

# The Poverty of Housing Policy

Newtown 1966 and 1991

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The housing difficulties that many Newtown families are experiencing sound a cautionary note about the ways in which housing policy decisions can impact upon the lives of low income families. As the Federal government is currently reconsidering some of the key planks in Australian housing policy, it is timely that we reflect on such issues. At the time of writing, the detail of proposed changes to Commonwealth housing policy remain under discussion. As yet, however, despite some new policy means, the policy ends of the promotion of home ownership and withdrawal of support for the public rental sector would seem set to continue.

In this third article from the Newtown Revisited Project, Ian Winter and Lois Bryson examine how the outcomes of housing policy decisions between 1966 and 1991 have impacted upon the lives of Newtown families. Two key trends are found to have characterised housing policy throughout this period – promotion of the growth of home ownership and a gradual withdrawal of support for the public rental sector. These policy trends, in conjunction with a changed economic and financial environment, especially after 1986, are demonstrated to have delivered many of Newtown's families into inappropriate and unaffordable housing.

A key aim of policies promoting the growth of home ownership has been, amongst other things, to provide financial

security for home owners upon retirement. Paying off the mortgage over a working life has been argued to act as a means of forced saving that can give home owners a valuable asset and minimal housing costs in later life (Castles and Mitchell 1994). Given this aim, we examine the extent to which home ownership has been a financial success for families in Newtown.

A central aim of the provision of public housing has been to ensure adequate minimum standards of housing quality, especially for low income families. In the period after the Second World War, slum conditions in the inner cities provoked health fears, and labour shortages pressed home the need

## NEWTOWN

Newtown (a pseudonym) is a housing development built by the Victorian Housing Commission during the 1950s and 1960s as part of its public housing mandate, with 2500 houses being completed by 1966. The houses were built primarily of concrete – detached structures with three bedrooms on a fenced plot of land.

In 1966, 63 per cent of houses were being purchased or were owned outright and 36 per cent were being rented from the Housing Commission. By 1991 these percentages were 76 per cent and 16 per cent respectively (an increase in the 'other' category, from 0.88 per cent to 6.69 per cent disguises the size of this increase).

This growth in the percentage of home owners and decline in the percentage of public renters is the statistical snapshot of the outcomes of policies that have promoted the growth of home ownership and withdrawn support from public renting.

### The Newtown Revisited Project

Two previous articles from the Newtown Revisited Project can be found in *Family Matters* no. 40 and no.43.



Although a 'revisit' to the site of the 1960s community study *An Australian Newtown: Life and Leadership in a Working Class Suburb* (Bryson and Thompson 1972) had been a long-standing latent intention of the original researchers, the Newtown

Revisited Project was triggered by the fact that Newtown was one of the suburbs included in the Australian Living Standards Study carried out by the Australian Institute of Family Studies in 1991.

This national study provided an extensive survey of government and community agencies and service providers in Newtown and the surrounding area (153 in all). As well, it provided a study of families (with dependent children under 20) through a sample of 62 Newtown households. The data collection methods used in the original 1960s study included a similarly detailed examination of local service provision and use, a rather more extensive household survey of around 340 households, involvement in the day-to-day life of the residents, and in-depth interviewing of key players in the locality. The current study encompasses a similar range of methods, although it does not replicate those used earlier.

for a healthy workforce. For this reason we focus on the quality of housing provision that public tenants in Newtown have experienced.

### Promotion of the Growth of Home Ownership

Access to home ownership in Newtown was supported by way of generous terms of purchase: a \$400 deposit, an approximately 4 per cent mortgage interest rate, and a 40-year term. Thus, as Bryson and Thompson (1972:96) point out, the costs of home purchase and public rental were little different in these times, although the size of the deposit was still a significant hurdle.

By 1991, however, the costs of home purchase and public rental are no longer equivalent. In 1991 median weekly housing costs for home purchasers were \$117 and \$67 for public renters. The federal government, having decided to deregulate financial markets in the mid-1980s, oversaw spiralling interest rates in the late 1980s. It is in this context that by 1991 42 per cent of Newtown home purchasers were in poverty after paying for their housing – 70 per cent were just managing, having difficulty or great difficulty in meeting their mortgage repayments.

The increasing asset value of a property, known as a capital gain, is said to contribute to the financial security of home owners, particularly in later life. Such capital gains are not merely a fiction of middle class dinner party conversations. Some home owners at some times and in some places do realise substantial capital gains (Badcock 1992; Burbidge and Winter 1996). Thus, a perfunctory examination of the housing market could lead one to assume that state-supported growth of home ownership would financially assist low income families.

However, an analysis of capital gains available to home owners in Newtown shows that the median annual capital gain, measured as the real increase in land price between 1964 and 1990, was only \$1160 (see Burbidge and Winter 1995 for housing costs and benefits model). If we look at the net financial benefits derived from home ownership – that is, the benefits of capital gains and savings in rent minus costs – between 1986 and 1990, over 70 per cent of families experienced *negative* net financial benefits, ranging from minus \$56 per year to minus \$4,500 per year. Despite a property market boom during the 1986–90 period, the high mortgage interest rates that prevailed after the deregulation of home loan finance in 1986 eroded much of the gains.

Although this detailed analysis of net

financial benefits applies only to the 1986–1990 period, given the small size of the capital gains available to Newtown home owners from 1964–1990, a marginal increase in costs would at any time have resulted in negative net financial benefits.

Of course, this poor financial picture cannot mean that home purchase in Newtown has not made sense for those families that have bought their homes. There are clearly benefits of a non-financial nature that our financial calculations do not take into account. For example, the benefits of increased security and control associated with home ownership are well understood (Winter 1994) and provide an important rationale for home ownership



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regardless of the financial outcomes. However, the analysis here does provide a starting point from which assumptions about home ownership automatically providing financial security in later life can be questioned.

### Withdrawal of Support for Public Renting

While concerns about housing quality and the health of the working classes were a key part of the initial impetus for the provision of public housing, the quality of much of Newtown's housing stock was poor from the start. This poor quality stems from the dire housing shortage that faced the state government at the end of the World War II and the adoption of a quantity over quality solution.

As Eather (1988:70) notes: 'The curtailment of housing construction during the Depression of 1929–1932, the failure of the building industry to make up this shortfall during the late 1930s, and the restrictions on housing construction that were enforced by the Commonwealth Labor Government during World War II all contributed to the ever-increasing gap between supply and demand in housing in Victoria.'

The state government sought to breach this gap by importing different models of pre-fabricated housing from England and Holland. However, the prohibitively high cost led the government to settle on pre-fabricating its own houses out of concrete (Dalton 1988). It was these pre-fabricated

concrete houses that were constructed in Newtown, the earliest being built on low-lying land, which, combined with poor ventilation and ineffective heating, resulted in drainage, dampness and mould problems. Hot water services, kitchen exhaust fans, stainless steel laundry troughs and internal toilets and laundries were all absent from the early housing.

It should be remembered, however, that after World War II many families lived in ramshackle dwellings, caravans, tents, or shared with in-laws or friends (Eather 1988:86). For these families, and families being rehoused from slums, or recently arrived migrants, the newly built public stock was an improvement on their previous accommodation.

By 1991 the problems associated with Newtown's housing stock appear to have altered little. The most commonly cited structural problem which families were experiencing was rising damp or rot, with 27 per cent experiencing major or minor problems. In terms of non-structural housing features the key deficiencies were reported to be fencing, storage space, and doors and windows. Comments about doors

and windows specified jamming – presumably caused by the dampness and poor ventilation. Problems with hot water services by this time were classified as minor rather than major, but were reported by 16 per cent of families.

One factor partly explaining the continuing poor quality of Newtown's housing stock is that there was no ongoing maintenance program in Newtown from the mid-1960s until the 1990s. Initially the lack of maintenance stemmed from the Victorian Housing Commission's focus on supplying new accommodation, which by this stage was occurring through the building of high-rise flats, 8000 of which were built in the 1960s. There was also a continuing emphasis on villa estate development in rural areas as part of the decentralisation philosophy of the Liberal state government. The concrete houses of suburbs such as Newtown had a 10–12 year maintenance cycle when they were new, so with no active maintenance program implemented during the 1960s they were, by the end of the decade, reaching the stage of serious neglect.

In the early 1970s the Whitlam federal government provided funds for the purchase of land but not estate maintenance which is what Newtown needed. In 1978 the first estate improvement programs commenced. These were focused on the high-rise flats because of the perception that their physical and social deficiencies were greater. Active tenant groups encouraged such a perception and those in the high-rise flats were better organised than

those in outer estates, partly because all the residents were tenants, whereas in Newtown tenants were in the minority by 1966 on account of the active sales program.

In 1982 the incoming Australian Labor Party state government implemented stock standards and management, financial innovations, need-based planning, and it restructured the Victorian Housing Commission into a broad-based Ministry. The 1983 *Housing Act* provided Standards of Habitation Regulations, and the 1987 Estate Improvement Program paved the way for estate maintenance finally to be undertaken in the public estates. By this time, however, the issue was not one of maintenance but of wholesale improvement. Thirty years had passed with no maintenance and now Newtown had to compete with 65,000 other units for improvement funds, because by this time much of the public rental stock was in need of such funds.

## Discussion

Findings from the Newtown Revisited Project have shown high percentages of families in after-housing poverty and large proportions losing money from home ownership. We have pointed to how the state government constructed what was initially poor quality housing stock, how it failed to maintain this stock to any adequate level but meanwhile encouraged low income families to purchase it. Policies that have promoted the growth of home ownership and that have withdrawn support from public renting have delivered many low income families in Newtown into unaffordable and inappropriate housing. Perhaps in the pre-1986 days of protected domestic finance and lower real interest rates the promotion of home ownership for all made sense, but in today's deregulated financial climate this looks less certain. Equally, given the housing shortages of the time, a strategy of quantity rather than quality in the provision of public rental housing made good sense. The sense in neglecting to maintain these properties is, however, less transparent.

The Federal government's current housing policy proposals do not appear designed to alter radically the well established trends of housing policy in Australia that we have discussed above, though they are contemplating some different means of achieving these policy ends (Whalan 1996). Enabling low income earners to borrow from their superannuation savings (Connolly 1996), or to capitalise their Rent Assistance payments to access home ownership have both been countenanced. Accessing home ownership, the preferred tenure form of most Australians, is clearly a good idea. However, we have shown above that home ownership is not necessarily a financial panacea. Accurate information about the nature of the contemporary housing market, the volatility of interest

rates and thus unexpected hikes in costs must be communicated to those who are perhaps risking their superannuation funds to access home ownership.

The withdrawal of support for public renting appears set to continue as the Federal Government is distancing itself further from the provision of housing in kind, to move to a system of subsidising the tenant through the provision of Rent Assistance. Though the policy details are yet to be worked out, the terrain of the debate thus far suggests that Rent Assistance will be paid to cover the gap between a housing affordability benchmark (either 25 per cent or 30 per cent of net income) and an average market rent. In these circumstances anyone living in accommodation that is valued higher than an average market rent will either have to make up the difference themselves, or hope that their State government will step in to make up the shortfall.

Given the low incomes of families in public housing and the frugal budgets of State government housing authorities, neither of these options would seem likely. Instead there will be a strong incentive for State governments to sell off those properties valued at above average market rents so that they're not faced with this problem. The properties most likely to be valued at above average market rents and thus sold are those in the inner city with good access to services, employment and public transport. The housing remaining in the public rental sector is most likely to be the cheaper urban fringe properties that are under the average market rent level, but poorly located. If this scenario becomes manifest, low income families in public housing will become increasingly locationally disadvantaged (Yates 1996:5).

The wider provision of Rent Assistance will increase opportunities to access private rental housing. Yet, greater access to private rental housing will not provide housing with security of tenure, as in the public rental sector. The stability that such security of tenure provides clearly assists a supportive and constructive family environment. Any attempt to strengthen security of tenure within the private rental sector though runs the risk of alienating landlords and jeopardising the supply of private rental accommodation.

There are also question marks about whether the private rental market can more efficiently provide housing that is appropriate for low income families. The Industry Commission Report on Public Housing (1993:xviii) finds that: 'Public housing and headleasing are assessed to be more cost effective than cash payments and housing allowances. Discrimination and security of tenure problems of low-income people are overcome and better targeting is achieved. They avoid the monitoring and administration costs of ensuring that recipients receive appropriate housing. In addition to financial savings, public housing offers secure tenure, non-discriminatory access

and other benefits which are denied to many low-income and disadvantaged people in the private rental market. Indeed public housing or sympathetically managed community housing is the only option for some.'

Today's changed economic times yield new uncertainties, especially for low income families such as those of Newtown. Not only is job and thus income security less certain but also home ownership appears less financially secure than prior to financial deregulation in 1986; the chances of accessing well located public housing appear increasingly remote; and if compelled to seek private rental accommodation the certainty of a stable family home becomes less likely. Given these uncertainties the onus is on governments to maintain as wide a range of housing options as possible, rather than adopting policies that appear to limit the opportunities that families will have to meet their housing needs.

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