

LECTURE 5: HOUSING

- Focus on housing issues in Australia
- Auctions: tactics, competition, only a few families, mainly couples & investors

HOUSING & HOME

- Tension: thinking about housing as a human right vs as a commodity
- Home as a human right: shelter, mentioned in Article 5 of the UNDHR

Housing as a financial asset

- Largest expenditure for many people
- Source of wealth for individual households
- Cornerstone of urban & national economies
 - Housing construction industry – contributed 50% of GDP growth last year
 - Finance industry – banks rely on mortgages
 - Real estate industry – agents & investors
 - State tax revenue

Lecture Outline

- Housing and home
- Inequality in Australia
- Housing & Inequality in Australia
- Talking inequality through affordable housing

The Importance of Home

- Shelter from elements, privacy
- Site of reproduction – intimate needs
- Access to work, services, social networks
- Psychological significance – ontological security (identity has continuity)

INEQUALITY IN AUSTRALIA

- Inequalities: economic (income, assets, wealth), social (age, gender, race, religion), intergenerational, access to services - infrastructure, political (representation in the political process), marriage, material
- Piketty (2014): income inequality declining most of 20th century, began increasing again in the 1990's
- **Income Inequality in Aus**
 - Higher than OECD average
 - A person in the top 20% income group has around 5 times as much income as someone in bottom 20%
- **Social mobility (class inequality)**: Aus relatively well on a global scale, much better than UK and US, higher than most OECD countries

From 1991 to 2001: % of separate house and **owner-occupied**, as well as social housing have **decreased**, whilst **private rental has increased**

HOUSING & INEQUALITY IN AUSTRALIA

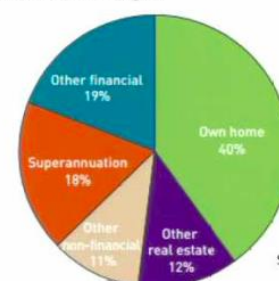
Housing & Inequality

- Ways of thinking about economic inequality
- Housing costs continually go up – despite inflation

Wealth

- Accumulation of surplus income, through labour, inheritance & interest
- Poor data on wealth in Australia
- More than half of household wealth is in housing
- Wealth inequalities in Aus:
 - Person in top 20% has 70 x more wealth than person in bottom 20%
 - Top 10% of households own 45% of all wealth
 - Wealth inequality is increasing, while income inequality has declined in past few years
- Own home wealth is the key % in 80% of the population – most of household wealth is in the home
- Homeownership & intergenerational inequality
 - Home ownership rates have decline since 1981: declines greatest among young people aged 25 to 34
 - In 1981, more than 60% of this group owned their own home, compared to 48% in 2011

The components of household wealth in Australia (average)



Source: ACOSS, 2015, p. 32

'After housing' disposable income

- *Income Gap* between the rich and the poor is proportionally higher if we deduct their housing costs, because housing costs are proportionally smaller for more affluent households
- Look at income, then deduct the cost of housing – to measure difference in disposable income

'Real income'

- Concept: access to services and infrastructure, thinking about the city as a gigantic resource system (Harvey, 1973)
- *Real Income*: is defined by access to urban resources:
 - Price of accessibility to employment opportunities, resources and welfare services
 - The cost of proximity – effects of being close to externalities (pollution)
- Unequal distribution of private resources
 - Capital flows to highest rates of return – linked to affluence
 - Discrimination based on social difference
- Unequal distribution of public resources
 - Government decisions about spatial allocation of public funding determine equity in access to health, education, transport etc.
 - Research: comparing spatial allocation of state infrastructure services & funding in Sydney & Melbourne – both treat disadvantaged suburbs differently, but middle & high class the same
 - Melbourne: most disadvantaged get highest level of funding, public housing in outer suburbs, yet funds infrastructure & well resourced
 - Sydney: most disadvantaged get lowest level of funding (almost same as rich), new public housing is in poorest suburbs that don't get funding – make issue worse
 - Funding level declines the further you move from the city centre – political invisibility

TACKLING INEQUALITY THROUGH AFFORDABLE HOUSING

- Ways which housing policy can tackle rising income inequality in Australia
- Subsidies: much greater spending on home owners, than low income renters
 - This issue can be solved through taxation reform
 - Abolish negative gearing – investors able to claim losses on investment as a deductible expense
 - Annual land tax on owner-occupiers
- Affordable rental housing
 - Reduce gap in after-housing disposable income
 - Reduce spatial segregation between rich & poor
- Assistance into low-income homeownership
 - Reduce wealth gap

Social Housing

- Way to reduce gap in after housing income
- Owned and managed by government (public housing) or NGO's (community housing)
- Discounts for low-income households (rent calculated as 25-30% of income)
- Moderate/high income households either pay full market rent or are disqualified from social housing

Social Housing	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Affordable • Secure tenancy 	<ul style="list-style-type: none"> • Insufficient supply – large waiting lists • Lack of choice for tenants • Often located in areas with poor access to infrastructure and services

Shared Equity

- Different model, as opposed to social housing
- Shared ownership arrangement between person & NGO or government
- Both partners contribute capital
- Tenancy rights like full ownership – equity partner is a 'silent partner'
- Responsibilities over costs of maintenance, rates, insurance divided in partnership agreement (varied) – then share profit of sale

Shared Equity	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Widening of homeownership • Security of tenure • Affordability • Reduced subsidy 	<ul style="list-style-type: none"> • Requires moderate levels of assets/income to begin with • Must have an ongoing income to upkeep

Planning Reform: Inclusive Zoning

- Urban planning requirement from private developers to include a proportion (10-30%) of low-cost housing in new developments
 - In/off site
 - For sale/private rent/social housing
 - Compulsory/voluntary
- Shifting cost from government to private sector for more affordable housing

Housing policy intervention – affordable housing supply, tax reform and urban planning reform – necessary to reduce inequality