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AUSTRALIAN ASSOCIATION OF SOCIAL WORKERS

Submission to the Productivity Commission

Commonwealth Inquiry on First Home Ownership

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WHO ARE THE AUSTRALIAN ASSOCIATION OF SOCIAL WORKERS?

Australian Association of Social Workers (AASW) is a national organisation representing over 6,300 social workers in Australia. Our members work in both government and non-government practice, research and policy settings, providing extensive knowledge and expertise to the AASW on various social issues.

The membership is represented by ten branches located in each state and territory of Australia, including additional branches in north Queensland and the Hunter region of NSW. Each branch has a representative on our Board.

The AASW represents issues that its members believe are of primary concern to the social work profession, at the national level through:

- The development and maintenance of a Code of Ethics and a subsequent complaints process
- A commitment to professional development for social workers
- National committees and working parties including a National Social Policy Committee
- Contributing to the Federal Government's policy and program development via submissions
- Advocating for the rights of the disadvantaged and/or marginalised through media releases and the development of position papers by the Association
- Networking and forming partnerships to achieve positive outcomes for disadvantaged and/or marginalised people including representation on Boards of other peak organisations.

The AASW has developed its own policies and evaluates social policy in accordance with the following values:

- **Human Dignity and Worth** – The social work profession holds that every human being has a unique worth and that each person has a right to well being, self- fulfillment and self-determination, consistent with the rights of others.
- **Social Justice** – Each society has an obligation to pursue social justice, to provide maximum benefit for all its members and to afford them protection from harm.
- **Service to humanity** – The social work profession holds service in the interests of human well being and social justice as a primary objective.
- **Integrity** – The social work profession values honesty, reliability and impartiality in social work practice.
- **Competence** – The social work profession values proficiency in social work practice.

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Introduction

The AASW welcomes an inquiry into housing affordability, but expresses disappointment at the limitations of the inquiry into first home ownership. As noted by Senator Bartlett in question time on 10 September 2003, the reduction of investment in public housing and the rise in private rental costs are afforded little opportunity for examination within the terms of reference (Bartlett, 2003). The inquiry fails to encompass housing affordability for those Australians on low incomes who are impacted most by these issues. If housing affordability is not addressed for those on low incomes, then Australia may face an increase in homelessness and the social problems that accompany a lack of safe, secure and affordable housing.

The AASW's members are at the coalface working with people experiencing homelessness and housing stress. They work within agencies struggling to assist families to find affordable housing, trying to help them find ways of managing inadequate incomes to meet rising housing, health and educational costs. Their needs are often subsidised by an under resourced non-government sector. The struggle cannot continue without more investment from governments and the private/business sector.

The AASW is aware that an inquiry into housing affordability in Australia must take place within a social, political and economic context. We acknowledge the expertise of the Productivity Commission in understanding the economic context, therefore we base our submission on our own area of expertise, the interface between the person and their environment, that is the social and political contexts that we all live within. The focus of our submission is on housing affordability, security of tenure and location. We will discuss in particular, the failure of housing policy to deliver affordable housing for low-income Australians via public housing or the private rental market.

How Housing Policy is Failing Australians

Australian housing policy enshrines a number of housing assistance programs. These include Public Housing, Rent Assistance, Supported Accommodation Assistance Program, and the First Home Owners Grant. Comprehensive housing policy should consider the issues of affordability, location, and security of tenure. These issues are of particular concern to the AASW and we devote the rest of this submission to discussing them.

Affordability

'There are four significant interactive forces; globalisation, economic change, individualisation and neo-liberalism, affecting 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, in addition to other social and demographic changes such as deferred marriage, delayed parenting, changes in size of households due to an aging population, and a rise in the number of single person and single parent households, have all impacted on how Australians participate in the housing market. There is a trend of homeowners returning to the rental market following family

breakdown/divorce, unemployment, redundancy and bankruptcy (Housing Justice Roundtable, 2003:19). A range of personal crises can also lead to housing stress or can be caused from housing problems. Some of these such as mental illness, family breakdown, substance misuse and social isolation are problems that are steadily increasing in Australian society.

The AASW's members work with many groups that face extreme hardship in finding and maintaining affordable housing including; the aged, people with disabilities, youth and women who are often the head of single parent households. We include below examples of housing stress and homelessness presented by AASW member Kate Incerti to the AASW 2003 National Conference – *Cooperating for Social Justice*:

“I have no where to sit...they move me on. I don't know how long I will be able to stay here...You don't want to complain about the food because where else would I go”...It is so cold in this flat, but since my husband died and I am on a single pension I can't even afford an electric blanket.... They told me there is a 15- year wait for public housing but I am 87... Now I have left the detention centre but I can't work or earn or get housing ... (20 year old single Afghani orphan.).... I have no- where to go...It doesn't feel like you are in a stable situation, that it is a permanent place, especially when you have children. It doesn't feel like home (single parent with child).... .The main problem is that I haven't got enough money to survive... ..We're behind in our rent at the moment and we had a letter to say if it isn't paid in a week we will be asked to leave.... The rent went up from \$585 a month to \$630 a big jump for me, especially with 3 children.... but I can't find anywhere cheaper... When we first applied they said it would be 5 years, 2 years ago they said it would be 8-10 years, now they tell us it will be 15 years before we get an offer, I don't believe they really want to help us... kind of feel I have lost me, I feel adrift, and I do not feel at home here.”

The Affordable Housing National Research Consortium (AHNRC) defines affordable housing as housing where cost does not exceed 30% of a household's income (2001:6). Households in the lower 40% income bracket who pay more than 30% of their gross income on housing costs, whether renting or buying, face considerable housing stress (AHNRC, 2001:3). The key problems contributing to the current housing affordability crisis are:

- A changing labour market combined with rising housing prices,
- A decline in supply of low cost housing with low security of tenure,
- Cutbacks in public housing provision, and
- The business sector not investing in low cost housing combined with Rent Assistance not keeping up with rising private rents.

The Relationship Between Housing Affordability and the Labour Market.

The availability and distribution of work has altered significantly over the last two decades resulting in an increase in part-time and casual employment, and an increase in long-term unemployment. Regional economic differences have also affected availability of work, as some areas are more impacted on than others by economic and industry

changes. There has also been a considerable increase in jobless families, many from culturally and linguistically diverse backgrounds or Indigenous families with children. Low income arising from casual and part time employment or unemployment makes it extremely hard for individuals and families to meet housing costs. Those working part time are often unable to obtain a home loan due to their low income, a situation shared by those with tenuous employment as casual or contract employees. Others face excessive household debt as they struggle to meet mortgage repayments or high rental costs in conjunction with rising costs in health care and education. There is also some evidence of over lending by financial institutions placing families under considerable economic stress.

Affordable home ownership offers security of tenure and a choice of location, therefore enhancing access to employment opportunities. An affordable private rental market also provides some flexibility to live closer to areas of higher employment. However, escalating house prices has meant 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. Rising private rents are forcing families to the outer regions of metropolitan areas to find affordable housing, but with the double-edged sword of high transport costs to access employment and other services and a lack of infrastructure, both social and economic, to support them. Affordable housing needs to be located in areas where there is high employment (CACH, 2001). Housing uncertainty for very low-income families has been a significant impact of the changes in the labour market. This uncertainty has been reinforced by the fact that 'Housing prices and rents have risen faster than the incomes of low-income households, especially in the last two years in Melbourne and Sydney (Berry, 2002)'.

While we have outlined economic and labour market changes that have contributed to housing stress and lack of affordability, it is interesting to consider the quote below that indicates that housing affordability and its link to employment is not a new problem, but is increasingly an issue for more Australians and therefore must be addressed.

'The problem of slums is essentially the problem of poverty. The slum tenant, because of low wages or the number of dependents is unable to pay full economic or "market" rent for a house that provides reasonable standards of comfort and decency. Economically the slum problem is the wage problem and a solution must be found to increase the earning of the persons concerned and by providing lower rental dwellings' (Health Officer, City of South Melbourne 1918, in Incerti, 2003:8)

Decline in the Supply of Low Cost Housing and a Decrease in Security of Tenure

The Commonwealth State Housing Agreements (CSHA) have proven to be inadequate to meet the increasing demands and associated costs of providing low cost housing. Incerti reports that \$200 million over the past 7 years has been shifted from CSHA that funds the provision of public housing and supports community housing to the means tested Centrelink Rent Assistance (2003:10). A Tasmanian AASW member recently brought to our attention that:

'Several states have substantial debts to repay the Commonwealth from years of rapidly expanded housing stock to meet needs in the 60's and 70's. In Tasmania we understand that well over 50% of current allocation under the CSHA is reefed straight back as debt recovery'.

This immediately reduces the financial capacity of states to fund affordable housing.

Secondly, Rent Assistance, introduced in the mid 1980's forms the main arm of housing assistance for low-income people. It was established to facilitate access to the private rental market for low-income earners. The aim was to offer more choice to low-income tenants about where they might choose to live, and to support flexible access to the labour force for low skilled workers, not available through the provision of public housing in one place for them. This aim was not realised due to increasing casualisation and long-term unemployment of the less skilled workforces (Incerti, 2003:11). In addition, Rent Assistance has failed to keep pace with rising rental costs, rendering the private rental market unaffordable for many of those on low incomes.

Thirdly, the government's main policy response to homelessness has been the Supported Accommodation Assistance Program (SAAP) which has had its budget trebled to \$240 million in the last decade. SAAP has attempted to meet the housing needs of those not accommodated in public or private rental accommodation and who are not homeowners. Finally, the First Home Owners Grant (FHOG) was instituted as policy to make home ownership more affordable but has not been means tested, leaving it open to exploitation by those on high incomes. It has offered \$14,000 to first homebuyers increased from \$7,000 to coincide with the introduction of the GST (Incerti, 2003:11). Unfortunately, this grant did not keep pace with escalating housing costs either and has possibly contributed to their inflation.

The private housing market has increasingly become inaccessible for low-income earners as costs of home purchase have increased and market rents have also increased, partly due to the growth of investment in the private housing sector. The private market includes Caravan Parks, boarding houses and low cost hotels, but all of these options are slowly declining. Incerti (2003:11) provides the following example:

'...In Melbourne, rooming houses have steadily declined over the past 40 years. Rooming houses, though in some instances offering substandard housing, have historically performed a role in providing low cost and accessible housing for many people excluded from any other housing tenure, particularly since the deinstitutionalisation process in the mid 1980's. The importance of this stock as a social safety net and singles housing option was identified locally...It was predicted that there would be a closure of all rooming houses in Port Phillip by 2016.'

It is increasingly understood that housing costs are important for living standards and family relationships. It comes as no surprise that the groups facing housing stress and/or homelessness are also the groups that experience poorer living standards and family relationship difficulties. For example, the social, health and economic difficulties facing

Indigenous people in Australia are well documented. Housing issues also feature strongly for Indigenous people with only 32% owning their own home compared to about 70% of Non Indigenous Australians. They also face more hardship securing rental accommodation due to discrimination (Incerti, 2003:6). A Tasmanian AASW member reports:

'CSHA agreements in respect of Indigenous housing are very delayed in most cases, and in Tasmania this relates in considerable part to deep battles over identity issues within the Indigenous communities and with State/Commonwealth governments in terms of who they recognise. That delay impacts adversely on good, affordable solutions for Indigenous people'

AASW members also highlighted the difficulties faced by refugees (both Temporary Protection Visa holders and permanent Humanitarian entrants) in seeking and securing affordable accommodation.

'It is difficult to get any recognition that people with refugee/humanitarian backgrounds have any special housing needs (many have large families, many are very fearful and prefer denser clustered accommodation, some are amputees etc and have special modified accommodation needs etc.)'

The Impact of Economic Policy on Housing Affordability

While interest rates have remained low and economic policies have provided financial incentives to first homebuyers, stringent welfare reform has influenced income support recipients' capacity to afford housing. The Commonwealth Government must examine alternative economic policy to make housing more affordable for low-income earners. Tax assistance is currently poorly targeted to high-income earners and is not effective in improving supply of low cost housing. Consideration should be given by government to taxation reforms that would include reforming negative gearing and weaknesses in the Capital Gains Tax, such as the unlimited exclusion of the family home. Welfare reform should ease the tax burdens currently shouldered by low-income earners such as addressing effective marginal tax rates.

Security of Tenure

A public housing program provides security of tenure to tenants. However, Australia is second to the USA in providing the lowest level of public housing in the developed nations. Public housing is based on priority allocation for those most in need. The same allocation system applies in the community housing sector which targets similar groups of people but has separate waiting lists (AHURI, 2003:3). The redirection of funds from public housing to Rent Assistance, and the allocation of funds to SAAP have resulted in an under supply of affordable, secure accommodation for low income people. SAAP, while necessary, offers only crisis or temporary accommodation and demand often outweighs supply. The level of activity in the private rental market has offered little security of tenure and has resulted in people being forced to relocate frequently at great personal cost and ultimately a cost to the community.

The Importance of Housing Location

Location of housing is pertinent to employment opportunities, social and community networks and support and access to services. Public housing has continued to be located away from areas with strong infrastructure where it is cheaper for governments. However, this has been at great cost to tenants. An AASW member provides this example from Victoria:

'...Families are being relocated by the Department of Housing to areas such as the La Trobe Valley where housing is cheaper and more accessible. These families are unemployed couples or single parents with no social supports...Early Housing applicants cannot have more than \$1500 assets. This means that local agencies have to provide for them...There appears to be no social planning by Government departments. If an area is to be used for relocation, the financial infrastructure should be there.'

Cutbacks on Public Housing

'The national shortfall of low cost rental dwellings was estimated in the 1990's to be 150,000. This is in evidence whether you live in a capital city, the suburbs or rural Australia' (Incerti, 2003:5). In 2001 there were 250,000 people on a waiting list for public housing nationally (AHURI, 2003:5). Clearly, there exists a growing demand for public housing in Australia. The Government is faced with the dilemma of rationing a scarce resource as its aging public housing stock is totally inadequate to meet demand. Issues with allocation and rationing are significant as state housing authorities struggle to assess need, allocating to priority and date order.

Public housing assistance is comprised of Public housing stock, SAAP accommodation, and community housing. However, there has been a policy of public housing stock reduction and \$200 million directed away from public housing towards Rent Assistance. A major report by National Shelter and ACOSS released on 1 October 2003 shows that the Rent Assistance program is failing to provide for low-income people paying high rents in the private rental market. The report provides data analysis of housing stress demonstrating that the 'Government's reliance on Rent Assistance payments over a bricks and mortar approach that increases the supply of affordable housing' is failing those Australians on low incomes (ACOSS Media release, October 2003). Public housing annual expenditure has declined by 13% in real terms over the past decade according to the Housing Justice Roundtable (2003:21). AASW members from Tasmania provided the following perspective of public housing assistance:

'The affordable housing strategy appears to be the creative interweaving of the private housing sector and consequent reduction of government responsibility for appropriate housing provision'

If the aim of the Housing Assistance Act is to provide assistance to obtain affordable, secure and appropriate housing, the AASW questions how current housing policies are fulfilling this requirement. Rent Assistance may once have facilitated choice of location, but with current private rents, low income earners are forced to areas that they might not

have otherwise chosen to find affordable housing, away from social and family networks and/or employment opportunities. Others face insecure tenure within the private market or public options such as SAAP accommodation.

The Failure of the Business Sector to Invest in Low Cost Housing Combined with Rent Assistance Not Keeping up with Rising Private Rents.

The AASW is guided by the work of the Affordable Housing Research Consortium and the Housing Justice Roundtable in this area. We understand that there currently is a lack of incentive for the business sector to invest in 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 Consortium argues that although important policy levers Rent Assistance, CSHA's, and FHOG are inadequate solutions to resolve the problem of housing affordability. It proposes another policy lever, that is, an investment incentive model. The Consortium makes a proposal, supported by the Housing Justice Roundtable and other peak organisations, including AASW. This proposal is 'the provision of affordable housing through the issue of government bonds with guaranteed after-tax returns. These funds would be distributed to state housing authorities and others such as community housing providers who would also own and manage the properties (Housing Justice Roundtable, 2003:2).'

We have discussed in other areas of this submission the failure of Rent Assistance to keep up with rising private rents. ACOSS and National Shelter in their recent report highlight discrepancies in payment of Rent Assistance between 'job-rich capital cities and regional areas'. The AASW supports their call for a zoning model that delivers higher Rent Assistance in areas where rents are more expensive as well as other reforms of Rent Assistance to assist in making housing more affordable.

Conclusion

Every Australian has the right to an adequate standard of living. This was the undertaking made by Australia when it signed the International Covenant on Economic, Social and Cultural Rights in 1966 and again in 1976, when it became the signatory to several international human rights declarations that also refer to adequate housing (Robertson & Merrills, 1996:274-275). A commitment by the Commonwealth government to address at national level, the policy, economic and social contexts that have contributed to a lack of affordable housing, will ensure that these rights are maintained.

Recommendations

The AASW supports the following recommendations from other peak organisations:

The Housing Justice Roundtable's call for:

1. An approach that recognizes the different needs and economic capacities of individuals, families and locations.
2. An increase in the supply of affordable rental housing
3. The reform of rental assistance
4. The initiation of a joint Commonwealth/State home ownership assistance program for moderate income earners
5. Combining infrastructure investment with housing provision
6. The institution of a national public housing renewal program

The AASW supports the following recommendations of the Commonwealth Advisory Committee on Homelessness 2001:

7. Promoting private sector investment in low cost housing
8. Formulating an integrated homelessness policy through the CSHA, Supported Accommodation Assistance Program and Rent Assistance
9. ACOSS' call for a national housing strategy

The AASW makes the following additional recommendations:

10. A review of the impact that labour market deregulation has had on housing affordability with the view to initiating welfare reform that will financially support those on low incomes, enabling access to affordable housing.
11. That the Government directs the current \$7.5 Million budget surplus to housing assistance programs for low income earners.

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