

Housing Assistance: a lifetime perspective

The policy implications of this whole-of-Government cost-benefit framework

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Presenter's Biography

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Abstract

Funding for housing assistance through the Commonwealth State Housing Agreement has been in decline since 1992-93. One of the main effects of this decline is tighter targeting of public housing – effectively excluding households who do not score highly in a needs based allocation system. This shift in emphasis from public housing to Commonwealth Rent Assistance also reduces the capacity of housing authorities to provide low cost housing opportunities in higher land value areas.

Research from the Moving to Opportunities program as well as other, earlier studies from the United States, suggests that households who live in neighbourhoods with low concentrations of poverty are likely to spend less time unemployed, be healthier, be less involved in criminal activity, and their children are more likely to succeed educationally. Using the cost benefit model from NATSEM, it becomes possible to use the results of such research to estimate the whole of Government financial effects of providing low income households with secure housing located in mixed neighbourhoods.

While Commonwealth Rent Assistance is theoretically able to assist low income households to access more expensive housing markets, this appears not to be occurring – possibly due to RA funding levels, and to the design of this program. Quantifying the lifetime, whole of Government financial benefits of housing assistance will therefore assist Governments to decide whether the shift in emphasis from public housing to Commonwealth Rent Assistance is a sound financial decision. It will also assist Housing Authorities to decide the relative importance of investing available funds in higher land value locations.

This AHURI funded research by Anthony King from NATSEM is of great importance – particularly as we begin the process of renegotiating the Commonwealth State Housing Agreement. As Anthony has explained, this project is the infrastructure required to fully capitalise on other equally important AHURI projects that are exploring the non-shelter impacts of housing assistance. Critically important work is under way exploring the difference that housing makes in relation to health, employment, schooling, and a range of other aspects of the lives of families and communities. This work by NATSEM has the capacity to draw the learnings from these other research projects together into a single cost-benefit framework.

Clearly much of the value of this work will only be apparent when the research and evaluations that will provide the inputs to this model are complete.

Before I explore the potential policy applications of this work in more detail, I want to sound a cautionary note (to accompany Anthony's many other cautionary notes). This work should not be used as a basis for arguing that only social programs that generate a financial return are worthwhile. Some social programs add to the financial claims on the public purse. Providing health care to the elderly and people with a disability, for example, may well result in additional years of income support payments and further medical costs, and may provide no financial return to Government. Such health care may also result in a dramatic improvement in quality of life – an improvement that society considers of inherent value regardless of whether this can be quantified in dollars.

Having now explained why this work is not important, I will try to also explain why this work is very important.

Calculating the financial impacts of housing assistance for people and Governments has a number of policy applications. The two most important applications are to assist in whole of Government budget decision making; and to assist State and Territory Housing Authorities to decide the best mix of products and services for their own context, as well as the most appropriate levels of assistance.

The first and most obvious application for this work is to assist Governments to determine the importance of investing in housing assistance relative to other social programs. How does Government decide on the relative importance of schooling, health care and housing, for example? Is it more important that ambulances arrive 20% faster, that class sizes are 20% smaller, or that public housing waiting lists are 20% shorter? I suspect the answer to these questions will in part depend on whether your father has a weak heart, your kids attend an overcrowded school, or you are waiting for public housing.

Funding for housing assistance through the CSHA has been in decline since the mid-1990's. In Queensland our per-capita share of CSHA funding peaked at \$91 per head of population in 1993/94, and is expected to drop to just under \$60 per head of population in 2002/03 (funding adjusted to 1998/99 dollars). Modelling work to understand the possible impacts of this decline in funding suggests that Queensland's public housing portfolio could decline from 50,000 units of housing now, to about 36,000 units of housing in 20 years time.

Like other States, Queensland would inevitably need to respond to such a decline in funding by tighter targeting. The question from a Treasury, and ultimately Government perspective is, does this matter? What will be the social and economic consequences of excluding some people from future public housing? The work by NATSEM can help to answer this question.

Nationally more and more households are being housed in public housing via a needs based assessment process rather than a wait turn system. One group who may be effectively excluded from public housing in the future may be low income, under or unemployed families living in the private rental market who do not have a family member with a disability, and who are not in housing crisis or experiencing discrimination. Using a needs based allocation system, these households may score lower than others with more immediate needs, and as funding declines they may effectively be excluded from public housing by virtue of impossibly long wait times. Instead Commonwealth Rent Assistance will become the only form of housing assistance available to this group.

Whether this matters from a whole of Government perspective depends on the outcomes for these households, and importantly the outcomes for their children, as a result of renting privately rather than living in social housing.

Had such families been lucky enough to be allocated fairly new public housing, they may have been housed in a neighbourhood with reasonable employment opportunities, and in an area with schools and peers that maximised the chances of their children gaining a good education. The security of tenure afforded many public tenants may have allowed them opportunity to put down roots in a community – to make friendships that would prove to be helpful during the inevitable hard times that all families go through. The quality of the service provided by their benevolent landlord may have provided them with the sense of security needed to build a positive future.

On the other hand, research by Professor Maryanne Wulf suggests that families living in the private rental market in receipt of Commonwealth Rent Assistance are increasingly living in outer lying suburbs that have relatively high levels of poverty. While some public housing tenants also live in areas with high numbers of families in poverty, those moving into newer and generally better located public housing are usually living in more socially mixed neighbourhoods.

The decision to exclude such households from social housing may therefore prove to be penny wise and pound foolish from a whole of Government perspective. While rent assistance may cost Government less in the short term, it may prove to be much more expensive in the longer term when these other flow on impacts are taken into account.

This is not to say that public housing will always be more cost effective long term than rent assistance from a whole of Government perspective. The point is that we need to better understand the long term impacts that both social housing and rent assistance have in relation to schooling, employment, health, relationships, and a range of other aspects of life, in order to understand the consequences of the current shift in emphasis from CSHA funding to Commonwealth Rent Assistance. Such an examination may also help to accelerate the development of new, cost-effective strategies to assist low-income families to gain access to secure housing in higher land value areas.

This would seem to me to be the key group that Anthony's model needs to focus on first – those people who are in danger of being excluded from social housing in the future due to tighter targeting policies. This is the key marginal return question – what will it cost to house the next person on the waiting list, and what will the return to Government be of this investment?

As well as whole of Government funding decision making, I believe this model has the potential to be useful for Housing Authorities in their own internal targeting and resource allocation processes.

Housing authorities face a range of policy decisions when deciding who to assist, and how best to provide assistance. These decisions including finding the right balance between:

- Long and short term assistance;
- Immediate versus deferred access assistance;
- Preventative activities and direct assistance; and
- Quantity versus quality of assistance.

The model being presented today provides a useful input into some of these policy processes, although it does not solve them totally.

For example, determining the appropriate level of assistance is a continuing policy dilemma for Housing Authorities. This policy question becomes very apparent when deciding whether to build, buy and continue to own housing in high land value areas, at the expense of providing more units of housing in lower land value areas.

This question can be appropriately answered by again examining what the marginal return is likely to be for this additional investment. Are people living in public housing in higher land value areas more likely to find work? Are their children more likely to do better at school? What is the saving to society of these benefits, and is this worth the extra investment at the outset? In some cases we may find that the cheapest solution from a whole of Government perspective is actually the most expensive solution from a program specific perspective.

International research suggests that neighbourhood is a very important factor in schooling and employment outcomes for low income families. In 1976, for example, a group of public tenants in Chicago won the right to be rehoused from poor quality public housing in a high poverty inner urban neighbourhood. Some moved to more affluent suburbs, while others were rehoused in the same urban neighbourhood. Follow up research over a period of up to 13 years involving 68 children who moved to more affluent suburbs, and 39 children who remained in the city, identified significant impacts on schooling and employment.

In particular:

- There was a much lower school drop out rate amongst children in more affluent suburbs (<5%) compared to those in poorer urban neighbourhoods (20%);
- Grades were almost the same between suburban and urban children, which suggests that the suburban kids were doing relatively better, as academic standards were higher in those suburban schools;
- A high percentage of suburban kids were studying college stream subjects at school (40.3%) compared with 23.5% amongst urban children;
- There was a much higher actual college attendance rate for suburban children (54%) than urban (21%), and
- A much higher proportion of suburban children were attending 4 year college courses rather than three year courses (50% vs 20%).

A larger and more methodologically robust social experiment is currently under way in the United States that is hoping to resolve this question of the importance of neighbourhood in relation to schooling, employment, health, crime etc. Preliminary results from the Moving to Opportunity experiment suggest that, all other things being equal, neighbourhood – and in particular social mix – plays a very significant role in shaping the future educational and employment prospects of children.

I would like to end with a story. This year I have been interviewing public housing tenants about the differences that their move into public housing has made in their lives, as part of research into the relationships between housing and schooling. I spoke to one mother who has lived with her two teenage boys in a small public housing town house development since it was built about ten years ago. This housing is within walking distance of her own mother and the home where she herself grew up.

This town house development has had a relatively stable core of tenants who have got to know one another quite well. A community has developed, and people help one another with child care and other forms of support as needed.

Recently this family experienced a terrible tragedy. The father of these two teenage boys died under very shocking circumstances, and the boys who were close to their father were deeply affected by his death. The mother however described the neighbourhood and school communities rallying to provide great support to this family during this crisis. She also described the safety and security that this family felt in their home – as she said, they felt that they had a safe place to hide together so as to recover from this terrible event.

In a sense public housing had provided this family with a form of immunisation against this terrible tragedy. Nothing could totally shield them from the pain of this event, but the sense of community and the safety they felt as a result of their stable housing meant that they felt they had weathered this event much better than they might have otherwise done.

It is questionable whether this family would have been as immunised from this event in the private rental market. As their inner city suburb gentrified, this family would not have been able to rent close to other family members, even with rent assistance. The short term nature of private rental leases would have likely seen this family move at least three or four times in the last ten years – possibly weakening or breaking relationships with friends and neighbours. The kids may have been forced to change schools at least once due to these house moves, and their current school may not have been as attuned to the needs of these children had they just arrived six months ago.

This example illustrates an inherent difficulty in trying to value the financial benefits of social housing. We can only guess what the consequences would have been for this family if they had not received social housing. It is clear, however, that social housing in this instance resulted in a significant reduction in hardship, and may have resulted in two children being more able to successfully complete their schooling despite being exposed to a terrible family tragedy.

It should be noted that this is a family that may not be housed in public housing in the future, as they do not have a family member with a disability, they are not indigenous or from a non-English speaking background, and they were not homeless or in crisis before they were housed. This is the human face of reduced CSHA funding.

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