

## The 'missing middle': Older people falling through the cracks in the housing and homelessness system

### Key messages

- People who retire without owning their own home and with a small amount of assets are ineligible for social housing yet cannot afford other housing options – this group is the 'missing middle'.
- Women are disproportionately represented in the 'missing middle' due to gender disparities in wages, workforce participation and superannuation.
- Research on the scale of the issue and analysis of appropriate responses and policy reforms are required. Policy reforms should encompass an increase in appropriate and affordable housing supply, investment in services to support this group before they reach a crisis point and gender analysis in policy making to identify and mitigate gender inequalities.

### The problem

*Marla (not her real name) is 79 and lives in private rental in Greensborough. Her real estate agent has told her that her landlord intends to demolish the house she rents early in the new year and she will have to move out. Her landlord has given her more than the minimum notice period because she has been a good tenant for many years and they know it will be difficult for her to find a new home. As a single woman on an Age Pension, most private rental properties will be unaffordable for Maria. She also has accessibility requirements which will make it harder to find a suitable home. She has modest life savings of \$75,000— this is her real problem.*

Housing for the Aged Action Group (HAAG) has broadly identified of three cohorts of retired people in Victoria.

The first cohort is made up of people who are homeowners when they retire and whose housing future is therefore largely secure. Individuals in this group may be able to 'age-in-place' in their own home, downsize or sell their home to fund accommodation in a retirement village, as required.

The second cohort is made up of people who retire, without owning their own home or another property, with savings or assets of up to \$30,000. These people are eligible for social housing via the Victorian Housing Register and are relatively well served by the existing social housing system.

The third cohort includes people like Marla, who do not own their own home but have savings or assets of more than \$30,000. This is the group we are calling the 'missing middle'. They are not wealthy enough to buy their own home or fund a place in a retirement village but are also not impoverished enough for social housing. This leaves them with radically fewer options and most housing and homelessness services simply will not assist them.

## The ‘missing middle’: who are they?

While this problem affects many older Victorians, it disproportionately affects women because of the gendered gap in retirement savings. In 2015-16, the average superannuation balance at retirement for men was \$270,710, but for women it was only \$157,050.<sup>1</sup> The median balance for men was \$110,000, while for women it was just \$36,000.<sup>2</sup> This does not tell the whole story, but it is indicative. Older women are the fastest growing group of homeless<sup>3</sup> people in Australia.<sup>4</sup> Up to 240,000 women aged 55 and over are at risk of homelessness.<sup>5</sup> We expect a significant number of these women are in the ‘missing middle’.

Nobody, so far as we can tell, tracks the number of people in this group. They fall through the gaps in data collection just as much as they do in the housing and homelessness system. But as the figures quoted above suggest, this is a mainstream problem. Every week, HAAG provides information about housing options to older people in the ‘missing middle’ who are at risk of homelessness. Our research has indicated that only a small number of these people will actually be securely housed based on this information.<sup>6</sup> In most cases, the best outcome for these people is to slowly erode their savings paying private rent, move house every few years (facing the stresses of moving) as landlords decide to sell, renovate or increase the rent. Some will eventually access social housing when their savings are sufficiently depleted. Some will resort to couch-surfing, house-sitting and other insecure tenure types. Some will enter residential aged care prematurely for want of other options.

## Context

Australia’s retirement system comprises three pillars:

- The Age Pension
- Compulsory Superannuation
- Voluntary savings, including home ownership.

The 2020 Retirement Income Review identified that the system favours homeowners.<sup>7</sup> However, an increasing number of retirees do not own their own home and rely on an unaffordable and insecure private rental market for their housing.

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<sup>1</sup> Clare, R. 2017, Superannuation balances by age and gender, ASFA Research and Resource Centre, p.13.

<sup>2</sup> Ibid, p.13.

<sup>3</sup> The Australian Bureau of Statistics defines homelessness as “When a person does not have suitable accommodation alternatives they are considered homeless if their current living arrangement: is in a dwelling that is inadequate; or has no tenure, or if their initial tenure is short and not extendable; or does not allow them to have control of, and access to space for social relations.” Australian Bureau of Statistics, 2012, 4922.0 - Information Paper - A Statistical Definition of Homelessness, <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4922.0Main%20Features22012?opendocument&abname=Summary&prodno=4922.0&issue=2012&num=&view=>

<sup>4</sup> Australian Human Rights Commission, 2019, Older Women’s Risk of Homelessness: Background Paper

<sup>5</sup> Faulkner, D. and Lester, L. 2020, Understanding the population size and demographics of older women at risk of homelessness in Australia, HAAG.

<sup>6</sup> Bessant, L. 2018, Out of the Frying Pan, Into the Fire: The experiences of Housing for the Aged Action Group clients referred to Independent Living Units and general retirement information, HAAG, p.25.

<sup>7</sup> The Treasury, 2020, Retirement Income Review Final Report, Australian Government

The phased introduction of compulsory superannuation contributions from the early 1990s has meant that more people, especially women, now reach retirement age with *some* but *not enough* savings to fund housing in retirement. Relatively fewer people, regardless of employment history, retire with nothing.

People renting in retirement consequently often experience high levels of financial stress.<sup>8</sup> As the ‘missing middle’ grows, the problem is exacerbated by the decline of two alternative forms of housing that historically supported this cohort.

The first is social housing; housing that is owned and run by the government and not-for-profit community housing providers. Once a real and viable housing option for people on low and middle incomes, the shift to social housing as a tenure of last resort has meant fewer workers retire with the security of tenure that social housing provides. After decades of under investment in social housing by all levels of government, there is a chronic lack of supply and a ballooning waitlist.

The second is option the Independent Living Unit (ILU) sector. ILUs are, essentially, not-for-profit retirement villages; communal rental housing provided by community organisations for older people with limited incomes and assets. From 1954 until 1986 the sector was subsidised under the Aged Persons’ Homes Act (APHA) and during that period around 9,000 units were built in Victoria, including the vast majority of the state’s remaining ILU stock.<sup>9</sup>

Because ILUs offer a high level of security of tenure, affordable rent, and require either low, means-tested, or no in-going contributions, HAAG has often seen ILUs as the only option that meets the long-term needs of older people in the ‘missing middle’. However, because the sector has not been funded since the mid-1980s, the stock is in serious decline. Early findings from HAAG’s research suggests that more than 50 per cent of Victoria’s ILUs are no longer in service. Many ILUs have closed, often shifting to the provision of residential aged care as a more financially viable business model. The ILUs that still exist are generally old and often in need of major repairs and maintenance. In many cases, the stock also does not meet contemporary standards, in particular, related to accessibility – a surprising number of ILU units are ‘walk-ups’.

HAAG has been unable to determine the size or vacancy rate of the remaining ILU stock. But it is clearly inadequate to the scale of demand and this inadequacy continues to intensify as demand increases and supply dwindles.

## The solution

HAAG proposed a three-pronged strategy to address this issue.

### 1) Research and analysis – demand

The problem represented by the ‘missing middle’ is largely hidden, appearing only in the margins of statistics about older people’s risk of homelessness or the number of people turned away from housing services. As a first step, the State Government should urgently commission research about

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<sup>8</sup> Ibid.

<sup>9</sup> McNelis, S. 2004, Independent Living Units: The forgotten social housing sector, AHURI.

the size and scale of the problem; how many Victorians over 55 at risk of homelessness are ineligible for social housing because of savings or assets? What is the demographic profile of this cohort? What do they need?

## 2) Research and analysis – supply

At the moment, even if you know where to look there is no clear way to access the information needed to move into an ILU. The State Government should fund a central information hub to collate and distribute information about ILU vacancies and eligibility criteria. HAAG has commenced an ILU database but requires further funding to make most effective use of this information.

## 3) Policy reform

The State Government must take steps to produce more housing that is suitable for and available to this cohort. This could mean reinvestment in the ILU sector, changes to social housing eligibility, further increases in housing stock, targeted shared equity initiatives and/or support to scale pilot projects, such as, Women's Property Initiative's Older Women's Housing Project. There may also be scope to incentivise private retirement villages to offer products that would suit this cohort or to set aside a portion of new retirement village stock for people with limited assets. We see a role here for possible reforms to be incorporated into the government's current review of the Retirement Villages Act.

We also recommend investment in services to support this group before they reach a crisis point and gender analysis in policy making to identify and mitigate gender inequalities

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