

# Can tenant incentive schemes improve housing management outcomes?

**THE SMALL SCALE TENANT INCENTIVE SCHEMES EXISTING IN AUSTRALIA ARE PERCEIVED BY HOUSING MANAGERS AND TENANTS TO CONTRIBUTE TO IMPROVEMENTS IN SERVICE DELIVERY, ORGANISATIONAL CULTURE AND STAFF AND TENANT SATISFACTION.**

## KEY POINTS

- Tenant incentive schemes are intervention strategies used by housing managers to reward tenants who meet the conditions of their tenancies, such as paying rent on time or maintaining their property well. The first large scale schemes were introduced in the United Kingdom (UK) in the 1990s.
- The states and territories in Australia (with the exception of Victoria) provide some small-scale incentives to tenants, such as gardening competitions. South Australia runs a 'Recognition and Rewards' scheme and is currently considering whether to implement a larger scale tenant incentive scheme in the near future.
- There is little support from housing managers interviewed for large-scale tenant incentive schemes because the net benefits of the scheme are considered marginal. However there was support for smaller-scale tenant incentive schemes provided they were straightforward models that are not too expensive or ambitious.
- Housing managers and tenants perceived problems of tenant incentive schemes to include an increase in staff workload, a need to change departmental systems and structures, a disjuncture with the philosophies driving current housing management practices, and the promotion of increased inequality among tenants.
- The expressed preference for small-scale, less complex tenant incentive schemes is likely to be the prudent way forward for most jurisdictions.

*Based on research undertaken by **Dr Keith Jacobs, Dr Hazel Easthope, Professor Andrew Beer and Dr Michele Slatter** from the AHURI Southern Research Centre, and **Dr Tim Seelig** from the AHURI Queensland Research Centre, the project combined a national audit of existing tenant incentive schemes, including discussions with social housing stakeholders in four states to examine the utility of implementing tenant incentive schemes in Australia.*



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## CONTEXT

Broad scale tenant incentive schemes were first devised by housing associations in the UK, in the late 1990s, to reward tenants who adhered to the conditions of their tenancy (including timely payment of rent) as well as to provide incentives to recalcitrant tenants who had previously not complied with their rental conditions. Rewards include vouchers for shopping outlets, fast track repair services and rent rebates. Housing agencies have rewarded tenants who leave their property in good condition when exiting public housing and who keep their rent account in credit.

Tenant incentive schemes, in this context, need to be distinguished from other 'incentive schemes' that have provided cash payments to tenants to relinquish their property if it was under-occupied.

Supporters of tenant incentive schemes view them as a way to deliver a more inclusive model of housing management to counter previous approaches, which have concentrated on addressing problem tenants rather than rewarding 'good' tenants. The principle advocate of the schemes in the UK is the Irwell Valley Housing Association based in Manchester. It established the 'Gold Star' scheme in the late 1990s as part of its management strategy. In recent years, over forty other UK housing organisations have deployed modified versions of the Irwell Valley scheme. The promoted benefits of these schemes include increased rent collection and savings in empty property maintenance. Fostering more positive behaviours is also thought to improve tenant and staff satisfaction levels and so improve community wellbeing.

This study set out to find out what sorts of tenant incentive schemes are in place in Australia and to assess the issues surrounding the possibilities for the future implementation of UK style schemes in Australia.

## METHODOLOGY

The research included a review of international literature on the development of tenant incentive scheme models, and a national audit of existing tenant incentive scheme practices. Semi-structured interviews with housing management staff, community and peak body representatives (such as tenant unions, councils of social services etc), and focus groups with tenants were then undertaken in four states: New South Wales, Queensland, South Australia and Tasmania. Table 1 provides a summary of the methods used in each of the states.

Questions were asked concerning the potential benefits and drawbacks of tenant incentive schemes (with regards to service delivery, tenant satisfaction, community well-being and staff and organisational culture). Questions were also asked about the issues involved in developing a successful scheme, and the ways in which such schemes should be evaluated. Focus groups asked tenants how they perceived the schemes and what types of schemes they would support.

## FINDINGS

### ***Have international schemes been successful?***

Experience with tenant incentive schemes has been limited to the UK.

A study by the Office of Deputy Prime Minister (ODPM) in the UK found encouraging outcomes of tenant incentive schemes, especially in relation to tenant satisfaction amongst those who adhered to tenancy conditions. However, there were more guarded findings in relation to whether these schemes actually led to changes in behaviour, with results also depending upon wider cultural change in the housing organisation administering the scheme. There were also concerns about the significant administrative costs involved which would only be afforded by larger housing organisations.

Other evidence from a UK housing association, Charter Housing Association, that did not implement a full scheme after pilot stage found that only a minority (13 per cent) of tenants signed up to participate in the scheme. This group were the least likely to be problem tenants suggesting that the scheme's potential to change poor tenant behaviour over time might be limited.

### ***What tenant incentive schemes exist in Australia?***

No state or territory, with the exception of South Australia, has implemented a scheme similar to that established by UK housing organisations. The South Australian Customer Reward and Recognition scheme, still in its early stages of development, is perhaps the closest. Nevertheless jurisdictions (except Victoria) have small incentive related projects. These are designed to achieve specific objectives, such as paying rent on time or keeping gardens tidy. Table 2 provides a summary of the various schemes by jurisdiction.

**TABLE 1: METHODS USED IN EACH STATE INVESTIGATED**

State	Semi-structured interviews		Focus groups with tenants
	Senior housing management staff	Community and peak body representatives	
New South Wales	6	4	1
Queensland	5	2	1
South Australia	6	4	2
Tasmania	6	4	1

**TABLE 2: SUMMARY OF INCENTIVE SCHEMES FOR TENANTS**

State/Territory	Cases of incentives for tenants
New South Wales	<ul style="list-style-type: none"> <li>• Small grants program for local tenant groups or participation</li> <li>• Housing department has considered prizes for good tenants (e.g. gardening tools, painting interiors) but not implemented</li> </ul>
Victoria	<ul style="list-style-type: none"> <li>• None at present</li> </ul>
Queensland	<ul style="list-style-type: none"> <li>• None at present</li> <li>• However - tenant participation practices are supported (e.g. changes in rent assessments to encourage tenants to participate in the labour market)</li> </ul>
Western Australia	<ul style="list-style-type: none"> <li>• Good tenant policy to reward tenants who comply with their tenancy agreement: (rewards include kits to paint interiors of houses, vouchers to purchase plants for gardens, increased amenities such as security screens)</li> </ul>
South Australia	<ul style="list-style-type: none"> <li>• <i>Customer Reward and Recognition</i> scheme for tenants who act as good neighbours. (Rewards include \$50 voucher and presentation of certificate by Minister of housing and morning or afternoon tea)</li> <li>• UK style scheme under consideration</li> </ul>
Tasmania	<ul style="list-style-type: none"> <li>• Gardening competitions</li> <li>• Prizes for tenants who attend security expo and building maintenance program</li> <li>• Tenants electing to have their rent paid by Centrelink Easy Pay are eligible for a prize draw</li> </ul>
Northern Territory	<ul style="list-style-type: none"> <li>• Garden subsidy schemes (for tenants who are not in rent arrears)</li> </ul>
Australian Capital Territory	<ul style="list-style-type: none"> <li>• Garden competition, and 'tenant of the month' competition (no conditions on tenants to be eligible)</li> </ul>

**TABLE 3: PERFORMANCE INDICATORS OF STATES, 2003-04**

	Performance indicator		
	Rent actually collected as percentage charged	Percent of tenants dissatisfied with public housing	Average relet times (days)
Tasmania	102.2	14	37
New South Wales	99.7	24	30
South Australia	100	12	41
Queensland	99.8	9	26
Irwell Valley H.A. (2001)	96.1	16	29

### **Perceived benefits and drawbacks of tenant incentive schemes in Australia**

#### *Tenant satisfaction*

In all four states surveyed in this study, both housing officers and community peak body representatives recognised the value of rewarding good behaviour for tenant satisfaction. According to some housing officers and tenants, there is a perception that bad behaviour is currently being 'rewarded' (for example through prompt repair or replacement of damaged property) while those who look after their property have to wait longer for their repairs. Tenant incentive schemes were seen to be potentially useful in countering this view – as one housing officer claimed, it gets the tenants who are 'doing the right thing on side'. However, in all states, interviewees questioned whether it was wise to reinforce a dichotomy between 'good' and 'bad' tenants, that may lead to alienated and dissatisfied tenants who miss out.

Peak body representatives also thought tenant incentive schemes would not be able to address root issues that lie behind some tenancy problems, such as gambling or alcohol addiction.

#### *Community wellbeing*

Housing officers generally thought tenant incentives had some potential to positively influence the behaviour of tenants with regard to property care and community participation. However, in Queensland there was some concern that forcing people to participate 'might get people's backs up'. Some also questioned whether incentives might send out confusing signals – by rewarding

tenants for what they should already be doing, the schemes may be perceived as condoning bad behaviour.

Both housing officers and peak body representatives thought that creating circumstances where one tenant receives a benefit and another does not, could fuel community disputes as well as disputes between tenants and housing departments.

#### *Staff satisfaction*

Housing officers indicated that staff satisfaction and work culture could improve because of tenant incentive schemes. They would enable staff to focus on the positive aspects of the job rather than always having to say 'no' to tenants. One housing officer from South Australia said the Customer Recognition and Rewards Scheme reminded staff of the 'human side of tenants' and that 'not all tenants are bad'.

However, these factors would need to be weighed against the increased workload in setting up the scheme and the uncertainty of success of the program in changing behaviours. Some housing officers were also resistant to the idea of rewarding tenants for fulfilling legal obligations and were concerned about the potential for such a scheme to create more problems.

#### *Service delivery*

Senior housing managers and community peak representatives interviewed recognised that if schemes led to fewer rent arrears or maintenance cases to deal with, they could lower staff workloads in the long term. They could also lead to higher standards of service

delivery by promoting 'carrots' rather than 'sticks', more consistent responses by staff, and more positive interaction between staff and tenants.

However, there were concerns that schemes could be inconsistent with the prevailing culture of the organisation. Such schemes could conflict with the sanctions based approach being taken by some housing departments and the renewable tenancies policies, which are being introduced in New South Wales and Queensland. A New South Wales housing officer said that if a tenant incentive scheme were introduced, it would need to be well resourced in order to counter scepticism in the community about housing department intentions. There were concerns in Queensland that the introduction of a tenant incentive scheme might jeopardise the functioning of an existing tenant participation program, which was well regarded by tenants.

### **Development and management of tenant incentive schemes**

#### *Irwell Valley style schemes*

Over all, there was little support in the four jurisdictions studied for large-scale tenant incentive scheme modelled on Irwell Valley's Gold Star Scheme. This was due to a number of factors, including the perceived marginal benefits, strained organisational capacity and high expense.

The benefit from such programs was questioned in places such as Queensland where they claimed the circumstances were different from the UK because rent arrears and average turnover time are generally low, and tenants are already generally relatively satisfied (see Table 3). Nevertheless, there is potential in other states to improve re-let turnaround times for properties. There is also potential for New South Wales to make significant improvements in tenant satisfaction levels compared to other states and overseas, suggesting that tenant incentive schemes may offer a way forward.

The organisational capacity to implement a broad scale UK style tenant incentive scheme was seen to be limited because of competing pressures and commitments within housing authorities.

There was also concern about the high costs of implementing large-scale schemes that could involve disbursement of benefits to large numbers of residents, as

well as considerable administration, publicity and training expenses. The expenses of running schemes over a large geographical area (such as South Australia or New South Wales) could prove prohibitive. A financial model of a pilot tenant incentive scheme was undertaken, based upon knowledge of the Irwell Valley Gold Star scheme's financial modelling and key performance indicators in the Australian context. It found that such a scheme might be very expensive as a pilot study, but the potential for net savings might be greater if extended to larger numbers of households.

#### *Small-scale schemes*

There was support amongst housing organisation staff for schemes that reward tenants who meet the conditions of their tenancy, particularly in South Australia and Tasmania. The establishment of such schemes was seen to require commitment from staff, adequate resources, widespread consultation with tenants and a review process.

For example, in South Australia, the Customer Recognition and Rewards Scheme had started in pilot stage in the Parks region in Adelaide and had been subsequently extended across the state. It involved sending cards to tenants for them to nominate other tenants who had been a 'good neighbour', convening a panel of staff in each region to assess these nominations, and an awards ceremony involving the Minister of Housing (prizes of \$50). It created good publicity for the South Australian Housing Trust and its success depended on local 'insider knowledge' and the commitment of staff.

Engaging residents to become champions of the scheme was seen to be important in getting more widespread support by housing managers. Housing staff in all four states recognised that attracting tenants with high level needs is problematic and labour-intensive. However, there was seen to be scope for tenant engagement if schemes were innovative, not too complex and led to discernable benefits.

### **Evaluation of tenant incentive schemes**

In all four states investigated, housing officers argued that it was critical to establish evaluation mechanisms at the start of any new initiative. Good practice with regards to evaluation was seen to involve assessing both the costs and benefits of the scheme; taking into account both short and long term concerns.

Those interviewed also argued that evaluations need to measure the impact of a scheme on the workloads of housing managers. Evaluations should also focus on critical reflection rather than project promotion. In this respect it was important to ensure questions are not aimed at getting a favourable response, and getting access to tenants whose experience of the scheme may not be positive or who have avoided participation. It was also important not to be too ambitious in scope; pilot projects were suggested as a useful way to undertake an evaluation at a manageable scale and to make sure that any future larger-scale schemes and their evaluations were effective.

## **POLICY IMPLICATIONS**

While there is considerable promotional literature in the UK supporting the benefits that can accrue from the implementation of tenant incentive schemes, the evidence of their effectiveness in producing changes in problem tenant behaviour are unclear, and are likely to be dependent on capable leadership of cultural change in a local area.

The circumstances in the UK that presaged the introduction of tenant incentive schemes are also different from those currently in Australia. Rent collection rates in Australia are already high, suggesting that tenant incentive schemes are not likely to result in large-scale savings in this area, though there may be potential to reduce costs associated with delays in re-letting properties, reduce rent arrears work and improve staff and tenant satisfaction. The modelling available suggests that UK style tenant incentive schemes could work in Australia but only if the fixed expenses of administration, promotion and evaluation were spread over a large number of households.

As the success of these schemes is also dependent upon cultural change, gauging support amongst housing officers and tenants for such schemes is important. The Australian evidence suggests that there is little support for large-scale schemes. Support

for tenant incentive schemes more generally varies by jurisdiction, with housing officers in Tasmania and South Australia more enthusiastic about their benefits than those in Queensland and New South Wales.

The current preference for small-scale, less complex tenant incentive schemes is likely to be a prudent way forward for most jurisdictions. However, when developing these schemes it is critical that they are properly evaluated, including taking into account existing staff workloads. Schemes also need to recognise the existing policy environment. Any disjuncture between the philosophies informing tenant incentive schemes and the philosophies informing current housing policy and practice could be detrimental to the success of new schemes.

## **FURTHER INFORMATION**

This bulletin is based on AHURI project 40253, *A review of housing management tenant incentive schemes*.

Reports from this project can be found on the AHURI website: [www.ahuri.edu.au](http://www.ahuri.edu.au)

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



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