Consumer choice, welfare reform and housing assistance
The research evidence

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The research evidence and policy development options

Enhance market demand

- Provide additional assistance to low income consumers to compete in housing market
  - Financial assistance (money)
  - In kind assistance (vouchers)
  - Other assistance (information/search assistance, etc.)

- Models of demand enhancement – hybrid income support/housing
  - Income support dominant - part of income/family support system (eg Rent Assistance in Aus; shelter allowances in Canada)
  - Housing dominant - separate housing allowance schemes (eg US Housing Choice Vouchers; UK Housing Benefit, NZ Accommodation Supplement)

- Move towards simplified housing payments as part of welfare reform
  - e.g. UK – Universal Credit; Aus. (proposed)

What does the research say about demand enhancement models?

Positives

- More active role for households – personal responsibility
- Able to make own trade offs between location and type/size of housing
- Target assistance to need and for duration of need
- Can be tied to other welfare reform objectives

Negatives

- Vulnerable people may not be able to negotiate access to housing
- Can squeeze low income people from job rich areas (negates welfare reform objectives)
- Demand driven - hard to control expenditures (A$4.2b on RA)
- Upward pressure on rents in some markets
- Ineffective in increasing supply at the low rent end of the market
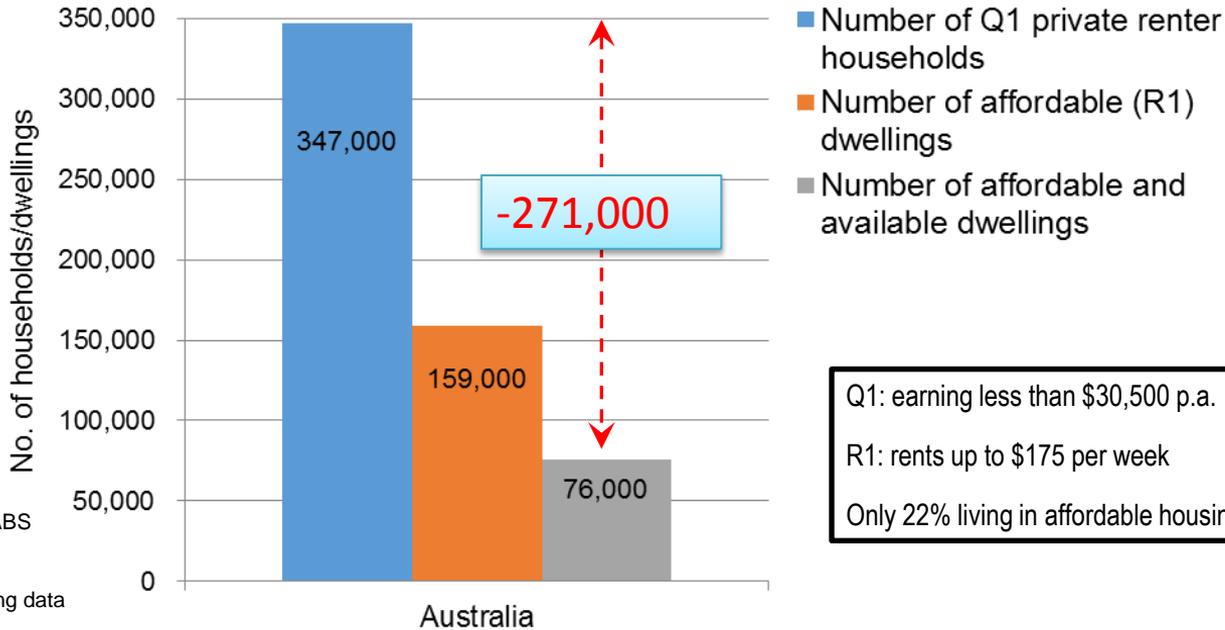
Enhance affordable housing supply

- Housing-based strategies of supply enhancement
  - Direct government investment in affordable supply
  - Part government investment to leverage private investment in affordable supply
  - Part government investment to leverage NFP investment in affordable supply

- Other strategies to enhance of affordable supply
  - Targeting tax concessions to either new supply and/or lower price segment (egs??)
  - Inclusionary zoning and/or developer contributions (e.g. UK, US, Aus (ltd.))
  - Housing loan/bond aggregators (eg The Housing Finance Corporation – UK)
  - Other financing options e.g. affordable housing trust model (eg US social purpose REIT).

- Addressing market failure at the lower end of the private rental market

Distributions of private rental dwellings by weekly rent paid, Australia: 1996, 2001, 2006 and 2011
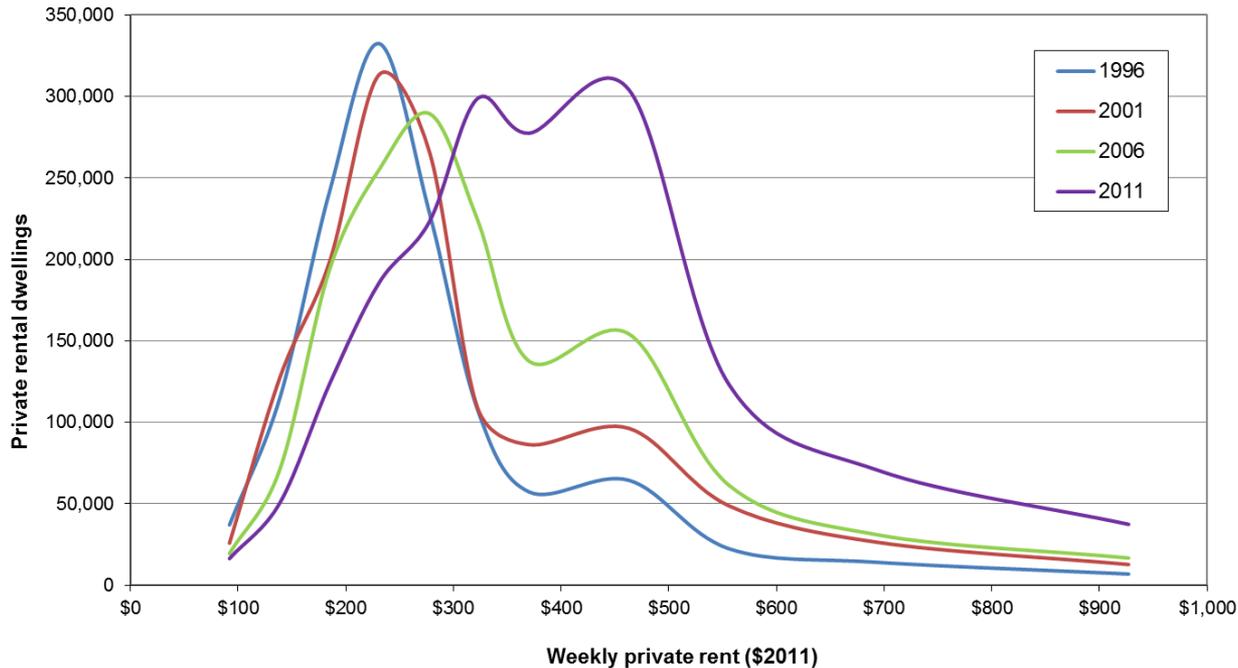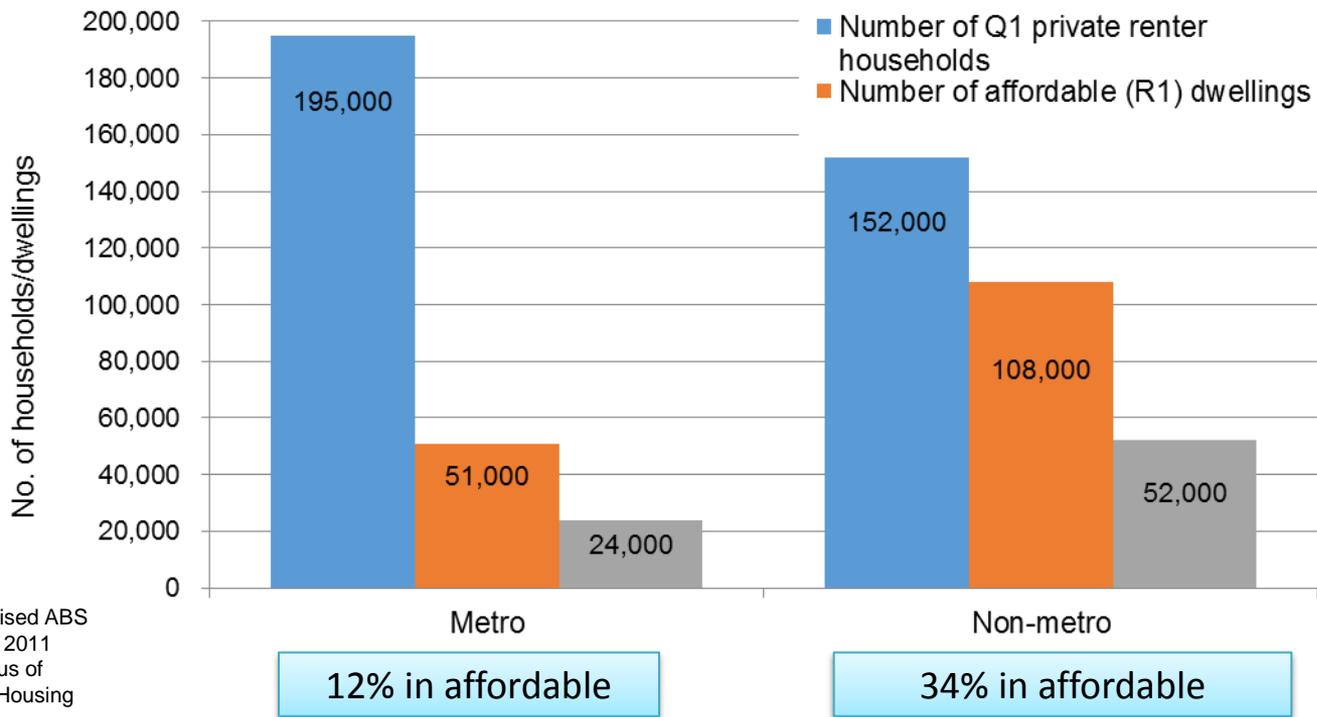
Shortage and availability for Q1 households 2011: national

Source: Customised ABS matrix based on 2011 Australian Census of Population and Housing data

Q1: earning less than $30,500 p.a.

R1: rents up to $175 per week

Only 22% living in affordable housing (at 30% level)

Source: Hulse, K., Reynolds, M. and Yates, J. (2014) *Changes in the supply of affordable housing in the private rental sector for lower income households*, AHURI FR 235

Shortage and availability for Q1 households 2011: metro and non metro

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Legend:
- Number of Q1 private renter households
- Number of affordable (R1) dwellings

Metro: 195,000 / 51,000 / 24,000 — 12% in affordable

Non-metro: 152,000 / 108,000 / 52,000 — 34% in affordable

Y-axis: No. of households/dwellings (0 to 200,000)

Source: Hulse, K., Reynolds, M. and Yates, J. (2014) *Changes in the supply of affordable housing in the private rental sector for lower income households*, AHURI FR 235
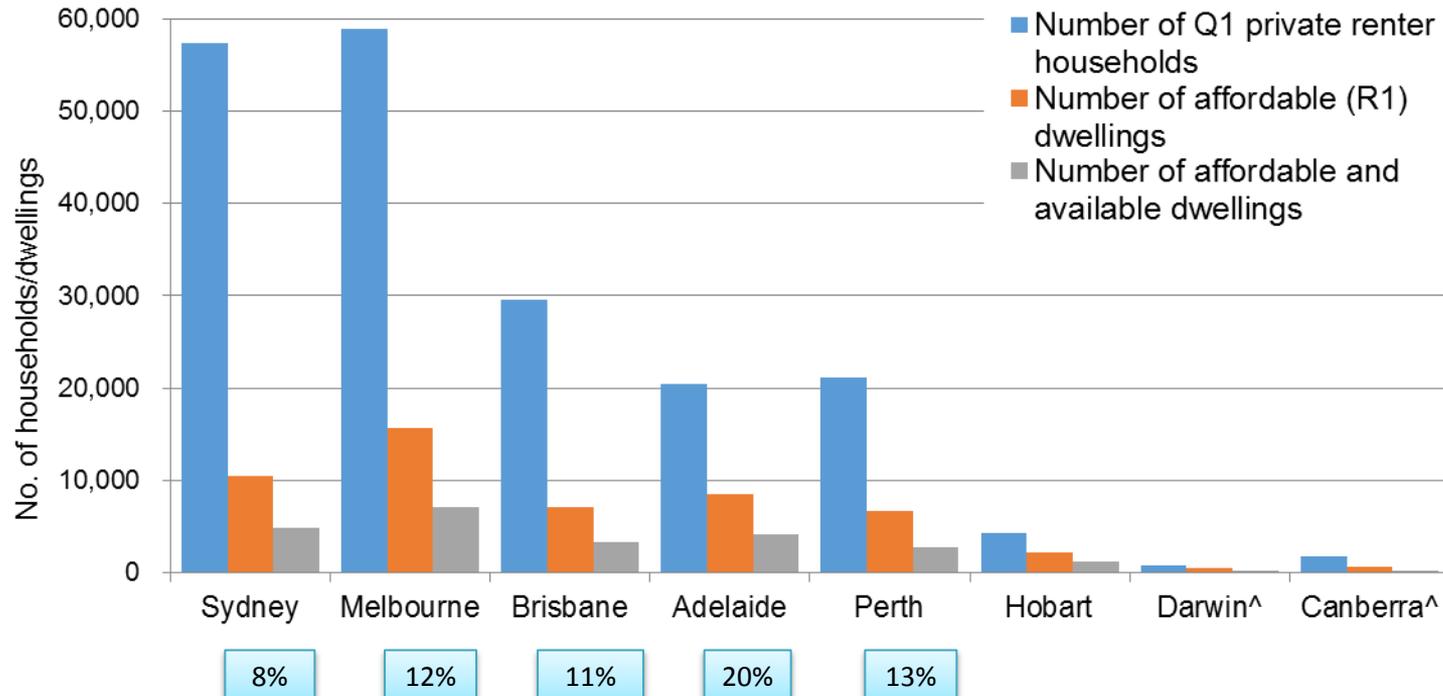
Shortage and availability for <u>Q1</u> households 2011: state capital cities

Source: Customised ABS matrix based on 2011 Australian Census of Population and Housing data

Source: Hulse, K., Reynolds, M. and Yates, J. (2014) *Changes in the supply of affordable housing in the private rental sector for lower income households*, AHURI FR 235

What does the research say about supply enhancement models?

- Market failure at the low rent end of the private rental market
  - Despite the sector increasing at twice the rate of all dwellings 2006-2011
  - Particularly affects Q1 households – those with incomes below $30,500 in 2011
  - Is particularly acute in metropolitan regions and Sydney and Melbourne

- Strong support for direct government investment to produce supply
  - Social Housing Initiative - 19,669 units ($5.328b)

- Government investment in other policy instruments can also produce supply
  - NRAS - 30,037 units delivered (Dec 2015)

- Other supply strategies difficult to advance:
  - Highly contested (e.g. tax, planning);
  - Complex and very slow to develop (e.g. new financing mechanisms)

- Major social reforms such as NDIS depend on supply affordable to low income households
  - Est. unmet need in affordable housing for 83,000 to 122,000 NDIS participants at full roll out of scheme in 2019.

More information: there is a wealth of AHURI research on housing supply. Wiesel and Habibis (2015) NDIS, housing assistance and choice and control for people with a disability' AHURI FR258 provide estimates of shortfall associated with NDIS.

What does the research say about individualisation in welfare services?

- Innovations in the welfare services sector aim at individualising support

  – NDIS (Disability Insurance)

  – Consumer Directed Care (Aged Care)

- International examples of reforms to individualise welfare services

  – Home care and personal budgets for home care, nursing, youth care, child care and disability support (The Netherlands)

  – Market choice in aged care (Denmark)

  – Housing First models for homeless people (US, UK, Aus.)

What does the research say about individualisation in welfare services?

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Positives

- More choice and control for service users
- Customised assistance - packages of support
- Involves greater variety of service providers inc. market and NFP providers as well as voluntary care
- General support from policy-makers and practitioners for individualisation

Negatives

- Limited capacity of some vulnerable people to make complex care choices
- Services affected by contracted time/cost constraints
- Scepticism about ability to access markets
- More competitive relationship between service providers
- Affected by an austerity context – fiscal constraints

More information: Jacobs, K., Lawson, J., Gabriel, M. and Hulse, K. (2015) Individualised and market-based housing assistance: evidence and policy options, AHURI FR No 253, chapters 3 and 4.
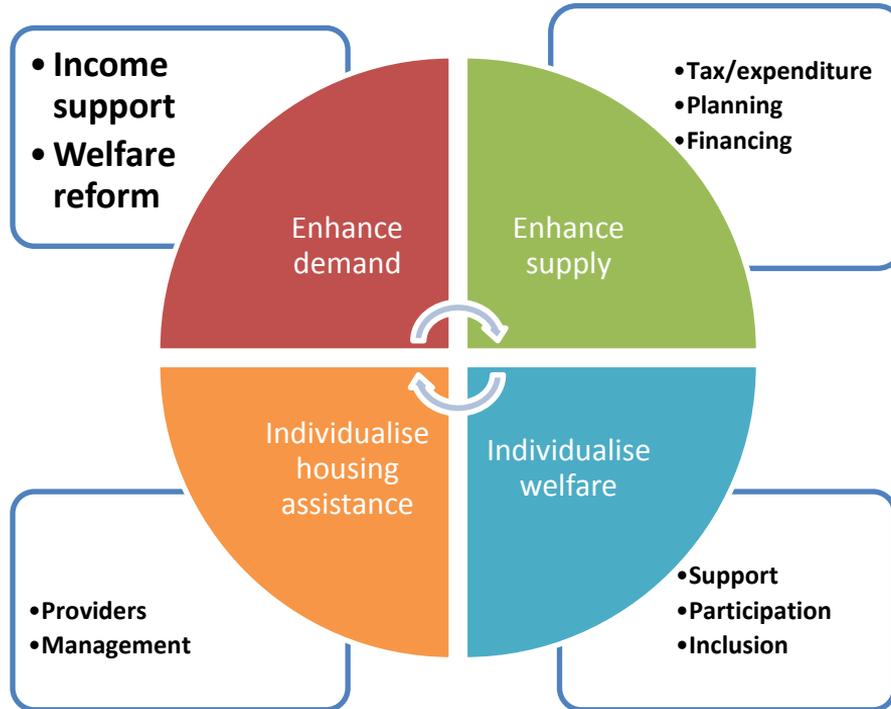
Individualise housing assistance

- Diversity of product/service mix
  - Different market segments
  - Diversity in dwelling types, lease lengths, rents
  - Housing + support packages

- Improving access to housing options
  - Assessment individuals for range of housing options (Aus and international)
  - Choice-based lettings of social housing (UK)

- Collective voice for service users/tenants
  - Tenant involvement in service design and delivery (UK, The Netherlands)

- Multiple providers
  - Move away from govt. monopoly to multi-provider system (market and NFP providers)

What does the research say about individualisation in housing assistance?

- Improving 'choice'
  - Effectively is about making trade-offs explicit (eg 'choice based letting' in UK, Netherlands)
  - Many policy makers and practitioners concerned about capacity of vulnerable people to exercise 'choice'

- Diversity of product/service mix
  - More innovation in the NFP sector; more difficult for govts because of equity issues

- Collective voice for users
  - Works in countries like the UK and The Netherlands but little history here

- Multiple providers
  - Choice of provider types common internationally

More information: Jacobs, K., Lawson, J., Gabriel, M. and Hulse, K. (2015) AHURI FR 253; Wiesel, I. and Habibis, D. (2015) FR258; Stone, W., Parkinson, S., Sharam, A. and Ralston, L. (2016 forthcoming)

Demand-led assistance and supply models

Development of demand-led assistance and supply models

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'Sustaining' innovation

- Enhance demand (housing allowances)
  - Extend/restrict/restructure
  - Limited scope and risks for households and govts

- Individualise housing assistance
  - New access models with support for vulnerable people
  - Different packages of assistance
  - Multi-provider system (inc. stock transfers)
  - Supply constraints and risks for households and governments

'Disruptive' innovation

- Enhance supply of affordable housing
  - New financing mechanisms
  - Use of planning system (inclusionary zoning/developer contributions)
  - Tax changes
  - Political, financial and other risks

- Demand-led supply
  - Individualisation at the centre
  - Leverage off NDIS, CDC, etc. to enable support/assistance and supply – inc. demand support
  - Some tension between 'choice' and financing requirements

Adapted from Clayton Christensen (1995) The Innovator's Dilemma – 'sustaining innovation' is geared to improving outcomes for existing customers whereas 'disruptive innovation' creates new markets for new types of customers.

Acknowledgements

Publications from the Inquiry

Published

- Jacobs, K., Lawson, J., Gabriel, M. and Hulse, K. (2015) *Individualised and market-based housing assistance: evidence and policy options*, FR No 253, AHURI, Melbourne

- Wiesel, I. and Habibis, D. (2015) *NDIS, housing assistance and choice and control for people with disability*, FR No 258, AHURI, Melbourne

- Stone, W., Parkinson, S., Sharam, A. and Ralston, L. (2016) *Housing assistance need and provision in Australia: a household-based policy approach*, FR No (to be allocated), AHURI, Melbourne

To be published

- Jacobs, K., Hulse, K., Stone, W. and Wiesel, I. The Final Report of the Policy Inquiry

- Jacobs, K., Flanagan, K., Hulse, K. and Stone, W. '*Individualised Forms of Welfare Provision and Reform of the Australia's Housing Assistance System: Discussion paper*'