



Final Report

What future for public housing? A critical analysis

authored by

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ACRONYMS

COAG	Council of Australian Governments
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
NAHA	National Affordable Housing Agreement
NGO	Non-Government Organisation
NRAS	National Rental Affordability Scheme
SHA	State Housing Authority

EXECUTIVE SUMMARY

This report is the final output of a study that considers the long-term future of public housing in Australia and the capacity of State Housing Authorities (SHAs) to address household need and community sustainability. It presents an analysis based on data collated from international and Australian literature on public housing policy and on the experiences and informed views of key actors working in Commonwealth Government, state administrations and not-for-profit welfare agencies. The research is guided by the following set of questions:

- What problems have arisen for the SHAs as a result of trying to manage housing stock in a period of tight budgetary constraints?
- How have the major drivers shaping public housing provision (social, economic and political) affected its future role?
- How might or should the SHAs prepare for the future policy environment to ensure that funds spent on public housing achieve sustainable policy outcomes?
- To what extent is public housing viable in the current policy environment?
- What alternative models of provision might be used in the future to enhance the broader role of public housing?

The findings of the report are set out in accordance with the three key thematic areas that were developed in the course of the analysis: financial context, drivers of change and future strategies.

Public housing in Australia

Housing in Australia is at a significant crossroads. Housing stress has reached historical highs, homeownership as a vehicle for wealth creation is under scrutiny, and the sustainability of indebtedness is similarly in question. Under these conditions we need to understand the various roles of public housing in relation to a number of strategic questions connected to the broader Australian housing system. The viability of a long marginalised public system places this tenure under threat and places its tenants into potentially low quality homes and environments, with their living conditions and life chances often compromised as a result.

The state response to public housing cannot be understood without an understanding of the cultural rootedness of an ideology that sees private housing, and owner-occupation in particular, as a more desirable option. Consequently, successive governments have injected public money into incentives and support for homeownership. This has meant the creation of a small but sometimes locally significant public housing sector that has often been at the mercy of the variations of approach and interests by successive state and Commonwealth governments.

There has been a significant social residualisation (an increase in the concentration of the worst-off households) in public housing in Australia. This has raised maintenance costs and concentrated high need households in some neighbourhoods, but also, critically, helped to stigmatise a sector that continues to struggle to generate political interest and support.

An era of restraint

Many of the problems faced by the public housing system stem from its increasingly dominant role as 'housing of last resort' and this is also linked by many policy-makers to the increased targeting that politicians have pursued, often to justify the continued

existence of the sector. Yet this targeting has undermined the financial viability of the sector. In addition, a decline in both capital and recurrent funding streams has had significant implications for how the state governments have treated public borrowing and sales policies. Recent initiatives, such as the National Rental Affordability Scheme and the National Affordable Housing Agreement, are not viewed as sufficient policy instruments to address the systemic problems facing the sector. It is evident that the financial problems faced by SHAs have contributed to a policy narrative that portrays public housing as having failed. This narrative of failure has engendered support for strategies to off-load the sector through transfer or sale and to reduce the financial woes associated with it. It is increasingly evident that governments are unwilling and/or unable to inject adequate equity into maintaining and expanding conventional public housing to meet the growing need for affordable housing in Australia. Nor, under the current institutional arrangements, can the existing publicly owned stock leverage private finance to effectively redevelop and expand the sector.

Drivers of change and obstacles to reform

A set of drivers has influenced the contemporary conduct of policy and shapes the parameters of debate about the viability of public housing in Australia. Policy-making can be understood as a process in which key agencies and interest groups respond to these drivers. The key exogenous drivers are those emerging from the broader environment, including neoliberal ideologies and policies, societal change and the economy. Endogenous drivers that are internal to the contemporary housing policy setting include the institutional networks linking Commonwealth and state agencies and the organisational structures within these agencies. In the current context, these drivers are construed as obstacles that serve to undermine attempts to initiate new policy reforms. Interviewees highlighted the competing interests/groupings within the sector as well as tensions between the Commonwealth and state governments as particularly significant. In spite of additional funds made available through the government's economic stimulus package, many policy-makers see public housing in a position of near-inextricable decline shaped by successive years of public funding retrenchment. This perception about the future is perhaps the most significant of all obstacles that impede efforts to reinvigorate the sector.

Future strategies

There is little optimism that public housing, as conventionally delivered, will play a significant role in the overall housing system or contribute in a significant way to address the broader socio-economic challenges that lie ahead. A widely held view within policy circles is that public housing is at a 'crossroads' in so far as its long-term future is uncertain. The lack of funding and antipathy towards the sector has acted as a spur for SHAs to consider radical longer-term proposals, including the transfer of stock to community housing agencies. Much of the support for these strategies was premised on an assumption that community housing agencies were likely to be the Commonwealth Government's preferred vehicle for new social housing development. SHAs would effectively operate as enablers of social housing rather than as providers, with responsibility for managing a new regulatory framework. In addition to these longer-term strategies, there are more immediate issues that are considered important, including allocation policies, environmental adaptation, homelessness, public housing estate redevelopment and new housing developments. If, as widely anticipated, a significant component of the public housing stock is transferred to other agencies, a number of pressing issues will come to the fore in respect of allocation policy, subsidy arrangements and investment strategy to boost overall supply. Finally, in terms of the overall system in Australia, there appears little prospect of challenging the bifurcation

of current policy in respect of homeowners on the one hand and social housing tenants and private renters on the other. The major constraint on the sector will remain the lack of investment and the current funding and subsidy arrangements that privilege the home owning majority at the expense of others. The Commonwealth Government's response to the housing related proposals of the Henry Review (Treasury 2010) underscores this last point.

1 INTRODUCTION

This report is the final output of a research project undertaken by the AHURI Southern and AHURI RMIT Research Centres on the future of public housing in Australia. It presents an analysis based on data collated from a series of interviews and focus group discussions with influential housing, Treasury and social policy officials, and non-government and not-for-profit sector representatives to consider the long-term viability of the sector.

The first part of this introductory chapter sets out the overall aim and objectives of the research, the questions that have been used to meet these objectives, the data collection techniques, and the methods of analysis. As a way to provide context, there then follow a brief reiteration of the evidence collated in the first output of the project (Jacobs et al. 2010) to which has been added data from new reports published by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA 2010) and the National Housing Supply Council (2010). Chapters 2, 3 and 4 present the substantive findings of the project, organised thematically (financial context, drivers of change and future strategies) to show how each of the research questions has been addressed. The conclusion (Chapter 5) discusses the overall research findings and sets out the long-term issues that arise from the project.

1.1 Aims and objectives

The overall aim of the project is to consider the long-term prospects of public housing, given its critical role in accommodating those in housing need, tackling homelessness, addressing questions of social sustainability (such as being the base for households during education) and as a critical mediating point between vulnerable and low-income households and broader integration into the economy. Specifically, the project's 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 or maximised.
- Discuss what a post-public housing environment might entail and formulate the kind of challenges that might arise as a result of adopting this option.

1.2 Methodology

A project such as this that seeks to consider the future policy horizon inevitably has to grapple with a set of methodological challenges and overcome the understandable expectation that our findings should have immediate and strategic relevance. Housing policy initiatives are often presented with a fanfare of publicity, and the challenge that arose during the data collection stage was to distinguish policy interventions that have long-lasting significance from those that do not. It is also important to make explicit that many of the most enduring influences on the housing system are not necessarily directly attributable to something we might identify as *housing policy* per se, but rather stem from wider forces of societal and economic change. As researchers, we sought to disentangle these broader drivers of change in the housing system and their impacts on and within public housing. We were also aware that much of the literature on housing policy assumes that governments operate benevolently or, at the very

least, as independent arbiters mediating between competing interests and claims for funds. Official reports and other official documents such as communiqués, briefing notes and memos tend to be couched in a discourse that presents policy as the outcome of rational decision-making that will benefit society as a whole. What is not visible is the nature of the processes that led to the production of these documents and adoption of policy positions. However, these policy-making processes invariably involve a range of actors within government, private sector interests and broader civil society interests. It is therefore difficult to discern the key features of the policy-making community, the key drivers and sometimes ideological pressures, as well as lobbying, that inform decision-making. All of these issues came to the fore when we undertook our two main strands of research activity. The first was an extensive literature review charting the postwar history of Australian and, to further contextualise this, UK housing policy documents and reports (e.g. Hills 2007). The historical analysis provided us with a suitable analytical framework to explore the trajectories in policy-making and long-term trends, published in the first output of the project (Jacobs et al. 2010).

Drawing upon convergence theory (Schmidt 1989), it was noted first that governments in countries such as Australia and the UK have faced a similar set of political challenges that stem from competition in the global economy and a bifurcated approach in policy split between social housing tenants, on the one hand, and a home owning majority on the other. Second, we advanced a social constructionist perspective, drawing upon the work of Kemeny (1992) to show how much of housing policy deliberation is nested in the existing institutional context and reflects the interest groups, such as house builders, who contribute to defining policy problems and solutions within policy-making processes. While government policy-making is couched in the language of rational decision-making and economic efficiency, much of what is enacted is better understood as a response to competing demands of powerful interest groups. Framing policy in this way enables us to understand the reasons why public housing has become so marginalised in relation to political and economic concerns and why home ownership is promoted as the most favourable tenure in countries such as the UK, Australia and the US. Other observers have commented that low voter turnout within a poor/public housing constituency further compounds these dynamics and the disenfranchisement of the poor within these richer economies (Harloe 1995).

Third, we set out a categorisation of the institutional context of housing. Four key features were identified and formed important background to the research. First, public housing provision is shaped within a federal system of government. Decisions about the level of new resources are largely central government decisions while decisions about stock acquisition, management and redevelopment and tenant profile are state and territory government decisions. This arrangement reflects increasing vertical fiscal imbalance associated with the shift of tax powers and economic policy decision-making to central government:

- At each level of government, responsibility for policy is distributed. State and territory government housing authorities, typically referred to as State Housing Authorities (SHAs), have direct responsibility for public housing provision. Central coordinating agencies (Treasury, Finance and Premier and Cabinet departments) are also involved because public housing funding is a significant element in Commonwealth transfers to the states, the size of the public housing assets and the relationship between housing provision and other state government provided services. Within the Commonwealth Government, FaHCSIA has direct responsibility for developing arrangements with the states for public housing. However, central coordinating agencies (Departments of Treasury and Prime

Minister and Cabinet), similar to state coordinating agencies, see public housing as an element in broader economic and social policy arrangements.

- The Housing Ministers' Conference is the primary means for formal liaison between the Commonwealth and the states and territories on housing policies and programs. It is supported by a committee of officials known as the Housing Ministers' Advisory Committee that promotes a consultative and cooperative approach to policy development and implementation.
- Beyond this, there is a broader set of interests outside of government in the private sector, in the professions, and in civil society, with a keen interest in the future of public housing. In the private sector, organisations such as the Housing Industry Association and the Master Builders Association from time to time put positions to government about the role of public housing in the broader housing system. In the housing and planning professions, there are membership groupings such as the Australasian Housing Institute and Planning Institute Australia that lobby in support of greater government investment. In civil society, many groups closely associated with the provision of services, research and advocacy by non-government organisations consistently put views forward about public housing provision. This is very often done through peak organisations such as the Council for the Homeless, the Australian Council of Social Service, the Australasian Housing Institute, Shelter, and the Community Housing Federation of Australia.

The second strand of enquiry, presented in this report, utilised 24 interviews and three focus group discussions with influential actors involved in housing policy strategies and discussions. These methods were designed to ensure that we captured the views of key professionals—policy-makers, housing service providers and senior representatives from non-government agencies—working within the housing policy nexus. All interviewees were based in Queensland, Victoria and the ACT but our focus group discussions,¹ which we convened in Melbourne, also included representatives from the remaining jurisdictions. We encouraged our interviewees to resist any temptation to rely on formulaic responses to our questions but instead to speak candidly about longer-term challenges ahead.² This was achieved to a significant degree, but this success poses a challenge of presenting the findings, especially where direct quotes are used, while preserving confidentiality. It is therefore essential that all direct quotations are attributed in a way that gives a reader relevant information without disclosing the participant's identity. For this reason, we have refrained from the usual practice of stating individual characteristics or even geographical location, but rather identify the quotes as coming from 'government agencies' (Treasuries, state or Commonwealth and Departments of Premier and Cabinet and Commonwealth departments), government public 'housing providers' (SHAs and housing departments) and 'NGOs' (non-government agencies involved in service provision and policy advocacy).

1.2.1 Research questions

The fundamental questions we focused upon in these interviews were:

- What problems have arisen for the SHAs as a result of trying to manage housing stock in a period of tight budgetary constraints?

¹ The focus group discussions comprised 25 people. The discussions included an introductory session with all attendees followed by two smaller group sessions that were held concurrently in adjoining rooms.

² Strictly preserving confidentiality is a normal practice within social science research that uses interviewing and the instance of this particular research is additionally sensitive in this respect.

- How have the major drivers shaping public housing provision (social, economic and political) affected its future role?
- How might or should the SHAs prepare for the future policy environment to ensure that funds spent on public housing achieve sustainable policy outcomes?
- To what extent is public housing viable in the current policy environment?
- What alternative models of provision might be used in the future to enhance the broader role of public housing?

Our expectation was that these open-ended questions would provide an entry point for a wide-ranging deliberation of the policy positioning of public housing that could be broadly set outside the day-to-day constraints invoked by immediate concerns.

1.3 Data analysis

Given the large amount of data we collected, it was essential to categorise the interview and focus group material. We devised three thematic categories—financial context, drivers of change, and future strategies—to achieve this. ‘Financial context’ brings together the discussions of the resource problems experienced by SHAs. Interviewees with detailed knowledge of the Treasury/policy nexus were asked to reflect about how the financial context acted as a constraint on policy intent. ‘Drivers of change’ was used to collate views on the conduct of policy-making and the external and internal drivers that inform SHA policy-making. ‘Future strategies’ was deployed to gather data on the views of our interviewees on the longer-term strategies that might be deployed to reposition public housing for the future.

1.4 The Australian housing policy context

The remainder of this chapter provides a summary of the evidence in relation to demand and supply set out in the first stage of the project (Jacobs et al. 2010).

1.4.1 Issues relating to supply and demand

It is generally understood that the demand for affordable housing will increase substantially, especially given Australia’s expected population increase. The Commonwealth Government’s 2010 Intergenerational Report suggested that the population might rise from 22.0 million to 35.9 million by 2050. The demand for housing will therefore remain high and any shortage of supply will lead to severe problems for low- and moderate-income households competing for this fundamental resource. Cities will also experience significant changes as these population increases take effect. Unless adequate investment is made in areas like public transport and related infrastructure, traffic congestion will become more frequent and economic inefficiencies from slower circulation and health problems from pollution will result. Neither of these problems even begins to highlight the kind of measures that will be needed to address the impact of climate change and the health needs of an ageing population, both of which will stretch the budgets of all levels of government.

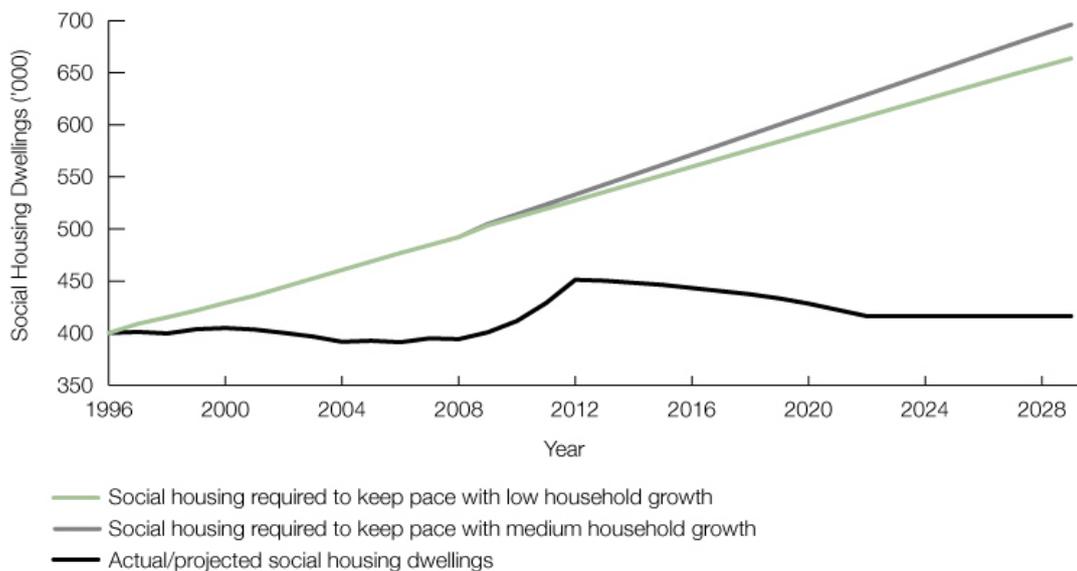
The extent of future demand for affordable housing was set out in research by McDonald and Temple (2008) who anticipated that the underlying demand for private and public rental properties will increase by 21 per cent in the period leading up to 2023 from 2 270 727 to 2 751 130. If we focus on public housing alone, their analysis indicates that there might be a 28 per cent increase in demand for public rental dwellings from 337 888 to 431 277 (see Figures 1 and 2 below).

A detailed summary of government policies is contained within the first report for this project (Jacobs et al. 2010). This report noted that the Commonwealth Government had announced policies to address the shortfall in the public sector housing stock,

including an injection of \$5.2 billion as part of the national building economic stimulus package and the creation of a National Rental Affordability Scheme to deliver as many as 70 000 homes over the next four years. At the Australian Housing Ministers' Conference in May 2009, it was agreed that Federal and Commonwealth governments would aim to achieve growth so that, by 2014, as much as 35 per cent of all social housing stock would be managed by the not-for-profit sector (FaHCSIA 2010). The government's discussion paper provided an explicit statement in relation to the future of public housing. The paper noted that 'at 4.5% of Australia's total housing stock, public housing cannot provide a realistic alternative to the private rental market for existing homeowners' (FaHCSIA 2010, p.3). The government's discussion paper also anticipated that a new financial mechanism and regulatory regime would be put in place to enable not-for-profit housing organisations to use their asset base to lever access to funding from existing equity in order to finance new development. Currently there are 930 mainstream community housing organisations responsible for 42 000 dwellings.

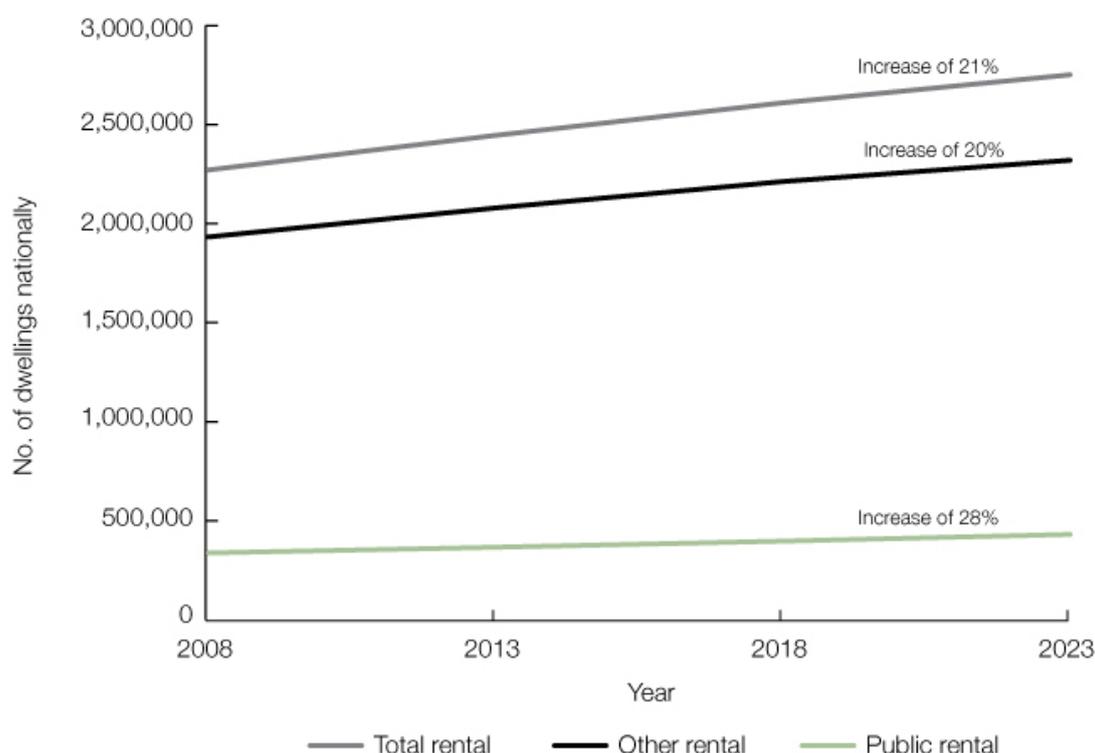
Even taking into account the commitment to boost public housing investment (Plibersek 2009), there is no intention to address, in full, the long-term under-funding of the sector. As an indication of the dramatic scale of the cutback in public housing in Australia, we can see that if construction levels over the past 20 years had matched those in the 1980s, the total stock would today be about 200 000 units greater than it is. We can only speculate on the impact that such provision might generate in terms of the economic multipliers of construction, the capacity to address housing need and homelessness, and the ability to develop and instil more socially mixed neighbourhoods of public and private modes of provision more suited to longer-term aspirations of community normality and integration. This potential loss to the overall stock of public housing should be kept in mind when contemplating the aim and numerical advances offered by the National Rental Affordability Scheme (NRAS) developed to increase affordable housing numbers by 50 000 over 10 years and the short-term boost provided by the Commonwealth's Nation Building housing programs of 2009–10.

Figure 1: Social housing demand and supply projections



Source: FaHCSIA 2010

Figure 2: Underlying national demand for rental tenure



Source: FaHCSIA 2010

McDonald and Temple (2008) predicted that the key locations in which the demand for public housing would be most acute were Perth (an increase in demand of 53 per cent in the number of households), Melbourne (37%) and Adelaide (24%). It remains uncertain whether governments across Australia will—indeed, can—commit the necessary resources so that these challenges can be met effectively. There are significant systemic obstacles that make it difficult. For example, with Commonwealth and state elections held in three-year cycles, committing large amounts of money for long-term capital housing investment may be seen as a risk for politicians. As discussed in our earlier Research Paper (Jacobs et al. 2010), powerful private sector housing interest groups pursuing an agenda commensurate with boosting the fortunes of private sector development have seen considerable benefits as a result of recent policy outcomes, such as the perpetuation of the First Home Owner Grant and the NRAS. In short, politicians must be vigilant and strenuous in efforts at rebuffing the attempts of these interests groups to steer policy. If the longer-term interests of Australian households, the economy and housing need are to be addressed, it is clear that centralised decision-making will need to be steadfast in ensuring that difficult decisions are not displaced by short-term political or electoral advantage.

1.4.2 Social polarisation

Aside from the demand for social housing, what other long-term challenges will need to be addressed? As we discuss in subsequent chapters, it is widely recognised that Australian public housing has become increasingly polarised and now caters for the most vulnerable groups in society, many with high social needs and reliant on government welfare (Atkinson & Jacobs 2009). This change, a process often referred to as residualisation, has already generated significant difficulties for state governments and other agencies involved in the management of public housing stock.

The historical context within which these changes emerged is outlined in Jacobs et al. (2010). The deterioration of the financial position of the SHAs and their drift into structural financial deficits since the early 1990s has been documented in detail by Hall and Berry (2006). It is clear that, among the forces at work, successive Commonwealth governments were concerned to limit their on-budget commitments to this policy field which, given the financial matching arrangements by state and territory governments, led to a progressive decline in the level of real capital annual grants flowing to the SHAs. At the same time, the constraints on how grants could be spent were relaxed. Increasingly, the SHAs used grant monies to meet the growing maintenance and upgrade costs of managing a rapidly obsolescing stock. In addition, administrative costs have risen with the SHAs being required to house increasing numbers of tenants with special and multiple needs.

Yet, as we discuss later, there is nothing inevitable about the role of public housing as a collecting point for those least well-off. As we argue here, this residualisation of public housing is best understood as a symptom of the lack of investment and allocation policies over the last 30 or so years. Yet this was not always the case and, in the period following the Second World War, public housing performed a wider role as a vehicle to advance the economy by providing accommodation for workers in manufacturing industries and ports. Investment in public housing was seen as necessary to maintain economic growth. However, in the current period, public housing is viewed in an entirely different way and is often seen as a causal factor in explaining social dislocation and poverty (Atkinson & Jacobs 2010).

This introductory chapter has set out the project's overall aims, the key research questions, and the methods deployed to collect and analyse data. It has also provided a brief summary of the major policy challenges arising from a lack of investment in public housing and the obstacles that undermine strategies to address these challenges.

2 STATE HOUSING AUTHORITIES IN AN ERA OF CONSTRAINT

This chapter provides an account of the problems faced by SHAs as they seek to manage their existing stock and expand their stock. Specifically, it addresses two of the questions we sought to investigate: 'What problems have arisen for the SHAs as a result of trying to manage housing stock in a period of tight budgetary constraints?' and 'To what extent is public housing viable in the current policy environment?'. The chapter explores these two questions by focusing on SHAs within the institutional system of public housing provision and the context of changes in the nature of, and extent of, demand for housing assistance.

We begin with a discussion of the legacy of sustained under-investment that intensified the residualisation of the public housing stock, followed by a discussion of two of the most important initiatives in recent years: the NRAS and the NAHA. We encouraged our interviewees to consider how failures in earlier periods have impacted on the current era. Many pointed out how a long-term shortage of funds has made the task of addressing current and future need all the more difficult:

I think the main challenge after some significant investment in public or social housing in the immediate post-war years was that that investment has not just stabilised but declined significantly. So whilst the recent investment in public housing is to be acknowledged, that investment bears no resemblance to the level of investment that has occurred at previous times (NGO).

At the same time, viewed from a whole-of-government perspective, greater targeting of public housing has raised broader issues and government challenges around community renewal and development—challenges that have significant future budget implications for government. This point was made by a number of interviewees, as in the following key example:

It's that highly targeted nature of public housing now where virtually everyone is on a benefit, so they are paying 25 per cent of a benefit income rather than 25 per cent of a working income, and they're costing a lot more because they're in high need, so there are all sorts of supports being provided by housing authorities that would in the past have been provided by other sectors of government. That, combined with the fact that the funding for public housing, particularly over the last 10 or 15 years, has been declining in real terms when the costs have been going up and the targeting has increased, has led to a difficult situation in terms of their running costs (Government Agencies).

In relation to the conventional public housing model, this interviewee commented:

I don't think as it is currently operating it is a viable model, frankly, although I do think there will continue to be a need for government support for the most needy in the community by way of housing assistance. Whether it's through the provision of capital or recurrent assistance is a genuine question, although I do suspect that the government, whether it's state or Commonwealth, will always need to provide some actual houses for capital [sic] because of discrimination in the market place. There are groups, as you would know, that even if there is an adequate supply of housing are probably going to struggle to get access. Some people will leave their houses vacant rather than take certain tenants (Government Agencies).

What these comments continue to highlight is that previous work on the residualisation of public housing is echoed in policy-makers' views that these

problems have been compounded by questions of public finance. Yet it is also the political construction of public housing and, indeed, the nature of housing problems more broadly that was raised during the course of our interviews and focus group discussions. For example, the same interviewee connected with the concerns of a number of others in suggesting that ‘the Commonwealth doesn’t believe the State Housing Authorities are efficient operations’ (Government Agencies). Certainly, both recent Commonwealth administrations appear to have seen public housing as administered by the states as part of a broader administrative problematic that is in need of reform. This question of viability, and perhaps its relativity, was raised by a number of our focus group discussants:

It’s not viable, unless you continue to grow it and you look at the ability of those housing providers, whether they’re in the public domain or the not-for-profit sector, to be able to get a broader mix of incomes coming in there. We need to sort out the issue of access to Rent Assistance (Focus Group, Session 2).

Part of the frustrations of the Commonwealth Government has tended to concern the limited impact of its continued capital funding upon expanding the total stock of public housing over the past 15 years. We also heard that central government did not have much faith in the capacity of SHAs as a vehicle to manage the stock. This is made explicit in the quotation below:

Even when we do put more money in State Housing Authorities, in their sales policy in an attempt to keep their ship afloat because their highest priority is for their Treasuries to make sure they are sustainable, as quickly as we give them the money they sell off the stock and it houses no more people. So the stock has been running down while we’ve been giving them additional money, and so it doesn’t look like a viable long-term solution to the housing supply problem (Government Agencies).

2.1 Capital and recurrent funding

Taken together, these comments suggest that, regardless of the short-term political and longer cyclical economic forces within and outside the housing system, a number of financial constraints have acted upon the capacity of what we term here the conventional public housing model to meet the expanding demand for affordable housing in Australia. These can be summarised with reference to a number of substantive comments that emerged from the interviews. First, the progressive trajectory of declining capital and recurrent funding, in the face of rising demands and costs of provision, has severely limited the ability of SHAs to adequately maintain existing, still less expand, stock levels. Their partial stock transfer has also undermined the Commonwealth’s relative confidence in the conventional model of state housing provision, even while this has supported centrally-guided aspirations to support low-cost homeownership. Nevertheless, a key conclusion for Commonwealth policy-makers has been that the SHAs have provided poor value for money, generally without recognition of the constraints faced at the state and territory level and the changing dynamics of housing need.

Second, existing legislative, regulatory and policy settings effectively prevent the SHAs from actively trading public stock to help finance necessary dwelling upgrades and to expand stock levels by changing the mix of densities, dwelling types and locations to better match the needs of target households. These barriers limit or exclude the greater involvement of private finance in leveraging government investments in public housing, in spite of consistent rhetorical commitments by all governments to do just that.

Third, as currently constituted, public housing tenants (or their landlord) are not able to access Commonwealth Rent Assistance which is currently only available to tenants in the private rental sector. In the face of a *levelling down* of tenant incomes, and the persistence of applying tenant income-related public rents, SHAs revenue streams are chronically limited. Of course, the critical point here is that we return, in any formulation of these issues, to the need to reinstate more adequate funding to restore the sector to some form of health and appropriate functioning within the broader housing system.

Fourth, to the extent that existing public housing is concentrated in large estates, built up to 40 years ago, effective renewal requires partnership with a range of key social and physical infrastructure agencies, such as public transport providers and land-use planners, whose investment and service priorities are likely to lie elsewhere and whose statutory and accountability relations are independent of the SHAs (and their ministers). This lack of coordination and meshing of strategic policy responsibilities appears increasingly outmoded when compared with many European countries, for example (see Treasury 2010 for a discussion of these issues). In more general terms, government-owned land development commissions, state planning agencies and local government also tend to operate in separate policy environments with different powers, constraints, revenue sources and driving priorities. The great difficulties in getting cooperation among these agents in the lead-up to the 2009 NAHA and its aftermath at the Council of Australian Governments (COAG) point to the very real social and political barriers to effective reform.

The issues we have raised here point to the gathering belief that the conventional model of a deficit-run and severely under-invested public housing stock is incompatible with broader social and economic objectives and generally inadequate to the tasks asked of it. This was summarised by one of our discussants:

Look, the model, to me, I wouldn't pronounce it dead and broken, but it's on life support, and the extent of life support varies by jurisdiction. I think that some of the smaller jurisdictions are probably harder up against it than some of the larger jurisdictions. I think it's just that there's a growing housing affordability issue in Australia, public housing isn't going to deliver it, deliver and manage the gap, sufficiently, so they're looking for a range of options that will meet the need and I don't think we'll ever not have public housing, but that they've got to find other ways of getting better financial leverage ... But coming with that, of course further tightens the targeting and reduces the sort of overall proportion of public housing overall, so that brings further problems and challenges (Focus Group, Session 2).

It is clear from this analysis that such problems and challenges relate to both a continuing financial down-spiral and the intensifying stigmatisation and social exclusion of remaining public tenants. These issues are themselves, as we have already argued, significant political and ideological products of the way that public housing has come to be constructed in political and social life. Yet this outlook was also tempered in some cases by claims that there have, in fact, been gains associated with the sector. Here another respondent put a somewhat different emphasis, stressing the funding constraint:

I actually don't think public housing is highly problematic as we say, and it's part of the problem to keep saying it's highly problematic. Certainly the funding environment is extremely problematic and certainly the size of the stock is highly problematic, but I think we actually have to look back and say, yes, but [we've] done remarkably well for 60 to 70 years for a whole variety of reasons (Focus Group, introductory session).

This respondent noted that, now, the increasing spatial differentiation of metropolitan land markets increasingly priced public housing authorities out of large segments of the city, intensifying the funding constraint and tightening the spatial scope of their operations. This raises a number of critical issues within which the possibility of expansion and tackling housing need is undermined by the broader play of housing and land markets which have further highlighted the incredible distance required for the SHAs to become part of these markets. In the light of Commonwealth and state government aspirations to diversify and to socially mix public housing areas (Atkinson 2008), these issues are of significant concern because they compromise the possibility that new and existing areas might become normally functioning spaces which would themselves be less stigmatised as a result. Such discussions raise deeper political and philosophical questions about what public housing is for. Indeed, some commentators argue that the retrenchment of public housing funding is compatible with a view that sees tenants as undeserving, and public provision needing to be intolerable enough that other avenues of provision are sought by existing and prospective tenants.

What is increasingly clear from our analysis is that such crude ideological paradigms have been highlighted as outmoded and ill-fitting with the evidence on the motivations and aspirations of many tenants themselves. Maintaining only a residual role for public housing, instead of aligning it with responsibilities for deprived and middle-income households, effectively denying its economic functions and maintaining the exclusion of potential workers, offers a strategically weakened vision. The funding challenge to expand affordable housing supply is also being intensified by the increasing population and growing income polarisation we observed in our introduction. Yet what is notable, and perhaps somewhat remarkable, is that these shifts are occurring alongside the remit of a policy community that remains convinced that the traditional public housing model has failed and has little role to play in addressing national and social needs. These points came out from several of our informants. As one commented:

The scale of government investment in social housing is not sufficient to offer it the leverage that it needs. I mean we've got population growth at, you know, 2 per cent odd per annum, and we've got household growth a little below that, but not much. There's no way that Commonwealth or state governments are going to kick-in capital funding which is going to enable social and affordable housing to grow at 2 per cent per annum for the next 20 years, it's just not going to happen ... It can cannibalise itself, public housing, and I think in some states it's actively doing that. Particularly the smaller ones where the only way they can meet their operating deficit is to sell off stock and plough it back in, and that actually just makes the situation worse. So I think the challenge in delivering an affordable housing outcome can't possibly be met through the existing public housing model anymore, and I do think that calls for a radical rethink about roles and responsibilities of the Commonwealth and the states (Focus group, introductory session).

There appeared to be little confidence that policy-makers have found better models operating in other countries to apply locally or that any longer-term strategy is in place to expand the affordable stock once the current fiscal stimulus package has ended. Several respondents alluded to this problem of sustaining investment:

Some of the funding mechanisms for social housing overseas are quite interesting and worth exploring a little more in the Australian context in terms of how you actually do raise capital for investing in social housing. But I don't know that the Commonwealth Government or perhaps most of the states yet

have really thought what happens beyond the stimulus package. Once that \$6 billion rolls through, it's back to the bare bones landscape (Government Agencies).

Through the stimulus package, the stimulus program, the Commonwealth put another \$6 billion on the table to build 20 000 houses. That's lovely. But the shortfall in social housing is 160 000 dwellings. So either they find another, whatever that is, another \$50 billion—no way! (Government Agencies).

Another interviewee tied the issue of financial constraints to broader governance and community renewal challenges facing the SHAs themselves:

It is almost impossible for the existing authorities to maintain their historical position in light of their financial and policy settings. So the first question then is how they redefine their relevance in contemporary public policy. I think the second is, given the renewed interest of the Federal Government, how they adapt themselves to a more assertive national policy framework. And thirdly, how do they deal with the accumulation of challenges within particular neighbourhoods and precincts—themselves the product of past policy settings. So, all of those things make this a challenging time for those organisations (Government Agencies).

There was a more general sense that progress on these issues has continued to be slow, with public housing remaining a low priority agenda item for successive administrations at each level of government. The same interviewee had recently returned to Australia and expressed surprise at what had not happened in the public housing sector in the intervening period:

But I was struck on my return to Australia after nearly eight years abroad how there had been no institutional reform, there had been no reform of the funding models ... and core funding simply got considerably worse—the 26 per cent decline in real terms through 1996 to 2008. Interestingly, the apparent unwillingness of state-based centralising agencies to take particular interest in the model either. I don't see a lot of evidence of particular reform during that time, I don't see things standing out particularly, and all the usual things that we expected about deficits and concentrations of disadvantages and the inevitable consequence of over-targeting and the heaviness of the administrative costs, and all those things just got worse during that time (Government Agencies).

2.2 Barriers to reform

The federal system, particularly with respect to funding arrangements between the Commonwealth and states, perhaps tends to reinforce particular constraints on reforming the public housing system. So there is something about the structural form of the political and administrative aspects of government, and other institutional interests, which appears to influence fiscally conservative and low-impact responses to the challenges faced by the system. One example concerned the protracted negotiations over the NAHA in 2009:

My perceptions are influenced by the participation I had last year leading up to the National Affordable Housing Agreement, and most importantly the rejection by the states of a portability-based model of granting universal access to Rent Assistance, which would have seen a compensating reduction in the volume of funding made available, I think it was a net cost of about \$450 million ... So, true to script, and without needing to prompt or rehearse, everyone just lined up and whoever was currently getting more said no, whoever was getting less

said yes, and the whole thing faltered, notwithstanding the ability to get both a stable ongoing funding stream and one that would have been, for the first time, indexed in real terms. And having witnessed that, and having seen the absolute inability of that structure and group of officials to comprehend the need for change, I think at that point I lost faith in the ability of the public housing officials and ministers to reform themselves (Government Agencies).

We can infer from such comments that to some extent the short-term concerns of states and territories in protecting their individual shares of the current division of Commonwealth funding for public housing is undermining COAG attempts to reform and expand the provision of affordable housing more broadly conceived. In the absence of an increase in the total of Commonwealth funding for this policy area—so that there are no losers among the states and territories—reform is stalled and the sector will continue to decline. This impasse in making strategic and socio-economic advances for the sector has become increasingly problematic and appears to be linked to the broader structure of government and national imperatives for coordinated actions.

The same interviewee stressed that failure to deal with the funding inadequacies in providing a viable social housing system would intensify social problems and government fiscal liabilities elsewhere in the housing system and beyond, such as health and education:

My concern is, if we don't address this income stream issue around social housing, all you're going to get is an increasing number of people dropping out of the bottom of the system. Homelessness is, in effect, a range of things, some of which are personal. A lot of things being equal, an undersupply of housing will mean that most marginal people get dropped over the edge, and they fall into homelessness. Couple that with some of the other things that are increasing like drug dependency, mental and other disorders, those are also people who fail tenancy tests and they drop out of the bottom end. So, government is certainly concerned, I don't think housing yet has come to the front of people's minds though in this way (Government Agencies).

2.3 National Rental Affordability Scheme

It is important that we make explicit some of the criticisms concerning the NRAS. The NRAS was specifically established as a way of leveraging more private investment into the provision of affordable housing outside the traditional public housing system. One interviewee detected that, within the Treasury, there was a degree of scepticism about the capacity of the NRAS to attract private sector institutional investment:

I'd like to see the Future Fund invest in residential housing. I went to Treasury and said, as part of this Commonwealth-state discussion, can the Future Fund be directed to invest in the rental affordability scheme, and they said, no, it can't be directed, and in any event we don't think the returns are good enough. So if the government won't invest its money in rental housing, why would the private sector do it? (Government Agencies).

A number of focus group discussants agreed that the parlous financial operating position of public housing authorities, and the existing funding environment, lessened the attractiveness of the sector to potential investors:

All housing authorities are now at tipping point and they're about to start losing money on their existing stock. So where would you fund borrowings from? (Focus Group, Session 2).

Another argued that the NRAS was likely to be ineffectual in attracting investment without greater subsidies:

You have to change the revenue model and you have to have Rent Assistance. I mean if you're going to have income-based rents that are adequate, it just double draws on. So I think the question actually needs to be much more explicit around the revenue side. I mean if dollars are in the eyes about exploiting these assets and so on, you'd have to put out the argument, actually our revenue is inadequate, on the sign (Focus Group, Session 2).

The slow and limited uptake of the NRAS to date, especially with respect to the limited appetite shown by institutional investors, suggests that this is a plausible reading of the situation. The tight funding constraints on conventional public housing (outside and beyond the short-term stimulus package) are not necessarily being overcome by shifting responsibility to the private sector. It would also seem that the accumulation of current shortages and problems are likely to get much worse:

In general, housing supply is the immediate and long-term challenge. If we are going to have a 35 million population as the Intergenerational Report suggests, that basically means that the current rate of household formation would need to generate around 180 000 dwellings a year and our peak production is around 152 000 dwellings per year, and so we need to solve that problem. If Ken Henry is right, and we are hooked up to an Asian boom that will last until 2050—and he generally is pretty right—we are going to see growing regional disparity in our housing markets which won't sit well with Commonwealth social policy in terms of Rent Assistance or pension setting (Government Agencies).

2.4 National Affordable Housing Agreement

The problems identified were not confined to the NRAS. We also heard concerns about the NAHA that was introduced as a component of the overall reform of Commonwealth-state financial relations in 2009. It is helpful to provide some background information at this juncture. A raft of tied Commonwealth grants, including those under the Commonwealth-State Housing Agreement, has been replaced by a smaller number of Specific Purpose Payments and National Partnership Agreements. In future, the Commonwealth will provide annual funding tied to agreed outcomes in policy fields like housing and health. These initiatives appeared to open opportunities for state and not-for-profit housing providers, but also meant that the state Treasuries could prioritise and re-prioritise public investment activities. Funding affordable housing at appropriate levels will, thus, not necessarily follow, if state governments place high priority on major areas of public investment like education, economic infrastructure and health. One interviewee makes a related point about the Commonwealth's 2009 decision to shift part of the Nation Building funding from the housing target to fill a funding gap in the education program:

The National Partnership Agreements certainly provide a short-term basis on which to look at areas like Indigenous housing, remote housing and certain supply issues. But as you would have seen—and again, it was interesting—the reduction in spending on public housing because of pressures with the education funding, so I mean at the stroke of a pen because of budget pressures, public housing was reduced and money put back into primary schools (Housing provider).

The funding constraints on public housing and on the attempts to reform the system over the past two years or so occurred during a long period of attempts to shrink the

direct role of governments in service provision, the so-called era of neoliberalism or the 'Washington Consensus' (Jacobs et al. 2010):

As we moved to open up our markets to world markets, to change our financial systems, to deregulate our financial systems, and as governments went to the market to borrow and actually reduced their own debt loadings, much government policy was directed at both reducing tax revenue with the objective of producing more choice and opportunity in the market but also reducing government debt. You had both of those factors coming together which almost came as a tsunami to areas like investment in public housing (Housing provider).

Some states have fared worse than others within this climate, particularly in terms of funding pressures in areas like public housing. In the quotation below, an interviewee highlights how extensive public ownership can have a detrimental impact on a state government's capacity to borrow money:

The other pressure in a growth state like Queensland, which has always had very low levels of public investment in housing historically and that's been maintained, is that the government has traditionally borrowed for economic infrastructure and public infrastructure such as roads and railways and ports and electricity generators. And the perverse issue for governments like ours where we have greater public ownership of assets—and this gets into our current dilemma—is that our wonderful friends, the ratings agencies, count commercial lending in the equation of the proportion of your borrowings to revenue, and if that exceeds 10 per cent then your ratings are under question, so Queensland's rating was lowered from AAA to AA simply because, unlike Victoria, we own more generators (Housing provider).

This argument set out by the interviewee points to the significant historical role of the large ratings agencies, such as Standard & Poor's, in effectively imposing global limits on the public sector borrowing requirements of governments, particularly at state level. Given the relatively low priority of public housing in relation to areas like health and education, and the move to Special Purpose Payments and National Priority Areas, through the recent and continuing COAG reforms, the outlook for long-term sustainable funding to underpin the expansion of affordable housing in Australia appears unfavourable. From this perspective, the historical funding constraints on public housing would appear to place constraints on future attempts to expand the stock of affordable housing on a broader front, unless a concerted cooperative agreement to boost public and leveraged private investment in this sector can be implemented.

2.5 Conclusion

This chapter has addressed some key problems that have arisen for the SHAs as a result of trying to manage housing stock in a period of tight budgetary constraints. It provides a rather bleak and almost fatalistic reading of the current and future position of public housing in Australia. At this juncture, we can draw four conclusions. First, the demands made of SHAs have become greater and more complex. This results from a continuing decline in housing affordability, a new emphasis on overcoming homelessness, and continuing population growth and broader under-supply of housing. Second, our research makes it clear that those working in both the government and non-government sector broadly agreed that the current model of funding for public housing is failing or has already failed. Further, there is agreement that the recent increases provided through Nation Building do not signal a change in the long-term public housing funding model.

Third, there is a view expressed by many in the sector that the SHAs represent an outmoded model for planning and delivering housing. Interviewees identified entrenched problems that ultimately require major organisational and service system reform as a precondition of sustained new investment. Finally, our interviewees with experience of recent intergovernmental policy-making suggest that there is little likelihood that the Commonwealth, state and territory governments are able to establish a new agreement about public housing funding and long-term viability. The new NAHA is not seen as representing significant change in intergovernmental arrangements. We will return to these issues again later in the report.

3 DRIVERS SHAPING THE FUTURE OF PUBLIC HOUSING AND OBSTACLES TO CHANGE

This chapter identifies and discusses the major drivers shaping public housing provision. Mass public housing provision commenced in the post-war period and over 70 years there have been distinguishable periods in its history. Broadly described, the period until the late 1970s is one of growth and provision of housing to households whose members, especially male breadwinners, were employed in industry. From the late 1970s there was a change in the model as new tenant households comprised mainly of single parent families, the long-term unemployed and those experiencing other forms of disadvantage associated with low incomes. It is in this context that we seek to answer the question: 'How have the major drivers shaping public housing provision (social, economic and political) affected its future role?'

The chapter begins with a discussion of how the historical legacy of under-funding (first raised as a prominent issue in chapter 2) acts as a brake in the current policy context on the issue of reform in the public housing sector. This is followed by a more explicit discussion of the drivers informing contemporary policy-making. A distinction is made between exogenous or external drivers (such as shortage of supply, social polarisation, the incapacity of the private rental market to meet demand) and endogenous factors that are internal to the contemporary housing policy setting (such as funding arrangements within the sector and the promotion of social inclusion policies). In the main part of the chapter, it is argued that both of these kinds of drivers are construed by policy-makers as obstacles that effectively serve to undermine new policy reforms, reinforce competing interests within the sector itself, exacerbate tensions between the Commonwealth and state governments, and embellish a sense within policy-making circles that other welfare priorities are more urgent than public housing.

3.1 Drivers of change

For the purposes of this project,³ the term 'drivers' is used to denote the historical processes and factors that shape contemporary policy-making. These can 'perform' in the sense of enabling particular policy initiatives, but may also constrain in other contexts. For example, neoliberalism while 'performing' as a rationale for reining in public expenditure can also generate a rationale for change within organisations such as through the creation of public/private partnerships or setting new, enabling roles for public agencies. We are not suggesting that these drivers operate independently of individual or institutional actions; rather, they provide the context in which these actors make such decisions. Thus, the capacities and directions of institutions are directed, shaped and otherwise influenced by imperatives, dictates and legislative requirements. Public housing is therefore not something that can be viewed in any isolation from these factors.

One of the key drivers of change in policy settings is what can be termed 'periodic crisis', a sense that existing policy structures fail to deliver desired outcomes and, in the words of one of our interviewees, 'public housing is in an incredibly challenging period' (Government Agencies). The 'problematization' of public housing has taken place at a time when homeownership is viewed increasingly as the 'normal' and culturally preferred tenure (Kemeny 2005).

³ A more extensive discussion of the drivers informing housing policy can be found in the first output of this project (Jacobs et al. 2010).

As we discussed in the first publication of this project (Jacobs et al. 2010), in the postwar decades public renting was often seen as a point of transition towards homeownership and this somewhat benign view has continued to predominate in the current policy context in which it has been described as ‘a spring board allowing people to land softly and then jump out of disadvantage’ (Plibersek 2009). Indeed, for many years, public housing played a role of a transitional stage for working-class families—often young families and/or recent immigrants—on their way to accumulate savings and achieving the ‘Australian dream’ of suburban homeownership (Bolton 1990). In the process, a significant proportion of the public housing stock that was built in the 1960s and 1970s has been sold off.

However, a curtailment in capital grants for new development compelled SHAs to focus on the maintenance of the existing stock. Public housing has primarily become a small residualised ‘welfare housing’ sector (though with notable differences between the states) for households with little prospect of acquiring housing—through either renting or ownership—in the private market. It is evident that such a sector, which houses a considerable proportion of people with ‘complex needs’, has little scope to be financially viable, even within its own internal parameters which, it has to be emphasised, did not change alongside the gradual shrinking and ‘welfarisation’ of the sector. As an interviewee from an NGO explained: ‘There’s probably not an appreciation in government agencies of the difficulty of managing a sort of broad-based public housing system that’s trying to deliver outcomes to complex clients’.

In the ideological context of economic rationalism, however, the gradual drifting of SHAs into a structural financial deficit can be seen as an important factor to help explain why the current model for public housing is not seen as viable. Not surprisingly, most of our interviewees singled out this reason for the current crisis—the perception that ‘the current funding environment is extremely problematic’, while other reasons, such as changing demographics, socio-economic polarisation and environmental issues took a place of secondary importance. As an interviewee from a government agency explained: ‘We’ve got a fundamental problem with the financial viability of our system, and then we’ve also got these added pressures of the environment on top of that’. The Commonwealth Government’s reluctance to increase public funding for the sector can therefore be understood as a symptom of the ideological premise that housing, unlike health and education for example (although those sectors are also being increasingly privatised), is best supplied by a ‘free’ market. As we discuss in the conclusion to the report, the current reform agenda is steering policy in this direction:

If the government just ... says that's the model, then it's just forever providing everything for the bottom 10 per cent of the population. I think that governments generally would be more comfortable with the model where it's helping people stand on their own feet, helping to get them to be self-reliant ... So in America there's more an incentive to get up and look after yourself and the cost of that is a whole bunch of homeless people who do very badly out of the system. Is society better off with that? I don't know, the Americans seem very comfortable with their way of doing it (Government Agencies).

It was suggested on a number of occasions that while governments view social inequalities as an unfortunate consequence of the housing system, there is a reluctance to address the structural causes of these inequalities. In the words of one focus group discussant: ‘What they don’t understand is that, in effect, that group of people are left behind as a consequence of the wealth that’s been created. So they’re sort of like a structural condition’. The cause of ‘not understanding’ is, of course, not some form of cognitive deficiency, but rather the impact of the dominant ideological

environment which engenders a view that even the funding of welfare-style public housing, that shelters the most marginal population, should conform to the rules of a 'profitable business model':

The deep irony of this is we're constructing a system to deal with private market failure, and then making the system pretend that it's like the private market. What do we think is going to happen with that? It seems so stunningly obvious ... If you make the [social housing] system function like the private market, it's in the end going to wind up ... It will cease to provide reasonable levels of assistance to low-income households. It will become part of the problem, not part of the solution (NGO).

The drivers of the current and widely acknowledged need for reform in the provision and running of public housing can be divided into two categories: exogenous and endogenous.

3.1.1 Exogenous drivers

The exogenous or external drivers emerge from the broader social issues that impact on the need for public and more broadly social housing. The main exogenous driver of change is demographic change and the assumption that the shrinking sector cannot meet expanding need. The demand for public housing increasingly exceeds supply and waiting lists are getting longer; according to authoritative sources, there is an 'acute shortage' of social housing in Australia (Fitzpatrick & Stephens 2007, p.30). As noted in the introduction to this report, the current shortfall is estimated to be in the range of 160 000 to 200 000 dwellings. This is partly due to socio-demographic changes: the provision of public housing has not kept pace with significant shifts, such as smaller households, ageing population, socio-economic polarisation and dynamic population growth:

We will be required to make some changes as we suck in more migrants. We are going to have to suck in a lot to fix the skills gap. You know, we are going to have a program of 180 000 or 200 000 at least, year on year, may be more some years to get the raw materials out of the ground and off to China. And that will have an expression in public housing and it will also have an expression in social organisation (Government Agencies).

Several interviewees picked up on the expanding proportion of ageing people in the population and its relevance for public housing:

...the ageing population and a lot of people in public housing units who will age in place and they are not going anywhere very fast. That's a very significant issue, there is not going to be the money to invest in the scale that needs to be invested if you just view public housing on its own (Government Agencies).

The effect of income polarisation for housing in Europe, North America and Australasia has been widely documented by researchers (for example, Fitzpatrick & Stephens 2007). In the domain of housing, socio-economic polarisation is reflected in an increasing and related spatial polarisation, as clearly visible in the suburbs of large Australian cities. This problem is well recognised by policy-makers, but is hard to address. It affects public and social housing provision as attempts to create a greater social mix in localities prove remarkably difficult. The difficulty of securing public housing in well-off and service-rich areas is not just a consequence of land prices, but also of the resistance of local homeowners who see public investment as a threat to house values and their local social milieu.

Adequate provision of public housing is also hampered by stock which is, on average, three decades old and increasingly inadequate in meeting the demographic

challenges we described earlier. Australian households are becoming smaller and the fastest growing type is the sole-person household, while public housing stock was generally built for families:

You know, for years and years we were building three-bedroom accommodation in the main, may be some two-bedroom accommodation, but there's been some demographic shifts in that short period of time which now sees a huge move towards single person households and the need for a different type of accommodation and mix of accommodation, and that affects where you build it and how you build it (Housing provider).

Another exogenous driver of change has been the influence of a more generalised crisis in housing affordability and an expanding demand for affordable housing. It is increasingly dubious whether a critical level of affordable housing can be delivered solely through market provisions and pricing signals, given the current demographic and economically prosperous context which has created a pernicious situation in which additional demand for, and investment in, housing has generated significant price and rent increases. (Economists have been quick to highlight how the further financialisation of mortgage finance products led to increasingly risky investments and overspends by increasingly indebted households.) While a large majority of the baby-boomer generation consists of owner-occupiers who may not have an adequate understanding of the problems of the most marginalised, or even of the fact that (un)affordability is now creeping up the income distribution, once the problem starts affecting their children, they are compelled to take heed of the issue:

The thing that really struck a chord with people was intergenerational difficulty, so when you could get people in a group and say, you know, how do you feel about your children not being able to access homeownership [they say] "Well, I don't really like that, and I would really like the government to do more about it" ... In terms of the interested parties, there is a significant group of homeowners now for whom the problems that their children will encounter purchasing housing are important (NGO).

The comments, set out above highlight how intergenerational inequities are arising, with new cohorts of prospective owners now locked out by the equity gains accruing to their parents and older groups. The apparent difficulty for Commonwealth and state governments has been to reconcile the expectations from existing homeowners that their property will accrue in value while also increasing supply so that younger cohorts can gain entry into the homeownership market (Flood & Baker 2009). The recent COAG meeting (April 2010) identified some drivers for the public, as well as wider social, housing reform in this context. New policy measures are designed to balance the discrepancy between supply and demand that is seen as the cause of declining affordability: 'The housing market faces significant pressures, with population growth and a healthy economy continuing to add to strong housing demand.' Significantly, however, the COAG housing supply and affordability reform agenda and timeline focuses on a range of areas for potential housing reform, but public housing is not explicitly one of them.

3.1.2 Endogenous drivers

Endogenous drivers of change can be conceived as those that are internal to the public housing policy setting. They are generally associated with the history of SHAs and the attempts to respond to new demands originating in changing demographics and housing affordability. One that is often singled out is that the funding model for public housing provision does not enable SHAs with sufficient resources to provide enough housing to meet the complex demands of new households:

So basically, public housing is supposed to be a 'closed system' that achieves reasonable balance between income and expenditure. So we charge the sort of rents that are able to cover the costs of providing the housing. What happens when you target to those more and more in need? You get some people who can't pay, and secondly, in human services departments, say, the mental health area ... homelessness area, the area that deals with violence against women and children—on it goes. They all have a housing solution that they want to execute and there's the social housing system sitting over there and ... they say: 'Well, we want some of that'. Now ... the pressure to actually provide rent-free or even more highly subsidised rents, to people who are in crisis ... that narrowing of the system and its inability to survive financially. And unless it's topped up, then you just have less money to spend on maintenance, therefore [you] have to sell stock to pay for it, and the collapse is nigh (Government Agencies).

It can be inferred from this that internal housing policies are seen as pulling in different directions: on the one hand, the need to reduce costs and stay in budget surplus; on the other hand, to provide enhanced and resource intensive services to groups that have a high level of social need.

Another endogenous driver of change in the public housing system is the promotion of a 'social inclusion' approach. Within this new framework, a strong emphasis has been placed on integrated service provision, area-based interventions in housing management and policies to reduce homelessness:

One of the important things about social inclusion is stable housing. That's why people are so attached, well, it's one of the main reasons they're so attached to homeownership. It is common knowledge that the importance of housing in people's lives can be hardly overestimated. Research has repeatedly shown the importance of stable and adequate housing for people's health and educational and employment outcomes, among other things (Focus group, Session 2).

For this interviewee, social inclusion was therefore a positive driver of change in that it provided a fulcrum for welfare agencies to establish linkages across the sector and demonstrate the need for holistic approaches.

3.2 Obstacles to change

As discussed at the start of this chapter, we can view the drivers of change as processes that establish both obstacles and opportunities. In this section we identify four of the most significant perceived obstacles: reform impasse, organisational tensions, pessimism and stigmatisation. Institutional and policy inertia is, of course, not limited to the public housing policy arena. Most large and complex political-social systems are inherently 'inert', or hard to change, even without taking into account special interests groupings seeking to steer the policy agenda to maximise advantage.

The policy reform impasse can be illustrated by the following comment, where public housing is seen as an inefficient system but at the same time perceived to be a form of provision that would be very difficult to replace with something different:

Social housing and public housing in particular has to continue, I don't think there's any choice. Whilst you earlier said there's very little political power that those who are poor have, if government decided to exit I think you'd have an enormous outcry, so I don't think politically it's easy to exit the space, even if you wanted to. I think morally it's probably the right thing to do and at least in terms, financially, given the mismatch and the age of the infrastructure there

are some very significant challenges for the sector going ahead, so there'll be significant costs imposed (Government Agencies).

A lack of coordination between agencies, divergent organisational interests and interdepartmental rivalries were singled out as the second key obstacle to change. Consider the following view from a senior policy-maker in which he takes into account the prevailing ideological environment and the potential impact of any realignment of policy for the existing social order:

I mean, it's a whole government coordination, all those sorts of things, and the simple fact is that society has conflicting objectives and those objectives are reflected in its public policy. So, in terms of housing, we have got some very significant challenges ahead, just to provide stock, before we think about the role of public housing. And then we have got that demographic dynamic (Government Agencies).

Organisational arrangements between the Commonwealth and states are considered problematic—in the words of one respondent, 'an inability of federal and state governments to find acceptable ways of working together'—but, at the same time, hard to change. According to this respondent, their agendas are quite different: put crudely, the Commonwealth is interested in a broader debate about affordable housing that 'affects 20 to 25 per cent of the population', while the states are focused on a smaller issue of public housing 'for 4 per cent of the population'. The April 2010 COAG meeting and the Housing Minister's Community Housing Development Discussion Paper released about the same time (22 April 2010) emphasise this point (FaHCSIA 2010). The fact that 90 per cent of social housing stock is held by eight government providers has been singled out by the Commonwealth Minister for Housing as a problem because the 'system is not transparent or accountable'. The minister deemed 'unacceptable' that 'at the moment we simply do not know how much of the social housing dollar is spent on capital, rent subsidies and tenancy support'. She also questioned the model where the Commonwealth has provided funding based on state or territory population share, rather than the size of the public housing stock (Plibersek 2009). Certainly some interviewees noted the problems that stem from the current Commonwealth-state division of responsibilities for the public housing system, for example:

In practice, for a country of 20 million people, we have way too much government and it is a dead weight on the economy and on progress, economic and social progress, there is no doubt about it. Having said that, would the Commonwealth be any good at running a public housing system? No, not at all ... So public housing, if you look at reforms that have flowed into other areas ... public housing looks like what it is, it looks like it is a colonial overhang from our British heritage and it is pretty much organised in a way that even the British have abandoned. We are still organised the way that they were 30 years ago ... It's heavily outdated ... So look, going back to your original question, the Commonwealth and state divide is a problem, but it's not [as big a] problem in housing as, say, it is in health (Government Agencies).

Deep in the Australian psyche—and this emerged in Victoria, I think, before the turn of the century—is this notion of a 'deserving poor' and Australia has possibly the most tightly targeted welfare system in the world ... Our ability to work out who it is that needs money and direct it to them, you know, we have got better computer systems than the US has and we have got better knowledge of our population than anybody in Europe does, so it's a very tightly targeted system. But public housing is not that well targeted because housing is different to income transference and it's fixed, immovable and it's not being

run by the Commonwealth, it's being run by the states. So in the overall sweep of social policy, where the Commonwealth runs things, its discipline has been to very tightly target them. Where the state runs things, because of their size and because of the nature of their politics, they are much less good at targeting resources (Government Agencies).

Our interviewees were uncertain as to whether the current ailing public housing could be 'reborn' within a new institutional architecture of a broader social and affordable housing sector. For most, the crucial issues on which such a development will stand or fall is the amount of subsidy provided to private sector investors:

For as long as I have been involved in public housing, the intriguing thing to me is how do we encourage private sector participation? And my previous period when we were in housing, we looked at all sorts of schemes and incentives that would encourage the private sector to invest in public housing. But at the end of the day we all know that investors will invest their money where they are guaranteed an average or better than average market return, and if you build housing and charge less than the market rent you don't get that return, and that's the fundamental problem we have in getting the private sector involved ... But, you know, we need to work hard at looking at where government can provide I guess some contribution that does make it attractive for private sector investment ... We really do need to get some of the big institutional investment funds putting some money into this space and of course they will only do that though if there is a market return to be achieved (Housing provider).

The interviewee is alluding to the fact that uncompetitive rates of return on housing investment reflect high land and construction costs and an inflated tax system that provides too many incentives for homeownership investment and does little to dampen over-consumption.

The third obstacle we identify is the culture of pessimism among policy-makers and scepticism that significant reform of the Australian public housing system can be achieved. In short, we noted a sense of resignation among some of those we interviewed (especially those outside the government sector). We heard, for example, that public housing reform is unlikely to become an important electoral issue like health or education. Public housing tenants are a marginalised group with a weak political voice, and the position of the agencies that represent them appears to reflect this. In the political language, the constituency for public housing is small:

[When asked about the affordability crisis] Howard [Prime Minister] said: Oh, you know, we've kept interest rates low for a long time, and the real problem is house prices keep going up, and nobody ever comes to me and says 'I'm worried about my house price going up' and so when you've got 75 per cent of people who are [owner-occupiers] ... It's always going to mean that the housing assistance programs are targeted at a minority of people whom the majority of people have no empathy with and no understanding of, and so from a political point of view, there's no political constituency to make a difference there (NGO).

In the words of another interviewee:

The one problem I reckon is political will. It's not a funding problem—governments always find money. It's a lack of political will. Why is that lack of political will? I don't think there're any votes in increasing the supply of public rental housing ... If we look at it all as, say, non-market housing, I reckon that's a goer. I think [people] would mobilise around the provision of affordable rental

housing. But *public*, the image of *public* rental housing has become a bit tarnished and I don't think people would mobilise around that (NGO).

These points continue to highlight the perception within policy-maker circles that public housing is a problematical tenure. The lack of support for public housing is symptomatic of the resistance to the kinds of housing, perhaps run in particular ways and in potentially problematic locations. It is unclear whether increased investment would be sufficient to reverse this opposition. It was not uncommon for some interviewees, especially those working within housing agencies, to portray Treasury officials as generally unsympathetic to the plight of public housing:

One of the most important and powerful players in government, either at the state level or the Commonwealth level, is Treasury. I mean Treasury control the purse strings and Treasuries, as you probably know, are pretty defensive and it's easier for them not to get involved than just to say no, there's no money, or where money is provided that it's limited and ear-marked and time limited. I think the central agencies are the parts of government that need to be influenced. I mean housing, the whole issue of whether we have adequate housing and we're accommodating people, I think that needs to be presented to Treasury in economic terms, not in social and human terms. It's all right to do that with the Premier's department, but Treasury is, like, economic rationale, and I don't know whether we do that nearly well enough ... I see the increase in housing supply as being no different from other infrastructure that is needed for our communities, whether it is roads or rail or ports or electricity or water ... If you don't have housing infrastructure, that's every bit as dangerous as not having enough water (Housing provider).

This suggestion, that social equity and social justice agendas should be argued to the relevant government decision-makers 'disguised' in economic terms, was repeatedly raised in these discussions.

The stigmatisation of public housing among the general public represented another obstacle to reform, translated into a resistance of homeowners in middle-class suburbs to having public housing dwellings in their neighbourhood. This widespread 'NIMBY-ism' (not in my backyard) hampered the efforts to increase the supply of social housing through the Nation Building program that started in 2008. The poor image of public housing is built around contradictory stories, one claiming that it is populated by 'no-hopers' prone to anti-social behaviour and causing disruption in their neighbourhoods, and the other suspecting that public housing tenants are really well-off people 'bludging off the public purse'. The contradictions in this mild 'moral panic' surrounding public housing do not make such a discourse less influential:

I think the majority of Australians wouldn't think about who's in public housing. They wouldn't say, 'Look, many of the people in public housing are people with disabilities who will never be able to afford to buy a house ... or old people on pensions', they wouldn't see that. They would probably see 'bludgers' [and] know all the stories about people in public housing who have a flat panel TV and a brand new car. And to some extent that is what they see because it's so poorly targeted and it's not linked into any part of the Commonwealth system that assesses income or ability to pay (Housing provider).

Another respondent commented on a political (mis)use of the current efforts to increase the supply of public housing through the Nation Building program:

No-one ever says 'We don't want those people living here,' they'll say 'Oh, it's an over-development' or 'It needs more car parking' or something like that ... Local opposition MPs have been using this as a way to garner support, saying:

'It's terrible that the [state] government's not even consulting with you, it's awful'. And the state government MPs are saying: 'Well, you're just anti-public housing'. It's fascinating, the sort of language they use (Government Agencies).

3.3 Conclusion

The question posed at the start of this chapter was: 'How have the major drivers shaping public housing provision (social, economic and political) affected its future role?' The analysis we have presented here is that significant drivers include the primary problem of a historical legacy of under-funding that has been conjoined with a number of subsidiary, yet also problematic, factors. We have suggested a distinction between exogenous and endogenous factors to help make explicit the way these drivers have shaped the constraints and problems of the public housing sector and also the way that a number of ideological constructions and perspectives have been draped over the question of the public provision of housing. The most important factors to note here are the constraints imposed by successive governments to limit expenditure on public housing, rising social polarisation and the systemic failure of the private rental sector to meet additional demand for low-cost housing. In addition, within the agencies responsible for public housing provision, a set of obstacles combine in ways that undermine initiatives to reform the sector. As discussed in the next chapter, it is evident from the data that we have collected that many of those we interviewed were supportive of a broader affordable and social housing sector created through a form of public/private partnership.

4 FUTURE STRATEGIES

This chapter seeks to address the following research questions that we identified at the start of the project: ‘How might or should the SHAs prepare for the future policy environment?’ and ‘What alternative models of provision might be used in the future to enhance the broader role of public housing?’ In Chapters 2 and 3, it was noted how the financial context and the wider social and economic processes have limited the options available for SHAs to enhance the role of public housing and its place within the housing system. It was widely recognised that the demand for social housing will intensify because of the paucity of private rental stock, the high costs associated with homeownership, and demographic changes. As we report in this chapter, there seemed little confidence that public housing would be the main vehicle to meet this social need, and many of our interviewees predicted that if there was to be growth it would be the community housing sector that would be provided with such resources.

In spite of the pessimism about the future role of public housing, we encouraged our interviewees and focus group discussants to consider the policy deliberations necessary to map out a range of strategies. In this chapter we summarise the central views and issues that arose. We begin by highlighting how the challenges facing SHAs have acted as a trigger to generate some radical thinking about the housing system as a whole.

There was unanimity that the SHAs’ current funding model is not viable:

Housing authorities are now really in a difficult situation in terms of their running costs. They haven't got the money to fix up their public houses, they've got a model which I think is a reasonably old model, the big State Housing Authority bureaucratic organisations aren't suited, I don't think, to managing the sort of stock that we've now got and the clients that we've now got (Government Agencies).

In spite of the financial stimulus package, there was no expectation that SHAs will receive significant funds to address housing need. In particular, those interviewees who worked within Treasury departments saw no prospect for an increase in long-term funding. The comment below is typical of many we heard:

Any prospect of serious investment is far-fetched. And even the investment that the Federal Government is making at the moment merely catches up on what would otherwise have been in the Commonwealth-State Housing Agreement over the last decade. And if you look at the states' plan to sell down stock, in about 10 or 15 years we will have the same stock level that we do now, even though the Federal Government is paying for 20 000 extra [properties] as part of the stimulus package (Government Agencies).

The lack of funds and the requirement that public housing caters for those with the most acute needs operate as a brake on any aspirations SHA staff and housing pressure groups might have to boost the standing of public housing—the view that it will remain a residual tenure appears to have been generally accepted as a policy reality, whether grudgingly or with some docility. There was a sense of resignation that it could only fulfil a marginal role in any future reform of the housing system:

I think public housing is residual. We are never going to be one of the European countries where public housing is an alternate form of tenure. That just isn't in the political psyche of Australia ... And you know, one of the great criticisms of people who have wanted to reform public housing in Australia is

that they are too focused on the European ideal and they don't know how to deal with the real Australian world (Government Agencies).

As we stated in chapters 2 and 3, the capacity of public housing authorities to secure the necessary funding resources to maintain services and the increasing costs associated with housing vulnerable tenants undoubtedly were seen as major barriers for any future strategy to enhance public housing. However, we were interested in hearing our interviewees' and discussants' views on some of the more 'radical' strategies that could be initiated to enhance social housing, as well as some more immediate practical policies that could be put in place to ameliorate the problems of operating a residual public service when resources are tightly limited.

Many respondents were keen to offer their views as to what form of provision is appropriate, public housing's role in the overall housing system, and whether alternative providers might be better placed to attract investment and new income streams. The following response by a focus group discussant encapsulates the range of views we heard. For this discussant, public housing was at a crossroads:

There are a couple of scenarios for State Housing Authorities. One is as pretty much they currently are and I think that's unsustainable, another is as the gatekeeper to a system that is much more dispersed, so they manage waiting lists, they might manage prudential requirements and a whole range of things and they may manage some stock, but highly specialised stock. Another scenario which is even more differentiated is where the current housing agencies are really facilitators and enablers of a combination of housing and services, with the housing coming from perhaps the private rental market, perhaps what we currently call public housing, perhaps something that's in a grey area with a combination of state and private investment and maybe even some aspects of homeownership. And State Housing Authorities bringing services into the stock, working with partners in others. So those would be my three scenarios (Focus Group, Session 1).

Interestingly, the global financial crisis of 2008–09 was seen by some interviewees as providing unexpected opportunities for public housing authorities to address long-standing problems. These opportunities are perceived to be connected to the way that housing construction, perhaps regardless of the particular sector it might occur within, could be used as a fillip to the broader economy while addressing collective social and economic problems and benchmarks:

To a degree, it was opportunistic that the global financial crisis came along; they could look at a significant investment into public housing which would assist the economy in a whole range of ways. I think it's hard to see that we'll see another investment like that in the near future, irrespective of the sort of growing gap that there is in terms of housing supply and demand, and the issues around housing affordability. Which is why I think part of the other broader COAG reforms in terms of the transfer of public housing into a different sector has the potential to allow leverage from those assets to actually then attract an alternative source of finance, not just from government, into more affordable housing (Focus Group, Introductory session).

4.1 Stock transfer and SHAs as enablers

The long-term strategy that our respondents were most keen to explore was the possibility of transferring much of the existing stock to large and properly funded and regulated not-for-profit community housing associations. We have already noted at the start of this report how the stigmatisation of public housing and its increasing

association with policy failure has led to despondency by many groups working with public housing tenants and key actors. For many respondents, stock transfer was attractive as a future option because of its potential to attract a larger revenue stream by charging higher rents that would be covered by Commonwealth Rental Assistance and which might thereby challenge the sources of this downward policy spiral.

While there was support for stock transfer, some suggested that any new arrangement that provided resources for community housing associations to manage new stock necessitated an appropriate regulatory framework. Consider the view set out below in which one focus group discussant suggested that SHAs could transfer the management of its stock to other agencies along similar lines to the way that state governments divested the role in managing aged care to not-for-profit providers:

The best model I can think of is aged care. State governments used to provide aged care homes and they've now completely got out of that business, but they still have a big stake in the regulation of aged care, fully fund and have the regulation, but the states do an awful lot of the compliance (Focus group, Session 1).

An interest in stock transfer was buttressed further because it was perceived as an option favoured by the Commonwealth Government:

The current preference of the Commonwealth is to have much more community managed housing and I think that's exactly the right direction. But I wouldn't necessarily think the longer term needs to be all community housing. It might be private/public partnerships, it could well be church groups, can be private community housing sector, but lots of different models of managing in a more transparent model where there's more equity in the subsidy, those sorts of things, and certainly more efficiency in the provision and more contestability (Government Agencies).

The support for stock transfer is informed by the UK policy context, notably the strategic initiatives of the late 1980s and 1990s when government subsidies for large housing associations made it advantageous for many public housing authorities to transfer their stock to community housing associations. Some interviewees argued that similar strategies could open up new funding streams necessary to increase the overall supply of social housing:

What you need is a strong and growing not-for-profit sector who understand about tenancy issues, understand about tenant security. They won't have a profit motive to achieve, but they will get a return on capital, and they'll use the asset base they've got. It seems to me that's a no-brainer. For me, that's the best idea we could adopt (Government Agencies).

However, while stock transfers were seen as a viable option to generate funds for new housing, it was made clear by some respondents that this would only be possible if the Commonwealth Government were prepared to allow community housing associations to charge higher rents. As one explained, the current financial arrangements are 'not a level playing field':

Compared to public housing, housing associations get Commonwealth Rent Assistance for their clients and that's for the value of about \$475 a week per client. So that's additional revenue. Secondly, they don't pay GST when they go and buy a house or build a house. So that's a 10 per cent saving. And lastly they have charitable status that means that, on their running costs, they can make a lot of claims (Housing provider).

Though there was support for stock transfers, they were seen as potentially risky. One interviewee expressed an anxiety about the mechanics of any transfer:

I hope we don't sort of shift into the community sector and 20 years later take it all back and try and fix the problems. I mean, it may be very successful, but we will have to prepare the community sector before we hand them over, rather than 'Here, here you go, try and learn' (NGO).

It was also made explicit that, for stock transfers to work as a strategy, they must be supported with financial subsidies.

I can't see why the government would be in the business of managing rental housing. That's not to say that there should not be not-for-profit. So I believe the future is in providing some strong and viable sector, not one that is marginalised. There will always be a place for small community-based organisations to run 30 or 50 units of accommodation, but I think we've got to develop the expertise and capability of organisations that are essentially not-for-profit organisations that provide and deliver rental housing (Housing provider).

The second significant strategy that respondents were keen to explore was the potential merits of SHAs adopting an enabling role. In fact, many saw merit in SHAs moving towards a role as an enabler of housing services, rather than as a manager of current stock:

I think you could basically have a system where the states managed the waiting list, and waiting lists were far better tuned with the data held by Centrelink, and then housing could be provided by a collection of quite large community housing organisations and some smaller boutique operations and maybe even some private providers if the incentives were right (Government Agencies).

One focus group discussant also advocated that a future role for the SHA could be as a strategic enabling agency:

Not a mainstream provider, but still retaining enough sort of stake in the system to be leading the market in the formal housing sector in pioneering developments, demonstrating what's feasible (Focus Group, Session 1).

Another discussant drew upon his experience in the UK which suggested some avenues for investment and management that could be deployed in a more imaginative way in the Australian context:

I used to work in the UK in the enabling role for a local authority housing department and in my time working in state housing there, I saw the transition from being the provider—I worked for a local authority that had a stock of about 7000 properties—to stock transfer to a housing association and then working in the enabling role. And I think that at first we were very sceptical about how it worked, about how it would work, but actually it did allow for much more variety in that I could instigate schemes like living over the shop for instance where we were trying to get enhancements for landlords to let out into the private rental sectors, so it allowed for much more kind of flexibility about where we were going to house people (Focus group, Session 1).

While stock transfer and an enabling role were identified as possible strategies to address the current funding shortfall, we wanted to probe how this might be achieved. The most common response was to stress a new regulatory framework to underpin the financial viability of the social housing sector:

The federal level has to provide the enabling framework ... But somehow the tax systems, particularly the social security systems that exist nationally, have to be configured and resources transferred in the system where there are obvious inequalities and resource capabilities ... There should be a general reform so that essentially renters access the same rights to Commonwealth Rental Assistance regardless of the provider that they have (NGO).

The support for regulation can be traced to the Commonwealth's commitment (FaHCSIA 2010) to put in place an effective national regulatory framework to enable the development of 'a market that suits large-scale institutional investors' and 'enhance the sector's capacity to operate across multiple jurisdictions'. The discussion paper also expects that 'strong regulation and prudential supervision practices can help ensure private investor confidence in a viable and well-managed sector'.

As we have already made explicit, the overall consensus was that public housing was unlikely to secure sufficient resources to operate except as an agency for the most residual and marginalised households. The role of SHAs operating in an enabling role was seen as appealing as it might be a mechanism in which more funds could be made available. One focus group discussant predicted that SHAs will reduce their management role and that staff will be able to work in new agencies:

I think that the future role for the State Housing Authority is as an enabling role ... I think over time it needs to divest and there needs to be encouragement of people in the public sector delivery arm to take up opportunities to work for not-for-profit and other arrangements (Housing provider).

From these comments we can see that there remain a number of hybrid and distinctive means by which public housing could be managed and invested which would be potentially capable of avoiding the problems that might be generated by simple transfers of stock. In the stock transfer example, we can see that many policy-makers were concerned that such devices might be used to circumvent the need for greater investment or that a sufficiently effective regulatory and accountability regime might not be put into place.

4.2 Housing management strategies

While much of the discussion was on the long-term future direction of public housing and its capability to function effectively, we also heard views about more immediate challenges and the strategies that were required. We have classified these challenges under the following headings: housing allocations, homelessness, and overcoming opposition to new social housing developments.

4.2.1 Housing allocations

Respondents informed us that the greatest demand for public housing was for single units, but the majority of SHA stock is comprised of larger units, 'so the challenge is around the efficient use of stock to address this'. The National Housing Supply Council also confirms that the demand from older householders will increase from 86 500 to 189 800 between 2010 and 2029. Another interviewee stated that in terms of service delivery:

We still manage and have responsibility for the intake and assessment and maintenance of the housing register and need to work in a very cooperative way with providers ... I think that 80 per cent of our allocations have been to very high need clients that present us with real challenges for the service

delivery perspective ... We've seen people coming to our organisation looking for assistance who would otherwise not have come to us (Housing provider).

We heard how this mismatch was 'quite difficult to reconfigure in the short term, and all our demographic indicators are that that will only increase'. It was suggested that an increase in the supply of the stock was necessary to address this need and that 'when we build now, we build in a much more flexible way. So that you can look at properties being able to be modified in such a way that they are able to be more flexible in their outcome'. It was proposed that it would be necessary to initiate policies that could free up properties currently under-occupied in order to address overcrowding:

Churning isn't helpful for anyone. It costs money from a financial perspective but it's not good outcomes for the tenants either ... A greater effort is needed to match the needs of the client with the nature of the facility and the type of housing, so trying to move single pensioners into single units rather than three-bedroom houses and trying to better align service need and infrastructure need (Housing provider).

4.2.2 Homelessness

We also heard a concern that a focus on systems or models risks overlooking important management issues. One interviewee warned about 'becoming system obsessed and not thinking about the quality of management'. Yet, on the other hand, we heard how managerialism was not a sufficient response:

You can't fix homelessness by building a service system. That's not what fixes homelessness. People aren't homeless because, you know, we don't have homelessness services ... I don't think the government has the political will to deal with the causes of homelessness because there are really broad-based deeply entrenched social and economic factors (NGO).

In other words, the problems experienced by homeless people were a symptom of more entrenched underlying causal factors. As we have made clear, the residualisation of public housing was seen as the source of many of the ongoing organisational problems. As one interviewee explained: 'The problem was not so much a failure of public housing, but the inability of the private rental market to cater successfully for those on low incomes' (Housing provider). Consider the comments of this interviewee and his warning of relying on private market approaches:

The main problem for us is this increased reliance on the private market to deliver housing that everybody acknowledges it can't deliver. When you look at 'affordable' private market housing, it's all on the fringe and so it's creating conditions where you're essentially moving all low-income households to places of low social and economic opportunity and we've never been in that position before [in Victoria] (NGO).

In the light of these problems it was not surprising that some interviewees made the argument for a more unified national system of addressing homelessness and housing issues:

I think it's ludicrous that you have ... seven different [state and territory] responses to how we tackle housing and homelessness. It's a national problem. The issue is no different in one part of the country to the other, and I believe that we should have a standard set of solutions in the main that are used uniformly across the country ... I mean, you'll have some insight too into the cost of developing a set of housing IT systems. It's horrendous and it's always intrigued me that each state and territory are spending inordinate

amounts of money to create and upgrade their own housing systems that are really needed to provide a solution that should be uniform across the whole country (Housing provider).

4.2.3 New social housing developments

Recent research by the National Housing Supply Council (2010) shows that as much as two-thirds of new housing development that will take place over the next ten years will be achieved through infill development. How SHAs and not-for-profit community housing organisations seek to manage opposition to development is likely to become a more vexed issue over the coming years.

One of the most fascinating challenges that our interviewees identified was the extent of community opposition to new social housing developments that were being financed as part of the government economic stimulus program. In a rush to secure building projects, planning procedures were fast-tracked by state governments in Victoria and Queensland that effectively limited opportunities for public consultation. One interviewee used the acronym 'BANANA-ism'—'Build Absolutely Nothing Anywhere Near Anybody'—to characterise community attitudes to public housing:

This kind of attitude from the public is getting stronger and stronger and you know there does just seem to be a lower level of tolerance to people on low incomes. The assumption is they are all paedophiles and drug dealers and criminals and undesirables. No-one is actually having a look at who's living in there and recognising that it's people with disabilities, pensioners, war veterans, you know, people who, if you stop and break it down, would otherwise be considered laudable citizens (Housing provider).

The need for enhancing the standing of social housing was seen as essential if new build developments were to overcome opposition in the community:

We're going to have a lot more people with higher needs on a lot lower incomes, or maybe not lower, but on proportionately or relatively lower incomes who are going to need greater levels of government support in this area, so I think that's why it is really essential that we rebuild public confidence in those sorts of products, so that we can justify it long-term (Housing provider).

Among the strategic options suggested to tackle the stigma of social housing development was moving towards a model that is not constrained to those on high needs or limited incomes:

Social housing is not viable unless you grow it and whether you can get a broader mix of incomes coming in there. We do need to sort out the issue of access to Rent Assistance (Government Agencies).

Such a policy would enable community housing agencies to charge different rents that would boost revenue streams. On the other hand, it might place at risk community housing providers' charitable status and effectively reduce the amount of stock available to house households with limited incomes unless there were simultaneous significant increases in the overall stock.

Finally, another strategy identified was 'environmental adaptation', especially the need to build smaller homes. It was recognised that 'environmental issues around energy were starting to get a bit of profile, and with the recent stimulus, were near the top of the Commonwealth's agenda'. In fact, environmental adaptation was viewed as an important strategic goal. One interviewee saw it as:

an opportunity to get a profile of some of those auxiliary things like modest housing, the benefits of community wellbeing and sustainable transport, where

people can live very comfortably without having to own a car ... some of those auxiliary kind of energy things (Housing provider).

Yet, while environmental adaptation was viewed as an important objective, the financial costs of implementing it were seen as a major barrier.

4.3 Conclusion

From the interviews we conducted, it is evident that there is considerable despondency about the long-term viability of SHA-owned and managed public housing. Most interviewees argued that there was insufficient political will to provide the necessary impetus to boost the stock. It seems certain therefore to remain a residualised tenancy with an insufficient income stream to address future needs. The expectation from our interviewees was that other agencies, such as community housing associations, would become the vehicles for affordable rental housing.

What other conclusions can we draw in respect of long-term strategies for public housing? Clearly there appears to be a willingness and strong desire to explore wide-ranging options to reposition public housing. As encapsulated in the comments below, the conversation about the future role of public housing has effectively shifted to a wider remit, namely, a consideration of the housing system as a whole:

We can't just talk about these questions just focusing on public housing, it's got to be about what role public housing is going to play in the system overall. And whether we are going to blur the distinction between a public market and a private market, or blur the distinction between the public sector and the affordable housing sector (Government Agencies).

The future scenario for some interviewees is one where public housing is superseded by not-for-profit agencies regulated along similar lines to the UK model:

I think we are on an evolving track in a sense and I think we are moving towards a future which will transfer large amounts of assets across to a non-government sector that, if we structure it right, will be able to grow. And if we can do that, I think we can achieve the sorts of goals that we were talking about, and public housing then has a kind of safe place within a broader affordable housing framework rather than sticking out by itself.

You could have a very different system in five years time where the Office of Housing doesn't exist any longer, where you have an arms-length delivery agency which is doing inclusionary zoning and affordable housing (Housing provider)

As we identify in the final chapter, the radical proposals for public housing raise a number of significant questions that need to be addressed:

- Should social housing be available to all households rather than those deemed to have acute needs?
- What subsidies and regulatory framework are required for successful stock transfers?
- What financial arrangements are necessary to secure a sufficient income stream for future social housing?
- Should tenants be balloted before proceeding to transfer SHA stock if this were deemed an effective route to investment and better management?

- Should new providers be expected to take over the SHA role in accommodating the most vulnerable households or should they be expected to take this role within a broader remit?
- What financial and other incentives are needed to make stock transfers happen?

5 CONCLUSIONS

The intention of this research project is to consider the long-term future of public housing by starting from a position in which its rationale and role could be discussed by those central to its strategic operation. What conclusions can be drawn from the analysis undertaken in this study? First, public housing is a numerically small part of the overall housing system and one that has seen significant financial retrenchment. This has occurred for a number of reasons, but one that is particularly pertinent for future policy is that the effect of reducing the relative size of the sector and its lack of funds and welfare role has made future investment seem politically unpalatable. These problems resonate in the broader community where the perception of poorly maintained dwellings occupied by socially problematic households has driven localised resistance to new development. These factors give some indication of how tarnished this role of Commonwealth and state government provision has become, and yet there appears to be an acceptance that this role may be best reduced or off-loaded since significant investment will not be forthcoming.

Second, for many commentators and policy-makers, public housing is the largest part of the social housing system and is fundamentally under-equipped to deal with a number of key challenges. Demographic change and new demand for housing will see increasing burdens on the system as a whole for which a fully market solution is unlikely to be effective. Increasing wealth in Australia has also seen an accentuation of inequality and social vulnerability, and accommodation in an unsupported private rental sector and lower-cost homeowner market has generated additional social and economic stresses. For our respondents, the lack of suitable provision should necessitate increased public investment, but there is little optimism that this investment will be delivered. The temporary boost to increase supply under the NRAS and economic stimulus package is viewed as insufficient and not significant enough, in the longer term, to offset successive years of under-funding.

Third, the ideological position of public housing remains stigmatised, with opinions split as to whether tenants are poor and feckless or undeservedly too well-off to be located in the sector. Welfare agencies and other lobbyists have so far proved unsuccessful in making the case for additional funds provision that would assist not only with housing need but also with the integrated domains of public responsibility that are connected to it: mental health services, homelessness, education and health. The silo of public housing is in some respects disconnected in many cases from the need to think through questions of public and neighbourhood planning, the location of infrastructure, and the reconnection of excluded communities through tenurial and social diversity and the question of job, training and economic growth nodes in relation to these communities. In all of these respects, public housing in Australia continues to offer an apparently unsuccessful story to which politicians have continued to justify reductions in expenditure while, at the same time, decrying housing stress among low- and moderate-income households and homelessness.

Fourth, many officials and policy-makers view public housing as having internal and external drivers and forces that have further accentuated its decline and problematisation. Increasing land prices, state and Commonwealth responses to indebtedness, and the increasing social residualisation of the sector have further generated major obstacles for those who would see public housing as a critical public intervention to ameliorate market failure and address need. In many cases, our respondents suggested that housing policy should be seen not simply as a response to social need but as a generally contested policy arena in which various 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.

5.1 The future policy environment

Finally, based on the analysis presented in this report, we suggest a number of key issues that will be influential in thinking about the future of public housing.

Future funding

The perceived imperatives to control public expenditure will continue to operate as a brake on efforts to address social inequality within public housing locations and limit 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 debt requirements), is likely to deter policy-makers from committing additional resources for public housing once an economic recovery has commenced. In short, it appears unlikely that public housing will see significant injections of public monies or that effective partnership and equity funding arrangements will be devised within the sector to redress the problems that appear on the longer-term horizon (for example: procuring affordable housing via effective inclusionary zoning and cross subsidy developer obligations).

Future supply

The failure of successive governments to address the shortage of supply will mean the demand for low-cost housing will remain high and many of the households who require such housing will be individuals with a high level of need. Under these conditions, it would seem likely that SHAs will have to cope with a greater demand for affordable housing, especially if economic inequalities intensify 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.

Future reputation

Given the problems outlined above, it seems assured that public housing as a viable product with choice making consumers will be fully compromised. It will continue to be highly targeted and this will itself deter future investment because of its association with social problems and 'problem people'. Efforts to redress this will be small-scale, localised and managerial in nature and will likely exist side by side with efforts at tenorial and social mix in public estates that will likely reduce further the overall scale of the sector. Possible investment in a more effective and accommodating sector will appear politically unthinkable because it will be seen to be rewarding those who appear to choose to remain outside of economic opportunities, unless political champions can be found for the now significant evidence base that many public housing households seek opportunities, have suffered major social and economic catastrophes, or are ill-equipped to manage their own lifestyles.

Future management

Many of our respondents would like to see greater investment in public housing or to find hybridised vehicles for management and accountability that build on, rather than substitute for, existing mechanisms of provision. This is premised on the assumption that new partnerships may offer the best hope of securing the community and organisational benefits that have accrued from providing public housing in the past. In our view, it is likely that current and future Commonwealth administrations will seek to

facilitate significant large-scale transfers, but there are risks that monolithic public providers may be supplanted by less accountable and transparent not-for-profit organisations. Clearly, there is also a need for SHAs and the community housing sector to achieve a consensus as to the most suitable configuration for new social housing developments and the type of 'niche' that public housing can fulfil in the future.

Future regulation

Judging by the views of our interviewees and the recent Commonwealth discussion paper (FaHCSIA 2010), there is a clear expectation that a new regulatory framework will be established as an instrument to manage a larger and more active not-for-profit community sector. Yet some caution is warranted since regulatory systems may not be sufficient to deliver desired policy outcomes. Decisions have to be made in relation to how much governments are prepared to pay for regulation and whether this mode of expenditure can be justified economically (especially in relation to the high costs of regulating a sector containing numerous small providers).

In our view, to see regulation as some sort of panacea for the social housing sector is misconstrued. Evidence from the UK housing regulatory system (Travers et al. 2010) suggests that frameworks imposed on organisations to shore up a performance management culture can be undermined by manipulation and collusion, for example, a propensity to select performance data that shows organisations in a positive light and disregard data that can be used to critique their effectiveness. In short, staff can subvert regulatory systems and poor performance can often remain undetected. In making this point, we are not suggesting that some form of regulation is not necessary; rather that it has less bearing on positive outcomes than other factors, such as willingness of governments to direct adequate subsidies and resources to the social housing sector.

The future of the housing system: We may anticipate a significant cleavage in alliances for governments. This lies between a broadly comfortable and affluent home owning class who have benefited from a range of subsidies and sustained economic growth, and a highly indebted and stressed housing class who have bought or rented their homes. In this context, increasing the supply of public housing and wages for low-income households would indeed be effective. However, it would potentially be at odds with expectations for housing equity growth and wealth of existing owners who require these options to be choked off in order that their initially significant housing costs are eroded by inflation and equity gains made in the properties they have bought. The role of public housing as one part of an essentially tripartite tenurial system will remain under-acknowledged and ideologically skated over. Periodic and sustained crises of provision are likely to result from this longer-term context and more Australian households will feel excluded from the ongoing national prosperity that remains diverted away from public housing responses that might help to accommodate those in existing and future housing need (Treasury 2010). The more optimistic scenario, supported by some of our respondents, is that an affluent and effective not-for-profit sector can be grown, underpinned by adequate government subsidies, regulation and leverage by private investment. For this future to emerge, however, will require significant coordinated reforms alongside a restructuring of the tax system to reduce pressures fuelling house price inflation. This, in our view, must come from an enduring agreement between the Commonwealth and the states and territories on the regulatory framework for the provision of public housing and affordable housing more generally, with agreed targets and supporting financial resources.

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