

RENTAL MARKET FAILURE : DISCRIMINATORY OBSTACLES FACED BY ABORIGINAL PEOPLE IN THE PRIVATE RENTAL MARKET

Paper prepared for the National Housing Conference 2001 by Dr Jane Stanley, delivered by Rhonda Jacobsen and Colin James

In 1999 the various State and Territory housing authorities pooled their resources to fund a project that would explore discrimination against Aboriginal households in the private rental market. This work was exploratory on two counts : firstly it was to explore the nature of housing discrimination in the private rental sector in an open-ended manner, and secondly it was to develop a methodology that could be applied to more systematic and broader scale discrimination research. The team that undertook this work included myself, Rhonda Jacobsen, Michelle Winmar and Mangala Khadpekar.

The fieldwork for the project included case studies of Indigenous households' experience in some different housing markets in Australia : Moree, ACT/Queanbeyan, Cairns, Darwin, Brisbane and Melbourne. The lessons learnt from these case studies were then applied to a more intensive survey of private rental housing access by Aboriginal households in Kununurra (WA).

The findings from this research are that discrimination against Aboriginal households is evident in all housing markets. It involves both direct and indirect discrimination, and is often so strong that Aboriginal households are effectively barred from the private rental market. Where access to private rental housing is achieved, this often involves substandard housing (including housing scheduled for demolition), which is poorly maintained by the property owners or agents. The level of discrimination is high even within housing markets with a large vacancy rate – many landlords or agents preferring to keep dwellings empty rather than rent them to Aboriginal households.

Direct Discrimination

There is considerable evidence of direct discrimination against Indigenous households when they apply to agents or landlords for private rental housing. Many would-be tenants have stories of being told that an advertised dwelling is no longer available for rent, only to find it has subsequently been let to a non-Aboriginal household. Where an Aboriginal person had a non-Aboriginal partner, it has often been found that the non-Aboriginal partner has considerably greater success in obtaining housing if the Aboriginal partner does not participate in the interview or property inspection. Some alarming stories were told of Aboriginal people making arrangements to view properties by telephone, only to find that the agents did a double take and drove away without stopping once they saw that they were Aboriginal. This discrimination was experienced by people of varying income levels.

Direct discrimination appears to be a factor in the allocation of housing, if Aboriginal people do manage to secure a private rental dwelling. The housing occupied by Aboriginal households tends to be in relatively poor condition, often substandard. Allocation of substandard properties does not appear to have been simply a result of inability to pay rent for more adequate housing, and seems to be unrelated to income in some cases.

Aboriginal households are sometimes offered short leases. This situation was paradoxical in Kununurra, which is notable for its transient non-Aboriginal population. Generally “white” households seek housing for the dry season only, but are forced by landlords to take out a minimum twelve month lease, while some Aboriginal households seek long term housing but are only provided with a six month lease.

Once allocated a private rental dwelling, some Aboriginal tenants feel that they experience direct discrimination in terms of inaction over reported maintenance requirements. This may be difficult to judge, given that some landlords or agents may be negligent in carrying out repairs reported by all tenants, regardless of colour or race. However, where an Aboriginal person had a non-Aboriginal partner, it was found that agents responded more readily to reports from the non-Aboriginal partner. Where Aboriginal tenants had fair complexions, they often reported that they did not suffer from discrimination unless their racial identity was revealed.

Indirect discrimination

Indirect discrimination takes many forms, and can present obstacles that are just as formidable as indirect discrimination.

One of the indirect discriminatory barriers is the normal requirement for prospective tenants to present evidence of prior rental history. Obviously if access to private rental housing has been denied in the past, this becomes a self-perpetuating barrier to obtaining housing. In addition, some Aboriginal households have prior experience of living in community housing, which is often disregarded by agents in terms of rental history. If Aboriginal households are moving into an urban area from another location, it may be very difficult to obtain past references, and local agents may not give much weight to references from other landlords or agents that they do not know. It should be noted that other studies have shown that this aspect of discrimination is also experienced by young people seeking to obtain private rental housing for the first time, and that it often presents an absolute barrier to housing access.

If this obstacle can be overcome, the next hurdle is the requirement for demonstrated capacity to pay the required rent. Typically this requirement is pitched high. A requirement that one member of the household is employed full time as “breadwinner” is normal, discounting the capacity of households with other income sources (such as single mothers’ child support payments) to pay rent. Ironically a job is seen as providing security of income, whereas reliance on income from welfare or other government-sourced payments is not seen as secure. Of course there are many non-Aboriginal households who also have difficulty in meeting these onerous requirements. The difference is that landlords and agents appear to make regular “exceptions to the rule” for households that they feel will make the extra effort to pay

their rent. Some agents explained their criteria for providing exceptions as “gut feeling”. It appears likely that gut feeling works more often in favour of people who are similar in culture, or who have social networks that are familiar to the agent.

Actual capacity to pay rent does of course affect the type, location and quality of the housing that Aboriginal households are allocated. The unemployment rate of Aboriginal people is around three times that of non-Aboriginal people, and there is a prevalent lack of accumulated wealth arising from a history of dispossession and transience. This limits the range of private rental housing that can be made available. In markets where the supply of low cost rental housing is shrinking (ie in most of Australia’s larger centres), many Aboriginal households may be squeezed out simply on economic grounds.

In addition, the fact that household size tends to be larger than that of non-Aboriginal households may further limit housing choice. Some Aboriginal housing applicants lie about the size of their households, as they feel this will lead to discrimination on two grounds : firstly the landlord or agent will be reluctant to allocate a large house because of concerns over capacity to pay, as well as because such houses are often in very short supply, and secondly the landlord or agent will be reluctant to allocate a house that is “too small” for the household because of the resultant wear and tear on the premises. Experience elsewhere has suggested that there is indirect or direct discrimination against non-Aboriginal large households for similar reasons.

Low incomes do affect the capacity of some Aboriginal households to maintain their tenancies, which reinforces the general discrimination against all Aboriginal tenants, through stereotyping. Initially, the access costs required to take up occupancy of rental housing (bonds, agents’ fees where applicable, stamp duty, utility connections) may prove prohibitive, or may result in debts which cannot be repaid. The consequence of short lease arrangements or mobility for other reasons is a depletion of resources though recurrent removal costs, and failure to recover bonds.

In some areas, Aboriginal households are more likely than non-Aboriginal households to have a social obligation to accommodate friends or relatives on demand. This appears to be most evident in Northern Australia. The resultant overcrowding can lead to complaints from neighbours and may result in excessive wear and tear on the property. Where this occurs, it is likely to create problems in gaining access to alternative rental properties at a later date. In centres where agents have experience of “the problem of visitors” there may be a stereotyping which works against all prospective Aboriginal tenants.

The poor access that Aboriginal households have to private rental housing leads to a vicious circle, in which homeless people move in with friends and relatives, and this leads to termination of their hosts’ lease. The social impacts of overcrowding may be exacerbated by the tendency of some landlords to offer units rather than houses to Aboriginal households, on the basis that units are more resilient to excessive wear and tear.

All of these problems have been made worse by the growth of tenant databases which record tenant histories and make them accessible to all subscribing agents. While it is unlikely that the databases record the racial identity of tenants, the fact that agents are able to enter records without the knowledge of tenants, and without a right of appeal, has many dangers. There are many reports of system abuse, including agents who ‘blacklist’ tenants who seek assistance in making complaints. The result appears to be an increasing pool of tenants who are effectively blocked from private rental housing, including many Aboriginal households as well as non-Aboriginal low income households.

Implications of the Research

Public policy in Australia has increasingly relied on the private market to deliver goods and services that were previously provided by government agencies. The National Housing Strategy developed in 1992 promoted reliance on the private rental market for supply of housing to low income households, and provided rental allowances to address affordability issues. Since then, there has been a progressive downsizing of the public housing sector, on the assumption that the private rental sector can be encouraged to fill the gap.

There is much debate about whether a system of rental allowances or subsidies will be sufficient to encourage the private sector to meet the needs of low income people. Recent evidence on the shrinking supply of low cost rental housing in all centres suggests that current incentives are not working, and that housing investment is being directed to other areas.

The present study of discrimination in the private rental market indicates that even if the appropriate incentives were in place, and that there was an adequate supply of affordable private rental housing, it cannot be assumed that this supply will be accessible to households in housing need. While the public sector provides preferential access to low income households, the private sector works in reverse, favouring higher income tenants. Discrimination against particular groups of people, including not only Aboriginal households but also young people, removes access to specific categories of tenant, not solely based on income.

While discrimination against Aboriginal households is not limited to centres with a shortage of rental housing supply, there is little doubt that a tightening of supply makes things even worse. The people who fall to the bottom of the list are those who are most vulnerable to direct and indirect discrimination. Recent discussions with real estate agents in Canberra suggest that the rental market there is so tight that “you don’t stand a chance of getting a rental property unless you are double income, no children, no dog (even DINKIDIs are out), and non smoking”. This is the scenario produced by lack of investment in low cost rental housing, and may be seen in many other centres in future.

New public housing policies are not helping the situation. Some housing authorities are introducing a system of reviewing public housing tenancies, with a possible termination of tenancy if household incomes have risen above the established threshold for public housing applicants. Because Aboriginal households are relatively

large, and there are often a number of welfare income sources as well as intermittent or regular employment, Aboriginal household incomes in public rental housing can be higher than those of non-Aboriginal public sector households. This is despite the fact that average incomes for all Aboriginal households are far lower than for non-Aboriginal households, across tenure categories. Introducing a review process could result in disproportionate displacement of Aboriginal households, as a result of household size. This would exacerbate the current situation where Aboriginal households already have significant difficulty gaining access to private rental housing, and where this level of access may worsen due to shrinking supply.