

▼ St George Community Housing, Sydney – affordable rental housing



Chapter Twelve

Conclusions: Shaping Futures: Towards Real Housing Policies

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In both Britain and Australia there is now a frank acceptance by Governments that major housing outcomes are problematic with the Prime Minister of Australia asserting that ‘business as usual’ approaches will not address the twin challenges of affordable housing and housing affordability and his British counterpart referring to a ‘broken housing market’. A recognition of ill-conceived and under-resourced housing policies might have been more apt. In Canada the sense of widespread housing difficulties is less extensive and less widespread but the newly emerging federal housing strategy and a growing recognition that more needs to be done reaffirms the wide sense of unease with contemporary housing outcomes.

A closer look at housing outcomes in each country reveals that the emerging concerns of governments are well founded. Housing systems seem to be reinforcing wealth and income inequalities, they are contributing to greater instabilities and the impairment of growth and they reinforce environmental damage. The pursuit of equality, competitiveness and sustainability, the shared trinity of core goals of modern governments, have all been impaired by housing policies that have diminished, narrowed and fragmented since the 1990s. Far from fashioning and supporting a ‘well-functioning housing market, or system’ modern policies have fashioned a dysfunctional mess. Governments now seem to have recognised that there is a problem, or more likely a ‘wicked’ tangle of issues, to cut through and reshape for better future outcomes. This, now explicit, recognition is a cause for praise for governments and for optimism that housing policies may shape better futures. However, having recognised the difficulty, governments have not yet set out new resources, aims and commitments to housing policies that will lead to real change.

The ten broad conclusions of this report are an aide mémoire to federal and sub-national governments, and the range of agencies and lobbies, that will shape the better future. They are presented as, in the constructive sense, a provocation about possibilities for change. They are definitive and assertive that major policy settings for housing policies must change but deliberately avoid being specific and certain about what will work in particular national and local settings. They are general directions, or principles, for, rather than specific routes to, change. They are the outline of a new narrative to shape the discussion of the re-purposing of housing policies. They aim to end decades of darkness in housing policy making into a more enlightened approach to understanding what housing outcomes achieve and what policy possibilities need to be considered.

Principle One: Intelligent Housing Policies

In recent decades governments have been slow to recognise obviously emerging difficulties, including declining ownership rates for the young, and slow to act on others with long term implications, such as global warming, ageing populations with rising longevity and the accumulation of unearned property income. Understandings of how housing outcomes contribute to social and economic change are essential but often still unknown. For instance, at present some researchers claim that ‘millennials’ have developed more pro-renting preferences than predecessor generations but there is no real evidence whether the identified choices reflect shifts in attitudes to asset ownership or growing constraints on accumulating assets in early adulthood. When policymakers have reacted to shortages they have often acted with a presumption about or preference for particular modes of intervention. For instance, for decades governments have preferred to invest in not-for-profits rather than public housing and home-ownership solutions have been preferred over market rental solutions. Now, as price and rental burdens rise ‘rent controls’ have been re-advocated as a substantial policy solution. Looking to the future governments must become more alert to evolving housing patterns and their causes so that they act with knowledge and they need to pay more attention to an understanding of ‘what works’, that is use the knowledge developed from experience rather than ideologies embraced (whether public housing or home-ownership). We recognise that policy choices will always involve politics but the first principle of shaping future housing policies is that they need to be intelligent in that they apply appropriately chosen instruments to real housing systems that are empirically understood by policymakers (for instance, knowing the price elasticity of housing supply in metropolitan areas) and that have well developed logic chains that connect policy actions/levers to chosen goals.

Housing policymakers must have recursive learning systems in place so that policies can be adapted as change unfolds. The housing story, the key policy narrative, has to be factually informed, have a clear storyline and open to revision. It must convey what housing does in an economy and society, what housing policy is for, how it works and how it will change things for the better.

Principle Two: Housing Is A Complex System Story

Throughout this report we have noted how housing policies have narrowed their attention over the last 30 years to deal with 'housing affordability' issues for the poorest households and respond to homelessness. It is vital that these concerns continue and efforts to deal with the issues intensified. However, these issues arise, and are exacerbated within, wider sets of housing shortages, needs and demands. The spread of housing affordability issues across a wide range of income groups and its growing incidence in the 25-40 age groups highlights that pressures across connected submarkets and segments of the housing system are problematic. There are market and non-market parts of the housing system, and they do interact, and the mechanisms involved include market supply and demand and needs and non-market investment. Policy framings must embrace the system as a whole and recognise that as a system crude control mechanisms of policy interventions are not likely to be of long-term value. With housing system difficulties apparently spreading the political economy of housing policy is also shifting. Housing policymakers have to be attuned to the roles that poor housing and residential segregation of low-income groups have played in fostering 'the revenge of the left-behind places', namely the rural areas and towns as well as cities that have seen voters switch away from established political parties and allegiances. At the same time the high costs and halting progress of the home-ownership engine for the future middle class in the ABC countries is shaping a very different political economy from that which fashioned housing policy narrowing after the 1980s. Housing is a system story and one that now impacts a majority of households in the ABC countries. The left-behind places, the stalled family asset building, and older households isolated amidst their empty bedrooms that store their mostly unearned, wealth, are all vignettes of the modern 'housing story'. **The second principle for policy is that the housing sector has to be seen as a connected system and that challenges, scope, and resources for housing policies need to be set in that systemic context.**

Principle Three: Understanding and Improving Housing Markets

In the ABC countries some 75 to 90 percent of households find their homes in a variety of market contexts. Markets for renting and owning exist and they may be more or less subsidised. Some policymakers see markets as inherently virtuous and others see them as naturally problematic and these views are often driven not by understanding how real markets function but the roles played by stylised markets in political ideologies. Both approaches are potential dangers to good housing policy making. Shaping Futures concluded that markets will remain the dominant arena for housing provision in the ABC for the foreseeable future and that, in contrast to present circumstances, there needs to be coherent housing market strategies in national housing policies. This is not the same thing as expanding home-ownership or indeed the market sector. It is rather about shaping markets so that market failures, non-responsiveness and instabilities are addressed and that the 'well-functioning housing market' becomes an aim rather than a presumption of policy. Policy must look to the fairness and economic effectiveness of housing markets, a missing policy emphasis in all three ABC nations, and not just macro-stability questions. In particular, all three countries need to have an explicit understanding of what balance of market renting and home-owning will best serve policy interests. A critical concern is also to reset policy thinking to address what key strategic actions by governments, both nationally and locally, will facilitate the operation of housing markets that produce more output and lower price increases. **Our third policy principle is that, in contrast to current experience, governments at national and sub-national levels should move beyond the important, but over-narrow focus on financial stability, and have an explicit 'housing market' strategy to support productivity growth and fairness.**

Principle Four: Housing Policies need More than Markets

The Shaping Futures group, unsurprisingly given their interests, took the view that non-market provision of housing had important roles to play where income supports to poor households would not be likely to resolve their housing difficulties. This may arise from the nature of the individuals involved, the quality and variety of housing offered in markets and the design features of social security systems. Existing patterns of provision and the nexus of instruments to support poorer households differ across the countries and it was recognised that different non-market shares, provided by a different array of provider types will arise across and within the three countries.

However, countries did have to think of non-market provision as a 'system' of provision with coherence between different parts of the sector and potential contestability at the margins with the market sector (to allow for a check on cross-sectoral efficiency). At local and metropolitan scales there needed to be a much clearer understanding of the functioning of non-profit sectors and the overall effectiveness of the sector. Coherent national and local regulatory frameworks need to be put in place in Canada and Australia and UK tinkering with the system halted. The development of appropriate regulatory and bond-aggregation facilities has been painfully slow in Canada and Australia and in the latter context some state-level attitudes to the transfer of public housing to non-profits has hindered the growth of a more dynamic non-market sector. There has been a marked growth in the diversification of housing and non-housing roles by not-for-profits and more attention needs to be given to their potential roles as local housing and place renewal agents. All governments require purposive approaches to the roles for non-market housing and they should encourage diverse providers to cross-policy silos to deliver progress in sectors of concern that require multiple sectoral policy inputs, including the rebuilding of poor communities, capturing and diversifying the gains from inclusionary zoning, environmental change and reshaping the mixes of housing, care and health provision that rising numbers of seniors in all three countries require. Our fourth principle is that governments should drop the anti- non-market stance adopted after the 1980s and rethink the positive roles of non-market housing. Governments need to see the sectors as more than providing shelter for the poor and recognise that their reputations as providers of quality customer care and 'patient capital' may shape effective and innovative solutions to market failures as well as market poverties.

Principle Five: Placing Housing in Context

The fifth Shaping Futures principle for housing policies is that housing policy decisions require spatial awareness and must have regard to the places that housing investment shapes and recognise that geography of connections that shapes supply and demand in the local housing system.

Housing is not just a system, it is a spatial system, and this has three important implications for policy-making. The first consideration is that housing has clearly critical local dimensions: building homes creates key infrastructure and attributes of neighbourhoods and cities; choosing a home also means choosing a neighbourhood, so that housing and place planning and management are always linked.

The second consideration is that housing systems, if predominantly local, are also open to economic, social, demographic and technological changes (and policy ideas) that flow into local areas from related regions, the nation and the wider world. At present immigration and economic shocks are the non-local or exogenous effects that most concern cities. The Shaping Futures group worked towards an understanding that the major metropolitan housing markets we discussed now had significant inflows of labour, capital and other resources from 'global' sources. Two important points emerged from this discussion. Major cities within national economies have global connections that smaller cities and rural regions may not share, and this has contributed to an 'unlinking' or divergence of growing metropolitan market trajectories from the rest of the nations within which they are set. Housing policies had not adapted to deal with these new circumstances. Metropolitan areas are being given new housing strategy and management challenges but without new tools or resources to deal with them: globally driven but localised change does not always command appropriate policy responses from national and federal governments controlling elastic tax bases. Federal/national attempts to limit growing metropolitan house price increases through monetary policy measures, to limit potential financial sector instabilities, have failed to recognise the growing metropolitan/ rest of economy divergence and usually penalised more slowly growing housing markets.

The third consideration is that geography means variety so that housing problems, priorities, and even processes, may vary across the connected regions within a nation. This means that it is not appropriate for housing policy to narrowly focus on one type of area, such as metropolitan cores, for they are part of a wider, national system of connected places. In discussing the ‘revenge of the left behind places’, noted above, that have changed so much of electoral politics, Rodrigues-Pose (2018) notes how the towns that have not replaced economic bases lost since the early 1980s have been particularly prone to voting down ‘established parties and candidates and similar patterns appeared in the Brexit vote in the UK and appeared to also have prevailed in the recent Ontario provincial elections. Housing policy must think about Newcastle (NSW) as well as Sydney (NSW), about Sydney (Nova Scotia) as well as Toronto, and about Newcastle (England) as well as London.

Principle Six: Remaking Collaborative Governance for Housing

Shaping Futures highlighted two key facets of housing that must be emphasised in designing and delivering housing policies. The first is that successful housing provision requires linked provision for a whole range of public and private services, including transport, schools, health facilities, and at the same time housing quality and affordability plays into the success of other areas of policy activity, for instance attempts to reduce carbon production in cities and suburbs. No housing policy should simply be driven by the price and size/type of homes and decisions about what housing to produce, where and for whom need to be closely linked to other public investment and service decisions. Collaboration must start within governments. And, locally, open associational styles of governance are required to involve non-profits, the private sector and community groups in the design and delivery of housing. Participants from Shaping Futures drew attention to numerous multi-sector, community engaged (and led) projects in all the ABC countries. They also reported instances of the absence of such approaches too so that consistent good practice requires attention from governments.

The devolution/downloading of housing policy responsibilities to sub-national governments, that had occurred in all three countries, still leaves different roles in housing policy best placed at different orders of government. National/federal governments in all three countries had no difficulty accepting that they had significant roles to play. However, in Canada and Australia, there was a continuing lack of clarity about roles and responsibilities and in none of the countries was there an effective continuing multi-order collaborative approach to governing housing. Such provisions were by far the weakest in the UK.

These collaboration failures in housing policy-making and delivery hamper effective housing policies. **The sixth principle that the Shaping Futures group embraced was that the strategic and economic roles of housing required a metropolitan or rural region level focus in governing housing systems so that governance was aligned to the key scales at which housing systems operated and that the approach had to be collaborative.** Many local authorities are too small to effectively deliver and plan housing: States and Provinces are often too large and diverse to effectively govern growing metropolitan areas and that the metropolitan dimension of decision taking and delivery needs to be emphasised. This shift in housing governance, noted above, needs to be properly financed by reassigning resources to metropolitan areas, and it could, in the short term, be encouraged by wider application of the UK city deals approach to housing funding both in the UK and in Canada and Australia.

This conclusion requires wide-ranging actions in response. Metropolitan areas should audit their current housing governance arrangements and, with other orders of government, look at the organisation of housing within governments and ministries, explore how to reduce vertical fiscal imbalance, assess metropolitan partnerships across the whole range of housing functions from finance to knowledge exchange and, not least, assess capacities to deliver a systems-oriented housing policy.

Principle Seven: Focussing on Outcomes

The previous conclusions have drawn attention to the range of housing impacts across different policy sectors, jurisdictions and orders of government. It is important to move beyond the traditional social ‘needs’ cases and measures for housing policies. **The Seventh Principle for policy is that housing policies, investment and other actions should be designed and delivered to contribute effectively to the major outcome goals of governments.** This report has stressed the importance of linking housing outcomes to core economic policy goals including stability, productivity and growth but continued attention to social and environmental outcomes is required too. Some sub-national governments in the ABC countries can undertake this task readily and link housing to emerging agendas on inclusive growth and others demonstrably do not.

Principle Eight: Housing as Economic Infrastructure

An Eighth Principle for housing policy-making is that, given the renewed emphasis on the economic consequences of housing outcomes, housing is regarded as an essential economic, as well as social, infrastructure. This emphasis is consistent with the need to improve supply side responsiveness in housing markets and to more effectively link housing and transport investment decisions. It will also require governments at all levels to have appropriate conversations across housing, economic development and planning portfolios to explore the effects of housing on the local economy. Shaping Futures discussions reaffirmed research findings that such conversations are infrequent in sub-national governments.

Principle Nine: Housing and the Major Policy Settings

Relative to the growing scales of needs and affordability problems across the ABC countries in this millennium pre-2016 policy responses appear to be palliative, small-scale and failing. Shaping Futures participants argued strongly that improving resources for housing policies would help. As Ken Gibb noted, 'What we see is less a housing crisis and more overlapping chronic problems that periodically combine with external shocks and specific government policy change' and that 'a tipping point has arisen that requires a redistribution of scarce resources into the housing sector in the interests of the economy, society and...sustainability'. but that much more attention needed to be given to thinking about housing systems and their outcomes in the major Policy Frameworks and settings of governments. This is not a time for fragmented thinking with relatively crude national policy settings overwhelming small local policies and financial stabilisation policy and social security reform in the UK are recent, and important examples of major (non-housing) policy measures that frustrate housing achievements in some settings.

The Shaping Futures group concluded that a Ninth Principle for housing policy action was for governments to reassess their core policy thinking frameworks to reconsider, after almost thirty years, what works and what does not in shaping effective policy decisions. The group, for instance, thought that a different approach to potential strategic roles for governments in metropolitan land markets and planning was required that recognised the importance of reducing uncertainty for market providers. They also challenged the absence of capabilities in sub-national governments to design and run effective public investment strategies and housing policies. In effect, has the 'state' been rendered impotent where it needs to act to manage growth. A rethink on roles of planning and inclusionary zoning in capturing land value uplifts was regarded as imperative so that markets were better positioned to serve the wider public interest. Prevailing attitudes to tax arrangements, public debt all need to be rethought. The major policy framings prevailing in the ABC countries have played important roles in fashioning the problematic housing sectors they now have and the importance of rentier rather than entrepreneurial incomes.

Principle Ten: Building, not Spinning

The Shaping Futures group were encouraged that the Governments of Australia, Canada and the UK had all recognised the need to address fundamental housing issues that been too long ignored or de-emphasized. **The final Policy Principle of the group was that the governments, like housing providers, should be judged not by what they promise but by what they deliver.**

Reference

Rodrigues-Pose, A (2018) 'The revenge of the places that don't matter (and what to do about it)', *Cambridge Journal of Regions, Economy and Society*, Vol. 11 (1), pp.189-209