



EXECUTIVE SUMMARY

A conceptual analysis of social housing as infrastructure

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Social housing as infrastructure

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Social housing as infrastructure

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Acronyms and abbreviations used in this report

AHURI	Australian Housing and Urban Research Institute Limited
CHC	Commonwealth Housing Commission
CHP	Community housing provider
COAG	Council of Australian Governments
CRA	Commonwealth Rent Assistance
EIB	European Investment Bank
EU	European Union
GFC	Global financial crisis
GTE	Government trading enterprise
IPA	Infrastructure Partnerships Australia
NHFIC	National Housing Finance and Investment Corporation
NHRP	National Housing Research Program
NSW	New South Wales
PPP	Public–private partnership
UK	United Kingdom

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

Executive summary

Key points

Safe, adequate, affordable and appropriate housing is critical to health, wellbeing, and social and economic security. However, many Australians cannot find housing in the private market, and the social housing system is under-resourced and manifestly unable to meet demand.

In response to this, there is emerging interest in whether reconceptualising social housing as a form of essential infrastructure might help to attract additional investment, especially from private sector sources.

The case for social housing as infrastructure rests on the following findings.

- Social housing can more strongly position itself as a form of infrastructure by making better use of infrastructure policy conventions, including cost-benefit analysis and business cases.
- Government intervention in response to significant housing needs, challenges and failures in the Australian housing market is both reasonable and warranted, but the true extent of the problem needs to be accurately recognised as extending beyond the margins of the market.
- Government budget priorities—in particular the lack of priority given to social housing—are the principal reasons for the lack of investment in the Australian social housing system.
- There is a strong historical precedent for the Australian social housing system as a contributor to economic growth and productivity, and as providing the basis for a decent and equitable society.

Although the case can be made that social housing is infrastructure, this is not sufficient for making the case for social housing.

- Policy makers need to make better use of cost-benefit analysis techniques and other methods for making the business case for social housing, while ensuring that those aspects of social housing that are not easily quantified or monetised are not overlooked or excluded.
 - Policy makers, together with academics, providers, advocates and tenant groups, need to advance stronger arguments in favour of direct government involvement in the provision and financing of social and affordable housing that focus on the achievement of a broader set of social and economic purposes.
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Key findings: the case for social housing as infrastructure

The aim of this research was 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 private investment in the social housing system.

This aim arose from an understanding that although safe, adequate, affordable and appropriate housing is widely recognised as critical to a range of health, wellbeing and socio-economic outcomes, the Australian private housing market fails to decently and affordably accommodate people on low incomes or facing other forms of disadvantage. Although social housing is intended to act as the safety-net provider for these households, long-term underfunding, policy neglect and a stigmatised reputation mean that the social housing system is unable to meet need. There is urgent need for investment, and reconceptualising the role of social housing to accommodate a broader purpose than that of a 'safety net' might offer one way forward.

The research made four interrelated findings that underpin the contention that social housing is a form of essential infrastructure and provide a way forward for policy makers.

Finding 1: Social housing can be considered infrastructure

The ways in which infrastructure and social housing are conceptualised within the literature and by policy makers overlap in several important ways. Infrastructure is 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. Social housing has similar attributes. 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. As one interviewee stated:

... it's about being able to quantify the economic benefit and actually make the case ... how you're actually being able to prove that it's essential (interviewee 13).

However, there are risks involved in an uncritical adoption of this approach. Focussing on aspects of social housing that can be quantified and monetised for the purposes of cost-benefit analysis 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.

'Cause it'll pigeonhole it into private investment, 'cause that's what infrastructure does ... and yeah, you'll kind of lose some of the argument for investment because we stop talking about people's lives and start talking about the asset like the bricks and mortar (interviewee 16).

Finding 2: 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 fails 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.

I do think it's infrastructure. I think it's a valuable asset stock, and when we build it we're building [something] that makes society work (interviewee 4).

Finding 3: Change requires engagement with the politics of housing

Recent policy innovations, including establishment of the National Housing Finance and Investment Corporation (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.

All of the banks want to lend money to community housing providers, everyone wants to do ethical investment. The thing that doesn't exist is the cash flow to make those investments possible (interviewee 3).

There is a deep-seated, normative belief within government—and in the wider community—that government 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. This means that all proposals for new expenditure are assessed in a context in which it is believed that there is not sufficient funding to cover everything and that, in any case, increases in expenditure are inherently undesirable. 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.

Unfortunately it comes back to the boring business of how governments work, that social housing fits into agencies and portfolios ... [which do] operating business, that just work year on year, they're not viewed as individual projects like large infrastructure projects ... [Social housing is] not seen as a project, it's seen as a sort of operating enterprise, and it's a bucket of money that needs to be provided and it's just about how do we mitigate government's recurrent cost exposure to funding social houses? (interviewee 17)

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

Finding 4: Social housing can and should 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. 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. An annual report of the Housing Commission of New South Wales (1966: 13) described public housing as:

a social necessity, an essential facet of growth, development and decentralisation in a country such as this, and a positive, productive factor in our national progress and economy. Both in the social and material sense it is a valuable asset to the State.

More recently, the sector has become increasingly residualised. This is due to a number of factors, including the adoption of neo-liberal ideas about the purpose and proper function of government and wider economic changes. The latter have produced significant levels of unemployment and underemployment in some sections of the community and undermined the viability of the Australian welfare system, which relied upon a 'breadwinner' model of full employment supported by relatively high wages. The social housing system is now only a small component 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.

[There is] a real question now about what its [social housing's] role is, because it's clearly not meeting demand, it's clearly not addressing the problem that we've set for it, which is to house the most disadvantaged (interviewee 15).

The obvious shortcomings of this residualised sector 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.

Conclusions

Together, these findings lead to the following conclusions.

- Social housing policy makers could make better use of infrastructure policy tools, including cost-benefit analysis, to build a convincing business case for investment into the social housing system.
- Given the ample evidence of housing market failure in Australia, government intervention in the housing market to meet the housing needs of all Australians is both reasonable and warranted.
- The lack of adequate investment in social housing arises because it is not considered a priority for governments that are believed to be inevitably financially constrained.
- There is a strong historical precedent to consider social housing as performing a broad social and economic role, a role which added to economic development and productivity growth, but which also provided the basis for decent living conditions for all Australians, regardless of their income.

I think if you ask most people do they think we should have it [social housing], I think the answer would be yes. Is it valuable? Yes. Should we spend money on that rather than something else? I think that's when the problem arises (interviewee. 13).

In summary, the case can be made that social housing is infrastructure, but this is not sufficient for making the case for social housing.

This research suggests a way forward for policy makers in which pragmatic adoption of particular tools and techniques (e.g. cost-benefit analysis, business case preparation) must be aligned with strategic arguments to promote the value of social housing and the need to place a higher priority on achieving adequate investment into the system at all levels of government.

A way forward for policy makers

This research suggests that there are two strategies for action, one pragmatic and one discursive, which need to be pursued together if there is to be a meaningful change in the level of investment provided to social housing.

- 1 Social housing policy makers need to develop the capacity, skills and expertise to effectively articulate the benefits of investing in social housing relative to the costs of doing so (e.g. through cost-benefit analysis and more dynamic techniques of business case presentation and evaluation).

In doing so, the following matters need to 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. Any cost-benefit analysis should take into account the much broader range of outcomes that the provision of decent and affordable housing for households at the lower end of the income spectrum can achieve, 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.
- 2 Participants in the social housing sector, including academics, providers, advocates and tenant groups, need to advance arguments in support of direct government involvement in the provision of social (public and community) and affordable housing that specifically and actively engage political leaders, policy makers and other key stakeholders with the implications of the following issues.
 - The societal purpose of housing in Australia, explicitly including its purpose beyond its role as a targeted welfare safety net, in meeting a range of social and economic needs and enabling the achievement of a range of social and economic aspirations.
 - The manifest housing market failure in many parts of Australia, meaning the 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.
 - The risk that the artificial priority presently given to budget surplus actively contributes to worsening the housing crisis, exacerbating social inequality, inhibiting productivity and adding to the damage (social, economic and cultural) that is caused by failing to provide decent and affordable housing for Australian households on lower incomes (including but not confined to households with high and complex needs).

- The potential of alternative means of financing social housing investment—such as bonds, state investment banks or monetary financing—to provide the resources needed, not just to address Australia’s welfare housing challenges, but to build a social housing system that contributes on multiple levels to a broader agenda of social and economic inclusion and development.

The study

This research is part of a wider AHURI Inquiry into *Social housing as infrastructure*. It is the first in a series of sequential reports; the second considers methodologies for undertaking cost-benefit analysis in social housing, and the third examines options for an investment pathway. This report focusses on the conceptual case for social housing as infrastructure.

The fieldwork and analysis were carried out during 2017 and 2018. The findings were derived from the following methods.

- **Stage 1** of the research was an assessment of the current national and international literature on social housing and infrastructure, with the international literature contextualised by a small number of interviews with key international informants.
- **Stage 2** was a series of detailed interviews with 19 policy makers in Victoria and New South Wales and at the Commonwealth level, seeking their insights into social housing and infrastructure policy and practice, with a particular focus on how social housing might be brought into closer alignment with infrastructure and the implications of this for the social housing system.
- **Stage 3** was a critical policy analysis, drawing on a methodology developed by Carol Bacchi (2009) called ‘What’s the problem represented to be?’, and examining the proposition that social housing should be reconceptualised as infrastructure in order to attract private investment, within the context of the policy debate, the literature review and the interviews with policy makers. This methodology involves scrutinising not policy prescriptions themselves, but the way in which policies represent or frame the problem that is to be solved. This provides a structure within which to examine the meanings attached to social housing and infrastructure, the ways in which these meanings, and their conceptual frameworks, could be reconfigured and reimagined, and the implications and effects this could have on institutions, systems and people.

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