Contemporary Housing Management – Beyond the Boundaries
40th Anniversary Conference
Chartered Institute of Housing, Asian Pacific Branch
Hong Kong, 24 November 2006

Housing Management Reform: A Solution or a Cause of Housing Problems?

Professor Terry Burke

Abstract. This paper looks at Australian social housing management reform over the last decade and evaluates the outcomes for clients, the housing system, and the community. It argues many of the reforms were premised on false assumption as to the role of the social housing system and the nature of the Australian housing problem. While some of the reforms have been quietly disbanded and others modified another set of reforms introduced elsewhere, eg transfer and choice based allocations, have not be taken up. After a decade of change there is now reform weariness and more importantly the sector is now more problematic than before the reform era. Management reform has become as much a cause as a solution of the housing problem!

1 Introduction

The Chartered Institute of Housing has long been an international leader on issues of housing policy, management and governance. The Hong Kong CIH branch's 40th anniversary conference on the theme of 'Contemporary Housing Management – Beyond the Boundaries' is therefore part of the CIH's continuing tradition of providing best practice knowledge for the housing sector. In that tradition, it would be nice if I could talk about Australia as an example of good contemporary housing management practice. Unfortunately, my report card for Australia is at best a mixed one and at worse a negative one. In part, this is because some reforms were pushed beyond the boundaries of institutional or political feasibility, and in other cases because there was a fear or reluctance to actually push the boundaries of reform.

In Australia, the last decade or so has seen major management reform in the social housing sector (i.e. housing managed by government or the not-for-profit sector), but almost complete neglect or reluctance to push the boundaries of management and policy reform in the private sector. It has almost been as if an obsession with management of the public housing sector has been a substitute for broader policy debate and housing management reform. Unfortunately, many of the management reforms that have been introduced in social housing have been limited in their success or failure. What this paper illustrates is the importance of the institutional environment in shaping the take-up, and the success or failure, of policy and management reform.

2 The Institutional Context

Before I explore these points in more detail, it is important to provide something of the institutional context, including that of housing. Like the USA, Australia is a market liberal society and thus shares many of its housing features with the USA rather than with the UK, despite Australia – like Hong Kong – having once been a British colony. It thus has high rates of home ownership (68%), a largish private rental sector (23%) and a small and increasingly residualised social housing sector (5%) (Australian Bureau of Statistics 2001). More broadly and consistent with market liberal traditions, it is, by OECD standards, a low tax country, with a relatively small role for the government sector and with values of private property ownership and individualism (Esping-Andersen 1996).

Another key feature is that the bulk of housing stock is detached dwellings, mostly in the form of owner occupation. A third and related feature is that the private rental sector does not consist of large-scale medium to high rise apartments, as in Hong Kong and much of Europe, but a mix of detached housing and small-scale apartments, the latter rarely more than three storeys high and typically made up of four to ten separate units. Ownership of this rental stock is highly fragmented, with most investors owning only one or occasionally two dwellings. Private sector high rise apartments are relatively new, with very few having been built before 1990, and with those built since then concentrated in and around the central business districts of the larger cities. While the public housing sector constructed high rise apartments in the 1960s, there are only about forty such towers nationally, virtually all in New South Wales and Victoria (Burke 2006a).

The social housing sector is predominantly (95%) managed by state governments, with the remaining stock managed by a wide range of not-for-profit or what in Australia are called 'community' providers, many coming from church backgrounds. The social housing stock is very much like that of the private rental sector, a mix of detached dwellings and low rise apartments (plus the few high rise in New South Wales and Victoria). As most construction was in 1946-85, the stock is now ageing and in need of major upgrades (Hayward 1996).

Under Australia's federal system of government, capital funding for social housing construction is in principle provided by cash grants from the Commonwealth (national) government and matched by the states. This is done through a three to four year funding agreement called the Commonwealth-State Housing Agreement (CSHA). Recurrent funding (staffing and maintenance) is meant to be covered by rents, but increased targeting to very low income clients (see Section 4.1) has meant ever lower rental revenue, therefore capital funding (which has itself been in decline) is being used for recurrent funding to such a degree that there is little capacity for stock growth. In 2005 only a few hundred units of stock were added for a population of 20 million. This compares with the Hong Kong Housing Authority adding around 45,000 units per annum for a population of 6 million. Where in 2005 in Hong Kong 23,000 new households were allocated PRH housing compared to 34,000 on the PRH wait list (a 68% ratio), in Australia only 27,776 'new' households were allocated housing in 2005 compared to a 203,905 wait list (a 14% ratio) (Department of Family and Community Services 2006; http://www.housingauthority.gov.hk/b5/aboutus/resources/figure/).

Another important element of the institutional environment of social housing in Australia is the peculiar rent setting method. All State Housing Authorities (SHAs) operate a dual rental system whereby they determine both a rent for each property (a market rent) and a rent for each household (the household rent). The market rent is a ceiling or maximum rent payable on each property while the household rent, usually referred to as a 'rebated rent' or an 'income related rent', is based on the income of each tenant and normally set at 25%. The market rent is in effect a nominal rent as most tenants are on such low incomes that they need a subsidy – the rebate – to achieve a modicum of affordability. This rebate is carried as a liability of the SHAs and is not compensated for by a payment from Treasury (as in New Zealand) or by a housing benefit or equivalent from a central agency (as in the UK and most of Europe) (McNelis and Burke 2004).

3 The Directions of Reform

Looking at what might be called key indicators of performance of the Australian housing system (not just social housing), we could reasonably conclude that the outcomes for low to moderate income earners have been poor, with this paradoxically occurring in an era of substantial economic growth. The number of homeless have increased (Australian Bureau of Statistics 2004), social housing wait lists in proportion to available stock are at record highs (Department of Family and Community Services 2006), the numbers of households experiencing housing affordability problems in the private sector have increased (Harding, Phillips and Kelly 2004), home purchase rates are falling (Yates 2003), low cost private rental stock is contracting (Yates, Wulff and Reynolds 2004), dwelling price to household income ratios are at record highs, mortgage arrears are up 150% in the last year (Reserve Bank of Australia 2006), and the low rental yields in the private sector are out of all proportion to the capital value of the stock (*Economist* 2005). In short, housing is too expensive for all but middle and high income earners. Just as importantly, the housing market could be poised to collapse as it did in Hong Kong in 1997 and Japan in 1990. Yet the only management reform over the last decade has been in the highly marginalised social housing sector.

This raises two questions. What was the basis of reform of the social housing sector, and why was it the major target of reform while a policy of benign neglect was adopted for the private housing sector? We will deal with the latter question first.

Since the mid-1980s, whether Labor or Liberal (that is, conservative), governments have increasingly shifted towards a philosophy and policy of the new market liberalism. The objective was to position Australia more competitively in an increasingly globalised economy. This meant financial, trade and labour market deregulation, reduced taxation, privatisation and a smaller role for the public sector. As measured by conventional economic growth measures, the policy was successful, as Australia for the last decade has experienced stronger growth than most other OECD countries. The problem, as in China, has been a distributional one. The benefits of this growth have not flowed fairly: higher income earners have captured the bulk of the gain, certain regions and housing markets have performed more strongly than others, while key services that underpin the public good such as health, education, age care and child care have been eroded for those on lower incomes, because of funding cuts and a greater reliance on ‘user pays’ to determine access to these goods.

One effect of the market liberal philosophy was to create a view that government or public provision was bad and private provision was good. This has a number of dimensions, including that government intervention impedes market efficiency, government investment crowds out private investment, and government decision making by so-called faceless bureaucrats on a whole range of issues denies people’s individual ability to make their own choices about what to consume and what to invest in (Osborne and Gaebler). Reinforcing these views has been an emergent one that government welfare policies (including provision of public housing) have weakened the recipients’ ability to become active and responsible citizens (including capacity to get employment), therefore the rolling back of the state is a precondition for weaning people away from a welfare dependency culture.

In this context, it is not difficult to see where the critical gaze of reform would be directed in housing. Certainly not towards private housing, which was largely seen as unproblematic, but towards social housing – which is essentially public housing and therefore subject to the negative beliefs and values expressed above. Thus in the early to mid-1990s there were a number of reviews of public housing, with the general thrust being the need for major reforms consistent with the emergent new public sector managerialism. These included a purchaser/ provider split within SHAs, encouragement of competition in social housing in the form of an expanded community sector, focus on core business, market rents, increased targeting of stock to high need clients, and greater accountability, largely through performance indicators. Privatisation via the sale or transfer of assets to the private sector and contracting out of management functions, which have been an important part of British public housing sector reforms, was not actively pursued, for reasons which will be discussed later. Neither was client choice in allocations.

A second reason for the focus on public housing reform and the neglect of private sector reform was what we might call the political schizophrenia of the housing market. Essentially this means that, in a largely home ownership society, positive performance of the market for some households becomes a negative for others. Big rises in dwelling prices increase the wealth and equity of those who own property, while reducing affordability and after-housing-cost income for those who do not. Nothing has been done to address this market inequity, and it is not hard to understand why. With 68% of owners or purchasers experiencing increased wealth as a result of massive dwelling price inflation, politically there is little mileage in any reforms which, in the interests of greater affordability, would mitigate this or turn it around. Governments constrained by the political environment are simply unwilling to make the harsh decisions to ensure better performance from the private sector. Conversely, as there was little political support for public housing, the harsh decisions could be made there.

The third explanation for the neglect of policy and administrative reform of the private sector is that it is simply too difficult. For a start, it has a much more diverse range of actors. Where any reforms of public housing basically have only the eight SHAs to deal with, those in the private sector have finance companies, developers, builders, property managers and real estate agents, which in turn are fragmented across the states and territories and within themselves. For example, the finance sector includes banks, building societies, mortgage brokers, mortgage managers and mortgage originators, with no necessary commonality of interests. There are a whole range of regulatory, taxation, income transfer payment and revenue programs at different levels of government which can impact on private sector housing outcomes. The result is an inability to obtain any common understanding of what problems there are, let alone agreement on appropriate reforms. Thus, put into the ‘too hard’ basket, the sector goes along without policy or administrative reform of virtually any kind, despite growing evidence of an affordability crisis.

Finally, housing management reform has been affected by shifts in thinking as to the appropriate governance roles in a federal system, a process given momentum since 2001 by international terrorism. In a federal system with three layers of government (national, state and local), there have always been tensions as to who is responsible for what. Australia is highly centralised by comparison with other such systems (e.g. USA, Canada, Germany), with the Commonwealth government historically controlling much of the revenue and therefore the actual delivery of services. In the last decade, particularly since 9/11, there has been a push by the Commonwealth to devolve the delivery of services, and associated responsibility, to the states. The Commonwealth’s role becomes one of national security and economic management. Thus, where for many years the Commonwealth had a major responsibility for housing and urban issues (with associated funding commitments), this has withered away to the degree that there is no national housing and urban department and no national housing or urban policy. Housing, despite the clear indicators that it is fundamentally important to the economy, is not seen as such in Canberra. It is seen as issue of service delivery like education and health care, and essentially a state responsibility. The Commonwealth's role is to encourage reform at the state level – the level at which public housing is managed.

4 Social Housing Management Reform

Politically less difficult and philosophically more attractive to deal with than the private sector, the public sector thus has had reform inflicted upon it. Table 1 summarises what its directions were, the objectives, the problems, and status as to whether abandoned or continuing. The paper then explores the reforms in more detail.

Table 1: Social Housing Reform in Australia

Reform	Objective	Problems	Current status
Focus on core business	To encourage SHAs to focus on what they do best – provide shelter	Has distorted outcomes, preventing solution of wider housing and urban problems	Abandoned
Greater targeting to highest housing need households	To assist highest need households to access the very limited stock	Has residualised social housing, and threatened financial viability and social sustainability	Continuing
Competition	To encourage efficiency and provide greater client choice of providers	Not-for-profit sector not big enough to be effective competition Not-for-profits cannibalised public sector	Continuing
Purchaser/provider split	To encourage efficiency	Has distorted outcomes, created community costs	Abandoned
Locating housing agencies in larger human services departments	Acknowledging welfare role of social housing by locating housing in departments that would provide support for welfare clients	Unclear whether it provided better integration of support services Weakened housing's political role and ability to engage with wider housing issues	With some exceptions, little evidence of better support outcomes
Shift from cost rents to market rents	Efficiency, encouraging clients to use dwellings more effectively Accountability, providing better measure of subsidy	Efficiency objective negated by fact that only 3% of tenants pay market rent, while remainder pay household rent linked to income	Continuing
Performance indicators	Adoption of range of indicators	Conceptual and operational problems	Continuing, but progressive changes
Client choice in allocations	To give clients greater choice	Institutional and geographic barriers	One small pilot project
Stock transfers	To build competitiveness and capacity in the not-for-profit sector	Political and institutional barriers	Extremely limited take-up
Professionalisation of the workforce	To increase professional capacity of housing workers	Funding and providing access to professional development opportunities	Continuing and growing annually
Public/private partnerships	To use private funding and experience for social housing provision	External funding environment not right Lack of experience of partners with process	Embryonic
Contracting out of management	To improve efficiency of service delivery	Private sector does not have skills. Limited capacity in not-for-profits	Ceased

4.1 Core Business

The major reform was the focus on core business, defined as providing shelter to those in greatest need. Organisational tasks that were seen as irrelevant to this focus were wound up or transferred to other agencies. These included programs to monitor the private sector, urban renewal, tenant participation, social mix, home ownership schemes, related commercial activities such as land banking or offices, and retail property management if such stock was part of a public housing estate. While enthusiasm for giving up these wider roles varied from state to state, by the late 1990s most SHAs were focused on 'shelter only', with highly targeted allocations systems. Multiple hardship such as homelessness, domestic violence, drug or alcohol addiction, mental illness or disability were the major criteria for eligibility, with low income or poverty no longer being sufficient.

The fairness of targeting is difficult to dispute, although it begs a whole range of other questions, including the long-term sustainability of the sector. As a result of targeting, 93% of all tenants require a rebate keep their rents to an affordable 25% of income (McNelis and Burke 2004). Before targeting, it was only something like 70%, with the remaining proportion paying a full cost rent (Department of Family and Community Services 2001). The problem now is that targeting has so reduced the SHAs' income that virtually all are already in the red, or will be within the next five years (Hall and Berry 2004).

This financial status has weakened their ability to achieve growth and therefore, perversely, to meet needs. There are other costs. Up to ten years of targeting in some jurisdictions has meant that there are now high concentrations of the multiply disadvantaged in certain buildings, streets or neighbourhoods, with increasing problems of anti-social behaviour, neighbourhood disputes, stigma and community breakdown. Without a social mix of tenants, some areas are at risk of becoming non-sustainable communities. Awareness of this is causing some questioning of targeting and is encouraging limited reform through local area allocations policy where there are social problems, falling demand and high rates of vacancies.

The problems with the core business focus were not just those of targeting. Governments and the public soon became aware that large government agencies like SHAs simply cannot ignore their wider economic and social responsibilities such as impacts on community sustainability, urban form, housing affordability and private market performance.

As a result there has been a major retreat and, with jurisdictional differences, SHAs have got back into urban renewal (although constrained by financial problems), have started to get back into monitoring of the private sector, have initiated a range of new products including home purchase, and are working hard to develop a broader housing affordability role but are battling to get momentum as, unlike in Hong Kong, virtually all land is now in private ownership. Given this, the only way that most SHAs see it possible to make inroads on the affordable housing problem through the land process is by inclusionary zoning, that is, the requirement that, as a condition of the development permit, some percentage of the land is provided for low cost or affordable housing initiatives. While SHAs are encouraging governments to move in this direction, this has met resistance from both planning departments, which have a traditional antipathy to using planning controls for what they see as social objectives, and from Treasury departments, which see inclusionary zoning as an undesirable market intervention. As a result, there has been little provision of affordable housing through greater interdepartmental cooperation on any meaningful scale. The numbers to date would not be more than a few hundred dwelling units Australia-wide.

4.2 Competition

Since the 1970s Australia has had a small not-for-profit (community) housing sector. It emerged when a small number of community agencies recognised that certain household types were ineligible for public housing, given the eligibility conditions of the 1970s. They acquired their own dwellings and provided housing for domestic violence victims, Aboriginal people, the aged, and those with psychiatric or mental disabilities. By 1990 there were hundreds of such providers, with very few managing more than 50 properties. In the early 1990s, in the market liberal spirit of competition (plus some frustration with the reform obstinacy of large SHAs), it was felt that if the community sector was expanded it would provide greater competitive discipline for SHAs and give clients a greater choice of providers. Since then, the bulk of the limited growth in social housing has come from the community sector, mainly because they, not SHAs, were provided with the capital funding to grow, but also in some cases through stock transfers (see Section 4.8). However, because the capital funding is so severely constrained and the transfers were so limited, community housing agencies remain small compared to the SHAs. Because of that, they are neither effective as competitors (although they do provide an important housing service) nor as vehicles for providing client choice, as most clients requesting housing assistance remain unaware of their very existence and still see SHAs as the only provider (Burke, Neske and Ralston 2004).

4.3 Purchaser/Provider Split

Much of the literature about commercialisation of public enterprises places a heavy emphasis on development of the customer/supplier relationship. Instead of seeing themselves as one large government service provider, they are encouraged to consider themselves as either **purchasers** or **providers** of particular goods and services, with an appropriate functional and organisational separation of these activities. This requires a cultural shift for public servants to rethink their role and take on quite different behaviours. It also requires roles and responsibilities to be clarified. Business planning is intended to facilitate this, and the relationship is often formalised through negotiation of **service level agreements**. The split is supposed to result in greater efficiency for both sides (Department of Finance 1995).

In the mid-1990s a number of SHAs were organisationally split, with the tenancy management arm being defined as purchasers and the asset management arm as suppliers. This required the tenancy side to specify how much of a particular housing good they required and the price. The asset management side would in principle then deliver the agreed product at the agreed price and in the agreed time frame and, because price was the underlying dynamic structuring the purchaser/provider relationship, both organisational arms would have the incentive to be efficient.

The theory never matched the practice. It was a complete disaster, with every SHA abandoning this structure within five years of introduction. Why? Firstly, the specification of housing services can be very difficult, particularly if you are talking about low income households. They require not just shelter but safety, security and support. The provider side, who came to define their role only in terms of asset attributes, found such issues difficult to operationalise and price. Secondly, the provider side, who were essentially concerned with a return on their assets (their core business task), neglected their community service obligations (CSOs) that are characteristic of public agencies. CSOs are services that would not otherwise be supplied under the same conditions as a commercial decision, and provide identifiable community or social benefit, usually embracing distributional objectives relating to financial and geographic factors. Provider actions which cut across CSO principles included selling stock in areas of high housing need because they could get a good return, and under-maintenance of stock in areas of disadvantage, thereby compounding existing problems. The split also created dysfunctional organisations with conflicting cultures about the objectives of social housing provision, and antagonistic relationships between staff. Thirdly, the model is consistent with an emphasis on core business, and when housing agencies only a few years after the adoption of this began to move back into areas of urban renewal, home ownership programs and affordable housing provision, the model became irrelevant. It remains a good example of why an understanding of the organisational and institutional context is a prerequisite for management and policy reform.

4.4 Location of Housing Departments in Human Service Departments

Because of its size and importance to Hong Kong society and economy, the HKHA stands alone as an autonomous agency. Up until the mid-1990s, the history of Australian SHAs had also been one of autonomy, although in the 1980s some housing departments took on planning and public works roles, while remaining as separate departments with their own minister. In the 1990s some states decided that housing was not sufficiently important to warrant a stand-alone department and, more significantly, was conceptualised as having a welfare role, closely linked to the human service role areas of health, ageing, disability and homelessness. Giving credence to this was the tight targeting whereby the most applicants being allocated housing were the homeless, the disabled or domestic violence victims, many of whom could not sustain their tenancies without support from social workers in the human services agencies. In this context, four jurisdictions amalgamated their stand-alone housing departments into larger human services departments. Formerly large and influential housing agencies had by 2000 been reduced to organisational units in a welfare department. Whether this has meant better outcomes is unclear. For clients, it may have enabled more effective coordination of support services. But it has come at the cost of the political influence and public visibility of housing, and constrained its ability to make policy shifts in areas outside of the welfare role, for example, urban and regional planning and housing affordability.

4.5 Shift from Cost Rents to Market Rents

From their inception in the mid-1940s until the early 1990s, Australian SHAs – like virtually every social housing agency worldwide – charged a rent which covered the cost of provision of all services, including maintenance. Capital costs such as construction and redevelopment were not included in the cost rent but covered by the capital allocation of the CSHA, as discussed earlier. In the early 1990s, consistent with the public sector commercialisation ethos, SHAs switched to market rents. This rent setting method divorces social housing rent from any relationship to costs of provision, basing it instead on the values of an equivalent private property. The rationale for this was twofold.

Firstly, it is argued that any household not paying a market rent is receiving an implicit subsidy because, if a public sector dwelling was rented out on the private market, it would bring the market rent of equivalent housing for that type and location. Aggregated for all households in the SHAs, a market rent method would then provide a benchmark by which to measure the subsidy for the social housing system as a whole. In short, it makes subsidies transparent.

Secondly, it will encourage SHA tenants who are on good incomes to exit social housing, freeing up the property for a needier household. The view was that ***market rents*** would facilitate a more efficient use of a scarce resource, as well as meeting both ***vertical equity*** goals (those on higher incomes pay more) and ***horizontal equity*** goals (those on the same incomes, whether in the private or public sector, pay the same rent).

While SHAs still use market rents as a property rent, this is largely becomes it is imposed on them through the CSHA by the Commonwealth government – which is much more zealous about market principles than the state governments. In reality, it has become part of an administrative nightmare.

The problems with it are many, including the conceptual error that private market values represent some objective standard of value. This can be challenged in four ways. Firstly, the economic theory on which it is based is questionable. The argument is that the correct measure of subsidy and the appropriate pricing signal for social housing is the market valuation of comparable private sector property; this is the opportunity cost of social housing. The argument suffers from the fallacy of misplaced composition. It is only applicable for an ***individual*** property. If ***all*** social housing properties were actually rented at market values, there would not be sufficient effective demand for all of them to be occupied, given that we know many households cannot afford market rents, as occurred to some extent in New Zealand in the 1990s. There would be consequent pressure to lower market rents to ensure occupancy. Thus, the market value of social housing is not the current equivalent market rents, but some lesser amount reflecting the aggregated purchasing power of the tenants. To impute a subsidy based on equivalent current market values is not theoretically correct. Social housing should have a discounted market value in recognition of this. Secondly, the notion of market rents is based on an assumption of perfect markets, that is, those which act in accordance with the principles outlined in standard economic texts. In reality, there are distortions in the private housing market; it does not act like a perfect market, with the outcome that it is difficult to say what the value of a dwelling is actually measuring. Thirdly, market rents assume that all markets are broadly the same and that the values or rents in one, for example, private housing, can be attributed to another, for example, public housing. In fact, there are quite distinct submarkets even in a local area, and local private rents may not be a good measure of public sector properties; for example, what is the private equivalent of high rise public housing? Finally, the principle of market rent rests on the questionable assumption that the highest market value measures the best use of goods or services.

As well as being flawed conceptually, market rents were flawed in practice. For example, the belief that they would facilitate the 'exit' of more affluent households is premised on the assumption that social housing contained large numbers of such households. This may have been the case in the 1970s, but was certainly not the case by the early 1990s, where well over 90% of tenants had such low incomes they had to receive a rebate on their market rent to make it affordable. And this is the other problem with market rents. The vast majority of public housing tenants pay a household rent which is 25% of their income, not the market rent, and are therefore immune to market signals. Finally, there are a whole range of technical problems in setting market rents for specific social housing, so that one gets the impression that SHAs no longer take the task very seriously and often leave the market rent as is for years rather than making regular changes in line with private market trends.

More importantly, the shift to market rents failed to address the complexity and administrative burden attached to Australian social housing rent setting. It was a misplaced reform.

The real problem is the form of the Australian rental system. As outlined earlier, all SHAs operate a dual rental system whereby they determine both a rent for each property (the market rent) and a rent for each household (the household rent). The market rent is a ceiling or maximum rent payable on each property. The household rent, usually referred to as a 'rebated rent' or an 'income-related rent', is based on the income of each tenant, normally 25% of income. And here is the problem. The household rent is the one which tenants effectively pay and experience. Being set in relation to income, it means considerable administrative time and effort for client service officers in working out what is an income for rental purposes. It also means that any time a tenant's income changes (including any adult member of the household), they have to notify the SHA and pay a new rent which relates to that new income. In a context where many low income earners have casualised and unstable employment patterns, this is burdensome for both tenants and SHAs. But there have been no reforms in these areas, in part because under the existing institutional arrangements of housing assistance, including the CSHA, it is difficult to resolve a simple rent setting model that balances equity for tenants and financial viability for SHAs. There have been proposals (Burke 2006b) but, as these require additional funding from the Commonwealth – which is essentially unsympathetic to SHAs and their problems – there is little traction on this issue.

4.6 Performance Indicators

Another major management reform, linked with the principle of greater accountability, is the adoption of performance indicators. By the early to mid-1990s the social housing system was characterised by a set of performance indicators. These are summarised in Table 2 which shows the outcome to be measured, the indicator, and problems associated with each.

Table 2: Housing Performance Indicators

Outcome to be measured	Performance indicator	Problem
Level of provision Extent to which public housing provision meets agreed need level	Proportion of households provided with housing assistance in a year, relative to agreed level of provision	This is a measure of the capability of each SHA, not of what would have to be done to ensure an adequate supply
Targeting Need status of all households receiving assistance	The proportion of households in need who are in public housing	Difficulty of measuring housing need accurately, and there is an assumption that targeting is good
Affordability Level of affordability within the public sector	Percentage of 'assessable' household income spent on housing costs	This is effectively a tautological measure in that SHAs are required to keep rents for low income tenants to an affordability level; it is really a descriptor of current policy

Housing condition	Housing stock condition as determined by client perceptions	Problems in comparability of data collections across states, difficulties that inevitably arise when tenants have to assess a complex housing attribute, and not amenable to policy or program action
Under-utilisation Degree of under-occupation of dwellings	Proportion of households where dwelling size is not appropriate	This assumes a clear and unambiguous relationship between household size and number of bedrooms; these relationships do not hold in the home ownership sector, so why assume that they are valid in the public sector?
Timeliness Length of time that clients have to wait for housing, e.g. less than twelve months, three to four years	Proportion of total number of households on wait list in specific time-wait periods	Wait lists are a notoriously inaccurate indicator, reflecting the size of stock relative to unmet demand, the degree to which it is allocated on a priority basis, and the severity of eligibility criteria
Rate of return on assets	Rate of return on equity	Requires heroic assumptions to be made about the value of assets, and is prone to the vagaries of the market in that values reflect private sector operating environment
Equity value of assets	Equity value of a given year, relative to target levels	What is the point? What is the policy objective? Also, equity is subject to instability of market values
Administrative and operational efficiency	Average administration and operational cost per dwelling	Assumes that low costs are good, but this depends on services that are offered; also difficulties of comparable data across jurisdictions
Community service obligations Direct subsidies	Direct subsidies as a proportion of total market value	Heroic assumptions required to measure market values Does this subsidy actually reflect the cost of providing housing assistance? Assumes limited concept of what are CSOs

Cost of stock production Acquisition of stock	Average purchase cost per dwelling	Variations in costs might reflect regional variations in the housing cycle; they might also simply reflect differing housing standards, for example, high costs might mean better quality dwellings
Rent arrears Management of rent arrears	Percentage of tenants in arrears at any given time	Does this lead to a 'moral hazard', with SHAs prematurely evicting high need, low income tenants?
Stock turnaround	Proportion of rent lost through vacancy, divided by potential rent	Being based on market rents, this is subject to vagaries of market processes
Rent arrears	Total rent actually collected as a percentage of total rent charged	Sensitive to timing of arrears, thus arrears created one year may be recovered in next Possibility of rent collected in some jurisdictions in some years exceeding 100% Sensitive to market forces, given that rent charged is market rent

While there have been some changes to the indicators, they still lack clarity in relation to the strategic and operational objectives of social housing, the data bases used are inadequate to the task, they are not adapted to the different housing market contexts in which the providers have to manage stock, and there are major omissions of performance because certain key activities do not lend themselves to quantification (Burke and Hayward 2000). Not only do they communicate flawed information about performance, they actually distort performance, as client service officers know which activities mesh with the indicators and which ones do not. So they do not spend time assisting someone to sustain their tenancy (for which there is no indicator), but they do make sure that stock is occupied as quickly as possible (as time taken to allocate is an indicator), even if they know it is an inappropriate allocation which may create neighborhood problems (not measured) or a breakdown of the tenancy at a later date (also not measured). The HKHA has some of these measures, but some of the problems are less relevant in a geographically concentrated urban area. Completely inappropriate are 'one size fits all' performance indicators when local housing markets vary from a mineral-rich boom town where median private rents are HK$3,000 per week and there is a ten year wait list, to a struggling regional centre where private rents may only be HK$700 and there is little demand for public housing.

4.7 Client Choice in Allocations

Social housing providers in Australia allocate vacant properties to households based on administrative criteria and processes. The households are, for the most part, passive participants, with only limited rights of refusal once they are offered a property. There is very little opportunity for active household choice in this model, although there is some variation in the community housing sector. There have been significant reforms in Europe, particularly in the Netherlands and the UK, to improve choice for households wishing to access social housing, for example, advertising of vacant properties (Department of the Environment, Transport and the Regions 2000; Kullberg 2002; Mullins and Pawson 2005). Generally referred to as choice-based letting (CBL) schemes, these were introduced in Delft in the Netherlands a decade ago, and later in pilot projects in the UK. Typically a CBL system is one where the client is aware of all available properties for which they are eligible, and is able to make their own choice from among them. The broad principles (Jones 2004: 2) are:

- All available vacant properties are advertised to all members of the scheme;
- All members bid for the properties they are interested in;
- Bids for each property are short-listed;
- The property is offered to the member at the top of this list;
- Offers, acceptances, refusals and lettings are dealt with in the normal way;
- Information on the number of bids received for each property is provided to all members.

Despite the shift in Europe and the UK to such models and their apparent success, there has been no traction on introducing them in Australia, notwithstanding a number of studies on the system and its applicability (Hulse and Burke 2005). This is perhaps paradoxical, given the emphasis in market liberal societies on market models and consumer choice. Why the issue has not got traction includes lack of leadership by the Commonwealth government in contrast to, say, the British and Scottish governments which effectively pushed the model on to housing agencies, but it must also have something to do with different housing stresses experienced by Australian housing agencies compared to their UK counterparts.

CBL systems are easier to introduce in areas where there is a lack of intense demand, as this creates greater opportunity for applicants to have choice, given there are likely to be more properties offered and fewer bidders. Because of the small size of the stock in Australia, most areas are experiencing extreme levels of demand and wait times in years, and therefore there is some perception that CBL systems would not work in this context. Just as importantly, the highly targeted nature of allocations means that in many jurisdictions clients are entering with mental disability, addiction or domestic violence issues, and it is felt – rightly or wrongly – that they are not in a position to be informed consumers in a CBL system. There is also the historically entrenched view among the SHAs that bureaucratic wait lists, despite their problems, are ultimately the fairest way to allocate, in the sense that every one knows what the system is, how it works and why people have been allocated a property.

4.8 Stock Transfers

Unlike in the UK where transfers were a key part of reform (Boyne and Walker 1999), there have been very few stock transfers from the public to the community sector in Australia, and even these have not been done in any planned or cohesive way. The numbers probably do not exceed one thousand or so dwellings across Australia, occurring as opportunities present themselves, e.g. in areas of surplus public stock.

One major reason is the size of the public stock. Large-scale transfers are less problematic when this is in the order of one third of all housing stock, rather than only 5%. Another reason is that Australia sold a sizable proportion of public stock (in some states, almost half) in the 1960s and 1970s, and this left the states with a weakened capacity to address housing need and therefore more cautious about further loss of public housing (Hayward 1996). Certain peculiarities of the Australian income support system and public housing system also explain the lack of momentum. Low income private and not-for-profit renters in receipt of income support can receive Commonwealth rent assistance, but low income renters in public housing do not. If public stock (and tenants) was transferred to not-for-profits, the tenants would become eligible for rent assistance, and this would be a major cost transfer from the states to the Commonwealth. The fear is that, while the Commonwealth might be willing to undertake this for limited transfers, they would not do so on a larger scale, leaving transferred tenants in an uncertain financial position. Another political reason is that since 2000 all the states have had Labor governments. In the 1990s, when they were under Liberal governments, there was considerable privatisation of public sector services, resulting in a substantial electoral backlash and loss of government for the Liberals. Labor politicians fear that stock transfers would be labelled as privatisation by stealth and would have similar repercussions. Finally, unlike in Europe and the UK where the not-for-profit sector is much larger, there is a view that it does not yet have the professional capacity to manage large-scale stock transfers.

4.9 Professionalisation of the Workforce

In the late 1980s when Australia's first social housing workforce audit (Burke, Dalton and Paris 1990) was undertaken, very few of the 10,000 or so workers, other than those in management positions, had tertiary qualifications and there was only limited opportunity for professional development. In the context of major public sector reforms and an increasingly diverse and complex client base, it was recognised that there was a need to build greater professional capacity.

Accordingly, Swinburne University of Technology was funded to develop a nested program of Graduate Certificate (two year), Graduate Diploma (three year) and Masters (four years) courses in housing management and policy, targeted specifically at SHA and not-for-profit housing workers in Australia and New Zealand. In distance education format, the CIH-recognised program has now been running for thirteen years and has graduated 700 students. These courses are only available to workers who have at least five years housing experience, and places are rationed to 60 per annum. Most SHAs have also introduced Certificate 4s which are six month induction programs for new workers and for existing workers who have had no previous professional development opportunities.

In 2001 an Australasian Housing Institute (AHI) was set up as a professional institute for the social housing sector. It is modelled on the CIH but on a much smaller scale, given the sector's size. Like the CIH in its early years, the AHI is playing an increasingly important role developing a professional culture amongst housing workers (see http://www.housing institute.org/).

4.10 Contracting Out

Contracting out involves the use of, and payment to, an external source to provide services or functions required by an organisation. In relation to public sector reform, it is premised on the ideological assumption that the introduction of competition and other market disciplines will bring substantial efficiency gains and savings, which may ultimately translate to lower taxes and charges (James 1992; Quiggin 1996) Large corporations and government departments have traditionally relied on in-house corporate service units to provide all support functions and services required by their various business areas. Instead of employing staff and resources to provide such services internally, they can concentrate their own efforts on those activities which directly contribute to the achievement their business goals – their ***core business*** which, in housing, many see as tenancy management. While used by the HKHA largely in terms of the property management role, and with performance indicators relating to this, there has been little contracting out of tenancy or property management in Australian social housing.

One reason for this is the different nature of the stock. As mentioned at the beginning of this paper, Australian social housing stock in many respects mirrors that of the private sector, being predominantly detached housing with some low rise flats and the very occasional high rise. This means that properties can be dispersed over hundreds of square kilometres for any area office, mixed in with thousands of private rental and ownership properties. Unlike high rise towers in a narrowly defined area, it is geographically broad and complex to manage, and beyond the competence of most private property managers. Secondly, the nature of social housing provision in Australia (more so with targeting) requires tenancy and property managers to undertake a set of tasks (community service obligations) that would not be in the responsibilities of a private real estate manager (see Table 3).

Table 3: Social Housing Community Service Obligations

Managing wait list for public housing applicants
Calculating rent
Transfer of tenants between properties
More involved in dealings with applicants at application time
More involved in dealings with tenants requiring urgent repairs
Managing neighbourhood complaints
Conducting investigations into complaints or requests from head office
Interviewing tenants in arrears and trying to negotiate alternative arrangements
Conducting client service surveys
Handling information about, and arrangements for, people with disabilities
Obtaining information for, and drafting replies to, ministerial letters
Providing detailed input into budgeting and strategic processes for vacant, responsive and planned maintenance, stock management planning, site upgrading and capital works
Providing input into policy development
Implementing and maintaining a tenant participation program
Assisting in government's home lending, bond loan and rental grant programs
Liaising with external agencies, e.g. community groups and local government

A review of these would suggest that many private estate managers would not have the necessary skills for these tasks, and that incorporating them into their operations would require a substantial increase in costs. It is not surprising, therefore, that the only attempt to contract out tenancy management functions through a pilot in one area office of the Queensland SHA was terminated even before it could be completed.

4.11 Public/Private Partnerships

Probably the most recent social housing management and policy reform, this is the process in which SHAs partner with other government agencies and with private (and, in some cases, ‘not-for-profit’) agencies to deliver social housing. The SHA and private partner may put up some of the funds, any of the partners some land, the private partner may provide development and project management skills, and the not-for-profit agency may offer community development skills. The theory is that, by leveraging in private resourcing and skills, more housing would be provided and a different product evolved than if the SHA had gone about the project alone. However, public/private partnerships are as much a desperate attempt to overcome the funding constraints on SHAs as they are about harnessing these other benefits. After all, the SHAs have their own successful history of managing large projects, but are simply unable to demonstrate that expertise in the current funding environment.

Housing policy makers in Australia are currently enthusiastic about public/private partnerships despite the fact that, as with other reforms, very little has been delivered on the ground. There has been one successful redevelopment of a high rise estate in inner Melbourne (Hulse, Herbert and Down 2004), a less successful medium density development in inner Melbourne (Aspin 2005), and a lot of planning for others. The major problem with such partnerships is that, to be successful, the private partners need some planning or other subsidy provisions (taxation or grants) to compensate them for participating in projects that will have less than market returns, which is an inevitable outcome of low income housing provision. SHAs do not have the resources to provide the grants, planning departments are reluctant to change planning practices, and the Commonwealth government which has the taxation powers is unwilling to even consider reforms in the interest of better housing outcomes.

5 Conclusion

One senses that the social housing sector is suffering from reform weariness. There have been many substantial administrative reforms over the last decade, yet the sector is more problematic than before. This is because some of the reforms are part of the problem in that they have actually worsened the financial position of the SHAs. Targeting is the obvious one. Others have dissipated energy and resources and have simply failed, e.g. the core business focus and the purchaser/provider split. Others have not been taken up, e.g. choice-based lettings and stock transfers, because of the different institutional environment in Australia. But the major dilemma is that the very causes of the social housing problem – the cutbacks in funding, the unique rental system, and the failure of the market to provide even a modicum of affordable low income housing – are not on the agenda of reform. Management reform will never realise its potential to deliver if the broader issues are not addressed at the same time.

References

Aspin, R. (2005) *Can Good Legislation Be Over-Regulation for Public/Private Partnerships?*, paper presented to ‘State of Australian Cities’ conference, Griffith University, Brisbane, 30 Nov. - 2 Dec., http://www.gu.edu.au/conference/soac2005/published_papers/governance/gov24a.pdf

Australian Bureau of Statistics (2001) *Census of Population and Housing*, Canberra

—— (2004) *Australian Social Trends*, Cat. no. 4102.0, Canberra

Boyne, G. and Walker, R. W. (1999) ‘Social housing reforms in England and Wales: A public choice evaluation’, *Urban Studies*, vol. 36, no. 13, pp. 2237-62

Burke, T. (2006a) ‘Professionalisation of housing management: Australia’, *Housing Express*, Chartered Institute of Housing, Asian Pacific Branch, Hong Kong, August

—— (2006b) ‘Social housing over the horizon: Creating a contemporary housing system’ in Darby, S., Flatau, P. and Hafekost, I. (eds) *Building for Diversity*, Department of Housing and Works, Perth

Burke, T., Dalton, T. and Paris C. (1990) *Housing Studies: Towards Vocational Training*, Australian Government Publishing Service, Canberra

Burke, T. and Hayward, D. (2000) *Performance Indicators and Social Housing*, paper presented to ‘Housing Policy and Practice in the Asia Pacific: Convergence and Divergence’ conference, City University of Hong Kong, March, http://www.sisr.net/publications/01burke.pdf

Burke, T., Neske, C. and Ralston, L. (2004) *Entering Rental Housing*, Final Report, Australian Housing and Urban Research Institute, Melbourne, http://www.ahuri.edu.au/publications/download/50142_fr

Department of Family and Community Services (2001) *Housing Assistance Act 1996: Annual Report 1998-99*, Canberra

—— (2006) *Housing Assistance Act 1996: Annual Report 2004-05*, Canberra

Department of Finance (1995) *Clarifying the Exchange: A Review of Purchaser/Provider Arrangements*, Canberra

Department of the Environment, Transport and the Regions (2000) *Quality and Choice: The Housing Green Paper*, London

Economist (2005) ‘Still want to buy?’, 3 March

Esping-Andersen, G. (1996) *Welfare States in Transition: National Adaptations in Global Economies*, Sage, London

Hall, J. and Berry, M. (2004) *Operating Deficits and Public Housing: Policy Options for Reversing the Trend*, Final Report, Australian Housing and Urban Research Institute, Melbourne, http://www.ahuri.edu.au/publications/download/30154_fr

Harding, A., Phillips, B. and Kelly, S. (2004) *Trends in Housing Stress*, paper presented to National Summit on Housing Affordability, Canberra, 28 June, http://www.natsem.canberra.edu.au/publications/papers/cps/cp04/2004_002/cp2004_002.pdf#search=%22%22Trends%20in%20Housing%20Stress%22%22

Hayward, D. (1996) ‘The reluctant landlords? A history of public housing in Australia’, *Urban Policy and Research*, vol. 14, no. 1, pp. 5-35

Hulse, K. and Burke, T. (2005) *The Changing Role of Allocations Systems in Social Housing*, Final Report, Australian Housing and Urban Research Institute, http://www.ahuri.edu.au/publications/download/50141_fr

Hulse, K., Herbert, T. and Down, K. (2004) *Kensington Estate Redevelopment Social Impact Study*, report prepared for Department of Human Services, Melbourne, http://hnb.dhs.vic.gov.au/OOH/ne5ninte.nsf/9e58661e880ba9e44a256c640023eb2e/582bf0a2a6197deaca2571450002c9c6/$FILE/kensington_social_impact_final_report.pdf

James, D. (1992) ‘Outsourcing: The new gospel’, *Business Review Weekly*, 13 November

Jones, M. (2004) *Choice-Based Lettings Schemes in England: How They Work*, briefing note, Centre for Housing and Planning Research, Department of Land Economy, University of Cambridge, Cambridge (unpublished)

Kullberg, J. (2002) ‘Consumers’ response to choice based letting mechanisms, *Housing Studies*, vol. 17, no. 4, pp. 549-80

McNelis, S. and Burke, T. (2004) *Rental Systems in Australia and Overseas*, Positioning Paper, Australian Housing and Urban Research Institute, Melbourne, http://www.ahuri.edu.au/publications/download/50226_pp

Mullins, D. and Pawson, H. (2005) 'The land that time forgot: Reforming access to social housing in England', *Policy and Politics*, vol. 33, no. 2, pp. 205-30

Osborne, D. and Gaebler, T. (1992) *Reinventing Government*, Addison-Wesley, New York

Quiggin, J. (1996) 'Competitive tendering and contracting in the Australian public sector', *Australian Journal of Public Administration*, vol. 55, no. 3, pp. 49-58

Reserve Bank of Australia (2006) *Financial Stability Review*, Reserve Bank of Australia, Sydney, http://www.rba.gov.au/PublicationsAndResearch/FinancialStabilityReview/Sep2006/Html/financial_stability_review_0906.html

Yates, J. (2003) 'The more things change? An overview of Australia's recent home ownership policies', *European Journal of Housing Policy*, vol. 3, no. 1, pp. 1-33

Yates, J., Wulff, M. and Reynolds, M. (2004) *Changes in the Supply of and Need for Low Rent Dwellings in the Private Rental Market*, Final Report, Australian Housing and Urban Research Institute, Melbourne, http://www.ahuri.edu.au/publications/download/60190_fr