

## **What future for Australia's public housing?**

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### **Abstract**

Our aim in this paper is to discuss the challenges facing Australian public housing through an historical analysis of policy interventions since 1945. Public housing in Australia comprises of just three percent of the total housing stock. In recent years, government policies in relation to public housing has been guided by three over-arching objectives: prioritising vulnerable tenants in the allocation of property; sustaining tenancies by linking households to welfare services; and reducing the pressures on budgets by streamlining service delivery. Yet the attainment of these objectives has been undermined by a decline in overall funds, a reduction in the number of properties available for letting and an increase in demand for public housing. We begin our paper with the argument that an understanding of the contemporary problems surrounding public housing requires an historical analysis that takes into account the economic, ideological and social processes that have shaped post war Australian social policy. In the next section, we set out our interpretation, noting the competing pressures that confront policy makers and role of interest groupings in promoting an agenda commensurate with their interests. Finally, we put forward our views as to the future viability of public housing in Australia, taking into account its history, its residualisation and the recent stated government intention to oversee a growth in the Community Housing (Housing Association) sector.

# What future for Australia's public housing?

## Introduction

Our aim in this paper is to discuss the challenges facing Australian public housing through an historical analysis of policy interventions since 1945. In particular, we wish to consider the various roles of public housing in relation to a number of strategic questions that need to be asked about the Australia housing system. The viability of a long marginalised public system places this tenure under threat and its tenants placed into potentially low quality homes and environments from which living conditions and life-chances may be compromised. In this context, we wish to explore why and how governments should act in relation to public housing? What is the best model for development and maintenance? And what features of past efforts in these areas can be seen to have worked or been problematic.

### *Housing histories - methodological challenges*

The methodological premise we wish to advance is that an historically informed study of the economic, societal and ideological processes informing public housing policy provides an appropriate vantage point to explore these questions and make sense of recent developments. The most explicit advantage of an historical perspective is that it offers a foundation to note longer-term trajectories and link events that can at the time appear unconnected (Jacobs, 2001). For example, owners of investment properties are able to minimise tax liabilities by negatively gearing expenditure incurred thereby limiting the funds available for governments to spend on reducing housing stress. In effect, tenants in housing stress 'pay' for the advantages bestowed to investor owners. It also enables a way to consider the impact of legislation and to discern significant policy innovations. Most important of all, an historical approach can bring to the fore the complex interplay of agencies that ultimately inform the conduct of policy. Here we diverge from traditional housing histories that have tended to construe all policy intervention as a response by government administrations to pressing social need. Drawing upon the work of Kemeny (1992) the analysis presented offers an interpretation of Australian housing policy as a site of interest mediation in which different agencies have mobilised to advance their interests.

### *Why governments get involved in housing*

Though we advance a particular interpretation of housing policy, it is helpful to make some brief reference to other perspectives that have been influential in historical research. The most widely held perspective (which we term 'social administrative') is that governments operate benevolently and aim to rectify social problems that are not met through the workings of the market. The assumption informing this perspective is that the state is an independent arbiter mediating between competing claims for resources. While housing policy is often presented in this way, in official documents and by professionals working in the field, it is, in our view, an overly simplistic frame and overlooks the complex power relations that shape housing policy. Another problem with the social administrative perspective is that it is too focused on the consumption of housing and overlooks the relatively weak position of tenants in the network of power relations that constitute practice.

A more sophisticated perspective is advanced by economists such as Michael Ball (1988). Ball argues that the primary reason for state intervention in housing is not simply one of meeting need but more of ensuring the efficient workings of the economy. Ball adopts what can be termed a structuralist approach noting that the production and allocation of housing operate in accordance with the profit motive. The processes of consumption, according to Ball, are of secondary importance. One of the merits of this perspective is that it makes explicit the connections between housing policy and the broad workings of the economy but, on the other hand, its portrayal of the state as a monolithic entity seeking to advance the interests of capital is problematic. The state is better conceptualised as a complex amalgam of sectional interests groups which can often act in quite different ways. For example, both the UK and Australian governments have in recent times pursued policies to address social inequality but also initiated economic reforms that impact in negative ways on households with low incomes.

Kemeny (1992) advances an alternative interpretative frame, social constructionism. He argues that the state's involvement in housing is contingent on the ability of competing interest groups (consumers, producers, welfare professionals and private sector agencies within the state). As such, the state does not operate with one overriding objective but instead engages in a complex set of activities that are shaped by interest group mobilisation. In our view, Kemeny's approach has considerable merit and can help us understand why so many policies initiated by the government can appear contradictory or undermine stated objectives. For example, providing subsidies to homeowners, even through first time homebuyer grants, has tended to have an inflationary impact and in itself does little to boost supply. Similarly, providing tax relief to generally well off rental investors through negative gearing has increased the gap between them and those who already have fewer resources. As we seek to show in the discussion Australian housing policy, governments are pressured to intervene by a number of interest groups all of whom seek to impose a rationale as to why such interventions are necessary. In terms of party politics, the major fissure that informs all discussions relating to housing provision is the extent to which governments should commit resources to assist low-income households. Liberal/Conservative administrations have generally been supportive of market mechanisms while Labor governments are generally more amenable to bolstering public provision.

#### *Foregrounding economic, social and ideological processes*

As we have argued, there is a need to situate the activities and deliberations of governments within the wider context of economic, social and ideological change. Put simply, government policies towards public housing are linked to the imperatives of delivering economic growth, the pressures arising from, economic and social change and the promotion of particular ideologies by the state. Arguably, these processes shape the resource commitments of governments, rather than the stated objective of meeting housing need. In overview, economic concerns are perhaps the most important single factor influencing housing policy. In countries such as Australia, the US and UK, expenditure on public housing has been tightly controlled as a way of reigning in government expenditure and limiting public sector debt. Over the past twenty to thirty years, this kind of approach has been captured in a dominant public discourse: that the expenditure required to maintain welfare, including housing, undermines economic competitiveness while leading to cultures of dependence for those it provides for. The current housing crisis (one of affordability) and financial recession (exemplified by

absences of regulation and the active promotion of homeownership) have highlighted the limits of these ideologies while raising the question of ‘where to next?’ for public policies.

All governments attempt to control public expenditure and to keep the levels of taxation and borrowing low. The limited amounts of resources set aside for welfare expenditure means that policymakers have to deal with competing demands for resources from different pressure and interest groups. Public housing is generally not regarded as a high priority by governments, compared to health and education, and those lobbyists promoting public housing have had only minimal impact in extracting funding commitments. Here a contrast can be made with the success that the private house building industry and financial lobbyists have had in maintaining imputed tax relief for small housing investors and direct subsidies in the form of first time homeowner grants. In real terms, government commitment to public housing funds declined by as much as 26% in the period between 1989 and 2000/1, a fall of \$AU75 million in 2001 prices (Hudson 2002:51). These indicators highlight a broader politics of housing policy and fiscal commitments which have consistently favoured more affluent home-owning Australian households, a point to which we will return later.

Societal change is another key influence affecting the development of housing policy responses. For example, population growth in Australia’s capital cities over the last 30 years has fuelled demands for new housing. Other significant processes are the growth in single person households due to an ageing population and changes in household formation. The rising workforce participation rate of women since the 1960s has created a growing number of dual-income households well placed to compete in housing markets. All of these socio-demographic changes have increased the demand for housing particularly within urban locations and coastal regions. Some key indicators show how societal processes have increased the housing demand, including ABS estimating that as many as 106,000 Australians are either homeless or living in temporary accommodation (Chamberlain and Mackenzie 2009) and, second, that the total number of households on SHA waiting lists currently stands at over 176,000. Sharp rises in house prices and rents in the private rental market also highlight that housing stress and market failure are key contextual features of the housing system more generally. Recent estimates of households deemed to be in housing stress (spending over 30% of their income on housing) has, for example, been reported by Gabriel et al (2006) in the range of 700,000 to 1.1 million households. These indicators touch on the recent research literature in Australia which, taken together, highlights the need for concerted and strategic action in more equitable and sustainable ways.

The third important driver is ideology. The dominant ideology informing government policies is commonly referred to neo-liberalism, which according to Peck (2001), promotes the principles of market exchange as a fundamental mechanism for resource allocation within an increasing number of social domains. The rise of this ideology has been both complemented and driven by globalised forms of trade, the reform and retrenchment of the welfare state and a pressure to reduce tariffs and barriers to market trade, often to the advantage of wealthier groups and more affluent trading partners. In practice, the advocates of neo-liberal ideology proffer a political narrative that emphasises the need to reduce welfare expenditure and a reliance on benefits by those who are living in poverty. Government’s role under such conditions has been to promote the conditions for individuals to accrue wealth and provide opportunities for private sector interests to secure a foothold in the activities of government service provision including health, housing and education.

Neo-liberal ideology has infused Australian housing policy and service delivery (Beer et al 2007). This has included the expectation that public housing should be a temporary safety net, rather than a long-term means of housing provision. Neo-liberalism has also re-shaped the organisations that constitute the welfare state. Market principles have been introduced in many areas of service delivery within government agencies on the pretext of establishing greater consumer choice. In practice, this has opened up new opportunities for the private sector engagement in areas of provision previously entrusted to the state.

In historical terms, policies towards public housing reflect the dominant ideologies informing Australian politics. While Australian governments have always prioritised owner occupation (for a number of reasons detailed later in this paper), the period of the late-1940s—mid-1970s was one in which there was a bi-partisan commitment to fund public housing and enable investment in new stock. The economic recession of the mid-1970s was the pretext for the Commonwealth government to reduce funds available for public housing. The legacy of limited funds has affected capital spending, repairs, allocation policy and the housing management practices of SHAs.

### **Australian housing policy: a history.**

In this, the main section of our paper, we discuss the origins of Australian housing policy: the intervention of the Commonwealth Government and, variously, the States and Territories in responding to market failure through the public provision of housing. Of course, this story inevitably goes beyond such a circumscribed or traditional view of state intervention. Australian governments have responded to pressure from lending institutions and the private housing industry to extend subsidies and interventions in support of the expansion and sustenance of a significant owner occupied sector. In our view, it is not possible to consider policy interventions without reference to this fact. Offering a historical view on housing policy generates a deeper sense of where current trends, policies and challenges have originated. What follows is broadly structured around initiatives in relation to public housing within which state involvement has been most apparent.

#### *Pre War Public housing*

All Australia's States have elected governments with considerable jurisdictional autonomy as well as key responsibilities for housing issues. A federal system, however, has meant that macro economic policies and further sources of subsidy and, thereby, some degree of Commonwealth political and regulatory control are an important part of housing policy. Most commentators agree that the formation of a distinct housing policy emerged in the post-war period, stemming from a number of pressing issues. The Australia's affluence in this period had enabled the production of quality housing but could no longer be seen as a guarantee that less well-off groups would be accommodated, or in appropriate ways (Van Vliet, 1990).

In the years from 1931 to 1944, a powerful housing reform movement emerged. The Australian labour movement adopted a very different political strategy to that of labour movements in Europe. This was based not on expanding the social wage but on ensuring that wage levels were kept above a minimum. This, and the low marginal tax rates, ensured that workers' living standards were maintained, and created the 'wage-earners welfare state', which required a high degree of self-reliance (Berry 1988). Consequently,

cyclical economic downturns with large-scale unemployment and a fall in housing construction created notorious slums, notably in Sydney, Melbourne and Adelaide. The labour movement helped to force the State governments to hold official enquiries into the slums. The reports of these enquiries helped to frame housing problems in ways that led to ideas about the need for an effective public housing system that would assist those on low incomes (Hayward, 2006).

Hayward (1996) has argued that it is possible to categorise the emergence of public housing in Australia in two distinct periods. At the turn of the century, Australia was beginning to recover from the effects of the depression of the 1890s. The welfare state at this time was virtually non-existent, thus the already large minority of individuals living in less than adequate conditions was beginning to increase (Hayward, 1996). Public housing was also non-existent, with private rentals and home ownership the only two available types of tenure. A large contingent of the working class sought private rental tenure, with tenants left at the mercy of private landlords (Hayward, 1996: 6). Sub-letting and overcrowding was common among families living in inner-city private rental properties and poor housing conditions allowed the outbursts of diseases such as cholera and the bubonic plague (Hayward, 1996: 7).

The economic depression of the 1930s led to an increase in unemployment and the repossession of owned homes. Many working-class people constructed makeshift huts and humpies as a last resort for accommodation (Hayward, 1996:7). The social conditions at the time were of interest to social reformers such as the town planning movement that contended the urban environment could be a positive determinant of social behaviour (Hayward, 1996: 7). The movement drew on ideas formulated by UK's 'garden city' movement and the argument for an increased role of the government in town planning.

### *Post War Housing Policy*

Berry (1999:106) incorporates the analysis of Maher (1994) to argue that the post war Australian housing system can be characterised by three elements: the relative youthfulness of the stock; the low-density construction, and the dominance of owner occupation. Australia's population grew rapidly during the 1950s and 1960s. From 1947 to 1971, the population increased by fifty percent, with over 40% of this increase due to immigration (Berry, 1999). The emergence of cheap housing as a policy issue after the war was in large part due to a severe contraction in new housing production that had been apparent since the mid 1930s. Initially, the intention was that public housing should comprise of around 10% of all dwellings, but this target was abandoned in the 1950s due to demographic and economic imperatives. During the 1950s and 1960s, rapid household formation was fuelled by immigration, a marriage boom and high birth rates. Even as household formation slowed in the 1970s, the population continued to grow and the demand for low cost rental housing intensified, especially in periods of rising unemployment and high inflation (Van Vliet 1990).

### *Commonwealth support for state housing: the CSHA (1945-1990)*

In 1943, the Commonwealth Housing Commission was established, its recommendations generating the basis of the first Commonwealth-State Housing Agreement. In 1944, money for the States to build housing for those on low incomes was first allocated. The development of a bilateral policy instrument in 1945, the Commonwealth-State Housing

Agreement (CSHA), signalled the first national commitment to develop a public housing system that would be administered by the States, while being funded from both State and Federal governments. The CSHA indicated that the Commonwealth government would support public housing as a viable option for tenure. The agreement stipulated that the States were responsible for the delivery of housing services, while the Commonwealth government would provide financial support to State governments through cheap long-term loans (Hayward, 1996:13). Until 1956, the first CSHA imposed a certain degree of uniformity on all the states except SA, who only became effective partner to Agreement in 1953.

The amount of public housing dwellings under these arrangements rose from 4,098 in 1945/1946 to 14,317 a decade later in 1955 (Hayward 1996:16). Between 1945 and 1955, 100,000 public houses were built nationally, constituting 5% of all dwellings. The Labor Government recognised that public housing was necessary in the long term in order to guarantee minimal housing conditions. Conservative politicians were more circumspect in their support, contending that public housing would only need to be a temporary intervention during a period of economic depression and after the War itself. Their view was that, once the private building industry recovered, it would not be necessary for there to be public housing (Howe, 1988). Yet the 1945 agreement clearly paved the way for a system that had significant longevity, with housing needs increasing over the latter half of the twentieth century. The CSHA was also central to the regional and industry development plans of state governments such as South Australia and Victoria, for example Elizabeth, SA, and Doveton, Victoria, where public housing estates were built to accommodate new industries (Peel 1995).

Victoria's government first received funds through the CSHA in 1945 but had already created its own Housing Commission through the Housing Act of 1937, largely in response to the problems of slum housing in its urban centres. Initially the emphasis was on the development of suburban estates on what was then the city's metropolitan fringe, and in provincial centres. This programme sought to meet the post-war housing shortage and support the development of new industries by housing industrial workers and their families (Hudson, 2002:49). Between 1945 and 1960 there had been an acute housing shortage in Victoria so that the Housing Commission concentrated on providing low-cost housing for families in urban centres (Howe, 1988). The general shortage of housing nationally had been caused by low levels of construction during the Great Depression but also a failure of the building industry to make up the shortfall after this period. These problems were compounded in States like Victoria where post-war growth in population reached 41% in 1946-75 (800,000 people) so that many had to live in substandard dwellings—caravans, single rooms and tents (Howe, 1988). Therefore, it was in the period of 1945-60 that much public house-building took place.

Between 1956 and 1973, Australia experienced an unprecedented economic growth with full employment. At this time, the private housing market was becoming an important source of new housing. The Menzies government (a Liberal-Country party coalition) continued to support the public housing system, yet its main concern was promoting home ownership. The Menzies government renegotiated the conditions of the CSHA (Hayward, 1996: 18) so that:

- The Commonwealth would no longer subsidise the states for losses occurring through low rents;
- There was no requirement that the States charge economic rents;

Twenty per cent of the CSHA money would be redirected into Home Buildings Accounts, used to subsidise low-income earners purchasing schemes to boost home equity and ownership by low-income tenants;  
The sale of public housing stock was to be relaxed so that the States would no longer be required to sell properties at market value to recoup funds to pay for their outstanding housing debts.

Hayward (1996) argues that of all four major changes to the CSHA, the relaxed conditions regarding the sale of public housing stock was the most significant. These changes to the CSHA allowed the States to reconcile their objectives of providing public housing and promoting home ownership. The States were now able to build new public housing, while selling existing housing stock at low prices, thus encouraging home ownership (Haywood, 1996: 18). Yet, this meant storing up later problems of dealing with wider housing stress while not covering any costs of capital investment in new stock. After the 1956 Liberal Government CSHA amendments, 90,000 CHSA properties were sold across Australia (Haywood, 1996: 18). In NSW and Victoria more social housing properties were being sold than were being built while, during the 1950s and 60s, the SHAs continued to focus on large suburban 'broadacre' public housing estates. During the 1960s, in Victoria and NSW, public housing properties were also constructed from in the inner-city slum areas into high-rise apartments (1997: 19) to achieve economies of scale and satisfy higher levels of housing need. Yet such developments in inner Melbourne in the early 1960s were largely discredited by the early 1970s as costs became uneconomical and the housing was considered unsuitable (Howe, 1988).

Assessments of public housing in Australia have tended to see only modest success when compared with European experiences. Public housing has not figured highly on the Australian labour movement's political agenda with the ALP and unions seemingly ignoring public housing. A worker acceptance of a 'wage earners state' has tended to mean a concentration on State regulated labour markets, wages and conditions as the means by which material welfare of workers and their families might be primarily achieved.

#### *Economic recession 1970s -1990s*

Hayward (1996:22) has argued that the most significant factor of the economic context of Australia in the period 1973-1995 was the 'boom-bust' nature of the economy which experienced three separate recessions (1973-1974, 1982-1983 and 1991-1992). In those years unemployment climbed significantly but between recessions the economy prospered. The private housing market also fluctuated, with significant increases in house prices after each recession occurring. Hayward cites demographic changes as another significant influence on the housing market. The 1960s saw most families fit the stereotype of the traditional, 'nuclear' family but by the 1980s, single parents and shared households were increasing. These new household formations pressure on the number of dwellings needed.

In 1972, The Whitlam government boosted the funding of public housing, while simultaneously imposing stricter means testing of applicants (Hayward, 1996:24). Since then, almost all aspects of SHA practice have been under review. From the mid-1980s the performance of the SHAs came under further scrutiny as each one had high levels of debt, with increasing amounts of their revenue being used for debt servicing, thus making it extremely difficult for SHAs to run at surpluses (1997: 24), to invest in new stock and to

maintain existing stock levels and tenant needs. Between 1975 and 1995, the CSHA was renegotiated five times.

### *The residualisation of public housing*

Social residualisation has been a significant part of the history of Australian public housing. This means the increased tenurial concentration of less well-off and problematic households in one particular sector. Where this has combined with the geographical concentration of public housing, the effect was a more problematic public and political image of the role of public housing; an issue that has been highly damaging in relation to attracting a greater political priority and investment in the sector.

The State governments have allocated funding from their own budgets to fund public housing, and this provided variability between jurisdictions in the resulting housing policy and programmes. In the 1950s most assistance tended to favour working families, including some migrants. Childless couples, single parents and single people did not receive help regardless of their hardship. This meant that by 1975 most public housing tenants were not perceived to be the poorest members of society (Committee of Inquiry into Poverty, 1975). The Commission of Inquiry into Poverty report confirmed that public housing was not providing sufficient support to the majority of poor households.

The Commission of Inquiry into Poverty report concluded that making public housing serve the poor better would lead to a change in the composition of the tenant population. In the 1970s the mission of the State bodies had been to use their rental stock to house workers (Peel, 1995:185), but the increase in pressure for public housing and housing stress more generally provoked the changes by which public housing started to take on a more explicitly welfare role. Perhaps the watershed in this transition was the CSHA agreement of 1978, which restricted the role of public housing through three key decisions:

- Dwellings built with CSHA funds had to be sold at market value or replacement cost;
- Public housing rents had to be linked to market rents, with rebates (from State governments) for those who could not pay the full amount and;
- Up to 40% of the total amount of CSHA funds was re-directed from public housing to schemes to boost owner occupation (Peel, 1995:188).

These changes had a number of consequences. The SHAs had to spend more of their resources covering the rents of poorer tenants as tenurial targeting increased. The 1978 CSHA also clarified the objectives of public housing and its welfare function. Critically, the 1978 CHSA marked a move away from development and mixed needs accommodation towards a residual role of last resort. By the mid 1970s onwards, discussions of welfare dependency in Australia became more pronounced. Increasingly, there was an explicit connection made between public housing with welfare dependency and this connection served to reinforce public housing problematic status.

Funds for public housing were reduced in 1978 by the Fraser government and there was little new development by the 1980s. In addition, regulations stipulated that the sales of housing stock could only be made at market prices and an intention to phase in full market rents (Hayward, 1996: 24). In 1983-1984 Hawke's Labor government increased the

level of funding for public housing, allowing the SHAs to move away from market rents in favour of cost rents (Hayward, 1996: 24). However, the SHAs were permitted to charge market rents if they wished. From 1986 the sum of Commonwealth funding directed towards public housing was decreased in real terms to assist in a broader decrease in state expenditure. In 1989, the CSHA loans from the Commonwealth were replaced by grants, to decrease the pressure felt by SHAs to repay interest (Hayward, 1996: 25). Nevertheless, the viability of the public housing system continues to be haunted by the earlier loan system with States like Tasmania paying substantial proportions of their income to repay these earlier debts.

The differing financing arrangements, rental systems and allocation policies instituted in the 1970s and 1980s, combined with an increase in the number of low-income families, led to a rise in the number of households on public housing waiting lists. This heralded the increased targeting of rental properties towards low-income families and charging market rents for higher-income households (to cover costs or encourage them to take-up private sector options). This facilitated a changing economic profile of public housing applicants and, over time, the tenant base itself, as public housing tenure became further residualised as a tenure, not of choice, but one largely of poverty and constraint (Hayward, 1996:25). Here a parallel can be drawn with the UK example (discussed in section 2) and in particular the neo-liberal response to structural problems within the overall economy. In short, the Australian government in this period aligned social and housing policies in accordance with free market principles.

#### *The effects of residualisation*

The SHAs faced increasing problems as large proportion of their tenant base were on very low incomes. For example, whereas in 1966 over 80 percent of public housing tenants were in paid employment, by 1994 around 78 percent were receiving government pensions and benefits (Arthurson, 1998:35). Similarly, whereas public renters were only three per cent of the working age population in 2002, the percentage of public renters in receipt of a disability support pension was six times as high at 19 per cent (Dalton and Ong, 2007). This meant that it became increasingly difficult for SHAs to generate budget surpluses (Hayward, 1996: 28). By the mid-1980s, a shift to deregulation and transition from public housing to welfare housing was essentially complete. In effect, the new CSHA forced a switch from market rents to economic rents to cover costs of previous public housing (Peel, 1995) In short, the outcomes from the CHSA created a poverty trap since most tenants were eligible for rent rebates that depended on their (low) income. Effectively, rent rebates operated as an incentive for tenants to stay on low incomes and avoid rent increases (Hayward, 1996: 25).

In 1986-87, the public housing policy environment changed as the Commonwealth Government reduced CSHA funds. In real terms, Commonwealth public housing funds declined by 26 percent between 1989-90 and 2000-01, a fall of \$AU75 million (2001 prices). This further emphasised the crisis in the sector which was now over-burdened, under-funded and in numerical decline, even though the wider housing situation was becoming more problematic and the need for public housing likely to increase (Dalton, 2009). The capacity of the States to compensate for the reduction over time of Commonwealth funds proved limited and a political game of blame for the decline and problems of public housing persisted. Certainly, the decline in funds (from State and Commonwealth sources) reduced the capacity of the SHAs to maintain the increase in the stock numbers they had achieved during the 1980s (Hudson, 2002:51). Though there was

moderate growth in total public housing stock throughout the 1980s, the impact of reduced CSHA funding was felt more acutely by the late 1980s. Since the mid-1990s, the total quantum of public housing stock has been relatively static with a net growth rate averaging only one percent per year (Hudson, 2002:51; Hall and Berry 2007a; Hall and Berry 2007b).

The increased targeting of public housing to those who were least well-off was rationalised as the core role of the public housing sector, yet the problems associated with this shift were numerous: concentrations of the most disadvantaged with little incentives or opportunities for escape or economic participation. By the 1990s, policies towards tenants became more coercive (Atkinson, 2008:31). In earlier decades, the demand for public housing came mainly from families whose main source of income was employment. From the 1970s, the profile of households applying for public housing included greater numbers of low-income single parent families and single person households (Hudson, 2002:53).

The South Australia Housing Trust (SAHT) opted not to increase the amount of rent paid by tenants when tenants' financial situation improved, on the basis that this would punish behaviour which should be encouraged. The SAHT likewise refused to ask such tenants to leave as they did not feel that mixed incomes within housing estates should be discouraged. As a result, SAHT were poorly maintained and the estates often lacking in community facilities (Hayward, 1996:19). South Australia was the only state not to allocate housing based on the results of a means test, while other states criteria for allocating housing were poorly developed. Hayward (1996) argued that the States have been more interested in promoting aggressive sales of public housing than laying the foundations for a strong commitment to the tenure. Any reduction in overall public stock numbers through sales would lessen the debt on the original construction loans and ongoing operating expenses, thereby reducing existing financial pressures on the SHAs. The Commonwealth Government priorities set out in Commonwealth-State Housing Agreement (CSHA) supported this approach. Potentially a way was open for the SHAs to apply the proceeds of any sales of public housing through redevelopment to debt reduction rather than to maintenance and replacement of stock sold as in the past (Arthurson, 1998:36).

The residualisation of public housing has accentuated long-standing problems, for organisations that manage the sector and tenants. The shortage of available public housing operates as deterrent for households to join waiting lists while SHAs are hindered in their response to the changing needs of public housing communities by the current debt burdens placed on them (Atkinson, 2008:7). The stigmatisation of public housing has made it politically difficult for its supporters to promote it as an effective tenure to meet other than for the extreme cases of poverty.

The concentration of poverty within public housing locations has meant that the housing management tasks have become more difficult and resource-intensive. Some estates have become established centres of heroin dealing and drug use (Dalton and Rowe, 2005) and require innovative regulation in addition to law enforcement policies. In recent years Victoria's Office of Housing, Police and non-government agencies have worked together to increase security, electronic card access, 24-hour concierge presence and foot patrols with door-to-door checks to verify tenancies. Capital improvements and improved community participation through advisory committees have been established to achieve displacement of the drug market (Dalton and Rowe, 2004:241). More generally, in the management of public housing formal contracts with tenants have been deployed to

reduce incidents of anti-social behaviour (Atkinson, 2008:41). Similar to the UK public housing developments, there has been an increased emphasis on the need for tenants to 'behave' (Marston, 2004). Yet the growing proportion of tenants with complex needs means that public housing landlords now have to operate in a de facto social work role (Atkinson, 2008).

### *The regeneration and integration of public housing*

A range of redevelopment strategies have been used in Australia in the last few decades, including physical improvement of housing stock, partial stock disposal, and total stock disposal (including demolition and redevelopment). Randolph and Judd (2000) argue that contemporary policies make explicit a need to attend to the social objectives of redevelopment as well as to the physical infrastructure. As in the UK, the problems within public housing are conceptualised as a failure of management, rather than a lack of resources or as issue that can be traced to economic inequality. Given the problems with the estates and the constraints on funding at all levels of government, SHAs are moving away from new construction towards a focus on intensive management and housing renewal.

Tenure diversification strategies have been an important part of the operational management plans of a number of Australian SHAs since the early 1990s (Wood, 2003:45). In Australia these initiatives were usually justified on the basis of a range of asset management objectives: enhancing the value of the remaining public assets on larger estates and achieving 'asset sustainability' through reducing housing management costs; and assisting in stock reconfiguration and dispersal to new areas to reflect new patterns of demand (Wood, 2003:45).. These, together with the objective of promoting home ownership for lower income households and public housing tenants, have all been cited to support tenure diversification strategies (Wood 2003:45).

Notable examples of redevelopment strategies include various Urban Improvement Programs undertaken by the South Australian Housing Trust, the New Living Program undertaken by the Ministry of Housing in Western Australia and the Urban Renewal Program in Queensland (Wood, 2003:47). The relationship between tenure mix and social problems was also explored as part of the Commonwealth's Better Cities Program (Commonwealth of Australia, 1993) and the policy has continued to be influential as a means of framing debates about investment options for public housing. Wood (2003) noted that the more recent CSHA agreements often cited the problems associated with the concentration of disadvantaged groups such as welfare recipients, the unemployed and single parents. In Queensland, for example, the 'One Social Housing System' strategy was intended to diversify the tenure of large public housing estates. As this juncture, it has been implemented in 14 areas across Queensland to improve the value of the portfolio (Atkinson, 2008:35).

### *Owner occupation and public housing sales.*

The Australian housing solution has always been market driven; by 1970 more than 90% of Australians housed themselves directly through the market (Berry, 1999). Homeownership in particular was underwritten not only by culturally determined preferences and economic prosperity, but also by the State and Commonwealth governments who established schemes which offered cheap finance to workers to buy their homes (Hayward, 1996: 8). Hayward has argued that these schemes, rather than the

project of public housing, in fact represented the real beginning of public housing policy in Australia (Hayward, 1996: 8).

Between 1955 and 1969 81% of all houses built by the Victorian Housing commission were sold in this manner which led to only 3% of Victoria's stock being public housing by the late 1970s (Howe, 1988). Similarly, Queensland and Western Australia used the CSHA and their own State resources to fund owner occupation and in Victoria and NSW the second CSHA was used as a major source of funding to expand owner occupation (Howe, 1988). In 1963, the NSW Housing Commission expressed the aim of selling 80% of all its CSHA funded housing. Thus the second CSHA became a watershed in the development of Australian housing policy and a major boost to owner occupation, engineered by government policy (Howe, 1988). The advantages of owner occupation were seen by politicians as greater security, and the accrual of financial resources in old age, yet many commentators agree that government policy facilitated this situation, rather than directly generating it (Howe, 1988). In fact, the picture was also complicated because each state promoted the sale of public housing stock in different ways and this translated into significant differences in the size of public housing stock in each state (Hayward 1996: 22). Where public housing properties were sold, particularly in Tasmania, Queensland, Victoria and NSW, these were usually the best properties, a fact that further undermined a key assumption of the historic rent structure of the CSHA which relied on being able to charge sufficient rent to cover the costs of these loans.

From 1945 to 1970, 36% of new public housing completed in Australia was financed on terms that made them cheaper than they would be if they had been obtained through the private market. By 1970, 24% of existing houses and flats were financed through large Government subsidies, the biggest single group being those built by State Housing Commissions. From 1956 to 1984, some SHAs sold dwellings to sitting tenants on favourable terms. SHAs were major providers of new housing for nearly three decades. This role became more uncertain from the mid 1970s with greater oscillation and then steady decline in the number of new dwellings. In recent years, very little has been added to the total stock of public housing (Dalton, 2009).

Another major policy decision that has shaped the current asset profile of public housing was the sales program that ran from 1956 to the late 1970s. During this time, dwellings in the Melbourne and provincial city suburban estates were sold on concessional terms to sitting tenants. This program transferred resources from public housing investment to low- and moderate-income home purchasers. However, at the same time, it also diminished the housing resources available to succeeding generations of low-income households who have become eligible for public housing, especially in metropolitan Melbourne's middle and outer suburbs. This is a major reason for Victoria having only 3.8 percent of its households in public rental housing in 1996 (Hudson, 2002:50).

Sales programs within public estates to encourage social mix have also diminished the net levels of public stock provision. Such schemes improve the perceived value of the area and the existing housing stock (Atkinson, 2008). The focus on sales is meant to realise land values, to improve the valuations of the remaining stock, to reduce densities of public housing, and to change the mix of people living there. Sales policies have been actively pursued in a number of States, for example New Living Program in Western Australia, HomesWest in Sydney and Urban Improvement Programs in South Australia (Atkinson, 2008).

## Conclusion

Our brief history of public housing in Australia highlights a number of issues. First, Australian public housing joined the suite of available tenures relatively late in comparison with other advanced capitalist societies. In combination with high levels of owner occupation this has tended to mean that public housing has been sidelined and marginal to political and economic concerns. Regardless of the espousal of cultural aspirations for home ownership there is little doubt that the marginal size of public housing and declining investment has further made public housing problematic in the eyes of politicians, those administering these systems and undoubtedly for those living in these dwellings. Second, far from allowing owner occupation to become a private good provided by entrepreneurial developers on a profit basis, there has, in fact, been significant public subsidy, intervention and macro-economic stimulus for a tenure often seen to be an inalienable right, a means of privately providing for future personal welfare and a means of shoring-up political support.

The effect of these historical forces—of a socially residualised public sector, a *laissez-faire* attitude to private renting and continued commitments to owner occupation—have combined to set a particular contemporary context within which responses to housing stress, affordability and demographic change are arguably more challenging to deal with. These issues will be returned to in subsequent sections. Certainly it would appear that the increased rationing of public housing will force many who would otherwise be eligible public tenants, to rely instead on the private rental market. This situation has placed these households at risk of substantial affordability problems (Dalton and Ong, 2007) and shifted this often vulnerable group into a sector where support arrangements are distinctly lacking (Atkinson and Jacobs, 2008).

If we return to earlier assessments of the prevailing situation it would seem logical to argue that public (or social) housing provision should continue but that there should be a greater variety and quantity of public and publicly assisted housing activity, including far more by local government. Adequate housing remains a core need from which wider political and social stability has been understood to flow (Australian Institute of Urban Studies, 1975). As public housing faces considerable reform today we can see how ideological and cultural currents shape the range of these options now on agenda, including a greater role of private developers, public subsidies to flow to community and the growth housing providers. These socio-political forces have been encountered in the recent past as debates about housing stress have tended to frame this problem as one faced by mortgagees, rather than noting the numerical and proportional dominance of stress in the private rental sector, from which few governments have sought to become involved. As market solutions continue to be favoured it seems likely that the limits of such responses will become notable—for those unable to afford to bid for appropriate housing there are few other options. Consequently, poor conditions, high prices and rents continue to thrive even as these options are considered inadequate to many.

In historical terms, Australian governments have always tended to view owner-occupation as the most preferable tenure. There remain strong culturally and economically rooted reasons for these choices but is similarly clear that the form and funding of welfare provision (including the state funding of retirement) by government does itself help to maintain aspirations for a tenure that has historically largely delivered a return in terms of

self-sufficiency. These tacit understandings of what has been termed asset-based welfare have often helped governments to rationalise the defunding or low level of funding commitments to public housing options. This is because such options have been seen, because of their inability to store or build the equity stake of households, only to maintain a dependent client base. Thus, the public housing option continues to be politicised as a high cost, low-return option, rather than being seen as an important part of a broader and inter-connected housing system through which households negotiate complex transitions over their life-courses.

Yet, even allowing for these comments, we can also see that in the period from the 1940s to the mid 1970s there was a relatively strong commitment from governments to invest in public housing stock to meet the shortfall of low-cost housing in the private rental market. However, in contrast to the UK, where in the late 1970s 25% of households were public housing tenants, Australian public housing has always been a marginal tenure and that the support of owner occupation and the limited assistance set aside for public housing in Australia is symptomatic of the relative weakness of agencies promoting welfare models of housing delivery. Housing policies in Australia reflect the dominance of private sector interests and their success in advancing largely privatised models and responses in areas of welfare service delivery.

#### *Looking to the future*

We have made an argument for understanding housing policy not simply as response to meet social need but as a contested policy arena in which different interest groups have sought to promote their interests. The construction of housing policy through this conceptual lens provides a way to understand the developments that have taken place and most importantly consider why Australian government policy has promoted owner-occupation at the expense of other tenures.

As to the future, we can set out the most significant challenges that SHAs are likely to confront. First, the perceived imperatives to control public expenditure will continue to operate as a brake on efforts to address social inequality within public housing locations and limit the effectiveness of new initiatives in areas such as allocation policy and housing management practices. The extent of government debt (projected to rise to as much as 13% of GDP, though this is only a fraction of other western government debt requirements) is likely to deter policymakers from committing additional resources for public housing once an economic recovery has commenced.

Second, the failure of successive governments to address the shortage of supply will mean the demand for low-cost housing will remain high and many of the households who require low-cost housing will be individuals with a high level of need. In practice, SHAs will have to cope with a greater demand for public housing especially if the economic slowdown endures and as urban populations increase and household sizes decrease. We already know that housing stress exists in all of the three key tenures (public, private rental and owner occupied) and that effective ways of addressing these problems are essential.

However, in line with our reading of housing policy development, we can also anticipate a significant cleavage in alliances for governments. This lies between a broadly comfortable and affluent home-owning class who have benefited from a range of subsidies and sustained economic growth and a generally highly leveraged or stressed class who have bought or rented their homes. So the apparently singular problem of housing stress is, in reality, one of competing constituencies seeking subsidy and preferential status, their only difference perhaps being their levels of relative affluence. In this context, increasing supply, public housing and wages for low-income households would indeed be effective,

but potentially at odds with expectations for housing equity growth and wealth of existing owners who require these options to be choked off in order that their initially significant housing costs are eroded by inflation and equity gains in the properties they have bought.

Finally, there already exists an impetus within government policy circles to diversify public housing as a way of reducing government expenditure and extend the role of community housing associations as an alternative model of delivery. We anticipate that private sector institutions will look to the public housing as an environment in which to extend their operations, along similar lines to what took place in the UK in the 1990s. However, for the community housing sector to grow, it will be necessary to establish a regulatory framework with sufficient subsidies to ensure these new associations are financially viable.

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