

National Housing Policy Project

by Owen Donald

What are the main issues facing housing assistance in the lead-up to renegotiation of the Commonwealth-State Housing Agreement? With the active support of the Commonwealth and State governments, AHURI has undertaken a series of consultations throughout Australia to stimulate discussion of this question. Our consultations have addressed the drivers of change and the role of government in the housing system as well as the key challenges for delivery of housing assistance in the first decade of the 21st Century.

KEY POINTS

- ▶ There is strong support among all stakeholders for a further Commonwealth-State Housing Agreement (CSHA).
- ▶ Many low-income people are paying in excess of 30% of their gross income for housing. This is commonly regarded as the limit of housing affordability for people on low incomes. Above this level they will need to make choices about cutting back on other essential expenses.
- ▶ Present policy settings are unable to generate a sufficient supply of affordable housing in vibrant labour markets. This is a crucial issue for achieving welfare reform and combating economic and social exclusion. It needs to be resolved to avoid concentrating low-income people in economically depressed regions with few job prospects.
- ▶ The maximum rate of Commonwealth Rent Assistance is well below the level required to make private rents affordable for low-income people in most capital cities and some other locations.
- ▶ Most states' public housing systems are under stress, with significant financial pressures associated with: falling rental income; the maintenance and refurbishment of ageing stock; and the need for major adjustments to take account of demographic and social changes.
- ▶ A major challenge is to deliver more seamlessly a range of housing, health and welfare services to address the individual circumstances of people with complex and inter-related needs (such as for the frail aged or homeless people with substance abuse problems).
- ▶ There is profound shortage of affordable and adequate housing for Indigenous Australians. Many communities in remote areas lack access to basic facilities essential for good health.

CONTEXT

The current Commonwealth State Housing Agreement (CSHA) expires in 2003, with review to begin in August 2001. In late 2000, the Housing Ministers' Advisory Committee (endorsed by the Housing Ministers Committee) asked AHURI to help stimulate discussion about the context and direction of housing policy in Australia in the lead up to negotiations over the CSHA. Although the next CSHA is expected to cover a four-year period, it is likely to set the housing assistance policy framework in Australia for the next decade.

The main focus of the project was to obtain views on the operation of the housing system for people with low incomes and suggestions on broad options for change. AHURI invited stakeholders in welfare organisations, central agencies, the housing industry, the community housing sector and academia as well as policy and programme practitioners in government departments throughout Australia to participate in a series of structured workshops in all capital cities. We aimed to build a picture of the issues, the areas of consensus and the areas where views diverge. Attendance was strong among government officials and the community sector. Few industry representatives attended in some states.

This bulletin reflects the views of the participants and does not necessarily represent the views of AHURI. When statements are unqualified, there was consensus among the participants in the consultations. We have tried to indicate where there did not appear to be consensus among participants by using phrases such as 'many believe ...' or 'some said...', depending on the extent to which the view was replicated among participants.

This project is just one element in the lead up to negotiations over the CSHA. Housing authorities in the States, Territories and the Commonwealth are undertaking their own research and policy projects in preparation for CSHA negotiations.

In this bulletin, 'affordable' housing means that for which the rent or mortgage payment is 30% or less of the 40th percentile of gross household income. More generally, it connotes the capacity of a low-income household to pay for housing without a significant negative impact on other essential household expenditures.

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FINDINGS

External drivers of change

Current housing policy development is significantly influenced by demographic change, the impact of economic globalisation and associated changes in investment preferences.

Participants agreed that Australia's ageing population, falling fertility rates, smaller families and high rates of marital breakdown are affecting the type of housing now needed by low-income people. There is a growing need for smaller dwellings with better access to and links with medical and social services and a lesser need for conventional suburban family homes.

Changes in the economy, including the increasing casualisation of work, less job security, mandatory superannuation and increasing share ownership are reducing the level of home ownership in Australia among people of workforce age, contributing to demand pressure for rental housing and increasing the need for housing assistance.

Roles and relationships between, levels of Government

There was universal support for governments to address market failure in the supply of affordable housing.

Participants supported a continued role for the Commonwealth, States and Territories within a broad national agreement on priorities and strategies for housing assistance, with flexibility to address differing needs and circumstances at State, Territory and local levels. Some participants also supported a more active role for local government.

While regarded as necessary, the division of responsibility for housing assistance between the Commonwealth and the States is also accepted as leading to policy conflicts and opportunities for cost shifting. For example, demand for social housing (mainly public housing managed by the States) is influenced by the level of rent assistance (provided by the Commonwealth) relative to private rents. Conversely, some States' initiative to move public housing stock into the community housing sector lowers State outlays by enabling social housing rents to be supplemented through Commonwealth Rent Assistance.

An integrated and coordinated approach

Human services tend to be provided in programmes that operate somewhat in isolation from one another, leading to gaps and overlaps. A major preoccupation of many stakeholders is to achieve what is termed a 'person-centred' approach to delivering housing and other services to people in need. That is, taking a holistic and client-focused approach to the delivery of services to individuals. This is a central plank of the Commonwealth's Welfare Reform strategy and of many state jurisdictions' restructuring of human service delivery.

Most participants advocated stronger inter-program links, to avoid gaps in service provision and potentially lower overall costs, particularly for people with disabilities, the aged, Indigenous and homeless people. The Commonwealth's commitment to welfare reform is seen by some as a significant opportunity to promote and gain financial support for services delivered in accordance with individual people's needs.

Apart from the whole-person approach, concern was also expressed that governments need to maintain a whole-of-housing-system perspective to ensure that other aspects of policy do not diminish access to affordable, well located housing for working families and others. Interest rates, zoning, land release, building regulation and taxation policies may all impact on the supply of, and demand for, affordable housing.

The supply of affordable housing

The major concern of many participants was the shrinking supply of affordable and appropriate housing. The lack of substantial growth in social (public and community) housing has increased reliance on the private rental sector and on Commonwealth Rent Assistance. But the lack of systematic private investment in affordable rental housing and the increasing demand for well-located rental housing among relatively affluent people have diminished the supply available to low-income people.

These concerns are especially strong in relation to Sydney, but also for Melbourne, Brisbane, other capital cities and regional centres.

Many asserted that the key objective of Welfare Reform – maximising individuals’ and families’ economic and social participation – is jeopardised by the inadequate supply of affordable housing, especially close to vibrant labour markets.

Participants suggested a range of responses to this issue. Advocates of a traditional broad role for social housing point to the 1993 report of the Industry Commission that supported public housing as the most efficient method of providing housing assistance for low-income people. They are adamant that private rental is a markedly inferior form of tenure for disadvantaged people and that, by contrast, public housing offers security of tenure and facilitates integrated service delivery. Few, however, believed that a dramatic increase in expenditure on public housing was realistic.

Many participants proposed partnerships between government (State and local), the private sector and the community housing sector, using public resources to leverage private sector interest and so generate a larger aggregate funding pool. To have a significant impact, it was suggested that such partnerships would need to be supported by measures to reduce commercial risk and/or increase returns. Targeted incentives, such as direct subsidies and changes to taxation treatment of investment in affordable housing, were suggested in this regard.

Other options included state and local government requirements to build and maintain at least a proportion of low cost housing in metropolitan areas and an easing of regulatory impediments on housing design and construction (to encourage experimentation and innovation).

Home ownership

Some stakeholders are concerned about the possibility of a significant decline in home ownership and its impact on, among other

things, community cohesiveness, additional pressure on the private rental market, income insecurity in older age and long term welfare outlays. Despite historically low interest rates, access to affordable home ownership is also seen as under threat in many locations due to demand pressures in and around strong urban economies.

A whole-of-housing-system response to the supply of affordable housing could embrace home ownership. Participants supported further research on home ownership trends and evaluation of the impact of home ownership programmes, including the Commonwealth’s First Home Owners’ Scheme introduced as part of the Tax Reform package.

Commonwealth Rent Assistance (CRA)

CRA assists low-income people with private rental costs. Stakeholders support the comparative freedom of choice that rent assistance provides to low-income households but were critical of other aspects: its low level relative to capital city rents, its (potentially) inflationary impact on rent levels in areas of strong demand, its focus on private rents rather than other forms of tenure and gaps in eligibility, notably for low-income working people without children.

Policy options raised by participants included regional differentiation in CRA, extension to mortgage interest payments and widening eligibility. Also canvassed were inclusion of CRA reform in CSHA negotiations, monitoring the adequacy of CRA payments and the extension of rent assistance to public housing rents.

A concern expressed by stakeholders from areas with lower housing costs was that they could be disadvantaged by changes that would alter rent assistance according to State or regional variations in rents.

Asset management issues for state housing authorities

After four decades of growth, real funding for state housing authorities under the CSHA has declined over the past decade. Tighter targeting of public housing towards people with profound needs has contributed towards a decline in the average incomes of public housing tenants, reducing rent revenue. There are few funds for reconfiguration and refurbishment of existing stock. Maintenance has been neglected in many instances. Most states still have very substantial debts for the past construction of public housing, with repayments (and interest) to the Commonwealth absorbing a significant proportion of CSHA funds.

Most stakeholders believed that additional funds are required to maintain and reconfigure the existing supply, let alone increase the availability of public housing.

Participants pointed out that States with relatively high levels of public housing provision have exercised the option of selling off stock to reduce recurrent costs and generate short-term revenue. This may also be desirable to reconfigure stock in response to demographic and geographic changes in demand. In the long run, this would likely transfer costs to the Commonwealth and may reduce the aggregate supply of affordable housing for low-income people.

Community housing

The community housing sector provides housing and additional services through non-profit companies, associations and co-operatives. The sector is small but growing in Australia, with many looking to it as a possible avenue for greater investment in affordable housing for low-income people. Its 'community' scale and focus are also seen as an avenue for the delivery of more integrated services for low-income people. Community housing is seen by many as having the potential for more holistic management of special needs groups and to assist in developing and maintaining healthy sustainable communities.

The key challenge for community housing is to increase in scale to achieve economic and logistical efficiencies without losing its characteristic community and whole-person focus. Stakeholders also suggested that significant growth would also need to be accompanied by initiatives to develop management talent and further regulatory reform to ensure standards and protect community assets.

Indigenous housing

The shortage of affordable and adequate housing for Indigenous Australians was the foremost concern of some stakeholders. They pointed to many remote communities' lack of access to basic facilities such as hot water and flushing toilets, chronic overcrowding and the financial and logistical difficulty of maintaining housing and related facilities in remote areas. Overcrowding and high turnover of occupants are also issues for housing authorities.

There is an urgent need to find effective solutions to the shortage of habitable, healthy housing for Indigenous Australians, although many pointed out that this needs to be seen and managed as part of a broader need for the development of healthy, functional communities. Jurisdictional politics are a significant obstacle to quick and efficient achievement of housing and related outcomes, but need to be managed to ensure enduring solutions in Indigenous housing. An obvious challenge is to achieve a balance between community sovereignty and effective programmatic responses, including in relation to housing.

POLICY IMPLICATIONS

The consultative process revealed a high level of consensus on key issues and the challenges faced in resolving them. While there is strong support for continuing the CSHA, there was less agreement on specific solutions and no 'magic bullet' was apparent.

The clear implication is that the issues are understood, the solutions lie in a range of co-ordinated action and attention will need to be paid to the differing needs and circumstances of different States and Territories.

The priority areas of policy challenge emerging from the project were:

- ▶ the continuing role of public housing and how to meet the financial burden of maintenance and refurbishment
- ▶ the direction, scope and distributional consequences of change in Commonwealth Rent Assistance
- ▶ whether and how to stimulate greater investment of private capital in affordable housing
- ▶ effective solutions to the shortage of habitable, healthy housing for Indigenous Australians
- ▶ the development of institutional and procedural models for integrated person-centric provision of housing, health and welfare services.

FURTHER INFORMATION

For more information about this project, the following documents are available:

- ▶ Report on Findings, April 2000
- ▶ Consultation Reports
- ▶ Papers presented at workshops
- ▶ Facts Sheets

See www.ahuri.edu.au/research/policyproject/index.html
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