

How different?

Comparing housing policies and housing affordability consequences for low income households in Australia and the Netherlands

**How Different?
Comparing Housing Policies and Housing Affordability Consequences
for Low Income Households in Australia and the Netherlands**

Hoe verschillend?
De vergelijking van volkshuisvestingsbeleid en betaalbaarheidsconsequenties
voor huishoudens met een laag inkomen in Australië en Nederland

(met een samenvatting in het Nederlands)

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**Comparing housing policies and housing affordability
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Vivienne Rae Milligan

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CONTENTS

List of tables	9
List of figures	11
Glossary of abbreviations	13
Preface and acknowledgements	15
1	
<u>INTRODUCTION</u>	19
<u>1.1</u> <u>Research scope and purpose</u>	19
<u>1.1.1</u> <u>The cases</u>	20
<u>1.1.2</u> <u>The period of analysis</u>	20
<u>1.1.3</u> <u>The empirical focus</u>	21
<u>1.2</u> <u>Research questions</u>	22
<u>1.3</u> <u>Comparative analysis</u>	22
<u>1.3.1</u> <u>The choice of case studies</u>	23
<u>1.3.2</u> <u>Policy evaluation as the focus</u>	26
<u>1.3.3</u> <u>The method of analysis</u>	27
<u>1.3.4</u> <u>Difficulties in making cross-national/cross-cultural comparisons</u>	29
<u>1.4</u> <u>Structure of the report</u>	31
2	
<u>THEORETICAL APPROACHES TO THE COMPARATIVE ANALYSIS OF HOUSING POLICY AND ITS IMPACTS</u>	34
<u>2.1</u> <u>Introduction and purpose</u>	34
<u>2.2</u> <u>The scope and development of housing studies</u>	34
<u>2.2.1</u> <u>Historical traditions and explanatory approaches</u>	34
<u>2.2.2</u> <u>Convergent and divergent traditions in comparative housing research</u>	36
<u>2.3</u> <u>Approaches to analysing and differentiating housing policies</u>	41
<u>2.3.1</u> <u>Tenure analysis</u>	41
<u>2.3.2</u> <u>Logical possibilities of housing policy</u>	42
<u>2.3.3</u> <u>State-centred analysis</u>	43
<u>2.3.4</u> <u>The regulation approach</u>	44
<u>2.3.5</u> <u>Summary</u>	45
<u>2.4</u> <u>Probing the links between policy, context and outcomes</u>	46
<u>2.4.1</u> <u>Structures of housing provision</u>	46
<u>2.4.2</u> <u>Housing provision chain</u>	48
<u>2.4.3</u> <u>Links between housing and welfare</u>	48
<u>2.4.4</u> <u>Welfare regime analysis</u>	49
<u>2.4.5</u> <u>Unitary and dual rental systems</u>	50
<u>2.4.6</u> <u>Other contributions relevant to this study</u>	51
<u>2.4.7</u> <u>Evaluating housing outcomes</u>	53
<u>2.5</u> <u>Overview and directions for this research</u>	54

3	<u>A FRAMEWORK FOR USING HOUSING AFFORDABILITY IN THIS STUDY</u>	57
3.1	<u>Introduction</u>	57
3.2	<u>The concept of housing affordability</u>	57
3.3	<u>Determinants of housing affordability</u>	57
3.3.1	<u>Forces influencing the cost of housing</u>	58
3.3.2	<u>Forces influencing consumer demand and purchasing power</u>	59
3.3.3	<u>The organisation of the exchange (or allocation) of housing</u>	61
3.4	<u>Housing policy and housing affordability</u>	62
3.4.1	<u>Direct subsidies</u>	63
3.4.2	<u>Indirect subsidies</u>	64
3.4.3	<u>Rules and regulations</u>	65
3.4.4	<u>Non-market provision</u>	67
3.4.5	<u>Overview of housing affordability issue and government responses</u>	67
3.5	<u>Approaches to measuring housing affordability</u>	68
3.6	<u>Summary</u>	70
4	<u>COMPARING HOUSING POLICY STRATEGIES IN AUSTRALIA AND THE NETHERLANDS, 1945-1980</u>	72
4.1	<u>Introduction</u>	72
4.2	<u>The general context in comparative perspective</u>	72
4.2.1	<u>Demographic factors influencing the housing system</u>	72
4.2.2	<u>Economic conditions</u>	74
4.2.3	<u>The political framework and political regimes after 1945</u>	77
4.2.4	<u>The welfare system</u>	78
4.2.5	<u>Summary</u>	78
4.3	<u>Subsidising the supply of new dwellings</u>	79
4.3.1	<u>The initial response to the housing shortage in each country</u>	79
4.3.2	<u>Evolution and divergence in the role of housing supply subsidies</u>	81
4.3.3	<u>The changing trajectory of supply-side interventions</u>	82
4.3.4	<u>Supply-side subsidy design in the Netherlands</u>	88
4.4	<u>The influence of urban policies</u>	89
4.4.1	<u>Land supply policy in the Netherlands after 1945</u>	89
4.4.2	<u>Spatial planning policy in the Netherlands</u>	90
4.4.3	<u>Urban policy influences in Australia after 1945</u>	91
4.4.4	<u>Housing density in Australia</u>	93
4.4.5	<u>A note on Commonwealth involvement in urban policy in Australia</u>	93
4.4.6	<u>Overview of the relationship between urban policies and housing</u>	95
4.5	<u>The policy approach to the financing of housing investment</u>	95
4.5.1	<u>Australia's approach to the provision of finance for housing</u>	96
4.5.2	<u>The Netherlands' approach to the provision of finance for housing</u>	97
4.6	<u>The regulatory framework for the delivery of housing services</u>	98
4.6.1	<u>Regulation of housing access in the Netherlands</u>	98
4.6.2	<u>Regulation of access to housing in Australia</u>	99
4.6.3	<u>Rent regulation and rent setting in the Netherlands</u>	100
4.6.4	<u>Rent regulation and rent setting in Australia</u>	102

4.6.5	Tenancy rights	104
4.7	Income support for housing	105
4.7.1	The Australian model of rent assistance	105
4.7.2	The origins of the housing allowance in the Netherlands	106
4.8	Comparative overview of the housing policy regimes for the two cases	106
4.8.1	Total expenditure on housing assistance	107
4.8.2	Appraisal of similarities and differences in housing policy strategy 1945-1980	108
5	COMPARING HOUSING POLICY STRATEGIES AFTER 1980	115
5.1	Introduction	115
5.2	Comparing the changing economic, political and demographic context	115
5.2.1	Socio-demographic change	116
5.2.2	Impacts of economic restructuring	117
5.2.3	Political, administrative and welfare changes	119
5.2.4	Overview	121
5.3	Housing Policy and the housing supply after 1980	121
5.3.1	Housing production activity levels and supply-side subsidies	122
5.3.2	Supply-side policy after 1980	123
5.3.3	Overview	128
5.4	Impact of land management and planning policy on the housing system after 1980	129
5.4.1	Housing policy and new residential development in the Netherlands	129
5.4.2	Housing-related shifts in Australian urban planning policy	130
5.4.3	Directions in planning policy affecting housing in Australia	131
5.4.4	Urban Renewal Policy	133
5.5	Housing finance and tax policies	136
5.5.1	The impact of the deregulation of the financial sector and tax reform in Australia	137
5.5.2	Demise of direct assistance for home ownership in Australia	138
5.5.3	Fiscal policy and mortgage finance directions in the Netherlands	140
5.6	Changes in the housing delivery framework	141
5.6.1	Rent policy for social housing in Australia	141
5.6.2	Rent policy directions in the Netherlands	142
5.6.3	Promotion of efficiency in housing allocations in the Netherlands	143
5.6.4	Management of access to public housing in Australia since the 1980s	144
5.6.5	Policy directions relating to the sale of social housing	145
5.6.6	Evolution of institutional arrangements for the delivery of housing services	147
5.6.7	Overview of changes in the delivery framework	149
5.7	Evolution and adaptation of housing-related income support schemes	150
5.7.1	Development of the housing allowance system in Australia	151
5.7.2	Development of the housing allowance system in the Netherlands	152
5.8	Overview of changing directions in housing policy	153
5.8.1	Comparison of expenditure trends	153
5.8.2	Comparing the extent and direction of policy adjustments	155

<u>6</u>	<u>COMPARING THE HOUSING CONDITIONS OF LOW INCOME HOUSEHOLDS IN AUSTRALIA AND THE NETHERLANDS</u>	162
6.1	<u>Introduction</u>	162
6.2	<u>The housing situation of low income households</u>	162
6.2.1	<u>Who are the low income households?</u>	162
6.2.2	<u>Housing tenure</u>	163
6.2.3	<u>Housing tenure and broad age group</u>	163
6.2.4	<u>Changes in tenure</u>	166
6.2.5	<u>Quality of housing</u>	168
6.3	<u>Levels and patterns of housing affordability among low income households</u>	171
6.3.1	<u>A note on measurement</u>	171
6.3.2	<u>Average affordability levels across the income distribution</u>	171
6.3.3	<u>Affordability patterns within the low income population</u>	172
6.3.4	<u>Affordability and housing subsidy in the rental sectors</u>	178
6.3.5	<u>Impacts of the housing allowance systems on affordability outcomes</u>	179
6.3.6	<u>The historic development of the affordability ratio</u>	184
6.4	<u>The supply of affordable housing</u>	190
6.4.1	<u>Trends in the housing supply in the Netherlands</u>	191
6.4.2	<u>Trends in the housing supply in Australia</u>	193
6.4.3	<u>Comparative summary of supply factors</u>	195
6.5	<u>The impact of housing costs on poverty</u>	196
6.5.1	<u>Measuring housing-related poverty</u>	196
6.5.2	<u>Overview of housing and poverty links in Australia</u>	197
6.5.3	<u>Poverty and housing in the Netherlands</u>	198
6.5.4	<u>Housing affordability and homelessness: a brief comment</u>	199
6.5.5	<u>Concluding comments on housing-related poverty and homelessness</u>	201
6.6	<u>Overview of findings</u>	201
<u>7</u>	<u>SYNTHESIS</u>	207
7.1	<u>Review of purpose and approach</u>	207
7.2	<u>Overview of key findings</u>	209
7.2.1	<u>Similarity and convergence in the housing outcomes of low income households</u>	209
7.2.2	<u>Differences and divergent tendencies</u>	210
7.2.3	<u>A note on the relationship between housing policies and economic performance</u>	211
7.3	<u>How have housing policy settings contributed to these results?</u>	212
7.3.1	<u>The short and long run impact of housing policies that favour home ownership</u>	213
7.3.2	<u>Urban policies and access to affordable housing</u>	217
7.3.3	<u>The role, capacity and organisation of social rental housing</u>	219
7.3.4	<u>Role and effectiveness of demand-side subsidies for renters</u>	222
7.4	<u>Some comments on the theoretical implications of the study</u>	223
7.5	<u>Final remarks</u>	225

Bibliography	229
Appendices	247
A - Definition and use of terms	247
B - Currencies and exchange rates	249
C - Interviews and key contacts for information, the Netherlands	250
D - Notes on data and methods used in this study	251
E - Additional tables	262
Samenvatting	287
Curriculum Vitæ	293

Tables

1.1	A framework for considering the relationship between housing policy and housing outcomes	29
2.1	Explanatory approaches in housing policy studies	38
6.1	Development of tenure patterns for low income households and all households, 1980s-1990s, Australia and the Netherlands	164
6.2	Housing affordability ratio by income level (grouped) and main tenures, Australia and the Netherlands, 1998/99	174
6.3	Rent assistance maximum payment as percentage of median rent (for appropriate dwelling) by capital city and household type, Australia, 1998	182
6.4	Rent assistance maximum payment as percentage of average rent paid by large city and household size, 1998, the Netherlands	183
6.5	Comparison of annual rate of change in household expenditure on housing by main tenure type for low income households and all households, Australia and the Netherlands, 1970s/1980s-1990s	187
B.1	Exchange rates. Netherlands guilders Australian dollar, selected years 1984-1998	249
D.1	Measures of income	252
D.2	Income measures used to determine the income distribution	254
D.3	Housing affordability ratios (%) calculated by individual and group method for selected groups across the income distribution, Australia, 1999	255
D.4	Possible relationships between housing that is affordable and appropriate	256
D.5	Landmark Australian studies using living standards approaches to assessing housing affordability	260
E.1a	Commonwealth government housing outlays and GDP, Australia, 1976/77 and 1979/80	262
E.1b	Government housing outlays and GDP, the Netherlands, 1975 and 1980	262
E.2a	Selected indicators of demographic trends, Australia and the Netherlands, 1980-2000	263
E.2b	Selected indicators of economic and welfare trends, Australia and the Netherlands, 1980-2000	264
E.3	Comparison of development of housing allowances, Australia and the Netherlands, 1984/85-1999/00	265
E.4a	Commonwealth government housing outlays and GDP, Australia, 1984-1998	266

E.4b	Government housing outlays and GDP, the Netherlands, 1984-1998	266
E.5	Characteristics of low income households, Australia and the Netherlands, 1998/99	267
E.6	Tenure by age of household head in low income households and all households, Australia and the Netherlands, 1998/99	268
E.7	Comparison of growth in households by tenure for all households and for low income households, Australia and the Netherlands, 1980s-1990s	269
E.8a	Residence of low income households compared to all households, Australia, 1998/99	269
E.8b	Residence of low income households compared to all households, the Netherlands, 1998	269
E.9	Housing affordability ratio by income level, Australia and the Netherlands, 1998/99	270
E.10	Housing affordability ratio by income level and age, Australia and the Netherlands, 1998/99	270
E.11	Housing affordability ratio by income level (grouped) and household type (main groups), Australia and the Netherlands, 1998/99	271
E.12	Housing affordability ratio for low income quintiles by main tenure, Australia and the Netherlands, 1998/99	272
E.13	Housing affordability ratio by age of household head for low income households, Australia and the Netherlands, 1998/99	272
E.14a	Comparison of affordability ratios for households renting with and without housing allowance, the Netherlands, 1998	273
E.14b	Comparison of affordability ratios for households renting privately with and without housing allowance, Australia, 1999	273
E.15	Comparison of the development of household housing expenditures, income levels and affordability ratios, low income households and all households, Australia and the Netherlands, 1980s-1990s	274
E.16	Changes in proportion of households across the income distribution with housing affordability ratios exceeding 25 per cent, the Netherlands, 1982-1998	275
E.17a	Change in weekly household expenditure on housing by main tenure type for low income households and all households, Australia, 1975/76-1997	276
E.17b	Change in weekly household expenditure on housing by main tenure type for low income households and all households, the Netherlands 1986-1998	277
E.18	Index of nominal house prices for established dwellings 1987-2000, Australia and the Netherlands	278
E.19a	Changes in the supply compared to growth in low income households by housing price and tenure, the Netherlands, 1986-1998	279
E.19b	Value of price categories for table E.19a	280
E.20a	Distribution of house values, Australia, 1999	281
E.20b	Distribution of rent paid, Australia, 1999	281
E.21	Indicators of changes in the low income housing sector, 1986-1998, the Netherlands	282
E.22	Access of low income households to affordable housing using the housing allowance, the Netherlands, 1998	282
E.23	Median house prices of established dwellings by province, the Netherlands, 1997	283
E.24	Access of low income households to affordable rental housing using rent assistance, Australia, 1998	283
E.25	Median house prices of established dwellings by city/region, Australia, 1998	284

E.26	Estimates of income units in poverty (using the ‘Henderson poverty line’) before and after meeting their housing costs, 1972/73-1996, Australia	284
E.27	Before housing and after housing poverty rates by main housing tenures, Australia, 1972/3 to 1996	285

Figures

1.1	Logical relationship of research variables in a dynamic system	27
3.1	A framework for analysing the determinants of housing affordability	58
4.1a	Australia showing states, territories and capital cities	75
4.1b	The Netherlands showing provinces, the Randstad and four big cities	76
4.2	New dwellings, Australia and the Netherlands, 1949-1980	81
4.3	Share of subsidised dwellings in new supply, Australia and the Netherlands, 1950-1980	82
4.4	Housing tenure, Australia and the Netherlands, 1940s-1990s	83
4.5	The share of subsidised and unsubsidised building for home ownership, the Netherlands, 1970-1980	88
4.6	Government housing outlays as a percentage of GDP, Australia and the Netherlands, 1970s	107
5.1	New dwellings, Australia and the Netherlands, 1981-1999	122
5.2	Percentage of new housing supply subsidised and components of the subsidised supply, The Netherlands, 1981-1994	123
5.3	Commonwealth/state expenditure on housing assistance 1980/81-1999/00	127
5.4	Comparison of the expansion of housing allowances in Australia and the Netherlands, 1984/85-1999/00	150
5.5	Government housing outlays as a percentage of GDP, Australia and the Netherlands, 1980s-1990s	154
6.1	Tenure of low income households by income and age group, 1998/99	165
6.2	Distribution of household growth for low income households and all households by tenure, Australia and the Netherlands, 1980s-1990s	166
6.3	Housing affordability ratio by age of household head, Australia and the Netherlands, 1998/99	172
6.4	Housing affordability ratio by household type, Australia and the Netherlands, 1998/99	173
6.5	Housing affordability ratio by tenure, Australia and the Netherlands 1998/99	175
6.6	Housing affordability ratio by tenure and age, Australia and the Netherlands, 1998/99	177
6.7	Affordability ratios for households renting with or without housing allowance, Australia and the Netherlands, 1998/99	179
6.8	Change in affordability ratios, Australia and the Netherlands, 1980s-1990s	185
6.9	Real change in housing expenditure, low income households and all households, Australia and the Netherlands, 1980s-1990s	186

6.10	Real change in net household income, low income households and all households, Australia and the Netherlands, 1980s-1990s	186
6.11	Index of established house prices, Australia and the Netherlands, 1987-2000	188
6.12	Comparison of distribution of housing prices/values and rents, Australia and the Netherlands, 1998/1999	190
6.13	Indicators of changes in the low cost housing sector, the Netherlands, 1986-1998	191
D.1	Comparing housing affordability ratios and living standards measures	260

Glossary of abbreviations

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AGPS	Australian Government Publishing Service
AHS	Australian Housing Survey
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
AME	Amsterdam Centre for the Metropolitan Environment, University of Amsterdam
AWE	Average weekly earnings (Australia)
CBS	Central Bureau of Statistics (Centraal Bureau voor de Statistiek) (the Netherlands)
CPB	Central Planning Bureau (Centraal Planbureau) (the Netherlands)
CSHA	Commonwealth State Housing Agreement (Australia)
CHC	Commonwealth Housing Commission (Australia)
CPI	Consumer Price Index
DOH	Department of Housing, NSW (Australia)
DSS	Department of Social Security (Australia)
DURD	Department of Urban and Regional Development (Australia)
FACS	Family and Community Services, Department (Australia)
FANMAC	First Australian National Mortgage Acceptance Corporation (Australia)
GDP	Gross Domestic Product
GST	Goods and Services Tax (Australia)
HES	Household expenditure survey (Australia)
HREOC	Human Rights and Equal Opportunities Commission (Australia)
MTFAH	Ministerial Task Force on Affordable Housing (New South Wales) (Australia)
MVROM	Ministry of Housing, Planning and the Environment (Ministerie van Volkshuisvesting, Ruimtelijke Ordening en Milieubeheer) (the Netherlands)
NATSEM	National Centre for Social and Economic Modelling (Australia)
NHS	National Housing Strategy, 1991-1993 (Australia)
NL	The Netherlands
NSW	New South Wales (Australia)
OECD	Organisation for Economic Cooperation and Development
OTB	Research Institute for Housing, Urban and Mobility Studies, Delft University of Technology, Delft (the Netherlands)
PV	Present Value
RBA	Reserve Bank of Australia
REIA	Real Estate Institute of Australia
SAAP	Supported Accommodation Assistance Program (Australia)
SCP	Social and Cultural Planning Office (Sociaal en Cultureel Planbureau) (the Netherlands)

SCRCSSP	Steering Committee for the Report on Commonwealth/State Service Provision
SHP	Structure(s) of Housing Provision
SPRC	Social Policy research Centre, University of New South Wales (Australia)
VINEX	City extension areas (the Netherlands)
WBO	Housing Demand Survey (WoningBehoeftte Onderzoek) (the Netherlands)
WSW	Social Housing Guarantee Fund (Waarborgfonds Sociale Woningbouw) (the Netherlands)
□	Netherlands guilder
\$A	Australian dollar

Preface and acknowledgements

The idea for this study was born during my brief trip to the Netherlands in early 1998 to attend one of the (then) regular housing conferences being held at Nunspeet. Coming from the renowned isolation of Australia, I was impressed and excited by the scale of the housing research network in Europe and the strength and quality of the housing policy debate. It was serendipitous for me that a pilot program seeking foreign students to undertake their doctorate in the Faculty of Geographical Studies, Utrecht University (UU) was being promoted at the conference. Afterwards, over a weekend of solo meals in delightful Amsterdam cafes, I sketched out some ideas for a research project that would give me the opportunity to tap into this rich professional group, enable me to develop a wider and more critical view of the housing policy field, in which I had been active for nearly two decades, and, at the same time, allow me to have a much longed for career break - if doing doctoral research can be so described. Later in 1998, my proposal was accepted under the pilot program and, shortly after I commenced full time research, my husband, Gary, and I came to live in Utrecht, in May 1999, for twelve months.

Returning to doctoral research after a long stint as a public policy maker was harder than I had expected. Old skills needed to be recovered and new ones developed, another life style and work regime applied, there was a different mode of reasoning to grasp and a large knowledge gap to fill. The total change in my life was both refreshing and daunting. Being in a foreign country, where almost everything seemed different, there were many times, especially in the early months, when I thought I wouldn't succeed. Gradually, however, a direction emerged and the task seemed 'do-able' but still enormous. Along that journey, many people at home and in the Netherlands encouraged me, offering me reassurance and emotional and practical support.

My *promotoren* were my foremost supporters. Frans Dieleman backed my candidature with confidence and enthusiasm and he never wavered from his initial faith in me. He let me follow my own (at times, expansive and erratic) thoughts, while gently but firmly guiding me back to a manageable task. Throughout the four years, he has always been wise and reassuring and the successful completion of my project owes a great deal to his leadership. It has been a privilege to get to know Frans and his wife, Boukje. Together, they helped to make our time in Utrecht not only successful but also very enjoyable.

In Australia, my long-term colleague and friend, Judy Yates, agreed to be a supervisor because of her dedication to housing research, her enthusiasm for my goal and her own keen interest in (and affection for) Dutch society, generated from her experience of living in Amsterdam in the late 1960s while studying for her doctorate. Judy gave constant advice on every aspect of my study and helped me to re-learn the rigour of scientific reasoning. I am totally indebted to her for her clarity of thought and impeccable judgement, for sharing so much of her expertise with me and for her time and practical help that was given so generously.

Ronald van Kempen agreed to become my third *promotor* some months after the project began. His prodigious knowledge of housing systems, skills in formulating and directing research and careful attention to my drafting have been of great value. Soon after becoming involved, Ronald told me that the salvation of my project would be to find the

'red thread': that enduring theme that would bind my ideas and arguments together and direct me towards a useful conclusion. I don't know whether I did quite meet his expectation of this but it was an empowering suggestion, to which I returned many times.

Living in a new country (especially, without the language) brings many challenges for research and, more generally, for just getting practical things done. Many people in the Netherlands smoothed that path. I would especially like to thank my roommates - initially, Marieke Langemeijer and, later, Saskia Heins - for their friendship and assistance and, particularly, for demystifying Dutch culture and society. Many others gave their valuable time to answer my long list of naïve enquiries about the Dutch housing system and to give me technical assistance. They are too numerous to name here but (I hope) they are all listed in Appendix C. Staff of the Netherlands Graduate School of Housing and Urban Research (NETHUR) and of the Faculty were always very willing to help me. I would especially like to thank Minke Veeneklaas and Winny van Pelt for their friendship and advice. My thanks also go to: Peter Hooimeijer, for his excellent course on research design; Ildi Sepsanie, who helped me to ferret out data and to translate Dutch terms; Morag Torrance, who made a speedy and expert translation of the summary of my thesis, and Emile Spek, who gave us such an informative tour of housing in Amsterdam. I am also very appreciative of the support of Johan Borchert and Josephine Borchert-Ansinger, who generously provided me with a place to stay during my second trip to Utrecht in 2001.

I relied a lot on my fellow PhD students to help refine my research design and to cope with the highs and lows of the exacting process that we shared. In particular, I would like to acknowledge the wonderful friendship and intellectual stimulation of my fellow Australian, Julie Lawson, who (together with her partner, Taco Stoppels) also provided us with the best 'home-away-from-home' experiences while we lived in the Netherlands. I would also like to acknowledge the companionship and support provided by the other 'foreign' PhD students at UU including Ari Niska, Stephan Krygsman, Tom Kauko and Nil Duroz (now Uzun). We sustained each other in workshops, at social occasions and watching sporting contests (that 'the Aussies' mostly won that year!) and we built new friendships, which extended to Stephan's partner, Annadie Kidman, and to Ari's partner, Pirkko Laurila. Nils Jacobsen, a visiting professor in the faculty for part of the year also became a fond lunch companion, with whom I enjoyed discussing world events and shared interests. In Australia, Nicole Gurrán provided regular reassurance (having recently completed her doctorate) and Lou Crabtree, a newcomer to housing studies, inspired me with her insights and fresh perspective on housing rights and citizenship. In return, I dumped on her all I knew about her new field - an unfinished collaboration.

Special mention among my PhD peers goes to a dear family friend, Kate Fagan, who on hearing of some of my doubts about my project wrote me a poem '*from The Book of Houses*' which uses housing concepts as metaphors to describe the processes of learning and knowing with which we had been simultaneously challenged. Mention of Kate brings to mind the rest of the Fagan family - Bob, Margaret and James - who, together with Nancy Kerr and the other members of the Tempe Tipsters (Igor, Richie, Gary and Hugh), have brought me so much joy through their music and their friendship.

Many friends and colleagues provided critical support to get me started and/or to keep me going forward at difficult stages. I especially want to thank Mike Berry, Tony Dalton, Louise Johnson, Robyn Kennedy, Gabrielle Kibble, Jenny Morrison, Julian Neylan, Peter Phibbs and Christine Whitehead for their advice and encouragement along the way. Other wonderful friends have kept me fed, entertained and buoyed up through the hard slog. Ever present among those have been my closest friends: Lynden Esdaile and Colin Ridley, the Ross family, Barbara Livesey and Steve Shanahan.

I am very grateful for the financial and material support provided to me for this study. My former employer, the New South Wales Government, agreed to my long absence and, later, my return to work on a part time basis to enable me to finish the project. The Urban and Regional research centre Utrecht (URU) (Faculty of Geographical Studies, Utrecht University) provided financial assistance for my trips from Australia and contributed to my living costs in the Netherlands. Additional financial support to meet my research costs was provided from the Ryoichi Sasakawa Young Leaders Fellowship Fund Program (SYLFF). OTB Research Institute for Housing, Urban and Mobility Studies (Delft University of Technology) made staff available to process data on my behalf. On my return to Australia, the Faculty of Architecture, University of Sydney kindly provided me with a position as a visiting scholar. Without the generous support of all these institutions, the study would not have been possible.

This book is dedicated to my mother, Stella Milliner, and to the memory of my father, Frederick George Milliner. They gave me the opportunity for my education and through a lifetime of love, nurturing and support instilled in me the personal qualities, values and motivation that have helped me to make the most of that opportunity.

The last words of acknowledgement go to the two dearest people in my life, my loving partner, Gary, and our daughter, Michelle. Gary embraced my rash plan to leave my job, return to study and live abroad with the same equanimity, willingness and cooperation with which he has approached everything else that I have ever proposed doing in our life together. He has played many supporting roles over the course of the research and I could not have completed this book without him. While not wishing to evade any responsibility for this study's limitations, I consider the outcome to be as much his achievement as it is mine. After recovering from the initial shock that her parents were leaving home (as she hadn't!), Michelle has been a constant supporter. Her help started with minding our home for over a year and culminated in a hefty bout of proof reading, in her precious spare moments, done to a meticulous standard.

As I have said, during the first year of this study I realised that I faced a much tougher challenge than I had anticipated to change my modus operandi from policy to research and to bridge a near twenty-year research gap. As well, I had now begun to understand the testing challenges of doing comparative research. Despite doubts and disappointments, I have persevered and, on balance, enjoyed the experience. I am very grateful to all of the people, whether named or not, who helped me to make it possible.

Vivienne Milligan
Sydney, April 2003.

1 INTRODUCTION

1.1 Research scope and purpose

Housing policies are implemented for different reasons, one of which is to improve housing outcomes for lower income households. To achieve that objective, countries adopt different strategies, suggesting that differences in housing outcomes for low income households might be expected. The broad concern of this study is whether the housing outcomes for low income households are different when different housing policies apply.

Many factors, in addition to housing policy, impinge on housing outcomes in the short and the longer term. Among these, the influence of economic conditions, political and governance systems, demographic factors, welfare regimes, the urbanisation process and cultural traditions has been highlighted in the diverse field of housing-related research. In this study, it is the relative importance of housing policy strategy - defined by Kemeny (1995a) as an enduring set of principles (and assumptions about how housing markets function) underpinning specific policy interventions - that provides the analytical focus.

To constitute its empirical and historical evidence, this study adopts a comparative approach using two case studies, Australia and the Netherlands. An extended in-depth study of two cases, rather than a (necessarily) more superficial examination of a larger number of cases, is considered essential to isolate housing policy effects and to interpret their significance among the multitude of factors and social relations contributing to the housing system of any country.

This study contributes to two prominent contemporary areas of research and policy debate. One debate concerns understanding the role of government (or, more abstractly, the state) in housing. That debate manifests itself in both research and policy arenas through strongly contested theoretical views and differing empirical evidence about the scale, duration and type of subsidy, regulation and substitution of housing markets that is, depending on the viewpoint chosen, either likely, necessary, appropriate or effective. In that context, a study of housing outcomes under different national policy strategies is seen as a means of elucidating their influence and significance.

A second debate to which this study contributes concerns discussion of the effect of economic and social adjustment that has been occurring across advanced capitalist societies under the processes of globalisation and demographic change on the sustainability of particular national housing policy approaches. In that context, the study is designed to contribute to an assessment of the way in which distinctive national approaches to housing policy are promoting or constraining housing outcomes in the current conjuncture.

The emphasis on comparing housing outcomes under contrasting policy regimes over an extended period is central to the purpose and design of the study. Placing emphasis on the broader and extended consequences of different policy strategies, rather than on their more specific and short-term effects, shifts the comparative perspective from one that is

primarily concerned with differences in the form, level and delivery of housing assistance (that is, with specific outputs of a housing system) to one that probes the more fundamental social and economic consequences of different approaches to the provision of housing (that is, the broad social outcomes) and, thereby, helps to reveal underlying similarities and differences in the structure of society and the way that policy choices are made (Golland, 1998).

The following outline of the cases chosen, the time period of analysis and the proposed empirical focus provides more detail on the scope and design of the study.

1.1.1 The cases

The case studies chosen have many similar general features: they are advanced capitalist countries with dependent, export oriented economies, they have small populations and comparable 20th century demographic trajectories and they have experienced dramatic economic restructuring and social change in the last three decades. Their value to this study is that, while their economic, demographic and social development is comparable in many respects, they differ in their long-term pursuit of highly distinctive national housing (and welfare) policy strategies.

Australia has a housing and urban policy practice of enabling mass home ownership and low density suburbanisation through publicly supported market allocations, supplemented by a small, administratively managed public housing system. In contrast, housing and urban policies in the Netherlands have emphasised medium and high density mass social housing provision orchestrated through comprehensive government regulation and a high rate of public investment and, since the 1980s, delivered mainly through an independent not-for-profit sector. Overall, reliance on market forces has been much more limited than in the Australian case.

1.1.2 The period of analysis

Primarily, the study assesses housing outcomes at the end of the 20th century. However, an extended period of analysis is required to interpret the impact of long-term housing policy strategy on these outcomes. The housing policy development of both countries after 1945 is considered in two broad phases.¹ The first phase (extending until roughly 1980) marks the major growth in, and consolidation of, each country's characteristic regime of housing provision, as part of the extensive development of a particular welfare state model.² In each case, the general context for the evolution of the definitive housing system is a period of rapidly increasing population and urbanisation, sustained economic growth and rising community affluence.

The subsequent phase (extending over the last two decades of the 20th century) is distinguished by the characteristics of the second demographic transition and globally driven economic change. In particular: flexible labour market arrangements; the rapid growth in smaller households, an increasing number of whom are outside the workforce; the polarisation of household incomes and an ageing population have been identified as significant interacting factors contributing to more diversity in housing demand and to new housing market and tenure dynamics. (See Berry, 1999 and Yates, 2002a, 2000b on

the manifestation of some of these changes in Australia and, for the Netherlands, see Marcuse and van Kempen, 2000 and van Kempen, 2001.) These extensive societal changes have been accompanied by clearly discernible shifts in previous welfare and housing policy strategies, involving attempts to reduce total government expenditure on welfare and, in the case of housing policy, placing more reliance on market provision and on consumer (rather than producer) subsidies.

1.1.3 The empirical focus

Housing policies have multiple social objectives and complex impacts and outcomes. However, there is a need to define a manageable task for this research. For that reason, one major social outcome area - housing affordability (that is, the relationship between housing costs and income) for low income households - has been selected as the empirical focus for the study.

Using affordability to evaluate the significance of different housing policy strategies can be justified on a number of grounds. House prices and rents and their impact on affordability for consumers are fundamental to the operation of contemporary market-based housing systems. At an individual level, housing costs are one of the most significant elements of a household budget across the life course. The affordability of housing also influences the quality and quantity of housing that can be obtained and maintained as household income changes. As well, the location of housing that is affordable to a particular household influences the broader economic and social opportunities and personal life choices of each member of that household.

The restriction of the empirical evidence to affordability outcomes has the disadvantage that other differences (or similarities) between the two cases may be overlooked. However, affordability is a multi-dimensional issue. Measures can be developed to indicate how much housing is affordable, at what quality, in which locations and under what legal rights. It has been demonstrated (though with varying rigour) that a wide range of indirect effects (sometimes referred to as non-housing or non-shelter outcomes) arise from unaffordable housing or from inadequate, but more affordable, housing. Individual households experience these effects and they may also flow through to the neighbourhood and to the broader community. Some of the main effects of poor affordability or inappropriate housing on individuals that have been recognised and researched include: family instability and breakdown, health impacts, the propensity for criminal activity, labour force participation and several dimensions of what is referred to, broadly, as social exclusion.³ The concept and dimensions of affordability used in this study are described in chapter 3. Chapter 6 considers affordability conditions for low income households in the two cases.

Housing policies directly and indirectly affect the housing circumstances of all households. However, the need to ensure that lower income households have access to appropriate and affordable housing has been a core rationale for, and significant component of, state intervention in the housing systems of both the Netherlands and Australia over the period of this study.⁴ The precise target group for such assistance has varied across each case and over time but, generally, has fallen within the lower half of the income distribution. A consistent definition of low income households is required for

comparative analysis to be meaningful. Accordingly, households in the lowest forty per cent of the income distribution have been chosen as the standard against which the study evaluates the success of the national objectives and related strategies to assist low income households. In each case, this is a reasonably broad group, comprising over 2½ million households at the end of the 1990s. (See chapter 6.) It encompasses the range of households to whom specific assistance may be targeted and those who could be considered, because of their limited income, to be at risk of having difficulty obtaining affordable and appropriate housing without assistance, in some sub-markets at least. Where appropriate, a further distinction is drawn between households in the lower half (quintile one) and those in the upper half of the group (quintile two).

1.2 Research questions

Given the broad research interest and the context for the research just outlined, the three core research questions that have been chosen to guide the study are:

1. How have the Dutch and Australian governments intervened in their respective housing systems over the second half of the 20th century to help provide more affordable housing?
2. To what extent are the housing policy strategies of Australia and the Netherlands providing affordable housing for lower income households?
3. Which aspects of past and present housing policy strategies, mediated through their local economic, political and social context, are judged to be significant in sustaining or constraining the provision of affordable housing for lower income households?

In subsequent chapters, theoretical, historical and empirical perspectives will be brought to bear on these central questions as appropriate. A general overview of the method and logical framework for the study is provided next. This chapter concludes by outlining how the rest of the study is structured and presented.

1.3 Comparative analysis

The central logic of the comparative method is to use comparison as a device to identify and explain the similarities and differences in a matter of interest across more than one case (Pickvance, 2001). This study uses the comparative method as a tool for investigating the dynamic relationship between housing policy strategies and housing outcomes in the context of the particular economic, political and social environment of two purposively chosen cases.

Critical reviews by Harloe and Martens (1984) and Oxley (1989, 1991, 2001) highlight the strengths and weaknesses of established approaches to comparative policy research in the housing field. In support of the continuation of comparative analysis, Oxley (2001) argues that many of the problems associated with previous research could have been overcome by clear enunciation of the purpose of adopting comparison as a means of explanatory analysis and by better aligning the research method with the chosen aims. In

response to those propositions, the following sub-sections set out: the rationale for choosing Australia and the Netherlands for comparison in this study, the case for the focus on policy, the method of comparative analysis and explanation adopted and, finally, some general problems that have been encountered during the study and the strategies used to deal with them.

1.3.1 The choice of case studies

A review of the history and logic of comparative housing and welfare studies research shows why the cases of Australia and the Netherlands suit the central purpose of this study.

The most general comparative housing studies typically involve a large and diverse group of nations or cities. These studies are predominantly numerical or statistical in style, developing and/or applying a large, standardised set of macro-indicators of housing conditions to describe and compare global housing systems. One of their main advantages is that they can give a preliminary indication of issues worthy of more in-depth analysis. One of their main problems, however, is that they ignore, or have no way of dealing with, underlying structural or cultural differences in apparently similar measures. (See Priemus (1992) for a critical overview of this kind of study.)

Many comparative researchers have restricted their analysis to a cluster of 'like countries' to limit the variability in the analysis or, more arbitrarily, because policy interests may be shared or the research effort made more convenient. Countries may be chosen because: they are considered similar in terms of their stage of economic development, they are members of a regional political grouping (for example, the European Union) or they have cultural and/or linguistic links. The usual approach of studies of this type has been to compare and to analyse issues or trends in housing policy and its effects using a historical narrative method, drawing on evidence of both a quantitative and qualitative kind.⁵ In many of these multi-nation studies, the comparison has been weakened by discussing each case separately, using, at best, a common analytical framework to achieve a comparative perspective.

Kemeny (1995a) also argues that there has been a tendency in many studies towards cultural bias in the choice of countries for comparative investigation. In particular, he considers there has been an over-concentration by English language researchers on comparative research across Anglo-Saxon countries only. This has led to his own interest in explicitly comparing European and Anglo models of housing provision and in theorising the role of cultural factors in the determination of national housing policy directions.

Where fewer cases are examined, awareness of the significance of the issue of case selection may be heightened. Accordingly, intensive case studies are often chosen because the particular nature of the distinction between the cases is theorised to be fruitful for isolating new principles or developing what Kemeny and Lowe (1998) have called 'middle range' theory - something between the explanatory notions of individual differences or universal laws.

In particular, over the last decade, the thesis that advanced capitalist countries have different welfare regimes, forged by different political power relations and institutional arrangements, has come to the fore as a rationale for the selection of cases in comparative welfare research (Esping-Andersen, 1990). The theory of welfare regimes will be considered in more detail in chapter 2. However, because of its strong influence over the design of comparative research in the welfare and housing fields, an overview of the argument for linking case study selection to this framework is included in this section.

Esping-Andersen's typology distinguishes three welfare regime types among nations with advanced welfare states. A social democratic welfare regime is found in countries where there has been a powerful labour movement and a long period of 'left-leaning' governments. Under this regime, social services are the most decommodified and are provided universally to a high standard. Sweden is the archetypal case. In corporatist societies, traditional groups and structures retain a powerful role in political institutions and processes, resulting in coalitions of the main power groupings forging social policy that, in turn, reflects the relative power of the parties involved. Corporatist processes tend to result in social programs where church and family institutions play a primary role, thereby preserving and reinforcing pre-existing stratifications in society, whether by religion, class or ethnicity. Much of continental Europe, including the Netherlands, falls within this regime type. Liberal traditions are dominant in more recently settled countries without any significant pre-capitalist history or structure, especially where there are weak or disunited labour movements. A market approach to service provision dominates and state services are residualised and only provided to those for whom there is no market provision. The United States of America, Canada, Australia and New Zealand are considered to be archetypal, though different, examples (Esping-Andersen, 1990).⁶

A number of housing researchers have used Esping-Andersen's classification to describe and differentiate particular national housing policy approaches and to compare their performance. (See, for example, Barlow and Duncan, 1994; Kleinman, 1996 and Golland, 1998.) The view about the broad relationship between types of housing policies and different welfare state regimes that has emerged from these studies is that:

- a liberal regime is typically aligned with residual social housing provision and market-based home ownership policies;
- a social democratic regime typically involves mass social housing provision and a strong state regulatory framework; and
- a corporatist regime normally exhibits widespread state support for a range of housing options provided through both market and non-market institutions.

Of direct relevance to this study, several applications of welfare regimes analysis have suggested that Australia and the Netherlands may be atypical or 'puzzling' cases, at least with respect to some aspects of Esping-Andersen's typology and underlying theory (Castles, 1989a). For instance, the central and substantial role of social housing in the Dutch welfare state is similar to the Scandinavian countries. However, the explanatory factors which Esping-Andersen and others have associated with the development of the social democratic welfare state exemplified by the Scandinavian cases, such as a close alignment of political power and organised labour, do not pertain to the Netherlands (Therborn, 1989; Barlow and Duncan, 1994; Harloe, 1995).

Using Australia as his test case, Castles (1989b, 1994) has remarked particularly on the disparity between policy characteristics associated with a small and residual welfare state and social outcomes that (at least until the 1970s) have reflected a high level of equality and social protection. His observations have led to his claim for recognition of a distinctive 'wage earners' welfare state' where, he argues, higher wages (and their corollary, lower taxes) achieved by the labour movement have obviated the need for (and subsequent possibility of) extensive social services (Castles and Mitchell, 1993).

Adding to his argument more recently, Castles (1997a, 1998) has suggested that housing, which was not included in the data for the original development of the welfare states' typology, may be a key variable that has contributed to the 'better than predicted' welfare outcomes in Australia. Using government support for home ownership as an example, Castles has shown that older people (who are home owners) in Australia receive a similar level of benefit to their European counterparts when what is compared is net income (inclusive of housing benefits), rather than welfare expenditures or pension levels. From this observation, he concludes that many previous studies may have exaggerated the difference between welfare regimes because they have failed to recognise that different countries achieve similar outcomes through diverse institutional and policy tools (*ibid.*).

Through the development of the comparative research field, there is now general recognition that past propositions about differences in welfare states have been too simplistic. Similarities at one level - the form of policies or institutions - may have masked differences at another level - the processes operating to produce those results. Alternatively, a focus on the differences in policies may hide similarities in their impacts. Consequently, more in-depth studies of the diversity of approaches to government intervention have been called for to develop more historically grounded and realistic hypotheses about the connections between different types and levels of intervention and social outcomes. "Surveying the diversity and identifying its outcomes is, arguably, the best definition of the proper scope of the comparative analysis of public policy" (Castles, 1997a, p. 118). One suggested way forward, which is adopted in this study, is to use hitherto unexplained, atypical or extreme cases that, by exaggerating particular conditions, may allow new principles to emerge (Castles, 1989a; Barlow and Duncan, 1994; Pickvance, 2001).

Previous instances of comparative housing research involving Australia and/or the Netherlands reflect the general pattern of comparative studies outlined above. Typically, both countries are included in statistically based global studies and studies of OECD members, which use standardized data sets. Australia, a geographically isolated country, has not been included generally in more in-depth comparative studies of a cluster of countries. The inclusion of the Netherlands in these studies is more frequent, especially in Western Europe. Perhaps in keeping with Kemeny's (1995a) assessment of cultural bias, it has been rare for both countries to be included in one intensive study. To the author's knowledge, they had not been compared directly previously in any major housing study.⁷ Nevertheless, as illustrated above, studies of either Australia or the Netherlands that have used a housing perspective have made an important contribution to the development of comparative welfare research.

Overall, the choice of Australia and the Netherlands suits the purpose of the present study and is in keeping with the current state of comparative research. They are similarly developed countries but with distinctive housing policy (and welfare) regimes. Conceptually, this means that it should be possible to better isolate the effects of housing policy, than if other factors considered to influence housing outcomes, such as population pressure or the level of economic prosperity, also varied greatly. They have been considered atypical or puzzling cases because existing theories do not account adequately for the relationship between their institutional structures, policy choices and their welfare performance. Added to this is the evidence from previous research that the role of housing policy in their respective welfare systems may be a critical factor in explaining their broad welfare outcomes. Finally, evidence from these cases will contribute to informing the relatively underdeveloped cross-cultural perspective in housing studies.

1.3.2 *Policy evaluation as the focus*

This study is concerned with policy evaluation to inform policy making. Therefore, it has to take note of the success of similar studies and recognise and address practical, methodological and theoretical impediments to policy evaluation.

At a theoretical level, the traditional political science notion of the state as a benevolent and ‘independent’ or neutral agency in social action is now generally discredited. Nevertheless, grappling with precisely why and how state action is formulated remains a fundamental question for policy research. A more specific conceptual and practical problem for policy evaluation arises from the lack of clarity and specificity in the goals of much state policy (van Vliet, 1990; Lundqvist; 1991). A definitional issue surrounds the determination of the scope of the evaluation - for instance, non-housing policies, such as employment policy, may have a greater impact on housing outcomes than housing policies. Differences between the ‘intent’ and implementation of policy, and the complexity and diffuse nature of its impacts, mean that validating the claim for policy impacts becomes a significant methodological issue. For instance, a number of other housing studies have demonstrated how policy-centred analyses may have led to the influence of housing policy being overstated, by drawing out the strong influence of macro-economic and demographic factors on a housing system. (See, for example, Feddes, 1995; Bourassa *et al.*, 1995 and van Kempen *et al.*, 2000.)

A strong case can be made for continuing to pursue research based in policy evaluation, if, at the same time, the difficulties, both perceived and real, are acknowledged. Ambrose (1992) considers the means to more robust research of this kind is through the development of a better understanding and definition of housing problems and a more rigorous assessment of the performance of housing systems. However, as he points out, there is little agreement about how to proceed. For example, there has been only limited development and discussion of criteria that may be appropriate for assessing the performance of housing systems or for comparing policy impacts.

Lundqvist (1991) argues a clear case for why policy-centred analyses are a valid, practical and necessary focus for trying to explain how national differences arise in the context of broader societal trends. “Policies ...are the crucial link between theories of context-content connections on the one hand, and propositions about content-

consequence relationships on the other” (*ibid.* p. 88). In practical terms, “policies do exist in most countries. They can be identified without much difficulty...”(*ibid.*). “What is required is independent analysis of policy and testing and theorising about the relative influence of policy among other determinants (such as institutional forces, demographic trends, economic developments) on an arena of impact, such as housing conditions” (*ibid.* p. 86).

As discussed earlier, the starting point for undertaking comparative analysis is to determine what is being compared and for what purpose. The debate about the quality and validity of policy studies in housing research points to some constituents of a robust conceptual framework for this study. First, the approach must recognise the historically variable nature of the relationship between housing policies and their outcomes. Second, the policy variables of interest need to go beyond those of direct housing policy itself to incorporate the potential impact of a wider range of state actions. Third, previous studies underscore the need for the context of housing policy to be included in the analytical framework. Finally, appropriate criteria for judging policy impacts are required. The comparative methodology of this study is now considered in more detail.

1.3.3 The method of analysis

Taking into account the record of policy-related research referred to above, three core elements of comparative analysis are proposed as an initial conceptual framework (figure 1.1). This framework is further developed around concepts of the structure and determinants of the attributes of a housing system in chapters 2 and 3 of the study.

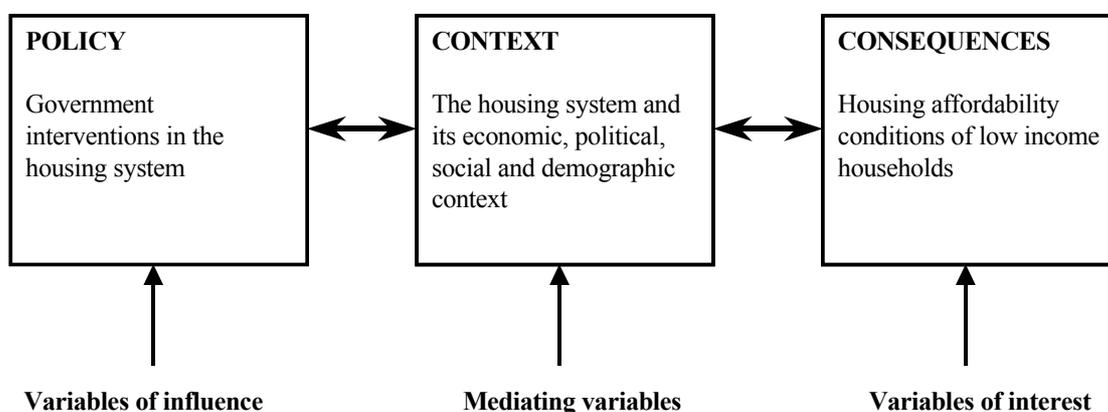


Figure 1.1 Logical relationships of research variables in a dynamic system

Source: adapted from Lundqvist (1991) and Rudestam and Newton (1992).

The variables of interest are similarities and differences in the housing conditions of low income households. The variables of influence are differences in the national housing policy strategies of the chosen cases. In this research, housing policy is defined as public policy in relation to housing (Somerville, 1994). Both explicit (formal) and implicit (indirect) forms of policy impacting on housing are recognised and discussed. In the case

of indirect policy, housing impacts arising from macro-economic, welfare, fiscal, monetary and urban planning policy settings are included in the assessment.

The recognised intervening variables are the historically specific contexts within which these policies form and are continually transformed in a dynamic housing system. The local context for each case study includes the operations of the housing market, the institutional arrangements through which housing is produced and consumed and factors exogenous to the housing system itself that influence the conditions of housing provision. The analysis of the housing policy strategies of the two case studies and the context of their development is analysed in two parts: the period from 1945 to the 1970s is considered in chapter 4 and the period of the 1980s and 1990s is discussed in chapter 5.

The separation of housing policy from the system of housing provision in the framework above is intended as an analytical and presentational device, rather than to imply a 'real' or sustainable distinction. As discussed in chapter 2, housing policy is logically and historically embedded in a wider system of housing provision and its local political economy. The interpretation of the relationship between specific policy interventions, the total housing system and the broader context is built up progressively through the development of this study to highlight both policy differences and the particular ways they have operated alongside other important political, economic, socio demographic and cultural/institutional factors to affect the housing consequences under consideration. Narrowing the empirical focus to one aspect of the 'dependent' variable - the affordability of housing and its consequences - has provided another means of managing the potentially enormous array of policy strategies and critical relationships that have to be considered.

Another step in tackling the research questions involves establishing an adequate basis for explaining the relationships expressed in the model above.

This study is concerned with explaining observed similarities and differences in the variables of interest (in this case, affordability outcomes for low income households) in terms of variations in logically related and inter-related variables (in this case, different national housing policy strategies and the context within which they have operated). The causal relations between these variables are complex and dynamic. Following Pickvance (2001), this study uses a schema depicting the range of possible explanations of differences and similarities in housing outcomes as an analytical framework to guide the interpretation of the historical and empirical data later in the study (table 1.1). The framework exposes, at the outset, the logical possibilities for explaining the relationship between the policy and contextual analysis, on the one hand, and the affordability outcomes that have occurred, on the other. It is anticipated that different causal models may pertain to different aspects of the findings of the study.

The final aspect of the method involves considering the evidence to be used in the analysis. The variety and complexity of relationships being considered cannot be addressed adequately by a singular set of data or method of analysis (such as drawing inferences from a statistical analysis). Instead, the study relies on a careful and logical approach to synthesising and interpreting theoretical, historical and empirical (both quantitative and qualitative) evidence.

Table 1.1 A framework for considering the relationship between housing policy and housing outcomes

		DIFFERENT POLICIES	
<p>DIVERGING EFFECTS</p> <p>(Outcomes specific to each case)</p>	<p>A: Simple causation ^a</p> <p>Housing policy and outcomes are directly related.</p> <p>For example, there is a direct relationship between the level of expenditure on housing subsidies and affordability.</p>	<p>B: Multiple causation</p> <p>Other factors as well as housing policy explain significant differences.</p> <p>For example, the differences in affordability can be attributed to both differences in economic and demographic factors and to differences in housing subsidy levels.</p>	<p>C: Plural causation with differentiating outcomes</p> <p>There is over time/over place variability in the relationship between a particular policy and its effects.</p> <p>Outcomes diverge not only as a result of policies but also because of the dynamic interaction between factors that mediate the association between policy and outcomes. This may be cumulative.</p> <p>For example, home ownership policies succeed in improving access to affordable housing in the context of rising affluence but not in the context of polarising incomes and unstable labour markets.</p>
	<p>SIMILAR OR CONVERGING EFFECTS</p> <p>(Outcomes are cross-national)</p>	<p>D: No causal relationship</p> <p>Housing policy has a marginal impact on outcomes. Exogenous factors dominate and outcomes converge.</p> <p>For example, rising affluence before the 1980s and growing income inequality since then are the major determinants of the form of, and changes in, affordability patterns.</p>	<p>E: Masked Relationship</p> <p>Different policies have similar effects.</p> <p>For example, each country chooses a different policy path but the end effects on the provision of affordable housing are similar.</p>

^a Categories developed from Pickvance (2001)

1.3.4 Difficulties in making cross-national/cross-cultural comparisons

In addition to conceptual issues already referred to, all comparative analysis presents a range of methodological and practical difficulties for research. While some of these problems can be addressed in the research design, others have to be managed through the research process. In some instances, they may qualify the findings that can be claimed for

the study. Particular problems encountered in this study (and the means adopted to deal with them) are identified and discussed where they arise. Some of the more general problems that have influenced the overall design and execution of the study are discussed below.

The choice of cross-cultural case studies presents a particular challenge to a solo researcher. At a practical level, much primary source material and data in a foreign language are not accessible. As there is a greater potential for misinterpretation or distortion of secondary sources, local housing experts are needed to check and validate the interpretation of the foreign case material (see appendix C). In terms of the research process, the comparative researcher is, at the same time, an 'insider' in his/her own milieu and an 'outsider' in the foreign setting. Of course, this brings a benefit, as the unfamiliar environment gives rise to a challenge to 'taken for granted stances' and new questions emerge. Ultimately, as Oxley (2001) notes, the extent to which a thorough and nuanced understanding is established will influence whether a comparative study can contribute credible views about the validity and transferability of policy and practice. Overall, however, it is unavoidable that a different level of appreciation and understanding of a system in another linguistic and cultural milieu will occur and this situation is acknowledged in this study.⁸

Many data problems are encountered in comparing housing affordability both within and across national systems. Within countries, definitions of key variables, such as household income or housing outlays, may not be consistent across surveys or time periods. Surveys of housing expenditure themselves differ in their purpose, scope and coverage. These types of problems are compounded in cross-national comparison because survey instruments and data definitions are rarely standardised across countries. In time series data, there are usually a limited number of data points available, making it difficult to draw valid conclusions. Where an assessment of long-term trends is required, it is particularly important to recognise the context of each data point included, so that allowance can be made for short-term deviations caused by cyclical or idiosyncratic factors. Cross nationally, survey timing rarely coincides, adding a confounding factor.

Key concepts underpinning the structure of housing data sets are themselves culturally and institutionally defined and bounded, with the effect that what may appear comparable is not, when the historically and culturally specific form that a concept or construct takes is recognised. The problems associated with the cross-national comparison of generically named tenure categories, such as social housing or home ownership, provide one example of this difficulty that has been widely acknowledged and discussed (Barlow and Duncan, 1988; Ruonavaara, 1993; Marcuse, 1994; Priemus, 1997a).⁹

Different national research traditions also influence the kind and quality of information available. For example, Australia has a long tradition of poverty research including a unique emphasis on housing-related poverty (Fincher and Nieuwenhuysen, 1998). The Netherlands by contrast has given more prominence to 'housing-costs-to-income ratio' approaches (see chapters 3 and 6) in assessing housing affordability and has not linked trends in poverty to changing housing costs so strongly (SCP, personal communication). Such differences of emphasis in national data collections are themselves revealing about

policy disposition, housing problems (both perceived and real) and sensitive issues within national domains.

Because of the problems outlined above, this study has had to rely on a limited comparative data set to obtain the main empirical evidence. To overcome some of the constraints presented by that situation, the approach that has been taken has involved backing that data up with previous research findings, looking for consistent evidence across similar studies and, when possible, assessing the sensitivity of the results to different constructs and measures. Because statistical inference or estimation has not been attempted, precise values on single variables have not been required. Overall, it is considered that the level of comparability of data that has been achieved for the two cases warrants the generality of the conclusions that have been drawn.

Because of the complexity of comparing different measures of housing costs and housing affordability, the basis for the comparison of the findings is explained in each section where data are included. Chapter 3 provides more information on conceptual and measurement issues affecting the assessment of housing affordability and appendix D compares the features of the survey instruments and the databases drawn on for the empirical analysis.

1.4 Structure of the report

As described above, the study uses three main analytical perspectives - conceptual, historical and empirical - to address its three core questions. Six chapters follow this introductory chapter. The purpose and contribution of each chapter is outlined below.

Theoretical propositions about the general impact of housing policy strategies on housing outcomes are considered first. Chapter 2 investigates previous comparative housing studies and relevant research from the related fields of urban and welfare studies. The purpose is twofold. First, to select tools and concepts that can be used to identify differences in national housing policy strategies and, second, to theorise the potential for there to be a differential impact on housing outcomes of predominantly social and private models of housing provision, both historically and in the current economic and political conjuncture.

The concept of housing affordability, what is known about its determinants and established ways of measuring and evaluating affordability outcomes form the subject matter of chapter 3. The main concern of that chapter is to identify the logical relationships between different forms of policy intervention and housing affordability conditions and to propose a method for determining these conditions empirically.

Chapters 4 and 5 give a detailed account of the development, operation and transformation of housing policy strategies in Australia and the Netherlands under changing political and economic conditions. In answer to the first research question, these chapters provide the historical evidence of the nature and extent of intervention associated with housing affordability that has occurred, drawing out the extent of similarity and dissimilarity between the two cases. An extended period of analysis from 1945 to the turn of the 20th century is used to establish a solid basis for assessing the extent of consistency in any apparent relationship between housing policy and

affordability outcomes. Unlike in most comparative studies, the analysis of the two cases is presented systematically, policy by policy, to facilitate a clear picture of where and to what extent there are similarities and differences.

Two levels of analysis are entwined in the approach taken to documenting the policy history. The first level considers the policy interventions that (in view of previous research and theoretical propositions about the determinants of housing affordability) are themselves likely to have most influenced (either directly or indirectly) housing costs and housing affordability for low income households. The second level considers how such policy interventions have interacted with each other, and with other major factors that have influenced the evolution of the housing regimes of the respective cases, to give a historically grounded basis for interpreting the relative and changing significance of these factors.

As its third component, the study presents a quantitative and qualitative account of recent affordability outcomes and, where available on a comparable basis, trends over the last two decades. This material, presented in chapter 6, provides the response to question two, concerning the affordability of housing for low income households. One aim is to establish how far and in what ways the differences between the two contrasting systems extend in terms of the chosen outcome area. The other aim is to consider the pattern of changes within each case over time, so that these can be linked to the development of, and adjustments in, policy regimes and to changes in external conditions - that is, to establish the relative significance of policy factors versus other forces.

The three areas of analysis - logical arguments, historical analysis and empirical trends in housing affordability - together provide the basis for answering question three about what are the plausible connections between the observed outcomes in each case and the different housing policy strategies, as they have evolved under the influence of local and cross-national political and economic conditions. These considerations are the subject of the concluding chapter.

Given the complex nature of the causality involved, it is not possible to explain fully the outcomes that have occurred. Moreover, in contrast to many other housing studies (reviewed in chapter 2), the purpose is not to explain why or how the identified policies have been introduced. Instead, the main intent of the concluding chapter is to provide an assessment of the broad influence and relative significance of different policy strategies and to contribute to the debate about the efficacy and importance of particular housing policy approaches in the present conjuncture. However, the analysis of outcomes also stands alone (that is, whether they are 'explained' or not) in terms of providing a record - albeit limited to the indicators that are used - of the comparative quality of the current housing circumstances of low income households in two markedly different types of housing systems.

Specifically, chapter 7 first considers to what extent the policy regimes in each place have worked (and continue to work) to provide affordable and appropriate housing for low income households. The comparison shows there are both strong similarities and notable differences in affordability conditions across the two cases. The chapter then draws on the extended comparative analysis to show how the respective housing policy

strategies have contributed to both the similarities and differences in the results. The key elements of housing policy strategy that emerge as crucial in the current conjuncture are:

- the short and long run impact of housing policies favouring home ownership;
- the type and extent of urban policies that are geared to the supply and protection of affordable housing;
- the role, organisation and capacity of social rental housing; and
- the effectiveness of demand-side subsidies (in particular, housing allowances).

Chapter 7 shows how each of these policy factors has contributed to the pattern of affordability found today in each chosen country. It also includes a brief discussion of the theoretical and policy implications of the findings.

Notes

¹ Before 1945, national housing policy was piecemeal and less developed. The antecedents of housing policy after 1945 are considered briefly in chapter 4.

² More discussion of welfare states is provided later in the chapter. Following Esping-Andersen (1990), Australia is usually classified as a residual (or targeted) welfare regime and the Netherlands as a corporatist (or comprehensive) regime.

³ Overviews of the conceptual approach to assessing non-housing outcomes and/or recent research findings are found in van Kempen (2001), Phibbs (2000), Berry (2001) and Mullins *et al.* (2001).

⁴ What constitutes affordable and appropriate housing is defined normatively in each society and is evidenced by policy rules, minimum housing standards, community norms and expectations etc.

⁵ Recent examples of in-depth, cross-national housing studies include Harloe (1985, 1995); Boelhouwer and van der Heijden (1992); McCrone and Stephens (1995); Kleinman (1996); Oxley and Smith (1996) and Donner (2000).

⁶ Other applications of the typology have led to different views that are discussed further in chapter 2.

⁷ Concurrent with this research, Julie Lawson (University of Amsterdam) has used the historical development of housing policy in Australia and the Netherlands to demonstrate the application of critical realist methodology in comparative housing research (Lawson, 2003).

⁸ Having supervisors in each country and close contact with other researchers have been used to minimise the impact of differential knowledge of each system.

⁹ Appendix A explains the use of tenure and other terms in this study.

2 THEORETICAL APPROACHES TO THE COMPARATIVE ANALYSIS OF HOUSING POLICY AND ITS IMPACTS

2.1 Introduction and purpose

Chapter 1 introduced a schema for relating (housing) policy to its context and consequences as an analytical framework for examining the three research questions posed in this study (figure 1.1).

This chapter explores the field of housing policy studies and considers different theoretical perspectives, concepts and analytical tools that can help unravel the components and relations of the policy-context-consequence sequence. Other literature (for example, welfare studies) is also drawn in where it has influenced the housing debate in ways relevant to this study.

In keeping with the research questions set out in chapter 1, the focus of this chapter is on:

- how national housing policies are differentiated;
- what is understood of the relationship between housing policies, housing markets and their social, political and economic milieu; and
- how housing policy impacts are assessed and interpreted.

This chapter has four components. Section 2.2 discusses briefly the scope and scientific standing of housing studies, to establish the place of this study within the tradition of housing research. It then considers different accounts of the way in which comparative housing research has approached the analysis of similarities and differences in housing policy. Section 2.3 contains an assessment of specific concepts and methods used for interpreting the role and function of housing policy strategies. Section 2.4 considers research on the nature of housing as a social and economic construct and the processes by which housing policies can and do operate to influence social outcomes. The concluding section reflects on the ideas relevant to this study that have been identified in the preceding sections and considers how, and to what extent, they can be used to guide the subsequent stages of this research.

2.2 The scope and development of housing studies

2.2.1 Historical traditions and explanatory approaches

The contemporary housing researcher is faced with a vast and eclectic field of studies on the characteristics of national housing systems and the policies that are presumed to have helped shape them. These housing studies straddle many disciplines, which provide a variety of theoretical and empirical perspectives on similar issues. However, the diverse and unconnected nature of much of the field has produced sustained criticism of its theoretical foundation and its lack of integration with other fields of social inquiry (Ball *et al.*, 1988; Harloe, 1995; Kemeny, 1988, 1992, 2001).

Influential traditions and perspectives that have emerged from the historical development of housing policy studies across the social sciences include: the human ecological tradition; neo-classical economics; behavioural, phenomenological and humanist perspectives; urban managerialism and institutionalist approaches and political economy studies. A summary of most of these traditions (up until the 1970s), highlighting key differences in their approach and citing classical studies, is provided in Bassett and Short (1980).¹

At the time of Bassett and Short's overview, political economic theory, drawing on Marxism, was exerting a major influence across the social sciences. Analyses from that school of thought offered a more multi-layered and complex explanation of the economic and social relations of capitalist societies than previous approaches. Under their influence, the focus in housing studies shifted to more explicit consideration of the nature of housing as an economic and social construct. There were a number of important dimensions. First, the debate about structure and agency was advanced through theory and method that recognised that both elements and the dynamic relationship between them were integral to explaining the operations of the housing system (Pickvance, 1976; Berry, 1983, 1986; Ball, 1986). Second, links between the development of housing systems and the broader and historically evolving structure of urban society under capitalism were drawn, explicitly. A particular focus was on the way in which class relations in both housing and labour market spheres were shaping housing policies and outcomes (Castells, 1977; Harvey, 1978, 1982, 1985). Finally, the concept of ideology was introduced into the housing debate, initially through propositions that tenure preferences and tenure policies are derived from deep-seated societal structures and values rather than having a 'natural' or super-historical existence (Kemeny, 1981, 1983).

There are now many points of departure for contemporary housing studies building on these traditions. Somerville (1994) provides a useful classification and examination of the explanatory power of different types of studies that characterise current housing research using four categories: explanation in terms of systems of actors, hypothetico-deductive explanations, realist explanations and culturalist explanations. Table 2.1 summarises the explanatory approach of each type of study and Somerville's critique, which suggests that, at this stage of their development, no single approach can claim ontological or epistemological superiority. The influence and potential value of the various methodological approaches to housing studies is illustrated by examples referred to throughout this chapter.

The question that this study poses about the importance of differences in housing policy to low income households in the present conjuncture is in line with a growing interest in understanding the forces behind recent tendencies towards the convergence of housing policies across countries. Cross-national studies have become one significant way of examining the significance of apparent tendencies worldwide towards a retraction in the role of government in housing (and other welfare areas). The next subsection considers the trajectory of recent comparative housing research in more detail to assess the implications and usefulness for this study.

2.2.2 *Convergent and divergent traditions in comparative housing research*

One way of distinguishing comparative housing studies and assessing the progressive development of ideas in the field has been to class them into two broad groups: convergent and divergent (Doling, 1997; Kemeny; Lowe, 1998). Convergent studies present the view that the overriding tendency in the evolution of housing (or, more generally, welfare) systems is to homogenising policies. Studies described as divergent contend that policy strategy (and, by inference, its outcomes) is shaped more by particular national political, social and cultural structures and processes (*ibid.*).

The earliest comparative studies related the characteristics of housing systems (or welfare systems more generally) to 'natural' stages of economic development.² These studies argued that different housing policies reflected the different stages of economic and social development of a nation and that housing outcomes evolved in accord with the level of such development. By implication, housing conditions would (necessarily) converge over time and space. This position has been contested because reliance on socio-economic factors alone appears insufficient to explain housing patterns, given the existence of many similarly advanced societies with different housing systems and outcomes (Schmidt, 1989).

Studies that draw on Marxist economic theory and Marxist accounts of urbanisation also generally fall into the convergent tradition. (For example: Harloe, 1985, 1995; Ball *et al.*, 1988.) The approach of such studies recognises different housing systems and their genesis in dynamic processes but they postulate that, generally, different types of housing interventions fulfill essentially similar functions: in essence, a profit function (contributing to the accumulation of capital in the urban sphere) and a reproductive function (providing housing necessary for a stable and productive workforce). Both similarities and differences in housing policies and their outcomes can arise from the logical imperatives of capitalism but housing systems (and housing policies) are necessarily constrained within common limits.

Consideration of divergence across housing systems has gained ascendancy in more recent studies. This shift of focus began as a reaction to overly deterministic and generalised explanations of how housing systems develop and to the perceived overemphasis on the evidence of convergence in comparative research. (See Boelhouwer and van der Heijden, 1992; Oxley and Smith, 1996; Kleinman, 1996; Murie, 1997 and Kemeny and Lowe, 1998.)

Using an institutionalist approach, Schmidt (1989) made one of the earliest attempts to apply a divergence thesis in housing. He drew on both corporatist theory (concerned with the governance of policy systems and the impact of the links between administrative, political and market processes) and labour movement theory (concerned with the influence of left-wing political parties and ideologies) to develop his hypothesis that housing policy directions and their outcomes are essentially related to the organisation and structure of the housing production system, particularly the organisation of housing supply, and the values associated with each particular mode of organisation. Schmidt (1989, p. 98) tested his thesis on a range of data for 18 industrialised countries, using his results to argue that (differences in) "housing policy and housing market processes must

primarily be understood in terms of the organisation of the policy-making and implementing system". He predicted that close links between construction organisations and bureaucratic players resulted in more institutionalised forms of housing policy. As a consequence, policy directions - for instance, the construction of social housing projects or the 'greenfield' development of new suburbs - become entrenched through particular institutional forms of provision, which cannot readily adapt to changing or new requirements and, therefore, act collectively, over time, to protect their policy interests.

To help explain the perpetuation of different national characteristics in housing systems, a number of researchers have drawn on the general concept of 'path dependency'. This concept, first used in economics, refers to the tendency for solutions to problems (or, in this case, policy decisions), whether accidental or deliberately chosen, to become locked in (through institutional and ideological processes) and, subsequently, difficult to change (Kleinman (1996, p. 15).

The view that institutionalised relationships and structures within the housing system themselves become formative of new structures over time has led to the proposition that housing systems (and welfare systems more generally) may be expected to diverge to an increasing extent (Kleinman, 1996, 1998). For instance, in his comparison of housing policy changes in European states over the last 20 years, Kleinman (1998) found that, while there have been common policy influences and directions in the present conjuncture in Europe (such as the forced economic convergence arising from European economic and monetary union and the extent of prevailing neo-liberal political control that is circumscribing housing policy), there are also powerful countervailing political and institutional forces in individual countries. Consequently, he argues that historical circumstances, political forces and institutional structures in part determine the shape of specific policies but these, in turn, impact on the housing system and set the parameters for further change.

In his own European-based research, Kleinman (1998, p. 250) has concluded that housing outcomes are becoming more polarised across (new) class interests comprising a "well housed majority (with explicit state support) and a poorly housed minority". His explanation is that the general direction of housing policy in the last twenty years has been to bifurcation (or dualism) as both a reflection and reinforcement of current structural and political trends. Generally, the problems of marginalised groups are being ignored while market-based policies (such as supporting home ownership) continue.

One factor contributing to the diversity of explanatory viewpoints in these comparative studies has been the choice by researchers to concentrate their analysis on the relation between housing systems and economic **or** political **or** ideological processes and structures. Correspondingly, a great deal of the dialogue and contestability in the field has arisen from the relative emphasis that different contributors place on these explanatory factors and the extent to which they grapple with their interaction (Somerville, 1994). The result has often been confusing - producing different, but not necessarily better or more encompassing, explanations. Following Jessop's (1990, p. 205) general view of the state of studies in the political economy tradition, it is suggested that what is required is a synthesis of these economic, political and ideological perspectives.

The concept of the embeddedness³ of housing in its broader social, political and economic context offers a possible direction to assist such a synthesis. Under this approach, the predominance of economic, political or deeper ideological forces is not

Table 2.1 Explanatory approaches in housing policy studies (following Somerville, 1994)

TYPES OF STUDY AND LINKS TO HOUSING TRADITIONS	EXPLANATORY VIEWPOINT
<p>SYSTEMS OF ACTORS. Antecedents in managerialist and institutionalist approaches</p>	<p>Accounts for housing policy directions in terms of the process of decision making of state agents and their agencies. Distinguishing aspect is the inference that actors and agencies have the power to operate independently to effectively determine housing policy. Empirical analysis provides the basis for determining inductively how and to what extent this power is exercised.</p>
<p>HYPOTHETICO-DEDUCTIVE. Antecedents in deductive method of scientific research.</p>	<p>Recognises that actors (decision makers) operate in relation to underlying structural factors. Such relations can be logically derived (using different theories) and formulated as hypotheses for empirical testing. Both deterministic and probabilistic relations can be contemplated.</p>
<p>REALIST. Antecedents in structural determinism.</p>	<p>Distinguished from above by emphasis on real or material (not logical) relations between structure (deep or hidden relations) and agency (apparent or phenomenal relations). Method of articulation is used (dialectical synthesis of logical reasoning and historical analysis) to uncover the linkages between phenomena and their causes. This aims to reveal both necessary (structural) and contingent (human action) causes of particular outcomes.</p>
<p>CULTURALIST. Antecedents in humanist and phenomenological traditions and also Gramsci's thesis on hegemony (a widely shared taken for granted view of society which underpins perception, behaviour and social organisation).</p>	<p>There is no inherent structure to social relations, only historically and culturally developed meanings. Unlike for realists, the distinction cannot be made between reality and ideas about reality. Analysis involves constructing the cultural meaning of reality using an interpretative approach exploring discourse and meaning.</p>

OVERVIEW OF SOMERVILLE'S CRITIQUE	APPLICATIONS DISCUSSED IN THIS STUDY
<p>A more superficial analysis than the other types which cannot, by itself, draw in deeper layers of social structure beyond actors and agencies and the relations between them. Also begs the question of which actors and agencies should be studied. Not necessarily incompatible with other approaches and points to patterns of social relations worthy of further investigation.</p>	<p>Schmidt (1989). Structures of housing provision - some applications</p>
<p>Inevitably selective (issue-based) because does not have a holistic view of social relations.</p> <p>Salience depends on quality and precision of theory of structure-agency relations used.</p> <p>Because of its selectivity, lasting historical significance of explanations of policy may be hard to establish from the method.</p>	<p>Lundqvist (1992)</p>
<p>Cannot contemplate a masked relationship between policy outcomes and their underlying causes (that is, similar causes producing different outcomes).</p>	<p>Regulationist approach (see section 2.3.4)</p>
<p>Allows for more complex and multilevel (abstract and concrete) explanations involving more factors and deeper analysis than either of the above.</p>	<p>Regulationist approach (see section 2.3.4)</p>
<p>Lack of specificity of nature of structural tendencies (such as the class basis for state policies) leads to the danger of overly structuralist/functionalist accounts.</p>	<p>Regulationist approach (see section 2.3.4)</p>
<p>Ontological difficulty is that it claims real causal powers beyond human activity.</p>	<p>Regulationist approach (see section 2.3.4)</p>
<p>Epistemological difficulty is demonstrating what are necessary relations.</p>	<p>Regulationist approach (see section 2.3.4)</p>
<p>Opposite problem to realism arises by separating and giving independent explanatory power to ideas only.</p>	<p>Kemeny (1992, 1995a)</p>
<p>Considered a necessary and powerful view because it allows for ideological and hegemonic factors but not a sufficient view because it tends to neglect issues of how (dominant) ideologies relate to classes and structures (that is, their material or real basis).</p>	<p>Kemeny (1992, 1995a)</p>

presumed. Policy and its effects come about through the complex interaction of long-standing structures and patterns of institutions, ideas (and ideologies) and behaviour in national housing systems and changing exogenous influences deriving from broad economic, demographic, technological, social and political changes. Conceptually aware and historically specific analyses of social policies and their outcomes are necessary to unravel the relationships and to highlight the particular significance and ongoing social, political and economic sustainability of chosen policy paths.

The development of the comparative housing studies paradigm is leading to a resolution of the debate about trends towards divergence or convergence. As a result of the search for more satisfactory and comprehensive explanations and the shift from more general to more finely grained studies, there is growing recognition that they are not mutually exclusive explanations and greater emphasis is being placed on accounting for both similarities and differences in housing systems.

For instance, in his examination of recent housing policy developments in Western Europe, Murie (1997) acknowledges some evidence of convergence - such as the shift to demand-side subsidies, the privatisation of much social housing and residualisation of the remaining sector - but he argues against taking the proposition too far. "The changes [across nations] are not the same. The systems that are responding are not the same. Even if the direction of change is similar, the pace is likely to be very different" (*ibid.*, p. 459).

Kemeny (1992, p. 52) posits the matter as one of choice. "My interest lies...in the middle range - theorising at a level that hitherto tends to be explained away in terms of residual factors...[However,] it should be noted that I do not claim that developmental theories are wrong in some absolute sense. It is just as legitimate to neglect major differences between societies, as it is to neglect underlying similarities. In one sense, the difference may be conceived in terms of different levels of analysis..."

Harloe (1995, p. 528) goes further by arguing that the division between the types of comparative study has been unhelpful: "any comparatively based theory that purports to explain the overall development of a field of social policy, not just selected aspects, has to account adequately for similarities and differences...whether the similarities are less significant than the differences is an empirical question". Harloe's own research on trends in housing policy is considered in more detail in section 2.4.

The record of comparative housing studies to date shows that the main theoretical attention has been given to considering the extent to which housing policies are converging or diverging and to the underlying reasons for the evolution of similar or different national trajectories. However, it has been argued that, whether convergence or divergence of policies is seen to be occurring depends in part on the scale and method of analysis that is pursued and the theoretical emphasis that is given to either economic determinants (understood as forces of convergence) or political power struggles and cultural factors (understood as forces of divergence). In this study, all three levels of analysis - economic, political and cultural - will be used to help guide the interpretation of what is important about different housing policy approaches.

As its core purpose, this study takes a different approach to studies that have looked at what generates differences in housing policy. It is concerned with assessing what impact such differences have as an alternative way of critically assessing whether, and to what extent, differences in housing policy are significant. The process involves working back from observed differences in housing outcomes to reconstruct the influence of different policy regimes. A necessary prior step is to establish how housing policy regimes differ. Concepts and analytical tools useful to that task are considered next.

2.3 Approaches to analysing and differentiating housing policies

Approaches to the categorisation and differentiation of housing policies range from simple, descriptive or ad hoc methods to more complex, theoretically developed approaches. Descriptive approaches are essentially inductive - derived by codifying observable and measurable characteristics of different instruments. Generally, they leave the explanation of the causes and the significance of differences in policies to the reader to infer. This section focuses on a number of the more powerful models and typologies used for comparing housing policies.

2.3.1 Tenure analysis

Tenure has been used widely as a taxonomic and explanatory concept in housing policy studies. Typically, the approach has been to differentiate forms and levels of state intervention by tenure categories and to evaluate the ways in which state policy affects tenure choice and tenure outcomes.⁴ While the typology used can vary in terms of the number and definition of tenures specified, usually three - private renting, social renting and home ownership/purchase - are recognised and compared.

The general claim (or assumption) of traditional studies using tenure as a core differentiating variable has been that each tenure denotes intrinsic and important differences in the way in which housing is consumed. In legal terms, tenure defines the rights to ownership and use of a dwelling. However, tenure studies have assumed or claimed a much wider set of relationships including differences in economic benefit, social status and power and psychological impact (Saunders, 1984, 1990). In the 1980s, past approaches that elevated tenure (and tenure policies) as variables capable of explaining differences in housing outcomes were heavily criticised from theoretical and methodological perspectives.⁵ Such critiques demonstrate the limitations of tenure as an analytical concept on a number of grounds including: the failure to demonstrate that tenure specific effects are real or independent of other factors, the narrow focus on how housing is consumed rather than on how it is produced and provided and the historically, culturally and geographically variable nature of housing tenures and their interrelationships, which falsified generalised conclusions about the impact of tenure.

Despite these criticisms, tenure remains a central and real issue to be grappled with in comparative housing analysis. Many aspects of state policy - including regulations, planning policies, subsidies and tax policies - are differentiated by tenure, but to a varying extent in different jurisdictions. The descriptions of housing in Australia and the Netherlands later in this study will demonstrate clearly the central place of tenure in the formulation and operation of long-term national housing policies in those countries.

Recently, a number of authors have attempted to suggest (different) ways of clarifying or redefining tenure to overcome past criticisms, while at the same time stressing the importance of using it as only one of a number of substantive concepts for comparing and differentiating housing systems and housing policies (Ruonavaara, 1993; Marcuse, 1994; Priemus, 1997a). Ball and Harloe (1992) link specific tenures to a more holistic analysis of structures of housing provision and Kemeny (1995a) has subsumed a theory of how tenure makes a long-term difference within a broader theorised view of differences in housing systems. These developments are discussed later in this chapter and subsequent chapters will consider in detail the way in which housing policies have influenced the structure of the main rental and ownership tenures and the dynamic interplay between these tenures in Australia and the Netherlands.

2.3.2 Logical possibilities of housing policy

Lundqvist (1991) has proposed a more inclusive starting point for the comparative analysis of housing policy. His approach is to conceive of the set of all possible policy options and to match geographically and historically divergent approaches to policy against this set. Lundqvist's model is derived from what he considers to be a general logic (that is, outside a particular national context) of housing provision and a conceptually exhaustive model of policy options.

The logic of the housing process is that of a system continuously adjusting dwellings to households. In market systems, this occurs essentially through the production and supply of dwellings for a price by a provider and the exercise of demand (purchasing power) by a household (consumer). Governments everywhere regulate, subsidise and tax different components of this process (thereby affecting both purchasing power and price to different intensities) and all categories of possible government intervention in the process can be analytically determined. Charting all possible government interventions enables the pattern and extent of actual interventions in particular cases to be compared. Additionally, as the approach reveals arenas of non-intervention, it leads to questions about why policies are not adopted. For policy development purposes, it enables possible avenues of state intervention to be identified (Lundqvist, 1991).

Lundqvist claims that his suggested approach promotes independent analysis; that is, not linked to prevailing policy objectives, policy discussions and political movements. Obviously, this means that, by itself, the approach cannot answer questions of why different policies develop. However, it can provide a starting point for a comprehensive comparative description and it can lead to the identification of interesting matters for investigation. In fact, Lundqvist (1991, p. 86) was not concerned with policy content analysis for its own sake but as a starting point for evaluating its consequences: "...a study adding to our cumulative knowledge on causes for differences in policy content is - if staying at that - literally a study of no consequence". In his own research on the impact of the privatisation of housing services, he combined policy-centred analysis with the structures of housing provision approach and the theory of power, which underpins welfare regime analysis (Lundqvist, 1992). (See section 2.4.)

Before concluding this consideration of approaches to policy analysis, the more abstract perspectives of state-centred analyses and regulation theory are discussed. Studies

adopting those perspectives are primarily concerned with questions about the underlying forces that determine why and how the state adopts a particular mix of policy strategies. In the context of this study, the perspective of such studies has particular implications for conceiving the objectives, possibilities and limits of state action.

2.3.3 *State-centred analysis*

Arguably, one of the most important theoretical contributions to studies of public policy that has grown out of the influence of political economy studies has been the greater attention given to theorising the role of the state in various arenas, including welfare.

The Marxist-influenced critique of welfare policy studies brought into question previously pervasive assumptions about the state as a neutral, independent or benevolent agency in the provision of welfare and provided a more historically grounded view of the state, as a complex set of institutions and actors (decision makers) reflecting wider power relations and societal conflicts. However, early work on theorising the role of the state was overly deterministic and functionalist, with the state essentially seen as ‘the capitalist state’, whose actions were mysteriously guided by the logic of capitalism and whose agencies acted, ultimately, in the interests of capital (Milligan, 1983).

In contemporary studies, state actions are broadly conceived as an integral, though distinctive, part of a wider system of economic and social relations. In capitalist societies, housing is generally produced and consumed as a commodity, though market relations apply to a different extent at different times and places.⁶ The housing problem is interpreted as the failure of a commodity system of provision to satisfy social need. In this sense, the housing problem is not seen as a specific problem - such as poor affordability, low quality, or overcrowding - but as an endemic problem that derives from housing market relations and manifests itself in different forms, spatially and temporally. The state, as the nexus of individual and collective interest, continuously attempts to ameliorate the housing problem by guiding and ordering the system of provision and by responding to ruptures in the operation of the market.

Berry (1983) was one of the early researchers to consider in detail the state’s role in housing and urban development from a political economy perspective.⁷ He proposed a three-way functional typology. One function supports the provision of market housing. This entails establishing the infrastructure and organisational framework within which the housing commodity is produced, exchanged and consumed. The most fundamental element of this framework is the legal system for defining and enforcing property rights. The planning system also contributes to this function through providing the organising and legitimating framework for development. A second role is ‘market supplementing’ - changing the parameters within which market relations occur - for example, subsidising the cost of infrastructure, housing production or housing finance. Finally, the state may act in a ‘market replacing’ role - providing housing outside of the market system (sometimes referred to as ‘decommodified’ relations) such as occurs with (some or all of) the production, ownership, pricing, allocation and management of social housing. Specific institutional and administrative arrangements attach to each of these roles and further determine the way in which the state impacts on housing outcomes.

This typology provides a useful relational and structural perspective for differentiating the mix of interventions in the housing market. However, it has not been extended to consideration of the central interest of this study - that is: to what effect? To answer that question, consideration needs to be given to how the combination of these functions and their operation within a local housing market actually affects housing conditions - that is, what difference do the interventions make, taking into account all of the factors that impinge upon housing outcomes? The aspect of the way in which housing systems work that is of central interest to this study is the question of how the affordability of housing is determined? Views about the particular way that housing affordability is determined in capitalist markets, including the impact of state actions, are considered in the next chapter.

2.3.4 *The regulation approach*

Regulation theory has achieved an important theoretical advance in explaining how variability in, and adjustments to, the role of the state occur.⁸

The regulation approach posits that the dynamic relation between the state and the market can be further unravelled through the recognition of distinct long-standing national patterns of policy that form part of a specific mode of social regulation.⁹ “A mode of regulation is the set of institutional forms and processes which determines how and to what extent social reproduction is actually achieved” (Berry, 1999, p. 111). A mode of regulation stabilises and persists because it is effective in fulfilling the requirements for capital accumulation at a particular conjuncture, consistent with local political and ideological forces. Using a realist methodology (see table 2.1), studies in the regulationist genre attempt to specify the (past) dynamic development and transformation of specific housing systems (and their policy trajectories) in terms of: what was necessary for the maintenance of capital accumulation, and what was contingent - that is, developed from local class relations and the exercise of particular configurations of institutionalised political power and ideological influence (*ibid.*).

Using that approach, Berry (1999) identifies a range of locally specific economic and physical factors that help to explain why Australian housing developed its present form (low density suburban home ownership) principally in response to the housing needs of the postwar period of rapid economic and urban expansion. These factors include: the lack of local alternatives to residential investment options; rapid growth in the production and consumption of the motor car, which both enabled and fuelled suburbanisation; the effective mobilisation of finance for housing, coupled with high wage levels and the availability of large stocks of underdeveloped land.

A different set of factors but related to comparable underlying structural determinants meant that mass home ownership did not take off in European countries after the war, as capital was being diverted into economic recovery, the private residential sector was comparatively underdeveloped and land ownership was fragmented. Harloe (1995) argues that, as a result, social housing became a ‘necessary’ requirement of capitalist expansion and further urbanisation.

Harloe's assessment of the general European situation aligns with the findings of local analysts in the Netherlands that the development of social housing provision (and not home ownership) as a central element of Dutch policy reflected a particular accommodation between capital, labour and the state driven by economic necessities.¹⁰ (See, for example, van Weesep, 1981; van Kersbergen and Becker, 1988 and Dieleman, 1994.) In their assessment, the primary policy concern after the war was to improve international competitiveness through, among other strategies, strict controls on wages. In the context of dramatic housing shortages, which arose from both wartime downturn and destruction and rapid population growth, acceptance of wage restraint by the labour movement was directly linked to the extensive regulation by the state of land and housing systems and the large scale provision of cost rent housing to overcome housing shortages and to contain housing costs.

In both countries, the postwar regime did become entrenched and persisted largely unchanged over three decades, as chapters 4 and 5 will go on to demonstrate in more detail. Thus, the chosen case studies highlight what is now widely recognised as the extended influence of institutionalised forms of provision or the process of 'path dependency' in national policy trajectories, referred to earlier.

As outlined above, one contribution of regulation analysis is theorising why differences between state approaches arise and persist. Another important aspect of the approach derives from its perspective on the way in which changes in long-standing policy regimes come about. In regulation theory, severe periodic crises in the capital accumulation process, such as occurred in the 1970s in most Western societies, lead to the fundamental restructuring of economic relations which are followed by necessary adjustments in consumption spheres, such as housing. However, the rate and particular form of such adjustments will always be contingent on local factors, as just discussed. The widespread reform of national housing policies recently, which has coincided with a period of major economic and social change, may signal an emerging new mode of regulation that is more compatible with the needs of the new, global economic order.

2.3.5 *Summary*

To assist with the first analytical task of the study - differentiating housing policy - this section has considered different approaches to the classification of housing policies as well as more general theories of why and how the state intervenes in housing markets. All of the particular ways of looking at housing policies discussed are considered to be potentially useful as guiding concepts for comparing housing policies in Australia and the Netherlands. First, tenure policy is clearly central to differences between the Australian and Dutch housing policy regimes but, to establish the contribution of tenure to explaining differences (or similarities) in affordability trends, the analysis needs to go beyond just the recognition of tenure. Lundqvist's policy-centred approach seems to offer a logical framework for, initially, identifying the scope and weight of national housing policy emphasis and then, for comparing similarities and differences in arenas of policy action and inaction. Berry's typology adds a means of assessing the functional mix in housing policies. However, this typology, of itself, will not assist in determining what the impact of different functional splits may be - for instance, what mix of market replacing, market supplementing or market supporting policies is more effective in meeting low

income needs. The regulationists' approach offers a more sensitive and nuanced framework than previous abstract and overly functionalist accounts of the role of the state to explain how variability in state approaches comes about. That approach also provides a dynamic perspective by theorising how policy strategies are both perpetuated and transformed. In relation to the particular needs of this study, however, previous applications of the regulationists' approach have not considered how, and in what ways, different modes of regulation might affect material outcomes and opportunities for particular groups, except (perhaps) from a simplified class perspective. More fundamentally, the essential method of that approach - that is, establishing the distinction between policy factors that are necessary (deriving from deep structuralist tendencies) to sustaining particular and different housing phenomena and those that are contingent (a result of class dynamics) - is considered to be philosophically problematic and may not, therefore, be able to shed light on the relative importance of different types of factors (see table 2.1) (Somerville, 1994; Pickvance, 2001).

This review now moves beyond tools for investigating housing policies to consider approaches to the analysis of the other components of the analytical framework for this study. In particular, the next section discusses and assesses concepts that have been used to analyse the physical and social relations of a housing provision system. It also considers the contribution of studies that have examined the relationship between housing policies and the wider system of welfare provision.

2.4 Probing the links between policy, context and outcomes

2.4.1 Structures of housing provision

The 'structure of housing provision' (SHP) concept was developed principally through the collaborative work of Ball, Harloe and Martens in the 1980s.¹¹ Initially, this approach arose from the critique that policy studies, by focusing on consumption-oriented aspects of housing provision (typically housing tenure), have tended to overlook the role of government in the production and financing of housing.¹²

The SHP proposition is that the production, exchange and consumption spheres of housing provision provide the immediate context within which differences in housing systems and their outcomes can be understood. State intervention can and does occur in all spheres to a greater or lesser extent at different times and in different places. Detailed empirical analysis of the social relations (processes) between the public and private actors and agencies of these spheres is a productive way of assessing and comparing housing systems. The emphasis is on seeing the whole housing provision process as a unified, continuous and dynamic entity (Ball, 1986).

Studies that have used the SHP concept as an analytical tool have demonstrated that it is the specific way in which housing is provided - that is, the details of initiation, production, financing and allocation processes, and all forms of direct and indirect policy interventions - that has vitally affected the finer characteristics of each national (or local) housing system and, ultimately, how people are housed (Harloe, 1985; Ball *et al.*, 1988; Lundqvist, 1992).

The SHP concept has broadened the scope of many empirical studies of housing. However, in many applications, it has resulted in little more than empirical codification of the vast extent of housing interactions between actors and agencies. Nevertheless, the originators of this approach claim that it is superior to many previous approaches because it is more fruitful in codifying significant similarities and differences in housing systems and more powerful in pointing to possible explanatory factors, while not representing a (general) theory of housing (Ball and Harloe, 1992).

It is now well recognised that the SHP concept needs to be combined with other social theories to provide an adequate explanation for the development of housing systems and their similarities and differences (Ball and Harloe, 1992; Somerville, 1994). For instance, Harloe has developed the SHP approach, using economic theory, to embrace not just the relations between agents in the housing provision system but also the dynamic interrelationship between those actors and the historical development of the social relations of capital accumulation.

Harloe's (1995) detailed and strongly theoretically guided historical account of social housing in six capitalist nations illustrates his approach. In that study, he found substantial evidence of convergence towards market systems of housing provision, dominated by home ownership and the residualisation of social housing.¹³ He explains this trend by arguing that there are (or, historically, have been) more barriers to decommodified (or social) housing than for other areas of welfare provision (such as income support, education and health) because the specific provision characteristics of housing create the potential for private provision. These characteristics include the reality that: land for housing is private property and that all forms of private property are deeply entrenched in the values and institutions of capitalist societies, private means of housing provision have always existed and housing's existence as a physical asset (offering security) makes private financing feasible. He concludes that this is why the market (with market enabling and market supporting policies) can and does provide mass housing, as illustrated by the history of rapid private housing development in newer nations, which do not have pre-existing settlement regimes, such as Australia and the United States (*ibid.*, p. 36).

In contrast to state-centred analysis, the main implication of Harloe's findings is that the essential economic properties of individual welfare 'areas of provision' (such as housing) may be more relevant to cross-national comparison and to the explanation of the 'boundaries of policies' than differences in political systems and processes (*ibid.*).

In general terms, the benefit of the SHP concept to this study is that it provides an established methodology for linking policy to a broader exposition of the detailed social relations and physical forms of the system of housing production, financing and consumption. It necessitates an empirical and historical focus on the relations between the actors and agencies operating in the housing system and on the social, economic and political factors influencing them. Accordingly, it draws into the analysis factors other than policy (and politics) that may have influenced specific outcomes.

2.4.2 *Housing provision chain*

As a variant of the SHP approach, Ambrose (1991) proposed the housing provision chain model. This places emphasis on a study of the sequence of events, and the myriad institutions and actors, in each of five stages of the housing provision process: promotion, investment, construction, allocation and management. In doing so, it adds another layer of reality to the analysis by introducing temporal elements (comprising duration, phasing and coordination) into the assessment of how the housing system operates. This perspective is especially relevant to assessments of the efficiency of the production-consumption sequence for housing and of the possibilities of state interventions that could enable (or hinder) the housing provision process.

For purposes of analysing policy using the provision chain, Ambrose classified the role of actors and institutions in the provision process as either public (that is, democratically accountable), or private (that is, non-democratically accountable). This, in turn, provided him with a basis for recognising and comparing variations in the democratic or political underpinning of each stage of the process and for developing and evaluating hypotheses about the likely impact of different policy interventions. Thus, Ambrose argued that policies and their effects can be analysed more meaningfully if they are broken down into the stages and possibilities for intervention along the provision chain and if the nature of the power relationship between market and state agencies in each stage is recognised and evaluated.

2.4.3 *Links between housing and welfare*

Another important aspect of the context of housing policy development and its operation concerns the role housing plays within the broader system of welfare provision. Housing has long been considered one of the four main pillars of the welfare state, alongside social security, education and health (Kemeny, 2001). However, it is only recently that the ramifications of this relationship have come to the forefront of housing policy analysis. (As examples, see Lundqvist, 1992; Barlow and Duncan, 1994; Kemeny, 1992, 1995b; Kleinman, 1996 and Murie, 1997.)

A number of pertinent theoretical and methodological issues have emerged from this development. As discussed earlier (where reference was made to the influence of Esping-Andersen and to Schmidt's pioneering study), one outcome has been to draw into the housing debate a consideration of labour movement and power resources theories, which ascribe significant political influence over welfare policies to organised forces of the working classes and their political representation.¹⁴ Another impact, exemplified by the work of Castles cited in chapter 1, has been for studies of welfare policy to recognise the impact of housing policies on broader (non-housing) welfare outcomes (Castles, 1997b, 1998). A third aspect has been the scrutiny of the differences between the way housing and other welfare areas are funded and provided, noting (in particular) differences in what the balance between public and private provision is likely to be and the implications of this for the way in which housing assistance is provided (Torgenson, 1987; Harloe, 1995; Kemeny 2001).¹⁵ Theoretical and empirically based contributions relevant to analysing the housing-welfare nexus are considered below.

2.4.4 *Welfare regime analysis*

As discussed in chapter 1, a leading influence on welfare studies has been the classification by Esping-Andersen of welfare states as social democratic, liberal or corporatist in their political philosophy and policy-making process. This, in turn, generates welfare systems described as decommodified, conservative and residual, respectively (Esping-Andersen, 1990; Kemeny 2001).¹⁶ The theoretical argument underpinning this typology is that differences in the relative strength of the labour movement and its political ability to implement collective welfare provision through electoral control of the state in democratic societies (with comparable economic regimes) account for significant differences in both welfare policies and social outcomes in those societies. The validity of this theoretical argument was initially tested by reference to data¹⁷ on the extent of service decommodification and on inequality and social stratification for eighteen advanced capitalist countries classified according to welfare regime type (Esping-Andersen, 1990).

The development of a housing perspective in welfare regimes analysis has influenced the debate about the validity and robustness of this approach. For example, using evidence about housing, Barlow and Duncan (1994) include the Netherlands in the social democratic cluster. However, using information on other welfare services, Esping-Andersen classified the Netherlands in the corporatist cluster. Esping-Andersen defends his classification as idealised, noting that actual systems of provision fall along a continuum and adjust continuously (Esping-Andersen, 1996). Nevertheless, the robustness of the theoretical basis to the approach - relating differences in welfare systems to differences in power relations and processes of democratic governance, whether corporatist, laissez faire or social democratic - is brought into question by such discrepancies.

Castles' research on the Australian welfare state has also contributed to the theoretical debate about the necessary relation between types of political systems, welfare strategies and social outcomes. For example, in his comparison of the Australian welfare state with small European corporatist democracies (including the Netherlands), he found that Australia did not exhibit greater income inequality in the 1980s than most European states¹⁸ but noting that Australia had not pursued neo-corporatist welfare strategies to achieve that outcome (Castles, 1989b).

Focusing on the relationship between the economy and public policy to explain this situation, he finds that Australia's wages policy (centralised wage bargaining and fixing) and the maintenance of a closed economy (through tariff protection) had resulted in economic stability, full employment and relatively high wage levels. As a result, these conditions (which he attributes to strong, highly organised labour movements) obviated the need for the kind of social protection (or welfare state) measures that were then typical of small European societies (Castles, 1989b, 1994).

As discussed previously, Castles' subsequent findings (1997a, 1998) on the way in which home ownership in Australia has contributed to welfare outcomes (for instance, through lowering retirement costs) has led to a wider recognition that the type of outcomes that are measured (and the way in which they are measured) has been a major factor

influencing conclusions about the relationship between housing (and welfare) systems and their outcomes. To mitigate this problem, policy impact research needs to avoid a narrow or isolated focus on a single policy and a single outcome and needs to better establish the actual process by which policies contribute to the outcomes claimed for them.

Overall, welfare state analysis has been important in forging new questions about the link between housing and ‘non-housing’ outcomes of different welfare state approaches. Similarly, it has revealed the danger of confining evaluation too narrowly - a broad and interconnected set of impacts has to be anticipated across the welfare spectrum. However, the theory of power behind welfare regimes analysis has not been supported consistently. Evidence centred on housing shows that working class movements in different nations may ‘choose’ different paths to protect their economic and social interests and that factors additional to differences in power relations have to be drawn into the explanation (Lundqvist, 1992; Harloe, 1995; Kemeny, 1995b).

2.4.5 Unitary and dual rental systems

Influenced by welfare regimes theory, Kemeny (1995a) has developed his own housing-specific typology, which is also based on his recognition of a particular economic property of a housing system that he refers to as a maturation process.¹⁹

Over time, housing systems develop a mature stock of dwellings - comprising a high proportion of older dwellings having low outstanding debt - and thereby achieve a capacity for lower (cost) rents. At a policy level, countries can adopt different national strategies in response to this phenomenon. According to Kemeny (1995a), a unitary rental system evolves from the maturation process when the benefits of a large mature social housing system are passed on to tenants through lower rents, thereby reducing the demand for home ownership. Countries pursuing dualist rental systems do not take advantage of the potential for charging cost rents and instead price social rental housing so as to minimise demand for it and to maximise the take-up of home ownership. In this situation, the benefits of maturation accrue to private individuals and are redistributed in different ways, such as through family transfers or across investment sectors.

The results of the (limited) application of Kemeny’s typology are not inconsistent with welfare regime analysis. For instance, the evidence suggests that countries in the Anglo-Saxon ‘liberal’ tradition have tended to pursue dualist systems, while many ‘corporatist’ and ‘social democratic’ countries in Europe have to varying degrees opted for unitary systems (Kemeny, 1995; van der Heijden, 2002). The differences lie in the explanatory framework. For Kemeny, it is wider social arrangements and ideological dispositions in different countries, not the economic logic of capital or particular configurations of political power, which better explain how the choices of policy strategies come about and are maintained (see table 2.1). Essentially, in his view, societies are either more collectivised in their social consciousness or more privatised. Such deep social values become reflected in the structure of social programs.

Kemeny’s approach does provide a theoretical basis (the maturation process) for explaining the potential for differences in housing outcomes to arise from long-term

differences in housing policy strategies. However, his propositions about why countries adopt different strategies (and by implication, the policy possibilities) are difficult to test and remain largely unvalidated. In his own words, his argument “ultimately rests on an intuitive and many dimensioned understanding of the collective-private dynamic, and ways in which the balance between them is struck in different societies” (1992, p. 120). In relation to his view of ideology as the crucial driving factor behind different housing policy choices, Somerville (1994) has questioned whether Kemeny may have a different (albeit, powerful) explanation, rather than a better one (table 2.1).

One strand of inquiry that could be pursued in this study is whether there is any evidence to suggest that the different opportunities provided by the maturation process in the predominantly social and private systems of provision in the Netherlands and Australia, respectively, have resulted in long-term differences in affordability outcomes and, if so, how (that is, through which policy strategies) this has been achieved. Chapter 7 returns to this idea.

2.4.6 Other contributions relevant to this study

Any overview of housing research cannot consider all possible studies of housing policies and their impacts. Instead, this section presents a selection of other studies that posit ideas or hypotheses that are directly relevant to this study.

Predating the Esping-Andersen model of welfare regimes, Nesslein (1982, 1988a, 1988b) was the first to question whether there was hard evidence that a generalised ‘welfare state model’ of housing provision (which for him embodied extensive state interventions that moderate or replace market mechanisms) explained the widely noted differences in national housing systems that epitomise that approach. His empirical analysis of the Swedish case - and a later analysis which juxtaposed those findings with data from the market model in the United States - led him to argue that the key reasons for the often-claimed success of housing policies in Sweden have been the overall long-term increase in household incomes and the extent of income transfers, rather than the application of non-market mechanisms to the price and allocation of housing or the large scale provision of housing through the not-for-profit sector. Nesslein’s work is important because it questions the validity of the assumption that there is a necessary link between public and private housing provision and differences in housing outcomes. However, it is not informed by a theory of how policy differences do come about (Lundqvist, 1991).

Drawing on Esping Andersen’s concept of decommodification, Doling (1999) has suggested that a way forward may lie in reconsidering the nature of the distinction between public and private provision. He argues that, in housing studies (and by implication in welfare analyses that adopt the Esping-Andersen approach), the concept of decommodification has been overly focused on the public/private form of provision, rather than on the degree of protection offered. Applying his alternative view of the concept²⁰ to different housing systems, he shows (among other results) that some home ownership systems that are tax protected (such as are typical in liberal welfare regimes) are consistent with high degrees of social protection (for home owners) and, therefore, could be deemed relatively decommodified.

Two recent comparative housing studies demonstrate how a welfare regimes analysis coupled with the structures of housing provision framework can be applied to an assessment of policy effects. In their benchmark study, Barlow and Duncan (1992, 1994) compared the structures and outcomes of housing production in growth regions in three European nations chosen because of their contrasting housing and welfare regimes. Their analysis shows a positive association between the scale of intervention and a number of measures of economic efficiency in housing production. In particular, they found that the extensive role of the Swedish state across the housing provision system had produced the best results at both national and local levels. Key factors making the difference included: the diversification of the production process, ensuring a ready long-term supply of cheap land and finance for housing and supporting tenure diversity through tenure neutral policies. Their overall conclusion is that the efficient and effective functioning of the housing production system requires strong state action and a range of interventions to assist the market to perform, rather than a deregulated approach leaving the market 'free'. However, the validity of these results beyond the cases studied has been questioned (Priemus, 1993).

Following Barlow and Duncan's approach, Golland (1998) attempted an empirical analysis of the aggregate relationship between (a limited number of) housing production outcomes and the housing supply systems of three European countries (including the Netherlands) over a relatively long period. The main aim of Golland's research was to get beneath broad 'welfare regime type' analysis to see whether more specific differences in the structure of production systems affect supply levels. He chose outcomes that were both conceptually informed and measurable as a basis for gaining insight into how the systems worked and to test alternative explanations of the impact of the production process itself and the influence of wider political and economic factors.

For the Netherlands, Golland concluded that long-term certainty and simplicity in the land supply process (operated through municipal government and supported by national subsidies) seems to have worked over his study period (from 1970 to the early 1990s) to regularise production and, as a result, to reduce the tendency towards disequilibrium in supply and demand. However, overall, he failed to find a consistent relationship across all his cases between different policy strategies (such as the role of the state in land supply, infrastructure provision and planning policy) and supply outcomes, leaving him to conclude that different social, economic and political variables in each country are significant in explaining the relationships observed. Although not addressed by Golland or by Barlow and Duncan, the relationship between supply-side policies and their outcomes would also be expected to change over time in the context of changing external conditions.

Finally, a brief reference is made to one aspect of the global housing indicators program of the World Bank, namely the interest in theorising what enables housing markets to work more efficiently and fairly. Data from the indicators program have been used to establish the statistical relationship between a broad range of housing conditions and an index of housing policy components across world cities (World Bank, 1993; Angel, 2000). The index, which represents aggregated scores on a structured array of policy components, is proposed as a means of representing the total policy environment.²¹ The evidence of the statistical associations between each housing policy regime and

complementary indicators of housing sector performance is then used to develop an 'enabling theory' of state action - that is, a basis for determining which policies enable (and which hinder) better housing outcomes for disadvantaged people through market processes.

In its focus on how national policies actually work, the World Bank study is similar in conception to this study. However, the World Bank's research faces a number of practical and methodological problems and is too undeveloped, particularly in its application to developed countries, to be able to be used further in this study.²² Nevertheless, this study will complement the approach by exploring whether there is qualitative evidence to support theorised and statistical associations that have been found between housing policies and housing outcomes.

2.4.7 Evaluating housing outcomes

Chapter 1 has already referred to a number of theoretical and practical difficulties that arise in studies, such as this, which seek (as part of their approach) to compare housing outcomes. To conclude the review of the housing literature useful to this study, consideration is given briefly to how policy outcomes have been judged and interpreted in earlier research.

Unfortunately, there seems to be no agreement in the field and relatively little discussion about appropriate criteria for assessing the performance of housing systems or for comparing policy impacts. In one of the earliest in-depth comparative analyses of the outcomes of housing systems, Karn and Wolman (1992) used measures of production, supply, quality (of housing), cost, equity, distribution and access. Barlow and Duncan (1994) chose economic measures - productive efficiency, allocative efficiency and dynamic efficiency - to evaluate different state/market mixes. The rationale for the performance measures that Golland (1998) used to evaluate housing production policies was a combination of what was measurable and what was a specifiable and plausible relationship derived from a logical view of the housing production system.

Several commentators have suggested that what is required is more attention to the development of normative criteria. As one method for this, Oxley argues that perennial or 'non parochial' criteria can be distilled from the discourse of policy and government (Oxley, 1989, p. 132). Ambrose has developed criteria (for debate) from his view that the general purpose of housing policies should be to serve the overall needs of the economy, to be internally cost effective and to be redistributively neutral (Ambrose (1992, p. 172). Lundqvist (1991) has proposed three arenas of impact that he considers may be fruitful to evaluate: namely, welfare, costs and power. Welfare refers to the quantity and quality of services available. Costs are the resources used to achieve the level of service. Power is the resources derived from the distribution of services. To assess the value of different impacts, Lundqvist suggests a 'human rights' approach based on the criteria of equality, efficiency and democracy.

In the absence of established measures or frameworks for evaluation, researchers must determine for themselves (from theoretical propositions, empirical evidence and their own value stance) what the basis for judging policy should be. Accordingly, the criteria

for this study are developed in subsequent chapters as an integral part of the research process.

2.5 Overview and directions for this research

This chapter has considered ideas, theoretical approaches, specific concepts, tools, methods and previous research findings that might assist in developing and applying the research framework developed in chapter 1. Within the vast range of approaches to the analysis of housing policies and their relative impacts, those offering the most coherence and analytical power have been given prominence.

Section 2.2 considered the general state of development of the field of housing research. It showed how similarities and differences in housing policies have been interpreted in previous studies. Much comparative housing research is largely descriptive and, therefore, theoretically undeveloped. Theoretically explicit studies are distinguished by their emphasis on whether economic forces or political power relations and institutions or long standing cultural and ideological traditions contribute most to the formation and transformation of specific housing policy directions. Views about the extent of similarities or differences in housing policies depend in part on which of these explanatory factors is considered to be the primary or leading influence in determining the shape of national housing strategy. These alternative theories offer different, but not necessarily better, explanations (and methods of analysis) of the genesis and impact of housing policies.

Therefore, rather than choosing a singular theoretical argument, a more open approach is preferred. The notion that housing policies (and the housing market) are social and economic constructs embedded in all layers of society and social processes offers a non-deterministic starting concept for grappling with the complexity of the issues facing this study. This approach recognises that housing policies and their outcomes arise from the dynamic relation between the nature of commodified housing provision, underlying economic tendencies and temporally and geographically specific political, institutional and cultural forces. Trying to determine what actually follows from the adoption of different policies, using historically grounded empirical analysis, can then add to the understanding of the historical significance of different policy approaches. A range of theoretical viewpoints can also be brought to bear to guide, strengthen and validate the interpretation of the empirical results or to pose new hypotheses about the way in which particular housing outcomes are shaped by the extended intervention of the state in the production and consumption of housing.

Sections 2.3 and 2.4 of this chapter considered more intermediate concepts and tools to guide and inform the steps in the research process. To assist in the classification and differentiation of the scope, pattern and effect of long-term housing policy approaches in Australia and the Netherlands, logical, functional and historical analyses of the state's role can be considered. To reveal more about how these policies have operated in their specific institutional and market context, the structures of housing provision and housing provision chain concepts can be applied. Such concepts draw non-state action and the power relations between actors and agents in the housing system into the analysis. A key aspect to be scrutinised is the dynamic interrelationship between the rental and ownership

sectors and the overall effect of that relationship on housing affordability. A wider focus on the linkages between housing policies and broader public policy in the welfare arena will help to identify the possible impacts of broader welfare policies on the housing affordability situation and vice versa. Finally, the significance of broader trends in the political and economic environment can be considered by examining their links to the pattern of housing policy development and changes in housing outcomes.

The review of housing studies in this chapter has shown that studies (such as this one) of how, and to what extent, differences in policy contribute to differences in housing outcomes are much less commonplace in the literature than research that is concerned with explaining why (and how) differences in housing policies arise and are sustained. Within the limited field of housing policy impact studies, only some broad ideas and directions have emerged, rather than a well-developed theory or method. Also, only a few previous studies consider what criteria could be used to judge the impacts of housing policies, thereby leaving an individual researcher to determine reasonable and appropriate criteria.

Overall, it seems that housing research has yet to develop a consistent and deeper understanding of the relative impact of different state and market mixes of housing delivery on housing outcomes. By exposing gaps in the housing research field, the review set out in this chapter has shown the place and potential contribution of a policy impact study. To paraphrase Lundqvist, research of that kind can complement the extensive record of studies explaining the genesis of policy strategies. It can tap into various existing theoretical perspectives and propositions about the consequences of housing policies and it can unite discourse on empirical (what is) and normative (what should be) approaches to policy evaluation (Lundqvist, 1991, p. 88).

The next chapter develops a framework for using housing affordability as a vantage point from which to differentiate housing policies and their impacts.

Notes

¹ While Bassett and Short's examples are drawn mainly from the discipline of geography, they reflect approaches in other disciplines. For example, economic geographers and housing economists, and urban geographers and urban sociologists have often adopted broadly similar or overlapping approaches, as the field has developed.

² See, for example, Donnison (1967) and Burns and Grebler (1977) on housing and Wilensky (1975) on welfare.

³ According to Kemeny (1995a, p. 10), Granovetter (1985) first adopted the term 'embeddedness' to emphasise the importance of the analysis of market (or economic) structures and institutions in their social and cultural context.

⁴ Ball (1986) includes an overview.

⁵ See, for example, Kemeny (1981), Ball (1986) and Barlow and Duncan (1988).

⁶ Maclennan (1982) provides an overview of theoretical accounts of the nature of housing, incorporating views of how it behaves as a market commodity and how it operates to provide an appropriate domestic environment for households.

⁷ Marcuse developed a two-way typology that is logically consistent with that of Berry (cited in Bassett and Short, 1980).

⁸ Jessop (1990) provides an overview of the origins and development of this theory and Goodwin (2001) reviews the use of what he prefers to call 'the regulation approach' in urban research. Housing studies exploring the approach include Florida and Feldman (1988), Chouinard (1989) and Berry (1999).

⁹ The approach also embraces 'a regime of accumulation' which is a relatively stable juxtaposition or interaction of processes of production, exchange, income distribution and consumption, necessary to routinely reproduce economic and social life. For the postwar period two modes of accumulation are referred to generally: 'Fordism' based on mass production and mass consumption and 'post Fordism' characterised by flexibility in labour market processes, labour markets and consumption patterns (Jessop, 1990).

¹⁰ Their findings have been developed from historical analysis and not from an explicitly regulationist perspective.

¹¹ Seminal contributions have been made by Harloe (1985), Ball (1986), Ball *et al.* (1988) and Ball and Harloe (1992).

¹² Critics of the SHP approach (see, for example, the debate in Housing Studies between Hayward, 1986 and Kemeny, 1987) have claimed that by shifting the focus from consumption (demand) to production (or supply), the SHP approach is also unbalanced. Ball and Harloe (1992) reject this critique, asserting that production, exchange and consumption relations are all included in the pure concept and that none is given primacy.

¹³ Harloe (1995) claims that the history of social housing shows that the tendency to residualisation has always been present. The so called golden era of mass social housing in Europe was an aberration explained by specific historical factors including the impact of war; urbanisation pressures which extended housing shortages, coupled with the state of development of private production and finance markets; wage levels; and political and ideological factors, such as the popularity of mass social housing programs.

¹⁴ Pierson (1998) provides an overview of those theories.

¹⁵ The recognition of this distinction led Torgenson to dub housing 'the wobbly pillar of the welfare state' in 1987 (Kemeny, 2001).

¹⁶ Esping-Andersen's work built on an earlier classificatory system of welfare regimes proposed by Richard Titmuss (referred to in Pierson, 1998, p. 174).

¹⁷ Data on housing services and patterns of provision were not included.

¹⁸ Only the Netherlands, Sweden and Norway (of 18 OECD countries) demonstrated more equality up until the 1970s.

¹⁹ Kemeny (1992) describes his theory as being a higher level of abstraction, collapsing Esping-Andersen's three-way typology by combining corporatist and social democratic political systems as collectivist and distinguished from privatist (or liberal) systems.

²⁰ Esping-Andersen (1990) measured commodification by looking at the extent to which welfare services were provided outside of market relations. Doling (1999) adopts a rights perspective looking at the extent to which the consumer's access, use and security of a service (in his case, housing) is legally and administratively protected.

²¹ For the purpose of developing the index, housing policy is classified and measured in five conceptually derived regime areas: the adjudication of property rights in land and housing; the development and regulation of housing finance; the provision of (different types of) housing subsidies; the provision and maintenance of residential infrastructure and the regulation of land and housing development.

²² The enabling index has only been calibrated crudely using mediocre data. Because of the global spread of the project, there is a high degree of variability across the cases and differences between different groups of countries (for example, 'high income developed' and 'low income developing') overwhelm differences within similar groups in the analysis.

3 A FRAMEWORK FOR USING HOUSING AFFORDABILITY IN THIS STUDY

3.1 Introduction

The case for choosing housing affordability outcomes to assess the consequences of different long-term housing policy strategies was established in chapter 1. This chapter examines housing affordability, both as a concept and an issue, more closely.

Four aspects are covered. First, the concept of housing affordability is discussed. Second, a generalised conceptual interpretation of the way in which affordability issues emerge in capitalist societies is presented. Third, consideration is given to the range and mix of housing policy responses to affordability issues that have arisen in the 20th century on a general basis (that is, without regard to specific national context). Finally, the main quantitative indicators of affordability that will be used later in the study are introduced.

3.2 The concept of housing affordability

The term housing affordability is used widely in evaluations of the impact of the cost of housing on consumers but with a number of different meanings and measures. The most general use of the term centres around consideration of the extent to which housing costs for a given standard of housing impinge upon a household's 'income to live on' or their capacity to meet their total household needs (Hancock, 1993). Three standards are invoked in this general definition of the concept: socially accepted standards of housing, housing costs and quality of life (Maclennan and Williams, 1990; King, 1994). The standards may be determined either in a relative way (that is, defined in relation to the situation of households in general) or normatively (that is, defined by an independently determined value) (Whitehead, 1991).

Issues surrounding the way in which the affordability concept can be operationalised and measured are considered later in this chapter and in appendix D. That discussion will shed further light on different applications of the concept and on how affordability outcomes can be compared meaningfully across countries. First, however, this chapter examines the factors determining housing affordability and the role of housing policy in influencing affordability conditions.

3.3 Determinants of housing affordability

The affordability of housing is a function of the costs of producing and financing housing and of household income levels or (more accurately) purchasing power. A complex set of factors, both within the housing system (including housing policy interventions) and beyond it, influences both housing costs and household purchasing power. It is the interaction of all such factors at a particular time in a given place that will determine housing affordability. A conceptual model that identifies the general factors that determine housing affordability in market-based systems of housing provision and the relations between those factors is presented in figure 3.1. (The sources that have been drawn on to develop that framework and to inform the following discussion include

MacLennan, 1982; Berry, 1983; le Grand and Robinson, 1984; Smith *et al.*, 1988; Hallett, 1993; Malpass and Murie, 1994; diPasquale and Wheaton, 1996 and van Vliet, 1998.)

The framework below will be used in chapters 4 and 5 to assess the range and mix of policy interventions that have affected housing affordability, to a greater or a lesser extent, in Australia and the Netherlands. As a forerunner to that assessment, the remainder of this section considers how the forces influencing the production cost of housing, the forces influencing consumer demand/purchasing power and the organisation of the exchange (allocation) of housing can each influence affordability in general terms. Following that account, possible policy interventions in each sphere are discussed in section 3.4.

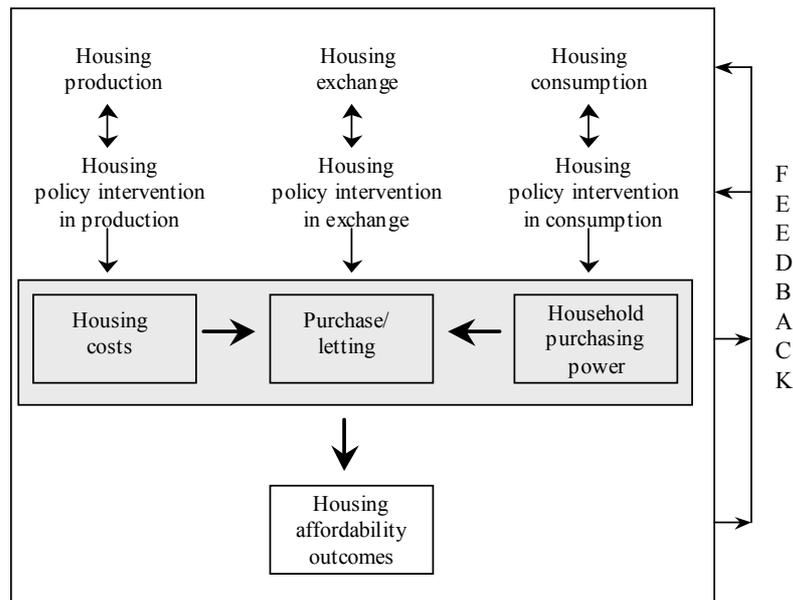


Figure 3.1 A framework for analysing the determinants of housing affordability

3.3.1 Forces influencing the cost of housing

The distinctive characteristics of housing make it relatively expensive to produce in relation to the level of wages. In fact, paying for housing is identified as the single largest investment made by a typical household over the life course (Smith *et al.*, 1988).

Causal factors that arise from the housing production process include: a high and diversified labour component, much of which has to be deployed to a discrete site; a long production cycle, during which cost and demand factors can change considerably, and the bulky nature of materials and components that makes transportation expensive. The complexities of producing housing are considered to have inhibited technological change and the achievement of economies of scale, so housing costs are generally not able to be reduced significantly through those processes, unlike for the production of many other commodities. The most promising form of large scale, efficient house building - high-rise construction - was hailed in the 1960s as the solution to the high cost of housing but has

failed to achieve lower unit costs (or, taking a consumption perspective, widespread community acceptance) (Le Grand and Robinson, 1984).

Another cost-related issue arises from the physical relationship between housing and land. Most housing has a fixed location and this location bestows a particular level of accessibility and environmental amenity, which become factored into its value to its seller. As a residential neighbourhood develops, a social value may also arise because higher income households are prepared to pay more for housing in a high status area (Berry, 1983).

The differential value of location means that the operations of the land market and the unique characteristics of land as a commodity also become key determinants of the cost of producing housing. In private property systems, property owners receive a ground rent for land based on its prospective highest and best use. As a result, prices can rise in anticipation of future use, creating the potential for a speculative market in raw land. Such a situation has developed commonly in urban fringe areas of growing cities, where powerful development interests operate to buy up and control the release of large holdings of land. It is also common for speculative activity to develop in abandoned areas, such as well located, old and under-maintained residential areas, that become ripe for reinvestment and redevelopment (Smith, 1979). In these cases, land (and its obsolete improvements) are bought cheap and held for resale for redevelopment (either for residential or non-residential use) for a large (unearned) profit.

In practice, the pattern of land ownership, the effective demand for housing and competing use pressures become critical factors in determining the level of supply and the price of land for housing. This relation operates at a geographically disaggregated (or sub-market) level because different locations have different relative values in terms of accessibility, and environmental and social amenity. Moreover, demand for land in one sub-market cannot be met readily by substitution in another. The history of relatively unregulated capitalist land markets shows that land prices tend to become strongly differentiated inter and intra-regionally over time and that they are prone to speculative price jumps (Maclennan, 1982; Badcock, 1994). Larger cities may be prone to more volatility in land price movements and in long-term, real price trends (Ellis and Andrews, 2001)

Housing's lengthy and costly production process and fixed location make the supply of housing relatively inelastic. Because supply adjustments are particularly difficult in housing markets, there is a tendency for structural imbalance in supply and demand in the housing sector. The strong cyclical and regional volatility in house prices that can result gives rise to many potential housing problems for consumers, particularly low income and marginalised households.

3.3.2 Forces influencing consumer demand and purchasing power

The way in which housing markets function is not only subject to the resolution of production and supply difficulties, referred to above, but is also shaped by consumer capacities, needs, expectations and behaviour. Housing's consumption role is complex. At a material level it provides shelter, it acts as the locus of personal or family interaction

and, through its location, it helps to determine the accessibility of daily activities for household members. At an ideological level, it can act as a symbol of status and class. It is also the core private domain for the reproduction of family life and social values (Milligan, 1983).

This section considers the way in which housing consumption patterns may affect affordability in two parts. First, the factors affecting the need for housing are considered, followed by an assessment of the factors that influence a household's capacity to pay for their (required) housing.

Housing needs have many layers. Individual households have varying needs depending on their household size and composition, household relationships, life stage, health, cultural values, emotional attachments and other personal or household characteristics. In view of their total household needs, households may make trade-offs between meeting their housing needs and meeting other needs. These will vary widely depending on, among other factors, the perceived significance of housing (and home) to household members.

At another level, society takes a view about what is adequate and appropriate housing - for a range of reasons that can be related to economic, social and environmental sustainability. The dimensions of this view are reflected both explicitly and implicitly in a myriad of policies that influence most attributes of housing. For instance, in terms of the physical form and nature of a dwelling, it is common practice for policies to influence the following: what density of housing is built; what design and materials are allowed; where it is built (both in terms of location and position on site); what minimum inclusions it has; its energy sources and safety provisions and for what group it may be designated (such as, for owner occupiers or for the elderly). Needs and preferences, therefore, cannot be seen as independent of the nature of housing provision in a particular place. Rather, the social relations of housing and the history of provision, including past policies, structure them. In turn, (socially determined) housing needs and preferences have an indirect impact on the affordability of housing. They influence the cost of producing housing to meet the social standards and prevailing preferences (such as the preference for suburban home ownership in detached housing that has dominated housing demand in most Anglo societies over the last fifty years) (Whitehead, 1991). Expressed preferences also help structure the capacity and orientation of the market towards particular forms of provision - and as a result may make other forms (for example, innovative low cost options) less probable or harder to achieve. The marked differentiation of owner occupied and rental housing can also result in certain housing becoming stigmatised and segregated - as has often occurred, for example, in high-rise flat complexes that are occupied solely by low income renters.

In Western societies, both minimum and average housing standards have risen dramatically over the 20th century and are major factors contributing to long run increases in housing costs. The extent to which such changes have affected affordability depends on how housing cost increases compare to trends in household income and in the income distribution, as well as to developments in the efficiency of the provision system. One general cross-national trend that is evident in the extensive international field of housing studies has been for the housing costs and incomes of low income households to diverge,

at least over the second half of the century. In particular, housing expenditure has risen faster than household incomes for this group. Another norm is for the housing costs of low income households to be generally higher (in relation to income) than for those of higher income households. This suggests that higher income households have more discretion over their housing expenditure (Haffner and Menkveld, 1993; van Vliet, 1998; van der Heijden and Haffner, 2000).

The potential for disparity between household incomes and house prices (the affordability problem) has been considered so far in terms of the high costs of producing housing and the influence that socially constructed needs and housing standards may have. The other main variable, household income, is dependent on both economic factors (especially conditions in the labour market) and on demographic and social factors that influence the size and the formation and dissolution rate of households.¹ Many analysts consider low income (or poverty) to be the central cause of housing affordability problems. This has given rise to the argument, particularly from a neo-classical economics perspective, that policy responses should focus principally on restoring income, not on subsidising or regulating housing production and distribution (Smith *et al.*, 1988). Alternatively, the political economy perspective presented in this chapter argues that affordability is also substantially influenced by the intrinsic attributes of housing and the way it behaves as a commodity, as well as by the structure and dynamics of housing market relations.

3.3.3 *The organisation of the exchange (or allocation) of housing*

The production and consumption of housing are realised through the exchange process. The way that housing is paid for (afforded) depends on the nature of that exchange. In particular, the tenure form chosen - broadly, renting or owning - is fundamental to a reconciliation of the difference between the cost of producing housing, on the one hand, and the capacity of a household to pay for housing, on the other.

The traditional market solution to paying for the high cost of housing has involved households renting from an absentee owner at a cost within the level of their weekly (or monthly) wages (Malpass, 1993). However, the 20th century has seen an increasing proportion of households undertake long-term home purchase as a way of securing housing. Harvey (1982) shows how the general shift to home purchase in capitalist societies was achieved through the development of what he called the 'special circuit of housing finance capital'. This refers to the institutionalised system of housing credit orchestrated by the state to enable mass provision of affordable mortgage finance for home purchase.

Affordability issues emerge in a different way in each tenure. In a rental transaction, property owners recover their housing costs through the rent charged. They also hold an asset with the potential for capital appreciation and as a hedge against inflation. However, unlike owner-occupiers, tenants must rely on their landlords for their housing security and to provide repairs and maintenance services. The conditions under which landlords will disinvest or reinvest depend, at least in part, on the return on their capital. When returns are limited (such as may occur when low income households predominate in the rental market), housing and neighbourhoods may be significantly under-

maintained. Alternatively, upgrading may displace such households, as rents rise above levels affordable to them or the housing may be sold for a more profitable use (usually for owner occupation or to realise capital gain).

In the ownership sector, transactions based on mortgage finance are affected by the specific costs associated with housing finance (interest rates, risk premiums and transaction costs) and by the influence of specialised agencies (banks, building societies and insurance companies) that control both the supply of finance and, critically for low income households, who has access to mortgage funds. One of the main risks to housing affordability in the ownership sector generally has arisen from the variable cost of housing finance. This issue came to the fore in the high inflation, high interest rate environment experienced in many countries from the 1970s and required extensive government action to moderate it. In the last two decades, the widespread move to deregulate national finance markets (part of the broad shift to more open transnational trade) has curtailed the control of national governments on housing finance markets, but has again exposed the risk to housing consumers of higher (and more volatile) finance costs. As well, a long-term trend to real house price increases in major global cities has produced new challenges for providing access to first home buyers. This trend has also increased the reliance of many households on more than one income to service larger mortgages and created affordability problems for more marginal buyers (Hallett, 1993).

The corollary of rising home ownership has been an international trend towards greater tenure segregation, reflected in a growing concentration of low income households (who cannot afford home purchase) living in gradually residualising rental housing sectors. Because tenure segregation has wider implications for the social and economic participation of low income households, consideration of how to provide more diversified affordable housing options has become a significant issue on social equity and welfare grounds.

There is a diversity of views about why home ownership has expanded. Whatever the causes, it is not disputed that the spread of home ownership is a core factor shaping contemporary housing systems. Therefore, any framework for analysing the impact of housing policy on housing affordability must take into account the way in which housing markets and housing policies impact on the specific cost parameters of each main tenure, the relative affordability and appropriateness of each tenure, and the dynamic interaction between those tenures.

3.4 Housing policy and housing affordability

In general, managing the relationship between the price of housing and the capacity of households to pay for their housing is central to the achievement of an adequate quantity, quality and distribution of housing (Malpass and Murie, 1994). Because of the inherent difficulties in market relations affecting housing costs and households' capacity-to-pay, the need to secure or improve housing affordability has become an enduring issue that all governments have had to address. Governments have pursued a wide range of actions that separately and together impact directly and indirectly on housing affordability. More detailed consideration is now given to the nature and the scope of housing policy interventions that might be expected to influence the affordability of housing, through

their impact on house prices, transaction costs and/or household incomes. In keeping with the classification approach described in chapter 2, the policy options that can be brought to bear are grouped by function: first and second, direct and indirect subsidies; then, regulatory conditions and, finally, non-market housing provision.

3.4.1 Direct subsidies

Financial payments from governments are used almost universally as a direct means of improving affordability. The main types of subsidies operate by lowering the cost of producing or financing housing (generally known as supply-side, object or production subsidies) or by effectively boosting the income of occupants (known as demand-side, subject or consumption subsidies).

Supply-side subsidies directly reduce the price of new housing by reducing the cost to the investor of one or more of the factors of production (including land and finance). These subsidies may take the form of a recurrent payment or a lump sum. Direct subsidies to consumption can take the form of rental subsidies, rental rebates, housing vouchers, cross-tenure housing benefits, interest rate subsidies, income supplements or one off grants that can assist an individual household to afford market-priced housing (Papa, 1992).

The assumption behind applying housing subsidies to improve housing affordability for low income households is that markets will respond to those households' unfulfilled need for housing when stimulated. The policy decision concerns which type of instrument is superior in terms of market efficiency. Historically, last century, many governments used supply-side subsidies as a major direct means of increasing the supply of affordable housing, among other objectives.² Since the 1970s, as aggregate housing shortages in developed countries have reduced relative to household numbers, there has been a general shift in government strategy (and expenditure) to demand-side subsidies targeted to eligible households for the duration of their need. The relative efficiency and effectiveness of these two main approaches has long been (and continues to be) contested, with a wide range of studies citing theory and evidence supporting one or other approach. (For example, see Apgar, 1990; Galster, 1997 and Yates and Whitehead, 1998. Van Vliet, 1998 gives an overview.)

In practice, the net effect of subsidies will depend on a wide range of interlocking and potentially contradictory factors including: the impact of economic and demographic conditions on patterns of supply, investment and demand in the housing sector, the structure of local housing markets and the interaction of housing subsidies with other government policies. For instance, where there are structural or institutional reasons for a market not being able to produce sufficient housing (such as land, materials or labour shortages), demand-side subsidies may contribute to price inflation, rather than improve affordability. On the other hand, supply-side interventions may not result in price benefits, if industry is not competitive or if work practices or government regulations hinder efficiency. It has also been hypothesised that subsidised housing may displace investment in non-subsidised housing, rather than adding to overall supply (Nesslein, 1988a). Importantly, there can, however, be significant distributional consequences of the choice between subsidised and non-subsidised supply. Finally, if speculation in

subsidised housing is not prevented (or if pricing advantages are not protected) the lower prices achieved through subsidies will not be sustained over time.

Subsidies for aspects of urban development and redevelopment are used to influence the affordability of housing in particular circumstances. The potential impacts of the most significant and widely used approaches - subsidies for infrastructure development or for urban renewal - are described below.

The production of housing cannot occur without the production of necessary local physical and social infrastructure. As suburbanisation has progressed, many governments have subsidised, implicitly or explicitly, significant components of infrastructure provision, partly to offset the high front-end costs (and hence the difficulty for individual producers) of bringing raw land and new urban areas into use. Typically, in the short-term, such subsidies achieve access for marginal buyers (those with limited deposits and/or borrowing capacity) that may not occur otherwise. In the longer run, however, the infrastructure subsidies become capitalised into the value of the housing. This provides a windfall for initial buyers but, at the same time, means an additional cost to future buyers. Increased recognition of these inherently contradictory outcomes and the potential for speculation in new housing estates, plus pressures on government expenditure in the last two decades, has led to the exploration of different means of financing and pricing urban infrastructure. Strategies have included a combination of long-term private financing models, user pays approaches, spreading cost recovery over time and targeting and restricting (at the same time as making more transparent) subsidy support for infrastructure servicing (Kirwan, 1991).

Renovation (or urban renewal) subsidies have been widely used to enable older, lower standard housing (often occupied by lower income households) to be upgraded to contemporary standards, without an increase in price corresponding to the value added. The failure of private landlords to re-invest in their housing, discussed earlier, has been one key factor contributing to the need for governments to finance urban renewal (Harloe, 1985). In practice, the duration of the benefit flowing to households will depend on whether regulations (such as, covenants on sale) or tax penalties are also implemented to prevent or discourage the realisation (through rent increases or sale) of the higher value created by renovation.

3.4.2 Indirect subsidies

There are a range of ways in which governments can influence the price or cost of market housing without making direct outlays.

Property-related taxes and tax on housing income and assets are major components of taxation regimes and implicitly, at least, become part of housing policy. An indirect form of subsidy benefit³ that is coupled with this area of government regulation is the provision of tax offsets or fiscal incentives for housing production, exchange or consumption. Four types of concessions operate in the housing sector: tax exemptions, tax allowances, tax credits and tax rate relief (Haffner, reported in Papa, 1992, p. 11). Depending on their purpose, concessions are often linked to a particular form of housing provision - for example, a capital gains tax exemption for owner occupiers or business

tax relief for producers of housing below a given market price. Such policies have the effect of advantaging one form of housing investment or consumption over other forms of housing and/or non-housing investment and consumption.

While tax subsidies may make housing more affordable for one group of housing consumers, they may have a different effect on the longer term dynamics of housing demand and supply, and, therefore, on the level, form and distribution of affordable housing. For instance, in practice, a widely noted outcome of tax policies that favour home ownership has been a long-term decline in rental housing investment. This, in turn, has led to more low income households trying to purchase their home, often for a high outlay relative to their income (Harloe, 1985; Kemeny, 1995a). Another impact of tax shelters in housing has been over-consumption of housing relative to what would occur in a market without tax advantages. The consequent rise in average standards can increase the costs facing marginal consumers and can exacerbate the differentiation in housing quality by income and tenure (Smith *et al.*, 1988).

Other forms of indirect subsidy that are widely used in national housing policy approaches include government finance raising and the provision of a financial guarantee. The former can reduce the cost of finance for housing because of the generally advantageous government credit rating; the latter reduces the risk premium for privately secured loans. These forms of assistance are indirect because their opportunity cost is usually not represented in public accounts and they incur an outlay only if default occurs.

A recurring finding across many countries has been that the estimated per household value of indirect housing subsidy benefits is greater over time than the value of direct subsidies. Moreover, the redistributive effects of many tax-based subsidies have been shown to be vertically inequitable, as higher income households receive more benefits on average than lower income households. When these situations occur, the scale and direction of indirect subsidies can together swamp the positive redistributive benefits of targeted direct subsidies. (Studies of this kind that present data on Australia or the Netherlands include Flood and Yates, 1987; Papa, 1992; ter Rele and van Steen, 2001 and Yates, 2003.)

3.4.3 *Rules and regulations*

Another type of intervention in housing arises from the extensive array of laws, regulations and administrative processes that organise and facilitate the complex operations of the housing market. Such interventions will have different specific objectives. Generally, the main aims are to improve the efficiency of the housing market or to moderate market outcomes that are considered undesirable from an overall societal viewpoint, such as to contain urban sprawl or to reduce environmental degradation. Whatever their primary purpose, many regulations have housing affordability impacts, both negative and positive.

In the production arena, the most important aspects of regulation that can impact on housing affordability include: the regulation of urban growth levels and patterns, residential zoning and density controls and development, infrastructure and building standards. In some cases, growth management policies (if they restrict the supply of

land), high quality building requirements and lengthy or uncoordinated development approval processes (that increase the costs of production) have had a tendency to contribute to affordability problems, albeit in a marginal way. However, other policy approaches (such as ensuring that there is a share of low cost housing in all residential development) can make a positive contribution (van Vliet, 1998).

Governments vary widely in their attempts to regulate or control the influence of land costs on the price of housing. Public ownership and price control lie at one extreme, while, at the other, land markets may be subject to controls that affect only the timing and pace of development. Often the minimalist approach has reduced, rather than increased, the supply of land and triggered speculative price jumps. As urban land costs have increased over time, more governments (at central, regional or local levels) have attempted to clawback development gains (through some form of development tax or levy). In a growing number of instances, part of the resulting revenue is being used to finance affordable housing projects. (See, for example, Bramley, 1994; Davis, 1994 and Carter, 1997.)

In the exchange process, the main impact of financial regulations on affordability arises through their effect on the supply or cost of finance for housing investment, especially for owner occupation. Regulations that increase the supply of finance to that sector (for instance, by setting a minimum financing quantum) enhance market demand for owner occupation. In such cases, unless there is strong supply elasticity, a negative impact on affordability is likely in the rental market, where low income households are concentrated, because of the capacity (in unregulated markets) for substitution of housing for rent and housing for purchase. The effect can be seen both in the loss of rental stock to (up-market) home ownership and through pressure on rents that flows from the fall in supply and from the higher marginal costs of new investment. On the other hand, regulations that increase the cost of housing finance (possibly intended mainly to stabilise macro-economic conditions) can reduce access and affordability in the home ownership sector and dampen new residential investment.

On the consumption side, rent controls have been a commonplace but controversial component of 20th century housing policies that are directly oriented to protecting low income households from rent increases. Typically, they have been introduced in circumstances of crisis (such as wartime) and chronic housing shortages. Rent controls take different forms. Effectively, they require landlords to forego rental return and/or to moderate rent increases, rather than (as happens with direct rent subsidies) requiring governments to supplement tenants' income. Where rent controls are severe, paradoxical effects on housing affordability outcomes have been widely noted. In the short-term, these controls directly benefit existing low income households and/or can be used to prevent the loss of (subsidised or unsubsidised) low cost housing beyond the duration of an individual occupant. However, in the long-term, they may suppress private investment and/or lead to under-maintenance of rental properties (Le Grand and Robinson, 1984; Harloe, 1985; Angel, 2000).

Housing is a major sector in the domestic economy and, accordingly, a substantial component of the regulatory regime for housing involves government taxes and charges. Fiscal instruments may apply to one or more aspects of a dwelling - its asset value, its

income-generation or to the service offered (either letting or mortgaging). As well, general revenue and government service charges may be property-based - the main forms of property taxes are local rates and taxes on land holdings (Yates, 2000b).

The way that governments approach the fiscal treatment of housing depends on whether it is viewed as an investment good or as a consumption good (Haffner, cited in Papa, 1992, p. 10). Under the former view, income (net of costs) is taxed. Under the latter view, income is not earned and, therefore, not taxed. Whatever the broader rationale for a national tax system (which is beyond the scope of this discussion), it has been commonplace for governments to adopt a mixed tax model in housing, based on tenure. Typically, many national governments waive the normal investment taxation regime in part or in full for owner-occupiers and/or for social housing providers but not for private investors. As discussed above, other things being equal, this makes private rental housing more expensive than owner occupation and leads to a potential scarcity of the former. The extent of tax exemptions in housing also affects overall tax revenue receipts and, accordingly, the capacity for government expenditure on other areas, including the provision of housing subsidies to low income households or to increase the low cost supply.

3.4.4 Non-market provision

Direct investment by government in housing has been an established alternative to market provision to a greater or lesser extent in different periods of the 20th century (especially since 1945).⁴ There are two immediate effects on access and affordability. First, bypassing market exchange provides the option of allocating housing to designated groups who cannot afford market housing. Second, housing can be priced through an administrative mechanism in accord with an affordability objective. Typically, pricing models related to the historic costs of production or economic costs of investment have been adopted (Kemeny, 1995a).

Depending on the level of market share, a further indirect effect of government investment may be to dampen market prices. However, as already mentioned, this may have the consequential contradictory effect of displacing market investment. In the longer run, government investment provides the potential for more direct central control of the future use of housing (and the wealth created through it) for public (politically determined) purposes, when compared to intervention in private systems.

Although affordability problems for low income households can be addressed more directly through government-owned housing, secondary problems of residualisation, stigmatisation and social exclusion have often come to be associated with this form of provision over time. This has occurred particularly where the sector is small scale, of poorer quality, strongly differentiated from market housing or confined to the poorest households (Fainstein *et al.*, 1992; Hamnett, 1996; Marcuse and van Kempen, 2000).

3.4.5 Overview of housing affordability issue and government responses

The discussion in the preceding two sections has established a general conceptual and historical basis for explaining the genesis and persistence of housing affordability as an

issue in advanced capitalist societies. Drawing on a political economy viewpoint, it has been argued that housing affordability problems have their origins in the intrinsic characteristics of housing and in the structure of market relations in housing. Governments intervene in their housing markets in complex and diverse ways to, among other competing objectives and priorities, reduce affordability problems. However, both the constraints on governments and the structural problems in housing markets make it likely that affordability problems will persist. How severe they become and which groups are affected is an empirical question. Historically, there is evidence from many nations that housing affordability for low income households is worsening steadily. The primary factors contributing to that trend are considered to be: general land and house price inflation trends, especially in less regulated markets; polarisation of household incomes; (related) changes in household structure and rising housing standards (Hallett, 1993; van Vliet, 1998).

From the next chapter, this study will start to assess whether the differences in the overall approach to housing policy and the mix of strategies that have been adopted in Australia and the Netherlands have resulted in significant differences in housing affordability outcomes for their respective groups of low income households. Before turning to an assessment of the historical and empirical realities in those two countries, the final component necessary to carry out the empirical analysis - measuring housing affordability - is considered below.

3.5 Approaches to measuring housing affordability

There are two main approaches to measuring housing affordability that are consistent with the broad concept outlined at the beginning of this chapter.⁵ The first measure is referred to variously as the ratio or proportional measure or the housing quota (NHS, 1991; Boelhouwer and Menkveld, 1996; Landt and Bray, 1997; Karmel, 1998). This approach expresses defined housing costs as a proportion of income and relates this proportion to selected standards of affordability. Typically, benchmarks⁶ of 25 per cent or greater are used to establish indications of poor affordability or financial 'housing stress'⁷, although this figure has no thorough justification other than broad international acceptance.⁸ The ratio measure can be calibrated using different specifications of income and housing costs (see appendix D). It is widely reported in official housing statistics and used extensively in pure and applied housing research.⁹

The second main measure of housing affordability is known as the residual measure, 'after-housing poverty' situation or living standards measure.¹⁰ This measure is sensitive to the impact of housing costs on the capacity of households to meet essential non-housing costs. Whereas the ratio measure detects an affordability problem because housing outlays are deemed relatively large in relation to income, a measure of the income remaining after housing costs are met considers whether housing is affordable in the context of income levels and broader basic household needs. In other words, the residual measure is specifically concerned with the relationship between housing costs and living standards, which themselves may be determined normatively or relatively (Burke and Ralston, 2003).

In applying the measures described above, most research has drawn on data that are based on the actual expenditure incurred by households for their chosen dwelling. However, using those data mean that households who have chosen a higher level of housing consumption than the socially accepted community standards may be counted as having an affordability problem (Whitehead, 1991). An alternative approach, therefore, is to assess the match between the availability of housing of a given cost and the number of households with a given capacity to pay and a particular needs profile. Given the characteristic spatial differentiation in house prices already discussed, that approach requires consideration to be given to the geographical area over which such an assessment should be made. In other words, it requires additional assumptions to be made about the locational needs (or preferences) of households.

Overall, the two measures can give a different perspective on affordability and can result in different households being included in calculations of those deemed to have affordability problems. This effect is illustrated by figure D.1 (appendix D). By defining affordability in terms of the proportion of income spent on housing, the ratio measure tends to count among those in housing stress a relatively large number of households in regions with high housing costs, as well as large families and single people, who may have to pay a higher proportion of their income for appropriate housing or for independent housing, respectively. The living standards measure will include households with relatively low proportional housing costs (that is, under the benchmark level used to determine housing stress in the ratio measure), if their residual income (after meeting their housing costs) is too low (relative to an income benchmark, such as a poverty line or household budget standard) to meet their non-housing costs (Karmel, 1998).

Each approach has distinctive problems and limitations. (For critical discussion of one or both methods, see Hancock, 1993; King, 1994; Hulchanski, 1995; Chaplin and Freeman, 1999 and Karmel, 1998.) Some of the criticisms are being overcome in refined developments of these measures. Ultimately, however, these measures are only one kind of (quantitative) indicator of housing affordability conditions. As Hulchanski (1995) advises, any measure used must be carefully interpreted in the context of other appropriate data and contextual information and the theoretical basis for the conclusions drawn from the analysis must be clearly enunciated. Those cautions have been taken into account in the analysis presented in chapter 6.

Two other aspects of affordability will now be mentioned briefly because they are drawn on in chapter 6. First, affordability analysis can be applied specifically to the cost of accessing housing - that is, meeting additional entry costs (Yates, 1987; Wood and Bushe-Jones, 1991; King, 1994). Measures of accessibility can complement measures of ongoing affordability, by providing an indicator of financial thresholds for households to enter a segment of the housing market. Tenure is an important variable in differentiating access costs. They are usually more significant for first home buyers who generally have to provide an equity deposit and meet one-off transaction charges and taxes associated with arranging mortgage finance.¹¹ A standard approach to measuring access costs for home buyers considers the borrowing capacity of a typical household (or income group) under prevailing finance conditions and compares this to the price of obtaining housing suitable to their needs. The difference, which represents the down payment required, is

sometimes referred to as the ‘deposit gap’ - and its size is taken to indicate the degree of the affordability problem (Wood and Bushe-Jones, 1991).

Finally, consideration can also be given to more hidden manifestations of an affordability problem - such as people housed affordably but inappropriately, people living involuntarily with other families or, as perhaps an extreme outcome of the lack of affordable housing, homelessness. Indicators of these conditions are relevant, if links can be demonstrated between them and systemic problems in accessing or retaining affordable housing.

To the extent that existing research and survey data for Australia and the Netherlands permit, chapter 6 will draw on different approaches to measuring or probing housing affordability so that a diversity of evidence can be used to inform and help validate the comparison of affordability outcomes presented in this study.

3.6 Summary

Drawing on previous research and on political economy principles, the examination of housing affordability in this chapter has considered:

- housing affordability as a function of the relationship between housing costs, household incomes and the standards of housing provision;
- the distinctive characteristics of the housing commodity, and the nature of market relations in the housing system, that give rise to aspects of the affordability problem for many low income consumers;
- the broad array of policy instruments and strategies (subsidy and investment policies, taxes and tax offsets and diverse regulatory controls) adopted by governments in general (to varying extents and in different mixes) to influence and manage affordability outcomes, among other objectives; and
- measures for assessing housing affordability outcomes in this study.

A simplified framework showing the determinants of housing affordability and their interrelationship was presented in figure 3.1. That framework and the general tenets discussed in this chapter will now be used to help build the analysis of the relationship between housing policies and affordability in the two chosen countries over the next three chapters.

Notes

¹ In the case of low income households who are excluded from or marginalised in the labour market, government policy on income support levels or supplements will also be a determining factor.

² Subsidies are not only introduced for this purpose. For example, governments generally have a history of using subsidies or other incentives in the housing sector to stimulate domestic economic activity and employment growth.

³ Such subsidies are indirect only in so far as public accounts do not make them transparent. Increasingly, they are being treated equivalently to direct budget outlays in public accounting standards.

⁴ Chapter 1 outlined a conceptual view of how the role played by social housing differs across welfare regime types. Harloe (1995) gives a detailed historical account of social housing provision in Western Europe and the United States over the 20th century.

⁵ A third way of measuring housing affordability is the economic (or user costs) method which takes a whole of life cycle view of the cost and benefits of housing (see Hills, 1998; Haffner, 1998). The method uses real income and real housing costs, including real capital gain (or loss), imputed rent and in-kind costs and benefits. Conceptually, the approach makes cross-tenurial comparison more meaningful by separating out the investment and consumption aspects of outlays for home purchase (Yates, 1988). However, lack of comparable data made it an unusable method for this study.

⁶ Rent benchmarks used in this study refer to the relationship between base rent, exclusive of any service charges, and income.

⁷ The National Housing Strategy (1991) in Australia used the term 'housing stress' to refer to the impact of high housing costs on the situation of low income households.

⁸ Perspectives on this issue are given in Hulchanski (1995), Landt and Bray (1997) and Burke and Ralston (2003).

⁹ In the Netherlands, the ratio of housing costs to income is included in the annual statistical publications of the Ministry of Housing, Spatial Planning and the Environment and in publications of the Netherlands Central Bureau of Statistics. In Australia, the measure is used by the Australian Bureau of Statistics and as a performance indicator in housing assistance programs.

¹⁰ Australian housing studies that have applied that measure include Bradbury *et al.* (1986), AIHW (1993), King (1997, 1998), Karmel (1998) and Burke and Ralston (2003). As far as it was possible to ascertain, the measure (or a similar one) does not appear to be in use in the Netherlands.

¹¹ In some circumstances, the up-front cost of renting, such as a bond payment, lease fees and rent in advance, may also be a cost barrier to obtaining housing, particularly for very low income households.

4 COMPARING HOUSING POLICY STRATEGIES IN AUSTRALIA AND THE NETHERLANDS, 1945-1980

4.1 Introduction

The two previous chapters have described the structures and logical range of actions through which state intervention in housing may (or may not) occur, with a focus on the potential impact of different policies on the affordability of housing for low income households. Theoretical accounts of how distinctive national housing policy strategies arise and develop in the context of broader economic, political and social processes have also been discussed.

Chapters 4 and 5 draw on this framework to examine the first research question: “How have the Australian and Dutch governments intervened in their respective housing systems over the second half of the 20th century to help provide more affordable housing?” These chapters compare the post 1945 history of housing policy intervention in the two countries, drawing out similarities and differences in goals, forms, intensity, duration and paths of intervention. The analysis of the policy strategies in each country is divided into two periods - before 1980 and after 1980. As will become apparent in this and the following chapter, 1980 is a convenient breakpoint between identifiable phases of expansion and review of housing policy strategy in each case.¹

To situate the policy analysis in its wider context, section 4.2 gives a short comparative overview of relevant aspects of the two societies in which housing policy unfolded from 1945 to 1980. Using the framework in figure 3.1, the following sections then analyse different arenas of intervention in turn. Section 4.3 considers policies impacting on the production and supply of housing. The impact of broader urban policies on the residential sector is then compared in section 4.4. Section 4.5 focuses on policies directly or indirectly affecting the financing of housing investment and exchange. The next two sections (4.6 and 4.7) are concerned with policies connected with housing consumption - allocative and delivery processes, and with income support for housing. The final section draws together the policy elements to provide a comparative picture of the similarities and differences in the overall national housing policy strategy of each case study until around 1980.

4.2 The general context in comparative perspective

4.2.1 Demographic factors influencing the housing system

In both countries, very rapid population growth and even higher levels of household formation drove a high need for housing in the postwar period. Population increased in the Netherlands by 41 per cent from 1950 to 1980, the highest rate in Western Europe (Boelhouwer and van der Heijden, 1992; MVRM (various)). In Australia, the rate of growth was double that of the Netherlands over the same period (Foster and Stewart, 1991). The population explosion was most rapid in the 1950s and 1960s in both countries, levelling out by the end of the period. By 1973, Australia’s population exceeded that of the Netherlands for the first time (OECD, 1998).

A central factor in Australia's massive expansion across the period was the extent of overseas immigration, which comprised about half of all growth (Stilwell, 1980). In 1947, nearly 10 per cent of the population were foreign born. This share rose to over 14 per cent in 1954 and reached nearly 21 per cent in 1981 (ABS, various, cat. no. 1301.0).

Immigration was less significant in the Netherlands and for much of the early part of the period was offset by emigration that was triggered by austere conditions. Apart from repatriation of the Dutch from Indonesia and Indonesian immigration after the end of the Second World War, the main wave of in-migration did not occur until the 1970s. In 1985, about 4.5 per cent of Dutch citizens were foreign born or non-Dutch nationals (Mik, 1991). In both countries, the vast majority of foreign citizens settled in the largest cities (Dieleman and Musterd, 1992; Frost and Dingle, 1995).

Household formation rates exceeded population growth in both countries. The number of Australian households grew by 151 per cent from 1947 to 1981; the number of Dutch households by 134 per cent over the same period (MVRM, various; Neutze, 1981). The greater rate of household formation in the Netherlands meant that the level of underlying demand for housing was closer in the two countries than suggested by population data alone.

A combination of demographic, social and economic factors contributed to rates of household formation exceeding those of population growth in both countries, although in each case the impact of particular factors varied. In general (and in keeping with most advanced Western societies in this era), both countries experienced a falling birth rate and a trend, encouraged by economic prosperity, towards young people leaving the family home earlier than in previous generations. Later, a higher divorce rate and changing opportunities for women, which increased their financial independence, also became factors contributing to household formation rates. The gradual ageing of the population and longer life expectancy also sustained the total level of demand for housing. The impact of all of these factors is reflected in a decline in average household size. Australian households dropped from an average of 3.7 people per household in 1947 to 3.1 in 1981 (Kendig and Paris, 1987). Similarly, average household sizes of 4.7 in 1950 in the Netherlands fell to 3.0 in 1980 (Feddes, 1995; Needham *et al.*, 1993).

In keeping with a major shift in the employment base of both countries from the rural to the manufacturing sectors, an increasing rate of urbanisation accompanied the rapid growth. In 1980, 88 per cent of the population of the Netherlands lived in an urban centre (Needham *et al.*, 1993). In Australia, the proportion reached 86 per cent in 1976 (Stilwell, 1980).

In Australia, the metropolitan dominance of settlement, focused on Sydney and Melbourne in particular, became more marked over the postwar period to 1980. (Locations in Australia and the Netherlands referred to in this study are shown on figure 4.1a and b, respectively.) From 1947 to 1976, the population share of the five mainland state capitals rose from 54 per cent to 61 per cent (Neutze, 1974). The orientation of most newly-arrived migrants to either Sydney or Melbourne meant that those cities' share of population alone rose from 36 per cent to 43 per cent (Frost and Dingle, 1995). This

growth increased the pressure on their housing markets relative to other regions and, by the 1970s, land supply issues, especially in Sydney, were becoming a more significant factor contributing to deteriorating affordability (Neutze, 1981). However, by that time other forces were also at work influencing patterns of housing demand - notably, the decline in manufacturing jobs, which had been widely distributed throughout the major cities, and the concomitant shift in employment to the services sector, which was more concentrated in the CBD and a few suburban nodes.

The primary concentration of population in the Netherlands is in the West of the country in a poly-nucleated urban region, known as the Randstad.² This region comprises a series of old central cities (the largest being Amsterdam, Rotterdam, Utrecht and the Hague), surrounded by suburban development that occurred from the 1960s. The period under review in this chapter was characterised not only by expansion but also by a marked re-differentiation of the residential structure of the Randstad. As they became increasingly characterised by single person households, the old central city areas lost population to the surrounding region. Many inner city neighbourhoods had large numbers of economically inactive households (including the elderly, the unemployed, single parents and people with disabilities) and ethnic minorities. The suburbs, on the other hand, became the home of an expanding number of middle class families and higher income groups. As the account in this chapter will go on to show, local housing and planning policies combined with the demographic pressures and economic opportunities of the time to bring about these transformations (Jobse and Musterd, 1992).

4.2.2 *Economic conditions*

Until the 1970s, economic conditions in both countries were generally favourable, providing for increasing prosperity and rising living standards. Annual gross domestic product (GDP) rose consistently throughout the period in nominal and real terms but the rate of growth slowed after the economic downturn (see below). The average nominal growth in GDP from 1950 to 1985 was identical (being 4 per cent per annum (Feddes, 1995; Foster and Stewart, 1991)) and per capita GDP in both countries has ranked consistently near the average for all OECD countries (OECD, 1998).

In the 1950s and 1960s, employment grew faster than population in Australia (Berry, 1999). While the period was also marked by a small amount of inflation, average (male) wage levels generally exceeded inflation and increases in housing costs, until the first half of the 1970s. Female participation in the workforce hovered between 45 and 50 per cent from 1964 to 1980 and the unemployment rate was low (Foster and Stewart, 1991). In the Netherlands, wages growth was initially restricted but, by the end of the 1950s, wage controls were breaking down and strong wages growth ensued, while rents remained low (Harloe, 1995). However, female participation in the workforce had only reached 40 per cent in 1983 and the share of jobs that were part time was at a higher level than in Australia (Becker, 1999).

Generally, in both countries, favourable conditions encouraged new households to form, promoted consumption expenditure and reinforced and extended demand trends arising from the demographic factors already discussed. The Netherlands achieved a 72 per cent increase in its housing stock from 1961 to 1980, the highest in Europe and North America (van Fulpen, 1986). In Australia, the housing stock increased by 64 per cent

from 1945 to 1981 (Wood, 1990, quoting Williams). There were important differences, however, in the characteristics of the dwelling stock, especially the size of dwellings and the share of separate houses.³

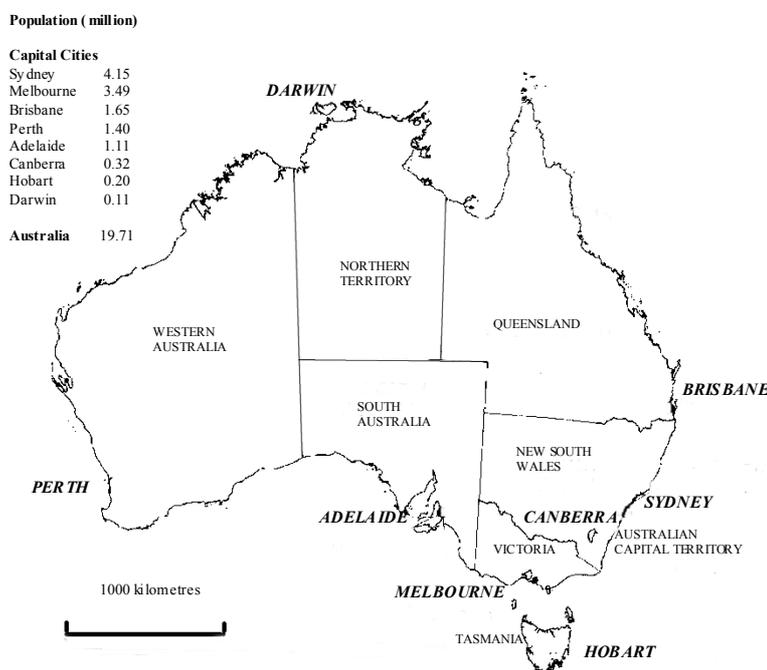


Figure 4.1a Australia showing states, territories and capital cities

Source: ABS (2002, cat. no. 3101.0)

The first signs of the economic downturn that was to bring about significant structural and policy adjustments in each country emerged at the end of the 1960s. The Netherlands experienced a recession in 1973 (following the oil crisis) and, again, at the end of decade, lasting until 1984. Unemployment jumped to 5.5 per cent in 1975 and reached 6.4 per cent in 1980 (Golland, 1998). Inflation reached over 10 per cent in the mid 1970s, fuelling house prices, which nearly doubled in four years. However, the second oil crisis led to a more dramatic recession in 1979. Housing market production fell over 17 per cent in one year and house prices fell successively for four years. Significant increases in government subsidies were used to boost the housing sector after 1979 but average house prices did not return to 1978 levels until the 1990s (van Weesep, 1981; Boelhouwer and van der Heijden, 1992).

Australia's most severe periods of economic downturn were experienced in the mid 1970s and again in the early 1980s but the evidence suggests that they were not as intense or lasting as the recessions in the Netherlands. In Australia, inflation peaked at 17 per cent in 1975 but had declined to 11 per cent by the end of the decade. The unemployment rate was 4 per cent in 1975 and 6.4 per cent in 1980 (Foster and Stewart, 1991). As in the Netherlands, there was a clear correlation between the onset of deteriorating economic conditions and decreased activity in the housing sector. However, falls in new supply only induced a small boost in government housing spending (in 1975

and again, after intervening falls, in 1981) and the sector's recovery was more rapid than in the Netherlands (Monro, 1998; Berry, 1999).

For this study, two of the most relevant impacts of the structural adjustments in the economies of the two countries after the end of the 1970s have been greater differentiation in income across households and the diversification of the profile of households, especially within the low income population. The interaction of those developments and housing policy is considered further in chapter 5.



Figure 4.1b The Netherlands showing provinces, the Randstad and the four big cities

Source: CBS (<http://statline.cbs.nl>).

4.2.3 *The political framework and political regimes after 1945*

While both Australia and the Netherlands are parliamentary monarchies, there are important structural differences in their governance, which have a bearing on the distribution of political power and on the policy-making process.

Australia's electoral system is based on a system of preferential voting that has tended to result in the control of national and state parliaments alternating between the main parties of the left (the Australian Labor Party) and the right (usually a coalition of the Liberal Party and the Country (later National) Party). Smaller parties that represent single issues or other social groupings are rarely represented in the main parliamentary chamber (lower house), although they often do have a small presence in the house of review (upper house) because it is elected on a proportional basis. One result of this model is the tendency for the main parties competing for power to focus debate around opposing viewpoints rather than to foster consensus about policy directions.

The historical pattern of power in Australia was characterised at the national level by the extended governance of the conservative parties who formed successive Coalition⁴ governments from 1949 until 1972 and, again, from 1975 until 1983. Only immediately after the war, and in a notable period from 1972 to 1975, was office held by a Labor government (which brought a strong national perspective to urban and regional development issues, as discussed further below). The pattern of political power at the state level was more diversified, with Labor governments achieving more significant periods of power in several jurisdictions than in the federal arena.

The Netherlands operates on a system of proportional representation, which tends to produce coalition governments that incorporate a wider range of party groupings. Historically, the strength of religious groupings has led to denominational parties having a major influence, in keeping with the so called 'pillarisation' of Dutch society - that is, structured by religion and/or class (see Therborn, 1989 and Goodin *et al.*, 1999).⁵ Coalitions are typically characterised by either capital or labour interests and cross-cutting denominational parties that attract support from conservatives and socialists alike. The reliance of the major parties on the smaller parties to form government has produced a corporatist model of policy making, in which the influence of religiously based ideology tended to moderate that of both capital and labour interests over the period (van Kersbergen and Becker, 1988; Dieleman, 1994; Pierson, 1998).

From 1945 to 1980, the Secretary for Housing was drawn either from the ranks of the Social Democratic Party (PvdA) or one of the Christian Democrat parties (*Parlement Nederland*, 1996). The policy of the latter groups to encourage delivery of welfare and service provision outside of the state was already well established throughout Dutch society and had a profound influence on the institutional framework for housing production and delivery over this period of rapid growth. This will be demonstrated by the historical account of the development of the housing system in this and the following chapter.

Under Australia's federated model of government (established in 1901), the delineation in roles and responsibilities between the national government and state (and local)

governments⁶ is also a significant factor affecting policy making. In particular, responsibility for many matters of national interest (particularly welfare) is shared between the two top levels of government, although the Commonwealth has control over most fiscal policy and receives the main share of tax revenue, resulting in an unequal division of power.⁷ Responsibility for housing is not clearly delineated: it is not a specified role in the national constitution and both levels of government have developed policy and legislative responses to housing and to broader urban development issues at different intensities, often without effective coordination or cooperation (Gleeson, 2001). Housing roles not only overlap but relative influence has also shifted between levels of government over time, as the account of Australia's housing policy development will show.

The centralist and unitary model of government in the Netherlands, whereby provincial and municipal governments are subordinate, means that there is no comparable overlap in the responsibilities of levels of government. In housing, central government (primarily as funder) and local government (as planner/provider) have been most active, with the twelve provinces undertaking a more minor coordinating and monitoring role.⁸ Reflecting long-standing practice, housing was specified as a responsibility of national government under the Dutch constitution in 1982 (Needham *et al.*, 1993).

4.2.4 *The welfare system*

As discussed in chapter 1, comparative studies that do not recognise the role of different forms of welfare assistance, such as subsidised housing or other forms of 'non-cash' assistance, may reach misleading conclusions about differences in social outcomes. Thus, consideration of welfare policy and the contribution that it makes to housing outcomes, and vice versa, is necessary to help establish comparative equivalence.

There is a clear contrast in the general development and scope of social welfare systems in Australia and the Netherlands over this period. A number of comparative studies have identified the Netherlands among countries with a very high rate of direct expenditure on welfare programs after 1945, while Australia is classified as having relatively low expenditure. (See, for example, evidence in Castles, 1989b; de Swann, 1988; van Kersbergen and Becker, 1988 and Mitchell, 1989.)

In keeping with that difference, the core characteristics of the welfare systems that have grown up are distinctive. The Dutch system has been defined by a compulsory contributory scheme, relatively generous benefits and broad access (de Swann, 1988). The Australian system has been largely funded from general taxation revenue, and it has been means tested (for most benefits) and marked by low levels of basic benefits relative to wages and salaries (Castles, 1989b).

4.2.5 *Summary*

The preceding review of the context influencing the housing system in the period from 1945 until 1980 has shown that both countries experienced broadly similar external conditions that created very strong demand for housing and favoured a general improvement in housing standards. That review has also highlighted differences in the political model and welfare state orientation of each case, which (according to the

theoretical perspectives set out previously) could be expected to play a significant part in determining the course of housing policy and, ultimately, differences in housing outcomes in the two countries. The remainder of this chapter considers, in detail, the development of national housing policy directions in that context.

4.3 Subsidising the supply of new dwellings

4.3.1 The initial response to the housing shortage in each country

Both countries adopted a policy of directly investing in the production of new housing after World War II. The initial, and most evident, reason for this common strategy was an acute physical housing shortage, although there was also acknowledgement in each case that government needed to address a range of housing problems beyond the housing supply (including housing standards, quality and choice).

The Netherlands

In the Netherlands, the housing shortage after the war was estimated at 250,000 dwellings⁹ and, by 1947, had risen to over 300,000 as a result of rising postwar household formation rates and the repatriation of Dutch citizens from Indonesia (Boelhouwer and van der Heijden, 1992).

As discussed briefly in chapter 2, economic necessity after the war helped to forge a broad consensus about the path to economic recovery in the Netherlands, based around maximising investment in industrialisation and modernization, linked to wages restraint and strong social protection measures. The combination of severe housing shortages and economic priorities led to public investment in housing, linked to rent control (see below), emerging as the centrepiece of the policy strategy adopted (Harloe, 1995; Priemus, 1995a).

Using its powers under the 1901 Housing Act (*Woningwet*), the Netherlands government had previously provided subsidies for new rental housing, managed either by municipalities or by housing associations, especially during and after the First World War. In 1950, the legislative basis for subsidy provision was extended to encompass the private (for profit) sector. Legislative adjustments were also made to control the cost of subsidies and to link subsidy levels to dwelling size and quality controls (van Weesep, 1981).

During the early postwar years, well over 90 per cent of new production was subsidised (*ibid.*). The estimated contribution of government to production costs was 25 per cent (Boelhouwer and van der Heijden, 1992). The subsidy level represented the amount that was necessary at the time to reduce the costs of the project proponent (municipality, housing association or private landlord) to a level where these costs were covered by rental revenue, allowing for a reasonable return.¹⁰

Australia

A national mechanism for government financing of new housing construction was introduced in Australia in 1945, in circumstances quite similar to the Netherlands.

Following a long downturn in construction (brought about by a wartime economy and, especially, by shortages of labour and building materials), the estimated shortfall in dwellings in Australia was around 350,000 (Jones, 1983).¹¹ In response to the housing shortage and to the poor condition of much existing housing (particularly in the established inner areas of the largest cities, Sydney and Melbourne), the national government announced, after negotiation with the states, a new funding arrangement for housing, known as the Commonwealth State Housing Agreement (CSHA) (Pugh, 1976). The agreement provided for loan advances, over 53 years, to buy land and to build rental housing at a reduced interest rate.¹² In keeping with the designated roles and responsibilities under the Australian constitution, the loans were provided through the Loan Council to state housing authorities, most of which had been established in the previous decade.¹³

The broad target groups for whom the publicly funded housing was intended were “those who were in need of proper housing and who, for various reasons, did not desire or were unable to purchase their own homes” (Australian Parliamentary Debate 1945, quoted by AIHW, 1993, p. 49). It was envisaged that the main beneficiaries of assistance would be working families and returned soldiers (Jones, 1972).

The other significant policy mechanism that fostered new housing construction in Australia at the time was the war service home loan. This program, begun in 1919, provided long-term loans on generous terms (both a minimal deposit and a concessional interest rate) for past and present members of the defence services who had served outside Australia and for widows of deceased personnel. While it was not a direct subsidy for housing construction and was not limited to finance for new housing, the program, in effect, acted as a major stimulus to building after 1945 because of the severe shortage of housing overall. From 1945 to 1956, houses commenced with war service loans averaged 10 per cent of all housing commenced in Australia but had declined to around 2 per cent at the end of the 1970s (Hill, 1959; Neutze, 1981).

While the immediate postwar period saw a significant amount of public investment in housing, private investment was also very buoyant. From 1947 to 1954, home ownership rose from 53 per cent to 63 per cent, the most rapid change of any inter-censal period in Australia’s history (Bourassa *et al.*, 1995). As the discussion later in this chapter will demonstrate further, government strategy in Australia provided a very significant impetus to the total level of housing construction, not only through direct subsidies for rental stock but also through its influence on the supply and cost of mortgage finance - much of which flowed to new dwellings, in the context of the total housing shortage. In 1954, an estimated 40 per cent of finance for new building was being provided either by the national government or by its national bank, the Commonwealth Bank (Dalton, 1999).

From similar beginnings in 1945, the ongoing role of the respective governments in the housing production systems of the two countries diverged in the 1950s. The pattern of government involvement in each case is outlined next before explanations for the different paths chosen are considered.

4.3.2 Evolution and divergence in the role of housing supply subsidies

The level of new dwellings built per annum in each country from 1949 to 1980 shows a strikingly similar pattern of expansion (figure 4.2). A more diverse pattern emerges when the share of new supply that is publicly subsidised is graphed (figure 4.3).

Figure 4.3 shows the continuing high level of reliance on government subsidies for the vast bulk of new housing construction in the Netherlands. In that country, subsidised housing as a share of total housing construction averaged 82 per cent across the whole period (calculated from van Weesep (1981, table 3, p. 20).

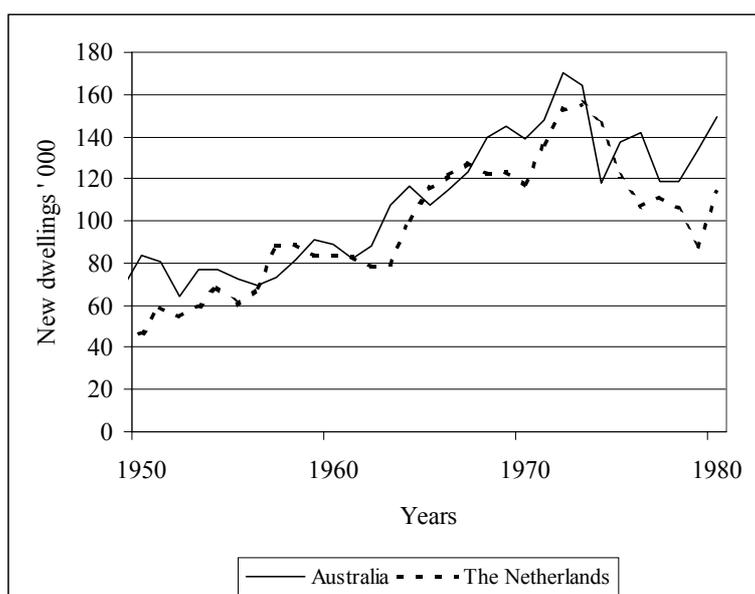


Figure 4.2 New dwellings^a, Australia and the Netherlands, 1949-1980

^a Data for Australia are dwelling commencements; data for the Netherlands are completions.

Sources: Australia - Foster and Stewart (1991, table 5.16, p. 223).

The Netherlands - van Weesep (1981, table 3, p. 20).

In Australia, direct investment began at a much lower level and, after 1955 (when financing private home ownership became the central plank of national strategy), the supply of new public rental housing that was retained fell away markedly. However, these data do not reveal the full extent of the indirect roles of Australian governments in supporting and regulating the financing of new housing supply. These roles are discussed later in the chapter. A more broadly based assessment shows that government involvement in subsidising new supply, taking account of both direct investment and the provision of finance, extended to an estimated 36 per cent of all new dwellings across the period from 1945 to 1971. In addition, access to 24 per cent of existing dwellings was financed in whole or in part with public funds (Sandercock, 1975, p. 105). While that level of involvement is still much lower than in the Netherlands, it is nevertheless substantial. Importantly, by comparison, it is characterised more by one-off investment than by retention of a housing asset in the non-market sector.

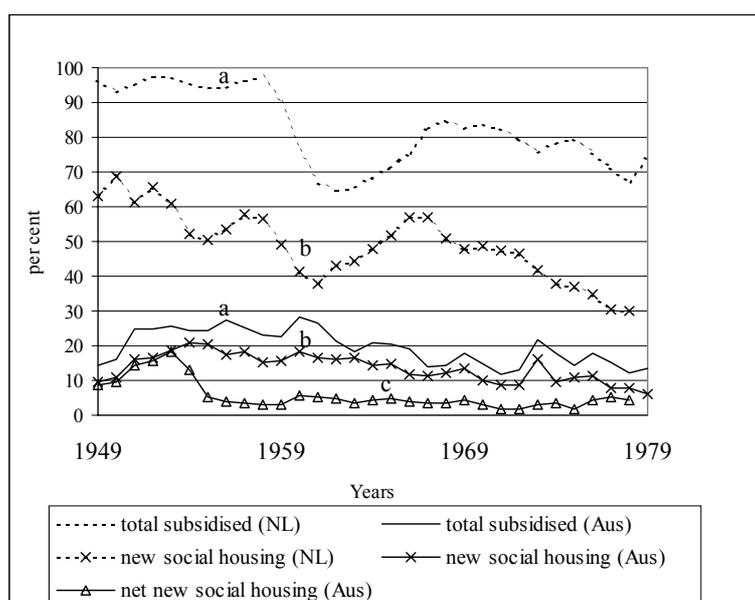


Figure 4.3 Share of subsidised dwellings in new supply, Australia and the Netherlands, 1950-1980

- ^a 'total subsidised' includes publicly and privately owned housing built with the aid of subsidies.
- ^b 'social housing' refers to housing initiated by public or not-for-profit agencies for social rental.
- ^c 'net social housing' refers to additions to the supply of social rental housing in Australia minus sales of those dwellings in the same year. Two sources using slightly different definitions were used for the period before and after 1956/57. (An equivalent data set is not available for the Netherlands. However, sales of social housing were relatively small and housing associations and municipalities also supplemented new supply with purchases of private rental housing.)

Sources: Australia - Hill, (1959, table 11, p. 54), Neutze (1981, Fig 6.13, p. 170 (estimates from graph)), Foster and Stewart (1991 table 5.16, p. 223), Monro, 1998 (tables 5 and 7: appendix B).
The Netherlands - van Weesep (1981, table 3, p. 20).

A comparison of the long-term development of the housing tenure is given in figure 4.4. These data (when related to the data on supply in figure 4.2) show how the major expansion of home ownership in Australia and social housing in the Netherlands, respectively underpin the post 1945 growth in housing in each country. Also, in both countries, expansion of the respective dominant tenure is closely correlated with a decline in the private rental sector.

4.3.3 The changing trajectory of supply-side interventions

The diverging role of the state in housing supply in Australia and the Netherlands from the 1950s can be explained by looking at how the development and operation of tenure-linked supply policies intersected with economic circumstances, community values and local politics over this expansionary period in each country.

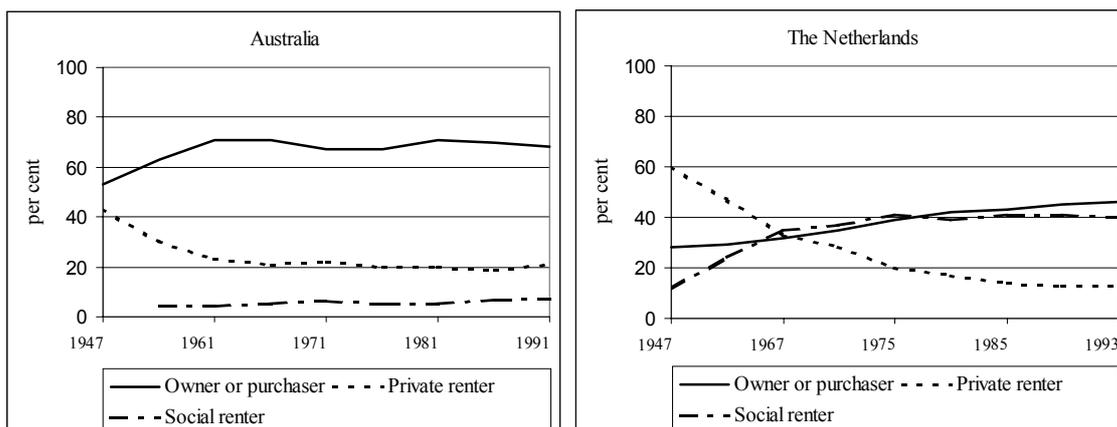


Figure 4.4 Housing tenure, Australia and the Netherlands, 1940s-1990s

Sources: Australia - Burke *et al.* (1990, table 24.2, p. 727).

The Netherlands - Boelhouwer, van der Heijden *et al.* (1996, table 6.1, p. 86).

Australia

With private investment already buoyant in the 1950s, the potential for reducing the government's public housing role was brought into focus. Changes made to the CSHA in 1955 - to introduce concessional lending for the sale of public housing - indicated a major shift in direction (Monro, 1998).

In the second agreement (signed in 1956), the conservative national government, which (in 1949) had replaced the wartime Labor government, substantially revised the broad intent of the original CSHA. The new agreement shifted the emphasis away from providing good quality rental housing as a choice for working families towards providing home purchase for applicants and tenants.

Mechanisms to support home purchase included diverting (a minimum of) 20 per cent, and later (from 1958) 30 per cent, of funds to provide mortgage finance and allowing for the sale of existing CSHA housing to sitting tenants under very favourable pricing and lending conditions (Jones, 1972). Proceeds from sales were loosely tied to housing purposes but were not necessarily used to replace or expand supply.

Successive agreements continued this approach unabated until the 1973 CSHA, through which the next Labor government (elected in 1972) limited to 30 per cent the level of sales of dwellings built from then on. In other words, this change did not prevent the sale on generous terms of all stock built under previous agreements. It was not until 1978 that the sale of all public housing was put on a cost recovery or market value basis.

The implementation of privatisation policies under the CSHA over this extended period has had major implications for the long-term characteristics and operations of public housing in Australia and for the continuing availability of affordable rental housing. The direct impact on rental supply was estimated to be a loss of about 720,000 dwellings built or purchased between 1945 to 1981, leaving only about 120,000 rental units (5 per cent of the total stock) still owned by state housing agencies in 1981 (Jones, 1983, p. 267). Other impacts included the allocation of new funds under the CSHA to finance price

discounts for the existing stock and the loss of the most sought after housing - flats were not sold and many of the large estates could not be broken up because individual dwellings did not have legal title (Monro, 1998).

There has been considerable debate about the causes of the rapid and sustained take-off in the construction of privately initiated housing in the 1950s in Australia and the preference for home ownership over public housing as a policy direction. Some accounts emphasise the significance of the policies of the first postwar conservative government to entrenching home ownership - for example, Kemeny (1983) and Beer (1993). However, a comprehensive explanation has to take into account diverse contributing factors and the dynamic and, sometimes, mutually reinforcing nature of their interactions, as was highlighted by the argument in chapter 2 (concerning the way in which different viewpoints explaining the genesis of housing policies can be accommodated).

The emphasis in the first CSHA (1945-1956) on the provision of rental housing contrasted with the historic orientation of state and national policy, which was already directed towards supporting home ownership. (See, for example, Hill, 1959; Berry, 1988 and Dalton, 1999.) Accordingly, the prominence given to rental housing in that agreement has been attributed to the immediate and visible nature of housing shortages rather than to ideological factors or a drive for a large public housing sector (Hayward, 1996; Monro, 1998 and Orchard, 1999).

At the same time, the pre-conditions for a strong and sustained take off in home building for mortgage-based home purchase were also emerging. The drivers identified by other researchers include: the strength of the domestic economy, which flowed through into high employment levels, strong wages growth and growing female participation; limited domestic investment options for foreign and local capital and a plentiful supply of cheap land. Later, the growth and decentralisation of manufacturing industry in the major cities and the rapid expansion of car ownership added impetus to the growth of the suburbs (Berry, 1988, 1998; Frost and Dingle, 1995).

Alongside these economic growth factors lies the broader cultural accent on the family and on individual freedom that had already created a strong Australian disposition to home ownership. A number of specific circumstances reinforced this tendency. An historic lack of tenure alternatives had spawned a relatively large owner-builder industry in Australia, making initiation of home ownership within the capacity of individual consumers (Holland, 1988).¹⁴ Interest in home ownership was also intensified by a desire of many families to escape from the sort of (private) landlordism that had been experienced during the harsh years of the depression and the Second World War and from the stigma still associated with inner city areas dominated by poor quality rental housing (Frost and Dingle, 1995).

Given this backdrop, it is not surprising that the conservative government of the time reinforced the forces giving rise to the expansion of home ownership. In particular, the government used growing concerns about the rise of communism in the early 1950s to advocate home ownership as an antidote and their strong ideological preference for home ownership was given material expression through their substantial role in the provision of home finance (Jones, 1972; Bourassa *et al.*, 1995). It was not only the national

government of the day that strongly supported home ownership. State governments of different political dispositions themselves pushed for more favourable conditions for home ownership under the CSHA, partly because of the unfavourable financial position in which they found themselves in providing public housing (Jones, 1972; Dalton, 1999).

Underlying the high level of political support for home ownership, Castles (1989b, 1997a) claims that a distinctively strong link can be drawn in Australia between the working classes and mortgage financing of housing in the postwar environment, whereby the labour movement itself favoured wages growth and family-based systems of welfare provision over state run services. It is that perspective that underpins Castles' identification of Australia as a distinctive welfare regime (the 'wage earners' welfare state), discussed in chapter 2.

The account above shows that it was the intersection of many factors facilitating home ownership, coupled with the take off of private investment in housing in Australia, that helped to ensure that the government's direct supply role became a residual one, marking the period immediately after the war as atypical (Hayward, 1996). By 1980, public housing's share of all housing had shrunk to about 5 per cent nationally and less in the more populous Eastern states.

The Netherlands

The conditions for private housing provision in the Netherlands were different to those in Australia in various substantial ways. First, the experience of home ownership was much less established - the rate of home ownership in the first half of the 20th century had reached around 28 per cent of households compared to around 50 per cent in Australia (figure 4.4).

Second, assembling and servicing land for housing was difficult and relatively expensive, especially in most of the highly urbanised west of the country, because of the need for extensive drainage works (Boelhouwer and van der Heijden, 1992). Such land supply issues necessitated significant government intervention and coordination, which would have militated against the kind of self help options that were already flourishing in Australia. Third, population pressures in such a small and constrained location meant that it was unlikely to be feasible to give prominence to detached housing, which has historically (in most countries) been strongly associated with growth in home ownership.

More broadly, there was general acceptance of the government's role as both promoter and provider of most housing. Under the national priority for investment in economic recovery, private investment in housing was seen as detracting capital away from more productive investment. Producing housing and regulating rents were widely accepted as appropriate instruments of macro-economic management (through their impacts on wages, inflation and employment) and as a vital social equity measure to reduce inequality and to improve welfare. As well, the extent of regulation of the housing market contributed to a lack of private sector interest (Dieleman, 1994; Harloe, 1995).

Nevertheless, there was an escalating debate in the Netherlands about the future directions of government policy, centred on the government's role in subsidising supply

and emerging interest in home ownership. These two concerns shaped policy directions in a number of ways.

From the late 1950s, the political parties of the right and centre-right, together with private sector interests, adopted a long run objective to reduce dwelling production subsidies and to deregulate the housing system. Because of the extent of public concern, the commitment to a return to market provision was made conditional on overcoming the long standing housing shortage (Lawson, 1999).

After 1959, a series of centre-right coalitions set about to expand production to achieve a target of no housing shortfall by the end of the decade, after which it was intended that there would be a 'normalisation' of policy and a return to free market conditions (van Weesep, 1981). However, that objective was frustrated by the impact of other policies, especially rent control that contributed to the ongoing lack of private investment and by the expansion of the welfare state itself, which fuelled demand (Boelhouwer and van der Heijden, 1992). Strong opposition to deregulation also emerged from the left, the denominational political groups at state and local level and from the housing associations, all of whom distrusted market mechanisms. Their collective arguments to protect subsidies centred around affordability issues for low income people, the continuing official housing shortage and the need to enhance the quality of housing through further subsidies (*ibid.*).

As figure 4.3 shows, the result was that, paradoxically, the proportion of housing construction subsidies was higher in the 1960s under a government that was ideologically committed to their removal than in the 1950s under centre-left governments that were more supportive of supply subsidies.

Importantly, the role of the not-for-profit sector in the continuing growth in subsidised housing was consolidated over the period. From 1947 to 1981, ownership of housing by municipalities and housing associations increased by over 620 per cent. Several reasons have been given for the extent of use of this sector. One is the parliamentary influence of the parties supporting not-for-profit provision, especially the policy of the Christian Democrat parties. A second reason identified is the control exercised by many of the municipalities themselves over the allocation of subsidies¹⁵ and a third is the relative ease with which government could orchestrate high volume systematic construction through that sector, without relying too much on the more risky private sector providers (Lawson, 1999).

Initially, growth was stronger in the municipalities but housing associations became dominant later in the period, after the adoption of the 'right of way rule' (*voorrangsregel*) gave them priority over municipalities in acquiring land. By 1981, the associations owned nearly 80 per cent of social housing (calculated from van der Schaar, 1987b, table 1, p. 3). With their patronage and their resources, housing associations became a well organised and influential sector themselves, thereby promoting their own future, as chapter 5 discusses further (Dieleman, 1994, 1996).

Government interest in encouraging the provision of new housing for home ownership in the Netherlands began at an early stage, before the aim to reduce construction subsidies

developed momentum. After 1953, buyers of new houses were included among those eligible for housing subsidies but municipalities and the market were responsible for determining whether building permits were taken up in that sector. In practice, take-up was slow and, of more significance to the availability of affordable housing, it varied geographically, as explained below.

Central government determined both the total number of dwellings to be built and the allocation of new dwellings by province. A critical feature of the distribution formula was that provinces received a share of permits (and subsidies) in proportion to the extent of their existing dwelling stock. This meant that the distribution of much new housing was not responsive to household growth patterns or to household locational preferences. As a result, provinces experiencing high levels of population growth received relatively fewer permits and subsidies than those experiencing less growth. In turn, that created a situation of relative housing scarcity in the newer growth provinces outside of the Randstad. When coupled with greater land availability and the preference of many households for separate family housing, the preconditions for a higher component of market supply for the owner occupied sector materialised in these provinces. By contrast, in the Randstad, plentiful subsidies combined with municipal policies that favoured social rental housing and a shortage of land for new construction to crowd out market provision¹⁶ (Dieleman and van Engelsdorp Gastelaars, 1992).

In the context of a vigorous ongoing debate about the rationale and role for government in housing, new figures on the housing shortage in 1971¹⁷ led to the centre right government stepping up annual production but placing more emphasis on stimulating home ownership. A new subsidy system provided income-related annual subsidies for a fixed period to home buyers. (Boelhouwer and van der Heijden (1992) provide the details.) Subsidised home ownership rose steadily from one quarter to nearly one half of all subsidised production between 1970 and 1979, before falling away at the end of the decade after the onset of the economic downturn (figure 4.5).

Overall, many factors have contributed to the slow and uneven development of home ownership in the Netherlands. On the supply-side, socialist councils who strongly favoured social housing provision controlled many municipalities, especially in the big cities. On the demand-side, there was a limited tradition of mass home ownership because social rental housing - offering security and affordable rents - was widespread among working families. A volatile housing market with rising interest rates made buying your own home a risky venture and, also, an (apparently) uneconomic one, when considered alongside regulated rents and low wages.¹⁸ This climate made speculative building unattractive, unlike in Australia. Against all these factors, the scarcity of single family housing for purchase in the larger cities drove aspiring home owners to the surrounding regions and helped to create the distinctive pattern of tenure and income differentiation between the big cities and the surrounding suburbs, already described.

By 1980, about three-quarters of the annual housing construction was still subsidised in the Netherlands and the share of social housing had climbed to 39 per cent of the total dwelling stock. Fundamental changes to the financing of subsidised housing were made in 1975. Because of the significant impact of the policy changes on the future of supply-side subsidies in the Netherlands, some further background is given below.

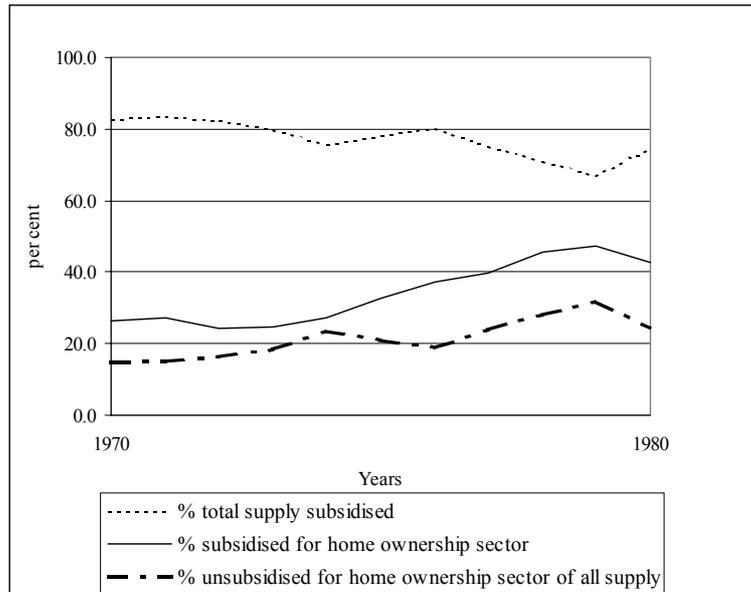


Figure 4.5 The share of subsidised and unsubsidised building for home ownership, the Netherlands, 1970-1980

Source: Boelhouwer, van der Heijden *et al.* (1996, p. 90).

4.3.4 Supply-side subsidy design in the Netherlands

Until 1975, the construction of social rental housing was financed with low cost state loans and an annual operating subsidy equal to the nominal difference between annual costs and rents. Loans were advanced on an annuity basis¹⁹ with fixed nominal annual payments to interest and capital. This had the effect that the cost of the annual operating subsidy was highest in the early years of the life of a new dwelling and decreased over time, as interest payments reduced and rents rose.

There were substantial increases in the average cost of subsidising new construction in the 1970s (van Weesep, 1981). The provision of higher quality housing, rising wages and land development and infrastructure costs, higher interest rates and inflation all contributed to rises in the costs of production. Over time, the government's response involved ongoing detailed adjustments to subsidy models and housing standards and, as discussed further in the next chapter, a general policy, after 1979, of pursuing rent increases to offset rising costs. However, the most influential change to the subsidy system was the introduction of the dynamic cost principle (*dynamische kostprijs*) in 1975.

Under the dynamic cost principle, the subsidy arrangement was restructured using an accumulative or low start loan.²⁰ Under the accumulative loan, annual loan repayments escalated in real terms, necessitating fewer subsidies in the early years. In practice, the annual subsidy to be paid was derived from an estimate of the total cost and total revenue over the life of the dwelling (fifty years) in net present value terms (Conijn, 1994). The arrangement was introduced to take advantage of the effect of inflation on the real cost of

housing over its life cycle. It was considered to be more efficient because it reduced the 'unnecessary' surplus that was accruing to housing providers at the end of the loan period through the effects of inflation. As a direct result of the scheme, in the second half of the decade, first year subsidy levels for new dwellings fell back to near or below the average level of 1970 (van Weesep, 1981).

Subsequently, as chapter 5 outlines, changing economic conditions, political constraints and administrative oversight had the effect that the scheme became an expensive policy failure that eventually contributed to the abandonment of nearly all housing construction subsidies in the Netherlands.

4.4 The influence of urban policies

Chapter 3 referred generally to the ways in which differences in land supply and urban development patterns can impact on housing affordability, especially in the context of high growth and rapid urbanisation. The impact on housing provision of policies relating to the management of the land supply and to residential development in the two countries, during what has come to be their strongest era of urban growth, are examined below.

4.4.1 Land supply policy in the Netherlands after 1945

The legislative and administrative framework for managing land supply, and its links to the administration of urban planning policy and housing policy, are distinctive features of the structure of housing provision in the Netherlands. A key difference to Australia is that the state (through the municipality), not the private sector, has been the promoter of most land development (around 80 per cent in this period) (Needham *et al.*, 1993).

As already mentioned, population pressures have combined with the need for extensive reclamation of land for urban development to make it difficult to acquire developable land. This situation led to extensive central and municipal government influence over land release and land development.²¹ In the growth period after 1945, the strong political emphasis given to the chronic housing shortage had the effect that much of the overall orientation and development of land policy was directly linked to ensuring an adequate supply of affordable housing (Terhorst and van der Ven, 1997).

There is a substantial body of research, either of a local or a comparative nature, showing that the Dutch land management system has had a number of direct social benefits. First, and perhaps of most importance to the provision of affordable housing, it is said to have helped to stabilise property prices and to have reduced the extent of private speculation and profit taking that has characterised rapid urbanisation in other countries, including Australia (Hallett, 1988; Needham *et al.*, 1993; Badcock, 1994; Needham and Verhage, 1998b).

Needham and Verhage (1998a) link this outcome to the local policy model. They argue there has been a plentiful supply of land for housing because land and housing supply levels have been set by governments in accord with assessed need, rather than through market processes. This approach has meant there has been little scope for development gain and speculative profit. They use the same argument to demonstrate why the

dominant role of municipalities in land development has not been contested, until recently (see chapter 5).²² Developers cannot extract development gains when there is plentiful land supply, linked to economic development opportunities, and a large government-subsidised housing sector or, from their perspective, a relatively low proportion of profitable market housing.

Second, the Dutch institutional arrangements have enabled a direct link to be established between national and local plans for urban development and the development itself. By controlling the release of land, municipalities have determined the location, staging and rate of new urban development (Priemus, 1998c).

Third, municipalities have traditionally controlled the local allocation of subsidies for the construction of social housing. Thus, subsidised housing projects (and their promoters) have had direct priority access to sites, without competition from the unsubsidised sector. This has assisted social housing by providing access to good quality locations (de Kam, 1998).

Fourth, municipalities have been able to cross-subsidise the cost of land for social housing (and other public uses) through their role in setting the price for other land uses (Needham *et al.*, 1993).²³ Because municipalities had the direct power to determine plot prices they could opt for higher densities at some sites and recoup their development costs (and make profits, if they chose) (de Kam, 1998). This approach contrasts with a system, such as in Australia, where prior zoning of land results in the development gain from higher densities accruing directly to the (usually) private developer or to the original landowner and, as a consequence, not necessarily or readily (without a clawback mechanism) providing a public benefit.

A final outcome beneficial to the distribution of affordable housing has been that the regulated land prices displayed relatively small regional differentiation (Needham *et al.*, 1993). This situation, in conjunction with the quantity of social housing provided, is considered to have contributed to the comparatively lower level of social segregation generally found to characterise the Netherlands (de Kam, 1998).

4.4.2 *Spatial planning policy in the Netherlands*

The development and outcomes of postwar housing policy also have to be examined in the context of shifts in national and regional planning policy for accommodating urban growth.

Planning policy evolved from a local to a regional to a national focus over the first half of the 20th century in the Netherlands. The first national report on spatial planning (*Nota inzake de Ruimtelijke Ordening*) was released in 1960 and focused on achieving balanced development and a more even distribution of population between the West and the rest of the (less densely populated) country. The second report was released in 1966²⁴ and tried to operationalise this aim through the specific concept of clustered dispersion. Under this policy, the government identified selected growth centres in municipalities throughout the country as well as growth cities in undeveloped areas to absorb the bulk of predicted growth (Needham *et al.*, 1993).

In accord with the planning policy and informed by population projections that later proved to be excessive, central and municipal government supported a period of significant residential development during which major new areas in the old cities were built and several new towns were established. In keeping with government policy that controlled the housing supply and housing standards, much of the residential development in this period took the form of high density social housing, using innovative building techniques and standardised designs.

The third national planning policy, released in 1973, continued the growth centres and cities plan but placed more emphasis on stemming suburbanisation and on neighbourhood development, based around low rise row housing. The importance of the economic and social future of the inner cities was also recognised through funding for urban renewal to preserve the quality of life in the older areas of the cities, which were losing population (and associated fiscal benefits) to the new towns, especially through the exit of middle income home buyers (Dieleman and van Engelsdorp Gastelaars, 1992; Jobse and Musterd, 1992). The distinctive relationship that developed from the 1970s between urban renewal and the provision of affordable housing in the Netherlands is considered in the next chapter.

4.4.3 Urban policy influences in Australia after 1945

While Australia is one of the least densely populated countries, it is one of the most highly urbanised. Most people live on the narrow coastal fringe of the continent, especially along the eastern, southern and southwestern seaboard. The scope of government involvement in land policy and urban planning has been more limited and more variable than in the Netherlands. Consequently, the impact on the housing system is less apparent and less pervasive. The following section provides a broad account of why the Australian planning system developed as it did and some more detailed analysis of aspects that are connected more closely to the recent history of housing provision.

Within the Australian model of federated government, all levels of government are directly and indirectly involved in urban development but planning policy is formally and principally a state responsibility. States in turn can devolve their responsibilities to local municipalities. The delineation of roles has led to a lack of national focus in planning and has hindered the development of (interstate) regional planning policy. Within states, planning policy has also tended to be city, rather than regionally, focused because of the dominance of the capital cities in each state (Stilwell, 1980). The focus at the municipal level has been restricted mainly to local area planning within state guidelines and to regulating the development approval and building process.

Early attempts to circumscribe metropolitan growth in Australia²⁵ did not foreshadow the extent of population growth and the pace and spread of suburbanisation. As population pressures mounted, both private and public agencies (especially the newly established housing authorities) drove development beyond the areas envisaged in the city plans. Effectively, this resulted in market forces shaping the footprint of suburbanisation and led to the entrenchment of an essentially passive or responsive planning model - one that evolved in conjunction with suburban growth rather than one that controlled or directed it. Accordingly, it is generally considered that it was during the expanding postwar period

that the regime of the private sector as initiator of development and the public sector as facilitator became embedded as the institutional model driving the pattern of residential development in Australia (Neutze, 1981; Berry, 1988; Burke *et al.*, 1990; Alexander, 2000).²⁶

As already discussed, market forces (enabled by government) were very successful in producing an adequate supply of new housing in most of the period being considered in this chapter. Across the 1950s and 1960s, the total growth of new dwellings (publicly and privately initiated) outstripped household formation rates, while housing cost increases were generally lower than earnings growth for most of the period (Neutze, 1981).

Two aspects of the way that urban planning impacted on housing development in Australia over the period stand out from the situation in the Netherlands. First, the dominance of private development and the associated strength of the private development industry made clawback and redistribution of development gains more difficult. While developers were required to meet prescribed standards of infrastructure provision, such provision often lagged well behind development. There is some debate about whether developers or consumers bore infrastructure costs over the period when land supply was plentiful (see Neutze, 1981). However, Frost and Dingle (1995) consider that overall a relatively high share of suburban infrastructure development was funded from taxation revenue or from public sector borrowing in Australia compared to North America, where a similar development model prevailed. Ultimately, these benefits were capitalised into house prices (Kirwan, 1991).

Second, social housing agencies did not receive direct benefits from the planning system to support their housing operations and were forced to compete for developable land in the market. This situation encouraged them to acquire 'greenfield' sites and to act as their own developer. The relative advantage of that option, conferred by the Australian urban planning context, helps explain the predominance of the provision of social housing in large estates in the 1960s and 1970s. Subsequently, as urban boundaries were contained and as the segregation and alienation that resulted from living in distant, and often under-serviced, urban fringe locations became more apparent, state housing agencies were forced to change their procurement plans to focus more on established areas with strong service provision. From then on, the reliance on obtaining sites in the market and seeking local planning permission from municipal agencies, which by and large have no explicit housing policy frame of reference, hindered the development and acceptance of public housing and alternative social housing models in Australia.

Overall, in these and other aspects of urban development, it seems to have been the overwhelming focus on detached suburban housing for the Australian 'dream' of home ownership that simultaneously gave developers their power, constrained regulatory bodies and stifled policy innovation that may otherwise have enabled a wider mix and balance of housing options. How market power and intergovernmental tensions constrained the supply of medium and higher density housing options in Australia, with ensuing impacts on low cost provision, is discussed next.

4.4.4 *Housing density in Australia*

Housing development throughout most of Australia's (post 1788) history has been characterised by relatively low density development in urban and regional centres. Apart from a brief period in the 1920s, multi-unit construction had been minimal until the 1960s. By the 1950s, a strong pattern of spreading cities of detached housing had been established. This type of housing enabled individual home ownership and the policies increasingly favouring home ownership reinforced the trend. Finance was cheaper for owner occupiers than for landlords; land on the fringe was cheaper than in the established parts of the cities; the older, higher density 19th century inner city areas had become undesirable and the advent of the motorcar had facilitated rapid postwar suburbanisation while, as discussed above, planning policies failed to contain urban sprawl. Thus, the first period of significant flat building did not occur until the early 1960s.

In buoyant times, a 'flat boom' ensued. Multi-unit dwellings accounted for around 4 per cent of new dwelling commencements nationally in the 1950s. By 1963, the proportion had reached 20 per cent. It peaked in 1969 at 33 per cent nationally, with most of the development occurring in the major cities (Milligan, 1983; Foster and Stewart, 1991).²⁷ However, much of the construction of this period was of a poor appearance and standard, prompting calls for greater control over residential flat building. After the economic downturn of the mid 1970s, multi-unit production fell back to less than one fifth of the supply, giving local councils the opportunity to review their development control policies. Strong resident opposition to higher density redevelopment influenced councils to contain such development to specified areas and to raise design and building standards. The instrument used to achieve density control was prescriptive local area zoning that either excluded or enabled development above a specified density.

The widespread municipal focus on containing higher density development, in turn, seeded an ongoing battle over density control between, on the one hand, state planning agencies seeking to reduce infrastructure costs and contain urban sprawl and, on the other, local agencies reflecting the preference of existing residents to retain traditional residential densities. The consequence of relevance to this comparative study is that, unlike in the Netherlands, local municipalities and social housing providers have not generally had the discretion to vary site densities to achieve more cost effective housing outcomes.²⁸ Moreover, the restriction on up scaling of density has resulted in an escalation of land values in the limited areas where higher density development is permitted. As this has typically been in well located inner city areas of run down amenity that had lower cost housing, the net result has been a substantial loss of existing low cost housing with no replacement occurring in the same sub-market through either private or public investment (Badcock, 1995b).

4.4.5 *A note on Commonwealth involvement in urban policy in Australia*

The general overview given above of the housing-related aspects of urban policy development across Australia has highlighted systemic differences to the Netherlands. Another strong difference has been a lack of national focus on the development of the major cities and regions. As mentioned earlier, throughout the period there has been poor coordination and linkage between national matters, such as economic policy and the

provision of major transport infrastructure, and urban and regional growth plans developed by state governments in Australia (Stilwell, 1980; Gleeson, 2001).

The Commonwealth Housing Commission report of 1945 in fact envisaged a national role in urban and regional planning and land nationalisation that, unlike in the Netherlands, never materialised (Orchard, 1999). The reasons for the initial lack of development of a national urban and regional policy agenda have been attributed to a series of factors: commencing with the immediate priority demands of the postwar environment to address the housing shortage; the debate around Commonwealth and State roles; improving economic circumstances that reduced the clamour for social reform and, lastly, the incoming conservative government's ideology that was centred on private enterprise and individual freedom (*ibid.*). After that time, periodic interventions by national Labor governments to promote a more integrated approach to urban and regional planning (in 1972 and, again, in the early 1990s) have been short-lived and largely ineffectual.

In the period to 1980, the only notable intervention occurred under the national Labor government of 1972 to 1975, when a federal Department of Urban and Regional Development (DURD) was established with an explicit national urban management charter for the first time in Australia's history. Key roles included coordination of Commonwealth urban investment activities, regional planning and decentralisation initiatives and addressing locational disadvantage in both inner and fringe urban areas (Orchard, 1995). After a contentious period of operation and following the dismissal of the Labor government in 1975,²⁹ the incoming conservative government abolished DURD. The move was celebrated at a state level for restoring their independence from Commonwealth interference in urban planning matters (*ibid.*).

The brief life of DURD meant that most of its impacts were limited and quickly dissipated. It did pursue two particular housing-related initiatives that are notable for this study because they were atypical in the Australian policy context and more in keeping with the Dutch model. The first involved the protection of two suburbs of privately owned low cost housing - one in Sydney (Glebe) and one in Melbourne (Emerald Hill) - that otherwise were likely to be gentrified (Lloyd and Troy, 1981). These precincts remain in public housing today while, as anticipated at the time, their surrounding areas are now almost devoid of low cost rental stock. By contrast, protection of low rent stock has been widespread in the Netherlands.

The second initiative involved funding advances to the states to enable them to set up government land agencies to acquire land banks that could be used counter cyclically to help stabilise land prices and to stem the rampant land speculation of the early 1970s (Troy, 1978; Daly, 1982). At their peak in the 1970s, the scale of operation of the agencies that were established has been estimated at about 10 to 15 per cent of development (higher in the relatively small state of South Australia) (Bramley, 1997).³⁰ They have been found to have had only a small impact on housing affordability on the urban fringe and, unlike the municipalities in the Netherlands, they did not impact on the price of land for the social housing sector, except in a few early developments (*ibid.*). Land commissions survive today in different forms in four states, operating as commercial development agencies within government. While they have achieved strong

profits from land retailing for the public sector, these profits have not, in the main, been directed to improving housing affordability outcomes.

4.4.6 Overview of the relationship between urban policies and housing

The discussion above has highlighted differences in the underlying philosophy, institutional arrangements and social relations of the planning system that evolved in the postwar environment of high housing need and rapid urban growth in the two case studies. Given the central interest of this study in housing affordability trends, particular attention has been given to the impact of urban planning strategies on the level and form of housing supply that may have influenced affordability over the longer term. It can be concluded that, in the context of a positive economic environment that supported strong investment by government or private agencies, the approaches of Australia and the Netherlands to the management of urban development were broadly effective in dramatically increasing the supply of housing. However, as subsequent chapters will demonstrate, differences in the location, type and tenure of housing that were brought about by the respective public and private systems of provision have contributed to long-term differences in housing choices, affordability and rights of low income households in the two countries.

By the end of the 1970s, urban policy in Australia had become largely subservient to market forces and the nexus between housing policy, especially for the social housing sector, and planning policy was weak and undeveloped. Housing for home ownership dominated the system of provision, reaching a plateau of about 70 per cent from the 1960s (figure 4.4). In the Netherlands, public control of the urban development system remained pervasive, despite escalating rhetoric about reducing government's role. Land, planning and housing policies entwined closely to procure and protect a large and well-distributed supply of low rent housing.

The discussion so far has concentrated on government strategies to increase the supply and range of housing in response to urban growth pressures and housing needs in each country. The remainder of this chapter is concerned with interventions elsewhere in the provision system, which may also help to account for similarities or differences in affordability trends and outcomes for low income households in the two case studies.

4.5 The policy approach to the financing of housing investment

Chapter 3 showed why different means of financing housing are a determinant of the way in which the high cost of housing is paid for and, consequently, its affordability in relation to income. In particular, financing mechanisms that have enabled individual home purchase by wage-earning households have been critical to the size and rate of development of the home ownership sector. The policies of each country that have affected the availability and cost of finance for housing to individual occupiers will now be compared. A brief reference to differences in the national taxation regimes affecting housing owners, whether owner-occupiers or rental investors, is also included.³¹

4.5.1 *Australia's approach to the provision of finance for housing*

Policies that supported mortgage financing and household savings for housing both assisted and reinforced the growth of individual home ownership in Australia from a comparatively early stage. A specialised housing finance industry developed late in the 19th century and lending by state owned institutions to home buyers grew strongly from the first decade of the next century (Dalton, 1999). From the 1950s, a range of measures were either enhanced or introduced to maximise the take-up of housing loans for home purchase. Direct government lending (notably war service loans and state-based schemes commenced in earlier decades) represented 20 per cent of the housing loans outstanding in Australia in 1945. By 1965, this had risen to 34 per cent of what was then a much larger pool of loans. By 1972, with the continuing expansion of home lending, the publicly funded share fell back again to 22 per cent (Hill, 1974, p. 334).

In addition to direct lending, the government established a positive regulatory environment to direct capital to housing and to improve loan affordability. The initial measure introduced in 1945 was the requirement for savings banks to lend a proportion of their deposited funds for housing for owner-occupiers at below market interest rates. Over the period from 1945 to 1972, savings bank lending grew from 17 per cent of the total loans outstanding to 31 per cent and became the single largest institutional source of home finance (*ibid.*). The total value of the interest rate regulation over the period is not known.

In the early 1960s (in the context of a credit squeeze and a pre-election environment), industry and financial groups lobbied successfully for the introduction of both mortgage insurance and a home savings grant scheme (Dalton, 1999). The former aimed to reduce risk and enabled lenders to increase loan to valuation ratios, which (in turn) had the effect that many borrowers did not need to raise additional (usually more expensive) finance to supplement their first mortgage. The latter mentioned scheme complemented that measure by encouraging intending home buyers to save a home deposit by matching their savings with a government grant. By 1985, the first homeowners' scheme and its successor (after 1976) grew to become 18 per cent of Commonwealth budget outlays and 2 per cent of total direct and indirect expenditures (Flood and Yates, 1987, table 1.1, p. 10).

Finally, the application of around 30 per cent of annual CSHA funds (that, before 1956, had been applied to the construction of new rental housing) to mortgage lending provided a cheap source of housing finance for low income households who were not being assisted through existing finance market sources. The lending was strongly oriented to new housing construction, thereby demonstrating another indirect means by which Australian governments stimulated a much higher level of new housing supply than is evident from measuring subsidised production activity.

The institutional arrangements for this program were themselves influential in reinforcing and entrenching the emerging directions in housing policy over the period. Loans had to be provided either through specialised not-for-profit retail institutions (known as terminating building societies³²) or, in some states, through state-owned banks. The building society organisational model can be interpreted as the institutional

equivalent of housing associations in the Netherlands - specialised, mutually organised, localised, not-for-profit housing agencies formed to deliver a particular subsidised housing product. These agencies were very powerful at a local level in terms of who got access to subsidised finance (Jones, 1983). The sector was also forcible at a policy level where, along with industry groups, the building societies adopted a pro home ownership position in the ongoing debate about subsidising home ownership or public housing in Australia (Dalton, 1999). In a comparable way (as described elsewhere), Dutch housing associations played a key role in 'protecting' their core business, namely social rental housing.

In the tax arena, a home loan interest tax deductibility scheme for low income owners was introduced in 1974 but was then limited to first home buyers for a maximum of five years in 1976 (Pratt, 1982). Another version was introduced in 1982 but, again, it was short lived. Therefore, in contrast to the Netherlands (see below), a tax provision to offset the cost of housing finance has not been a feature of the growth of home ownership in Australia. Rather, relatively high wages and a generally lower income tax regime have underpinned the expansion of the tenure. Home owners have benefited from the non-taxation of imputed rent (except for the period from 1916 to 1923) and have never paid tax on the capital gains acquired from their housing (Bourassa *et al.*, 1995). Accordingly, the benefits of long-term inflation have accrued to many individual home owners in Australia.³³ As discussed further in the next chapter, the impact of the local tax regime on housing market dynamics became more significant after the national government introduced a capital gains tax for capital assets other than the family home (but including private rental housing) in 1985.

4.5.2 *The Netherlands' approach to the provision of finance for housing*

While there was some early interest in the construction of housing for home ownership (discussed previously), the development and regulation of a mortgage finance sector to enable large scale home purchase did not form a significant part of government strategy in the Netherlands after 1945. Until the 1970s, a small and largely unregulated role in housing finance was played by private savings banks and (largely) rurally based cooperative banks that provided long-term fixed interest products, at a relatively high cost. Linked to the predominance of subsidies for rental housing, the main sources of funds for housing investment were the pension funds and insurance schemes plus government loans to the not-for-profit sector (Martens, 1988a).

To support the accessibility of home ownership to lower income households, a government guarantee scheme for new construction, jointly funded by central and municipal government, was introduced in 1956, nine years before the comparable scheme in Australia. Martens (*ibid.*) considers that, in the conservative lending context of the time, the simple and relatively unlimited operation of the Dutch guarantee system was especially important to the attraction of funds for mortgage lending, particularly at the lower end of the market, because of the absence of other specialised structures. However, unlike in Australia, coverage did not apply to existing dwellings until 1973.

The tax environment for housing in the home ownership sector also differed from Australia. Owner occupiers pay an imputed rent tax and they receive tax relief for their

mortgage interest costs.³⁴ In principle, that approach should mean that home ownership is not advantaged in terms of wealth creation over other forms of housing (and non-housing) capital investment.

In practice, only a very low proportion of housing value was used to calculate the imputed rent tax historically, although the rate has been increased gradually since the 1980s (Haffner, 2002). At the same time, the generous tax provisions for mortgage interest rate deductibility have encouraged Dutch home buyers to maximise their tax benefit. (Papa, 1992 provides more detail.) The relatively steep marginal rate of taxation in the Netherlands has had the effect that higher income earners have benefited most from these arrangements.

A shortage of market finance for mortgages does not explain the lack of take-off in home ownership. The Netherlands is a capital rich country, partly as a legacy of its earlier prosperity in the mercantile capitalist period. More particularly, the fiscal benefit of mortgage interest rate tax deductibility, the government guarantee and construction subsidies for home buyers have together provided strong financial incentives for lower income and first time borrowers.

Reflecting on the analysis so far, it seems that pre-existing housing conditions, policy choices and institutional influences (more than market failure) militated against the rapid growth of home ownership in the Netherlands at this time. In particular, the policy of national and city governments to provide high levels of social rental housing and, connectedly, the widespread acceptance of renting among Dutch households resulted in there being less stimulus towards home ownership. By contrast, in Australia the growth of home ownership was driven by the established preference for, and experience of, that tenure, coupled with policy choices in its favour, including the sale of social rental housing. In both cases, institutional structures that grew up around the predominant approach reinforced the chosen path.

4.6 The regulatory framework for the delivery of housing services

As explained in chapter 3, state intervention also directly affects the way in which housing is consumed. This section covers core aspects of the regulatory framework - namely, rules of allocation, rent setting and tenancy rights - that influence the housing that can be obtained by low income households.

4.6.1 Regulation of housing access in the Netherlands

From a comparative perspective, distribution has been one of the most regulated aspects of Dutch housing. The residential permit system epitomises a critical part of the complex system of housing regulations that have substantially suppressed market forces over almost the whole period under review in this chapter.

In 1947, the Housing Allocation Act (*Woonruimtetwet*) codified existing arrangements for residence permits that had been introduced under wartime conditions to enable a fair distribution of scarce accommodation. The persistence of the housing shortage had the effect that, despite its intended temporary nature when introduced, the permit system remained in operation until the period of gradual housing deregulation in the latter part of

the 1960s. Even after deregulation, controls were periodically re-established in several regions (van Weesep, 1981).

There was considerable diversity between municipalities in their administration of the act which has been summed up as follows: “In general the rental sector is more controlled than the owner occupied sector; newly completed units are more controlled than existing stock and housing built by the housing societies is more closely controlled than privately owned units...More populous municipalities have a more active involvement than do smaller communities” (Nauta, quoted in van Weesep (1981, p. 59)).

Controls were implemented that determined which households were eligible for accommodation within the municipality (registrations) and the priority with which registered households were allocated dwellings. In the main, municipalities set the priorities for allocation. Prominent criteria used for determining priorities at the local level included age, household composition, residency, economic and social ties to the municipality, waiting time, medical grounds and a range of stock management reasons (such as to free up low cost stock³⁵ or stock required for urban renewal or to relieve overcrowding). An analysis of policies across municipalities in 1979 indicates that a complex system of priority setting and rationing grew up under the permit system using multiple rules, especially in municipalities where demand pressures were greatest (van Weesep, 1981).

Local policies also reflected prevailing political and community views about the role of the social housing sector. In the 1950s, social housing, like the smaller public housing sector in Australia, was oriented to working and middle class Dutch families. Young single people and people with special needs were not able to register until the 1970s. Many immigrants, such as guest workers, were also excluded at first because they did not have citizenship. Later, their priority was changed, enabling them to bring their families to the Netherlands. However, established allocation policies were often slow to respond to particular needs, such as those of recent migrants. For example, Dieleman (1993) describes the process whereby, in the late 1970s, community activists and academics helped sway allocation policies in favour of immigrants in Amsterdam.

4.6.2 Regulation of access to housing in Australia

The formalised and extensive nature of the regulation of access to housing in the Netherlands (described above) has not been paralleled in Australian housing policy because the vast majority of housing has been allocated through largely unregulated market mechanisms.

Even within the subsidised system, there was, at first, no specific restriction on who should be provided housing, although the broad groups considered to be in need were identified, as illustrated earlier. When home ownership schemes were introduced in 1956, there was again no prescribed target group, although the initiative was generally expected to attract those people who had solid employment prospects but could not obtain market finance. At first, therefore, allocations of vacancies or loans were made mostly on a ‘first come, first served’ basis. Where demand exceeded availability, a chronological waiting list was established.

In the 1950s and 1960s, more formal means-testing and prioritisation of rental allocations by urgency or type of need began to appear at the state level in most jurisdictions, as the supply of new dwellings for rental was diverted to home ownership.³⁶ By the 1970s, restrictive eligibility had emerged as a significant national policy direction. In the 1973 CSHA (negotiated by the first Labor government after 1949), the emotive term ‘welfare housing’ was introduced into the agreement to signify the Commonwealth’s expectation that states would shift their focus away from providing housing for general use towards provided housing for the most needy and disadvantaged. The initial Commonwealth proposal to secure this shift in emphasis was opposed by the states, as much on grounds of the incursion on their sovereignty as on the substance of the policy changes (Monro, 1998). Thus, while the agreement reached finally was not as radical as had first been envisaged, it did establish the foundations from which a policy of strict targeting of public housing assistance was built over the next two decades. As later chapters will show, the increasingly restricted access to public housing, coupled with limited amounts of housing assistance in other forms, has contributed to significant affordability problems for households of limited means who rely on the private rental market or struggle to buy their homes.

As in the Netherlands, there were also implicit barriers to gaining access to housing assistance. The most significant of these arose through procurement programs whereby housing authorities persisted with standardised capital works programs that were not responsive to changing community needs.³⁷ For example, in most jurisdictions no housing was built for single people below 55 years of age until the 1980s,³⁸ so the growing numbers in this population group were not able to achieve an allocation. Similarly, in towns without public housing, waiting lists were not established and, accordingly, eligible people could not apply.

Differences in the regulation of access to housing in these two cases reflect fundamental differences in the functioning of market and administrative systems of provision. In the absence of market mechanisms in the Netherlands, a complex and extensive system of administrative rules developed, affecting high and low income households alike. In keeping with its market-based model, regulations in Australia were generally much looser but the limited amount of subsidised housing meant that restrictions on access to that housing were augmented over time, as need grew relative to availability. These restrictions assisted designated lower income groups but they had broader implications for the long-term viability and image of the social housing sector, which are drawn out later in this study. In the Netherlands, the limited choice of housing tenure increased demand pressures on the social housing system, and housing remained a high profile public issue.

4.6.3 Rent regulation and rent setting in the Netherlands

Alongside the subsidisation of new construction, the public management of land development and the residential permit system, the fourth mainstay of public intervention in the housing system in the Netherlands was the regulation of rents.

It was noted above that the initial provision of production subsidies after 1945 was directed specifically at the housing shortage of the time. However, the postwar rent

policy originated outside the housing system itself in the broader context of restoring economic growth in the Netherlands, in part by maintaining strict controls on wages and prices. To underpin this approach, rents were kept at prewar levels until 1955 (Harloe, 1995).

From then on, rents for all new construction were set by balancing costs, subsidy levels and affordability considerations for tenants. The dwelling appraisal system (*Woonwaarderingssysteem*) was also introduced as a means of adjusting rents for existing dwellings to better reflect quality factors, such as floor space, facilities and the living environment (van Weesep, 1981). As a result, rents began to be differentiated by amenity, rather than being differentiated by the age of each project, as had previously been the case.

New dwellings were supposed to be brought within the quality appraisal system after five years. This meant that the costs of new and existing dwellings had to be kept in a close relationship so that any rent adjustment after five years was acceptable both to the tenant and to the provider. Implicitly, therefore, the system operated to dampen the potential for escalations in the standard of new housing.

After 1955, rent increases for public and private providers alike were set on an annual basis by the central government. Determining the allowable increase was a major political issue. The trade unions and diverse political forces within the cabinet regularly forged political compromises to curtail the increase (Lawson, 1999). For this and other reasons (such as rising costs), rents continued to remain below costs and, consequently, private investment was discouraged. In turn, this contributed to the dependency on construction subsidies as a means of stimulating housing supply (already discussed) and it helps to explain why the private rental market shrank more quickly in the Netherlands than in many other countries (Harloe, 1985).

To close the gap that grew between prices for older and newer dwellings, from 1971, rents for existing dwellings of good quality could be increased more than the annual allowance. This became known as the rent harmonisation policy.

As rent control was moderated gradually, the alignment between rent levels and the income (and, thus, capacity to pay) of occupants became an emerging policy issue. Two aspects of the prevailing situation were brought into question - that of higher income households who were occupying low cost dwellings and that of lower income households who were facing rent increases they could not afford. After 1980 (in the context of ongoing concern about the continuing need for construction subsidies), the housing policy focus shifted to consideration of the extent of the 'mismatch' between households' capacity to pay and their housing costs, as discussed further in chapter 5. Prior to that, however, regular rent increases and rising costs both required and enabled the introduction of an individual rent subsidy policy in the late 1960s, as set out in section 4.7.

4.6.4 *Rent regulation and rent setting in Australia*

During and immediately after the Second World War, approaches to the regulation of the rental sector in Australia were similar (in effect) to those in the Netherlands. In keeping with the generally passive nature of much of the housing policy environment in Australia from the 1950s, they then diverged.

Rent control was introduced nationally in 1940 as a temporary measure to keep rents static under wartime conditions. After 1948, when a referendum to give the Commonwealth government permanent power in this area failed, responsibility for rent regulation was handed back to the states (Albon, 1980). Subsequently, the history of regulation in Australia reflects a diversity of approaches and timing.

One trend common across the states in the 1950s involved gradual, or creeping, 'decontrol' - for example, by releasing new lettings and dwellings vacated from rent protection. However, several jurisdictions left rent control legislation on their books and allowed the extent of protection to decline 'naturally' because of its role in providing low income housing without the need for further state subsidies (Nelson, 1980). This left a legacy of protected tenancies in the private sector and, despite their small number,³⁹ contributed to a climate of resistance to regulation among property owners and professionals in the real estate industry. That legacy, along with the high level of home ownership and the poorer socio-economic status of the average private tenant, is considered to have contributed to the contentiousness and resultant political difficulty that has characterised any proposals to enhance tenancy rights in Australia (see below) (Bradbrook, 2001).

In the public sector, rent setting under the initial CSHA was comparable with that of the Netherlands. Rents were established on a historic cost basis by project or, in the case of South Australia, pooled across the stock.⁴⁰ In the 1945 agreement, provision was also made for rents to be reduced (or rebated) for those unable to reasonably afford the asking rent to 20 per cent of income - a lesser percentage applied for those whose income was below the basic wage and a higher percentage for those whose income was above that level. It was this guideline (specified only in the 1945 CSHA) that gave rise to the unofficial benchmark of public housing rent being 'no more than 20 per cent of tenant income' that prevailed in Australia until the second half of the 1990s (Burke and Ralston, 2003).

Under the 1945 CSHA, the cost of rental losses was shared between the states (40 per cent) and the Commonwealth (60 per cent), subject to the states agreeing to increase their rents in line with operating cost rises (Pugh, 1976). However, the Commonwealth discontinued its contribution to operating losses in the 1956 CSHA for houses added after that time. This withdrawal of explicit Commonwealth support for lower rents for low income households contributed to different approaches to allocations and to the granting and financing of rebates that emerged across the state jurisdictions. Despite several later attempts by the Commonwealth to re-establish uniformity in rent policy, differences have persisted.

The lack of prescribed funding for rental rebates (in effect, subsidies to individual households) has had major consequences for the capacity and operation of public housing in Australia. State housing authorities have never operated on a sustainable, or on a commercially sound and independent, financial basis. For example, provision for long-term asset management was not made in the original cost rent formula. Consequently, as the stock of public housing aged, provision for upgrading had to be drawn from capital funds that would otherwise have been allocated to new housing (Industry Commission, 1993). In some states, the failure to offset rent losses led to the proceeds of house sales being used to pay for the cost of rebates, thereby diminishing the supply of housing (Monro, 1998). States also tended to limit their maintenance outlays on the basis of their cash position. That approach has increased their long-term liabilities. The situation also drove a general reluctance to increase allocations to low income people and a continuing preference for home ownership schemes. In the state of Victoria, another response was the emphasis given to high rise building (uncharacteristic of Australian cities) because, among other reasons, it was perceived to be a lower cost construction option (Howe, 1988).⁴¹

By the 1970s, significant pressures to change public housing rent policy had built up in Australia and two major public inquiries that helped to shape the policy direction that was taken from then on were held. The first of these was an inquiry into poverty, which was established by the national conservative government in 1972. The inquiry report, released three years later, included a wide range of criticisms of government housing policy and programs. However, the main impact of the inquiry arose from its exposure of the fact that state housing authorities were not housing the most disadvantaged. The inquiry found that households with incomes above 120 per cent of a 'Commission defined' poverty line (see appendix D) occupied 72 per cent of public housing dwellings and that more people 'in poverty' lived outside of public housing, mostly in the private rental market, than in it. The report recommended, *inter alia*, that historic rents and rental rebates be replaced by market rents and that provision be made through the payment of a housing benefit (under the income support system) to enable low income households to continue to afford their rent. Importantly, in the context of the shift to the welfare housing ideology that was occurring at the same time (see above), the Commission also considered that higher income households⁴² should not be discouraged from remaining in public housing to help offset what it identified as a growing stigma associated with homogeneous estates and high density complexes (Henderson, 1975).

The second inquiry (by a public service 'think tank') was commissioned by the national Labor government. Although there were differences in emphasis, the report of that inquiry largely reinforced the conclusions and the recommendations of the poverty inquiry (Priorities Review Staff, 1975).

In 1976, the next conservative government announced an experiment in housing vouchers in response to the principal exhortation of those inquiries that a shift in the focus of housing assistance from dwellings to individuals was needed. However, the scheme never commenced, apparently because of the need to rein in public expenditure at the time it was due to be introduced (Monro, 1998). The major consequence was that Australia did not experience the same extent of adjustment in its housing policy in favour of the payment of housing allowances to individuals as that which occurred fairly

consistently across the remainder of the Western world in the 1970s. Instead the requirement for states to move to market rents⁴³ in public housing was introduced in the 1978 CSHA, with the expectation that an implicit rebate to an affordable rent would be maintained by the states for low income households. There was, however, no accompanying new housing payment, despite this having been recommended consistently by the foregoing inquiries.

The failure to introduce cash payments or vouchers for all tenants at this time meant that the responsibility for ensuring that public rents were affordable continued to fall primarily on the states (who were forced to retain their rent rebate systems) and not on the national government, which had constitutional responsibility for income support. Differences in affordability in the public and private rental housing sectors (shown in chapter 6) can be directly attributed to the confused and inconsistent arrangements that were made across two levels of government for subsidising the housing costs of low income public and private tenants.

The emphasis on means-testing entrants that had been introduced in 1973, the disincentive effect of market rents for higher income tenants and changing patterns of housing need⁴⁴ combined to shift the character of public housing progressively towards a welfare model in Australia from the mid 1970s. This transition gained momentum in the 1980s, as the next chapter will demonstrate. One measure of the extent and pace of 'welfarisation' that occurred from this time is given by data on the changing number of public housing tenants who were receiving a rental rebate (that is, who were paying an income-related rent).⁴⁵ This group of tenants rose from 20 per cent in 1976 to 65 per cent in 1985. By that year, an estimated 90 per cent of new tenants that were allocated housing were entitled to a rent rebate (Harmer, 1986).

4.6.5 *Tenancy rights*

Tenancy protection standards determine the extent to which rental households have security and control over their housing circumstances and protection from arbitrary loss of their home. Differences in national provisions in this area can help to explain differences in housing outcomes, especially for low income households whose housing is more vulnerable when personal circumstances change.

The position of tenants under landlord/tenant law is relatively strong in the Netherlands when compared to Australia (see below). Tenancy agreements are valid for an indefinite period and there are very restricted grounds for termination: principally, serious breaches, occupancy required by the landlord (a 3 year wait applies) and refusal of a reasonable rent adjustment (Priemus, 1992). This, coupled with the social responsibilities of the dominant not-for-profit sector, has meant that changes in the personal circumstances of tenants have tended not to undermine their housing security or their rights to continuing occupancy (*Nederlandse Woonbond*, personal communication). In de Feijter's view (1995), the legal process in the Netherlands operates to delay and prevent eviction as far as possible.

Australian tenancy protection laws are well below international standards of best practice (T. Burke, 1998). In comparison to the Netherlands, three areas of difference stand out.

First, there is no provision in most Australian legislation for security of tenure in the public or private rental sectors.⁴⁶ After a given notice period and following a process laid down in the law, a tenant can be asked to leave without cause.⁴⁷ Second, apart from the diminishing stock that was subject to rent control in the past, the government has been involved in rent setting determinations only for the small public housing sector, rather than for public and privately owned low rent stock. Third, and more generally, there has not been a consistent approach to the rights of tenants across sectors and jurisdictions.

4.7 Income support for housing

The housing costs of low income households emerged as a specific policy issue in both countries in the 1970s in circumstances where housing standards were rising, rent differentiation policies were being introduced and rent regulation had lost favour, although to a different extent in each country. Differences in affordability for low income renters today (to be presented later) can be traced back to the way in which the policy response to this issue was forged in each country.

4.7.1 The Australian model of rent assistance

A previous section outlined why Australia did not follow international trends in the 1970s to broaden the scope of income support to include a housing benefit. However, much earlier (in 1958) the national government had departed from its general approach to income support by introducing an additional, small ('supplementary') flat rate payment to single aged and invalid pensioners and widows who had no other income source and who were paying rent above a certain level in the public or private sectors.

The supplementary approach was chosen because it did not entail a general increase in the pension rate but recognised the relatively high housing costs faced by single pensioners who were renting (Kewley, 1973). After its introduction, the payment was gradually increased and expanded in coverage. It remained, however, as a flat rate payment paid above a minimum rent level and tightly means tested. By 1982, about 500,000 pensioners, supporting parents and sickness beneficiaries were receiving it (Paris, 1984).⁴⁸ Issues of concern raised about the policy at that time included that: it was not geared directly to housing costs, it was considered austere in relation to rent levels and that it had not been extended to single unemployed people, who were increasing in number (Jones, 1983).⁴⁹

In a significant policy departure in 1982, new entrants to public housing became ineligible for the payment on the grounds that rental rebates provided adequate relief (Field, 1983). In effect, this decision, like the previous failure to implement all of the rent-related recommendations of the poverty inquiry, shifted to the states the responsibility for assisting a specific group of social security clients to meet their housing costs. The decision further embedded a dual policy approach to affordability for low income households in the public and private rental sectors in Australia. Research (using 1976 census data) showed that "approximately 86 per cent of private renting pensioners were paying more than 20 per cent of their income in rent, with 62 per cent paying more than 50 per cent" (Field, 1983, p. 27). Clients of similar means paid rents no greater than 20 per cent of their income in the public system at the time.

4.7.2 *The origins of the housing allowance in the Netherlands*

In the late 1960s, the Netherlands government also introduced a rent supplement for low income people who were living in housing where rents had increased significantly.⁵⁰ The rent supplement rebated rents for those households back to between 11 and 18 per cent of their income, depending on the level of their income (van Weesep, 1981; Priemus, 1984).⁵¹ It was intended as a temporary measure to assist households to maintain their housing where they had been adversely affected by the (policy driven) rent increases. By 1974, when a proposal to enhance the scheme was included in the government's housing white paper of that year, nearly 5 per cent of tenants were receiving the subsidy.

In July 1975, the government extended the rebate on rent to all eligible households in low cost rental housing on an ongoing basis. Thereafter, from very limited origins, the individual housing allowance scheme (*Beschikking Individuele Huursubsidie*) became a rapidly expanding feature of the Dutch system of provision.

Most aspects of the scheme introduced in 1975 have persisted until today. It covers eligible tenants living in social or private housing either in the subsidised sector or the market sector. Eligibility is related both to tenant incomes and to rent levels: tenants paying below a minimum, or above a maximum, rent and those above a certain income receive no subsidy. The payment is not individualised (unlike for public housing in Australia). Rather, a standard amount applies, based on household size and type and rent band. Calibration of the payment amount is based on achieving 'acceptable' rent to income ratios for modal income households, given prevailing rent levels.⁵² A tenant contribution to the additional rent is required above a certain rent level. A maximum payment applies but is set at a high level relative to the distribution of rents. The payment is administered by the national Ministry responsible for housing policy, not by the Ministry responsible for social security, and is treated as a housing-specific benefit, rather than as an income support measure. That arrangement has enabled close links to be maintained between this instrument and other aspects of housing policy, such as the annual determination of maximum rent increases and the level of operating subsidies provided for new supply. In effect (until recently), the latter have operated as a balancing factor by keeping rents down and reducing pressure on the expanding housing allowance system (Priemus, 1984, 1998b).

In the 1980s, dramatic growth in expenditure on individual rent subsidies occurred in both the Netherlands and Australia. Chapter 5 considers the policy and contextual factors that contributed to the rise in program outlays and to the increasingly dominant position that this mechanism has attained in the overall housing strategy of each country.

4.8 Comparative overview of the housing policy regimes for the two cases

This chapter has traced the historical development of national housing policy strategy in Australia and the Netherlands from 1945 to 1980. The type and mix of strategies adopted have been identified from an audit of the range of possible interventions across the provision system, following the approaches of Ball *et al.* (1988) and Lundqvist (1991) outlined in chapter 2. To conclude this chapter, two approaches to summing up the distinctions between the two policy models are given below. First, a comparative assessment is made of the quantum of expenditure on housing across the total policy

spectrum. Second, the different aspects of the housing policy strategy in each case are drawn together to highlight the main similarities and differences in the chosen policy paths.

4.8.1 Total expenditure on housing assistance

As discussed in chapter 2, Nesslein (1988b) suggests that the aggregate level of subsidy support provided by a nation may offer a better explanation of differences in housing outcomes than the type and mix of subsidy policy chosen. Figure 4.6 (see table E.1 for the underlying data) compares the aggregate level of expenditure on housing in the two countries at two dates at the end of the period, based on data reported in national studies that have used a broadly consistent method.

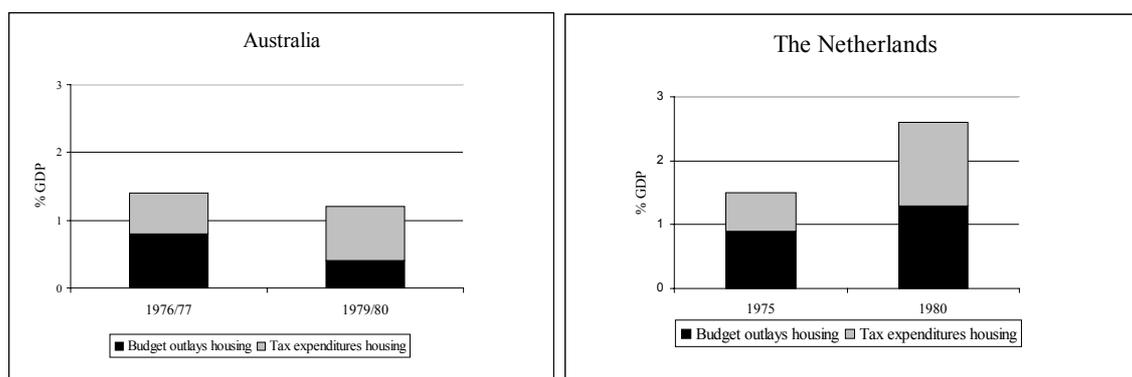


Figure 4.6 Government housing outlays as a percentage of GDP, Australia and the Netherlands, 1970s

Source: see table E.1.

In the late 1970s, direct subsidies for housing were steady or falling in Australia while direct subsidies in the Netherlands were rising substantially. Higher outlays in the Netherlands derived from both subsidies to individuals (which increased rapidly after their introduction in 1975 by 316 per cent to 1980) and property subsidies (which increased by 86 per cent over the same period) (Papa, 1992). In Australia, there was a noticeable decline in national outlays for CSHA programs - mainly public rental housing outlays and home purchase assistance for low income earners - towards the end of the period. However, this may have been offset to a small extent by state budget outlays for housing which are not included in the published data (see table E.1). From 1976 to 1981, subsidies for individuals renting privately increased by one third. The other area of growing expenditure was on assistance for first home buyers. This increased eightfold (from a low base) over the same period (Flood and Yates, 1987).

Net tax expenditures were increasing in both countries in the late 1970s but the rate of increase in the Netherlands appears (from the limited data available for comparison) to be much higher than that for Australia. This is to be expected given the generous scope and duration of mortgage interest rate tax deductibility in the Netherlands and the expansion of home ownership in that country in the 1970s.

In the mid 1970s, direct outlays exceeded tax expenditures in both cases: by about 20 per cent in Australia and around 70 per cent in the Netherlands. By the end of the decade, tax expenditures were outstripping budget expenditure by 52 per cent in Australia whereas the two were about equal in the Netherlands (table E.1). The balance between the two forms of outlays has had important distributional implications. In both countries, direct expenditures have been more heavily targeted to low income households while most tax expenditures have benefited home purchasers and home owners, the vast majority of whom are either higher income households or retired households (Flood and Yates, 1987; Papa, 1992; Priemus, 2001a).

For the latter part of the period that has been examined in this chapter, the expenditure data confirm the evidence from the policy analysis that there is a significant difference in the use of government-funded housing activity in macro-economic management in the two cases. Total public sector outlays and tax expenditures for housing as a proportion of GDP were broadly comparable in 1975: 1.4 per cent for Australia and 1.5 per cent for the Netherlands. By 1980 (when economic conditions had deteriorated significantly in both places), Dutch housing outlays and tax expenditures had grown at a faster rate than the economy and reached 2.6 per cent of GDP, while in Australia they fell to 1.2 per cent of GDP (table E.1). This suggests that housing policy played a much more significant part in economic restructuring in the Netherlands following the economic downturn of the 1970s than it did in similar circumstances in Australia.

The data do not include the subsidy value of regulation under the different regulatory regimes that have been described. However, it can be noted that regulation in the Netherlands predominantly moderated rent levels while in Australia regulation affected the level of mortgage interest rates and only became a significant cost at the end of the period when nominal interest rates were rising (Flood and Yates, 1987).⁵³

Overall, the comparison of housing budgets and tax expenditures shows that, by the end of the period, the Netherlands' spending on housing assistance was increasing and was well ahead of that of Australia, where expenditure was declining. Not surprisingly, more assistance was targeted at the rental sector in the Netherlands, and tax expenditures and budget outlays were about equal, while, in Australia, tax expenditures in the home ownership sector significantly outweighed direct expenditure across all tenures. The level and mix of housing expenditures from the 1980s is considered in the next chapter before conclusions are drawn about the longer term implications for affordability.

4.8.2 Appraisal of similarities and differences in housing policy strategy 1945-1980

This chapter has been concerned with how different the early postwar housing policies of Australia and the Netherlands were and why. While the demanding context of the early postwar environment led to strong and comparable government interventions in the housing system in the two cases at first, a divergence in policy approach and an allied evolution of strong differences in the structures of housing provision was apparent from the early 1950s.

From the 1950s, Australia moved quickly to reinforce its existing market-based system of housing provision under which new detached housing development and individual

home ownership were the dominant aspects. A high level of residential investment was enabled through: a buoyant economy that produced plentiful capital - a significant share of which was directed to the residential sector by government regulation - and strong wages growth; an abundant raw land supply for urban growth and significant public investment in urban infrastructure. Later, in the context of rising cost structures, an industry-led boom in medium density flat development for both owner occupation and private renting in the big cities sustained residential growth until the significant economic downturn, and escalating costs, that characterised the 1970s.

Across the period, the national policy effort in Australia was concentrated on the organisation and subsidisation of finance for home ownership. The directions taken by national and state governments both encouraged and materially enabled the majority of Australian households to take out mortgage finance for the construction or purchase of their home. Key elements of policy supporting this approach included price fixing relative to interest rates, volume government lending, subsidised loan products (and other assistance measures for selected low and moderate income households), the sale of a significant proportion of public housing and a state-owned mortgage guarantee instrumentality. This was also the era when, through the rapid expansion of home ownership at a time of growing inflation, the financial benefits of home ownership - such as capital gains and imputed rent - grew significantly without attracting any tax burden for occupants. Institutionally, the disposition to home ownership created a diverse and powerful financial superstructure that, together with the distinctive private land development sector that flourished as a result of the buoyant demand for land for new dwellings and the passive planning system, became dominant in the social relations of provision.

A nationally funded public housing system (initiated out of historical necessity in 1945) was established quickly in each state in Australia. However, in 1956, the policy directions for the sector were captured by the sweeping home ownership regime, and houses in the sector were sold at a much faster rate than they were built for the remainder of the period. While access to and mobility in social housing were not heavily regulated in Australia for most of the period, the restricted level and type of provision effectively excluded many needy households. This, in turn, meant that many lower income households had to rely on the private rental market or enter into the purchase of a home. Subsequently, the economic slow down of the 1970s focused debate on the role of the now shrunken public housing system and produced the foundations of a policy on access that was based on strict means-testing and targeting to highest needs. In political discourse, the role of public housing was redefined as welfare housing that had to be used to ameliorate the growing levels of housing-related poverty, especially among those excluded from home ownership.

Unlike in Australia, a government-centred system of housing provision and regulation persisted in the Netherlands throughout the first three postwar decades of the period. The initial impetus to the housing policy direction in the Netherlands came from the postwar accord struck between capital, labour and state interests. This accord emphasised economic reconstruction and recovery through private investment in productive industries, coupled with wages restraint linked to low rents, and it ensured the growth of a welfare state model with social housing provision as its centrepiece.

The recovery plan and the chronic housing shortage together meant that the regulation of rents, in particular, was key to the overall strategy. However, over time, a ‘Catch 22’ situation emerged. Rent regulation stifled private investment in housing and a private development sector was relatively slow to develop. At the same time, housing demand continued unabated, fuelled by the success of Dutch economic strategies and generous welfare state provisions for those not in the labour market. The net result was a system of provision that was dependent on subsidised production, which (in turn) required the maintenance of a high income tax regime.

At an operational level, dwellings were built for a specific segment of the housing system and, until deregulation began in the 1970s, usually remained in that segment. In effect, normal housing market dynamics were suppressed and housing (and its occupants) became locked into the segment of the market for which it was originally provided. Many regulations - including rent setting, title conversion restrictions, allocation rules, permits for sale, transfer tax levels and occupant protection policies - acted as a barrier or disincentive either to tenant mobility or, in the case of vacant dwellings, to tenure change. Nevertheless, by the end of the period, there were areas - particularly in the new municipalities ringing the older cities - where the private housing market was flourishing in response to the gaps in supply that had been created by a highly centralised and relatively homogeneous system of provision. In effect, two structures of provision co-existed: a regulated system that was dominated by social rental housing provision and was centred on the big cities and the older municipalities and an emerging market system that was providing (mainly) for home ownership in the surrounding suburbs.

At the political level in Australia, the apparent success of market provision entrenched an overall policy regime ill-disposed to regulation and control. Consequently, this state of affairs further empowered and perpetuated a market-dominated and market-led structure of housing provision and the politics of home ownership gradually engulfed all the main political influences and stifled broader debate about other components of the national housing strategy.

The split and ill-defined nature of housing policy responsibility across Commonwealth and state jurisdictions in Australia, and the conflict-prone relations between these levels of government, also left clear legacies for the ongoing operations of the housing system in that country. For example, unlike public rental housing, private rental housing became solely a state responsibility after 1948. This resulted in a diversity of ad hoc approaches to the removal of wartime rent controls and to residential tenancies’ legislation across jurisdictions. By the end of the period, the lack of a national policy framework, coupled with strong and organised resistance by landlord interests, had resulted in Australia having weak tenancy protection laws by international standards.

The differential system of subsidising the rent of low income households across the public and private sectors that developed in Australia over the period was a direct result of the overlap in government responsibility for housing policy. As the later analysis will demonstrate, this has resulted in significant inequities in affordability across the rental sector for Australian households of similar means.

Over the period, the political and administrative dilemmas about housing policy that were experienced by successive governments in the Netherlands seemed much more momentous than in Australia because the Dutch government was so centrally involved in balancing the factors of supply, cost and quality in the housing system. In turn, the level of government involvement contributed to the perpetuation of a high political profile for housing as an issue and upheld a strident policy debate.

A distinctive and enduring aspect of the social relations of provision in the Netherlands is found in the central role played by the housing associations and municipalities. The former perform much of the role usually played by the private development sector that grew up from the 1950s in other similar countries, including Australia. The latter have had simultaneous control of land supply, planning for new development and housing policy, especially the distribution of subsidies and the management of housing access. The impact of their combined power, exercised both through the political process and through large, professionalised organisations which have influence across so much of the housing provision chain, can be seen in an ongoing bias towards social housing provision and in the containment of what may otherwise have been stronger and more powerful market forces.

The historical review in this chapter demonstrates the strongly self-reinforcing and ratchet effect of the distinctive housing policy path chosen in each country in the 1950s. In the 1960s, the chosen regime in each country was stabilised, consolidated and embedded. However, changing external conditions in the mid-seventies, combined with long-term pressures built up in both housing systems, have produced early signs of a shift in policy strategy with new regimes emerging. Chapter 5 examines how the policy strategy in each country was transformed over the next two decades in response to these conditions.

Notes

¹ Many welfare policy studies adopt a broadly similar periodisation, using the mid 1970s as the point of demarcation. At that time, the implications of the end of the long economic boom for all advanced capitalist economies were becoming recognised and the management of the ensuing fiscal and economic crises began to dominate the political and policy agenda. (For further discussion see Pierson, 1998.) A slightly later date is chosen to divide the historical account given in this study because, in both cases, housing policy shifts generated from changing conditions in the macro environment did not become manifest until the 1980s.

² Randstad translates as 'rim city' and the description is based on an aerial view of a region of agriculture (known colloquially as the 'Green Heart') surrounded by a rim of cities (Dieleman and Musterd, 1992).

³ By 1981 in Australia, dwellings averaged 159 square metres in the private sector and the proportion of detached houses was 78 per cent (Burke *et al.*, 1990; Maher, 1994). Directly comparable data is not available for the Netherlands but housing is generally small, as under government regulation most dwellings were built to minimum standards. To illustrate, in 1965 the minimum size of a three-room dwelling was 64 square metres (van der Schaar, 1987b). Only 14 per cent of Dutch housing was detached in 1996 (SCP, 2001).

⁴ A government formed between conservative parties in Australia (usually the Liberal Party and the National Party) is known as a Coalition government.

⁵ Religious divisions are reflected both in government structures and processes and in civil society - for example, in denominational media and labour organisations.

⁶ Local governments in Australia operate under legislation passed in state parliaments and, therefore, are accountable to state governments.

⁷ Historically, the Commonwealth has collected about 80 per cent of the revenue while the states have incurred up to 50 per cent of the expenditure (Yates, 2003). Following the introduction of a goods and services tax in July 2000, the Commonwealth and the states have agreed to a model of 'fiscal equalisation' by the end of the decade.

⁸ Nevertheless, as Dieleman and Wallet (2003) explain more fully, revenue raising in the Netherlands historically has also been highly centralised with only 6 per cent of revenue expended at municipal level in 1980 being collected locally.

⁹ The two principal contributory factors were war damage to existing housing and the standstill in construction during the war. An estimated 120,000 dwellings were lost or severely damaged (Emms, quoted in McCrone and Stephens, 1995).

¹⁰ The estimate does not take account of the value of the cross-subsidies that moderated the price of developed land for social housing development (see text) and the saving that resulted to not-for-profit providers because they had access to government loans at below market interest rates.

¹¹ This figure included an estimate of 100,000 dwellings (of those 235,000 classified as 'substandard') that, it was assumed, had to be replaced. Subsequently, however, many of the substandard dwellings were renovated privately (typically, as part of a process of gentrification) and remain in the housing stock (Jones, 1983).

¹² The loans were one per cent below the long-term bond rate (Neutze, 1981).

¹³ Statutory housing agencies were established in the main states as follows: South Australia 1937, Victoria 1938, New South Wales 1942, Queensland 1945 and Western Australia 1946 (Hayward, 1996).

¹⁴ Up to 40 per cent of all dwellings built in the 1950s were constructed by owner-builders (Greig, 1995).

¹⁵ For example, Terhorst and van der Ven (1997) suggest that Amsterdam municipality effectively banned private sector housing for most of this period for both ideological and practical reasons.

¹⁶ The expansion of home ownership that did occur in the big cities in the 1980s arose mostly from the purchase of existing housing that was previously in the private rental sector (Hamnett and Randolph, 1988).

¹⁷ In 1971, it was estimated that the number of households looking for a dwelling was between 300,000 and 450,000 (van Weesep, 1981).

¹⁸ This assessment proved not to be accurate, partly because of the impact of inflation on property values in the period of the long economic boom (Feddes, 1995) and, partly, because of the rate of rent increases that occurred in the Dutch system, subsequently.

¹⁹ Annuity loans are better known as credit foncier loans in Australia.

²⁰ A full account of the theory of, and rationale behind, the program is provided in Conijn (1994).

²¹ Throughout the period of urbanisation and rapid housing development since the Second World War, it has been the responsibility of municipalities to buy undeveloped land (usually agricultural) at about its current use value, arrange and finance its development - involving principally provision of on site services, establishment of public areas and (often extensive) drainage - and sell it for building at a price to cover the costs of purchase and development (Needham *et al.*, 1993).

²² There is nothing in the land policy to prevent private developers taking on the role of land development and retailing. However, although the municipalities have compulsory purchase powers, they were rarely used at this time and the private sector accepted the role of the municipality in ensuring a continuous supply of land for building (Needham *et al.* (1993).

²³ The price of plots for social housing projects became a balancing factor used to control the cost of subsidies and to keep rents affordable. The mechanism used was a 'norm' price for social housing sites set by central government. Under the norm price formula, the plot price was the derived residual after account was taken of the costs of construction (which in turn were linked to the standard of housing expected) and norm operating costs, on the one hand, and expected rents (based on agreed rent levels) and the total level of subsidy that was available, on the other hand. Until 1990, central government determined the value of these subsidies in conjunction with approving building costs, as both these factors were key determinants of the amount of operating subsidy that would be required. Subsequent policy gave municipal discretion within guidelines and with certain provisos (Needham *et al.*, 1993).

²⁴ The Physical Planning Act (*Wet op de Ruimtelijke Ordening*), establishing the legal and administrative framework for spatial planning, was passed in 1962.

²⁵ For example, the 1948 County of Cumberland Plan for Sydney; the 1954 Metropolitan Planning Scheme for Melbourne and the 1955 Plan for the Metropolitan Region Perth and Fremantle (Alexander, 2000).

²⁶ The exception is the small regional city of Canberra where centralised planning processes and a public land development agency were established following the decision to locate national government there in 1924.

²⁷ The switch to higher density construction was aided by lobbying from major industry groups for changes to property title legislation to enable individual ownership of units (Kondos, 1975 cited in Milligan, 1983). Owner occupation in the flat sector reached about 30 per cent in the 1980s (Paris, 1984).

²⁸ One exception has been special state planning policies in some jurisdictions to encourage higher density housing for the aged. State housing authorities have taken advantage of these provisions to increase their provision of housing for older people.

²⁹ The Governor General, the representative of the monarch in Australia, dismissed the government.

³⁰ In keeping with the somewhat haphazard application of public policy across levels of government in Australia, not all jurisdictions - notably Queensland - took up the Commonwealth's incentive to establish a public land development agency.

³¹ In this, and the subsequent chapter, information given on tax regimes does not include local property-based tax policies that apply in each country.

³² There were 5240 terminating building societies in Australia in 1970/71. At their peak in the 1950s, they held about 17 per cent of outstanding loans. They had a limited membership (people seeking loans) and maximum life (usually around 30 years). They were not investment agencies but relied on funds channelled principally from government authorities and government banks and were protected from liability by government guarantees and indemnities. Following the downturn in public housing sales and reductions in generous lending conditions under the 1973 CSHA, and the successive maturation of most of the societies, their importance declined dramatically in Australia (Hill, 1974).

³³ Until the 1990s, housing wealth as a share of all private wealth in Australia was between 60 and 65 per cent (Badcock and Beer, 2000, p. 1).

³⁴ The Netherlands does not apply a capital gains tax to capital growth in any form of investment.

³⁵ The policy of releasing low cost stock for occupancy by lower income groups is generally referred to as filtering in the Netherlands. Under this policy, an existing higher income tenant might be transferred to a more expensive dwelling, which they could afford, to enable the vacant lower cost dwelling to be allocated to a lower income household. Interestingly, the nomenclature is consistent with that used by housing analysts to describe the theory of how markets allocate (least-cost) housing to low income households. (See, for example, Bassett and Short, 1980.)

³⁶ One exception was the state of South Australia, which retained and advocated a dual philosophy, defining the role of public housing as both to support industry development (by providing housing for the incoming workforce) and to provide for low income households. Additional state funding for public housing was also provided, resulting in more supply than in most other jurisdictions (Jones, 1972).

³⁷ In response to the failure of many states to adjust their housing construction programs away from family housing to meet emerging and more diverse needs, the Commonwealth introduced a succession of additional programs (known locally as 'tied' programs) for identified groups. Over the period, small programs designated for defence personnel, aged pensioners, people with disabilities and indigenous people were introduced. Because these programs represented only a small proportion of total Commonwealth effort they are not discussed further. (Pugh, 1976 and Jones, 1983 contain more detail.)

³⁸ As mentioned previously, planning schemes often gave special concessions for building housing for the aged. However, the restrictive nature of the development permits meant that non-aged people could not be housed in such developments.

³⁹ One estimate is that, by 1975, only 2 per cent of rental dwellings were still affected by the provisions in New South Wales, the largest state (Nelson, 1980).

⁴⁰ An averaging method for establishing cost rents was also introduced in Victoria and Western Australia in the 1960s (Monro, 1998).

⁴¹ The state housing authorities in Victoria and NSW were among the earliest agencies (public or private) to experiment with high-rise construction to try and save on land and building costs. While the activity was curtailed quickly in NSW, partly because it was unpopular, it became a cornerstone of Victorian social housing production until the 1970s. Today, 44 visually-distinctive, high-rise towers in inner Melbourne encompass around 10 per cent of the state's remaining public housing capacity.

⁴² Typically, these were households whose circumstances had improved since the allocation of their housing.

⁴³ Market rents were based on the asking rents for 'comparable' vacant dwellings in the private market. They were usually established by using a real estate valuation methodology.

⁴⁴ The middle and later years of the 1970s were characterised by an increase in applications for housing assistance from unemployed people, single parents and families experiencing rising housing costs (Carter *et al.*, 1988).

⁴⁵ After the introduction of market rents, rebates were granted if the market rent would have resulted in rental outgoings exceeding a given proportion of household income. At the time the benchmark varied across the states and household types but typically was between 18 per cent and 20 per cent of income, consistent with the policy guideline established in 1945.

⁴⁶ Some exceptions to this situation apply in South Australia and the ACT. In practice, it has been the policy of state housing agencies (until recently) to offer security of tenure to their tenants as a matter of policy. However, this is not a legally enforceable right in most jurisdictions.

⁴⁷ Periods vary from one month to six months (Kennedy *et al.*, 1995).

⁴⁸ Evidence from another study suggests this figure represented about 86 per cent of those eligible for the payment in the private rental market and 72 per cent of those in public housing (Field, 1983).

⁴⁹ Despite several increases in the level, the value of supplementary assistance had fallen in relation to rents by 25 per cent since early 1970s (Paris, 1984).

⁵⁰ The policy was introduced after the report, in 1964, of a committee (the Alozerij Committee) that inquired into the role of individual rent subsidies. Priemus (1984) indicates that the report made reference to overseas developments, including the introduction of supplementary rent assistance in Australia in the 1950s.

⁵¹ The origins of the benchmark forming Dutch policy at this time can be found in the 1901 Housing Act where the principle of housing outlays being one sixth to one seventh of income was included (Priemus, 1984).

⁵² Typical modal income households are low wage family households (MVROM, various).

⁵³ Nominal interest rates for housing in Australia were around 7 per cent in 1973, 10 per cent in 1976 and 13.5 per cent in 1981 (Monro, 1998).

5 COMPARING HOUSING POLICY STRATEGIES AFTER 1980

5.1 Introduction

In keeping with trends throughout the advanced capitalist world, greater economic volatility, significant social change and, at times, severe fiscal pressures have marked the period since 1980 in both Australia and the Netherlands. In response, the general direction of state intervention has been characterised by an ongoing process of reform of national economic and social policies.

Significant attempts at housing policy reform have been an integral part of the transformation in both countries. At a broad level, a shared direction can be identified: containing expenditure and orienting state intervention to enabling market-based housing provision. However, as this chapter goes on to show, there have been important differences in the aims, timing, pace and extent of reform of past policies and in the elements of the state's role in housing that have been retained and/or developed. Such differences are in part historically contingent, driven by the influence of embedded traditions, past policy and institutional forces described in chapter 4. However, they also relate to local differences in socio-demographic change, economic restructuring processes and the impact of an ascendant neo-liberalist ideology on established community values.

In the first part of this chapter, the development of that wider national context is described briefly as a backdrop to the discussion of the unfolding housing policy framework. Adopting a similar approach to chapter 4, the following sections then document changes to housing policy and institutional arrangements in the arenas of housing production, exchange and consumption over the period from 1980 to 2000. As for the previous period, the strategies discussed have been selected because of their potential to impact directly or indirectly on housing affordability in significant ways.

5.2 Comparing the changing economic, political and demographic context

In broad terms, Australia and the Netherlands have been similarly affected by pervasive and interrelated changes in socio-demographic, economic and political forces in the last two decades, especially:

- the emergence of a larger proportion of smaller households in more diverse economic and social circumstances;
- the internationalisation and deregulation of national economies, new opportunities brought about by technological change and the accompanying fundamental restructure of domestic labour markets; and
- the reform of government roles and responsibilities in keeping with a market-based philosophy involving a mix of decentralisation and privatisation of state functions, sale of state assets and deregulation of markets.

This section provides an overview of those key trends and points to some general implications for the housing system in each place, before a more detailed account is

given of the changes in the housing policy environment. A comparative statistical summary of the main trends discussed is provided in tables E.2a and b.

5.2.1 Socio-demographic change

Population growth and household formation rates were slower in the period after 1980 than before in both countries. In Australia, net immigration continued to be a very significant contributor to population growth, accounting for 45 per cent of the population increase between 1982 and 1992. By 1992, the share of Australia's population born overseas had reached 23 per cent (ABS, 1996, cat. no. 4102.0). Dutch net migration levels continued to be much lower than those of Australia overall and the proportion of foreign born in the total population did not increase from the earlier period. Largely because of its continuing high rate of immigration, Australia sustained a household growth rate that was about 65 per cent higher than that of the Netherlands over the period, leading to a higher level of underlying demand for housing in Australia (see table E.2a).

The different experience of immigration of the two countries has had important consequences for the housing system. In Australia, large increases in new arrivals in the second half of the 1980s helped to maintain outward urban expansion in the largest capital cities, Sydney and Melbourne (Burke and Hayward, 1993). Research into the housing behaviour and preferences of immigrant groups in Australia has shown that their tenure and dwelling choices largely reflect those of Australian born households. In particular, immigrants have been at least as and, in some ethnic groups, more likely to take up home ownership in Australia than the Australian born population (Troy, 1991; Bourassa, 1994). However, changes in the composition of the immigration intake in the 1990s (towards resettlement of political refugees and facilitating family reunions, involving a larger proportion of immigrants from Asia and the Middle East) have produced some evidence of an increased reliance on the rental tenures (Badcock, 2000a).

In the Netherlands, there is evidence that ethnic minorities have not fared as well, either economically or socially, as in Australia, where participation is less markedly differentiated by ethnicity. This situation is reflected by the relatively poor rate of participation of ethnic minorities in the Dutch labour market, their over-representation in the unskilled workforce and by their lower average income (van Praag and Uitterhoeve, 1999). In turn, such factors are considered to have helped to entrench their reliance on social housing in the big cities (van Kempen and van Weesep, 1997). New immigrant groups to the Netherlands now comprise a relatively high proportion of asylum seekers, especially from Islamic countries and from Africa, and related family reunions. The demand for social housing from such groups has been growing (Kulberg, 1997).¹

One similarity in socio-demographic change has been the decline in average household sizes and the continuing growth of smaller households. In both countries, the main components of the changing structure of households have included: a rise in lone-parent families, more childless couples and non-aged single person households and the ageing of the population. Another shared factor affecting the demand for housing services has been the move away from institutionalisation of older people and those with disabilities

needing care to live at home (van Praag and Uitterhoeve, 1999; ABS, 2000, cat. no. 4102.0).

Social trends such as these can be expected to give rise to many issues for housing systems and policies. Among the consequential issues likely to influence housing policy settings and housing outcomes are:

- the extent of match between the existing housing stock profile and the changing household profile;
- the impact of smaller households on household income levels and capacity to pay for housing;
- housing and care needs associated with longer life expectancy; and
- the lifestyle and geographic needs and preferences of the more diverse mix of households.

5.2.2 *Impacts of economic restructuring*

Following the interruption to long running economic growth that occurred in the 1970s, both countries experienced less stable and more uncertain economic conditions. A deep recession occurred in the Netherlands from 1980 to 1984. The 1981 to 1983 recession in Australia was less severe but a major recession occurred from 1992 to 1994. Fluctuating economic conditions were reflected in greater instability in the housing market than in the past. As indicated in chapter 4, house prices were depressed from 1979 until the late 1980s in the Netherlands. In Australia, an overheated economy and high house price inflation followed by government-induced high interest rates produced a major crisis in housing affordability for mortgaged home owners in the late 1980s and heralded an increasing rate of mortgage arrears and defaults in the 1990s (Berry *et al.*, 1999). By the end of the century, historically low interest rates and strong demand from home buyers was driving another boom in house prices and contributing to ballooning mortgage debt in both places (Boelhouwer, 2002a; RBA, 2002).

Perhaps of more significance (than cyclical conditions) to the circumstances of low income people in each place has been the fundamental restructuring of the domestic economy and of many urban and regional areas in response to what are broadly referred to as the processes of globalisation (Dieleman and Hamnett, 1994; Marcuse, 1996). In both places, the internationalisation of markets has been reflected in changes to the domestic economic base - most notably in the movement of job opportunities away from agriculture and manufacturing into the tertiary sector, and in associated changes to the location of jobs, which has been characterised by employment growth in the cities with the strongest connections to the global economy and decline in many other centres (van Weesep and van Kempen, 1993; Raskall and Urquhart, 1993; Badcock, 1995b; van Praag and Uitterhoeve, 1999; Becker, 1999).

Labour market participation and composition is a second area of marked adjustment that could be expected to have major implications for the housing system. Relevant trends in both countries include: the significant growth in part time jobs, the casualisation of the work force, a higher level and longer duration of unemployment and the rise in double income households (see table E.2b). However, while the direction of labour market

changes may be similar in the two cases, their intersection with the existing housing system is likely to produce different opportunities and outcomes for working households.

In Australia, it is claimed that the impact of the economic changes can be seen in: greater social polarisation within the major cities between (mainly inner and middle ring) areas strongly linked to the service sector and (mainly outer) areas abandoned by the manufacturing sector; falling entry rates into home purchase among low and middle income households and the concentration of disadvantage in many public housing estates, where job losses have been much more severe than in the community at large (Burke and Hayward, 1993; Gregory and Hunter, 1996; Badcock, 2000a; Yates, 2002a,b). As well, there is some evidence of migration of low income households to areas away from the main cities (counter-urbanisation) where housing and living costs are generally lower (Yates, 2002a,b). Unfortunately, many of those areas have job shortages (Berry, 1999).

The spatial impact of economic change has been less discernible in the Netherlands, probably for a number of reasons. First, it is a very small country allowing for more interaction between most of its populous regions. Second, the poly-nucleated structure of the Randstad has meant that jobs in economic growth segments are distributed through several nodes that are all accessible through commuting (Badcock, 1994; Thrift, 1994). Third, historically, neighbourhoods in Dutch cities have been relatively less segregated by income and by tenure than those of many Western cities (including Australian cities).²

Both the intended and unintended effects of past housing policies have been identified as important contributory factors to there being less spatial segregation in the Netherlands. For example, the large social housing sector itself has ensured that there is a broad mix of tenants, even when dwelling stock is quite concentrated (Dieleman, 1994). It has also been suggested that the homogeneity of social housing, together with a relative lack of alternatives, may have blocked the mobility and tenure choice of households as their incomes increased over time (van Kempen *et al.*, 1992). Also, the implementation of urban renewal policies, at least until the end of the 1980s in the Netherlands, has been more oriented to retaining the affordability characteristics of old neighbourhoods, thereby forestalling the displacement of low income households that has contributed to gentrification processes elsewhere (see below).

Nevertheless, unemployment and the incidence of poverty have been growing in the Netherlands and are becoming more strongly associated with social housing than in the past. Concentrations of poverty are emerging in neighbourhoods with poorer quality or older housing (usually multi-family) and where there are high proportions of residents from ethnic minorities (van Kempen and van Weesep, 1997; van Kempen *et al.*, 2000). Beyond the urbanised west of the country, vacancies in social housing in areas peripheral to the 'new' economy (such as in the North) may also be indicative of the uneven spatial impact of economic change (aedes³, personal communication).

There is some evidence that, in the Netherlands, the degree of social segmentation between the cities and the suburbs (referred to in chapter 4) reduced and began to turn around after the mid-1980s as suburbanisation was constrained by new planning policies (section 5.4) and the proportion of smaller households choosing city locations grew

(Jobse and Musterd, 1992). However, there are still large differences in income patterns and levels between these regions. Concentrations of high-density housing in the big cities or its corollary, a lack of housing choice (especially for families seeking home ownership) has been identified as a major contributory factor (Dieleman and Wallet, 2003). Consideration of the risks of greater segregation, which could arise from the interaction between the physical fabric and social character of the old cities of Western Holland and the broad economic forces discussed above, has prompted proactive policy on urban restructuring designed to enhance the economic vitality and social stability of the cities. That policy is described in more detail later in this chapter.

5.2.3 *Political, administrative and welfare changes*

The Netherlands

The Netherlands experienced an extended period of centre right coalition governments from 1977 to 1994, except for a brief period in 1982 (Parlement Nederland, 1996). After 1994, a unique coalition of left and right wing parties governed until May 2002. In a key break with the past, the pro-welfare Christian democrat parties were not represented in that government.

A broad goal of successive governments since the early 1980s has been to rein in welfare spending and to introduce market discipline in the place of government management and regulation of service provision. The initial stimulus to this shift in government policy was the severity of the economic crisis experienced in the first half of the 1980s. This led directly to lower social welfare benefits, reduced coverage and the end of the linkage of benefit levels to movements in wages⁴ (Goodin *et al.*, 1999). Subsequently, reform of public sector expenditure was driven by a combination of a recognition of the need to realign the role of government with the new urban and economic realities, political commitments to reduce taxes and the requirements set under the (1992) treaty for European Monetary Union ('the Maastricht treaty').

Local concerns notwithstanding, the Dutch approach to welfare reform in the 1990s has been judged to have been relatively successful in social terms without having had apparent adverse economic effects. Studies differ in the weight given to different factors that might explain the Dutch situation. However, there is general agreement that the retention of a strong welfare system and continuing regulation (in areas like the low rent housing sector) has not occurred at the expense of economic growth or average income levels, while welfare changes have not been as severe as elsewhere in terms of their impact on the most disadvantaged or on wider social stability (Thrift, 1994; Visser and Hemerijck, 1997; Goodin *et al.*, 1999; Becker, 1999; Wildeboer Schut *et al.*, 2001; Rainwater and Smeeding, 2003).

Factors that are recognised as having influenced this relatively favourable situation include: the breadth and strength of existing social programs, including relatively high basic benefit levels; wage constraints negotiated in 1982 in return for shorter working hours (a form of job sharing that has resulted in job creation albeit with relatively high rates of part time work);⁵ retention of significant public sector employment and strong economic growth, which has helped to sustain living standards (Visser and Hemerijck,

1997; van Praag and Uitterhoeve, 1999). The relatively harmonious introduction of major changes in public policy has been attributed to the traditional corporatist approach to policy negotiation, referred to previously.⁶

The housing policy elements of this broad shift in public policy are discussed in more detail in the following pages. Overall, the most significant impact of the containment of public expenditure in housing can be seen in a large increase in the average housing outlays of households and elimination of the central government's role in subsidising the supply of new housing. On the other hand, protection of the existing low cost sector has remained, and there has been increased expenditure on the housing benefit to contain the impact of policy changes on the affordability of housing for low income groups. Initiatives to foster home ownership and neighbourhood renewal have also been continued and strengthened.

Australia

In 1983, a national Labor government was elected in Australia to replace the conservative Coalition government that had been in power since 1975. Labor retained national government until 1996, when a conservative Coalition government was again elected.

To position Australia for a more competitive place in the global economy, deregulation and micro-economic reform dominated the political agenda from the mid 1980s (Pusey, 1991; Badcock, 1997, 2000a).⁷ The incoming Labor government pursued vigorous reform to force the pace of change.⁸ Core components included tariff reductions, financial deregulation, removal of exchange rate controls, cut backs to budget outlays, public sector retrenchment, wage restraint strategies and restrictive monetary policies (Gleeson and Low, 2000).

Chapter 4 described the historically low level and narrow focus of most direct welfare provision in Australia. In the latter half of the 1980s, welfare programs were extended to offset the adverse impact of economic restructuring, particularly job losses in the manufacturing sector. Families with dependent children were given the most additional support through the introduction of an additional payment and access to other concessions in 1987 (Prosser and Leeper, 1994). However, to contain expenditure while maintaining an adequate safety net in the context of higher levels of unemployment, the government further applied the already accepted principle of tight targeting of welfare benefits to the most needy. One result has been that, although more low income households are outside the workforce, their relative position has not worsened significantly over the last two decades because of compensation they receive through the tax and welfare systems (Harding, 1997; King, 1997). Instead, households on the margin of, or outside, the tightly targeted welfare system (those in the middle 50 per cent of incomes) are considered to have borne the brunt of rising costs and charges and of reduced government services (Harding, 1997).⁹ At a geographical level, there is evidence that many newly developed residential areas, especially in the sprawling outer-urban regions of the biggest cities, have become relatively disadvantaged, partly as a result of a lack of investment in public infrastructure and increased service charges (Badcock, 1995b; Gleeson and Low, 2000).

Over time, the principles of smaller government and market power themselves became a snowballing and all encompassing ideology in Australia, resulting in, among other effects, bold proposals to apply competitive principles and market philosophies to social programs (see, for example, Hilmer, 1993). State governments of varying political flavours joined in extensive public sector reform. Against this trend, the small, bureaucratic public housing system escaped a persistent push for administrative reform. Overall, the zealous pursuit of economic reform is considered to have contributed to the economic recession experienced at the end of the 1980s, which swamped the welfare efforts of governments and created the pre-conditions for political volatility (Badcock, 1995b).

Neo-liberal policies have had major impacts on the housing system, as will be demonstrated later in this study. Particular aspects have been the deregulation of mortgage finance markets and changes to infrastructure pricing that have affected new residential development. As well, job losses from former industrial areas, when combined with allocation policies operating in nearby public housing estates, appear to have entrenched welfare dependency and disadvantage in those areas.

In 1996, the new conservative government justified major cutbacks in public spending on the basis of the economic management record of the previous government, which had failed to overcome the impacts of the recession of the early 1990s. While economic conditions have now improved substantially, national government involvement in welfare provision continues to be wound back. In the aftermath of national tax reform in 2000, the future division of responsibility for social programs, other than income support, across levels of government in Australia is unresolved.¹⁰

5.2.4 Overview

Overall, the impact of major societal changes in the last two decades, outlined above, has tended in the same direction in each country - towards more uneven benefits from economic growth, greater labour market volatility, growing welfare dependency rates and a trend to increasing differentiation in the circumstances of lower and higher income households, neighbourhoods and regions. The remainder of this chapter will elaborate on the direction that each country's distinctive housing policy strategy has taken in the context of such profound socio-demographic, economic and political changes. Following presentation of evidence of the housing circumstances of low income households in chapter 6, chapter 7 will present an interpretation of the way in which the evolving housing policy in each place has worked, using that evidence of affordability conditions.

5.3 Housing Policy and the housing supply after 1980

Chapter 4 showed that supply-side subsidies were a major mechanism used to establish and maintain an adequate and affordable housing supply in the Netherlands but had played a much more limited role in Australia over most of the period until 1980. Moreover, in Australia, the largest share of subsidised production was directed to housing that was sold, either immediately or later, for individual home purchase. In the Netherlands, most subsidised housing was retained in the social rental sector.

Changes in the direct role of government in subsidising the housing supply in the two countries after 1980 are considered next. First, trends in housing production and the scale of government investment are compared. Second, the policy directions taken in each country are described and explained.

5.3.1 Housing production activity levels and supply-side subsidies

Figure 5.1 compares new dwelling production from 1981 to 1999 for the two cases. Two changes in trends from the previous period (figure 4.1) are noticeable. In keeping with the differences in national population and household growth trends, the annual volume of new housing in the Netherlands has been in long-term decline since 1981, while the average annual level of dwelling additions is still rising in Australia. However, in the latter case, under more deregulated market conditions (see below) annual activity has been much more volatile than in the Netherlands and than in the past.

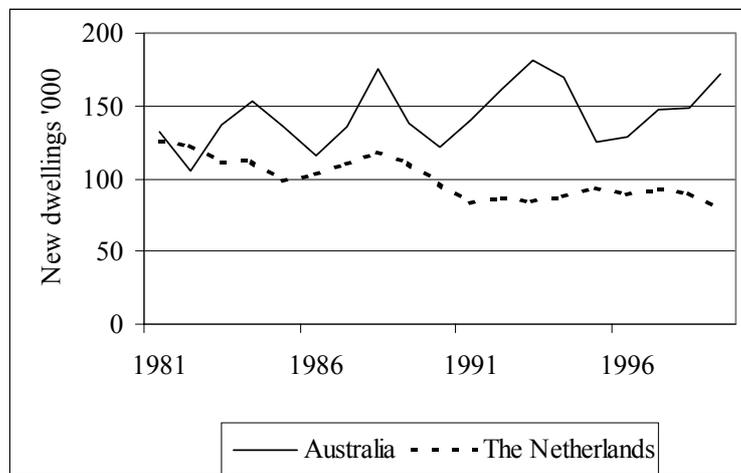


Figure 5.1 New dwellings ^a, Australia and the Netherlands, 1981-1999

^a Data for Australia are dwelling commencements; data for the Netherlands are completions.

Sources: Australia - ABS, (various, cat. no. 8752.0).

The Netherlands - MVR0M (various, Volkshuisvesting in Cijfers), Boelhouwer, van der Heijden *et al.* (1996, table 6.3 p. 90).

In the Netherlands, housing production subsidies continued to be a central component of housing policy strategy until the mid 1990s. Following the dramatic fall in new supply at the end of the 1970s, increasing subsidy expenditure was used to boost production levels in the first half of the 1980s. The share of total production subsidised then declined steadily (figure 5.2). In 1993, for the first time since 1945, unsubsidised annual production exceeded subsidised production (Golland, 1998; MVR0M, various). General production subsidies ceased in 1995 (see below).

Over most of the period until 1995, social rental housing continued to dominate subsidised provision. However, by 1990, 62 per cent of new housing was being built for owner occupation, with one third of that being subsidised (Boelhouwer and van der Heijden, 1992). Since 1995, social housing levels in new production (with financial

support from the housing associations themselves) have fallen further, down to 23 per cent in 1999 (MVR0M, 2000a).

In Australia, following the cessation of concessional sales of public housing in 1978, government supply-side efforts again concentrated on the provision of social rental housing. From 1981 to the end of the decade, total new production for the public sector averaged 9 per cent of housing commencements per annum.¹¹ This fell to an average of 5 per cent per annum for the 1990s (ABS, various, cat. no. 8754.0). The net supply of social rental housing (that is, after accounting for demolitions and sales) was sufficient to maintain the social housing sector at about 5 per cent of the total housing stock (ABS, 2000, cat. no. 4102.0). Since 1996, the sector is believed to have been contracting, although the situation is masked in the published data because a number of jurisdictions are ‘head-leasing’ private housing for social housing purposes, as a supplementary supply strategy to help maintain their tenancy capacity.¹²

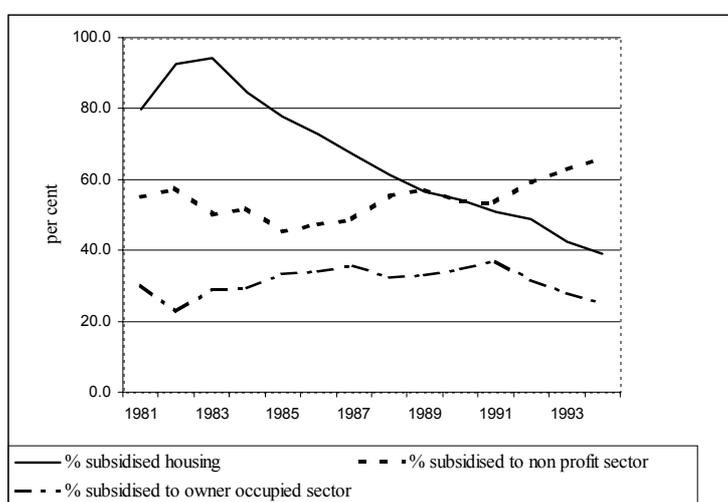


Figure 5.2 Percentage of new housing supply subsidised and components of the subsidised supply, the Netherlands, 1981-1994

Source: Boelhouwer, van der Heijden *et al.* (1996, table 6.3 p. 90).

5.3.2 Supply-side policy after 1980

The Netherlands

As foreshadowed in Chapter 4, the Netherlands’ long-standing approach to subsidising housing production was destabilised in the 1980s because the financial model for subsidisation - dynamic cost price renting - collapsed. In the context of the deteriorating economic and political circumstances of the early 1980s, three principal factors interacted to bring about the downfall of the model:

- the lack of transparency of the subsidy costs;
- no prior experience of innovative loan products; and
- failure to anticipate a major drop in inflation.

Initially, problems arose because the assumptions of lower costs to government, around which the scheme had been designed, were found to be not valid. Rents in the social housing sector were too low to cover either nominal fixed annual costs or 'dynamic' annual costs (Brouwer, 1988).¹³ As political opposition continued to rule out significant rent increases, projected savings in subsidy costs could not be realised.

Despite this emerging problem, the ailing property market forced the government to expand the number of subsidies available for new production. Taking advantage of the design of the new subsidy arrangements, the government required the housing associations to take out private 'low start' loans (referred to as 'accumulative' loans in the Dutch literature) that had lower debt repayment costs in the early years. In this way, the government seized an opportunity to expand subsidised production, without increasing short-term budget outlays, and justified their action, in part, on the grounds of containing the costs of rising unemployment (Klunder, 1988; Priemus, 1996b).

The subsequent end of the era of high inflation, around which the scheme had largely been designed, added to its unintended effects. With low inflation, the subsidy costs increased dramatically because the benefits assumed to flow from inflation over time could not be realised to the extent that had been estimated and built into the calculation of the annual subsidy budget. Moreover, the accumulative loan structure had added to the overall cost of social rental housing because the product had a higher risk and was offered only by specialised lenders. Finally, fixed rate loans became unattractive as market interest rates fell. However, because of the link to long-term fund raising, prepayment penalties applied for paying out such loans (Klunder, 1988).

The mounting difficulties led to a restructure of the scheme to limit the government's liability to a fixed amount of subsidy per year after 1988. Dynamic cost rent pricing was abandoned as the method for subsidising new construction in 1992. In total, an estimated 800,000 dwellings were financed through the original approach from 1975 to 1988 (Priemus, 1996b). The adjustments did not resolve the ongoing problem. As an indicator of the scheme's crippling impact, it was calculated that, by 1988, 60 per cent annual program budget for housing (approximately 14 billion guilders) was recurrently committed well into the future for past obligations (Boelhouwer and van der Heijden, 1992).

After lengthy negotiations, a lasting solution was finally achieved in 1995 through the Grossing and Balancing Act (*Bruteringsoperatie*). The government paid out around 30 billion guilders of their future subsidy commitment (for previous rental construction) in a lump sum to the housing associations. Simultaneously, the associations repaid outstanding loans of 35 billion guilders to the government and, with the backing of an enhanced guarantee fund, re-financed through the private capital market.¹⁴

As part of the agreement reached, (real) rent increases for five years were also legislated to assist in underwriting the adjustment and the risk passing to the housing association sector (Priemus, 1996b). According to Conijn (1994), tenants, therefore, are paying part of the bill for the failure of the scheme. Nevertheless, as already discussed, rent levels had not previously been covering costs in the sector.

At the same time as securing the loan/subsidy swap in 1995, the government announced the end of general property subsidies for new housing construction. Paradoxically, the much-heralded scheme that had been introduced twenty years earlier to protect the subsidy system had contributed to its downfall.¹⁵

While the failure of innovative financial arrangements contributed to the end of the subsidy system for new construction, it was not the underlying cause. Rather, the change can be seen as part of an overall shift to a market-based philosophy of new housing supply in the Netherlands, signalled in the 1989 Policy Document on Housing in the Nineties (*Nota Volkshuisvesting in de Jaren Negentig*), the first major housing policy blueprint since 1974. The subtitle of the document, translated as ‘from building to living’, encapsulates a key rationale for the changes. Most of the directions taken in housing policy throughout the 1990s, described throughout this chapter, have stemmed from the principles and strategies set out in that document.

The broader foundations on which the reduction in government expenditure on housing production and the switch to a private financing model were based included:

- the experience of housing associations in accessing private finance from the mid-1980s and the subsequent end of state loans for housing construction in 1988;
- the strengthening of the joint public/private guarantee fund (*Waarborgfonds Sociale Woningbouw (WSW)*), which provided guarantees for housing association loans to offset the higher risk for them of ‘own’ financing;
- the forced annual increase in rents, which aimed to eliminate the need for a production subsidy to meet the costs of new housing;
- the coverage and adequacy of the individual rent subsidy that was designed to protect low income households from these higher rents; and
- the financial strength of the housing association sector which had large accumulated surpluses and substantial scope for asset sales.¹⁶

Since 1995, housing associations have been developing a mix of strategies to replace production subsidies, including: investing their reserves, releasing cash flow and realising capital growth through asset sales, combination development projects involving a cross-subsidy from more expensive to less expensive dwellings and rent increases for occupants (up to the limit of the annual government guideline) or rent increases on vacancy (aedes, 1999).

The sustainability of such strategies for financing new supply is yet to be seen. At present, in the context of a steady increase in the rate of home purchase (see chapter 6), it has generally been accepted that the social rental sector can gradually be reduced to nearer the size of the ‘target income group’, which has been determined by assessing the level of income at which households need a housing allowance to achieve affordable housing. Presently, excluding low income home owners, about 28 per cent of households fall in that group, while social rental housing constitutes 36 per cent of dwellings (MVRM, various). Thus, it is being argued that there is more low cost housing than the assessed need for it, if it is allocated efficiently. (See section 5.6 on the latter point.)

Australia

An increase in housing needs and a philosophical shift in policy that occurred under a national Labor government were together the most important drivers of the modest increase in the level of government investment in social housing that occurred in Australia in the 1980s.

On election at the end of 1983, the new government pledged to double the proportion of public housing but later, as budget problems and new economic priorities (already discussed) made this unachievable, they revised their commitment to 'doubling the amount' (Paris, 1993). A variety of mechanisms were adopted to prop-up investment in social housing. Initially, until 1986/87, annual funding levels were increased and, later, under the 1989 CSHA, debt levels were contained (Milligan and Persson, 1989). States were also more constrained than in the past in their capacity to divert funds granted under the CSHA away from social housing towards home purchase assistance. A shift to the production of a greater component of smaller housing (commensurate with changing household sizes) and to higher density redevelopment of existing public housing sites also assisted in boosting the level of supply that could be secured with available funds.

In the 1980s, attempts were made in some states to introduce innovative private financing schemes for rental housing but these attempts were largely small scale and one-off.¹⁷ Unlike in the Netherlands, no significant structured private investment in low rent housing has occurred in Australia so far. This situation can be attributed to differences in the funding, politics and institutional structures that underpin the two housing systems. First, the main social housing providers in Australia are government agencies whose borrowings are constrained by national limits on public sector debt and who cannot take advantage of tax-favoured investment schemes (Berry, 2000). Second, the rate of return on housing for low income households is insufficient to attract private investment in Australia, especially from institutions chasing annual dividends.¹⁸ The primary cause of that problem is the low level of subsidy relative to rent levels that is available to low income tenants (see section 5.7). Underlying these factors is a continuing lack of political support for an adequate social rental housing sector in Australia.¹⁹

Despite the mix of effort, the government's pledge to double the supply of public housing in the mid-1980s was not achieved.²⁰ Alongside the factors previously mentioned, rising costs and the need for more funds to address mounting liabilities in the existing asset base combined with a lack of Commonwealth power over state level decision-making to contribute to the shortfall. Towards the end of the decade (in an emerging political climate that favoured smaller government and with a growing perception that there were poor outputs from budget outlays for housing), the debate was revisited about whether the national government should maintain any role in investing in new dwellings (or, alternatively, should shift direct assistance to individuals).

An unprecedented number of reviews of national housing policy both reflected and informed consideration of the government's supply role from 1988 to 1997.²¹ While each of the reviews had a different genesis and purpose and gave priority to different issues, they all tackled the question of the appropriateness of government investment in housing. In general, the findings supported continuation of supply-side strategies in conjunction

with other direct assistance measures. In particular, there was support for a more adequate rent assistance payment for low income tenants, whether public or private.

In practice, there was an increase in total government expenditure on housing over the period from the late 1980s until 1996, but this was made up of cutbacks in expenditure on CSHA programs (principally home ownership and public housing) and an increase in outlays for rent assistance for private tenants (figure 5.3). Two main factors contributed to the shift in expenditure patterns.

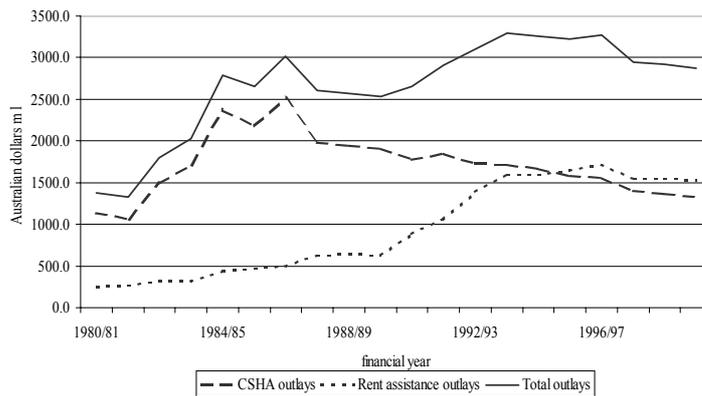


Figure 5.3 Commonwealth and state expenditure on housing assistance 1980/81 to 1999/00 in constant 2000 dollars (million), Australia

Source: AHURI (2001)

First, in an austere fiscal climate, differences in the budget process for determining the various housing outlays influenced budget outcomes. A key driver of annual expenditure on rent assistance is the number of eligible applicants who take up the benefit. Therefore, the long-term expenditure pattern for this program reflects growth in the number of households renting and receiving welfare and cyclical economic conditions. Expenditure on CSHA programs was determined solely in the budget context without reference to indicators of the level of need for social housing. Second, between 1989 to 1994, the rising number of private renters in housing-related poverty influenced the then Labor government to enhance rent assistance payments to provide immediate relief to those households, rather than to expand the long-term supply of low cost rental housing (see section 5.7) (Prosser and Leeper, 1994).

The long-term reduction in the value of funding under the CSHA has systematically reduced the capacity of the social housing sector to maintain a program of new supply in housing. The core cause of this situation is the inherently unsustainable position of the existing housing operations of social housing agencies.

As explained in Chapter 4, low income public tenants in Australia are charged income-related rents to ensure that housing is more affordable for them. Following changes to policy to means-test applicants (1973) and to induce higher income tenants to leave (through the introduction of market rents in 1978), the proportion of public tenants

paying income-related rents has continued to climb, reaching 76 per cent in 1989, 84 per cent in 1995 and 89 per cent in 2001 (AIHW, 1997; SCRCSSP, 2002).²² Under these circumstances, state housing agencies have been forced to draw on higher proportions of their new capital funds each year in order to cover the shortfall in their operating position and to address outstanding liabilities in their ageing housing stock.²³ In effect, the level of additions to supply has become the balancing factor in their budgets. At the end of the century, the financial position of most housing agencies in Australia had reached the position where, unless other steps are taken, they will be forced to sell-down their existing housing assets to meet their future recurrent costs and to address their asset liabilities.²⁴

Partly in response to the financial position of the state housing agencies, and partly to justify further cuts to its CSHA outlays, the conservative government that was elected in 1996 dropped any specific requirements for states to make net additions to the housing supply. Part of the rationale for their 'no growth' policy was that less supply would be required in the future if public housing policy was re-focused on assisting two main groups within the low income population. One proposed priority was households with special and complex needs, such as people with disabilities, the frail aged and families at risk, all of whom need secure and affordable housing linked to specialised support services. The other priority group proposed was households, such as some indigenous households or large families, who cannot access the private rental market either because of discrimination or because no appropriate housing is available (such as in remote areas).²⁵ The intended effect of the policy was to reduce the demand for public housing by circumscribing access to it. In particular, low income households without special needs would not be assisted, on the assumption that private rental housing would meet their needs. (Chapter 6 provides evidence that challenges that assumption.) Although this policy was not accepted formally by the states, the restructure of allocation systems to manage intense demand (discussed later) is having the same effect.

In the face of unmanageable demand,²⁶ another outcome has been an expansion of crisis housing services and short-term responses. National funding for homeless persons has been increasing steadily²⁷. At the state level, discretionary funds (beyond those required for operational purposes) are being allocated away from new supply towards options that optimise the number of people who are provided with some form of housing assistance in the short-term. Demand diversion programs that have been expanded include: short and medium-term options for homeless people, cash subsidies (above the maximum level of rent assistance) paid to households facing eviction because of affordability problems, leasing of market housing for social housing clients and the provision of cash grants (or loans) for bonds and relocation expenses (to reduce cost barriers to entry into the private rental market).²⁸

5.3.3 *Overview*

This section has focused on changes in the state's role in directly subsidising housing production as a means to provide affordable housing. A fundamental shift away from supply-side subsidies has been noted in each case but, given the very different scale of past provision involved, with quite different implications. In Australia, current funding levels are insufficient to retain social housing at 5 per cent of the total supply. In the

Netherlands, a controlled reduction from 36 per cent to between 25 and 30 per cent of the total supply is envisaged. As well, private financing strategies underpinned by demand-side subsidies, past surpluses and realised capital gains are being used to support continuing investment in new and existing dwellings for social housing in the Netherlands. So far, in Australia, additional public or private funding for new investment strategies has not been forthcoming. The small and residualised nature of the social housing system has contributed to dwindling political support and demand pressures are dictating more immediate responses, such as emergency assistance.

Moving beyond direct financing of the housing supply, the next section compares how changes in the planning and regulatory environment in each country have impacted on the housing system's capacity to deliver appropriate and affordable housing over the last two decades.

5.4 Impact of land management and planning policy on the housing system after 1980

This section examines the housing-related directions in planning policy generally over the two decades and then compares in more detail the impact of urban renewal programs and processes on affordable housing provision in the two case studies.

In the 1980s, spatial planning policy applying to urban areas in both countries began to reflect a new approach to the concentration of economic and residential development, under the banner of 'compact cities'. Concerns about the urban environment and energy conservation, the economic vitality of cities and intra-urban equity underpinned the shift in philosophy. (See Dieleman *et al.*, 1999 for the Netherlands; for Australia, see Hamnett and Freestone, 2000.)

5.4.1 Housing policy and new residential development in the Netherlands

In keeping with the focus on containment, since the late 1980s, residential development in the Netherlands has been limited mostly to locations in and near existing cities and towns. In 1990, a specific addition to the Fourth Spatial Planning Memorandum (1988) was released that identified, *inter alia*, 26 city extension areas (known as VINEX²⁹ areas) where up to three quarters of dwelling growth would be located. To meet estimates of need, a total of 645,000 new houses have been planned for these areas over a ten year period from 1995 (Kreukels, 1992). A minimum of 30 to 35 dwellings per hectare is required. Development on some sites in the large cities will be at higher densities. Following the development of large-scale urban restructure plans (see section 5.4.4) and a review of the VINEX program in 2001, the policy (and associated municipal agreements) has been revised and updated to place more emphasis on higher quality and up-market housing, including owner-initiated homes (MVROM, 2001).

The current planning policy reflects the recent emphasis in housing policy on the market-based supply of housing, the promotion of home ownership and the improvement of housing choice and quality. As well, to address the continuing needs of low income households, a social housing component of up to 30 per cent has been envisaged.³⁰ However, the achievement of this target is not as certain as it would have been in the past

when the subsidy/regulation regime was stronger.³¹ Priemus (1998c) has argued that the affordable housing targets may not be achievable in a market where land and house prices are rising more sharply than in the past - a situation attributed to pent-up demand for owner occupied housing being expressed in favourable economic conditions and to a more speculative environment for land and housing supply.³² Data for 1999 support Priemus' prediction, as only 20 per cent of housing completions fell in the low rent/price sectors (MVRM, 2001).³³

Recently, Priemus and Louw (2002) have suggested that additional planning powers may be required in the future to enable municipalities (which, unlike in the past, are usually not the land developer) to recover the full costs of residential development and to help defray the costs of the target level of social housing, along with those of other social infrastructure. In this respect, the Netherlands appears to be moving towards a residential development model more akin to that operating in Australia. However, in Australia, while provision for a range of social infrastructure is generally included in developer charges, a requirement for new social housing (or other affordable housing options) is not a normal provision. Moreover, the lack of a general housing policy framework has made local attempts to use planning mechanisms for affordable housing contentious and subject to legislative challenge (see below).

By the turn of the century, the historic and unique role of the planning system in supporting the extensive provision of affordable housing in the Netherlands was in flux. Direct municipal influence over new development (achieved through the control of land release, price fixing, development densities and the allocation of subsidies) has given way to processes more akin to those that operate in market-led systems, like Australia.³⁴ Alternative policies may now be required to achieve affordable housing goals. However, these are untried in the Netherlands. Under the new regime, the three-way distribution of power between market players, the municipalities and the housing associations, guided by the national housing and planning policy framework, is likely to be a critical factor influencing future policies and outcomes.

5.4.2 Housing-related shifts in Australian urban planning policy

The broad directions in urban planning policy in Australia from the 1980s reflect similar concerns to those in the Netherlands, especially in relation to the need to support economic growth and to promote environmental sustainability. Specific directions in planning at a city level, and the impacts of differing Commonwealth and state roles and priorities in this area, are also relevant to the way in which planning policy has helped to shape the residential development process, as explained below.

The housing focus of major city plans has been on constraining suburban development, principally to reduce infrastructure costs and to respond to concerns about air and water quality and resource management. The policy adopted across Australia's metropolitan plans to influence growth patterns in the residential development of the cities is known as 'urban consolidation'.³⁵ The density and style of development required under the policy has broken the dominant Australian tradition of detached housing development on large lots. Consequently, controversy has surrounded the promotion and implementation of such a policy.

The debate about urban consolidation policy of most relevance to this study concerns its impact on housing affordability. Orchard (1995) and Yates (2001) summarise that aspect of the debate. On the one hand, it has been argued that increasing the supply of medium density housing can improve housing affordability by reducing the costs of development (such as through using smaller lots) and by providing a greater choice of (typically smaller) dwelling types that will match the changing profile of households, specifically the rise in small households (for example, see NHS, 1992). Critics of this view dispute the claims that urban consolidation policies alone will result in reduced housing costs or that higher density forms will be sought by Australian households, except where their circumstances are very constrained (for example, see Troy, 1996a).

To date, higher density development has had only a small impact on the overall structure of Australian cities, which remain predominantly characterised by low density detached housing (Forster, 1999). Recent analysis shows that urban consolidation has resulted in some small gains in the supply of affordable housing for lower income households buying or renting on the fringe of the biggest and most expensive cities, Sydney and Melbourne. At the same time, a breakdown of household choice patterns suggests that only the most income constrained households take up higher density options in those areas. In inner and middle ring areas, higher density housing has increased housing choice, particularly for younger people, but it has not assisted with affordability at the lower end of the market (Yates, 2001). Thus, in the absence of other strategies, urban consolidation may not counter (and, perhaps, may contribute to) increasing social and spatial differentiation in the distribution of affordable housing in Australia.

Unlike in the Netherlands, the use of the planning process to influence directly the supply of affordable housing has remained very limited in Australia. At a broad level, this is consistent with the political environment of the last two decades, which has been concerned with facilitating economic growth in the cities and constraining public expenditure over and above social equity objectives. More particularly, there has been well-organised and strong resistance from developer and real estate interests to any extension of regulatory requirements. However, there is increasing pressure from housing interest groups (from across the consumer, provider and industry sectors) for greater intervention (see, for example, MTFAH, 1998; Berry and Hall, 2001; Berry, 2002) and, perhaps as a harbinger of an emerging policy shift, a few, small-scale, government-sponsored innovative affordable housing projects have been started in the big cities.³⁶

5.4.3 Directions in planning policy affecting housing in Australia

Chapter 4 described occasional direct interventions by the national government in Australia up until 1980 that were, in part, aimed at improving affordable housing choices. Another period of national involvement arose from the late 1980s, when the Labor government undertook a number of initiatives designed to influence housing outcomes using urban planning processes. The first of these was a national Housing Summit called in 1989. At the time, plentiful credit flowing from the deregulated financial sector and a loss of confidence in the share market (after the 1987 international stock market 'crash') had fuelled high property turnover, accompanied by (then) unprecedented inflation in metropolitan house prices, especially in Sydney. The summit's outcomes were small scale, focusing on land supply issues and efficiency reforms to the planning process

(Orchard, 1995). However, the event heralded a period of active re-engagement by the Commonwealth in urban policy development, including the National Housing Strategy (1991-1993) and the Urban and Regional Development Review (1993-1995).

The most practical Commonwealth intervention was the Better Cities program (1991-1996), which provided a total of over \$A800 million over five years for the improvement of the economic efficiency and social equity of the major cities by addressing the problems of locational disadvantage, housing inaccessibility and declining infrastructure (Orchard, 1995; Gleeson, 2001).³⁷ Demonstration housing projects involved either the upgrading and redevelopment of ageing or run down public housing estates or the provision of new affordable rental housing in major developments to complement the mainly government-run social housing system. While many of the program projects were judged to have been individually successful, their overall impact was limited.³⁸ Indeed, a number of critics have claimed that the flow-on effects from broader Commonwealth policies of the period - especially higher immigration levels, the reduction of tariff protection in the manufacturing sector and the reduction in funding to the states - had a more significant impact on the structure of Australian cities in the 1990s (Forster, 1999; Hamnett, 2000; Stilwell and Troy, 2000; Gleeson, 2001).

As had happened to national urban initiatives sponsored by a Labor government in the 1970s, the incoming conservative government abolished the Better Cities program and most other Commonwealth activity on urban policy in 1996.

At a state level, three main shifts in planning policy and practice that affected residential development can be discerned across the last two decades. First, there has been a move away from technical land use planning towards broader strategic planning and urban management. However, for the reasons discussed above, planning strategy has been more oriented towards economic development and managing government expenditure than to achieving social objectives (Orchard, 1995; Lennon, 2000; Hamnett, 2000). Second, in keeping with the strong emphasis of all Australian governments from the late 1980s on micro-economic reform and public sector efficiency, there has been much greater emphasis on streamlining and standardising the development approval process. While it is too early to assess the outcomes of this process for the housing sector, concern is being expressed about a loss of public accountability in development control and the risk of a 'lowest common denominator' approach to residential design and building standards (Gleeson, 2001). Third, there has been a reduction in government expenditure on physical and social infrastructure (Neutze, 1995). This has been partly offset through increased user charges and greater developer contributions, both of which have increased costs for households. Deferral of maintenance and capital investment in existing infrastructure has also ensued. The ongoing reliance on developer charges in Australia has been criticised from an affordability perspective because of its propensity to reduce affordable access for new households through price rises while, at the same time, resulting in a potential windfall gain to the large number of existing home owners (Kirwan, 1991).

Overall, in Australia, the influence of national, state and regional planning policies on housing in the last two decades has remained confined, focusing mainly on managing urban land release, increasing urban densities and streamlining and deregulating

development approval processes. Historic policies that supported the development of low cost housing on the urban fringe (including infrastructure subsidies) have been replaced by a 'compact cities' approach, formulated around higher density housing development in new and established areas and by private financing of infrastructure. As the next chapter will show, there is no strong evidence of a positive impact on housing affordability resulting from such non-specific types of intervention.

5.4.4 *Urban Renewal Policy*

The cases of Australia and the Netherlands demonstrate that quite different consequences for the protection of affordable housing in older urban areas can result from private versus publicly oriented urban renewal.

In Australia, the vast majority of urban renewal has been initiated through private investment by home owners and developers or individual investors. The upgrading of housing (and associated gentrification processes) has operated to displace former low income residents and to reduce the amount of low cost housing (Badcock, 1995b; Forster, 1999). Government investment has been limited to the improvement of older public housing precincts and the redevelopment of a very small number of major 'brownfield sites'.

In the Netherlands, large-scale public expenditure on urban renewal has been necessary because of the extent of social ownership but it has benefited higher and lower income tenants alike. Over time, the more central involvement of government has had the effect that, in contrast to Australia, the objectives and priorities of urban renewal have been forged more through the political process at state and local levels than through market forces. The differences in each country's approach and the relevant impacts of those differences are discussed further below.

The Netherlands

Government funding for the renewal of older urban areas began in the Netherlands in the 1960s, focusing on pre-World War II neighbourhoods, using predominantly a clearance and redevelopment method. In the 1970s, after strong community activism, a shift to conservation and renovation of the existing stock occurred. The policy was formalised in the 1985 Town and Village Renewal Act (*Wet op de Stads - en Dorpsvernieuwing*), when postwar neighbourhoods built before 1971 were included in the process. In the 1990s, the Dutch Government signalled an intention to phase out traditional urban renewal funds by 2005, when it was estimated that the necessary physical improvement would be complete.

From an affordable housing perspective, the critical issue arising from the renewal of urban areas is the impact on the value of existing or replacement housing. In the Netherlands, a trend to dwelling upgrading becoming associated with higher rents and prices has been mitigated to a far greater extent than in Australia. A turning point occurred in the late 1970s when community action forced the state and the social housing sector to protect affordable housing in urban renewal neighbourhoods (Dieleman, personal communication). Subsequently, municipalities and associations used renewal funds to make mass purchases of prewar, dilapidated private rental housing in the inner

cities of Amsterdam and, especially, Rotterdam and to refurbish it for social rental housing. Existing residents were given the first choice to rent upgraded units at lower rents than for similar property elsewhere. The approach has been summed up in the widely used phrase 'building for the neighbourhood' (Needham *et al.*, 1993). While of obvious social benefit, this policy has also contributed to the over-representation of low income households in the inner cities and to the developing socio-economic differentiation between the cities and their surrounding suburbs referred to in chapter 4.

Beginning in the 1980s, urban renewal philosophy has shifted away from a focus on investing in physical improvement of the neighbourhood towards broader economic, social and environmental concerns with renewing the city (*ibid.*). Consequently, urban renewal strategies have largely moved from the property investment sphere to encompass a wider range of interventions. A new urban re-differentiation policy will be a key influence on the spatial distribution of affordable housing in the Netherlands in the future.

The urban re-differentiation policy - a key element of a broader social, economic and environmental policy for the big cities (see Priemus *et al.*, 1997) - was initiated in response to calls in the Dutch Parliament in 1995 to combat spatial segregation. It aims to reduce geographical differences in income and to prevent further spatial inequality by diversifying the housing stock at regional (inter-city) and neighbourhood levels (Dieleman and Wallet, 2003).³⁹ The focus is on restructuring the physical neighbourhood in order to influence social mix and economic viability, through changing the parameters of housing demand (Priemus and van Kempen, 1999).⁴⁰

One planned strategy is the sale of large numbers of social housing dwellings in the identified neighbourhoods (see section 5.6). Consistently with the overall policy aims already discussed, this strategy will operate locally at two levels: it will release finance for other physical changes and it will achieve a shift in tenure in the neighbourhood. Other housing strategies, involving demolition, upgrading, conversion and acquisition, will be applied to reduce the quantity of poor quality, low rent stock.

Ball (1999) has referred to the policy as 'government-guided gentrification'. However, the link to plans for the inclusion of alternative affordable housing in the VINEX areas, already discussed, is an important balancing factor to be considered. On the one hand, the aim of the policy is to induce demand for home ownership and to change the local income and tenure mix in existing neighbourhoods (where social housing is oversupplied) through the sale of social housing and other strategies. On the other hand, incentives are being provided for a component of lower cost housing for renting or purchase in new areas. Principally, these involve enhancements to the housing benefit policy (discussed elsewhere) and the continuation of the practice of discounted land-pricing for social housing. Nevertheless, if counter-tendencies to affordability continue in new development areas alongside the restructuring of existing neighbourhoods, one unintended consequence may be a reduction in the total options for low income people. In any case, it is too early to assess whether the strategy to restructure existing 'problem' areas through attracting higher income households to them will succeed, although early signs, such as the level of sales in those municipalities that have high numbers and shares

of social housing dwellings, are unpromising (van Kempen and Priemus, 2002; Ouwehand, 2002).

Australia

In Australia, urban renewal activities have had a twofold focus. One has been the reclamation and redevelopment of brownfield sites for residential or mixed-use development. Medium and high density redevelopment of these sites has given a major impetus to urban consolidation objectives, discussed earlier. However, with some small exceptions (such as those areas included in the limited Better Cities program, described previously), the planning requirements have not included affordable housing targets. Moreover, as many sites are well-located in inner and middle suburbs of the cities, the new housing provided by the private sector has tended to be at the higher value end of the market (Yates, 2001).

The second focus of urban renewal activities has been on ageing public housing stock, much of it considered to be at the end of its economic life or becoming inappropriate to current needs (Spiller *et al.*, 2000). In the 1980s, public housing urban renewal projects were largely confined to physical improvements to existing dwellings accompanied by infill or redevelopment activity that created additional public housing. No funding was earmarked for this purpose in government policy. State housing agencies determined their renewal budgets internally as part of their overall capital programs. This has had the effect that physical improvement programs have had to compete for funding with new stock acquisitions, within a declining government funding base for social housing (figure 5.3).

In the early 1990s, the Better Cities program provided an injection of capital for demonstration urban renewal projects in precincts of concentrated public housing in each jurisdiction. Following on from the lead shown by that program, most states have responded to the evident disadvantage of many communities that have high concentrations of public housing by placing more emphasis on reconfiguring public housing estates.⁴¹ However, approaches to date suggest a lack of clear and consistent objectives. For example, in some places (such as Villawood and Minto in Sydney and Kensington in Melbourne), significant reduction or elimination of public housing combined with the transfer of the site to the private sector for redevelopment is the proposed solution to the perceived dysfunction of existing estates. In other cases (such as at Macquarie Fields and Waterloo in Sydney), a substantial amount of social housing is being retained.

Only recently has a broader approach (referred to as 'community renewal' in Australia) been emerging to respond to what is being seen as an overemphasis on physical asset renewal. Projects adopting this approach go beyond asset renewal to tackle social dysfunction and aim to build 'social capital' by linking housing and physical renewal with the introduction of new housing management models to diversify the tenure and income mix, local community support programs, enterprise, employment and training initiatives, and crime reduction and safety strategies (Spiller *et al.*, 2000). While it is usually intended that development and implementation be managed at the local level under a government/community partnership, establishing local structures that have the capacity to support such a participatory model is a key challenge in Australia as, unlike

in the Netherlands, there is no pre-existing framework beyond government, such as a local housing association, to work with in most places.

Overview

The second half of the 1990s has been characterised by a broader approach to urban renewal in both cases. The driving forces in Australia have been urban consolidation goals and obsolete public housing stock plus the perceived social dysfunction of communities that have concentrations of public housing. For the latter, consideration of housing policies that support the development of mixed tenure/mixed income neighbourhoods to replace clusters of public housing is, in an ironic twist, being revived. However, unlike in the Netherlands, there is no national or statewide policy framework guiding this work and the response is piecemeal, with no long-term resources secured. As already discussed, under-funding of public housing overall is resulting in neighbourhood improvement taking precedence over investment in additional social housing. Moreover, as the loss of social housing units from de-concentration strategies is not being fully compensated by stock replacement strategies elsewhere, the supply of social housing may contract even further. The risk is that social housing in Australia becomes almost inconsequential.

In the Netherlands, a more comprehensive (but ambitious) national urban renewal program has been established with a more preventative focus on communities at risk, as well as on those that are already relatively disadvantaged. Within the national framework, local models are being negotiated between levels of government and housing associations. These models directly relate social housing reduction strategies to new social housing replacement targets elsewhere, where needs assessment indicates that this is appropriate. However, with government funding more limited than in the past, achievement of these targets is more dependent on market conditions and, so far, these conditions have not been favourable. From a comparative perspective, while social housing numbers will fall as a result of this and other strategies discussed elsewhere in this chapter, the social housing sector is, in relative terms, much better placed than in Australia to remain financially viable and socially effective (van der Heijden, 2002; Ouwehand, 2002).

5.5 Housing finance and tax policies

In chapter 4, Australia was shown to have achieved an historically impressive level of private investment in housing, buttressed by (among other factors) a strong regulatory framework oriented to the supply of affordable mortgage finance. The account in that chapter also showed that successive Dutch governments had not chosen that path, preferring to directly subsidise the majority of new investment. Evidence was presented that this strategy had crowded out private investment in the Netherlands, creating a long-term dependence on government stimulus to the housing market.

In the last two decades, the greater reliance that has been placed on market housing, and the concomitant reduction in government subsidies for housing construction, is likely to have meant that monetary and fiscal policy settings have become more influential over the level and pattern of investment in housing than in the past. This section considers the evolution of finance and tax policies that have affected the housing sectors of the two

countries after 1980. Because of the significance of the home ownership sector in Australia to how housing is provided across the income distribution in that country (see chapter 6), more detail is given.

5.5.1 *The impact of the deregulation of the financial sector and tax reform in Australia*

Following reviews of Australian financial policy and institutions in the early 1980s, deregulation of the Australian financial system commenced in the middle of that decade. Of most long-term significance to the housing sector, interest rates for new home loans were deregulated in 1986, bringing to an end the protected circuit of mortgage finance which had been built up over the second half of that century (Dalton, 1999).

In association with financial deregulation, a series of changes to the tax system also signalled a major shift in policies that affected residential investment and wealth accumulation. In 1985, the government introduced a tax on real (realised) capital gains for new investments, with the significant exception (in the housing sector) of the taxpayer's principal residence.⁴² In September 1985, the government prevented rental investors from offsetting losses on rental properties obtained after that time against income from other sources for tax purposes (known in Australia as 'negative gearing'). At the same time, to stimulate new supply, a depreciation allowance of 4 per cent for investment in new housing was introduced. The subsequent outcry from private rental investors and the real estate lobby led to the removal of the quarantining of rental investment losses in 1987 but, at the same time, the government reduced the general building depreciation rate to 2.5 per cent (Bourassa *et al.*, 1995). Subsequently, while negative gearing may have helped to sustain (debt-financed) investment in private rental housing, simulation models suggest that it is unlikely to have encouraged investment in the low rent segment (Macquarie Bank Ltd, 1989; Wood, 2001).⁴³ Recently, it has also been suggested that, in the context of a downturn in international share markets, the increasing take-up of tax efficient ways of investing in rental housing that are encouraged by negative gearing may have contributed to a boom in dwelling prices in Australia (RBA, 2002). (Chapter 6 looks at what has happened to the low rent supply in Australia over time.)

The overall impact of the changing tax and regulatory regime has been to make the environment more favourable to investment in housing, especially for owner occupiers.⁴⁴ As shown later in this chapter (figure 5.4), total annual tax expenditures for housing have grown since deregulation, unevenly but dramatically in the latest property cycle upswing from 1997. The greatest benefits have gone to outright home owners, most of whom, in housing affordability terms, need them least (Yates, 2003). Overall, supply-side incentives in the tax system are weak and there are no major incentives for low cost investment, other than some income and consumption tax concessions that apply in the very small (and declining) social housing sector.⁴⁵

At the beginning of the 21st century, the general picture of the financial environment for the Australian housing market is one of continuing strong investment led by existing owners (change-over buyers), who purchased 30 per cent of all dwellings sold prior to 1987 but over 60 per cent of those sold between 1987 and 1999 (ABS, 2000: cat. no.

4102.0). Other relevant long-term trends include rising housing standards⁴⁶ and long-term growth in land and house prices but also greater cyclical volatility in market performance (RBA, 2002).⁴⁷ The impact of the changing financial regime on the availability of low cost housing and on the accessibility of affordable home ownership in Australia will be assessed in the next chapter.

5.5.2 Demise of direct assistance for home ownership in Australia

Just as has happened to government investment in new housing supply in the Netherlands, the last decade has seen the disappearance of direct government assistance for home ownership in Australia. This section outlines briefly the main government programs that were provided during the period under review in this chapter and then considers the circumstances that brought about the demise of government-subsidised home lending.

Financial assistance grants to low and moderate income first home buyers (comprising a mix of deposit assistance and interest rate subsidy for up to five years), which was first introduced in Australia in the 1960s, continued in different forms until the beginning of the 1990s. In 1991, the cessation of grants to new applicants signalled the end of over seventy years of Commonwealth involvement in directly assisting households to access home ownership. To explain the national withdrawal from home ownership assistance at that time, Dalton (1999) shows how the long held policy position of central government agencies seeking to limit the government's role in housing prevailed, in the context of financial deregulation and the further weakening of a historically underdeveloped housing policy constituency. However, it is also relevant that, at the time of the Commonwealth's decision, the states were well-advanced in a major escalation of 'affordable' lending to lower income buyers, using finance raised in the newly established secondary mortgage market.

The new state-run schemes were designed to provide fresh opportunities for home purchase at a time when the following developments were occurring: there was uncertainty about the impact of financial deregulation on the ability of marginal borrowers to access home loans; inflation levels meant housing affordability was receding and the Commonwealth was shifting their emphasis towards the provision of rental housing and rent assistance, as discussed earlier.

However, in a financial innovation that broadly parallels, in both policy intent and subsequent failure, the adoption of the dynamic cost rent pricing system in the Netherlands, subsequent events led to the collapse of government support for home lending in Australia, as described below.

New lending products were introduced in several Australian states over the 1980s in an attempt to maintain the access of low and moderate income earners to home ownership. The new schemes operated with three significant differences to previous policy. First, they obtained finance from capital markets using independent structures rather than government institutions. Second, they introduced fixed interest rate lending for mortgages. Third, repayments were inflation linked. The use of a 'low start' product made initial repayments more affordable to marginal buyers. Repayments were then

escalated over the life of the loan in keeping with an (assumed) increase in household income. In these aspects, the new financing arrangements for home ownership were analogous to those introduced for social housing in the Netherlands, described earlier. In both cases, the strains of sustaining traditional housing policy at a time of fiscal constraint led to the switch to private financing alternatives. In both countries, this failed spectacularly.

In Australia, under the terms of the mortgage, any shortfall between repayments and interest rates could be capitalised into the outstanding loan, based on the underlying assumption that house values would also increase. Capitalisation of outstanding interest was offset by a government subsidy for borrowers on permanent low incomes. After a change of government in 1988, the state of New South Wales embarked on a major expansion of their scheme, under the brand name 'HomeFund'. A number of factors influenced the interest of the new conservative government in expanding the scheme. First, they had made an election commitment to halve the waiting list for public housing and, accordingly, they began to offer additional incentives and to market the program strongly to public housing tenants and applicants. Second, there was mounting concern about evidence of the withdrawal of private institutions from the riskier end of the mortgage market following the (then) recent deregulation of financial markets. By 1989, recessionary conditions were also putting pressure on the government to act counter-cyclically to assist the building industry and to increase lending amounts for marginal borrowers in a climate of receding affordability (Select Committee upon HomeFund and FANMAC, 1994).

In this environment (and assisted by an unlimited source of funds being provided under the financial structure),⁴⁸ the budget for the scheme was expanded dramatically, accompanied by regular adjustments to the loan products to improve their market penetration. Loans issued peaked at nearly 18 per cent of all loans in the state in 1989/90 (*ibid.* p. 71). This represented a level of government involvement in an Australian housing market that had been unprecedented since the 1950s.

Subsequently, a financial and political crisis in NSW forced a series of major independent reviews.⁴⁹ New lending under the program was suspended in 1992 and ceased in 1993. In 1994, a heavily subsidised restructure package was announced to rescue remaining borrowers who had been financially disadvantaged by the operations of the program. By then, new government lending for home ownership had almost come to a standstill in Australia. Although similar programs in other jurisdictions had not been expanded to the same extent nor faced the same failure of performance, the political fallout from the scale of the problem in New South Wales (the largest state) brought about their suspension or closure.

The factors that contributed to the collapse of the NSW scheme are uncannily parallel to the causes of the failure of the Netherlands' dynamic cost price renting model: a mix of changing economic circumstances (especially the fall in inflation), political expediency and administrative inexperience (and/or subservience to political will). In particular, the findings of reviews in NSW demonstrate the significance of political factors in undermining a sound policy idea aimed at maintaining affordable home ownership.

Since the mid 1990s, activity and expenditure linked to home purchase assistance in Australia has been contracting. No major new government-sponsored home lending programs for marginal home buyers have been introduced since 1994, although there are pre-existing programs that are still active in those states with lower house prices where home purchase is more affordable for low income people. In contrast to the Netherlands, Australian governments have remained highly averse to home ownership initiatives for low income households since the excesses of the 1980s. However, as already discussed, alternative policy support for affordable housing has not been forthcoming either. Thus, it appears that the collapse of this public policy in Australia has had a greater impact on recent options for low income households than a similar policy failure in the Netherlands. Again, this can probably be related, in broad terms, to the relatively weak influence of the housing policy constituency in Australia.

5.5.3 Fiscal policy and mortgage finance directions in the Netherlands

As outlined in the previous chapter, the take-off in home ownership occurred later and more slowly in the Netherlands than in many other Western countries, not primarily because of different domestic circumstances, such as the supply of finance for housing, but as a result of the interplay of local housing policies that favoured rental housing and the related dispositions of households to that tenure. However, since the mid 1970s, a faster rate of increase in home ownership has been occurring. The present target is for the Netherlands to achieve 65 per cent home ownership by 2010 (MVRM, 2001).

The main factors that have underpinned recent growth in home buying have been: the generous system of mortgage interest rate tax deductions, rising real rents in the rental sectors, plentiful finance and a favourable environment for borrowing (with historically low nominal interest rates) and improved housing choices available to home buyers (or a lack of similar choices for renters) that have resulted from the emphasis now being placed on building for the home ownership sector.⁵⁰

It is noteworthy that the expansion of the home ownership tenure in the Netherlands is occurring at a time when many other developed countries, including Australia, have deregulated their financial systems and reduced or withdrawn special measures to support mortgage financing (Martens, 1988b; Dalton, 1999). While the Netherlands could be said to be catching up with home ownership by using similar instruments to those used by other countries in the past, this is happening when policy trends are against such costly intervention.

Thus, while Dutch fiscal policy settings have long supported home ownership, growth in home ownership did not accelerate until policies were introduced that were adverse to the rental sector, notably regular rent increases and the abolition of supply-side subsidies. Policies to reduce the cost of home purchase, such as the sales policy in the social housing sector and the extension of the housing allowance to low income home buyers (see below) are now replacing the traditional provision of subsidised rental housing for economically active low and moderate income households.

Whether current policy settings will impact adversely on housing affordability outcomes for low income households is an empirical question to be addressed in chapter 6.

5.6 Changes in the housing delivery framework

The preceding discussion has summarised the main changes in policies that affected the production and financing of housing in each country since 1980. Consideration is now given to policy development that has affected the policy, regulatory and institutional framework for the delivery of housing services in the last two decades in the two countries. Rent regulations, allocation policies, the sale of social housing and the institutional framework for service delivery are compared for each country, in turn, below.

5.6.1 *Rent policy for social housing in Australia*

As discussed in Chapter 4, a fundamental change in the role of public housing in Australia was signalled in 1978 when states were required to relate rents for public housing to market rents, while also providing for low income tenants to receive a rental rebate. Using market rent ceilings was seen as fair and efficient because higher income earners in public housing would not receive subsidies while the rebate system protected all of those in need. Some commentators have identified the introduction of market-related rents as a key factor behind the subsequent residualisation of public housing (Kemeny, 1983; Troy, 1996b). However, other forces have also been involved in this trend, including growth in the number and range of low income households in need of secure affordable rental housing and the declining growth in low cost supply in the private market. Together, these factors intensified the pressures to ration public housing in a period when additional funding was not forthcoming.

While ceiling rents rose gradually after 1978 as a result of the introduction of the market rent policy, in practical terms only a small proportion of tenants were affected adversely. This situation came about for three reasons:

- market rent provided a disincentive for higher income tenants to remain in public housing (especially when coupled with assistance for first home buyers that continued until the 1990s, as already discussed);
- allocations were increasingly targeted to lower income households; and
- the rent rebate system ensured that rent would not exceed an agreed proportion (around 20 to 25 per cent) of household income.

As reported earlier, the combined, long-term impact of all of the factors affecting entry and exit from public housing meant that less than 10 per cent of public housing tenants had sufficient income to pay the market rent by the end of the 1990s. Consequently, it has been developments in the formula for determining the rent rebate (not the level of market rents) that has had the most direct impact on the affordability of public housing rents.⁵¹

Historically, the states regarded rent rebate policies as a matter for their determination only, as they did not receive Commonwealth funding explicitly for the purpose of providing rent subsidies. Accordingly, a variety of different approaches developed. From 1978, the Commonwealth made repeated attempts, which were unsuccessful at first, to promote greater uniformity in rental rebate policy. However, there has been a gradual convergence in policy settings across states driven by two main factors: the development

of more explicit principles and benchmarks on which to base an income related rent setting approach and the growing gap between rent revenues and operating costs, which has forced states to consider ways of increasing the amount of income they can capture in rent.⁵² By the late 1990s, the typical benchmark applying across Australia had reached 25 per cent of gross household income.⁵³ The effect of increasing rents on the living standards of very low income public tenants is discussed in chapter 6.

5.6.2 *Rent policy directions in the Netherlands*

Summarising the position described in chapter 4, by the beginning of the 1980s, five primary policies determined the rent level paid by all Dutch tenants. These were:

- a dwelling appraisal system used to establish the contract rents for all dwellings five or more years after their construction by reference to dwelling quality indicators;
- an associated policy of rent harmonisation whereby historic cost rents on existing dwellings were gradually brought into line with the new quality appraisal system;
- a closely entwined system of setting rents for new dwellings by balancing cost, rate of return, quality and affordability factors with available subsidies;
- a new system of regulated trend rent increases, introduced under the Rent Act for Housing (1979) which replaced previous strict controls; and
- access to a housing allowance for all tenants within income and rent thresholds.

Under the combined impact of the five policies, the long-term trend has been for a real increase in rents - reflecting improvements in housing quality, reductions in new production subsidy levels and government policy directed at gradually moving rents closer to the level of current costs. Over the period from 1980 to 1991, rents rose by 67 per cent, twice as much as inflation and four times as fast as building costs (McCrone and Stephens, 1995). As a measure of the significance of rent trends in the Netherlands, Boelhouwer and Menkveld (1996) show that, in aggregate, rents rose there at a higher rate and to a higher level than for six other Western European countries between 1975 and 1993.⁵⁴

In the 1990s, there were moves to liberalise rent regulation. In the commercial sector, changes in rents above the level where eligibility for individual rent subsidy extends are no longer controlled.⁵⁵ In the low rent sector (around 30 per cent of all dwellings), the annual increase fixed by Parliament was replaced by a government guideline for an average increase to apply in aggregate across that sector. The new trend guideline has given the housing associations and private landlords some greater flexibility to adjust their rents (MVRM, personal communication).

Despite many years of rent increases above the inflation rate, social housing rents are still estimated to be, on average, up to 30 per cent below 'reasonable' rent levels established by the dwelling appraisal system (MVRM, personal communication).⁵⁶ While current rent levels are said to cover the recurrent costs of existing projects, they are below current marginal costs for new housing, even with the benefit of residual land pricing.⁵⁷ Nevertheless, over the period, there has been a very significant upward adjustment to historically accepted affordability outcomes, as the next chapter will show.

Different combinations of rising housing standards, higher costs of housing production and delivery and reductions in government expenditure have contributed to real rises in rents in the regulated rent sectors of each country. Australia's policies historically led to a relatively high rent-to-income ratio. However, recently there has been convergence in what is being promoted in the two countries as an acceptable level of rent that can be paid as a proportion of income. The impact of that trend on the most income-constrained households will be explored further in chapter 6.

5.6.3 Promotion of efficiency in housing allocations in the Netherlands

In the Netherlands, one of the main issues underlying the changes in housing policy that were foreshadowed in the 1989 white paper was the extent of a 'mismatch' between housing rents and (perceived) household capacity-to-pay in the rental sectors. The concept of mismatch (also called 'skewness' in the Dutch literature) embraced both the occupancy of less expensive dwelling by households on higher incomes and the reverse situation of expensive dwellings being occupied by households with relatively low income. In many respects, the debate about this issue paralleled the earlier one in Australia about who should occupy social housing (see chapter 4).

The situation of high income people in inexpensive dwellings in the Netherlands can be attributed directly to the effects of a number of past policies, including the amount of social housing itself and a lack of alternative options for higher income households, especially in the big cities where municipalities have generally not encouraged home ownership. To some extent the 'problem' was also simply a result of rises in household income since allocation. The opposite 'problem' of low income people occupying expensive dwellings was seen to be linked to level of the housing allowance, which had enabled poorer households to remain in housing that would otherwise be beyond their means.⁵⁸ Annual real increases in net rents had, however, been eroding the size of this group over time (Dieleman and van Kempen, 1994).

Encouraging a better match in the occupation of the existing social housing stock was seen as integral to the success of the sweeping housing reform strategy proposed by the centre-right government in 1989. The expected benefits were a reduction in the need for government subsidies for new low cost housing, optimal use of existing low rent housing and some reduction in the cost of the housing benefit. Accordingly, the 1989 policy identified targets and a number of specific instruments to attack the mismatch. These included the provision and promotion of alternative dwellings - especially in the owner occupied sector - to attract higher income households and the introduction of stricter procedures to allocate vacated and new social rental housing with different rent levels according to household capacity-to-pay. However, a proposal (that had been foreshadowed in the draft policy) to establish temporary tenancies or to limit them to the duration of need was postponed (and later dropped) after widespread protests (Boelhouwer and Priemus, 1990).

Unlike in Australia, the policy emphasis on reducing mismatches between housing types and occupants was short lived. In the context of mounting concern in the 1990s (discussed earlier) about segregation and the economic and social problems of the large cities, there has been an attitudinal shift away from blunt targeting approaches towards

approaches aimed at the retention and promotion of social mix at the neighbourhood level (Priemus and van Kempen, 1999). Nevertheless, as discussed below, housing associations are required to manage the total impact of their allocations on the housing allowance budget. This means that they must consider the relationship between income and rent in making new allocations and transfers. In the context of shrinking supply but strong demand, the tensions between meeting low income needs and protecting the viability of the social housing sector appear to have intensified in the Netherlands.

In the 1990s, following an initiative begun in Delft, many housing associations in the Netherlands have moved to an advertisement-based system for selecting new applicants or transferring tenants from their registration or waiting list systems. (A full account of this model is given in Kulberg, 1997.) The new system allows those seeking housing to decide whether they wish to be considered for an available dwelling rather than to wait for an offer, which may not be acceptable, to be made to them. Dwellings are then allocated to applicants on an ordered basis (usually, either by waiting time or by seniority). This has improved efficiency for housing providers and, where there is good supply, it has also improved the choice available to applicants by giving them better information. Another key benefit claimed for the new system is that it has improved fairness and transparency by reducing, *inter alia*, the trend for applicants to try to use the points-based priority housing system to obtain housing faster. Relatively few priority allocations are allowed outside the advertisement system: between 10 and 20 per cent in most areas (*ibid.*).

5.6.4 *Management of access to public housing in Australia since the 1980s*

The general intent of public housing eligibility and allocation policies in Australia after 1978 has been to limit access to public housing to low income households who are unable to obtain appropriate and affordable housing in the private market without assistance. However, the level of need is not officially quantified, unlike in the Netherlands.

Within that limit, eligibility policies have been extended to include certain groups of low income households who had generally not been assisted in the past. The main groups given recognition have been non-aged single people and households with support needs (such as people with physical disabilities or mental illness and the frail aged), who had previously been considered unsuited to public housing if they could not live independently. While these groups were granted eligibility in the 1980s (at varying times across the states), it has taken housing agencies much longer to adapt their policies, housing models and services to specifically cater for their needs.

Over the 1980s, the growth in new applicants for public housing was double that of the growth in new stock (Foard *et al.*, 1994). The main factors that contributed to growth on the demand-side were the increase in the number of low income households as a consequence of continuing population growth, the increase in smaller households (many of whom have relatively low income) plus recognition and acceptance of different needs' groups. On the supply-side, affordability of home ownership was receding, especially in the major cities, funding for public housing growth had not kept pace with the growth in demand and alternative (institutionalised) housing options for individuals with high

support needs were being withdrawn.⁵⁹ Facing these pressures, in the 1990s, national and state housing ministers have sought to shift opinion (and the rules) about the range of needs that should be addressed through the social housing system, as discussed earlier.

Under pressure from the Commonwealth, most state housing agencies have now segmented their waiting lists. Segments within the waiting list recognise different degrees and/or urgency of need. Allocations to those deemed in be in greater need take precedence over allocations to applicants in other segments, who are admitted on general income criteria that, by and large, have not changed.⁶⁰ One impact of moving to segmented waiting lists has been a disproportionate rate of allocation to ‘special needs’ groups which, in turn has the effect of lengthening waiting times for other eligible households or, even in high demand areas, displacing them altogether.⁶¹ Another impact of such severe rationing is that households with the least choice are forced to accept allocations to any available housing even though it may be unsuitable to their needs or may constrict their socio-economic opportunities. Such policy directions are the opposite of those implemented recently in the Netherlands that aim, *inter alia*, to restrict provider discretion and to give clients more choice, as already described.

In Australia, the allocation of higher proportions of public housing tenancies to applicants with the greatest need has resulted in one of the most tightly targeted public housing systems in the world. However, in a small and geographically confined system, this now appears to have been at a high cost to local communities (as the next chapter will show) and to government, as a result of an increase in factors such as housing turnover rates, local crime and ‘welfare dependency’. An analysis of data from successive Housing Expenditure Surveys by Burke and Ralston (2003) gives some indication of the extent of economic exclusion in public housing. Disregarding households receiving age or disability pensions, the analysis showed that over three quarters of low income public tenants (defined as in this study) did not have a principal income earner who was employed in 1998/99. In the same survey, over 60 per cent of all public tenants were found to be entirely dependent⁶² on social security payments, up from 28 per cent in 1975/76.

In the face of such concentrated dependency, state housing agencies are now leading a relatively belated government response to seek to turn around the cycle of poverty in public housing estates. Their response is based on the community renewal approach, described in an earlier section. Within this framework, the appropriateness of targeting policies is being questioned. However, in practice, a contracting sector means that housing agencies have little choice other than to continue to allocate their tenancies on a priority needs basis. Over time, the result may be that when some households escape the cycle of poverty by leaving disadvantaged areas, they are merely replaced by new households in a state of crisis, producing what Latham (1996) describes as a churn effect.

5.6.5 *Policy directions relating to the sale of social housing*

Another aspect of the housing delivery framework that has affected the capacity of the respective housing systems to meet the need for affordable housing over both the short and the long-term has been policy settings for the sale of subsidised dwellings. In the 1980s, the sale of social housing came to be associated with international trends towards

the mass privatisation of public services and assets. However, as Lundqvist (1992) and Murie (1999) discuss, there are many different objectives and applications of social housing sales' policies and nations have very different histories and experiences of sales programs.

Policies that formerly applied to the sale of public housing in Australia were described in chapter 4. Sale levels fell away dramatically after the policy changes in 1978 (Monro, 1998). Sales were revitalised briefly in the late 1980s using innovative lending products (discussed earlier) and deep subsidies to improve the accessibility of home ownership to low income households, especially public tenants and applicants. In the 1990s, the annual rate of sales has fallen again to, on average, around 3000 or 1 per cent of stock levels.⁶³ The main purpose of sales in recent years has been to provide a way of diversifying the tenure and income mix on large public housing estates, rather than (as before) to promote home ownership to individual tenants.

Historically, in the Netherlands, the sale of social housing had been regulated by government and typically occurred at a very low rate, despite the long-term interest shown by conservative political forces to link public housing sales to broader government objectives to promote home ownership (Boelhouwer and van Weesep, 1988).⁶⁴ Although municipal permission for sale was required, there was no policy preventing it.⁶⁵ Therefore, the lack of sales was probably largely a result of the relatively favourable position of tenants in the Dutch housing market and the volatility of the private real estate market over the 1970s and 1980s. In the 1990s, it has been central government policy to encourage sales of social rental housing to meet a set of objectives: to capture value in the housing association sector, to revitalise disadvantaged neighbourhoods (through tenure change and quality improvements) and to achieve higher levels of home ownership. Sales increased for each year of most of the 1990s, reaching 18,200 (0.75 per cent of the stock) in 1998. However, the government's target figure is now set much higher: 500,000 dwellings over 10 years (MVRM, 2001). If achieved, that target, coupled with declining new investment, would reduce social housing to 25 per cent of dwellings by 2010 (Ouwehand, 2002).

From a housing affordability perspective, the longer-term implications of sales policies (beyond the costs and benefits to individual households) need to be assessed by reference to their effect on the capacity of the social housing sector to respond to the level of need (normatively defined) and to continue to provide access to appropriate and affordable housing.

In Australia, in the period when most public housing was sold, much of the resulting benefit was dissipated after one generation of home buyers. First, capital growth was privatised. Second, the revenue gained by state housing agencies (before the 1973 changes to the CSHA) was not necessarily retained within the housing sector. Third, a disproportionate amount of well-located single family housing was lost from the affordable rental portfolio. Finally, the overall reduction in public housing increased waiting times and, through the pressure to more intensively target the remaining stock, contributed to the long run financial impoverishment and stigmatisation of the sector.

In the Netherlands, the cash flows from housing sales have always been retained in the social housing sector. There are no 'right to buy' arrangements for sitting tenants and price discounts cannot be exploited through on-selling.⁶⁶ The general effect has been that the rate and pattern of sales has been driven more by social housing demand trends, property life cycle cost parameters and municipal policies that were concerned with retaining adequate levels of affordable housing, than by government targets or purchaser demand. However, there is a significant risk that the overall cost shifts to the sector, which, *inter alia*, have made the housing associations much more financially dependent on sales since 1995, may have more negative impacts in the longer-term. For example, the amount of higher value, low rent stock in inner city areas may be substantially reduced (van Kempen and Priemus, 1999).

5.6.6 *Evolution of institutional arrangements for the delivery of housing services*

To conclude the comparative analysis of changes in the delivery framework for housing services, brief consideration is given to differences in the character of the institutional arrangements for government-assisted housing provision and the influence of these differences on housing policy decisions in each country.

The Netherlands

Chapter 4 noted that, corresponding to the particular democratic and administrative structures of the Netherlands, the strongest influences on housing politics and policies had, until the 1980s, been exerted by the municipalities and the not-for-profit housing associations and (within the parliamentary system) by the Christian democratic parties. The direct influence of the latter waned in line with their declining political support over the 1980s.

However, the expanding housing association sector has had an increasingly important role since the 1980s. According to Dieleman (1994, 1999), the housing associations have been able to use their organisational structures that lie outside of the formal political process and their power over housing resources to lobby against government withdrawal from housing. This, in his view, has meant that the existence of the housing associations has enabled an accommodation in the political process between the opposing positions of state intervention and free market provision.

In the 1990s, there have been important changes to the sector, stimulated by the policy reform environment. In broad terms, the direction of the changes has been towards greater independence and risk for associations, many of which have responded by amalgamating or restructuring to improve their viability and organisational capability, as already reported. There has also been intense debate about whether the greater independence of the sector and the changes in housing policy may lead to less favourable social outcomes, perhaps mirroring past processes in countries like Australia. (See, for example, Priemus, 2001b; van der Heijden, 2002; Ouweland, 2002 and van Kempen and Priemus, 2002.) However, it can be observed from this study that significant differences in the power of the housing associations (compared to state housing agencies in Australia, for instance) have arisen from: their enormous housing asset base, their strong social charter backed by legislation, their history and culture of acting in a cohesive and mutually supportive way and their powerful political influence. It remains to be seen

whether these power relations will make a difference over the longer-term, as some of the theories espoused in chapter 2 suggest.

In contrast to the housing associations, the historically extensive and powerful role of municipalities generally has decreased as a result of the reduction in supply-side programs, the demise of their role as housing managers and changes in their planning and regulatory functions. However, an opportunity for more diversified and responsive regional and local approaches has also been provided, through measures such as decentralised housing budgets. The prior experience of municipalities in housing, coupled with the decentralisation of budgets, has enabled those that have chosen to do so to continue to have an important influence over the acquisition, protection and renewal of affordable housing at local and regional levels.

There are a wide range of established consultative and advisory mechanisms that underlie the national housing policy-making process in the Netherlands. They operate at many levels (national, regional, municipal, neighbourhood and project) and are inclusive of a wide range of stakeholders. The most recent housing policy memorandum, "What People Want, Where People Live" (*Mensen, Wensen, Wonen*), released in 2000, places more emphasis on consumer participation and includes a central government commitment to strengthen the influence of consumer organisations in housing policy (MVRM, 2001).

Australia

In contrast to the Netherlands, the influence of the non-government, not-for-profit housing sector on policy and practice in Australia has been confined to program delivery matters, reflecting the small scale and fragmented development of that sector. Australia remains one of very few countries that has not significantly diversified arrangements for the funding and delivery of subsidised housing services since the 1980s. About 93 per cent of mainstream social housing is still owned and managed by government agencies in Australia, although there has been steady growth in so called 'community housing', which is provided by (mainly) small and specialised alternative providers (SCRCSSP, 2001).⁶⁷ By and large, those providers operate as alternative tenancy managers contracted by government. A more independent model is used to provide residential facilities for the aged and for the severely disabled, reflecting joint venture program arrangements established in the past by the Commonwealth. There is also a small multi-provider indigenous housing sector.⁶⁸

Consistently with the overwhelmingly private nature of housing provision in Australia, the most visible and powerful influence on government policy continues to come from private sector housing industry groups (Dalton, 1999). One reflection of the relatively unbalanced power relations in housing, and the weak position of the housing policy debate, is the very limited influence of the flurry of national policy reviews in the 1990s that were referred to earlier. Despite being generally consistent and receiving support across consumer and community groups, the major recommendations of those reviews have not been adopted.

Within the state agencies that administer housing assistance programs, the period has been characterised by instability and ongoing change in organisational models, functional responsibilities and personnel. The general direction of the changes is seen to have

stemmed from a narrowing of the housing role of the agencies and from the adoption of 'managerialist' approaches to public sector administration, both of which are linked to a climate of downsizing and deregulation (Troy, 1995). (See also Pusey 1991.)

Since 1996, there has been no national Housing Minister. A small branch within the income support ministry administers housing assistance programs. Consumer participation is a matter for each state⁶⁹ - approaches are variable and the dominant bureaucratic delivery model operates against a more participatory approach. After the prospect of increased involvement that was offered by the national Labor government in the early 1990s, local government's role in housing has again receded. Other minor institutional changes, involving small enhancements to the capacity for national housing research and information collection, resulted from the 1991-1992 National Housing Strategy.

5.6.7 Overview of changes in the delivery framework

Section 5.6 has outlined policy changes and developments affecting the service delivery framework for housing assistance in each place. Broadly similar policy trends, notably to higher rents and greater targeting, are apparent in both cases. However, to interpret their significance these similarities have to be placed in the broader context in which they have been implemented

The Netherlands has a large and well-maintained social housing sector. Providers are diversified and regulated (low rent) housing is mostly well located in established urban areas. Following the withdrawal of nearly all subsidies for new supply and substantial rent rises, the national approach taken to meeting housing needs has aimed to balance more efficient use of the existing stock, on the one hand, with trading and re-investment in new housing, retention of regulatory protection for low rent stock, large scale investment in improving the quality of older housing (and disadvantaged neighbourhoods), a range of home ownership incentives and enhancements to the housing benefit (see below), on the other hand. At this stage, the most likely scenario is that social housing will remain a strong, financially viable, socially driven sector that is capable of meeting the changing needs of low income households. However, the cumulative processes of change (such as rising house prices and the intensification of the concentration of low income households in social housing) as well as developments beyond that sector may cut across that path.

By contrast, in Australia, in response to sustained need from low income groups and a much more limited supply of social housing (after earlier privatisation), the policy response has been characterised by piecemeal and uncoordinated action across agencies and levels of government, severe competition for resources among competing applications (for example, between quality improvement and new investment), and harsher rationing and service restrictions. While the public housing system remains relatively affordable, in many situations (such as where it is over-concentrated or inappropriate) it is failing to improve broader social and economic outcomes for low income households, as the next chapter will demonstrate further. The intensifying association between public housing and welfare dependency in Australia seems to have weakened political interest in that form of housing assistance and, in the absence of local

experience of approaches developed elsewhere over the last two decades, to have left what has been described as a policy vacuum (Burke, 2001). Thus, even though many more households with similar needs remain outside of public housing than within it, there has been no effective protection of the remaining low cost stock that is in private ownership and there is no ongoing program that provides incentives for private investment in additional affordable housing dwellings.

5.7 Evolution and adaptation of housing-related income support schemes

It was noted at the end of chapter 4 that demand-side subsidies for housing began to develop as a more significant instrument of housing policy in both countries at the end of the 1970s. Expenditure on subsidies for low income households who rent has escalated in the period since 1980 (figure 5.4 and table E.3). Growth rates in usage, value and expenditure have been much higher in Australia. From 1984 to 1999, Australia experienced more than twice the growth rate in recipients and payment rates increased three times as much (from a somewhat lower base), resulting in a budget escalation rate of more than three and a half times that of the Netherlands. On the other hand, average payment levels in the Netherlands continue to be significantly higher than those (for private tenants) in Australia (see table E.3).

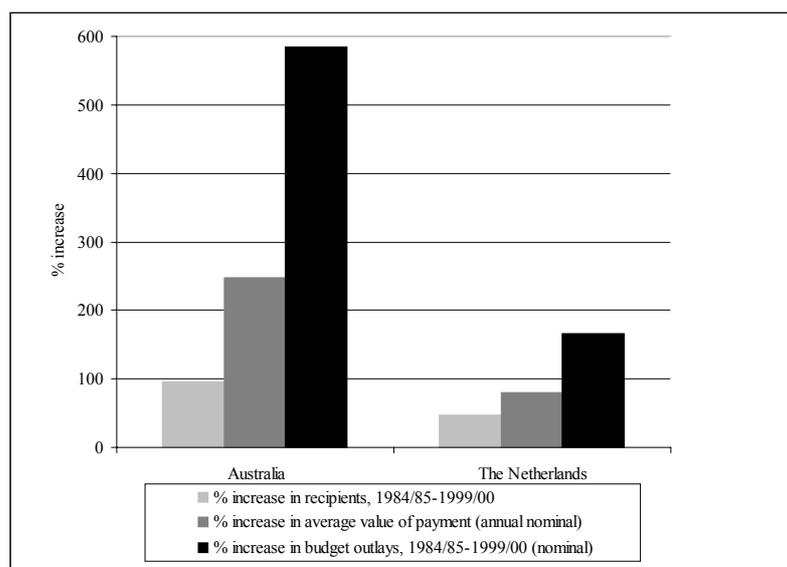


Figure 5.4: Comparison of the expansion of housing allowances in Australia and the Netherlands, 1984/85-1999/00

Source: see table E.3.

By 1999, an estimated 9.5 per cent of households were receiving rent assistance in Australia (Hulse, 2002). When those receiving a rental rebate in social housing are included (to enable comparison with the Netherlands), this share rises to 13.5 per cent, close to 40 per cent of all renters (AIHW, unpublished data).⁷⁰ In the Netherlands, in 1999, 15.5 per cent of all households were receiving the housing benefit, or 32 per cent of those renting (MVR0M, 2000a).

To shed light on the factors that have contributed to the growing significance of housing allowances, the next section examines changes to that policy instrument in each country. Whether such changes have been effective in maintaining or improving housing affordability for recipients is then considered in Chapter 6.

5.7.1 Development of the housing allowance system in Australia

Australia has maintained a dual approach to housing assistance payments for public and private renters, as described in chapter 4. While there have been regular adjustments to each system, the main structural difference between the payments remains. Rent rebates for public tenants are explicitly linked to an affordability benchmark that is applied to the circumstances of individual households, while rent assistance payments to private tenants are not. The discussion following is concerned only with the latter system, as the rebated rent system has already been described.

Eligible private tenants and boarders⁷¹ within the social security system can apply for income supplementation where their rent exceeds a minimum level (floor). The payment design was gradually restructured away from a small uniform payment after a major overhaul of the social security system in the late 1980s. Currently, the payment made equates to 75 per cent of the recipient's rent above the minimum threshold but subject to a ceiling. The floor and the ceiling levels vary according to household type and size but do not reflect differences in rent levels across Australia.

In addition to structural changes, other adjustments to the rent assistance program in the last two decades have extended its coverage to virtually all categories of social security recipients and have increased payment levels in real terms (AIHW, 2001). Since 1996, a series of incremental changes (including the tightening of eligibility and benefits for some groups and improved compliance measures) has been used to stall the long-term rising expenditure trend. Since 1991, the maximum payment has been indexed to the general movement in consumer prices. Use of the general consumer price index has meant that annual adjustments in payments do not necessarily compensate for rent increases above movements in that index. In 2000, maximum payment rates were increased by 10 per cent to compensate for the anticipated adverse effect on rents of a new consumption tax regime in Australia.⁷²

As shown earlier (figure 5.3), the Commonwealth has gradually been transferring its assistance to private tenants, at the expense of the social housing system. The rationale given for enhancing the rent assistance program has varied over the last decade. From 1989, the aim was to provide immediate relief to households whose housing affordability was deteriorating in the adverse economic conditions of the time (Prosser and Leeper, 1994). Consequently, large increases in payment levels and in the coverage of the scheme (the latter involving mainly an extension to low wage families) were made between 1989 and 1994. In the housing policy reviews in the 1990s, referred to earlier, the Commonwealth also argued the case for improving rent assistance, as an alternative to expanding social housing, in order to provide more choice to low income households. The Commonwealth also saw boosting assistance to private tenants as a means of overcoming the disparity in the effective levels of subsidy support available to public and private tenants of similar means (Commonwealth of Australia, 1995).⁷³

The shift to increasing subsidies for low income private renters has been premised on an assessment that the private rental sector is a robust market that caters to a diverse range of community needs (DSS, 1997). Berry (2000) attributes that view, which has been taken by successive national governments, to the persistence of a comparatively large and stable private rental sector in Australia - around 20 per cent of all dwellings since the 1960s. However, as evidence presented later will show, enhancements in income support have alone been insufficient to contain affordability problems in the private rental sector over the longer-term.

5.7.2 Development of the housing allowance system in the Netherlands

The previous chapter described the origins of the housing allowance in the Netherlands as a temporary supplementary payment and how it progressed to become (by 1975) an entitlement for all households who were renting and had income below a specified maximum. In 1984, the instrument was codified in the Housing Act. While the design of the scheme has changed in small ways over time, its essential features, described in chapter 4, have been retained.

The evolution of the Dutch scheme and its impact has to be interpreted in the context of other policy changes described in this and the preceding chapter. It was introduced as a temporary measure at a time when rents were becoming more differentiated, both through deregulation and through rising standards. Subsequently, the aim was to complement construction subsidies that lowered the cost of housing for average households to ensure that lower income households also had access to good quality, newer housing. Later, following the release of research that showed that a large proportion of supply-side subsidies and home ownership subsidies were benefiting higher income groups, the scheme was promoted as an alternative means of targeting assistance to low income households (van Weesep, 1981).

Since the 1980s, the scheme has continued to expand partly as a result of substantial increases in rents and associated adjustments to the payment rates. Growth in recipient households has also been influenced by three main factors outside of the housing system: the (temporary) effect of an economic downturn and rising unemployment, especially in the decade from 1978; demographic and social changes, reflected in an increase in single person households and smaller households generally and welfare policy impacts, such as the high rate of transfer from work to statutory benefits among older workers and those deemed disabled.⁷⁴

In response to growing political concerns about the incidence of poverty and rising living costs, the rent subsidy scheme was again enhanced (and streamlined) in 1997, resulting in a budget increase from 2.2 billion guilders to 3 billion guilders in that year (Priemus, 1998b).⁷⁵ The main changes have been to raise the ceilings for the provision of a full subsidy and to reduce substantially the tenant contribution to the rent that is required.⁷⁶ One aim of these changes has been to increase the choice of affordable housing available to low income households. At the same time, the changes also signal a diminution of the previous policy emphasis on the prevention of mismatches between household income and rent. By providing more choice of affordable housing, the changes are expected to increase the mobility of existing low income tenants and to give them, and new tenants of

limited means, more affordable access to upgraded housing and to the new city extension areas. While such moves could accelerate difficulties in leasing the oldest and cheapest stock, the changes themselves will help to underwrite housing association plans to improve the value (and, in the new more commercial environment, the rent) of that housing. Therefore, broadly, the changes complement the urban re-differentiation policy and seem consistent with a long tradition in Dutch housing policy of aiming to avoid marked spatial segregation in cities caused by variations in house prices.

The growth of the scheme and its relatively open-ended nature together have provoked recurring fiscal concerns. Various design changes have been attempted to rein in expenditure but, as the data on numbers of recipients and average subsidy levels indicate, demand and rising rents have overshadowed those adjustments. Indeed, the government has deepened the dependency of low income households on the subsidy, through policies that increased rents above the inflation level for many years. Now, housing associations and private landlords are being asked to share responsibility for managing the budget of the scheme: for example, through limiting the allocation of low income households to expensive dwellings when alternatives are available; and by aligning the extent of rent increases with the subsidy budget.⁷⁷ Such strategies are likely to have only a small impact and the overall budget trend has led Priemus (1998b) to question whether the qualities of the Dutch scheme are at risk in the present political and fiscal context. Comparison with the performance of Australia's scheme suggests, however, that the Dutch model can be defended as a relatively cost effective one.

Chapter 6 will consider further the relative effectiveness of demand-side assistance in achieving affordability outcomes for low income households in the two countries, in the light of the differences in the policy approach and budget outlays outlined above. Given that economic, social and demographic developments in each country have been similar, it can be predicted that differences in the effectiveness of housing allowances will be strongly linked to differences in their local design and to the overall housing strategy of each country.

5.8 Overview of changing directions in housing policy

5.8.1 Comparison of expenditure trends

As was undertaken for the previous period, comparing housing expenditure data provides one way of assessing the overall scale and direction of the housing policy changes in the last two decades. Figure 5.5 (see also table E.4) compares the level of direct and indirect outlays for housing in each country at regular points across the period.

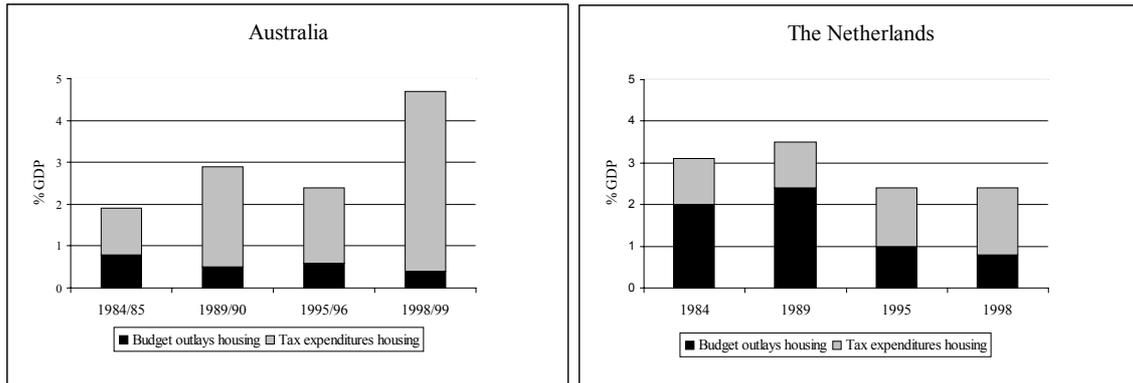


Figure 5.5 Government housing outlays as a percentage of GDP, Australia and the Netherlands, 1980s-1990s

Source: see table E.4.

In Australia, tax expenditures in the home ownership sector have increasingly outweighed all other forms of assistance, especially during the property boom of the last few years of the 1990s. This situation in part reflects the historically large number of outright home owners - 42 per cent of all households in 1994 - who benefit most from the present tax framework in the Australian system (Yates, 2003). The change in indirect expenditures after 1984/85 also reflects the impact of the introduction of a capital gains tax in Australia with an exemption for home owners. However, a relative and absolute decline in direct assistance, most of which is targeted to low income renters and purchasers, has also occurred over the period.

In the Netherlands, while there has been strong growth in home purchase, the relatively modest increase in total tax expenditures for the home ownership sector can be attributed to the smaller number of households that own, or are purchasing, overall and to a different tax regime (see section 5.5). Direct outlays continued to increase in nominal and real terms until 1995, when the end of property subsidies resulted in a sharp decline (table E.4).

Overall, the comparison of housing expenditure with the general benchmark of economic prosperity (namely, GDP) shows some convergence until the mid-1990s. Both countries have curtailed direct expenditures, although at the end of the period the Netherlands still has budget outlays for housing as a share of GDP that are double those of Australia.⁷⁸ However, Australia's failure to curtail indirect outlays has meant that, overall, housing expenditure is now greater and, given the volatile nature of the property market, potentially unstable. The underlying trend in both cases has been a relative shift of expenditure away from the rental sector towards to the ownership sector. Taking into account evidence presented in this study and elsewhere, that trend infers that there has also been a general shift in the direction of government housing expenditure from lower to higher income groups in both countries.

5.8.2 *Comparing the extent and direction of policy adjustments*

To conclude the account of housing policy in Australia and the Netherlands over the second half of the 20th century, this final section draws together the key features of each country's changing regime, highlighting similarities and differences.

The trajectory of housing policy development in the Netherlands described in this and the preceding chapter reveals a strong and persistent, though changing, government role. The previous chapter showed the way in which (in the context of the rapid expansion of a welfare state regime in the 1950s and 1960s) national government, with the consensus of the major sectoral interests, actively orchestrated the housing system and funded most new housing provision.

During the economic crises of the 1970s and 1980s in the Netherlands, housing policy direction or, more accurately, what was implemented, represented a reaction to broader economic pressures or political compromises, more than it reflected prevailing political philosophy. Thus, while successive governments espoused a shift towards market provision and the desirability of home ownership, production levels of social housing achieved record magnitude. In the 1990s, successive coalition governments have successfully engaged the housing interests, notably the powerful housing associations sector and the municipalities, in a fundamental reform of housing provision arrangements. The broad direction of the changes has been to contain government expenditure on housing and to increase private investment. The latter has been achieved by a mix of strategies mainly: the encouragement of owner occupation, government determined rent increases and the promotion of new investment in housing supply by housing associations, drawing on both their cash reserves and their assets, and supported by continued discounting of the price of land for social housing.

Overall, while cutbacks have been significant in the Netherlands, the (government-defined) quantitative need for housing has continued to be met in the context of slower household growth than in the previous period (and than in Australia). A significant shift in policy towards improving the quality of housing provision has now emerged in the latest housing memorandum. At the same time, in response to continuing political and community pressures to protect affordable housing, a variety of financial and regulatory strategies that are specifically aimed at maintaining an adequate and comparatively well integrated supply of affordable housing stock have been retained or enhanced. Value capture from past investment in social housing and wider urban investment strategies to offset economic and social inequality are also being used for this purpose.

After an initial decade of modest levels of government housing provision from 1945, Australia maximised private investment in housing provision, especially through the vehicle of mortgaged home ownership. From the 1950s until the mid 1980s, the prevailing regime was heavily oriented to mass home ownership, applying a wide range of subsidy, fiscal and planning policies for that purpose.

Over the last two decades, economic, demographic and social pressures and challenges similar to those experienced in Netherlands have tested the robustness of the Australian housing regime. In responding to those challenges, successive Australian governments

from the mid 1980s have pushed a strong agenda of economic reform, involving, *inter alia*, the deregulation of financial and labour markets, the promotion of national economic competitiveness and the containment of public expenditure linked to more intensive targeting of existing welfare services. There is ample evidence that the cost of this agenda has been greater social and spatial inequality.

Under the Australian economic rationalist policy experiment, housing has been left even more to the market than previously. Growth in the public housing sector, which had already been decimated by privatisation before 1978, has now stagnated. That small, ageing sector is now operating more and more as a 'landlord of last resort' under the twin pressures of dwindling funds for investment and growing and more diverse demand. As well, there has been a small but intensifying shift of resources towards the 'homeless sector' and to forms of temporary relief.

Policies that directly support home ownership by lower income households have largely been abandoned. The pattern of home ownership is bifurcating. While existing home owners and buyers trade up actively in a rising market, research of longer-term trends, which is summarised in the next chapter, reveals an increased propensity for younger and lower income households to postpone entry into home ownership. Trends in the other tenures have placed the private rental sector under pressure at both ends: from those households who are unable to access public housing and from those on the margins of home purchase. However, that tenure offers neither security of tenure nor protection from high (and rising) rents to those on low incomes. There is no coordinated national housing policy response to the situation of low income households in the private rental sector, which is formally considered a state responsibility, even though it is heavily affected by national fiscal, monetary, income support and immigration policies.

While there was an active policy debate in the early and mid-1990s about the appropriate form and mix of (limited) government housing assistance, little new policy or expenditure resulted. Broader government concerns with fiscal outcomes and economic growth, and the relatively weak position of housing interest groups, overwhelmed political consideration of deteriorating affordability for low income groups. Consequently, some commentators have suggested that, following the period of policy reviews in the early 1990s that could be characterised as policy crossroads, a policy vacuum has now transpired.

In the light of the respective policy histories outlined in this chapter and the preceding one, the next chapter provides a detailed examination of key indicators of the performance of each country in combating affordability problems for low income households.

Notes

¹ From 1990 to 1999, the rate of applications from asylum seekers was 22 per thousand population for the Netherlands compared to 5 per thousand population for Australia (SCP, 2001, p. 69).

² For discussion, see van Weesep and van Kempen (1993), Hamnett (1994), Meusen and van Kempen (1995) and Dieleman and Wallet (2003).

³ 'aedes' is the national peak body for the housing association sector.

⁴ In 1977, the purchasing power of households dependent on welfare was 92 per cent of that of the average household, whereas, in 1995, it had fallen to 79 per cent (van Praag and Uitterhoeve, 1999).

⁵ The Netherlands has come to be characterised by two income households with one-and-a-half jobs (Visser and Hemerijck, 1997).

⁶ The Dutch approach to achieving a restructure of their extensive welfare state, while also protecting the main elements of social provision, has become known internationally as the 'polder model' - managing change and updating the welfare system through negotiation, consensus building and partnership between the interests of capital, labour and the state (Visser and Hemerijck, 1997).

⁷ The economic reform at this time is generally referred to as 'economic rationalism' in Australia (Pusey, 1991).

⁸ As in the Netherlands, an accord negotiated with the trade unions in Australia provided one foundation for the government's capacity to introduce the reform agenda. Pusey (1991) argues also that political opposition was muted by the fact that the Labor government was in substantial ways adopting a conservative agenda.

⁹ In passing, it should be noted that the biggest structural change to the welfare system in the period was the move away from reliance on a non-contributory (and means-tested) flat pension rate to compulsory superannuation. This reform, which was introduced in 1992 and is gradually being enhanced, brings Australia more into line with many OECD countries, including the Netherlands. While the move will have longer-term implications for welfare outcomes in Australia, it is not considered in any detail because any impact will not be significant in the period covered by this study.

¹⁰ Chapter 4 referred to the agreement forged in 2000 between the Commonwealth and the states to address the historic problem of fiscal imbalance in the Australian public financing system. When fully implemented, it is anticipated that the new arrangements may lead to a significant reduction in Commonwealth effort in social programs such as health, housing and education, as the states will be the beneficiaries of long-term revenue growth.

¹¹ The data include a small proportion of purchases of existing dwellings for social housing.

¹² 'Head-leasing' involves social housing agencies taking a lease over an existing privately owned dwelling and sub-letting it to a social housing client under terms and conditions similar to those applying to social housing, including the application of income related rents.

¹³ Rent for new social housing was set at 5 per cent of foundation costs and for other dwellings at a maximum of 6.5 per cent (van Weesep, 1981). From 1975 to 1984, the average annual dynamic cost price rent of new dwellings was 7.4 per cent of foundation costs (Brouwer, 1988).

¹⁴ The financial consequences for individual organisations were diverse and in the aftermath of the overall settlement, significant restructuring of the sector has been necessary. (Since 1988 an independent mutual organisation (*Centraal Fonds voor de Volkshuisvesting* (CFV)) has existed to provide strategic and financial support to financially weak organisations.) There were 1037 organisations (associations and municipal companies) in 1990 and 701 in 2000 (Ouweland, 2002).

¹⁵ Decline in support for supply subsidies was also influenced by the inquiry into building subsidies, which the government was forced to instigate in 1986 as a result of allegations of fraud within the private rental sector (Boelhouwer and van der Heijden, 1992).

¹⁶ In 1997, equity in the housing association sector (2.41 million dwellings) was estimated at 14.8 billion guilders and liquid reserves of 9.3 billion guilders were held. The solvency of the associations was 8.5 per cent. (Note that the valuation is not market related.)

¹⁷ Berry (2000) summarises the main experiments.

¹⁸ However, it should be noted that surveys of rental investors in Australia have shown that low rates of return in the private rental market have not necessarily deterred individual investors, many of whom are seeking long run capital gain (Berry, 2000).

¹⁹ Repeated attempts to introduce an official government measure of housing need in Australia have been strongly resisted (author's knowledge).

²⁰ Unpublished data show that over the period of the last national Labor government (1983/84-1995/96), the net supply of social housing increased by only 128,000 dwellings from 207,000 at the start of their term (data collected by Monro). With population growth continuing strongly, that rate of increase was only enough to maintain the social housing sector's share at about 5 per cent.

²¹ The reviews concerned partly or fully with housing policy (and associated Commonwealth and State roles) included: the National Housing Policy Review (1988-1989) conducted by the Commonwealth Government, the Housing Summit between the Commonwealth and State government leaders in 1989, the Functional Review of Housing (1991-1992) conducted by officials on behalf of Commonwealth and State governments, the National Housing Strategy (1990-1992) conducted by the Commonwealth, the Inquiry into Public Housing conducted by the Industry Commission for the Commonwealth (1992-1993), the Council of Australian Governments' Report on Public Housing (1994) conducted by officials and the Australian Urban and Regional Development Review (1993-1995) conducted by the Commonwealth Government. There were also two relevant inquiries by the Parliament of Australia across the period: The House of Representatives Standing Committee on Long-term Strategies Inquiry into Patterns of Urban Settlement, which reported in 1992 and the Senate Inquiry into Housing Assistance conducted by the Community Affairs Reference Group, which reported in 1997. There were also reviews at state level, the most notable being the Commission of Inquiry into the New South Wales Department of Housing (Mant, 1992)

²² Data exclude some states because the number of tenancies for which rebates were provided was not reported.

²³ In NSW (the largest state), following property inspections, a maintenance backlog of more than \$A750 million in a portfolio of over 135,000 houses and units was declared in 2001, with only 35 per cent of properties considered to meet current standards (Department of Housing, 2001).

²⁴ As the states use different methods to determine their operating position, the data available can only be considered indicative. In 2000/01 states reported operating losses of \$A616 million (calculated from SCRCSSP, 2002, table 16.6, p. 781). This figure is likely to be an underestimate and does not include asset liabilities. The allocation of general purpose funding under the CSHA to cover this shortfall as well as to fund all capital and recurrent programs was \$A1.12 billion in the same year (FACS, unpublished paper).

²⁵ Information from unpublished papers held by the author.

²⁶ The national waiting list for public housing was 221,632 households in 2000/01 (SCRCSSP, 2002).

²⁷ Between 1984/85 and 1996/97, national funding for support of homeless persons (not including capital funding for crisis housing) increased by around (an average of) 20 per cent per annum nominally, albeit from a low base (Burke, P., 1998, p. 303).

²⁸ The extent of demand diversion programs varies between jurisdictions. The annual reports of state housing agencies provide more details.

²⁹ VINEX is a widely used acronym derived from the Dutch name.

³⁰ The distinction is price, not tenure. Social housing dwellings will be valued below 159,000 guilders (1995 values) and market housing above that price (Priemus, 1998c). Within the social component, the tenure mix is being negotiated between the municipality and the housing associations.

³¹ Since 1995, the price for social housing plots has not been controlled directly by central government and location subsidies are of less value than previously. Therefore, municipalities themselves must negotiate sufficient appropriate land at subsidised prices for social housing development. Under policy and market conditions prevailing in the late 1990s, it was estimated that the housing associations would have to draw on their own assets to the extent of 20,000 to 30,000 guilders per unit to maintain rents for new dwellings at a modest level (Priemus, 1997a; Gruis, 2000).

³² Needham and Verhage (1998a) consider that the speculation that has occurred is a result of a relative shift in opportunity and power to developers following nomination of the VINEX areas. Concern with the rise in land prices led to the 'right of municipalities to first refusal of land for sale' being extended in 1996 from urban renewal areas to include the VINEX areas. However, the policy adjustment has been too late, as developers have already acquired most of the land earmarked for development (Needham, personal communication).

³³ Note that the data include some dwellings in non-VINEX areas.

³⁴ There has been a mixed response at the municipal level in the big cities to national directions in residential planning policy. On the one hand, the municipalities accept the need to further diversify housing choices in the cities. Against this, there is also a strong argument, coming particularly from left wing municipalities, to continue to protect the affordable housing sector (Klandermans, personal communication).

³⁵ In the Australian context, urban consolidation refers broadly to medium density residential development (of around 15 homes per hectare) both in established areas and in new release areas.

³⁶ For example the City West Housing Company, a not-for-profit development company operates in Pyrmont/Ultimo in Sydney and a similar organisation, the Brisbane Housing Company has been founded in Brisbane. Government capital funding and developer contributions are being used to subsidise new affordable rental housing provision through these agencies.

³⁷ Matching funding contributions from state and local government brought the total funding to \$A2.3 billion (Forster, 1999).

³⁸ One commentator noted that the Commonwealth withdrew more in revenue allocations to states than it offered under this program (Lennon, 2000). Another critic has shown that the program failed to reduce or even stall spatial polarisation of the cities (Stilwell, 1993).

³⁹ The need for such a policy can be attributed in considerable part to the impact of past housing policies, which helped to distort the distribution of low rent housing, as discussed in chapter 4 (Dieleman and Wallet, 2003).

⁴⁰ Restructuring is defined in this context as a 're-differentiation of the dominant social rented housing stock and a powerful improvement of the quality of the environment'. From 1998 to 2010, 1.85 billion guilders have been allocated from central government, mainly to leverage private, municipal and not-for-profit sector investment (Priemus, 1998a). As an indication of the scale of the program, 170 city districts considered vulnerable to a concentration of low income households have been identified, affecting up to 800,000 dwellings or about 30 per cent of the housing stock of the big cities (Priemus and van Kempen, 1999).

⁴¹ Spiller *et al.* (2000) and Arthurson (2001) document aspects of public housing estate regeneration projects currently underway in Australia.

⁴² The basis for calculating capital gains was changed in 1999. Yates (2003) has the details.

⁴³ As well, the level and form of housing subsidies in Australia have not been appropriate or sufficient (along with other barriers) to attract private financing for low rent housing.

⁴⁴ One manifestation can be seen in the increase in the value of alterations and additions to existing housing in Australia, mainly in the ownership sector where additional capital investment does not attract a tax. Their value increased by 183 per cent between 1989 and 1999 (ABS, 2000, cat. no. 4102.0).

⁴⁵ It also needs to be noted that, in 2000, the Commonwealth reintroduced a form of first home owners scheme grant of \$A7,000 to compensate new entrants into the housing market for the potential impact of the new goods and services tax on the cost of housing (AIHW, 2001). The cash grant is not means-tested or taxable. That initiative was part of an extensive compensation package linked to the introduction of the new tax and, as such, did not have a specific housing policy objective. In 2001, in response to a deteriorating domestic economy, especially in the building sector, the Government, under direct pressure from homebuilders' lobby groups, doubled the amount of the grant available to buyers of new homes. The additional payment has since been phased out, ceasing in June 2002 (Yates, 2003).

⁴⁶ As one indicator, the average size of new private dwellings increased by 13 per cent (from 190 to 215 square metres) over the decade to 1999 (ABS, 2000, cat. no. 4102.0).

⁴⁷ Since 1980, the ratio of house prices to average annual earnings has fluctuated between a low around 4 in 1982 and a high just under 8 in 2001 (RBA, 2002).

⁴⁸ Funds for the scheme were raised through a new secondary mortgage market corporation, First Australian National Mortgage Acceptance Corporation (FANMAC), founded in 1985. The establishment of FANMAC was catalysed by the NSW Government, which held 26 per cent equity in the company.

⁴⁹ The Report of the Select Committee upon FANMAC and HomeFund (1994) provides a full account of the history of the program and the reviews that were undertaken.

⁵⁰ In a recent analysis of the impact of broad changes in Dutch fiscal policy in the 1990s, Haffner (2002) has also argued that the relatively tenure neutral approach to tax policy in the housing sector that was taken, historically, is now being eroded in favour of home ownership. However, ter Rele and van Steen (2001) present modelling to show that taxes and subsidies, together, still benefit renters over owners. This is a complex theoretical and methodological issue, which cannot be resolved in this study.

⁵¹ The introduction of market rents did have indirect influences, such as a loss of revenue (and financial viability) on the capacity of the public housing system to maintain its share of affordable housing provision. These impacts are discussed elsewhere in this and subsequent chapters.

⁵² An overview of the evolution of the general approach taken across Australia to each of these components of the rebate formulae can be found in the annual reports of the Commonwealth department that administers the Housing Assistance Act.

⁵³ For comparative purposes, it should be noted that while the income-related rent charged in Australia is based on gross (pre tax) household income, the scale of income tax means that most low income public housing tenants (whose primary source of income is the social security system) pay very little tax. Accordingly, there is very small gap between gross and net income at the bottom of the income distribution.

⁵⁴ Great Britain, France, West Germany, Belgium, Denmark and Sweden.

⁵⁵ The maximum rent for receipt of the housing allowance is increased in line with average annual rent increases. For 2000/01 it was 541 euros (1,193 guilders) per month, less for youth (MVRM, personal communication).

⁵⁶ It is difficult to establish what this benchmark means, as it was a particular configuration of price/standard, subsidy and affordability parameters in the 1960s and has not been re-calibrated since (Priemus, personal communication).

⁵⁷ As a probable consequence of the relatively low benchmarks still being used in the Netherlands for life-cycle housing costs, housing associations currently estimate that it is uneconomic to hold a property beyond about 15 years (Anderiesen, personal communication).

⁵⁸ More detailed research showed that many of these households were older pensioners and that the allocations had often been made to newer (more expensive) dwellings to meet their needs (Dieleman and van Kempen, 1994).

⁵⁹ At the same time as public housing waiting lists were opened up to low income households needing support to live independently, state governments across Australia began to close institutional facilities for people with disabilities with a view to establishing community based alternatives for current or future clients from those groups (AIHW, 1993). In practice closures often proceeded ahead of, or without adequate funding for, such alternatives (HREOC, 1993). As well, there has been a general increase in the number of people with a long-term disability linked to special accommodation needs (AIHW, 1997). Demand from such groups has increasingly being directed to the state housing agencies and to homeless services in the absence of affordable alternatives in either institutions or in the private sector.

⁶⁰ The test of need is harsh, largely subjective and relative to the position of other clients. For instance, in NSW and Victoria a household paying less than 50 per cent of their income in rent in their existing dwelling and without other extenuating circumstances would be unlikely to be approved for a priority allocation.

⁶¹ Although the proportion of applicants deemed in 'special' or 'priority' need is not reported, it is known to be far less than their share of allocations. In 1999/00, 45 per cent of new allocations across Australia went to households defined as having 'special needs' and 27 per cent of allocations were made on a 'priority' or 'ahead of turn' basis (AIHW, 2001, p. 71). Note that the needs' categories are not defined consistently across jurisdictions.

⁶² In the study, 'dependent' was defined as receiving more than 90 per cent of household income in statutory payments (Burke and Ralston, 2003).

⁶³ Sales data are included in the Housing Assistance Act Annual Reports.

⁶⁴ Figures from 1978 to 1991 indicate an average turnover of about 0.1 per cent of the stock per annum (calculated from Murie and Priemus, 1994). As transfers within the sector cannot be identified in the data, the actual level may be lower.

⁶⁵ Central government control over sales disappeared in 1983, although municipalities, particularly in cases when they own the land (such as Amsterdam), can still determine whether a sale takes place (Boelhouwer and van der Heijden, 1992).

⁶⁶ When housing is released for sale to an existing tenant or when they are offered an alternative property, a price of up to 30 per cent lower than market price may be negotiated. Tenants are required to return a

share of any gain realised on sale for a defined period, linked to the size of the discount (aedes, personal communication).

⁶⁷ Between 1998 and 2001 stock under management in the community housing sector increased by 16 per cent (National Community Housing Forum, 2002).

⁶⁸ A recent survey identifies over 18,500 occupied dwellings managed by indigenous community organisations, mostly localised and very small (AIHW, 2001, p. 63).

⁶⁹ Commonwealth funding to the national housing consumer body, Shelter, ceased in 1997.

⁷⁰ Because two rent subsidy systems operate in Australia and because the Australian data on rent assistance is paid to income units (rather than to households), adjustments have been made to enable a meaningful comparison of the penetration of the two systems.

⁷¹ Boarders include people with formal or informal letting arrangements in the private rental market, in non-private dwellings (such as nursing homes) and in owner occupied dwellings (Wulff, 2000b).

⁷² Summaries of policy changes up to 1993 are provided in Prosser and Leeper (1994) and AIHW (1995). Hulse (2002) includes changes since that time.

⁷³ As the rent rebate system fully compensates for the difference between market rent levels and an income related contribution from the tenant, the discrepancy in the value of the subsidy received by comparable low income households in the public and private rental sectors in Australia has grown over time. The average annual value of the subsidy to households in public housing was estimated at \$A4,000 in 1996 compared to \$A1,600 for those renting privately (Ecumenical Housing, 1997).

⁷⁴ In the 1990s, following a significant contraction in welfare expenditure, it has been suggested that the scheme has played an unintended role in compensating for the decline in real incomes of households on low or fixed statutory incomes (Boelhouwer and van der Heijden, 1992). Partly as a response to such interaction, present policy discussions include consideration of closer linking of the policy in the future to the general income policy administered by the Ministry for Social Affairs (MVRM, 2001).

⁷⁵ A further enhancement of the housing allowance scheme known as the Individual Buy Contribution (*Bevordering Eigen Woningbezit*), designed to improve the affordability of home purchase for low income households, was introduced in 2001. Eligible tenants wishing to purchase their existing dwelling (or an alternative) can receive a cash payment similar to the rent allowance for up to 15 years (subject to their continuing eligibility). For existing dwellings, the benefit also covers the cost of the transfer tax associated with the purchase.

⁷⁶ Prior to 1997, the tenant contribution above the base level (known as the 'quality discount') was based on a stepped scale to a maximum of 55 per cent of the additional rent; now it is simplified and standardised at 25 per cent of the additional rent (Priemus, 1998b).

⁷⁷ Housing associations can incur penalties for making too many 'expensive' allocations (i.e. at above average subsidy levels). A plan to transfer some of the costs of the scheme to the associations has also been floated, along with the possible introduction of housing vouchers as an alternative system, at least for some groups such as those needing supported accommodation (MVRM, 2001).

⁷⁸ One recent study of government housing expenditure in the Netherlands has added in the value of the difference between current asking rents (based on the quality system) and an imputed market rent (based on a fair return on asset value) as an implicit subsidy. The subsequent estimate of the value of total housing subsidies increased from around 2.2 per cent to 3.7 per cent of GDP in 2001, noting that there are some differences in the calculations to those on which the data in table E.4 are based (ter Rele and van Steen, 2001). The estimate of the value of the implicit subsidy may give some indication of the way that housing policies supporting a large social rental sector in the Netherlands have contained rents (and by implication the cost of the housing allowance scheme) over the long-term.

6 COMPARING THE HOUSING CONDITIONS OF LOW INCOME HOUSEHOLDS IN AUSTRALIA AND THE NETHERLANDS

6.1 Introduction

This chapter addresses the second research question: “To what extent are the respective housing policy strategies of Australia and the Netherlands providing affordable housing for lower income households?” By presenting the empirical evidence of the housing situation of low income households, the chapter provides the third and final component, alongside the theoretical and historical reviews already given, of the framework that has been chosen to analyse the relationship between socially oriented housing policy, its historical and geographical context and its consequences. Both direct measures of the housing affordability circumstances of low income households and evidence drawn from previous research of the kind and extent of affordability-related problems in both countries are drawn on for the analysis.

To provide a backdrop to the analysis, section 6.2 examines, in general terms, the profile of low income households and their pattern of housing consumption in each country. Section 6.3 compares housing affordability outcomes using the housing-cost-to-income ratio. An analysis of the supply of housing that is affordable to low income households is presented in section 6.4. The penultimate section (6.5) provides additional information about the wider consequences for the living standards of low income households of housing costs, drawing on available research about the relationship between poverty and housing costs. The findings are summarised in section 6.6.

6.2 The housing situation of low income households

6.2.1 Who are the low income households?

For the reasons explained in chapter 1, low income households have been defined in this study as the households whose income places them within the lowest 40 per cent of all households within a country.¹ In 1998/99, this group in Australia comprised over 2.8 million households. In 1998, 2.5 million households in the Netherlands were in the lowest two income quintiles. Selected socio-economic characteristics of the group are shown in detail in table E.5 and key points are highlighted below.

The disposable incomes of Australian low income households are somewhat lower than those of their Dutch counterparts, after account is taken of differences in currency values and tax structures across the two countries. In both cases, about one third of households had active workforce members, giving them private income as their main source of income. The majority of the remaining households receive a government pension or benefit as their main income source, so it follows that much of the difference in average income levels between the two countries is likely to be explained by the more generous welfare system in the Netherlands (ABS, 2000, cat. no. 6530.0; WBO, 1998, unit record file).

Not surprisingly, given their position within the household income distribution, households in the low income group are relatively small and comprise, in both cases, high proportions of single people and couples without children. Those two types make up over 70 per cent of the Australian low income households and over three quarters of the Dutch group. The proportion of older people in the group is also similar. Forty per cent and 36 per cent of low income households in Australia and the Netherlands, respectively, have at least one household member aged 65 years or older.

The housing consumption patterns of low income households, focusing, in turn, on their tenure and their physical housing situation, are compared next in more detail.²

6.2.2 Housing tenure

In the Netherlands, low income households are predominantly renters (72 per cent). In keeping with the long-standing emphasis on social housing provision in the Netherlands, three quarters of low income households renting live in the social housing sector. The next largest group is home purchasers (17 per cent).

In Australia, as a result of home ownership being a mature sector, over half the low income households are now outright owners. The next largest group is private renters (22 per cent). Social renters make up just over 10 per cent of all low income households and one third of low income households who rent in Australia.

More detail on tenure patterns of low income households compared to all households is provided in table 6.1 to show how those patterns have developed over the last two decades. Changes in housing tenure for the low income population and their relationship to housing policy developments are discussed more fully below, after consideration of the broad relationship between tenure and age.

6.2.3 Housing tenure and broad age group

A breakdown of tenure by broad age group shows that there are important differences in the tenure patterns of aged and non-aged low income households both within and between the two countries. These differences relate to the historical development of the tenures in each country and to the way that home ownership, in particular, develops across the life course.

In Australia, three quarters of aged low income households are outright owners compared to 31 per cent of non-aged low income households, while nearly one fifth of non-aged low income households are purchasers but only 4 per cent of aged households. In the Netherlands, just under one fifth of older households are home owners without a mortgage compared to just 5 per cent of non-aged households. About one sixth of aged households are purchasing along with over one quarter of non-aged households in the Netherlands (See figure 6.1 and table E.6).

It follows from the differences in the combined levels of ownership/purchase across the age distribution that renting will also have different age-related patterns in Australia. Thus, while over 44 per cent of low income, non-aged households rent, only 15 per cent

of low income aged households rent in Australia. In the Netherlands, there is no marked difference between the reliance of aged and non-aged households on the rental housing sectors - around two thirds of each group rent. That nearly half of non-aged low income households now rent in Australia underlines the significance of policies affecting the rental sectors even in a high home owning society.

The relationship between tenure and age has important implications for the interpretation of the impact of housing policies on the affordability of housing by low income households. Because the pattern of housing outlays varies over time in the home ownership tenures, a fundamental consideration in linking the affordability of housing for households in these tenures to housing policy is whether the relationship between the housing circumstances and the income circumstances has occurred concurrently or not. As it can be reasonably assumed that the vast majority of low income older home owners acquired their present tenure status using income and wealth earned in their past, their affordability position will largely reflect the impact of policy, income and price factors applicable at the time they were purchasing their home.

Table 6.1 Development of tenure patterns for low income households and all households, 1980s-1990s, Australia and the Netherlands

	Low income		All households		Low income		All households	
	'000s	%	'000s	%	'000s	%	'000s	%
Australia	1984		1984		1998		1998	
Owners	1,043.0	51.7	1,985.4	39.4	1,488.7	52.3	2,827.8	39.7
Purchasers	303.5	15.0	1,617.6	32.1	325.4	11.4	2,115.5	29.7
Social Renters	179.5	8.9	287.2	5.7	305.6	10.7	384.6	5.4
Private Renters	396.5	19.6	982.6	19.5	626.0	22.0	1,616.9	22.7
Other	96.0	4.8	166.3	3.3	102.8	3.6	178.1	2.5
Total	2,018.6	100.0	5,039.2	100.0	2,848.5	100.0	7,122.8	100.0
The Netherlands	1986		1986		1998		1998	
Owners	300.9	14.3	588.1	11.2	255.4	10.1	503.5	8.0
Purchasers	262.3	12.5	1,680.8	32.0	439.1	17.4	2,703.7	42.9
Social Renters	1,158.9	55.2	2,192.0	41.8	1,375.6	54.6	2,234.9	35.5
Private Renters	348.2	16.6	726.5	13.9	310.4	12.3	619.8	9.8
Other	27.9	1.4	57.9	1.1	138.6	5.6	236.2	3.8
Total	2,098.1	100.0	5,245.3	100.0	2,519.1	100.0	6,298.1	100.0

Sources: Australia - ABS (1987: cat. no. 6531.0, 2000, cat. no. 6530.0) author's calculations.
Netherlands - WBO (1986,1998, unit record files), analysis for author by OTB.

A different explanation is likely to apply to the incidence of non-aged low income home owners. Research that is beyond the scope of this study would be necessary to establish

the circumstances in which such households achieved their low cost housing situation, and whether their current housing circumstances predate their low income status (as it is assumed has occurred for most older owners) or whether they have achieved ownership despite having a low income. However, the high rate of home owners in the non-aged group in Australia (compared to the Netherlands) suggests that the incidence of ownership in this group could be related to the long standing high level of home ownership generally in Australia because of the opportunities that situation provides for housing wealth to be transferred.³ Previous research lends some support to this hypothesis. One Australian study of a large sample of deceased estates in South Australia in 1990 found that housing wealth represented 80 per cent of their value (O'Dwyer, cited in Badcock and Beer, 2000). However, nothing conclusive could be said from that study about the impact of wealth transfers on the housing situation of beneficiaries. Using cross-national data, Forrest and Murie (1995) identify family derived wealth - including that acquired through family gifting, inter-generational transfers or acquisition as a result of family breakdown and subsequent property settlement - as an important alternative source of access to affordable housing to either market or government-subsidised processes in high home owning societies.

Both the ageing of the large population cohorts with relatively high home purchase rates in Australia (those aged 25 to 44 and 45 to 64 years in 1996 - see Yates, 2000a) and strong high price inflation in the major cities (see below), suggests there may be an increasing potential for wealth transfers from housing value in Australia. Whatever market and policy factors affect home ownership levels in the future, such inter-generational transfers alone could be expected to be an important influence on the level and distribution of home ownership in the next generation.

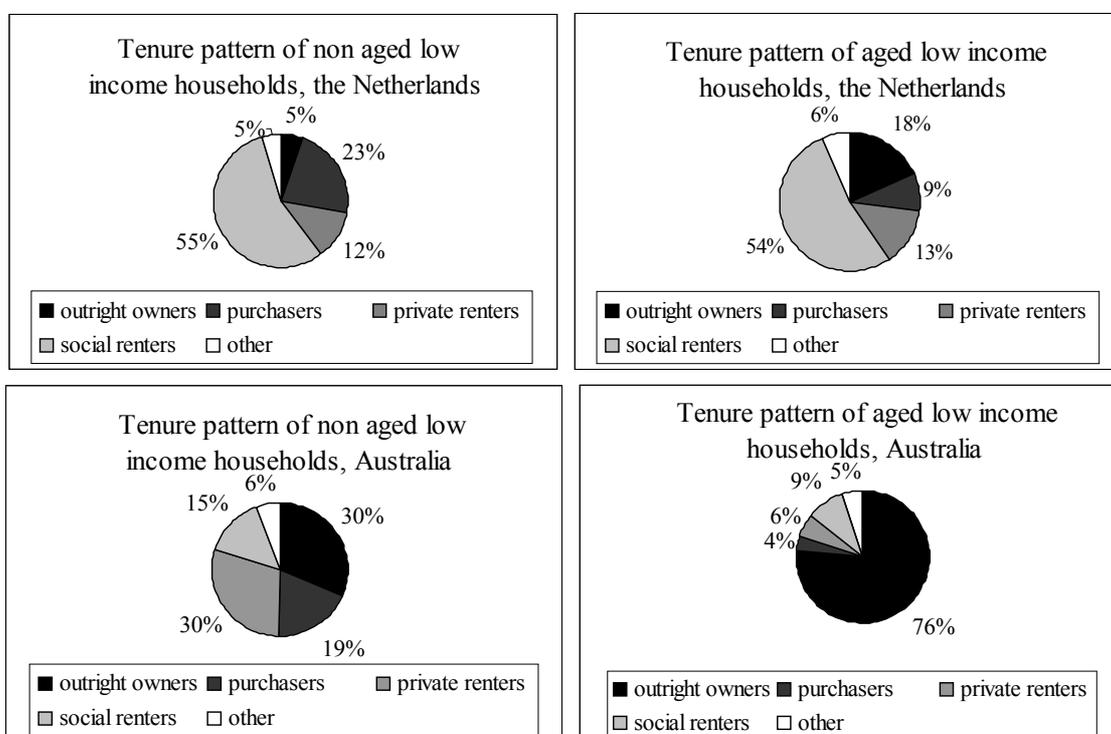


Figure 6.1 Tenure of low income households by income and age group, 1998/99

Source: see table E.6.

6.2.4 Changes in tenure

As housing policies and systems of provision in each country have interacted with socio-demographic change, there have been distinct and different shifts in the tenure mix of low income households when compared to households generally. To highlight where the main similarities and differences lie, both within and between the two countries, figure 6.2 gives a comparative picture of the relative rate of growth (or decline) in each tenure, for low income households compared to the change for all households. (The underlying data is in table E.7, drawing on table 6.1.)

Very different patterns of growth and decline across the tenure distribution of the two countries are evident, noting that total household growth in Australia (41 per cent) was about double that of the Netherlands (20 per cent) over a similar period. Overall, in Australia, the biggest changes have been falling entry into home purchase and an increase in private renting. By contrast, in the Netherlands, all growth has been absorbed through the expansion of home purchase and there has been a relative decline in the proportion of total households in all other sectors.

When the focus shifts to low income households, the most significant growth over the last two decades in Australia has been in the social rental sector. At the same time there has been real decline in the use of that sector by higher income groups. This situation directly reflects the impact of policies targeting allocations in that sector to the most disadvantaged households discussed in Chapter 5.

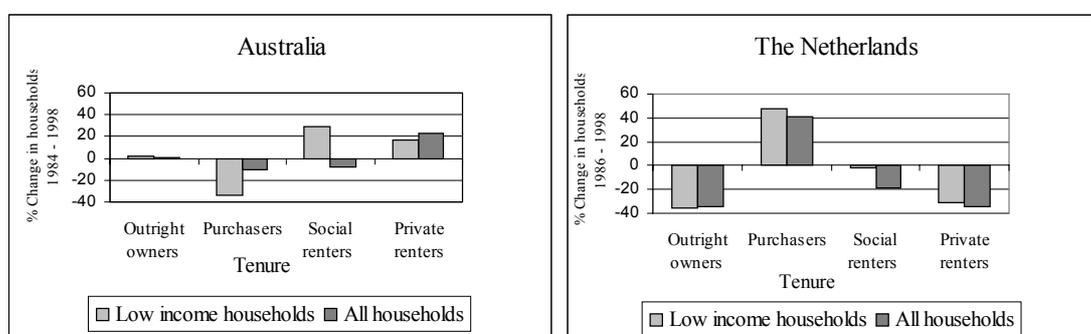


Figure 6.2 Distribution of household growth for low income households and all households by tenure, Australia and the Netherlands, 1980s-1990s

Source: see table E.7.

The tenure absorbing the least growth of low income households (and, significantly for the future of affordability, of all households) has been the home purchase sector in Australia. There are two components of a falling rate of purchase - one is caused by the natural progression of most purchasers to outright ownership over their life course. The second factor is changes in the share of households purchasing a home.

In a major study of evidence over two decades, Yates (1998, 2000a) has analysed the changing profile of purchasers in Australia. She found a general long-term decline in entry to home purchase by younger households across the income distribution. There were different propensities for home purchase among different types of households and different age groups for households with both similar and different levels of income. Two variables - household type and income - account for most of the differences. The greatest falls in home ownership propensities occurred for couples with children and this trend was progressive with income (that is, worst for the lowest income quintiles). On the other hand, low income singles and couples generally had an increasing propensity to home purchase.

Yates' findings suggest that factors other than declining affordability may be at work in influencing the willingness of newer Australian households to purchase a home. In seeking explanations in the Australian political and economic context and drawing on earlier research, Yates (2000a) suggests that the factors that may be affecting the options of more income-constrained households include:

- changes in the supply and distribution of low cost housing (including housing policy changes impacting on this distribution, such as the closure of home ownership benefit schemes);
- the impacts of labour market restructuring especially the impacts on the distribution of jobs and on job (and income) security;
- the impact of the introduction of compulsory superannuation on the savings capacity of younger households;
- changes in the relative cost of owning versus renting; and
- changing preferences for bearing children and the housing tastes linked to these.

The relative share of households owning their homes outright has remained steady, both for the general population and for low income households in Australia. The stability of the home owners segment reflects the underlying historic and demographic position of outright owners, past policies supporting a high rate of entry into that tenure and some present policies that may act as a disincentive to sale.⁴ However, the research on new entrants to the tenure suggests that, without policy changes, outright ownership rates will fall at some stage in the future. This will mean that the historic benefits of this tenure (such as providing for low housing costs in retirement and enabling some wealth creation among many low and middle income households) are likely to diminish gradually in Australia.

Finally, the data show the increasing importance of the private rental sector in Australia, for households in general, as well as for low income households. Other research shows that low income households are staying longer in the private rental market and that there is an association between long-term private renting and reliance on welfare, particularly among single person and single parent households (Wulff, 1997). That research suggests that housing options for continuing renters may be blocked in two ways - by a lack of access to public housing and a lack of capacity to afford home purchase.

Amongst the low income group in the Netherlands, access to home purchase has improved at almost the same rate as for the total population, suggesting that policies that

encourage home ownership have been successful in increasing the use of the tenure across the income distribution. What impact the growth in home purchase has had on affordability for low income households will be considered next in this chapter. The role of the social rental sector in supporting low income households has also grown at close to the rate of household formation. As this situation is not attributable entirely to growth in that sector, it shows that an increasing concentration of low income households in the social sector is occurring, as higher income households move into home ownership and are (more likely than in the past to be) replaced by lower income households.⁵ (Schutjens *et al.*, 2002 present further evidence of those trends.) Finally, there has been a relative decline in the already low level of outright ownership in the Netherlands. That situation is the long run outcome of the low rate of growth in home purchase, especially among non-aged cohorts, in the period of rapid expansion of the Dutch population after 1945 (see Chapter 4). In the future, the Netherlands can expect to achieve an increase in its outright ownership rate through the current surge in home purchase, as Australia has already experienced.

Overall, the comparative historic data highlight the extent of adjustments to the characteristic pattern of tenure that is taking place in each of the two cases. While the specific tenure shifts are different in each case, the implication for the respective housing systems is the same: the dominant tenure regime, on which the majority of low income households have relied, is being broken down. The result is that, broadly, home purchase rates across the income distribution are converging through home purchase levels falling in Australia and rising in the Netherlands. This pattern is repeated for low income households. Convergence may also be occurring in the rental sectors. In the Netherlands, despite improved access to home purchase for some low income households, reliance on social renting housing for the group, as a whole, has remained almost constant. In Australia, the use of both forms of rental housing by low income households is increasing in relative and absolute importance, albeit from a much lower historic level than in the Netherlands. The ways in which these marked shifts in tenure are affecting housing affordability outcomes for low income households will be shown in section 6.3.

6.2.5 *Quality of housing*

Because low income households are generally more constrained in their housing options, any assessment of affordability must consider whether they are forced to make trade-offs between the form, tenure, size, quality or location of their housing and its cost. A summary is provided below of what has been established in this study about the dwelling and locational characteristics of the housing occupied by low income households. Reasonable inferences can be drawn about the similarities and differences in the housing choices and constraints facing low income households in the two countries from the available material, although an almost complete lack of strictly comparable data means that direct comparisons cannot be made.

In both places, the dwelling type of low income households is strongly linked to tenure and also to the distinctive geographies that have influenced the two countries' different urban forms. Low income home owners and purchasers are found predominantly in the detached housing stock, but, of course, there are many less of these households in the Netherlands. Renting is strongly associated with multi-unit housing in both countries, but

in Australia renting is also significant in detached housing because of the sheer bulk and range in quality available (van Praag and Uitterhoeve, 1999; ABS, 2000, cat. no. 4182.0). Dwelling sizes contrast starkly. In the Netherlands only 8 per cent of the stock had 6 or more rooms in 1999 compared to 63 per cent in Australia (ABS, 2000, cat. no. 4182.0; MVRM, 2000a). The result is that many households, not just low income households or smaller households, have small housing in the Netherlands (van Kempen *et al.*, 1992, p. 321).

Over time, new dwellings have become larger on average in both places, despite household sizes continuing to fall.⁶ Research on Australia's largest cities, Sydney and Melbourne, shows that almost all net growth between 1986 and 1996 (both in traditional single family housing and in multi-unit dwellings) was accounted for by dwellings of three or more bedrooms (Yates, 2001, table 2, p. 502). The strength of the trend towards larger dwellings in Australia is likely to be exacerbating choice and affordability issues for low income groups, most of whom are, as has been shown, one or two person households. However, in the Netherlands (as discussed earlier) the latest housing and planning policies are deliberately oriented to producing a high share of larger, higher quality dwellings in response to the surplus of existing small housing.

There is indirect evidence from previous research that the lack of smaller housing in Australia may be aggravating affordability problems. In 1997, it was estimated that 71 per cent of households across all tenures in the lowest quintile occupied housing in excess of the defined need while only 4 per cent were overcrowded in Australia. The corresponding figures for the second lowest quintile were 63 per cent with excess rooms and 6 per cent overcrowded (Percival, 1998, table 9, p. 33).⁷ Across the income distribution under occupancy was most concentrated in the home ownership sector and least in public housing (*ibid.*). Another study (Wulff and Yates, 2001) found that more than 200,000 low income households in 'unaffordable' rental housing (defined as costing above 30 per cent of household income) were paying for housing that was larger than their requirements in 1996. From this research and the pattern of affordability by tenure reported later in the chapter, it can be inferred that a shortage of smaller, more basic housing may be contributing to affordability problems, at least for households purchasing or renting privately in Australia.

The small size of most of the housing stock in the Netherlands means that under occupancy is a much less significant problem than in Australia. In 1998, only about a quarter of lower income households (defined in that case as those in the Dutch target group) occupied housing that had in excess of two rooms over the number of occupants (MVRM, 2000, table 5.18, p. 97). Therefore, the current mix of housing stock in the Netherlands is unlikely to be a factor contributing to affordability problems, even without consideration being given to the extent to which the housing allowance provides access to a wider range of dwellings (see below).

While most housing is relatively small in the Netherlands, housing quality and the maintenance of housing are claimed to be at a high standard relative to other European countries and these conditions do not vary a great deal across the income distribution (SCP, 2001).⁸ The large housing association sector, in particular, is considered to have achieved good standards of housing repair and to make adequate investment in

improving the social housing stock (Gruis and de Kam, personal communication). The oldest and lowest quality housing is found mostly among rental property owned by individual landlords, a small sub-sector of around 6 per cent of all dwellings (MVRM, various; Priemus, 1998d).

In Australia, very little information on housing quality is included in official statistics. There are, however, indicators of quality problems associated with parts of the housing stock and some parts of the low income population. For the reasons explained in chapter 5, there has been chronic under investment in existing public housing in Australia. Not surprisingly, therefore, the most recent national housing survey shows that reported amenity levels in public housing and (to a lesser extent) private rental housing are much poorer than for owner occupied housing, especially the adequacy of kitchen and washing facilities.⁹

Locational patterns of low income households may also be an indicator of the constraints that they face to obtain housing and the opportunities that they have to achieve access to work and social activities. At the national level, there is under representation of low income households in the largest urban areas, also the growth hubs, in Australia compared to the Netherlands (table E.8). Yates (2002b, table b.9, p. 148) shows that further intensification of the spatial differentiation of income is occurring at an inter-urban level in Australia.

At an intra-urban level in the two countries, there are contrasting patterns of location of low income households, associated with differences in the planning and development of the major cities already outlined. Low income households have become more concentrated in outer urban areas in Australia, while in the Netherlands those groups are over-represented in the inner, older parts of the big cities where, unlike in Australia, gentrification processes have been blocked by social ownership. The composition of the housing stock - in particular tenure and dwelling type - is strongly associated with regional differences in average incomes in the Netherlands (Dieleman and Wallet, 2003). In particular, regions with lower average incomes, such as the central cities, have higher concentrations of multi-unit social housing. Recognition of this situation has prompted action to restructure a large number of urban neighbourhoods to prevent social segregation described in Chapter 5.

At the local level, the evidence available suggests that it is likely that there are more neighbourhoods with high level concentrations of low income and disadvantaged households in Australia than in the Netherlands, noting, however, that there is limited research at a common geographical scale. In an analysis of the 1994 WBO in the Netherlands, Stouten (2000) found only six neighbourhoods of the four main Dutch cities where the proportion of people receiving social security exceeded 50 per cent. However, a strong association has been found between low status and older neighbourhoods comprising high proportions of rented flats and small dwellings (three and four rooms) (Knol, 1998).

Social disadvantage in Australia is strongly associated with clusters of public housing. The Australian Bureau of Statistics Index of Social Disadvantage indicates that over half the public rental stock in Australia falls in localities in the lowest two deciles of

disadvantage (quoted in Wulff and Evans, 1999, p. 105).¹⁰ These communities have poorer economic and social participation levels, higher crime rates, lower than average health status and poorer educational performance among children. Analysis of socio-economic disadvantage in Sydney and Melbourne in 1996 confirms there is strong clustering at a local district scale. However, areas of severe disadvantage included not only public housing estates but also many mixed tenure areas, a proportion of which are contiguous with the estates and/or were developed, originally, as public housing and, later, sold to tenants (Randolph and Holloway, 2002a).

Summary

Overall, households in the lowest 40 per cent of the income distribution have a broadly similar socio-demographic profile and economic position in Australia and the Netherlands, indicative of similar housing needs and capacity to pay. However, resulting from differences in the composition of the housing stock in the two countries and the intersection of those differences with policies affecting the allocation of housing across the income distribution, those households face different trade-offs in the type, size, tenure, quality and location of their housing.

Given the above background on low income households and the differences in their housing consumption patterns, this chapter now turns to the analysis of the affordability of housing. The analysis is in three parts. First, the affordability of the housing occupied by low income households is compared. Most of the analysis applies to the late 1990s because the data from earlier surveys could not be reworked to make them compatible. Where amenable to comparison, time series data are included and discussed. Second, an analysis of the supply of affordable housing (whether occupied by low-income households or not) is presented. Third, consideration is given to the relationship between housing costs and the broader living standards of low income households.

6.3 Levels and patterns of housing affordability among low income households

6.3.1 A note on measurement

The conceptual basis of the affordability ratio and its strengths and weaknesses were considered in Chapter 3. There are a number of ways of calibrating affordability ratios depending on the purpose of the study and practical considerations. In most of the published research, Australia and the Netherlands use different approaches. Therefore, to achieve better comparability in this study, primary data for Australia has been adjusted, wherever possible, to be compatible with data for the Netherlands (see appendix D). In cases where adjustments cannot be made, the impact on comparability is discussed.

6.3.2 Average affordability levels across the income distribution

The widespread policy concerns with housing affordability and housing-related poverty arise because housing costs typically represent a much higher proportion of the outgoings of low income households than those for average or higher income households. The situation in Australia and the Netherlands is consistent with this norm. Affordability ratios for all households averaged 16 and 17 per cent of disposable household income in 1998/99 for Australia and the Netherlands, respectively. For the lowest income

households (quintile 1) the ratios were 26 per cent and 33 per cent, respectively. In the second quintile affordability ratios fell to around 22 per cent in the Australian case and 27 per cent in the Dutch case. Affordability ratios for low income households and all households are compared in table E.9.

6.3.3 *Affordability patterns within the low income population*

Aggregate ratios mask the diversity of affordability outcomes within the low income population because other factors such as life stage, household structure and tenure, and the interactions between them, differentiate those outcomes. Disaggregation of the data by these key variables is undertaken below. Location is another key factor affecting affordability outcomes for specific households but lack of housing expenditure data at a spatially disaggregated level in national surveys precludes consideration of this factor to the same extent in this study.

Affordability at different life stages

The strong differentiation in tenure among low income households in Australia depending on life stage was noted earlier. In Australia, average affordability ratios for aged low income households, 76 per cent of whom are outright home owners, are less than half those of non-aged households.

Obviously, home ownership is a major factor contributing to the management of the cost of housing as income declines in retirement. However, as discussed previously, there is unlikely to be a causal relationship between low income and the level of housing affordability in these cases: low income home owners are expected to have had a higher income at earlier stages of their lives.

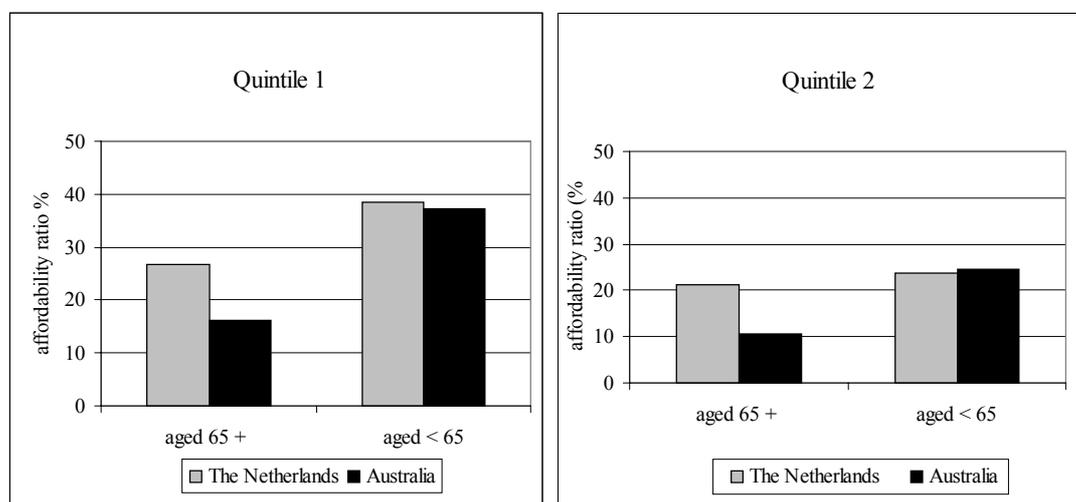


Figure 6.3 Housing affordability ratio by age of household head, Australia and the Netherlands, 1998/99

Source: see table E.10.

The situation of non-aged households, therefore, provides a more robust basis for considering the effectiveness of policy strategies that assist households whose housing situation is determined by their current level of income. Figure 6.3 shows that affordability ratios for non-aged households are almost equal in each country. (Supporting data are provided in table E.10.) Further analysis will show the basis for this situation.

Affordability ratios and household structure

Housing needs and costs vary significantly by type and size of household. Therefore, household structure is another variable that is typically used in affordability analysis.

Figure 6.4 (and table E.11) compare affordability ratios by main household types. Within the low income group, ratios on average across the two countries are broadly comparable for each main household type, although single person and couple households in Australia have lower ratios on average. As the further analysis will demonstrate, that result is associated with the predominance of outright home ownership among these groups, especially older households.

The data from both countries make apparent that there is a higher degree of affordability stress (defined by relatively high affordability ratios) among family households, especially for couples with dependent children but also, to a lesser extent, sole parents. While the data available did not make a breakdown by tenure possible, it can be inferred from other evidence that there is likely to be a strong association between very low income families purchasing housing and poor affordability (see below). Generally, the adequacy of assistance to families can be questioned from these findings.

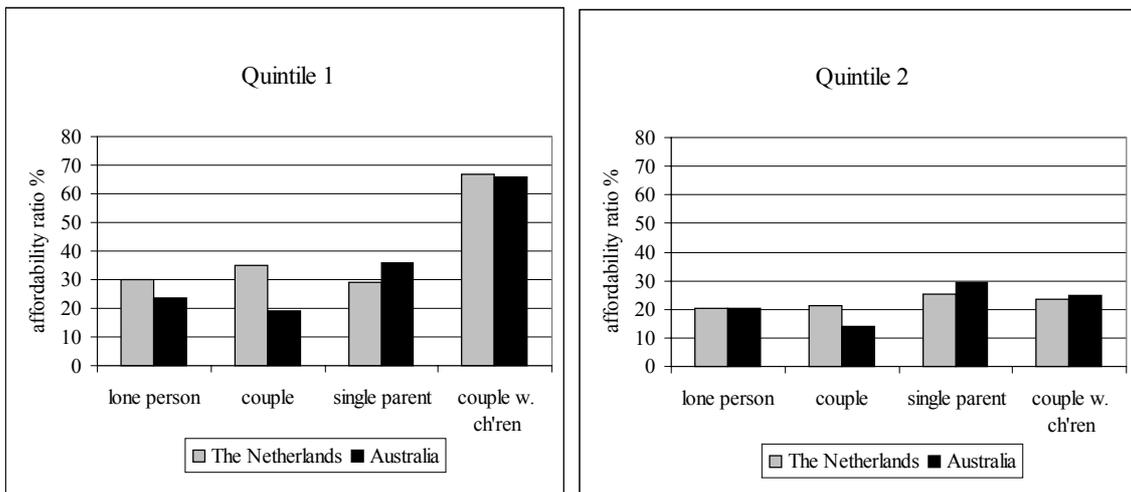


Figure 6.4 Housing affordability ratio by household type, Australia and the Netherlands, 1998/99

Source: see table E.11

Affordability and tenure

A more varied picture of the affordability of housing for low income households emerges when the affordability ratio is disaggregated by tenure (table 6.2). As expected, low income home owners without a mortgage have very low affordability ratios in both

countries - 10 per cent in Australia and just over 5 per cent in the Netherlands. The substantial difference in housing outlays between home owners and all other tenures shows why it is essential to consider this group separately in housing affordability studies, especially in cases where home ownership has become well established. In particular, for Australia, the disaggregated data make it apparent that it is the large number of low income outright home owners that explains the relatively low national average affordability level (section 6.3.2).

Social rental housing tenants, with average ratios of 21 per cent in Australia and 26.5 per cent in the Netherlands, experience affordability ratios that are close to the average for all households in the lowest two quintiles in both countries.¹¹

Low income households in the other two main tenure groups, home purchasers and those renting commercially, are notably worse off than the average, as well as when compared to aspirational maximum benchmarks in both countries, but more so in Australia.

Table 6.2 Housing affordability ratio by income level (grouped) and main tenures, Australia and the Netherlands, 1998/99

Main tenures	Australia		The Netherlands	
	Affordability ratio ^a	% income group	Affordability ratio	% income group
Lowest 40% of households				
Home owners (no mortgage)	9.9	49.3	5.3	10.1
Home purchasers	42.7	12.9	36.8	17.4
Renters - commercial	38.6	20.0	30.2	12.3
Renters - social	21.1	12.4	26.5	54.6
All low income households ^b	22.4	100.0	26.8	100.0
All households				
Home owners (no mortgage)	5.7	38.4	3.9	8.0
Home purchasers	21.6	31.3	16.3	42.9
Renters - commercial	21.9	19.5	20.7	9.8
Renters - social	19.6	6.0	20.1	35.5
All households ^b	15.8	100.0	16.9	100.0

^a Affordability ratio by tenure calculated by method 2, all households ratios calculated by method 1 described in appendix D.

^b Includes other tenures.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for author. Adjustments to ratio variables by author.

The Netherlands - WBO (1998) unit record files, analysis for author by OTB.

Average affordability ratios exceed 30 per cent for both private renters and home purchasers in each case. In Australia, ratios for low income private renters and home purchasers average 39 per cent and 43 per cent, respectively. The corresponding figures for the Netherlands are noticeably lower at 30 per cent and 37 per cent.

Differences in affordability by tenure and income level

More factors that contribute to poor affordability conditions can be pinpointed by examining affordability ratios within the group by income level and tenure (figure 6.4 and table E.12). Housing affordability is dramatically worse for the poorest households (those in the first quintile), especially when market relations determine their housing costs. Purchasers have apparently extreme ratios of current outlays to income, around 60 per cent of income in both cases. In Australia, the average affordability ratio for households renting privately is also severe, half as much again as the average level for similar Dutch private renters. The significance of the high cost of renting privately for low income households in Australia is underscored by the fact that such households represent over 19 per cent of the quintile.

In aggregate terms, about one quarter of the households in the first quintile in each country are exposed to very high ratios on average, while three quarters are reasonably protected from high housing costs by their tenure.

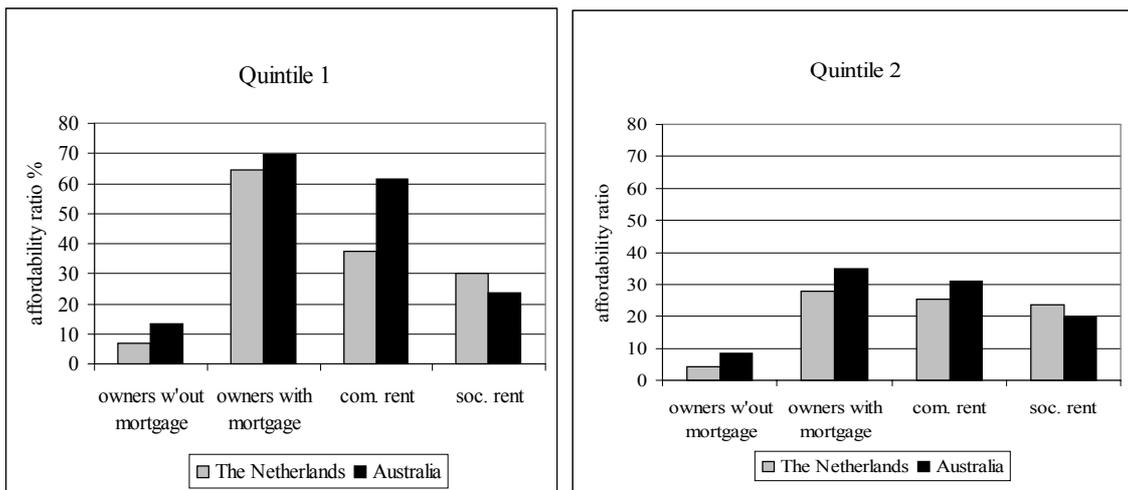


Figure 6.5 Housing affordability ratio by tenure, Australia and the Netherlands 1998/99

Source: see table E.12.

An explanation of the factors leading to the concentration of poor affordability in quintile one is compounded by the limitations of the national surveys because there are higher sampling errors at the extremes of a distribution. Also, surveys do not ascertain the reasons why households have (or report) very low incomes. With the exception of single person households, most households in quintile one would be entitled to a higher rate of regular income under statutory provisions than they have reported. Therefore, it is likely that the first quintile group includes households who are eligible for a statutory income but do not take it up. Other groups in this quintile may not be entitled to statutory benefits in one or both countries. Examples may include: self employed people

experiencing a period of low personal gain, asset rich but income poor households (such as self-funded retirees), some students, youth who have left home at an early age, or some refugee groups. The diverse profile of households in the first quintile suggests that individual choices or temporary circumstances, rather than structural factors, may account in part for the housing outcomes. In other words, although housing policies appear to have failed to adequately address housing affordability for some in this group, factors other than accessibility to affordable housing may be influencing the circumstances and housing decisions of the household.

Nevertheless, even assuming that factors other than the affordable housing supply contribute to poor affordability in both cases, tenure specific differences in the first quintile - for example, the large difference in the affordability of private renters between the two cases - suggest that there may also be housing policy connections. Subsequent discussion of the housing policy factors that underlie affordability will attempt to isolate the contribution of those factors to the relatively poor position of a significant minority of very low income households.

One way of dealing with the potential influence of anomalous cases in the first quintile is to focus on the second quintile. In that quintile, the differences between the two countries narrow. However, affordability levels in the Netherlands are consistently lower than in Australia, except for tenants of social housing. Even in this quintile, households renting or purchasing housing have average ratios above a 30 per cent benchmark in Australia, suggesting that affordability problems may extend further up the income distribution in that country.

While social housing offers relatively better protection from poor affordability in Australia, the tenure is small and access is heavily circumscribed by the urgency and severity of a household's housing needs. Consequently, the majority of households in quintile two are unlikely to be able to benefit from the better affordability conditions that tenure offers. As described in chapter 5, the restructure of housing allocations policies in Australia are contributing to longer and, in some high need areas, indefinite wait times for eligible clients not deemed in immediate or special need. There is limited scrutiny and reporting of waiting times for public housing but available data indicates that in the largest two states, New South Wales and Victoria, 19 per cent and 31 per cent of households on the respective lists in 1998/99 had been waiting more than five years (FACS, 2001, table B3, p. 61).¹²

Affordability by tenure and age group

When affordability is analysed by tenure and broad age group together (see figure 6.6 and table E.13), one substantive difference to earlier results is found between aged and non-aged home purchaser households. In both countries, younger purchasers have much higher average ratios than older purchasers. This situation is likely to be related to different times of entry into the home purchase market of households in the two groups.

Across the income distribution, home purchasers generally experience higher housing costs associated with the early years of mortgage financing.¹³ Chapters 4 and 5 outlined the various policy tools that have been used previously and/or at present to assist both high and low income households to bridge the costs of home purchase in both countries.

The evidence from this study challenges the effectiveness and sustainability of contemporary policy strategies that aim to support home purchase among low income households.

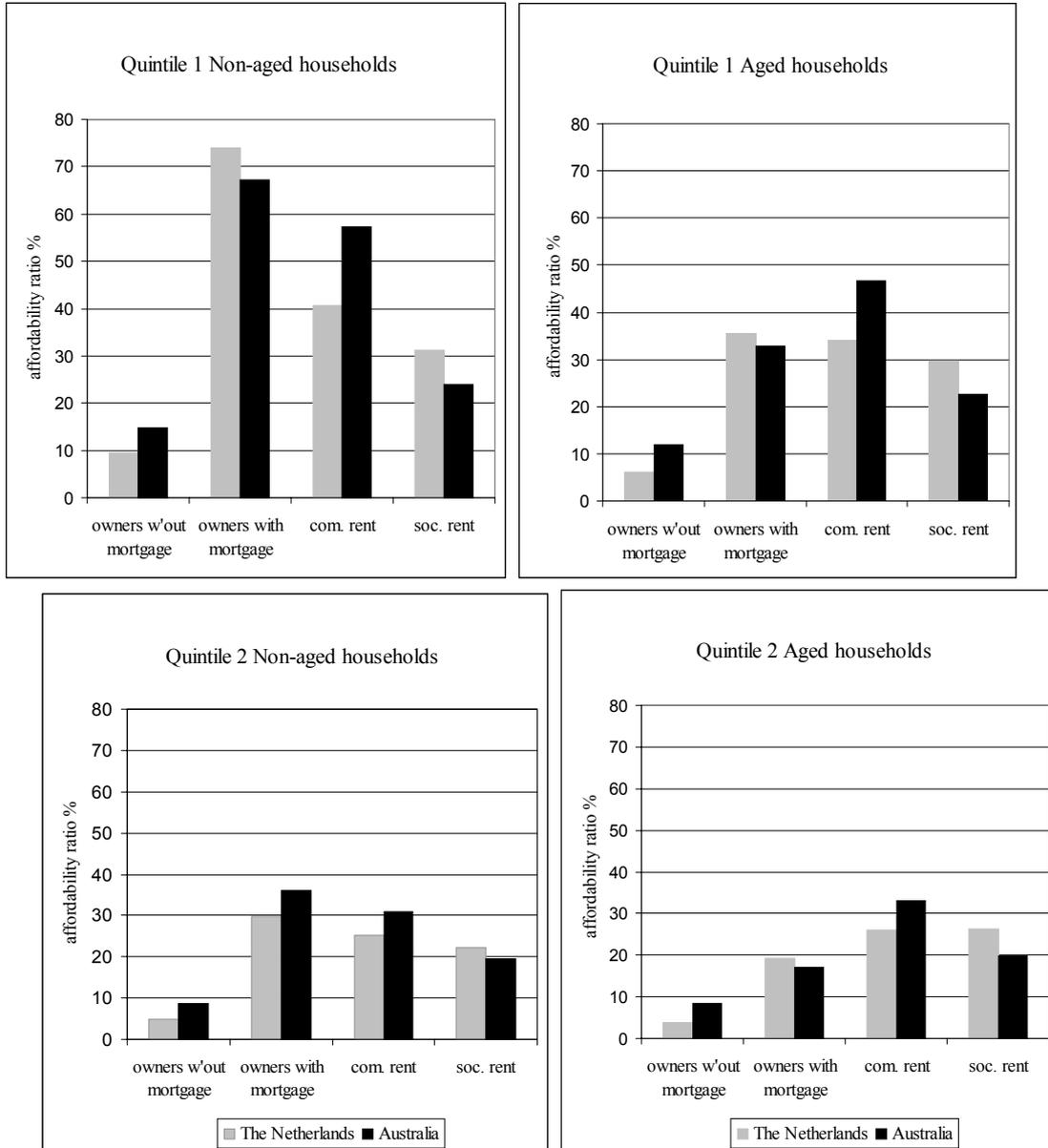


Figure 6.6 Housing affordability ratio by tenure and age, Australia and the Netherlands, 1998/99

Source: see table E.13.

Differences in affordability among households renting

Considering jointly the data presented on affordability in the rental sectors (figures 6.5 and 6.6 and associated tables) brings out another key difference in affordability between the two countries. Housing affordability outcomes for low income renters - whether they live in the social or the commercial sector - are more equitable in the Netherlands than in

Australia. However, there is some divergence among quintile one households and in the non-aged group in the Netherlands. Also, commercial renters experience slightly higher ratios on average with the difference being related to income levels and age groups.

In Australia, inequity between the rental tenures is marked. Ratios for private renters are typically nearly double those of their counterparts in social housing and higher for households in quintile one. However, there is relatively little difference in the labour force status, household structure and household income of those two groups of households as shown by an analysis of the characteristics of public renters and recipients of rent assistance in the 1994 Australian Housing Survey (Wulff and Evans, 1999, table 7.1, p. 104).¹⁴ Differences in the rental subsidy arrangements that have developed under a dual subsidy system and policies that circumscribe access to public housing are major factors that help to explain the differences found in the affordability circumstances of low income public and private tenants of similar means in Australia.

Overall, across both age groups and income quintiles, the greatest difference in affordability levels between the two countries has been found to occur in the rental sectors. The design and operation of the respective rent subsidy systems of the two cases are key drivers of the affordability and choice of rental housing and there is growing reliance on this means of providing low income households with access to affordable rental housing, as shown in chapter 5. To take into account the impact of rent subsidies on differences in housing affordability among low income renters that factor is isolated next.

6.3.4 Affordability and housing subsidy in the rental sectors

The results of comparing affordability ratios for households recorded in the national surveys as being in receipt of the housing allowance, or not, are shown in figure 6.7. (Table E.14 provides the underlying data.)

In the Netherlands, the share of low income households receiving the allowance is much lower than in Australia but the assistance is more effective for those who do receive it. In quintile one, 56 per cent of Dutch renters receive the allowance, compared to 71 per cent of Australian private renters. The corresponding figures for quintile two are 33 per cent and 58 per cent. The significance of the allowance to the affordability of housing for very low and low income households is clearly demonstrated in both cases. In the Dutch case, being in the non-recipient group results in average affordability ratios above normal benchmark settings of 25 or 30 per cent; being in the recipient group reduces the average ratio below that level. In Australia, while receipt of rent assistance significantly reduces the affordability ratio, it does not bring it below those norms in either quintile.

The data raise two sets of policy issues. First, are there policy reasons why low income households with affordability problems do not receive the housing allowance in each country? Second, why do those who receive assistance still experience poor affordability in Australia? These questions are considered, in turn, below.

6.3.5 Impacts of the housing allowance systems on affordability outcomes

Non-recipient households

Policy-related explanations for the level of non-recipients of the housing allowance among low income renters are likely to depend on eligibility regulations and application processes. To explain why there are households apparently needing a housing allowance but not receiving it, differences in the rules of the respective housing allowance schemes and what is known about take-up rates in each country have been examined.

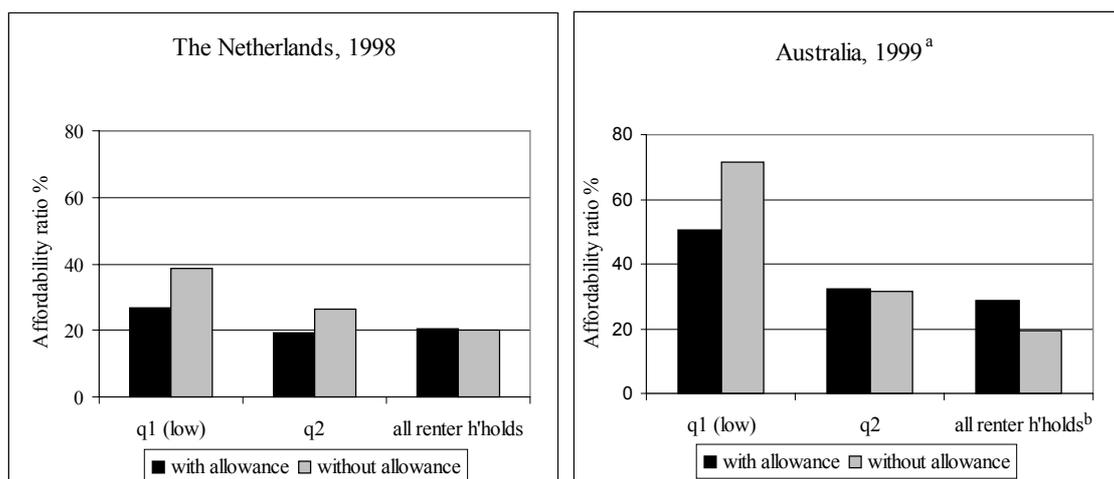


Figure 6.7 Affordability ratios for households renting with or without housing allowance, Australia and the Netherlands, 1998/99

^a Private renters only.

^b When households across the whole income distribution are assessed together, households receiving the allowance are worse off than those not receiving it in Australia because of the higher income (and, therefore, capacity to pay) of the total non-recipient group.

Source: see table E.14.

In Australia, eligibility for rent assistance is linked to eligibility for income support in keeping with the origins of that program in the national income support system. Recipients of any pension, benefit or allowance may be eligible for rent assistance, depending on their housing situation. On the other hand, low income households outside the social security system who are renting privately - for example, self-funded retirees or low wage earners without dependent children - do not receive rent assistance in Australia. However, this is likely to be a small group because of the dominance of home ownership.

In the Netherlands, income and asset limits applying to applicants for the housing allowance are separate to those that govern access to social security. At the time of the 1998 survey, the income limits for the housing allowance encompassed the vast majority of households in the bottom 40 per cent of households.¹⁵

Overall, despite those different approaches, financial eligibility limits for the housing allowance are not considered to be a significant issue that prevents low income households from receiving rent assistance in either country.

A second aspect of the rules governing eligibility for the housing allowance in both countries is the minimum rent level that qualifies a household for subsidy. In Australia, this level varies by household type and is set to include, as eligible, all households for whom rent above a floor level would exceed about 20 per cent of the standard pension entitlement for their household type. In the Netherlands, the floor is set in relation to a fixed minimum rent level. Only around 2 per cent of rental properties fell below the minimum eligible rent level in 1998 (author's calculations). Thus, while households excluded by minimum rent levels will be a component of the non-recipient group, they should not have high affordability ratios in either country.

There is also a maximum rent level, above which no subsidy applies in the Netherlands. Significant increases were made to the maximum level in 1997 just before the last WBO survey on which much of the analysis in this study is based. Given that timing, it is likely that a number of households not receiving the allowance at the time of the survey may be entitled to it under the enhanced scheme. Indeed (as discussed in chapter 5), part of the rationale for the changes to the scheme was to improve the situation of low income households, who had been adversely affected by significant rent rises that had not been offset by the housing allowance at that time.

A fourth consideration that affects when a rent subsidy is received is the residential situation of the tenant. In Australia, eligible households in a wide range of formal and informal rental circumstances can apply for rent assistance. Accordingly, in addition to the formal private rental sector, people not living independently (such as those sharing or boarding), people living in rooming houses and caravan parks and people in institutional housing arrangements (such as hostels, retirement villages and nursing homes) are eligible to apply for rent assistance.¹⁶ A national survey of recipients of rent assistance in 1998 found that nearly 24 per cent paid their rent to non-resident relatives, resident landlords (predominantly relatives) or managers of non self-contained accommodation, such as boarding houses or hostels (Wulff, 2000b, table 2.1, p. 23).¹⁷

Unlike in the Netherlands (see below), the policy aims for the housing allowance in Australia do not extend to a concern with a basic standard of housing. Although not explicit in the policy discourse in Australia, coverage of a wide range of living options could be interpreted as a way to reduce pressure on the social housing system and to help offset the poor affordability of much of the formal rental sector.

In the Netherlands, the housing allowance is not payable to households living in situations that do not provide private access and washing and cooking facilities, except in very limited cases (MVRM, personal communication). An explicit policy objective - to ensure individuals have access to independent living - is stated. However, the effectiveness of such a policy aim relies on there being sufficient access to housing deemed appropriate. In circumstances where access is delayed, the objective of ensuring affordable housing may be compromised by this approach.

It is not known how many low income people in the Netherlands are excluded from the housing allowance by their living conditions but some inferences can be made. In total around 46 per cent of low income households that were renting reported receiving the housing allowance in the 1998 WBO survey (over 800,000 households). Separate administrative data shows around 1 million recipients in 1998 (MVRM, 2000). That level of use suggests that somewhere between 800,000 and 1 million low income households renting (as defined in this study - see table 6.1) were not in receipt of the allowance. An analysis of the WBOs in 1994 and 1998 showed that about a third of people had their application for subsidy rejected for reasons other than the level of their income and assets or the level of their rent (Ferment, 1999). The most likely reason remaining would be that these applicants lived in accommodation that does not qualify for the allowance. In another analysis of the 1998 survey, Hooimeijer (1999) has attempted to assess the number of people in diverse accommodation situations. He estimates that just under half a million people were not living in self-contained dwellings in 1998. Of those, up to 300,000 may have been living in accommodation that was insecure and, therefore, excluded from rent subsidy. However, as the study did not determine the income or housing costs of these households,¹⁸ that number is likely to be considerably more than the number of people with affordability problems who were excluded because of their living arrangements. Nevertheless, the gaps in coverage point to the exclusion of more informal residential situations being a significant factor explaining some of the incidence of poorer than average affordability.

Finally, an obvious reason for affordability problems is the failure of eligible households to apply for the subsidy that is available. Australian research has not considered directly the 'take-up rate' of rent assistance among households eligible for it. Researchers and policy makers in the field have tended to assume that coverage is high because of the way the program is administered.¹⁹ Matching of census data on the pattern of low income renters and administrative data on recipients has also been used to show that the profile of recipients is comparable with the rental population as a whole, suggesting that, whatever the rate of take-up, consistent coverage across the eligible population is being achieved (Wulff, 2000b; Hulse, 2001).

As in Australia, only a little information on this issue is available in the Netherlands. In 1997 the Ministry of Housing, Planning and the Environment estimated that the rate of access to the allowance was between 77 per cent and 85 per cent of the official estimate of eligible households (MVRM, personal communication). One possibility is that poor take-up is associated with particular ethnic groups (van Kempen and van Wessep, 1997). Whatever the underlying causes, it seems likely that, compared to other possible factors contributing the large non-recipient group already considered, 'non-use' accounts for a considerable component - up to 300,000 households based on the Ministry's estimate. In their latest policy memorandum, the government has made a commitment to address this issue by increasing local service outlets and other actions (MVRM, 2001).

Overall, the large number of non-recipient low income households with poorer affordability in the Netherlands warrants further investigation of two factors which, based on the analysis in this study, are considered likely to be the main causes of this situation - that is, non-use of the allowance and the exclusion of residents in certain dwelling types or informal letting arrangements.

Recipient households

Figure 6.7 above makes apparent that differences in subsidy effectiveness within the recipient group must underlie part of the difference that has been found in average affordability ratios for renters between the two countries. The key factor influencing that difference is the extent to which the maximum allowable subsidy provides access to affordable rental housing in each case. In Australia, the maximum payment is set at a relatively low level compared to the level of private market rents in many areas. In the Netherlands, the payment relates directly to the property rent until a threshold level (above the rent level for the vast majority of the total rental stock) is reached.

Specific calculations undertaken on a comparable basis for this study show the way in which the differences in the subsidy level will either constrain the choice of low income households or may force them into less affordable housing in Australia, relative to the Netherlands (tables 6.3 and 6.4).

Table 6.3 Rent assistance maximum payment as percentage of median rent ^a (for appropriate dwelling) by capital city and household type, Australia, 1998

City	Lone person ^b	Couple ^b	Single parent or couple with 1-2 children ^b	Single parent or couple with 3 or more children ^c
Sydney	17.0	16.0	19.9	23.5
Melbourne	21.7	20.5	25.4	24.8
Brisbane	22.7	21.4	26.5	29.9
Adelaide	31.4	29.7	36.7	31.9
Perth	30.7	28.9	35.8	31.9
Canberra	24.9	23.5	29.1	29.1
Hobart	31.2	29.4	36.4	32.9
Darwin	19.7	18.6	23.0	23.5

^a Rent is 'asking rent' for vacant properties (actual rent paid will vary around this amount). Only capital city data is produced regularly in Australia. Refers to private market rents only.

^b Based on median rent for 2 bedroom unit (rent data for 1 bedroom accommodation is not published as supply is very limited).

^c Based on median rent for 3 bedroom house.

Sources: Real Estate Institute of Australia (2001, rent levels, tables 38; 39, p. 22); Wulff (2000b, rent assistance maximum payment, March 1998, table 1, p. 2).

In Australia, the maximum assistance paid will cover between 16 per cent (Sydney and Darwin) and 37 per cent (Adelaide) of median capital city 'asking rents'.²⁰ Differences between cities are very significant, while differences between household types within a city are not so marked, reflecting the fact that rent assistance payments are sensitised to household size. Coverage is least in the largest cities, Sydney and Melbourne, where the greatest gap between rents and the maximum payment occurs. As a consequence, low income renters in these cities face relatively high housing-costs-to-income or, conversely, may be unable to afford appropriate housing locally.

A recent survey of rent assistance recipients (Wulff, 2000) has found some statistical evidence that lends support to the view that affordability problems and displacement effects do arise from the structure of rent assistance payments in Australia. Sharing and group households are more predominant among recipients in metropolitan areas than in non-metropolitan areas, while family recipients (perhaps, less willing to share) are

Table 6.4 Rent assistance maximum payment as percentage of average rent ^a paid by city and household size, 1998, the Netherlands

City	One person	Two people	Three or more people ^b
Amsterdam	42.4	42.4	42.4
Rotterdam	45.5	45.5	45.5
The Hague	46.7	46.7	46.7
Utrecht	47.1	47.1	47.1
The Netherlands	47.2	47.2	47.2

^a Data used are mean rent but median and mean rents are very similar (author's calculations from source). Rent published is not differentiated by bedroom category. Rent is actual book rent. Data include social and private properties.

^b Note that housing benefit paid does vary by household type (aged, youth etc) but only for rent levels well above average rents.

Sources: MVRM (1998, *Volkshuisvesting in cijfers*, p. 126 (rent levels)); MVRM (2000b, p. 21 (housing benefit levels)).

concentrated in the lower cost parts of the metropolitan cities, typically in the outer areas. Three times more recipients (6 per cent) lived in a caravan or 'granny' flat²¹ than for private renters as a whole. Between cities, average rents being paid by recipient households vary directly with relative rent levels.

In the major Dutch cities, maximum rent assistance payments are much higher in relation to rent levels than in Australian cities and vary little between locations and households.²² On average, coverage is between 42 per cent and 47 per cent of rent paid in capital cities and in the country as a whole. The design of the Dutch housing benefit allows households to choose widely between the available stocks of rental housing to obtain comparable affordability outcomes.

Concluding comments on the impact of housing subsidies

This section has examined the way in which the detailed workings of the housing allowance system in each country may have influenced the pattern of affordability outcomes for low income households who are renting. While more specialised research is required, some tentative conclusions can be drawn.

For Australia, the low maximum payment rate for rent assistance relative to rent levels is predicted to be the most significant factor that helps to explain affordability problems among low income private renters. As well, it is likely that this factor, coupled with increasingly restricted access to public housing, is contributing to the extent of informal housing arrangements within the low income group and to displacement of a proportion

of households from major urban areas. Take-up rates for rent assistance are predicted to be relatively high and lack of access to subsidy, where needed, does not appear to be caused by deficiencies in the rules of access. In quintile one, when rent assistance is not taken up, average affordability ratios are extreme but this could, in part, be explained by under-reporting of income. In addition, the relatively low level of statutory benefit paid to many who would fall into this group (such as students and single youth) is a contributing factor.

For the Netherlands, the survey data indicates that poor affordability is concentrated within a relatively large group of non-recipient households. Aside from the under-reporting of income, factors that could be expected to explain the situation of this group include: failure to apply for the allowance following recent enhancements, persistent non-use and the non-coverage of more informal letting arrangements and other shelter, such as boats, caravans and rooming houses. Further research is needed to confirm the causal factors and their relative importance.

6.3.6 *The historic development of the affordability ratio*

The analysis to this stage has relied on point in time data giving a snapshot of contemporary affordability conditions. This section examines the development of the affordability ratio over time and the relationship of this trajectory to changes in the policy environment and to broader societal changes.

Figure 6.8 (and table E.15) compare broad trends in housing affordability ratios over the last two decades. Some qualifications to the comparability of this data set are required. For Australia, housing subsidies received by some households have not been deducted from the income and expenditure data. This has the effect that the Australian values will be higher (by a few percentage points) than if a net ratio measure had been used consistently, but this factor will not affect the direction of the trend shown.²³ Zero and negative incomes, excluded in the preceding analyses, are included in the published time series data set for Australia. This factor will also have contributed to slightly higher ratios, especially for quintile one households. (Appendix D has more detail.)

A consistent trend to deteriorating affordability for all households is evident in both countries.²⁴ The decline in affordability has been particularly severe for households in the first income quintile. By the second quintile, the rate of decline in affordability is less than that for all households across the income distribution in Australia. However, in the Netherlands, households in the second income quintile have experienced a more severe decline in their affordability position than the total population.

Time series data for the Netherlands (published by the Social and Cultural Planning Office) shows the extent to which the share of low income households with housing costs that exceed 25 per cent of their household income has increased in the last two decades. Between 1982 and 1998 the proportion of households in the first income quartile above that benchmark rose from 16 per cent to 59 per cent for renters and from 9 per cent to 29 per cent for owner/purchasers. In the second quartile,²⁵ the corresponding figures were 5 per cent rising to 34 per cent for renters and 12 per cent rising to 26 per cent for owners.

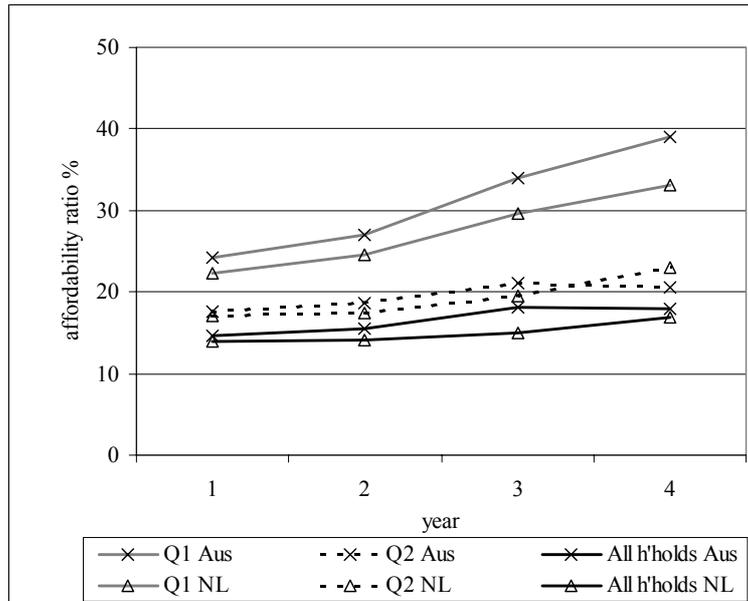


Figure 6.8 Change in affordability ratios ^a, Australia and the Netherlands, 1980s-1990s ^b

^a Australian ratios are the gross value (see appendix D).

^b x axis data points for Australia: 1984, 1988, 1994 and 1998; the Netherlands: 1986, 1990, 1994 and 1998.

Source: see table E.15.

The data, reproduced in full in table E.16, show how dramatic the relative deterioration in affordability has been in the lower half of the income distribution (SCP, 2001).

Underlying trends in income and housing costs

The development of the housing ratio is determined by both changes in the level of income and changes in the housing outlays of households. Isolating these factors provides further insight into the causes of changing affordability. Figures 6.9 and 6.10 and table E.15 compare changes in these two variables for the study group and for all households. (The Dutch data has been converted to Australian dollars for comparison purposes. The same qualifications apply to the Australian data as for figure 6.8.)

In both countries, the upward trend in the housing ratio has resulted from housing expenditures rising much faster than household income in real terms for the whole population. For Australia, disposable household income rose over the period from 1984 to 1998 by 0.3 per cent per annum in real terms, while gross housing expenditure rose by 2 per cent per annum, nearly seven times faster. For the Netherlands, disposable household income rose by 1.1 per cent per annum and net housing expenditures by nearly three times that rate, 3.2 per cent per annum, for the period from 1986 to 1998.²⁶

For the low income population, the trend towards real increases in housing expenditure is much more marked in the Netherlands (3.4 per cent per annum) than in Australia (1.1 per cent) and, in the former case, it also exceeds that for all households. In Australia, low income households have experienced a lower rate of annual increase than households

generally. On the income side, however, rising housing costs in the Netherlands have been offset to a greater extent by changes in the income level of low income households than has occurred in Australia.

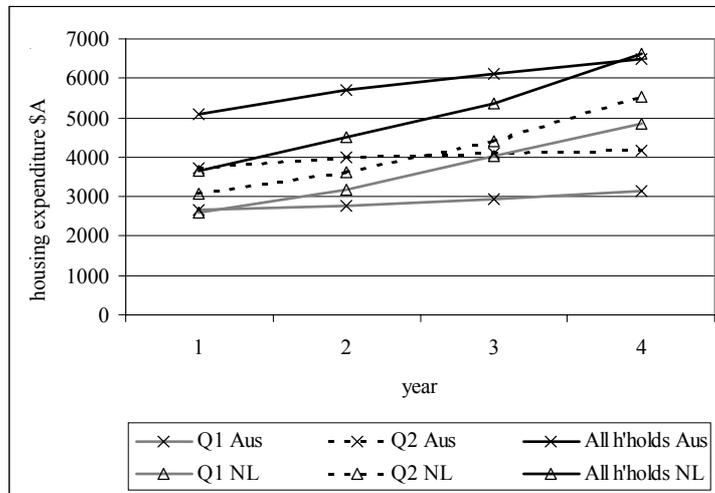


Figure 6.9 Real change in housing expenditure ^a, low income households and all households, Australia and the Netherlands, 1980s-1990s ^b

^a Exchange rates used are given in appendix B.

^b x axis data points for Australia: 1984, 1988, 1994 and 1998; the Netherlands: 1986, 1990, 1994 and 1998.

Source: see table E.15.

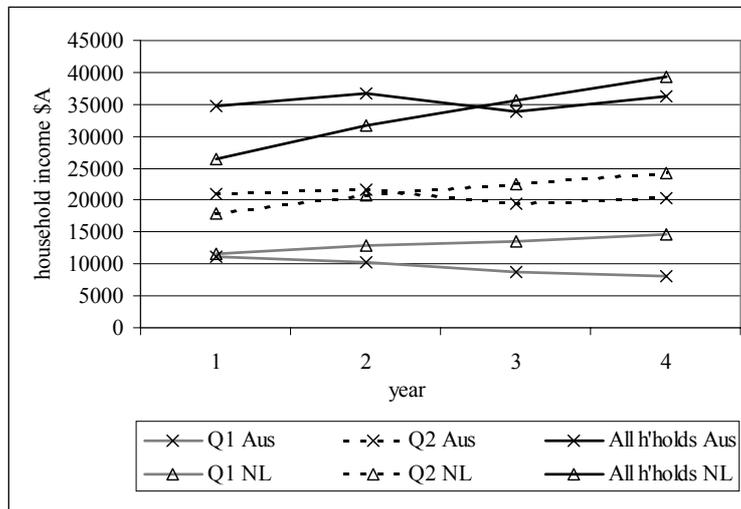


Figure 6.10 Real change in net household income ^a, low income households and all households, Australia and the Netherlands, 1980s-1990s ^b

Source and notes: as for figure 6.9 above.

Cost, quality and subsidy factors, as well as tenure mix, will all impact on these changes in average housing outlays. The remainder of this section uses the information that is available in a comparable form to identify the extent to which those factors may be contributing to the trend towards an increase in the housing outlays of low income households.

Changes in housing outlays by tenure

In Australia, decomposition of housing expenditure trends by tenure shows that, within the low income population, households renting privately and home purchasers have been the most adversely affected by rising costs, while home owners and public renters have been more protected. In fact, against the overall trend, the maintenance of income-related rent setting for public tenants has meant their housing outlays have fallen in real terms. Table 6.5 (and table E.17) compares changes in housing outlays across housing tenures within and between the two cases.

Table 6.5 Comparison of annual rate of change in household expenditure on housing by main tenure type for low income households and all households, Australia and the Netherlands, 1970s/1980s-1990s

Main Tenure Groups	Annual rate of change in real housing outlays %	
	Australia	The Netherlands
	1975/76 to 1997 ^a	1986 to 1998
Owners		
Quintile 1 (lowest net income)	0.1	5.6
Quintile 2	0.5	4.0
All households in tenure	1.0	5.0
Purchasers		
Quintile 1	1.6	3.2
Quintile 2	3.1	1.5
All households in tenure	4.0	2.2
Private renters		
Quintile 1	1.2	3.1
Quintile 2	0.9	3.2
All households in tenure	1.1	3.1
Social renters		
Quintile 1	- 0.2	2.2
Quintile 2	- 0.5	3.3
All households in tenure	0	2.5
All tenure types	1.5	3.2

^a See notes to table E.17 for explanation of data sources and choice of period

Source: see table E.17.

In the Netherlands, annual changes in outlays for low income households have been generally much higher and more consistent across tenures than in Australia. Only home purchasers have experienced relatively modest increases in outlays, while home owners have had the largest increases. The relatively favourable situation of home purchasers is likely to be related to the impact of mortgage tax relief, which increases in line with rises in housing interest costs and loan sizes. Factors contributing to the growth in outlays of home owners could include rises in imputed rent values and land rent levels that derive from the overall rate of house price inflation. Similar policies do not apply in Australia.

In the rental sectors, the main cause of the sharp increase in outlays for low income households in the Netherlands has been reductions in subsidies applied systematically by successive national governments, as discussed in Chapter 5.

Although historic affordability ratios in Australia were relatively high for low income households, the deterioration in affordability has been less marked than in the Netherlands. In part, this is because increases in the real value of subsidies to low income public and private renters have curtailed the general impact of rising housing costs on their net outlays. On the other hand, it seems that a decline in real income has contributed to the increase in affordability ratios for lower income groups.

Thus different explanatory factors - rising net rents in the Netherlands and declining real income in Australia - help to account for the common trend towards higher affordability ratios for low income households. This situation illustrates the interdependence of housing policy impacts and exogenous factors, discussed in previous chapters.

House price inflation

The increasing disparity between income and housing outlays in general brings into focus the impact of house price inflation. Figure 6.11 (and table E.18) compares an index of the movement in national house prices between 1987 and 2000 for established dwellings.

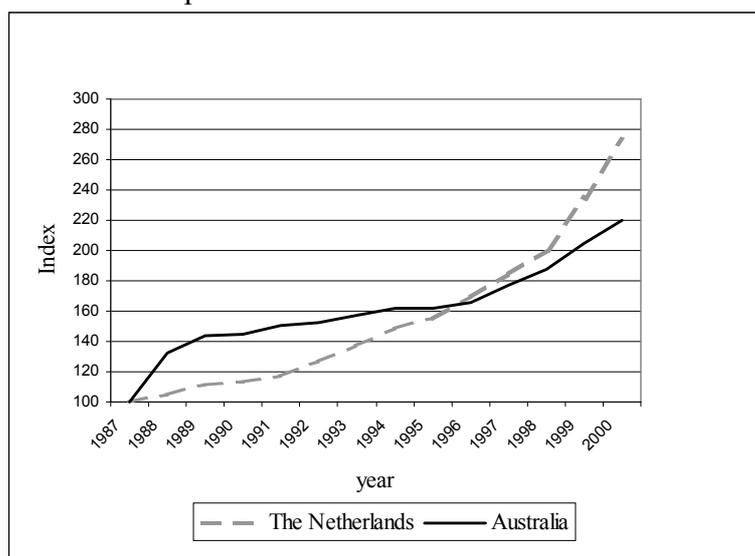


Figure 6.11 Index of established house prices, Australia and the Netherlands, 1987-2000

Source: see table E.18.

(The established dwellings index is used because changes in dwelling standards are muted in that data.) Both countries have experienced high long-term house price inflation. Annual rates of growth were 8.6 per cent for Australia (capital cities only) over the period and 12.3 per cent for the Netherlands. By comparison, the annual inflation rate averaged 3.5 per cent and 2.4 per cent for Australia and the Netherlands, respectively.²⁷

The impact of house price movements on affordability depends on tenure and life stage factors. In particular, under strong inflationary conditions, new low income entrants into the home purchase market face greater costs relative to their earnings capacity. To the extent that subsidy levels may not be indexed to movements in housing costs, the affordability of renters may also be directly affected.

Recently, house price inflation has been severe in both countries, more so in the Netherlands (The Economist, 2002). General conditions contributing to this situation include demand generated under historically low interest rates and the plentiful supply of housing finance. Additional factors specific to the Netherlands include: pent up demand for home ownership (stimulated in part by the steep rises that have occurred in rents) and land supply shortages, arising from urban containment policies described in Chapter 5 (Boelhouwer, 2000). In Australia, exceptional growth in investor activity in capital city markets, fuelled by the expectation of continuing capital gain in housing, has been identified by the Reserve Bank as an additional factor.²⁸ Increased demand for inner city apartment style living, possibly associated, in part, with growth in 'new economy' employment in city areas, and government stimulation of first home buyer demand (since July 2000) are also considered to have been contributing factors in Australia (RBA, 2002).

The impact of the recent sharp increase in house prices on access to home ownership will be different across the income and tenure distributions. A plentiful supply of low cost finance and increasing incomes at the top end of the distribution increases the borrowing capacity of higher income households. Change-over and mobile buyers can benefit from accessing their increasing equity. However, first home buyers, especially lower and single income households, face a larger deposit gap, as prices increase faster than their incomes.

It is clear that the governments of both countries have been less successful in stabilising house prices than in containing general inflation. Moreover, volatility in housing markets appears to be much greater than in the past: that is, prior to significant deregulation of land markets in the Netherlands and lending conditions in both countries. Under such changeable conditions, low income households and new market entrants are vulnerable.

In the future, unless a significant adjustment in house prices occurs or is brought about through policy action, households in the first half of the income distribution will continue to experience high costs and contracting choice of housing. In an inflationary environment or where incomes are polarising, policy directions that place more reliance on private housing options and/or seek to restrict subsidy outlays, as house prices and rents rise, are likely to exacerbate that situation. Before drawing conclusions about the key similarities and differences in the current affordability of low income households in

the two countries (that is, as measured by affordability ratios), the other indicators of affordability that have been chosen for this study are discussed.

6.4 The supply of affordable housing

The price distribution of the housing stock is important to the purpose of this study from two perspectives. First, the price of housing, together with available subsidies, will help to determine the choice of affordable housing that is available to individual low income households. Second, the price distribution will affect the cost and sustainability of subsidies that are necessary to maintain or to improve access to affordable housing. By analysing the alignment between the stock of housing and the needs of the lowest 40 per cent of the income distribution, the analysis presented in this section complements the preceding analysis, which used existing occupancy patterns to identify affordability outcomes and issues.

A general comparison of the distribution of prices and rents shows a strong alignment between the overall tenure model of each country and the composition of the low cost housing (figure 6.12 and tables E.19 and E.20). In Australia, purchasers or owners occupy 78 per cent of the total occupied housing in the least expensive sector. In the Netherlands, the inexpensive sector comprises 73 per cent renters. (See notes to tables for delineation of cost categories.)²⁹

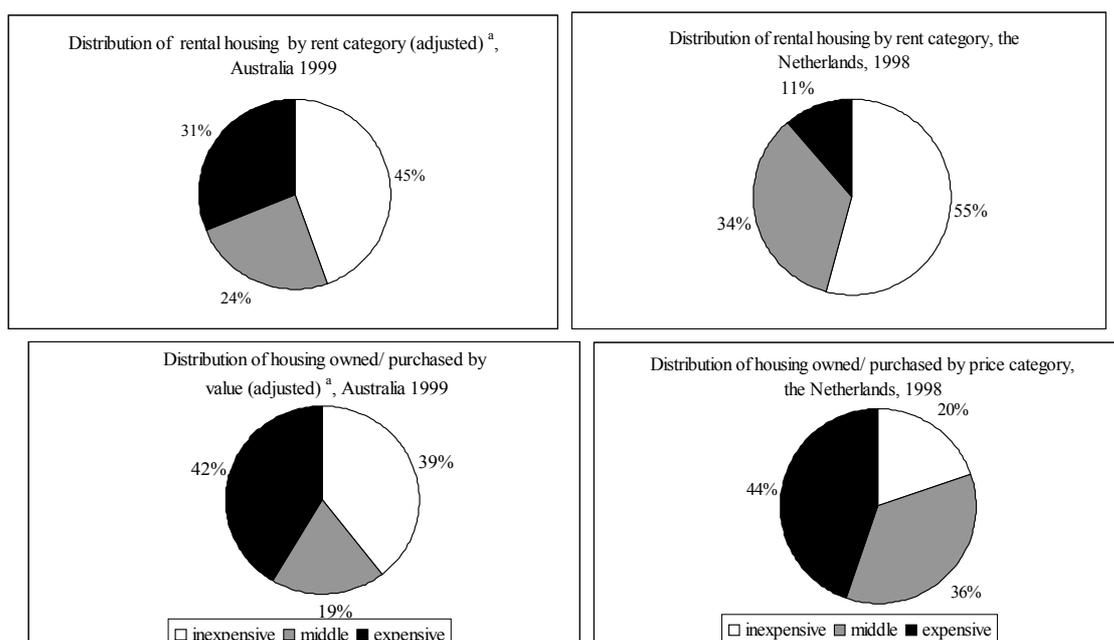


Figure 6.12 Comparison of distribution of housing prices/values and rents, Australia and the Netherlands, 1998/1999

^a See table E.20.

Sources: the Netherlands - see table E.19.
Australia - see table E.20.

Factors explaining the trends in affordability of the housing supply in each country are looked at next.

6.4.1 Trends in the housing supply in the Netherlands

In the Netherlands, a standardised measure of housing supply in three categories: inexpensive, middle-priced and expensive, has been maintained since the 1980s.³⁰ Those data have been used to discern changes in the low cost supply compared to changes in the needs of low income households.

In aggregate, between 1986 and 1998, there was an increase in low income households of around 20 per cent (around 420,000 households) but a fall in the low cost share of just under 12 per cent (around 300,000 dwellings) in the Netherlands (table E.19).

Figure 6.13 (and table E.21) illustrate relevant trends resulting from the changing relationship between supply and demand. Reflecting long run inflation, quality changes and a drop in new social housing, the share of total supply in the low cost (inexpensive) sector declined from 50 per cent of the total stock in 1986 to less than 37 per cent in 1998. This has had a number of implications for where the growth in low income households has been accommodated. While there has been some increase in the concentration of low income households in the inexpensive stock, rising from 53 per cent to 59 per cent over the 14 year period, the biggest shift of these households has been to moderately-priced dwellings, and in the case of home purchase, to the expensive sector. Thus, in total, the share of low income households in the higher-priced sectors rose from 34 per cent to 46 per cent over the same period.

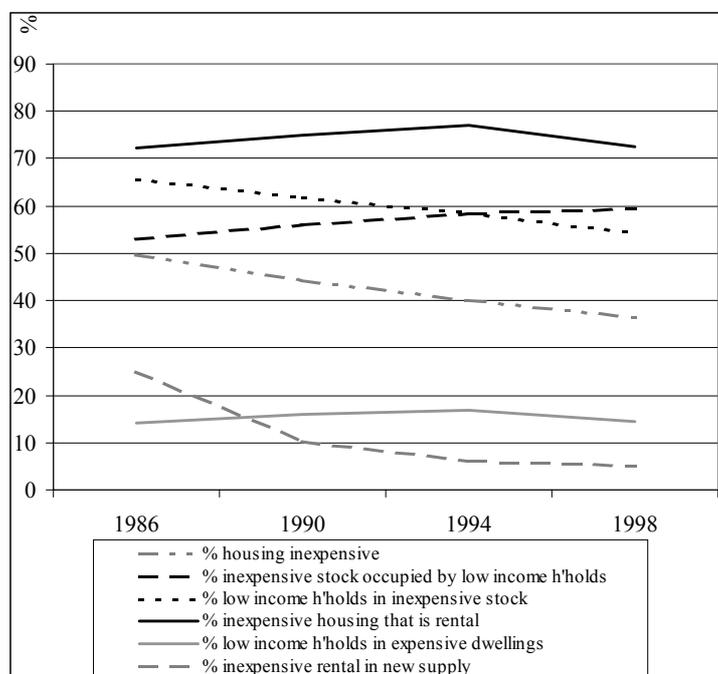


Figure 6.13 Indicators of changes in the low cost housing sector, the Netherlands, 1986-1998

Source: see table E.21.

As a consequence of both the construction of low cost provision for purchase (mainly by the housing association sector) and the sale of the rental stock, there is a discernible change in the tenure mix within the low cost sector, with relatively more stock for purchase being provided in the mid-1990s (up from 13 per cent in 1994 to 18 per cent in 1998).

Pinpointing to what extent these changes in supply may have contributed to changes in affordability for low income households is complex and has to be examined separately for households renting and purchasing because different policy influences pertain.

Rental sector

To assess the choices of Dutch households renting in 1998, the maximum ‘affordable’ rent has been calculated for each of the lowest two quintiles based on the parameters of the housing allowance at that time, allowing for 25 per cent of average disposable household income to be paid in net rent (i.e. not including the housing allowance).³¹ Table E.22 shows the deemed maximum affordable rent for households of different types and sizes in quintile one and quintile two in 1998 under the prevailing subsidy conditions.

Comparing the calculated maximum ‘affordable’ rent levels to the distribution of rental properties (table E.18) shows that all of the inexpensive stock, much of the moderately-priced stock and some of the stock in the expensive sector is potentially within the affordability benchmark, after taking into account the available level of housing subsidy.³² In other words, the shrinking supply of the low cost rental stock has been offset in aggregate by the extent of subsidisation of higher priced stock.³³ However, this change in the distribution of the rental supply is resulting in higher average subsidy costs to government, as indicated in the preceding chapter.

The need to extend subsidies to the higher-priced stock has arisen in the aftermath of the withdrawal of government investment in low cost supply in the mid-1990s and the collapse of strategies that aimed to reduce the mismatch between dwelling price and household ‘capacity to pay’. As Priemus (1998b, p. 328) has warned, there is now a “danger of an explosive rise in spending” on rental subsidies that could be caused both by demand shifts to higher quality dwellings and the incentive that is built into the housing allowance system for housing associations to improve their stock. Under such scenarios, the whole scheme (and its effectiveness until now) may be jeopardised because the government (not the consumer) will bear most of the shifts in cost.

Overall, the analysis suggests that, while low income households have been protected from a decline in affordability caused by the shift in the rental supply to more expensive dwellings, the costs to government may not be sustainable without other action to contain rents (and underlying cost drivers) in the future.

Home purchase sector

A calculation of the borrowing capacity of low income households can be used to assess the potential for low income households to purchase across the housing stock. The calculation assumes prevailing interest rates over 30 years, allowing for 30 per cent of

disposable household income (measured after allowing for fiscal relief) to be put to loan repayments.³⁴ (Appendix D has more detail.)

Under this scenario, households in the Netherlands with income at the upper margin of quintile one could borrow around 130,000 guilders and quintile two households could borrow around 190,000 guilders in 1998. On that basis, the share of housing affordable by lower income households is quite restricted. In 1998, only 4 per cent of the stock in the home purchase sector was valued below 150,000 guilders, with another 9 per cent priced up to 200,000 guilders (MVRM, 2000a, p. 123).

Home purchase is likely to be more restricted than rental housing in geographical terms, as well. The lowest cost housing on average is found in the north of the country while the urbanised western provinces are consistently higher priced than the remainder of the country (table E.23).

6.4.2 Trends in the housing supply in Australia

Australian data on prices across the housing supply are more limited than that available for the Netherlands. The following account draws on available information to provide some comparative evidence of the level and characteristics of the low cost supply for renters and buyers, in turn.

Rental sectors

For Australia, the growing significance of the rental market in providing housing for non-aged low income households was demonstrated in table 6.2. Wulff and Yates (2001) have undertaken the most recent and comprehensive analysis of low cost supply in that market and matched it to the level and type of needs of low income households.

Their study shows that, while there has been an aggregate growth in the supply of rental housing from 1986 to 1996 commensurate with the growth in households, this growth is very uneven across cost segments of the market. Of particular relevance to this study, the analysis uncovers a marked decline in the component of the rental stock that is affordable by low income households. Using a (conservative) affordability benchmark of 30 per cent of gross household income to determine the quantum and distribution of private rental housing that is affordable by low income households,³⁵ there was a cumulative shortfall of affordable private rental dwellings for households renting in 1996 of about 50,000 dwellings (Wulff and Yates, 2001, table 2.4, p. 14).

However, this measure did not take into account the extent to which those dwellings were actually appropriate to individual low income households or available to them. When availability is taken into account (by discounting low cost stock occupied by higher income households), the estimated shortage rises to 150,000 dwellings (*ibid.* p. 6).

When appropriateness is considered (by assessing the match between dwelling size and household occupancy needs), the authors found a large discrepancy in the growth rate of smaller households³⁶ (35 per cent growth) and smaller stock (11 per cent). This mismatch contributes to many households occupying larger housing than they need, which, as pointed out earlier, may exacerbate their affordability problems (*ibid.*, pp. 20-21). When

the data were disaggregated geographically, all metropolitan areas across Australia had shortages of affordable private rental housing with the largest shortage (and greatest losses in the last decade) occurring in the most populous city and state, Sydney and New South Wales, respectively (*ibid.*, p. 34).

To determine the total availability of affordable rental housing, the role that the public housing supply plays in providing low rent housing has to be included in the assessment. The study found that, while an increase in public housing of 82,000 dwellings over the ten years had more than offset the loss of low cost private rental (70,000), the growth in public housing was insufficient to cater for the increase in total need among renters, leaving over 85,000 new low income households without affordable housing options (*ibid.*, p. 35).

Unlike in the Netherlands, access to rent assistance does not improve access across the distribution of rental housing in Australia because the maximum rate of payment is so low in relation to rent levels. By adopting the same method as for the Netherlands (above), maximum affordable rents in Australia can be compared to the rent distribution. The comparison (see tables E.24 and E.20b) shows very poor supply for quintile one households but better overall supply for those in quintile two. However, as highlighted earlier, much of the affordable supply is likely to be outside the largest cities and other growth centres or it may not be available to low income households.

The research drawn on above, together with the analysis done for this study, support a conclusion that the poorer affordability outcomes for low income private renters in Australia are the result of both long-term shifts in the rental stock profile and inadequate subsidy levels (on the demand and the supply-side) which, unlike in the Netherlands, have not compensated for the shift in the rental stock profile towards a higher average price.

Home purchase sector

A comparison of prices and borrowing capacity, as an indicator of the potential for low income households to access home purchase, is more favourable in Australia than for the Netherlands in aggregate but, as for renters, gives a different picture when geographical variations are considered.

In Australia, households at the top of quintile one could borrow around \$A60,000 and those at the top of quintile two, \$A115,000 in 1999. (The calculation used a similar method to that applied to the Netherlands case, but in the Australian case no taxation benefit applies to offset mortgage interest costs.) Aggregate data shows about 20 per cent of all private dwellings purchased in Australia in 1999 were sold for under \$A100,000 and another 14 per cent for under \$A125,000 (ABS, 2000, cat. no. 4182.0, table 19). However, there is very wide disparity in house prices in Australia. All capital cities, except Hobart, have higher house prices than those for all other regions combined, and the price differential across those cities is more than two. (Table E.25 compares available data on capital city prices and those for all other regions.) Although not explicit in the data, much of the lowest price stock is known to be in smaller towns and regional centres, many of which are in long-term decline.

A number of recent studies have demonstrated the severe lack of affordable housing within many parts of the largest cities. (See, for example, Burke and Hayward, 2000; Berry and Hall, 2001; Randolph and Holloway, 2002b.) To illustrate, the Ministerial Task Force on Affordable Housing (1998, table 16, p. 97) found that, in 1997, there was no local government area (of 46) in Sydney where households on below-median income who bought a median-priced dwelling could service the mortgage for less than 30 per cent of their income.³⁷ Since that time up to 2002, median house prices have increased by about 45 per cent, nationally and by more in Sydney (RBA, 2002).

Finally, there are no general programs supporting new low cost supply for purchase in Australia, unlike in the Netherlands, where housing associations are continuing to build some housing in the inexpensive sector in new developments, aided by the application of favourable local planning mechanisms, concessional land pricing and more generous subsidies to low income renters and home buyers, as discussed in Chapter 5.

In the context of this study, one of the most significant downstream impacts of a dwindling supply of affordable dwellings for purchase in Australia will be on outright home ownership rates among older, retired households in the future. However, affordability outcomes, welfare costs and poverty relief in Australia (see below) are contingent on continuing high rates of home ownership in that group.³⁸

6.4.3 Comparative summary of supply factors

In the Netherlands, the combination of a generous (and recently expanded) rental subsidy scheme and the retention of a large, protected low cost sector has resulted in the amount of affordable rental housing exceeding the number of low income households.³⁹ This outcome is the result of a logical approach by successive Dutch governments to assess need and determine supply, regulation and subsidy policy, accordingly. However, the historic inexpensive stock is shifting to a higher price category as dwelling upgrading gathers momentum. This trend could cause a blow out in the government's housing allowance budget and/or intensify the processes that concentrate low income households in the poorer quality (less expensive) stock.

The analysis of prices against borrowing capacity indicates that recent policy strategies to use the market sector to provide for more affordable home purchase are not likely to be effective for most low income households in the Netherlands. The supply of affordable housing for purchase is very constrained, even with the long-term subsidy that is available and, as the earlier analysis revealed, there are severe affordability problems already among low income home purchasers. Proposals to increase subsidies and price discounts for low income buyers may help in the short-term but, as the Australian case shows, they have a long-term cost.

Historically, Australia has placed much greater reliance than the Netherlands on the private market to house low income households affordably. Increasingly, the private market is not catering for their needs, with the level of subsidy that is available. Low cost supply in the private rental sector has fallen well below the level of need and the rate of growth in public housing or, alternatively, the subsidies available for acquiring market housing have not compensated for the shortfall. In the traditionally dominant home

purchase sector, the most affordable housing is located away from the major cities and growth hubs. The data for Australia indicate the results of market failure and the consequences of insufficient levels of government subsidy and a lack of other interventions to achieve supply commensurate with the level and diversity of needs. Key signs of a deteriorating situation for low income households that have been revealed throughout the analysis in this chapter include: the severe affordability problems of private renters and purchasers (especially in the big cities), a shortage of smaller affordable housing, severe pressures on the small and stigmatised public housing system and displacement effects - including spatial exclusion, indications of informal housing arrangements and the persistence of homelessness that is linked to a lack of access to secure, affordable housing (see below).

6.5 The impact of housing costs on poverty

Chapter 3 described another way of assessing housing affordability by establishing a basis for judging whether necessary housing outlays have an adverse impact on the capacity of a household to maintain a socially accepted standard of living, usually referred to as a poverty standard. Including such an assessment in this study is important to bring into the overall assessment of housing policies whether there are hidden and indirect effects of prevailing housing affordability levels.

6.5.1 Measuring housing-related poverty

In Australia, there is a long tradition of separately measuring the impact of housing cost on living standards in poverty research (Saunders, 1998a). One reason for the interest, suggested by King (1997), may be the extent of difference in housing costs between households in Australia. The general method is described in appendix D.

Unlike in Australia, there is no published measure of the impacts of housing costs on poverty in the Netherlands to the author's knowledge.⁴⁰ Discussion with the Social and Cultural Planning Office about this issue indicated that there is a widespread perception among academics and housing officials that housing costs are 'not a problem' in the Netherlands. This perception persists despite the fact that the net housing outlays of low income households have increased by 41 per cent in real terms over the twelve years to 1998 (see table E.14). Since the start of this study, Priemus (2001a) has called for more debate about the extent and kind of housing assistance being providing to the most disadvantaged households and questioned the effectiveness of prevailing housing policies in abating poverty in the Netherlands.

The importance of taking a broad perspective on affordability was recognised at the outset of this study. However, the unanticipated lack of data on housing-related poverty in the Netherlands, which is clearly related to the lack of perception of a problem, has been an obstacle to progressing this component of the comparative analysis that was intended. What can be provided instead is an overview of research on the nature of the relationship between housing and poverty in Australia, and a discussion of the inferences for the Netherlands.

6.5.2 *Overview of housing and poverty links in Australia*

Australia has a comparatively high and growing rate of poverty but, at first glance, the aggregate data suggest that housing policies help to abate poverty in Australia (King, 1997; Manning, 1998) (table E.26).

Disaggregated analyses show a more complex picture (table E.27). When housing costs are not isolated, poverty is found across all tenures as a result of very low income. Taking out housing costs and comparing remaining income to an 'after-housing' poverty standard shows that large numbers of low income home owners (nearly 60 per cent in 1996) are lifted out of poverty in Australia by their low housing costs. Conversely, in the public and private rental sectors, the same evaluative approach places more households in poverty. Additional cases of poverty, caused when housing costs compound inadequate income, are also concentrated in the rental tenures. Finally, many low income home purchasers are associated with a form of poverty which arises when extreme housing costs leave inadequate income for other basic consumption, even though household income may be higher than in the other tenures. (See Karmel, 1998 for discussion of the types of housing-related poverty.)

The research in Australia has demonstrated the value of the poverty approach as a complement to the use of affordability ratios. First, this approach can give a different perspective on the scale of affordability problems and the profile of households in need. By comparing households identified as having affordability problems using a benchmark of 25 per cent of income, on the one hand, and using income after housing costs were taken out compared to the poverty standard, on the other, Karmel showed that only about half the households identified as having affordability problems in Australia in 1994 were common to both measures. However, the total number of households identified by either method was similar (Karmel, 1998, table B8, p. 57).

Second, the approach can contribute to an appreciation of the role of particular housing policy settings in affecting both the incidence and the persistence of poor living standards among particular groups of households and, accordingly, it can help to pinpoint gaps in the policy response. To illustrate the value of different measures of hardship, Burke and Ralston (2003) have compared the position of low income public tenants in 1998/99, using a benchmark of affordability approach and an alternative living standards measure (based on a recently developed derived budget standard, not on the national poverty line). They found that, while only 19 per cent of public tenants had an affordability ratio above the 25 per cent benchmark⁴¹ in 1998, 65 per cent had income, after paying their rent, below the assessed minimum income standard. That finding signifies that public housing rents are now too high for many tenants to meet their other basic living costs in Australia and it raises wider issues about the role that housing strategies can, or should, play in mitigating poverty.

Qualitative research provides evidence of some of the causes of poverty associated with public housing in Australia. For example, Winter and Bryson (1998) showed how changing patterns of employment and income, shaped by economic restructuring, combined with a range of housing policy effects, have actively produced a situation of entrenched poverty in a typical government-developed housing estate in Australia. Data

from two surveys of the anonymous community (referred to as Newtown) in 1966 and 1991 show that the proportion of very low income families has increased from 10 per cent to 37 per cent. By 1991, 40 per cent of households were in poverty after paying for their housing⁴² (*ibid.*). Housing factors that are identified as contributors to the deepening poverty situation include: poor initial housing design, tightly targeted allocations of rental vacancies, inadequate tenancy and asset management practices and the financial strains which home purchase (mostly achieved through past government-financed sales programs) has placed on a community where job losses have been very significant.⁴³

In a useful abstraction, Foster has described this situation affecting public housing estates in Australia as a 'cumulative process of disadvantage.' He attempts to generalise how demographic and economic forces in Australia, notably ageing and workforce changes, have combined with a particular set of government policies, (including tighter targeting of public housing and welfare expenditure contraction) and processes of community alienation and breakdown to disadvantage and stigmatise areas of public housing (Forster, 1999, figure 5.13, p. 123).

Many public tenants in Australia can now be considered to be in a poverty trap that has been created by social and spatial segregation and compounded by barriers to moving caused by two factors: the differential between the cost of public housing and the cost of renting privately (or purchasing) and the severe restrictions that are being placed on tenancy transfers within the confined public housing sector.

6.5.3 *Poverty and housing in the Netherlands*

Considering the Netherlands in the light of the evidence from Australia provides grounds for suggesting that similar research would find direct links between housing costs and poverty in that country. In particular, the high proportion of renters and the growing share of purchasers in the low income population in the Netherlands, coupled with the steep rises in housing outlays relative to income that have occurred in those tenures, suggests that low income households are likely to be worse off than previously.

Priemus' concerns (referred to above) were based, in part, on his analysis of changes in the share of total expenses that were incurred for housing by the poorest households. His research shows that net rent (after subsidies) rose substantially as a percentage of all expenses between 1980/81 and 1995/96 - from 15 per cent to 26 per cent for the group whose income lies at, or below, the Dutch socially accepted minimum (Priemus, 2001a, p. 283). More recent analysis suggests that the proportion may have steadied or declined a little since the mid-1990s because of the slow down in rent increases and the rise in rent subsidies (SCP/CBS, 2000). In fact, it has been suggested that the growth in poverty was a factor in the government's decision to limit rent rises since 1996 (de Feijter, 1998).

The issue of whether there is a local association between poverty and particular housing provision in the Netherlands is an ongoing debate. On the basis of both national and comparative research, Dutch analysts have tended to argue that, while, like elsewhere, economic and employment changes have been profound and inequality of income is greater than in the past, housing policies have not led to segregation and concentration of the poor (van Kempen *et al.*, 1992; Dieleman, 1994; Stouten, 2000). Factors said to have

influenced the retention of social mix in most neighbourhoods include: the large amount of social housing available, the rising income of sitting tenants, who until the last decade have had limited housing market choices and the preference of many long-term residents for inner city locations. To the extent that Dutch cities exhibit sharp differences between neighbourhoods, this situation is usually explained more by ethnicity and related economic factors than by housing status.⁴⁴

It has to be said, however, that the factors explaining the less polarised situation in the Netherlands may have arisen, to some extent, as an unintended consequence of historical housing and planning policies. As discussed in earlier chapters, the inner cities have been the locus of political processes that have, until now, forced the retention of very high levels of social housing. Other contributing factors have been the high level of investment in urban renewal, which, as a result of political action, has benefited sitting tenants and the robust maintenance standards of the housing associations. More specialised and up to date research is now required to determine how the patterns of interaction between housing and poverty in the Netherlands are evolving, especially given the rising cost of housing, higher sales of social housing, the extent of change in planning and neighbourhood renewal policies in recent years and the signs of convergence with international norms that are occurring in many aspects of economic and social life. Evidence from elsewhere and theoretical reasoning both imply that it is likely that the factors mitigating inequality will be weakening, as the influence of the general shift away from strongly interventionist policies towards market rules becomes more embedded in the Netherlands.

6.5.4 Housing affordability and homelessness: a brief comment

Homelessness is an extreme form of poverty with multiple causes, among which a lack of affordable housing is a well-recognised factor that can trigger and/or contribute to the persistence or recurrence of the situation. When they are sufficiently robust and detailed, homelessness data can be used as supplementary or indirect indicators of housing affordability problems.

Such data can: indicate problems in accessing affordable housing, identify people, (additional to those counted by affordability measures) who are in need of permanent low cost accommodation⁴⁵ and lead to the identification of risk factors that contribute to the loss of housing. An assessment of what the available information on homelessness adds to the understanding of housing affordability issues in each country is considered below.

Australia

Over the last three decades, there has been a clear increase in the number and diversity of homeless people in Australia (AIHW, 2001). An attempt to enumerate the number of homeless at the time of the 1996 census showed 105,000 people in 73,000 households were homeless on census night (Chamberlain, 1999). Estimates derived from the Supported Accommodation Assistance Program (SAAP), which provides immediate services to many homeless people, show a consistent annual service level of around 90,000 people since standardised national data collection began in 1996/97.⁴⁶

The profile of recent homeless clients in Australia shows a preponderance of younger people, more women (and women and children) than men, significant over representation of indigenous people and an increasing number of people with mental illness (AIHW, 2001). Interestingly, the incidence of homelessness is higher in the northern, more remote states of Australia than in the more populated and urbanised southeast (*ibid.*). Some of the difference is associated undoubtedly with the over concentration of homelessness in the indigenous population (see Keys Young, 1998) but, otherwise, cause and effect factors are unclear.

Temporary accommodation is the main service provided to around three quarters of people assisted through agencies servicing the homeless in Australia. While service records show that a lack of access to affordable housing is not a major initial trigger of homelessness (AIHW, 1999, 2001), agencies report that an increasing number of people have been unable to leave temporary shelters and refuges because of a lack of medium or longer-term alternatives. This problem is particularly acute for people with health and psychiatric problems because of the lack of appropriate affordable options for them, especially since deinstitutionalisation in the 1980s (P. Burke, 1998).

Overall, in Australia, homelessness is a substantial and growing problem, affecting up to 100,000 people every year. Australia has an extensive program of short-term responses that have grown dramatically in the last two decades because of the high demand, as noted in chapter 5. The extent and persistence of the problem, when linked to the escalation in the crisis-housing response and the evidence of affordability problems presented throughout this chapter, lend support to a conclusion that preventative and longer term solutions to homelessness are being hindered by an underlying shortage of affordable housing.

The Netherlands

In the Netherlands, the general perception is that homelessness, as a housing problem, is not significant, although in the 1990s there has been growing awareness about a lack of access to affordable housing becoming a contributory factor (de Feijter, personal communication). Data collection in the Netherlands is far more rudimentary than in Australia, but the most widely accepted estimate of the level of homelessness is between 20,000 and 30,000 people (de Feijter, 1998), a comparatively lower headship rate. Trends in the pattern of homelessness appear to be similar to Australia, noting also that homelessness appears to be more concentrated among the Dutch born population than among immigrants (*ibid.*).

In terms of service response, there is a small crisis sector which had a capacity for about 12,000 people in 1998 (Hooimeijer, 1999) and a gradually improving focus on the needs of the homeless in the social housing sector, including the introduction of innovative, purpose-built stock for long-term occupancy. Paradoxically, however, overall trends in the large social housing sector, which is widely assumed to have provided a strong bulwark against homelessness, may now be militating against redress of this problem in subtle ways, including providing higher than necessary standards of housing and charging higher rent (de Feijter, 1995). (As discussed above, analysis of poverty and housing in Australia suggests that net affordability ratios of 20 to 25 are too high for many within the low income population.) Also, as explained previously, people in more

transient housing circumstances do not have access to housing subsidy benefits in the Netherlands. Clearly, as housing costs in the Netherlands converge towards levels elsewhere, the risk of a lack of access to affordable housing for the most marginalised and vulnerable households is becoming more significant and requires closer scrutiny.

6.5.5 Concluding comments on housing-related poverty and homelessness

As the relative share of housing costs in the household budget has increased in developed countries, there has been growing awareness of the impact of housing outlays on living standards and patterns of poverty. Of the two cases in this study, research on this issue has been much more prominent in Australia.

Analysis of poverty and its multifarious causes is not the purpose of this study. However, the brief review of the research on links between poverty and housing affordability that has been presented - drawing mainly on conceptual models and the well established Australian research record - suggests that comparative research should not rely so heavily on the housing cost-to-income ratio to diagnose how affordability affects low income households. Alongside that measure, an assessment of the influence of housing conditions on living standards can be useful for determining how housing costs are influencing non-housing outcomes and to reveal what trade-offs between housing expenditure and other non-discretionary expenditure are occurring. It can also reveal groups with affordability problems not exposed by an affordability ratio measure. The evidence that is available supports a conclusion that rising housing costs are likely to be an increasingly significant factor contributing to overall poverty levels and to the depth and dynamics of poverty (and, more broadly, to the processes of social and spatial exclusion) in both countries, although much more specialised research is necessary to determine the comparative position.

6.6 Overview of findings

The key findings about current housing outcomes in Australia and the Netherlands that emerge from the analysis presented in this chapter are summarised below.

First, while different tenures - outright home ownership in Australia and social housing in the Netherlands - dominate the housing of low income households, the study finds that households in these tenures on average have housing cost-to-income ratios within normally accepted benchmark levels.

Judged against a conservative benchmark of 30 per cent of household income, affordability is good for outright home owners and reasonable for social tenants in both countries. Although the extent of use of each tenure has been starkly different in the two countries, in total, around two thirds of all low income households benefit currently from the affordability protection that either outright ownership or social housing can offer.

Additional information shows that conditions of occupancy and housing standards in these tenures are, in the main, satisfactory. Nevertheless, within the social housing sectors there are some problem or undesirable outcomes. Specifically, in Australia, under-investment in the maintenance of dwellings and policies targeting allocations to

those most in need have collided with geographic concentrations of public housing to concentrate and entrench disadvantage in specific locations. In the Netherlands, much of the older social housing stock is markedly differentiated from new market housing by its smaller size and higher density. Under current conditions, especially an increase in the take up of home purchase across the income spectrum, more of this stock is filtering down to low income households who are dependent on renting.

The second key finding and (in terms of cross-country comparison) broad similarity is that those low income households who need to use market-priced housing, as either purchasers or renters, have worse affordability than those who are in non-market housing (or 'decommodified' housing, adopting Doling's (1999) use of that term), either as a social housing tenant or as a completed purchaser.

Home purchase is associated with the poorest average affordability conditions for households who have a low income and the degree of 'unaffordability' is comparable across the two cases. The problem is particularly severe for younger households, who are presumably newer entrants into the market.

In the case of private renters, however, there is a significant difference in the severity of affordability problems between the two countries. Much poorer affordability and choice in Australia results for private renters from the less generous rent subsidy policy that does not respond to significant differences in market rents across the country.

To the extent that there are affordability problems in the rental sectors in the Netherlands, they have been found to be linked to gaps in access to, and coverage of, the housing allowance program and to the existence of some very low income groups that require further investigation to ascertain the causes of their situation. Unlike in Australia, there is not a shortfall in the supply of housing affordable to low income households, although that does not mean it is necessarily available to them.

Another major difference between the two countries is that the spatial differentiation in the supply of affordable housing is much more developed in Australia, as a result of almost total reliance on market housing over the long-term. In particular, there is a shortage of housing affordable to low income households in the largest cities in Australia. As the affordability analysis reveals, this has not been compensated for by public provision or by additional subsidies. In contrast, the Netherlands has protected large shares of social housing in the inner cities, and, through connecting planning and housing policies at national and local levels, has achieved better integration of lower priced housing, mostly developed by not-for-profit housing associations, into new residential areas.

When a dynamic perspective is taken, another commonality is found, namely that housing affordability for low income households has deteriorated to a similar extent over the last two decades. The rate of change in housing outlays has been greater for low income households across all tenures in the Netherlands. However, compared to Australia, the impact of rising housing costs on affordability has been muted by higher income levels and stronger income growth at the bottom of the income distribution. Both

shared and nationally specific factors have contributed to the generally deteriorating situation.

Affordability conditions in social housing in the Netherlands and access to home ownership in Australia have deteriorated, at least partly, as a result of the retraction in forms of intervention used traditionally to buttress the particular dominant form of housing assistance in each case. The retraction of that support, in turn, has contributed to a shift in demand to the alternative sector: that is, to renting (publicly and privately) in Australia and to purchasing in the Netherlands. To a varying extent, those alternatives are favoured under present policy settings and are subsidised to a significant level. However, with the exception of the small but intensifying role played by the public sector in housing the most needy households in Australia, current approaches are producing worse outcomes (measured either by declining affordability or by signs of displacement and impoverisation) for low income households than in the past.

An additional distinctive factor that is likely to be aggravating affordability conditions in the Australian case is an oversupply of housing larger than that necessary to meet reasonable standards. Paradoxically, a shortage of larger, better quality houses in the Netherlands has reduced places in the low cost stock for low income households. The government's response - to induce demand for home purchase - has accelerated house price inflation and negated policy attempts to extend home purchase at affordable rates to lower income households.

In terms of the future, two factors stand out for further consideration. First, both countries have been increasing the dependency of low income households (those eligible for a housing allowance payment) on ongoing subsidies to improve or maintain the affordability of their housing. This situation brings into question the effectiveness and sustainability of present policy approaches.

The second key issue is where control over past public investment and, more generally, growing housing wealth lies. Australia's housing wealth is, predominantly, in individual and family ownership. Adding to the significance of that point, there is a very limited history of value capture through planning or taxation mechanisms in housing. In contrast, around one third of housing in the Netherlands is in collective ownership and, as well, taxation and planning policies help redistribute private gains to some extent. That difference has major implications for the public policy task and for the future of housing opportunities and outcomes for low income households.

The theoretical and policy implications of these findings will be considered in the next, concluding chapter.

¹ Because of differences in the way data are collected in the two cases, the income distribution used for Australia was gross household income and the distribution used for the Netherlands was disposable (net) household income

² Other aspects of housing conditions that may be of relevance to particular low income groups (for example, how well housing caters for the special needs of people with a disability), while acknowledged, cannot be considered in a macro-study of this kind.

³ It is estimated that, until the 1990s, around 60 to 65 per cent of personal wealth in Australia was associated with home ownership (Badcock and Beer, 2000).

⁴ For example, the value of a home owner's principal residence is not included in the means test for government benefits and concessions. However, if that asset is realised, the proceeds will be assessed (after a qualifying period). One effect of this approach may be to discourage home owners from transferring to smaller housing. However, the lack of suitable smaller housing in areas where ageing people still live in their family home is also likely to be a factor (Australian Urban and Regional Development Review, 1994).

⁵ Between 1986 and 1998, the proportion of higher income households (quintiles 4 and 5) in the home ownership sector rose from 61 per cent to 74 per cent in the Netherlands. The proportion of lower income households (quintiles 1 and 2) in social housing increased from 53 per cent to 59 per cent (analysis of WBO data by the author).

⁶ In Australia, the average size of new dwellings increased by 30 per cent from 1986 to 1999 to 186 m² (ABS, 2000: cat. no. 4102.0). In the Netherlands, average dwelling capacity in new dwellings increased by 31 per cent to 438 m³ from 1985 to 1997 (MVRM, *Volkshuisvesting in Cijfers*, 1998, p. 23). This means that, on an equivalent basis, new dwellings are slightly smaller in the Netherlands.

⁷ The study defined appropriateness using the Canadian core housing need concept. (For the development and application of this concept in Australia see NHS, 1991; King, 1994; Landt and Bray, 1997 and Karmel, 1998.)

⁸ The SCP has monitored housing quality over time using the national points-based assessment system, adjusted for household size. In 1982, the average housing quality of the lowest income groups (in that data set defined as the first quartile) was 6 per cent below the general average, while that of the highest quartile was 10 per cent above. By 1994, the variance had increased a little: the corresponding figures were 8 per cent below and 12 per cent above (van Praag and Uitterhoeve, 1999, p. 511).

⁹ While 93 per cent of owners and 90 per cent of mortgagors reported having adequate kitchen cupboards/space, only 75 per cent of public tenants and 82 per cent of private tenants did (ABS, 2000, cat. no. 4182.0, table 9).

¹⁰ It has been noted in other studies that this finding may be skewed because the index includes the proportion of public renters in its compilation. However, subsequent research suggests this may not be a major distortion (DSS, 1996).

¹¹ Although most states in Australia have moved to increase maximum rents to 25 per cent of household income in public housing, usually the change in policy has been applied only to new tenants at this stage.

¹² The reported number of outstanding approved applicants for public housing in those states was 94,000 and 46,000 respectively in 1998/99.

¹³ It is noted that part of the outlay of purchasers is not for current costs but for future equity in their property, as recognised by the user costs method of measuring housing affordability (see chapter 3).

¹⁴ Rent assistance recipients did include a larger proportion of young people, unemployed people and people in part-time work (Wulff and Evans, 1999, table 7.1, p. 104).

¹⁵ The upper income level of the second quintile in 1998, 36,008 guilders, lies near or below the income ceiling for housing allowance for all groups except older single person households, who were not eligible with an income over 30,050 guilders (Priemus, 1998b). However, the vast majority of that group would be receiving a standard rate of pension for a single person, which lies well below the cut off.

¹⁶ Note that unless rent assistance recipients live alone, or with others, in the private rental sector they will not be counted in the data from the housing survey that is presented in figure 6.7 and table E.14.

¹⁷ Little is known directly about why households live in some of these circumstances (Hulse, 2002). However, the severe restrictions on access to social housing and the poor affordability of the formal rental

sector, even with rent assistance, suggest many may be forced to share or to accept more marginal, lower quality or less secure options to achieve affordable housing.

¹⁸ The numbers include people in holiday houses and those living voluntarily in boats, caravans etc. People sharing or living with family who may have low housing costs are also included.

¹⁹ Rent assistance is a regular payment received through the agency that makes primary income payments.

²⁰ Rent data for areas outside of capital cities are not available.

²¹ ‘Granny’ flat refers to self-contained accommodation included on a site of single family housing. Development of this kind is usually allowed only under special planning provisions that are intended to allow family members (such as elderly relatives) to have independent living arrangements alongside their families.

²² Analysis by province shows a similar pattern to that shown for major cities.

²³ Whether the rate of change in the gross and net ratios has been the same would depend on the alignment between changes in subsidies received by low income households and changes in their housing outlays and income. For example, there was a steep rise in subsidy support for private renters between 1989 and 1994 in Australia, which means the net ratio may have climbed at a slower rate than the gross ratio over this period (see Prosser and Leeper, 1994).

²⁴ These data do not control for changes in the quality of housing which is not the focus of this study.

²⁵ Second quartile data include households between the 40th and 50th percentile of the income distribution that are not included in the primary analysis for this study.

²⁶ The changing composition of the population, for example, the trend to smaller households will also affect the average level of income. However, the effect should be the same as such trends are broadly similar in Australia and the Netherlands (see chapter 5).

²⁷ Calculated from national CPI indices by the author.

²⁸ Housing loans to investors in Australia accounted for more than half the (substantial) growth in monthly loan approvals since October 2000 (RBA, 2002).

²⁹ Note the data do not show the occupancy patterns of low income households.

³⁰ The distinction between the three categories was determined in 1986 on the basis of ‘inexpensive’ housing being affordable for the target group for housing assistance, which in turn was defined as those households who could not obtain affordable housing without a housing allowance (MVRM, personal communication). The boundaries of the categories have been adjusted over time by movements in house prices and rents to retain their relativity. Historic and current values of the categories are shown in table E.19.

³¹ It was established in section 6.3.4 that the vast majority of households in the lowest 40 per cent of the income distribution should be eligible for the housing allowance.

³² A more precise analysis is not possible because the available rent data are categorised in broad bands.

³³ The assessment does not take into account the extent to which those dwellings are actually appropriate to individual low income households or available to them.

³⁴ A higher benchmark is generally accepted for home purchase as the payment includes a savings component (the payment of mortgage principal).

³⁵ One difference in that study is that, in using the gross affordability ratio measure, it did not take full account of the impact of receipt of rent assistance on affordability. However, as shown elsewhere in this chapter, rent assistance in Australia, unlike in the Netherlands, does not increase access to higher-priced stock because of relatively low and uniform maximum rates of payment that apply across segments of the rental market.

³⁶ Smaller households had a minimum requirement of 2 bedrooms.

³⁷ The assessment was based on servicing a 25 year mortgage (the norm in Australia) equal to 90 per cent of dwelling price at a 9 per cent interest rate (MTFAH, 1998).

³⁸ As discussed in Chapter 1, Australian age pension levels, which form the basis for the determination of other statutory benefit levels, are premised on the basis of the low cost of home ownership (Castles, 1997a).

³⁹ This holds true whether the narrower official Dutch definition of target groups is used (representing around 30 per cent of households) or whether the lowest 40 per cent of the income distribution is used, as in this study.

⁴⁰ The Netherlands maintains a long-term national poverty monitor which is the responsibility of the Social and Cultural Planning Office (see <http://www.scp.nl>)

⁴¹ Note that, because they are based on survey data, the measurement of income and housing costs differs to those used by state housing agencies in setting rent.

⁴² Based on the Henderson poverty line (see appendix D).

⁴³ The authors note that in 1991, 70 per cent of home purchasers in the community reported difficulty in meeting their housing costs (Winter and Bryson, 1998).

⁴⁴ Certain ethnic groups in the Netherlands (notably Turks, Moroccans, Surinamese and Antilleans) have relatively lower rates of labour market participation and have been adversely affected by the loss of low skill jobs in the industrial sector (van Praag and Uitterhoeve, 1999).

⁴⁵ Much of the official data on housing stress and its dimensions, including inappropriate or unaffordable housing, are based on surveys of private households. Accordingly, they do not normally measure the circumstances of people living in non-private dwellings, people sleeping rough, living in refuges, cars, tents, sheds, squats, boats or the hidden homeless.

⁴⁶ Over 83,000 people were assisted in 1996/97, 94,000 in 1997/98, 90,700 in 1998/99 and 90,000 in 1999/00 (AIHW, 1999, 2001).

7 SYNTHESIS

7.1 Review of purpose and approach

This study has applied the question ‘How Different?’ to a comparative review of national housing policy strategy and its consequences for the provision of affordable housing to low income households in Australia and the Netherlands. The broad aim has been to contribute to knowledge about the significance of differences in housing policies, by examining their impact on selected housing outcomes.

Choosing two countries with contrasting approaches to intervention in housing, while similar in many other respects, has provided the comparative framework from which to determine whether, and to what extent, differences in housing policy are significant.

Three perspectives - theoretical, historical and empirical - have been brought to bear in the comparative analysis.

First, in chapter 1, a conceptual framework for analysing and interpreting the three-way relationship between regimes of government intervention in housing, the cross-national and local context impinging on the housing system and housing outcomes was established. As well, the possible array of causal relations between housing policy and housing outcomes was assessed.

From the literature review presented in chapter 2, two general viewpoints on the historic development of housing systems in advanced capitalist nations were identified:

- housing systems are converging, as a result of shared broad demographic and economic processes; or
- housing systems are diverging, shaped more by particular national political, social and cultural structures and processes.

Much of the literature advocating one or other of these viewpoints has focused on the factors contributing to similarities and differences in housing policies, rather than on questioning their significance to housing outcomes. This study suggests that fresh insights may be gained into the importance of differences in housing policy strategy by analysing their consequences. Support for this approach was found in the conceptual work of Castles (1989c, 1994) on the comparative analysis of public policy and his empirical contribution concerning the interaction between housing and welfare outcomes in Australia (Castles, 1997a,b and 1998).

The literature review in chapter 2 also yielded a range of concepts and tools that are useful for classifying housing policy models and elucidating the policy-making process. These conceptual models have provided different lenses through which to define and distinguish the characteristics of the two systems of provision. Compared with the Netherlands, Australia can be considered to have:

- a more private, rather than a publicly orientated, structure of housing provision;
- a residual, rather than a comprehensive, welfare system;

- a mode of social regulation to support economic development that is centred on the provision of adequate and affordable housing through low density suburbanisation and mass home ownership, rather than through social rental housing; and
- a dual housing market structure which is dominated by a mature home ownership sector that, in turn, has produced a residualised public housing system, rather than a unitary housing market structure in which the not-for-profit housing sector provides a viable alternative to home ownership.

Housing affordability was chosen as the core indicator of the consequences for low income households of housing policy strategies. The decision to focus on affordability outcomes for low income households had both a political and a practical purpose. It put the spotlight on the distributional and social justice objectives of government intervention in housing and it made the study more manageable. To underpin the use of affordability as the vantage point from which the consequences of historically different policy regimes can be assessed, chapter 3 provided an overview of the concept of housing affordability, its determinants and its measurement.

Chapters 4 and 5 provide the historical perspective. The scope and nature of policy action that impinged on housing affordability in each country over half a century has been analysed in two distinctive periods, before and after 1980. The comparative method used involved closely matching the purpose and forms of intervention (and non-intervention) in housing, broadly following Lundqvist's model of logical possibilities. The policy analysis drew widely on previous research, and was informed by a series of in-depth interviews with key players in the Netherlands and the professional experience of the researcher in housing policy in Australia. Together, this material and the conceptual tools discussed above provided the basis for interpreting and determining the extent of similarities and differences in policy strategy, and trends to convergence or divergence in approach in the two countries over time.

Assessment of the affordability of housing for low income households formed the empirical component of the study, presented in chapter 6. Comparison has been achieved by, first, standardising the data that underpin the selected measures of affordability and, then, by examining the situation of the two (lowest) quintiles of the household income distribution in each country.

This final chapter synthesises the three perspectives outlined above in order to address the third research question: "Which aspects of past and present housing policy strategies, mediated through their local economic, political and social context, are judged to be significant in sustaining or constraining the provision of affordable housing for lower income households?"

A brief summary of the study's findings on the comparison of the housing situation of low income households is provided in section 7.2. Mention is also made of whether the pursuit of different national housing policies appears to have had wider consequences for national economic performance. Section 7.3 considers the conclusions that can be drawn about the efficacy and fairness of the respective policy models from the perspective of the needs of more income-constrained households and draws out some broad policy

implications. Section 7.4 reflects on how the study findings relate to theoretical viewpoints about the genesis and significance of similarities and differences in housing policy. Closing remarks are then provided.

7.2 Overview of key findings

The question of how differences in housing policy affect housing outcomes has been postulated in this study from theoretical, historical and empirical perspectives. The findings on similarities and dissimilarities in housing outcomes are drawn together below. Key policy influences are identified and a fuller interpretation of the relationship between policy and outcomes follows in section 7.3.

7.2.1 *Similarity and convergence in the housing outcomes of low income households*

In keeping with the view that countries can achieve similar housing outcomes through different policy strategies, the study finds a strong similarity in the extent of affordable housing that has been provided to low income households in the two countries using different policy means. Historically, both countries overcame massive housing shortages in the immediate postwar period to provide affordable, good quality housing *en masse* to their fast growing populations. Historic success is highlighted by the finding that up to two thirds of the respective low income group in each country occupies housing that, on average, is affordable, based on widely used benchmarks of affordability. In Australia, this is mainly because of the extent of outright home ownership (particularly among older households, most of whom were assisted directly or indirectly in the past) coupled with the provision of public housing to around one tenth of low income households. In the Netherlands, it is mostly the extent of provision of deeply subsidised and protected social housing that has provided affordable housing for low income households. Thus, very different tenure policies in the past have contributed to broadly comparable affordability outcomes for many low income households in the two countries.

A second finding is that the increasing reliance being placed on market housing (under what may come to be a new mode of social regulation around housing in each country) is not proving as successful as past, strongly government-assisted, strategies. Low income households currently purchasing or renting commercially have a higher average housing-cost-to-income ratio than similar households in the other main tenures. However, there is a difference of degree. The affordability situation of Australian low income households in the market-based sectors is worse, particularly for private renters. The longer term significance of market-based housing being less affordable is underlined by data that show that, in aggregate, most growth in households in the lowest two quintiles of the income distribution at present is being absorbed into the least affordable tenures (to them) - that is, the home purchase sector in the Netherlands and the private rental sector in Australia.

Third, trend data and previous research show that the study period has been characterised by deteriorating affordability for low income households generally, although the severity of the change varies both between the countries and within each, by tenure and other factors. The rate of increase in the average affordability ratio for low income households has been greater in the Netherlands overall (from a lower historical level), largely as a

result of steep government-induced rent rises that have affected a high proportion of the group. In Australia, the decline in average affordability levels among low income households is strongly linked to the increased reliance on the private rental market among the group who are on low incomes. Given the interest that this study takes in the impacts of housing policy strategy, it is important to emphasise that the historical analysis has shown that the increasing concentration of low income households in private renting in Australia stems, in part, from a decline in the rate of access to public housing and the withdrawal of most assisted home purchase. In neither country has growth in income at the bottom of the income distribution been sufficient to offset the impact of higher housing outlays. Therefore, overall, the impact of the evolving housing policy strategy in each country, interacting with wider socio-economic and demographic changes affecting the profile and circumstances of the low income group, has been to contribute to, or to fail to prevent, a decline in housing affordability for low income households.

7.2.2 Differences and divergent tendencies

Other empirical findings have exposed important differences and divergent tendencies in the housing situation of, or options for, low income households in the two countries.

First, the geography of affordability is very different. In Australia, there are much larger cost differentials between inter and intra-urban housing markets. Generally, the largest cities and the more prosperous and well-endowed regional centres have the poorest affordability and accessibility for low income households, even after taking into account any housing assistance available to them. Explicit policy factors contributing to this situation include very low levels of social housing with heavily circumscribed access and the low value of the housing allowance relative to urban rent levels. Under conditions whereby incomes have been polarising, housing markets seem to have also reflected and reinforced that trend spatially by showing greater segmentation. As historic levels of low cost supply have been eroded, there has been no state action to protect or increase the supply of more affordable housing in Australia.

Urban and regional price differentials in the Netherlands are much more muted, although that situation may be changing. At present, most sub-regions and many local areas include a modest to significant share of housing that is affordable to low income households. Policy strategies that contribute to the more widespread distribution of affordable housing include: a more effective housing allowance system, protection of low cost rental housing, much higher levels of social housing and the use of a variety of planning, regulatory and pricing mechanisms to provide capacity for low cost housing in new developments.

Second, there are greater differences in the impact of housing costs on low income households in Australia. One sharp distinction is between the costs of home owners and those of households who rent. The differences are also age-related, with the large group of older home owners being advantaged over all other tenure and life stage groups. Within the rental sectors, there is also marked inequality in the respective housing costs of public and private renters who have similar needs and incomes. Although a comparative position could not be determined, it has also been noted that housing costs have a significant impact on the living standards of non-home owning low income

households in Australia when measured by the experience or risk of poverty. In the Netherlands, differences in affordability within the low income segment are much less extreme between tenures and age groups. Differences that do occur - for instance, between recipients and non-recipients of the housing allowance - are not necessarily related to housing policy factors.

Third, there are differences between the two countries in the trade-offs that low income households make to obtain affordable housing. In general, the Netherlands has more smaller and higher density housing, which affects the choices of lower and higher income households alike. In Australia, many low income households in the rental sectors have poorer quality housing, as well as higher (and, therefore, worse) affordability ratios when compared to their counterparts who are home buyers/owners. Not only are housing costs (and, incidentally, the housing assets) of these two main groups of low income households very different but so, too, are their housing rights. As well, unlike in the Netherlands, social rental housing has been stigmatised by being provided exclusively to low income households.

In sum, in the period analysed for this study, the differences in outcomes for low income households are more stark in Australia than in the Netherlands. In Australia, while past home buyers are well housed in a wide range of locations, new income-constrained entrants into the housing system have very limited choice of housing that will meet normally accepted benchmarks in the major cities. Many low income households who are already purchasing or who are renting privately also have relatively poor affordability, and a high incidence of housing-related poverty has persisted in those groups over a long period. The housing rights and conditions of many of those renting are inferior to both their peers in home ownership and to similar households renting in the Netherlands.

7.2.3 A note on the relationship between housing policies and economic performance

One theme of this study has concerned probing the implications for the prevailing welfare regime and, in particular, for national housing policy strategy of dramatic changes in economic and social conditions in the last two decades. One aspect of that relationship concerns the question of whether directions in housing policy (and social policy, more broadly) have had discernible impacts on overall economic performance. Asking that question can help to establish whether differences in the policy approach have had consequences outside of the housing system itself that should be taken into account in drawing conclusions from this study about the respective policy models.

In the context of rapid global change, one overriding issue facing the state-guided welfare regimes of small, developed societies has been their competitiveness in a more global market place. By pursuing intensive economic and social reforms, underpinned by neo-liberalist ideology, both countries in this study appear to have conquered the economic problems that they experienced in the 1970s and 1980s. Both have achieved strong economic growth in the 1990s. However, while economic buoyancy has been accompanied by healthy growth in average income, there is a general view that widening income inequality has also occurred. In keeping with their different welfare traditions, the two societies have approached this problem differently.

After much debate, the Netherlands has retained many elements of an active and diverse social policy model (administered through a large and relatively well-resourced public service) that is geared to retaining social stability and preventing social inequality. Recent social policy development in Australia has been more passive, and measures aimed at managing the socially and spatially uneven impacts of restructuring and growth, including housing initiatives, have been much less apparent.

In terms of the wider welfare implications of these different approaches, evidence from Australia at a broad level tends to support the view that income programs and heavily targeted assistance measures, including housing assistance, have compensated strongly for income loss at the bottom of the income distribution (Harding, 1997). However, at the same time, it is generally considered that welfare dependency has become more entrenched and that social and spatial exclusion processes have deepened.¹ As a result, Australia seems to have relatively poor standing in international comparisons of social indicators. In contrast, several research studies have noted consistently that the Netherlands seems to have fared relatively well economically and socially under a mode of regulation that features social equity goals and, among other components, a strongly regulated property market.²

The causal nature of the relationship between social policy and economic performance in the two cases is not the subject of this study. However, the positive Dutch economic performance does serve to indicate that an active and ongoing government role in redistributive social policy is not necessarily inconsistent with achieving economic success. This aspect of the Dutch model is useful in the international debate about the legitimacy of housing policy interventions and, more generally, about the type of welfare model that is desirable and feasible.

7.3 How have housing policy settings contributed to these results?

In this study, housing outcomes are conceived of as the result of the functioning of the housing system in its temporal and local context. Part of this system includes pervasive housing policy action to achieve a range of objectives. Chapters 2 to 5 established a reasoned and detailed overview and analysis of the way in which housing policy can and does operate in a local context to influence housing affordability.

Considered together, the results of the study suggest that four interconnected aspects of housing policy have had the most influence on the evolution of the similarities and differences in housing affordability outcomes for low income households. These aspects are:

- the short and long run impact of housing policies that favour home ownership;
- the type and extent of urban policies that are geared to the supply and protection of affordable housing;
- the role, organisation and capacity of social rental housing; and
- the effectiveness of demand-side subsidies.

The subsections below expand on how each of these factors help to explain the similarities and differences in the housing outcomes observed. A brief reference to some of the implications for future policy is also included.

7.3.1 The short and long run impact of housing policies that favour home ownership

This study's findings about the affordability of home ownership, exemplified particularly by the Australian case where home ownership is a mature and dominant tenure, present a telling paradox of the impacts of broad policies that favour home ownership on the housing options for low income households over time.

On the one hand, the past regime in Australia, together with a period in history when external economic conditions and demographic factors contributed to more stable employment growth, helped to extend home ownership across the income distribution. High levels of affordable and good quality housing provision were achieved. Older, lower income households have clearly benefited from having access to affordable mortgage finance provided earlier in their lives under a regulated and subsidised housing finance system. A significant minority of younger, low income households now also own their homes outright in Australia. (It is hypothesised that, for many of these households, home ownership has been made possible by inter-generational or partner transfers rather than through personal income). On the other hand, there is strong evidence from this study and previous research that, under present policy settings, home ownership is becoming much less affordable for low income earners and for many other new housing entrants in Australia.

The dynamic behaviour of the housing market, particularly under more rapidly changing economic and demographic conditions from the 1970s, has been a primary contributor to the tendency to a relative decline in affordability and choice for lower income households in Australia. There has been a long run rise in the real cost of housing, underpinned by rising average real incomes and significant growth in national wealth. In general, this situation favours existing home owners and buyers, who benefit from equity gains (and, therefore, have greater purchasing power) over first home buyers who, instead, face rising entry costs. The relative affluence of high and multiple income households also contributes to rising housing standards, which can operate to further exclude lower income and single income households or to force them into more expensive housing that exceeds their needs. As these trends develop, policy settings can either ameliorate or exacerbate them.

In Australia, the general policy direction helped, historically, to sustain the conditions for growth of home ownership, through a mix of direct and indirect subsidies provided to new and existing households to a varying extent across the income distribution. However, changes in policy and the extended impacts of past success on the economics and politics of home ownership have contributed to declining affordability for newer home buyers. Changes in the mid 1980s to tax policies that further advantaged investment in owner occupation over other housing and non-housing investment have helped to maintain higher house prices than would otherwise occur. In the context of a more volatile economic and political climate, the tax benefits and the potential for capital growth arising from sustained house price inflation have contributed to growth in speculative investment by investors and have encouraged tax sheltering by wealthier, entrepreneurial owner occupiers. On the other hand, contraction of many of the historic forms of assistance available to marginal home buyers has reduced their capacity to enter the tenure, relative to both new entrants previously and to repeat buyers now. One

aggregate effect of these trends has been for an increasing share of assistance to be directed through tax expenditures that are regressively distributed.

In the 1990s, the failure to check house price inflation offset the benefit of lower interest rates, which flowed from improved economic conditions, and instead contributed to a growing deposit gap for new market entrants, especially in growth areas. Most recently, an initiative to stimulate housing construction through capital grants to first home buyers has been affected by broader economic conditions, especially the international economic downturn and the decline in share market prices. Together these factors have fuelled high property turnover and escalated prices, leaving first home buyers facing higher house prices rather than better affordability. Higher prices have also increased the risk of future interest rate rises having adverse effects on the affordability of mortgage finance. Finally, to complete the consideration of the policy environment affecting market provision, mention should be made of policy omissions. These include the failure to stimulate the provision of smaller, starter housing and the lack of incentives that could improve efficiency in the use of the existing dwelling stock, much of which is under occupied by ageing home owners who have very low housing outlays. In sum, it can be concluded that the prevailing policy approach in Australia has tended increasingly to support continuing owners and purchasers, while the prospects of many 'would-be' home buyers recede.

In the Netherlands, the smaller share of home ownership and a more uneven development path in that tenure have moderated the cumulative tendency for affordability problems to arise under a home ownership regime, at least until very recently. As both a reflection and a reinforcement of that situation, policies supporting home ownership have not dominated the system of housing provision to the same extent. Historically, tax and subsidy provisions have been more consistent across the tenures than in Australia, although it has been argued that a fundamental shift in favour of the ownership sector has occurred through tax reforms introduced in 2001 (Haffner, 2002). A generous offset for mortgage interest costs is provided to home buyers but low income renters also receive relatively large income supplements to help pay their rent. Secondly, there is some (limited) clawback of the untaxed benefits of home ownership through the imputed rent tax. Retention of this policy sends a signal that the costs and benefits of home ownership over the life course are subject to fiscal control, unlike in Australia. A third and very important factor that has militated against the domination of home ownership in the Netherlands has been the protection of the low cost rental sector from direct competition from home buyers (see below). These policy settings have reined in excessive market tendencies but they have, at the same time, stifled growth in the tenure, thereby perpetuating the reliance on social rental housing by lower and moderate income households alike.

It could also be argued that the impacts of house price inflation on affordability have been more muted for individual households in the Netherlands as a result of the (largely unlimited) provision to offset mortgage interest payments through taxation concessions. However, severe house price inflation in the 1990s is threatening the sustainability of this policy and may, therefore, jeopardise the achievement of access to the tenure by lower income households in the future. Urban markets have become overheated under pressure from some of the same global economic processes and investment patterns that are

affecting key cities in Australia, plus local factors (especially pent-up demand for home ownership by higher income groups and planning controls on urban expansion). In that environment, tax breaks for home buyers are likely to be contributing to inflation, as well as escalating government tax expenditures.³

The Netherlands is at a different (and logically earlier) stage of development of its home ownership sector. To reduce historic levels of public investment and to increase housing choice, a higher rate of private ownership is being pursued now, much later than in many similar countries. The data and research drawn on for this study give clear warning signs of the possible adverse impacts of this approach on lower income households that are linked to both housing market conditions in the present conjuncture and to the policy drivers of expansion.

The first signal is that, while more low income households have become home buyers, those households have affordability problems (even after taking into account the assistance available to them), and they are at risk of their affordability problems increasing, should interest rates rise. Second, strong inflationary tendencies, when not matched by increases in income at the bottom of the income distribution, will keep raising the threshold for entry or will add to affordability stress for those who buy. Alternatively, they will put upward pressure on wages and government benefits and subsidies. Third, tax expenditures that assist home purchasers have the potential to generate a regressive model of assistance, such as characterises the system in Australia. That example shows how such a model can become politically entrenched but, ultimately, is likely to be self-defeating in terms of affordability objectives. Fourth and connectedly, present policy settings are making it irrational for higher income groups to remain in social housing. When linked to the tendencies of home ownership (under inflationary conditions) to crowd out lower income households over time, the current situation in the Netherlands could lead to greater tenure segregation across the income distribution and be a trigger to the long-term residualisation of social housing, again mirroring a well-advanced process in Australia.

In both countries, a number of factors external to the housing system are predicted to add to difficulties in extending the reach of home ownership down the income distribution in future. One key factor will be what happens to the recent trend towards an increase in the share of single person and single parent households, who generally have less capacity to purchase housing than dual income households. A second factor will be adjustments in labour markets, especially the casualisation of work, the shift to part time work and greater expectations of workforce mobility. Such workforce trends are likely to militate against mortgage-financed home purchase in its present form, especially for those in the weakest labour market positions. A third factor may be the impact of volatility in housing markets and, more particularly, the prospects of price deflation combined with historically high levels of household debt, much of which is arising from mortgage finance.⁴ This may lead not only to a different form of housing crisis (such as a rise in negative equity situations) but also to government responses that divert expenditure away from the needs of low income or marginalised renters.

As home ownership becomes more dominant, there are also flow-on effects in the low cost rental market. The evidence from Australia shows that a long run strategy to

maximise home ownership while leaving rental housing largely unregulated has contributed gradually to the loss of important parts of the low rent sector to ownership, particularly in the inner cities. Unlike in the Netherlands, there are very few barriers to substitution between the home ownership and rental sectors, with the result that the pattern of demand for home ownership has been a major factor driving changes in rental market supply and price. In particular, as first home buyers become priced out of the existing home ownership market, they compete with renters for the existing rental stock. This puts further pressure on rents and leads to the loss of low rent stock and the displacement of low income renters from areas sought after by purchasers, contributing to the process of gentrification.⁵

At the same time, replacement of, or new investment in, low cost rental housing does not occur because it has become high cost compared to alternative housing (and non-housing) opportunities.⁶ This is essentially because inadequate returns arise from the combination of high levels of house price inflation with falling real incomes and limited housing subsidies for those relying on renting. In addition, the low cost rental market has not been able to attract private investment in Australia because owner occupied housing and higher value rental housing are relatively tax advantaged and subsidies on the demand-side are relatively low.

In the Netherlands, the separate regulatory framework for the two sectors, the provision of security of occupancy for existing tenants and the high degree of social ownership in established urban areas has muted competition between buyers and renters. While some deregulation has occurred in the 1990s, municipalities still regulate the sale and replacement of low rent stock.

Finally, while both countries have experienced a long run trend towards a decline in private rental investment in the low cost sector, that trend has been compensated to a greater extent in the Netherlands by the level of investment in new social housing and by the transfer of older privately owned stock to the social sector.

Under the conditions developing in both countries, it seem unlikely that past success in achieving affordability (and other positive outcomes) through home ownership, which is exemplified by the more established Australian case, will be replicated in future for lower income home purchasers and prospective first home buyers in either country. That situation has implications both for future home ownership policy, which are discussed below, and for rental policy, which are discussed later in the chapter.

Policy implications

If home ownership is to benefit low income households in the future, strong government action designed to overcome the current barriers to access, improve affordability and be responsive to more rapidly changing market conditions and needs will be required. In broad terms, the findings of this study suggest that the policy directions for that tenure should aim to address a number of core issues. First, it is essential for policy to address the genesis of house price inflation in both market processes and government policy. This is a complex issue but the most critical aspects are the need to contain and, preferably, reduce tax shelters and to manage land supply and land costs (see below).

Second, as housing wealth increases, governments in both countries will need to give more consideration to policies which can capture some of the realised capital gains or inherited wealth from home ownership for the benefit of new market entrants. The Netherlands currently has in place a policy of taxing imputed rent. If that tax is retained, revenue from it will grow in line with growth in home ownership and housing values. However, political pressures and policy convergence within the European Union may result in the tax being abolished or reduced. Other approaches in either country could involve schemes that give older households incentives to release housing value for the next generation and other forms of property and wealth taxes.

Third, governments should seek to ensure that there are more housing choices available to financially constrained households. In Australia, there is a particular need for more well located, basic, small housing. In both countries, subsidies, risk sharing and incentive mechanisms could be used more extensively to support innovation, such as new financial products, starter housing schemes and shared equity schemes that offer more financially feasible options to first home buyers and single income buyers.

7.3.2 Urban policies and access to affordable housing

Both Australia and the Netherlands are very highly urbanised. One of the differentiating findings in this study concerns the level and distribution of affordable housing for low income households in major urban areas in the two countries. The different natural endowment of the two places notwithstanding, long-term differences in land management and urban planning policies are considered to be key factors, along with the other influences discussed elsewhere in this chapter, that have contributed to different geographical patterns in the affordable housing supply.

Chapters 4 and 5 outlined the direct benefits to the supply of lower cost housing that have arisen from the historic role of municipalities as land development agencies in the Dutch housing system. In summary, these benefits include: less speculation in raw land than in market driven systems, a gentler land rent gradient than that characteristic of Australian cities and regions, a direct means of transferring more of the gains through betterment to social ends (including housing) and being able to provide better access to good quality locations for both social housing and low cost housing for purchase without competition (or resistance) from private developers.

In Australia, historically, a much less active state role in managing and regulating land and housing development and the reliance on market players to generate land supply has spawned a powerful and specialised private land development industry. That industry has produced a socially and geographically segmented land market which, in the context of high inflation and tax benefits (which have already been discussed), is sustained by repeat buyers and investment at the higher end of the market, leaving more financially constrained public housing providers, low income renters and first home buyers priced out of many areas.

The differences in historic approaches have affected the relative capacity of each country to address the common trend of a diminishing new supply of affordable housing. In Australia, a lack of intervention in the past, coupled with a powerful lobby of private

developers and existing residents, has been operating as a political barrier to policies (such as have been developed elsewhere) to include a share of low cost housing in new residential development. In contrast, in the Netherlands housing associations are widely accepted as significant developers of new housing and they benefit from non-market land pricing.⁷ As a result, new social housing is still being integrated into major residential developments, albeit as a much smaller component than in the past and, because of rising standards and lower producer subsidies, at a higher cost.

A second reason postulated for the dissimilarities in the distribution of affordable housing in urban areas in the two countries arises from the impact that differences in housing form and tenure policies can have on the pattern of urbanisation.

Home ownership is strongly associated with the development of single family housing, the extent of which, in turn, shapes the urban footprint. In Australia, large and extensive cities have arisen from the dominance of home ownership linked to a largely unregulated land market. Over time, the aggregate costs of producing serviced land and providing transport infrastructure have become greater than in more compact urban areas. However, in keeping with the overriding drive for home ownership, the costs associated with urban growth have not been recovered from home buyers, until recently. Accordingly, historic affordability levels have been lower than they would otherwise have been and demand has been sustained on the urban fringe. Eventually, the continuing growth and spread of cities like Sydney and Melbourne, coupled with delays in the provision of costly transport and service infrastructure, have resulted in declining accessibility. In turn, a new pattern of demand for more accessible dwellings located in established areas has emerged, adding impetus to the pressures on the older rental stock, not only from first home buyers as already discussed, in those areas.

Single family dwellings in suburban and more peripheral locations have also dominated the pattern of development of the home ownership sector in the Netherlands. However, the longer term promotion of a large supply of higher density housing, much of it in the social sector, and the emergence of a poly-nucleated urban metropolis and decentralised new towns under a strong planning regime seem together to have contained speculative booms in house price (until recently) and to have helped to promote cross-regional accessibility and a wider choice of areas offering affordable housing. (See Dieleman *et al.*, 1999.)

When pressures on low rent inner city housing did emerge in the Netherlands in the 1970s, strong social movements formed to protect existing residents and to prevent large-scale gentrification. The success of these movements themselves is another factor differentiating the history of affordable housing in the two countries. It can be attributed to the differences in the relative political power of a large versus a small social housing system.

Thus, in Australia, the combination of high, unchecked preferences for single family housing, (hidden) subsidies to buyers of new homes and the lack of success in decentralisation has resulted in an over-concentration of urban growth in relatively few large cities. This, in turn, has induced a scarcity of well-located land and encouraged speculation. Under conditions of rapid growth and the influence of increasingly powerful

private development interests, planning controls have lost their effectiveness and, as a result, cannot counter market forces.

While government planning and land management policies have clearly been different, this study cannot be conclusive about the reasons for the differences in urban form between the two countries. It may be argued that the differences have arisen because of differences in the (perceived) availability of land in a very small versus a very large country. Nevertheless, the degree of urbanisation that has developed is much the same, suggesting that broader economic and demographic processes are the key reasons for the development of the cities. Whatever the causes, comparing the effect of strong differences in the ways that government policy influences residential development has highlighted the well known tendency for unfettered urban housing markets, dominated by private housing, to develop in ways that produce more unequal outcomes.

Policy implications

From a spatial perspective, a major issue facing housing policy makers today is the rapid trend to greater inequality and spatial segregation in urban systems. Findings in this study and in numerous previous studies show that supply-side interventions (such as those still in use in the Netherlands) are necessary to overcome urban differentiation fuelled by market processes and private property interests and to increase the range of affordable housing options in urban areas.

As a result of its past approach, Australia faces enormous difficulties in re-establishing a sufficient and well distributed share of affordable housing in its major cities without a major shift in its policy strategy. Any such shift seems unlikely. However, a turning point may come if labour shortages and declining economic competitiveness arise from a chronic lack of access to affordable housing in the biggest cities, which increasingly rely on global competitiveness for their prosperity.

In the Netherlands, there is a growing risk that the supply of well located affordable housing will be gradually eroded through ascendant market forces. Present policy settings acknowledge the issue but expenditure may be too limited and strategies (such as drawing on housing association reserves) too short sighted to prevent a significant decline. In addition, as Dieleman *et al.* (1999) have argued, the deregulation of the housing and land markets and the reduction in investment in social housing are likely to mean that governments will have less influence over future urban growth patterns than in the past. Under a more private development regime, the Netherlands now needs to consider other policy mechanisms, such as property taxes and planning controls, if it is to maintain its relative success in mitigating urban sprawl and inequality.⁸ The experience in Australia suggests that this may become increasingly difficult as market forces gain momentum and power.

7.3.3 *The role, capacity and organisation of social rental housing*

In both countries, social housing has been and continues to be a critical sector for the provision of affordable housing to low income households. One crucial difference is that, to date, the Dutch social housing sector has retained its character as a mixed income

tenure. This attribute helps to account for that country's relative success in retaining affordable rents and has contributed to the financial, social and political sustainability of their social housing sector in the longer term.

In the Netherlands, there has been an extended positive effect from the benefits of income mix⁹ and the stock maturation process. Surpluses built up over decades have helped to keep rents down (and, thereby, to reduce the relative cost of housing allowances compared to Australia). The surpluses have also enabled the stock to be well maintained and, more recently, have contributed to the capacity for some new investment in the context of the decline of government supply-side subsidies. As well, the solid performance of the Dutch housing association sector has helped to secure ongoing political support, at least until recently. Generally, from a household perspective, satisfaction is high and the tenure is not stigmatised, although some neighbourhoods have developed social problems and have precincts of low status.

In Australia, a different dynamic has operated, even though public housing agencies also have a mature housing stock with comparatively low debt levels. Surplus-generating (and cross-subsidy) capacity has been eroded over time as a result of rising costs and previous large-scale subsidised house sales that contributed to a concentration of low income households in the remaining housing. This situation has gradually depleted any capacity of the sector to be financially independent or to expand. This problem has been compounded by a lack of transparency of the true costs of operating the sector,¹⁰ contributing, in conjunction with uneven social outcomes (see below), to the diminution of Treasury support. Since the mid 1990s, most jurisdictions have been selling assets to make ends meet and have been further restricting services to manage demand. Such a path can only be self-defeating, serving to deepen the processes of residualisation and marginalisation, which in turn will further weaken political support for public housing.

While individual tenants within the public system have relatively affordable and secure housing, the now residualised state of the public housing system in Australia is having knock on effects in terms of poverty, welfare dependency and social exclusion. On housing estates, in particular, a combination of inequitable subsidy provisions that inhibit mobility to private rental housing, the adverse social consequences arising from an over concentration of very disadvantaged and vulnerable households and the absence of labour market attachment for most of the clients has helped to create what can be described as a locational poverty trap. As well, whereas in the past many households were able through their employment (and additional subsidies) to bridge from public housing to home ownership (often 'in situ'), this is no longer occurring because of the rising cost of home ownership, the poor employment prospects of many in this tenure and the closure of most home ownership assistance programs.

Broadly speaking, the degeneration of public housing in Australia has evolved from the interaction of long-term policies to keep the sector small and to use it as the tenure of last resort with wider demographic, economic and social changes that have affected the level and differentiation of housing need. The end result is that many needy low income households are unable to access the secure and affordable housing that the tenure provides, while others within the tenure have little choice and may experience stigmatisation as well as poor 'non-housing' outcomes. Attempts to reform public

housing over the last decade (for instance, by introducing transparent subsidies and by providing additional capital for asset renewal and new investment) have been inhibited by a lack of political support for a marginalised tenure, the complexity of negotiating change among diverse national and regional interests and the lack of clarity in the responsibility and accountability for housing between two sovereign levels of government.

The prospects for Australia to turn around its troubled approach to social housing seem grim. Australia's policy settings are now a relic in comparison to international norms: large scale private financing that could be used to maintain new supply and to accelerate the renewal of poorly performing estates has not been introduced and inflexible government providers still dominate the delivery system.

A number of researchers in the Netherlands have already contemplated whether there is a similarly gloomy the future for social housing in that country and both optimistic and pessimistic cases have been argued.¹¹ The Australian case shows that antecedents of the decline of public housing go back a long way and include, among other factors, the privatising and targeting policies of earlier decades and their extended political and social effects (Chapters 4 and 5). As discussed previously, early warning signs are present in the Netherlands in the form of a growing concentration of low income households in the rental sectors and the potential for residualisation of the lowest quality parts of the housing stock. However, as van Kempen and Priemus (2002) point out, one significant counterbalancing force may be the role of housing associations, which have immediate control of the balance sheet of the sector. These organisations are registered, financially accountable not-for-profit corporations operating in a social market (Salet, 1999). It is not consistent with their charter, and not in their self-interest, to allow downsizing, (through privatisation) or the intensification of targeting and limiting of choice to be taken too far. In this way, the delivery model differs significantly from the politically controlled, monopoly provider system that dominates social housing provision in Australia. Accordingly, the differences in the organisation of social housing in the Netherlands may be one factor that can be used to help forestall outcomes that are akin to those for social housing now prevalent in Australia.

Policy implications

A direct comparison of the Australian and Dutch experience of social housing and its outcomes gives clear pointers about the way in which government involvement in rental housing for social purposes¹² should be guided in the future. Segregated and stigmatised systems of public housing are not financially, socially or politically sustainable. For Australia, strategies to encourage the continued expansion of rental housing using a mix of public and private finance, along with dynamic models of asset management and urban renewal that are aligned to changing client profiles, are required in order to respond to the continuing but more differentiated need for rental housing across the low income group. For the Netherlands, the trend towards marginalisation of the social housing system will need to be stopped sooner, rather than later, and the financial sustainability of the sector must be protected.

The results of this study also show that the governance and structure of the delivery system for rental housing needs to be considered carefully. In Australia, the housing

authorities are large and dominate their jurisdictions. These authorities are directly governed by the Minister of the day and there is only one state where the authority is also accountable to a professional board. In the Netherlands, the housing associations operate as non-profit, but financially accountable, corporations in a contestable but regulated market. The evidence from comparing these two cases suggests that social corporations rather than large scale, monopolistic public authorities are both less vulnerable to political expediency and more effective in service delivery, although differences in the amount of financial support being provided (directly or indirectly) in the two countries (itself a product of the political power relations) are also a factor.

7.3.4 Role and effectiveness of demand-side subsidies for renters

The analysis in chapter 5 showed that (different forms of) housing allowances have become the dominant means of directly assisting individual low income households to meet the rising cost of their housing in both countries over the last two decades. In the Netherlands, the housing allowance is now the major financial strategy underpinning the more independent model of social housing that dominates the rental sector. In Australia, the housing allowance is the predominant plank of national housing policy, although, ironically, it is not seen as such by the national government.

Reflecting the current widespread policy preference for individualised demand-side assistance, there has been dramatic growth in the number of households dependent on receiving a housing allowance to obtain or maintain affordable housing, and a significant increase in associated budget outlays, in both countries. Notably, however, the escalation factor has been much greater under the private market provider system of Australia and, more tellingly, in the absence of other policy strategies that support and protect the low cost rental housing supply, affordability outcomes are worse. In the Netherlands, the housing allowance is more effective but there appear to be many households that need the allowance to reduce their housing costs to an affordable share of their income that do not receive it. This issue requires further research.

Policy implications

The experience in each country of a growing reliance on the housing allowance, coupled with its variable effectiveness (for somewhat different reasons), implies that it has been a necessary, but not sufficient, policy response to the failure of the private market to provide affordable housing for low income renters.

In Australia, the current rate of growth in the share of low income households renting makes this a pressing issue to be tackled by the national government, both to constrain their budget exposure and to improve the affordability and appropriateness of the housing available to private tenants. Policy levers that influence the cost and mix of rental housing have been lost or dissipated through a bias towards demand-side assistance and policy fragmentation across levels of government. In broad terms, what is needed is to go beyond old notions of ‘public’ or ‘private’ sectors and to integrate the role of the housing allowance into a comprehensive, national rental housing policy manifesto that is geared towards stimulating a more adequate long-term supply of appropriately located, low cost rental housing delivered in a more diversified system. Policy action will be required to help finance, allocate, maintain and protect a suitable mix of rental housing options for

households not entering either home ownership or the limited and increasingly specialised social housing system. The more diversified, privately financed and publicly regulated rental housing provision system in the Netherlands provides a functional model that should be considered in some detail in the Australian context.

In the Netherlands, pressure on the housing allowance system is also an issue as a result of the rising costs of social housing and continuing pressures on the Dutch government to reduce its relatively high levels of public expenditure. However, given the steep rises in net housing rents that have already occurred, there seems little room to reduce the value of the housing allowance if the choice of affordable housing offered to low income households is to be maintained and the financial viability of the social housing sector is to be protected. Results from the less adequate system in Australia show that, considering both government and community outcomes, the present type of housing allowance policy in the Netherlands, which is allied to a regulated system of housing provision and service delivery, is worth defending strongly.¹³

7.4 Some comments on the theoretical implications of the study

Using the historical analysis and empirical evidence presented in chapters 4 to 6, the preceding section has made a relative assessment of the importance of differences in long standing national housing policy to the housing situation of low income households in the two countries studied. This section considers the findings of the study in the light of normative and more abstract viewpoints, which were introduced in chapter 2, where it was suggested that more complete explanations of the significance of similarities and differences in housing policies might emerge if economic, political and ideological influences on the trajectory of housing policy development were each considered and the account was then synthesised.

One general conclusion from this study is that housing conditions of low income households in the two countries studied have shown greater similarity than the policies that have contributed to them. This finding supports the thesis (which underpins regulation theory and has informed some critiques of welfare regime analysis) that different social policy regimes operating within similar economic circumstances can and do achieve similar ends. Likewise, the fact that both countries exhibit a similar level of success and failure in their overall policy approach to assisting low income households lends support to the regulationists' argument that there may be common limitations on the effectiveness of state action in ameliorating housing problems caused by market failure. In particular, Kleinman's (1996, 1998) assessment that the housing systems of developed countries seem to be characterised by well housed majorities and poorly housed minorities (and more so in the current conjuncture than in the previous one when economic and political conditions were more stable) is borne out in this study.

Many similarities in outcomes notwithstanding, material differences within the low income groups of the two countries also exist and have to be explained. A number of theoretical propositions are of interest, depending on whether emphasis is placed on the economic relations of the housing provision system itself, the institutions and political forces underpinning those relations or the value base of the society, within which they develop and change.

At a structural level, the interaction between market and non-market tenure systems (as theorised by Kemeny - see chapter 2) has clearly been important to the relative and absolute position of low income households. In Australia, where a mature home ownership system dominates, the dynamics of the home purchase market and past or present policy regimes favouring investment in home ownership, coupled with changing household structures and a polarising income distribution, have adversely affected low income households in two related ways. First, low income households are increasingly being excluded from home ownership and its potential benefits (such as reducing outlays over the life cycle, the strong protection of rights and the potential for wealth creation) unless these benefits are passed on through family relations. Second, in a system where the rental tenures have become more marginalised, low income households have less protected and more stigmatised housing options that are often provided at a high cost relative to their capacity to pay.

In the Netherlands, the large supply of social rental housing has prevented the occurrence of the same degree of segmentation and exclusion to date. Moreover, low income households are achieving access to home ownership as that sector expands. However, the financial and personal risks for those low income purchasers are greater than was historically the case for Australian households because of the long-term impacts on house prices of inflation and rising standards and, therefore, the necessary level of mortgage indebtedness. Structural changes in labour markets may also be a more significant factor now and in the future than in the past. However, the relations between tenure and its effects are historically determined not theoretically fixed. Therefore, no firm conclusion can be drawn about whether the development of home ownership in the Netherlands (and the politics and ideology driving that development) will follow a similar path to Australia, although both the precedent and emerging local conditions should be of concern from the perspective of low income households.

By looking in detail at the response over the last two decades to the strong fiscal and ideological pressures on both the Dutch and Australian governments to transfer power and responsibility for housing to market forces, some insight has been gained into how the two different housing systems adapt to changing external conditions. The common response has included reductions in (selected) housing budget outlays (notably supply-side assistance) and deregulation of core features of the respective housing systems. One clear consequence of the changes in Australia has been the further narrowing of policy that assists low income households and the erosion of housing rights and opportunities previously available to them. In contrast, in the Netherlands, support for a housing policy approach that helps to prevent social segregation and inequality and that maintains protection of a smaller (than in the past) but sizeable amount of good quality social housing has continued, alongside of goals aimed at strengthening market relations. The survival of those social goals so far (and the more equitable outcomes that have persisted) has been widely attributed to the distribution of power between central and local government, the private sector and the powerful, independent housing association sector. By contrast, in Australia, resistance to policy contraction and the abandonment of traditional programs (such as, investment in new social housing and urban renewal, and the provision of home ownership assistance for marginal first home buyers) has been ineffectual. The dominance of market interests in the politics and institutions of housing, lack of clarity in the responsibilities of different levels of government and the small and

fragmented nature of the policy constituency have allowed the influence of those advocating non-intervention to become stronger than in the Netherlands.

That finding lends support to arguments from the divergence school of thought that it is the dynamic effect of differences in the social relations of housing provision and the political power relations underpinning them that are the key to understanding the dissimilarities in national conditions, when economic and demographic circumstances are broadly similar.

At a deeper level, it might also be argued that social justice goals have remained more prominent in the Netherlands because of differences in the underlying culture and values of the two societies. This view resonates with Kemeny's interest in the embedded and cumulative importance of differences in privatised and collectivised systems of housing provision to community values and, hence, to the long-term path that housing policy follows, as discussed in chapter 2.

Using the same reasoning, it can also be postulated, but not proven, that such differences will have implications for the pattern and sustainability of housing affordability into the future.

Both countries have now built up significant housing wealth, through inflation and the maturation of the dwelling stock. In Australia, the bulk of the housing and infrastructure subsidies that underpinned much of the past provision has been privatised through individual home ownership. This means that, in the absence of new policies to redirect accumulated private housing wealth, housing options in Australia in future will be determined by the way in which the benefits of past home ownership are distributed by private individuals and households. If the main form of redistribution occurs through family transfers, tenure-based inequality can be expected to deepen.

In the Netherlands, the large supply of community-owned housing operates as a hedge against inflation and poverty. Retention of value in the social sector provides a valuable foundation for leveraging future social options, as is occurring already. The regulated nature of the housing associations, their social charter and their reputation all help to make it politically feasible for assistance to be directed where it is needed. Accordingly, this may make it easier to implement the policy options necessary to support low income households, if that is the goal.

7.5 Final remarks

Housing markets, unassisted, have not provided in the past and do not provide today sufficient appropriate and affordable housing for low income households. At present, interconnected trends towards polarising incomes, changes in labour market attachment, the increasing share of smaller households, rising housing standards and long-term house price inflation (exacerbated by policies favouring wealth creation through home ownership) are all particular factors that are intensifying affordability issues for those with the least resources in the housing markets of many developed countries.

Governments have no choice but to intervene in their housing markets if their goal is to improve housing affordability for low income households. Governments do have choices about their housing policy strategies, but, as this project has clearly shown, differences in the mix, balance and responsiveness of their endeavours are significant in the short and the longer term.

The answer to the question of the extent to which policy differences matter is complex and continually changing. This study, while demonstrating the value of a careful and in-depth comparative analysis, can only make a small contribution. Historically, when faced with similar housing challenges, Australia and the Netherlands chose different housing policy paths but achieved broadly similar (and generally satisfactory or improving) outcomes for the vast majority of households in their growing societies. While a dynamic and longer term perspective suggests that the adaptability and sustainability of the different models may not be the same, this is unproven and requires further theorising and analysis.

Today, in a more volatile economic and political context, which is more heavily influenced by cross-national (globalising) rather than local factors, housing policy settings and key housing outcomes appear to be converging. In particular, while there is still substantial expenditure directed to households in the lowest two income quintiles, overall changes in the mix of direct and indirect housing assistance measures (themselves, in part, the product of past strategies) are contributing to less equitable and less effective outcomes for many low income households than in the past. Nevertheless, important differences in the housing situation and choices of those households across the two countries have been identified. Both the downstream effects of past approaches and current policy settings have been found to be contributing to cross-national differences in horizontal equity and to the relative adequacy of assistance among low income households.

In future, the particular housing policy approach of individual developed countries, like Australia and the Netherlands, will continue to be different, if for no other reason than that the choices available to their respective governments are so strongly shaped by the embedded legacy of past policy and an institutionalised system of provision. However, because of the extent of convergence in underlying social, economic and demographic conditions, such countries are likely to face increasingly similar housing challenges. As well, growing regional and international competitiveness may increase the pressures for national conformity in policy approaches. If the goal is to turn around present trends towards deteriorating affordability and growing inequality, strong and responsive intervention will be required because market processes, even where underpinned by (now necessarily) large subsidies to individual households, are not succeeding. As Pugh (2001) has suggested in another context, what is required is not to reduce the state's role but to reconfigure it.

A balance of support to the rental and home buyer sectors is considered essential. Reliance on rental housing among low income households is either static or increasing (unlike the low rent supply, which is decreasing) in the countries studied. This trend and the necessity of good quality rental housing to support wider economic and social objectives (such as reducing welfare dependency through labour market attachment or

improving international competitiveness) suggest that the goal of providing a wide range of well managed and well located affordable rental housing options should be more prominent in future policy settings in both places.

Forms of assisted home purchase for low income households continue to be desirable to meet strongly embedded household preferences, to increase the choice of low income households and to mitigate tenure segregation. Home ownership that is financed during the working years is also compatible with achieving affordability and self-reliance for households whose income falls after retirement. Current housing and urban policies affecting this tenure in both countries are, in their aggregate effect, adverse to the capacity to pay and, possibly, to the broader welfare of low income and single income home buyers and prospective home buyers. They should be adapted more in their favour.

The conclusions of this study and its message about the compound and changing impacts of housing policy intervention in housing systems are not new, although they have been derived using a different approach to that of many previous studies. The similarity in the conclusions between this study and numerous preceding ones is testimony to the validity of these conclusions. The persistence and the reshaping of housing affordability problems under the two broad types of housing policy regimes examined in this study suggests a number of things for researchers and policy practitioners. There is much to be gained from well chosen comparative housing analyses. Existing explanations and expectations of what housing policies achieve are variable and inconclusive. Theoretical, empirical and historical analyses need to be continually reviewed, research findings need to be reiterated and reinforced and coherent and workable policy strategies must continue to be advocated to protect and improve housing outcomes for low income households. Much has been learnt and much more needs to be done.

Notes

¹ For an overview of the literature in Australia on social and spatial exclusion see Yates (2002a).

² There have been a number of comparative studies pointing to aspects of the relative success of Dutch housing policy including Badcock (1994), Dieleman and Hamnett (1994), Thrift (1994) and Meusen and van Kempen (1995). Visser and Hemerijck (1997), Becker (1999), Goodin *et al.* (1999) and Wildeboer Schut *et al.* (2001) use a wider range of social indicators to demonstrate the relatively favourable international position of the Netherlands. Where Australian data are incorporated into these studies, the measured results are generally shown to be weaker.

³ A recent article by Boelhouwer (2002a) develops this argument.

⁴ Since the period covered by this study, there has been parallel evidence presented in each country that the housing market is overheated, leading to predictions of price deflation, which could impact adversely on heavily indebted home buyers and broader economic performance. For Australia, see RBA (2002) and for the Netherlands, see Boelhouwer (2002a).

⁵ A recently completed doctoral thesis in Australia has shown how the interaction between the rental market and the home purchase market has contributed to the long-term decline of low rent housing in the city of Brisbane (Seelig, 2001).

⁶ Nevertheless, as noted in Chapter 5, Berry (2000) has shown that rental investment in Australia has been more sustained than a rational analysis would predict. He attributes this situation, in part, to the strong preference of small 'unsophisticated' investors for a 'bricks and mortar' form of saving and investment but questions whether it will continue to underpin rental supply in Australia in the future.

⁷ However, the cross-subsidisation of land prices in a development that historically benefited housing associations is breaking down now as private developers increase their role (Priemus and Louw, 2002).

⁸ Priemus and Louw (2002) provide a detailed discussion of possible mechanisms.

⁹ While the retention of income mix in social housing is judged to be a benefit to the viability and capacity of the sector, it can be interpreted to be a consequence of rising affluence and the lack of alternative housing for households whose circumstances improved rather than a intended outcome of past policy (van Kempen *et al.*, 1992).

¹⁰ Lack of transparency of costs is at least partly an outcome of differences in approach between levels of government.

¹¹ See for example, van Kempen and Priemus (2002) and Ouwehand (2002).

¹² The financing, ownership and management arrangements in social rental housing systems are more diversified than in the past. Hence, a more contemporary conception of 'social' refers to government subsidised and socially oriented housing provision rather than to a specific tenure. (See also Priemus (1997a) on this point.)

¹³ Priemus (2000) reached a similar conclusion in comparing the Netherlands' approach to housing allowances with the model of housing allowances operating in the USA.

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APPENDICES

A Definition and use of terms

A.1 *Distinctions between tenures*

To achieve comparability in the tenure categories used in this study, the following definitions have been adopted, unless otherwise noted.

Outright owner. Refers to an owner occupier who has completed purchase of their dwelling: that is, they have no mortgage.

Home purchaser or homebuyer. Refers to an owner occupier who is currently purchasing their dwelling: that is, one or more mortgages are held over their dwelling.

Home ownership. Refers to home ownership as a generic sector, or as a tenure, and includes the group of households who own outright and those who are purchasing their homes.

Renter commercial. Refers to households who rent their dwelling from a private landlord, whether an individual or a corporation. The terms ‘private renter’ or ‘private rental housing’ are also used to describe occupants or dwellings, respectively, in this sector

Social rental housing or social renter. Refers to dwellings or tenants, respectively, in housing owned and/or managed in the not-for-profit sector. It includes subsidised dwellings let by state governments in Australia, municipal governments in the Netherlands, and non-government housing associations in both countries. The more general term ‘social housing’ refers to any dwellings that are, or have been, subsidised by government that are in the not-for-profit sector whether they are being rented or purchased. For Australia only, the distinction between social rental housing, generally, and public housing, specifically, is made sometimes to distinguish, using the latter term, that (predominant) part of the sector which is owned and managed by a public authority. For Australia also, the community based non-government housing sector, which is very small, is sometimes referred to as the community housing sector to distinguish it from the government (or public) provider.

State housing agencies. Refers to the eight (state or territory government) providers of public housing in Australia. Each jurisdiction has one public provider. For a map of jurisdictions, see figure 4.1a.

A.2 *Description of subsidies*

Rent assistance. Rent assistance is the cash payment made to eligible households and individuals renting privately in Australia.

Individual rent subsidy. This is the cash payment made to eligible households and individuals renting through a private or a social landlord in the Netherlands.

Rebated rent and rent rebate. Public tenants in Australia do not receive rent assistance but can apply to their public landlord to have their rent reduced to a fixed percentage of their assessed household income. The net rent paid is referred to as the rebated rent and the difference between the market rent and the net rent paid is known as the rent rebate.

Housing allowance. In this study, housing allowance is used as a generic term to refer to the different forms of rent subsidies that may be paid to individual households in Australia and the Netherlands.

B Currencies and exchange rates

B.1 A note on currencies used in this study

On January 1st 1999, the Netherlands introduced the new European currency, the euro, to operate alongside of the guilder for 3 years. On January 1st 2002, conversion to euros was completed. At the commencement of the conversion period, the conversion rate was fixed at 1 euro to 2.20371 guilders. For the purposes of international comparison, it is not appropriate to apply this conversion factor to pre-1999 data because the resultant values will not reflect historical fluctuations in exchange rates. Therefore, guilders have been retained as the currency unit in this study. For local purposes, historical guilder values can be converted to euros (valued in 1999) by dividing by 2.20371. (See <http://www.statistics.dnb.nl/indexuk.html>)

B.2 Exchange rates

Table B.1 Exchange rates. Netherlands guilders and Australian dollars, selected years 1984-1998

Year average	Netherlands guilders (<i>f</i>) Value of 1 \$A	Australian dollars (\$A) Value of 1 <i>f</i>
1984	2.815	0.355
1986	1.638	0.611
1988	1.545	0.647
1990	1.422	0.703
1992	1.291	0.775
1994	1.330	0.752
1996	1.319	0.758
1998	1.248	0.801

Sources: OECD (1998) 1984-1996 and Reserve Bank of Australia (<http://www.rba.gov.au>), 1998.

C Interviews (*) and key contacts for information, the Netherlands

Name	Organisation
Drs Gerard Anderiesen*	Amsterdam Federation of Housing Corporations
Professor Dr Peter Boelhouwer	OTB, Delft University of Technology
Mr Nico Boxhoorn	MVROM, the Hague
Dr Henk de Feijter*	AME, University of Amsterdam
Dr George de Kam*	aedes, National Federation of Housing Corporations
Mr Paul de Vries	OTB, Delft University of Technology
Dr Adam Feddes*	
Mr Harold Ferweda*	MVROM, the Hague
Dr Vincent Gruis*	Faculty of Architecture, Delft University of Technology
Mr Gust Marien	OTB, Delft University of Technology
Dr Jacco Hakfoort	CPB, the Hague
Dr Marietta Haffner	OTB, Delft University of Technology
Ms Erica Heemskerk*	Netherlands Tenants Union, Amsterdam
Dr Adriaan Hoogvliet*	de Dageraad Housing Corporation, Amsterdam
Mr Willem Hulshoff	MVROM, the Hague
Ms José Jacobs*	MVROM, the Hague
Dr Art Klandermans*	City of Amsterdam
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Mr Hans Masterman*	MVROM, the Hague; (later) WSW
Professor Dr Barrie Needham*	University of Nijmegen
Mr Arnaud Passenier*	MVROM, the Hague
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Drs Cok Vrooman	SCP, the Hague
Mr Emile Spek*	Woningbedrijf, Amsterdam
Dr Peter Terhorst*	AME, University of Amsterdam
Dr Frank van Dugteren	SCP, the Hague
Mr Jan van der Broek*	Ministry of Finance, the Hague.
Drs Harry van der Heijden	OTB, Delft University of Technology
Mr Matthé van Oostrom	MVROM, the Hague
Professor Dr Jan van Weesep	Utrecht University

D Notes on data and methods used in this study

D.1 Purpose

This appendix provides notes on the measurement of housing affordability. It considers the strengths and weaknesses of different approaches to defining data and calibrating affordability measures and it explains the methods that have been used in this study and the implications of those methods for the interpretation of the results.

There are four parts. First, the main methodological issues that have to be determined to enable effective comparison of measures of housing affordability are discussed. Second, the definitions and methods used to calculate the affordability ratios (presented in chapter 6) are set out in detail. Third, an explanation of living standards measures is provided. This section also compares the qualities of living standards measures and ratio measures. Finally a note on the calculation of 'borrowing capacity' (used in chapter 6) is included.

D.2 Methodological issues affecting measures of housing affordability

D.2.1 Definition of components of housing costs

To define and compare housing costs requires consideration of what comprises a valid measure of such costs. A standard definition of basic housing costs includes: the costs of rent, mortgage interest payments¹, rates and taxes, house insurance, repairs and maintenance, interest payments on loans for alterations and additions and levies on strata-titled dwellings.

In practice, different surveys include different components of housing costs. (Section D.3 makes a direct comparison of what is included in the main Australian and Dutch surveys.) The significance of including different cost components varies by tenure. Generally speaking, it is easier to determine the components of housing costs for renters than it is for owners. This is because of the dual nature of housing outlays of owners: both paying for a housing service (that is, making the interest component of their mortgage repayment) and acquiring an asset (that is, paying the principal component of the mortgage). Some researchers argue on conceptual grounds for the separation of these components and they propose specifically that empirical analyses concerned with comparing the outlays of renters and purchasers should exclude mortgage principal repayments from consideration (Yates, 1987). However, from the perspective of assessing current-term affordability, this approach ignores the actuality that owners are making an additional cash outlay from their total income resources in the short and medium term, even if, in the long run, part of the outlay represents asset creation (King, 1994). One way to address the issue of how to treat the components of mortgage payments in affordability analyses is to adopt the 'user cost' method that was described in chapter 3 (Hancock, 1993).

There has also been some discussion in the literature of whether other housing cost components should be included to obtain a more valid assessment of total cost. For example, King (1994) argues it may be desirable to acknowledge the spatial attributes of housing expenditure by including commuting costs. While some components of

locational value are factored into house prices, these components do not reflect the circumstances of individual households, who may live in a similar dwelling but face very different commuting costs. The issue is likely to be a more important consideration in Australia because of the low density nature of the major cities and because of the dispersal of settlements. However, usually, suitable data are not available from survey sources to include in affordability measures.

In a similar vein, energy costs are considered integral to housing expenditure in some studies. Inclusion of this variable would certainly give a different perspective on housing affordability between Australia (where heating requirements are much lower, overall) and the Netherlands. Again, no consistent data are available but the issue can be borne in mind in interpreting and comparing affordability levels across the two cases.

D.2.2. Measures of income

The choice of income measure presents another issue for the calculation and interpretation of housing affordability. The main approaches to defining income and their impact on measuring housing affordability are set out in table D.1. In this study, disposable income has been used, except where indicated otherwise.

Table D.1 Measures of income

Income measure	Definition	Comment on general impact on housing affordability indicators
Gross	Private income from all sources plus social security payments	Affordability measures will not be sensitised to redistributive tax and social wage policies that benefit low income groups. Impacts of changes in taxes and benefits over time and/or differences between countries will not be reflected in the assessment of affordability.
Disposable	Gross minus direct taxes	More accurate than gross income because it reflects discretionary income available to households and takes account of changes in taxes over time or place.
Social wage	Disposable plus (selected) non cash benefits	Non-cash benefits - predominantly health and education - are included. As these are not discretionary, their inclusion will not directly improve the validity of the analysis of housing costs and their impacts.
Final	Social wage minus estimated indirect tax burden	The broadest definition of income but it has the same problem as the social wage measure.

Source: Johnson *et al.* (1995).

D.2.3 The effect of household structure

Another issue in incorporating income into measures of housing affordability is the way in which account is taken of the structure of the household relying on the income. To establish a better basis for comparison across households, equivalence scales can be used to adjust incomes in accord with the size and needs of different types of households. In general terms, when income is adjusted for household structure, the income of single person households is deflated and that of families with dependent children is inflated (Harding and Szukalska, 2000). Calibration of equivalence scales is a specialised and contentious area and could not have been achieved with the data available for this study. However, it was noted in chapter 6 that the profile of low income households (when income is not adjusted for household structure) is similar for the two cases. Therefore, the relative comparison across countries attempted in this study does not require adjustments to income to take account of different household profiles. Nevertheless, a different picture of affordability, especially for families, may emerge from such an approach.

D.2.4 Population unit of analysis

Depending on the survey instrument, there may be up to three choices of population unit available to analysts of statistical data on housing: households, income units or individuals. The household equates to people living together in a self-contained dwelling. Measures using household data reflect the current housing situation of the household members, considered as a unit. Households, however, may be comprised of more than one income unit (which is defined as a single adult person or a couple and their dependents, if any, who share their income). Income unit analysis is important in applications considering the potential need for appropriate housing because households can include income units who are living together because they cannot afford to establish an independent household. In other words, more than one income unit in a household may indicate hidden or unfulfilled demand. In Australia, income units are also sometimes preferred as the unit of analysis to households because the data include people living in non-private dwellings, which are not included in some regular household surveys (King, 1994). The least commonly used unit of analysis is the individual. King (*ibid.*) has argued that this may be a more appropriate unit where housing quality outcomes are of most concern because different individuals in the same household may experience different housing benefits. He uses the example of the potentially different benefits conferred by location of the housing, when it is considered in relation to each individual household member's travel and activity patterns, to demonstrate his point.

The unit of analysis used in this study is the household, except where indicated otherwise.

D.2.5 Determination of the income distribution

This study is concerned with households at the lower end of the income distribution. The selection of the income measure used to rank households will have an effect on the profile of households that are included (table D.2).

Table D.2 Income measures used to determine the income distribution

Income measure	General relative effect on household distribution profile
Gross income	Single people (especially the aged) increase.
Disposable income	Self-employed people (eg farmers, small business owners) and self-funded retirees increase.
Equivalent income (gross or disposable)	Couples and couples with children increase.

There was a slight unavoidable discrepancy in the way that the income distribution has been determined for the two cases in this study. For the Netherlands, households were ranked by their net household income (not controlling for household size). For Australia households were ranked by their gross household income (not controlling for household size). There is relatively little difference between net and gross household income in the first two quintiles in Australia.² Therefore, the impact of using different measures for the two countries to determine the lowest 40 per cent of households is predicted to be very minor. It may have led to a slight increase in the proportion of single person households in the study group for Australia, compared to if disposable income had been used. In both cases, households with negative or zero incomes have been excluded from the analysis, except where indicated otherwise.

D.2.6 Gross and net housing affordability ratios

The gross housing affordability ratio measures the proportion of total income outlaid for housing, including any housing subsidy that is received. The net ratio compares housing costs-to-income after the value of any housing subsidies received has been deducted from both the top and the bottom of the ratio (that is from housing costs and from income). In effect, this means that the net ratio takes account of the contribution of housing subsidy policies to improving housing affordability. By removing explicit subsidies from the measure of affordability, the net ratio also makes allowance for cross-national or cross-tenure differences in the way that subsidies are provided. It is standard practice to use net affordability ratios in housing research in the Netherlands. However, in Australia most published studies use the gross measure. As explained further below, consistent with the aims of this study to assess policy impacts, a net affordability ratio has been derived for Australia, wherever possible, to improve comparison.

D.2.7 Calculation of ratios

When unit record data is available, the housing affordability ratio can be calculated at an aggregate level for all households in a defined group (that is, total housing costs as a proportion of total income for the group) or it can be calculated for each individual household and then averaged across the group. In this study, the former (group) method has been used. This approach is considered preferable because of the focus on the lower end of the income distribution where it could be expected that outlier cases (notably, households who report very low incomes that contribute to very high housing affordability ratios) would be found. If the individualised method is used, such high ratios will skew the value of the affordability ratio for the group, compared to when an averaging technique is used. The general effect of using the group method is that the ratios are lower than if the individualised method had been adopted, primarily in quintile one. Table D.3 compares the effect of using the two methods for a subset of the

Australian data to demonstrate the higher ratios that result from using the individualised method in quintile one.

Table D.3 Housing affordability ratios ^a (%) calculated by individual and group method for selected groups across the income distribution, Australia, 1999

Tenure	Method of calculation	Income Quintiles				
		1	2	3	4	5
Owners	Group	16	9	7	4	3
	Individual	19	9	7	4	3
Purchasers	Group	73	34	24	19	13
	Individual	80	35	25	19	14
Public tenants	Group	25	19	15	11	8
	Individual	28	20	15	12	8
Private tenants	Group	67	33	21	16	12
	Individual	105	34	21	16	12
All households ^b	Group	31	20	17	13	10
	Individual	40	20	17	13	10

^a The ratios in this table are used to demonstrate the effect of using different methods of calculation. They differ from those in the main text because they have not been adjusted to enable direct comparison with the Netherlands (see D.3).

^b Includes other tenures.

Source: ABS (2001) AHS, 1999 unit record files, analysis for the author.

D.2.8 Appropriateness of housing

In this study, the analysis of affordability is based on the current outlays of a household for their existing housing. It has not been possible to determine whether the housing occupied is appropriate to household needs (by assessing attributes such as size, location or quality) or whether alternative affordable housing is available. (Instead, a general comparison of the profile of housing that is either occupied by low income households or is inexpensive (that is, affordable for the study group) is provided.) Studies that have incorporated sensitivity to the appropriateness of housing in their analysis have been cited in chapter 6.

Landt and Bray (1997) have developed a useful conceptualisation of the issue of how affordability and appropriateness can be related. The matrix below (table D.4), which has been adapted from their work, indicates how taking into account appropriateness and supply factors can refine the assessment of affordability.

In the matrix, the number in box B will indicate the extent to which the undersupply of appropriate or affordable housing is contributing to the current level of poor affordability (that is, in excess of a chosen benchmark) while the number in box D indicates the extent

of mismatch between existing patterns of housing consumption and supply for a region. The number in box C will indicate the extent to which unadjusted affordability measures include households that are spending more than they need on their housing and, therefore, are able, potentially, to address their own affordability problems.

Table D.4 Possible relationships between housing that is affordable and appropriate

		Current housing unaffordable?	
		Yes	No
Affordable and appropriate housing is available	Yes	A: Not in need	C: Not in need
	No	B: In need	D: In need (if current housing not appropriate)

Source: adapted from Landt and Bray (1997, table 6.1, p. 28).

D.3 The calculation of housing affordability ratios in this study

D.3.1 Data sources

Three survey data sources were used to obtain data for the housing affordability ratios presented in this study, one for the Netherlands and two for Australia. Each data source includes different income measures and different housing cost components. Therefore, adjustments were necessary to improve the comparability of the data. These adjustments were made to the Australian data to achieve more consistency with the Dutch data, wherever possible. The main variables available from each source and the adjustments made are indicated below, together with comments on the level of comparability achieved, as appropriate.³ Because of the adjustments that have been necessary to achieve consistency, the definition of housing costs used for both countries is less comprehensive than those used in some other surveys/research. This means that the absolute values of the ratios may show lower housing outlays and better affordability in relative terms for the same household situation than in other studies. In keeping with the emphasis given to current affordability, mortgage principal payments have been included as a housing expenditure item for both cases in the study.

The Netherlands Housing Demand Surveys (*WoningBehoeftte Onderzoek*) (WBO)

The unit record files for the 1986, 1990 1994 and 1998 WBOs were used. The data files were processed by OTB in accord with the author's specifications. The variables used were defined as follows.

Household income. Total regular monthly private income and government cash income from all sources for all income units in the household after deductions for tax and social insurance premiums minus housing derived income (that is, the tax allowance for mortgage interest costs and individual rent subsidy). For this study, monthly outlays were annualised for the purpose of comparison.

Housing costs. Monthly housing-related outlays made up of total mortgage costs, ground rent (where applicable), rent charged, strata levies, rates and taxes and building insurance, minus tax relief for mortgage costs and minus the

individual housing subsidy. (Maintenance costs were not included.) Again, monthly outlays were annualised.

Housing affordability ratio. The net housing affordability ratio is calculated by determining the ratio of net housing costs to net disposable household income for each group analysed (for example, all quintile one households, quintile one households who are social renters etc).

Household head. The male person with the highest age and income, unless no male is present, is designated the household head.

Dwelling coverage. Individuals and families living in self contained dwellings and other living arrangements are surveyed.

Australian Housing Survey (AHS)

The confidentialised unit record data for the 1999 survey were obtained for the study and analysed at the University of Sydney according to the author's specifications.

Household income. The unit records provide total weekly regular private income and government cash income from all sources for all income units in the household before tax or other deductions (i.e. gross household income).

Three adjustments were made to improve comparability:

- Income was annualised;
- Gross household income was converted to an estimate of disposable household income by adjusting down by the amount of average tax and compulsory health premiums paid by quintile using data from the 1998 HES (ABS (2000), cat. no. 6530.0, table 1, p. 9);
- Housing benefits included in income were deducted, where possible. The adjustment involved reducing household income by an estimate of the average amount paid to low income private tenants by quintile in the form of rent assistance from data provided by the ABS (2000, cat. no. 4182.0, table A1.2, p. 63).⁴ However, it has only been possible to apply this adjustment in analyses where private renters are separately identified in the analysis. Accordingly, the adjustment is not made in other tables. The distinction between the two approaches used is referred to as method 1 (no adjustment for cash housing subsidies received) or method 2 (data has been adjusted for cash housing subsidies received) in the data included in chapter 6 and appendix E. The impact of the two approaches on the comparability of the affordability ratio is discussed further below.

Housing costs. Housing costs in the AHS are defined as weekly housing-related outlays made up of total mortgage costs, rent charged, strata levies, rates and taxes, repairs and maintenance. The adjustments made to achieve better comparability are as follows:

- Weekly outlays have been annualised;

- An estimate of the costs of repairs and maintenance has been deducted using the average value of these outlays by quintile provided in the 1998 HES (ABS, 2000, cat. no. 6535.0, table 2, p. 7);
- An estimate of the cost of building insurance has been added (*ibid.*);
- The same adjustments for the payment of housing subsidies as have been made to income (described above) have been made to housing costs, where possible.

Housing affordability ratio. Where method 1 is specified, the Australian data is a gross, not a net, ratio.⁵ Where method 2 is specified, the Australian data is a net ratio.

This means that ratios calculated using method 2 have better comparability. Where method 1 is employed (figures 6.3 and 6.4 and tables E.9, E.10, E.11), Australian ratios may be overstated relative to the ratios for the Netherlands by around one percentage point.⁶

Household head. The person with the highest tenure status (from, in order of precedence, owner, purchaser, renter, other tenure), income and age is designated the household head. The difference in the definition of household head between the two cases is of no material consequence in the analyses undertaken for this study.

Dwelling coverage. Individuals and families living in private (self-contained) dwellings, including mobile and makeshift dwellings are surveyed. Some low income households living in dwellings designated non-private (such as rooming houses) may be excluded from the Australian data but included in the data for the Netherlands.

Household Expenditure Survey (HES)

The Australian Housing Survey is a relatively new survey conducted in 1994 for the first time. Therefore, the alternative survey, the HES, was used where time series analysis was required. That survey has been conducted regularly over the last two decades (1984; 1988/89; 1993/94 and 1998/99) - at periods broadly comparable with the timing of the WBO. Only published data, rather than unit record data, from the HES has been used.⁷ Differences in the way that the relevant variables in the HES are defined and published (compared to the WBO) have affected the comparability of data in figures 6.8, 6.9, 6.10 and tables 6.5 and E.15 as follows:

- Zero and negative incomes (set to zero) are included in the analysis for Australia;
- Housing outlays for Australia include repairs and maintenance; and
- Housing affordability ratios for Australia are gross ratios, making them higher than they would be if net ratios had been used.

Because of these discrepancies, the data in the nominated figures and tables is more useful for showing trends than for comparing values directly with the Netherlands.

D.4 Living standards measures of housing affordability

This study has relied, primarily, on comparing housing affordability by using a measure of the proportion of income spent on housing. As discussed in chapters 3 and 6, an alternative approach, which has been used more in Australia than in the Netherlands, assesses the impact of housing costs on the capacity of households to afford other basic living costs. That approach relies on determination of a standard of living by which to judge the adequacy of the income remaining after allowing for housing costs. A brief outline of how the approach has been developed in Australia is set out below.

Traditionally, the national poverty line (known as the ‘Henderson poverty line’) has been used as the yardstick of living standards. Two types of lines are maintained: an estimate of income including an allowance for housing costs (known as the ‘before-housing poverty line’) and an estimate excluding an allowance for housing costs (known as the ‘after-housing poverty line’).⁸ A specific issue affecting the definition of the after-housing poverty line is the way in which the value of the housing costs that are allowed for is determined. Under the ‘Henderson after-housing poverty line’, the assumed housing costs vary by household type but they do not allow for regional differences in housing costs or for differences between tenures. In view of the relatively large differences in housing costs across tenures and regions in Australia (see table E.25), it has been suggested that this traditional measure may understate housing costs for some groups, such as for tenants in higher cost areas (Burke and Ralston, 2003).

As an alternative to the national poverty line, the Social Policy Research Centre (University of New South Wales) has recently developed a set of national household budget standards that have been proposed as acceptable contemporary standards of minimum income (Saunders, 1998b). Among other differences to the traditional poverty line, the budget standard measures allow for differences in housing costs between tenures and regions.

It has been argued in this study that assessment of the broader impacts of housing costs on low income households would add an important dimension to international comparisons of housing affordability and contribute to broader evaluations of housing policy settings, particularly to the assessment of the adequacy of demand-side subsidies. While such an assessment could not be done in this study because of a lack of comparable data and methods of measurement, some data from Australia that illustrated the value of the general approach were referred to in chapter 6. A list of recent Australian studies that have advanced the analysis of housing affordability and include the living standard approach is given below to inform future research.

King (1994) provides a diagrammatic representation of the general difference in the way that the two measures determine affordability problems (figure D.1). (See Hancock (1993) for a similar analysis couched in economic terms.)

Table D.5 Landmark Australian studies using living standards approaches to assessing housing affordability

Author(s)	Approach to assessing housing affordability
Landt and Bray (1997)	Compares alternative measures of housing affordability of private renters including a means of assessing whether housing is both affordable and appropriate.
Karmel (1998)	Counts and compares the level of housing affordability problems among low income households using housing affordability ratio measures and budget standards measures.
Harding and Szukalska (2000)	Compares the impact of different national and international poverty lines on the level of housing related poverty.
Burke and Ralston (2003)	Uses a budget standards measure to assess affordability of housing for public and private renters.

D.4.1 Comparing housing affordability ratios and living standards measures

In figure D.1, D and A comprise households with housing costs above a given ratio of income (a benchmark represented by the line PO). Households in the quadrants A and C have residual incomes below a chosen standard (represented by the line MN) after meeting their housing costs. Under both measures households in the A quadrant are considered to have an affordability problem - they pay a relatively high proportion of their income in housing and their after housing income is below the minimum required to

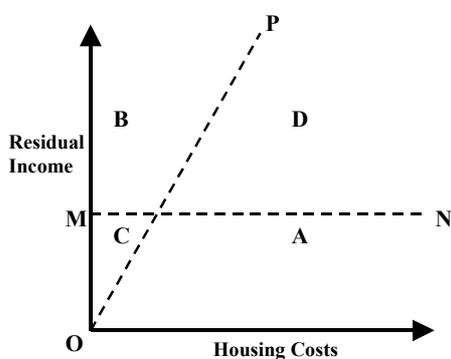


Figure D.1 Comparing housing affordability ratios and living standards measures

Source: King (1994, figure 6.3, p. 82).

meet their other needs. Households in the C quadrant have low residual income but they do not face high proportional housing costs, so the cause of their poor position can be hypothesised to be a result of their non-housing outlays and their overall level of income, rather than their housing costs. Households in the D quadrant are considered to have poor affordability, if the ratio measure alone is considered, but they have adequate residual income. Households in the B quadrant are not identified as having an affordability problem under either measure.

Using the Australian context, it is possible to postulate the sorts of relationships between the different situations represented on the graph and the tenure of households. Typical households in the A quadrant are likely to be private renters with low incomes and high housing costs. Quadrant C households are likely to be low income home owners or public tenants with relatively low housing costs. Moderate income home purchasers with high housing costs, relative to their incomes, are likely to fall into Quadrant D.

D.5 Calculation of borrowing capacity

Borrowing capacity has been defined as the maximum loan that is affordable by a household over a loan period of 30 years⁹, so that mortgage repayments do not exceed 30 per cent of household income. The Excel function for calculating the present value of future investments - PV (interest rate, period of loan, affordable repayment) - has been used to calculate the loan value. For the Netherlands, an allowance for the tax deductibility of mortgage interest has been included in the calculation of the affordable loan. A tax benefit of 36.35 cents in the guilder has been assumed, based on the local tax rate applying to low income households. Calculations of borrowing capacity have been made for a household with income at the upper boundary of each of the lowest two quintiles (20th and 40th percentile). A 7 per cent interest rate has been assumed.

Notes

¹ A complication of including housing mortgage payments in housing cost analysis has resulted recently from the growing use of mortgage-backed credit for non-housing purposes. Since equity credit schemes took off in the mid 1990s, Australia and the Netherlands have moved to exclude payments for equity loans from the definition of housing costs.

² In 1998, quintile one households had an average weekly gross income of \$A159.62 and an average net income of \$A157.80. For quintile two households, the corresponding figures were \$A413.96 and \$A392.91 (ABS, 2000, cat. no. 6530.0, table 1, p. 9).

³ More details on the WBO scope, design and quality are provided in MVR0M/CBS (1999). More details on the AHS scope, design and quality are provided in ABS (2000, cat. no. 4182.0) and ABS (2001, cat. no. 4186.0.30.001).

⁴ Adjustments were not necessary for the other two tenures. Public tenants receive their housing assistance as a rebate, which is not included as income. There was no general housing subsidy payment or tax offset provided to homebuyers in Australia in 1999.

⁵ However, the ratio for public tenants within the data set will still be a net value, because their housing subsidy is received as a rent rebate and, as such, is not picked up in the survey.

⁶ ABS (2000, cat. no. 4182.0, table A1.2, p. 63) estimates the difference in net and gross affordability ratios for private tenants in Australia at approximately 3 per cent on average in the lowest two quintiles. However, as private renters only make up about one fifth of households in the lowest two quintiles, the impact of this factor on affordability ratios where method 1 has been applied (that is where no adjustment for rent assistance received as income, or paid in rent, has been made) is diluted by the presence of many other households, for whom there is no discrepancy in how their income and outlays have been defined across the two cases.

⁷ Differences in the way that variables in the HES or WBO have been defined over time are considered to be minor, for the purposes of this study.

⁸ The Institute of Applied Economic and Social Research, University of Melbourne maintains the national poverty line in Australia (<http://www.umelb.edu.au/iaesrwww/miesi/poverty/html>).

⁹ Thirty years was chosen because that is the maximum period for which a household in the Netherlands can obtain a tax offset for mortgage interest payments.

E Additional tables

Table E.1a Commonwealth government housing outlays and GDP, Australia, 1976/77 and 1979/80 (\$A m) ^a

Expenditure on housing	1976/77	1979/80	% change
Budget outlays ^b	658	509	- 23
Tax expenditures ^c	551	970	76
Total housing expenditures	1,248	1,398	22
GDP	87,500	121,793	39
Budget outlays as % GDP	0.8	0.4	
Total as % GDP	1.4	1.2	

Table E.1b Government housing outlays and GDP, the Netherlands, 1975 and 1980 (f m) ^a

Expenditure on housing	1975	1980	% change
Budget outlays	2,075	4,398	112
Tax expenditures ^d	1,216	4,273	251
Total ^e	3,281	8,671	164
GDP	219,960	336,740	53
Budget outlays as % GDP	0.9	1.3	
Total as % GDP	1.5	2.6	

^a Exchange rates are given in appendix B. The years included are those for which the most comparable data are published. While only two data points are shown, the historical analysis gives an indication of whether those years are likely to be indicative of trends or isolated effects.

^b To improve comparability, budget outlays exclude defence service home loans and loans to states are net of principal and interest repayments on previous advances. State government contributions to housing, which vary and are not consistently reported, are excluded. The 1978 CSHA included a requirement that states contribute to CSHA programs (known as 'matching expenditure') for the first time. The contribution for 1979-80 was \$A160 million (Monro, 1998, Figure 7.9). Adding state matching expenditure of that magnitude to the budget outlays raises the proportion of GDP in government housing expenditure in Australia to 1.35 per cent in 1979/80.

^c Based on loss of income from non-taxation of imputed rent and non-deductibility of mortgage interest except for the limited households for whom mortgage interest tax deductibility applied.

^d Based on estimated difference between income from taxation of imputed rent and loss of income from mortgage interest rate tax deductibility.

^e Excludes government loans and repayments of past loans.

Sources: Australia - OECD (1998); Flood and Yates (1987, table 1.1, p. 10); Foster and Stewart (1991, table 1.19c, p. 40).
The Netherlands - Papa (1992, table 3.6, p. 28); OECD (1998).

Table E.2a Selected indicators of demographic trends, Australia and the Netherlands, 1980-2000

Demographic indicators	Australia		The Netherlands	
Mean household size (persons) ^a	1981	3.0	1981	2.9
	1986	2.9	1986	2.7
	1991	2.8	1991	2.6
	1996	2.6	1996	2.5
Households (millions) ^a	1981	4.7	1982	5.1
	1991	5.8	1994	6.4
	1998	7.0	1998	6.7
Household growth (%)	1981-1998	51	1982-1998	31
Population (millions) ^a	1980	14.9	1980	14.1
	1989	17.1	1990	14.9
	2000	19.3	2000	15.9
Population growth (%)	1980-2000	29	1980-2000	13
Persons 65 years or older (%) ^b	1980	9.6	1980	11.5
	1990	11.2	1990	12.8
	2001	12.0	2000	13.6
Single person households (%) ^c	1981	18.1	1982	24.5
	1999	24.2	1998	33.1
Single parent households (%) ^c	1981	8.6	1982	5.8
	1996	9.9	2000	7.4
Families with children (%) ^c	1981	46.6	1982	44.0
	1996	40.6	1998	30.8

^a Australia - ABS (various, cat. no. 1301.0); Netherlands - MVRM (various, *Volkshuisvesting in cijfers*).

^b Australia - Hugo (2001); Netherlands - as for note a.

^c Australia - as for note ^b; Netherlands - van Praag and Uitterhoeve (1999), SCP (2001).

Table E.2b Selected indicators of economic and welfare trends, Australia and the Netherlands, 1980-2000

	Australia		The Netherlands	
Economic indicators				
Real GNP growth per year (%) ^a	1984	3.1	1984	2.7
	1995	3.7	1995	2.1
	1996	4.0	1996	2.7
Labour market participation rates (persons 15 to 64 years) ^a	1983	68.8	1983	59.0
	1990	73.8	1990	66.8
	1997	72.5	1997	71.5
Female participation (as above) ^a	1983	51.9	1983	40.2
	1997	63.0	1997	61.3
Persons 15 to 64 years in part time work ^a	1983	17.5	1983	21.0
	1996	25.0	1996	36.5
Women 15 to 64 years in part time work ^a	1983	30.4	1983	49.7
	1996	42.6	1996	66.1
Registered unemployed ^{a,b}	1983	9.9	1983	12.0
	1990	7.0	1990	7.5
	1997	8.7	1997	5.2
OECD poverty rates (% households) ^a	1994	9.5	1994	6.1
% change in poverty rate	1975–1994	-2.4	1977–1994	+3.7
Welfare				
Income transfers going to households in lowest 3 income deciles (% of all transfers) ^a	1990-1995	58.0	1990-1995	43.2

^a Becker (1999).

^b The Netherlands has a relatively high rate of non-aged households receiving sickness or disability pensions, not included in labour force data (Becker, 1999).

Table E.3 Comparison of development of housing allowances, Australia and the Netherlands, 1984/85-1999/00

	No of recipients ^a	% change	Average value of payment (annual)	% change (nominal)	Budget outlays	% change (nominal)
Australia			\$A		\$A m	
1984/85	479,998		457		225	
1999/00	937,078	95.2	1,590	248.3	1,538	583.6
The Netherlands			<i>f</i>		<i>f</i> m	
1984/85	715,323		1,782		1,271	
1999/00	1,047,200	46.4	3,216	80.5	3,373	165.4

^a Data for Australia are income units. Data for the Netherlands are households. Australian data do not include a small number of recipients who are not paid through the social security system and do not include low income clients of public housing who would otherwise be eligible for a housing allowance.

Sources: Australia - AIHW (2001, p. 63 and table A3.2, p. 421);

Prosser and Leeper (1994, Atts. 3 and 4, p. 62).

The Netherlands - Priemus (1998b, p. 321); MVRM (2000a, p. 129).

Table E.4a Commonwealth government housing outlays and GDP, Australia, 1984-1998, (\$A m)^a

Expenditure on housing	1984/85	1989/90	1995/96	1998/99	% nominal difference 1984-1998
Budget outlays ^b	1,802	1,800	2,713	2,518	40
Tax expenditures ^c	2,228	9,065	9,120	24,660	1,007
Total	4,030	10,865	11,833	27,178	
GDP	217,130	371,471	492,113	580,035	167
Direct outlays as % GDP	0.8	0.5	0.6	0.4	
Total as % GDP	1.9	2.9	2.4	4.7	

Table E.4b Government housing outlays and GDP, the Netherlands, 1984-1998, (f m)^a

Expenditure on housing	1984	1989	1995	1998	% nominal difference 1984-1998
Budget outlays ^d	7,918	11,390	6,141	5,824	- 26
Tax expenditures ^e	4,714 ^f	5,789	9,400	11,600 ^g	146
Total	12,632	17,179	15,541	17,424	
GDP	405,700	484,950	638,380	721,529	78
Direct outlays as % GDP	2.0	2.4	1.0	0.8	
Total as % GDP	3.1	3.5	2.4	2.4	

^a See appendix B for exchange rates. Note that data in this table are not necessarily comparable with that for the previous period (table E.1) because of changes in program definitions and collection methods.

^b Includes all Commonwealth outlays for housing, includes state matching funding under the CSHA, excludes repayments of past Commonwealth loans, excludes rent revenue foregone through rental rebates.

^c Comprising capital gains tax exemption for owner occupied housing since 1985 and net effect of non-taxation of imputed rent after allowing for the non-deductibility of mortgage interest. See Yates (2003) for further details.

^d Excludes government loans and repayments of past loans.

^e Based on estimated difference between income from taxation of imputed rent and loss of income from mortgage interest rate tax deductibility.

^f Figure is for 1983.

^g Figure is for 1999.

Sources: Australia: AHURI (2001); Flood and Yates (1987, table 1.1, p. 10) and Yates (2003).

The Netherlands: MVROM (various, *Volkshuisvesting in Cijfers*), OECD (1998) and Papa (1992, table 3.6, p. 28).

Table E.5 Characteristics of low income households, Australia and the Netherlands, 1998/99

	Australia	Netherlands
Average disposable household income (annual)	\$A	f
Quintile 1 ^a	8,039	18,325
Quintile 2	20,270	30,164
Lowest 40%	14,154	24,245
All households	36,272	49,091
Household composition	%	%
Single person	42.6	55.9
Couple without children	29.1	21.0
One parent family	11.1	9.7
Family with children	17.2	13.4
Age of household head ^b	%	%
65 years and over	40.1	36.8

^a In all tables quintile one refers to households with the least household income.

^b See appendix D for national definitions of household head.

Sources: Australia - ABS (2000, cat. no 6530.0), author's calculations and ABS (2001) AHS, 1999 unit record files, analysis for the author.

The Netherlands - WBO (1998) unit record files, analysis for the author by OTB.

Table E.6 Tenure by age of household head for low income households and all households, Australia and the Netherlands, 1998/99

	Australia			The Netherlands		
	< 65 years	65 + years	All	< 65 years	65 + years	All
Quintile 1 households	%	%	%	%	%	%
Home owners (no mortgage)	32	72	53	5	18	11
Home purchasers	13	3	9	18	6	13
Renters - commercial	28	6	19	13	13	13
Renters - social	21	12	14	59	56	57
Other ^a	6	7	5	5	7	6
Total	100	100	100	100	100	100
Quintile 2 households						
Home owners (no mortgage)	30	83	50	5	19	10
Home purchasers	23	4	14	26	12	22
Renters - commercial	31	5	25	11	13	11
Renters - social	10	5	8	54	50	52
Other	6	3	3	4	6	5
Total	100	100	100	100	100	100
Lowest 40% households						
Home owners (no mortgage)	31	76	52	5	19	10
Home purchasers	19	4	11	26	13	17
Renters - commercial	30	6	22	11	13	12
Renters - social	15	9	11	54	50	55
Other	6	5	4	4	5	6
Total	100	100	100	100	100	100
All households						
Home owners (no mortgage)	28	79	38	5	20	8
Home purchasers	38	4	31	51	14	43
Renters - commercial	23	8	20	9	13	10
Renters - social	6	5	6	33	46	36
Other	5	4	5	2	7	4
Total	100	100	100	100	100	100

^a Other tenure or not known.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author.
The Netherlands - WBO (1998) unit record files, analysis for the author by OTB.

Table E.7 Comparison of growth in households by tenure for all households and for low income households, Australia and the Netherlands, 1980s-1990s

Main tenures of households	Australia (1984-1998)		The Netherlands (1986-1998)	
	% Change			
	Lowest 40%	All	Lowest 40%	All
Owners (no mortgage)	42.7	42.4	- 15.1	- 14.4
Purchasers	7.2	30.8	67.4	60.9
Social Renters	70.2	33.9	18.7	2.0
Private Renters	57.9	64.5	-10.8	- 14.7
Total growth, all households ^a	41.3	41.3	20.1	20.1

^a Includes other tenures.

Sources: Australia - ABS (1987, cat. no. 6531.0; 2000, cat. no. 6530.0) author's calculations.
The Netherlands - WBO (1986, 1998) unit record files, analysis for the author by OTB.

Table E.8a Residence of low income households compared to all households, Australia, 1998/99

Location	Quintile 1	Quintile 2	All
	%	%	%
Capital city	57.6	56.0	65.8
Other urban	29.7	30.9	23.9
Rural	12.7 ^a	13.1 ^a	10.3
Total	100.0	100.0	100.0

^a Small sample size means that estimate has a relatively high standard error.

Source: ABS (2000, cat. no. 6530.0, table 1) author's calculations.

Table E.8b Residence of low income households compared to all households, the Netherlands, 1998

Location	Quintile 1	Quintile 2	All
	%	%	%
Randstad	46.6	45.4	45.9
Not Randstad	53.4	54.6	54.1
Total	100.0	100.0	100.0

Source: WBO (1998) unit record file, analysis for the author by OTB.

Table E.9 Housing affordability ratio by income level, Australia and the Netherlands, 1998/99

	Affordability ratio %	
	Australia ^a	The Netherlands
Quintile 1 households	26.1	33.1
Quintile 2 households	20.5	23.0
Lowest 40 % households	22.4	26.8
All households	15.8	16.9

^a Calculated by method 1 (no adjustment for cash housing subsidies received). See appendix D.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author. Adjustments to ratio variables by the author.

The Netherlands - WBO (1998) unit record files, analysis for the author by OTB.

Table E.10 Housing affordability ratio by income level and age, Australia and the Netherlands, 1998/99

	Australia		The Netherlands	
	Affordability ratio ^a	% of income group	Affordability ratio	% of income group
Quintile 1 households				
Head ^b 65 years or >	16.3	50.4	26.7	45.2
Head < 65 years	37.3	49.6	38.6	54.8
All households	26.1	100.0	33.1	100.0
Quintile 2 households				
Head ^b 65 years or >	10.6	31.1	21.2	32.4
Head < 65 years	24.6	68.9	23.7	67.6
All households	20.5	100.0	23.0	100.0
Lowest 40% households				
Head ^b 65 years or >	12.6	40.1	23.8	37.8
Head < 65 years	28.8	59.9	28.4	62.2
All households	22.4	100.0	26.8	100.0
All households				
Head ^b 65 years or >	9.1	20.0	18.4	21.4
Head < 65 years	15.9	80.0	16.5	78.6
All households	15.8	100.0	16.9	100.0

^a Calculated by method 1. See appendix D.

^b See appendix D for national definitions of household head.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author. Adjustments to ratio variables by the author.

The Netherlands - WBO (1998) unit record file, analysis for the author by OTB.

Table E.11 Housing affordability ratio by income level (grouped) and household type (main groups), Australia and the Netherlands, 1998/99

	Australia		The Netherlands	
	Affordability ratio ^a	% of income group	Affordability ratio	% of income group
Quintile 1 households				
Lone person	23.8	63.6	29.8	69.7
Couple	18.9	19.6	35.2	9.1
Single parent	36.0	7.3	28.9	9.9
Couple with children	65.9	6.6	66.7	8.2
Quintile 2 households				
Lone person	20.5	19.5	20.4	39.3
Couple	13.9	37.4	21.2	31.9
Single parent	29.4	14.3	25.4	9.1
Couple with children	24.9	20.4	23.6	17.8
Lowest 40% households				
Lone person	na ^b	41.8	27.2	54.5
Couple	na	28.4	23.2	20.5
Single parent	na	10.8	24.4	9.5
Couple with children	na	13.4	31.4	13.0
All households				
Lone person	20.9	24.2	22.4	30.1
Couple	13.9	24.6	14.7	31.7
Single parent	23.0	6.4	21.4	4.9
Couple with children	14.8	35.6	15.7	31.8

^a Calculated by method 1. See appendix D.

^b Not available.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author. Author's adjustments to variables that make up the ratio.

The Netherlands - WBO (1998) unit record file, analysis for the author by OTB.

Table E.12 Housing affordability ratio for low income quintiles by main tenure, Australia and the Netherlands, 1998/99

	Australia		The Netherlands	
	Affordability ratio ^a	% of income group	Affordability ratio	% of income group
Quintile 1 households				
Home owners (no mortgage)	12.5	52.5	6.8	10.5
Home purchasers	59.3	7.9	64.4	13.2
Renters - commercial	55.1	16.9	37.3	13.2
Renters - social	23.7	16.6	30.7	57.1
Quintile 2 households				
Home owners (no mortgage)	8.6	46.6	4.3	9.7
Home purchasers	34.8	17.2	27.9	21.7
Renters - commercial	30.9	22.8	25.5	11.4
Renters - social	19.7	8.7	23.6	52.2

^a Calculated by method 2 (data has been adjusted for cash housing subsidies received). See appendix D.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author. Author's adjustments to variables that make up the ratio.

The Netherlands - WBO (1998) unit record file, analysis for the author by OTB.

Table E.13 Housing affordability ratio by age of household head for low income households, Australia and the Netherlands, 1998/99

Main tenure by age of household head	Affordability ratio	
	Australia ^a	The Netherlands
Less than 65 years		
Owners (no mortgage)	10.6	6.3
Purchasers	46.0	39.6
Renters Social	21.1	25.5
Commercial	39.2	30.5
65 years and over		
Owners (no mortgage)	9.6	4.8
Purchasers	22.8	24.2
Renters Social	20.9	29.9
Commercial	38.0	29.5

^a Australian ratio calculated by method 2. See appendix D.

Sources: Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author. Author's adjustments to variables that make up the ratio.

The Netherlands - WBO (1998) unit record file, analysis for the author by OTB.

Table E.14a Comparison of affordability ratios for households renting with and without housing allowance, the Netherlands, 1998

	Households receiving housing allowance		Households not receiving housing allowance	
	%	Affordability ratio	%	Affordability ratio
Quintile 1	56.2	27.0	43.8	38.8
Quintile 2	33.4	19.1	66.6	26.3
All households renting	14.9	20.6	85.1	20.2

Table E.14b Comparison of affordability ratios for households renting privately^a with and without housing allowance, Australia, 1999

	Households receiving housing allowance ^b		Households not receiving housing allowance	
	%	Affordability ratio ^c	%	Affordability ratio
Quintile 1	71.1	50.4	28.9	71.5
Quintile 2	58.4	32.4	41.6	31.4
All households renting privately ^d	35.6	28.8	64.4	19.2

^a These data do not include people in Australia who receive rent assistance as boarders of households in other tenures.

^b One or more household member receives government rent assistance.

^c Calculated by method 2. See appendix D.

^d Across the whole rental sector households receiving the housing allowance in Australia have higher rent to income ratios than those not receiving it. This reflects the bifurcated nature of the distribution of who rents in Australia comprising low income households who even after receiving the allowance have high rent to income ratios and a larger group of high income households who, largely because of their income, have a low average rent-to-income ratio.

Sources: The Netherlands - WBO (1998) unit record file, analysis for the author by OTB.
Australia - ABS (2001) AHS, 1999 unit record files, analysis for the author.

Table E.15 Comparison of the development of household housing expenditures, income levels and affordability ratios, low income households and all households, Australia and the Netherlands, 1980s-1990s

	Australia			The Netherlands		
	1984	1998	% annual real change	1986	1998	% annual real change
Annual housing costs^a	\$A (1998)	\$A (1998)		f (1998)	f (1998)	
Quintile 1	2,664	3,136	1.3	4,225	6,071	3.6
Quintile 2	3,707	4,176	0.9	5,022	6,929	3.2
Lowest 40 %	3,186	3,656	1.1	4,624	6,500	3.4
All households	5,096	6,501	2.0	5,982	8,281	3.2
Annual net household income^a						
Quintile 1	11,041	8,039	- 1.9	18,885	18,325	- 0.25
Quintile 2	21,039	20,270	- 0.3	29,421	30,164	0.21
Lowest 40 %	16,040	14,154	- 0.8	24,153	24,245	0.03
All households	34,840	36,272	0.3	43,189	49,091	1.14
Affordability ratio^b	%	%		%	%	
Quintile 1	24.1	39.0		22.4	33.1	
Quintile 2	17.6	20.6		17.1	23.0	
Lowest 40 %	19.9	25.8		19.1	26.8	
All households	14.6	17.9		13.9	16.9	

^a Australian figures on housing costs and income converted from weekly data.

^b For Australia, calculated by method 1. See appendix D.

Sources: Australia - ABS (1987, cat. no. 6531.0)(2000, cat. no. 6530.0) author's calculations.

The Netherlands - WBO (1986, 1998) unit record files, analysis for the author by OTB.

Table E.16 Changes in proportion of households across the income distribution with housing affordability ratios exceeding 25 per cent, the Netherlands, 1982-1998

	% households with affordability ratio exceeding 25 per cent				
	1982	1986	1990	1994	1998
Rented housing ^a					
1 st quartile (lowest)	16	27	39	55	59
2 nd quartile	5	9	14	21	34
3 rd quartile	2	4	7	5	6
4 th quartile	1	1	2	1	1
Total	6	11	14	25	36
Owner occupied housing ^b					
1 st quartile (lowest)	9	8	11	23	29
2 nd quartile	12	13	8	18	26
3 rd quartile	12	10	8	10	16
4 th quartile	11	6	4	5	7
Total	11	9	6	11	15

^a Includes social and private renters.

^b Includes outright owners and purchasers.

Source: SCP (2001, table 11.5, p. 420).

Table E.17a Change in weekly household expenditure on housing by main tenure type for low income households and all households, Australia, 1975/76 – 1997^a

Main Tenure Groups	Change in real housing outlays 1975/76 to 1997 ^b		
	\$A per week ^b	%	Annual rate
Owners			
Quintile 1	1	1.4	0.1
Quintile 2	-4	-10.1	-0.5
All households in tenure	8	21.9	1.0
Purchasers			
Quintile 1	33	35.1	1.6
Quintile 2	65	67.3	3.1
All households in tenure	114	87.5	4.0
Private renters			
Quintile 1	21	25.4	1.2
Quintile 2	20	19.4	0.9
All households in tenure	29	24.3	1.1
Public renters			
Quintile 1	-2	-3.6	-0.2
Quintile 2	-8	-11.0	-0.5
All households in tenure	0	0.3	0
All tenure types	30	33.2	1.5

^a The published HES data used elsewhere in this study was not used in this table because in that data the tenure breakdown by quintile is within each tenure group not across all households. Percival (1998) has reworked the data from the HES unit record files, simulating results for 1997 (prior to the 1998 HES). 1975/76 is used as the start year because 1983/84 HES data did not differentiate housing expenditure for public and private tenants. As a result of the longer time period used, the impact of house price inflation since the 1980s in Australia appears somewhat more diluted in this data than in the data presented elsewhere.

^b 1997 dollars, adjusted by the CPI.

Source: Percival (1998, table 3, p. 14).

Table E.17b Change in weekly household expenditure on housing by main tenure type for low income households and all households, the Netherlands 1986-1998

Main Tenure Groups	Change in real housing outlays 1986 to 1998		
	<i>f</i> per year ^a	%	Annual rate
Owners			
Quintile 1	513	67.5	5.6
Quintile 2	411	47.7	4.0
All households in tenure	661	60.0	5.0
Purchasers			
Quintile 1	2,912	38.2	3.2
Quintile 2	1,318	18.0	1.5
All households in tenure	2,188	26.9	2.2
Private renters			
Quintile 1	1,785	37.4	3.1
Quintile 2	2,136	38.7	3.2
All households in tenure	2,394	37.8	3.1
Social renters			
Quintile 1	1,231	26.9	2.2
Quintile 2	2,009	39.7	3.3
All households in tenure	1,657	30.0	2.5
All tenure types	2,299	38.4	3.2

^a 1998 dollars, adjusted by the CPI.

Source: WBO (1986, 1998) unit record files, analysis for the author by OTB, author's calculations.

Table E.18 Index of, and change in, nominal house prices for established dwellings 1987-2000, Australia and the Netherlands (1987=100)

	Australia ^a	The Netherlands
1987	100.0	100.0
1988	132.7	104.8
1989	143.9	111.8
1990	145.0	113.3
1991	150.5	117.1
1992	152.5	126.5
1993	157.0	137.6
1994	162.0	148.9
1995	162.2	154.9
1996	165.6	169.1
1997	176.7	184.8
1998	187.6	200.2
1999	204.7	234.5
2000	219.9	272.7
% Change	119.9	172.7
% Annual change	8.6	12.3

^a Australian data on house prices based on eight capital cities only.

Sources: Australia - House prices (ABS, various, cat. no. 6416.0); Quarterly data averaged. Indices recalculated by the author to base 1987=100.

The Netherlands - Data supplied by OTB. Biannual data averaged. Indices recalculated by the author to base 1987=100.

Table E.19a Changes in the supply compared to growth in low income households by housing price and tenure, the Netherlands, 1986-1998

Dwelling price by tenure	1986		1998		Change 1986-1998	
	'000	%	'000	%	'000	%
Dwellings rented						
Inexpensive ^a	1,876.1	63.0	1,670.9	54.1	- 205.2	- 10.9
Middle	688.0	23.1	1,065.2	34.5	377.2	54.8
Expensive	412.5	13.9	354.8	11.5	- 57.7	- 14.0
Total rental	2,976.5	100.0	3,090.8	100.0	114.3	3.8
Dwellings purchased						
Inexpensive	725.5	32.0	629.9	19.6	- 95.6	- 13.2
Middle	802.4	35.4	1,139.2	35.5	336.8	42.0
Expensive	741.0	32.7	1,438.0	44.8	697.0	94.1
Total purchased	2,269.0	100.0	3,207.1	100.0	938.1	41.3
Total dwellings						
Inexpensive	2,601.6	49.6	2,300.8	36.5	- 300.7	- 11.6
Middle	1,490.4	28.4	2,204.4	35.0	713.9	47.9
Expensive	1,153.5	22.0	1,792.8	28.5	639.3	55.4
Total	5,245.5	100.0	6,298.0	100.0	1,052.5	20.1
Low income renting						
Inexpensive	1,109.9	72.3	1,142.9	62.6	33.0	3.0
Middle	266.9	17.4	559.9	30.7	293.1	109.8
Expensive	158.1	10.3	121.9	6.7	- 36.2	- 22.9
Total	1,534.9	100.0	1,824.7	100.0	289.8	18.9
Low income owned/purchasing						
Inexpensive	266.2	47.3	221.8	31.9	- 44.4	- 16.7
Middle	156.4	27.8	231.7	33.4	75.3	48.2
Expensive	140.6	25.0	241.0	34.7	100.4	71.4
Total	563.2	100.0	694.5	100.0	131.3	23.3
Total low income households						
Inexpensive	1,376.1	65.6	1,364.8	54.2	- 11.4	- 0.8
Middle	423.3	20.2	791.6	31.4	368.4	87.0
Expensive	298.7	14.2	362.8	14.4	64.2	21.5
Total	2,098.1	100.0	2,519.2	100.0	421.1	20.1

^a For price categories see table E.19b

Table E.19b Value of price categories for table E.19a

	1986	1998
Rental dwellings	<i>f</i> per month	<i>f</i> per month
Inexpensive	<450	<701
Middle	450-600	702-939
Expensive	>600	>939
Purchased dwellings	'000 <i>f</i>	'000 <i>f</i>
Inexpensive	<110	<210
Middle	110-150	210-300
Expensive	>150	>300

Sources: WBO (1986, 1990, 1994, 1998) unit record files, analysis for the author by OTB.

Table E.20a Distribution^a of house values, Australia, 1999

Value of dwellings owned/being purchased ('000 \$A)	'000 dwellings	%
<100	745.6	15.1
100 - 125	604.5	12.2
125 - 149	595.6	12.1
150 - 199	946.9	19.2
200 - 299	981.2	9.9
300 - 399	465.1	9.4
400 +	603.2	12.2
Total ^b	4,942.1	100.0

Table E.20b Distribution^a of rent paid, Australia, 1999

Rents paid \$A per week	Private landlord		Total rented ^{b,c}	
	'000 dwellings	%	'000 dwellings	%
<99	152.9	10.8	510.2	26.9
100 - 149	467.6	33.0	552.1	29.2
150 - 199	458.2	32.4	482.4	25.5
200 +	336.3	23.8	349.1	18.4
Total ^b	1,415.0	100.0	1,893.8	100.0

^a In Figure 6.13 the data has been regrouped into 3 categories and equated to data for the Netherlands (using 1998 exchange rates) to improve comparability.

^b Excludes dwellings for which housing value/rent not known.

^c Includes public housing on the basis of rent paid by tenant (i.e. in most cases this will not be the property rent).

Source: ABS (2000, cat. no. 4182.0, tables 19, 20 and 22, pp. 46-49).

Table E.21 Indicators of changes in the low income housing sector, 1986-1998, the Netherlands

Indicators	1986	1990	1994	1998
% housing inexpensive ^a	49.6	44.3	40.0	36.5
% inexpensive housing occupied by low income households	52.9	55.9	58.5	59.3
% low income households in inexpensive housing	65.6	61.8	58.5	54.2
% inexpensive housing that is rental	72.1	75.1	77.0	72.6
% low income households in expensive housing	14.2	15.9	16.8	14.4
% inexpensive housing in new supply	25.1	10.1	6.0	5.0

^a See table E.19b for definition of price categories.

Sources: WBO (1986, 1990, 1994, 1998) unit record files, analysis for the author by OTB.

Table E.22 Maximum 'affordable monthly rent (f)'^a for eligible households accessing individual rent, the Netherlands, 1998

Income level	Type of household ^d		
	1 person	2 persons	3 or more persons
Household on average Q1 income ^b	883	883	883
Household on average Q2 income ^c	1,190	1,059	1,104

^a Set at 25 per cent of disposable household income net of housing allowance received.

^b 20,270 guilders.

^c 30,164 guilders.

^d Maximum payment rates are significantly less for single youth under 23 and slightly higher for households with an elderly or disabled person.

Sources: Calculated by the author from Priemus (1998b, figure 1, p. 325) using average income levels from WBO (1998) unit record file.

Table E.23 Median house prices of established dwellings by province, the Netherlands, 1997

	Median house price ('000 f)	Index ^a %
Utrecht	336	100
North Holland	313	93.2
Gelderland	313	93.2
North Brabant	307	91.4
Limburg	286	85.1
South Holland	284	84.5
Overijssel	256	76.2
Drenthe	249	74.1
Flevoland	241	71.2
Zeeland	212	63.1
Friesland	209	62.2
Groningen	191	56.8

^a Index is the ratio of the local price to the price for Utrecht, the highest cost province, expressed as a percentage.

Source: MVROM (1998, *Volkshuisvesting in cijfers*, p. 137). Index calculated by the author.

Table E.24 Access of low income households to affordable rental housing using rent assistance, Australia, 1998

Type of household	Maximum 'affordable weekly rent' ^a					
	Single person	Couple	Single, 1/2 children	Couple, 1/2 children	Single, 3 or more children	Couple, 3 or more children
Household on average Q1 income ^b	47	39	39	39	39	39
Household on average Q2 income ^c	135 ^d	133	141	141	147	157

^a Set at 25 per cent of gross household income net of rent assistance received.

^b \$A8,039, defined as average gross household income (ABS, 2000, cat. no. 6530.0).

^c \$A20,269, defined as above.

^d Subject to their income being below the cut off level for social security benefits.

Source: Calculated by the author using data on maximum rent assistance paid by household type in Wulff (2000b, table 1, p. 2).

Table E.25 Median house prices of established dwellings by city/region, Australia, 1998

	Median house price ^a ('000 \$A)	Index ^b %
Sydney	318	100
Melbourne	182	57.2
Brisbane	175	55.2
Perth	175	55.1
Canberra	166	52.2
Adelaide	143	45.2
Hobart	128	40.5
All Other areas	135	42.5

^a Calculated from the raw data as the unweighted average of median house prices for established dwellings sold in each quarter of 1998.

^b Index is the ratio of the local price to the price for Sydney, the highest cost city, expressed as a percentage.

Source: Housing Industry Association/ Commonwealth Bank of Australia (1998). Index calculated by the author.

Table E.26 Estimates of income units in poverty (using the 'Henderson poverty line') before and after meeting their housing costs, 1972/73-1996, Australia

	1972/73	1981/82	1985/86	1990	1996
	% Income Units ^a				
In poverty before paying for housing costs ^b	10.2	11.8	19.2	13.8	16.7
In poverty after paying for housing costs ^b	6.7	11.2	12.9	13.0	11.5
Total number income units ('000)	3,916	5,119	5,357	6,085	6,761

^a There are slight differences in the units included in each of these series.

^b Data for years other than 1996 are based on annual income and outlays. Data for 1996 are based on weekly income and outlays. This will result in slightly higher estimates for 1996 (King, 1997).

Sources: 1972/73 - Commission of Inquiry into Poverty, 1975 reproduced in King (1997, p. 34).
 1981/82 - Bradbury *et al.* (1986, table 1.1).
 1985/86 - National Housing Policy Review (1989, table 1.8, p. 33).
 1996 - King (1997, p. 34) (simulated estimate).

Table E.27 Before housing and after housing poverty rates by main housing tenures, Australia, 1972/3 to 1996

	Number of income units '000	% of all income units	% of all income units in poverty <i>before</i> housing	% of all income units in poverty <i>after</i> housing	% income units in each tenure below poverty line <i>before</i> housing	% income units in each tenure below poverty line <i>after</i> housing
1972/73						
Owners	1,026	26.2	39.3	14.5	15.3	3.7
Purchasers	1,139	29.1	8.5	17.2	2.9	3.9
Public tenants	183	4.7	6.5	6.9	14.2	9.8
Private tenants	839	21.4	21.6	40.8	10.2	12.8
1981/82						
Owners	np ^a	np	34.6	16.6	11.9	5.4
Purchasers	np	np	18.1	27.4	6.8	9.8
Public tenants	np	np	9.4	7.9	23.7	18.8
Private tenants	np	np	23.3	34.2	15.4	21.4
1985/86						
Owners	np	np	32.5	17.1	17.8	6.8
Purchasers	np	np	15.5	28.3	10.9	14.4
Public tenants	np	np	11.2	8.8	44.2	25.0
Private tenants	np	np	16.9	29.9	21.8	27.9
1996						
Owners	2,478	36.7	36.2	15.5	16.5	4.8
Purchasers	1,601	23.7	10.2	19.3	7.2	9.3
Public tenants	374	5.5	16.4	10.5	49.2	21.6
Private tenants	1,334	19.7	17.1	35.5	14.5	20.6

^a np - information not published.

Sources: 1972/73 and 1996 - King (1997, table 10.2, p. 47).
1981/82 and 1985/86 - National Housing Policy Review (1989, table 1.9, p. 34).

Interpretation of housing related poverty data for Australia

In aggregate, housing costs appear to mitigate poverty levels in Australia (table E.26). However, that situation masks a diverse underlying situation. The analysis of poverty levels by tenure (table E.27) emphasises the significance of housing tenure in contributing to the extent and structure of poverty. In particular, the poverty position of outright owners and of public renters appears to improve after the effects of their housing costs are isolated. The reverse situation applies in the other two main tenures.

Outright owners are the largest group with income below the poverty line reflecting the fact that a high proportion of this group are aged. However, the low costs of outright home ownership lift the majority of this group out of poverty.

Nearly 50 per cent of all public housing income units had income below the poverty line in 1996, up from around 14 per cent in the 1970s before targeting policies were introduced. The policy that public housing tenants pay no more than 25 per cent of their household income in rent means that, statistically, more than half of those that are classified as 'in poverty' before their housing costs are considered do not have income, after paying their rent, below the poverty line. For the others, rents are too high to offset their lack of income.

The pattern of housing improving the poverty position of families and individuals is reversed for the other two main tenures. The largest housing-related poverty problem in Australia has persisted in the private rental market. In 1996, this sector had 17 per cent of all units in poverty before paying their rent but this more than doubled after paying the rent, showing how private renting has concentrated poverty. The aggregate level of poverty among private renters has fluctuated over the period but, generally, does not appear to have worsened since the 1980s. On the other hand, it has not improved despite significant increases in the real level of rental assistance paid to eligible low income private tenants (discussed in chapter 5). In other words the increase in subsidy appears to have merely offset rent increases in the private rental market, rather than improved the affordability position of low income households.

Only 7 per cent of income units in the home purchase sector had income below the poverty line in 1996. Changes in the profile of households who are home purchasers (discussed in Chapter 6) help to explain why the incidence of poverty is relatively low in this tenure. Low income and single income households increasingly cannot afford to buy and, as a result, are confined to the rental sectors, where poverty has become more concentrated. Nevertheless, while there are relatively few home purchasers with incomes below the poverty line, the data show that housing costs tend to aggravate the poverty situation of that group. The impact of higher interest rates in the mid 1980s on poverty among home purchasers is particularly evident in the data with over 14 per cent of all purchasers being in after-housing poverty at that time, up from less than 4 per cent in 1976.

Samenvatting

Hoe verschillend? De vergelijking van volkshuisvestingbeleid en betaalbaarheid consequenties voor huishoudens met een laag inkomen in Australië en Nederland

Doel en benadering

Dit onderzoek biedt een vergelijkend overzicht van het nationale huisvestingsbeleid en de consequenties daarvan voor de beschikbaarheid van betaalbare huisvesting voor huishoudens met een laag inkomen in Australië en Nederland. Deze landen zijn in verschillende opzichten met elkaar vergelijkbaar, maar kennen een contrasterende historie voor wat betreft hun huisvestingsbeleid. In een vergelijkende analyse zijn in dit proefschrift drie perspectieven - een theoretische, een historische en een empirische - bijeengebracht. In hoofdstuk 1 staat het conceptuele kader van het onderzoek.

Op basis van de in hoofdstuk 2 gepresenteerde literatuur zijn twee algemene standpunten geïdentificeerd die zijn gebaseerd op de historische ontwikkeling van huisvestings-systemen in Westerse landen:

- een convergerend standpunt, als gevolg van gelijkaardige algemene demografische en economische processen;
- een divergerend standpunt, meer gevormd door specifieke nationale, politieke, sociale en culturele structuren en processen.

Veel van de literatuur die een van beide standpunten bepleit, vestigt de aandacht op de factoren die bijdragen aan overeenkomsten en verschillen in huisvestingsbeleid. Minder vaak wordt ingegaan op de *betekenis* van dat beleid voor huishoudens en hun woningen. Dit onderzoek is daar juist wel op gericht. Ondersteuning voor deze benadering is gevonden in het conceptuele werk van Castles (1989c, 1994), gericht op de vergelijkende analyse van beleid en de bijdrage daarvan aan de interactie tussen huisvesting en welzijn in Australië (Castles, 1997a,b en 1998).

Australië onderscheidt zich, qua kenmerken van het huisvestingsbeleid, van Nederland door de volgende kenmerken:

- een meer private in plaats van een meer publiek georiënteerde structuur van het woningaanbod;
- een residuele in plaats van een allesomvattende verzorgingsstaat;
- sociale regulering, gericht op ondersteuning van economische ontwikkeling, door adequate en betaalbare huisvesting via suburbanisatie met een lage dichtheid en een grote hoeveelheid koopwoningen; en
- een duale woningmarktstructuur gedomineerd door een volwassen koopsector, samen met een geresidualiseerde vorm van sociale huisvesting.

In dit onderzoek is de betaalbaarheid van het wonen, met name voor huishoudens met een laag inkomen, gekozen als de belangrijkste afhankelijke variabele. De keuze voor juist deze indicator had een politieke en een praktische reden: het onderzoek wordt zo gericht op de distribuerende en sociaal rechtvaardige doelen van overheidsinterventie in

huisvesting en het maakt de studie wat handelbaarder. In hoofdstuk 3 is het begrip betaalbaarheid aan een nadere analyse onderworpen. Er wordt daar ingegaan op de determinanten van betaalbaarheid en de meetbaarheid van het begrip.

Hoofdstukken 4 en 5 behandelen de eerste onderzoeksvraag: “Hoe hebben de Nederlandse en Australische overheden geïntervenieerd in hun huisvestingssystemen gedurende de laatste halve eeuw om meer betaalbare woningen aan te bieden?”. Interventies in huisvestingsbeleid zijn geanalyseerd over twee perioden, voor en na 1980. De gebruikte comparatieve methode omvatte het nauwkeurig matchen van het doel en de vormen van interventie (en non-interventie) voor wat betreft het wonen (zie ook: Lundqvist, 1991). Dit materiaal vormde de basis voor het bepalen en interpreteren van overeenkomsten en verschillen in beleid en de effecten van beleid in de twee landen.

De tweede onderzoeksvraag (“In welke mate leidt het huisvestingsbeleid van Australië en Nederland tot betaalbare huisvesting voor huishoudens met een laag inkomen?”) is behandeld in hoofdstuk 6. Vergelijking tussen de landen is mogelijk gemaakt door het standaardiseren van de data die betrekking hebben op betaalbaarheid en via het onderzoeken van de situatie van de huishoudens in de twee laagste quintielen van de inkomensverdeling van beide landen.

Het slothoofdstuk had betrekking op de derde onderzoeksvraag: “Welke aspecten uit het vroegere en hedendaagse huisvestingsbeleid zijn significant voor het behouden of het belemmeren van het aanbod van betaalbare huisvesting voor inkomens met een laag inkomen?”. Binnen deze vraag is ook aandacht besteed aan de rol van de lokale economische, politieke en sociale context.

Belangrijkste bevindingen

Overeenkomst en convergentie in woonresultaten van huishoudens met een laag inkomen

Een van de meest opvallende resultaten van dit onderzoek is de sterke overeenkomst in de beschikbaarheid van betaalbare huisvesting voor huishoudens met een laag inkomen in beide landen. Dit terwijl de beleidscontext totaal anders is. Beide landen overleefden, historisch gezien, zeer grote woningtekorten in de naoorlogse periode en boden betaalbare huisvesting van goede kwaliteit *en masse* aan hun snel groeiende bevolking. Historisch succes wordt benadrukt door het feit dat zo'n twee derde van de huishoudens met een laag inkomen in ieder land huisvesting heeft gekregen dat, gemiddeld genomen, betaalbaar is volgens frequent gebruikte *benchmarks* van betaalbaarheid. In Australië is dit voornamelijk het gevolg van de directe en indirecte financiële steun aan (nu oudere) huiseigenaren. Slechts ongeveer een tiende van de huishoudens met een laag inkomen woont in de sociale huursector. In Nederland is juist het grote aanbod van sociale huurwoningen de oorzaak van de betaalbaarheid van het wonen.

Een tweede resultaat is dat, in termen van betaalbaarheid, de toenemende invloed van de markt niet zo succesvol lijkt te zijn als het vroegere beleid, dat meer onder invloed stond van de overheid. Huishoudens met een laag inkomen die op dit moment kopen of huren op de private markt hebben gemiddeld hogere woonkosten dan overeenkomstige huishoudens in de andersoortige woningen. Er is echter wel een verschil tussen de twee

landen. Australische huishoudens met een laag inkomen betalen voor woningen in de marktsector aanzienlijk meer dan in Nederland. Dat geldt vooral voor private huurders.

Ten derde laten trenddata en eerder onderzoek zien dat de onderzoeksperiode wordt gekarakteriseerd door verminderende betaalbaarheid voor huishoudens met een laag inkomen in het algemeen. De grootte van de verandering varieert echter tussen beide landen en, binnen ieder land, tussen typen woningen. De snelheid van de toename van de woonkosten voor huishoudens met een laag inkomen is in Nederland groter geweest dan in Australië. Dit komt voornamelijk door de van overheidswege opgelegde huurverhogingen in de (sociale) huursector. In Australië is de afname van de betaalbaarheid onder huishoudens met een laag inkomen gerelateerd aan de toegenomen afhankelijkheid van de private huurmarkt. De toenemende concentratie in de private huursector is een gevolg van de verminderde toegankelijkheid van de sociale huursector en het afschaffen van subsidies voor de eigen-woningsector. In geen van de twee landen is inkomensgroei in staat geweest om de stijgende kosten te compenseren.

Verschillen en divergerende trends

Andere empirische bevindingen hebben belangrijke verschillen en divergerende trends aan het licht gebracht in de huisvestingssituatie van, of opties voor, huishoudens met een laag inkomen.

Ten eerste is de geografie van betaalbaarheid erg verschillend. In Australië zijn er veel grotere prijsverschillen tussen verschillende delen van de woningmarkt. Over het algemeen wonen de huishoudens met een laag inkomen het duurst in de grootste steden. Opnieuw is de slechts kleine sociale huursector hiervoor verantwoordelijk, alsmede de lage huursubsidies in relatie tot de relatief hoge woonkosten in metropolitane gebieden. Er bestaat bovendien geen beleid om het aanbod van betaalbare huisvesting te beschermen of te vergroten. In Nederland hebben de meeste regio's en veel buurten binnen steden een aanzienlijk aandeel voor lage inkomens betaalbare woningen. Beleid in Nederland is lang gericht geweest op toename van de sociale huursector in alle delen van het land, er is sprake van een effectiever subsidiesysteem voor huisvesting en bescherming van sociale huurwoningen met relatief lage huurprijzen.

Ten tweede zijn de verschillen in woonkosten voor huishoudens met een laag inkomen met name in Australië groot. Een scherp onderscheid is te vinden tussen de kosten van huiseigenaren en die van huurders. Binnen de huursectoren is er ook sprake van een duidelijke ongelijkheid in de gemiddelde woonkosten van publieke en private huurders. In Nederland zijn de verschillen in betaalbaarheid binnen het lage inkomenssegment een stuk minder extreem tussen verschillende typen huurders. Verschillen die wel voorkomen, bijvoorbeeld tussen ontvangers en niet-ontvangers van de huursubsidie, zijn niet altijd terug te voeren op het huisvestingsbeleid.

Alles bij elkaar genomen verschillen de beleidseffecten voor huishoudens met een laag inkomen in Australië sterker dan in Nederland. In Australië zijn degenen die in het verleden een woning hebben gekocht gehuisvest in veel verschillende woongebieden. Huidige starters met een laag inkomen hebben echter een tamelijk beperkte keuze en zijn, vanwege de prijs van de woningen, vaak aangewezen op de grootste steden. Kopers met een laag inkomen en huurders in de particuliere sector hebben over het algemeen hoge

woonkosten en binnen deze categorie is er sprake van een relatief groot aandeel arme huishoudens, een armoede die in ieder geval voor een deel is gerelateerd aan de kosten van het wonen. De meeste huurders hebben minder rechten en hun woonsituatie dan hun lotgenoten in de koopsector en in vergelijking met gelijksoortige huishoudens in Nederland.

Hoe heeft huisvestingsbeleid bijgedragen aan deze resultaten?

De onderzoeksresultaten suggereren dat vier aan elkaar gerelateerde aspecten van het huisvestingsbeleid de belangrijkste invloed hebben gehad op de overeenkomsten en verschillen in de betaalbaarheid van huisvesting voor huishoudens met een laag inkomen. Deze zijn:

1. de invloed van huisvestingsbeleid ten aanzien van de koopsector;
2. het stedelijk beleid gericht op het aanbod en de bescherming van betaalbare huisvesting;
3. de rol, organisatie en capaciteit van de sociale huursector; en
4. de effectiviteit van subjectsubsidies.

1. De invloed van beleid op de koopsector

Aan de ene kant heeft het vroegere regime in Australië, in een periode met externe economische omstandigheden, demografische factoren en een gestage werkgelegenheids-groei, geleid tot het vergroten van het woningeigendom onder alle inkomensgroepen. Grote aantallen betaalbare woningen van een goede kwaliteit werden geproduceerd, met name in de koopsector. Aan de andere kant komt uit deze studie en uit eerder onderzoek duidelijk naar voren dat, onder het huidige huisvestingsregime, woningeigendom in toenemende mate onbetaalbaar wordt voor starters met lage en midden-inkomens.

In Nederland wonen relatief minder huishoudens met een laag inkomen in een koopwoning. Met name daardoor zijn er op dit moment aanzienlijk minder financiële problemen voor kopers dan in Australië. De stimulering van de koopsector is in Nederland ook van veel recentere datum en heeft het huisvestingssysteem veel minder gedomineerd dan in Australië.

Echter, Nederland zit in een andere (logisch gezien, eerdere) fase van ontwikkeling van de koopsector. Op dit moment wordt woningeigendom wel degelijke gestimuleerd. Dit en eerder onderzoek leidt tot de conclusie dat negatieve effecten op huishoudens met een lager inkomen als gevolg van deze gerichtheid van het beleid te verwachten zijn (zie ook Boelhouwer, 2002a). In het algemeen mag niet worden verwacht dat in de nabije toekomst de betaalbaarheid van koopwoningen kan worden gegarandeerd. Met name starters op de (koop) woningmarkt zullen daarvan problemen ondervinden.

Wanneer koopwoningen bereikbaar zouden moeten zijn voor huishoudens met een laag inkomen, dan is sterke overheidsinterventie nodig. Deze interventie zal zich moeten richten op het slechten van de huidige barrières ten aanzien van de toegankelijkheid en de betaalbaarheid van de koopsector en zou snel moeten kunnen reageren op veranderde marktomstandigheden. Dit onderzoek suggereert drie kernaspecten waar het beleid zich op zou moeten richten. Ten eerste zou de prijsinflatie die wordt gegenereerd door de

markt, maar ook door overheidsbeleid, moeten worden verminderd. Ten tweede zou moeten worden overwogen om het opgebouwde kapitaal als gevolg van het erven van koopwoningen aan te wenden om starters op de woningmarkt meer kans te bieden. Ten derde zou specifiek aandacht moeten worden besteed aan de mogelijkheden en onmogelijkheden van huishoudens met een laag inkomen op de koopwoningmarkt.

2. *Stedelijke beleidsplannen en toegang tot betaalbare huisvesting*

Een van de uitkomsten in deze studie heeft betrekking op de betaalbare huisvesting voor huishoudens met een laag inkomen in grote stedelijke gebieden. Verschillen in betaalbaarheid tussen stedelijke gebieden in Australië en Nederland zijn ontstaan ten gevolge van verschillen in grondbeleid en stedelijk beleid, alsmede ten gevolge van verschillend beleid voor de huur - en koopsector.

Een weinig ontwikkeld grondbeleid en geringe aandacht voor het reguleren van prijzen kunnen in Australië worden gezien als barrières voor de ontwikkeling van betaalbare huisvesting in steden. Daarnaast hebben ook de macht van private ontwikkelaars en het verzet van zittende bewoners geleid tot dergelijke barrières. In Nederland is het anders: hier worden de woningcorporaties in het algemeen geaccepteerd als belangrijke bouwers. Hoewel objectsubsidies nauwelijks meer bestaan, profiteren de corporaties nog steeds van relatief lage grondprijzen. Daardoor wordt nieuwe sociale huisvesting nog steeds geproduceerd in nieuwe stedelijke woonwijken, hoewel deze sociale huurwoningen wel een veel geringer deel uitmaken van de productie dan in het verleden. Bovendien zijn ze, als gevolg van gestegen bouwkosten en verlaagde subsidies, wel aanzienlijk duurder dan de bestaande woningen in de sociale huursector.

In Australië wordt woningeigendom sterk geassocieerd met de ontwikkeling van eengezinswoningen. Mede door een ongereguleerde grondmarkt zijn als gevolg van deze dominantie van eengezinskoophuizen steden ontstaan die een groot oppervlak beslaan. In Nederland zijn deze eengezinskoophuizen ook dominant, maar dan in suburbane en meer perifere locaties. Veel van de Nederlandse sociale huisvesting is echter gebouwd in grotere dichtheden, met name ook in steden. Huishoudens met een laag inkomen in Australië hebben de keus uit een eengezinshuis in verschillende gebieden, maar zijn vanwege de prijs vooral aangewezen op een woning buiten de stad. In Nederland is het huishouden met een laag inkomen juist veel meer afhankelijk van het stedelijke aanbod.

Bezien vanuit een ruimtelijk perspectief kan een grotere ongelijkheid op de woningmarkt en een toenemende ruimtelijke segregatie in stedelijke systemen worden gezien als belangrijke politieke kwesties. Tegengaan van ongelijkheid en segregatie kan met name door interventies aan de aanbodzijde. Alleen daardoor kan een stedelijke differentiatie die volledig is gebaseerd op marktkrachten en belangen van bijvoorbeeld projectontwikkelaars worden tegengegaan. Interventies kunnen leiden tot een vergroot aanbod voor huishoudens met een laag inkomen in stedelijke gebieden, maar in beide landen lijkt dit een gepasseerd station.

3. *De rol, organisatie en capaciteit van de sociale huisvesting*

Sociale huisvesting is en blijft van belang voor de huisvesting van huishoudens met een laag inkomen in beide landen. Een cruciaal verschil is de eerder aangeduide grootte van deze sector in beide landen: in Nederland speelt de sociale huursector een veel grotere rol. Mede door deze omvang laat, tot op dit moment, de Nederlandse sociale huursector een qua inkomen gemengde bevolking zien. Door velen wordt de Nederlandse sociale huursector als een relatief gezonde sector gezien.

De sociale huursector in Australië is anders van aard. Beleid om deze sector klein te houden en te zien als huisvesting voor degenen die nergens anders terecht kunnen heeft geleid tot verval van een deel van deze sector. Demografische ontwikkelingen en economische en sociale veranderingen die van invloed zijn geweest op de woningbehoefte hebben daarbij ook een rol gespeeld. Stijgende kosten van een deel van de voorraad, alsmede de verkoop van een ander deel hebben er in toenemende mate toe geleid dat bepaalde delen van de Australische huursector steeds sterkere concentraties zijn gaan vertonen van huishoudens met een laag inkomen. Alles bij elkaar genomen is het in Australië niet bepaald gemakkelijk om dit deel van de woningvoorraad weer financieel gezond en attractief te maken. De bewoners van de Australische sociale huursector hebben weinig mogelijkheden om te verhuizen. Hierdoor is er weinig doorstroming en is het moeilijk voor starters met een laag inkomen om een woning in de sociale huursector te vinden.

In beide landen dreigt residualisering van de sociale huursector. Tendenties in die richting bestaan in beide landen. Met name in Australië echter, lijkt het risico van residualisering groot en lijkt de sociale huursector financieel, politiek en sociaal niet bepaald duurzaam. De Australische ervaring suggereert dat de langzame maar duidelijk waarneembare trend richting residualisering van de sociale huursector in Nederland snel geremd zal moeten worden.

4. *De rol en de effectiviteit van subjectsubsidies*

In beide landen zijn huursubsidies (in verschillende vormen) de belangrijkste middelen om huishoudens te ondersteunen bij de stijging van hun woonkosten in de laatste twee decennia. In zowel Australië als Nederland is er sprake van een grote toename van het aantal huishoudens dat afhankelijk is van een dergelijke subsidie en van stijgende uitgaven voor de overheid. Relatief gezien, zijn deze stijgingen echter veel groter in Australië, met zijn meer marktgeoriënteerde huisvestingssysteem. De toenemende rol van deze huursubsidies in beide landen lijkt niet voldoende om de stijgende kosten van het wonen voor huishoudens met een laag inkomen geheel te compenseren.

Curriculum Vitæ

Vivienne Milligan (nee Milliner) is an Australian citizen, born in Sydney in 1949. She graduated with Bachelor of Arts, First Class Honours in Geography from the University of Sydney in 1973. After holding various academic positions in geography and social policy at the Universities of Sydney and New South Wales from 1973 to 1982, she joined the public service. She has had over twenty years experience in leading housing policy development and innovation in various parts of Australia. In 1993, she was awarded a Public Service Medal for her contribution to the development of housing policy in Queensland.

In 1999, she decided to take a 'career-break' and to commence research that would further her knowledge of international housing policy. She was accepted into the PhD pilot program for foreign students at Utrecht University in the Faculty of Geographical Studies and this enabled her to develop her proposal to undertake a comparative analysis of the outcomes of different housing policies, using her own country and the Netherlands as contrasting cases. While researching the Dutch housing system, she lived in Utrecht between May 1999 and June 2000 and participated in the PhD program of the Netherlands Graduate School of Housing and Urban Research (NETHUR). She completed the remainder of her project in Sydney, as a visiting scholar in the Faculty of Architecture, University of Sydney where she also teaches housing policy.