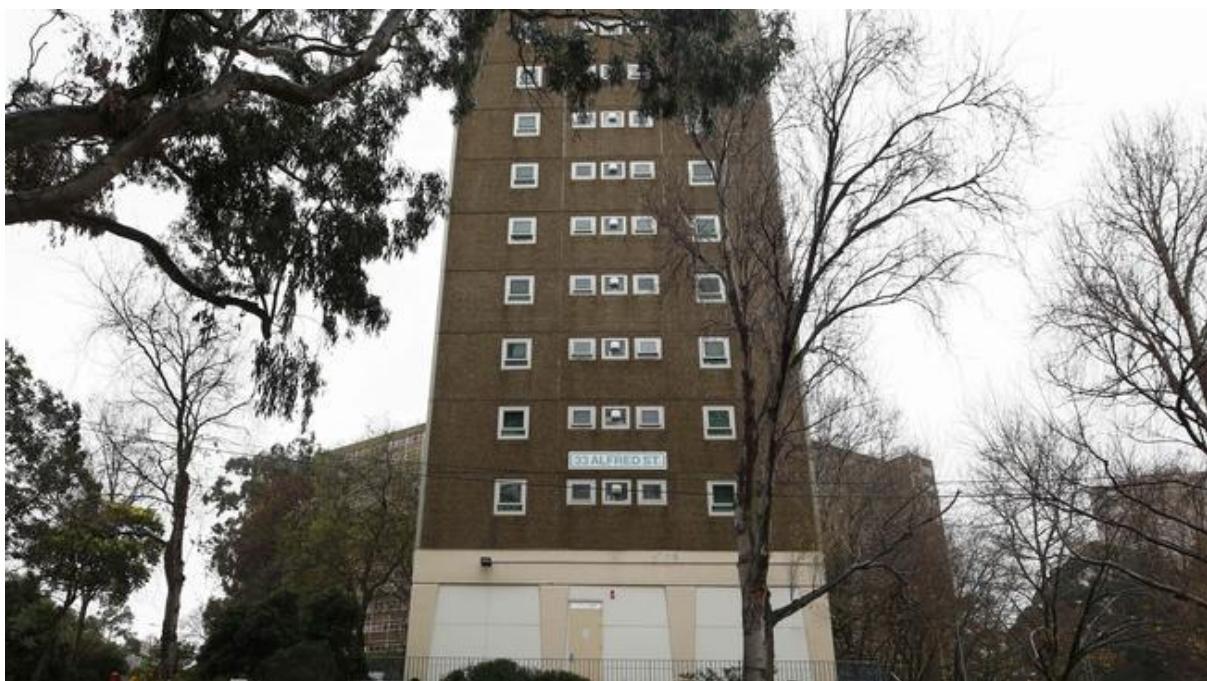


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Coronavirus: Is social housing worth the cost? Melbourne towers offer a warning

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One of the locked-down public housing towers in North Melbourne. Picture:
Daniel Pockett

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- 117 COMMENTS

Public housing is in the news with the [lockdown of several Melbourne towers](#) amid the spread of COVID-19. There were regular live crosses on news bulletins. Stranded residents were unhappy about the lack of notice and inadequate catering to their needs.

Melburnians are used to the imposing ugliness of these inner-suburban buildings. Built in the 1960s and 70s from precast concrete, they provide accommodation for many, often disadvantaged, residents.

Whether it was a good idea to build them and if it might be sensible to demolish them are constantly debated. Other than their handy locations, there is little to

commend them. They offer inadequate accommodation with shared laundry facilities and often broken-down lifts.

Several are drug-dealing hubs and violence is common. Some residents have uneasy relations with the police.

Their origin owes much to overseas developments. In Britain, run-down housing in parts of London and other cities was torn down and high-rise flats, often 20 or 30 storeys, constructed instead. Quite quickly, the slums that were demolished were replaced by another type of slum.

In Melbourne, there was a similar flattening of shabby inner-city houses. About 4000 houses were demolished, replaced by 7000 flats in tower blocks.

Few residents of the houses were relocated to the flats, and the houses that survived have been restored, renovated and sell for high prices.

Recently, some commentators have pushed for more government spending on public housing — also referred to as social housing — to stimulate the economy while meeting an obvious social need.

The best information on this comes from the Productivity Commission, which publishes the Report on Government Services each year and looks at housing and homelessness.

The states and territories are largely responsible for the construction, maintenance and administration of public housing; the federal government provides support through rental assistance. The National Housing and Homelessness Agreement between the federal government and the states and territories is the principal means of directing federal funds to support public housing and the homeless.

Substantial sums are involved. In 2019-20, more than \$3bn of federal money was provided for housing and a further \$4.6bn was provided for Commonwealth Rent Assistance. State and territory expenditure is also considerable.

What role does public housing play in Australia? About two-thirds of households are homeowners or purchasers, 27 per cent are private renters, with slightly more than 3 per cent in public housing. That number has dropped from almost 4 per cent in a decade.

The ACT has the highest proportion, at 6.8 per cent; Victoria the lowest, at 1.7 per cent. South Australia also has a high proportion (4.9 per cent), reflecting the historical legacy of state government policies that used public housing as a form of industrial development dating from the Playford era.

The type of households in public housing has changed. Where once there were families with dependent children, the typical occupant now is a single person, although many flats are overcrowded. This has led to a disjunction where about one-sixth of public housing is underused in terms of bedrooms with another one-sixth significantly overcrowded.

One of the principal reasons for investing in public housing is to relieve “rental stress” on low-income earners — defined as spending more than 30 per cent of gross household income on rent.

According to the Productivity Commission, in 2017-18, 43 per cent of private renters were on low incomes. About half experienced rental stress. Without rental assistance, close to 70 per cent would have experienced rental stress. Even with the assistance, many still suffer from it.

More public housing residents are likely to be unemployed. But in relative terms, rents have fallen across time, reflecting manner in which rents are set in relation to income.

The research on the effect of public housing tenure on employment outcomes is not clear-cut. But for those on the waiting list — and it is possible to be on a public housing waiting list for years — it seems some are dissuaded from active, full-time employment lest they jeopardise their place in the queue.

Failed experiments to encourage more affordable housing for low-income and disadvantaged households are common. A recent example was the National Rental Affordability Scheme introduced with much fanfare in 2008 by the then newly elected federal Labor government.

The plan was for 50,000 units to be built and to be rented at below market rates to low-income earners, with the federal government paying a subsidy of \$6000 annually to the owners of the units for up to 10 years.

It was a shemozzle. The building program was slow — the target of 50,000 was to be met by June 30, 2012, but by mid-2015 only 26,000 dwellings had been constructed.

Because of the way the subsidy was designed, the developers ended up constructing a large number of — cheaper — studio apartments and many of the occupants were low-income earners only by virtue of being university students. International students also qualified.

The scheme was wound up by the incoming Coalition government although the subsidies continue to be paid out under the agreement.

Public housing policy can be devised only in the context of an understanding of the housing market. With the population recently allowed to grow rapidly by dint of high net overseas migration, there were always going to be significant price pressures, particularly given government-imposed restrictions on new housing investment — think zoning and release of land. That most migrants head to Melbourne and Sydney is another complication.

Whether long-term occupancy in public housing really provides a service to residents is not entirely clear, particularly where residents are locked into deficient, possibly dangerous accommodation. It is a worthwhile debate before even more taxpayer money is spent on public housing.

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