

## Everybody's Home People's Commission 2024

# Think Forward's Submission

## Background

Think Forward is a bi-partisan not-for-profit organisation run by young people passionate about economic equity. We founded Think Forward in response to the growing awareness that young Australians face an economic burden entirely unique to previous generations. Current tax and economic policies mean young people are disproportionately impacted by economic pressures, including insecure work, increasing housing and rental prices, and inheriting the cost of the climate crisis and pandemic debt.

We advocate for intergenerational care - the idea that there should be economic and social fairness between generations. Intergenerational fairness is not about pitting generations against each other but about the implicit generational bargain underpinning the relationship between younger and older Australians and our tax and spending priorities. It comprises two fundamental ideas:

1. Working-age Australians contribute to the care of older and younger Australians (who are not working) and can expect the generation after them to support them in the same way.
2. Economic and social development will enable each successive generation to enjoy rising living standards. At a minimum, we shouldn't leave future generations worse off.

Whenever we are asked at Think Forward to explain the concept of "intergenerational fairness", we often use the housing crisis as the most obvious example. Successive Australian governments have implemented short-sighted economic policies that benefit some generations (existing property owners) over others (first home buyers and renters). The housing market and rental crisis disproportionately impact younger generations while building the wealth of wealthier Australians.

## The experiences of people struggling to access affordable and suitable housing

Under international human rights law, every person (no matter the generation) has the right to an adequate standard of living, including housing (International Covenant on Economic, Social and Cultural Rights, article 11). The right to housing is more than a right to shelter. It is a right to have somewhere to live that is adequate including legal security of tenure, affordability, accessibility and habitability.

However Australia's housing system is failing to meet these standards. The most pressing issues include:

- **Low supply and high competition:** Rental vacancy rates have declined across Australia over the past few years. At the same time, rent inflation has picked up. According to the RBA, finding a suitable rental property has become more difficult, and this situation is expected to remain over the coming years (Agarwal, Gao, & Garner, 2023).
- **Low wages, high housing costs:** The proportion of median household disposable income required to pay the median rent rose from 26% in 2011 to 31% in 2021, with rents skyrocketing since then (Anglicare Australia, 2022). Until the 1970s, as in most other advanced economies, Australian housing costs, in terms of rents and prices, moved broadly in line with incomes and the cost of living. Over the last four decades, rising rents have increased faster than incomes (MacLennan, Long, & Leishman, 2021).
- **Tenant protections:** Tenant protections in Australia are among the weakest in the Western world. Tenancy legislation in Australia is heavily weighted in favour of landlords, producing a fundamental lack of security and quality in rental housing.
- **Lack of landlord accountability:** There is a power imbalance between tenants and landlords. Given tight supply and weak tenancy laws, it is often challenging for young renters to ask for repairs or argue against significant rent increases without fear of eviction.
- **The safety net is too low:** Commonwealth Rental Assistance (CRA) is inadequate and poorly targeted. Over one-third of low-income CRA recipients remain in rental stress even with CRA. Even with the recent increase announced in the 2023/24 Budget, the real value of CRA has fallen well behind rent inflation over time. In addition, Australia's governments have let the public rental housing stock decline, meaning there is little option but the private rental market for those on low incomes or facing other challenges.

## The flow-on impacts of the housing crisis

The above experiences have consequences in terms of health, education, wellbeing, economic security, and family formation:

- **Housing anxiety:** The state of our housing is taking a huge toll on young people's mental health. Atalay, Edwards, & Liu (2017) found that in Australia, an increase in local house prices tended to increase the physical health of owners, but, higher house prices are associated with a decrease in physical and mental health for renters.
- **An impact on independence:** Many young people are forced to live in the family home longer than they wish, and many young renters are moving back home due to record rent increases. These trends mean young people cannot strike out on their own and live independent lives.
- **A barrier to education:** When young people are faced with unaffordable rents, there is often little option but to earn more income to cover the costs (particularly for students from regional areas moving to major cities). Young people needing to work more means that they may delay or not attend university, or can't dedicate the time they should to their studies, decreasing educational outcomes.
- **Financial insecurity:** According to the Reserve Bank, renters tend to spend more of their incomes on basic living expenses and have less spare cash flow than those with a mortgage. Renters also have lower savings buffers. These factors can make renters more

vulnerable to increases in the cost of living and make it more difficult for these households to accumulate wealth over time compared with owner-occupiers (Agarwal, Gao, & Garner, 2023).

- **An inability to save for their own home:** The rapid growth in house prices, well beyond standard inflation rates and wage growth, has made homeownership a receding dream for many first-time buyers. The ability of younger Australians to enter homeownership, and the benefits homeownership offers, has been in decline for decades.
- **A barrier to starting a family:** Secure housing is critical to young people taking the leap and starting a family. With insecure renting and declining homeownership, families choose to have children later, and the fertility rate is rapidly decreasing.

Younger renters are living in insecure, unaffordable, low-quality housing. Many young renters lead increasingly precarious lives and cannot save anything, get a good education, have a good standard of wellbeing, own their own home or start a family. These impacts are being felt now but will also have long-term intergenerational consequences.

## The impacts of current policy settings on housing affordability and access to housing

The housing system in Australia, and the policies that support it, exacerbate intergenerational inequality of wealth and incomes and wellbeing. Australia was once guided by the lofty vision of the 'Australian Dream' - a realm of widespread homeownership and prosperity. But this vision has been eroded over recent decades, with homeownership rates among the young plummeting, resulting from deliberate and failed national policies favouring property speculation and wealth accumulation.

But with declining homeownership rates, an alternate vision of a 'renter's paradise', where housing is provided via affordable and high-quality rentals, is also not being pursued. Instead, young renters are confronted with towering costs, scant choices, poor conditions, and precarious tenures. Renters find themselves at the mercy of a system designed to extract profit from them to grow the wealth of older landlords rather than being provided shelter as essential community infrastructure. A disheartening consequence is the exacerbation of a stark intergenerational wealth gap that extends beyond finances to encompass security and overall wellbeing.

Even policies meant to help, like first home buyer grants and rent assistance, are simply capitalised as greater wealth and higher incomes for existing owners. Due to the demonisation and running down of Australia's social rental housing stock, there is no Plan B for young renters. The Australian Dream has metamorphosed into a nightmarish situation for young Australians with unattainable ownership, an inability to grow wealth like generations prior and vulnerable tenancy.

## **Actions that can be taken by governments to improve affordability and access to housing**

The nation finds itself at a crossroads. Can we rekindle the spirit of housing egalitarianism, embracing high homeownership rates complemented by a supply of affordable quality rentals and a public housing safety net? Or will we allow the incumbent system to perpetuate intergenerational inequality, eroding young people's financial prospects and the nation's social fabric as wealth inequalities grow? This decision lies in the hands of policymakers.

As Governments continue to tinker today with policies that support high house prices while implementing band-aid solutions for first-home buyers and renters, young people call out for significant reform and long-term thinking.

Our political leaders from all parties need to be brave and take a back-to-basics approach for intergenerational fairness. There needs to be a recentering of renting and homeownership outcomes that are best for Australia's economic, environmental, and social interests, not financial returns for investors. We need to start seeing rising real house prices and rents as a long-term problem rather than a good thing, a feature of the system.

But it seems neither major political party is interested in serious tax reform. Successive governments of various political persuasions have been unwilling to alter policies and have abjectly failed to meet the stated objectives of affordable housing, even though they repeatedly assert they are keen to assist.

Older and wealthier Australians are very effective at holding the attention of the political mainstream via a powerful array of lobby groups and angry letters to politicians and newspaper editors, making change seem politically unfeasible. The power of older generations and property investors is evident in how they fiercely opposed changes to negative gearing in 2019, which has led those sensible changes to be scrapped, seemingly for good. These older people have pulled up the "ladder" behind them, making it harder for younger generations to achieve the same basic level of success, homeownership.

Our political leaders and commentators argue that reform is too difficult due to the animosity from homeowners and the need to be re-elected (short-termism), and wedge politics. Politics – more than any other single factor – means that Australians will likely have to live with a dysfunctional housing system for a long time.

But young people don't want this as our future. Millennials and GenZ will re-make our economic and political systems as we become the nation's new leaders. We now make up over a third of the voting population and have overtaken Baby Boomers as the largest cohort. If our leaders don't fix the intergenerational issues in housing, young people and renters will change Australian politics.

### **Recommendations**

There is no single short-term solution to the scale and complexity of the nation's intergenerational housing affordability crisis. Long-term commitments to a multi-pronged reform strategy will be

required. As a country, we need to build many more homes. But the ways the existing housing stock is used, sold and rented are critical aspects of any policy approach. The fundamental change that such a set of policies must embody is a switch from policies that inflate the demand for housing as a wealth creation tool to one that recentres housing as a human right, accessible and high quality, whether owned or rented.

### **Recommendation 1**

Dismantle the counterproductive policies that over-financialise the housing market, including the ability to negatively gear properties against wage incomes and overly generous capital gains concessions, contributing to the growing intergenerational wealth divide.

This recommendation is well supported by younger generations, with our research finding that 73% of the almost 1,000 Millennials and Gen Zs we surveyed supporting the reform of negative gearing and capital gains concessions for property investors (Think Forward, 2023)

### **Recommendation 2**

The Government should commit to a program of 55,000 new public rental homes each year to 2037 to catch and meet the demand for affordable, secure rentals and provide alternative pathways to homeownership besides the private market. The Government should fund this directly and divert funds from failed policies where necessary (e.g. negative gearing).

### **Recommendation 3**

To meet the scale of the challenge government should build, manage and sell (where appropriate) the new housing stock themselves, harking back to the post-World War II era when the Government provided 1 in 5 new dwellings, homeownership boomed, and housing wealth was more widespread.

### **Recommendation 4**

Support the development of housing cooperatives and community land trusts to increase affordability and redirect housing wealth into the community.

### **Recommendation 5**

Working with State Governments, introduce rent controls to regulate rental increases and increase affordability.

### **Recommendation 6**

Introduce nationally consistent tenancy protections that make long-term renting an affordable and enjoyable alternative to homeownership.

### **Recommendation 7**

Implement a national, publicly accessible licensing and registration system for landlords and rental properties, with the ability of renters to rate their landlords on satisfaction measures.

**Recommendation 8**

Introduce new energy efficiency and cooling rental standards to make rentals more sustainable and climate resilient.

**Recommendation 9**

Resist opposition to reform and boldly reform the housing system for intergenerational fairness.

**Recommendation 10**

The Australian Parliament should instigate an inquiry into the intergenerational fairness of Australia's economic and taxation policies.

## References

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