



Australian Housing  
and Urban Research Institute

# **Rural housing, regional development and policy integration: positioning paper**

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## Executive Summary

The purpose of this Positioning Paper and the associated research is to examine links between housing, disadvantage and regional development. A particular focus of the research is on regions with an economic base in agriculture or timber production and, specifically, smaller rural settlements whose populations are more likely to experience social and economic disadvantage than residents of larger urban and metropolitan centres. In such settlements, housing issues, critical to the well-being of residents, have received little research or policy attention.

A broad review of literature from Australia, Europe and the United States focuses on responses to identified areas of social disadvantage in rural regions. Over the past 20 years or so, governments have attempted to reduce their involvement in the economies of their countries/states in the belief that market forces are the most efficient means of ensuring national wealth and prosperity. A constant theme evident in the literature is the closing down and/or contracting out of public services and facilities in unprofitable (often rural) centres. There is also considerable evidence to suggest that, once privatised, the continued provision of these services and facilities can rarely be justified on social equity grounds, often resulting in service closure and infrastructure withdrawal.

The literature also includes suggestions that the most significant obstacle to effective housing service delivery is the absence of a regional approach to regional problems. The frequent separation of housing policy and implementation from regional and rural development policy is a further impediment to progressive solutions to the problems.

Opportunities for economic growth may be placed under threat in rural areas due to a shortage of accommodation, both rental and for purchase. The provision of quality housing, therefore, is critical in addressing problems of rural disadvantage.

Areas for more detailed investigation in the research include the potential for integration of housing policy with economic regional development, education, health, welfare and other policies by agencies of governance, as well as the availability and/or affordability of housing for purchase and rent; the level of home ownership and the impact of property values on migration.

## Introduction and Background Information

This Positioning Paper argues for the inclusion of housing policy in a 'whole of government' coordinated and integrated regional development policies. Over the past two decades, regional development programs at State and Commonwealth levels have rarely given detailed and explicit consideration to housing issues (see for example Regional Development Council, 1997; Commonwealth of Australia, 1997; National Rural Health Alliance, 1998; Anderson and MacDonald, 1999; Western Australian Department of Commerce and Trade, 2000). This was emphasised at the recent Regional Australia Summit where rural housing issues received virtually no attention. Indeed, rural housing issues have received relatively little research attention generally (Beer, 1999). The omission from, or minimisation of, housing issues in regional development policy, or their positioning as an adjunct to economic development is indefensible given the importance of adequate and appropriate housing for the well-being of individuals and rural communities, and the rhetorical commitment to 'whole of government' policy responses at both state and Commonwealth levels (Gerritsen, 2000). Justification for this position is developed fully in Section 1.2 of this paper.

For the purposes of this paper, the term 'regional' is used to refer to the areas outside of Australia's major cities. This is consistent with current usage by Australian governments and the media (Pritchard and McManus, 2000). While the term regional includes large urban centres, such as Townsville, Newcastle and Toowoomba, the primary focus of this study is smaller rural settlements. There is now an increasing body of evidence indicating that people living in these communities are more likely to experience social and economic disadvantage than people living in larger urban and metropolitan centres (McGinness, 1996; Walmsley and Weinand, 1997; Koprass, 1998; Vinson, 1999; Haberkorn *et al.*, 1999; Productivity Commission, 1999).

The purpose of this study is to examine the links between housing, disadvantage and regional development. The more specific aims of this project are:

- To examine the links between housing and regional development – the inter-relationship between on-going availability and affordability of appropriate accommodation in attracting in-migration and economic activity to rural communities and retaining current population;
- To examine the extent to which a 'whole of government' approach can be seen

to be appropriate in regional development policy in Australia, thereby ensuring improved housing and regional economic outcomes.

- To publicise the findings among the relevant stakeholders, including housing organisation/agencies, welfare agencies, regional development organisations, local governments, and other State and Federal government agencies.

The purpose of this paper is to provide background and direction to an empirical investigation into the potential for strengthening links between housing policy and regional development policy. To this end it provides a broad review of the literature on regional development and rural housing in Australia and overseas. It begins by outlining the project structure and research methodology and proceeds to discuss recent processes of social and economic change that have affected regional Australia. It then examines housing in rural Australia, including the inter-relationship between housing issues and social well-being. Further, it looks at regional development policy and housing issues in Australia, before reviewing some of the international literature on regional development and housing. The paper concludes by highlighting some of the recurring themes in the literature, together with a number of areas for further and more detailed investigation.

### **1.1 Project Structure and Research Methodology**

The preparation of this Positioning Paper is the first stage of the research project. The remaining components of the project include:

1. The preparation of a discussion paper that will be distributed to relevant stakeholders in the two non-metropolitan case study regions in Western Australia (see point 2. below). The discussion paper will also be distributed to staff in relevant State and Commonwealth government agencies and non-government organisations, for example the South West Development Commission, the Western Australian Municipal Association, ShelterWA and the Western Australian Council of Social Services. It will also be distributed to members of the research “User Group”, namely the Ministry of Housing (WA), the Wheatbelt Development Commission, the Ministry for Planning (WA) and Anglicare.
2. Two case study regions namely, the Eastern Wheatbelt and the South West regions of Western Australia, have been selected for a detailed empirical examination of the inter-relationships between in-migration, economic activity, socio-economic disadvantage and housing issues in rural communities and the extent to which co-ordinated, ‘whole of government’ policy responses to regional

development are appropriate. In the Eastern Wheatbelt of Western Australia, mechanisation and restructuring, both in broad acre farming and in government and commercial service delivery, are resulting in depopulation and service withdrawal. The selected shires of Kondinin, Kulin and Corrigin are representative of the wider wheatbelt region. In the more remote parts of the state's South West the traditional economic mainstay of the timber industry is in decline, threatening the viability of a number of towns where a significant proportion of the housing stock is currently in company hands. The selected shires of Manjimup, Nannup and Bridgetown-Greenbushes are representative of the wider south-west region. In both case study regions, therefore, there is a nexus between the regional housing situation and a range of other socio-economic issues.

In-depth, semi-structured interviews will be conducted with stakeholders, community leaders and community members in the case study areas and in relevant State and Commonwealth government organisations and non-government agencies both inside and outside the project's User Group. Interviews will seek information on:

- ❖ attitudes and/or experience with housing issues and their perceived relative importance to regional development and social well being
  - ❖ experiences where housing issues have impacted either positively or negatively on economic development in rural areas
  - ❖ perceived role of local community members, local government and regional bodies in regional development
  - ❖ experience or perception of the importance or otherwise of a 'whole of government' approach to regional development
3. Analysis of interview data and preparation of draft report
  4. Request feedback from stakeholders and the User Group. The preparation of an early findings paper.
  5. Development of final version of report and dissemination of findings. Media releases will be issued highlighting the main conclusions and publicising the report. Additionally, attention will be drawn to the report through relevant housing industry newsletters and other publications such as *Local Government News*. Findings will also be presented at seminars and conferences and through the publication of scholarly articles.

## 1.2 Social and Economic Change in Contemporary Rural Australia

The past quarter century has seen enormous economic and social upheaval in much of rural Australia. Of particular significance have been the changes affecting the nation's agricultural sectors. Increasing levels of global production have created market surpluses for many of Australia's key agricultural exports, such as wheat, wool, beef and sugar. The outcome has been a sharp decrease in farm incomes and profits. As a result of these problems, many farmers (and their families) have left the industry, contributing to a process of outmigration and depopulation. Indeed, since the 1950s the number of farms declined by an average 1.3 per cent per year (Lawrence and Gray, 2000, p. 38). These changes have also affected the viability of agricultural service towns. The shrinking farm population, together with lower levels of spending by the remaining farmers have contributed to a contraction of local economies, the closure of services, a reduction in employment opportunities, and further outmigration and depopulation. The processes of change affecting Australian agriculture and the rural society that it supports have been analysed in many recent contributions, notably Gray (1993), Alston (1995), Taylor (1996), Smailes (1997), Argent and Rolley (2000b), Black *et al.* (2000), and Pritchard and McManus (2000).

It is also important to recognise that major social and economic turmoil is not simply a characteristic of broadacre agricultural regions. In the timber industry, for example, changing attitudes towards the environment have had major ramifications for many small communities. The goal of environmental protection often comes into conflict with the needs of the timber companies, workers and their families who draw their livelihoods from the forests. The Keating Labor government attempted to resolve these conflicts in 1992 with the *National Forest Policy Statement*. This statement provided a framework that attempted to balance the competing demands of conservation and industry on native forests. This framework established the Regional Forest Agreement (RFA) process, which provides the basis for negotiation between the Commonwealth and State governments on forestry policy (Lane, 1999).

In some parts of Australia, the RFA process has led to a reduction in timber harvesting in native forests. For those communities dependent on the timber industry, there has been a concomitant decline in employment and economic activity. While this might contribute to a degree of outmigration, there is evidence from Western Australia that many of the displaced timber workers do not leave their local communities. Not surprisingly, this has led to concerns about the socio-economic well-being of these remaining residents. These concerns are closely linked to the nature of local housing provision and markets (see Section 1.1). A recent report by



the Ministry of Housing (2000) indicates that the well-being of these residents is not simply linked to issues associated with employment and income, but the nature of housing provision and markets in timber communities. For example, the proposed rationalisations of the SoTiCo timber mill in Pemberton and at Deanmill (an area of timber workers' housing some 7km from Manjimup) in 2003 will have a significant impact on the two settlements' timber workers, and their families, many of whom live in poorly maintained company houses. Although there is some prospect that these company houses might be offered for sale, the capacity of former timber workers to purchase the dwellings is unclear. Indeed, there has been very little research into the socio-economic uncertainty and disadvantage facing people living in timber communities.

### *1.2.1 Country Towns and the Changing Policy Environment*

As Taylor (1991) has pointed out, while the broad processes of social and economic restructuring are a trigger for the difficulties facing rural areas, parallel changes in Australian government policies are compounding the impact of these problems and striking hard in many rural communities. Since the early 1980s, Australian Federal and State governments have attempted to reduce their involvement in the economy in the belief that market forces are the most efficient means of ensuring national wealth and prosperity. Some of the outcomes of this 'dry' ideology include the deregulation of the banking and finance industries, the reduction of tariffs and import restrictions, the removal of subsidies and protection for agriculture, and tax cuts funded by a reduction in public sector and welfare spending (Stilwell, 1994). While the intention of these reforms was to improve national economic competitiveness and well-being, there is considerable evidence that they exposed many rural industries to the volatile global economy (Lawrence, 1987; Taylor, 1996; Smailes 1996; Black, 2000; Pritchard and McManus, 2000). The subsequent difficulties experienced in these industries also contributed to the cycle of decline being experienced in many small country towns (Sorensen, 1993). Perhaps most significantly though, reductions in public spending have contributed to a decline in the level of services and welfare available in depressed rural areas (see Black *et al*, 2000; Argent and Rolley, 2000b; Pritchard and McManus, 2000; Tonts and Jones, 1997). This 'dry' ideology represents a stark contrast from earlier policy approaches that attempted to ensure the equitable provision of services such as schools, hospitals and police stations, across much of rural Australia (Glynn, 1975; Hudson, 1989; Jones and Tonts, 1995; Taylor, 1991) and favoured contemporarily by the European Union (EU) (see Section 3)

Governments have also sought to maximise economic efficiencies by privatising and/or contracting out some key services. Notable examples of privatisation have occurred in the banking (Argent and Rolley, 2000a), communications (Share, 1993), and transport sectors (Taylor, 1991). Australia Post for example, has closed down or contracted out their operations in unprofitable centres (Gerritson, 1998). Once privatised, these services need to make profits and cannot be justified on social equity grounds by private owners, with a frequent outcome being service closure or rationalisation (Argent and Rolley, 1999a; Harrison, 1997).

Throughout much of Australia, privatisation has been accompanied by the outsourcing, or contracting out, of functions previously undertaken within the public sector. In many country hospitals, for example, 'non-core' services, such as cleaning and catering, have recently been contracted out to private firms in an attempt to reduce costs. The rationale for such changes is that, if non-core services are open to tender from private firms, the cost of providing them will be reduced through market competition (McCarrey, 1993). For the employees of these hospitals, outsourcing has resulted in considerable uncertainty and, in some cases, job losses, since the contracts to provide the services are often won by mobile metropolitan-based firms. The eventual outcome for rural communities is a contraction of employment opportunities and further out-migration (Evatt Foundation, 1996).

### *1.2.2 Socio-economic well-being and housing in rural Australia*

Given the changes outlined above, it is probably not surprising to find that, on a range of social and economic indicators, rural Australians tend to experience higher levels of disadvantage than their metropolitan counterparts. This disadvantage is reflected in low incomes,<sup>1</sup> high living costs, unemployment, poor housing quality (Black *et al*, 2000, p. 93), and access to services<sup>2</sup> (Black *et al*, 2000; Cheers, 1992; Cheers, 1998; Human Rights and Equal Opportunity Commission, 1999; Productivity Commission, 1999). In terms of health, rates of chronic illness, stress, depression, suicide, domestic violence and accidents are all higher in rural areas than metropolitan centres (Tonts and Jones, 1997). Similarly, the educational status of most rural Australians tends to be lower than for people living in urban areas.

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<sup>1</sup> In 1996, of the 15 federal electorates with the highest proportion of households earning less than \$500 per week, 12 were located in rural and regional Australia (Kopras, 1998).

<sup>2</sup> For example, non-metropolitan areas have borne a disproportionate share of reduction in access to banking services (Cooney, 1998). In the area of education many people in rural and remote areas cannot access full schooling to year 12 at all (Black *et al.*, 2000, p. 59). The turnover of the rural teacher workforce is higher than in metropolitan areas with more than half of the staff new to the school and, in some cases, to the teaching profession (Black *et al*, 2000, p. 59). In Sydney the ratio of GP's to the population is 1: 385. In rural Australia it is 1:2,400 (Productivity Commission, 1999).

Overall, rural children perform less well in basic competencies, have fewer subject options, and experience more limited career opportunities than urban based students (Harrison, 1997).

One of the other threats associated with processes such as economic restructuring, depopulation, and service withdrawal, is the weakening of social capital in rural communities. According to Falk and Harrison (1998), social capital is the networks, norms and trust that constitute the resources required for individuals, workplaces, groups, organisations and communities to strive for sustainable futures in a changing socio-economic environment. Social capital is often exemplified by the vitality of local service clubs, volunteer organisations and sporting clubs in country towns. It is also reflected in the strength of local informal social and economic support networks. There is, however, considerable evidence to suggest that economic and demographic decline are undermining the networks of family and friends and institutions such as church groups, sporting clubs and voluntary organisations that contribute to social capital in rural areas (Greble, 1979; Hudson, 1989; Jones and Tonts, 1995; Jones and Alexander, 1998).

The social and economic disadvantage facing rural people has led to a sense of helplessness among a growing number of rural communities. Some researchers (Lawrence *et al*, 1998) attribute these problems to the macro economic forces over which communities feel they have little influence. However, it is also evident that major changes in public policy, particularly those that result in the withdrawal or rationalisation of services can have a significant impact on the socio-economic well-being of rural people (Tonts and Jones, 1997).

While these issues have been given some consideration in the literature, there is a notable paucity of research on the links between housing (and particularly housing policy) and the well-being of rural Australians. This is despite a evidence to suggest that, if small rural communities do not have a suitable housing infrastructure, arresting population decline and promoting economic growth are problematic (Ziebarth, 2000). Contemporary Federal and State government approaches to regional development tend to pay relatively little attention to the role of housing in promoting long term economic and social development. There is a dynamic inter-relationship between indicators of social well-being, such as access to education, training, employment, health and community services. It is important that housing is included in this equation, since there is a clear between inadequate housing (whether it is unaffordable, poor quality, has unreasonably high maintenance costs, or

unavailable) and poverty, poor health outcomes and generally low living costs (Shucksmith, 1981; Rogers, 1987; Lewis and Sherwood, 1994; Broadway, 2000).

The 1996 Census provides an indication of the housing conditions in rural Australia. At the time of the Census, more rural families lived in separate houses than their counterparts in major urban and other urban areas (95 per cent compared to 81 per cent and 89 per cent respectively). Additionally more rural families fully owned their homes (50 per cent compared with 43 per cent and 39 per cent), while the proportion of families purchasing their homes at 30 per cent was similar across all areas. Thus, 17 per cent of rural families occupied rental accommodation compared with 24 per cent and 28 per cent respectively for their major urban and other urban area counterparts. The median rental for rural families was \$77 compared with \$168 and \$127 for major and other urban families. Similarly, rural families spent less on their weekly mortgage repayments (Black *et al*, 2000, p. 93).

Although these figures suggest that housing tends to be less expensive in non-metropolitan compared to metropolitan regions, they are not necessarily indicative of the quality of housing, or its affordability in relation to average incomes in the different areas. Nor do they provide insights into the extent to which the housing needs of specific categories of people are being met. Housing in rural areas is less likely to be appropriate and obtainable to meet the specific needs of persons such as the aged, single persons, lone parents, people in itinerant occupations, the disabled, low income families, the unemployed, women and children seeking refuge from domestic violence, and young people who have left home for work, education or other reasons (Budge *et al*, 1992; Coorey, 1990; Gray and Tompkins, 1997).

Two of the most detailed recent studies of rural housing are the *Rural Centres Housing Study*, conducted by Econsult *et al* (1989) for the Australian Housing Research Council, and *Housing and Services in Rural and Remote Australia*, prepared by Budge *et al* (1992). The research by Econsult *et al* was based on three case studies (Dubbo, Swan Hill and Bundaberg), together with an analysis of data from the 1981 Census and the Australian Bureau of Statistics' 1984 Household Expenditure Survey. This study argued that rural housing outcomes are seldom produced by the free interaction of supply and demand factors, but are more often the product of private and public investment. Communities seeking to improve local housing situations must do so within a larger context of economic and political conditions and taking into account the state's changing priorities between housing construction and renovation and an emphasis on housing affordability (see Ziebarth

*et al*, 1997, p. 111-112 for a similar discussion in the North American context). The Econsult study also noted that:

- although the cost of land is often lower in rural areas than metropolitan areas, the cost of construction is considerably higher;
- cheaper, older housing is often available, but there is a trade-off in terms of quality and accessibility;
- maintenance costs are significantly higher in rural areas;
- the availability of rental accommodation in rural areas is often low;
- entry costs can pose major difficulties for low income families in rural areas.

The study by Budge *et al* (1992) covered a total of twenty two case study communities and confirmed many of the findings of the previous study. In addition, Budge *et al*. found that:

- housing choice was limited, and that the private sector had been inadequate in ameliorating this situation;
- the links between the provision of social and physical infrastructure (including housing) and land development lacked cohesion;
- there was a substantial increase in the numbers of people wishing to relocate to non-metropolitan areas and benefit from lower housing costs (see also Hugo and Bell, 1998);
- housing problems in some parts of Australia were linked to housing affordability and changing job markets in the capitals.

The study also drew attention to the 'entrapment' of households in areas heavily dependent on broadacre agriculture. Often the family home is a household's major asset. If it is located in a declining country town, then an inadequate supply of buyers, together with falling prices, may make it difficult to realise the capital that is invested in the family home. This can act as an impediment to migration to a larger centre with better economic and social opportunities. Retirees in declining centres can also often find it difficult to sell their home in order to buy a new smaller dwelling or to move elsewhere (Black *et al*, 2000). Given the extent of economic and population decline across much of rural Australia, it is somewhat surprising that

further research attention has not been devoted to the interaction between housing markets and migration.

A number of more recent studies have shed further light on housing issues in rural Australia. Research by Burbridge and Winter (1995) in the Riverland of South Australia and in South West Queensland suggest that there are three critical issues in rural housing markets: i) overcrowding; ii) the physical condition of the housing stock; and iii) housing affordability. By contrast, a study by Beer (Beer, 1998), based on data from the 1994 Rental Tenants Survey, suggests that private rental housing in rural Australia is generally no more crowded, or of lower quality, than in metropolitan regions. However, Beer did note that the affordability of private rental housing in rural areas was of concern, particularly given the relatively low incomes that often characterise non-metropolitan Australia.

Another issue that has received some attention is the problem of rural homelessness. While this is often thought of as a problem associated with large cities, recent studies in Victoria and Queensland examine factors contributing to the experience of homelessness for a growing number of people in non-metropolitan settings (Baker, 1996; Gray and Tompkins, 1997). This prompts questions about the availability, allocation and affordability of housing in rural areas.

Econsult *et al* (1989) asserted that a highly significant obstacle to effective housing service delivery in rural areas is the absence of a regional approach to what are demonstrably regional problems. It also found that the types of housing markets were aligned to functional economic regions, and that the type and quality of housing often reflects the position of a settlement in the urban hierarchy (see also Beer *et al*, 1994). Other studies have also drawn attention to the links between housing and regional and local economic development. A recent paper by Beer (1998) noted that economic growth in the Upper and Mid South East of South Australia was under threat as a result of shortages in rental accommodation. Similar issues were noted by Clements (1995a) in a study of housing needs in the small Western Australian town of Wongan Hills. The rapid expansion of manufacturing activities in Wongan Hills had led to a chronic shortage of housing for both rent and purchase. Clements also noted that the poor quality of the public housing stock in some rural areas was acting as a disincentive to in-migration and population growth. His study emphasised the need for closer links between housing policy and regional development policy.

The rhetorical support for a 'whole of government', 'integrated' and 'co-ordinated' policy response to regional development is strong at both state and federal levels. For example the WA government states that:

the intent of the [regional development] policy is to improve regional development outcomes through increased co-operation and co-ordination across government agencies, rather than through a directive or legislative approach (Department of Commerce and Trade, 2000, p.1)

A lack of regional development and housing policy integration and co-ordination contributed to a situation of excess land and, hence, depressed land values in the Western Australian town of Merredin. This strengthens the argument for policy integration. A rapid growth in government functions prompted Homeswest to undertake a large sub-division in the 1980s. Homeswest reported that in 1992 there were 160 vacant fully serviced lots that could not be sold even at a below cost price of \$3,500 which, consequently put a stop to private sub-divisions. Merredin, with a population of 3,000 people, had physical infrastructure to support a population of 20,000 (Budge *et al*, 1992, p. 25). Closer integration of regional development policy and housing policy would reduce the extent to which situations such as this, as well as situations of house shortages, arise.

# 1. Regional Development and Rural Housing Policy in Australia

## 2.1 Regional policy in the 1990s

In the early 1990s growing evidence of the disadvantage being experienced in rural areas led to a renewed interest in regional development policy by the Commonwealth government (Hurley, 1994). Following a series of reports and inquiries (see Alexander, 1994), the Commonwealth government included a regional development program in its 1994 *Working Nation* strategy. This major policy initiative attempted to integrate employment, industry and regional development concerns. In terms of regional development, *Working Nation* promoted regional leadership, infrastructure improvements, and education and training schemes. It also included the formation of 66 Regional Development Organisations (RDOs) across Australia to develop individual regional strategies, foster economic development and improve policy coordination between Federal, State and local governments. However, despite the recognition that regional strategies had a role to play in promoting social and economic well-being in rural areas, only \$263 million (4.1 per cent) of the \$6.4 billion devoted to *Working Nation* were directed at regional development (Tonts, 1999).

The *Working Nation* regional development strategies were largely concerned with bottom-up development, promoting the view that “regions should be encouraged to help themselves” (Commonwealth of Australia, 1994, p. 163). Although the program did include funding for regional infrastructure (mainly roads and telecommunications) projects, these tended to be concentrated in growing areas, since *Working Nation* contained a caveat that projects should only proceed if they could remain economically viable in the long term. This precluded many smaller declining rural communities from benefiting from significant investment in services and infrastructure. For these communities, the most important elements of the program were the foci on local leadership and the formation of the RDOs to coordinate programs across the different tiers of government.

There was no single model for *Working Nation's* RDOs, and the only requirement was that the membership of an RDOs' management committee be broadly based. Typically, this would include representatives from local government, industry, educational institutions, environmental organisations, and unions. However, not all State governments supported the formation of RDOs or Labor's *Working Nation*



package in general. In Western Australia, for example, the Liberal-National Coalition government argued that the level of funding (\$2 million a year over four years) provided to a State that covered two thirds of the continent was inadequate. As a result there was little political support for RDOs and, consequently, only a small number were ever established. More significantly, the formation and operation of RDOs was undermined when the John Howard led Liberal-National Coalition won power in 1996 with no new RDO's being established after 1998. One of the first announcements of the new government was the termination of all Commonwealth regional development programs. In its attempts to cut spending the Howard government claimed that there was no clear rationale for Commonwealth involvement in regional development, and that State and local governments should take responsibility for regional economic development (Sharp, 1996).

However, even before this change, the *Working Nation* policies, together with the plethora of reports which preceded it, had confirmed what many rural communities were already well aware of – namely that the higher tiers of government were not about to engage in proactive regional economic development strategies, and that self-help was the order of the day. This has been confirmed by three of the Commonwealth government's most recent statements on regional policy: *Rebuilding Regional Australia* (1996), *Regional Australia: Leading the Way* (1997) and *Regional Australia: Meeting the Challenges* (1999). These policy statements emphasise that regional development programs are the responsibility of State and local governments, and that the Federal government would only contribute to regional well-being indirectly through further economic deregulation and reform.

Nevertheless, there has been something of resurgence of interest in regional development issues at the Federal Government level, largely as a response to widespread rural electoral dissatisfaction with mainstream political parties (Pritchard and McManus, 2000). One of the key ingredients in this resurgence was the rapid political rise of Pauline Hanson and her One Nation party. Hanson undermined the support of traditional political parties in many rural areas by voicing concerns about issues such as depopulation and deteriorating levels of socio-economic well-being in country areas. Hanson's appeal was further enhanced by her opposition to public service withdrawal, the free trade agenda and land rights. This voicing of populist notions at the Federal level elevated the issue of rural disadvantage to national prominence.

The rise of Hanson was, in part, driven by concerns about the impacts of 'economic rationalist' policy-making on the well-being of rural people. Throughout much of rural

Australia, economic rationalism is claimed to have had deleterious impacts on, *inter alia*, economic activity, service provision, employment, and population levels (Pritchard and McManus, 2000). In order to develop a better understanding of the issues, the Federal government commissioned an inquiry by the Productivity Commission (1999) into the impact of competition policy reforms on rural Australia. The Commission travelled widely in rural and regional Australia and held discussions with almost 1,000 people from all walks of life. These discussions revealed a range of experiences among participants in rural areas including major concern that the National Competition Policy (NCP) was part of the unprecedented outbreak of economic rationalism that ignored important social issues and posed a threat to quality of life in rural areas. They perceived that the NCP was responsible for the withdrawal of government services, the demise of local businesses, the closure of country bank branches, and was a major factor behind the population decline in parts of rural Australia. Indeed, Senator Ron Boswell argued that competition policy “acts like a giant vacuum cleaner sucking people out of the bush and putting them on the shores in the eastern seaboard” (Productivity Commission 1999, p. xxiii). However, the report tended to favour the maintenance of competition policy, arguing that:

- most of the negative influences affecting rural Australia are of a long-term nature and largely beyond government control (e.g. declining terms of trade for agriculture, and changes in technology and in consumer taste);
- such long-term factors are mainly responsible for the declining importance of primary industries in Australia's economy and the associated drift of population away from inland country areas;
- economic rationalism has become a scapegoat for the effects of these broader influences.

Interestingly, these findings are in sharp contrast with the findings of a considerable body of research that has emphasised many of the negative impacts of economic rationalism in rural areas (Lawrence, 1987; Taylor, 1991; Rolley and Humphreys, 1993; Stilwell, 1994; Tonts, 1997; Cheers, 1998; Pritchard and McManus, 2000).

In response to concerns about rural service withdrawal, the Howard government has initiated programs such as the Rural Transaction Centres. These provide electronic banking facilities in those communities in which bank branches have been withdrawn. Other ‘flagship’ regional initiatives include the Networking the Nation Program, the Natural Heritage Trust, and the Regional Assistance Package (see Gerritsen, 2000). The Federal government also initiated the once-off Regional Australia Summit, held

in 1999. The Summit brought together representatives of rural communities, business, State and Federal governments, universities, and regional development organisations to discuss issues facing rural Australia. However, the Summit did not contribute to a major rethink of public policy, with the Federal government making clear that it was committed to its current policy approach. According to Gerritsen (2000, p. 124), part of the problem is that policy-making is still “driven by central agencies completely ignorant of regional realities”.

## **2.2 Regional development and housing policy**

While the Commonwealth government is a major provider of funding for housing initiatives, housing policy and planning is largely an area of State government responsibility. The Federal government has also tended to argue that regional development should be a responsibility of State governments (Sharp, 1996). This is despite the renewed interest in regional policy following the rise of Pauline Hanson and the subsequent electoral backlash against major political parties in rural areas.

One of the ongoing characteristics of regional development programs in Australia is the general absence of an explicit housing component. As discussed above, this is despite a growing recognition that dealing with issues of regional disadvantage, and promoting sustainable economic development, is contingent upon the availability of an affordable, quality housing stock (Beer, 1998; Budge *et al*, 1992). Rather than an active and integral component in regional development, housing policy at the Federal level tends to be viewed more as a welfare measure. The two main sources of rural housing assistance come from the operation of the Commonwealth-State Housing Agreement (CSHA) and Rent Assistance (RA). The CSHA is a joint Commonwealth-State arrangement which aims to assist both renters and purchasers obtain appropriate accommodation. It is mainly concerned with the provision of finance for public housing, but also provides funding for other types of tenure. The main identified funding priorities of the CSHA are public housing, community housing, crisis accommodation, Aboriginal rental housing, private rental support, and home ownership support. In 1998-99 a total of \$1276.6m was paid through the CSHA, \$898.4m of which came from the Commonwealth with the remainder (\$378.2m) coming from the States and Territories (Department of Family and Community Services, 1999). RA is fully funded by the Commonwealth and provides rental assistance to low income households and individuals in the private rental market. Assistance is in the form of a non-taxable income supplement paid to people who receive income support payments in recognition of housing costs in the private market.

As well as these two major programs, the Commonwealth also provides other housing assistance primarily in the form of:

- funding for organisations to provide residential care for the elderly;
- specific programs for Aboriginal housing (for example, the Community Housing and Infrastructure Program [CHIP] and the Home Ownership Program) which are administered by the Aboriginal and Torres Strait Islander Commission (ATSIC);
- specific programs designed to help people move into more independent living arrangements or to provide for their ongoing support needs, such as the Supported Accommodation Assistance Program (SAAP), the Home and Community Care Program (HACC) and the Commonwealth-State Disability Agreement (CSDA);
- various taxation concessions such as negative gearing for rental properties, capital gains relief for the family home, and fringe benefits tax exemptions for remote housing.

### **2.3 Regional Development and Housing at the State Government Level**

One of the difficulties in reviewing State government approaches to housing and regional development (and the question of policy integration) is that each of the six State governments pursue housing and regional policies in their own unique fashion (Beer, 2000). A second problem is that housing and regional development policies are constantly changing. It is possible, however, to draw together some of the main features of the various State government approaches to regional development and housing.

#### *2.3.1 Queensland*

The responsibility for regional development in Queensland is split between a number of State government agencies. Two of the most significant are the Department of State Development, which is responsible for large economic development projects, and the Department of Primary Industries, which deals with matters relating to agriculture and community development. A comprehensive review of the role of these agencies in regional development is provided by Beer and Maude (1997). They point out that one of the more significant regional development initiatives is the Regional Economic and Development and Future Search program, which provides funding for companies, regional organisations, local governments and community

groups to identify, evaluate and promote regional investment opportunities, and to undertake feasibility studies for regional projects. The program does not provide direct funding for regional development, but assists communities to plan for their futures.

Rural economic and social development in Queensland is also supported by around 47 Regional Development Organisations (RDOs). These should not be confused with the Commonwealth governments RDOs which, in Queensland, are termed Regional Economic Development Organisations (REDOs). While given some financial support from the Queensland government, the RDOs are a highly varied group of community organisations, created from below and not conforming to any single model (Beer and Maude, 1997). These bodies tend to be made up of several local governments, who also provide much of the funding for the RDOs operations. According to Beer and Maude (1997), the main objectives of the RDOs is:

- to publicise and promote regions and their opportunities;
- to consult and liaise with the three tiers of government;
- to promote regional economic development;
- to compile and provide information and statistics about the region.

While the RDO structure is highly participatory and flexible, the organisations tend to lack the capital required to engage in significant regional development projects. In addition, and despite their important role in liaising with other tiers of government, they are unable to play a significant role in coordinating or integrating rural/regional policies. Indeed, the absence of a focussed approach to regional development in Queensland makes policy integration difficult to achieve. Thus, while there are a number of State government programs aimed at achieving regional economic development, housing tends to remain a separate policy area.

Issues associated with rural housing are the responsibility of the Department of Housing. The Department's Rural and Regional Housing Program aims to assist rural and regional communities in providing locally managed long-term rental housing for low income earners, whose needs remain unmet by other housing options. It provides capital funds to eligible organisations, particularly local government, for the construction, rental, acquisition and/or modification of dwellings. In November 1997, a total of 2,451 dwellings were available in rural Queensland under this program

(South East Youth Coalition, 1999). The Department also operates a Home Purchase Assistance scheme, which assists low to moderate income earners, who are unable to borrow sufficient funds from the private sector, to purchase homes. In addition, the Department manages public rental housing, which provides low cost rental accommodation to people in need. Approximately 50,000 public rental dwellings are available in urban and rural Queensland. There are also a number of housing programs for Aboriginals and Torres Strait Islanders. However, these programs are generally not integrated into other State government policy areas.

### 2.3.2 *New South Wales*

The New South Wales government has a long history of active involvement in regional development. It has had a system of regions in place since 1972 and these form the primary focus for regional development activities across the State. The regions are served by State government funded Regional Development Boards (RDBs). The RDBs aim to:

- promote economic development initiatives by collecting and disseminating information;
- provide advice to the State government on significant issues affecting the regions;
- market regions as attractive and viable locations for business and residents.

As with the RDOs in Queensland, the RDBs in New South Wales tend to monitor and promote development, rather than actively engage in regional development projects. The RDOs are supported by an Office of Regional Development, which also runs a number of more proactive programs, such as the Mainstreet redevelopment scheme (see Beer and Maude 1997, p. 37). In addition to this, the NSW government funds Business Enterprise Centres, which provide advice to existing and prospective businesses in rural areas. The government has also established an Office of Rural Communities within the Department of Agriculture. This organisation is focussed mainly on issues associated with structural adjustment, drought, water policy and the environment (Collits, 1996). The government also announced a series of economic development programs as part of its *Rebuilding Country New South Wales Regional Directions Statement* (for a comprehensive discussion see Collits 2000). However, one of the notable absences from discussions and policy statements on regional development in NSW is housing. Issues associated with housing are usually dealt

with by the Department of Housing. While the RDBs often draw attention to rural housing issues, regional development policy and housing policy tend to remain separate in NSW.

### 2.3.3 *Victoria*

The Bracks Labor government has made the development of regional and rural Victoria a high priority (see <http://www.dsd.vic.gov.au>). The government department responsible for this task, Regional Development Victoria, has whole of government responsibilities for shaping policy for regional development and delivers programs to enhance economic and infrastructure development. One such program is the Enterprise Improvement program, which assists regional firms to employ expertise for business. Another is the Regional Infrastructure Development Fund, which provides some \$170 million over the term of the Bracks government for capital works in regional communities. The government is seeking to enhance the development of rural and regional Victoria in a number of ways which include: supporting new industry development; improving critical transport linkages; linking tourism infrastructure; and improving the links between regional Victoria and the new opportunities offered in education and information technology.

These development initiatives are, in many respects, a continuation of the Kennett government's reform of regional development and local government. During the 1990s, the Kennett Coalition government amalgamated local government areas and abolished the previous system of Regional Development Boards (Beer and Maude, 1997). This revised structure gave councils a clear directive to pursue economic development. There is a clear expectation that local governments will engage in activities to promote the growth of their area. This reflects their greater resource base following the widespread local government amalgamations under Kennett. While the Victorian approach to regional development provides funding for attracting new industry and investment initiatives, these programs do not incorporate a housing dimension. The Office of Housing in Victoria is located in the Department of Human Services, and offers a range of public housing assistance schemes, but none specifically focused on regional Victoria. Thus, as with much of Australia, housing and regional and rural development are regarded as a separate issue in Victoria.

### 2.3.4 *Tasmania*

Tasmania was one of the States most affected by economic restructuring during the 1980s and 1990s. This has created a considerable demand for regional economic

development projects across much of the State. However, one of the problems facing Tasmania is the limited resource base within both the public and private sectors. There are two main components to regional development in Tasmania:

1. Regional Development Boards (RDBs): the Southern Tasmanian Economic Development Board, the Northern Tasmania Regional Development Board and Development West North West.
2. Local government based Business Enterprise Centres (BECs).

(Beer and Maude 1997, p. 49)

As in NSW and Queensland, the RDBs tend to monitor and promote development, and act as advocates for their respective regions. The BECs provide business and other advice to existing and prospective businesses, as well as labour market training and, to some extent, project development and participation. Neither the RDBs or the BECs play an active role in housing provision and policy. While they may act as advocates for their regions on certain housing issues, the responsibility for housing rests with the Department of Health and Human Services. As in other States this organisation tends to provide housing assistance to low income earners and does not have a widely recognised role in regional development. The Department's housing stock comprises some 13,578 public rental dwellings with an asset value of \$760 million. Nearly 18% (30,276) of Tasmanian households were renting in the private rental market in 1996, four per cent less than the national average. Tasmania also offers some of the least expensive housing for rent and purchase, although to some extent this is offset by the generally lower incomes and higher unemployment rates on the island.

### 2.3.5 *South Australia*

It has been argued that regional development programs in South Australia are constrained by the small size of the State's economy and a relatively low rate of economic and population growth (Beer and , 1997). As part of an attempt to address this situation the State government established an Office of Regional Development in April 1999. The goals of this Office are:

- the development, coordination and integration of regional strategies and plans, using a whole of government and whole of State approach;
- improved regional infrastructure;



- significantly enhancing the capacity of regional communities to embrace change and achieve their development goals;
- enhancing regional services that are tailored to the specific requirements of regional communities;
- a positive image for regional communities;
- fostering wealth and employment opportunities in regional South Australia;
- providing a South Australian focus for promoting partnerships to support community economic development.

In addition, the Office of Regional Development assists manufacturing enterprises through the South Australian Centre for Manufacturing. It also provides small business advice and advises the government on industry and related policy.

Rural South Australia contains a quarter of the State's population and contributes two thirds of the State's export income and a quarter of manufacturing turnover. There are fifteen State Government supported Regional Development Boards (RDBs) that aim to facilitate growth, rather than act as developers in their own right. The level of funding provided to these agencies reflects their 'hands off' approach to development. These RDBs differ from equivalent organisations in other States in a number of significant ways. These include: ensuring that they are autonomous, rather than government, bodies; their management boards, and Chief Executive Officers, are not appointed by the government; and their staff are employees of the organisation, rather than the government. This is at odds with current practice in most other parts of Australia. However, in common with other States, housing is divorced from regional development programs and initiatives. The responsibility for housing rests with the Department of Human Services. This agency provides programs that focus on issues such as urban renewal, improving private rental standards, and special needs. There are, however, very few programs targeted at rural and regional South Australia.

### 2.3.6 *Western Australia*

Western Australia has a long history of proactive government involvement in regional development. This not only included the development of economic infrastructure, such as railways, but the provision of housing, hospitals, schools and other services in rural areas on a generous per capita basis. While there has been a steady retreat

from this approach (Tonts and Jones, 1997), successive State governments have maintained regional development structures. One of the more significant recent policy decisions was the passing of the *Regional Development Commissions Act*. This Act resulted in the State being divided into nine Regional Development Commission areas. These organisations have diverse boards of management comprising of community, local government and ministerial appointees. However, rather than adopting a proactive approach to regional development, the Commissions simply encourage, facilitate and monitor development. For example, the Wheatbelt Development Commission (WDC), which is responsible for much of the State's broadacre farming region, claims that it will "work with those communities which demonstrate a genuine desire to improve their area, utilising a community driven style of operation" (Commission, 1995, p. 23). As such, rather than stimulating growth in the smallest and most impoverished communities, the Commissions tend to have been successful in facilitating development in those areas which have sufficient economic and social capital to initiate and support local development initiatives. Furthermore, the focus of the Commission is clearly on regional *economic* development, as emphasised by the objectives of the Mid-West Development Commission (1996, p. 6). These are to:

- maintain and enhance the region's competitive advantages;
- further diversify the economic base;
- develop and integrate key infrastructure and associated services;
- develop a positive business and investment climate;
- integrate and coordinate land use planning and economic development;
- enhance the quality of life.

While these are important goals, they tend to place preference on economic development and subordinate social and cultural goals/outcomes. Perhaps even more significant is the general lack of funding provided to support these goals. For example, the Wheatbelt Development Commission, which covers 154,000 square kilometres and 44 local government areas (with a total population of around 70,000 people), had a total operating budget of only \$1.2 million in 1997-98 (Wheatbelt Development Commission, 1998, p. 40). This, in part, helps to explain why the Commissions promote 'self-help' among small rural communities, rather than adopt a more proactive approach.

There are, however, some clear benefits in the bottom-up approach. A number of researchers have found evidence to suggest that the devolution of responsibility for economic development to the sub-regional and local levels has enabled some entrepreneurial communities to reverse long term patterns of economic, demographic and social decline (see, for example, Cahill, 1995; Haslam-McKenzie, 1998; Hudson, 1989; Mouritz, 1998; Sorensen and Epps, 1996; Wildman *et al*, 1990). Initiatives such as main-street beautification and revival projects, the provision of subsidised infrastructure for new industries, and free land grants for newcomers are just some of the strategies adopted by communities in order to remain viable (Tonts, 1996). While such projects are constrained within the impositions of economic restructuring and are generally small in scale, their impact in some rural communities has been positive and has prompted further entrepreneurial development. The result has often been marginal economic and population growth. However, very few declining and, often, impoverished rural communities have the necessary resources to undertake successful local initiatives (Sorensen, 1993). Even in those communities that do initiate successful projects, the benefits are often very limited and temporary and, in some cases, are undermined by State and Federal government policies which result in the withdrawal of local services (Gerritsen, 2000).

The ongoing commitment of the Western Australian government to regional development (albeit a non-interventionist model) is reflected in a series of recent reports and policy statements. One of the most significant reports was *Global Incentives for Regional Industry* (Department of Commerce and Trade, 1996), which offers insights into the incentive programs offered to attract industries to non-metropolitan areas in North America, Europe and other parts of Australia. These incentives include infrastructure subsidies, tax incentives, direct subsidies and pooled development funds. Interestingly, little attention is given to the social infrastructure that underpins development, such as housing, schools and hospitals. This absence is even more surprising given the paper's conclusion that further commercial development in non-metropolitan Western Australia will contribute to growing employment opportunities and population growth in regional areas.

Some of these concerns were addressed in a series of consultations with residents in the State's nine regions during 1998. The findings of these consultations were summarised in the *Regional Consultation Summary Report* (Synectics Creative Collaboration, 1998). This report highlighted a desire for the equitable provision of public services in rural areas, a more proactive approach to regional economic development, and for public spending in rural areas to be seen as an investment rather than a cost. The findings of this report, together with those from a series of

others<sup>3</sup>, were incorporated into the State government's *Regional Development Policy for Western Australia* (Department of Commerce and Trade, 1999a). This major policy document outlines a series of social and economic objectives, including the delivery of 'housing needs and diversity'. As such, it is one of the few recent Australian regional development policy documents that gives explicit attention to rural housing issues. This priority was supported in the government publication *Regional Development Policy Budget Highlights* (Regional Development Council, 2000), which indicates that \$54.34 million would be spent on the construction and refurbishment of public housing in regional areas during 2000/01. However, the extent to which this represents new spending is not clear.

The agency that has been allocated this funding is the Western Australian Ministry of Housing. The Ministry of Housing offers a number of important services in rural areas. Homeswest, for example, provides public rental accommodation for low income earners throughout Western Australia. While Homeswest manages rental properties throughout rural areas, in recent years it has tended to reduce the number of new homes built in smaller country towns. Due to budgetary limitations housing construction is concentrated in areas of 'greatest demand' (Clements, 1995b). This means that it tends to allocate new building projects to those areas with long waiting lists. Nevertheless, the Ministry of Housing does offer a number of rural housing programs. The Country Housing Authority provides farmers, businesses, service providers and local governments with access to low cost finance for housing construction/purchase. It has also been involved in a number of joint ventures with local governments, which have resulted in the pooling of resources to provide housing for groups in need. The Country Housing Authority is complemented by the Government Employees Housing Authority (GEHA). This organisation provides State government employees with access to housing throughout rural Western Australia. There are currently proposals before the State government to amalgamate the Country Housing Authority with GEHA to form the Rural Housing Authority. Other Ministry of Housing schemes that impact on rural housing are the Landstart, Keystart and Aboriginal Housing programs, which offer financial assistance to low income earners purchasing their own home.

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<sup>3</sup> These included *Setting the Direction for Regional Western Australia* (Synectics Creative Collaboration 1999), *A Regional Development Policy for Western Australia (Draft for Public Comment)*(Department of Commerce and Trade 1999c), *Report on Submissions to the Draft Regional Development Policy* (Regional Development Council 1999).

## 2.4 Summary

While the responsibility for both housing and regional development policy tends to rest with the Australian State governments, the limited policy linkages between the two areas, in fact, suggest low integration between them. This is somewhat surprising given the interrelationship between availability and affordability of appropriate housing, the well-being of communities and individuals; and economic development in rural areas. It is also surprising given the abundant government rhetoric regarding 'whole of government' and 'coordinated' policy making. (see Hudson, 1986; Clements, 1995b; Beer, 1998, Western Australian Department of Commerce and Trade, 2000). Regional development throughout much of Australia tends to conform to a lightly funded self-help model that eschews proactive government involvement in economic and social development (Cahill, 1995; Mouritz, 1998; Wildman *et al*, 1990). This is despite the growing recognition that many smaller rural communities do not have the necessary capital to initiate successful revitalisation efforts (Sorensen, 1993). The provision of quality housing for rent and purchase is expensive (and often beyond the means of local communities), but critical in addressing problems such as economic decline, depopulation, and rural poverty. While some State government housing agencies have engaged in rural housing programs, these are rarely integrated into regional development schemes. Western Australia offers one of the few examples of an attempt to integrate housing within a wider regional development framework. Yet even in Western Australia, there is a tendency to under-emphasise the role of housing in rural economic and social development. For example, in the State government's *Regional Development Policy for Western Australia* housing, whilst being acknowledged, is not listed as a priority area. Instead, emphasis is placed on leadership development, telecommunications, education, health and business support. In other parts of the world, however, housing is regarded as central to economic development and well-being in rural areas.

### **3 Rural Housing and Regional Development: An International Perspective**

This chapter provides a review of rural housing and regional development issues and policies in a number of other countries. The chapter begins by examining rural housing and development in the European Union. It then examines how these policy issues are treated at a more national level, with particular attention given to the United Kingdom, Sweden, Belgium and Denmark.. The chapter concludes by reviewing approaches to housing and rural development in North America, particularly the United States.

#### **3.1 Approaches to Regional Development and Housing Policy in the European Union**

The European Union recognises that one of the most important means of ensuring the economic and social well-being of rural people is to ensure that they are adequately housed, and that there are not major differences in the quality of housing between urban and rural areas or member states (Parmentier, 1998).

One of the key areas of difference between regional development and housing policies in Australia and many countries in Europe is the role of the European Union (EU). This organisation plays a leading role in regional social and economic development. In terms of its general philosophy and approach, the EU is characterised by:

- making the issue of social cohesion a primary focus of policy making;
- accepting that markets by themselves cannot reduce social inequalities between regions, and are more likely to increase them;
- considering rural development as quite separate from, and perhaps only marginally associated with, agricultural productivity;
- accepting that transfers of funds from economically richer to economically more marginal regions can make a positive contribution to donor regions, since increased economic activity creates a larger market for goods and services originating in the donor regions;

- the implementation of a coherent and systematic approach to rural development.

This approach represents a fundamental difference with Australia, where regional development and agricultural productivity are closely linked, and where competitive market forces are seen as crucial in ensuring regional entrepreneurship and competitiveness (see for example, Industry Commission, 1991). In Australia, one of the outcomes of a 'market led' approach to regional development is often fierce competition both within and between regions for, *inter alia*, economic investment, regional trade, and infrastructure development. By contrast, the European Commission has, over the years, developed strategies to promote economic and social cohesion among the member countries and regions. The rationale for such an approach is that where there are deep regional economic and social disparities, efforts to create a unified economic system with the free movement of people and capital will result in a process of uneven development. In 'core-periphery' terms, the centre will dominate politically as well as economically, and the periphery will be in danger of being left behind unless action is taken to counter this trend.

Several different funds have been established to deal with social and economic cohesion. An appreciation of the scope of the EU strategic response to cohesion and solidarity requires some detail about the commitment of particular funds to particular cohesion objectives. The objectives that guide the application of structural funds are outlined in Table 1. The Republic of Ireland, together with Portugal, Greece, Spain, the Highlands and Islands of Scotland, the south of Italy and the new German Länder, are the principal Objective 1 regions in the EU. These countries/regions are eligible to receive support from three main Structural Funds. These are:

- The European Regional Development Fund (ERDF) which, since 1975, has funded productive investment, infrastructure and development of small businesses in the most disadvantaged regions;
- The European Social Fund (ESF), which supports vocational training and recruitment aid;
- The Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF), which provides for agriculture structures and rural development.

In addition, the four Cohesion countries (Ireland, Greece, Portugal and Spain) are eligible for support from the Cohesion Fund (European Commission, 1996). This fund was established by Treaty of Maastricht (1993) to prepare for economic and

monetary union in the Cohesion countries by supporting projects concerned with the environment and trans-European transport networks.

There is some debate about how effective these structural funds have been in making a difference to economic and social development (Bachtler and , 1997). There is no doubt that Ireland, for example, has gone through a period of significant economic change, with new service and technology industries coming to be more prominent in its economy and society (O’Riain, 1997). It is also clear that the rural areas in western Ireland have benefited less from social and economic change than Dublin and rural areas in the east. Nonetheless, what stands out is the aspiration expressed in the EU policy which seeks to ensure that the goal of economic efficiency is balanced against the ‘solidarity’ of the society in which all citizens live.

**Table 1 Regional development objectives in the European Union**

<b>Number</b>	<b>Objective</b>
1	Regions where per capita GDP is less than 75 per cent of the EU average or where there are special reasons for their inclusion under this objective.
2	Areas in industrial decline. These are mainly areas where the rates of unemployment and industrial employment are higher than the EU average and where industrial jobs are in structural decline.
3	Applied throughout the EU and focuses on the long term unemployed, young people in search of a job and those threatened with exclusion from the labour market.
4	Applied throughout the EU and focuses on workers whose employment situation is threatened by changes in industry and production systems.
5a	Applied throughout the EU and focuses on farmers, fishermen and those involved in the processing and marketing of products from those sectors facing changes in the structure of production.
5b	Vulnerable rural areas with a low level of socioeconomic development which also meet two of the following three criteria: a high proportion of employment in agriculture, a low agricultural incomes, and a low population density or a high degree of outmigration.
6	Areas with population densities lower the eight people per square kilometre.

(Source: European Commission, 1996)

The philosophy of improving the quality of life for people living in rural areas is encapsulated in the Cork Declaration (Together in Europe, 1997). The Declaration, tabled at the European Conference on Rural Development at Cork in 1996, sets out principles which are a commitment to more than making rural areas economically efficient. Again, this is in distinct contrast to Australia where economic goals, in particular those associated with agricultural productivity, are usually given the highest priority by governments. The Cork Declaration argues that the goal of economic efficiency is insufficient to ensure that rural areas will remain “vital places, attractive to people to live and work in so that they can be centres of a more meaningful life for



a growing diversity for people of all ages” (Together in Europe 1997, p. 103). The first of the ten points declares that:

Sustainable rural development must be put at the top of the agenda of the European Union, and become the fundamental principle which underpins all rural policy in the immediate future and after enlargement. This aims at reversing rural out-migration, combating poverty, stimulating employment and equality of opportunity, and responding to growing requests for more quality, health, safety, personal development and leisure, and improving rural well-being. The need to preserve and improve the quality of the rural environment must be integrated into all Community policies that relate to rural development. There must be a fairer balance of public spending, infrastructure investments and educational, health and communications services between rural and urban areas. A growing share of available resources should be used for promoting rural development and securing environmental objectives (European Conference on Rural Development, 1996, p. 7).

The Declaration also proclaims that the quality and amenity of rural landscapes and cultural identity need to be valued and preserved. Consistent with the principle of subsidiarity, the goal is to achieve this without undue centralisation of authority, and supported as far as possible by local sources of finance. Rural development, according to this important manifesto, is not simply about the pursuit of economic goals, but ensuring the well-being of the population living in the countryside. Accordingly, the EU have established a range of initiatives that aim to improve social and economic conditions in rural areas (see: <http://www.rural-europe.aeidl.be>).

Despite the recognition that housing is an important component in addressing regional disadvantage and promoting economic and social development, the European Union has tended not to become directly involved in housing policy, preferring to leave this responsibility to the member states (Parmentier, 1998). There are, however, moves to increase the EU's involvement in housing, since it is recognised as an important contributor to a number of common European objectives in the areas of regional development, social cohesion, and employment creation. Indeed, the European Parliament (1997) recently stated that “the European Union should act as a coordinator and facilitator in the question of housing by granting loans and other measures”. The Parliament noted that homelessness and poor quality housing represent major social challenges in many of the areas that qualify for regional development support under Objectives 1, 2, 5b and 6. In response to this, there are currently moves to use the European Regional Development Fund and the European Social Fund to finance housing construction, modernisation and maintenance, which would increase the provision of affordable accommodation in disadvantaged and restructuring rural areas. These links between housing and

regional development policy should be the focus of ongoing research attention as they continue to evolve and provide part justification for a similar housing dimension to regional development in Australia.

### 3.1.1 *United Kingdom*

Over the last two decades, housing policy in advanced economies has overwhelmingly favoured owner occupation above other tenure forms (Saunders, 1990; Badcock and Beer, 2000). In the United Kingdom, for example, one of the most important developments in housing policy over the past two decades has been the sale of publicly owned housing. The processes of migration and social change that resulted from this sale of former local authority dwellings has been the subject of a recent study by Chaney and Sherwood (2000). This study, based in a rural part of the East Midlands, surveyed 500 home-owners who had availed themselves of the *Housing Act, 1980* option that gave tenants the right to purchase their publicly owned dwellings. The findings suggest that the relative affordability of former council housing in a highly competitive rural housing market is creating opportunities for young, dual career, and largely urban families to move to the countryside. Research by Murdoch and Marsden (1994) indicates that these newcomers are likely to be younger and wealthier than the existing population in rural communities. This change in the demographic structure of rural areas has significant implications for housing markets, needs and provision in the UK (Lewis and Sherwood, 1994). For example, in many parts of the UK, population growth associated with counterurbanisation (see Lewis, 1998) has contributed to a reduction in the availability of housing and a rapid increase in dwelling costs. In some cases, local residents are being 'priced out' of the housing market by outsiders.

Given this situation, it is probably not surprising to find that rural housing issues have been given some attention in the United Kingdom, particularly with regard to the provision of affordable rental housing, the gentrification of local housing markets, and problems faced by low-income groups in obtaining affordable housing opportunities (Cloke *et al*, 1991; Milbourne, 1998; Rogers, 1987; Shucksmith, 1981; Shucksmith, 1990). One issue that has received much less attention is the problem of rural homelessness. While homelessness in urban areas has been the subject of some attention (Daly, 1996; Jencks, 1994), the problem is often hidden in rural areas (Bramley, 1993; Lambert *et al*, 1992). One of the reasons for this is that there are very few provisions for dealing with the problem (Cloke *et al*, 2000). As such, there is

no straightforward way of determining the level of rural homelessness. Furthermore, rural homelessness is rarely viewed as important by the media, largely because it conflicts with idealised notions of rurality and the virtuous lifestyles supposedly characteristic of the English countryside (Cloke *et al*, 1995).

Research by Cloke *et al.* (2000) indicates that, in 1996, around 16,000 households were identified as homeless by local authorities in rural England. Significantly, although homeless totals fell over the past five years in urban areas, the total for rural areas as a whole remained static or, in the case of 'deep' rural areas, increased by around 12.1 per cent. Of the rural authorities studied, only 25 per cent were providing hostels, 28 per cent were running housing advice services, and just 3 per cent reported the presence of women's refuges, whilst only 4 per cent had conducted any surveys into the problem. There is also little doubt that the problem of homelessness is linked with rising levels of poverty in rural parts of the United Kingdom (Button, 1992; Davenport *et al*, 1990; Everitt and Wright, 1996).

In Scotland, the national housing agency, Scottish Homes, has called for a new approach to tackle the country's rural problems (see <http://www.scot-homes.gov.uk>). One of the first priorities of Scottish Homes, which was set up in 1989, was to address rural housing issues. One of the most innovative aspects of this agency has been the establishment of ten Rural Demonstration Areas to test and demonstrate innovative policy mechanisms and housing techniques. It has developed Local Housing Agencies, which are private sector organisations set up to provide specified housing services in local areas. Scottish Homes is also actively engaged in rural housing regeneration projects. Part of the reason for this involvement in regeneration projects is the poor condition of housing in rural Scotland. For example, one in four houses has problems with condensation and one in eight with dampness (Scottish Homes, 2000).

While housing in the United Kingdom is predominantly the responsibility of the national government, rural development policy is closely linked with the regional development programs of the European Union. For example, the England Rural Development Program is co-financed by the European Union and the British Ministry of Agriculture, Fisheries and Food. This program provides a range of support for rural development initiatives, including vocational training schemes, farm business development schemes, environmental protection, and village rehabilitation programs. The policy does not cover issues associated with housing, largely as a result of the funding regulations imposed by the European Union. However, this may change under proposed changes to EU regulations that enable regional development funds

to be spent on housing projects. For a comprehensive review of rural development programs in the United Kingdom see: [www.maff.gov.uk](http://www.maff.gov.uk).

### 3.1.2 Housing in Selected European Countries

The European Union (EU) *Compendium of Spatial Planning Systems and Policies* (European Commission, 1997) provides valuable insights into the nature of rural housing in a number of member states of the EU. Some of these are outlined below:

- **Belgium** – Whilst the overall aim of post-war housing policy in Belgium was to stimulate home ownership, construct public rental housing, and renovate sub-standard housing, the 1990s witnessed many changes. As a result of social and demographic changes, together with a growing awareness of the need to preserve open space, housing policy is focussed on slum clearance, social housing and urban consolidation. As in the United Kingdom, rural development policies are closely linked to the programmes of the European Union.
- **Denmark** – As in Belgium, housing policies in Denmark have focussed on promoting home ownership and providing affordable rental accommodation. There has also been a growing awareness of the need to preserve rural landscapes. As such, the Danish government has introduced strict land use and environmental planning regulations to prevent scattered housing developments in the countryside. Denmark has also remained committed to providing affordable housing to disadvantaged groups in both urban and rural areas.
- **Sweden** – With its deeply embedded social democratic and welfare traditions, Sweden has probably gone further than any country in the world to ensure that its residents are decently housed (Appelbaum, 1986). The quality of housing in Sweden has been achieved largely through high levels of state investment in housing, government ‘pump priming’ of the private housing market, and comprehensive urban and regional planning strategies. In addition, the state guarantees low rents and provides special accommodation allowances for low-income families. Housing policy is closely integrated with regional development policy, which is the responsibility of the *Lanstyrelse*. This agency develops programs that aim to stimulate rural economic and social development. In terms of understanding the links between housing and regional development, the Swedish case is worthy of more detailed investigation.

### 3.2 Housing and Rural Development in the United States

In the United States, housing assistance is often a central component of strategies designed to alleviate rural disadvantage and promote regional economic and social development. Perhaps the most significant institution that links regional development and housing is the United States Department of Agriculture's (USDA) Rural Housing Service (RHS), which operates a broad range of programs to promote and support affordable housing in rural areas. One of the more innovative schemes, which may be of some relevance to Australia, is the Farm Labor Housing Program. This program provides funding for farmers, associations of farmers, and other rural employers to construct housing for employees (see <http://www.rurdev.usda.gov/rhs/>). It has been critical in providing housing in areas where development projects might be delayed, or even prevented, because of a lack of employee housing. This program is particularly significant to Australia given the problems in housing employees in rural areas experiencing economic growth (Clements, 1995a).

In addition to the Farm Labour Housing Program, the USDA recently announced \$135 million in grants to encourage the development of housing for farm workers. The grant is an attempt to help alleviate the desperate need for housing for farm workers in many parts of the country. The funding package included provisions for both permanent housing and accommodation for seasonal workers. The grants will be used in targeted areas in 24 States to find and assist in the development of sites for new farm labour housing and the renovation of existing structures. The housing efforts will be planned in consultation with local residents, governments, and non-governmental organisations (see [www.rurdev.usda.gov](http://www.rurdev.usda.gov)).

Another important housing/rural development program has been the RHS's *Single Family Direct Loan Housing Program*. This offers subsidised home ownership loans to low income rural families who are without adequate housing and are unable to obtain credit from other sources (Mikesell *et al*, 1999). The program has 600,000 borrowers, with almost two-thirds under the age of 40. Most of these borrowers have children living at home. Almost three-quarters of the borrowers have never owned a home before. Interestingly, a recent survey indicated that many participants in the scheme reported an increase in income as a result of home ownership status (Mikesell *et al*, 1999). This rise in income tends to highlight the links between housing and rural economic and social well-being.

In terms of rural development policies and programs, the RHS is closely linked with the USDA's Rural Development program. This agency provides an important role in

identifying areas of housing need, and coordinating the activities of the RHS with other rural development strategies. In addition to its role in addressing housing issues, USDA Rural Development is responsible for improving health and education services, delivering community capacity building programs, and ensuring the provision of utilities (e.g. gas, electricity, water, telecommunications) for industry and households. In many respects, USDA Rural Development acts as a coordinator of regional development, of which housing is just one part.

One of the other US agencies responsible for housing is the Department of Housing and Urban Development's Federal Housing Administration (FHA). While the FHA provides less housing assistance to rural areas than the RHS, it is still a major provider of housing assistance to low income earners in non-metropolitan America (Mikesell, 2000). There is also recognition within the Department of Housing and Urban Development that there are close links between regional development and housing. This was reflected in the establishment of a new Office of Housing and Economic Development in 1999. First year program funding of \$25 million was split between capacity building and innovative housing and economic development activities in rural areas (Mikesell, 2000).

Despite the existence of numerous rural housing and development programs, there remain considerable housing problems and levels of disadvantage in non-metropolitan America (Belden and Wiener, 1999). As in the UK, counterurbanisation trends have fostered population and economic growth in many rural areas. While this has the capacity to deliver economic and social benefits, it can also contribute to rapidly rising housing prices, usually to the disadvantage of lower income earners and first home buyers (Ziebarth, 2000). The changing political structure of small communities as they experience growth has also contributed to local policy frameworks that tend to further discriminate against lower income earners (Murdoch *et al*, 1994). These policies can include the banning of mobile homes (i.e. permanent homes in caravan parks), the enforcement of strict building codes, and barriers to the provision of multi-family rental housing. These limitations often reduce housing options for newcomers to rural communities, including those on lower incomes, and often result in the unintended consequence of limiting economic development (Ziebarth, 2000).

A number of other recent North American studies provide further insights into the links between housing and economic development (Ziebarth, 1997; Broadway, 2000). Over the past decade or so a growing number of small communities in North

America have attempted to promote economic development by attracting companies engaged in industries such as food processing (Stull *et al*, 1995). However, very few of these communities planned for the housing needs of the low paid workers that these industries require. The outcome was a variety of problems including *inter alia*, impaired water quality and a requirement to build homeless shelters for many, often penniless, newcomers (Broadway, 2000, p. 40). Given the housing shortages facing a number of smaller rural communities in Australia as a result of expanding manufacturing and processing activities (Clements, 1995a), the experiences of these American communities may provide important lessons for rural planning in Australia.

One of the other significant housing/regional development issues facing North America is homelessness. As in the United Kingdom and Australia, homelessness in North America tends to be viewed as an urban problem. There is, however, considerable evidence that the number of homeless people in the United States and Canada is increasing (Aaron, 1996; Kravitz, 1986; Fitchen, 1991; Patton, 1988). This is despite programs provided by agencies such as the RHS and the FHA. Part of the problem might be that housing – a necessity of life – tends to be treated not as a social good, but as a source of private profit. For Fitchen (1991), government policies on housing emphasise that houses are simply a commodity, and that improvements in public social housing have occurred only when it has served the interests of private capital, or when housing conditions reach a state of crisis.

## 4 Conclusion

The paper has provided a broad review of literature on housing and regional development in Australia, Europe and North America. One of the recurring themes in this literature is the link between housing and socio-economic well-being in rural areas. In many of these parts of the world, government policy over the past 20 years or so has favoured the rule of market forces, resulting in the rationalisation and closure of services and facilities and the subsequent decline of some, more remote, rural settlements and high demand for residential land in settlements closer to metropolitan centres. In all of this, there are concerns about the quality, affordability and availability of rural housing. There appear to be a number of reasons for these concerns:

- in regions experiencing counterurbanisation, local residents risk being 'priced out' of housing rental and purchase markets by newcomers.
- in regions experiencing 'low wage industrial growth', there is sometimes an absence of affordable housing for purchase or rent. In the US, this has contributed to the emergence of 'trailer park ghettos' on the fringes of some small towns (Broadway, 2000).
- in regions experiencing economic restructuring and/or population decline, falling property values can inhibit the capacity of homeowners to move to areas with greater social and economic opportunities. Furthermore, disinvestment in housing in declining communities can undermine housing quality.
- the high cost of housing construction and maintenance in remote communities can impact on the affordability of housing.
- there is growing recognition that homelessness is a serious problem in rural areas, especially in the UK and the US. While rural homelessness has been noted in Australia, to date, there has been very little research undertaken on the problem.

Evidence from the literature suggests that, while affordability and availability of appropriate housing contributes to regional development, the two policy areas are often divorced. Indeed, housing as a policy area is often found to be separated from and/or seen as an adjunct to other areas of policy such as transport infrastructure, education, health and welfare policies in general.



There is relatively little research in Australia on the links between regional economic development and the role of housing in such development. Yet the literature suggests that housing is a critical element of regional economic development. A number of studies from the United States and, to a lesser extent, Europe, indicate that economic development in rural areas was often contingent upon the availability of a good quality, affordable housing stock. The absence of suitable housing often provided a barrier to economic growth. Integration of policies across agencies of governance would seem to be an obvious first step addressing problems of rural regional disadvantage in Australia. Insights from Europe and North America might shed light on how policies in Australia could be better integrated. This area of further research is one to which this study will contribute.

Data suggesting that there is a significantly lower proportion of rural families who rent their homes than those in urban areas, a significantly higher proportion of rural families who own their homes and a significant proportion of tied accommodation not only indicates potential entrapment for those seeking to move, but a lack of flexibility in the housing market to meet possible fluctuations in demand. Moreover, incentives to entrepreneurs to move to rural regions tend to focus on the economic, rather than on the social infrastructure which underpins development, such as housing, schools and hospitals.

One of the other key policy issues identified concerns the role of public spending in rural areas. Again, experience from the European Union and North American serves to highlight that spending on housing/regional development is not a cost, but rather an investment. The research interviews with stakeholders will indicate the importance of the availability of housing stock in various tenures for giving residents and potential in-migrants some degree of certainty in an uncertain world. Data will also indicate how disparate in reality are agencies' mindsets and policies for dealing with regional disadvantage and aim to uncover possible opportunities for integration of policy-making and implementation. There are a number of examples of policy frameworks that attempt to integrate housing into broader regional development strategies. Notable examples discussed above include programs developed by Scottish Homes, the *Lanstyrelse* in Sweden, the United States Department of Agriculture's Rural Housing Service, the US Department of Housing and Urban Development's Office of Housing and Economic Development. It is also evident that the European Union promotes a degree of policy integration through its various rural development programs.

The outputs of the research will include policy recommendations aimed at promoting better integration/co-ordination of housing policies that affect the well-being of rural people. The project will also help to address the notable gaps in the literature on rural housing in Australia, will assist in improving our understanding of the links between housing, regional development and other areas of government policy.

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