

HOUSING STRESS, DEPRIVATION & INCOME ADEQUACY

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Disclaimers

- *Publication of working paper currently anticipated for Q4 2022 / Q1 2023.*
- *The views expressed in this paper are those of the author and should not be regarded as an official position of the Department of Housing, Local Government and Heritage.*
- *Results are based on analysis of strictly controlled Research Microdata Files provided by the Central Statistics Office. The Central Statistics Office does not take any responsibility for the views expressed or the outputs generated from this research.*

Introduction

Since 2012, prominence of housing affordability. Focus on:

- Market renters; and,
- First time buyers.

Housing affordability metrics:

- Eurostat overburden rate: 40% of disposable income.
- Central Statistics Office: Income after housing costs, <60% of median.
- 30% / 35% housing cost ratio widely used in research papers and by economic consultancies.

Housing affordability: “...conceptual and measurement difficulties...”

Arbitrary thresholds: 30%, 35%, 40% etc. Empirical basis?

Tend to neglect:

- Lifecycle;
- Income adequacy;
- Spatial ‘purchase’ – amenities, commute, neighbourhood etc.;
- Quality; and,
- Trade-offs - misleading, as households may, to maintain affordability, concede space, quality or spatial attributes.

Platform & Goals

- Housing affordability reflects a concern about the capacity to consume non-housing goods and services.
- Trade-offs. Expenditure indicators of affordability alone can be misleading.
- Goal:
 - Examine affordability, lifecycle, the income distribution across tenures.
 - Treat affordability as one among several dimensions of housing stress and disadvantage.
 - Discuss inadequate income after housing costs have been met.
 - Identifies factors associated with the risks of the various dimensions of housing stress/disadvantage.
 - Present a housing stress and deprivation index.

DATA

2019 SILC

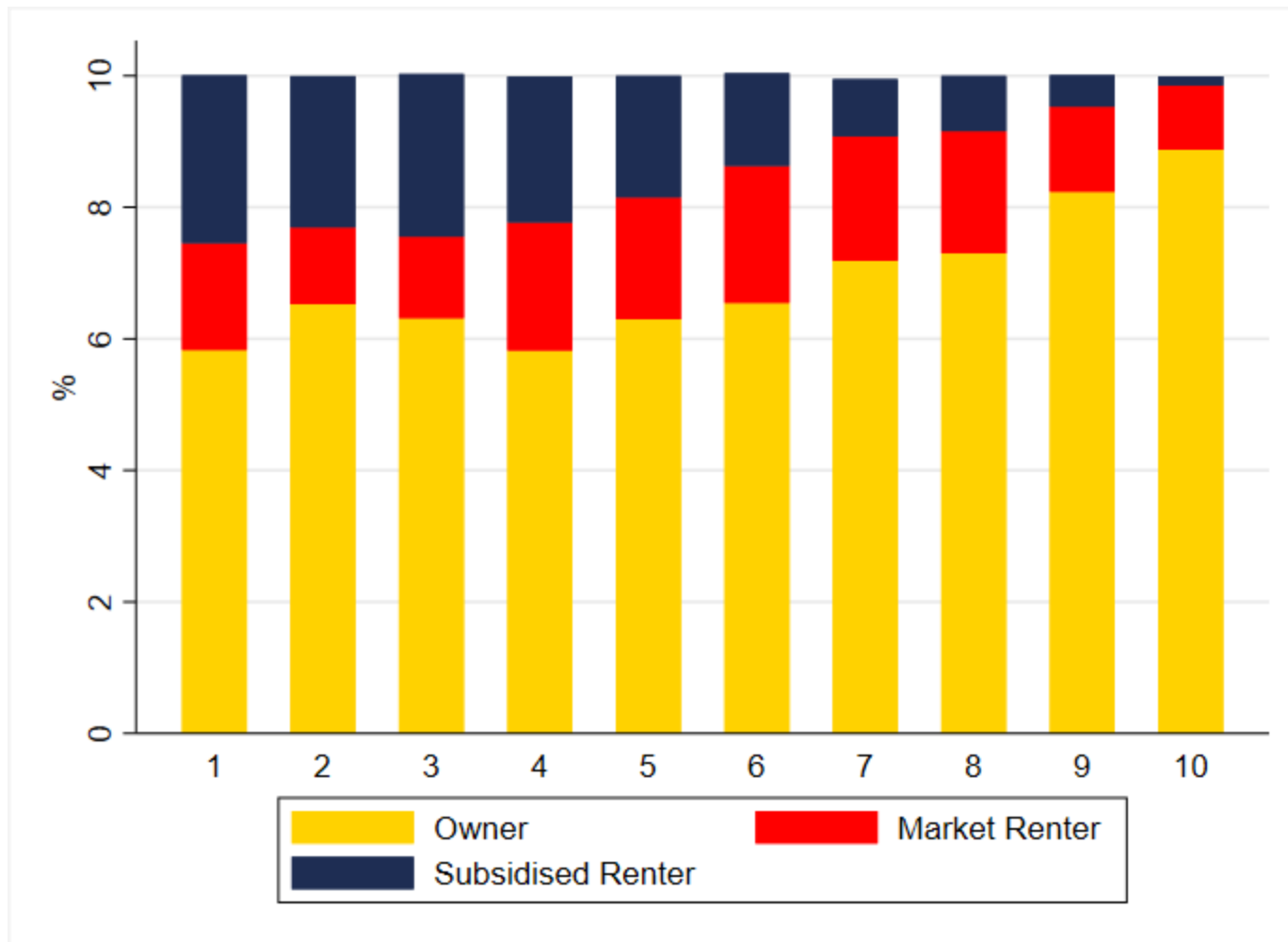
Dataset & Approach

- CSO Survey of Income and Living Conditions. Official EU measure of poverty and inequality.
- 2019 wave (2020 & 2021 available - Covid).
- Rich dataset.
- Three tenure groups:
 - Owner occupiers: 3,145 observations
 - Market renters: 490
 - Subsidised renters (i.e. social housing): 569
- Tenure groups weighted and reflect census tenure profile.
- Minor tenues excluded (rent free and tenant purchase).

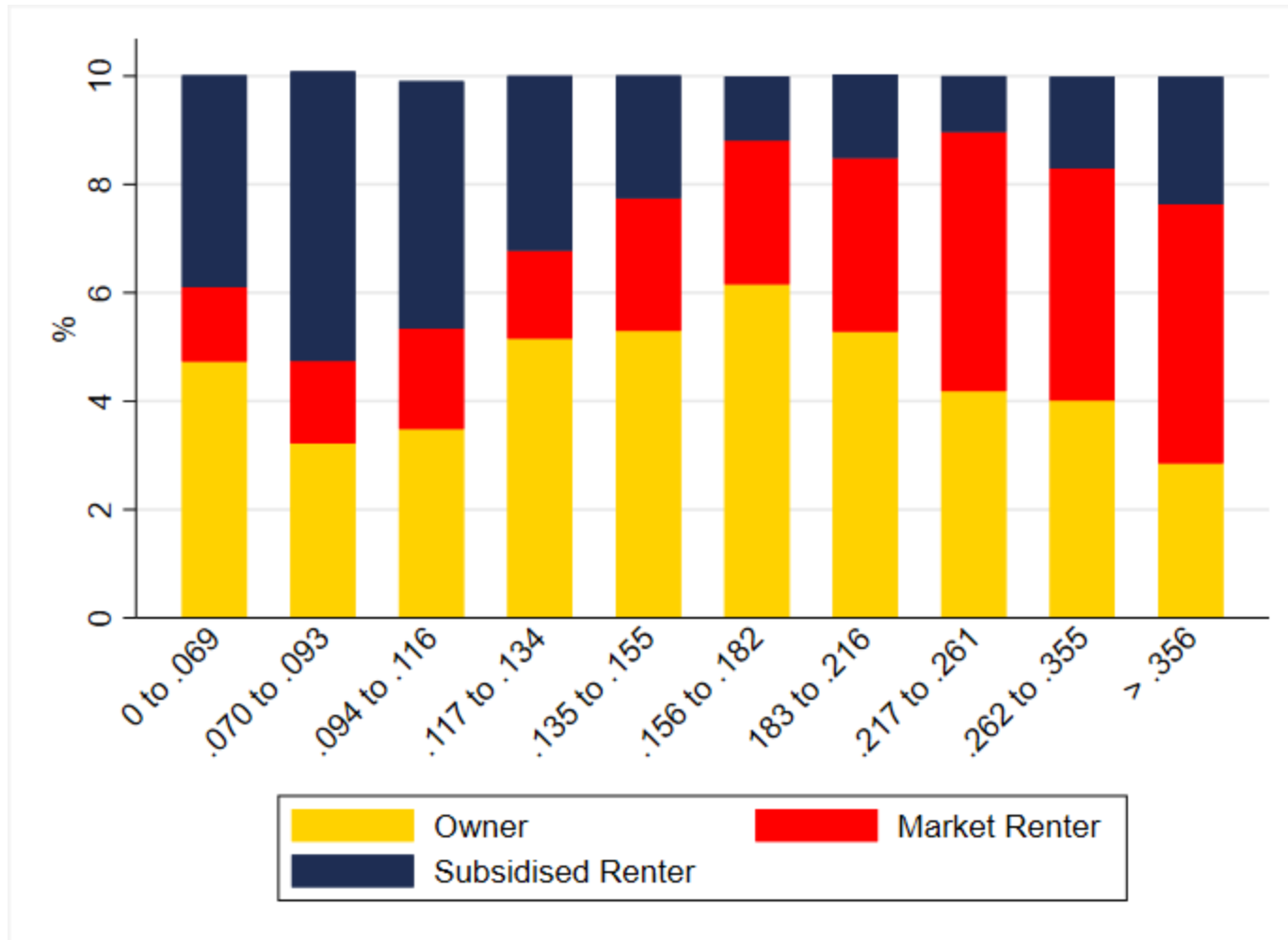
DISTRIBUTIONS OF INCOME & HOUSING COSTS

Across tenure groups, the income distribution and the lifecycle

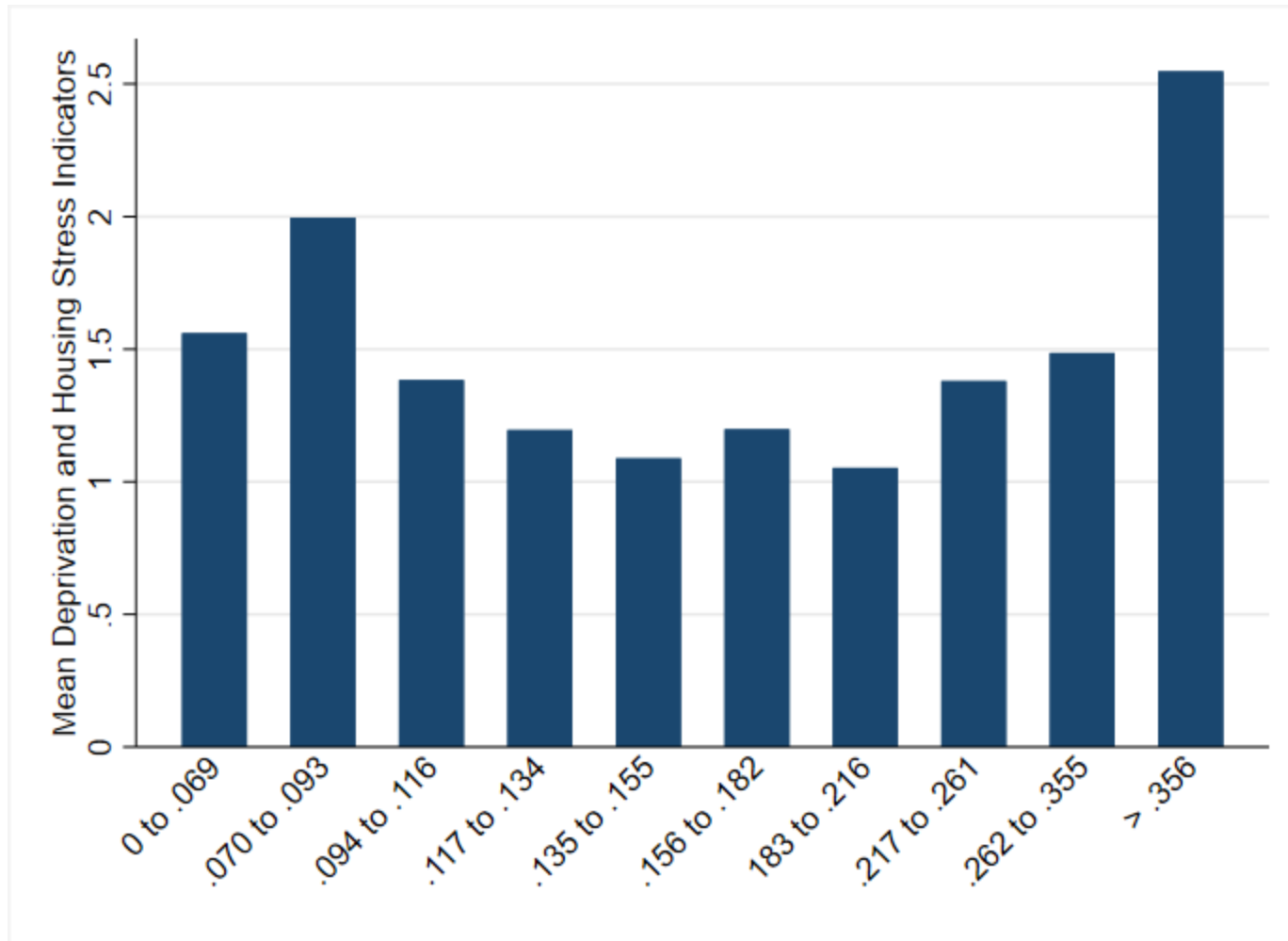
Household Income Deciles and Tenure, 2019



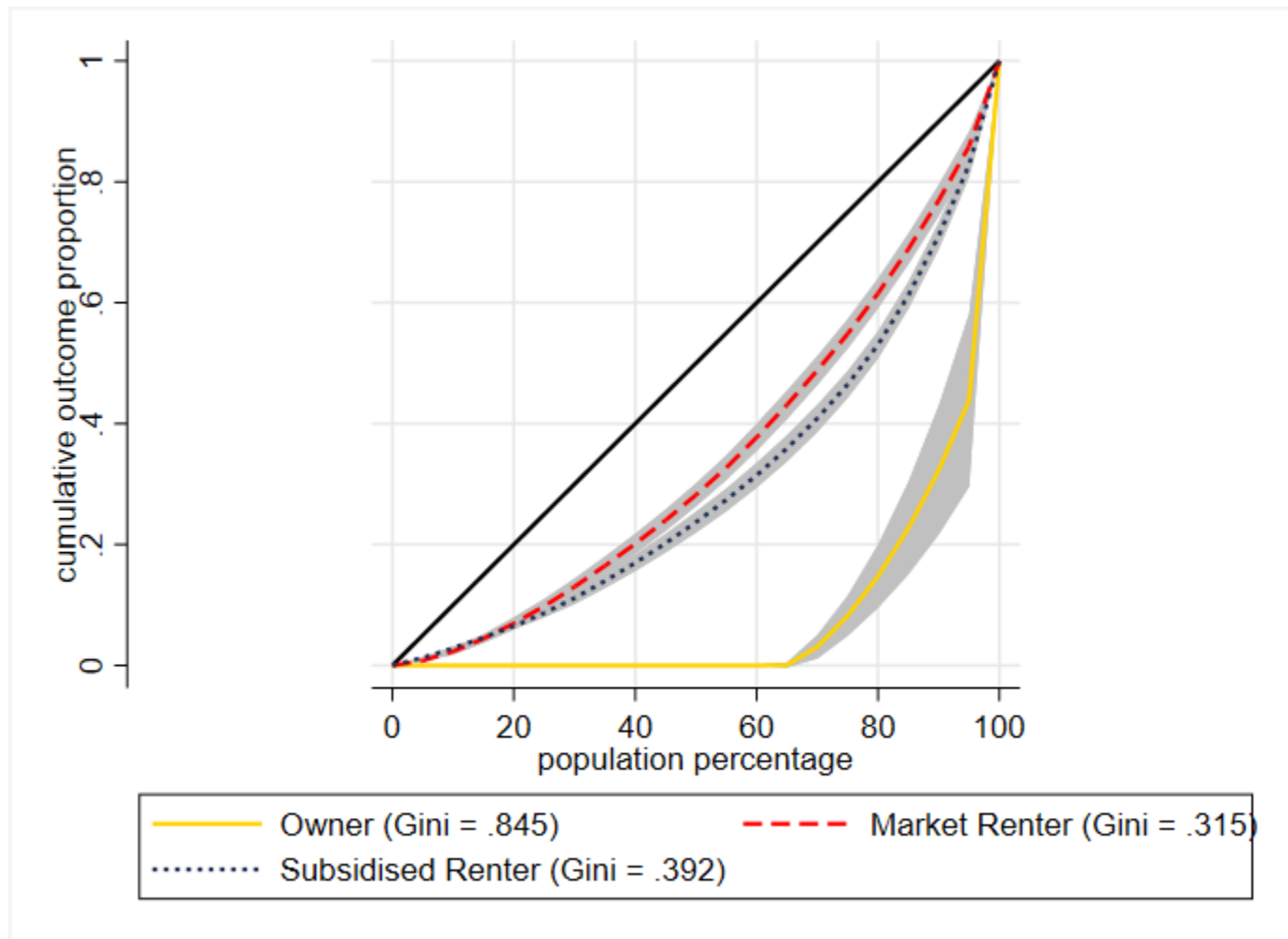
Housing Cost to Income Ratio Deciles and Tenure, 2019



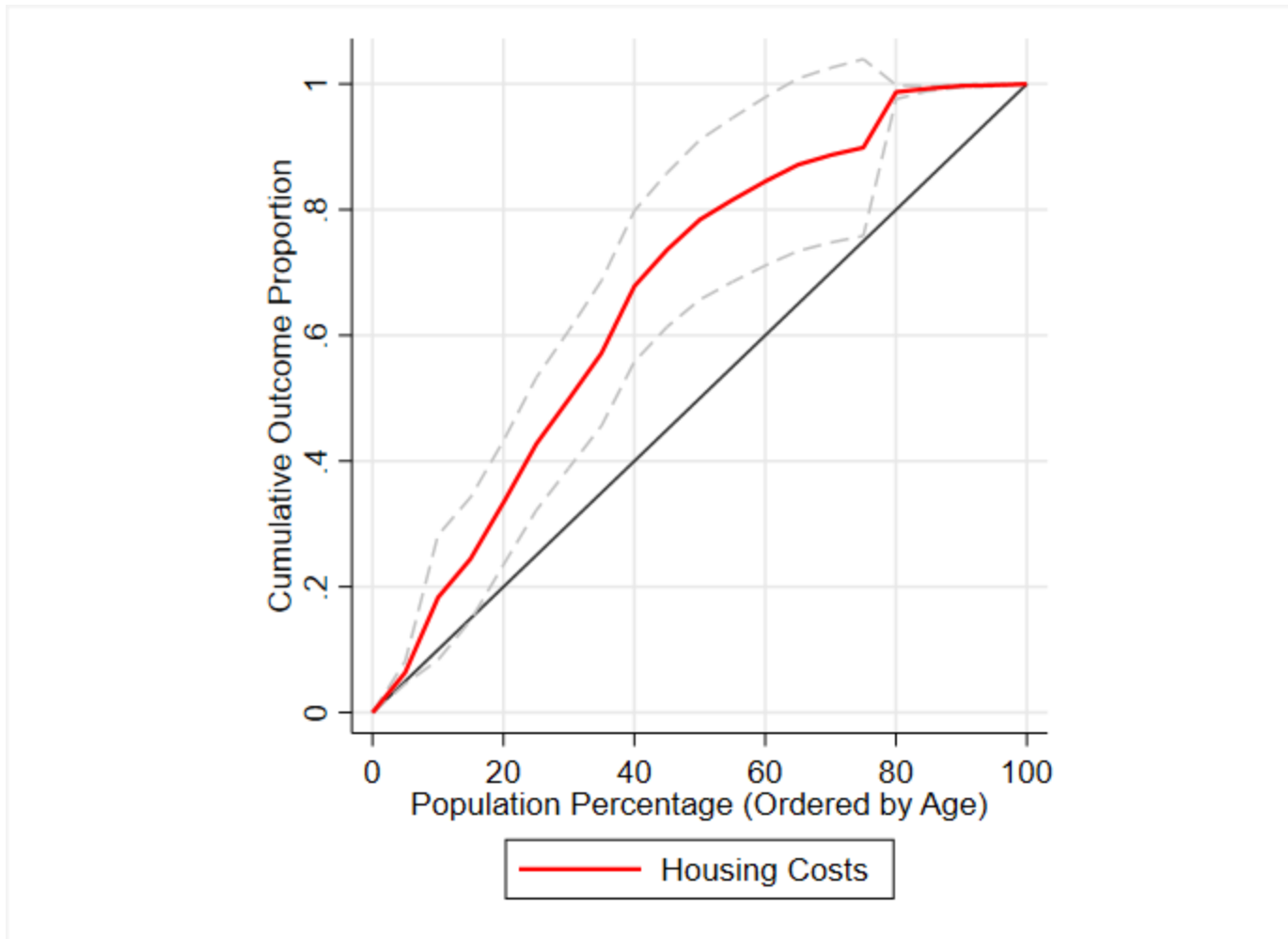
Mean Financial and Housing Cost Stress Indicators by Housing Cost to Income Ratio Deciles, 2019



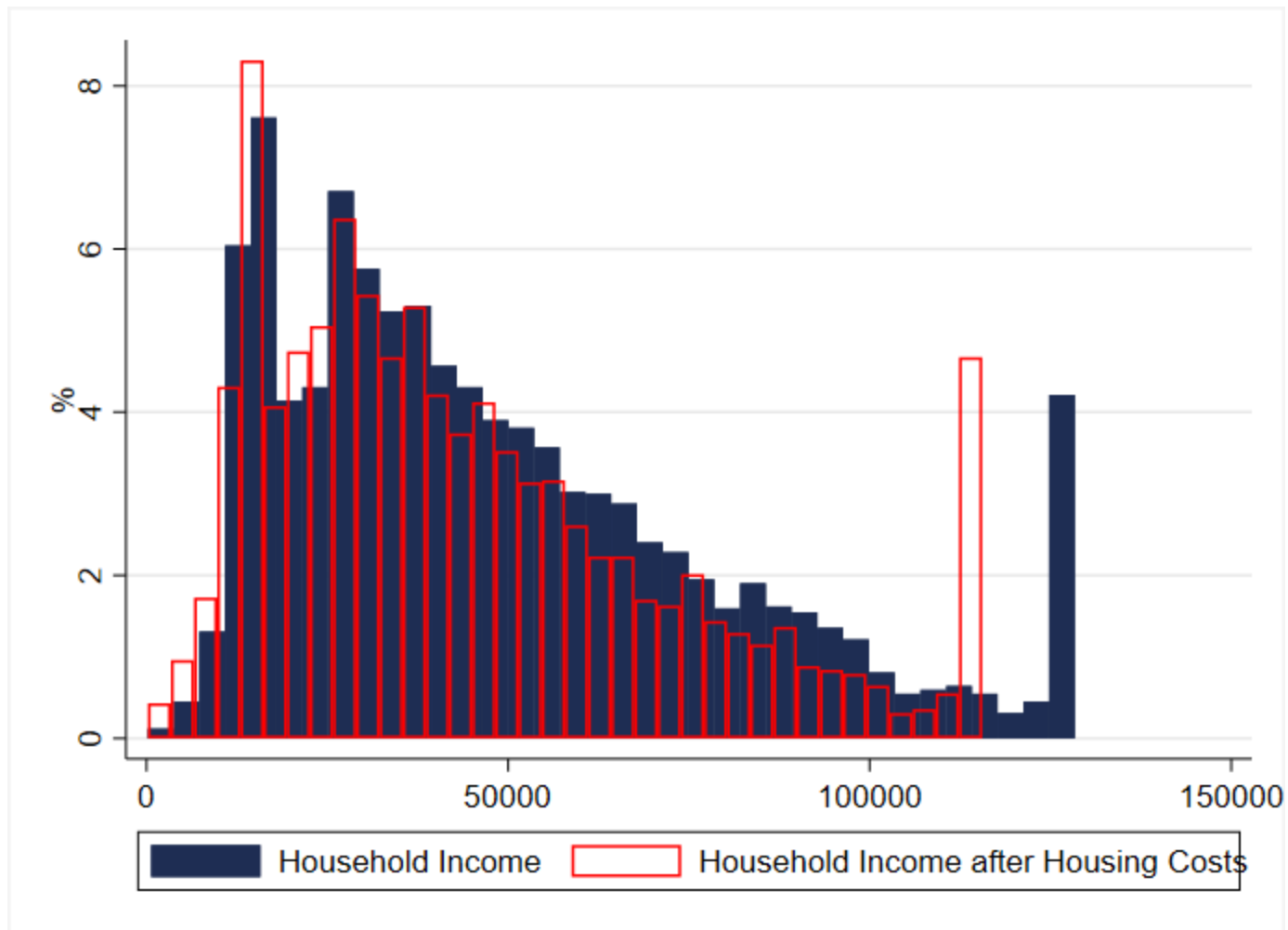
Lorenz Curve: The Distribution of Housing Costs across Households by Tenure, 2019



The Lifecycle Matters: Concentration Curve of the Distribution of Housing Costs ordered by Age of Household Reference Person, 2019



Income and Income after Housing Costs



Minimum Adequate Income

- Ratio-based affordability metrics neglect base income, household composition, lifecycle and residual income.
- Alternative approach: Define a minimum adequate income after housing costs which reflects composition.
- Based on social security payment rates. For example, €8.9k per annum (€171 per week) is the minimum adequate income after housing costs for a single person. (€201 - €30 minimum rental contribution).
- Induced by housing costs.
- Acknowledge: Consensus unlikely on an acceptable minimum.

REGRESSION ANALYSIS

Six models

Logistic regressions, odds ratios reported.

Dependent Variable →	Inadequate Income	High Ratio	>= 2 Quality problems	Overcrowding	>= 3 Stress problems	>= 2 Location Problems
Independent Variables ↓						
Market Renter	* (4.5)	*** (3.9)	*** (3.6)	** (5.0)	** (2.1)	
Subsidised Renter				*** (10.3)	*** (3.2)	* (1.8)
Age	*** (.96)	*** (0.96)			* (0.98)	* (0.98)
Age^2		*** (0.99)			*** (0.99)	* (0.99)
Single Adult						
Additional Adults				* (1.4)	** (1.3)	
Lone Parent		** (2.1)				
Total Children	*** (2.3)	** (1.3)		** (1.7)	*** (1.7)	
Densely Populated				** (3.8)		* (1.8)
Thinly Populated		** (0.5)				
Non-Irish or UK				*** (4.4)	** (0.5)	
Labour Market Inactive						* (1.9)
Income Quintile 1	*** (5.29)	*** (8.9)	* (2.4)		*** (18.2)	
Income Quintile 2	*** (6.5)	*** (3.9)	** (2.5)		*** (7.0)	
Income Quintile 3		** (1.9)			*** (3.2)	
<i>Base Probability</i>	<i>0.001</i>	<i>0.029</i>	<i>0.03</i>	<i>0.001</i>	<i>0.03</i>	<i>0.028</i>

Housing Cost Ratios

- Following Meen and Whitehead, tested the relationship between .25, .30, .35 and .40, as a predictor of:
 - (a) 3+ housing stress problems; also,
 - (b) inadequate income after housing costs.
- Controlling for income, household characteristics.
- Result of 8 regression models: No meaningful difference between the ratios as predictors of (a) or (b).
- Therefore, no empirical basis to distinguish between ratios.

HOUSING STRESS & DEPRIVATION INDEX

Composite Index

Composite Index of Housing Stress and Deprivation

Encompasses:

Affordability (weight of 0.4)

Overcrowding (weight of 0.35)

Unit Quality (weight of 0.1)

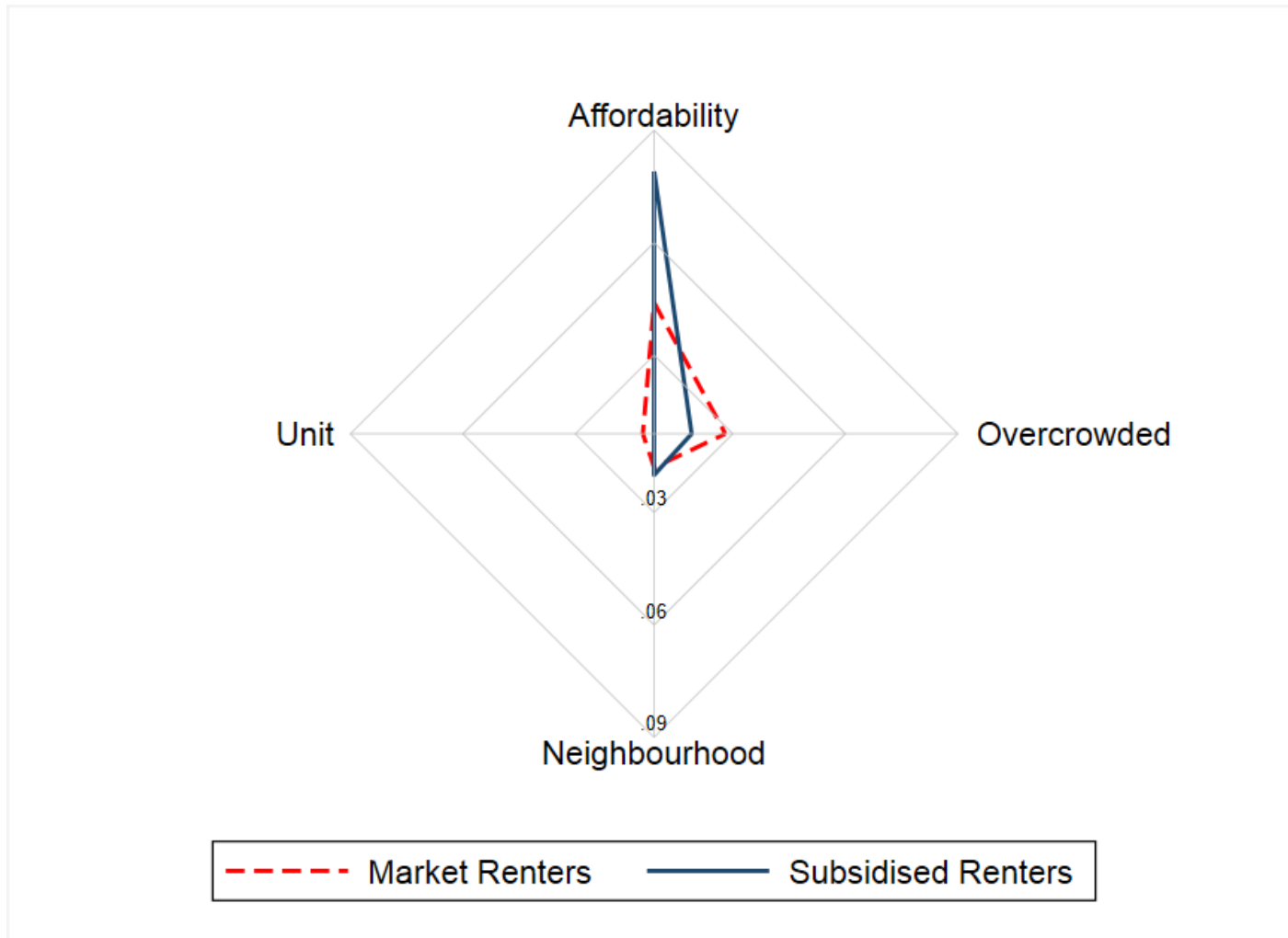
Neighbourhood Quality (weight of 0.15)

Tentative. Limited empirical basis for weights.

Results:

	P10	P25	P50	P75	P90
Household Tenure Group					
All households	0.0	0.0	0.03	0.07	0.15
Homeowners	0.0	0.0	0.02	0.05	0.09
Market renters	0.0	0.0	0.05	0.12	0.35
Subsidised renters	0.03	0.03	0.07	0.16	0.34

Radar Chart of Index - Mean Dimension Values of Market and Subsidised Renter Households, 2019



CONCLUSIONS

- Understand housing consumption decisions with greater nuance.
- Affordability of housing costs is one dimension of housing stress and deprivation.
- Affordability, stress and deprivation challenges arise across tenure groups.
- Integration of housing policy and social policy. Income distribution. Social welfare. Pensions policy etc.
- Low incomes predict some negative dimensions, so do other factors such as children: (i) scarring. (ii) non-sovereign.

THANK YOU

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