almost exactly the decline in the proportion in non-private dwellings, it is the result of a mix of demographic factors and more complex housing transitions at advanced old age.

Table 2: Household composition

Household composition	Age Group					
	Year	65-69	70-74	75-79	80+	Total 65+
1. Family households	1986	75.5	67.9	58.2	42.0	63.7
(couples and other forms	1991	75.9	68.6	58.7	41.2	63.7
of family households)	1996	76.1	69.4	60.0	41.3	63.4
	2001	77.6	71.5	62.8	43.6	64.5
2. Lone person households	1986	18.1	24.0	29.3	27.8	23.8
	1991	18.5	24.2	30.2	30.6	24.7
	1996	18.9	24.5	31.2	34.0	26.1
	2001	18.0	23.2	29.7	34.6	26.0
3. Group households (private)	1986	2.2	2.1	2.0	1.7	2.0
	1991	1.8	1.7	1.5	1.2	1.6
	1996	1.7	1.5	1.4	1.0	1.4
	2001	1.7	1.6	1.4	1.1	1.5
4. Non-private dwelling	1986	4.1	6.1	10.4	28.4	10.4
	1991	3.7	5.5	9.6	26.9	9.9
	1996	3.3	4.6	7.4	23.7	9.0
	2001	2.7	3.7	6.1	20.7	8.1

Note: totals for all household types for each year add to 100%

3. A FRAMEWORK FOR POLICY

The diversity of perspectives on older people's housing, and the diversity of initiatives that have been taken over the last decade, call for a systematic approach to ordering and assessing policy options that can be advanced. The housing situation of older people is of interest to policy because of mismatches between the housing they occupy and their housing need, and the extent and nature of the mismatch varies widely across the older population. The framework proposed here is based on two basic dimensions of this variation:

1. The ***need*** for older people to make a change in their present housing; and
2. Their ***capacity*** to make the desired change.

These two dimensions enable a matrix to be developed, with levels of need for housing change on one axis and capacity to change on the other, as set out in Table 3. There is a generally inverse relationship between these two dimensions, and while only four levels of need and three levels of capacity are set out here, it is a simple step to expand the framework to include a much wider variety of both dimensions.

Table 3: Dimensions of housing change

Need to change housing	**Capacity to change**		
	Low	Medium	High
Urgent need to change present housing	e.g. Private renters, residents in pension-only supported accommodation	e.g. requiring admission to hostel care and able to pay moderate lump sum accommodation bond with proceeds from sale of home	e.g. able to pay accommodation bond for entry to "extra services" aged care home
Need to adjust housing in certain circumstances, usually related to actual or anticipated care needs	e.g. onset of dependency prompts search for hostel place	e.g. able to install aids or equipment, or modify home in event of disability, possibly with assistance of public program	e.g. able to afford to purchase aids and equipment.
No need to change housing, and do not want to move	e.g. low cost, adequate standard housing in public or not-for-profit sectors	e.g. "stay-puts" in housing with space excess to needs	e.g. wealthy older couple, able to maintain holiday house as well as usual residence
No need to change housing, but may chose to move		e.g. widowed home owner, choosing to move to smaller dwelling, in same locality.	e.g. lifestyle related moves at or early in retirement, including moves into retirement villages

This framework can be seen as a special case of more general models of housing transitions that are based on housing careers and lifecourse stages. The dimensions of need and capacity encompass a range of push and pull factors, and recognise subjective aspects of housing aspirations as well as objective characteristics of housing, as elaborated by Baum and Wulff (2003). The purpose here is however not to provide a framework for analysing older people's housing transitions but to set out the different situations in which transitions occur and to which different policy interventions might apply.

The first advantage of this basic schema for this policy purpose is that it enables a ready ordering of priorities for policy attention. Starting with a focus on those with an urgent need to change their housing, but low capacity to make a change (in the top left hand cell of the matrix), the priorities rank downwards across those who may need to adjust their housing in particular circumstances, with varying capacities to make the required adjustments, to the lowest priority of those who have no need to change their housing, but having a high capacity to make a change if they choose to do so (in the bottom right hand cell of the matrix).

The second application of the framework is in testing the relevance of different policy measures to achieving the overall objective of enabling older people to adjust their housing to meet their needs. Three steps in this task that are assisted by this matrix approach are:

1. assessing the scale on which possible policy measures are needed, requiring an estimate of the number of people in each cell of the matrix at any one time.
2. separating need and constraints on housing adjustment related to affordability from those related to dependency, and
3. separating necessary moves due to affordability or care need from choices that can be made by those with high capacity to adjust their housing if the wish to do so.

Applying this assessment, it is evident that highest priority needs to be given to those with urgent housing needs but low capacity to adjust their housing. Accordingly, housing policy for older people has to focus on assisting those who need and want to move to do so, and enabling those who want to stay put to stay put. But at times it seems that the concern has rather been with trying to encourage those who have no need or wish to move do so, and discouraging those who want to move and can chose to do so from moving.

4. POLICY IMPLICATIONS

When the framework outlined above is applied to the analysis of trends in each type of tenure over time, and relationships between tenure, advancing age and household composition, four main themes emerge, each with different implications for policy. They are:

1. *The great stability* in tenure and household composition over time, and consistency over the age range, with few signs of significant change in the foreseeable future;
2. *The great majority* of home owners who dominate the picture shown by aggregate data on tenure, but masking considerable diversity in housing and housing assets, including diversity within the large group of home owners.
3. *The great divide* that persists is between owners and those who enter old age as renters, especially private renters.
4. *The great expectation* that realisation of housing assets provides the solution to financing the capital cost of aged care is too simplistic and a much better understanding of the part played by housing in care-related moves is required to extend the range of policy options.

Theme 1. Great stability over time in tenure and household composition

The outstanding feature of the housing situation of older people in Australia is the very high and stable level of home ownership. This high level of home ownership immediately suggests opportunities for using housing assets in various ways. But reference to the framework set out above suggests that most among the large group on whom housing assets confer considerable capacity to adjust their housing have the least need or inclination to do so. Ownership creates a very strong hold on housing, and older people cannot be easily separated from their housing assets. Kendig and Gardiner (1997) have gone as far as saying that recognition of the depth of meaning of home for older home owners brings the realisation that “what older people themselves think about and want from their housing can be strikingly different from what is defined as ‘rational’ by government and other powerful interests.”

The first message for policy is then that whatever changes the majority of older people, namely home owners, are making in the forms of housing they occupy, they are very reluctant to make moves that mean relinquishing the control that ownership confers over their housing.

The high levels of home ownership through to advanced old age indicate that if older home owners are to be encouraged to adjust their housing, they are not going to be easily tempted by any form of tenure that does not offer reasonable protection of their equity. There also seems to be a strong preference for maintaining private household structures and very little interest in living in group households with unrelated people. As retirement villages preserve both some degree of equity and some degree of privacy, their high acceptance by older people who do want to change their housing is hardly surprising.

Older home owners who do not want to move house have considerable scope for modifying their existing house or installing aids and appliances in the event of the onset of disability. The considerable extent to which these adjustments are made is evident in a recent report on disability, use of aids and the environment by the AIHW (2003). Among all people with an activity restriction, older people are much more likely to have modified their home than those in younger age groups, and home owners are twice as likely to have made modifications as renters. Use of aids is far more common again: almost two out of three of those aged 65 and over who have a disability use an aid, most often for self care or mobility, and among those with a severe or profound restriction, the proportion exceeds eight out of 10. As much as increased access through a variety of formal programs, take-up has been facilitated by over-the-counter purchase that has turned many therapeutic aids into every-day practical appliances.

In closing these comments on the stability of tenure over the last 20 years, and the dominance of home ownership, it needs to be noted that the conditions that produced this outcome are changing. While the youngest cohorts in the data presented here appear set to move through old age much as earlier cohorts have done, those who will move into old age over the next 20 years have experienced different housing careers, and much more change in household structures. The modelling of housing tenure of coming cohorts of older Australians that is required to inform policy is a task that fits well within AHURI's brief.

Theme 2. The great majority: aggregate data on tenure mask considerable diversity

The very high level of home ownership seen in the aggregate data on tenure can very readily lead to interest in policies to facilitate housing adjustment by realising housing assets of these many owners. The aggregate data however mask considerable diversity within the 75% of older people who are owners, or purchasers near to ownership, with regard to both capacity to adjust their housing and need or inclination to do so, and this diversity calls for much more refined policy measures. Just three aspects of this diversity care considered here.

First, the ***geographic diversity*** of the communities in which older Australians live points to equal diversity in the value of their housing assets, and to different markets in which those assets might be realised. A snapshot of this geographic diversity is provided by a simple plot of the proportion and numbers of older people in the 78 Local Government Areas in Victoria, as in Figure 1 (at end). The five broad groups of communities identified here have close parallels in other states, and as housing is closely entwined with local neighbourhoods, it is not difficult to see that the housing situation of older people, and the options available to them, varies accordingly.

1. Those in ***small rural communities*** with very high proportions of older people have few options: younger people have left and the total populations of many of these communities are already declining as ageing advances. Home owners have limited chances of realising their housing assets, and if they do, the value of the assets will not be substantial; their options for converting those assets into some other form of housing in their local community may be severely constrained by lack of supply of alternative housing.
2. Those in ***high amenity coastal areas***, or some select inland areas such as the Mornington Peninsula and the Mt Macedon area, are in a very different situation. These areas are not only attractive to retirees, but also to younger age groups, and so do not necessarily have particularly high proportions of their population aged, notwithstanding in-migration of retirees. Older people in these areas have to compete in a strong housing market, and older local homeowners may not be able to trade-down in these markets, or even be able to afford to buy into retirement villages that cater for retirees who have realised their housing assets in capital city markets.
3. ***Outer suburban fringes*** continue to have low proportions of older people and only some selected fringe areas have low density retirement villages.
4. LGAs with sizeable aged populations and close to average proportions aged include a ***mix of rural centres and rejuvenated inner areas***. The latter LGAs have experienced declines in the number and proportions of older people in their

populations, and replacement with small and younger households as rejuvenation proceeds. The remaining elderly are often in the lowest value housing and may be trapped, unable to move within the local area, as medium and high-density housing is designed and priced for a different market.

5. The majority of Victoria's aged population now live in ***middle distance suburbs***. Close to half of Victoria's older population is found in just 15 LGAs with large numbers and high proportions of older people. While older people generally live in older housing, what constitutes "older housing" in these areas is now 40 to 50 year old post-war suburban housing of much better quality and design. The main disadvantage for older residents is maintaining large gardens, but large blocks confer value when it comes to selling. And it is in these areas that most housing adjustment by way of moving from larger to smaller dwellings occurs in the general housing market. The increasing availability of medium density housing has presented increasing opportunities for older people to relocate within their local areas, trading perhaps sideways rather than down in value. These areas have also seen some medium to higher density developments in retirement accommodation in the form of serviced apartments. These various adjustments in local areas are part of the phenomenon of ageing in place, in the sense of ageing in the same neighbourhood. The primary policy measures that have contributed to this outcome are those concerned with urban planning that have facilitated medium density development, and secondarily, retirement village legislation that covers that particular segment of the medium density housing market.

A second aspect of ownership that is not revealed in the aggregate data on tenure is that the ***full extent of property ownership*** by the older age groups is not reported. A recent study of wealth and inheritance by NATSEM (2003) reported that the 12% of Australians aged 65 and over hold almost twice that share of the nation's wealth, 22%, but that it is very unevenly distributed. The richest 20% accounts for 63% of the wealth of older Australians, and the poorest 40% have just 7%. Much of this wealth is in property, and it is a paradox indeed that much of the housing that older renters occupy is probably owned by other older people. The very uneven distribution of housing wealth has major equity implications for policies that involve realisation of assets. As the speed of asset depletion is inversely related to the level of assets, the impact of such policies will be felt most by those with relatively meagre housing assets, and of course, their heirs. Patterns of wealth holdings and potential inter-generational and intra-generational transfers are taken up in detail in the paper by NATSEM later in the Conference.

The third aspect of tenure that is not apparent in aggregate, cross-sectional data is the ***dynamics of moves made by older people without changing tenure***: owners of one dwelling sell and buy another; renters move from one rented dwelling to another rented dwelling, and those who are very marginally housed, move from one room in a boarding house to another room in another boarding house. Census data indicate that around 25% of older people move over a 5 year period, and most move once after reaching 65, but as the census is cross-sectional, it under-reports the flow of movements that occur over time; in particular, those making a move but who do not survive to the next census are missed. The data for those aged 65 and over also miss moves made in preparation for or early in retirement, between say 55 and 65. The diversity of moves over the age range, and among different tenure groups, is evident in a number of more detailed studies:

- Manicaros and Stimson (1999) report high rates of housing mobility for older renters in the private rental market: older private renters are three times as likely to move as are homeowners, and in the pre-retirement age group (55-64), fully 70% of renters moved in a five year period compared to 22% of owners. It appears that many of these moves are by necessity as much as choice, as alongside the high mobility rates, much higher proportions of older private renters indicate they would like to move: 30% of the aged and fully 40% of the 55 to 65 year age group, compared to 17% and 23% of public renters in the same age groups.

- In their analysis of longitudinal data in South Australia, Faulkner and Bennett (2002) found that only 10% of home owners made a move in the two years between waves of the study, as did a similar proportion of public renters, but over 20% of private renters moved. Whereas two thirds of the moves made by private renters and over half of those for public renters were to residential care, more than half of the home owners moved in the community, with moves to a unit or flat being twice as common as a move to another house, and three times as common as moves to a retirement village. These patterns remained broadly consistent over successive waves of the study. The main predictors of relocation were situational factors of intention to move (with an inverse relationship to having made a recent move), and widowhood. While factors associated with physical or cognitive decline were not predictors of relocation overall, the numbers making moves to supported environments were small compared to moves in the community.
- The influence of life cycle stage on the association between household structure and housing type is evident in the ABS report of changes in Australian housing between 1991 and 2001 (ABS, 2003). Older people in lone person households were more than twice as likely to occupy higher density housing than older couples, 38% compared to 15%, and conversely half as likely to occupy separate houses. These patterns are again remarkably stable, with changes of only one half of one percent over the decade. Taking the increase in lone person households over the age range reported above in conjunction with the association between lone person households and higher density housing, it can be estimated that around half of the lone person household at older ages result from widowhood, and that widowhood is also a major precipitator of moves from separate houses to higher density, more compact housing.

Theme 3: Persistence of the great divide between owners and renters

The data on differential housing mobility of owners and renters are indicative of what persists as the great divide in the housing situation of older Australians, between those who have achieved home ownership (or are well on the way to achieving ownership) and those who have not, by the time they retire. Those who reach 65 as renters are extremely unlikely to move out of tenancy. Their rental status reflects low lifetime incomes for most of this group, or significant disruption of housing careers, such as divorce, and options for adjusting their housing in old age are extremely limited. Advancing age is likely to bring moves to even less secure tenure in low cost "pension only" supported residential services that operate outside the Commonwealth residential aged care program.

The main message for policy is that the highest priority should be accorded to securing housing for those who do not have secure tenure when they reach retirement age.

This priority is not new, but has persisted for some two decades since Kendig wrote in 1981 "the highest priority for government must be to provide more assistance to the worst off group, the private renters in poverty" (Kendig, 1981:99). While the longer-term implications of housing affordability for younger people are attracting considerable attention, the problems facing older renters are arguably more immediate and need to be addressed in the shorter term. The many grounds for according the highest priority to this aspect of policy for housing and ageing include:

- Large numbers are involved. As well as the 168,000 private renters, a first estimate of half of those in "other" forms of tenure adds almost another 90,000, and some 55,000 are in non-private dwellings outside the Commonwealth residential aged care program, giving a total of over 300,000.
- There is a long duration of housing need, some 20 years or more; this long duration contrasts with the relatively short duration of care needs, with the average stay in residential aged care homes being around two years.
- The instability of housing for older private renters means they will experience the social and emotional disruption associated with relocation more frequently.
- The very limited ability of older renters to compete with younger renters in the private rental market, compounded by a declining share of private rental stock in the lowest rental bracket; between 1986 and 1996, this share declined by 28% (AIHW, 2001:59).
- Competition for public housing is also increasing; priority allocations of the declining stock of public housing and through new programs are increasingly being made to individuals who need care and support as well as low cost housing (AIHW, 2001:66-67). Older people with disabilities are twice as likely to be public housing tenants as others of the same age who are not disabled, and this differential is even greater for younger people with disabilities (Bridge, Kendig, Quine & Parsons, 2002).
- The potential for effective home and community care is very significantly compromised for those whose housing does not offer an adequate physical or social environment in which care can be provided.

While some of the initiatives taken to address the housing needs of low income, older renters have been innovative, they have not been on a scale commensurate with need. Four lessons for future policy and action can be noted:

1. While the search for alternative models of low-income housing is commendable, it should not be taken to mean that just more standard public housing would be an unsatisfactory solution. Ordinary public housing, not extra-ordinary innovation, is the main means of meeting the housing needs of low-income older people.

2. Substantial public funding is required, and joint ventures or partnerships with not-for profit agencies or private sector operators should be seen as supplements to, not substitutes for, public funding. While joint ventures might be seen as having the potential to compensate for the withdrawal of public funding from capital development of public housing, this potential has not been realised on any significant scale to date. McGovern and Earl (2003) have demonstrated that the mix of not-for-profit and for-profit providers already involved in the retirement village sector, and the diversity of funding arrangements, offer scope for joint ventures more readily than other sectors of housing, but they report only very limited entry of the public sector has occurred. While strict program boundaries limit the range of action that can be taken by public housing authorities, there appears to be scope for initiatives that require only small outlays through subsidising rents for retirement village units and offer great locational flexibility. The objection that such subsidies would support profit-making enterprises hardly stands up when seen in the context of the aged care sector where a substantial part of provision is in the for-profit sector, and such direct subsidies are preferable to the indirect tax subsidies accessed by the retirement village sector at one time. A later presentation will explore options for joint ventures on the part of the not-for-profit sector providers who hold outdated stock of independent living units.

3. While housing for low-income older people needs to be well designed to enable ageing in place, there should not be an undue concern with providing on-site support and care services. The cost of these additional services can be considerable but they may not be warranted; there is evidence to suggest that retirement villages are over-providing services that are not wanted or used by large proportions of residents (Stimson, McCrea & Star, 2003). Many of the supports that are called for in developing age-specific housing for low income elders become less necessary simply by virtue of the benefits of secure tenure in affordable, good quality housing. And there is no reason why the care arrangements for individuals in these forms of housing by way of access to home and community care services should be particularly different from those for the rest of the population.

4. The preferences of low income renters should not be expected to be any different to the majority of other older people when it comes to their private living arrangements; in particular, they should not be expected to have a predilection for group households and other kinds of shared housing that others eschew.

Theme 4: Great expectations for funding of aged care

Dynamics of care-related adjustments in housing

The marked change seen in the proportion of older people living in non-private dwellings, principally Commonwealth funded residential aged care homes, over the last two decades are matched by the dynamism of policy in this area. In particular, the expectation that the assets of older home owners can provide a substantial source of capital for aged care homes has emerged as a central tenet of policy in the last few years. The National Commission of Audit (1996) drew attention to the absolute and relative wealth of the retired population as being already high and expected to rise, and identified that most of this wealth was in the form of home equity. It went on to ask whether preservation of client's wealth, at the expense of the rest of the community, should be part of the policy objective of providing nursing home assistance to those in need, and proposed that the government should change funding arrangements so that those able to contribute more towards their own care should do so. Measures proposed to this end were means testing of nursing home benefits and recovery of the cost of nursing home care from the estates of those who were asset rich but income poor.

The ill-fated attempt to introduce accommodation bonds for nursing homes in 1997 is now history, and it has yet to be seen whether the Pricing Review of Residential Aged Care returns to this option. In this situation, it is timely to review the very considerable capacity of policy decisions to shape the level and nature of provision of residential care.

In 2001, the number of older people living in Commonwealth funded residential aged care was almost 55,000 fewer than it would have been had the proportion stayed the same as it was in 1986. This decline of close to 30% stands out as a dynamic patch in the otherwise stable picture of aged persons housing and has to be taken as an indicator of the successful realisation of the policy goal of reducing use of residential care that has been pursued consistently over the last 15 years.

Three further reflections on this outcome are warranted. The first is whether the decline in the proportion of older people in residential care at any one time is a negative or positive outcome. The former could be the case if the level of use of residential care in the mid 1980s was in some way the "right" level. But this is far from the case. Historically, it was considered that many in nursing homes did not need to be there, and the decline that has been realised vindicates the view that there were unnecessary admissions and that alternatives were feasible. Rather than being intractable, the margin for change in residential care provision has proved to be quite amenable to sustained policy direction.

The second reflection is on where those who would otherwise have been in residential care are now living. The view that the most of those who would have entered hostel care have been supported in the community with HACC services, or more particularly through the direction of equivalent funding to Community Aged Care Packages in lieu of hostel places, is too narrowly focused on Commonwealth supported programs only. The steady growth of retirement villages suggests that they are providing an alternative for at least some proportion of those who would have entered hostels. While definitional problems make it difficult to compare sectors exactly or track trends over time, a figure of 56,500 residents in self care retirement villages in 1996 (Stimson & McGovern, 2003:5) indicates a scale close to hostel sector which then provided for some 63,000 residents. Growth of the hostel sector has since been very uneven due to fluctuations in Commonwealth approvals from year to year, and it could be overtaken by the retirement village sector with only modest but more steady growth.

The third reflection is that use of residential care may not have changed directly in line with provision. Cross sectional data that show only some 8% of all older people are living in residential care, and even 20% of those aged 80 and over, belie the rate at which older people move into residential care for some period before the end of their lives. Longitudinal data show the likelihood of using residential care over any individual's lifetime is much higher than the cross sectional data suggest, and increases very markedly over the age range. Life table modelling of the lifetime probability of entry to residential care for permanent care by Rowland, Liu and Braun (2002) estimated that at age 65, the probability of admission for permanent care is 28% for men and fully 46% for women; these probabilities rise to 39% and 64% if admission for respite care is included. With advancing age, the more likely it becomes that the end of life will be in residential care: more than half the men who reach age 85 and close to 8 out of 10 women who reach this age will enter a residential aged care home before the end of their life (55% and 79% respectively).

These data demonstrate that several features of care-related moves are very different to housing-related moves in both the nature of need and capacity to make the needed adjustments. Care-related moves generally occur very late in life, they are much more common for women than men, they are of relatively short duration, and the cost of care is high relative to the accommodation or rent cost, especially so at higher levels of care. The underlying limiting condition is that compared to the numerous options for where older people might live, there are limited options as to where we are going to die. Policy options need to recognise the fundamental difference between housing as a place to live for many years and residential care facilities as places in which care is provided for a limited period before death.

Realisation of housing assets to fund residential care accommodation

The focus in this discussion is on financing the capital component of residential care. Approaches to separating care services and accommodation and alternative models for mixing and matching funding and delivery of care and accommodation, such as conversion of all care funding in hostels to packages akin to Community Aged Care Packages, have been canvassed elsewhere (Howe, 1999). Further options are likely to emerge from the deliberations of the Pricing Review. Three aspects of the debate about realisation of housing assets as a source of capital funding are canvassed here.

The first reason for considering funding of capital separately from funding of care is that the nature of capital is distinct in a number of ways. Whereas it can be expected that residents of aged care homes can meet the costs of daily living from their basic incomes, generally the Age Pension, and that that the cost of nursing and personal care services should be funded at a level commensurate with standards of the day through means tested care benefits as currently apply, capital needs to be funded over a much longer term if provision is to be assured to give access when and where it is needed. Further, daily living costs and care costs are specific to the individual, but accommodation is shared both between those living in a home at any one time, and between many users over time. Finally, not only does the capital component of residential care funding equate most closely to housing, it is proving the most problematic for users, providers and policy makers.

The second grounds for looking to housing assets as a source of capital funding is the recent experience of retirement villages and hostels. As noted above, retirement villages appear to have provided an alternative for at least some of those who might otherwise have moved into a hostel. To the extent that accommodation bonds for hostels established market prices approximating those of retirement villages, the market mechanism has worked on both the demand and supply sides. Some of the capital that would have flowed to the hostel sector has been attracted to retirement villages and so reduced growth of the hostel sector. Although there are a number of common providers where retirement villages include hostels, retirement village development is not constrained in its location in the way that hostel provision is under the Commonwealth planning process. A number of reservations have been expressed about the effectiveness of bonds as a source of capital for low care facilities; the capacity of providers to raise bonds from in-coming residents varies widely, and while some are reported to be doing well, other are struggling, particularly those in rural and remote areas. The rate of development of low care places continues to fall short of the target levels, and a much smaller growth in high care facilities is being realised without access to this source of capital. And not only is there no necessary redistribution from providers who are raising considerable capital reserves to others who are not, there is no requirement for the former providers to reinvest and so increase provision of residential care places in required areas.

The third set of policy considerations arise from the need for further exploration of the options that already exist within the present arrangements for capital funding of residential care. Of the three options for paying the Accommodation Bond that providers may currently charge residents admitted to low care facilities, lump sum payments are by far the most common. Details of capital payments included in annual Report of the Operation of the Aged Care Act, 1997 show that fully 90% of those paying bonds paid a lump sum at the time of admission; the remainder paid by periodic payments and it appears that none allowed the charge to be accumulated as a debt against their estate. Data provided by DoHA for all levels of care show that for 2002-03, those who paid an Accommodation Bond by any means accounted for only just over 25% of all newly admitted residents, and a similar proportion paid a means tested Accommodation Charge (the latter being admissions to high care facilities); another 40% were concessional residents and the payment status of another 5% was not determined. From the perspectives of homes, some 30% did not receive any capital flow from bonds in 2002-03 (DoHA, 2003:27).

The Two Year Review of outcomes of the 1997 Aged Care Act (Gray, 2001) reported a diversity of evidence and views as to how well the capital funding arrangements were working to that time. The numerous submissions made more recently to the Pricing Review add to this picture of diversity and reflect the varied access that different segments of the sector have to accommodation bonds and other sources of capital. One of these submissions, from the Productivity Commission (2003), suggested that regardless of the success of lump sum payments for some providers, they may not be the best option for residents; an example showed that payment of a lump sum incurred a 30% higher cost to the user than periodic payments.

The instigation of the Pricing Review and the range of its investigations indicate that the funding of residential care in general, and capital funding in particular, have yet to be resolved. It is the task of the Review to assess the effectiveness of the current arrangements and whether they should be applied more consistently across both high and low care facilities. This paper instead turns to some more general considerations relevant to canvassing future policy options.

The main message here is the desirability of developing more sources of capital funding rather than continuing to rely heavily on lump sum payments of accommodation bonds, with substantial Commonwealth subsidies paid to compensate providers for residents who do not pay any bond.

There are several reasons for looking to a wider range of capital funding, including alternative means of realising housing assets. While higher user charges have signalled a shift towards intra-generational transfers and away from inter-generational, tax based funding, collecting these charges through lump sum payment of accommodation bonds enables only very limited redistribution either across the aged population or within the sector. From the perspective of the older population, entry payments at the time of use of residential care draw on only a very small part of the housing assets of all older Australians, and arguable fall very inequitably on those who need one particular form of care, namely low care residential care, rather than other forms of care in old age. From the perspective of the sector, there is no guarantee that the present flows of funding that are intended for capital will be applied to capital purposes, or directed to locations where capital development is required.

Increased user charges applied at the time of use of residential care are only one of three possible options for reducing reliance of public funding. A second option, of paying in advance by way of social insurance for long-term care, has been identified as especially suited to funding the capital component of residential care (Howe & Sargeant, 1999). The third option, of paying afterwards by way of recouping costs from the estate, can be seen as a form of equity release or reverse mortgage. The Productivity Commission has identified the promotion of equity release schemes as a key means of improving funding that could be pursued within the present arrangements. The main advantage argued for equity release schemes was they enabled older people to draw on the assets tied up in their housing to fund their care without having to sell the family home (Productivity Commission, 2003: 86-89).

Beyond this advantage for the individual user, reverse mortgages and social insurance offer several advantages for providers and users by allowing for the pooling of capital funds and central management either directly by financial institutions or through an intermediary statutory authority. These advantages include more efficient management of funds, sharing of risks and possible access to pooled capital funds for all providers. Further, as central management of capital funding is at arm's length from providers, it avoids confounding the care relationship between the provider and the resident with an asset management relationship. From the residents' perspective, these options avoid the immediate and practical difficulties of having to sell property at a time of stress and limited capacity to execute complex transactions. These options also reduce costs to individual users: social insurance by spreads the costs among all potential users, and reverse mortgages by limiting payments to the period for which accommodation is actually used, as it is used. As these options do not require realisation of assets, they maximise preservation of assets for heirs.

Most importantly in the wider policy context, both these options can be applied across a much wider segment of the population and so can generate more revenue, with more equitable redistribution outcomes. Although an early Commonwealth initiative to promote reverse mortgages as a means of supplementing retirement incomes proved a dismal failure, a revival of interest is evident in the products now being offered by the leading banks. The use of reverse mortgages specifically for funding of residential care warrants further attention and is the topic of a separate paper later in today's Conference.

Realisation of housing assets of more older people, but for more modest amounts than those involved in the present lump sum bond payments, through some variant of reverse mortgage effectively constitutes a form of estate tax or death duty. Given that a considerable proportion of the population will make some use of residential care over their lifetime, it might be proposed that such taxes should be extended to the whole population, either as a hypothecated tax linked to funding of aged care or to contribute to general revenue. In the context of intergenerational transfers, collecting a tax from the estates of those exiting from the housing market, and who have reaped a lifetime of capital gains, as well as other non-monetary benefits, might well provide a trade off for some of the taxes that currently pose barriers to entry to the housing market. There would also be a possible reduction in the fuel added to the housing market by those who have large inheritances to spend.

The lack of death duties or estate taxes that make Australia unique among the OECD nations can be seen as a lost opportunity for intergenerational transfers in a country that ranks very high on the level of home ownership among its older population. This outcome for the current generation of older people is largely the product of a number of policy measures that actively promoted home ownership, including controlled interest rates for home loans, when they were younger. Rather than restricting measures to realise housing assets to pay for residential aged care to a small share of the older population, broader taxation measures could achieve more substantial impacts on both intra- and intergenerational transfers.

IN CONCLUSION

Experience in the recent past with attempts to realise housing assets to generate capital funding for residential aged care have proved fraught with difficulties, ranging from the practical to the political. Improving future prospects will require fuller exploration of the options that already exist but are not widely used and investigation of new options.

While this paper has only been able to provide a glimpse of what some of the future options might encompass and why they are needed, it has identified three broad parameters within which policy options need to be formulated. These parameters call for options that:

- Respect the property rights of older home owners and enable them to retain some element of control over their housing and the assets it embodies;
- Accord the highest priority to low income renters whose capacity to adjust their housing is the inverse of their need to do so; and
- Recognise that no single solution will be fully acceptable to all those with interests in policies for housing an ageing Australia, but that there are reasonable prospects that a wider range of options will provide at least some satisfaction to most.

The papers to be presented at today's Conference make a compelling case for a better mix of policy options for housing an ageing Australia. This mix cannot be realised by more of the same. More than ever before, there is a need for something different if the housing needs of an ageing Australia are to be met by 2020.

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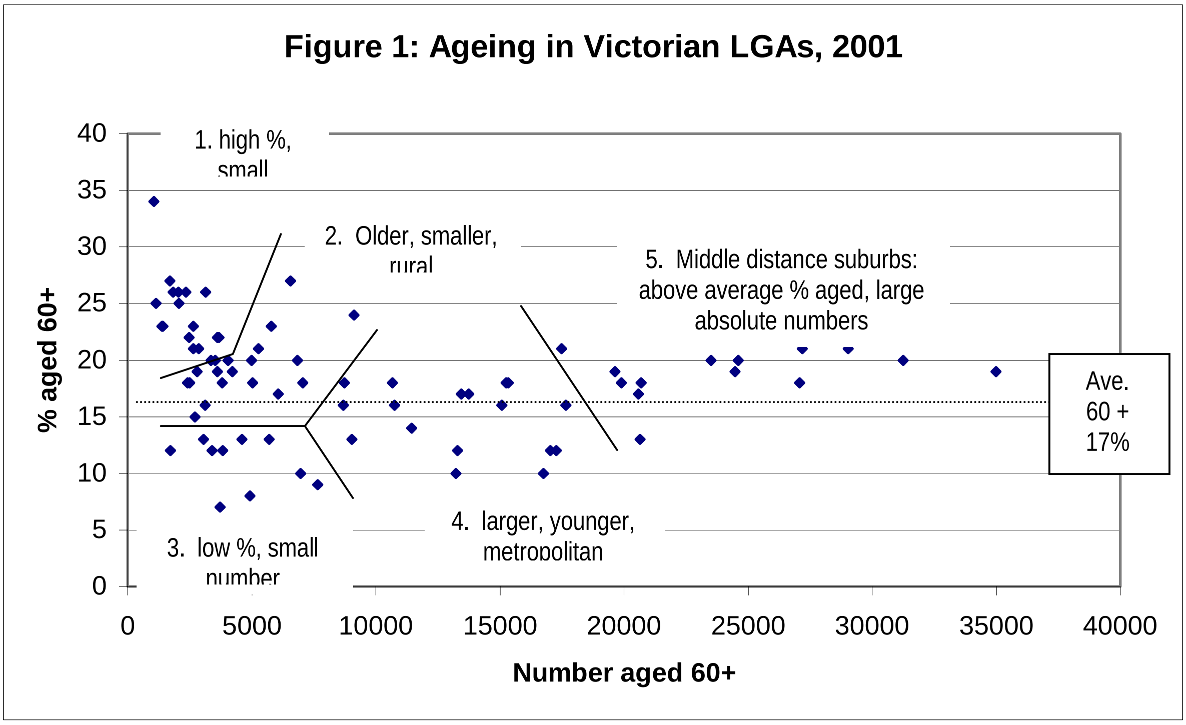
Figure 1: Ageing in Victorian LGAs, 2001
1. high %, small
2. Older, smaller, rural
3. low %, small number
4. larger, younger, metropolitan
5. Middle distance suburbs: above average % aged, large absolute numbers
Ave. 60 + 17%
% aged 60+
Number aged 60+
0
5
10
15
20
25
30
35
40
0
5000
10000
15000
20000
25000
30000
35000
40000