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National Research Venture 1: Housing assistance and economic participation

Research Paper: Plan

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PURPOSE

This paper outlines a National Research Venture (NRV) the focus of which is the relationships between housing assistance (HA) and non-shelter outcomes. This paper addresses the following elements of the NRV:

- overarching research question;
- more specific research questions;
- research design and methods to be employed;
- analytic strategy to converge the various forms of data;
- personnel;
- capacity building;
- communications and dissemination;
- policy liaison and policy development;
- detailed project plans;
- timetable.

In this paper we address three shortcomings emphasised by a systematic review of the evidence base on housing assistance and non-shelter outcomes (Bridge, et. al. 2003) completed earlier this year:

- the lack of Australian evidence on the nature and significance of links between HA and non-shelter outcomes;
- the importance of using robust research methods (quantitative and qualitative) and materials (e.g. suitable databases) to identify and measure key relationships that are thought to exist between HA and non-shelter outcomes;
- the need to provide an evidence base for policies and programs that address emerging Australian and State Government concerns in relation to HA and their non-shelter outcomes.
STRUCTURE

Section 1 of the paper defines the overarching research question that the NRV will explore.

Section 2 describes the development of the NRV in a series of stages, each of which are linked in a vertically integrated fashion so that key research questions are addressed at an increasingly sophisticated level.

Section 3 details the capacity building strategy. Section 4 covers the communications and dissemination plan. Section 5 is the policy liaison and policy development plan. Section 6 contains the detailed project briefs. Section 8 the NRV timetable and Section 9 contains proposals for more in-depth development of the NRV by leveraging further funds.

The NRV will be undertaken in three stages. Stage 1 comprises six projects operating in parallel, which will:

- profile the populations in receipt of HA and compare an array of socio-demographic characteristics with appropriate benchmarks of economic participation;
- highlight the data sources that are most appropriate for investigation;
- provide an inventory of the policy initiatives emerging in this area; and
- conduct qualitative work to investigate how housing assistance recipients subjectively understand the relationship between aspects of HA and their economic participation decisions.

The results from Stage 1 will be used in Stage 2 to frame the detailed development of research projects, alongside a process of consultation with key stakeholders about the Stage 1 findings.

In Stage 3 the projects are executed. It is envisaged that research conducted in each of these projects will employ sophisticated methods to ‘pin down’ the direction and magnitude of HA program impacts on non-shelter outcomes.

These three stages are illustrated in figure 1 (at end of document).

An important dimension of the NRV will be a User Group that operates alongside the NRV in each of the three stages. The User Group will include representation from the Policy Review Working Group (PRWG) and an independent expert. Its primary role will be to offer strategic direction and policy advice as the NRV unfolds. Regular consultation with the User Group is anticipated.
SECTION 1: OVERARCHING RESEARCH QUESTION

Policy rationale

The housing system and housing assistance interventions not only aim to meet housing needs, they also contribute to higher level outcomes, such as improved social and economic well being for individuals, families and communities.

Government is seeking a better understanding of the contribution that housing assistance interventions make to improving peoples’ lives. There is a need for government to more fully understand which attributes of housing assistance make a difference to the quality of peoples’ lives.

The policy outcomes sought include:

- an understanding of the importance of different aspects of housing and housing assistance (such as security of tenure, location, quality, affordability) to economic participation outcomes;
- a more sophisticated whole of government understanding of the outcomes of housing interventions, and;
- how and for whom housing assistance can be delivered and used as a tool to achieve a range of broad social and economic policy objectives. This understanding will inform funding decisions and policy design (such as eligibility and targeting) particularly in the context of future Commonwealth-State negotiations around housing funding.

The NRV has been informed by a systematic review of the research literature concerned with the relationship between HA and non-shelter outcomes. The study presents a comprehensive listing of what we know about the impacts of HA on the following non-shelter outcomes:

- dis/incentives to work and education
- health
- crime, neighbourhood effects and social capital
- income and wealth distribution and rates of poverty
- housing market effects

With a limited budget the NRV cannot conduct sophisticated programs of research into each of these relationships. The NRV proposes to focus on the relationship between HA and economic participation outcomes, where the latter is broadly defined to include employment, retirement, education and training decisions. This decision has been taken because:

- the government welfare reform agenda is very much focused on the role of income maintenance and subsidy programs in promoting higher rates of economic participation; and
- the recently concluded CSHA agreement requires State Housing Authorities (SHAs) to design and implement reforms that will promote economic participation among public housing tenants.

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1 See Bridge et al (2003).
The overarching research question is:

- how do HA programs impact on economic participation outcomes (i.e. employment, retirement, education and training), once we control for the mediating effects that intermediary variables such as ‘health’ and ‘neighbourhood’ have on economic participation outcomes?

The focus will be on public housing and Commonwealth Rent Assistance (CRA), but the NRV will also permit exploration of the potential impacts on economic participation outcomes attributable to HA measures that encourage home ownership (e.g. First Home Owner Grants (FHOG))2.

Conceptual framework

Each of the key aspects of the overarching research question – HA programs and economic participation outcomes – is complex, multi-dimensional and problematic to measure. A sophisticated understanding of these is required and that process of conceptualisation is commenced below.

Understanding Housing Assistance (HA)

HA programs are multi-dimensional rather than uni-dimensional. An important feature of the NRV will be its emphasis on unbundling these dimensions and exploring the linkages that could generate impacts on economic participation outcomes.

Consider assistance in the form of public housing. Attention to the relationship between rent determination policies and effective marginal tax rates is of course warranted, as this is a potentially important way in which State Housing Authority (SHA) procedures may negatively impact on work incentives. But there are other SHA policies that can be relevant and may have positive impacts on economic participation outcomes. For example, SHAs implement procedures for the allocation of vacant tenancies to waitlisted applicants, design transfer policies and choose the locations for new public houses to be built. These dimensions can impact on economic participation outcomes in both positive and negative ways. For example, on housing a homeless person or family State Housing Authorities provide the household with a permanent address and security of tenure from which to ‘launch’ a transition into the labour force. However, if the public housing opportunities offered to the homeless person or family are distant from job vacancies, the positive impacts can be reversed. The NRV will be careful to ‘unpack’ the different aspects of housing assistance and measure both positive and negative impacts.

An aim of the NRV will be the provision, where possible, of a precise ranking of the relative importance of the various dimensions of HA in terms of their impact on economic participation outcomes. Appendix 1 lists some of the specific research questions that we expect to be addressed during the course of the NRV, and which highlight the importance of unbundling the various dimensions of HA and how these impact on economic participation outcomes.

Flatau, Forbes, Hendershott and Wood (2003) find that outright homeowners have significantly higher rates of unemployment and longer durations of unemployment. This finding is evident after taking into account other socio-economic and demographic factors (including age) that can affect employment outcomes. The causal mechanisms responsible for the link between outright ownership and unemployment are unclear, but are evidently worthy of exploration.
Understanding economic participation

Economic participation outcomes are also multidimensional and can vary significantly in quality and quantity. They include:

- transitions into/out of full-time or part-time employment;
- transitions into/out of full-time or part-time study or training programs;
- participation in voluntary employment projects/initiatives including provision of care for the disabled, sick and infirm.

The multidimensional nature of economic participation outcomes raises measurement issues that will have to be addressed during the course of the research. Consider, for example, two unemployed teachers where one succeeds in securing employment in the discipline he/she has been trained to teach, but the other cannot find a vacancy in her/his discipline and manages to find employment as a taxi driver. Are both outcomes to be treated as equivalent? In the latter case we have invisible underemployment where the employee's skills, knowledge and capacities could be better utilised in a job or occupation other than the one they are presently employed in. There are measures that capture these qualitative differences in employment outcomes, and use will be made of them where appropriate (see Flatau, Petridis and Wood, 1995).

Another dimension of the same type of issue is visible underemployment, which occurs when people work fewer hours than they would like to work. Though hours of work can be recorded in secondary data sources, the number of hours people would like to work is rarely observed, so measurement is again problematic and needs to be carefully worked through either by methods that permit imputation, or via qualitative research.

Finally in this context, we need to recognise that hours of work have been increasing for the typical employee in recent years, and visible overemployment is an issue for a growing number of people. Housing can play a role here as rising house prices and housing costs place growing pressure on household budgets, prompting people to increase labour market participation in order to meet escalating housing costs.

Factors that mediate the relationship between HA programs and economic participation

Another important aspect of the NRV will be its recognition that potential impacts on economic participation are the product of complex interrelationships involving mediating variables. Figure 2 (at end of document) illustrates the web of relationships that link economic participation outcomes with HA. It is evident from this diagram that HA impacts are mediated in one way or the other. It is important to identify the linkages through which HA can impact upon economic participation outcomes, because the policy ramifications can differ depending upon the nature of the linking relationships. For example, consider two types of HA, policy A and policy B. Policy A has a more favourable impact on a mediating variable and economic participation outcomes than policy B. Taken in isolation we would advocate policy A over policy B. But suppose that policy A (but not policy B) also has an unfavourable impact on a second non-shelter outcome that may or may not be related to economic participation outcomes. The policy decision is no longer self-evident.

A similar policy dilemma arises when policy A has a more favourable impact on economic participation outcomes, but is not as effective as policy B in promoting housing policy objectives. The potential trade-offs are illustrated in figure 3. The left hand side of figure 3 acknowledges the important role that HA and the tax-transfer
system plays in determining the borrowing constraints and economic costs of (potential) homeowners, as well as their influence on the rents paid by tenants. It also recognises their role in determining effective marginal tax rates (EMTRs) and replacement ratios (RRs) that are important in shaping labour market participation outcomes. A HA policy instrument can be reformed with a view to lowering EMTRs and RRs and hence succeed in delivering more favourable labour market participation outcomes. But the ramifications for housing policy goals need to be taken into account since the reform will also impact on either the rents paid by tenants, or the economic costs and borrowing constraints faced by (potential) homeowners. The improved labour market outcomes may be secured at the expense of deterioration in affordable housing opportunities. This trade-off is critical to policy assessments and their identification and measurement will be an important objective, particularly in Stage 3 (see below).

Appendix 1 lists some of the specific research questions relating to mediating variables that we expect to be addressed during the course of the NRV.

Figure 2 also shows how relationships between HA and economic participation outcomes are not necessarily uni-directional. Eligibility for policy programs is commonly influenced by economic participation decisions, posing additional difficulties for the researcher seeking to unravel key relationships. These conceptual insights prompt the following research questions about economic participation outcomes:

Æ How do HA programs affect economic participation as a result of linkages with key mediating variables?
Æ To what extent do the key mediating variables affect the relationship between HA and economic participation?

3 An individual’s replacement ratio is its disposable income when economically inactive as a proportion (or percentage) of disposable income when employed. The replacement ratio is a measure of the severity of unemployment traps. When an unemployed person makes a transition into the employed workforce, but makes little financial gain due to tax-benefit interactions, the individual confronts an ‘unemployment-trap’. The individual’s effective marginal tax rate is the proportion of an additional dollar of private income that it forfeits due to additional income tax payments and foregone income support payments. The effective marginal tax rate is a measure of the severity of poverty traps. When a low income individual receives a marginal increase in private income, but loses a substantial share through tax-benefit interactions, the individual confronts a ‘poverty-trap’.
SECTION 2: THE NRV RESEARCH DESIGN

The NRV will progressively answer the research questions posed in section 1 (and Appendix 1) in a staged process moving from a relatively straightforward descriptive assessment of the key issues, through an increasingly sophisticated analysis of the linkages between policy and outcomes. This staging allows for consultation and feedback at the conclusion of each stage and prior to the start of each consecutive stage.

Stage 1: Identifying key research issues, best practice methods and innovative policies

In this stage the NRV will generate valuable descriptive information that is essential in defining the relevant boundaries of the research. Its aim will be to produce the equivalent of a map that identifies the most important features of the overarching research question, the most important routes between which the researchers must choose in navigating the research agenda, and those areas that are not worth exploring in this NRV. It will be comprised of six research projects that will be conducted in parallel, but with staggered start and finish dates. A brief summary of each of these projects follows. Detailed project briefs can be found in section 7 of this NRV Plan.

Project A

**Title:** Detailed profiling of HA recipients relative to appropriate benchmark groups in the Australian population

**Purpose:** to identify and compare the socio-economic and demographic characteristics of housing assistance recipients and non-recipients by their differential rates of economic participation. This profiling exercise will identify target groups that are to be the subject of qualitative research in project F (see below).

**Method:** quantitative analysis of secondary data

**Timeframe:** 20 weeks

Project B

**Title:** Measurement of effective marginal tax rates

**Purpose:** to estimate and compare the effective marginal tax rates (EMTR) and the replacement ratios (RR) of Australians by labour market participation and HA status

**Method:** quantitative analysis of secondary data

**Timeframe:** 35 weeks

Project C

**Title:** An audit of the findings from recently completed and ongoing AHURI projects

**Purpose:** to identify relevant existing research findings and ensure the NRV does not duplicate completed or ongoing AHURI research

**Method:** literature review

**Timeframe:** 7 weeks

Project D

**Title:** An audit of alternative panel data sets
**Purpose:** to identify Australian or state-based panel data sets that provide economic participation histories of Australians making transitions into and out of HA programs.

**Method:** data review and assessment

**Timeframe:** 20 weeks

*Project E*

**Title:** An audit of Australian and overseas policy initiatives that are designed to promote economic participation outcomes

**Purpose:** to identify innovative Australian and overseas based policy and program initiatives that are designed to promote economic participation as well as achieve housing policy goals

**Method:** literature review

**Timeframe:** 18 weeks

*Project F*

**Title:** Housing Assistance recipients’ perceptions of workforce disincentives and economic participation

**Purpose:** establish subjective understanding of affordability, appropriateness, stability, poverty and unemployment traps amongst housing assistance recipients, the perceived relative importance of mediating variables that impact on economic participation outcomes and the norms of economic participation amongst HA recipients.

**Method:** in-depth interviews

**Timeframe:** 28 weeks

*Summary of Stage 1*

The aim of Stage 1 of the NRV is to provide:

- an initial assessment of the orders of magnitude of the number and socio-demographic characteristics of Australians potentially affected by the range of policy initiatives to be considered;
- an understanding of what the range of factors is that shapes the economic participation decision of HA recipients;
- an understanding of how particular aspects of HA programs affect economic participation decisions;
- an understanding of how a range of ‘other’ factors mediates the relationship between aspects of HA programs and economic participation outcomes;
- an understanding of the diversity and variation in economic participation outcomes sought and achieved by HA recipients;
- an understanding of the views of HA recipients about economic participation and its relationship to their HA;
- details of the objective financial circumstances that surround the economic participation decisions of HA recipients;
- an understanding of which data sets will prove valuable in answering the key research questions;
- an audit of key policy initiatives that connect HA programs to economic participation;
an initial indication of the methodological issues that might arise in examining the impact of HA programs on the specific non-shelter outcomes being considered. This assessment will be conducted in the light of advice received from the NRV User Group, who will also advise on the design of research projects in Stage 2.

Stage 2: Developing research project briefs

We are seeking in Stage 2 to arrive at an informed evidence-based consensus, on what comprises the key mediating variables and relationships that should be the core focus of a series of research projects. The aim of Stage 2 is to define the relatively important causal linkages, offer preliminary conclusions and specify the projects that will rigorously test hypotheses that have been prioritised as a result of Stage 1. Within this stage of the NRV there is an important phase of consultation with the User Group, to gain advice about how to take forward the findings from Stage 1 into project designs for Stage 3.

We anticipate that the Stage 1 projects will indicate valuable paths of inquiry (see figure 4). As figure 4 illustrates these paths of inquiry represent important vertical linkages between Stage 1 and Stage 2 of the NRV. The outputs from Stage 2 will be a program of research projects that will rigorously examine the causal relationships of relevance.

Stage 3: Analyses of causal relationships between Housing Assistance and economic participation outcomes

The key research questions to be addressed in Stage 3 are:

- How do current HA programs impact on economic participation outcomes?
- How can we reform HA programs in ways that will promote economic participation outcomes?
- What is the nature of the trade-off between improved economic participation outcomes and housing policy goals such as affordability, appropriateness and security?

We cannot list detailed specifications of projects in advance of the findings from Stage 1 projects. But we can outline the broad methodological approaches that will feature in this concluding stage of the NRV. We envisage more than one approach, as the aim is to build a robust evidence base that offers convincing policy advice.

Figure 4 shows there will be two main approaches. In the first quantitative approach, key relationships will be modelled with the aim of offering precise measures of the impacts of current and reformed HA programs on economic participation outcomes.

The second qualitative approach will seek to validate and extend the findings of the quantitative modelling exercises. Evidence is more convincing if it can be corroborated from multiple methodological approaches, i.e. if it employs triangulation methods of validation. The lateral linkages between the qualitative and quantitative strands of research in figure 4 are thus critically important in the construction of a persuasive evidence base.

Qualitative methods

Qualitative methods can uncover causal relationships that are not apparent in secondary data. Methods such as stated preference (SP) studies could go one step further and investigate the behavioural responses of people to choices that are not currently available. For example, by providing respondents with questions that
progressively change different aspects of HA, the trade-offs that HA recipients are willing to make in relation to different policy settings become clear.

A recent example of just how such studies can be used to develop housing policy is provided by the work of the UK Department of Environment, Transport and the Regions (DETR), now the Office of the Deputy Prime Minister. DETR recently commissioned a study into the potential housing choices of tenants in response to different rents on alternative dwellings⁴. The study was prompted by concern that flat rent structures in public housing discourage tenant mobility (with possible adverse consequences for employment outcomes) and efficient utilisation of the stock. Market rent differentials might encourage some tenants to trade-down to poorer quality accommodation in order to realise a saving in weekly housing costs. But if current rent structures provide insufficient incentive to move, then any existing data on peoples’ actual choices will inadequately capture the effects of higher rents and wider differentials were they to be introduced in the future⁵.

The same difficulties confront Australian researchers in addressing issues associated with public housing rent structures and work disincentives. If the link between public housing rents and tenant assessable incomes were abandoned, some tenants might be encouraged to seek employment because their EMTRs and replacement rations (RR) are lower. But if we have no data on public housing tenants labour market participation decisions under alternative rent structures, observed choices cannot be used to capture the employment effects of alternative rent structures were they to be introduced in the future⁶.

SP studies ask a subject (in this case a tenant) to state preferred choices when offered trade-offs, say between opportunities to earn more income under alternative rent setting arrangements. Typically between 8 and 16 trade-off choices are offered. Analysis of choices is eased by the researchers’ ability to hold constant the value of mediating variables, an option not always available when using quantitative modelling techniques.

There are important vertical linkages here with the findings from the in-depth interviews to be conducted in Stage 1. SP studies are potentially vulnerable to poor study design if they emphasise secondary considerations and choose inappropriate values for mediating variables. The findings from the in-depth interviews will be a valuable aid to study design with respect to choice of relevant mediating variables, and their value. SP studies are also potentially vulnerable to affirmation or social norm bias where respondents provide answers confirming perceived study objectives and consistent with socially acceptable norms. The findings from the in-depth interviews will aid the study design by providing a detailed understanding of these current norms.

Quantitative methods

Quantitative modelling of observed market choices can produce persuasive evidence, particularly where decision makers are faced with market settings where choices are made in response to variables (such as rents and wages) that fluctuate as market conditions dictate. As corroborating evidence accumulates from a variety of


⁶ This is also the essence of the case in favour of using natural experiments within pilot programs. Costly mistakes can be avoided by judicious use of limited scale pilots that test subject responses to alternative policy programs (see DETR, 2000 Quality and Choice: A Decent Home for All. The Housing Green Paper. DETR, London, p120 and section 4 below).
methodological approaches, the conclusions drawn from the evidence base become more persuasive. The DETR study cited above was designed with such considerations in mind. The SP study was complemented by a quantitative study of recent housing choices made by public housing tenants moving in the past two years. This sample included as high a proportion as possible of public housing tenants who have considered a housing choice of the type being offered in the SP experiments. This is a common sense and rigorous approach to the development of a robust evidence base.

In the quantitative modelling we envisage use of panel and other data sets (e.g. HILDA, the Australian Life Course Study, the ABS Survey of Income and Housing Costs, State Housing Authority records and the FACS Longitudinal Data Set) to explore the transition of clients on and off HA programs, and their contemporaneous economic participation decisions. As far as possible, samples of HA clients similar to the subjects of SP studies will be chosen for particular scrutiny.

As an illustration consider the second and successive waves of HILDA. The standard cross section comparisons cannot control for the multitude of mediating variables that can impact on outcomes and may thus prevent the researcher from uncovering relationships with HA. Panel databases such as HILDA ease the research task by allowing examination of how economic participation unfolds as Australians make transitions onto HA, and as changes are made to HA parameters. The research task is made easier because there are numerous mediating variables (e.g. gender, educational attainment, etc) that do not change as these transitions occur. Furthermore, the sequencing of HA transitions and concurrent participation outcomes can be mapped, which aids identification of the direction of causation. The aim of uncovering and quantifying the response of economic participation when a person becomes eligible for HA can then be attained with a greater degree of rigour.

The quantitative modelling exercises also have the important aim of quantifying the likely impact of policy reform options. Care will be taken to measure the possible impact of reforms on both economic participation and housing outcomes.

Stage 3 will conclude with a consultative process involving the User Group and key stakeholders. It will define a menu of key findings and their policy implications that the evidence indicates are worthy of consideration. The final report will quantify the expected benefits and costs of these alternative policies that address the issue of HA and employment, retirement, education and training outcomes. It is expected that this NRV will fill a number of important gaps in the evidence base. The important outputs that we anticipate include (see also figure 4):

- quantitative estimates of the impact that current HA programs have on economic participation outcomes;
- quantitative estimates of the likely impact of reformed HA programs that are designed to promote economic participation outcomes;
- quantitative estimates of the likely trade-off between improved economic participation outcomes and housing policy goals such as affordability.
SECTION 3: CAPACITY BUILDING STRATEGY

An important goal of AHURI as an organisation is to develop Australia’s housing and urban research capacity by encouraging early career researchers and students to pursue housing and urban policy research. In support of this strategic goal a number of options can be pursued within the context of this NRV.

➔ The appointment of a full-time research position (at post-doctoral or research fellow level) attached to the NRV has a number of advantages:

➔ the opportunity to develop a housing research expertise that would benefit future Australian research capacity;

➔ provides staffing continuity through the life of the NRV;

➔ adds to the critical mass of expertise;

➔ the appointment of a candidate with experience in management and analysis of the unit record files of databases that are likely to figure prominently in the NRV program of research would facilitate the execution of the quantitative modelling exercises envisaged in Stages 1 and 3;

➔ the appointment of a candidate with experience in the management and execution of qualitative research would facilitate the completion of qualitative research that is planned in Stages 1 and 3.

Other capacity building opportunities include:

➔ honours, Masters and PhD students can be encouraged to base their thesis topics on NRV related research conducted at AHURI Research Centres. The provision of a top-up scholarship is an option;

➔ the Henderson Foundation (in Melbourne) offers scholarships to honours students to assist them with completion of thesis topics related to poverty and social policy issues. An approach to the foundation that seeks to link one or more of these scholarships to NRV related themes would be an innovative way of fostering the emergence of new housing researchers;

➔ as part of any effort to leverage additional funding Australian Research Council (ARC) linkage grants are potential sources of funds (see below). The ARC will also fund postgraduate scholarships and post-doctoral fellowships that are linked to the projects funded by Linkage and Discovery Grants. These are extremely competitive and require candidates of a high calibre.

A potentially exciting aspect of the NRV is the synergistic benefits from having an interdisciplinary team from government and academia in communication with each other. The regular exchange of ideas and proposals can act as a catalyst to capacity building in unexpected ways. An option is to set aside some funds to facilitate this exchange via workshops.
SECTION 4: COMMUNICATIONS OR DISSEMINATION PLAN

Outputs that are geared to the widespread communication of NRV findings to stakeholders, policy makers and media include the following.

- From each key project a report (as a guide up to 15,000 words) will be written detailing key findings and drawing out the implications for policy development. The structure of each report will differ given the diversity of projects. This is evident from the output descriptions given in the project briefs for Stage 1 projects (see section 6 below).

- A periodic Work in Progress Report (possibly published as a Research and Policy Bulletin) will be prepared that includes:
  - a statement of progress and identification of any issues hindering progress;
  - a summary of key findings to date;
  - a discussion of the policy context and policy relevance of the emergent findings;
  - a plan of how the NRV will progress over the period until the next User Group meeting (see below);
  - information on events associated with the NRV (e.g. a paper being delivered at a conference) and activities of the team of NRV researchers.

- the regularity of Work in Progress Reports will vary at different stages of the NRV. In stages 1 and 2, characterised by shorter-term projects a four monthly report will be prepared. Once the longer-term projects of stage 3 commence a 6 monthly reporting schedule is likely to be more appropriate. The Work in Progress reports will be distributed to User Group members (see section 4 below).

- The NRV is comprised of 3 stages (see figure 1). At the completion of each stage the NRV director will prepare a report drawing together the key findings and implications for policy development.

- At the conclusion of the NRV a final report will be delivered. The final report will describe how the NRV process evolved and what its key achievements have been, with a particular emphasis on contributions to policy development.

- Stages 1 and 2 are formative components of the NRV that construct the foundations from which in-depth research and policy evaluation exercises are launched. A workshop involving researchers and policy officers as part of the consultative exercise would facilitate the exchange of ideas and research findings between academics and policy makers.

- Stage 3 of the NRV is expected to make the most significant contribution to our knowledge and understanding of the links between HA and economic participation. A work in progress seminar and a policy conclusions seminar are planned as Stages 2 and 3 near completion.

To ensure that the research is of high quality it is important that it be exposed to peer review. Ways of achieving this include: a special issue of an academic journal devoted to papers reporting research findings from the NRV, and presentation of papers at conferences such as the National Housing Conference, the Australian Social Policy Conference and the Australian Conference of Economists. Sponsorship of a session at one of these conferences, which is then devoted to this NRV’s research findings,
would be a potentially important means of communication with the academic and policy making communities.
SECTION 5: THE NRV USER GROUP AND POLICY LIAISON

The NRV User Group is a forum for the discussion of the research with a focus upon maximising the quality of the research evidence and the policy development value of the research.

The NRV User Group will comprise:

- two PRWG members (Australian Government and Queensland) to provide housing policy advice;
- NRV Director (Gavin Wood);
- AHURI Ltd Assistant Research Director;
- peer reviewer, independent expert;
- a person to provide policy advice on economic participation initiatives.

Other members of the NRV research team will attend User Group meetings as and when relevant.

**Key roles and responsibilities**

The NRV Director is responsible for organising meetings of the User Group, for servicing the information needs of the User Group with regular written reports, and for responding to and implementing the advice of the User Group as appropriate.

PRWG members on the User Group will be responsible for providing advice about maximising the value of the research to housing policy development and reporting back to the full PRWG on the NRV, as well as conveying the views of any PRWG discussions back to the User Group.

A representative of the AHURI Ltd research management team, as well as having an overarching concern for the quality, timeliness and policy relevance of the NRV, will co-ordinate the focus of the NRV vis a vis other NRVs and projects.

An independent expert in the research field will take the role of peer reviewer, providing advice on the quality of the research design, analysis and reporting.

As the NRV focuses upon housing assistance and economic participation the User Group could be bolstered by the addition of some one to provide policy advice that relates to economic participation.

The National nature of the NRV will be strengthened and the flow of information improved by inviting other members of the NRV research team to attend User Group meetings as and when required.

**Frequency of meetings**

The regularity of User Group meetings would ideally be driven by the timing of the key stages of the NRV, to maximise input from the User Group at the 'right' times. These 'right' times are likely to be:

- when project plans and research designs are being finalised;
- when designing analytic strategies and interpreting early findings;
- when reporting findings and developing policy implications.

As a NRV comprises a suite of projects of varying complexity and duration, these stages are unlikely to coincide across a number of projects. A meeting schedule could
either be developed once the timing of the projects is established, or regular periodic reporting might be preferred.

Reporting requirements

Prior to a meeting of the User Group a written, brief report will be distributed to User Group members at least two weeks prior to the meeting. The written report will contain:

- a statement of progress and identification of any issues hindering progress
- a summary of key findings to date
- a discussion of the policy context and policy relevance of the emergent findings
- a plan of how the NRV will progress over the period until the next User Group meeting.
SECTION 6: PROJECT BRIEFS

Detailed project briefs for each of the six projects in Stage 1 are presented below.

Project A: Detailed profiling of HA recipients relative to appropriate benchmark groups in the Australian population

Context and focus

Objectives of the National Research Venture

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential impacts on economic participation outcomes that can be attributed to HA that encourages home ownership (e.g. First Home Owner Grants (FHOG)). The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging Australian, State and Territory government concerns in relation to HA and rates of economic participation.

Policy context

Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) requires State and Territory governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

Research context

A systematic review, Housing Assistance and Non-shelter Outcomes, completed earlier this year, concluded that there was an absence of Australian evidence on the links between HA and economic participation. A critical first step in exploring these relationships is to conduct detailed profiling of Australian households by measures of economic participation, and by forms of HA. This will shed light on whether rates of economic participation are low among sub-groups of HA recipients. It will also be important to draw a detailed picture of the socio-economic and demographic profiles of Australians with low rates of economic participation. This is an important task as it can help distinguish sub-groups whose economic participation decisions are (un-)likely to be affected by HA (e.g. the severely disabled), and sub-groups whose economic participation decisions could conceivably be affected by HA.

Role of the project within NRV

This project is expected to identify HA recipients who will need to be represented in the qualitative research conducted in Project F (see below).

Objectives of the project

- Compare the socio-economic and demographic characteristics of Australians by differential rates of economic participation
- Identify the housing assistance status (i.e. whether receiving CRA, a concessional rent in public or community housing or other form of assistance) and housing tenure status of Australians with low rates of economic participation.
- Identify Australians whose economic participation decisions could be affected by HA, and those whose economic participation decisions are unlikely to be affected by HA.
Key research questions

- How do the socio-economic and demographic characteristics (including housing circumstances) of Australians vary with economic participation status (e.g., not in the labour force, unemployed, part-time employed, full-time employed)?
- Is there significant variation in the socio-economic and demographic profile of Australians by type of HA received?
- How do the education and employment skills, experience and training of HA recipients fare in comparison with other Australians?
- What is the socio-economic and demographic profile of public housing tenants, and how does it compare with the homeless?
- Are there significant differences in the rates of economic participation exhibited by working age home purchasers? Are any differences associated with the socio-economic and demographic profile of these two groups?

Parameters and scope of the project

It is expected that researchers will make use of the unit record files of relevant ABS surveys such as the Survey of Income and Housing Costs, the Census of Population and Housing, the Annual Survey of Education and Work, the Survey of Education, Training and IT and the Australian Housing Survey. The homeless are not typically surveyed and profiling information may have to be sought from other secondary sources such as the Census of Population and Housing. A survey tailored to the requirements of this project is not envisaged. The profiling exercises will be conducted at the national level and, where sample numbers permit, for each state and territory.

Output

A report will be published on the AHURI website. The project leader will be expected to contribute to the design of Project F and Stage 3 projects by drawing a profile of HA recipient sub-groups who might be the subject of detailed attention.

Timeline

- If principal researcher(s) devotes 1 day per week = up to 20 weeks
- It is anticipated that this project will be commissioned in January 2004

Expertise of project team

Experience in analysing the unit record files of ABS Surveys and Census of Population and Housing is a pre-requisite

Possible centres/personnel

There is an overlap here with the centres appropriate for project B below (WA, RMIT-NATSEM, SYDNEY). In addition people like Mary-Ann Wulff at the Swinburne-Monash Centre have this sort of research background.
Project B: The measurement of effective marginal tax rates and replacement ratios; Housing Assistance and work incentives

Context and focus

Objectives of the National Research Venture

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential negative and positive impacts on economic participation outcomes that can be attributed to HA (e.g. First Home Owner Grants (FHOG)) that encourage home ownership. The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging Australian and state government concerns in relation to HA and rates of economic participation.

Policy context

Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) require state governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

Research context

A systematic entitled Housing Assistance and Non-Shelter Outcomes completed earlier this year concluded that relationships between HA and economic participation are complex, and typically involve a range of mediating variables. The effective marginal tax rates (EMTR) and replacement ratios (RR) of individuals are key variables through which HA can impact on economic participation outcomes. Interactions between the tax and benefit systems can blunt work and savings incentives if HA recipients are left with only a small share of any extra private income (from wages, interest and so forth). These adverse impacts on incentives can operate at two levels. When a low income individual receives a marginal increase in private income, but loses a substantial share through tax-benefit interactions, the individual confronts a ‘poverty-trap’. When an unemployed person makes a transition into the employed workforce, but makes little financial gain due to tax-benefit interactions, the individual confronts an ‘unemployment-trap’.

The systematic review cited a number of overseas studies examining the link between HA and economic participation. We acknowledge that a number of Australian researchers and government sponsored studies have addressed some aspects of the research questions that this project will be examining. In particular, the relationship between tax-transfer interactions and economic participation incentives has been the subject of a number of studies. These studies have generally used one of two main methods of analysis.

The first method uses microsimulation models and confidentialised unit record files to reveal the actual number of people facing high EMTRs by calculating the EMTR faced by each income unit or family in a survey. Such studies include Polette (1995), Harding and Polette (1995), Beer (1998), Beer and Harding (1999) and Beer (2002).

The second method calculates the EMTRs of hypothetical family types. In this approach the researcher specifies family types that are thought to be typical e.g. a...
couple with two dependents under 15 years of age, and measures the EMTR of the family as its gross income varies across a range thought to be relevant for this family type. Such studies include Whitlock (1994), Barber et al (1994), Harding and Polette (1995) and Hulse et al (2003).

Only Hulse et al. (2003) explicitly allows for the contribution of HA, but even this study does not take rebated rents in public housing into account in EMTR estimates. Anthony King at NATSEM is currently being funded by AHURI to develop a model that is incorporating rebated rents in public housing.

Few studies have gone on to estimate the impacts of high EMTRs on labour market participation decisions. Creedy and Dawkins (1999) and Creedy et al (2002) are exceptions using the FACS sponsored Melbourne Institute Tax-Transfer Simulator (MITTS) microsimulation model. This model takes CRA into account, but not rebated rents in public housing. Furthermore, while it is eminently suitable for the measurement of labour market impacts, it does not contain a component that would enable measurement of housing market impacts.

An important first step is therefore measurement of the EMTR and replacement ratios (RR) of Australians, and the role (if any) that HA plays in contributing to high EMTR and RR. A second concern is whether transfer payment income and assets tests blunt the work incentives of outright owner Australians.

The project will advance our understanding of this issue by:

→ being the first study to use CURF data to estimate EMTR and RR that incorporate the impacts of HA programs and the treatment of owner occupied housing under asset and income tests;
→ estimating EMTR and RR on an income unit basis that takes into account the complex tax-transfer interactions between partners in couple relationships.

Role of the project within NRV

There are important linkages between this project and the other five projects comprising Stage 1 of the NRV. The project is expected to produce EMTR and RR estimates for different HA sub-groups. These are to be combined with the profiling information from project A in determining the sub-groups whose economic participation decisions are (un)likely to be affected by HA. Those sub-groups facing work dis/incentives due to high EMTR and RR will be of particular interest in the qualitative research conducted in project F. Finally, the estimates of EMTR and RR could be used as critical variable measures in some of the Stage 3 quantitative modelling.

Objectives of the project

→ Estimate the EMTR and RR of Australians receiving CRA or benefiting from concessional rents in public or community housing
→ Conduct a comparison with the EMTR and RR of Australians who do not receive HA in the form of CRA or public housing assistance
→ Measure the contribution of CRA and public housing assistance measures to EMTR and RR relative to other tax and benefit parameters
→ Analyse EMTR and RR by labour market participation status
→ Analyse the net wealth position and RR of working-age Australians who have withdrawn from the labour force and the role of tax advantaged owner occupied housing
Key research questions

There are a number of key questions that the project should address.

- If HA recipients experience marginal increases in income from market activities, do they lose a substantial fraction of that income because of additional tax payments and reductions in transfer payments including housing assistance. In short, are poverty traps evident for HA recipients?
- If unemployed HA recipients make a transition into the employed labour force, are they likely to be financially better off after taking tax-benefit and HA circumstances into account. In short, are unemployment traps evident among HA recipients?
- Do HA programs deepen poverty traps among HA recipients? Or are any poverty traps attributable to other tax benefit interactions?
- Do HA programs deepen unemployment traps among HA recipients? Or are any unemployment traps attributable to other tax benefit interactions?
- Does the treatment of housing in transfer payment income and assets tests blunt the work incentives of mature age outright owners?

Parameters and scope of the project

It is envisaged that the analysis will take into account the complex interaction between transfer payments and HA programs. This is critical because Commonwealth Rent Assistance (CRA) taper rates, rent and income thresholds differ depending upon the pension, benefit or allowance that is the passport to CRA eligibility. The contribution that public housing rebated rents make to EMTR and RR is complicated by the use of assessable income that includes pensions, benefits and allowances. The geographical coverage should be Australia wide thereby enabling the research to uncover any variation in work incentives that may arise due to variation in rents and house prices between state capitals and rest of state regions. The relevance of the project’s estimates of key magnitudes such as EMTR is maximised by analysis under current transfer payment and HA programs. As far as possible the measures of EMTR and RR should be based on the July 2003 parameters of the Australian tax-benefit system.

Related research

There is some empirical work emanating from AHURI funded research that has a direct bearing on the HA – work incentives relationship. Of a more general nature is the comprehensive modelling undertaken by the National Centre for Social and Economic Modelling (NATSEM) that is typified by Beer (2003) and the references contained in that article. Also relevant is microsimulation modelling (part) funded by FaCS at the Melbourne Institute of Applied Economics and Social Research. The Melbourne Institute’s Tax and Transfer Simulator (MITTS) encompasses modelling of labour market participation. AHURI – 3M is a microsimulation model incorporating tax-transfer interactions and the modelling of housing market outcomes. We first list relevant published work, then the ongoing AHURI projects of relevance.


**Ongoing AHURI projects**


An Analysis of the Determinants of the Labour Market Activities of Housing Assistance Recipients, Research Centre: Sydney Project Number 60203: Project Leader: Dr Stephen Whelan.

What Drives Housing Outcomes? Research Centre: WA Project Number 80151: Project Leader: Dr Gavin A. Wood.

**Output**

A report that will be published on the AHURI website. The report will include a description of the research aims and context, the study design and method, a presentation of the research findings and an interpretation of those findings with emphasis on policy implications. The report should conclude with suggestions on the design of Stage 3 NRV project briefs.

**Timeline**

→ Given one day per week from a principal researcher = up to 35 weeks
→ It is anticipated that this project will be commissioned in January 2004

**Expertise of project team and scope of project**

The project team is expected to possess experience and expertise in modelling interactions in the tax-benefit system.

**Possible centres/personnel**

WA: The WA centre has developed a microsimulation model of the Australian Housing Market (AHURI – 3M) that is capable of measuring EMTR and RR that take into
account the complex interrelationships between HA programs and pensions, benefits and allowances. Some work has already been completed analysing EMTR and HA for project 80151.

RMIT-NATSEM centre: NATSEM has an established expertise in the measurement of EMTR as evidenced in Beer (2003), and the work completed for the positioning paper completed in Project Number 70073.

Sydney Centre: In Judith Yates and Stephen Whelan the Sydney centre have the expertise that is highly relevant to this project. Stephen Whelan is currently project leader on project number 60203. It is of direct relevance to this NRV.

**Project C: An audit of the findings from completed and ongoing AHURI projects**

**Context and focus**

**Objectives of the National Research Venture**

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential negative and positive impacts on economic participation outcomes that can be attributed to HA (e.g. First Home Owner Grants (FHOG)) that encourage home ownership. The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging Australian and state government concerns in relation to HA and rates of economic participation.

**Policy context**

Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) require state governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

**Research context**

A systematic review entitled Housing Assistance and Non-shelter Outcomes completed earlier this year concluded that there was an absence of Australian evidence on the links between HA and economic participation. Though the review included AHURI sponsored research (see Bridge et al Appendix C), there were a number of relevant projects running concurrently with the systematic review that could not be included in the review. This project will undertake a systematic review of AHURI research that is related to the NRV focus on HA and economic participation. It will pay particular attention to ongoing projects that are of relevance to the NRV.

**Role of the project within NRV**

This project has the important role of ensuring that the NRV does not merely replicate existing research findings using the same methods, or follows the same path charted by ongoing AHURI projects. It will also highlight AHURI research that can be used to inform project design at each of the three stages of the NRV.

**Objectives of the project**

- To identify existing research findings that are relevant to the NRV focus
To identify areas of potential overlap between completed and ongoing AHURI research, and projects envisaged in Stage 1 of the NRV

To identify completed and ongoing AHURI research that can inform project design at Stage 3 of the NRV

**Key research questions**

It will assist development of the NRV if the following questions were addressed:

- What does AHURI research tell us about the relationship between HA and economic participation?
- Does AHURI research have important lessons that can guide researchers in designing qualitative and quantitative methodologies to explore the relationship between HA and economic participation?
- Has AHURI already completed or funded research that makes parts of the NRV unnecessary? In particular, are any of the five other projects envisaged as Stage 1 of the NRV redundant?

**Parameters and scope of the project**

The project should review both completed and ongoing AHURI research. With respect to the latter, it would be helpful if the future research plans of relevant projects were outlined. This is critical if the NRV is to avoid unnecessary replication of research.

**Output**

There will be no written report from this project, though a brief summary synthesising key findings will be included in the NRV progress reports that the project director will prepare for the NRV User Group (see section 3, policy liaison and development plan). These findings are expected to influence study design in Stage 3 of the NRV.

**Timeline**

- The NRV director is expected to monitor ongoing and relevant AHURI projects until their completion
- Up to 7 weeks assuming the NRV devotes 1 day per week (7 days in aggregate)

**Possible centres/ personnel**

This is a project that will be conducted by the NRV director.

**Project D: An audit of alternative panel data sets suitable for the analysis of Housing Assistance and economic participation outcomes**

**Context and focus**

**Objectives of the National Research Venture**

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential negative and positive impacts on economic participation outcomes that can be attributed to HA (e.g. First Home Owner Grants (FHOG)) that encourage home ownership. The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging
Australian and state government concerns in relation to HA and rates of economic participation.

Policy context
Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) requires State and Territory governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

Research context
A systematic review entitled Housing Assistance and Non-Shelter Outcomes completed earlier this year concluded that relationships between HA and economic participation are complex, and typically involve a range of mediating variables. Robust research methods are then critical to identifying and measuring the key relationships. The review identified panel databases as a potentially important resource facilitating identification and measurement of the relationship between HA and economic participation outcomes.

Role of the project within NRV
This project will recommend panel data sets that should be used in the NRV to measure the significance of causal relationships between HA and economic participation outcomes. It will therefore play an important role in shaping the methodological approaches of NRV researchers. This project will be conducted in parallel with five other projects as one component of Stage 1 of this NRV. It will be a particularly important influence on study design in Stage 3 of the NRV.

Objectives of the project
- Identify Australia or state/territory-based panel data sets that contain information which enable researchers to track the economic participation histories of people making transitions into and out of HA programs
- Compare the suitability of alternative panel data sets for the purposes of modelling HA – economic participation relationships. In this comparison researchers will ‘weigh up’ the strengths and weaknesses of alternative panel data sets
- Suggest ways in which recommended panel data sets could be used to model HA – economic participation relationships

Key research questions
In auditing alternative panel data sets there are a number of key items of information and aspects of sample design that should be established.
- Can researchers identify a history of eligibility and entitlement for one or more HA programs?
- What income and economic participation information is recorded?
- What non-shelter outcomes other than economic participation are recorded?
- Are income and economic participation outcomes recorded before and after transition onto a HA program? How often is the information on outcomes updated?
- Does the data set permit comparisons with clients of other Australian Government transfer programs who do not receive HA?
- Does the data set permit comparisons with persons who do not receive a transfer payment?
Can researchers construct a detailed socio-economic and demographic profile of each person in the data set? Would researchers be able to control for the range of variables typically thought to mediate the relationship between HA and economic participation outcomes?

Can researchers identify the postcode or other geographical identifier that could permit analysis of the role of neighbourhood effects in shaping economic participation outcomes?

Does the data set contain details on the characteristics of the property occupied by each person in the data set?

**Parameters and scope of the audit**

The project will audit national and state/territory based panel data sets. The geographical coverage should be either at national or state/territory level in order to generalise findings. The project will be expected to audit the well-known national panel data sets such as the Household Income and Labour Dynamics in Australia (HILDA) Survey, the Australian Life Course Study, the FaCS Longitudinal Data Set and the FaCS housing dataset. However, other less well-known sources such as the records held by State Housing Authorities should also be explored. Finally the project should recommend ways in which suitable panel data sets can be used to model HA – economic participation relationships. The recommended approaches can involve replication of seminal studies conducted overseas, or novel methodological approaches tailored to recommended panel data sets.

**Related AHURI research**

There is a considerable amount of published work emanating from AHURI funded research or State Housing Authority sponsored work that is of relevance to the HA – economic participation relationship. The published research has not made use of panel data sets, though there are AHURI projects that have used the FaCS Longitudinal Data Set and HILDA to model this relationship. We first list relevant published work, then the ongoing AHURI projects of relevance.


**Ongoing AHURI projects**


An Analysis of the Determinants of the Labour Market Activities of Housing Assistance Recipients, Research Centre: Sydney Project Number 60203: Project Leader: Dr Stephen Whelan.

What Drives Housing Outcomes? Research Centre: WA Project Number 80151: Project Leader: Dr Gavin A. Wood.

**Output**

A report that will be published on the AHURI website. The report will present a detailed assessment of the strengths and weaknesses of each panel data set reviewed. In addition, the report will conclude by making recommendations on panel data sets that could be profitably used in Stage 3 projects.

**Timeline**

→ Given a 1 day per week input from a principal researcher (20 days in aggregate) = up to 20 weeks

→ It is anticipated that this project will be commissioned in February 2004

**Expertise of project team and scope of project**

The project team is expected to possess experience and expertise in the use of panel data sets. A research background that includes experience in the evaluation of housing assistance policies would be an added advantage.

**Possible centres/personnel**

Sydney: Stephen Whelan has expertise and experience because his ongoing project 60203 is using HILDA to analyse HA – economic participation relationships. Similarly Judy Yates research experience and contribution to the systematic review means that she is well place to conduct such an audit. She has I believe been an advisor to the
Australian Bureau of Statistics and is therefore well equipped to audit confidentialised unit record files from alternative databases.

WA: Paul Flatau also has experience with using the HILDA panel data set in relation to project 80151. He has also used the FaCS Longitudinal Data set to examine the impact of housing costs and labour market conditions on mobility of income support clients. Michael Dockery at Curtin University is also experience in the use of the FACS Longitudinal Data Set, and has expressed an interest in the project.

UNSW-UWS: Bruce Bradbury has considerable experience in working with micro data sets for analysing social policy issues. More recently he has used the FaCS Data Set to analyse mobility patterns among HA recipients.

**Project E: An audit of Australian and overseas policy initiatives that are designed to promote both housing policy and economic participation goals**

*Context and focus*

**Objectives of the National Research Venture**

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential negative and positive impacts on economic participation outcomes that can be attributed to HA (e.g. First Home Owner Grants (FHOG)) or other home ownership promotion programs that encourage home ownership. The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging Australian and state government concerns in relation to HA and rates of economic participation.

*Policy context*

Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) require state governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

*Research context*

The systematic review entitled Housing Assistance and Non-shelter Outcomes highlighted a number of innovative programs including the Moving to Opportunity initiatives, in the USA, that attracted particular scrutiny. However, in the short timeframe in which this review was conducted it could not uncover the full range of initiatives in this area. The review identified the use of innovative pilot programs that include natural experiment study designs as an important research initiative.

*The role of the project within the NRV*

The project will catalogue innovative policy initiatives in Australia and overseas that could be the subject of Stage 3 projects.

*Objectives of the project*

- Identify innovative Australian and overseas policy and program initiatives that are designed to both promote housing policy initiatives, as well as economic participation
Inform the NRV about Stated Preference studies and other innovative methods that have been used to analyse the choice people are likely to make when faced with new options not previously available.

Inform the NRV about the methods used in natural experiment study designs embedded within pilot programs.

Suggest particular program initiatives, either potential or existing, that could be launched as pilot programs in Australia.

**Key research questions**

- How do current Australian HA arrangements promote economic participation goals?
- Are there State/Territory government initiatives in housing policy that incorporate the promotion of economic participation?
- How have HA measures been reformed in overseas countries to encompass employment and other economic participation goals, as well as housing policy goals?
- Is there evidence that particular kinds of initiatives (e.g. area or neighbourhood based strategies) are successful as compared to others (e.g. individualised programs such as the Moving to Opportunity initiatives)?
- Have the policy initiatives and reforms promoted economic participation, but at the expense of housing policy goals?
- How have researchers designed stated preference studies to analyse economic participation decisions of the kind relevant to this NRV?
- How have researchers incorporated natural experiment study designs within pilot programs of the kind relevant to the NRV?
- Can the findings of such study designs be generalised (say from one Australian state to others)? How can we design natural experiment studies to produce findings that are likely to be widely applicable?
- What are the typical resource requirements of study designs embedded within pilot programs?
- Are there any examples of Australian or State/Territory governments invoking this approach as a means of evaluating HA programs?

**Parameters and scope of the audit**

The project will audit overseas and Australian policy initiatives. The research team will be expected to consult with the User Group on Australian initiatives. Comprehensive and systematic search procedures should be deployed that make use of conventionally published material as well as web based materials (see Bridge et al., 2003, chapter 2 for guidance). An important output here are the lessons we can draw from the experience gathered elsewhere in designing and conducting such study designs, as well as compiling an inventory of policy programs. The project is expected to recommend pilot programs that a jurisdiction may wish to initiate outside the NRV, but as a response to the CSHA requirement to explore reforms that will promote economic participation.

**Related AHURI research**

The Systematic Review of HA and Non-shelter outcomes (see Bridge, C., Flatau, P., Whelan, S., Wood, G. A. and Yates, J. (2003), *Housing Assistance and Non-Shelter Outcomes*, Australian Housing and Urban Research Institute, Final Report) is a good
starting point for overseas initiatives. In particular see chapter 3 and appendix B where USA Moving to Opportunity programs are discussed. A review of relevant literature from an Australian perspective can be found in Hall, G. and Maloney, G. (2001) The Relationship between Public Rental Housing and the Labour Force Participation of Tenants: Literature Review, Queensland Department of Housing, mimeo. Relevant AHURI projects include:


Ongoing AHURI projects of relevance


An Analysis of the Determinants of the Labour Market Activities of Housing Assistance Recipients, Research Centre: Sydney Project Number 60203: Project Leader: Dr Stephen Whelan.

What Drives Housing Outcomes? Research Centre: WA Project Number 80151: Project Leader: Dr Gavin A. Wood.

Output

A report will be published on the AHURI website. The report will have two components. The first will describe how HA programs in Australia and overseas have encompassed economic participation goals and assessments of their attributes. A second section will examine how pilot programs have been designed with a view to incorporating study designs that permit program evaluation, and how experimental methods such as Stated Preference studies have been used in program evaluations. The report will conclude with advice on feasible pilot programs that jurisdictions might investigate as part of CSHA obligations.

Timeline

- Assuming 1 day per week from two principal researchers (36 days in aggregate) = 18 weeks
- It is anticipated that this project will be commissioned in February 2004

Expertise

The project team is expected to have a research background in the evaluation of HA programs. Familiarity with the literature and methodological techniques surrounding natural experiment and experimental method study designs would be an added advantage.
**Possible centres/personnel**

This is the sort of review project that any of the AHURI centres could competently conduct. The Swinburne and Monash centre, and Katherine Hulse in particular, has expressed an interest in this Stage of the NRV.

The Sydney and WA teams and Judy Yates and Paul Flatau in particular have a good understanding and knowledge of policies and programs in this area as a result of their work on the systematic review into HA and Non-shelter outcomes.

**Project F: Qualitative research into the behavioural factors affecting the relationship between Housing Assistance and economic participation decisions**

**Context and focus**

**Objectives of the National Research Venture**

AHURI is launching a National Research Venture (NRV) the focus of which is the relationship between Housing Assistance (HA) and economic participation outcomes (i.e. employment, early retirement, education and training). Key HA measures include public housing and Commonwealth Rent Assistance (CRA), though the NRV will also permit exploration of the potential negative and positive impacts on economic participation outcomes that can be attributed to HA (e.g. First Home Owner Grants (FHOG)) that encourage home ownership. The central objective of the NRV is provision of a robust evidence base for policies and programs that address emerging Australian and state government concerns in relation to HA and rates of economic participation.

**Policy context**

Raising the rates of economic participation of disadvantaged Australians is an important objective of the Australian Government’s welfare reform agenda. The recently negotiated Commonwealth-State Housing Agreement (CSHA) require state governments to reform the management of public housing in ways consistent with the promotion of economic participation among public housing tenants.

**Research context**

A key recommendation arising from the systematic review entitled *Housing Assistance and Non-shelter Outcomes* is “that the practice of supporting research from a number of different methodologies and disciplines be maintained” (see Bridges et al, 2003, p155). Evidence from qualitative studies are a helpful complement to that derived from quantitative studies, such as project B of the NRVs Stage 1, where EMTR are measured and the contribution of HA gauged. High effective marginal tax rates (EMTR) are a structural factor that arises from the interaction of income maintenance and taxation systems. But behavioural factors such as individual capacities, awareness of opportunities and knowledge of system parameters, will also impact on economic participation decisions and mediate the relationship between EMTR and economic participation (see K. Hulse, B. Randolph, M Toohey, G. Beer and R. Lee, 2003). Qualitative research methods are a critically important tool in establishing the importance of these behavioural factors and in-depth interviews are envisaged as a research tool that is widely used in such contexts.

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Role of the project within NRV

The project will conduct in-depth interviews to map the range of factors shaping economic participation decisions and how the detailed interaction between causal and mediating factors and outcomes play out for individuals. The project’s findings will allow researchers to establish to what extent HA recipients are aware of poverty and unemployment traps associated with their housing assistance and how this understanding affects their economic participation decisions. These qualitative data will be triangulated with the quantitative analyses of projects A and B. The quantitative data will be used to establish the objective extent of the population affected by HA related economic participation disincentives. The qualitative data will be used to assess the subjective interpretation of these circumstances and to gain an understanding of whether HA recipients themselves are aware of such disincentives and how it affects their economic participation decisions.

Objectives of the project

Æ To find out what the full array of factors affecting economic participation behaviours could be.
Æ To understand how the array of factors affecting economic participation actually shape HA recipients’ decision making
Æ To take account of the range of factors affecting the economic participation decision making of HA recipients in the research designs of Stage 3 of the NRV.
Æ To establish the subjective understanding that HA recipients have of poverty and unemployment traps.
Æ To establish the views of HA recipients of how economic participation disincentives should and do affect their economic participation behaviour.
Æ To suggest and make recommendations on established and innovative qualitative methods that could be deployed in Stage 3 of the NRV.

Key research questions

Æ What understanding of the relationship between HA and poverty and unemployment traps do HA recipients possess?
Æ What understanding of the relationship between appropriate, affordable and stable housing and economic participation do HA recipients have?
Æ How do HA recipients take HA parameters into account when making decisions about economic participation?
Æ What do HA recipients regard as the most important supports/impediments to economic participation, and how do these supports/impediments affect their economic participation decisions?
Æ What do HA recipients’ regard as the socially acceptable responses to these HA impacts upon their economic participation?
Æ How do these views compare with reported behaviour and quantitative data on economic participation rates amongst HA recipients?
Æ What are the views of HA recipients to economic participation, and what shapes these views?

Parameters and scope of the project

The principal purpose of in-depth interviews is that of identifying the key parameters and mediating variables governing the relationship between HA and economic
participation outcomes, and the relative importance of these parameters and variables. The design of the final sampling frame for this research will again draw upon the quantitative analysis in Projects A and B. At this stage it is intended to conduct 60 in-depth interviews and whilst the final sampling frame will depend upon the outcomes of Projects A and B, it is likely that the interviewees will be drawn from two groups, economic and non-economic participants and two locations: a location with good access to economic participation activities; a location with poor access to economic participation activities (see table below).

<table>
<thead>
<tr>
<th>Location A</th>
<th>Location B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic participators</td>
<td>Economic participators</td>
</tr>
<tr>
<td>Non economic participators</td>
<td>Non economic participators</td>
</tr>
</tbody>
</table>

Recruitment of interviews will not be straightforward and may require the assistance of FaCS, Centrelink and State Housing Authorities. Interviewees may well need to be offered a cash contribution for their participation.

Related AHURI research

There is limited application of qualitative research methods in AHURI projects relevant to the NRV.


Ongoing projects include:


Entering Rental Housing, Research Centre: Swinburne/Monash Project Number 50125: Project Leader: Professor Terry Burke.

**Output**

A report will be published on the AHURI website. The project leader will be expected to contribute to Stage 2 of the NRV by providing advice on relevant factors affecting economic participation and how further qualitative research might advance the objectives of the NRV.

**Timeline**

**In-depth interviews**

- Given half a day per week from a project leader (15 days in aggregate = 30 weeks)
- Given one day per week from an experienced researcher (30 days in aggregate = 30 weeks)
- The project will commence once early findings are available from projects A and B as these will guide the final sample frame for the focus groups and in-depth interviews.
It is expected that this project will be commissioned in April 2004

**Expertise of the project team**

Knowledge and experience of qualitative research methods, especially in-depth interviews, is required. Detailed knowledge of housing assistance programs is essential.

**Possible centres/personnel**

Sydney Centre: As is evident from the list of AHURI related research P. Phibbs and P. Young have an active research interest in this area, and are experienced in qualitative research methods.

UNSW-UWS Centre: Bill Randolph and his team are currently applying qualitative methods to inquire into the role of Housing Costs and HA in relation to work incentives. This centre along with Kath Hulse has expressed an interest in this project.

WA Centre: Nola Kunnen and colleagues in the Department of Social Work and Social Policy have expertise in qualitative methods and have expressed an interest in this project.
SECTION 7: NRV TIMETABLE

Table 1 outlines the sequencing of projects and activities in Stages 1 and 2 assuming no significant delays. Not all Stage 1 projects are planned to start at the same time. There are two reasons for this:

- Some projects (e.g. projects A and C) logically precede others (e.g. project B and F) because the findings of the former help determine the study design of the latter.
- There are the practicalities of commissioning projects that start and end at the same time thereby causing a ‘peak load’ problem.

Projects A and C are seen as particularly important in Stage 1 and it is envisaged that the NRV Director will concentrate priorities on commencing these projects as soon as practical.

Stage 2 has two major activities, a workshop and the preparation of study designs for Stage 3 of the NRV. The workshop is intended to act as a vehicle for the exchange of ideas and information between project leaders, the NRV Director and the NRV User Group. If scheduled in September 2004, as proposed in table 1, it will coincide with the 2004 National Housing Conference. Stage 2 has as its chief output the formulation of Stage 3 project designs. The workshop will provide an opportunity for all stakeholders to have an input into those project designs. The NRV director with the advice of the User Group has the rest of 2004 to formulate those study designs.

Table 1 sets out the sequencing of Stage 1 and 2 activities assuming immediate approval of the NRV plan.

Table 1: Sequencing of Stage 1 and Stage 2 Activities

<table>
<thead>
<tr>
<th></th>
<th>Commencement Date</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project A</td>
<td>January 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td>Project B</td>
<td>January 2004</td>
<td>September 2004</td>
</tr>
<tr>
<td>Project C</td>
<td>January 2004</td>
<td>March 2004</td>
</tr>
<tr>
<td>Project D</td>
<td>February 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td>Project E</td>
<td>February 2004</td>
<td>June 2004</td>
</tr>
<tr>
<td>Project F</td>
<td>March 2004</td>
<td>November 2004</td>
</tr>
<tr>
<td><strong>Stage 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workshop</td>
<td>November 2004</td>
<td>November 2004</td>
</tr>
<tr>
<td>Project Specifications</td>
<td>November 2004</td>
<td>January 2005</td>
</tr>
</tbody>
</table>

It is not possible to give precise timeframe details for Stage 3 before decisions have been made about the parameters of Stage 3 projects. We envisage a significant overlap between Stages 1 and 2 and Stage 3. This is because Stage 3 projects are expected to have long lead times.
SECTION 8: EXTENDING THE DEPTH OF THE NRV BY LEVERAGING FURTHER FUNDS

The NRV will provide national level estimates of:
- the impact that current HA programs have on economic participation outcomes
- the likely impact of reformed HA programs that are designed to promote economic participation outcomes and
- the likely trade-off between improved economic participation outcomes and housing policy goals such as affordability

While the NRV as currently configured will provide data and findings that can be generalised at the state and territory level, the extent of geographical disaggregation is necessarily limited. The policy reform analysis and findings will also have general applicability for all jurisdictions, though the extent to which it can address the specific options that are under consideration in any one jurisdiction is inevitably constrained.

However, the NRV is a flexible program of research that can complement and assist an individual jurisdiction(s) that wishes to pursue research initiatives at a more disaggregated level. NRV researchers could be in a position to assist a jurisdiction in this respect, by seeking alternative sources of funding for such initiatives.

One option in this regard is ARC Linkage Grants. They have the following features:
- A linkage grant application involves a team of academic researchers collaborating with one or more industry partners
- Industry partners can be government agencies, companies or not-for-profit organisations
- At least one industry partner must make a combined cash contribution that is at least 20% of the ARC funding that is sought
- An individual industry partner can restrict it's contribution to in-kind resources provided one or more other industry partners meets the minimum 20% cash contribution
- The combined in-kind and cash contribution will be matched by ARC funds if the application is successful
- Postgraduate scholarships linked to the grant can also be applied for (see above)

If a jurisdiction were in a position to second a policy officer, this would represent an in-kind contribution.

The greatest need for in-depth, disaggregated analysis is likely to emerge as state jurisdictions design reforms that meet the CSHA goal of promoting economic participation. Reforms to (say) rent differentials will offer tenants choices they have not previously confronted in public housing. The dilemma for policy makers and researchers is that they cannot draw on a stock of observed choices and behaviour under these rent differentials to guide judgement on the likely impact of reforms.

The qualitative methods advocated in Stage 3 are a relatively low cost response to this dilemma. An alternative but more costly approach is to embed research study designs within pilot reform programs. Financing of a pilot program from within the NRV budget is not feasible. But this is the sort of approach that is becoming more
commonplace in UK and USA housing policy reform processes⁸. For example, in April 2000 the UK DETR (now Office of the Deputy Prime Minister) launched a pilot program that aims to give public tenants an interest in the rent they are charged. The under-occupancy pilot scheme is being conducted in the London Boroughs of Croydon, Haringey and Newham.

“Under this scheme tenants on Housing Benefit who move to suitable cheaper housing will be entitled to a lump sum of about half of the Housing Benefit savings that would be expected over three years. The scheme will run for three years, and we will look carefully at its results to see whether giving Housing Benefit tenants a positive financial interest has its behavioural impact” (DETR, 2000, P120).

The NRV program of research would be significantly strengthened if a jurisdiction(s) were to launch an initiative of this kind, as it would enable Australian policy makers and researchers to use the international best practice methods in this important policy area. A more robust evidence base will be created if funds can be leveraged to pursue initiatives of this kind.

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⁸ In the USA the Department of Housing and Urban Development Voucher Homeownership Programme Assessment is currently proceeding in 12 jurisdictions with analysis of results conducted by Abt Associates Inc.
REFERENCES


Polette, J. 1995, Distribution of Effective Marginal Tax Rates Across the Australian Labour Force, Discussion Paper No. 6, August, National Centre for Social and Economic Modelling, University of Canberra, Canberra


APPENDIX 1

In this appendix we present a list of detailed research questions that are typical of those that could prove relevant and feasible for researchers to address. The questions are grouped into clusters. The first three clusters are specific to the economic participation outcomes of the procedures used to allocate and manage public housing and eligibility for public housing. Clusters 4, 5 and 6 are concerned with the extent to which any high effective marginal tax rates associated with income-based rents dissuade public tenants from ‘improving’ their economic participation circumstances. Similar questions can of course be posed in relation to other HA programs. Though these questions highlight a concern with measurement of the impacts of HA on economic participation decisions, it is recognised (as pointed out in the text) that the causal links between these dimensions of HA and economic participation decisions will often involve impacts on other non-shelter outcomes that must be measured in order to uncover the relevant relationships, and provide an appropriate “whole of government” approach to policy determination.

Cluster 1

Æ What are the education/training profiles of people on public housing waiting lists? (quantitative, cross-sectional, association)
Æ What are their employment circumstances? (participation, hours worked, income) (quantitative, cross-sectional, association)
Æ How do these employment circumstances compare with people with similar education/training profiles? (quantitative, cross-sectional, socio-demographic comparison)
Æ How do the education/training profiles and employment circumstances of those on public housing waiting lists vary by state? (quantitative, cross-sectional, spatial comparison)
Æ How do the education/training profiles and employment circumstances of those on public housing waiting list vary by ‘duration of wait’? (quantitative, cross-sectional, temporal comparison)

Cluster 2

Æ For those on the waiting list, how are their employment related decisions shaped by the rationing of public housing and by the eligibility criteria? (qualitative, perceptions, social action)
Æ How do variations in eligibility criteria across the States and Territories affect the employment decisions of those on waiting lists? (qualitative, spatial comparison)

Cluster 3

Æ To what extent are ‘transfer’ schemes explicitly designed to support greater engagement in employment? (qualitative, policy design)
Æ How does the operation of ‘transfer’ schemes support greater/lesser engagement in employment? (qualitative, policy implementation)
Æ To what extent do the employment circumstances of public tenants change pre and post-transfer? (quantitative, temporal comparison)
Cluster 4

- What are the education/training profiles of public tenants? (quantitative, cross-sectional, associational)
- What are the EMTRs for different household types and what are their employment circumstances? (quantitative, cross-sectional, socio-demographic comparison)
- What are the employment outcomes of public tenants compared with non-public tenants with similar education/training profiles? (quantitative, cross-sectional, socio-demographic comparison)
- How do the employment outcomes of public tenants vary by state in relation to different rent setting policies in operation? (quantitative, cross-sectional, spatial comparison)
- How do the employment outcomes of public tenants vary pre and post changes in rent setting policies? (quantitative, temporal comparison)

Cluster 5

- How do the rent setting policies of Australian state/territory housing authorities vary and what are the policy reasons for the differences? (qualitative, spatial comparison)

Cluster 6

- How do public tenants in (actual/hypothetical) ‘poverty traps’ perceive their circumstances and adjust their social action in relation to the policies in operation?
- How do public tenants perceptions of poverty traps change pre and post changes in rent setting policies? (qualitative, temporal comparison)
### FIGURES

Figure 1: The Developmental Stages of NRV Housing Assistance Programs (HAPs) and Non-Shelter Outcomes

<table>
<thead>
<tr>
<th>Stage One</th>
<th>Stage Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project A: Profiling Australian recipients of HAPs</td>
<td>Clarification of Key research questions; research materials; and policy developments.</td>
</tr>
<tr>
<td>Project B: Measurement of Effective Marginal Tax Rates</td>
<td>Consultation process to assist design of discrete projects.</td>
</tr>
<tr>
<td>Project C: Audit of recent AHURI Research Findings</td>
<td>Execution of research projects by teams of researchers in AHURI Research Centres.</td>
</tr>
<tr>
<td>Project D: Audit of Secondary Panel Data Sets</td>
<td>Consultation process to determine alternative policy options that represent optimal responses to key economic participation impediments identified by project findings.</td>
</tr>
<tr>
<td>Project E: Inventory of Australian and Overseas Policy Initiatives</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2: Conceptual linkages

- Housing Assistance programs
- Mediating Variables:
  - eg. Effective Marginal Tax Rates
  - Health
  - Education
  - Social Capital
  - Access to Child Care Services and Transport
- Housing outcomes
- Economic participation outcomes

Feedback effects
Figure 3: Trade offs

Mortgage markets

Borrowing constraints

Housing Assistance policy and Tax transfer system

Investors Economic costs and Market rents

Economic costs of homeownership

EMTR and Replacement ratio

Tenure choice and housing affordability

Labour market participation

Housing markets intermediaries
Figure 4: NRV Housing Assistance and Non-Shelter Outcomes: Horizontal and Vertical Linkages

Stage One
- In-depth interviews
- Quantitative profiling and measurement

Stage Two
- Research project specifications

Stage Three
- Qualitative research e.g. Stated preference studies
- Triangulation Validation
- Quantitative modelling

Outputs:
- How current HA impacts on economic participation outcomes
- How HA can be reformed to improve economic participation outcomes
- The nature of trade-offs between improved economic participation outcomes and housing policy outcomes
Figure 5: Stage one

- Project A
  - Support (major input)
  - Research position

- Project B
  - Support (minor input)
  - Research position

- Project C
  - Support (minor input)
  - Research position

- NRV Director

- Project D
  - Support (minor to moderate input)
  - Research position

- Project E
  - Support (minor to moderate input)
  - Research position

- Project F
  - Remains self-contained project
AHURI Research Centres

Queensland Research Centre
RMIT-NATSEM Research Centre
Southern Research Centre
Swinburne-Monash Research Centre
Sydney Research Centre
UNSW-UWS Research Centre
Western Australia Research Centre