

▼ Brisbane Housing Company, Lutwyche, Brisbane – affordable rental housing



# Chapter One

## Introduction Shaping Futures for Housing: Routes to Change

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## Shaping Futures, Pressing Interests

Research and policy-making for housing has increasingly recognised the importance of the space and place dimensions of housing systems and their outcomes so that regions, metropolitan areas as well as neighbourhoods are as much the focus of discussion as the nation, state or province. Time shapes housing thinking as much as space, with complex, past path-dependencies complicating our understandings of the present. With housing decisions creating the homes and places that will prevail into the next century, let alone meet the needs and demands of the decade ahead, it is equally imperative that housing policy discussions have acute forward vision beyond 2020. We must seek to comprehend what will shape future housing requirements, as well as how housing will shape emerging economic, social and environmental outcomes.

There are multiple methodologies for looking forward, ranging from witchcraft to econometric modelling. They all have their attractions; however, in this report we eschew a single, methodological approach and instead allowed contributions that took some view of the future to suggest better ways to attain widely agreed (within the working group) housing outcomes. In many senses Shaping Futures was about identifying the 'best first moves' for shaping better housing outcomes in Australia, Canada and the UK.

In adopting this approach participants recognised that, since (at least) the Global Financial Crisis, these were not 'business as usual' times in housing policy design and delivery. Uncertainties about the future always permeate housing decision taking, and future challenges of global warming, automation and immigration impact on all our current policy discussions. But there was also a wide sense of uncertainty about the present and the recent past. Policymakers, housing professionals and researchers are increasingly aware that complex, pervasive problems about housing affordability across middle- as well as low-income groups have emerged to accompany the long-running housing challenges posed by poverty and homelessness. Shaping Futures sought to think about future change, not just in its likely nature, but about how to better understand its effects. Project participants grappled with the complex issues that, after decades of neglect and misunderstanding, housing providers and policymakers must now confront. Such challenges need to be seen against the backdrop of changing political, media and popular narratives on housing – and the policy trajectories. The contributions in the next section, briefly outline the recent 'housing stories' of the three countries in these terms.

## Shaping Futures, Developing Narratives

The Shaping Futures project explored what seemed to be required, in Australia, Britain and Canada (ABC), to construct policy narratives robust enough to survive and thrive within the tough, diverse forms of competition for support for ideas and resources that prevail within public policy-making and budgetary processes. In responding to the public policy narratives and settings now prevailing in ABC governments, and indeed in many other OECD countries, the Shaping Futures Group paid attention to two key considerations. Firstly, constructing a well-evidenced, stronger story of the economic consequences of increasingly adverse housing outcomes (especially in large metropolitan areas, Chapter 6 below) and, secondly, how that possible narrative converged or conflicted with 'housing sector narratives' internal to governments (chapter 2-5 below). The capabilities, institutions and finance approaches required to deliver these changes are explored in Chapters 7-10.

As the Shaping Futures discussions progressed, with the involvement of practitioners and academics across the three countries, it became increasingly clear to us that in shaping a radically more effective housing system it was the 'big policy settings', or the meta framework of ideas about public sector roles, finance, regulation and taxation that had to be addressed. However, a key starting point was the recognition that the longstanding 'merit good' case for housing, reflected in the strong emphasis on contrasting socially and physically defined 'needs' for housing with actual provision, no longer had real traction in government resourcing debates (despite its continuing relevance). That view is well-founded in the experience of housing sectors in the UK since 2010, and in Australia (except for the term of the Rudd government) and Canada in this millennium until post-2016 changes. The stock of eligible households on official waiting list for non-market housing has grown steadily in all three countries through this millennium. In the fears of recession in the wake of the GFC it also became apparent that governments increasingly looked to other infrastructure sectors, with additional, reputed productivity effects, to last beyond the demand stimulus and multiplier effects, rather than simply expanding housing investment, in pursuing macro-stabilisation policies (MacLennan et. al. 2018).

Housing and housing systems have some characteristics that make compelling cases for stepped-up government commitment inherently difficult to make. The system issues are diverse: they involve supply and demand aspects, multiple policy instruments of taxes, subsidies and regulations, provision systems that are public, private and non-profit, and drivers and consequences that are not just local but regional, national and global. Housing policy often requires substantial, long-term commitments of scarce public capital: governments fear discovering 'housing problems', especially those that call for high cost programmes. Increasingly, they have come to focus not on system effects but on small minorities of poor households and marginal first home buyers (both of which can also be stigmatised as slackers/subsidy junkies). Housing often has multiple modest scale impacts on different sectoral issues (such as schooling, health, transport, economic development); so different interests may pull policy advocates in different directions, making constructing policy cases demanding. And, housing – in contrast to health, education and transport initiatives – has a weak record of research and evidence. If housing Ministries, or the Ministries now responsible for housing, will not construct the cases for themselves then the key central agencies within government are not usually well-disposed to constructing synthesis of effects for them. Indeed, within Finance Ministries/Treasuries there is often an instinctively hostile view on housing policy proposals, see further below in chapter 11.

## Shaping Futures, Abandoning 'Wisdoms'

By the first decade of this millennium the conventional wisdom framing housing policy decisions in ministries at national/federal levels in the ABC countries included five fundamentally important judgements about housing systems and policies. Three stemmed from the 'meta framework' for post-1970s policymaking. The first was that public, or state action, was generally to be reduced or minimised where possible. This belief pervaded decisions about planning and provider roles, for instance in the ABC countries post-1980 support for provision of new public housing and in the sharply reduced use of compulsory purchase in planning and land policies. The second conventional wisdom has been a judgement about the consequences of public debt. Namely, the firm belief that public borrowing and public debt was to be avoided wherever possible, irrespective of the investment/consumption nature of the associated expenditure (and this wisdom has persisted through the last decade of record low, and negative real, interest rates).

The third framing assumption was that markets are usually effective as well as efficient and that deregulation intrinsically enhances these qualities. Two more housing-specific 'policy norms' have also come to pervade the conventional wisdom. Thus, the fourth framing assumption has been that housing markets are essentially well-functioning systems, with few inherent market failures. Below we argue that it is important to distinguish between housing policy strategies that see markets as the main or core system for allocation and investment but that may require some policy action to address market failures, and those shaped by a well-functioning/leave it to the market policy approach. These are fundamentally different positions that shape housing policy agendas. Finally, there was the assumption in policy-making processes that housing policy expenditures were merely 'merit good' investments driven by re-distributional aims: there was a common explicit view that housing had no (or no evidenced) productivity effects or growth effects on the economy so that housing policy spending was usually regarded as displacement.

Programme reductions in housing quickly followed these beliefs and housing Ministries, and Ministers, became downgraded in significance as, for instance, in the UK; or eliminated entirely, as in Australia's federal government post-2013. These outcomes weakened the evidence and economics capacities of housing advocates within government to make and hear housing policy cases. Higher orders of government have been better at concealing these deficiencies but at sub-national scales, housing portfolios have been subsumed within Family and Social Affairs departments and increasingly focussed upon homelessness measures and the very poorest households (Dalton and Dodson, 2017; Pawson et al 2018). Analytical resources have been stripped away from housing. Usually, investment resources have shrunk. Ministries that were home to the crumbling foundations of old housing policies were rarely invited or resourced to make economic cases for housing investment and housing was seen to have no identifiable role in economic growth and productivity processes.

The dual crises of 'housing affordability' and 'affordable housing' have now become both sufficiently wide and deep that they pervade national popular media and debate on a daily basis (see, especially, the Australian Housing Story below)<sup>1</sup>. Housing policy expenditures (including tax expenditures), and indeed monetary policy measures, appear not to reduce inequalities within and between generations but to exacerbate them. There is a growing sense that tinkering within the current 'meta frameworks' is not going to make the differences required and that distributionally adverse housing outcomes may also be reducing growth and productivity.

<sup>1</sup> Wren-Lewis, 2018, is an excellent critique and analysis of what he calls 'media macro in the UK, including the impact of the housing market on the wider economy.

In the last few years the discussion of the ‘possible’ in housing policy change has broadened dramatically, at least in the UK and Australia. Land value capture as a means to funding affordable housing and tenancy reforms in the private rental sector, for instance, is now constructively discussed by Conservative as well as Labour and Green Party politicians in the UK, and taxation of rental housing is a major area of debate in Australia. We believe these are the harbingers of new approaches to housing policies. They will still see markets as the mainstream of providers but with renewed state interest in the effective functioning of housing and land markets and the appropriate non-market provisions where either expensive markets or low incomes deny the provision of housing that allows the development of individual capabilities. Housing policy is struggling towards a new synthesis and shaping better futures is both important and, optimistically, and can support thinking and, possibly, the necessary steers to deliver that synthesis.

## Shaping Futures, Research with Practitioners

As a reaction to these consequences of the conventional wisdoms, and the potential to improve policy debates and outcomes Shaping Futures housing sector participants recognised the need to improve sector understanding of the economic, and other, consequences of the housing system and make better economic cases for housing policies. This was an interesting policy research innovation inversion. Some of these understandings are applied below<sup>2</sup>.

In pursuing Shaping Futures, the collaboration of housing practitioners and housing economists also quickly came to recognise that economists within government might have to improve their understanding and modelling of housing, and that the five policymaker beliefs noted above needed to be challenged. In consequence, the final substantive chapter (11) is about both the use of economic ideas in the housing sector but also the understanding and application of housing sector evidence in the use of economics within public agencies. The different actors in the processes of shaping governments’ housing policies, including researchers, national and sub-national bureaucrats in finance, planning and housing ministries as well as politicians, all need to rethink their established policy narratives and thought frameworks if the current sub-optimal performance of ABC national housing systems is to be seriously addressed.

Post-2016 there have been some signs of ABC governments beginning to search for new housing narratives. Indeed, sub-national governments, which have often been left to manage the congestion and cost consequences of housing market malfunction whilst fiscal revenues have flowed to higher order governments, have taken the lead in some countries. British Columbia and Ontario in Canada, New South Wales and, more arguably, Victoria and Queensland, had edged ahead of their respective Federal governments in new policy formation by 2016, and in the UK the governments for Scotland and London have, for example, set a quite different course from the UK government where they have had autonomies to do so.

It is also fair to note that, at least in the past 2-3 years, national level responses have begun to grasp the scale and complexity of the issues involved. In April 2017, Scott Morrison, then Federal Treasurer of Australia, presented a well-evidenced speech on housing and concluded that resolution of emerging widespread affordability difficulties in addition to continuing affordable housing sector challenges meant that providers, states and governments could no longer approach housing with a ‘business as usual’ approach to policy. Similar sentiments have recently been expressed by the May Government for England. Since the fall of 2017 Canada’s Federal Government has embraced major changes of approach to housing policies and appears to be revitalising the role of CMHC. This is a welcome departure from the status quo position from the late 1990s until 2016, when CMHC was relegated to minor housing policy roles – like a rather grand Rolls Royce parked in a suburb of Ottawa without much fuel to follow any well-defined route map to significantly alleviate Canada’s housing challenges.

Policy change is in the air but there are still few new coherent narratives to shape the futures for housing policies. This report on the Shaping Futures discussions aims to help emerging debates about new approaches to housing policies in the ABC countries as some of the key policy framing beliefs of the last thirty years also begin to change.

<sup>2</sup> Much fuller examples of how housing-productivity arguments can be developed were initiated in an earlier report for the Toronto Community Housing Corporation (Maclennan, 2008), further developed and exemplified in Australia (Maclennan *et al.*, 2015) and have been much expanded in work developed for Sydney (NSW) as an outgrowth from Shaping Futures (Maclennan *et al.*, 2018).



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