



Brotherhood
of St Laurence

Working for an Australia free of poverty

Submission to the
Senate Economics References Committee
**Inquiry into
Affordable Housing**

Brotherhood of St Laurence

March 2014

About the Brotherhood of St Laurence

The Brotherhood of St Laurence (BSL) is an independent non-government organisation with strong community links that has been working to reduce poverty in Australia since the 1930s. Based in Melbourne, but with a national profile, the Brotherhood continues to fight for an Australia free of poverty. We undertake research, deliver innovative services and advocate for policy change aimed at maximising social and economic participation across the life course.

The Brotherhood of St Laurence has undertaken research and policy development on housing-related issues since the 1940s. Much of this early work focused on homelessness, housing standards and the role of public housing in the redevelopment of inner-urban areas. In the 1960s, the research focus shifted to highlight the plight of low-income people living in rental accommodation and the problems engendered by the high-rise building policies of the public housing authority.

The Brotherhood has articulated, through its social inclusion narrative over the past decade, the importance of better integrated forms of assistance and support to individuals, families and communities experiencing multiple disadvantage. The Brotherhood's contribution to the success of Neighbourhood Renewal in our key geographies shows our ongoing efforts in place-based social programs within a housing context. This has resulted in a number of substantial innovation projects with a housing focus, including:

- i. The Youth Homeless Jobseeker Trial (YP4) in collaboration with Hanover, Melbourne Citymission and Loddon Mallee Housing Services (2004–08)
- ii. Centre for Work and Learning Yarra funded by DEEWR and DHS, targeting public housing households (2009–12)
- iii. Centres for Work and Learning (5 sites in Victoria) funded by DHS to replicate the earlier approach in public housing estates (from 2012)
- iv. Education First Foyers (3 sites) in collaboration with Hanover, funded by DHS and DEECD Victoria (from 2013).

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Summary

The Brotherhood of St Laurence welcomes this Inquiry into Affordable Housing as we consider that the provision of affordable, safe, and secure tenure housing is foundational for the full social and economic participation of all Australians over the life course.

Along with education and skills, affordable housing should be considered a critical priority for substantive policy reform over the next decade. Without a safe, secure and affordable home, families cannot ensure their children's critical development, health or wellbeing; young adults struggle to make a smooth transition from school to work and independence; working-age Australians face delays in marriage and child rearing due to the struggle to gain a foothold in home ownership; and older people face an uncertain retirement if reliant on rental housing.

Australia has enjoyed a long period of sustained economic growth. Yet the evidence from our appraisal of the key housing indicators paints a bleak picture: current housing, tax and planning policies are failing to meet the needs of far too many Australian households and the trends are getting worse. As Saul Eslake recently concluded, we have had 'a half-century of housing policy failure'.

Current housing and related tax policy measures support wealthier and older households at the expense of poorer households and younger people. In the post World War 2 period, housing was seen as a public good. However, over the past 40 years, this commitment has gradually been eroded through policies that have turned housing into an asset—a wealth creation vehicle for many households—thereby exacerbating inequality and exclusion in Australia. The substantial housing expenditures through tax concessions that favour investors and speculators could be reallocated to fund effective affordable housing supply measures.

Restoring housing as a foundation for economic participation

Housing policies need to better reflect the dramatic economic and social changes that have taken place in Australia over the past 30 years. These trends, including population growth in our cities and a dynamic globalised economy, will continue. At every point housing policies need to be assessed to ensure they facilitate *not* hinder economic, social and civic participation. Affordable housing, which includes secure tenure for renting households, is critical to achieving a more productive economy.

Affordable housing as a priority in urban planning

Housing is a key element in the liveability of our neighbourhoods, towns and cities. Planning approaches, by accident or design, contribute to the extent to which our cities and regional centres are environments conducive to full participation in economic and social life. As our major cities grow, we are at increasing risk of creating dysfunctional urban environments characterised by a spatial mismatch between housing affordable to lower income households in outer suburbs and jobs in inner city areas. Governments should adopt planning policies to ensure that the concentration of affordable housing for lower income households is close to employment and services such as education, training and childcare. Greater priority should also be placed on effective public rapid-transit infrastructure to enable households to get to services and work quickly.

Addressing unemployment and social exclusion among social housing residents

As social housing has become more tightly targeted to households in greatest need, a much lower proportion of tenants are employed. Many tenants of working age wish to gain paid employment. However, too often they face systemic barriers to obtaining work and increasing their hours. For the unemployed and underemployed and for parents in receipt of Commonwealth parenting payments, social housing assistance needs to be much more closely integrated with employment assistance. This will require a substantial reorientation in how social housing assistance is delivered and a much closer collaboration with Centrelink and labour market assistance agencies. It also requires policy reforms to promote social procurement for job opportunities, to overcome financial disincentives faced by social housing tenants in the form of allocation policies and rent rules and to improve financial literacy.

An integrated National Affordable Housing Strategy

A whole of government reform agenda is therefore required to develop and implement integrated policies across taxation, infrastructure planning, income support and housing portfolios that together will correct the imbalance between supply and demand for housing and address the spatial mismatch between housing and jobs.

This will best work if responsibility and direction is led by the Prime Minister through the Department of Prime Minister and Cabinet as a cross-portfolio reform initiative with long-term goals for sustainable outcomes.

We therefore recommend that a National Affordable Housing Strategy be implemented with the following key elements:

- direct oversight and leadership by the Prime Minister
- an independent advisory committee with broad representation from business, unions, housing sectors and academia
- COAG housing ministers actively engaged to agree on national reforms in priority policy settings, including tax reform
- bipartisan recognition of the importance of affordable housing as a national priority.

The Brotherhood's analysis suggests the following measures should be included in a new comprehensive National Affordable Housing Strategy:

- i. **Affordable housing supply**, including continuation and expansion of the National Rental Affordability Scheme (NRAS), subject to an independent review; trial of a Housing Supply Bond scheme: expansion of effective Home Equity Loan Schemes; and increase the coverage of **inclusionary zoning provisions** and density incentives for social housing across green and brown field developments
- ii. **Social housing reform** to ensure the sustainability of public housing; increase community managed housing; better integrate employment assistance for tenants; expand coverage of social procurement measures; address financial disincentives to take up paid work; and provide effective support to ensure tenants' social inclusion and reduce unplanned exits

- iii. **Housing assistance** that includes integrated models of support targeted at young people (including Youth Foyers) and working-age households; increases in Commonwealth Rent Assistance (CRA) and working-age income support payments to meet basic needs of low-income households; funding for a long-term commitment to the National Partnership against Homelessness; and abolition of poorly targeted first home owner schemes.
- iv. **Tenancy legislation reform** to encourage longer term stable tenure to support social inclusion and economic participation and strengthen protection for private renters through national standards, effective grievance mechanisms and adequate penalties for non-complying landlords.
- v. **Taxation reform:** The Commonwealth works with states and territory governments to replace stamp duties on home purchases with a broad-based land tax; adjusts negative gearing and capital gains tax provisions to encourage new housing, reduce market distortion effects; and redirect savings to affordable housing measures.

While some of these measures are primarily the responsibility of state and territory governments, there is clearly a central role for the Commonwealth to drive reforms and coordinate policies to ensure affordable and sustainable housing as a key plank to strengthen social and economic participation, increase productivity and ensure our growing cities are liveable for all Australians.

1 The rationale for housing policy reform

The provision of affordable housing must be seen as one key objective of broader social policies aimed at social inclusion and economic participation. What do we mean by affordability? While there is ongoing debate about the optimal benchmark for affordability, BSL accepts the prevailing indicator—households are considered to be in housing stress if they have to spend more than 30% of their income on housing. However it is important to differentiate between home purchasers and renters. The focus of policy attention for maximising social and economic participation should be on those households in the rental market (private or social housing) whose income is in the bottom 40% of households.

The state of housing provision

The Brotherhood's assessment of the state of housing provision shows us that current housing policy settings are a failure. Despite a number of valuable reforms and new approaches through the National Affordable Housing Agreement and the National Partnership against Homelessness, most of the key indicators across the areas of housing are getting worse.

A broad selection of housing indicators are summarised below in support of our conclusion:

Home ownership

- The aggregate home ownership rate has been declining from its peak of 72% in the late 1960s to 67% in 2011–12 (ABS 2013).
- The rate of home purchase by 25–44 year olds declined by 15 percentage points over the past two decades (Flood & Baker 2010).
- The capacity for low-income households to purchase a home has also declined, reflecting changes to the labour market and household composition (sole parent families) over the past 30 years.
- Delayed progress to full-time employment (due to extended tertiary learning) and family formation has contributed to increased numbers of young adults (now one in four) living with their parents.
- The average first home loan has doubled from 3 times to 6 times the average annual income since the mid 1990s.
- This reflects higher house prices—which increased by 147% in the past decade, while incomes grew by 57%.
- The location of affordable housing in capital cities has changed markedly. For example, 'a household on an average income could purchase a dwelling within 10 km of Melbourne CBD. This moved to 24 km in 2000 and 40 km by 2009' (Victorian Government 2013, p. 57).

Private rental

- One in four households rent privately—a rise from 18% in the mid 1990s (ABS 2013).
- Households are renting longer (33% more than 10 years), with a greater proportion in middle age or older.

- Renters experienced a 57% (\$126) increase in average weekly housing costs (after inflation) between 1994–05 and 2011–12 (ABS 2013); and rents rose by 81% in the decade to 2011 compared with the 58% increase in average earnings (REIA data cited in NHSC 2012).
- Over 150,000 people in private rental pay more than 50% of their income on housing costs (after Commonwealth Rent Assistance) while 60% of those on low incomes experience housing stress (NHSC 2012).
- Very few private rental vacancies are affordable by households on low incomes (less than 1% of vacancies for those on income support, less than 7% for minimum wage households in Greater Sydney in 2013) (Anglicare 2013).
- Over 740,000 renters report they have experienced financial hardship in the previous 12 months (ABS 2011 data).
- Housing stress is increasing: nationally, the percentage of low-income households in rental stress has increased from 35.4% (2007–08) to 40.7% (2011–12) (Productivity Commission 2014); and applications in Victoria to VCAT seeking possession by landlords have increased on average by 16% per annum over the past 3 years (VCAT 2011, 2012).
- Commonwealth Rent Assistance (CRA) is now provided to over 1.26 million ‘income units’, with a median fortnightly payment of \$118 (Productivity Commission 2014).
- There is a shortage of housing relative to ‘underlying demand’, on the assumption of household formation trends, of about 228,000 dwellings in aggregate, with the NHSC predicting substantial increases in shortfall over the next decades (data subject to ABS population revisions) (NHSC 2012).
- The number of older renters is expected to more than double to over 320,000 by 2029 (NHSC 2010).
- The percentage of people living in ‘severely overcrowded circumstances’ increased by 24% between 2001 and 2011 (NHSC 2012).

Social housing

- The proportion of households in public housing nationally declined from 5.5% in 1994–05 to 3.9% in 2011–12 (Productivity Commission 2014).
- There are 419,000 households in social housing (2012 data) (Productivity Commission 2014).
- In 1966, over 80% of public housing tenants were in paid work, compared to 25% (and 7% more seeking work) in 2007 (Lovering 2014).
- Of public housing dwellings, 25% are assessed as in poor condition (2012) with less than four working facilities and three structural problems (Productivity Commission 2014).
- There are 173,000 Australians on public housing waiting lists (2010 data) (Phillips 2011).

Homelessness

- 105,200 people were categorised as homeless on Census night 2011, with 39% of these in severely overcrowded conditions (ABS 2012).
- Between 2006 and 2011 there was a 6% reduction in the numbers of people sleeping rough and a 23% increase in people in supported accommodation (ABS 2012).
- Rooming/boarded house populations increased considerably from 2006 to 2011 (ABS 2012).

- Nationally, specialist homelessness services provided support to 244,000 people annually (2012–13 data), with 36% of these receiving accommodation (AIHW 2013).
- Older women (over 45 years) face an increased risk of homelessness due to a combination of financial stress, reliance on rental housing, family breakdown and labour market exclusion in the future (ERA 2014).

In summary, these selected indicators of housing provision together paint a bleak picture: current housing policies are still failing to meet the needs of far too many Australian households and the trends are getting worse. As Saul Eslake recently concluded, we have had ‘a half-century of housing policy failure’ (Eslake 2013, p. 2).

The combination of housing, planning, infrastructure and taxation policies has resulted in a shortage of housing affordable for households on low incomes. Lower cost housing is predominantly in outer and growth area suburbs. Over time this has contributed to two key social and infrastructure challenges. First, housing stress (more 30% of household income spent on housing costs for households in the bottom 40% of the income distribution) is increasingly concentrated in these outer areas. And second, the stock of affordable housing (for purchase or rental) is not located close enough to job opportunities or services to enable social and economic participation.

Reduced investment in social housing over the long term has placed serious financial constraints on state housing authorities managing their stock effectively. This has led to reduced stock and to more stringent eligibility criteria to give priority to those with the highest needs.

State governments have adopted public–private renewal arrangements to redevelop their poor quality stock (such as ageing inner city walk-ups and high-rise estates). However, some states are looking to more radical solutions to the perceived failure of public housing.. The Queensland Government is planning to transfer 90% of its public housing stock to the community sector. And according to the NSW minister, Pru Goward, the public housing system is ‘broke and financially unsustainable’ (*The Australian*, 7 October 2013). Victoria has also undertaken a review of public housing, with an action plan for further reforms still to be released.

Key factors affecting housing supply and demand

The decline in our collective capacity to provide all Australians with affordable, secure and good quality housing has continued despite some significant policy initiatives and reforms over the past five years, through the National Affordable Housing Agreement and National Rental Affordability Scheme, as well as the National Partnership against Homelessness.

While reforms at a national level should not be underestimated, they are relatively small scale in the context of more powerful policy settings, demographic trends and labour market changes that continue to drive the demand and supply sides of housing.

As Australia emerges from the sluggish, low-growth phase of the current economic cycle post GFC, there are signs of an emerging property boom. It is unclear what this means for private renters and those in housing stress. However, **without additional policy reforms, housing affordability for low-income households is likely to get worse, not better.**

Factors impacting on housing supply and demand

- i. **Population growth:** Over the past decade, population growth has outstripped the supply of housing stock—the only period since World War 2 that this has occurred (Eslake 2013). The rapid expansion of our major cities has led to a spatial mismatch between low-cost housing and jobs. This trend will continue contributing to transport disadvantage and lower productivity.
- ii. **Family formation:** Delayed marriage and child rearing, higher divorce rates, the ageing population and smaller family size have each contributed to increased demand for housing. There are different types of impact across the life course: for example, an increasing number of older people are reliant on the private rental market.
- iii. **Labour market:** Trends such as the increase in insecure paid work, underemployment and structural unemployment, migration to cities with better job prospects and the imperative for young job seekers to spend more time and resources on further education and vocational training to gain full-time work have impacted decisions and opportunities to enter home purchase, putting greater pressure on rental markets.
- iv. **Direct government investment in public housing** has dropped from an average of nearly 16,000 dwellings per annum 40 years ago to under 4,000 in 2009.
- v. **Tighter planning controls and infrastructure costs** are claimed to have become more onerous for developers both in greenfield and in-fill sites (Eslake 2013).

Expenditure policies impacting on housing affordability

The key policies (in terms of expenditures) impacting on the housing market may be summarised as follows:

- i. **First home buyers assistance:** Saul Eslake recently estimated that at least \$22.5 billion (2011 dollars) has been spent on cash grants to first home buyers since 1964. This excludes stamp duty exemptions offered by some states. Eslake rightly describes this as ‘status-based welfare’ with no evidence that it works to promote home ownership (Eslake 2013). Grants to purchasers of new homes increase developer profits and more generally add to housing prices. Evidence supports the argument that such schemes support home sellers through higher prices and have not increased the ownership rate (Kelly et al. 2013; Eslake 2013).
- ii. **Negative gearing and capital gains tax discounts:** Investors gain from both these taxation measures, valued by the recent Grattan Institute analysis at \$6.8 billion each year. Negative gearing costs the budget about \$2.4 billion per annum. However, as only 5% of investor monies is spent on new dwellings, there is no defensible argument in support of negative gearing in its current form. Home owners gain the most from CGT exemptions (\$14b p.a.), non-taxation of imputed rents (\$9.6b p.a.), exemption of the family home from the assets test for the age pension (\$7b p.a.), and exemption from state land tax on the family home (\$5b p.a.) (Kelly et al. 2013).

These measures are in effect a ‘pretty large subsidy from people who are working and saving to people who are borrowing and speculating’ (Eslake 2013, p. 14) and have done little to increase the home ownership rate.

- iii. **Commonwealth Rent Assistance (CRA):** CRA is the main form of assistance to private renters. Rather than ensuring that rents are affordable for low-income households, it provides a form of targeted poverty alleviation linked to tenure. While the level of CRA has increased over the years, it still amounts to only 6% of total housing benefits provided by governments. If no substantial increase in income support is to be provided in the foreseeable future, then CRA should be increased to assist low-income private renters to meet their basic needs.
- iv. **Social housing:** There has been a steady decline in direct investment in social housing over a long period despite increased needs and higher renovation and maintenance costs of ageing stock. Nationally about \$5b per annum is spent on social housing (Kelly et al. 2013).

The above summary shows the relative level of primary housing expenditures and who benefits most. It is evident that the largest policy drivers impacting on the housing market are in the taxation basket. These tax concessions favour better-off households at the expense of low-income households (Yates 2011). But they also distort the housing market over the longer term, through the investment decisions of individual property owners (Henry Review 2010).

Commonwealth and state governments have responded to increasing levels of housing stress and unaffordable housing with higher expenditures on rent assistance, homeless services and small scale home purchase assistance—for example, home equity loans schemes such as the West Australian KeyStart and South Australian HomeStart programs.

Indirect hidden costs

What is not costed in the above expenditures is the longer term social and health-related costs to the community of housing crisis and homelessness, including emergency relief; loss of productivity due to poor location of affordable housing from workplaces; and the loss of jobs (both housing construction and multiplier effects) which would have been generated by measures to stimulate supply.

Impact

The combined impact of labour market, demographic and policy trends has been to disadvantage low-income households that have to rely on the private rental market. With private tenancy legislation that favours landlords, renters face frequent moves, poor quality dwellings and inadequate maintenance, together with increased use of expensive private rooming houses and caravan parks. And the community faces stubborn levels of housing crisis and homelessness.

In summary, current housing policy measures support wealthier and older households at the expense of poorer households and younger people, and established home owners at the expense of renters. After World War 2, housing was seen as a public good. However, over the past 40 years, this commitment has gradually been eroded through policies that have turned housing into an asset—a wealth creation vehicle for many households—thereby exacerbating inequality and exclusion in Australia.

Just as importantly, the external factors described above—demographic and social trends, a globalised labour market and technology change—all contribute to the increasing spatial mismatch between the concentration of low-cost housing in the new outer suburbs and the location of paid work still primarily in the inner city areas. The pressure for those on lower incomes to take up housing a long way from services and jobs is in stark contrast to the patterns that characterised

Australian cities through the past century, when affordable housing was close to plentiful manufacturing and low-skilled jobs. **This challenge is not just the responsibility for housing policy decision makers. Rather it must be a core priority for urban planning, transport infrastructure and employment portfolios working together.**

Effective remedies to ensure that housing is both affordable and well within reach of services and work will require a dedicated and sustained effort. Essential prerequisites are clear leadership at a national level and bipartisan commitment to a national plan that incorporates cooperation across all levels of government.

2 Restoring housing as a foundation for economic participation

Housing policies need to better reflect the dramatic economic and social changes that have taken place in Australia over the past 30 years. At every point housing policies needs to be assessed to ensure that they facilitate *not* hinder economic, social and civic participation.

Changes in our society and economy over the past three decades require a rethink in how we deal with disadvantage, including by housing assistance. The starting point should be the recognition that the vast majority of Australians secure their wellbeing firstly through participation in the paid workforce, and secondly through social and civic participation.

Looking forward over the next two decades, the ageing of our population and the decline in the proportion of people of workforce age are likely to present fresh opportunities for disadvantaged people to get a job. Employers will become more inclined to consider recruiting labour among the disadvantaged. However, at the same time, the shift to a more knowledge and services-based economy will mean a greater premium is placed upon the education, skills and social networks of its workers. This introduces new risks for those lacking these capacities.

While we see Australia's broader welfare policies beginning to make a long overdue move away from the time when a simple safety net was adequate until, for example, an unemployed worker found a new job, aspects of our social housing policies still reflect these outdated assumptions. As in broader welfare policy, much greater emphasis needs to be placed on the way in which social housing assistance can provide incentives for economic participation. For people of workforce age this will require housing assistance to be far more integrated with other policies and programs administered by both state and Commonwealth governments. Apart from the benefits gained by the individual recipients of housing assistance, Australia stands to benefit from increased human capital, less demand for social housing assistance and a reduced call on health, justice and community support programs. Research continues to show the correlation between inadequate housing and ill health and social exclusion (for example Azpitarte 2013; Mallett et al. 2011; Burke & Pinnegar 2007).

Affordable good quality housing accessible to services, childcare, training and jobs is critical to achieving a more productive economy. The efficacy of our social housing policies in particular needs to be assessed to ensure that they facilitate *not* hinder these forms of participation.

3 Affordable housing as a priority in urban planning

Housing is a key element in the quality of our lives and the liveability of our neighbourhoods, towns and cities. Planning approaches, by accident or design, contribute to the extent to which our cities and regional centres are environments conducive to full participation in economic and social life. Governments should adopt planning policies to ensure that affordable housing for low-income households is close to employment and services such as education and training.

Urban planning policies have an important role to play, both in setting the price of housing and in shaping the social mix in communities and the ‘connectedness’ that enables low-income households to build themselves a good life. Poor quality housing and poor urban environments can result in segregation, low educational attainment and increased unemployment. Such urban environments not only create hardship but also entrench poverty and disadvantage among the people who live there.

People living in the high-growth outer suburbs of our major cities face significant transport disadvantage, which in turn affects their prospects of completing training, obtaining timely social and health services and securing paid work. As the population continues to grow rapidly, there is an increasing risk of creating dysfunctional urban environments characterised by a spatial mismatch between housing affordable for lower income households, which is concentrated in outer suburbs, and jobs, which are still concentrated in inner city areas.

Our housing and urban policies must therefore not only provide accommodation for low-income Australians, but also put services, education, training and employment opportunities within their reach. This should be seen as an economic objective as well as a social objective.

A key economic and social planning goal for the Commonwealth Government should be to encourage the development of affordable housing close to expanding labour markets. Land use planning should provide for appropriate housing for all segments of the community; and regional and local housing targets need to be set for affordable housing. Greater priority should also be placed on effective public rapid transit infrastructure to enable households to get to services and work quickly.

This requires far more effective, well-coordinated urban planning that includes social infrastructure objectives and requires all levels of government to play their part.

4 Addressing unemployment and social exclusion among social housing residents

For the unemployed and underemployed and for parents in receipt of Commonwealth parenting payments, social housing assistance needs to be much more closely integrated with employment assistance. This will require a substantial reorientation in how social housing assistance is delivered and a much closer collaboration with Centrelink and labour market assistance agencies.

Social housing assistance can enhance participation or hinder it. For example, recent analysis undertaken by the Brotherhood of St Laurence has shown that 67% of Australians living in public housing experience social exclusion, with 27% deeply excluded—compared with 28% and 6% respectively of private renters (Azpitarte 2013). Over the past five years the level of social

exclusion experienced by public housing tenants has increased. In part this reflects the ‘targeting’ of social housing to those with high needs. However, with about 30% of public housing tenants (single parents and those looking for work) receiving a working-age income benefit from the Commonwealth, far too many public tenants still experience substantial barriers to workforce participation despite living in affordable, safe housing with long-term tenure. More intensive assistance is needed to build their capacity to gain sustainable employment and the benefits that flow from working.

Employment assistance

Current mainstream employment assistance through the Job Services Australia network still fails to be effective for many highly disadvantaged working-age Australians living in social housing. A better and more integrated approach between housing departments and Centrelink is required to assist tenants in the labour market through a coordinated plan for undertaking training and finding work, for building financial literacy, and for assistance with overcoming other barriers such as poor health.

A good local example of this approach is the Yarra Centre for Work and Learning, developed by the Brotherhood of St Laurence with Victorian and Commonwealth Government support, which offers a model of intensive assistance with a better prospect of achieving employment for public housing tenants. The assistance includes personal support, foundation skills building, vocational training and help with finding work through direct engagement with local employers. The evaluation of the pilot found significant unmet demand for employment assistance from jobseekers who were not well connected to the Job Services Australia system: 1,755 people came to the centre for assistance in the first three years, two-thirds (65%) of them public housing tenants. Forty-one per cent of public housing clients were successfully assisted into paid jobs (BSL 2012). The Brotherhood is now assisting the Victorian Government to replicate the Centres for Work and Learning in five social housing communities, with promising early results. Ideally, in the longer term, such centres with their integrated approach to assisting jobseekers would be ‘mainstreamed’ and incorporated into public housing service infrastructure.

Such policy shifts require a substantial shift in programs and work culture within housing departments, Centrelink and labour market programs.

Social procurement

Another measure to increase employment among public housing tenants is to expand social procurement—giving priority for government contracts to organisations that train and employ disadvantaged people. Socially responsible purchasing provides a valuable opportunity to open up work experience and job pathways for public housing tenants. This is already taking place under the Public Tenant Employment Program (PTEP), which helps tenants across Victoria to gain the hands-on experience and training they need to get into the workforce. However, a whole-of-government approach should be developed that builds on these successful approaches and other recent initiatives such as the Victorian Social Procurement Guidelines for local government, as a key part of workforce diversity measures.

Social housing assistance

Many social housing tenants of working age wish to gain paid employment. However, too often they face systemic barriers to obtaining work and increasing their hours. Social housing assistance

needs to be carefully reviewed to overcome the financial disincentives faced by tenants. Many of the financial disincentives simply reflect policies designed to privilege the most disadvantaged. Under a transitional tenure, rules relating to allocations and rent would need to be relaxed in order to create the conditions that will encourage behaviour change, with more tenants gaining the skills for sustainable employment. Options to be considered might include:

- **Allocations:** Relax income requirements while an applicant remains on the waiting list, maintaining initial eligibility criteria. When granted a tenancy, the person's rent would be based upon their increased income (Bodsworth 2010).
- **Rebated rent rules:** Levy a fixed rent for the period of the transitional tenure based on 25% of household income at its commencement. Rent would not be varied as soon as household income increased as a result of taking up employment.
- **Financial literacy:** Include financial literacy programs as part of integrated support, building on recent initiatives such as the Victoria's Office of Housing's rent calculator.

Carefully crafted incentives for social housing tenants can have a powerful impact on attitudes and behaviours.

The Victorian Government's discussion paper on developing a sustainable social housing system suggested charging public tenants extra rent so they can build up a bond, contingent on leaving their property in good condition, to be used when they leave public housing and enter the private rental market. In principle the Brotherhood supports this idea as a means to encourage responsible behaviour, if the bond is modest, built up over a reasonable time, and subject to the normal safeguards applied to residential tenancy bonds.

There are relevant learnings from the Brotherhood's experience in conducting the matched savings scheme for low-income families known as Saver Plus. A joint venture with the ANZ Bank and supported by the Commonwealth Government, it matches parental savings of up to \$500 towards their children's education. It has proved remarkably effective in changing behaviour. Research has found that 87% of participants continued to save at the same rate or more, two years after completing the program (BSL & ANZ 2011). The principles of Saver Plus could be adapted to establish a scheme for transitional social housing tenants that offered financial literacy training and incentives to build a significant savings account that would assist their transition out of social housing. While such measures are primarily the responsibility of state and territory housing departments, **there is clearly a role for the Commonwealth to drive reforms and coordinate policies to ensure a sustainable and effective social housing system as part of a national affordable housing strategy.**

5 Recommendations – an integrated Affordable Housing Strategy

It is the Brotherhood's view that there is a reasonable consensus among housing economists and researchers on the extent of the *structural* policy changes needed to stimulate the supply of affordable housing. Tinkering with the range of housing portfolio interventions aimed at alleviating housing stress and crisis will be insufficient and inefficient.

Underpinning our growing concern is the impact of the affordable housing crisis on Australia's long-term productivity. The private housing market cannot provide enough affordable housing in close proximity to emerging jobs, education and training jobs without proactive support and incentives from governments. This requires a bipartisan approach that builds consensus across all stakeholders that it is in Australia's interests to make substantive policy changes.

Our growing major cities are the generators of wealth and wellbeing for most Australians. It is critical that the Commonwealth Government plays a pivotal role in driving urban planning and infrastructure development that integrate the economic, social and environmental policies to improve participation, increase productivity across our cities and maintain urban liveability.

A whole-of-government reform agenda is therefore required to develop and implement integrated policies across taxation, infrastructure planning, income support and housing portfolios that together will correct the imbalance between supply and demand for housing and address the spatial mismatch between housing and jobs.

This will work best if responsibility and direction is led by the Prime Minister through the Department of Prime Minister and Cabinet as a cross-portfolio reform initiative with long-term goals for sustainable outcomes.

We therefore recommend that **a National Affordable Housing Strategy be implemented with the following key elements:**

- direct oversight and leadership by the Prime Minister
- an independent advisory committee with broad representation from business, unions, housing sectors and academia
- COAG housing ministers actively engaged to agree on national reforms in priority policy settings, including tax reform
- bipartisan recognition of the importance of affordable housing as a national priority.

The Brotherhood's analysis suggests the following measures would need to be included in a new comprehensive National Affordable Housing Strategy:

Affordable housing supply

- 1 Recommitment to and expansion of the **National Rental Affordability Scheme** (NRAS) as a long-term, supply-side strategy. However it is timely to review the program and make changes to guidelines and processes to ensure better targeting to low-income households through an independent review.
- 2 Introduce at 'proof of concept' scale a **Housing Supply Bond** scheme that encourages (by overcoming risk) investment in affordable housing by institutional and retail investors,

particularly industry and self-managed superannuation funds. Substantial research and development work has been undertaken in Australia to design financing mechanisms to tap into the increasing pool of monies held by superannuation funds to stimulate the supply of housing (for example, Lawson, Milligan & Yates 2012; Milligan et al. 2013). The combination of public bonds, tax incentives and guarantees offers the best potential to leverage private capital at relatively low cost to government. This approach should be tested in the market place.

- 3 Expand the provision of effective **home equity loan schemes** across all jurisdictions, building on the successful West Australian KeyStart and South Australian HomeStart models.
- 4 Expand the coverage nationally of **inclusionary zoning provisions** and related density incentives for social housing across green and brown field developments. Planning is critical to support social cohesion and labour market participation. Inclusionary zoning and development conditions are effective means to lift the quantity of affordable housing in local neighbourhoods and suburbs and increase housing diversity.

Social housing

- 5 Secure the long-term **financial sustainability of public housing** through recurrent funding allocations to close the gap between rental income and expenditures (tenancy support, maintenance, etc). Australia is one of the few countries where public housing providers are expected to cover their rent deficits from internal sources. In many other countries tenant subsidies are not funded by housing authorities but come in the form of rental assistance from the local equivalent of Centrelink. Without deeper subsidies, public housing authorities and community housing associations will be unable to borrow funds to reshape or expand their stock, particularly while eligibility for social housing is targeted to the poorest and most vulnerable households.
- 6 Implement partial **stock transfer of public housing** properties to the community housing sector (up to the COAG agreed commitment of 35% of all social housing stock) to enable greater flexibility and better matching of property to housing need through the life course.
- 7 Explore the introduction of **time limited tenure** for social housing tenants on working-age income support payments. In line with the aspirations of these people to be employed, and the social housing provider's aspiration to assist more families in need, state housing departments should consider offering households in this category a time-limited 'transitional' tenure of, say, five years. The potential advantages of this approach would need to be weighed carefully against the risk, particularly for families with young children, of dislocation from schools and services and the loss of supportive social networks. These matters would need to be given careful consideration at regular points throughout the tenure and an effective appeal mechanism would need to be in place.

Tenants in transitional tenure would need to be eligible for assistance to build their capacities to become employed and thereby better placed to access housing in the private market. In the final year of the tenancy, advice and assistance in finding alternative housing should be part of the housing assistance offer.

- 8 Replicate effective programs that **integrate employment assistance with public housing** to support sustainable job pathways for tenants of working age, such as the Victorian Government's Centres for Work and Learning.

- 9 Expand **social procurement provisions** through government contracting to open up job opportunities and work experience for disadvantaged jobseekers living in social housing.
- 10 Address the systemic barriers to overcoming financial disadvantage faced by public housing tenants through **allocations and rent policies that encourage employment**. Measures might include relaxation of income requirements for applicants on waiting lists, rebated rent rules on unemployed tenants who take up work and inclusion of financial literacy as part of integrated support services.
- 11 Resource well-targeted **support services for social housing tenants** to prevent unplanned exits and homelessness. Many new tenants with multiple forms of disadvantage are at risk of unplanned exit due to their long-term health-related issues. Effective models of personal support such as Victoria's Social Housing Advocacy and Support Program should be further developed to build personal resilience and social connection in local neighbourhoods. Strategies to increase financial literacy through saving schemes for tenants should also be considered.

Housing assistance

- 12 **Increase Commonwealth Rent Assistance and income support payments** to reduce housing stress for low-income households and ensure all households are able to meet their basic costs of living. The maximum rate of CRA should be raised for low-income households by 30% and the working-age allowances (Newstart and Youth Allowance) for single people should be increased by \$50 per week. In the longer term, a broad-based review of income support payments is required to simplify entitlements with the aim of maximising social and economic participation across the life course.
- 13 Maintain a long-term commitment to effective and responsive homelessness services through the continuation of the **National Partnership Agreement on Homelessness** with annual funding indexed to CPI. The range of innovative services have been effective in reducing primary homelessness and getting more households into support. The best approaches should be replicated as part of ongoing efforts to strengthen homelessness assistance.
- 14 Increase **integrated housing assistance to disadvantaged young people including the Education First Foyer model**. For people aged 16 to 25 the primary objective of housing assistance should be to ensure they complete their education, undertake vocational training and gain work experience. The importance of completing Year 12 or its equivalent as the basis for a successful transition to paid work and independence is well known. For these young people, new forms of assistance other than the provision of a social housing unit are required.

Housing assistance should be integrated with education, training and work experience and be conditional upon the recipient's reasonable effort to participate in one of these activities. Such 'student housing' packages may vary from a simple supplement to Rent Assistance (pitched to actual private rental costs), to a supplement plus help with negotiating the private rental market, to purpose-built student accommodation located in or near educational institutions. These packages would be for a reasonable duration to ensure completion of education and training and assist the transition into employment.
- 15 **Abolish First Home Owners Schemes** and reallocate the resources to support expansion of home equity loan schemes as more efficient and better targeted measures for home purchasers.

Private rental tenancies

- 16 **Review private rental tenancy legislation** in collaboration with state and territory governments to encourage long-term lease arrangements (consistent across Australia) to reduce involuntary household mobility and strengthen community integration.
- 17 Strengthen **protections for private tenants** to ensure properties are well maintained through national quality standards, effective tenant grievance mechanisms and adequate penalties imposed on non-complying landlords.

Tax reform

- 18 Through collaboration of the Commonwealth with state and territory governments, work to **replace stamp duties** on housing transactions with a **broad-based annual land tax**. In a modern economy with increasing contract work and job mobility, stamp duties are an inefficient transaction cost for people wanting to move house.
- 19 **Reduce the extent and level of negative gearing** over time by implementing the Henry Review recommendation (40% of interest and expenses allowed as a deduction); eliminate eligibility for housing purchasers owning three or more properties; and/or impose a ceiling on property prices eligible for deduction of expenses.
- 20 **Introduce changes to capital gains tax provisions** to reduce the level of benefits to high wealth households and overcome market distortion resulting in property speculation—for example by reducing the 50% discount rate or introducing a minimum asset period of five years.

The core elements of stable institutional support for affordable housing would comprise the NRAS, Housing Supply Bonds (in the longer term) and CRA. The financial market is the only realistic source of dollars to achieve affordable housing supply at a scale to meet demand. Such a comprehensive strategy covering housing, taxation and planning policies and financial institutional mechanisms therefore requires a whole-of-government approach with long-term goals. Substantial savings can be achieved from the above tax reforms which can be used to resource better targeted housing assistance measures.

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