COVID-19 and Consumers: *from crisis to recovery*

Monthly Policy Briefing – September Results
OCTOBER 2020

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Contents

1. Background

The Consumer Policy Research Centre (CPRC) is an independent, non-profit consumer research and policy organisation. CPRC aims to create fairer, safer and inclusive markets by undertaking research and working with leading regulators, policymakers, businesses and community advocates.

CPRC is partnering with Roy Morgan Research to conduct monthly surveys measuring the financial impacts and consumer experiences of COVID-19 across essential and important services markets, including housing, energy, telecommunications, credit and insurance.

Objectives

With governments, regulators, business and the broader policy community challenged to provide sufficient support for consumers during the COVID-19 economic crisis and into recovery, the objectives of this research are twofold:

- To **better understand the impact** that COVID-19 is having on Australian consumers' experiences, behaviours and expectations across essential and discretionary products and services markets, now and into recovery.

- To **provide policy and program insights** on how consumer experiences of COVID-19 should inform the design of support measures that aim to meet the various needs and expectations of consumers.

Research approach

We are gathering data from May to at least October 2020, using online and telephone surveys. As the impacts of COVID-19 unfold over this period, we will drill down and analyse consumer experiences in managing household expenses and within essential service markets. The survey tracks key subgroups of consumers and experiences across markets and provides insights into:

- what interventions are needed to support consumers during the initial stages of the health and economic crisis
- how these interventions may need to adapt as events evolve
- what policies and support programs will help build consumer resilience and deliver good consumer outcomes as we move toward economic recovery.

The research is conducted using online surveys via Computer Aided Web Interviews (CAWI) and telephone interviews via Computer Aided Telephone Interviews (CATI). In September, 1,057 online surveys, and 49 additional telephone surveys with low or non-internet users, combined to a total of 1,106 completed surveys.

2. COVID-19 - what happened in September?

A decrease in cases in Victoria throughout September resulted in the easing of some restrictions in greater Melbourne, and a return to movement in regional Victoria. Some Australian states and territories also eased border restrictions in September.

By the end of September, the average number of new daily cases reported across the nation was 17 (down from 85 new daily cases at the state of the month). The majority of new daily cases at the start and end of September had been from Victoria.

Also, at the end of September, Federal Government support payments were reduced on the JobKeeper wage subsidy, JobSeeker allowance, Youth allowance, Austudy and Farm Household allowance. This may contribute to changes to consumer experiences and behaviours during October. CPRC's next Monthly Insights Report will monitor any changes.

Figure 1: Timeline of key COVID-19 events, September 2020

<table>
<tr><th>Date</th><th>Key Events</th></tr>
<tr><td>1st Sept</td><td><table><tr><th></th><th>New daily cases</th><th>Active cases</th><th>Recoveries</th><th>Deaths</th></tr><tr><td>AUS</td><td>85</td><td>2,730</td><td>21,498</td><td>659</td></tr><tr><td>VIC</td><td>70</td><td>2,519</td><td>15,967</td><td>572</td></tr></table></td></tr>
<tr><td>4th Sept</td><td>NT: Border changes: Greater Brisbane and Gold Coast residents removed from hotspot list that requires travellers to complete 14 day self-quarantine.</td></tr>
<tr><td>6th Sept</td><td>VIC: Roadmap out of lockdown announced. Melburnians to remain in stage 4 for another two weeks with a small easing of restrictions on Sept 13th.</td></tr>
<tr><td>13th Sept</td><td>VIC: Melbourne restrictions eased further with curfew and exercise time lengthened. People living alone and single parents with children can have a visitor to their homes (social bubble)</td></tr>
<tr><td>15th Sept</td><td>SA: Opens border to ACT residents, but not for NSW. ACT residents cannot drive through NSW, they must fly to SA.</td></tr>
<tr><td>18th Sept</td><td>QLD: Opens border to ACT residents.</td></tr>
<tr><td>24th Sept</td><td>SA: Border restrictions with NSW are eased.</td></tr>
<tr><td>25th Sept</td><td>AUS: JobSeeker, Youth Allowance, Austudy, the Farm Household Allowance changes: the fortnightly coronavirus supplement is cut from $550 to $250.</td></tr>
<tr><td>28th Sept</td><td>VIC: Restrictions eased further with curfew lifted; public gatherings of five people from two households allowed; More workplaces reopen</td></tr>
<tr><td>28th Sept</td><td>AUS: JobKeeper wage subsidy changes: Rates drop: full-time from $1,500 to $1,200 per fortnight, and part-time $750 per fortnight.</td></tr>
<tr><td>30th Sept</td><td><table><tr><th></th><th>New daily cases</th><th>Active cases</th><th>Recoveries</th><th>Deaths</th></tr><tr><td>AUS</td><td>17</td><td>417</td><td>24,583</td><td>886</td></tr><tr><td>VIC</td><td>13</td><td>326</td><td>18,978</td><td>798</td></tr></table></td></tr>
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3. Key survey findings

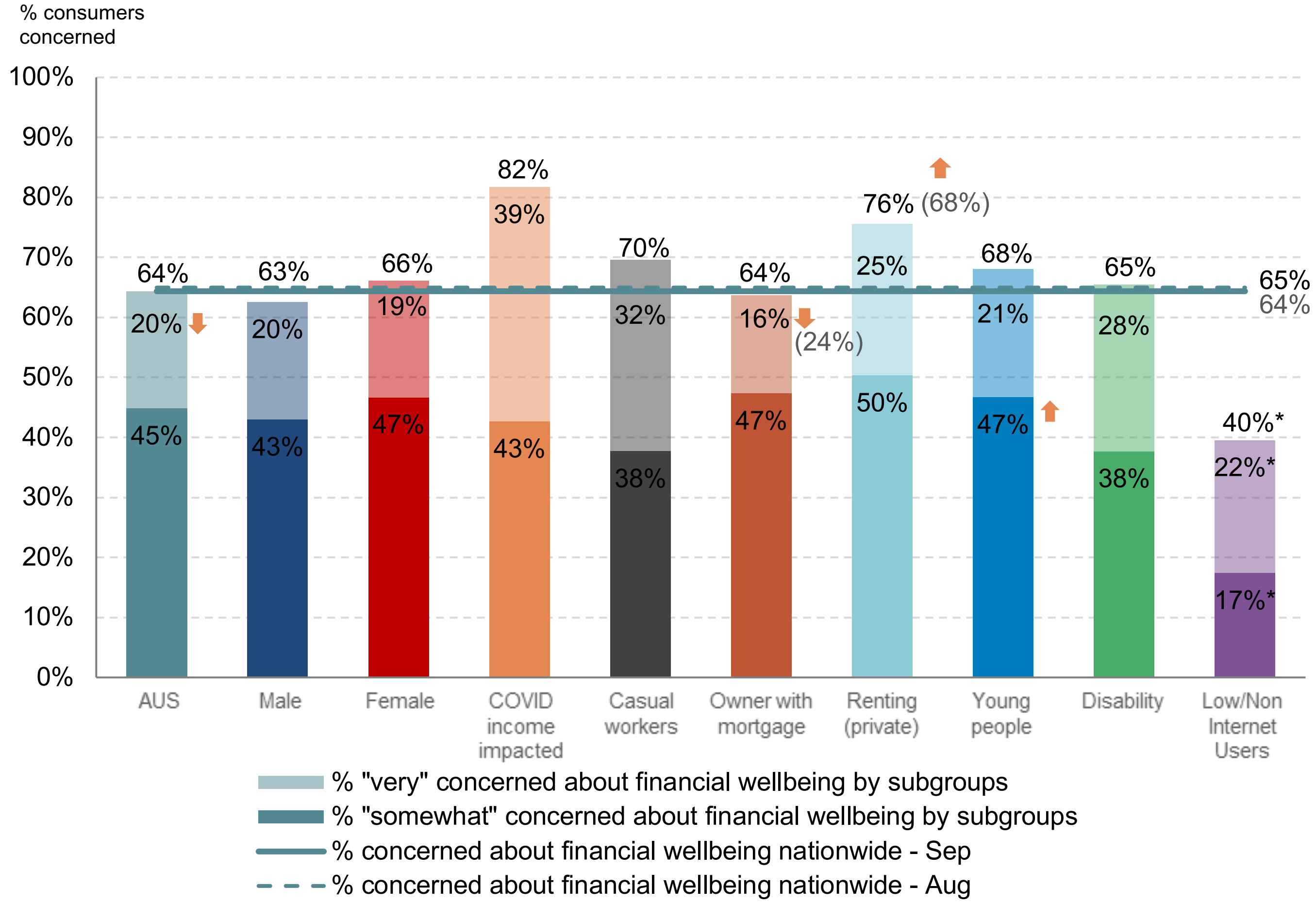
Consumer concern over financial wellbeing remained high in September

Australian consumers' response to COVID-19's economic impact was stable in September - albeit at high levels. Almost two-thirds of Australians (64%) were either 'somewhat' or 'very' concerned about their financial wellbeing. This was similar to the level of concern in August and July (both at 65%).

Overall, the proportion of Australian consumers 'very' concerned fell to 20% (from 23% August), while the proportion 'somewhat' concerned rose to 45% (from 42% August).

Private renters were the only subgroup of consumers to report an increase in the level of concern about financial wellbeing in September on the previous month, with 76% reporting concern, compared to 68% in August).

Figure 2: Consumer concern over financial wellbeing, September 2020



QTN: How concerned are you about the impact of COVID19 on your own financial wellbeing?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show results for previous month

- Due to rounding, totals may not equal sum of components
- * Base n<50, results are indicative only

Looking at the levels of concern amongst subgroups shown in Figure 2 (see definitions of subgroups in Table A in the **Appendix**) we can see:

- People whose income was impacted by COVID-19[1] had the greatest level of concern about their financial wellbeing at 82%, including 39% who were very concerned.
- Renters (76%) and casual workers (70%) had high levels of concern.
- Young Australians who were 'somewhat' concerned rose significantly (40% August, 47% September) with their overall level of concerns (68%) higher than national average (64%).
- Homeowners with a mortgage reported a decline in concern in September (64% September, down from 69% August,) driven by a significant fall in 'very' concerned of 8% (16% September, down from 24% August,).

In results not shown on the chart, comparing September and August results, concern for financial wellbeing among Victorians slightly increased (69% September, 64% August,). 25% of Victorians were 'very' concerned, a higher proportion than 'very' concerned Australians (20%). Concern for financial wellbeing remained high in NSW (68% September, 69% August,) and declined in QLD (61% September from 67% August) over the past two months.

"I am worried about my future financial situation due to the reduction in the federal government's COVID-19 support payments. I am unsure on what to plan on."

Female, 35-49, Regional NSW, Self-employed, Renting (private)

Consumers are taking less overall action to manage household expenses but continue to draw down on their savings at a steady rate

Just over half of Australians (51%) reported taking steps[2] to manage their household expenses in September (not shown in the chart), a significant drop from August's 58%. Dipping into savings remained the most common action, (30%) at the same levels throughout the survey since May (between 28-30%).

Consumers reporting using credit cards or buy-now-pay-later schemes to make ends meet decreased to 25% in September after the significant increase in August (29%), when it was the equal most commonly reported measure used by consumers to manage their household expenses. Consumers also reported selling shares, investments, or household goods at lower levels in September (4%), half of August's result of 8%.

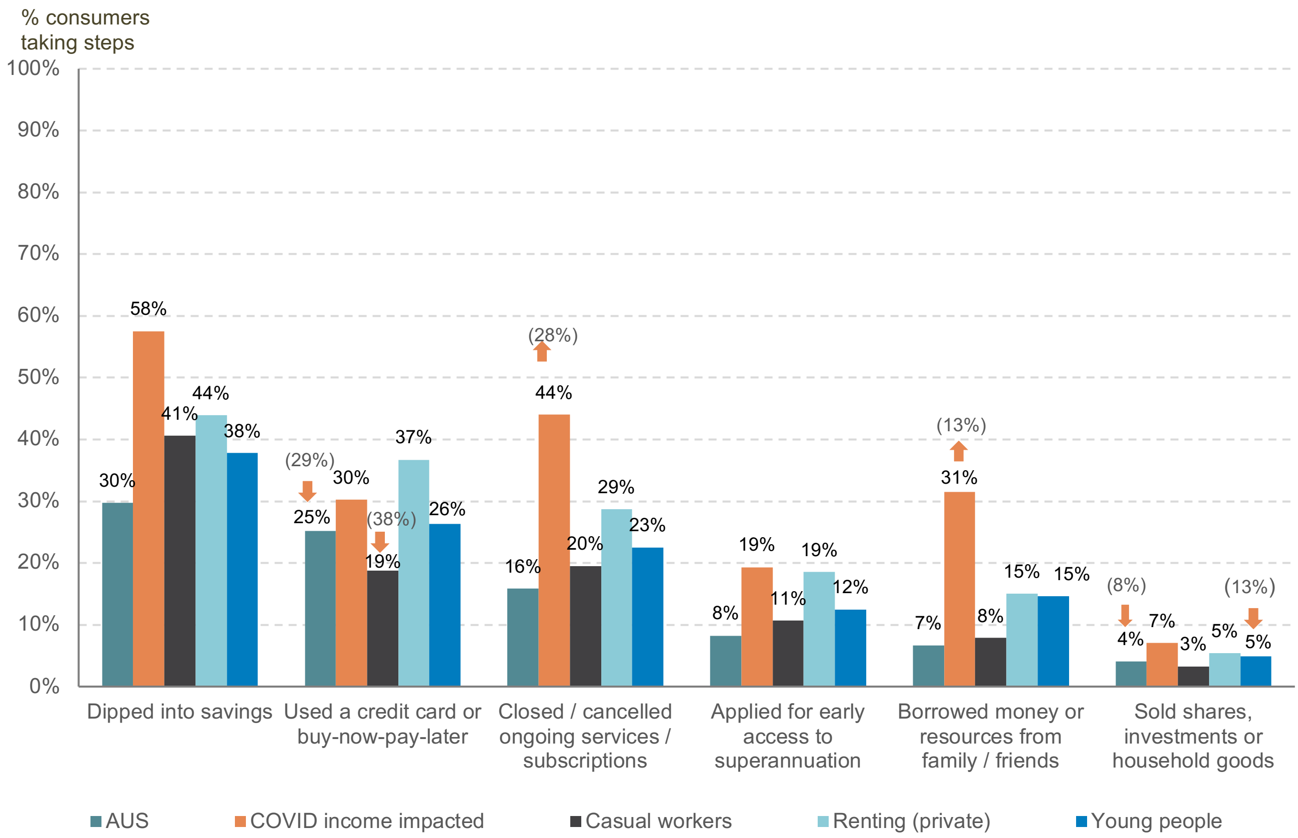
"[Biggest challenge is] *Having the money to buy without having to use my emergency savings."*

Female, 35-49, Melbourne, full-time employee, owner with mortgage

[1] COVID Income Impacted are a group of people who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received JobKeeper, JobSeeker or other government benefits, or now have no income.

[2] In addition to actions outlined in Figure 3 below, steps taken also included: took out a loan from a bank or financial institution; took out a loan from a payday lender / consumer lease; drew down on home equity / interest offset account; and, accessed community help / emergency relief.

Figure 3: Common steps taken to manage household expenses, September 2020



QTN. In the past month, have you taken any of the following actions to manage your household expenses?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

Data from September showed differences in terms of the steps different consumer subgroups took to manage their household expenses:

- Over half of those with incomes affected by COVID-19 dipped into their savings (58%), higher than the national rate of 30%. Renters (44%), casual workers (41%) and young people (38%) also dipped into their savings at a higher rate than Australians overall.
- Over four times as many COVID-19 income impacted Australians (31%) borrowed money or resources from family and friends compared to the rest of the population (7%) in September, a significant increase from August (13%).

Some steps taken by consumer subgroups to manage basic household expenses reduced significantly from August to September:

- Casual workers used a credit card or buy-now-pay-later service in September at 19%, half the rate recorded in August (38%).
- Young people (5%) sold shares, investments, or household goods at a much lower rate in September compared to August (13%).
- Owners with mortgages used a credit card or buy-now-pay-later service less in September compared to August (33% August, 26% September) - not shown on the chart.

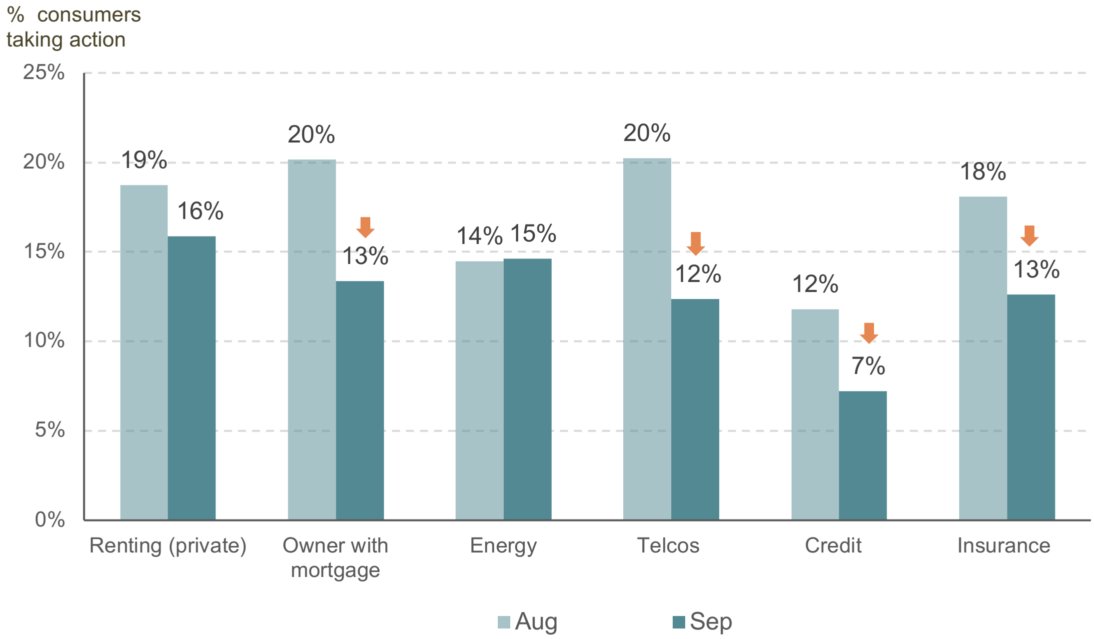
"[Biggest challenge is] Financially affording to live overall and pay insurance, water and electricity rates means I have to cut down on food and luxuries."

Female, 50-64, Brisbane, Full-time employee, Other housing

Fewer consumers took actions with their essential service providers in September to manage costs

September saw a decrease in actions taken by consumers with essential service providers (such as switching plans, seeking payment assistance or cancelling services) across almost all sectors. This followed significant increases in July and more stable figures in August. Significantly fewer Australians took any action[3] to manage their mortgage repayments (13% September, 20% August), internet and mobile / telephone bills (12% September, 20% August), credit (7% September, 12% August) and insurance (13% September ,18% August). Fewer private renters took action to manage payments (16% September, 19% August) while the proportion of consumers who took action to manage their energy costs remained similar (15% September, 14% August).

Figure 4: Consumers taking actions with their essential service providers



QTN Thinking of your bills (electricity, gas, rent, mortgage, telecommunications, credit, insurance), have you attempted any of the following in the last 4 weeks?
Orange arrows: Survey results significantly higher/lower than previous month

While small incidence across all sectors, some significant drops in the proportions of consumers taking specific actions:

- 4% switched to a different insurance provider, down from 7% in August.
- 4% switched to a different telecommunications provider, down from 6% in August.
- 3% asked for payment assistance from their telecommunications provider, down from 5% in August
  3% cancelled a credit product or plan, down from 5% in August.

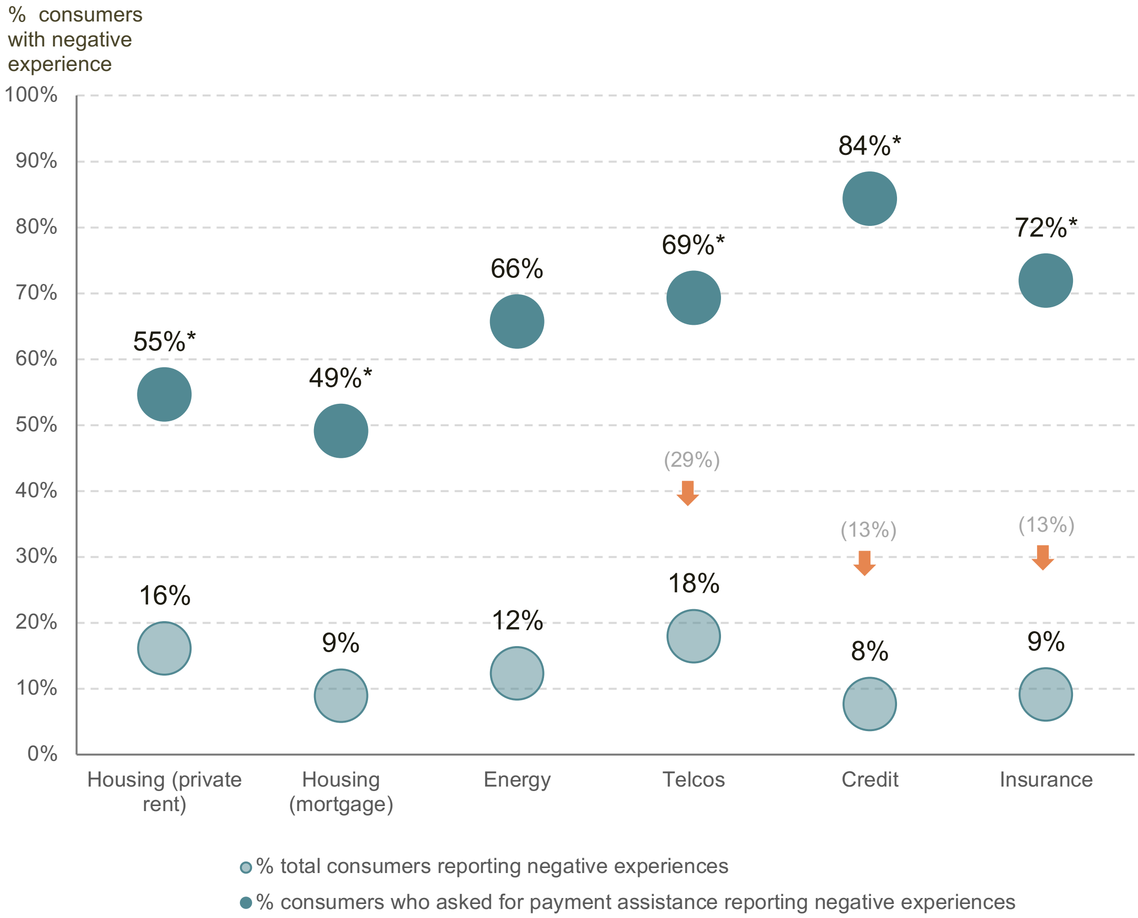
Only the energy sector saw a significant increase in consumers missing payments (4% September up from 2% August,). While small incidence, there was a significant drop of 2% in all Australians missing telecommunications payments (3% September from 5% August).

[3] Consumer actions include: refinancing a mortgage/loan/credit card with the same or a different provider; moving house or rental property; reducing mortgage payments to interest only amount; switching plan or provider; asking for payment assistance; applying for a government concession; and ending a contract.

Decline in negative experiences when interacting with providers, still higher for those seeking payment assistance

Between August and September, significantly fewer consumers reported negative experiences with providers of telecommunications (18% September down from 29% August), credit (8% September down from 13% August), and insurance (9% September down from 13% August).[4] 29% of consumers reported some type of negative experience with at least one service provider in September, which was significantly lower than August (36% - not shown in Figure 5).

Figure 5: Negative experiences overall and for those seeking payment assistance, September 2020



QTN. Thinking about any interactions with your service providers in the last 4 weeks, which, if any of the following have you experienced?
* Base n<50, results are indicative only
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

Of those who sought payment assistance, a larger proportion continue report negative experiences with providers. This was particularly the case with providers of credit (84%), insurance (72%), and telecommunications (69%) – though note small sample sizes. We note the significant reduction in renters reporting negative experiences with property managers and landlords compared to previous months – suggesting that there may be higher levels of awareness and distribution of available support. Conversely, negative experiences appear to now be on the rise for consumers seeking payment assistance when it comes to credit and insurance.

[4] Negative experiences include: Could not understand how to contact my provider / resolve my issue; could not navigate the website / phone system; Wait times on the phone / live chat / email were too long; Provider was unhelpful / I received poor service; Felt misled by the information provided by my supplier; There was an unfair term/condition in my agreement; or “other” type of negative experience.

"I have not received a new lease and my real estate agent is being very unprofessional during these times." Male, 25-34, Brisbane, Govt income support, Renting (private)

"I had a terrible experience with Telstra regarding our then internet plan. I had to communicate through web chat, no other option. I felt frustrated as this was the only method of communication."

Female, 35-49, Melbourne, Self-employed, Owner with mortgage

Telcos registered significant decreases in provider actions, both positive and negative

Telecommunications was the sector where consumers reported the most significant reduction in engagement from providers in September. There were significantly fewer reports of telecommunication providers taking any positive (9% September down from 15% in August) or negative actions (7% September down from 10% in August), resulting in a significant decline in total provider actions (14% September down from 21% in August).

Energy was the sector where consumers reported the most proactive engagement by providers in September (20%), almost the same level as in August (19%). Consumers experienced the same level of positive (14%) and negative (9%) actions from their energy provider between September and August, with an increase in reports of energy providers proactively offering payment assistance (5% September up from 3% in August) and proactively offering assistance accessing government concessions (4% September up from 2% in August).

Mortgage holders reported a significant decrease in total actions from their loan provider (16% September down from 22% August), which was largely led by a decrease in positive actions in September (15% down from 20% in August). In particular, 2% of consumers reported mortgage providers waiving fees or late charges (significantly down from 5% in August).

Renters reported fewer provider actions, both positive (12% September down from 15% in August) and negative (5% September down from 8% in August). Although there was a low incidence of responses, fewer renters reported providers issuing repayment ultimatums (1% September down from 3% August – a statistically significant finding).

Credit providers took fewer actions in September at 12% down from 16% in August. This was largely led by a decrease in positive actions (9% September down from 13% August). In particular, 2% of consumers reported providers waiving fees or late charges (slightly down from 4% in August – though a statistically significant finding).

Consumers reported fewer positive actions from insurance providers, falling from 9% September down from 14% in August. Fewer consumers also reported getting helpful advice or information about managing payments during COVID-19 from their provider (4% September down from 7% in August – again slight but statistically significant) or being proactively offered payment assistance (1% September down from 3% in August). Conversely, there was a slight but statistically significant increase in the proportion of consumers reporting an increase in the cost of service (7% September up from 5% August).

"The only problem I have encountered as of late is an increase in my health insurance premiums which I am not happy about."

Female, 65+, Regional QLD, Superannuation, Owner outright

Figure 6: Most commonly reported actions taken by essential service providers, September 2020

	Rent	Mortgage	Energy	Telcos	Credit	Insurance
Base n=	*218*	*339*	*1,106*	*1,106*	*936*	*1,037*
Total took actions	**15%**	**16%** (22%) ↓	**20%**	**14%** (21%) ↓	**12%** (16%) ↓	**18%**
Total positive actions	**12%**	**15%**	**14%**	**9%** (15%) ↓	**9%** (13%) ↓	**9%** (14%) ↓
Provided helpful advice/information about managing payments during COVID-19	4%	9%	6%	5% (8%) ↓	5%	4% (7%) ↓
Proactively offered payment assistance (payment plan / deferral)	2%	5%	5% (3%) ↑	2% (4%) ↓	3%	1% (3%) ↓
Waived fees or late charges	2%	2% (5%) ↓	2%	1% (3%) ↓	2% (4%) ↓	1%
Proactively offered support to access government assistance to pay rent or mortgage	2%	2%	4% (2%) ↑	1%	na	na
Reduced cost of service / rent or cost of mortgage payments / provided a discount	5%	4%	4%	3% (5%) ↓	1%	5%
Total negative actions	**5%**	**3%**	**9%**	**7%** (10%) ↓	**5%**	**11%**
Increased cost of service / cost of rent or loan fees / charges	2%	1%	5%	3% (5%) ↓	2%	7% (5%) ↑
Made unsolicited pressure-sales/ cold calls to you	2%	1%	3%	1% (3%) ↓	1% (2%) ↓	2%
Issued repayment ultimatum via notice or phone call	1% (3%) ↓	2%	1%	1% (2%) ↓	2%	1%
Engaged debt collection to recover missed payment	1%	1%	1%	1%	2%	1%
Stopped providing you the service / took steps to evict you or repossess your house	1%	0% (2%) ↓	1%	1% (2%) ↓	2%	1%
None of the above	**75%**	**76%**	**63%** (71%) ↓	**73%** (70%) ↑	**77%**	**71%**
Can't say / don't know	**10%**	**9%**	**17%** (10%) ↑	**13%** (9%) ↑	**11%** (8%) ↑	**11%** (7%) ↑

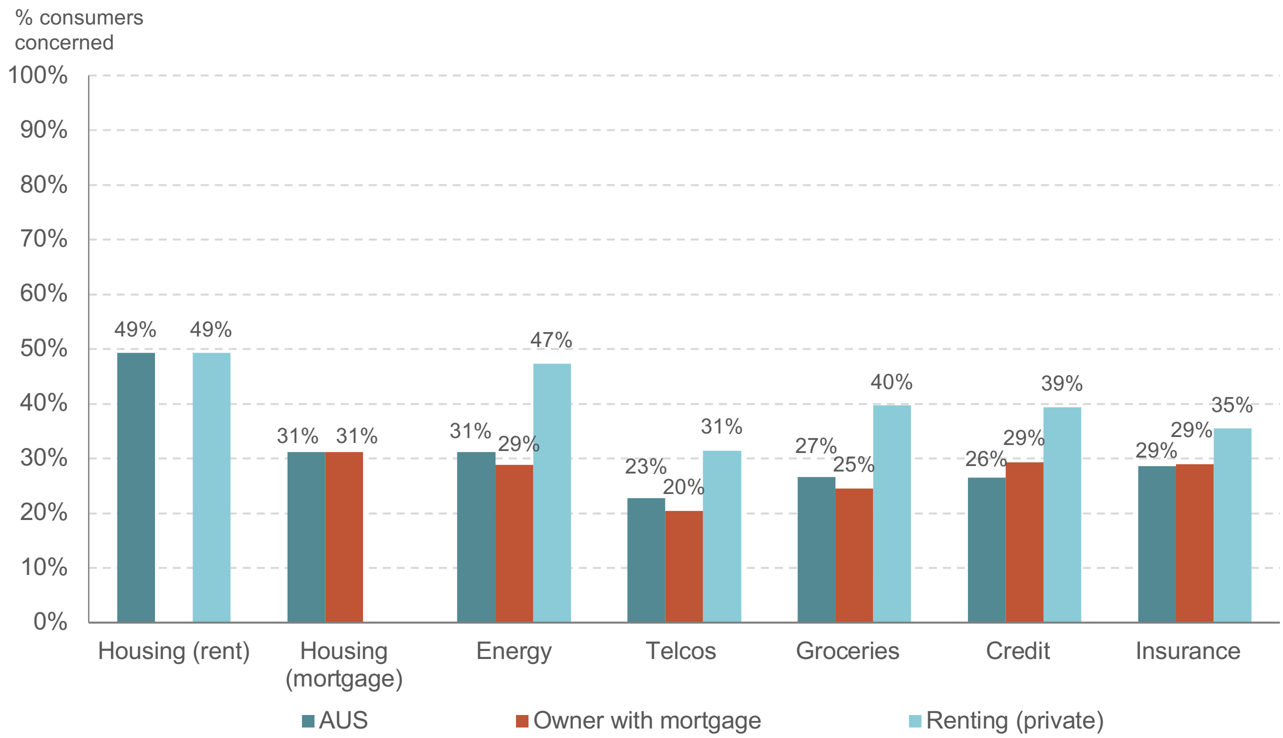
QTN. Which, if any, of the following actions have any of your (service providers), taken in the last 4 weeks?
Orange arrows: Survey results significantly higher/lower than previous month
Grey scores in bracket show result for previous month

4. In focus in September – a tale of two tenures

Renters and mortgagors reported very different levels of concern during September

Rent payments were far and away the bill payment causing the most concern among all Australian consumers in September. Almost half of all renters (49%) were concerned about making their rental payments – with 1 in 5 renters very concerned (19% - not shown in figure 7). This contrasts with 31% of mortgage holders reporting concerns about making loan repayments – with far fewer very concerned (6%). We note that energy bill payments were an equally prominent concern for all consumers – also at 31%.

Figure 7 - Consumers reporting concerns about paying household bills, September 2020



QTN: How concerned are you about your current ability to pay for any of the following bills?

Our September survey results reveal a stark contrast in the specific concerns of renters and mortgage holders regarding their household bills:

- 47% of renters expressed concern about affordability of energy bills, compared with 29% of mortgagors (31% national average)
- 40% of renters expressed concern about affordability of groceries compared with 25% of mortgagors (27% national average)
- 39% of renters reported concern about their ability to pay their credit repayment bills compared with 29% of mortgagors (26% national average)

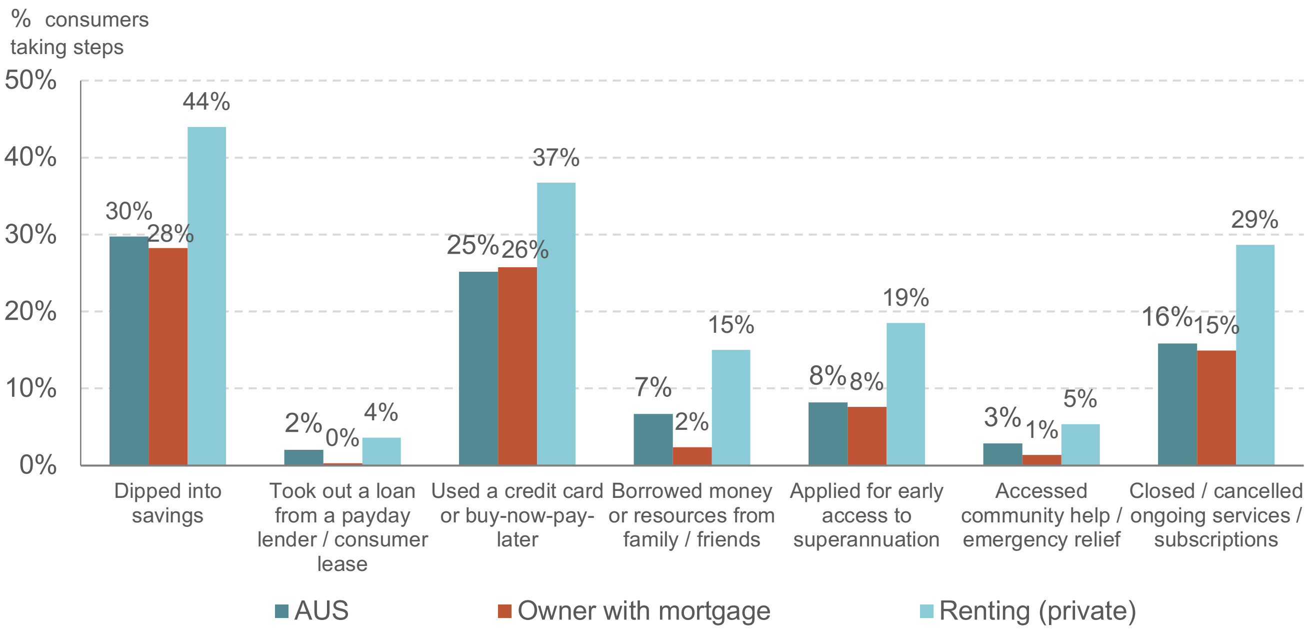
These comparisons align with the survey results shown in Figure 2 whereby 76% of renters reported they were somewhat or very concerned about their financial wellbeing, compared to 64% of owners with a mortgage.

A higher proportion of renters relying on debt and informal supports to get by, compared with mortgagors

Almost three quarters of (72%) of renters reported taking financial steps to try to manage household expenses in September, compared with approximately half (51%) of national population and mortgagors (49%). As shown in Figure 8, the "steps" most commonly taken amongst renters were:

- 44% of renters dipped into savings compared with 28% of mortgagors (30% nationally)
- 37% of renters used credit/BNPL compared with 26% of mortgagors (25% nationally)
- 29% of renters closed or cancelled a service or subscription compared to 15% of mortgagors (16% nationally)
- 19% of renters accessed super early compared with 8% of mortgagors (8% nationally)

Figure 8: Proportion of renters and mortgagors taking financial steps to manage household expenses, September 2020



QTN: In the past month, have you taken any of the following actions to manage your household expenses?

"I have a sibling who has a mortgage and cannot meet the repayments. I am helping him, but the longer this goes on, the less likely I will be able to cope."
Female, 65+, Perth, Superannuation, Owner outright

Higher proportion of renters taking action to manage bill payments

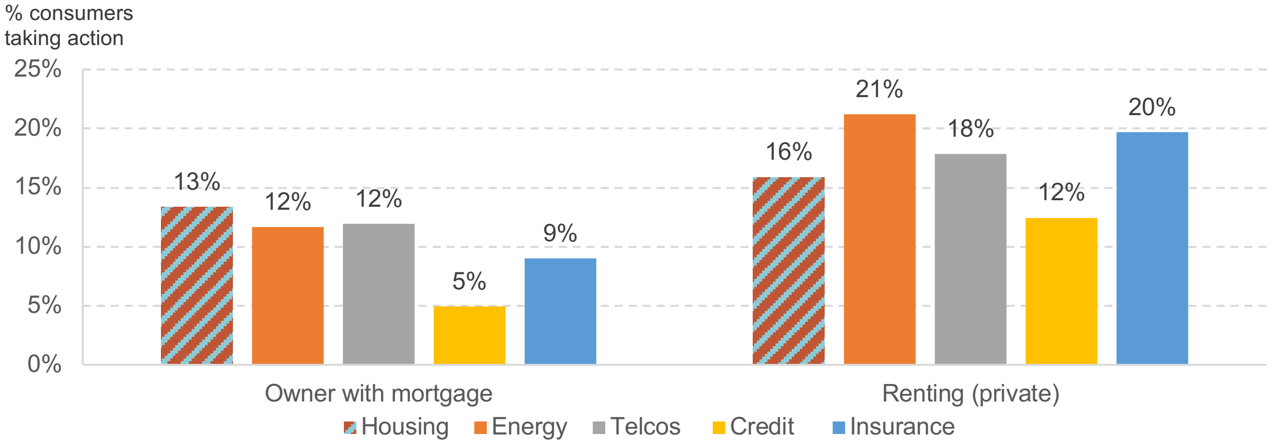
Higher bill and financial concerns seem to be translating into much more action (such as switching plans, providers or seeking payments assistance[5]) from renters with their essential service providers.

[5] Consumer actions include: refinancing a mortgage/loan/credit card with the same or a different provider; moving house or rental property; reducing mortgage payments to interest only amount; switching plan or provider; asking for payment assistance; applying for a government concession; and ending a contract.

Across all sectors, a larger proportion of renters took action to manage household bills compared with owners with a mortgage (Figure 9):

- 21% of renters took action to manage their energy costs (12% of mortgagors)
- 20% of renters actively managed their insurance costs, at more than twice the rate of mortgagors (9%)
- 18% of renters took action to manage their telco costs (12% of mortgagors)
- 12% of renters took action to manage their credit, more than twice that of mortgagors (5%)
- 16% of renters took action to manage their housing costs (13% of mortgagors)

Figure 9: Renters more active than mortgagors in taking actions to manage bills across sectors, September 2020



QTN:Thinking of your (household bills), have you attempted any of the following in the last 4 weeks?

In terms of specific actions taken, the survey results showed that renters were seeking payment assistance at higher rates than mortgagors across sectors in September. For example:

- 6% of renters sought payment assistance from landlord compared to 4% of mortgagors who sought payment assistance from their mortgage provider
- 8% of renters asked their energy company for payment assistance compared with 5% of mortgagors
- 7% of renters asked both their credit provider and insurance provider for payment assistance, while only 3% of mortgagors asked their credit and insurance provider for payment assistance

In addition to the range of steps taken, a much higher proportion of renters missed household bill payments across all sectors compared with mortgagors:

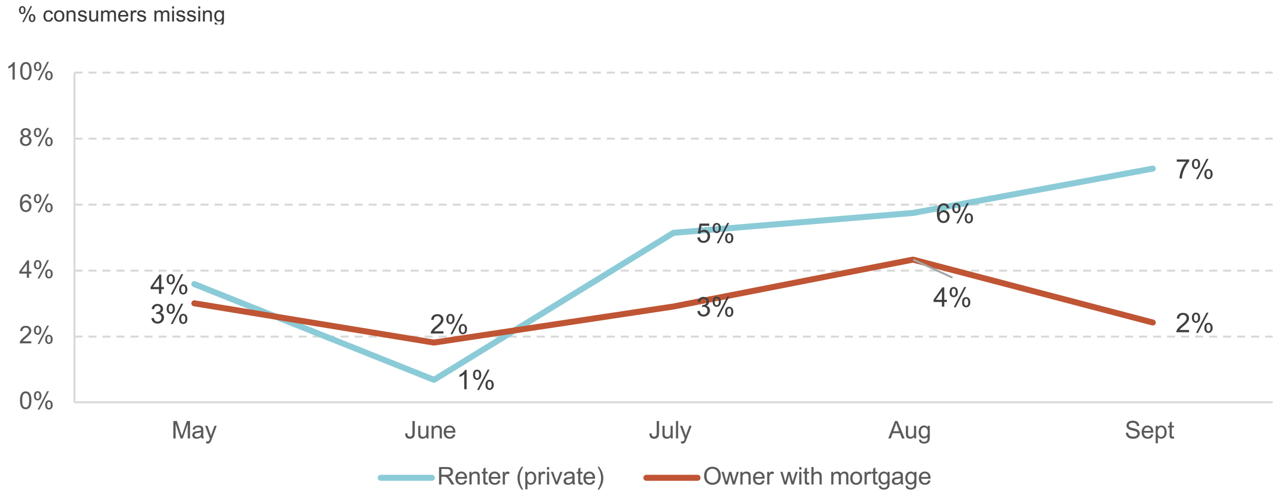
- 7% of renters missed a payment to their landlord, while only 2% of mortgagors missed a payment to their bank
- 9% of renters missed an energy bill, 3% of mortgagors
- 7% of renters missed a telco bill, 1% of mortgagors
- 10% of renters missed a credit bill, 3% of mortgagors

The experiences of renters and mortgagors has changed throughout COVID-19 – with missed payments more common for renters from July

Trend data from CPRC monthly consumer surveys starting in May 2020, a reveals a stark contrast in the experiences of renters and home owners with a mortgage during COVID-19. Some differences between renters and mortgagors have been evident from the start of our survey, however other differences have been accentuated as the pandemic has progressed.

For example, the proportion of renters and mortgage holders outright missing rental or mortgage payments diverged after June (Figure 10). Since July, a growing proportion of renters reported missing housing payments compared with mortgagors, with 7% of renters reporting they had to miss a payment in September, well above the 2% of mortgagors who had to miss a payment.

Figure 10: Proportion of renters and mortgagors missing a rent or mortgage payment

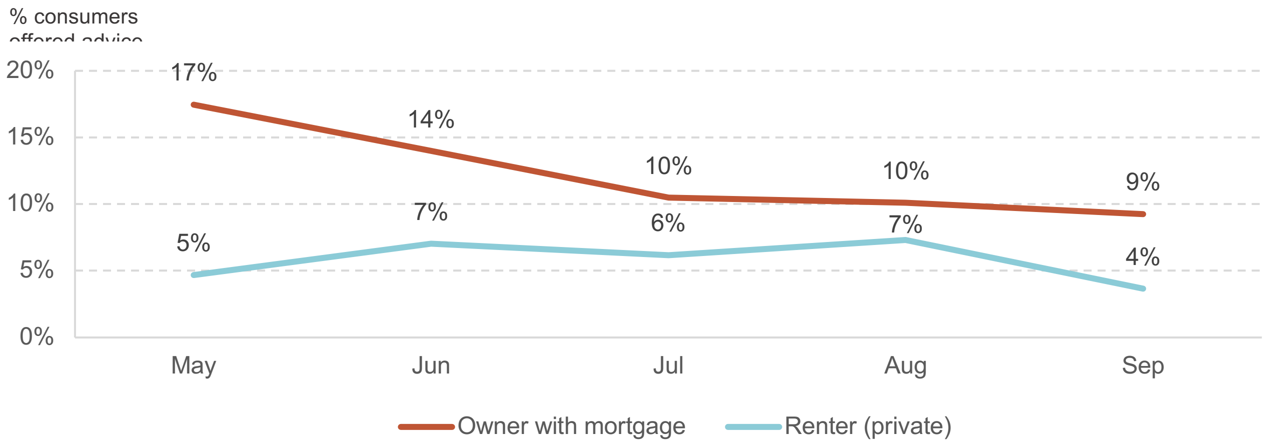


QTN:Thinking of your (rent or mortgage repayments), have you attempted any of the following in the last 4 weeks? (had to miss a payment)

Results also reveal that a far higher proportion of mortgagors have been provided helpful advice about managing payments during COVID-19 compared with renters (Figure 11).

Over one in ten mortgagors reported that helpful information had been offered in each month from May to August, with this dropping to 9% in September. By comparison, a much smaller proportion of renters report their landlord/agent has offered helpful information about managing payment, with reports peaking at 7% in June and August, and dropping to the lowest level recorded at 4% in September.

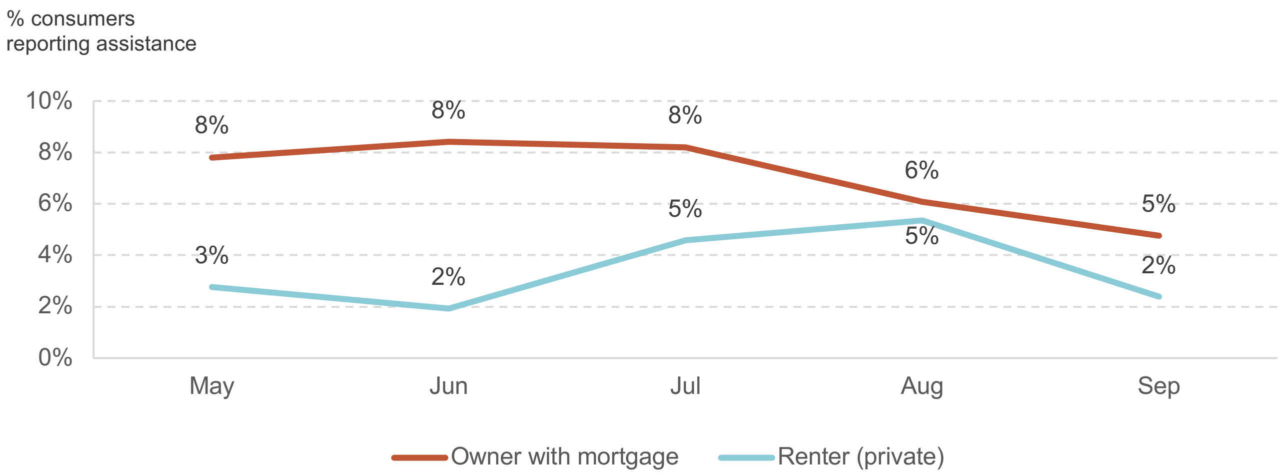
Figure 11: Proportion of consumers reporting being offered helpful advice about managing payments



QTN: Which, if any, of the following actions have any of your (service providers eg bank, landlord or property manager), taken in the last 4 weeks? (Provided helpful advice/information about managing payments during COVID-19)

Banks and mortgage providers have also been more proactive in offering consumers payment assistance since the start of our survey in May (Figure 12). In May, 8% of mortgagors reported their mortgage provider proactive offered payment assistance, compared with 3% of renters reporting these actions from landlords / property managers. The proportion of mortgagors reporting offers of proactive payment dipped in August, but has continued to exceed the proportion of renters reporting proactive help in both August and September.

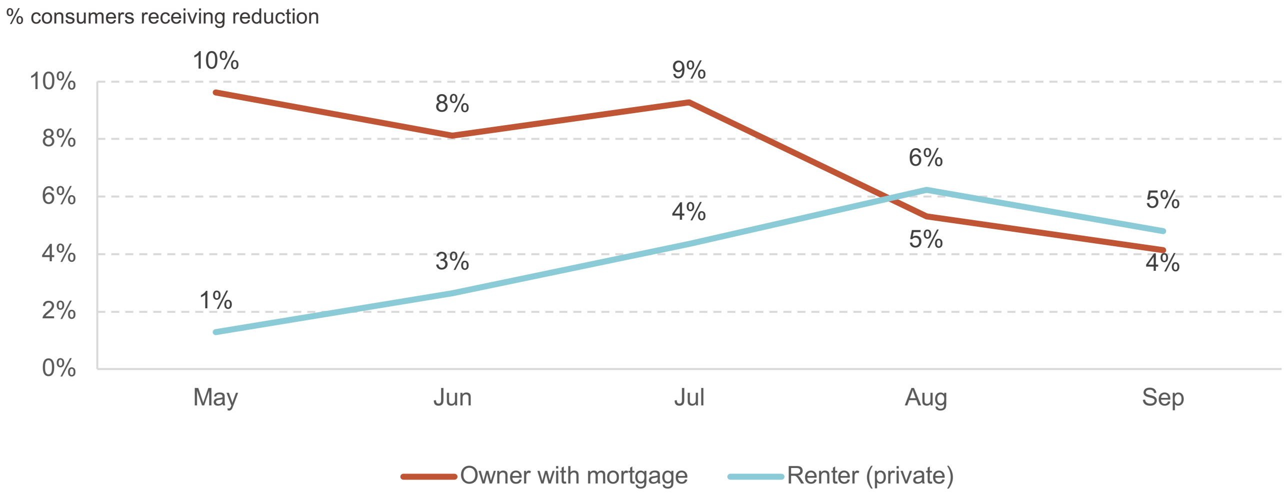
Figure 12: Proactive offers of payment assistance from mortgage providers and landlords



QTN: Which, if any, of the following actions have any of your (service providers eg bank, landlord or property manager), taken in the last 4 weeks? (Proactively offered payment assistance (payment plan / deferral))

Finally, since the start of our survey in May, there has been a significant difference in the proportion of housing providers reducing the cost of mortgage repayments and rents (Figure 13). In May, 10% of mortgagors reported their provider had reduced the cost of their mortgage repayments, compared with 1% of renters. A large gap between renters and housing providers receiving reduced costs persisted until August – with slightly more renters reporting reduced costs from this time.

Figure 13: Proportion of consumers reporting their housing providers reducing the cost of mortgage or rent



QTN: Which, if any, of the following actions have any of your (service providers eg bank, landlord or property manager), taken in the last 4 weeks? (Reduced rent or cost of mortgage payments)

5. Consumer policy implications

In each edition of the Monthly Policy Briefing we highlight some key consumer policy implications, drawn from the survey results, to help inform consumer support and recovery measures. CPRC's [Consumers and COVID-19: from crisis to recovery report](#) (Chapter 5) sets out 'building blocks' policymakers and industry can adopt to support consumers during the uncertain journey from crisis through to recovery, including:

Help consumers cope with the shocks

Sustain, adapt and adjust consumer support measures

Build resilience through fairness and inclusion in recovery

There was a stark contrast between the financial concerns and actions renters and mortgagors reported during September

COVID-19 and its subsequent economic impacts has triggered or exacerbated financial hardship for many renters and mortgagors. What is borne out of CPRC's September survey data (see Figure 14 below) is that there is a stark contrast in the levels support that renters and mortgagors receive – with renters being far less supported compared to mortgagors. Lower levels of support may be contributing to renters' much higher levels of concern about finances and paying household bills compared to mortgagors, and driving renters to take more desperate steps to survive financially.

Figure 14: Summary of renter and mortgagor experiences during September

Summary of September survey results:	Renters	Mortgagors
Concern about financial wellbeing	75%	64%
Concern about housing costs	49%	31%
Concern about other household bills:		
• Energy	47%	29%
• Groceries	40%	20%
• Credit / BNPL	39%	29%
Taking on credit/borrowing to manage basic household expenses		
• Credit cards / BNPL	37%	26%
• Payday loan	4%	0%
Taking financial steps to make ends meet		
• Dipping into savings	44%	28%
• Accessing super early	19%	8%
• Borrowed from family or friends	15%	2%
Bank/landlord provided helpful information about payments	4%	9%
Bank/landlord offered payment assistance	2%	5%
Had negative experiences when reaching out for payment assistance with housing costs	16%	9%

Consumer vulnerabilities will persist into the future – all essential service providers need to be stepping up to support consumers

CPRC's Consumers and COVID-19 report (Chapter 3) discusses how all consumers can be susceptible to financial, emotional and physical vulnerabilities during the pandemic and subsequent economic fallout – thereby increasing the overall scale of vulnerability amongst consumers. The report also notes that some consumers are more exposed than others – with those working in service sectors, young people and temporary migrants particularly exposed.[6] Recent analysis from the Reserve Bank of Australia (RBA) acknowledges this situation – noting that that the COVID-19 economic shock and job losses has disproportionately affected households most likely to rent – including young people, international students, new migrants and those working in service industry such as accommodation and food and arts and recreation.[7]

Given the scale and pervasiveness of consumer vulnerability at this time – and the increased exposure to vulnerability that renters face – it is absolutely critical that housing providers are supporting tenants as much as possible in the coming months. Housing is undoubtedly an essential service – and a home is a home, regardless of whether you're paying a mortgage or paying rent. Ensuring renters feel comfortable and secure as the economy goes on an uncertain journey from crisis to recovery needs to be a policy priority – particularly as boosts to government payment supports begin to taper back, renters exhaust their finite financial resources and physical and/or mental health issues manifest.

Policymakers need to be innovative and reimagine how existing support measures for renters can continue to be adapted and improved

COVID-19 provides an opportunity for policymakers and housing industry stakeholders to reimagine how the current market settings could better serve tenants and owners by providing more stability during the current economic shock. In particular, there is scope for reconsidering the obligations of landlords and property managers to their renters and the culture of treating rental properties as investments first and homes second. Drawing on our experience researching essential service sectors – including the rental market – we go on to highlight three broad ideas for how policymakers can better support renters who are displaying pronounced indicators of financial distress.

1. Stronger support for renters facing financial hardship

It is important to appreciate that many renters have been helped in paying for the roof over their head by federal government income support, such as JobSeeker, Job Keeper and Commonwealth Rental Assistance. Even with this support – our September survey data shows how renters are far more concerned than mortgagors about their finances and more likely to be taking steps that use up finite financial resources (such as dipping into savings, accessing their super early and borrowing from family/friends).

It is concerning that so many renters were already relying on drawing on these finite resources while increased Federal Government income supports remained in place. It follows that renters could be forced to use up finite resources at higher rates now that these support payments are, from late September, tapered back – particularly if they are not able to return the same work and/or hours that they had before COVID-19. This trend could have particularly dire consequences for renters that have exhausted their finite resources and do not have networks of family or friends to support them.

[6] CPRC, *COVID-19 and consumers: from crisis to recover*, June 2020, p. 5, https://cprc.org.au/app/uploads/2020/08/Consumers-and-COVID-19_full-report_25June2020_compressed.pdf
[7] Reserve Bank of Australia, *The rental market and COVID-19*, September 2020, https://www.rba.gov.au/publications/bulletin/2020/sep/the-rental-market-and-covid-19.html

Renters reflect a broader group of consumers facing a range of factors of disadvantage compared with homeowners. Recent research from the Commissioner for Residential Tenancies notes that just under half of renters (46%) were lower income in 2017-18.[8] Yet beyond income supports, the many of the stimulus measures announced favour homeowners either with or without a mortgage. Increasing the Commonwealth Rental Assistance has been identified as the most cost-effective way to help a large number of lower-income earners struggling with housing costs, and would support aggregate demand to stimulate the economy.[9]

A way that governments can innovate to further support renters is to provide targeted financial payments for renters experiencing financial hardship. Similarly to the Utility Relief Grants provided to energy and water consumers, governments might consider a one-off payment to provide support for those facing sudden loss of income. The Victorian Government's Rent Relief Grant reflects such an innovative approach.[10] Implemented in April 2020 in response to COVID-19 – the grant complements other COVID-19 measures such as a moratorium on evictions and rent increases. Renters are able to apply for a grant of up to $3,000 that is paid directly to their landlord, if they have already negotiated a rent reduction and meet the grant eligibility criteria regarding being in "rental stress".[11] The grant is due to expire in March 2021. An analysis of initiatives to provide financial relief to renters and landlords is provided in the recent Australian Housing and Urban Research Institute (AHURI) report on policy coordination and housing outcomes during COVID-19.[12]

Another complementary way to increase support for renters experiencing financial hardship is to move towards a "payment difficulty framework" approach that obliges rental housing providers to follow a clear process for supporting renters to make payments before the prospect of eviction arises. This sort of approach is common in other essential service sectors such as energy. For example, in the Victorian energy market retailers must provide consumers:

- standard early intervention assistance if they require it (such as more time to pay or smaller instalment payments);
- affordable payment plans for arrears, and
- advice on any concessions or grants they are entitled to.[13]

Disconnection of energy supply (equivalent to an eviction) can only occur as a last resort measure if a consumer is not complying with a payment plan and their arrears is over a threshold. We note that during COVID-19, banks have also supported mortgage holders by proactively offering payment deferrals for up to 6 months to those who need it. If, after this 6 month deferral, consumers are unable to pay consumers may have their loan restructured or see if they are eligible for a four month deferral extension.[14]

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[8] Commissioner for Residential Tenancies, *Renting in Victoria: Snapshot 2020,* October 2020, https://www.rentingcommissioner.vic.gov.au/sites/default/files/embridge_cache/emshare/original/public/2020/10/5a/cf65ab18e/Renting%20in%20Victoria%20Snapshot%202020.pdf

[9] Brendan Coates and Jessie Horder-Geraghty, "Rudd's rental affordability scheme was a $1 billion gift to developers. Abbott was right to axe it" *The Conversation,* 9 September 2019, https://theconversation.com/rudds-rental-affordability-scheme-was-a-1-billion-gift-to-developers-abbott-was-right-to-axe-it-122854; Hulse, K., Parkinson, S. and Martin, C. *Inquiry into the future of the private rental sector*, AHURI Final Report No. 303, (Australian Housing and Urban Research Institute Limited, Melbourne, 2018), https://www.ahuri.edu.au/research/final-reports/303, doi:10.18408/ahuri-5112001.

[10] Housing Victoria, *Coronavirus (COVID-9) rent relief grant,* accessed October 2020, https://www.housing.vic.gov.au/help-renting/rentrelief

[11] To be eligible for the Victorian Rent Relief Grant household income must be less than $1,903 per week, and you have less than $10,000 in savings and still be paying at least 30 per cent of your income in rent. There are no citizenship or permanent residency requirements for applicants.

[12] AHURI, *Policy coordination and housing outcomes during COVID-19*, (November 2020), 50-53, https://www.ahuri.edu.au/__data/assets/pdf_file/0020/65450/AHURI-Final-Report-343-Policy-coordination-and-housing-outcomes-during-COVID-19.pdf

[13] Essential Services Commission, *Having trouble paying your energy bills? You have rights*, accessed October 2020, https://www.esc.vic.gov.au/electricity-and-gas/information-consumers/having-trouble-paying-your-energy-bills-you-have-rights#toc-payment-difficulty-framework

[14] Australian Banking Association, *COVID-19 support: phase two,* accessed October 2020, https://www.ausbanking.org.au/covid-support-phase-two/

Those mortgage holders that are experiencing financial difficulty and cannot pay will be assisted through a bank's financial hardship process (enforced via the Banking Code of Practice[15]). Innovate approaches to helping renters with arrears are already being adopted internationally – for example, the Spanish government has introduced stated-backed micro loans to provide support for those building up arrears through longer term financial difficulty.[16]

It is an appropriate time for policymakers to consider what we've learned about what has worked to support consumers and the community during COVID-19. Parts of that support framework may well have a place in our future precisely because it has delivered fairer, safer and more inclusive outcomes, as well as contributed to the stimulation of the economy. Policies that reduce the divide in Australia's housing market should be considered a priority, given the central place a safe and secure home has in the lives of all Australians, regardless of if you are paying the mortgage or the rent.

2. Greater control for renters of their home environment

Living in a comfortable, secure home shouldn't depend on the type of tenure. During the COVID lockdown, our immediate home environment has become an essential contributor to our broader wellbeing. For homeowners, small fixes as well as more significant material adjustments can be easily made to improve the quality of life inside and around the home and COVID saw a significant expenditure on renovations. By comparison, a quarter of renters (25%) reported that their housing had inadequate space to work or study from home during the pandemic.[17]

Renters also face significant difficulties getting simple repairs done or ensuring their rental is warm enough in winter and cool enough in summer. Research from National Shelter and CHOICE in 2018 reported 51% renters were living in a home that is in need of repairs, and repairs and maintenance are the leading cause of rental complaints to Consumer Affairs Victoria.[18] Moreover, almost 7 in 10 (68%) Australians who rent were concerned that a request for repairs could mean a rent rise.[19]

Evidence points to a link between cold housing and significant health impacts.[20] Improving the comfort of rental housing through energy efficiency retrofits both reduces energy bills and health impacts of poorly insulated properties.[21] A stimulus package oriented around energy efficiency retrofits and repairs for rental properties would have the additional benefit of providing significant new job opportunities.[22]

The new residential tenancy reforms in Victoria provides tenants with the right to own a pet, and make small adjustments – like putting up a picture hook on the wall. The Victorian government is also establishing minimum standards for rental properties including requirements for working fixed heaters. These measures are important to the help make a property a home and should be adopted more broadly around the country.

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[15] Australian Banking Association, *Banking Code of Practice,* March 2020, pp. 44-48, https://www.ausbanking.org.au/wp-content/uploads/2020/06/2020-Code-A4-Booklet-with-July-1-COVID-19-Special-Note-WEB.pdf

[16] Emma Donaldson, "What Spain is doing to help rental tenants during the coronavirus pandemic", *Idealista,* 2nd April 2020, https://www.idealista.com/en/news/property-rent-spain/2020/04/02/7465-what-spain-doing-help-rental-tenants-during-coronavirus

[17] Emma Baker, Rebecca Bentley, Andrew Beer, Lyrian Daniel "Renting in the time of COVID-19: understanding the impacts", (Australian Housing and Urban Research Institute Limited, Melbourne: 2020), https://www.ahuri.edu.au/research/final-reports/340

[18] CHOICE, National Shelter and National Association of Tenants Organisations, *DISRUPTED The consumer experience of renting in Australia*, December 2018, https://www.choice.com.au/money/property/renting/articles/choice-rental-rights-report-dec-2018; CRT, *Renting in Victoria.*

[19] Ibid.

[20] Lyrian Daniel, Emma Baker, Andrew Beer & Ngoc Thien Anh Pham "Cold housing: evidence, risk and vulnerability", *Housing Studies* (2019), https://doi.org/10.1080/02673037.2019.1686130

[21] See also the One Million Homes campaign, https://environmentvictoria.org.au/campaign/one-million-homes/

[22] Nicola Willand et al. "Stimulus that retrofits housing can reduce energy bills and inequity too" *The Conversation,* June 3, 2020 https://theconversation.com/stimulus-that-retrofits-housing-can-reduce-energy-bills-and-inequity-too-138606

3. Supporting consumers to engage and exercise their rights

As is common across other essential service sectors, regulatory interventions can be used to incentivise or require proactive, helpful engagement from service providers. The survey results from September (see Figure 14 above) indicate that – when compared to mortgage holders – renters have not been receiving the same standard of provider engagement regarding payment assistance. Poor quality customer service only compounds the difficulties renters already have in exercising their consumer rights. CPRC's *The Renter's Journey* research report outlines the difficulty renters can have in engaging with providers to exercising their consumer rights. [23] The research found that:

- Renters often do not know about their rights
- Renters may not raise an issue with a landlord out of fear of being evicted or blacklisted
- Be put off engaging due to past experiences of poor customers service or conduct, for example, providers not responding to requests or engaging in bullying behaviour.

Holding property managers and landlords accountable for effectively communicating consumer rights to tenants – as well as mandating that they inform consumers of the supports that are available to them at regular intervals or when certain "atypical" events occur (such as a late payment) – would go some way to helping renters overcome the information asymmetries and bargaining power imbalances that can stop them from engaging with their providers.

Though renters have long had the right to negotiate their rent, power asymmetries between landlords and renters often limited the ability of renters to successfully to effectively negotiate down their rent. And though land tax incentives have been offered to encourage landlords to engage in negotiating a lower rent, an online survey of over 13,000 Australian renting households conducted by the AHURI during COVID-19 reveals that simply asking for a rent reduction or deferral – even in a market climate were prices are going backwards– will not always be successful.[24] Their survey found that 30% of respondents had stated that their landlord or agent would not negotiate, while 6% were waiting to hear back. The fact that 1 in 3 requests for a reduction or deferral go nowhere is concerning, given that such reductions and deferrals could be extremely beneficial to a financially vulnerable renter's wellbeing and welfare.

In Victoria, the Residential Tenancies Dispute Resolution Scheme has been temporarily established as part of a new laws and temporary protections during the COVID-19 pandemic. The service has been designed to help people communicate more effectively and to ensure that a fair, reasonable and just agreement is reached. If parties are not being transparent or fair, Orders can be made that balance the interests, and consider the circumstances, of both parties to sustain the tenancy wherever possible. Establishing this bodies as a permanent external mediation may more effectively enable renters to negotiate their rights.

Methods for communicating with tenants should be co-designed with target groups who may find engagement with providers particularly challenging. Policymakers need to appreciate that a one-size-fits-all approach to communicating with renters is unlikely to be effective and that messages that increase awareness of support need to be accessible to a consumers who may encounter a range of barriers (including English as a second language, low literacy, limited digital literacy or access, or cognitive limitations). Outreach programs designed to engage and raise awareness amongst different consumer cohorts and communities (such as CPRC's *Energy Simplified program*) can also help in raising awareness amongst hard-to-reach consumers. In Victoria, Tenants Victoria, Victorian Council of Social Service, Financial Counselling Victoria and Registered Accommodation Association Victoria have been provided additional funding to provide more training and resources to help tenancy and community sector workers support vulnerable tenants in resolving disputes with their landlords, and to raise awareness about the dispute resolution body with CALD consumers.

[23] CPRC, *The Renter's Journey*, February 2019, p. 72, https://cprc.org.au/publications/report-the-renters-journey/
[24] AHURI, *Renting in the time of COVID-19: understanding the impacts,* October 2020, p. 3, https://www.ahuri.edu.au/__data/assets/pdf_file/0017/65240/AHURI-Final-Report-340-Renting-in-the-time-of-COVID-19-understanding-the-impacts.pdf

4. Making it easier for renters experiencing financial hardship to move properties

The RBA notes that Australian rent prices have declined in response to reduced demand and higher supply during COVID-19. Policy measures that have banned rent increases and encouraged tenants and landlords to renegotiate terms of existing leases have also likely contributed to this decline. The decline has been so significant that the June quarter inflation figures showed the first quarterly fall in rent prices since the Consumer Price Index commenced in 1972.[25]

A decline in prices means it is likely to be attractive for some renters to move properties if they cannot negotiate a favourable arrangement with their landlord or property manager. Exploring how to support consumers in a financially vulnerable situation move to a new house could help to improve consumer bargaining power in rent reductions or deferral negotiations with their property manager or landlord. Supporting financially vulnerable consumers to move properties would also help to reduce the friction and transaction costs renters can face when switching rental properties.[26] Examples of initiative governments could explore include:

- Ensuring there is a standard, easy-to-use process for consumers to break a lease in order to address their financial hardship– without having to pay break fees.[27]
- Subsidising the transactions costs for consumers moving properties due to financial hardship.[28]
- Ensuring adequate financial support and landlord incentives for initiatives that help vulnerable consumes participate in the private rental market and get a good deal.[29]
- Providing restrictions on tenant databased listing for those suddenly experiencing financially vulnerability might be facilitated through an application to a permanently established Residential Tenancies Dispute Resolution Scheme.

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[25] Australian Bureau of Statistics, *Consumer Price Index – Australia,* June 2020, https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-2020

[26] CPRC, *The Renter's Journey*, February 2019, p.5.

[27] In Victoria, consumers are able to break a lease on the grounds of unforeseen, severe hardship by applying to Victorian Civil and Administrative Tribunal to reduce the period of a fixed term and end a tenancy early. For more information see: Tenants VIC, *Breaking your lease*, accessed October 2020, https://www.tenantsvic.org.au/advice/common-problems/breaking-your-lease/

[28] The Productivity Commission found that the costs vulnerable renters face when moving are growing. These costs can be in relation to a) difficulty raising funds to meet the cost of moving; b) difficulty finding accommodation suitable given a disability or other special needs and c) difficulty moving without significantly disrupting schooling or childhood development. See: Productivity Commission, *Vulnerable private renters: Evidence and options*, September 2019, p. 12 https://www.pc.gov.au/research/completed/renters/private-renters.pdf .

[29] An example of such an initiative is the "HomeGround Real Estate" operated by Melbourne based community organisation Launch Housing. For more information see: HomeGround Real Estate, *Who we Are*, accessed October 2020, https://www.homegroundrealestate.com.au/about-us/

Appendix

Table A: Survey definition key

Sectors	Definition
Housing (mortgage)	Housing expenses / services from: mortgage providers to consumers who are an "owner-occupier with a mortgage" for their main place of residence.
Housing (private rent)	Housing expenses / services from: private landlord / real estate agency / property manager to consumers "renting from a private landlord/ real estate agency" for their main place of residence.
Energy	Electricity / gas services.
Telcos	Internet and mobile / telephone services.
Credit	Credit card / personal loan / buy now pay later services.
Insurance	Insurance providers (e.g., vehicle, health, home, travel).
Consumer Subgroups	**Definition**
COVID income impacted	Consumers who had an income source before COVID-19 (either Full-time employee, Part-time employee, Casual employee, Self-employed / own business, or Investment income) and have now sought or received Jobkeeper, JobSeeker or other government benefits, or now have no income.
Casual workers	Casual employee (as opposed to a Part-time or Full-time employee).
Renters	Renting from a private landlord / real estate agency for their main place of residence.
Youth	18-34 years of age.
Disability	Consumers who reported that a disability restricts them in their everyday activities, and this has lasted or is likely to last for 6 months or more.
Low/no internet use	Consumers who reported that they used the internet (in any device) less than once a day (either a few times a week, less often, or not at all). This subgroup was comprised mostly of people aged over 50 years.