

Reconceptualising social housing as infrastructure

Based on AHURI Final Report No. 309:
A conceptual analysis of social housing as infrastructure



Australian Housing
and Urban Research Institute

What this research is about

This research aims to develop a persuasive, robust and credible case for social housing to be treated as a form of essential infrastructure, in order to create a viable basis for greater investment in the social housing system.

The research also challenges assumptions about who social housing should be for and why.

The context of this research

After the Second World War, Australian governments argued that decent housing was the right of all people in the community, but the current system could not provide it. Investment in public housing construction underpinned substantial expansion in the supply of decent, affordable housing for low-wage earners. Since then, the quality of public housing has eroded and the quantity has not kept pace with growing demand.

There is growing interest within government that conceptualising social housing as a form of essential infrastructure might support the structural conditions that will attract investment into the system.

Current initiatives for improving access to finance, such as the National Housing Finance and Investment Corporation's (NHFIC) bond aggregator, have not resolved the underlying issue of how to cover the gap between the cost of operating the system (and generating a return for

private investors) and the amount that tenants, most of whom are reliant on Australia's income support system, can afford to pay.

What is Infrastructure?

Infrastructure may be best understood to be a form of spatially fixed, materially realised capital expenditure, the provision of which enables the delivery of economic or productivity outcomes or essential services.

There is a commonly applied distinction between 'economic infrastructure' being 'the physical structures from which goods and associated services are used by individuals, households and industries, including rail, roads and public transport, water and energy networks, ports and airports'¹, and 'social infrastructure' being 'the facilities and equipment used to satisfy the community's education, health and community service needs, such as hospitals and schools'².

In addition, infrastructure may include publicly or privately owned assets.

The key findings

As social housing has become residualised, it has been regarded more and more as a form of welfare, rather than an investment that delivers wider benefits to Australian society. Policy makers can more strongly position social housing as a form of infrastructure by making better use of infrastructure policy conventions, including cost-benefit analysis and business cases. However, policy makers need to ensure those aspects of social housing that are not easily quantified or monetised are not overlooked or excluded.

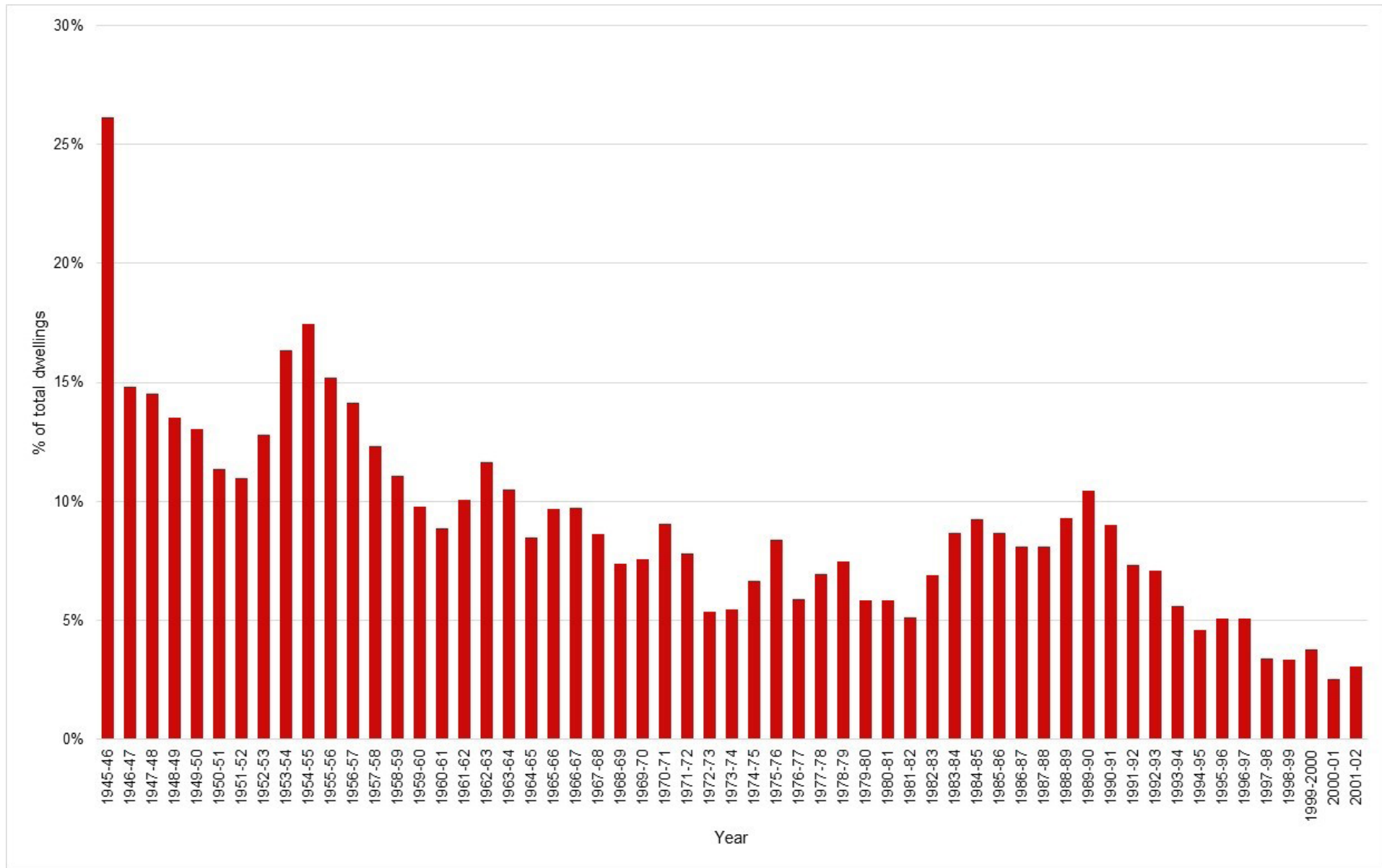
Social housing can be considered infrastructure

Housing can be considered infrastructure in that it allows labour to be more productive. Specifically, housing affects productivity through agglomeration economies, where the density and size of populations allows for labour and the production and delivery goods and services to interact more efficiently. Social housing similarly delivers important economic and social

¹ Productivity Commission (2014) *Public infrastructure*, Inquiry Report No. 71, Productivity Commission, Canberra, p.54

² Chong, S. and Poole, E. (2013) *Financing infrastructure: a spectrum of country approaches*, RBA Bulletin (September), p. 66

Figure 1: Public housing construction as a proportion of total dwellings built: 1945–2002



Source: Troy, P. (2012) *Accommodating Australians: Commonwealth Government Involvement in Housing*, The Federation Press, Sydney.

benefits, providing tenants with a secure base from which to engage in education or employment or to become involved in their communities.

However, the proposition that social housing is a form of infrastructure is merely rhetoric unless this claim is translated into infrastructure practice in the form of a robust business case. This involves the development of credible, costed arguments for the benefits of social housing relative to the cost of providing it, in order to provide a pragmatic and concrete basis upon which social housing can be assessed as a form of infrastructure.

However, there are risks this approach may exclude or obscure other important values, aspirations and qualities that are relevant to the purpose of social housing. More importantly, it may negate the experiences and perspectives of tenants. Thinking of tenants primarily as the targets of interventions designed to achieve particular outcomes—often, an outcome of a transition out of a social housing ‘asset’—masks the fact that tenants are individuals, families and households living in homes and communities.

Market failure provides a starting point for intervention

According to mainstream economic theory, goods and services are most efficiently and appropriately allocated through the unfettered market, but government intervention and involvement is accepted as necessary and appropriate in cases of market failure. It is well-documented that the private housing market is failing to meet the housing needs of a growing proportion of Australian households, even in cases where subsidies, such as Commonwealth Rent Assistance (CRA), or other incentives are provided by government. The impact of this market failure extends beyond the narrow group of people targeted by the present-day social housing system.

There is a strong desire within government to achieve outcomes in the most efficient and cost-effective way. The provision of an appropriate stock of dwellings that can be made available at affordable rents remains one of the most efficient and effective means of

addressing housing market failure. This is because there is stable demand at the lower end of the market and holding stock limits the risk of exposure to market volatility.

Change requires engagement with the politics of housing

Policy innovations such as the establishment of the NHFIC and the City Deals program address, respectively, financing barriers and the political economy challenges of intergovernmental relations. Yet according to the literature and policy makers, the biggest barrier to any significant expansion of the social housing system, including through the community housing system, is the shortage of funding, both capital and recurrent.

There is a deep-seated belief within government—and in the wider community—that government financial resources are inherently finite. In the Australian political context, a budget surplus has come to be defined as the most prominent marker of ‘good’ government, with constraints on expenditure rather than increases in revenue the preferred means of achieving this. These norms have become institutionalised, within the budget process at state and Commonwealth levels, such that even if the case for social housing is articulated through rigorous cost-benefit analysis and a business case, it may still not be recognised as sufficiently high priority for meaningful levels of funding to result. If this situation is to change, a technical discussion about social housing as infrastructure is not enough.

Advocates for social housing need to engage meaningfully with the politics of housing and the underlying assumptions about the role and purpose of government, to reframe the task from one of rationing expenditure in order to ‘balance the budget’ to ensuring that there are necessary levels of expenditure in areas of vital social and economic need.

Social housing can play a role beyond the ‘safety net’

Historically, the Australian public housing system was built and operated

directly by government. It met the needs of households unable to find adequate housing within the private market, but it also functioned to promote other aims—for example, the post-war reconstruction effort, improvements in public health and sanitation, and national and economic development.

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Public housing encouraged the uptake of the rights and responsibilities of citizenship and provided the basis upon which people in Australia could establish and maintain a decent life for themselves and their families. In this form, public (social) housing functioned and was recognised as a form of essential infrastructure.

More recently, the sector has shrunk as a share of the wider housing market, the quality of the housing is generally poor and tenants frequently have a need for high levels of additional support as well as for affordable housing.

The implications of this are that not only is the sector unable to achieve its existing purpose, but large numbers of households who are ineligible or insufficiently ‘needy’ enough to get into social housing are living in unacceptably poor conditions in the private rental market. Greater recognition must be given to the breadth of the Australian housing market failure and the powerful and legitimate role that an expanded social housing system could play in effectively and efficiently addressing the problem.

What this research means for policy makers

The case can be made that social housing is infrastructure, but this is not sufficient for making the case for social housing. The lack of adequate investment in social housing arises because it is not considered a priority for governments that are believed to be financially constrained. Given the evidence of housing market failure—and the strong historical precedent to consider social housing as performing a broad social and economic role—government intervention in the housing market to meet the housing needs of all Australians is both reasonable and warranted.

This research suggests a way forward for policy makers in which pragmatic adoption of cost-benefit analysis and business case preparation is aligned with strategic arguments to promote the value of social housing, and in which adequate investment into the social housing system is prioritised at all levels of government. In doing so, the following matters should be considered to avoid the risk of unforeseen and undesirable consequences:

- Social housing delivers a diverse range of ‘outcomes’, many of which are central to the work of social housing but are not easily quantifiable or monetisable.
- The work of social housing is presently constrained by its

inadequate resources and this can distort perceptions of what social housing is for and what it achieves (e.g. currently seen as a residual housing system for people with long term health or employment issues). Any cost-benefit analysis should take into account the much broader range of outcomes that are possible for households at the lower end of the income spectrum, rather than confining itself to the limited range of outcomes achievable by a residualised and underfunded system.

- Any methodology used by policy makers needs to be applicable to a diverse range of development and project contexts.
- Any methodology used must take into account the perspectives of social housing tenants (and applicants), the values they place on housing, and the housing and life outcomes they aspire to.

Those working in the social housing sector wishing to support direct government involvement in the provision of social housing could actively engage political leaders, policy makers and other key stakeholders by raising the following key points:

- that social housing in Australia has a role in meeting a range of social and economic needs including social and economic aspirations, as well as having a role as a targeted welfare safety net;

- that the housing market in many parts of Australia has failed, meaning there is a widening group of Australians who, all else being equal, have no reasonable prospect of being appropriately and decently accommodated in the existing housing market—due to a range of reasons, including affordability barriers, absolute or relative supply shortfalls, discrimination or requirement for a modified living environment;
- considering alternative means of financing social housing investment—such as bonds, state investment banks or monetary financing—to provide the resources needed to build a social housing system that contributes on multiple levels to a broader agenda of social and economic inclusion and development, and not just to address Australia’s welfare housing challenges.

Methodology

This research reviewed the current national and international literature on social housing and infrastructure; interviewed 19 policy makers, seeking their insights into social housing and infrastructure policy and practice; and undertook a critical policy analysis examining the proposition that social housing should be reconceptualised as infrastructure in order to attract greater investment.

Further information

TO CITE THE AHURI RESEARCH, PLEASE REFER TO:

Flanagan, K., Martin, C., Jacobs, K. and Lawson, J. (2019) *A conceptual analysis of social housing as infrastructure*, AHURI Final Report No. 309, Australian Housing and Urban Research Institute Limited, Melbourne.

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