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**National Community Housing Forum Seminar**  
**Sustainable communities, housing and welfare reform**

**Discussion Paper 3**

**Housing and the Welfare Review**

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## **1. Introduction**

### *What is this paper about?*

This discussion paper is one of a group of papers prepared to help providers, administrators and policy makers consider the place of housing in the current policy discussions about building stronger communities – particularly the place of community housing. Three information papers provide descriptions of social trends and policy initiatives relating to communities (Information Paper 1), specific research on quality of life (Information paper 2) and some measures of community well-being (Information paper 3). Discussion paper 1 looks at what we understand by a sustainable community. Discussion Paper 2 considers ways in which housing might be important to help build sustainable communities. This paper looks at one of these current, very important policy debates – the current Welfare Review process.

The issues touched on in this paper are drawn from three sources. Submissions to the Welfare Reform Committee by the National Community Housing Forum and by ACOSS and the discussion paper prepared for National Shelter by Carol Croce, 'The Links Between Housing, Employment and Income Support: implications for housing policy'.

### *The Welfare Review*

In October 1999 the Federal Government established a Reference Group to conduct a Review of the Welfare System. Submissions have been sought and an initial report is expected very soon. In its discussion paper the Government enunciated a number of principles and concerns. Three broad areas are particularly important: the review has the objective of overcoming welfare dependency, of ensuring the welfare system works to increase social and economic participation, and noted that 'welfare' is broader than income support and includes a range of other services – including housing. Like its submission, the comments made by NCHF in this paper are to assist in discussion of this important area. They do not represent a specific view of any of its members.

The challenge facing the current welfare system is the erosion of the two earlier assumptions on which our social security system was built. The first is that a very high proportion of the population (mainly dependent women) could be expected for most of their life to receive their income within the family from a primary wage earner. For most women after childhood this kind of income transfer is more unpredictable and no longer the main source of income. While this means more people overall are participating in the labour market, it also means that a higher proportion of the population must be expected to move from intra-family transfers to income support.

The second was an expectation of secure long-term employment for most. Instead we have seen more broken patterns of attachment to the labour market associated with both job insecurity, periodic reskilling and new patterns of mixing work and parenting emerge. For many at the lower end of a skills ladder, the only form of employment will be part-time, casual and low paid. The role of a modern income support system will be to help smooth transitions for many and to provide longer-term supplements to many others.

## 2. General issues

### *Some comments on 'welfare dependency'*

Throughout the Review's discussion paper, the point is correctly made that there are very serious individual, community and intergenerational costs of individuals or communities being excluded from social and economic participation (with participation in paid employment being a very important aspect of this). However, the term 'welfare dependency' suggests that ongoing receipt of income support is a key contributor to such exclusion. Perhaps there are circumstances in which this true. But it is likely to be far more important to focus on the ways in which access to the welfare system can *sustain and facilitate* social and economic participation, rather than focus too strongly on reducing entitlement.

In saying this we are making three points:

- The primary purpose of a well-designed modern income support system should be to sustain participation. This objective reflects the changed nature of work, family and communities in modern world, the central features of which are fragmentation, change and polarisation. In these conditions the earlier objectives of providing a passive 'safety net' (on the assumption that gaps in access to other forms of income were few and short term) or the active 'springboard to work' promoted by the 1989 Social Security Review (which assumed that once reattached to the workforce there could be an expectation of stability), are no longer sustainable objectives.
- The forms of desirable social and economic participation are wider than paid work, although it is particularly important. Education, training, parenting, caring, community activities are all forms of participation as well as key components of individual or community 'self-help'. Not only will participation in paid work never be available to all those require independent incomes, but it may not be in the individual or community interest to always make the trade off between forms of participation in favour of paid work. It will be a fundamental part of a modern welfare system to ensure that there is a genuine choice.
- Many of the most important parts of the welfare system that sustain participation are not income support but other forms of social infrastructure. This is very clear in the case of access to affordable childcare. However, housing is equally important as a determinant of access to employment. It is more fundamental as a determinant of access to all other forms of participation and self-help within a sustainable community.

### ***Mutual obligation***

The last point also throws some light on the notion of ‘mutual obligation’. It has long been an accepted part of our social security system that those who receive benefits must demonstrate that they have actively sought paid work, unless they fall into categories or recipients who are not expected to have an attachment to the labour market. The converse of this activity requirement – the mutual obligation – is for the community to ensure adequate incomes where it is unable to provide such employment.

The change in the nature of our labour market has made this simple categorical exception less appropriate, except in the case of age pensioners or disability support pensioners. The reason for this is that individual circumstances, which may change fairly rapidly, will determine whether paid work or another form of participation is the most appropriate. At the same time, new categories of recipients who may wish to work, but for whom the chances of employment in the contemporary labour market are very slim (particularly mature age unemployed), have been identified. For these recipients the burden of unsuccessful job search may be more harmful than the risk of losing attachment to the labour market.

This suggests that the public side of the mutual obligation is not simply to provide employment opportunities and adequate income support where it has not provided such employment, but also to actively provide the social infrastructure to maintain a fair chance of accessing available employment, to support the other forms of social and economic participation, and to support a vigorous and sustainable community which provides support and opportunities to access a wide range of forms of participation.

### ***A welfare system that sustains and facilitates social and economic participation***

Such a welfare system will require an integrated system to:

- Ensure that everyone has access to an adequate income;
- address disincentives to participation in work (such as high effective marginal tax rates) or high costs associated with participation;
- address costs which act as disincentives to other forms of training and education, caring, or parenting and balance these forms of participation against an expectation that a significant proportion of most people’s lives be spent in paid employment by smoothing transitions between such activities;
- provide the services that directly assist people to participate – affordable child care, transport; medical and other support services; education and training;
- support the communities within which such activities can be most effectively sustained.

As well as providing the services designed to enable individuals to participate independently, the last point will include arrangements designed to strengthen the ability of communities to generate activities for economic and social participation, to sustain the relationships that facilitate participation, and to reduce hardship.

Appropriate housing is a precondition of a sustainable community and therefore a precondition of an effective welfare system.

### **3. Housing and the welfare system**

#### ***Implications of changes in the Australian housing system***

Housing affects everyone in the community in four ways:

- affordability and after housing income;
- physical adequacy and its impact on health and safety and the ability to undertake ordinary activities that take place in the home – this includes security and the ability to plan;
- location and its effect on access to employment, friends, services etc;
- location within a neighbourhood and community and its effect on social participation and access to social capital.

There are significant changes taking place in the Australian housing system that effect all of these; and should be borne in mind by the Review Reference Group.

The housing market is changing. Home purchase, which has underpinned our housing system, is declining – possibly driven by patterns of participation in paid work and income insecurity. The proportion of households currently purchasing housing has declined dramatically by more than a quarter over the past 20 years (Yates & Wulff 1999). The result is a growing demand for rental housing. But while there is increased investment in the top end of the market, the available stock at the end that is affordable to low income earners is falling as the numbers needing it have increased. In Sydney 60% of such affordable stock has been lost over 10 years. (Yates 1999).

Public housing stock is not increasing to meet this demand, although there is a modest growth in community managed housing. Instead, increasingly assistance has been directed through Rent Assistance to social security recipients (not all low income earners) in the private rental market. However, this is simply not keeping pace with price increases and a number of groups are excluded from assistance.

There is a growing trend for public policy on housing, in Australia and in other countries such as the US, to believe that housing assistance must do more than provide low income earners with decent, safe housing, but that there is a reciprocal obligation, namely that housing assistance must deliver other benefits such as reducing the demand on other services and ultimately improving the chances of economic independence. This is a two edged sword. On one hand, appropriate and well-managed housing is fundamental to achieving these objectives – and this should be recognised. On the other, it can lead to increased targeting and conditional supply of assistance, which can undermine the very attributes that give housing its importance in people's lives.

## *Housing and income adequacy*

As noted in Discussion Paper 2, housing is the most important determinant of whether a household is poor. The cost of housing is the single largest expense for any household and as a result, determines whether a given income is able to meet household needs. The adequacy of income distribution must therefore always take housing costs into account.

On top of this, the ability of parents to help their children through the periods when household costs are highest, rests on the lower living costs that come from having purchased their own home. The decline in home purchase can be expected to affect this in future years.

At the same time, housing affordability in the rental market is at extremely low levels. In NSW, 69% of private renters are paying more than 30% of their income in rent compared to 48% in the mid 1980s. (NSW DoH 1999). This situation is worse for low income earners – principally households in receipt of income support.

## *The relation between housing and income support*

### *Assumptions about housing and income support*

The expectations of the post-war social security system were that most recipients would be the aged and the invalid. A small number of unemployed people might be expected to receive benefits for a short, transitional, period. Sole parents and other groups were not considered. The assumption was that most pensioners would already own their own homes. As a result, housing costs are not reflected in payment rates. In general, the guiding principle for income support levels is not adequacy, in which case housing costs would be a major contributor, but relativity with wage levels to avoid any work disincentives.

By the 70s it was recognised that most recipients were sole parents and the unemployed. A significant minority of these groups are long-term recipients. Housing costs therefore are a major reason for poverty amongst social security recipients. The introduction and rapid growth of Rent Assistance was a recognition of this problem. However, the ability of Rent Assistance to do this job as it is currently structured is highly questionable.

### *Rent Assistance*

- *Inadequacy*

Perhaps the main problem with Rent Assistance is that it is inadequate to provide housing affordability. In 1997 the Australian Institute of Health and Welfare found that even after receiving assistance, 29% of renters were low-income households paying more than 25% of their income in rent.

- *Locational impact*

As noted in Discussion Paper 2, it is often claimed that more use of Rent Assistance will permit recipients to make more choices about appropriate locations. Marion Wulff has shown that, instead, Rent Assistance recipients live in areas where most people have the same income as they do, and sole parents are more likely to be located where access to employment and other services is least.

- *Insecurity*

One of the main limitations of too heavy a reliance on Rent Assistance is that it means that recipients are vulnerable to the insecurity of the market. This vulnerability to constant moves adversely affect children's school attachment and retention, the establishment of the informal networks needed for participation, and the basic ability to plan with certainty.

- *Is it a housing subsidy or income support?*

Rent assistance seems to sit uneasily with the income support system. This raises the question of whether it should be seen as a separate housing subsidy. This would have two implications. The first is that it could in principle be available to a wider range of low income households. The second is the way that it interacts with income based rents (this is currently only an issue for community housing tenants). As an income support payment it is part of income and only 25% can directly be utilised to subsidise housing provision. If it is a housing subsidy, the whole payment can legitimately be added to income-based rents. This could significantly add to the viability and expansion of non-government social housing options.

*Housing rigidity as a result of income support rules.*

There are two sides to housing adequacy. The first is security – this comes with home ownership (not purchase) and security of tenure in public housing. The Tasmanian well-being study showed the effect on well-being of this kind of security (See Information paper 3) The second side is flexibility to respond to changes in circumstances or the life cycle. This includes the changed needs of young people, older people, family separation, and the need to move to areas with better employment opportunities.

Neither of these can be traded off. What is needed is the choice of flexibility together with the guarantees of security within that choice. However current arrangements often work against this flexibility in three ways.

- *Home owners*

Home owners who are asset rich and income poor may be deterred from selling their home and realising their equity. If they are social security recipients, unless they put the proceeds into another investment they will be subject to both high tax and the loss of benefit through the asset test. This is particularly the case of unemployed and sole parents, who have a stricter asset test and are more likely to need the cash rather than to reinvest in new accommodation or an annuity fund.

- *Public housing tenants - mobility*

It is sometimes claimed that public housing captures tenants in poverty. This is because if they leave their public housing allocation to seek work in areas with a better chance of work or better schooling etc, they also lose their affordable rent and security. Transfers are very difficult and do not operate between states, and waiting lists in new location are likely to be many years.

- *Poverty traps associated with social housing rents*

While one of the strengths of RA is that it is the last payment withdrawn and is not subject to an additional taper and high marginal tax rates, this is not the case with the implicit subsidies provided to public housing tenants. For these tenants, 25-30% of every dollar earned by any member of the household is taken in increased rent. This poverty trap has been *increased* in most jurisdictions at the urging of the Commonwealth Government as part of a general increase in public housing rents.

### ***Social housing and the welfare system***

Social housing policy has meant that the vast majority of social housing tenants are both income support recipients and high consumers of other welfare services. This is one special reason why the welfare reform process should pay special attention to housing issues. But while social housing provides much needed affordability and a solution to the discrimination and vulnerability often experienced in the private market, this concentration of high need tenants has a number of other serious problems for individuals, for social housing communities and for housing managers.

#### ***Individuals***

Many high needs tenants are unable to adequately access the range of services they need to sustain independent living. The most well-publicised of these are the needs of people with psychiatric disabilities who have been forced into public housing in the wake of deinstitutionalisation policies and the lack of alternate specialised housing. This has an impact on those tenants and on other tenants.

#### ***The community***

The ability to participate either in paid work or in the community is often seriously eroded by creating concentrations of disadvantage and unemployment. The informal networks that play such an important part in access to employment and support other forms of participation are not readily available. (See the earlier discussion of excluded communities)

#### ***Social housing managers***

There are three immediate impacts on managers. The first is that the task of tenancy management is likely to increase – from dealing with individual needs, to neighbour disputes, to arrears or maintenance. Increasingly social housing managers become the lynch pin in brokering support and other forms of community development. This ranges from estate renewal programs to ongoing community development activities. The third is that the viability of social housing management is threatened. The continual restriction of public housing tenants to those with the lowest income has meant that income streams have fallen significantly. Recently, this has led to increases in rents amongst the poorest households in the country.

### ***Sustainable communities and housing***

Many of these issues have been already covered in Discussion paper 2, which dealt with housing's role in sustaining communities. The following is a brief summary.

*The ability to acquire skills for both employment and other forms of social participation* - secure housing, which for social security recipients generally means social housing, is a precondition for effective schooling. It is a major concern that current policies are limiting security of tenure in social housing. But in addition community housing frequently places a priority on tenant participation. In many cases the skills learned through this process, for the first time open pathways to employment and further training.

*The ability to identify work and to be employed* - Large disadvantaged housing estates are unlikely to have the networks and connections to work opportunities on which most people depend for work. But some models of community managed housing – affordable housing and co-operative housing - provide models of small scale housing organisations with close links between tenants with a *variety* of attachments to the labour market.

*Formal community activities through which community members can take responsibility for community needs and challenges, and community leisure activities.* The ability for communities to take some responsibility for meeting community needs and challenges that may be the most important aspect of a sustainable community. There is an increasing recognition that social housing managers may be the lead agents in such community development activities in disadvantaged communities since must respond on a day to day and localised basis to the problems experienced by tenants. They are then in a strong position to broker partnerships between tenants and other agencies – health, community services, or police. As noted in Paper 2, Proctor Way is an example of this in practice.

*Supports to enable individuals to participate – caring (particularly child care), home service supports (usually informal, but also access to convenience stores etc).* Good social housing policy can ensure that there is affordable housing in locations with good access to such services. Left to the market, low income tenants are frequently forced to move to poorly serviced areas.

*Ability to access employment, services, and activities in a timely or affordable way – transport and transport costs are the most important of these.* Housing managers are increasingly playing a key role in trying to improve the employment outcomes for low income tenants. They can participate in local or regional employment strategies together with estate regeneration. They can use more flexible supply strategies – such as head leasing from the private market. Similarly, smaller community housing associations may be better placed to manage social housing in small rural communities than public housing authorities. They can play a key role in developing affordable housing in areas that are better located in terms of access to jobs..

*Supports for those outside the workforce or for other non-employment related activities – these include health services, family support, home and community care, crisis accommodation and alternate care.* Community housing managers have a strong record of brokering the provision of services needed by their tenants. Sometimes this is as specialist providers, but more often as highly responsive managers of general rental housing. Some have specific ability to provide a mutually supportive environment for specific communities to enable them to live independently with reduced need for external services.

*A safe environment free of physical hazards, health risks, crime or social risks (eg. drugs).* Housing and neighbourhood design is crucial in creating safe and health environments, whether in Aboriginal communities or housing estates. Without such basic safety and health, other forms of participation is impossible. Equally, a supported community can do a great deal to reverse crime and neglect.

#### 4. Issues

1. How important is housing to a new welfare system that supports social and economic participation? Why?
2. How important are the following factors:
  - its contribution to adequate incomes,
  - its role in letting people live within reach of jobs and support services,
  - its ability to provide security to allow people to avoid disruption to participation in schooling, employment and other supports,
  - the importance of having good quality housing to overall well-being,
  - the importance of housing managers playing a role as a lead agency in building stronger communities and more skilled individuals.
3. Are housing policies supporting the objectives of the review? What is the impact of targeting access to social housing only to those with very high needs and limited attachment to the labour market – particularly, the trend to limit rather than support security of tenure?
4. Does rent assistance do the job it needs to do? Should it provide greater adequacy in meeting housing costs, rather than an income supplement in recognition of the impact of housing costs? Is it true or helpful to see it as providing mobility for tenants seeking work?
5. Do we need more explicit housing subsidies that are not part of income, but could be a means of subsidising the cost of housing provision?