



**ECON-19: Inside the Corona Crash**  
*Season 1: Episode 2*  
*A Roof Over Our Heads*

James Whitmore:

Few things are as important as a roof over our heads, but as we know, unfortunately, that's not guaranteed for everyone. I'm James Whitmore and you're listening to ECON-19 a podcast from the University of Melbourne that takes you inside the economics of the coronavirus pandemic. In this episode, we're going to be talking to a researcher who's just completed a survey of Victorian Share Houses during the pandemic. As we'll see, COVID-19 has exposed deep problems in the housing sector.

Laura Panza:

Hi everyone. I am Laura Panza and I'm a senior lecturer in the Department Economics at University of Melbourne. I'm an economic historian and large part of my work focuses on the Middle East, specifically on the 19th and 20th century, early 20th century. In terms of topics, I'm broadly interested in the drivers in the implications of economic inequality, discrimination, and segregation through a historical lens. So beyond the Middle East, I've worked also in understanding patterns and determinants of inequality in Australia historically, since the beginning of the British colonization.

James Whitmore:

That's a really huge area of study you're across.

Laura Panza:

Yeah, but I think there are these binding themes of economic inequality and discrimination, so while I'm particularly interested in the Middle East, these are really the things that I have explored also in other contexts, also globally and through various historical periods. I think that's defines my main research interests.

James Whitmore:

Which brings us to what we've invited you on the podcast to talk to you this afternoon about, which is your recent work on share housing during the COVID-19 pandemic. Laura, could you just tell us a bit about how you came to study share housing?

Laura Panza:

Share house tenants that are also called group households, they represent a disadvantaged and vulnerable group within the Australian society, which has not been studied much by the literature. I think it's interesting to look at these groups, because Australia is historically has been at least in it's data available from their little 19th century, account with very low levels of income inequality, especially if we look at it from an international perspective.

Laura Panza:

However, despite these low levels of inequality in this country, obviously there are groups of the population that have been discriminated or that are much more vulnerable and disadvantaged and actually share house tenants are one of them. This is because of the attributes or characteristics that people that live in group households have. Despite the fact that COVID, it's been described or portrayed as a great equalizer, because nobody is immune from the virus, but actually a recent research that has been following the spread of COVID has highlighted the nature of unequal experiences and impacts across various populations.

James Whitmore:

It's really interesting. Can you tell us some of the characteristics of people in share houses?

Laura Panza:

In terms of getting to the numbers, our sample has more than 1000 respondents. 52% of them were considered young as in aged between 25 and 34 years old, but the study median was 28 and this compares with 37 years old, which is Victorian median age. Other important features are the fact that their weekly income was \$650, which is roughly half of the Victorian comparison of the Victoria mean. Maybe the worrying thing or the particular feature that highlights their low income is that their median savings was only \$3,700 relative to the 30,000 Victorian comparison. On top of that, those who reported to have minimal savings, so less than \$500 were actually 23% of the sample, which is quite worrying in terms of financial stability. In fact, we also asked if people had more debts that they could pay back, or they were still just managing paying their debts and 36% responded yes.

Laura Panza:

Then going to other characteristics in terms of citizenship status, 62% were citizens, 15% PR and 23% migrants. The fear of migrants was quite large and of those employed 50% of them were employed on a part time basis. The vulnerability of and the employment component becomes even stronger if we look at the contract type, the breakdown by contract type. We know that 36% of them were casuals and the 14% of them were employed in contracts with the duration of less than two years, so really 50% of our sample was leaning on a precarious contract type.

James Whitmore:

People living in share houses are younger, they work in less secure areas and roles, they have less money, less savings, more debts and they're more likely to be migrants. What kind of impacts has the pandemic had on share house residents?

Laura Panza:

First, we looked at the types of shocks that people experience and maybe not surprisingly, but 86% of our sample replied that they experienced at least one type of shock. Specifically, if we go into the categories in the types of shock, 74% of them reported to be working less or to have lost their job, 50% of them reported to have a worsening mental health, around 50% of them are also reported to have an income shock. So, earning less money and not managing to pay living expenses as they used

to before COVID. In fact, the fact that they had such difficulties, such negative income shock, that really triggered the fact that 40% of them try to renegotiate rent and to try to get the reduction on their rent, 23% pawned or sold something and 20% of them went without food to pay bills.

Laura Panza:

Then if we look specifically at the housing dimension, we found that 26% were in housing stress. Housing stress is something that is defined as the ratio of rent to income and if this exceeds 30%, just for the low to middle income earners, that doesn't apply to high income earners. If that exists to 30%, it means that people are in housing stress, so 26% of them were in housing stress and 18% of them in extreme housing stress, meaning that this ratio goes up to 50%. We know that people that are within this category are much more likely to become homeless. We also found that almost a holder of the sample lived in overcrowded condition and was experiencing overcrowding stress. These are the main types of shocks.

Laura Panza:

Then if we go and look at the categories of people, as I briefly mentioned before, really the main personal attributes that determined and increase the likelihood of experience this compound shocks was being young, being casual and being an immigrant. Being young increased the probability of experiencing a shock, relative to the category of non-young. In this case, we called it being young as being 35 years or 34 years or below and old, 35 years old or above.

Laura Panza:

The same four visa holders. When we actually did more breakdown, we also found that indigenous people, even if we have a very small percentage of indigenous people in our sample, we're more likely to experience shock and the same goes for part time workers. It really highlights these levels of vulnerabilities that become accentuated during times of economic shocks like those brought about by COVID-19.

James Whitmore:

Yeah, it's really very worrying, because these are sort of already groups of people that we had our eye on as people who are working in more exposed industries, because they're working in restaurants that have had to close down. It's a kind of that on top of being more exposed to the labor impacts of the pandemics, these people are both so more exposed where they live.

Laura Panza:

Yeah, exactly. This highlights centre-right intersections between public health and housing condition, because actually we found that the big chunk, 50% of our sample were working either in health, hospitalities, retail or education. Some of them were really essential workers and because some of them lost their jobs and well, some of them had to continue going to work in the health sector, to return home to a more precarious and vulnerable situation, that really increased the likelihood of spreading the virus if they got infected. But also the fact that they had to go to work because they need money, because of their low income, that again increased the likelihood of maybe not following the strict requirements of the lock down.

Laura Panza:

When you live in an overcrowded housing situation, of course, it's really hard to self-isolate or keep social distancing and that increases again. It kind of shows the overlap between the health risk and these income vulnerabilities

James Whitmore:

I want to get back to some of the points that you raised when you're talking about the impacts that people have had on share houses. You mentioned negotiating rent, which is something that I've seen people talking about a lot, it's kind of hard to know the rules about what you're allowed to do when you're talking to landlords and agents, is this part of the problem there?

Laura Panza:

Yeah, part of the problem really comes from the fact that people are not really aware of their rights and of their rental rights. In fact, this is something that emerged a bit in our survey. We actually asked people whether they renegotiated rents and only 20% of them said yes, despite having economic difficulties. The reasons for not renegotiating rent was that people were not sure about their rights, were not feeling secure for example, because they were subletting a room, so they were not in a formal rental agreement. These really highlights the fact that we need more knowledge, we need to spread more knowledge to people that live in these vulnerable conditions about the rights.

Laura Panza:

Actually, when Kate and I presented this research at DHHS, they also reported that people actually they were kind of ashamed. They were feeling stigmatized just by the fact of needing to ask help to the government and these really highlights the fact that COVID-19 is really is impacting also people feeling of being secure, feeling of empowerment. That's why I think we found such a negative mental health shock, because people like small business owners, in the case of the DHHS examples or people that have never asked help, now they need to go and ask help to the government. It's something they feel ashamed about and compounding that to the fact that there is very little knowledge on what to do and how to do it and sometimes going through the real estate agent, instead of, for example, accessing the rent relief provided by the government. This is something that can inform really how to improve these policies, these packages that the government is offering to people to mediate the negative shock.

James Whitmore:

There's been a lot of work in Victoria around creating a more balanced relationship between tenants and landlords. Is this kind of showing us that that hasn't gone far enough or just that there needs to be more communication around it, or what do you think?

Laura Panza:

Definitely there needs to be more communication and specifically, I think the problem with share house tenants differently, for example, from people that live in social housing, they can deal directly with the government, while people in share housing tenants, they still need to go to the private market and so they need to use the real estate agents as mediators. Definitely, potentially having a reform, rental reform on these specific categories, people that live in a shared housing, that is something that is definitely welcome and something that we should be thinking about.

James Whitmore:

You mentioned this thing called housing stress, which is when people pay a third or even a half of their income on rent...

Laura Panza:

Yup.

James Whitmore:

... so that must be tricky in places like capital cities, like Melbourne, where house prices are pretty high.

Laura Panza:

Yeah. This is actually one of the reasons why we are observing an increase in share house households. In fact, this is a trend that it's been going on not only in Australia, but also in most of the developed world. The fact that housing affordability has become more and more of an issue, that really led to an increase in the number of people living in share houses. It's more of a necessity than a choice for most people. At the moment there are roughly 4.3% people living in group households, that's based on the 2016 ABS data. But this is a share that has been growing since 2011, so probably nowadays, if that continues on the same trend, it might have reached roughly 5% by now.

James Whitmore:

Let's start talking about some of the solutions. Are there particular support structures that helped carry people through?

Laura Panza:

The positive thing of the survey is that we found that 71% of people reported to have a support network defined as group of family or friends or community, that helps them in situation or financial hardship, like the one caused by COVID-19. The first thing that we looked at really in terms of mediating factor was what we call social capital, so the role that these social networks played in the pandemic. Just by looking at the simple statistic, having this strong base of support network was already a good sign, but then also 68% of people reported that they agreed or strongly agreed in the fact that their family worked very hard to support them during the COVID phase.

Laura Panza:

It wasn't only family that played a role, but also housemates in some cases and this type of help of social network is important not only in terms of practical support, like people that you have, you can ask information, but also emotionally, as well as financially obviously given the nature of this shock.

Laura Panza:

But then moving on away from social networks, so the family and friends into the government, we actually also looked at whether people who access job keeper and job seekers and the rent relief provided by the government were effective in mitigating the risk running a similar type of regression as before. We found that the answer is yes, actually those who access rent relief and job keeper were less likely to experience the shock and we are talking here about the 15% lower likelihood of experiencing a shock. So really this means that these policies were successful, even if not everyone for example, took the rent relief. We found the government support was actually the channel that mattered most to mitigate these negative COVID shocks and this is above and beyond, they're all of social capital and individual attributes.

Laura Panza:

Really these highlights that it is important to continue providing people this financial support and definitely in the decision of withdrawing for example, childcare workers from receiving the support, the job keeper payments, this is I think not a good idea, especially because many of those workers are casual and employed on the casual contracts.

James Whitmore:

I think it was interesting that you were talking about social networks and that must be a bit hard because some of the people that we're talking about here are migrants who they might not speak English or might not necessarily have the same community networks that people who grow up in Australia have.

Laura Panza:

Exactly and I was actually pleasantly surprised by this. In fact, there's quite a bit of research in economics that looks at social networks in developing countries and usually they find that ethnic groups or social groups that are lower income are less likely to have good social networks. Yeah, it was nice to see that this is not the case in Australia and hopefully that point. I don't know the extent to which these are inter-ethnic or networks, because we didn't ask, we didn't go that in-depth in the survey. There could be social networks within the same migrant community, which is very highly likely because maybe also the way in which Melbourne is and Melbourne demographic is, so you have concentration of specific ethnic groups in sub suburbs.

Laura Panza:

I would expect to have for example, group of Indian migrants, all sharing the same house, but there could be also hope that this goes beyond ethnicity and that highlights that there is also something that the community has done positively within these arrangements. Maybe this is something that we could investigate in the next wave of surveys.

James Whitmore:

Do you think there's a possibility here of other models of housing, like co-ops or rent to buy models?

Laura Panza:

Anything that really could work in terms of housing arrangement for people who live in, like group household don't need to be not dominated by low income people that don't do it because of choice, but because of necessity. I'm not familiar with other countries that have adopted these models successfully. I think lots of it has to do with culture, culturally especially in the West, we are used to these nuclear families and nuclear arrangement and I think that while there is some shift to more open minded, the no libertarian views, it's still much that deep into the Western individuality that you have your own family and this is your own world. I don't know how much Western people like this idea of sharing, but they are definitely from an efficiency perspective. I think that there would be a great, as long as everyone gets along.

James Whitmore:

Was there anything in this survey that you found particularly surprising?

Laura Panza:

Yes. I think one of the most surprising thing was this mental health shock. I was very surprised that 50% reported to have worsened their mental health, especially if we consider that 21% of them already reported to have a bad mental health to start with. So actually even these even becoming even worse, it's concerning, given that you can't go worse than bad. It means that more people that would normally know they have a bad mental health, actually had experienced a worsening mental health. We also need to bear in mind that this was just the first wave, because we've ended the surveys in June. This is when people were already more optimistic and also the economic damage was lower back then relative to today. I also found it shocking that people 20% of people reported to have skipped meals or that 23% reported to have sold something in order to pay bills or rent.

Laura Panza:

This is especially concerning because we always think of Melbourne as most livable city, we think of Australia with low levels of inequality and actually it could be around the corner in the suburbs that people actually have to skip meals in order to make ends meet. Yes, also compounded with that is the fact that the share of people with minimal savings was also shocking, like having \$500 or less in savings, it just shows us not enough capacity to endure these type of shocks that COVID is bringing.

Laura Panza:

Maybe on the positive side, as I said before, it was really nice to see that there were people with a strong family connection or a community connection and including housemates. It is positively surprising to see that these networks did make a difference and help people move.

James Whitmore:

As you mentioned, the survey was conducted in May, which was when we were in our first wave of the pandemic and now we are hopefully coming to the end of the second wave, but obviously the economic impacts of that have been much more severe. You've mentioned the mental health shock of that, but what are the implications of the second wave, is it just all the things that you would have seen are worse?

Laura Panza:

These, I can only speculate. We are planning to run another round of surveys in October, so we will be able to actually provide a better answer then. We will also be able to have a panel so that we can have more precise estimates. But yeah, given that the restrictions are much tougher now, and then given the cumulative negative effects that there are economy-wide, we are now in the biggest economic contraction since the great depression. Unfortunately I expect to see even stronger impacts on share house households and because of the features of the people that live there, we know that most people lost their jobs are those that are employed in casual contracts and these internal more likely to be younger migrants. So these are exactly the feature of share households.

Laura Panza:

The second likely negative outcome is a mental health and these, I guess it's, again, it's deeply connected with income. I hope to be proven wrong, but yeah, I'm not expecting to see a positive effect or no change relative to what we had. Maybe a third concern is something we kind of touched upon, but it's really the nature of the share households and the relationship that have often been strained as highlighted by some of the survey responses and there was only May-June. These really, we know when people live in overcrowded spaces, they have limited outside option, they have zero personal space, so that could be another worrying dimension. Pretty much highlighting the fact that it's not possible to social distance, but also it's really hard to have some privacy, so that might worsen. Hopefully not, but these are just speculation, we'll see what the results will tell us in October.

James Whitmore:

What's the main takeaway here, is it that the government should really be spending big on those income support payments?

Laura Panza:

On the one hand, yes. I think the government should definitely support people who have lost income and definitely support them because we don't want to see people unemployed them and we don't want to see an Australia that is more unequal, that looks more like the U.S. relative to what we

are now. History has showed us, that for example during the great depression, it is the government support and government engagement in the construction, and in the public sector that helped countries go out of the recession. We definitely need, I mean, together with other policies, but we definitely need some government support. As we said before, we've also seen that it's not always enough to just have the support definitely in terms of just monetary income, it's also retraining, possibility of training of improving skills, that could be something else that could be looked at.

Laura Panza:

To improve rental outcomes, something that we mentioned before is really providing maybe a rental reform or providing more targeted information to share households, international students, migrants, those who belong to these households about their rights and about the rights they have to get to get support.

James Whitmore:

Knowledge is power when it comes to housing, particularly if you need to renegotiate your rent and let's not forget the importance of all that government money going to income support. If COVID-19 has exposed deep inequalities in the housing sector, perhaps it can also show us how to make things better. Thanks to our guest, Dr. Laura Panza. For the survey we talked about in this episode, Laura worked with Dr. Katrina Raynor, a Post-doctoral Research Fellow in the Faculty of Architecture, Building and Planning. Subscribe to ECON-19 for new episodes, for more insights on the economics of the coronavirus, head to our website, [fba.unimelb.edu.au/ECON-19](http://fba.unimelb.edu.au/ECON-19). ECON-19 is recorded on Wurundjeri Land. The podcast is produced by Seth Robinson, Sophie Thomas, and me, James Whitmore. The theme music comes from Premium Beat.