Consumer choice, welfare reform and housing assistance
The research evidence

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The research evidence and policy development options

Enhance market demand

Individualise welfare services

Enhance affordable supply

Individualise housing assistance

Demand-led assistance and supply
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 (e.g., Rent Assistance in Aus; shelter allowances in Canada)
  - Housing dominant - separate housing allowance schemes (e.g., 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 (e.g. UK, US, Aus (ltd.))
  - Inclusionary zoning and/or developer contributions (e.g. UK, US, Aus (ltd.))
  - Housing loan/bond aggregators (e.g. The Housing Finance Corporation – UK)
  - Other financing options e.g. affordable housing trust model (e.g. US social purpose REIT).

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

Shortage and availability for Q1 households 2011: national

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

Q1: earning less than $30,500 p.a.
R1: rents up to $175 per week

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

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

<table>
<thead>
<tr>
<th></th>
<th>Metro</th>
<th>Non-metro</th>
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<tbody>
<tr>
<td>Number of Q1 private renter households</td>
<td>195,000</td>
<td>152,000</td>
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<tr>
<td>Number of affordable (R1) dwellings</td>
<td>51,000</td>
<td>108,000</td>
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<td>12% in affordable</td>
<td>34% in affordable</td>
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Source: Customised ABS matrix based on 2011 Australian Census of Population and Housing data

Shortage and availability for Q1 households 2011: state capital cities

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

### 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

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

Demand-led assistance and supply models

- Income support
- Welfare reform

Enhance demand

- Providers
- Management

Enhance supply

- Tax/expenditure
- Planning
- Financing

Individualise housing assistance

- Support
- Participation
- Inclusion

Individualise welfare
Development of demand-led assistance and supply models

‘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.
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• Patrick McClure, AO, Chair Reference Group on Welfare Reform 2013-2015
• Peter White, CEO, Housing and Disability Reform, Dept of Health & Human Services (TAS)

The AHURI research team:

• Keith Jacobs (Inquiry Leader): Kathleen Flannagan, Michelle Gabriel, Daphne Habibis – University of Tasmania
• Kath Hulse, Sharon Parkinson, Liss Ralston, Wendy Stone – Swinburne University
• Ilan Wiesel – University of NSW
• Julie Lawson – RMIT University
Publications from the Inquiry

Published


• 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’