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Applied Economic & Social Research

The Role of Social Housing in Australia

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Meeting Australia’s Housing Challenge: Can policies be effective?

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Background

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Dimensions of housing considered

- Three key dimensions to be discussed in this presentation:
  - Affordability
  - Availability
  - Security/stability

Affordability of housing in Australia

- This has steadily deteriorated over time
- State of the Housing System 2024 shows particularly high increases in housing prices and rents over the past few years

- Given the low level of income support payments, very few rental properties are available for this group.
  - Anglicare (2024) shows this clearly in their rental affordability snapshots; out of 45,115 rental listings:
    - Nothing is affordable for a person on Youth Allowance
    - 3 (0%), all sharehouses, were affordable for a person on JobSeeker
    - 31 (0.1%) were affordable for a person on the Disability Support Pension
    - 89 (0.2%) were affordable for a person on the Age Pension
    - 289 (0.6%) were affordable for a person earning a full-time minimum wage
    - For a couple with two children on the minimum wage:
      - Tasmania and South Australia were most affordable (29.7 & 24.2%), followed by Victoria (21.1%)
      - ACT was least affordable (0.6%)
- This creates stress around losing a current rental at short notice for low-income families
  - Not an imaginary risk with limited protection for private market renters

Housing security in Australia

- Ok for individuals and households able to get a mortgage and buy their own home

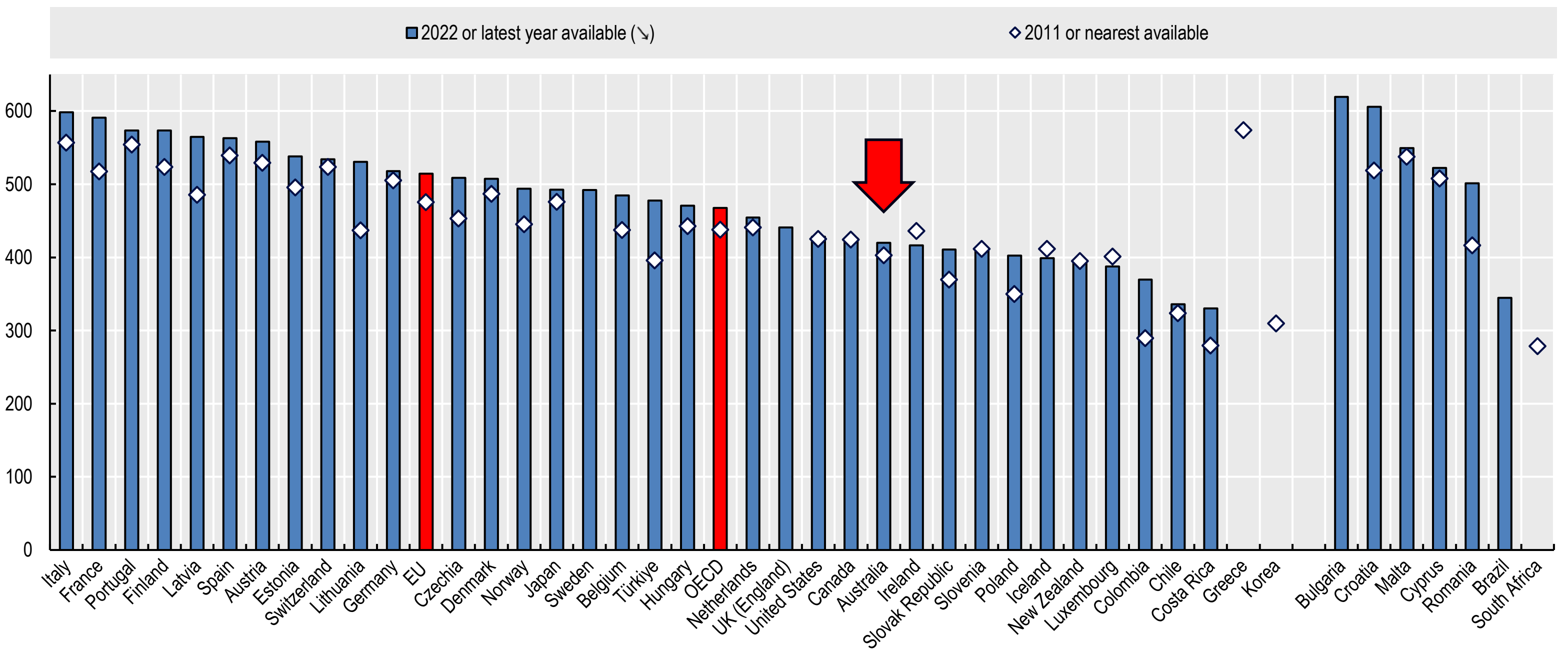
- But very limited protection for (the growing proportion of) renters in the private market (close to 30% now) … which
  - may differ by jurisdiction
  - provides insufficient protection against (unreasonable) eviction or against rent increases that occur too frequently
  - does not provide uniform minimum rental standards

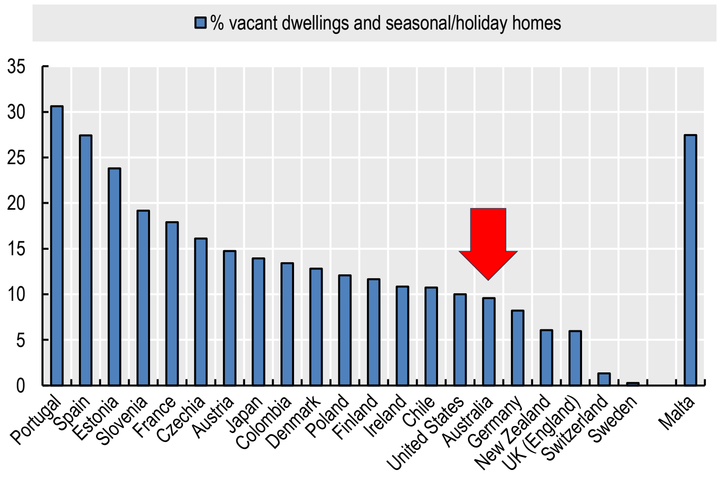
- This leads to
  - additional stress particularly for low-income renters with few options (but even better-off renters suffer from this housing insecurity)
    - And for some, homelessness if nothing else can be found in time
  - few social housing tenants exiting to the private rental market due to the risk
    - Thus putting extra pressure on social housing.

Availability of (social) housing

- social rental housing makes up less than 10% of the total dwelling stock in most OECD and EU countries – in Australia it is even less than 5% (OECD, 2021; Brick by Brick vol. 1), which has consequences:
  - In 2022-23, 169,000 households on the waiting list (70,000 greatest need households) (National Housing Supply and Affordability Council, 2024, State of the Housing System)
  - National Housing Finance and Investment Corporation 2023 (State of the Nation's Housing 2022-23 report) estimated 46,500 dwellings are needed for homeless persons and 331,000 households are in rental stress requiring access to social/affordable housing
- In countries such as Austria and Denmark social rental housing is more than 20% of the total stock, and in the Netherlands it is close to 40%.
  - To boost investment in housing, a number of OECD countries have established revolving funds, or more complex systems achieving the same effect, to finance the construction of affordable and social rental dwellings (OECD, 2023; Brick by Brick vol. 2).
- A separate (but related) key challenge alongside rental affordability is environmental sustainability of housing, which is linked to energy poverty.
- There is also an overall shortfall in housing supply, putting pressure on the private rental market.

Total number of dwellings per thousand inhabitants, around 2022 or latest year available





Source: OECD (2024), OECD Affordable Housing Database - indicator HM1.1. Housing stock and construction, https://oe.cd/ahd

Policy initiatives

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Current initiatives work on these challenges

- Commonwealth National Housing Accord – Housing Australia Future Fund
    - Aim is to add 1.2 million dwellings and 40,000 social and affordable dwellings over 5 years (July 2024 – June 2029)
- Social Housing Accelerator
    - $2billion in June 2023 to states/territories: Should deliver 4,000 new and refurbished social dwellings (by 2028)

- However, these initiatives face major hurdles and progress is slow
- Can learn from past experiences with social housing policies similar to the above to streamline the delivery of social/affordable housing, speed up the process and ensure dwellings will be delivered according to plan

Learnings from similar, previous Australian Reform

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NSW Future Directions Strategy

- Lead of the consortium which is evaluating the expansion of social housing in NSW introduced in 2016 (link to protocol paper)

- Project started in 2019, and is now near completion
  - Results are not publicly released yet.

- These comments are my own and do not represent the views of the NSW government or consortium partners.

Consortium partners: Melbourne Institute, Centre for Evidence and Implementation (CEI), Cultural and Indigenous Research Centre Australia (CIRCA), RMIT, Monash University.

2. The Strategy

Social housing – public & community housing

NSW Department of Communities and Justice (DCJ) has

(i) transferred management of some existing public housing (with tenants remaining in place) to Community Housing Providers (CHPs)

(ii) partnered with developers and CHPs to redevelop existing social housing sites & develop new social housing extending the social housing stock.

- Consists of three housing programs, two programs address (ii)

- Complemented by five Service Improvement Initiatives to assist social housing tenants (and their children) to gain education, employment and enter the private rental market when ready

Selected lessons and recommendations from NSW experience

- **Commonwealth Rent Assistance (CRA) as part of social housing management transfer from public to community housing is an inefficient way of transferring funds to the States**
  ✓ community housing tenants are eligible ✗ public housing tenants are not
  - ➢ involves effort and sometimes confusion for tenants
  - ➢ Commonwealth-State Housing Agreement would be more efficient.

- **The private sector is not necessarily cheaper**
  - ➢ a model with a housing fund paying the private sector to develop social housing managed by CHPs was more expensive than traditional public provision – could be (partly) due to the additional "wrap-around" service
    - ▪ Potential benefits due to this service (e.g. on health, education, employment) may show up in later outcome evaluations
  - ➢ transfer of risk to CHPs who may be less well-equipped to absorb such risks
  - ➢ tendering and contracting is complex and may contribute to delays and increased costs, but the smallish-scale (re)developments were delivered on time, while large-scale projects experienced substantial delays
    - ▪ refurbishing existing housing may be a quick way to increase social housing stock; doesn't add to housing supply though.

- **Unclear whether CHPs generate better tenant outcomes**
  - ➢ need more evidence

Selected lessons and recommendations (cont.)

- **Redevelopment and provision of new housing takes a long time. Potential actions to improve this may include:**
  - Frequent, timely communication and consultation with local councils and communities
  - re-centralising approvals for major projects
  - restrict tenant right of refusal of relocation for major social housing redevelopments

- **Relocation of tenants for redevelopment not an insurmountable hurdle**
  - redevelopment did not result in quantifiable negative short-term impacts on relocated tenants

- **Broader housing reform is needed so viable alternatives to social housing exist & to reduce demand for social housing; e.g.:**
  - rental market reform in terms of providing greater security of tenure
  - negative gearing & Capital Gains Tax discount increase housing prices, cost the budget billions + increase the need for more social housing
  - increasing social housing tenant rental contribution for tenants who can afford this.

We know what is needed …
how to make it happen?

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How to make it happen

- **Bipartisan support is needed for some big institutional reforms that may be politically challenging, but are essential for real change:**
  - Reduce competition in the real estate market: limit/abolish current tax advantages for investment properties
  - Improve tenant rights and tenure security in the private rental market (as proposed in the "A Better Deal for Renters"
  - Reduce hurdles to implementing large projects by simplifying and centralising planning approvals:
    - This should facilitate success of the Commonwealth National Housing Accord and Social Housing Accelerator
    - Broader societal/community needs should trump NIMBY arguments

- **Encourage institutional investors to invest in (large) build-to-rent projects**
  - Build-to-rent is recommended as a separate development type (NHSAC, 2024)
  - This should consist of social and affordable housing (extending the number of these dwellings substantially)
  - This would support long-term renters and provide them with housing security.

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Thank you!

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