

Research Paper

# What future for public housing? A critical analysis

authored by

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for the

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# CONTENTS

<b>CONTENTS</b> .....	<b>II</b>
<b>LIST OF TABLES</b> .....	<b>IV</b>
<b>LIST OF FIGURES</b> .....	<b>V</b>
<b>ACRONYMS</b> .....	<b>VI</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>1 INTRODUCTION</b> .....	<b>4</b>
1.1 Aims and objectives .....	4
1.2 Contextualising public housing policy .....	4
1.2.1 The economy .....	4
1.2.2 Societal change .....	6
1.2.3 Economic rationalism .....	6
1.3 Definitions .....	8
1.4 Methodology .....	8
1.5 Why governments get involved in housing .....	9
<b>2 UK PUBLIC HOUSING POLICY — AN HISTORICAL OVERVIEW</b> .....	<b>11</b>
2.1 The foundation of the welfare state and the challenges of providing public housing, 1940s–1970s .....	11
2.1.1 Housing before the Second World War .....	11
2.1.2 1940s–1970s: Confronting organisational challenges .....	12
2.1.3 Economic recession 1970s .....	13
2.2 Conservative government 1979–1997 .....	13
2.2.1 Right to buy policies and the promotion of owner occupation .....	14
2.2.2 Financing of council housing .....	14
2.2.3 The promotion of housing associations .....	14
2.3 Labour Government 1997–2009 .....	15
2.3.1 Building maintenance and performance standards .....	16
2.3.2 Social exclusion .....	16
2.3.3 Social mix and tenant empowerment .....	17
2.3.4 Intensive management and allocation practices .....	17
2.3.5 New building programs: the rediscovery of supply issue .....	18
2.4 Conclusions: learning from the past .....	18
<b>3 AUSTRALIAN PUBLIC HOUSING POLICY — AN HISTORICAL OVERVIEW ...</b>	<b>20</b>
3.1 Pre-war public housing in Australia .....	20
3.2 Post-war housing policy .....	21
3.2.1 Commonwealth support for state housing: the CSHA (1945–1990) .....	21
3.2.2 Economic recession, 1970s–1990s .....	23
3.3 The residualisation of public housing .....	24
3.3.1 The effects of residualisation .....	25
3.3.2 The regeneration and integration of public housing .....	28
3.3.3 Owner occupation and public housing sales .....	29

3.4 Lessons for the future .....	30
<b>4 NEXT STEPS .....</b>	<b>32</b>
4.1 Aims and objectives .....	32
4.2 Gaps in knowledge .....	32
4.3 Data collection activities.....	33
4.3.1 Case studies.....	33
4.3.2 One-day workshop .....	33
4.4 Data analysis .....	34
<b>5 CONCLUSION .....</b>	<b>35</b>
<b>REFERENCES .....</b>	<b>36</b>

## **LIST OF TABLES**

Table 1: Australian organisations active in the housing policy process .....	5
Table 2: Tenure structure in Great Britain 1981–2006.....	13
Table 3: Public housing dwellings by state and territory—1996, 2001, and 2006 .....	28

## LIST OF FIGURES

Figure 1: English social housing restructuring, 1981–2008 .....	15
Figure 2: Tenure of occupied dwellings and total number of occupied dwellings, 1911–2001 .....	24
Figure 3: Public and private dwelling completions in Australia, 1946–2008 .....	26
Figure 4: Labour force status by tenure type, 2006 .....	27

## ACRONYMS

AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ALMO	Arms Length Management Organisation
ALP	Australian Labor Party
CHSA	Commonwealth Housing State Agreement
FaHCSIA	Department of Families, Housing, Communities Services and Indigenous Affairs
NAHA	National Affordable Housing Agreement
NSW	New South Wales
RSL	Registered Social Landlords
SA	South Australia
SAHT	South Australian Housing Trust
SHA	State Housing Authority

## EXECUTIVE SUMMARY

This Research Paper provides a discussion about the historical processes and factors that have shaped public housing in Australia. The intention is to provide a baseline that can inform the next stage of the investigation on the long-term future of Australian public housing. It begins by setting out the current housing context and the strategic questions of the overall project. The key sections of the Research Paper provide a comparative discussion of both UK and Australian post-war housing to show the rationale for policy intervention and the processes that shape housing outcomes. This Research Paper concludes by outlining how the empirical phases of research will be undertaken and a summary of what we consider are the most pressing long term issues that SHAs are required to address.

### *Understanding housing policy*

Section 1 provides a context for the research project by considering different approaches to the study of the housing policy-making process. A number of competing perspectives are set out, but it is claimed that the housing policy process cannot be understood without reference to the wider economy, societal change and the role played by state institutions and political groupings. The methodological challenges that arise in research on public housing and the forecasting of futures based on historical precedents are also noted. A distinction is made between the research that aims to provide an immediate response for policy-makers, and longer-term investigations that seek to consider the broad principles and mechanisms underlying housing policy. We argue that an expedient way to engage in a longer-term investigation of Australian public housing policy is to adopt an historical perspective to consider the broad development of policy and to draw upon the UK experience specifically for the purpose of comparison.

### *Historical overview of UK housing*

Section 2 discusses UK policies towards public housing noting the profound impact of the economic recession of the mid-1970s. From this time onwards, public housing was viewed increasingly as a problematic tenure that epitomised the failures of the welfare state. In effect, public housing became 'residualised' and the tenure of the last resort for those unable to access owner occupation or manage in the private rental market. The decision to build and maintain a significant public housing sector in the UK has long been a notable feature of its tenure system. Crises in the cost and availability of private rental housing and the lack of available credit systems for lower-income workers helped to generate political momentum for the creation of a significant public sector. Like Australia, the UK's system of public housing saw the bulk of stock created in the post-war period and living conditions significantly lifted for those living in housing poverty.

In the UK, public housing has accommodated much greater numbers of households than in Australia with the result that it has been a more normalised tenure and one with greater political support. However, it became clear during the 1980s onwards that plans for privatisation and the introduction of competitive funding models would mean that the sector would undergo significant change. Between the years 1980 and 1996, over two million public housing properties were sold to tenants at discounted prices. In addition, government stock transfer policies have led to 50 per cent of UK public housing being assigned to the housing association sector. By 2006, public housing represented 10 per cent of the UK housing stock, and housing associations 8 per cent. Unlike Australia, public housing in the UK (considered as a combination of social housing providers, housing associations and local authority public stock) has been

established as a vehicle by which other opportunities in life can be accessed (notably education, health, crime reduction). This has meant that increased funding commitments have become available to the sector in recent years.

### *Historical overview of Australian public housing*

Section 3 of this Research Paper considers historical developments in Australian housing policy. Though public housing in Australia has seen some continuity with the British case, it is important to understand a number of key variations and features that distinguish it. The government's response to public housing cannot be understood without an understanding of the cultural basis of an ideology that sees private housing and owner occupation in particular, as a more desirable option. This has led successive governments to inject public money into incentives and support for homeownership. Since the first Commonwealth-State Housing Agreement in 1945, public housing has largely been a commitment of Commonwealth governments. This has meant the creation of a small but locally significant sector has sometimes been at the mercy of the variations of approach and interests by successive state and Commonwealth governments. While residualisation (an increase in the concentration of the most disadvantaged households in public housing) has been noted in the UK, this process seems to be particularly acute in Australian public housing. In Australia, 80 per cent of households occupying public housing are in the bottom income quintile. Residualisation accentuates maintenance costs, concentrates high-need households in specific neighbourhoods and stigmatises further a sector that has struggled to generate political interest in an affluent social context. The future options for State Housing Authorities (SHAs) will depend on the ability to generate sufficient income to maintain stock and increase the supply of low-cost housing. We anticipate that SHAs will consider stock transfers and an expanded community-housing sector as a way to achieve this.

### *Next steps*

The research project will involve empirical investigations to further validate and understand what role public housing may have as part of the Australian housing system. Specifically it will seek to:

- Provide guidance for policy-makers on the organisational challenges confronting the providers of public housing.
- Gauge the likely future financial, community and organisational benefits that accrue from public housing and how these might be developed.
- Consider what a 'post public housing' policy environment might entail and formulate what challenges might arise.

### *To this end, the following tasks will be conducted:*

- An engagement with the long-term strategies of SHAs to manage public housing.
- An exploration of the challenges for SHAs operating in an era of financial restraint.
- A consideration of views within Treasury departments and policy communities about the future role for public housing.
- An assessment of the impact of the National Affordable Housing Agreement (NAHA) and its long-term implications for public housing.

*The key questions that will be addressed in the next stage include:*

- Is public housing in its current form a viable option to respond to housing need? What kind of model might replace it?
- Can public housing's poor reputation be addressed?
- What other forms of support might assist low-income households secure good quality housing?

Two case studies will be undertaken in the states of Queensland and Victoria (both have been selected for their innovative practices) to probe the views of housing and treasury policy-makers. Interviews will also be conducted with key housing and treasury experts in the Commonwealth Government to explore the long-term implications of the NAHA and alternative models for providing affordable housing. In early 2010, we will convene a one-day workshop in Melbourne with policy and finance experts to consider these issues. The Final Report will be published in mid-2010.

# 1 INTRODUCTION

This Research Paper is the first output of a project that considers the question of the future of State Housing Authority (SHA) managed public housing and its capacity to address housing need and community sustainability in the 21st century. It adopts an historical and comparative perspective, drawing upon the Australian and UK literature on public housing policy and its role within broader housing systems. Section 1 introduces the project by describing the overall aims and context of the research. Section 2 provides an historical overview of public housing in the United Kingdom to highlight the key challenges and policy innovations that have driven public housing policy since the Second World War. Section 3 provides a discussion of post-war Australian housing policy and the initiatives undertaken by SHAs to provide public housing through periods of budgetary constraints. In Section 4, the research methods deployed to address gaps in knowledge are set out. Section 5 provides the conclusion.

## 1.1 Aims and objectives

The overall aim of the Research Paper is to provide a background discussion document that will inform the subsequent empirical component of the project. Specifically the Research Paper aims to:

- Review the framework for understanding housing provision and the reasons why governments engage in housing policy.
- Explain the key drivers that inform housing policy intervention.
- Set out the most significant Australian housing policy interventions undertaken by governments in relation to public housing.
- Provide a summary of post-war UK government public housing policy to provide a comparative context for analysis.

## 1.2 Contextualising public housing policy

### 1.2.1 *The economy*

In any discussion of public housing policy, it is helpful to situate the activities and deliberations of governments within the wider economic, social and ideological context. Government policies towards public housing are linked to the imperative of delivering economic growth (Doling 1997, Pierson 2006); the pressures arising from social and demographic change; and adherence to particular ideologies. Arguably, the resource commitments of governments are predicated more on these factors, than the often stated objective of meeting housing need. Overall, economic concerns are the most important single factor influencing housing policy. In countries such as Australia, the US and UK, expenditure on public housing has been tightly controlled as a way of reining in government expenditure.

Over the past twenty to thirty years, this approach has been captured in a dominant public discourse: that the expenditure on social welfare, including housing, undermines economic competitiveness while leading to the culture of dependence for those it provides for. The current housing affordability crisis and financial recession (exemplified by absences of regulation and the active promotion of homeownership) have highlighted the limits of these ideologies while raising the question of ‘where to next?’ for public policies.

In practice, there is pressure on governments to control public expenditure and to keep the levels of taxation and borrowing low. The limited resources set aside for

welfare expenditure means that all governments have to deal with competing demands for resources from different pressure and interest groups. Public housing is generally not regarded as a high priority by governments, compared to health and education, and those lobbyists promoting public housing have had only minimal impact in extracting funding commitments. Here a contrast can be made with the success that the Australian house building industry and financial lobbyists have had in maintaining capital gains tax and imputed rental income tax relief for home owners, negative gearing for small rental investors and direct subsidies in the form of first homeowner grants. In real terms, the Australian Government's commitment to public housing funds declined by as much as 26 per cent in the period between 1989 and 2000/1, a fall of \$AU75 million in 2001 prices (Hudson 2002:51). These indicators highlight a broader politics of housing policy and fiscal commitments that have consistently favoured more affluent home-owning households, a point to which we will return later. Table 1 below lists the main organisations that have influenced Australian housing policy and their date of inception.

**Table 1: Australian organisations active in the housing policy process**

<i>Political parties</i>	<i>National associations</i>
Australian Labor Party	<i>Private</i>
Liberal Party of Australia	Housing Industry Association (1940s)
Country Party/National Party	Master Builders Association (1890s)
The Australian Greens	Real Estate Institute of Australia (1940s)
	Australian Bankers Association (1940s)
	Urban Development Institute of Australia (1972)
	Australian Association of Permanent Building Societies (1890s–1980s)
	Property Council of Australia (1980s)
	<i>Labour</i>
	Australian Council of Trade Unions (1914)
	<i>Non-profit</i>
	Australian Housing and Urban Research Institute (1993)
	Australian Council of Social Service (1940s)
	National Shelter (1975)
	Australasian Housing Institute (1998)
	National Community Housing Forum (1996)
	National Affordability Housing Summit (2004)

Source: Adapted from Dalton 2009

### 1.2.2 *Societal change*

Housing policy also needs to be situated within the context of societal change. For example, population growth in Australia's metropolitan cities over the last 30 years has fuelled demands for new housing. Immigration has been a significant factor in the population growth, currently accounting for more than a half of population growth, a proportion projected to increase. Another socio-demographic factor is the changing patterns of household formation and changing household structure: over the past 35 years, later marriage, falling birth rate, increased divorce rate and longer life expectancy has increased a proportion of single-person and single-parent households. In general, average household size has been consistently decreasing over the past decades. A combination of smaller households, stagnating real incomes in the bottom half of the income distribution and population ageing over the past 30 years has produced additional demand for affordable housing in general and social housing in particular. Also of significance is the fact that the private rental market is decreasingly effective at providing affordable and secure housing.

In this context, the rising workforce participation rate of women since the late 1960s is a response to the stagnating real incomes in the bottom half of the income distribution, which brought the end to the breadwinner model that predominated until the end of the 1960s. With the fall in housing affordability, dual-income households have been much better placed to compete in housing markets. Socio-demographic changes mentioned above have reinforced the trend of socio-economic polarisation and exposed an increasing proportion of population to the threat of poverty. The total number of households on State Housing Authority (SHA) waiting lists in Australia currently stands at over 176,000. On the far side of this trend is homelessness, as the extreme form of social exclusion, also on the rise. According to the 2006 Australian Census, over 100,000 Australians are either homeless or living in inadequate and temporary accommodation (Chamberlain and Mackenzie 2009).

Sharp rises in house prices and rents in the private rental market, particularly in metropolitan cities, also highlight housing stress and indicates that the housing market cannot provide solutions for everyone in the changing economic and socio-demographic circumstances. Recent estimates of households deemed to be in housing stress (spending over 30 per cent of their income on housing) has, for example, been reported by Gabriel et al. (2006) in the range of 700,000 to 1.1 million Australian households. These indicators touch on the recent research literature in Australia which, taken together, highlights the need for concerted action to secure more equitable and sustainable housing.

### 1.2.3 *Economic rationalism*

The third important driver is ideology. The dominant ideology that has been utilised within government is commonly referred to 'economic rationalism' (an Australian version of neo-liberalism), which according to Peck (2001), is the promotion of the principles of market exchange as a fundamental mechanism for resource allocation across an increasing number of social domains. In suggesting that economic rationalism is a driver of housing policy change is not to deny that individuals or indeed institutions are significant in shaping outcomes or that ideological change operates independently of human agency. Our point here is that the ideology of economic rationalism exerts an influence because of the success of individuals and agencies to promote a conceptualisation of politics that portrays the free-market as preferable to government-allocated provision.

The adoption of economic rationalism in Canberra in the early 1980s has been both complemented and driven by economic globalisation, the reform and retrenchment of

the welfare state and a pressure to reduce tariffs and barriers to international trade, often to the advantage of more affluent trading partners. In practice, economic rationalists emphasise the need to reduce welfare expenditure and reliance on benefits by those who live in relative poverty. Economic rationalists argue that the priorities of government should be to establish the conditions for individuals to accrue wealth and provide opportunities for private sector interests to secure a foothold in the activities of government service provision including health, education and housing (Pusey 1991).

Such neo-liberal ideology has guided key agencies managing UK and Australian public housing services (Beer et al. 2007). Examples include the requirement that public housing should be only made available for those with acute needs, the introduction of probationary tenancies as a way of regulating behaviour, and providing subsidies to landlords to encourage investment in the private rental market. Neo-liberalism has also re-shaped the organisations that constitute the welfare state. Quasi-markets have been introduced in many areas of service delivery within government agencies, which was justified by establishing greater consumer choice. In practice, this has expanded the commercial opportunities for private agencies in areas of provision previously entrusted to the state (for example, low cost rental housing, competitive tendering requirements etc).

Understanding economic rationalism or neo-liberalism provides a basis to consider the strategies that are being discussed within contemporary Australian housing policy circles. For its supporters, public housing should remain a residual service, targeted only at those in acute need. Critics of economic rationalism take a contrary view, arguing that more funds are required to boost the supply of public housing so that it might become available to a broader range of social and economic groups, thereby addressing the overspill of housing stress for low and moderate income groups, while providing a higher quality and perpetual merit good by which future generations could be accommodated. For those espousing this position, an increase in public housing investment is necessary to address homelessness, housing stress and an ageing population, but also as a means of promoting housing-related outcomes including health, education, labour force participation and so on.

In historical terms, policies towards public housing reflect the dominant ideologies within the broader setting of Australian politics. While Australian governments have always prioritised owner occupation (for a number of reasons detailed later in this paper), the period of late-1940s—mid-1970s was one in which there was a bi-partisan commitment to fund public housing and enable investment in new stock. The economic recession of the mid-1970s was significant in providing a rationale for the Commonwealth Government to reduce funds available for public housing. The legacy of limited funds affected not only capital spending on maintenance and new stock, but also the housing management practices of SHAs. Funding cuts have the most obvious impact on allocation policies. The constraints on operating budgets mean that SHAs are limited to only offering assistance to households with the most acute need. Consequently, and in conjunction with a decline in manufacturing sector employment, the social and economic profile of public housing occupants has become increasingly disadvantaged over the past 30 years. In 1981, 43 per cent of working age adults in public housing were not employed, while by 2006 the proportion had increased to 70 per cent (Atkinson and Jacobs 2008; Wood et al. 2009).

If we consider the post-war period in its entirety, Australian governments have been more disposed to subsidising owner occupation and the private rental market than public housing. In contrast to the UK, public housing has always been a marginal tenure and now comprises fewer than 5 per cent of the total housing stock (AIHW

2008). However, as discussed in Section 3, Commonwealth governments have, at various junctures, responded to demands for more public housing to address a shortage of supply. While it is too early to assess the implications of the most recent (2008–2009) economic slowdown, its consequences—such as unemployment and an increase in the number of people experiencing housing stress—are likely to intensify demand for public housing. It is clear that the \$6.4 billion funds announced in the Commonwealth Government's 2008 economic stimulus package will provide new capacity to increase the supply of stock and opportunities for community housing organisations to develop their portfolios.

### 1.3 Definitions

In this Research Paper, *public housing* is used to denote stock managed by elected state and territory governments in Australia and elected local authority councils in the UK. *Housing Association* property refers to stock managed by not-for-profit housing providers in the UK. In recent years, housing associations are referred to as *Registered Social Landlords* (RSLs). In Australia, the equivalent to *Housing Associations* is *Community Housing Organisations*. The term *Social Housing* in both the UK and Australia is a generic term that includes both public and RSL (UK) and community housing organisation stock (Australia). In recent years, the term *Social Housing* has been used to denote any housing that has been subsidised to enable low-income tenants to rent at below-market rents.

UK local government authorities that manage public housing comprise of directly elected councillors who set the strategic policy direction and professional staff who manage the stock. Housing Associations, which were formally charities, have become highly professionalised. Their funding relies on rental income and capital grants (Social Housing Grant) from the UK Government's Homes and Community Agency. Since the early 1990s, housing associations operate in similar ways to local authority landlords, in terms of the tenants they house and in their implementation of central government policy, through such instruments as nomination agreements and common waiting lists (Pawson 2006). Following on from referenda in 1998 housing policy has been devolved to the regions of England, Scotland, Northern Ireland and Wales.

### 1.4 Methodology

There are considerable challenges that confront researchers seeking to understand the housing policy-making process. There is an expectation that research should be immediate because of the need for organisations and pressure groups to provide quick responses to new initiatives and legislative change. Fast-track research is of course necessary, but this said, there is a greater risk of narrowly construing the subsequent analysis. Another difficulty when engaging in fast-track research is determining what new policies have long-term significance. This is a challenge, as policies are often presented as innovative in a fanfare of media publicity. It can be difficult in these circumstances to fathom policies that will prove long lasting in their effects. From a strategic and outcomes-oriented perspective of policy evaluation, it is clearly important to move away from short-term models and policy ideas and consider the broad principles and mechanisms by which such outcomes as community well-being, housing affordability and related socio-economic outcomes can best be achieved.

As we set out in section 1.5, the methodological premise advanced in this Research Paper is that a historically informed reading of public housing policy provides an appropriate vantage point to interpret recent developments. The most explicit advantage of a historical perspective is that it offers a foundation to note longer-term

trajectories and link events that can at the time appear unconnected (Jacobs, 2001). For example, owners of investment properties are able to minimise tax liabilities by negatively gearing expenditure incurred, which limits the funds available for governments to spend on reducing housing stress. In effect, according to Kemeny (1992), tenants in housing stress pay for the advantages bestowed to investor owners. A historical approach also enables a way to consider the impact of legislation and to discern significant policy innovations. Most important of all, it can bring to the fore the complex interplay of agencies that ultimately inform the conduct of policy. Here we diverge from traditional housing histories that have tended to construe all policy intervention as a response by government administrations to pressing social need. Drawing upon the work of Kemeny (1992), the analysis presented offers an interpretation of both UK and Australian housing policy as a site of interest mediation in which different agencies mobilise to advance their interests.

Alongside an historical perspective on Australian housing policy, the Research Paper considers developments that have taken place in the UK. While other countries also present opportunities for comparative analysis (e.g. see Dalton's (2009) and Milligan et al's (2006) discussions in respect of Canada and the Netherlands), we have focused on the UK as a basis for comparison as many of the innovations that have taken place there are now being considered by Australian policy-makers (particularly in areas like private sector finance, social inclusion/exclusion and community housing sector regulation). In setting out policy developments in the UK, we have taken our lead from Ball's (1998) argument that comparative scholarship enables the exploration of a broad range of issues that is not so easily undertaken in a study limited to one country. Ball contends that a comparison of nation-state housing systems is a productive way of identifying the trajectories of social change, government policy and organisational restructuring. The summary of UK housing policy history, set out in the next section, makes explicit the common set of challenges that confront organisations delivering welfare services such as public housing. It also provides an example to gauge the capacity of governments to effect policy change and establish new subsidy arrangements for financing affordable housing.

## **1.5 Why governments get involved in housing**

Though we advance a particular interpretation of housing policy, it is helpful to explain other perspectives that have been deployed to explain the reason for government intervention in housing markets. The most widely held perspective (which we term 'social administrative') is that governments operate benevolently and aim to rectify social problems that are not met through the workings of the market. The assumption informing this perspective is that the state is an independent arbiter mediating between competing claims for resources. While housing policy is often presented in this way, in official documents and by professionals working in the field, it is, in our view, an overly simplistic framework which overlooks the complex power relations that shape housing policy. Another problem with the 'social administrative' perspective is that it is too focused on the consumption of housing and overlooks the relatively weak position of tenants in the network of power relations that constitute practice.

A more nuanced perspective is advanced by economists such as Michael Ball (1988), who argues that the primary reason for state intervention in housing is not simply one of meeting need, but more of ensuring the efficient workings of the economy. Ball adopts what can be termed a 'structuralist' approach, noting that the production and allocation of housing operate in accordance with the profit motive. The processes of consumption, according to Ball, are of secondary importance. One of the merits of this perspective is that it makes explicit the connections between housing policy and the broad workings of the economy but, on the other hand, its portrayal of the state as a

monolithic entity seeking to advance the interests of capital is problematic. The state is better conceptualised as a complex amalgam of sectional interest groups that can often act in quite different ways. For example, both the UK and Australian governments have in recent times pursued policies to address social inequality, but also initiated economic reforms that impact in negative ways on households with low incomes. While there is not sufficient space to go into detail, our approach also draws upon aspects of 'convergence theory', which is often used in comparative housing policy analysis (Schmidt 1989). Convergence theory emphasises the common pressures (e.g. global economic competition) to which governments are compelled to respond to, and the historical similarities in different national 'stages' of housing policy (e.g. a bifurcated approach in respect to social housing tenants and the home-owning majority).

Kemeny (1992) advanced an alternative interpretative framework, known as a 'social constructionist' perspective. He emphasises the role played by different interest groups such as consumers, producers, welfare professionals and private sector agencies within the state. Therefore, public housing policy-making cannot be understood without reference to the role played by agencies and interests groups, both within the government and the wider society. This approach can help to understand why so many policies initiated by the government can appear contradictory or undermine stated objectives. For example, providing subsidies to homeowners, even through first-time homebuyer grants, has tended to have an inflationary impact and, in itself, does little to boost supply. Similarly, providing tax relief to generally well-off rental investors through negative gearing has increased the gap between them and those who are less affluent. As we seek to show in the discussion of UK and Australian housing policy, governments respond to pressure from interest groups all of whom seek to impose a rationale as to why such interventions are necessary.

This brief introduction has set out the aims of the research project and a summary of the economic, social and ideological processes shaping housing policy. It has also set out the rationale for considering Australia's housing policy alongside developments taking place in the UK. We have argued that an understanding of economic conditions, demographic change and the ideology of economic rationalism are required in any analysis of housing policy. We wish to emphasise, however, that structural and ideological factors do not operate independently of individual agency and that government agencies and those working within them retain the capacity to generate significant political change.

The next section uses this theoretical framework to provide a historical overview of UK developments in relation to public housing.

## **2 UK PUBLIC HOUSING POLICY — AN HISTORICAL OVERVIEW**

Section 2 provides an historical overview of public housing in the United Kingdom and collates the international research evidence on the major issues affecting its viability. The particular focus is on the economic, social and political drivers and organisational challenges that have shaped UK housing policy. An examination is made of how these drivers, along with contemporary organisational challenges, have affected the viability of public housing. The key argument is that economic imperatives have been the primary driver of UK housing policy and that the stated aim of meeting need has been secondary to the primary concern of managing the economy to secure growth. We also contend that contemporary housing policy has been dominated by neo-liberal ideology, which has led to a succession of managerial interventions to open up new markets for private sector engagement.

For the purposes of our analysis, two key periods are noted. The first is the period from 1945 to the mid-1970s, when UK Labour and Conservative governments invested in public housing on the basis that it provided an important function in an expanding employment market. Though there were differences between the major political parties, increased revenue generated from economic growth enabled governments to commit to spending programs in areas such as health, education and housing. The second period commenced shortly after the economic recession of the mid-1970s. The shortfall in central government funds provided the rationale for reducing the repair and maintenance budgets of local authority housing departments. Increasingly, public housing was construed as ‘problematic’ and deemed an expensive and overly bureaucratic form of provision that required major reform. From the 1980s onwards, the public housing ‘problematic’ status has endured and it has been subject to a plethora of managerial initiatives including privatisation, in the form of right-to-buy and stock transfer and disciplinary frameworks intended to regulate tenants. We now give more detail to these two periods.

### **2.1 The foundation of the welfare state and the challenges of providing public housing, 1940s–1970s**

#### *2.1.1 Housing before the Second World War*

Historical accounts of 19th century UK housing generally emphasise the economic and social challenges that followed rapid periods of industrialisation (see Holmans 1987) in large conurbations like Glasgow, Birmingham, London and Manchester. A feature of these conurbations was a pattern of spatial inequalities with poorest inhabitants residing in inner city areas (Stedman Jones 1971). Rapid population growth, fuelled by inward migration, and a low wage economy, were the major structural factors that accentuated urban poverty. Despite considerable pressure for social reform and concerns about public health, governments were generally resistant to subsidising the building of housing to ameliorate poverty. Not until the years following World War One was there any significant legislative response to the pressure for new public housing. In 1919, the *Town and Country Planning Act* established the basis for government building programs (Malpass 2005).

The 1920s and 30s were periods in which the UK Labour party grew in influence, both at a national and local level. Municipal Labour administrations in cities such as London and Glasgow, in response to the demands of their constituencies, engaged in large-scale building programs of public housing to address urban poverty. Slum clearance and council house building programs were also promoted by the

Conservative Government in the 1930s. However, the most significant welfare innovation followed the publication of the Beveridge Report in 1942 which set out a role for government to protect individuals from squalor 'from the cradle to the grave'. Alongside the establishment of a national health service, the Labour administration's major social policy initiatives were in education and housing. Over 800,000 new council homes were built in the years 1945–1951 (Malpass 2003). The pressure for welfare housing provision was reinforced by the impact of the war, when 450,000 dwellings were destroyed in bombing raids, the existence of slums that predated the war, and demographic change.

### *2.1.2 1940s–1970s: Confronting organisational challenges*

As discussed in subsequent sections, the primary challenge that confronts providers of public housing is the need to keep rents at a sufficiently low level to maintain the broader living conditions of tenants while maximising the limited income streams that accrue from central government sources. Pressure from tenant associations has meant that local authorities traditionally prioritised keeping rent levels to a minimum, although this made financing the maintenance and modernisation of stock difficult (Pawson, 2006:769). At the time of the inception of the welfare state in 1945, 62 per cent of UK dwellings were rented from private landlords and wartime legislation limited the capacity of private landlords to increase rents. The subsequent reduction in size of the private rented sector meant that rent levels within the council sector became a source of conflict. In the 1940s and 1950s public sector rents, especially for new dwellings, were high compared with the controlled rents in the private sector, and demands were made for more government subsidies to enable local authorities to keep rents low (Murie, 1997). Almost all local authorities operated their own housing allowance system for council tenants until a national scheme was introduced in 1972.

While the welfare state and political pressure from tenants secured more financial support for housing authorities (Balchin, 1995; Murie, 1997), there was no major change in the organisation of housing provision compared to the major restructuring of other welfare services such as health and education. Public housing provision was viewed as the domain of local, rather than the national, government.

A second organisational challenge that confronted the UK Government was the shortage of land within urban areas of high housing demand. The pressure to increase housing supply was considerable, not only from tenants but also from private sector building companies keen to expand their market. Pressure from these interest groups was the reason why the UK Government established subsidies for local authorities to build high-density housing in the 1960s and early 1970s (Dunleavy 1981, Glendinning and Muthesius 1994). In the years 1965–1972, half of all council house construction involved the building of apartments, with a quarter of these being five stories or more (Pawson, 2006:768). This period was also characterised by a decline in the private rental market and a corresponding increase in the owner occupied sector.

What were the other drivers fuelling council housing building programs in this period? Economic growth certainly provided government with the resources to invest in housing. The building methods of the 1960s and 70s and functionalist designs chimed with a sense of optimism and modernity. There was also pressure from within the organisations of government to enhance their role. In the period 1945–mid-1970s, social democratic politics were on the rise and nascent professional welfare groupings were willing to intensify their campaign for the amelioration of income inequality and improved assistance for poorer households (Merritt, 1979). Professionals working within other institutions of the welfare state, for example in town planning, had an important supporting influence. A demonstration of their success is the fact that policy

commitments that started in the immediate post-war period remained broadly intact until the 1970s, regardless of which side of politics was in power (Balchin, 1995).

### 2.1.3 Economic recession 1970s

The global economic slump and high inflation of the mid-1970s had a profound impact: the UK Government's income shortfall necessitated requesting a loan from the International Monetary Fund. With limited income streams, the Labour Government of 1974–1977 engaged in a scaling down of welfare commitments. The one substantive piece of legislation in this period was the 1977 *Homeless Persons Act* that established a statutory right for individuals deemed at risk to access accommodation that, with the benefit of hindsight, can be interpreted as an important advance in welfare state policy. The legislation required local authorities to prioritise homeless households over and above other waiting list applicants, thereby changing the social profile of many public housing estates.

This was a period of consolidation of neo-liberal politics. In 1976, the Labour Government used monetarist policy in an attempt to control public expenditure and to curb inflation, and the new 1979 Conservative Government engaged in a sustained critique of large-scale government spending. While in overall terms public expenditure did not fall, the growth of public spending as a proportion of GDP was reduced. For public housing, the impact of reduced subsidies led to rent increases and a rise in housing benefit allowances. The net effect was that, by 1997, the value of housing spending in real terms was the same as in 1980, but the mix had shifted from supply to demand side (see *Evaluation of English Housing Policy*, ODPM 2005).

## 2.2 Conservative government 1979–1997

The Conservative Government 1979–1997 was generally unsympathetic to the notion of public housing and sought to associate its problems with bureaucratic local Labour administrations. The government was committed to promoting homeownership and it sought to portray public housing both as a drain of resources and as unresponsive to the needs of tenants. As discussed below, legislation was enacted to reduce expenditure, enable council tenants to purchase their own properties and open up opportunities for other non-state actors to manage public housing. Table 2 below illustrates the changes in tenant structure since the early 1980s.

**Table 2: Tenure structure in Great Britain 1981–2006**

<i>Year</i>	<i>Owner-occupied</i>	<i>Private rented</i>	<i>Housing assoc.</i>	<i>Local authority</i>	<i>Total</i>
	%	%	%	%	%
1981	58	11	2	29	100
1986	62	10	2	26	100
1991	66	9	3	22	100
1996	67	10	5	18	100
2001	69	10	7	14	100
2006	70	12	8	10	100

Source: Communities and local government (2009a) live tables website Table 102

### 2.2.1 *Right to buy policies and the promotion of owner occupation*

The most significant policy intervention in this period was the 'Right to Buy' legislation (1980 *Housing Act*) that enabled council housing tenants to purchase their home at a discounted rate. Between the years 1980 and 1996, more than two million dwellings were sold to tenants at discounted prices. The proportion of households living in social housing fell from over 40 per cent to under 20 per cent (Pawson and Mullins 2009). There is a consensus within UK housing scholarship that tenure diversification strategies, such as the Right to Buy, were intended to reduce the role of Labour local authorities which were judged as recalcitrant and obstructive. In terms of impact, Murie (1997) contends that the Right to Buy legislation and restrictions imposed on new house building by local authorities increased the residualisation of public housing. Local authorities were required to reduce their debts rather than use the income generated from Right to Buy sales for public housing investment, as had been envisaged in the original design of the policy. Furthermore, most of the tenants able to purchase their homes were the most affluent (Murie, 1997). The financial implications of the Right to Buy scheme were compounded by the introduction of a new subsidy system for council housing discussed in the following section.

### 2.2.2 *Financing of council housing*

The 1980 *Housing Act* also changed the framework for subsidising council housing. In order to compensate for the reduction in central government subsidies, rents were required to rise nearer to market levels. At the same time, to enable those on lower incomes to afford the higher rents, a revised housing benefits system was introduced which continued to provide up to 100 per cent of rental costs for those eligible. It operated on a very steep taper, so that households whose income rose found themselves losing their benefit at a very rapid rate and thus providing incentive to worklessness (Murie, 1997). Additional changes to the financing of council housing was achieved through the passing of the *Local Government and Housing Act* 1989 which effectively provided limits on central government subsidies to local authorities. The 1989 Act also prevented local authorities from using income from the general rates fund to subsidise the housing revenue account. Many local authorities had no option but to raise their rents and reduce housing maintenance programs in an attempt to make up for the shortfall.

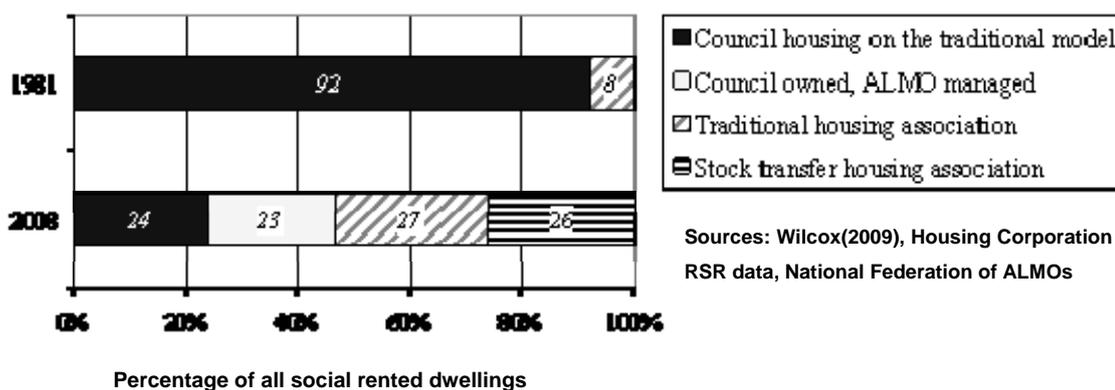
### 2.2.3 *The promotion of housing associations*

Until the 1980s, the housing association sector had been a marginal part of the social housing provision, but the Conservative Government viewed them as agencies that could operate as an alternative to council housing. The *Housing Act* 1988 liberalised the funding of housing associations, by defining them as being outside the public sector and therefore able to borrow and invest as private, rather than state-controlled bodies (Pawson, 2006:771). From the late 1980s, Housing Associations became the preferred vehicle for the building of new social housing to rent, and public expenditure was steered towards housing associations. An intention of the new financial arrangement was to establish local authorities as enablers of housing services and entice additional private finance, thereby easing the demands for additional public expenditure (Murie, 1997). In the period 1988–2008, over 50 per cent of local authorities in England, Scotland and Wales had transferred either all or part of their public housing to housing associations (see Table 2 and Figure 1). As many as 180 local authorities have no landlord function at all (Pawson and Mullins 2010)

Local authorities, as a way of attracting funds to compensate for the reduction of government subsidies, initiated a large-scale voluntary transfer of properties to housing associations, enabling authorities that were in negative subsidy to transfer

their stock. The first involved the transfer of an entire rural authority stock of over 45,650 tenanted homes. Since then, there have been over 130 authorities that followed suit, and over a million homes, former council properties, were transferred to Registered Social Landlords (Murie, 1997:47). As well as entire portfolios, individual estates were also transferred (Wood, 2003). The purchasers of stock transfer properties were usually newly formed housing associations. At a time when expenditure on other government services, such as law and order and defence, increased, overall spending on public housing was reduced by 48 per cent (Balchin, 1995:8). The under-investment in public housing in the period mid-1980s–mid-1990s accentuated its status as a residualised and problematic tenure.

**Figure 1: English social housing restructuring, 1981–2008**



Source: Pawson and Mullins, 2010

It is important to consider why public housing was effectively singled out to bear the biggest cut in public expenditure in the UK, at a time when the number of households was increasing because of changing household formation patterns. The most plausible explanation is that cuts in public housing were politically easier to implement than in other areas of welfare provision such as education and health, since the latter welfare functions have broader constituencies. It is also easier to cut capital spending on maintenance as the consequences are not felt immediately. The supporters of public housing in the UK and associated lobbyists had little influence. Furthermore, much of the public housing was located in urban areas mostly represented by Labour councils so the opposition to the cuts generally split on party political lines.

### 2.3 Labour Government 1997–2009

The election of the Labour Government in 1997 provided a change of emphasis on housing policy. For example, a Social Exclusion Unit was established in 1997 to address the problems within disadvantaged neighbourhoods and a National Strategy for Neighbourhood Renewal launched by the Prime Minister in 1998. However, there was no return to the policies of the 1960s and early 1970s; for example, a focus on individual responsibility and incentives to encourage the long-term unemployed to seek work were maintained. However, the lack of supply remained a problem, and in the five years 2000–2005, the number of lettings available for new social tenants fell rapidly. Approximately 250,000 properties were let each year in the 1980s and 1990s but only 170,000 in 2005. In part, this is because high house prices have acted as a brake on existing tenants moving (Hills, 2007:6).

### 2.3.1 *Building maintenance and performance standards*

One of the stated priorities of the Labour Government was to tackle the £10 billion backlog of repairs to local authority housing for over two million social homes below standard. A protocol known as the 'Decent Homes Standard' was established in 2000 as an attempt to enhance the physical condition of social housing. Social landlords were expected to bring their properties up to standard by 2010. As local authorities are restricted from raising rents to pay for the renovation work, the Decent Homes Standard has, in effect, acted as an incentive for further stock transfers to housing associations (Hills, 2007).

The Labour Government has more than doubled investment in social housing from 1997 levels, to £2 billion in 2007/8. Since 2003, the distribution of development funds has been concentrated only onto larger and efficient housing associations. It has also introduced other formal regulatory codes such as the *Best Value Framework* to encourage social housing providers, including local councils and RSLs, to adopt a planned approach to service development and to financial management (Pawson, 2006:771). The government also established the 'options appraisal process' that requires local authorities to choose between Large Scale Voluntary Transfers, Arms Length Management Companies<sup>1</sup> (ALMOs) or Private Finance Schemes to secure government subsidies.

### 2.3.2 *Social exclusion*

The literature reveals that the present position of the social rented sector in Britain is one of a much narrower social base, with a much stronger tenant profile of those on the margins of the labour market than previously (Murie, 1997). Seventy per cent of current social tenants have incomes within the poorest two-fifths of the overall income distribution (Hills, 2007:2) and social housing householders in paid employment fell from 46 to 32 per cent between 1981 and 2006. Social housing tenants also have high rates of disability, are more likely to be lone parents or single people, and to be aged over 60. By 2006, more than half of those of working age living in UK social housing were without paid work (Hills, 2007:5). Although many social housing tenants do have labour market disadvantages, such as lack of qualifications or disability, Hills (2007) notes that this does not appear to be the only explanation. Employment rates of those living in social housing with multiple disadvantages are substantially lower than tenants with similar disadvantages residing in private rental properties.

The growing issue of social housing segregation has also created problems for tenants and landlords in relation to issues of anti-social behaviour. In the areas originally built as flatted council estates, more than a fifth of social tenants report the presence of drug users or dealers and anti-social behaviour as a serious problem, and 18 per cent of tenants state that they feel unsafe alone even at home or outside in daylight (Hills, 2007:96). Two-thirds of social housing is still located within areas originally built as council estates and Hills (2007:99) notes that, as a result, the income polarisation between tenures now shows up as geographical polarisation between areas. The policy issues regarding concentrations of particular household types within public housing, and of whether socio-spatial segregation creates additional problems for residents, has become a dominant policy issue in the UK (Atkinson, 2008).

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<sup>1</sup> An ALMO is a company set up to manage council housing stock. It is owned by the local authority, but operates independently. Government funding is provided on the condition that local authorities separate their management and strategic functions.

### *2.3.3 Social mix and tenant empowerment*

One of the policy responses to the increasing socio-spatial segregation of social housing tenants and a number of social problems reinforced by the segregation of social disadvantage has been to try and create a 'social mix' of housing tenures and socio-economic groups. The doctrine of social mix is not new, but it has been revived within urban planning to counter the negative effects of social polarisation in British and European cities (Gwyther 2008). For example, policy-makers have taken steps to integrate new public housing within established neighbourhoods, guided by the assumption that low-income households in such neighbourhoods would have greater opportunities to access good schools, employment opportunities, and generally encounter values and lifestyles different from those prevalent in poverty and disadvantage stricken neighbourhoods. Research shows, however, that the policies of social mix have had limited effects because of the erroneous assumption that neighbourhoods and local communities are powerful bases of socialisation and social networking, the assumption that has long been challenged by anonymous urban living, high mobility and new communication possibilities that have diminished the importance of place-based communities. The only mixing in socially engineered neighbourhoods seems to be happening through children in local primary schools (Arthurson 2008). The stigma attached to social housing not only prevents mixing, but makes social housing residents feel alienated and closely watched by middle-class neighbours (Gwyther 2008).

Social mix policies are achieved through the planning system; for example, in England, Planning System Agreement (Section 106) uses 'planning gain' to extract 'affordable' units from developers, which are usually managed by RSLs. Recently, private developers have gained the right to bid for social housing grants. The S106 Agreements are utilised less often because of the recession and the very high levels of subsidy now required per dwelling.

### *2.3.4 Intensive management and allocation practices*

Because of the reality of various aspects of social exclusion of social housing residents, the organisations managing social housing have sought to develop management practices to address the consequences of allocation policies that prioritise disadvantaged and vulnerable tenants. There has been the pursuit of more intensive management initiatives, often in partnership with other welfare agencies (Atkinson, 2008), for example, the deployment of neighbourhood wardens on estates (Hoatson and Grace 2002) and the introduction of sanctions to address crime and anti-social behaviour. The emphasis on housing management as an appropriate policy response has remained constant over the last 15 years or so. The Social Exclusion Unit promoted area-based interventions. The rationale for intervention is that many of the social and economic problems experienced by individual households are compounded in areas of concentrated disadvantage, and that residents in these areas have fewer opportunities to gain education and employment (Wood, 2003).

Allocations policies have been deployed by local authorities as an instrument to extend wider community profiles (Atkinson, 2008). Lettings policies are now used to manage need, but at the same time to balance this against creating concentrations of household types. Choice-based lettings have been established to extend the range of household types, as they offer a level of choice: they enable tenants to identify their preferred location and to make a choice albeit from a limited range. It is reported that choice-based lettings have proved popular with applicants, have shortened the length of time properties remain empty, reduced turnover from new lettings, and have saved local authorities money as a result (Hills, 2007:7).

### *2.3.5 New building programs: the rediscovery of supply issue*

Over the last 25 years, sales to sitting tenants and demolitions have exceeded new construction and, as a consequence, shrank the social housing sector (Pawson 2006:767). The number of households on waiting lists in 2009 currently stands at over 1.8 million, double the figure when Labour were elected in 1997 (Mathiason 2009). However, there are geographical disparities where areas of the North remain in low demand. In 2009, the government announced that there will be significant new investment in public housing and that, continuing the theme of social mix, areas of new building should not contain more than 50 per cent social housing. Council-house building programmes will commence, after a break of 20 years, with a target of 139,000 homes over the next 10 years (Booth 2009). The government has also published a consultation paper following its review of council housing finance (CLG 2009b). The main proposal is to address the shortage of funds for council housing by dismantling the current national housing subsidy arrangements and replacing it with a new system based on self-financing council housing revenue accounts (following an adjustment to the debt held by each council). Should these proposals materialise, councils will be able to use rent and right to buy receipt income for future spending on housing (Chartered Institute of Housing 2009).

The problem of undersupply in the affordable housing sector has been recognised by the Conservative opposition and indications are that they are prepared to ease their hostility to council housing and enable local authorities to build houses in smaller developments (Mathiason 2009). The future commitments include a new city east of the capital 'Thames Gateway' and three Eco-Town proposals in areas of southern and eastern England (Communities and Local Government 2006).

## **2.4 Conclusions: learning from the past**

The discussion of public housing in the UK provides an example as to how problems relating to social exclusion and an under-resourced public housing sector have been addressed. What conclusions can we draw about policies enacted in the UK? First, the UK Government has, since the mid-1970s, failed to provide sufficient resources to meet the rise in demand for social housing in certain areas of the UK, particularly London and the south east of England (Bramley 2007). This can be traced to the cuts in subsidy for the social rented sector and the substantial rise in the costs of homeownership (Holmans et al 2007). Second, public housing, because of its association with bureaucracy and inefficiency, no longer has the support evident through the 1940s–mid-1970s. The description of public housing as 'homes fit for heroes' (a phrase used to describe council housing post-WWI) has been replaced by a contemporary categorisation of public housing as a problematic and residual tenure. In practice, new policies have introduced a raft of managerial reforms that have characterised UK public housing provision from the late 1970s onwards.

In seeking to understand the long-term trajectory of UK social housing policy, we have argued that the primary driver shaping this policy intervention is the economy. The reforms undertaken by the Conservative Government were premised on an assumption that efforts to strengthen a free market economy were undermined by a large bureaucratic welfare state (Doling, 1997; Forrest and Murie 1988; Malpass 2005). Public housing was therefore viewed as a drain not only on resources but also reinforcing a dependency culture that stymied individual initiative (Mullins and Murie 2006). The economic growth in the period from the mid-1990s to 2008 made it possible for the Labour administration to commit resources to the social housing sector and address some of the underinvestment that had characterised the earlier

periods. In this sense, ideology is of secondary importance to the workings of the economy in informing policy.

It is clear that there was considerable divergence between the Conservative and Labour administrations in their approach to public housing. At a rhetorical level and in terms of spending commitments, the Labour Government has been more supportive of local authorities' role. Yet, there is also continuity in the period from the mid-1970s to the present day in that the demand for public housing and the limited supply has meant that the social composition of tenants have become increasingly marginalised (Holmans et al. 2007). As described above, the response from governments has been to develop disciplinary management practices.

Another issue we wish to emphasise is that the UK experience provides an example of how housing policy innovation has been informed by the capacity of pressure groups and lobbyists, both within government and in the wider society, to pursue their interests. Specifically, the introduction of market-based reforms has opened up new opportunities for private sector interests (Jacobs, 1999; Malpass 2005, Beer 2009). The financial controls curbing local authority housing spending since the late 1980s has in effect established a space for other agencies. This said, it remains the case that social housing provide homes to nearly four million households (1/4 of all households), mainly in urban locations (Hills 2007). For Australian policy makers, the UK example illustrates that governments have considerable power to intervene in housing markets if the political commitment is there. As Murie (1997) has argued, public housing provision in the UK demonstrates the way the governments retain the capacity to produce and manage public housing but also how reducing public expenditure on housing reinforces entrenched inequalities. Therefore, the history of UK public housing, particularly from the mid-1970s onwards, is one which can be characterised as 'managerialist' in that the problems of a residualised sector are a direct consequence of government failing to invest sufficient resources. While in recent years there has been recognition from across the political spectrum that affordable housing is in short supply, the policy prescriptions remain small-scale, area-based and incapable of addressing the enduring systemic problems.

### **3 AUSTRALIAN PUBLIC HOUSING POLICY — AN HISTORICAL OVERVIEW**

In section 3, we provide an overview of Australian housing policy as a basis to consider the future challenges in the empirical component of the project. The section focus is on the role of public housing in Australia and how state governments have invested in the sector to address deficit in the supply of affordable housing.

#### **3.1 Pre-war public housing in Australia**

In contrast to the UK, in the early decades of the 20th century Australian governments promoted homeownership through state banks and war service home-loans (Frost 1991). The promotion of homeownership was possible because a high wage economy made it possible for many working class households to save in order to buy a home. State governments in Australia have considerable jurisdictional autonomy as well as key responsibilities for housing issues. A federal system, however, has meant that macro-economic policies and further sources of subsidy and, thereby, some degree of Commonwealth political and regulatory control, are an important part of housing policy. Most commentators agree that the formation of a distinct housing policy emerged in the post-war period, stemming from a number of pressing issues. Australia's affluence in this period had enabled the production of quality housing but could no longer be seen as a guarantee that less well-off groups would be accommodated in appropriate ways (Van Vliet, 1990).

In the years 1931–1944, a powerful housing reform movement emerged. The Australian labour movement adopted a very different political strategy to that of labour movements in Europe. This was not based on expanding the social wage but on ensuring that wage levels were kept above a minimum. This, and the low marginal tax rates, ensured that workers' living standards were maintained, and created the 'wage-earners welfare state', which required a high degree of self-reliance (Berry 1988). As a consequence, cyclical economic downturns with large-scale unemployment and a fall in housing construction created notorious slums, notably in Sydney, Melbourne and Adelaide. The labour movement pressured state governments to hold official inquiries into the poor housing conditions. The reports of these inquiries helped to frame housing problems in ways that led to understanding the need for an effective public housing system that would assist those on low incomes (Hayward, 1996).

Hayward (1996) has argued that it is possible to see two distinct periods in the development of public housing in Australia. At the turn of the century, Australia was beginning to recover from the effects of the depression of the 1890s. The welfare state was virtually non-existent, and the already large minority living in less than adequate conditions was beginning to increase (Hayward, 1996). Public housing was also non-existent, with private rentals and home ownership the only available tenures. A large contingent of the working class sought private rental tenure, with tenants left at the mercy of private landlords (Hayward, 1996:6). Sub-letting and overcrowding was common in inner-city private rental properties and poor housing conditions allowed the outbursts of diseases such as cholera and the bubonic plague (Hayward, 1996:7).

The economic depression of the 1930s led to an increase in unemployment and the repossession of owned homes. Many working-class people constructed makeshift huts and humpies as a last resort for accommodation (Hayward, 1996:7). The social conditions at the time were of interest to social reformers such as the town planning movement that contended the urban environment could be a positive determinant of

social behaviour (Hayward, 1996:7). The movement drew on ideas formulated by the UK's 'garden city' movement and the argument for an increased role of the government in town planning.

## **3.2 Post-war housing policy**

Berry (1999:106) incorporates the analysis of Maher (1994), arguing that the post-war Australian housing system can be characterised by three elements: the relative youthfulness of the stock; the low-density construction, and the dominance of owner occupation. Australia's population grew rapidly during the 1950s and 1960s. From 1947 to 1971, the population increased by fifty per cent, with over 40 per cent of this increase due to immigration (Berry, 1999). The emergence of cheap housing as a policy issue after the war was in large part due to a severe contraction in new housing production that had been apparent since the mid-1930s. Initial plans were for public housing to comprise of 10 per cent of the stock, but this was abandoned in the 1950s due to demographic and economic imperatives. During the 1950s and 1960s, rapid household formation was fuelled by immigration, a marriage boom and high birth rates. Even as household formation slowed in the 1970s, the population continued to grow and the demand for low cost rental housing intensified, especially in periods of rising unemployment and high inflation (Van Vliet 1990).

### *3.2.1 Commonwealth support for state housing: the CSHA (1945–1990)*

In Australia, social housing is overwhelmingly public housing managed by state and territory housing authorities (SHAs) established in 1945. In 1943, the Commonwealth Housing Commission was established, its recommendations generating the basis of the first Commonwealth-State Housing Agreement (CSHA). In 1944, money for the states to build housing for those on low incomes was first allocated. The development of a bilateral policy instrument in 1945, the CSHA, signalled the first national commitment to develop a public housing system that would be administered by the states, while funded from both state and Federal governments. The agreement stipulated that the states were responsible for the delivery of housing services, while the Commonwealth Government would provide financial support to state governments through cheap long-term loans (Hayward, 1996:13). Until 1956, the first CSHA imposed a certain degree of uniformity on all the states except South Australia, which only became an effective partner to the Agreement in 1953.

The amount of public housing dwellings under these arrangements rose from 4,098 in 1945/1946 to 14,317 in 1955 (Hayward 1996:16). Between 1945 and 1955, 100,000 public houses were built nationally, constituting 5 per cent of all dwellings. The Labor Government recognised that public housing was necessary in the long term in order to guarantee minimal housing conditions for all. Conservative politicians were more circumspect in their support, contending that public housing would only need to be a temporary intervention during a period of economic depression and after the War. Their view was that, once the private building industry recovered, it would not be necessary to rely on public housing (Howe, 1988). Yet the 1945 agreement clearly paved the way for a system that had significant longevity, with housing needs increasing over the latter half of the twentieth century.

The CSHA was also central to the regional and industry development plans of state governments such as Victoria and South Australia. The Victorian Government first received funds through the CSHA in 1945, but had already created its own Housing Commission through the *Housing Act* of 1937, largely in response to the problems of slum housing in its urban centres. Initially, the public housing emphasis was on the development of suburban estates on what was then the city's metropolitan fringe, and in provincial centres. This program sought to meet the post-war housing shortage and

support the booming manufacturing sector by housing industrial workers and their families, especially in South Australia and Victoria, and to alleviate housing shortage in the face of the after war baby-boom (Berry 1988; Hudson, 2002:49; Peel 1995). The Housing Commission concentrated on providing low-cost housing for families in urban centres (Howe, 1988). The general shortage of housing nationally had been accentuated by low levels of construction during the Great Depression as well as a failure of the building industry to make up for the shortfall after this period. These problems were compounded in states like Victoria where post-war growth in population reached 41 per cent in 1946–75 (800,000 people) so that many had to live in substandard dwellings—caravans, single rooms and tents (Howe, 1988). Therefore, it was in the period of 1945–60 that much public house building took place.

Between 1956 and 1973, Australia experienced an unprecedented economic growth with full employment. At this time, the private housing market was becoming an important source of new housing. The Menzies Government (a Liberal-Country Party coalition that came to power in 1949) continued supporting the public housing system. Yet, Menzies' main concern was promoting home ownership. The turning point was renegotiation of the CSHA in 1956 (Berry 1988; Hayward, 1996: 18) so that:

- The Commonwealth would no longer subsidise the states for losses occurring through low rents.
- There was no requirement that the states charge economic rents.
- Twenty per cent of the CSHA money would be redirected into Home Buildings Accounts, used to subsidise low-income earners purchasing schemes to boost home equity and ownership by low income tenants.
- The sale of public housing stock was to be relaxed so that the states would no longer be required to sell properties at market value to recoup funds to pay for their outstanding housing debts.

Hayward (1996) argues that, of all four major changes to the CSHA, the relaxed conditions regarding the sale of public housing stock was the most significant (see also Berry 1988). These changes to the CSHA allowed the states to reconcile their objectives of providing public housing and promoting home ownership. The states were now able to build new public housing, while selling existing housing stock at low prices, thus encouraging home ownership (Haywood, 1996: 18). Yet, this meant storing up later problems of dealing with wider housing stress while not covering any costs of capital investment in new stock. After the 1956 Liberal Government CSHA amendments, 90,000 CHSA properties were sold across Australia (Hayward 1996: 18). In NSW and Victoria, more social housing properties were being sold than were being built and, during the 1950s and 1960s, the SHAs continued to focus on 'broadacre' public housing estates.

During the 1960s, in Victoria and NSW, high-rise public housing estates were constructed at the sites of inner-city slum areas, in order to achieve economies of scale and satisfy higher levels of housing need. Yet, such developments (in inner Melbourne for example) in the early 1960s were largely discredited by the early 1970s as costs became uneconomical and the housing was considered unsuitable (Howe, 1988).

In 1983–84 Hawke's Labor Government increased the level of funding for public housing, allowing the SHAs to move away from market rents in favour of cost rents (Hayward, 1996: 24). However, the SHAs were permitted to charge market rents if they wished. From 1986, Commonwealth funding directed towards public housing was decreased in real terms to assist in broader cuts to state expenditure. In 1989, the

CSHA loans from the Commonwealth were replaced by grants, to decrease the pressure felt by SHAs to repay interest (Hayward, 1996: 25). Nevertheless, the viability of the public housing system continues to be haunted by the earlier loan system with states like Tasmania paying substantial proportions of their income to repay these earlier debts.

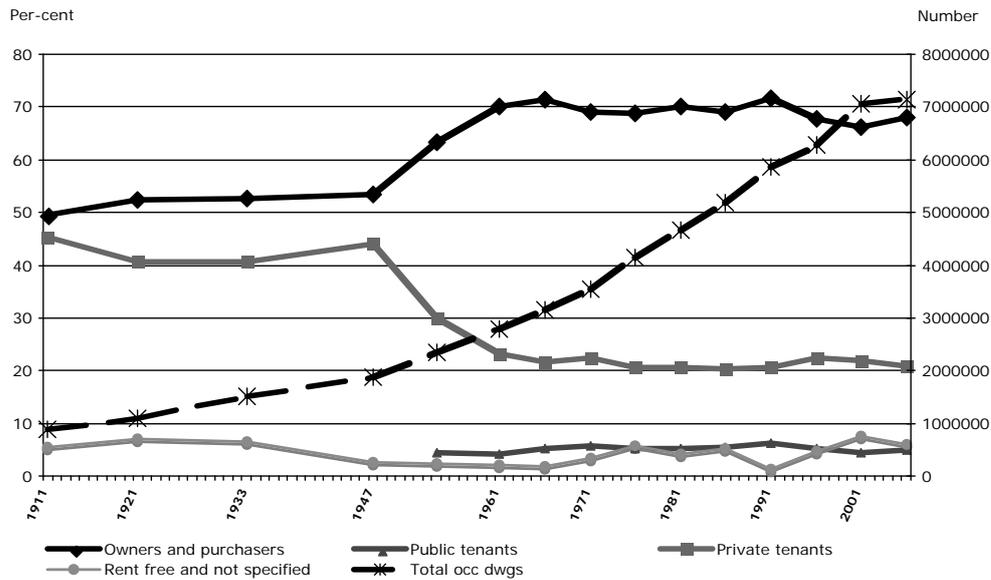
It is important to note that public housing has not figured highly on the Australian labour movement's political agenda with the ALP and unions seemingly ignoring public housing. Workers' acceptance of a 'wage earners democracy' has tended to focus the attention of the labour movement on state regulation of labour markets, wages and employment conditions as the means by which the material welfare of workers and their families might be primarily achieved.

### *3.2.2 Economic recession, 1970s–1990s*

Hayward (1996:22) has argued that the most significant factor of the economic context of Australia in the period 1973–1995 was the 'boom-bust' nature of the economy which experienced three separate recessions (1973–1974, 1982–1983 and 1991–1992). In those years unemployment climbed significantly, but between recessions the economy prospered. The private housing market also fluctuated, with significant increases in house prices after each recession. Hayward cites demographic changes as another significant influence on the housing market. In the 1960s, most Australian families fitted the traditional male-breadwinner 'nuclear' family model, but by the early 1980s, single parents and shared households were increasing. As described above, these wider social changes raised poverty rates but also increased pressure on the number of dwellings needed.

In 1972, The Whitlam Government significantly increased the funding of public housing, while simultaneously imposing stricter means testing of applicants (Hayward, 1996:24). Since then, almost all aspects of SHA practice have been under review. From the mid-1980s, the performance of the SHAs came under further scrutiny as each one had high levels of debt, with increasing amounts of their revenue being used for debt servicing, thus making it extremely difficult for SHAs to run at surpluses (1996: 24), to invest in new stock and to maintain existing stock levels and tenant needs. Between 1975 and 1995, the CSHA was renegotiated five times. Figure 2 below shows the long term tenure trends.

**Figure 2: Tenure of occupied dwellings and total number of occupied dwellings, 1911–2001**



Source: ABS, various censuses

### 3.3 The residualisation of public housing

Social residualisation has been a significant part of the history of Australian public housing. This means the increased tenurial concentration of less well-off and problematic households in one particular sector. Where this has combined with the geographical concentration of public housing, the effect was a more problematic public and political image of the role of public housing, an issue that has been highly damaging in relation to attracting a greater political support and investment in the sector.

The state governments have allocated funding from their own budgets to fund public housing, and this provided variability between jurisdictions in the resulting housing policy and programs. In the 1950s, most assistance tended to favour working families. Childless couples, single parents and single people did not receive help regardless of their hardship. This meant that by 1975 most public housing tenants were still not seen as being poor (Committee of Inquiry into Poverty, 1975). The Commission of Inquiry into Poverty report confirmed that public housing was not providing sufficient support to the majority of poor households and concluded that making public housing serve the poor better would lead to a change in the composition of the tenant population. In the 1970s, the mission of the state bodies had been to use their rental stock to house workers (Peel, 1995:185), but the increased demand for public housing and housing stress more generally provoked the changes by which public housing started to take on a more explicitly welfare role. Perhaps the watershed in this transition was the CSHA agreement of 1978, which restricted the role of public housing through three key decisions:

- Dwellings built with CSHA funds had to be sold at market value or replacement cost.
- Public housing rents had to be linked to market rents, with rebates (from state governments) for those who could not pay the full amount.

- Up to 40 per cent of the total amount of CSHA funds was re-directed from public housing to schemes to boost owner occupation (Peel, 1995:188).

These changes had a number of consequences. The SHAs had to spend more of their resources covering the rents of poorer tenants as tenurial targeting increased. The 1978 CSHA also clarified the objectives of public housing and its welfare function. Critically, the 1978 CHSA marked a move away from development and mixed needs accommodation towards a residual role of last resort. By the mid-1970s onwards, discussions of welfare dependency in Australia became more pronounced. Increasingly, there was an explicit connection made between public housing with welfare dependency and this connection, similarly to the UK developments, served to reinforce the problematic status of public housing.

In 1975, the Fraser Government grappled with double-digit inflation and sought to rein back on public expenditure in general. Public housing was one of the areas of reduction. At that time, a form of funding public housing changed from cheap long-term Commonwealth loans (55 years with 3.5% interest) to Commonwealth grants which were not indexed for inflation. The Hawke Labor Government boosted the public housing expenditure in the mid-1980s, but from the late 1980s the real value of the grants has been falling. In addition, regulations stipulated that the sales of housing stock could only be made at market prices and an intention to phase in full market rents (Hayward, 1996: 24). The differing financing arrangements, rental systems and allocation policies instituted in the 1970s and 1980s, combined with an increase in the number of low-income families, led to a rise in the number of households on public housing waiting lists. This heralded the increased targeting of public rental properties towards low-income families and charging market rents for higher-income households (to cover costs or encourage them to take-up private sector options). This facilitated a changing economic profile of public housing applicants and, over time, the tenant base itself. Here a parallel can be drawn with the UK case discussed in Section 2. Most societal drivers of residualisation were common to two countries, although there were a number of differences. For example, the marginalised status of particular ethnic groups in rust-belt cities, in connection with the economic restructuring in the 1970s, was much more pronounced in the UK. What was shared was the neo-liberal response to structural problems within the overall economy. Joining a global trend of shedding the Keynesian macroeconomics and in the quest to remain 'globally competitive', the Australian Government in this period aligned many economic and social policies with free market principles. Among social policies, the housing policy was one of the early subjects of such an alignment.

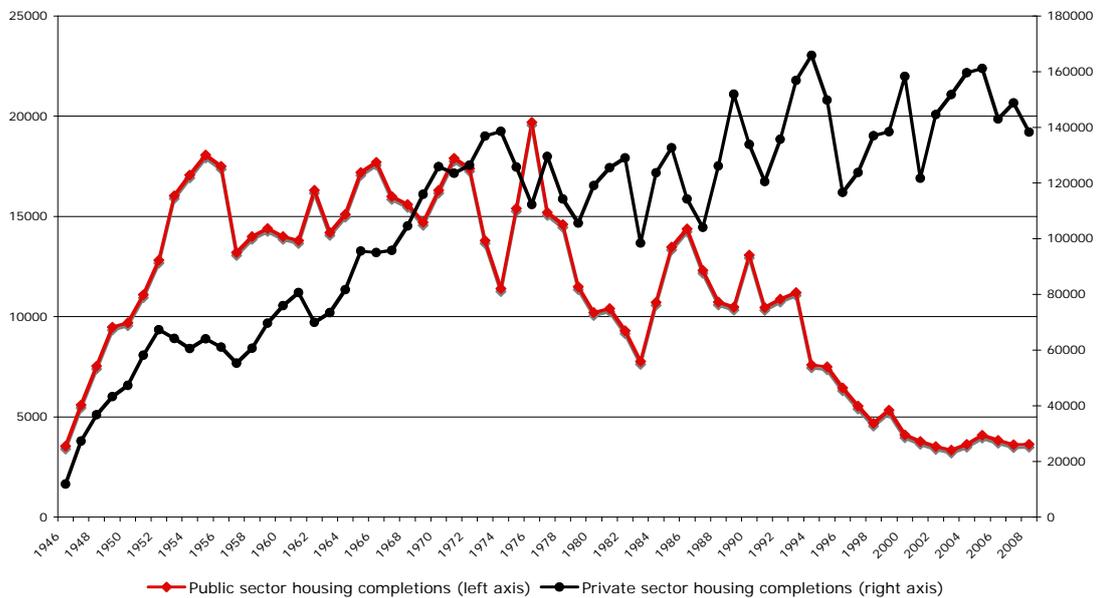
### *3.3.1 The effects of residualisation*

The SHAs faced increasing problems as a large proportion of their tenant base were on very low incomes. For example, whereas in 1966 over 80 per cent of public housing tenants were in paid employment, by 1994 around 78 per cent were receiving government pensions and benefits (Arthurson 1998:35). Similarly, while public renters were only three per cent of the working age population in 2002, 19 per cent of them were receiving a disability support pension (Dalton and Ong, 2007). This meant that it became increasingly difficult for SHAs to generate budget surpluses (Hayward, 1996: 28). By the mid-1980s, a shift to deregulation and the transition from public housing to welfare housing was essentially complete. In effect, the new CSHA forced a switch from market rents to economic rents (Peel, 1995). Rent rebates created a poverty trap since they operated as an incentive for tenants to stay on low incomes and avoid rent increases (Hayward, 1996: 25).

In 1986-87, the public housing policy environment changed as the Commonwealth Government reduced CSHA funds. In real terms, Commonwealth public housing

funds declined by 26 per cent between 1989–90 and 2000–01, a fall of \$75 million (2001 prices). This further emphasised the crisis in the sector which was now overburdened, under-funded and in numerical decline, even though the wider housing situation was becoming more problematic and the need for public housing likely to increase (Dalton 2009). The capacity of the states to compensate for the reduction over time of Commonwealth funds proved limited and a political blame game for the decline and problems of public housing persisted. Certainly, the decline in funds (from state and Commonwealth sources) reduced the capacity of the SHAs to maintain the increase in the stock numbers they had achieved during the 1980s (Hudson, 2002:51). Though there was moderate growth in total public housing stock throughout the 1980s, the impact of reduced CSHA funding was felt more acutely by the late 1980s. Since the mid-1990s, the total quantum of public housing stock has been relatively static with a net growth rate averaging only one per cent per year (Hudson, 2002:51; Hall and Berry 2007a; Hall and Berry 2007b). Figure 3 below illustrates the long-term trend of housing supply.

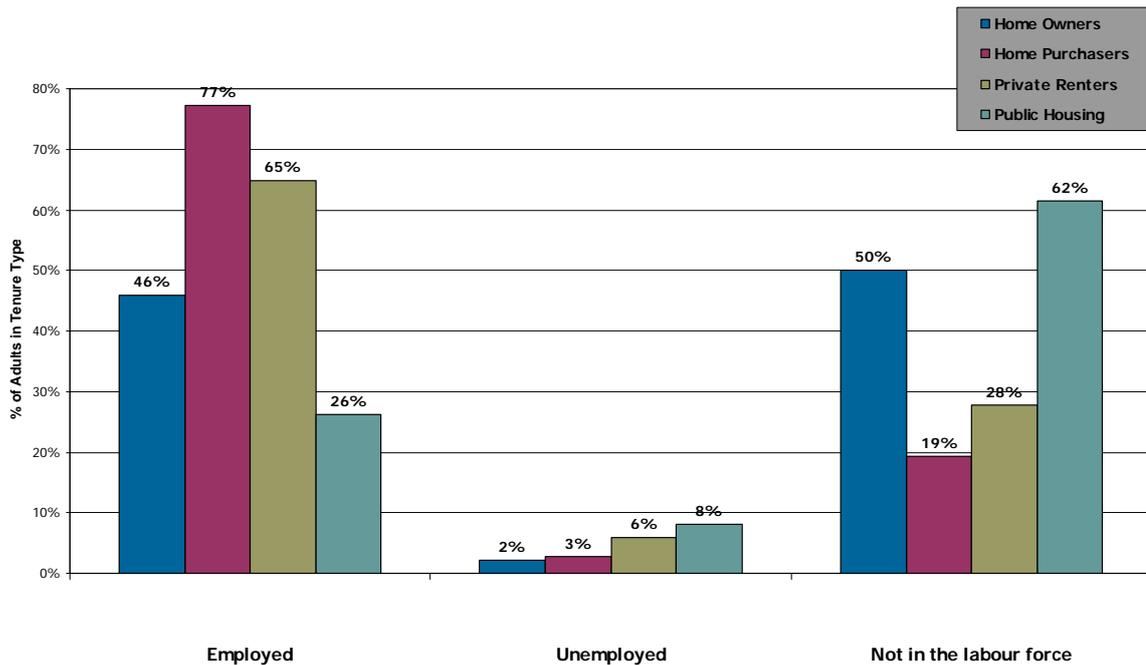
**Figure 3: Public and private dwelling completions in Australia, 1946–2008**



Source: Dalton (2009)

The increased targeting of public housing to those who were least well-off was rationalised as the core role of the public housing sector, yet the problem associated with this shift was the concentration of the most disadvantaged with little incentives or opportunities for escape or economic participation. Figure 4 illustrates this problem.

**Figure 4: Labour force status by tenure type, 2006**



Source: Atkinson and Jacobs (2008)

The South Australia Housing Trust (SAHT) opted not to increase the amount of rent paid by tenants when tenants' financial situation improved, on the basis that this would punish behaviour that should be encouraged. The SAHT likewise refused to ask such tenants to leave, as they felt mixed incomes within housing estates should be encouraged. As a result, SAHT were poorly maintained and the estates often lacking in community facilities (Hayward, 1996:19). South Australia was the only state not to allocate housing based on the results of a means test, while other states' criteria for allocating housing were poorly developed. Hayward (1996) argued that the states have been more interested in promoting aggressive sales of public housing than laying the foundations for a strong commitment to the tenure. Any reduction in overall public stock numbers through sales would lessen the debt on the original construction loans and ongoing operating expenses, thereby reducing existing financial pressures on the SHAs. The Commonwealth Government priorities set out in the Commonwealth-State Housing Agreement (CSHA) supported this approach. Potentially a way was open for the SHAs to apply the proceeds of any sales of public housing through redevelopment to debt reduction rather than to maintenance and replacement of stock sold as in the past (Arthurson 1998:36).

The residualisation of public housing has accentuated long-standing problems, for organisations that manage the sector and for tenants. The shortage of available public housing operates as a deterrent for households to join waiting lists while SHAs are hindered in their response to the changing needs of public housing communities by the current debt burdens placed on them (Atkinson, 2008:7). The stigmatisation of public housing has made it politically difficult for its supporters to promote it as an effective tenure to meet other than for the extreme cases of poverty. Table 3 below illustrates the decline in the overall stock between the years 1996–2006.

**Table 3: Public housing dwellings by state and territory—1996, 2001, and 2006**

	<i>1996 Census</i>	<i>2001 Census</i>	<i>2006 Census</i>
Australia (including OT)	329,830	318,292	306,696
New South Wales	117,692	114,606	109,494
Victoria	51,713	55,024	54,971
Queensland	45,721	47,378	48,225
South Australia	53,023	44,758	40,475
Western Australia	30,754	29,457	28,900
Tasmania	12,406	11,639	10,452
Northern Territory	7,494	5,307	4,710
ACT	10,738	9,884	9,310

The concentration of poverty within public housing locations has meant that the housing management tasks have become more difficult and resource-intensive. Some estates have become established centres of heroin dealing and drug use (Dalton and Rowe, 2004) and require innovative regulation in addition to law enforcement policies. In recent years, Victoria's Office of Housing, Police and non-government agencies have worked together to increase security, electronic card access, 24-hour concierge presence and foot patrols with door-to-door checks to verify tenancies. Capital improvements and improved community participation through advisory committees have been established to achieve displacement of the drug market (Dalton and Rowe, 2004:241). More generally, in the management of public housing, formal contracts with tenants have been deployed to reduce the incidence of anti-social behaviour (Atkinson, 2008:41). Similar to the UK public housing developments, there has been an increased emphasis on the need for tenants to 'behave' (Marston, 2004). Yet the growing proportion of tenants with complex needs means that public housing landlords now have to operate in a *de facto* social work role (Atkinson, 2008).

### *3.3.2 The regeneration and integration of public housing*

A range of redevelopment strategies have been used in Australia in the last few decades, including physical improvement of housing stock, partial stock disposal, and total stock disposal (including demolition and redevelopment). Randolph and Judd (2000) argue that contemporary policies make explicit a need to attend to the social objectives of redevelopment as well as to the physical infrastructure. As in the UK, the problems within public housing are conceptualised as a failure of management, rather than a lack of resources or as an issue that can be traced to economic inequality. Given the problems with the estates and the constraints on funding at all levels of government, SHAs are moving away from new construction towards a focus on intensive management and housing renewal.

Tenure diversification strategies have been an important part of the operational management plans of a number of Australian SHAs since the early 1990s (Wood, 2003:45). In Australia, these initiatives were usually justified on the basis of a range of asset management objectives: enhancing the value of the remaining public assets on larger estates and achieving 'asset sustainability' through reducing housing management costs; and assisting in stock reconfiguration and dispersal to new areas to reflect new patterns of demand (Wood, 2003:45). These, together with the objective of promoting home ownership for lower income households and public housing

tenants, have all been cited to support tenure diversification strategies (Wood 2003:45).

Notable examples of redevelopment strategies include various Urban Improvement Programs undertaken by the South Australian Housing Trust, the New Living Program undertaken by the Ministry of Housing in Western Australia and the Urban Renewal Program in Queensland (Wood, 2003:47). The relationship between tenure mix and social problems was also explored as part of the Commonwealth's Better Cities Program (Commonwealth of Australia, 1995) and the policy has continued to be influential as a means of framing debates about investment options for public housing. Wood (2003) noted that the more recent CSHA agreements often cited the problems associated with the concentration of disadvantaged groups such as welfare recipients, the unemployed and single parents. In Queensland, for example, the 'Urban Renewal program' strategy sought to diversify the tenure of large public housing estates and has been implemented in 14 areas across Queensland to improve the value of the portfolio (Atkinson, 2008:35).

### *3.3.3 Owner occupation and public housing sales*

Homeownership in particular was underwritten not only by culturally determined preferences and economic prosperity, but also by the state and Commonwealth governments who established schemes which offered cheap finance to workers to buy their homes (Hayward, 1996: 8). Hayward has argued that these schemes, rather than the project of public housing, in fact represented the real beginning of public housing policy in Australia (Hayward, 1996: 8).

Between 1955 and 1969, 81 per cent of all houses built by the Victorian Housing Commission were sold in this manner which led to only 3 per cent of Victoria's stock being public housing by the late 1970s (Howe, 1988). Similarly, Queensland and Western Australia used the CSHA and their own state resources to fund owner occupation, and in Victoria and NSW the second CSHA was used as a major source of funding to expand owner occupation (Howe, 1988). In 1963, the NSW Housing Commission expressed the aim of selling 80 per cent of all its CSHA-funded housing. Thus the second CSHA became a watershed in the development of Australian housing policy and a major boost to owner occupation, engineered by government policy (Howe, 1988). The advantages of owner occupation were seen by politicians as greater security, and the accrual of financial resources in old age, yet many commentators agree that government policy facilitated this situation, rather than directly generating it (Howe, 1988). In fact, the picture was also complicated because each state promoted the sale of public housing stock in different ways and this translated into significant differences in the size of public housing stock in different states (Hayward 1996: 22). Usually the best public housing properties were sold, particularly in Tasmania, Queensland, Victoria and NSW, which further undermined a key assumption of the historic rent structure of the CSHA which relied on being able to charge sufficient rent to cover the costs of these loans.

From 1945 to 1970, 36 per cent of new public housing completed in Australia was financed on terms that made them cheaper than they would be if they had been obtained through the private market. By 1970, 24 per cent of existing houses and flats were financed through large government subsidies, the biggest single group being those built by State Housing Commissions. From 1956 to 1984, some SHAs sold dwellings to sitting tenants on favourable terms. SHAs were major providers of new housing for nearly three decades. This role became more uncertain from the mid-1970s with greater oscillation and then steady decline in the number of new dwellings.

Another major policy decision that has shaped the current asset profile of public housing was the sales program that ran from 1956 to the late 1970s. During this time, dwellings in the Melbourne and provincial city suburban estates were sold on concessional terms to sitting tenants. This program transferred resources from public housing investment to low- and moderate-income home purchasers. However, at the same time, it also diminished the housing resources available to succeeding generations of low-income households who have become eligible for public housing, especially in metropolitan Melbourne's middle and outer suburbs. This is a major reason for Victoria having only 3.8 per cent of its households in public rental housing in 1996 (Hudson, 2002:50).

Sales programs within public estates to encourage social mix have also diminished the net levels of public stock provision. Such schemes improve the perceived value of the area and the existing housing stock (Atkinson, 2008). The focus on sales is meant to realise land values, to improve the valuations of the remaining stock, to reduce densities of public housing, and to change the mix of people living there. Sales policies have been pursued in a number of states, for example, New Living Program in Western Australia, HomesWest in Sydney, and Urban Improvement Programs in South Australia (Atkinson, 2008).

### **3.4 Lessons for the future**

A brief history of public housing in Australia highlights a number of issues. First, Australian public housing joined the suite of available tenures relatively late in comparison with the UK. In combination with high levels of owner occupation this has tended to mean that public housing has been sidelined and marginal to political and economic concerns. Regardless of cultural aspirations for home ownership, there is little doubt that the marginal size of public housing and the declining investment has further made public housing problematic in the eyes of politicians, those administering it, and undoubtedly for those living in these dwellings. Second, far from allowing owner occupation to become a private good provided by entrepreneurial developers on a profit basis, there has, in fact, been significant public subsidy, intervention and macro-economic stimulus for a tenure often seen to be an inalienable right, a means of privately providing for future personal welfare and a means of shoring-up political support.

The effect of these historical forces—of a socially residualised public sector, a *laissez-faire* attitude to private renting, and a continued commitment to owner occupation—have combined to set a particular contemporary context within which responses to housing stress, affordability and demographic change are arguably more challenging to deal with. These issues will be explored in the next stage of the project when we interview key policy-makers about the future role for public housing. Certainly, any further rationing of public housing will force many who would otherwise be eligible public tenants, to rely instead on the private rental market. This situation has placed these households at risk of substantial affordability problems (Dalton and Ong, 2007) and shifted this often vulnerable group into a sector where support arrangements are distinctly lacking (Atkinson and Jacobs, 2008).

If we return to earlier assessments of the prevailing situation, it would seem logical to argue that social housing provision should continue but that there should be a greater variety and quantity of public and publicly assisted housing activity, including far more by local government. Adequate housing remains a core need from which wider political and social stability has been understood to flow (Australian Institute of Urban Studies, 1975). As public housing faces considerable reform, we can see how ideological and cultural factors shape the range of these options now on the agenda,

including a greater role of private developers, public subsidies to flow to the community, and the growth of the range of housing providers. These socio-political forces have tended to frame debates about housing stress as a problem faced by mortgagees, rather than noting the numerical and proportional dominance of stress in the private rental sector, from which few governments have sought to become involved. As market solutions continue to be favoured, it seems likely that the limits of such responses will become notable—for those unable to afford to bid for appropriate housing there are few other options. Consequently, poor conditions, high prices and rents continue to thrive even as these options are considered inadequate to many.

Both in the UK and Australia housing policies have created a space for private sector interests and adopted privatised models and responses in areas of welfare service delivery. While we recognise that the current economic recession has operated as a prompt for new funds to boost public housing supply (existing commitments underline this, but with the significant caveat that such housing is later to be managed by community housing providers), we do not at this juncture foresee any major paradigm shift in support of public housing. It seems probable that SHAs will continue to manage housing with insufficient funds, and in a political environment in which private sector interventions are seen as a preferred model by policy-makers. In making this point, we are aware that the Rudd Government has made a policy commitment to expand the affordable housing stock by 50,000 units through the national rental affordability scheme over four years and for another 50,000 units beyond that if there is sufficient investor interest (FaHCSIA 2008). However, the slow take up of the scheme thus far suggests that these ambitious targets will be difficult to achieve. We note also that \$6.4 billion has been made available by the Federal Government to boost social housing through the auspices of the economic stimulus package. However, while this money will enable states and territories to build 20,000 new social housing units by 2012, this will not make up for the 23,134 unit decline in the social housing stock that occurred between the years 1996 to 2006.

## 4 NEXT STEPS

### 4.1 Aims and objectives

As we stated in the introduction, the overall aim of this project is to look beyond the day-to-day issues that SHAs have to grapple with. A core rationale for this project is to consider a strategically oriented set of options based on past experiences and upon the need to tackle issues of housing stress and need. Therefore, the focus of this project is on the medium and longer-term future of public housing and the related question of to what extent this tenure and managerial structure is capable of acting as an important and fundable vehicle to address housing need and community sustainability. Within this overall aim, the project's specific objectives are to:

- Discuss the context and drivers of change that has and continues to shape public housing policy.
- Provide guidance for policy-makers on the challenges that confront public housing as an organisational type, or entity.
- Discuss the likely future financial, community and organisational benefits that may accrue from public housing, and consider how these might be developed and maximised.
- Discuss what a 'post-public housing' environment might entail and to formulate the kind of challenges that might arise as a result of adopting this option.

### 4.2 Gaps in knowledge

Section 1 of the Research Paper provided a context for the research. The key argument presented is that it is helpful, in any discussion of public housing, to situate the activities of government agencies within a broader framework of economic, social and ideological change. It was also claimed that:

- Government policy is aligned to the imperatives of maintaining the economy and the pressures that arise from managing this task.
- The promotion of 'economic rationalism' within government has had a significant impact on the resource commitments of governments and aligned interventions in accordance with laissez-faire principles.
- Public housing provision is viewed increasingly as a temporary safety-net, rather than as a base for tenants to establish long-term stability and prosperity (whether this is within or outside public housing in their longer-term housing careers).

In historical terms, Australian governments have always tended to view owner-occupation as the most preferable tenure. There remain strong culturally and economically rooted reasons for these choices. However, it is also clear that the form and funding of welfare provision (including the state funding of retirement) by government does itself help to maintain aspirations for a tenure that has historically largely delivered a return in terms of self-sufficiency. These tacit understandings of what has been termed 'asset-based welfare' have often helped governments to rationalise the defunding or low level of funding commitments to public housing options. This is because such options have been seen, because of their inability to store or build the equity stake of households, only to maintain a dependent client base. Thus, the public housing option continues to be politicised as a high cost, low-return option, rather than being seen as an important part of a broader and inter-connected housing system through which households negotiate complex transitions over their life-courses.

Yet, even allowing for these comments, we can also see that in the period from the 1940s to the mid-1970s there was a relatively strong commitment from governments to invest in public housing stock to meet the shortfall of low-cost housing in the private rental market. However, in contrast to the UK, where in the late 1970s 33 per cent of households were public housing tenants, Australian public housing has always been a marginal tenure.

Significant gaps in knowledge remain, in relation to the detail of new funding arrangements, the role of Treasury and the promotion of the community housing sector as an alternative to public housing. In order to reach a more comprehensive understanding of the future public housing environment in Australia, the next stage of this research will entail an empirical investigation. In particular, the next tasks are to:

- Provide guidance for policy-makers on the organisational challenges confronting the providers of public housing.
- Gauge the likely future financial, community and organisational benefits that accrue from public housing and how these might be developed.
- Consider what a 'post public housing' policy environment might entail and formulate what challenges might arise.

### **4.3 Data collection activities**

The empirical stage of the project will be to build upon the historical discussion of housing policy set in this Research Paper. Specifically, we will seek answers to the following questions:

- Is public housing in its current form a viable option to respond to housing need? What kind of model might replace it?
- Can public housing's poor reputation be addressed?
- What other forms of support might assist low-income households secure good quality housing?

These questions will be explored through two data collection activities.

#### **4.3.1 Case studies**

Two case studies will be undertaken in the states of Queensland and Victoria. Interviews will be undertaken with Commonwealth stakeholders to probe their views of housing policy, and with Treasury experts about alternative models for providing affordable housing. We have selected these two jurisdictions because of the range of innovations that are being pursued (e.g. stock transfers to the community sector, private sector partnerships and regeneration projects). In the two jurisdictions we will interview key stakeholders (10 interviews in each) working in finance and housing policy environments asking them to reflect on their experience and to identify some of the problematic and challenging aspects of public housing. We envisage discussions to focus on budget making and alternative models of public housing provision that might be used in the future.

#### **4.3.2 One-day workshop**

We will be convening a one-day workshop in Melbourne with policy and finance experts as well as professionals with knowledge of Australian and overseas housing systems. This will be held in order to generate informed judgments about the long-term future for public housing and the strategic implications of the recent Commonwealth Government's economic stimulus package and National Affordable Housing Agreement (NAHA). We will aim for the representation of policy-makers from

both housing and other central agencies, especially treasury and finance departments at both Commonwealth and state levels. The first part of the workshop will feature short presentations on the future of public housing. In the second part of the workshop, participants will divide into three focus groups where these topics will be discussed.

Our primary data collection methods will be qualitative as we are aiming to explore with our informants the competing narratives surrounding the provision of public housing. However, secondary sources will also include quantitative data on the costs of public housing provision and the anticipated demand for public housing arising from economic and demographic changes.

#### **4.4 Data analysis**

The focus group discussions will be transcribed and thematically organised into three headings (financial context, drivers of change, future strategies). The final report will be structured around these three themes. Our data collection will be enhanced by the creation of a supportive environment for the focus group discussions and individual interviews. The accurate capture of data will be achieved by digital recording and transcription. Conducting investigations across two jurisdictions and the Commonwealth policy-making nexus will enable a cross-fertilisation of perspectives that will inform our analysis.

## 5 CONCLUSION

This Research Paper has introduced the research project that will consider the future policy environment for public housing by providing a historical overview of UK and Australian housing policy as a basis to identify long-term trends. An argument was made for understanding housing policy not simply as a response to meet social need, but as a contested policy arena in which different interest groups have sought to promote their interests. The construction of housing policy through this conceptual lens provides a way to understand the developments that have taken place and, most importantly, consider why Australian Government policy has promoted owner-occupation at the expense of other tenures.

What are key issues we can identify from the historical overview presented in this paper? The first is that government support for public housing has been insufficient to address the overall funding problems within the sector. The perceived imperatives to control public expenditure will impede the effectiveness of new initiatives in areas such as allocation policy and housing management practices. The extent of government debt (projected to rise to as much as 13 per cent of GDP, though this is only a fraction of other western government debts) is likely to deter policy-makers from committing additional resources for public housing once an economic recovery has commenced.

Second, the failure of successive governments to address the shortage of supply will mean that the demand for low-cost housing will remain high and many of the households who require low-cost housing will be individuals with a high level of need. In practice, SHAs will have to cope with a greater demand for public housing, especially if the economic slowdown endures and as urban populations increase and household sizes decrease. We already know that housing stress exists in all of the three key tenures (public, private rental and owner occupied) and that effective ways of addressing these problems are essential.

Finally, there already exists an impetus within government policy circles to diversify public housing as a way of reducing government expenditure and extend the role of community housing organisations as an alternative model of delivery. The Victorian Government has followed the UK in establishing a registered housing association sector and other state governments are looking to move in a similar direction. We anticipate that private sector institutions will look to the public housing sector as an environment in which to extend their operations, along similar lines to what took place in the UK in the 1990s. However, for the community housing sector to grow, it will be necessary to establish a regulatory framework with sufficient subsidies to ensure that these new associations are financially viable. These issues will be investigated in the next stage of the project.

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