

Chapter 14

Social Housing

14.1 In 2011–12, there were 2.6 million households renting either privately, which accounted for 30 per cent of all Australian households, or through social housing programs, which amounted to five per cent of all Australian households.¹ The committee has noted the critical role that the private rental market has in providing affordable and appropriate housing. In this chapter, the committee examines social housing in Australia and its contribution to the supply of affordable houses. The focus of this chapter is on public housing as a component of social housing. The committee considers community housing as the second component of social housing in the following chapter.

Definitions

14.2 In this report, the committee draws on the definitions of social, public and community housing used by the Institute of Health and Welfare (AIHW).

Social housing

14.3 Social housing is rental housing that is funded or partly funded by government; owned or managed by government or a community organisation; and let to eligible persons. This includes public rental housing, state owned and managed Indigenous housing, mainstream and Indigenous community housing and housing provided under the Crisis Accommodation Program.² Social housing refers to both the government and community sectors that collectively provide more than 400,000 dwellings, usually at below-market rents, to low-income households and other Australians in need.³

Public housing

14.4 Public housing is rental housing provided and managed by state and territory governments and includes households living in public rental dwellings where the dwelling is either:

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- 1 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 1, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
 - 2 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 86, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).
 - 3 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 2 and 8, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

- owned by the housing authority;
- leased from the private sector or other housing program areas and used to provide public rental housing; or
- leased to public housing tenants.⁴

Community housing

14.5 Community housing (mainstream) is housing provided for low- to moderate-income or special needs households, which community-based organisations manage. Community housing models vary across jurisdictions with a variety of groups, including government, owning the housing stock.⁵

Statistics—social housing

14.6 Recent AIHW figures record that at 30 June 2013 around 414,000 households were living in social housing.⁶ According to the Institute, projections indicate that in 2021, relative to 2009, demand for social housing would increase across most states and territories. As an example, it was projected that Hobart would experience a rise in demand of approximately 19 per cent and Perth 55 per cent.⁷ The statistics compiled by the Institute also show the number of applicants waiting for social housing, including those on the public housing waiting list, is continuing to grow with supply failing to keep up with the growing demand.⁸ According to the AIHW, as at 30 June 2013, there were over 217,000 households on public rental housing, state owned and managed Indigenous housing and mainstream community housing waiting lists across Australia.⁹

4 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 85, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

5 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 81, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

6 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015). The Institute also records that in 2013, there were around 421,000 social housing dwellings across Australia, see p. 28.

7 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 3, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

8 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

9 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Public housing

14.7 In Australia, public housing has traditionally provided the safety net for people unable to find affordable accommodation in the private sector. Although each respective state sets the rent payable, generally it is assessed at 25 per cent of the gross household income.

14.8 Professor Beer suggested that public housing accounted for around four per cent of housing stock but it varied significantly on a state-by-state basis. He noted that the United Kingdom had a much larger social housing stock than Australia—roughly 18 per cent of its housing stock.¹⁰ According to Professor Beer, even the United States, which is thought of as the classic neoliberal state, tends to have on average a social housing stock no smaller than Australia. Dr Lawson and Professor Berry, RMIT University, also observed that Australia had one of the lowest rates of social housing amongst advanced economies, including the US.¹¹ Stellar Living similarly suggested that investment in affordable housing, including public and social housing, in Australia was one of the lowest in the more advanced 'first world' countries.¹² According to the Institute for Social Research, Swinburne University of Technology, at a minimum public housing should be around 6 per cent of stock but preferably more.¹³

Fall in number of public houses

14.9 In June 2013, the number of public rental dwellings stood at around 328,340, which equated to 78 per cent of the total social housing stock. The number of new allocations to public housing, however, has declined over the past five years from almost 31,000 in 2003–04 to 20,000 in 2009–2010.¹⁴ Even though there have been new allocations of rental properties to the public stock (though less than allocations made in previous years), the overall numbers of public dwellings fell by approximately 13,000 between 2006 and 2013. This reduction has led to 'an increased

10 *Committee Hansard*, 28 July 2014, p. 16.

11 *Submission 24*, p. 9.

12 *Submission 3*, p. 1.

13 *Submission 86*, p. 3.

14 National Regulatory System for Community Housing Providers, a Joint Initiative of Commonwealth, State and Territory Governments, Decision Regulation Impact Statement, p. 5, <http://ris.dpmc.gov.au/files/2013/05/NRS-Community-Housing-DRIS.pdf> (accessed 19 January 2015).

rationing of public housing, with three quarters of the 20,000 newly allocated tenants of public rental housing in 2009–2010 classified as being in greatest need'.¹⁵

14.10 The Women's Housing Company referred to the 'chronic underinvestment' over the years in new or renewed public housing, which, in its view, resulted in a failing system that would continue to deteriorate without 'substantially increased investment'.¹⁶ Using South Australia as an example, Dr Clark, Shelter SA, referred to the statistics showing the decrease in public housing over the last 10 years. In the years 1990 to 1991 there were 62,027 occupied dwellings in South Australia which, by 2009–10, had dwindled to 43,856 resulting in about 20,000 fewer social houses.¹⁷ Mr Schrapel, Uniting Communities, also noted the significant reduction in South Australia's public housing stock. He stated:

...taking 20,000-plus properties out of public housing and not replacing them with the same number of properties and community housing is putting a lot of pressure, particularly on people on low incomes who are having to rely on the private rental market.¹⁸

14.11 More generally, Master Builders Australia noted that public housing was 'stepping back from providing social housing, with community housing taking on an increasing workload'.¹⁹

Waiting Lists

14.12 As the pool of public houses shrinks, the waiting list grows. At 30 June 2013, there were 158,971 applicants registered for access to public rental housing (up from 147,065 at 30 June 2009).²⁰ Master Builders Australia ACT noted that the number of greatest needs applicants on waiting lists quadrupled in the three years to 2010–11, with waiting times for public housing rising in 2011–12 to an average of 2.6 years for those in greatest need, and 7.7 years for all applicants on the waiting list.²¹

15 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 1, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015) and National Regulatory System for Community Housing Providers, a Joint Initiative of Commonwealth, State and Territory Governments, Decision Regulation Impact Statement, p. 5, <http://ris.dpmc.gov.au/files/2013/05/NRS-Community-Housing-DRIS.pdf> (accessed 19 January 2015).

16 *Submission 52*, p. 1.

17 *Proof Committee Hansard*, 28 July 2014, p. 29.

18 *Proof Committee Hansard*, 28 July 2014, p. 29.

19 *Submission 48*, p. 18.

20 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.58, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

21 *Submission 48*, p. 18.

14.13 As an example of the size of this waiting list, Mr Grahame Searle, Department of Housing, Western Australia (WA), informed the committee that in his state there were about 19,000 families (down from 24,000) or 44,000 people on the waiting list. Western Australia also has a priority list with 2,800 applicants representing about 5,000 people. Mr Gregory Cash, Department of Housing, WA, explained that to be on the crisis list a person had no alternative options other than public housing, and had 'no demonstrated ability to access other forms of housing relatively easily'.²² They would 'largely be staying with family and making interim and transitory arrangements and some would be in short-term accommodation'.²³ Women on the list endeavouring to escape domestic violence may be housed in hostels and shelters or similar dwellings.²⁴

Public housing—housing of last resort

14.14 While previously the focus of social housing in Australia had been to provide affordable housing to low-income families, attention has increasingly shifted toward catering for the housing needs of the most disadvantaged in the community.²⁵ According to AIHW figures, in 2012–13, 77 per cent of allocations to public rental housing went to people in greatest need—particularly those who were homeless or at risk of homelessness.²⁶ The AIHW also recorded that households where at least one member had a disability made up more than 133,000 households in public rental housing or 41 per cent of total stock.²⁷

14.15 Professor Dodson cited the long-run withdrawal of federal and state governments from the provision of new social housing supply as one of the factors contributing to the 'concentrated disadvantage effect'. In his view, this retreat from funding public housing has meant that 'under fiscal processes the targeting of assistance available through social housing supply has gone to those who have multiple forms of disadvantage'.²⁸ Also looking at the availability of public housing, the Department of Social Services suggested that:

22 *Proof Committee Hansard*, 11 November 2014, p. 2.

23 *Proof Committee Hansard*, 11 November 2014, p. 2.

24 *Proof Committee Hansard*, 11 November 2014, p. 2.

25 See for example, Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 27, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

26 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

27 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. 37, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

28 *Proof Committee Hansard*, 9 September 2014, p. 18.

The role of public housing in the provision of affordable accommodation in Australia may become more limited in future given the ongoing trend to transfer the management of public housing to community housing providers. In future, the sole focus of public housing may be on those people with special and high needs rather than low-income Australians.²⁹

14.16 This trend, however, is already well established. Mr Jonathan Leitch, Department of Housing and Public Works, Queensland, informed the committee that about 95 per cent of their clients in public housing were high-needs.³⁰ Drawing on its experience, the Kingsford Law Centre similarly noted that public housing was now available only to people with severe and multiple disabilities. This situation had made:

Public housing more than ever, the housing of last resort and remains unavailable to most people, even people who have chronic health problems, are experiencing extreme poverty and have no real prospect of being able to find safe and affordable housing in the private sector.³¹

14.17 Professor Beer referred to 'a rather macabre natural experiment' conducted in South Australia over the last 20 years, where the government's involvement in housing supply had receded through the sale of land originally associated with the South Australian Urban Land Trust. He explained further that South Australia had:

...also curtailed the role of what was then the South Australian Housing Trust and then Housing SA. So we have actually taken the floor away from the rental market. Households that were once able to find accommodation relatively easily in public housing no longer can gain access to public housing. If you look at the reports of Housing SA, they increasingly talk about their clients as being people who may not be, to use the euphemism, 'tenancy ready'. These are very challenging households, and to get into Housing SA increasingly it is people with multiple and complex needs, people with multiple disabilities et cetera.³²

14.18 Noting that many of the people seeking social housing were high needs, Professor Beer suggested Australia's affordability problems were significant, and there was very limited social housing stock.³³ Mr Michael Myers, National Affordable Housing Consortium, also referred to the trend whereby governments of all

29 *Submission 198*, p. 29.

30 *Proof Committee Hansard*, 10 September 2014, p. 44.

31 *Submission 68*, p. 3. See also Mr Keith Jacobs, who observed that the reduction in the public sector stock had led to state authorities restricting the allocation of available properties to those in acute need, *Submission 33*, p. 2. Ms Christine Allison similarly noted that access to social housing was dependent on eligibility and eligibility depended on remaining disadvantaged. In her view that was no incentive to improve and improvement for example, finding a job could mean ineligibility. *Submission 35*, p. 2.

32 *Proof Committee Hansard*, 28 July 2014, p. 16.

33 *Proof Committee Hansard*, 28 July 2014, p. 16.

persuasions at a state level had moved down the road of allocating public housing to those most in need. He elaborated:

It could well be argued that they did that because of things like de-institutionalisation, long-term pockets of disadvantage, social exclusion and unemployment and a rising demand from people with a disability and others. So they have moved the social housing system from what was partly an industry type support thing—you get cheap housing near where the jobs are and the workers will come and you can help them—to this new transition of the welfare safety net. Nobody really understood the economic consequences of that fully... You are moving for the right reasons, to say that you cannot leave people homeless, you cannot leave people with a disability without housing.³⁴

14.19 As a consequence, however, the costs of public housing increases and revenue decreases because people on lower and lower incomes were being accommodated. Mr Myers explained the problem created by having only high needs tenants in public housing:

They are using the dwellings more, so there is more cost involved. The dwellings need more management, so there is more management involved. You end up with a downward spiral in the system.³⁵

14.20 Likewise, Shelter WA suggested that the 'reorientation of social housing towards housing higher-need households had placed increasing financial pressure on the system'.³⁶

Incentives to remain in public housing

14.21 Recent figures produced by the AIHW show that, at 30 June 2013, the majority of the surveyed tenants in social housing were satisfied with the services that their housing organisation provided (74 per cent for community housing and 65 per cent for public rental housing).³⁷ Further, it recorded that two in five or 40 per cent of people in public rental houses had been in the same tenancy for over ten years.³⁸ This stable tenancy stands in stark contrast to the short-term leases that characterise the private rental market.

34 *Proof Committee Hansard*, 10 September 2014, p. 53.

35 *Proof Committee Hansard*, 10 September 2014, p. 53.

36 *Submission 174*, p. 18.

37 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p. ix, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 12 January 2015).

38 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.41, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

Disparity in rents between private and public housing

14.22 As noted earlier, a key feature of public housing is that rents payable are based on income, which is generally 25 per cent of total household income. But with increases in market rent outstripping increases in household income, the rent paid by people in public housing continues to lag behind those paying market-based rents. As an example of the disparity between rents charged for social housing and for private rental dwellings, Mr Searle cited a single age pensioner in one of their units (Department of Housing Western Australia) paying \$95 per week in rent in a market where the median rent is probably \$350 per week.³⁹

14.23 An interim report of the review of the welfare system referred to tenants in public housing benefiting from this lower rate of rental increase.⁴⁰ It noted, however, that charging rents at a proportion of total income could be a 'disincentive for people to work, because their rents will increase if they earn more'.⁴¹ According to the welfare reform interim report:

The first perverse incentive is that people consider public housing more attractive than living in private rental accommodation. A key reason is that income based rents are lower than the net rents paid by private tenants in the private rental market. Because demand for public housing is high and waiting lists are long, public housing is only allocated to those who can demonstrate a low income and poor capacity to obtain private rental accommodation. This may result in prospective tenants on the waiting list being reluctant to improve their circumstances, for example gaining employment, because this may jeopardise their claim for a public housing tenancy.

A second potential perverse incentive applies to those already in public housing, who seek to improve their circumstances through paid work. Because public housing rents are set as a proportion of income (typically

39 *Proof Committee Hansard*, 11 November 2014, p. 6.

40 In December 2013, the then Minister for Social Services, the Hon. Kevin Andrews MP, commissioned a review of the welfare system. The purpose was to identify improvements to ensure the system was sustainable, effective and coherent, and encouraged people to work. The Minister appointed an independent Reference Group to lead the review. Mr Patrick McClure AO chaired the Reference Group. The other members are Mr Wesley Aird and Ms Sally Sinclair.

41 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, pp. 30 and 70, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). Note that a final report was released in February 2015, *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

25 per cent), any extra earnings result in higher rent charges. This can disrupt financial arrangements and erode the rewards that income support recipients might otherwise gain from working. This effect is not experienced by income support recipients in the private rental market.⁴²

14.24 The welfare reform interim report stated further that government assistance to people in the private rental market (via rent assistance) was 'less generous than assistance provided to people in public housing'. The review concluded:

People in the private rental market receive a lower subsidy through Rent Assistance and pay higher rents than people in public housing. They may also have less stable tenancies. This can create an incentive for people to try to change to public housing.

However, public housing is limited and waiting lists are generally very long. Public housing is usually only for those most in need. This can create an unintended incentive for some people not to look for work as it could jeopardise their eligibility for public housing.⁴³

14.25 The Department of Housing and Public Works, Queensland, also suggested that the slower growth rate of income-based rents in public housing created 'a less attractive proposition for people to transition from social housing to the private rental market'.⁴⁴ Similarly, Mr Myers, National Affordable Housing Consortium, indicated that at the moment there was almost a perverse disincentive for people to move out of public housing because 'the gap between what they get now and what they would need to pay in the market is so big'. In other words, that they would 'do anything to hang on to what they have got'.⁴⁵ Mr Myers argued that the gap had been allowed to get too big.⁴⁶

42 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 70, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). The final report indicated that consultations on the interim report reinforced the need 'to address poor work incentives for public housing tenants (caused by income-based rents) and the discrepancies in government support between public and private tenants'. *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, p. 20, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

43 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 30, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015).

44 Queensland Government, *Submission 215*, p. 2.

45 *Proof Committee Hansard*, 10 September 2014, p. 53.

46 *Proof Committee Hansard*, 10 September 2014, p. 53.

14.26 In the context of deliberations on future directions for state and territory public and community housing, the welfare system interim report recommended that:

...consideration could be given to moving away from the current system of income based rents towards the use of Rent Assistance as the preferred rent subsidy scheme across both private and public tenures.⁴⁷

14.27 The committee considers Commonwealth rent assistance in chapter 22.

14.28 Clearly, the strong demand for the few available public housing dwellings and the benefits they offer—secure tenure and lower rents—have consequences for their tenants and for those seeking to fill a potential vacancy.

Need to be needy

14.29 The value that low-income earners place on living in public housing means, as noted above, that in some cases tenants may be reluctant to compromise their eligibility for such housing. For example, having drawn attention to the disparity in rents paid by public housing tenants and those in private rental, Mr Searle, Department of Housing, Western Australia, highlighted the challenge for public housing providers—'why would anyone want to move out of such accommodation once housed in it?'⁴⁸ He elaborated:

So we are seeing a lot of behaviour amongst tenants to limit their incomes, consciously, because the cost of earning that extra \$10 or \$15 per week may well be greater than the income they get if they have to move out of our [public] houses.⁴⁹

14.30 Ms Nihal Iscel, Ethnic Disability Advocacy Centre, cited cases involving some of her clients affected by losing their eligibility for public housing. She knew of one person who could have taken on extra work but did not, despite the capacity to do so, because of the fear of being evicted.⁵⁰

14.31 Along the same lines, Ms Helen Dalley-Fisher, Equality Rights Alliance, referred to older women in public housing, who reported being afraid of getting a job

47 *A New System for Better Employment and Social Outcomes*, Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services, Full Report, June 2014, p. 71, https://www.dss.gov.au/sites/default/files/documents/06_2014/dss001_14_full_report_27_june_tagged.pdf (accessed 19 January 2015). The final report made a similar recommendation—'Reduce disincentives to workforce participation by moving from income based rents in public housing and extending Commonwealth Rent Assistance to public housing tenants.' *A New System for Better Employment and Social Outcomes*, Report of the Reference Group on Welfare Reform to the Minister for Social Services, Final Report, February 2015, p. 20, https://www.dss.gov.au/sites/default/files/documents/02_2015/dss001_14_final_report_access_2.pdf (accessed 2 April 2015).

48 *Proof Committee Hansard*, 11 November 2014, p. 6.

49 *Proof Committee Hansard*, 11 November 2014, p. 6.

50 *Proof Committee Hansard*, 11 November 2014, p. 35.

with a higher salary or of working overtime in case they lost their entitlement to public housing and had to enter the insecure and unaffordable private market.⁵¹ In this context, Anglicare noted that 'considering that many public housing tenants are pressured to leave their dwelling once they have secured steady employment, it appears safer for many to remain jobless but housed'.⁵² Mr David Cant, Brisbane Housing Company Ltd, also spoke of the reduced incentives for public housing tenants to work.⁵³

14.32 In this regard, the National Affordable Housing Consortium informed the committee that the social housing system encouraged people to 'be more vulnerable, more in need' than the next person on the waiting list and for them 'to continue to demonstrate that need and vulnerability'. It suggested that while many 'face ongoing vulnerability, the system does not acknowledge, speak to, nor build on the "strengths, resilience and aspirations" of its customers'.⁵⁴

14.33 Mr Myers, CEO of the Consortium, reasoned that because access to public housing was, in effect, a competition for scarce resources, applicants must highlight their predicament at the expense of the next person in the queue. He explained further:

They must demonstrate that they are more disadvantaged and more needy than the next person. There is no focus on resilience, strength, plans for that person and where they want to be. There is a focus on them continuing to demonstrate incapacity.⁵⁵

14.34 According to Mr Myers, if the focus is on a system that encourages such dependency and where people must show they are more disadvantaged than the next person, then people will behave accordingly because of the rationing of 'a scarce and valuable commodity'. The current system was sending the clear message that a group of individuals must be 'a disadvantaged community in order to qualify for what we are going to give them'. In his words, 'we have got a philosophical as well as an economical imperative to readjust that system—and there are ways to do it'.⁵⁶

14.35 As part of the policy goal, Mr Myers was of the view that it was important to find a way to reconnect the social housing system with the market system to achieve movement across and between them.⁵⁷

14.36 Apart from discouraging households from improving their financial situation, public housing also has other shortcomings.

51 *Proof Committee Hansard*, 10 November 2014, p. 19.

52 AnglicareWA, *Submission 161*, p. 7.

53 *Proof Committee Hansard*, 10 September 2014, p. 61.

54 *Submission 101*, p. [6].

55 *Proof Committee Hansard*, 10 September 2014, p. 53.

56 *Proof Committee Hansard*, 10 September 2014, p. 53.

57 *Proof Committee Hansard*, 10 September 2014, p. 53.

Clusters of disadvantage

14.37 Other witnesses, including Mr Langford, Junction and Women's Housing, noted that the configuration and location of much of the existing public housing stock presented a problem in that it tended to create clusters of disadvantage, which also had an adverse effect on the value of those assets. As an example, he cited South Australia, where there were significant pockets of highly concentrated public housing. In his view, the challenge was 'to devise a longer term strategy to reconfigure both the physical asset—the bricks and mortar—and the social mix to break up some of those concentrations'. According to Mr Langford, some of these estates had been sold down over a period of time, but a considerable number still existed where high rates of social housing were interspersed with some private.⁵⁸

14.38 Mr Leitch noted that putting people, particularly those with high needs, out into areas that were more affordable missed the opportunity to connect them with health services, mental health services and things they needed to make a success of their tenancies. Indeed, he argued that, in many cases, it probably contributed to worsening rather than improving their circumstances.⁵⁹

Social housing—current state of repair

14.39 Not only is the supply of public housing stock shrinking, but much of the remaining stock is old and in need of repair or restoration and is increasingly expensive to maintain.⁶⁰ Stellar Living suggested that 'many of the social/affordable housing properties throughout Australia leased and rented to the public are in high need of repair'.⁶¹ Indeed, consistent with this assessment, the AIHW noted:

Some of the public rental housing stock is now at the end of its economic life and/or it does not meet current needs. Poor maintenance of dwelling stock often creates stigma and negative stereotyping of social housing tenants.⁶²

14.40 The AIHW cited Victoria as an example of where around 42 per cent of public housing stock was more than 30 years old. It noted further that some of this housing required 'significant modification for those with disability' and a large proportion of the stock needed to be renovated or refurbished before it could be re-let.

58 *Proof Committee Hansard*, 28 July 2012, p. 34.

59 *Proof Committee Hansard*, 10 September 2014, p. 44.

60 See for example, Mr David Cant, *Proof Committee Hansard*, 10 September 2014, pp. 60–61.

61 *Submission 3*, p. 1.

62 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.27, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

In its assessment, these maintenance and upgrade issues posed considerable challenges for the owners of public housing.⁶³

Sustainability of public housing

14.41 Mr Keith Jacobs, University of Tasmania, observed that the rents charged by state housing authorities were not sufficient to cover the costs of maintaining and renewing public housing stock.⁶⁴ Likewise, the Council to Homeless Persons remarked that governments faced significant operating deficits due to a combination of tightly targeting the allocations of social housing to extremely disadvantaged households and an ageing housing stock portfolio. It suggested that, as a consequence, state housing authorities were 'cannibalizing existing housing stock, resulting in low growth in the number of social housing properties available'.⁶⁵ Mr Cant also referred to the state housing authorities as landlords receiving limited income, which made 'the whole portfolio unsustainable'.⁶⁶

14.42 Importantly, the income from rent at 25 per cent of a household's income meant that the returns to the state were not high, particularly given the need to maintain run-down or ageing properties. According to Mr Pisarski, the brutal reality from the states' perspective was that public housing was 'unviable in its current model'. He explained:

We have been charging people on very, very low incomes 25 per cent of their incomes for a very long time and we have only been targeting that housing to those people on very low incomes. Where public housing was once a much broader system with a range of income groups—with workers and whatnot—in it and had internal cross-subsidy involved, it no longer has that cross-subsidy, so it is no longer a viable system in its own right. Until we start to address that, we will not fix it. This is one of the reasons I am saying we need to get our heads out of the welfare-only approach to affordable housing.⁶⁷

14.43 Mr Leitch, Queensland, agreed with the view that the trend for public housing to cater for the most vulnerable who were invariably on social security payments meant that the public housing economic model was unsustainable. He explained that the Department of Housing and Public Works had undertaken its own modelling indicating that the Queensland Government carried an annual subsidy of about \$7,500 to \$8,000 per public housing dwelling in the state. Furthermore, that figure was increasing each year as the gap between the subsidy that came into public housing

63 Australian Institute of Health and Welfare, *Housing assistance in Australia 2014*, Canberra, 2014, p.33, <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=60129549033> (accessed 18 January 2015).

64 *Submission 33*, p. 2.

65 *Submission 179*, p. 4.

66 *Proof Committee Hansard*, 10 September 2014, p. 61.

67 *Proof Committee Hansard*, 10 September 2014, p. 37.

widened from the Commonwealth rent assistance possibilities and the private sector. He explained that public housing had become a 'more deeply rationed product' where most of the people coming into that housing sector had concerns other than affordability—emergency issues needing attention, which further eroded the rent revenues.⁶⁸

14.44 Drawing a similar conclusion, the Real Estate Institute of Australia described the public housing sector as currently financially unsustainable. In its assessment, the provision of social housing was characterised by demand exceeding supply and with a large proportion of stock in disrepair yet on valuable land. It stated further:

...the system does not offer the type of housing that many tenants need; the public sector is generally less efficient in managing rental property than the private sector; except in Western Australia, there is no assistance to social housing tenants with a good tenancy record and stable incomes to make the transition to the private rental market.⁶⁹

14.45 Mr Myers, National Affordable Housing Consortium, noted that Australia had a housing supply problem, an affordability problem and a public housing system that was in terminal decline. In his view, the system was not viable with Australia selling more stock than it builds, and with 115,000 people homeless.⁷⁰

14.46 While Master Builders Australia ACT understood the challenge in providing public housing, it argued that taxpayers were entitled to see their taxes spent effectively and efficiently. It was not convinced that taxpayers were receiving value for money from the investment in public housing, describing the sector's performance at best, as mixed. It listed shortcomings in public housing, already identified in this report—the financial burden of maintaining an ageing stock of public housing and poor rent returns—but provided the following additional details:

- the average cost of providing public housing dwellings increased by around 25 per cent in real (inflation-adjusted) terms over the past decade, with the cost of land component growing by around 30 per cent;
- turnaround times for vacant public housing had risen from an average of 25 days in 2008 to 29 days in 2012; and
- some 21 per cent of the public housing stock was being used inefficiently (either under-utilised or over-crowded) in 2012, well up (just over 60 per cent) on the rates experienced in 2008 and 2009.⁷¹

68 *Proof Committee Hansard*, 10 September 2014, p. 50.

69 Real Estate Institute of Australia, *Submission 88*, pp. 14–15.

70 *Proof Committee Hansard*, 10 September 2014, p. 51.

71 *Submission 48*, p. 18.

Protect stock of public houses

14.47 Despite the dwindling and deteriorating state of public housing and the tendency for it to be located in clusters, the stock of public dwellings remains a valuable state asset. For example, the National Affordable Housing Consortium referred to the considerable asset base of public housing now held by the states, of which the Commonwealth was the major investor.⁷²

14.48 Mr Cant, Brisbane Housing Company Limited, argued that a top priority should be to protect the current stock of public and community housing. He indicated that there were nearly 400,000 dwellings, which were old and getting older and were often the wrong size. In his assessment, two-thirds of this stock in Australia needed to be 'redeveloped comprehensively'. Mr Cant valued the stock at between \$80 and \$100 billion based on 'the vacant possession highest and best used'. He noted, however, that this was not its true value which was as a community asset that generated very low rents and had quite high costs.⁷³ He also referred to the fact that in many instances around the country the stock was producing a loss. In his words, the public housing sector was a portfolio that was overvalued, not generating enough money but was terribly important to the Australian community.⁷⁴

14.49 But, as already noted, governments have been withdrawing from public housing even at a time of increasing demand for such housing evident in the long waiting lists for public housing. Arguing that states were no longer in a position to do the sorts of programs required to maintain public housing, Mr Pisarski highlighted the need to find ways to make those systems viable again. He was of the view that the not-for-profit sector was probably the solution because it was able to do things now that state housing authorities could not do and to start to build the supply. He noted, however, the need for more investment in the affordable end.⁷⁵

14.50 Similarly, Dr Ian Winter, AHURI, could not foresee state governments having a significant role in public housing provision over the next 25 years. According to Dr Winter, a vibrant housing association sector, which had 'a much bigger rent mix—a variety of income streams', would take the place of the public sector. In addition, the community housing sector had Commonwealth rent assistance subsidies coming into it as well as GST discounts and discounts on local government rates. In his view:

That is a much more viable, affordable housing program sector than trying to hang on to the state government sector. We just do not have the right institutional and organisational mix for a sustainable housing system in the 21st century. We need to get fit-for-purpose organisations up and running, and this is the not-for-profit sector. They are very good at it, they are

72 *Submission 101*, p. 6 and Mr Myers, *Proof Committee Hansard*, 10 September 2014, p. 54.

73 *Proof Committee Hansard*, 10 September 2014, pp. 60–61.

74 *Proof Committee Hansard*, 10 September 2014, p. 61.

75 *Proof Committee Hansard*, 10 September 2014, p. 37.

growing quickly, they have got the capability, they are delivering the outcomes, their tenants are happy; why wouldn't you back the growth of that not-for-profit sector?⁷⁶

14.51 Along similar lines, Professor Shane Murray, Monash University, saw the need for community housing to take on a greater role in the supply of affordable housing. To his mind, governments needed to find effective strategies, 'probably joining up with the community housing sector, to ensure that the current disaggregated public housing stock was redeveloped in an effective manner and not sold off opportunistically based on land value'.⁷⁷ Likewise, Mr Adam Mills, City of Melbourne, agreed with the intention of supporting housing associations, because, in his view, they were going to be 'the crucial stakeholder' to help manage and own the affordable housing that is needed. He suggested that should be the top priority.⁷⁸

Conclusion

14.52 The public sector used to provide much needed housing for low-income earners or disadvantaged people. But, due to inadequate funding over a period of time, the public sector is no longer meeting the growing and urgent need for such housing.

14.53 Public housing is, however, the safety net for society's most disadvantaged who require direct assistance to access affordable and secure housing.⁷⁹ Indeed, the Kingsford Law Centre referred to public housing as becoming the 'housing of last resort'. In this regard, the committee is of the view that it is unacceptable that the chronic shortage of public housing has created a situation whereby people feel they cannot improve their circumstances for fear of becoming ineligible for such housing. While understandable, this attitude is counterproductive to building a resilient and productive workforce and a strong economy. Moreover, some people in desperate need of housing assistance cannot access public housing including those with chronic health conditions.

14.54 In summary, the supply of public housing is short and waiting lists are long—properties are old and in need of repair and/or renewal and the income derived from rents is insufficient to keep the sector viable. Also, there are inefficiencies associated with the under-utilisation of properties. Even so, the public housing sector remains a valuable asset not only in dollars terms but also socially.

Recommendation 22

14.55 The committee recognises that public housing has now become the housing of last resort for many Australians with supply unable to meet the

76 *Proof Committee Hansard*, 9 September 2014, p. 24.

77 *Proof Committee Hansard*, 9 September 2014, p. 14.

78 *Proof Committee Hansard*, 9 September 2014, p. 33.

79 See for example, Mr Cameron Murray, *Submission 17*, p. 8.

demand and waiting lists far too long. With this situation in mind, the committee recommends that the Australian Government, together with the states and territories, commit to retaining an adequate supply of public housing with the goal of increasing the overall proportion of public housing as a percentage of housing stock. Targets should be established for both the proportion of social housing *and* the reduction in existing waiting lists as part of the national housing plan, working through COAG and the re-established National Housing Supply Council. The initial goal would be for the Australian Government together with the states and territories to fund public housing in order to lift the percentage of public housing from its current low base and to reach agreement on a plan to achieve this objective.

14.56 The committee recommends further that an underlying principle shaping the development or redevelopment of public housing must be to prevent the concentration of people with complex problems in the same locality and in locations removed from important services—transport, education, health, welfare and employment.

14.57 In this context of a dwindling stock of public housing, much of which is in need of repair or refurbishment, governments have recognised the benefits of growing the community housing sector. In the following chapter, the committee explores the opportunities that the community housing sector offers to provide affordable housing for low-income earners unable or struggling to meet their housing needs in the private rental market.

