

Shaping Life Chances - our city and housing affordability

Distinguished guests, Mayor and Moreland City Councillors, I am honoured to present the 20th Maurice Blackburn Oration to you tonight.

I would like to first pay my respects to the Wurundjeri people and their Elders past and present on whose land we meet this evening.

This Oration celebrates the commitment and leadership of Maurice and Doris Blackburn in the first half of the last century - a pivotal period in shaping modern Australia. Over the past few weeks, we have also been reflecting on the achievements of another visionary Australian, Gough Whitlam, who among his many achievements recognised that matters of housing and urban planning merited attention at the highest levels of government.

It is timely to reflect on the essential qualities that distinguish great community leaders - a commitment to fairness, justice and basic human rights for all Australians. Maurice and Doris Blackburn had these qualities.

Tonight's oration, I am told, is the first to focus on the vital role of housing.

But before I go into detail, let me talk to you about some of the people I have encountered in my working life who have helped shape my view of the world. I hope you will find them as enlightening as I did.

Long before I put on my suit and tie, for many years I was a social worker amongst the homeless in Melbourne. During that time, I estimate I would have conducted more than five thousand structured social work interviews. And one of the most important and lasting insights I gained - and retain to this day - was that all people, whoever they are, and even as they trudge the desolate streets of their despair, all people aspire to a mainstream life, no matter how modest that may be - to have a job when they have the capacity to work, to have some sense of family, to belong.

And a key part of that belonging is the desire for a secure home.

These are the basic building blocks of a good life in Australia, and despite our apparently world-beating economic story of recent times, it's a good life that too many of our fellow citizens still lack.

As I am sure you know, the Brotherhood of St Laurence is an independent non-government organisation that has been working to reduce poverty in Australia since the 1930s when it was founded by the Anglican priest, Father Gerard Tucker .

Housing has been a central focus of the Brotherhood's work since it began. Over its eighty-four years, the Brotherhood has found itself involved in various housing campaigns, and it played a substantial role in the development of community-based housing assistance for families and individuals in housing crisis, including the creation of Hanover Welfare Services in 1964, and Wintringham Hostels in 1988, two organisations which both became leading providers of supported housing in Victoria.

This work continues today, for example, through our collaboration with the Victorian Government and Hanover on the implementation of Education First Youth Foyers across Victoria - these “Foyers”, as they are called, provide high-quality supervised studio apartments, on TAFE college campuses, and are unique in intertwining an educational offering with housing for young people who are homeless or at risk of becoming so.

The Brotherhood has always understood housing to be much more than just 'shelter'. Fundamentally, housing should be the home base from which we engage in community life. It should provide the stable, safe environment for the fostering of personal relationships, and enable our children to gain the capabilities, skills and qualifications essential for social, civic and economic participation. The adequacy of housing in terms of its size, quality, cost and its proximity to transport, jobs and services, is critical to fulfilling its role as a home base for engaging in community life. The provision of housing with these characteristics has been a perennial public policy challenge, arguably throughout Melbourne's history.

In 1915, in Maurice Blackburn's era, a Royal Commission was established to investigate the 'Housing Conditions of the People in the Metropolis of Melbourne' and in particular the subdivision and development of private land along the coast line from Black Rock towards Frankston.

In modern parlance, this was a 'growth corridor' where greenfield sites were being sold for new family homes as well as holiday homes for the well-off. The Royal Commission found that families were seeking to escape the rents in Melbourne's

established suburbs. This uncontrolled development was, however, putting severe pressure on core infrastructure - water supply and drainage, in this case - with the government of the day playing catch-up to the social and economic changes underway.

This was happening almost 100 years ago, but the narrative sounds achingly familiar doesn't it?

Housing in Australia - the state of play

Australia has enjoyed a long period of sustained economic growth. Yet reviewing key housing indicators offers a bleak picture: current housing, tax and planning policies are failing to ensure the housing needs of Australian households are met. As leading economist Saul Eslake has concluded, we have had '*a half-century of housing policy failure*'.

Here are some not-so-random facts to consider – and deeply disturb you.

Australia has a very high rate of home ownership, however, it is slowly declining from a peak of 72 percent in the late 1960s.

The rate of home purchase by 25-44 year olds nationally has declined by 15 percent over the past two decades.

The average first home loan has doubled from 3 to 6 times the average annual income since the mid 1990s.

As a consequence, an increasing proportion of Australian households are reliant on private rental (25 percent) and households are renting for far longer - a third for over 10 years. Yet, the costs of renting have increased over the past decade by 81 percent - far more than average earnings.

At the same time, the proportion of households in public housing has declined to under 4 percent. With declining investment in public housing, the level and quality of ageing stock fails to meet demand. This has led to stricter eligibility criteria being introduced to manage longer waiting lists, prioritising those with multiple forms of disadvantage, including homelessness, disability or chronic health issues. Today, less than one quarter of public housing tenants are in any form of paid work, compared to over 80 percent in 1966.

The National Housing Supply Council concluded in 2012 there was a substantial shortage of over 220,000 dwellings nationally and predicted increased shortages over coming decades in the absence of policies to stimulate supply.

Putting the affordability lens here in the City of Moreland, analysis by the Tenants Union of Victoria has shown that Brunswick is now one of the least affordable suburbs for households on low incomes - both singles and families on income support or minimum wages face significant housing stress if paying median rents for flats or houses.

A raft of other indicators point to increasing housing stress:

- Nationally, the percentage of low-income households in rental stress has increased from 35 percent in 2007–08, to 41 percent in 2011–12.
- In Victoria, applications to VCAT seeking possession of rented properties by landlords have increased on average by 16 percent per annum over the past 3 years.
- 105,200 people were categorised as homeless on Census night 2011, with 39 percent of these in severely overcrowded conditions.
- Nationally, specialist homelessness services provide support to 244,000 people annually.
- Meanwhile, almost 4,000 young Victorians (aged 16-25 years) experience some form of homelessness on any given night.

Factors that contribute to the current housing crisis

While the majority of Australians are still able to obtain and sustain housing as renters or purchasers, far too many households are unable to do so.

Our collective inability to provide all Australians with affordable, well located, good quality housing has continued despite some significant policy initiatives and reforms over the past five years, through the National Affordable Housing Agreement and National Rental Affordability Scheme, as well as the National Partnership against Homelessness. While these initiatives should not be underestimated, far more powerful policy decisions and socio-demographic trends continue to drive the demand and supply sides of housing.

What then are the main factors?

First population growth: Over the past decade, population growth has outstripped the supply of housing stock - the only period since the immediate aftermath of World War 2 when this has occurred. The rapid expansion of our major cities, through internal migration and immigration trends, has led to a locational mismatch between low-cost housing and jobs. This trend will continue - contributing to transport disadvantage and lower productivity.

Second, family formation: Delayed marriage and child rearing, higher divorce rates, family conflict, an ageing population and smaller family sizes have each contributed to increased demand for housing.

Third, the labour market has changed substantively since the days of full employment due to the combined effects of globalisation and technology change. We are now challenged by higher levels of insecure paid work, underemployment and structural unemployment; migration of labour to cities with better job prospects; and the imperative for job seekers to spend more time and resources on further education and vocational training to gain paid work.

These long run trends have impacted decisions and opportunities to enter home purchase, putting greater pressure on private rental markets.

'Expenditure' policies impacting on housing affordability

The largest policy drivers impacting on the housing market are in the taxation basket in the form of exemptions or discounts.

Negative gearing is said to cost the Federal budget about \$2.4billion per annum. However, only 5 percent of investor monies is spent on new dwellings. Capital gains tax exemptions to homeowners costs the Federal budget a further \$14billion per annum, the non-taxation of imputed rents a further \$9.6billion per annum, and the exemption of the family home from the assets test for the age pension \$7 billion per annum. Not before time, the efficacy of these taxation policies is now being challenged for inflating house prices at a major cost to the public purse. Eslake has concluded that these policies amount to a *'pretty large subsidy from people who are working and saving to people who are borrowing and speculating'*.

And the practice of giving first home buyers cash grants has been discredited as having no impact on home ownership rates and merely advantage sellers. Thankfully it appears to be falling out of favour.

Meanwhile there has been a steady decline in direct investment in social housing over a long period, with about \$5billion per annum spent nationally.

Commonwealth Governments have responded to increasing levels of housing stress with higher expenditures on Commonwealth Rent Assistance, as the main form of help for private renters; on homeless services and small scale, targeted home purchase assistance - for example, home equity loans schemes. And keep in mind

that with private tenancy legislation that largely favours landlords, low income renting households face frequent moves, poor quality dwellings and inadequate maintenance, together with increased use of expensive private rooming houses and caravan parks.

Surely the time has come for a mature, national debate about the big ticket items that are skewing the housing market for the worse.

We need a fairer tax system to provide additional revenue to be spent on measures to stimulate the supply of affordable rental housing for those on low incomes. Capital Gains Tax exemptions and negative gearing should be at the top of the reform list to be wound back over time.

Urban planning and locational disadvantage

Locational disadvantage is nothing new in metropolitan Melbourne. Many suburbs have experienced their ups and downs as the economy evolves and industries come and go. But, with our city forecast to grow by a further million people over the next fifteen years, more locations are at risk of not ever being positioned to enjoy its much-prized livability. Increasingly, the risk of poverty and disadvantage will be found in the new outer suburbs of Melbourne, in the growth suburbs in the south east and the north and west, such as Cranbourne, Whittlesea, Melton and Werribee. This is where housing is cheaper. But these suburbs are located a long way from where the jobs are being created - predominantly still in the inner and middle ring suburbs. Too often these suburbs have little or no public transport, and minimal

health and welfare infrastructure, with schools, kindergartens and childcare services unable to keep pace with demand.

The signs of emerging social stress are already apparent in high levels of youth unemployment, domestic violence, child protection reports and lower levels of educational attainment. It's not by chance that we find levels of youth unemployment of more than 16 percent in the north and west of the city's outskirts and the fastest growing rates of youth unemployment in the outer eastern suburbs.

The policy challenge is not just the responsibility for housing policy decision makers. Rather it must be a core priority for urban planning, transport infrastructure and employment portfolios working together to plan our metropolis.

Policy solutions for inclusive growth

The policy solutions must go beyond the supply of additional cheaper housing in outer growth suburbs. If our children are to prosper, if young adults and parents are to sustain paid work, if our older folk are to avoid social isolation, we must proactively plan our city to reflect the realities of the social and the economic changes as part of a global economy.

Here, the overarching challenge is to integrate economic and social policies.

This inevitably means achieving greater density of housing in the inner and middle ring suburbs - the suburbs where there will be a density of jobs and service infrastructure. Without a carefully considered drive for greater density, our society

and our economy will become more and more dysfunctional. Other cities have been able to achieve greater levels of density whilst enhancing urban amenity. It ought not be beyond us to do the same. The alternative is unthinkable: a morass of a Melbourne, with characteristics of decaying American cities we hear so much about.

Specifically, we need to establish a permanent metropolitan urban boundary and enable more development in established areas. This would see 70 percent of new housing built between now and 2050 being located in established areas, and, with the co-operation of Councils, the establishment of sub-regional housing targets reflecting that overall objective.

Within that target, much greater attention needs to be given to social housing. There are opportunities through urban planning processes to encourage the provision of social housing units within developments. This may take the form of compensation in the shape of density bonuses or zoning variances that are consistent with state and local planning objectives. Or, in cases where re-zoning is required to achieve urban renewal for instance, a proportion of the increased land value could be captured to directly contribute to the costs of providing social housing. And the State Government could take the lead, insisting on achieving social housing outcomes when disposing of land it no longer requires.

Of course, none of this will be achieved unless we all come to the realisation that the way in which we are shaping our city is shaping life chances. We must as citizens recognise the new urban and demographic realities we are facing and not sit passively on the sidelines of this critical discussion.

Like many parents here tonight, I do wonder whether my children will ever be able to get a foothold in the housing market. Thirty years ago when I was a social worker, with my schoolteacher wife, we bought our first house within 10 kilometers of the Melbourne CBD. Mortgage interest rates were higher than today and our incomes were relatively modest, but we could afford the \$73,000 price tag for a three-bedroom detached house in the inner west.

We still live in that house, but I worry about the housing prospects of the children raised there. Now young adults, they are making their own way with all the advantages of higher education. But what are their generation's chances of buying into the home-ownership aspiration that sustained my boomer generations?

The tragedy of our increasingly sprawling city is that the situation is far worse on every count for low-income earners.

This is a deeply mainstream public policy challenge, only increasing in potency as our population grows. For our society's sake, for our economy's sake, it's a challenge we - as individual, communities, councils and governments - simply can't afford to neglect anymore.

End.

Tony Nicholson

Executive Director, Brotherhood of St Laurence