



A National Shelter Submission to the Productivity Commission Reforms to Human Services

Issues paper December 2016

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Introduction

Access to safe, secure, affordable housing underpins the economic and social well-being of Australian households and their communities. Housing provides physical shelter as well as stability and security which are the critical foundation for people to participate in education and employment and actively engage in civic and economic life. The high cost of privately renting and home purchase in recent years has led to significant levels of housing stress (housing costs greater than 30% of household income) among low and moderate income households and a significant rise in the number of people seeking assistance from homelessness service providers due to financial hardship.

National Shelter strongly supports the principle of informed user choice and draws on previous work to develop tenant engagement practices, promote user rights and improve access to housing choices. This submission adds to our previous submissions to the Inquiry by National Shelter and primarily focusses on the issue of Informed User Choice however, in addressing this issue there are significant preconditions which are absent in the current system. National Shelter also points to errors in the issues paper concerning the social housing system, its purpose, its history and the false analysis of inequity it purports between people in social housing and those receiving other forms of government assistance.

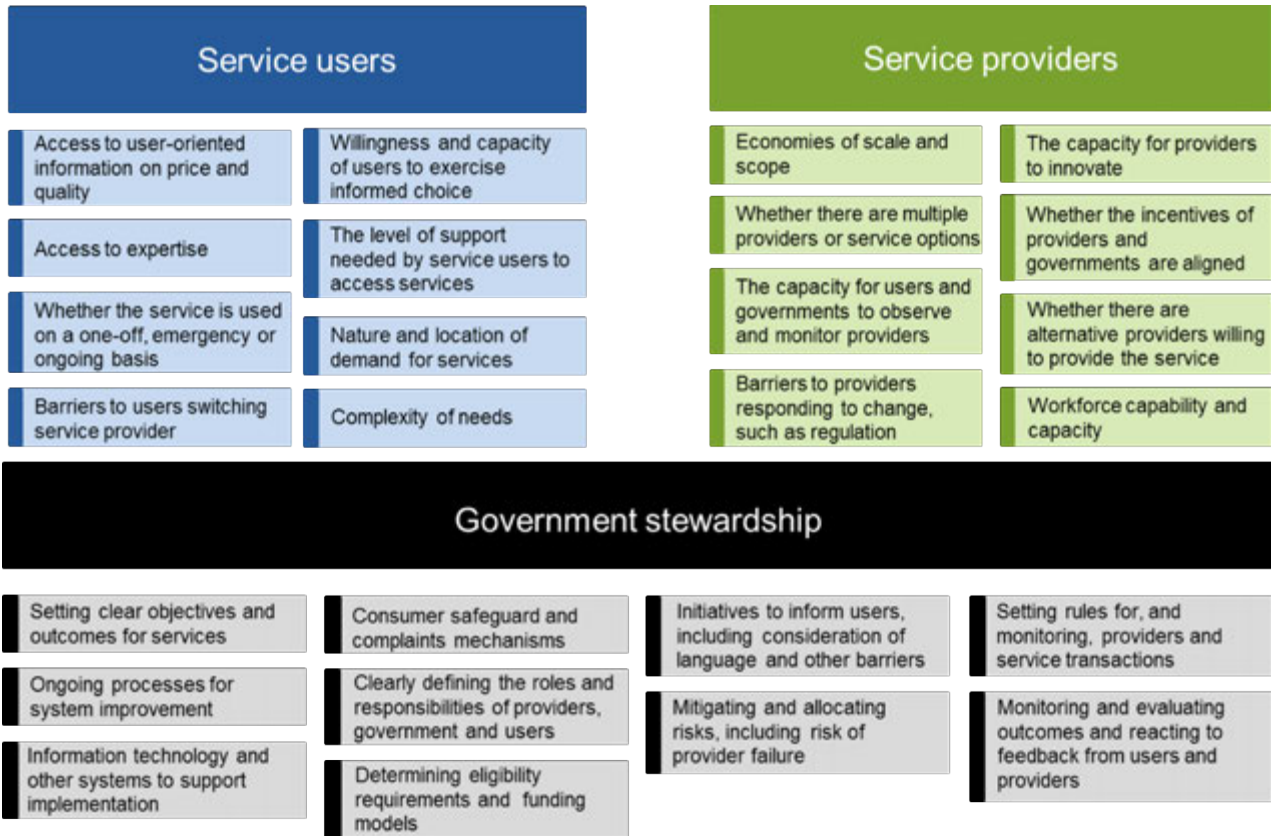
The Productivity Commission must not assume there is an easy transition to some purer form of providing assistance, especially in social housing, by adapting a private market, formulaic approach to the provision of human services. While National Shelter accepts that social housing is a suitable candidate for reform and that increased competition and contestability may improve service delivery, the picture is more complicated than the issues paper explains and not immediately obvious. This submission will tease out the complexities around social housing and service delivery to assist the Productivity Commission to gain a fuller understanding of the issues involved. National Shelter welcomes the opportunity to participate in this discussion.

Characteristics of Human Services

National Shelter notes the way human services are described in Figure 1 of the Productivity Commission's issues paper. The Figure is a reasonable descriptor of human service provision but it fails to include the issue of sufficiency which National Shelter has consistently raised in previous submissions, which are recognised in the latest report but missing from Figure 1. In our view, informed user choice is impossible without sufficient supply and currently consumers have no choice as priority waiting lists ration existing housing. Citizens often wait for very long periods before receiving an offer for public or community housing and when offers do occur there can be little or no choice involved about where they will live, or the type of property they are offered.

In fact in most jurisdictions applicants risk being taken off the waiting list completely if they refuse the third property offered to them, irrespective of its level of amenity or the extent to which it meets needs and preferences. National Shelter recommends that within Government Stewardship a requirement to ensure sufficient supply to enable informed user choice should be included.

Figure 1 Characteristics of human services

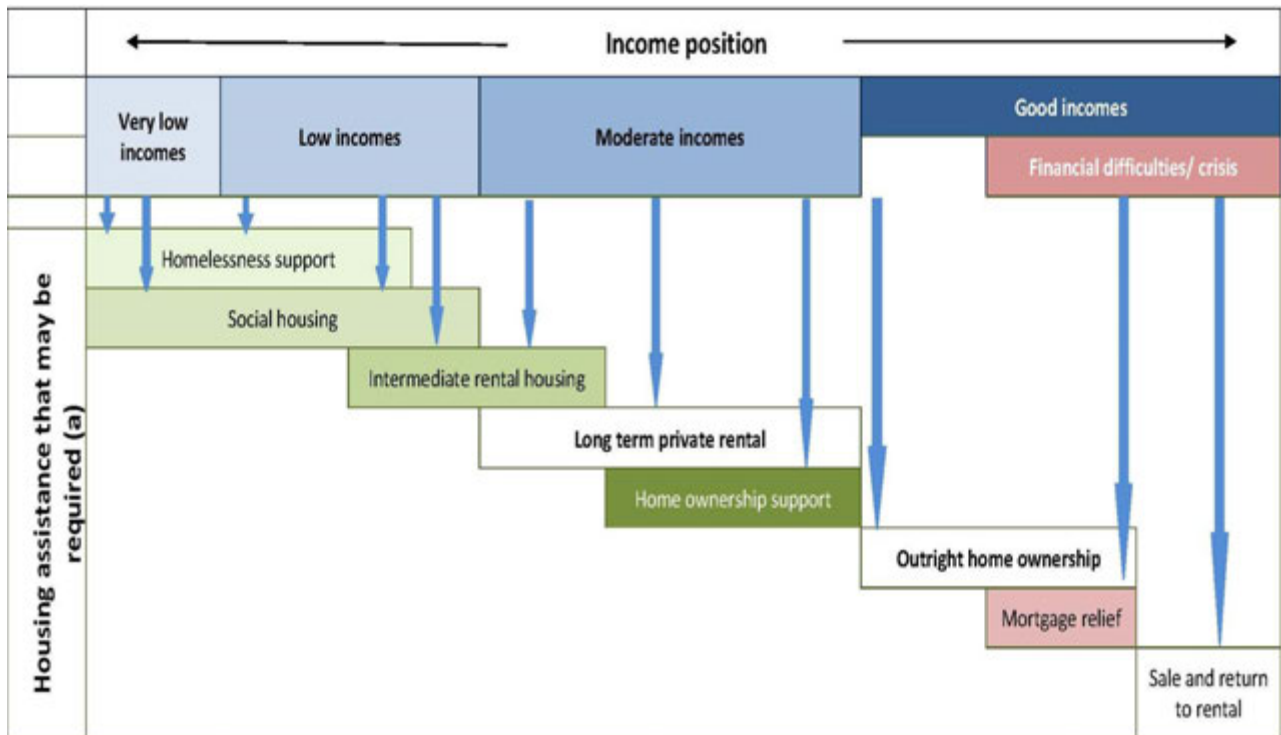


The Social Housing System and Government Assistance

Australia’s social housing and housing assistance programs sit across a range of government portfolios and include aspects of both revenue and spending. Social housing needs to be seen within the context of our housing system overall to appreciate its importance, complexity and relationship to the wider housing system.

National Shelter uses the following diagrams to characterise where we believe governments may intervene appropriately to address the current shortfall of affordable housing and the many systemic issues which affect Australia’s ability to meet the growing need for affordable and social housing, rather than the piecemeal approaches we have seen recently. For example, the National Rental Affordability Scheme (with some improvements) could assist and has assisted, many renters, however the way it was implemented and on its own, cannot be compared to the improvements to affordable and social housing that systemic change could achieve.

Figure 1 - Matching Assistance to Need



a) This diagram is intended to show the types of housing assistance that may be required by people depending on their income. Not all people on each income level will require support.

We see Australia as facing four key housing challenges and propose a four-pronged approach to meeting these challenges, as summarised in Figure 2. Figure 2 - Meeting the Challenges



This needs to be seen as a total package, and Australian governments need a structure and process that can look at these issues in a coherent, integrated way.

Government Stewardship goes beyond the role of setting objectives, outcomes, regulation, monitoring and evaluation and in National Shelter's view must ensure that social housing provision, management and accountability is part of a National strategy for adequate housing supply at a range of prices for the spectrum of Australian household incomes, including the lower quintiles.

We understand that the brief of the Productivity Commission is to inform government about how to improve social housing provision but this may not be achieved without understanding the role of social housing in relation to broader renting, home ownership, investment in housing all of which the Commonwealth has a key role to oversee.

The States and Territories have a principal role around planning and land use and have traditionally controlled social housing programs but the Commonwealth controls the tax system which sets incentives for investment and ownership, provides assistance through the welfare system to renters in the general private rental market and provides assistance to home owners via tax concessions and grants. Getting the range of incentives to balance across the entire system and jurisdictions is key to adequately providing, expanding and managing social housing and housing assistance.

Instead of a retreat from National responsibility, National Shelter stresses the importance of National stewardship for housing, encourages the Commonwealth to take up this role and would welcome an opportunity to work more closely on housing policy with the relevant Ministers, their advisors, departments and the community.

Social Housing Other Housing Assistance

The Productivity Commission's report cites a number of reasons the social housing system is not as effective as it could be including the following:

- There is little incentive for tenants to exit the system;
- Over 40 per cent of tenants in public housing in 2015 had been there for over ten years (AIHW 2016b);
- The system produces inequitable outcomes. Households with the same income and characteristics can receive vastly different levels of assistance, depending on whether or not they are able to access social housing or receive assistance to rent in the private market;
- Properties are no longer fit for purpose; and
- Social housing properties are in an unacceptable condition and are underutilised.

National Shelter contests some of these claims while accepting there is room for reform. We will contextualise the above dot points to avoid the Commission reaching conclusions based on a limited understanding of the issues raised. Firstly, fewer tenants leave the system, not because there is little incentive to leave, but rather because there is great disincentive to leave. One of the most prominent misconceptions about public housing is that income based rents have led to so called work disincentives. This has come about because of the lower workforce participation of public tenants compared to the general population. As found by the Productivity Commission itself:

“In a pioneering study using several large administrative databases the Commission determined that relatively low employment rates among public housing tenants are explained by the characteristics of tenants, not their receipt of housing assistance.”

Similarly, in looking at incentives to stay and the length of stay in public housing it is the characteristics of tenants with high and complex needs which need to be considered. This also applies when comparing different forms of housing assistance. The same Productivity Commission report found that:

“Public housing tenants are different from other Income Support recipients in several ways that might affect their participation in employment (table 1). Public housing tenants, for example, are much more likely to be receiving the Disability Support Pension (DSP), tend to be older and, if jobseekers, are much more likely to have been

assessed as facing significant or severe barriers to employment. They are also more likely to live in areas of higher socioeconomic disadvantage. CRA recipients tend to have characteristics more like those of Income Support recipients who don't receive housing assistance."

National Shelter strongly cautions against the arguments regarding lack of incentives, length of stay, and "inequity" when comparing forms of assistance. It is the design of public housing eligibility and allocation that makes it easy to reach false conclusions. The characteristics which mean people stay longer and have higher levels of government support in public housing compared to Commonwealth Rent Assistance recipients with similar characteristics in the private market, are design features of the system and generally appreciated by tenants. Social housing consistently records high satisfaction levels from tenants.

Social housing is extremely highly targeted to people living with high and complex needs as well as very low incomes. Paying an income based rent ensures housing affordability for almost all social housing tenants. It is true that tenants in private market rental housing pay far higher proportions of their income may have some similarity to social housing occupants but it is not equitable to suggest levelling the playing field by increasing rents paid by tenants in social housing.

As the Commission's own report states; "Equity of access might not lead to equity of outcomes from human services. Some people have greater need than others, and achieving similar outcomes might require allocating more resources to serve those who face the biggest challenges."

Most recipients of Commonwealth Rent Assistance however, are not the high need very low income individuals and households who are allocated social housing and National Shelter argues that equity demands that the social housing system is expanded to be able to accommodate those not in social housing currently who live with the same or similar circumstances to those in social housing. Again, this issue comes back to a discussion about sufficiency and the declining level of social housing in Australia relative to population.

National Shelter will not support the abolition of rebated rents for tenants on fixed and low incomes in favour of rents linked to market asking prices, compensated for by the increasingly inadequate Commonwealth Rent Assistance Payment.

Making all tenants worse off to address the identified treatment of differential levels of housing assistance to households in similar circumstances is not the kind of equity we seek for housing consumers. People are in public and income based community housing precisely because competition policy in the private market has not delivered rental homes for them at prices they can afford without compromising health and wellbeing.

If the Commonwealth is serious about improving housing affordability and reducing homelessness, National Shelter recommends an investment in the growth of public and community housing over a five to ten-year period in order to gain a reduction in demand and use of homelessness services, presenting a potential saving to the Commonwealth.

Informed User Choice

The Productivity Commission is seeking information on the potential to introduce greater user choice to the six priority areas considered in this inquiry. This includes information on:

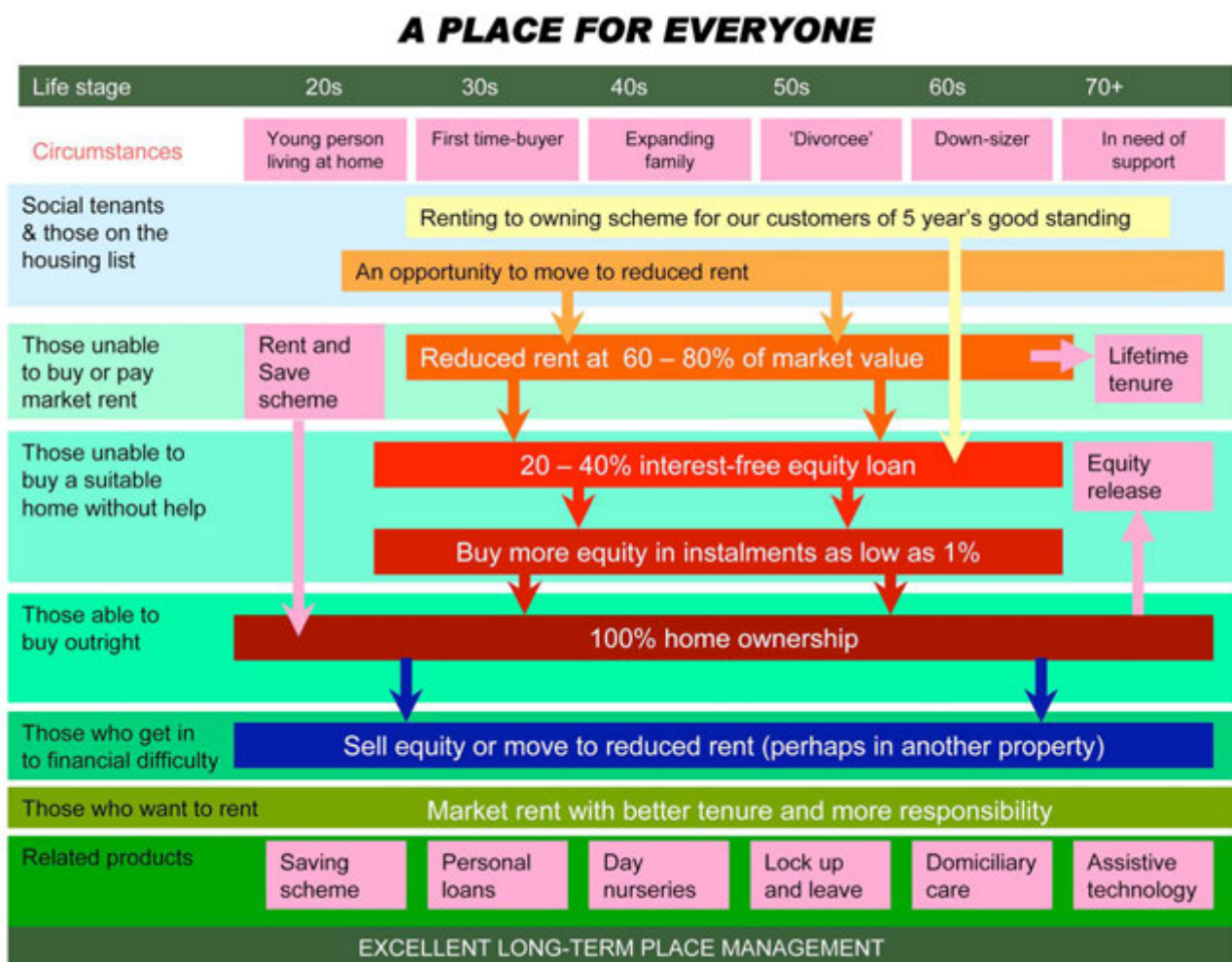
- How user choice could lead to improvements in the quality, equity, efficiency, responsiveness and accountability of service provision;
- Lessons from previous reforms, in Australia or overseas, to introduce greater user choice in human services (specific examples outlining how user choice was introduced, the costs and benefits of the reform, and the ways in which the reform could be applied would be welcome)
- The supports needed for users to exercise informed choice (examples could include the provision of user-oriented information, access to third party expertise or a system navigator);

- How to support users with complex needs, or a reduced capacity to make informed choices; and
- How to overcome the challenges of introducing greater user choice in regional and remote areas.

National Shelter strongly supports the introduction of greater user choice in accessing housing and allied services. Ideally, users could choose housing to suit location, amenity, cost and which could be allied to a range of possible supports that might be aligned to their needs. The largest housing provider in the United Kingdom, Places for People, uses an extensive interview assessment process to correctly and efficiently place people as tenants and clients within their extensive service system.

They work on the basis that people’s lives and circumstances change and accept that the housing they offer needs to be able to adapt to household needs as they do. Places for People (PfP) see their role as being able to offer housing for life where the tenure, price and levels of support may change through a service user’s tenure with them. National Shelter recommends the Places for People process as the best model on which to explore user choice within and across services. This is offered by PfP within a single provider but in an Australian context could be adapted across providers.

The Places for people process is presented diagrammatically below:



Issues around the connection between social housing tenants and a range of service supports in Australia exist largely due to the absence of resources dedicated to linking social housing tenants to education, training, employment, allied health and other social services. Many

community housing providers who have the scale to do so are active in linking service systems, some provide scholarships, and have dedicated staff who provide linkage services. Other providers participate in local service networks and utilise those inter-agencies and networks to link tenants to other service systems but much more could be done. Again, the lack of dedicated resourcing is a key. However, examples like Australia's St. George Community Housing scholarship programs and their programs linking younger tenants into education, training and employment show what may be achieved in a system without government programs but through the capacity of a larger community housing provider.

Informed consumer choice however does not inherently flow from either competitive or contestable markets. In the private rental market, low vacancy rates and strong competition for limited properties has driven up prices. Tenure insecurity often coerces tenants into making pressured or rushed choices. For example, having only a few weeks to vacate a property means choices are constrained. Availability, price and location as well as amenity and proximity to jobs and services and community facilities such as schools should all play a role in informed consumer housing choices.

In reality these often give way to more immediate concerns like avoiding becoming homeless in the three or four weeks since notice to vacate. Tenants in the private market often do not have the privilege of making informed consumer choices. They may feel compelled to accept a property offered that does not meet their needs or housing preferences and compromises education outcomes for kids and employment opportunities for adults.

Nowhere in the Commission's reports has it made the case that the increased application of competition and contestability in social housing will lead to more informed consumer choice.

The Commission must not finalise deliberations without addressing this country's comparatively weak tenancy legislation which offers little security of tenure to private tenants further constraining informed choice and control over long term decision making (selection of schools, connection to community and place, career pathways, etc.)

This situation is exacerbated for private tenants by federal taxation settings that encourage speculative short selling by rewarding investors who hold an asset for 12 months and 1 day with a generous capital gains tax discount. Hardly surprising then that recent data by choices finds most private tenants are on 12 month and periodic leases. Equally unsurprising, most social tenants are reluctant to give up security of tenure, stability and income based rents keeping them out of housing stress for the key to an uncertain future offered by private rental. If competition policy has not made life better for private tenants, what assurances can the commission offer it will do so for social tenants?

Tenant Engagement and participation

Attesting to the importance of tenant engagement, the National Community Housing Regulations require all providers to provide evidence of the success of tenant engagement policy and practice in order to become registered providers. National Shelter fully supports tenant engagement practices to ensure better outcomes for tenants, housing organisations, governments and communities.

The world of business has linked customer satisfaction and feedback with quality improvement activities for many years. The health consumer movement began decades ago, particularly in the mental health and physical disability arenas and more and more health services have realised the inherent value in hearing from their patients in order to improve their effectiveness and efficiency. Social housing providers do not operate to make a profit, nor are they directly concerned with health, but placing their 'customers', their tenants, at the centre of what they do has the potential to improve the lives of people living on low incomes *and* the places where they live. Social housing providers must actively harness their tenants' voices, knowledge and ideas to add value to their work to achieve place-making objectives and positively influence local people and neighbourhoods.

For people who are living on low incomes, especially those who rely solely on Centrelink payments as their only source of income, social housing plays an extremely valuable role in providing affordable and appropriate housing and enabling participation in society. Many people who are living with disabilities and receive the Disability Support Payment have a

strong desire to work however, there are barriers that prevent them from attaining and maintaining employment including the stigma associated with physical and mental health issues and the availability of the support they need in their day to day lives. Many people who receive Newstart or Sole Parent payments would also prefer to work but face employment barriers. Surviving on these very low incomes presents a challenge to all especially when there is a housing affordability crisis and a dramatic increase in the cost of living that places basic needs beyond their reach.

Participation and engagement occur on a continuum, with simple information provision at one end and engagement at the opposite end. The International Association of Public Participation Australasia offers a wide range of references, tools and training opportunities for those who are interested in learning more (www.IAP2.org.au). Engagement can be defined as two-way dialogue, shared power and the ability of all stakeholders to influence decision-making. When people are living with disadvantage, they not only face employment barriers, but also barriers to participating in civic society and their surrounding neighbourhoods and networks. It is acknowledged that large institutions, like state housing departments, face barriers to engaging their 'customers' on a personal level and their activities often remain at the participation end of the continuum. Community housing organisations, with their more localised and niche markets, arguably have more capacity and opportunity to engage their tenants.

The principles and practices of community development provide an excellent framework to guide government and non-government agencies, small and large, to work towards better tenant engagement. Supporting and resourcing people to take collective action around the issues that affect them can empower them to create a sense of control over their own lives. Behaviour change theory demonstrates that to bring about change aimed at improving the quality of life of people living on low incomes and encourage them to share resources and information requires the accurate identification and engagement of all those who have a stake in the issue at hand. The primacy of consumers within stakeholder engagement processes is an important aspect of hearing directly from the people affected by the decisions, policies and services provided by landlords. The term place-making is often associated with social housing and urban renewal but without the involvement of tenants, residents, neighbours AND developers, builders, local governments, businesses, policy makers and other decision makers, it is unlikely that activities that aim to create people places will succeed.

One focus group with tenants of a South Australian community housing organisation found overwhelmingly that security of tenure that had been realised upon coming to live in community housing and the effects of insecure tenure participants had experienced prior to taking up residence in their current homes. At face value, this finding is not surprising, but unless people feel safe and secure it is unlikely that they will be able to actively contribute to society. Social policy goals contain assumptions about paid employment as the only means by which people can contribute to society however, it is argued that often people need opportunities to feel safe, secure and participate socially as a pre-cursor to seeking employment. Importantly, focus group participants said that they had also noticed increased opportunities to participate in their landlord organisation since it adopted a tenant engagement approach and felt positive towards this change. Good tenant engagement is informed user choice at its best and National Shelter strongly encourages the Productivity Commission in this area.

Competition and Contestability

Informed user choice may be enhanced by greater competition and contestability, but as previously noted not until there is sufficient supply to allow choice and make it meaningful.

At present many housing providers view competition and contestability, and even user choice, as a contest between state housing providers and community housing providers. In many jurisdictions housing providers have their own wait lists, eligibility and allocation processes while working within a framework established by state governments. In Queensland the One Social Housing System (which may be about to be reformed) insists on a common eligibility, allocation and list management system across both public and community housing, aspects of which also extended to the eligibility and allocation of properties under the

National Rental Affordability Scheme. This isn't genuine competition and doesn't lead to real informed consumer choice.

Even where states transfer (under management and with ownership) dwellings to community providers it is generally to a single provider in a specific location which doesn't increase competition even if there has been contestability between providers through a tender process.

A recent example is the, now cancelled, proposal to transfer 5,000 dwellings in Queensland under the Logan renewal initiative. While more than 10 providers, including three consortia, some of which involved commercial partners, contested the tender process, which in itself was an expensive exercise, there was eventually one successful bid who would have taken over monopoly control of all social housing in Logan.

Alternatively the process could have resulted in multiple providers controlling portions of that supply (government may even have retained a percentage) and competing to attract tenants and meet net new additional supply targets. This may have provided added incentive in bids, lowered risk across the scale of allocations and led to some level of genuine consumer choice where tenants may have had the option to choose among providers. Even though supply would have still been constrained and rationed it may have engenders some informed user choice.

Within such a resourced model tenant engagement within and across providers could have enhance choice and provided consumer pressure on providers to perform in tenant and property management, additional provision and amenity.

Contestability should avoid the scenario we have now with "Job Active Services" and Disability Employment Services where multiple players hold contracts in the first instance gradually consolidating, merging or losing contracts resulting in a few multinationals and two not-for-profits delivering most Government funded employment services in a quasi-market with significant public subsidies resulting in dividends for shareholders instead of improved service provision and enhance consumer choice.

Conclusion

Most tenants are in public housing precisely because the private market can't or won't deliver housing at price points they can afford or with the liveable and accessible features many tenants with disabilities need.

Social housing is primarily an alternative to a market model with eligibility and allocation adapted to meet high demand for very limited supply in a rationed form of housing. Australia's social housing systems began as alternatives to home ownership for low income working households and as places to provide secure tenure for households unable to access housing in private markets. It has increasingly been targeted to higher need and low income households resulting in a declining and arguably non-financially viable system where subsidy + rental income doesn't meet the cost of provision.

Our social housing system needs to be broadened to an affordable housing system, increasingly provided by not for profit community providers, supported by appropriate government incentives which also attract private finance to provide an expanding model of provision which is also capable of renewing existing, inappropriate and often ageing dwellings gradually transferred from government to community housing providers whose increasing scale will allow for further growth, lower cost of finance, reduced risk and enhance and informed consumer choice.