



**Submission by the Australian Association of
Social Workers**

**For Senate Select Committee on Housing
Affordability in Australia**

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The AASW acknowledges the excellent work of Kate Incerti, AASW National Social Policy Committee member for developing the draft of this submission.

EXECUTIVE SUMMARY

The Australian Association of Social Workers (AASW) is the key professional body representing more than 6,000 professional social workers in Australia, about half the social work workforce. The Senate Select Committee on Housing Affordability provides a welcome opportunity for the Australian Association of Social Workers (AASW) to highlight the barriers to home ownership in Australia and the general lack of housing affordability, both of which significantly affect the individuals and communities served by social workers.

The AASW plays a key role in advocating for the most vulnerable groups in society, including those unable to access secure accommodation. Housing stability (a secure roof over one's head) is a basic prerequisite for emotional and psychological wellbeing, and for successful outcomes in family functioning, physical and mental health, education and employment. We hope that this inquiry will result in far reaching change making the Australian housing system more integrated across all three levels of Government.

KEY RECOMMENDATIONS

1. Taxes and levies imposed by state and territory governments:

The Association believes that the current system of taxing entry into the housing market is counter-productive, and recommends the development of options to ease the tax burden on low and middle income families, by moving taxation to 'exit points' rather than entry.

The Association believes that more investment ownership in the private rental market is required to improve supply of housing stock designed for the low income rental market. Investment owners should be encouraged to invest in housing stock as a commodity and consideration should be given to housing bonds as an investment option.

2. Rate of release of new land by state and territory governments:

The Association believes that Commonwealth, state/territory and local governments should establish affordable housing as a priority use for excess government land. The AASW advocates a whole-of-government approach to housing, urban design and sustainability. This demands an integrated national strategy on urban planning, including issues of transport and density of development.

3. Proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply:

The AASW believes that the First Home Owner Grant is an inadequate solution to the problem of housing affordability, as the present system privileges the first home buyer with access to private financial resources. If First Home ownership Grants are retained and means tested, steps will need to be considered to deal with the inflating effect these funds have on property prices.

4. Role of all levels of government in facilitating affordable home ownership:

The AASW recommends the initiation of a joint Commonwealth/State home ownership assistance program for moderate income earners and a review of the impact that labour market deregulation has had on housing affordability.

The AASW recommends that the Government provides financial support to those on low incomes, targeted to support affordable housing.

The AASW believes that Commonwealth, state/territory and local governments should jointly develop a National Affordable Housing Agreement that incorporates the current Commonwealth and State Housing Assistance, but which is broadened to encompass all major forms of assistance for providers and consumers of affordable housing, including capital grants, rent assistance, fee or debt relief and tax measures.

5. Effect on the market of government intervention in the housing sector including planning and industrial relations laws:

The AASW recommends that Federal and state governments take a much more active planning role in urban and regional development to ensure the supply of affordable accommodation for low to moderate income families.

6. Role of financial institutions in home lending

The AASW recommends a cost benefit analysis to assess that risk against the quantifiable benefits of assisting marginal home owners into the ownership market.

The AASW recommends that the Australian Government and state/territory governments review assistance measures for marginal home purchasers to prevent mortgage default by reducing the risk people face due to loss of income.

7. Contribution of home ownership to retirement incomes:

The AASW believe financial lending regulatory frameworks and consumer advocacy services need to be expanded and linked with Older Person Legal services and financial counselling assistance programs.

INTRODUCTION

The Australian Association of Social Workers (AASW) is the key professional body representing more than 6,000 professional social workers in Australia, about half the social work workforce.

The AASW plays a key role in advocating for the most vulnerable groups in society, including those unable to access secure accommodation. Housing stability (a secure roof over one's head) is a basic prerequisite for emotional and psychological wellbeing, and for successful outcomes in family functioning, physical and mental health, education and employment.

The Senate Select Committee on Housing Affordability provides a welcome opportunity for the Australian Association of Social Workers (AASW) to highlight the barriers to home ownership in Australia and the general lack of housing affordability, both of which significantly affect the individuals and communities served by social workers. We hope that this inquiry will result in far reaching change making the Australian housing system more integrated across all three levels of Government.

This submission is evidence based and draws on knowledge from policy, service provider and service user perspectives and peer reviewed research. The AASW makes this submission based on our own area of expertise that is as a profession that acts at the interface between the person and their environment. That environment encompasses the social, economic and political contexts.

The AASW has argued since 2003 that Australia is in the grip of worsening housing affordability (AASW Submission to the Productivity Commission Inquiry into First Home Ownership, 2003). The marked decline in affordability for first home buyers was linked to a speculative boom in house and land prices. As a result, an increasing pool of Australians was locked out of home ownership and could not find affordable rental accommodation.

The Association calls for the development of comprehensive housing policy that considers the issues of affordability, location, and security of tenure. These issues are of particular concern to the AASW

Four significant interactive forces, including globalisation, economic change, individualisation and neo-liberalism affect the lives and prospects of individuals, families and communities, because they are changing the nature of the labour market and the nature of family life" (McClelland, 2003). These forces shape Australians' participation in the housing market, in combination with social and demographic changes such as deferred marriage, delayed parenting, student debt, changes in size of households due to an ageing population, and a rise in the number of single person and single parent households.

This submission addresses each of the specific areas of this inquiry in the rest of the paper.

1. TAXES AND LEVIES IMPOSED BY STATE AND TERRITORY GOVERNMENTS

Housing affordability is linked to fiscal policies. Tax assistance is currently poorly targeted to high income earners and is not effective in improving supply of low cost housing. Negative gearing and weaknesses in the Capital Gains Tax, such as the unlimited exclusion of the family home, create inequities in distribution.

The Association believes that the current system of taxing entry into the housing market is counter-productive, and recommends the development of options to ease the tax burden on low and middle income families, by moving taxation to 'exit points' rather than entry.

The Commonwealth Government is encouraged to examine alternative economic policy to make housing more affordable for low income earners. The established crisis in housing affordability is heavily influenced by federal taxation and payment subsidies to residential property investment. This has inflated the value of housing and has developed a system that encourages investment ownership, as opposed to first home ownership; this in turn places increased pressure on rental prices.

The Association believes that more investment ownership in the private rental market is required to improve supply of housing stock designed for the low income rental market. Investment owners should be encouraged to invest in housing stock as a commodity and consideration should be given to housing bonds as an investment option.

The needs of a significant proportion of the population are not met by home ownership. Some people will never achieve home ownership. Others will cycle in and out of ownership, perhaps renting for significant periods of time in their housing careers. The Association believes that housing policy centred on a dominant paradigm of home ownership, fails to consider the evidence on economic and demographic changes, the rationality of renting for many Australians. Home ownership is not inherently virtuous, and does not make economic sense for everyone.

2. RATE OF RELEASE OF NEW LAND BY STATE AND TERRITORY GOVERNMENTS

2.1. Better use of government land:

The Association believes that Commonwealth, state/territory and local governments should establish affordable housing as a priority use for excess government land. Whilst the rate of release of land is a concern in some States, a much more important issue is the failure to obtain and retain land in a range of inner, middle, and outer city areas for the provision of affordable housing through either public, not-for profit, or dedicated private supply.

2.2. Low-income households and sustainability:

The Association has significant concerns about the cost and availability of energy and water, and the separation of many outer suburbs and disadvantaged areas from job opportunities and good public transportation.

Given the enormous challenges these issues present to the Australian community, the AASW advocates a whole-of-government approach to housing, urban design and sustainability. This demands an integrated national strategy on urban planning, including issues of transport and density of development.

3. PROPOSED ASSISTANCE FOR FIRST HOME OWNERS BY STATE, TERRITORY AND THE COMMONWEALTH GOVERNMENTS AND THEIR EFFECTIVENESS IN THE ABSENCE OF INCREASED SUPPLY

In its final report (2004), the Productivity Commission's Inquiry into First Home Ownership recommended means testing of the First Home Owners Grant because of its capacity to fuel market demand. This recommendation was not implemented and as at 2008 the grant is still not means tested. The First Home Owners Grant is available to any first home buyer who can meet the criteria, rather than being targeted at low to moderate income groups to assist them to meet the cost of a deposit.

The AASW believes that the First Home Owner Grant is an inadequate solution to the problem of housing affordability, as the present system privileges the first home buyer with access to private financial resources. If First Home ownership Grants are retained and means tested, steps will need to be considered to deal with the inflating effect these funds have on property prices.

4. ROLE OF ALL LEVELS OF GOVERNMENT IN FACILITATING AFFORDABLE HOME OWNERSHIP

For some groups historically, affordable home ownership has offered security of tenure and a choice of location, therefore enhancing access to employment opportunities. Others have found that home ownership is not sufficient to balance the inequity in distribution of employment opportunities across the metropolitan/rural divide. Any economic advantage operates as a one-way trend: metropolitan home owners downsizing may benefit from cashing up a city property and moving to a rural area. But there are few jobs to move to, and they cannot reverse the process. For those still engaged in the labour market, home ownership is not automatically a benefit in employment. Home ownership in an economically depressed area, with a depressed housing market, may not confer an advantage in job seeking. Escalating house prices mean that many low to middle income earners are no longer able to purchase a home at all, quite apart from choosing an area that is close to employment.

Labour market deregulation in Australia has compounded regional economic differences, and affected the availability of work. The costs of labour market restructuring have been unequally distributed across the Australian community. The ratio of 'jobless families' has risen, many of whom come from culturally and linguistically diverse or Indigenous backgrounds.

Unemployment, under-employment and the casualisation of the labour market make it difficult for individuals and families to meet housing costs. Part time, casual and contract workers may struggle to obtain home loans. Others face excessive household debt as they struggle to meet mortgage repayments. At the same time, injudicious over lending by financial institutions has placed families under considerable economic stress.

The AASW recommends the initiation of a joint Commonwealth/State home ownership assistance program for moderate income earners and a review of the impact that labour market deregulation has had on housing affordability.

The AASW recommends that the Government provides financial support to those on low incomes, targeted to support affordable housing.

The AASW believes that Commonwealth, state/territory and local governments should jointly develop a National Affordable Housing Agreement that incorporates the current Commonwealth and State Housing Assistance, but which is broadened to encompass all major forms of assistance for providers and consumers of affordable housing, including capital grants, rent assistance, fee or debt relief and tax measures.

5. EFFECT ON THE MARKET OF GOVERNMENT INTERVENTION IN THE HOUSING SECTOR INCLUDING PLANNING AND INDUSTRIAL RELATIONS LAWS

The AASW supports evidence-based approaches in the use of public money, and recommends that the Australian Government investigates successful models of government intervention in the housing sector. The AASW flags the need for an integrated approach to fiscal, industrial and housing policies.

The Association understands that there currently is a lack of incentive for the business sector to invest in the construction of affordable housing. Investment is directed to high cost housing which yields good financial returns and attracts the benefits of negative gearing and other tax concessions.

The AASW recommends that federal and state governments take a much more active planning role in urban and regional development to ensure the supply of affordable accommodation for low to moderate income families. This cannot be left to the operation of the market.

6. ROLE OF FINANCIAL INSTITUTIONS IN HOME LENDING

Due to steadily increasing interest rates, average monthly payments on new home loans have increased by around 50 %, with increasing rates of mortgage defaults emerging throughout the country. The difficult housing situation in Australia for families on low incomes has worsened in recent years. Studies have demonstrated that the market is failing to provide sufficient levels of new accommodation at the lower-cost end of the market to match the demand.

The AASW believes that the Australian and state/territory governments should cautiously investigate targeted non-profit shared equity schemes as these may significantly cut the cost of home purchase for low-middle income households. The history of shared equity schemes suggests that they require rigorous pre-selection of appropriate borrowers, and are as risky as sub-prime lending has proved to be. Also, commercially they are expensive and risk driving prices up in the general market. They may offer one option in a more highly regulated market. In any shared equity scheme home owners need to be in control of their home and risks and costs fairly shared so require far greater transparency and safe guards than exist currently in our very poorly regulated financial system.

The AASW recommends a cost benefit analysis to assess that risk against the quantifiable benefits of assisting marginal home owners into the ownership market.

The AASW recommends that the Australian Government and state/territory governments review assistance measures for marginal home purchasers to prevent mortgage default by reducing the risk people face due to loss of income.

7. CONTRIBUTION OF HOME OWNERSHIP TO RETIREMENT INCOMES

The current group of Australians aged 70 + years has experienced some of the highest rates of home ownership within the OECD countries (70%). The growth in reverse mortgages has been noted by some of our members around Australia who are working predominantly with older people in housing stress some of whom have previously owned their home. An alarming trend observed by some of our members has been the emergence of elder abuse-that is families pressuring an older homeowner within their family to enter into a reverse mortgage and handing the funds over to them.

Other members have commented that older people have fallen out of home ownership as health, disability or family breakdown have occurred late in their working lives and individuals have had to return to the rental market at a time which has seen the lowest rates of vacancy and affordability for decades.

Divorce and separation now form a common route from home ownership into rental tenure. The division of assets during a marriage has the capacity to fast-track individuals and families into poverty, with a flow-on negative effect on superannuation and retirement incomes.

The nexus between health and housing provision is well demonstrated in the area of aged care. Policies designed to reduce the costs of premature admission to residential aged care by providing services and case management for the frail aged or disabled person in their own home, are predicated upon the individual's having stable accommodation – preferably privately owned and capable of being modified as necessary.

A popular 'sea change' for older, retired Australians includes the cashing up of their equity in a city property, and downsizing to a residential park in a coastal or scenic area.

Some of these older Australians have sought to maximise scant resources in retirement by purchasing mobile homes and locating them in mobile home and caravan parks. This group was identified by Chamberlain and MacKenzie (2003) in their analyses of the 2001 Census data as being marginally housed and at risk of homelessness. This brings people into the rental market again, as it separates the ownership of land from the ownership of moveable property – residential park residents may own their dwelling but rent the land on which it is located. As the security of these ‘residential parks’ varies and suburban areas start to encroach on previous settled caravan parks, some of our members have noted an emergent trend of older retirees becoming homeless as the land is sold and people have nowhere to relocate their large ‘mobile’ home.

The AASW believe financial lending regulatory frameworks and consumer advocacy services need to be expanded and linked with Older Person Legal services and financial counselling assistance programs.

CONCLUSION/KEY RECOMMENDATIONS

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REFERENCES:

AASW, 2003, Submission to the Productivity Commission Inquiry into First Home Ownership

AASW, 2007, Housing Affordability Position Paper

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McClelland, A, 2003, A Sense of Purpose: Rediscovering the direction for public housing policy in Australia. Barnett Oration, Centre for Public Policy, University of Melbourne.Oct.30