

## Social exclusion and the private rental sector: the experiences of three market liberal countries

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In Australia, Canada and the US social exclusion is associated primarily with the private rental sector rather than with social housing as in some European countries. By European standards, these three countries have large private rental sectors. Increasingly it is the working poor in insecure and low wage jobs and households dependent on social assistance (welfare) who are concentrated in the private rental sector.

The paper examines the nature of social exclusion associated with a largely unregulated, private rental sector in these three countries. The location of private rental housing contributes to exclusion from facilities and opportunities. Minimal legal protection results in insecurity and lack of control over housing. Exposure to market forces at the lower end of the rental market can contribute to financial stress and acceptance of inadequate or unsuitable accommodation. The uncertainty and mobility associated with private rental restricts participation in local communities and wider citizenship.

The second part of the paper looks at government policy responses to social exclusion in the private rental sector in these three market liberal countries. Governments have adopted pro-market policies that fail to recognise social exclusion experienced in the private rental sector and have instead focused primarily on issues of housing affordability. In Australia, Canada and the US housing policy has fragmented to the extent that there is arguably no national housing policy in these three countries. There has been a retreat from broader housing policies, including supply subsidies for social housing. Instead there is heavy dependence on de facto housing allowances that are part of social assistance (welfare) programs and other housing allowances, which are intended to make some contribution to housing costs, often without an affordability benchmark. Increasingly there are conditions attached to these allowances which are designed to get households off social assistance (welfare) and into work. Getting a job is seen as the route to social inclusion in these three market liberal countries.

Whilst there are many similarities between Australia, Canada and the US in approaches to social exclusion in the private rental sector, there are some significant differences as well. The paper concludes by exploring some of the factors that have shaped these differences including the nature of federal government systems, institutional factors and cultural and political differences. These factors have impacted both on perceptions of social exclusion in the private rental sector and the policy response of various levels of government.

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# **Social exclusion and the private rental sector: the experiences of three market liberal countries**

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## **1 Introduction**

This paper is concerned with private rental housing policy and social exclusion in three market liberal societies, Australia, Canada and the United States. The paper has three broad and related objectives. The first is to illustrate that although the US experience is usually used in comparative housing analysis as **the** example of a market liberal society, there are variants of market liberalism. This paper thus explores the experiences of Australia, Canada and the US and assesses the impact of these variations on social exclusion and private rental. The second is to document (briefly) that social exclusion of low-income private renters in market liberal societies is qualitatively different, and on a scale greater, than for low-income households in social housing. The third objective is to outline the ways in which government policies have addressed or, more importantly, ignored social exclusion associated with private rental.

Why is this topic of relevance to a European housing conference? The perceived economic success of the US, and less visibly countries such as Australia and New Zealand, has put pressure on socialist, social democrat and Christian democrat governments to adopt market liberal policies including in housing. In terms of housing this means promotion of private market housing solutions rather than social housing. This paper aims therefore to provide greater knowledge of the common strands, and the differences, in market liberal rental policies and the relationship to social exclusion.

The paper (part of a larger research program) is driven by the current Australian housing policy context, whereby the federal government is promoting the private rental sector as the housing tenure best placed to meet the needs of low-income households.

## **2. Background**

The paper uses the concept of market liberalism, following the work of Esping-Andersen (1990, 1996, and 1999), as a means of categorising welfare state regimes that appear to cluster in terms of ideology, institutions and policies. While aware of the debate about the limitations of Esping-Andersen's classification, it is still a useful concept for helping distinguish a group of countries which have institutional arrangements which promote private markets in the development, financing, exchange and management of housing.

There are very few comparative studies of the private rental sector other than European ones (Oxley and Smith, 1996, Boelhouwer and van der Heijden, 1992) or collections which juxtapose papers by country experts (Netherlands Journal of Housing and the Built Environment, 1998, Housing Studies, 1996). Where there are comparative analyses of private rental (Harloe, 1985), they use the US as the example of market liberalism as if the US represents all market liberal societies. By including Canada and Australia alongside the USA some appreciation of the differences (as well as similarities) in policies and outcomes can be acquired.

In this paper we are not talking about private rental as a sector **of** social exclusion but rather as a sector **for** social exclusion. The distinction is important. Much of the debate internationally about social exclusion and housing has been focused on public housing because this sector is seen as containing the bulk of lower income/poor multiple disadvantaged households with most concentrated on identifiable estates. The visibility of such estates and the problems associated with them (drug addiction, unemployment, family breakdown) has elicited a whole range of housing and non-housing responses. However, in market liberal societies there are many more poor and disadvantaged households in the private rental sector than in social housing and arguably the process of exclusion in the private rental sector is both more complex and deeper in its impacts.

Private rental in Australia, Canada and the US, is a more diverse sector than social housing with considerable heterogeneity of household types and income groups. Private rental in these countries is thus not in itself a sector **of** social exclusion. However, the very structure of private rental and the processes of market allocation and the regulatory regime within which it operates mean that it is a sector which acts to exclude large numbers of low income renter from the well-being enjoyed by the majority of more affluent renters and citizens generally. The private rental sector is really two distinct sub-markets, a largish and relatively successful sector of choice for those who have adequate incomes and a sizeable low cost-low income sector for those who cannot access anything more affordable or appropriate. In this paper we are therefore concerned with the low-income sub-market of the private rental sector

Social exclusion is a European concept and like all concepts is a contested one. Like 'market liberalism' it is useful shorthand for conflating a set of social problems under the one term. The international transfer of ideas has recently seen its take up in market liberal societies, often with re-interpretations that better mesh with market liberal values. For the purpose of this paper we see it essentially as defining those processes that marginalise households from the social, economic, and political rights and benefits enjoyed by majority of citizens in any society. It is the contention of this paper that private rental marginalises more than social housing, the sector more commonly associated with social exclusion.

### **3. Institutional analysis of the private rental sector in three market liberal countries**

The starting point for our analysis is the institutional context, that is the organisational and structural arrangements, which are external to, and part of, the private rental sector. External arrangements include the social and political characteristics of economy and governance as well as the social values which underpin these. Those internal to the tenure include the nature of ownership, degree of security, sector size, dwelling types and regulatory arrangements. While there is considerable overlap between the three countries in both the external and internal arrangements (inevitably given their common market liberal status) there are also important variations reflecting different historical, cultural, and economic relationships. The brevity of this paper does not allow however for analysis of all the differences or their origins. Forced to summarize the differences, they would be that the USA represents a harsher, more extreme, form of market liberalism than Australia or Canada although the latter two are moving toward greater convergence with the USA.

The attributes of market liberal societies compared with the host country, Sweden, are captured in Table 1. Market liberal countries have a large private rental sector and a small social housing sector but the predominant arrangement in these countries is home ownership. The private rental sector operates within the typical external conditions which characterise market liberal societies such as low taxation as a proportion of GDP, low government outlays and a welfare system that is highly targeted through means testing and in which benefits are less generous than other types of countries.

One result of these arrangements is a higher percentage of people living in poverty relative to social democrat societies. Canada, the US and Australia are extremely affluent societies which the UN has ranked 1<sup>st</sup>, 3<sup>rd</sup> and 7<sup>th</sup> respectively in the world in terms of human development (UNHDP 1999). However, the UN ranks Canada, the US and Australia only 9<sup>th</sup>, 17<sup>th</sup> and 12<sup>th</sup> respectively on its poverty index compared to a 1<sup>st</sup> ranking for Sweden, (UN, 1999). These indexes and those in table 1 actually understate the severity of poverty as private rental actually accentuates underlying poverty by worsening the **net** household income of low-income earners.

The private rental sector also operates within the framework of a market facilitative planning system which result in large and sprawling cities, with densities typically less than 45 hectares per person and more often around 25 hectares per person. By contrast, London, has 60 persons per hectare. The point is not insignificant because urban form and space can be important exclusionary variables and, as will be examined, are largely ignored with reference to low-income private rental policy.

Table 1 Characteristics of Different Socioeconomic Systems

| Country   | % Private rental | % Social Housing 1995-96 | % Home ownership | Govt. outlays as % of GNP 1997 | Taxation as % of GNP 1997 | % in poverty 1991-1996 | Unemployment benefits as % of Average Income 1997 | Density of typical city   |
|-----------|------------------|--------------------------|------------------|--------------------------------|---------------------------|------------------------|---|---------------------------|
| Australia | 21.7             | 5.0                      | 68.5             | 35.6                           | 30.7                      | 12.8                   | 25  | Melbourne<br>16 p/hectare |
| Canada    | 32.0             | 6.0                      | 62.0             | 44.8                           | 37.3.                     | 12.1                   | 54  | Toronto<br>42 p/h         |
| USA       | 34.5             | 1.5                      | 64.0             | 34.3                           | 27.9.                     | 18.2                   | 40  | Los Angeles<br>22p/h      |
| Sweden    | 16.0             | 36.0                     | 43.0             | 63.8                           | 49.7                      | 6.4                    | 70  | Stockholm<br>Na           |

Source: OECD (1994) *Occasional Paper*, no. 14, OECD (1997) *Social Statistics*, OECD (1998) *Occasional Paper*, no. 33.

Less easy to document empirically are social values. These three countries are characterised historically by ideological opposition to interference with private property and a greater belief in individualism and self help than with values of cooperation and communitarianism, although the USA has historically had stronger commitment to the individualistic values than Canada or Australia. Such values structure the degree, form, and direction of housing interventions. As others have pointed out, the large size of the private rental market relative to social housing is not a coincidental process but a result of the politics of private property interests. Any push to expand social housing has been undermined by opposition from private property interests with the history of US public housing perhaps the best example of this. (Hays, 1995, Bratt, 1986)

These values have not led to opposition to state intervention in itself. As a considerable body of literature has shown, market liberal societies have supported government intervention in markets just so long as it enhances private profitability and does not undermine private property rights (Hays, 1995, Bacher, 1993). Importantly such values have developed a new stridency in the last decade, with a new emphasis on values of consumer choice and the perceived inefficiencies of state bureaucracies. (Osborne and Gaebler 1992) This has further strengthened policy support for private rental and weakened that of social housing.

One should not assume however that there is an inevitable homogeneity in market liberal societies. There are important differences, the most important of which is federalism. While all three countries are federal systems, the variations in their form of federalism create very different housing policies and outcomes. The big difference is that in Australia the federal level has considerably greater constitutional and financial powers than in either the US or Canada and local government is particularly weak. The policy implications of this are explored in section 3

Another difference is the structure of cities. While tending to low density, as outlined above, they are actually spatially and socially configured in quite different ways with the US-Australian difference the most marked. Australian cities do not have the sharp city-suburban divide of the USA nor are the functional divisions of low, medium, and high-income residential activity, commercial, industrial and retailing as marked.

The differences in institutional structures have not prevented one common outcome; in all three countries social housing is in retreat. The problem with this is that at the same time the pro market policies of deregulated labour and financial markets in these countries are producing greater income inequality and making the private rental sector even more so the sector for social exclusion.

#### **4. Private rental and social exclusion**

Private rental in market liberal societies both **accentuates** social exclusion created by other processes e.g. the labour market, and **creates** social exclusion in its own right. It does so in six broad ways.

*1 Reinforcement of poverty and financial insecurity.* Primary poverty is generated through low private market incomes or minimal social security payments. This poverty can be mitigated if there are housing forms that minimize housing outlays such as social housing. Private rental, in the absence of any additional income support, accentuates rather than mitigates poverty as rents are linked to market values not ability to pay. The figures speak for themselves. In 1997, approximately two thirds of the poor in the USA (8.87 million households) were living in unassisted private rental (HUD, 1999c). Similarly in Canada, in 1996, 43.2% of all renter households (1.67 million households) spent more than 30% of household income on rent and this group had an average household income of only C\$14,096 (Statistics Canada, 1996). In Australia, 44% of all poor households are in the private rental sector, with the incidence of after housing poverty on the increase despite, or perhaps because of, the reemphasis of housing assistance toward this sector. (Burke 1998). The other major sector of poverty in Australia is home purchase but the difference here is that this tends to be short term as mortgage repayments fall whereas private rental poverty tend to be enduring.

One of the reasons for the concentration of poor and low-income households in the private rental sector is the nature of the income support system and any associated housing allowances. The highly targeted and low level of social assistance including housing-related income supplements, cannot protect many households from poverty given the level of private sector rents

*2 Housing insecurity including forced mobility.* This is simply the point that residential tenancy legislation in market liberal societies is weighted in favour of property interests and does not provide the security and tenure and rights of social housing tenants (boosted by government policies) in the same countries or of private tenant in most European societies. There are no rent control provisions in Australia, there is no just cause eviction (eviction can be for any reason so long as some period of notice is given; typically two to three months) and leases (renewable) are rarely longer than one year. In the US, similar provisions hold with the exception of some large cities e.g. New York, Santa Monica, but even these more restrictive controls, e.g. rent control provisions, are being watered down (Gilderbloom and Appelbaum, 1988). The effect is that private tenants have no long terms security and often face eviction. Thus in Australia 76 percent of the homeless presenting for housing assistance and who previously had been in mainstream housing (as distinct from living rough) were previously resident in private rental. (AIHW 1998 Table 7.9).

*3 Locational constraints and neighbourhoods with poor facilities.* The sprawling, low density arrangement of cities in these three market liberal countries is also of significance in terms of low income housing outcomes, Unlike in European cities it increasingly means that low cost rental housing is often geographically remote from the affluent and politically powerful residents of suburban areas. The problems of poor amenity, crime, and social dislocation are thus less visible compared to concentrated cities where rich and poor live side by side. This creates a political context in which there is less recognition of, or pressure to, deal with, social exclusion in areas of low cost private rental.

There are, however, differences between the countries in how the market historically has patterned the spatial segregation of the low-income submarket. In the US and Canada, to a lesser extent, it is concentrated in inner city areas whilst in Australia it is increasingly being pushed to low cost outer suburban areas (Yates, Wulff and Burke 2000). The Australian pattern is a relatively new phenomena as low cost rental stock for the first four decades of the post war ear was relatively dispersed.but the recent housing market changes have seen accelerated dispersal of low cost rental stock to amenity poor outer urban areas. Whatever the spatial configuration, areas with high concentrations of low cost rental properties tend to have poorer access to facilities and amenities such as public transport, good schools, quality health care and jobs. The relative absence of these facilities is of course why rents are lower and properties more affordable by low-income households. Many face unpalatable tradeoffs; low rents and no access to jobs or services, or high rents and access to such services.

*4. Inability to link private tenants with support services.* In recent years housing management in western societies has given increasing recognition to housing linkages, i.e. how housing services can be linked with other services e.g. health, family services, that can help support people in independent living. Most of this policy push has been with respect to social housing agencies and their tenants. This is because, even with the best of intentions, it is more difficult to supply support in the private rental sector than in social housing. Firstly not being government managed there is no housing worker to identify whether a tenant may have a support problem. This is not the role nor the skill of a private estate agent. Second, the high mobility of clients in the private rental sector because of lack of security means it is hard to monitor clients who do need support. Third, it is easier to draw up protocols for linkage support between a state housing provider and a state health and family service agency than between the latter and individual landlords, most who would likely refuse to house a person with a support need if they found out. However given the small size of the social housing sector the bulk of households who do require some form of support are likely to be in private rental. Without support and lost in the private rental system tenants may have insecure and unstable lives increasingly disconnected from the wider society.

*5.Reduced ability for effective tenant management and empowerment.* The social housing sector almost from inception has thrown up debates about, and in many cases has implemented, various forms of tenant participation and management. It is assumed by many that having access to information and/or some decision making over ones social housing units is an empowering process and yet rarely do we hear calls for similar rights and programs for private tenants. The tenant's acceptance of private rental lease conventionally means, at least in market liberal societies, no decision making capacity.or rights. Relatedly social housing managers in general are more likely to have a sense of obligation to tenants and workers than private landlords and work for their well being. With some exceptions, private tenants are regarded primarily as the means of acquiring a return on landlords' assets.

*6 Politically residualised.* One of the political benefits of privatisation of utilities is the reduced exposure of these sectors as political problems for governments. No longer part of governance the areas are less politically accountable. The same holds with respect to private rental vis a vis social housing. Thus a crime ridden public housing estate is seen as the responsibility of government and accordingly responded to in various estate or neighborhood renewal program. An equivalent private rental estate does not engender the same political pressures and there is a much more muted response. If the problem is responded to at all it is merely one of ratcheting up policing to another level rather than a comprehensive neighborhood response.

*7 Discrimination.* The greater political and public accountability of social housing agencies, compared to private landlords and their agents, limits the potential for discrimination. Whether it is for indigenous populations, single parents or migrants, the private rental sector is characterized by greater discrimination. One of the significant factors here is the trend towards individual landlordism at the low cost end of the private rental sector and the withdrawal of corporate investors because this part of the sector is not profitable. For example, in the US, 86% of rental housing in inner cities is owned by individuals and not institutional investors (Goodman and Grupe, 1995). In Australia 78% of all landlords are individuals and for the low cost market this would be even higher (Australian Bureau of Statistics 1994). Canada is also moving toward individual landlordism (Crook 1999, 336) .

Putting all these threads together we find in market liberal societies that social tenants are more likely to get affordable housing, security of tenure, the necessary support to maintain a tenancy, and greater potential (if not always realised) for empowerment and political accountability. Low-income private tenants get few of these benefits.

## **5. Government policy response to social exclusion in the private rental**

What are the governments of these three countries doing in view of the processes of social exclusion outlined above?

In addressing this question it is important to recognise that social exclusion is an imported concept in these countries and none have policies that specifically address social exclusion in the way in which the UK, for example, does. The key point is that the philosophy of, and assumptions underpinning, housing policy, and particularly rental policy, in these countries precludes the whole of government perspective that social exclusion policies represent.

In market liberal societies the traditional approach to low income private rental is that the problems were essentially ones of low income (resolvable by housing assistance) and some supply problems (resolvable by taxation or other financial incentives). The role of other policy areas that interact with housing market processes to affect social exclusion of households in private rental, such as levels and form of income security, labour market policy, planning and urban development, and human services policy have been little acknowledged. Similarly problems which link to issues of citizenship such as access to services, empowerment, security, are off the agenda in this conceptualization of the private rental problem. Governments in market liberal countries have thus been slow or unwilling to see the connections between social exclusion in the broadest sense and private rental housing outcomes.

The second important point, reflecting the different forms of federalism, is that there is difference in the level of government responsible for policy and programs. In Australia the federal level has considerably greater constitutional and financial powers than in either the US or Canada and local government is particularly weak. This is important in two ways: the Australian federal government is more important in the provision of housing assistance but conversely it means that local government in Australia has no role in housing other than planning and development controls. In Australia, housing-related income supplements for private tenants are provided nationally and not locally or provincially as in Canada and the US. Moreover, there is little social housing provided by local government and residential tenancy legislation is a state not local responsibility. This means that there is little advocacy at the local level to address issues of social segregation and social exclusion in housing markets. And little scope for local level initiatives as in the US, Canada or Europe. Low cost/low income housing is seen as a federal or a state issue.

On the other hand, this different federal structure has mitigated against the parochialism of policy which has often characterised US policies and programs and probably contributed to less unequal and divisive housing markets. Thus the provision of Australian social housing mainly by the states (although federally funded) has not been concentrated in specific local government areas and is more locationally dispersed with less blighting of local housing markets, including private rental as a result.

With respect to supply side policies there is, compared to some European countries e.g. Germany, less emphasis on taxation policies to encourage new private rental as the supply problem has not been seen a major one given the perception that the affordability problem is the more important issue. Part of this perception derives from use of aggregated data for the rental market as a whole, which does show, continued supply growth. However disaggregated to low cost/ low-income stock the story, as we shall see, is a different one.

In the US, the Tax Reform Act of 1986 effectively limited tax incentives for private rental. The main exception post 1986 is the Low Income Housing Tax Credit program (LIHTC) under which state housing finance agencies allocate flat, per-capita tax credits to private individuals and firms who invest in affordable rental housing in partnership arrangements with various types of developers, profit and non-profit (Quigley, 1999, 25). LIHTC in the US generated approximately 600,000 units in its first 10 years, making it the main program to stimulate new construction of private rental housing. Recent research suggests that LIHTC, like previous federal programs to stimulate the construction of private rental housing, has difficulty in reaching those on very low incomes if it is to be financially viable without additional layers of subsidy (Cummins and DiPasquale, 1999, 279). In fact, about 70% of renters with incomes less than 30% of area median income, which equates roughly to the US poverty line, who do live in LIHTC units also receive some sort of government housing allowance (Daskal, 1998, 37).

In Australia the main taxation policy which impacts on private rental is negative gearing of rental losses (including interest on mortgages) against any other income and not just rental income. This policy is expensive and is estimated to reduce federal tax revenues by A\$500m per annum (Ecumenical Housing 1997, 118-119) The provision is available on existing as well as new rental property and unlike US tax policy it is completely untargeted to any notion of affordability. The little evidence available would suggest the bulk of the subsidy goes to upmarket properties given that over the decade since its reintroduction in 1987 the low rent stock contracted substantially. (Yates and Wulff 2000)

In terms of housing assistance policies generally all three federal governments have retreated from supply subsidies for their already small social housing sectors placing great pressure on private rental. The Canadian federal government has transferred responsibility for most social housing programs to provinces and territories through a series of bilateral agreements called Social Housing Agreements. In the case of Ontario, responsibility for funding and management of social housing has been further transferred to municipalities. There is no provision under these new arrangements for funding for future social housing. Only British Columbia and Quebec are funding new social housing on a provincial basis. It is likely that the stock of social housing will decrease over time. Indeed, there is already some evidence that provinces will transfer 'saved' social housing funds from social housing into other types of programs such as subsidised private rental, as has already happened in the case of Ontario (Ministry of Municipal Affairs and Housing, Ontario, 1999).

In the US, supply subsidies for additional social housing are off the public agenda with attention being focused on the physical and social problems of public housing, and the preservation of private rental units for low income households subsidised under previous programs and for which contracts are expiring. Fixing both of these problems via HOME projects for public housing and contract renegotiations for private units is extremely costly but does not secure additional rental housing. Indeed the amount of public housing has actually decreased under the Clinton administration by some 110,000 units (Quigley, 1999, 11). At the same time assisted private units are also decreasing, a decrease more than 17,000 units in 1998 alone (HUD, 1999b).

In Australia, it appeared likely that the federal government would completely withdraw from supply subsidies from social housing in the mid-1990s. Partly as a result of state and community organisation protests, this did not occur and reduced federal funding for social housing continues under a agreement between the federal government and the states and territories known as the Commonwealth-State Housing Agreement. However, much of this funding is taken up in providing subsidies for existing public housing because of the very low income of tenants (internally subsidised by a rebate from state housing authorities), and in upgrading and redevelopment of existing poor quality stock. The amount of funding available for additional social housing stock is minimal and in 1996-97 the net public stock in Australia actually fell for the first time in decades. (DFACS 1999)

With limited private rental supply programs and contracting social housing assistance the major form of housing assistance in the three countries has become various forms of private rental housing allowance. This of course is a program which in form and philosophy meshes nicely with market liberal values, as it facilitates the private sector, and provides (at least in principle) consumer choice.

Allowances assume that the housing problems faced by low-income households are due to their lack of income and that the appropriate policy solution is to supplement household incomes with some rental assistance. The underlying assumption is that this enables low-income households to be satisfactorily housed in private rental accommodation. There is little consideration of whether there is enough low rent private housing in aggregate or in specific locations, whether rents are affordable or whether the standard of available accommodation is appropriate. Nor do housing allowances address many of the facets of social exclusion raised in the previous section such as locational amenity, linkages and lack of control over housing.

The three countries vary in the type of assistance available. The main form of housing assistance in the US is housing allowances, called Section 8 housing vouchers (previously certificates and vouchers prior to October 1999). These are explicit housing allowances that are targeted mainly at households with extremely low incomes. Three quarters of all new vouchers have to be allocated to households with incomes below 30% of area median incomes (Maney and Crowley, 1999). There is no entitlement to allowances and funds are distributed on a competitive basis to public housing authorities and other program managers. Between 1995 and 1999 no additional vouchers were approved by Congress. Since then, a limited number of additional vouchers have been approved but these are tied specifically to other policy objectives, mainly welfare to work programs and some are able to be converted from rental assistance to home ownership.

Low-income households have to apply and be selected to receive a voucher by a local housing authority. Even if a household is given a voucher, it has a limited period in which to find private rental housing. There is no guarantee that, even with a voucher, a household will be able to access private rental. Program managers keep little information on unsuccessful voucher holders or the reasons for this (Maney and Crowley, 1999). Payments are made to landlords, who must agree to participate in the program, and not to tenants. The accommodation must be inspected and meet minimum HUD standards. There is some evidence of a distinct sub-market of landlords willing to let accommodation under these arrangements (Maney and Crowley, 1999).

In Canada, social assistance is a provincial, not a federal responsibility, and is sometimes further devolved to municipalities. Low income private renters in receipt of social assistance can receive shelter supplements which vary according to family size and community size and are subject to a rent ceiling which may be substantially lower than market rents. Payment is made to the household and is discretionary. Payment levels vary between provinces particularly since changes to funding arrangements in 1996. Since that year federal funds for social assistance have been included in a mega-block grant to the provinces and are subject to competition from other major expenditure areas in the block grant: post-secondary education and health (Canada Health and Social Transfer). There are no national standards for social assistance, including the shelter component other than a prohibition of minimum residency requirements.

The new arrangements mean that the provinces are primarily responsible for funding social assistance but with less federal funding. For financial, and in some cases ideological reasons, many provinces have reduced eligibility for social assistance and reduced benefit levels, for example Ontario and Alberta. Sometimes this is part of a specific strategy to get low-income households 'off welfare' and into work. As a result fewer people receive the shelter component of social assistance than before the changes of 1996 and levels are often lower. The Harris provincial government in Ontario, for example, claims to have moved nearly 470,000 people off social assistance and into work in the last five years (Ministry of Community and Social Services, Ontario, 2000). The shelter component of social assistance, albeit shrinking, remains, however, the main form of de facto housing assistance in Canada. Shelter support payments assume that private rental housing is available without any mechanisms in place to establish whether this is the case or not.

Similarly in Australia, the main form of housing assistance is de facto housing allowances that are part of the income security system. Those receiving income security payments together with some low income working families with children can get a payment called rent assistance. In 1999 this cost A\$1.6B. This was greater than the net A\$627 million of federal funds which went to the states for social housing under the Commonwealth-State Housing Agreement. The main vehicle for housing assistance in Australia since 1945. Around one million income units received rent assistance in 1997 compared to just on 400,000 households in social housing. (AIHW 1998)

Unlike the US, rent assistance in Australia is an entitlement subject to households meeting income and asset tests and is an allowance attached to all major pensions and benefits. Low-income households not in receipt of income security benefits are ineligible. All those who are entitled in this way receive the payment. Unlike Canada, rent assistance is administered by the federal government and is a national scheme with the same eligibility and the same payment formula applying to all areas of Australia. For constitutional reasons, the federal government is unable to make different income security payments to people living in different parts of the country, even though actual rents vary greatly and in high costs areas such as Sydney are of minimal assistance.

Rent assistance is paid to households and not to landlords and levels are far from generous. Moreover rent assistance is not designed to reduce rental outlays to some benchmark, e.g. 25% of income, but simply to improve rental affordability for social security. Without it 74% of private renters in receipt of income security would be paying more than 30 per cent of income in rent but with it the figure is reduced to 38%. Nine percent still pay more than 50% even with rental assistance (DSS 1998 section 5.2).

Like Canada, there is very little information available on the recipients, or outcomes of these housing related income supplements in Australia even though this has become a large program.

This emphasis on income-related housing supplements assumes the availability and adequacy of private rental housing which can be afforded with the addition of these supplements. The existing evidence at least for the USA and Australia suggests otherwise. In Australia recent work by Yates, found that low cost rental actually fell by 28 percent between 1986 and 1996 resulting in a national shortage of 150,000 low cost private rental dwellings (Yates and Wulff, 2000). Similarly in the US, the administration has been arguing for the last several years that there is a crisis in low cost rental housing. Successive reports to Congress have said that the supply of low cost private low rental housing has been falling sharply at the same time as the main housing assistance policy has been housing allowances for people to rent privately. (HUD, 1998, HUD 1999a, HUD 1999b) The situation in Canada awaits further research. Appendix one summarises the different rental policies and programs discussed above.

Recent directions in housing policy suggest policy is captured by ideology rather than by recognition of the nature of the rental problem. Despite demonstrated problems in all the social exclusion processes identified in section, the new debates ignore many of these processes and focus instead on how housing programs can be linked with minimising welfare dependency and maximising employment incentives.

The introduction of the Transitional Assistance for Needy Families (TANF) program from 1996 has made fundamental changes to social assistance in the US. Recipients, mainly lone women with children, have restrictions on the time they can spend on benefit, including a lifetime cumulative benefit of 5 years. The objective is getting people off welfare and into work. Various federal initiatives support this focus including those for housing. Section 8 vouchers, in many cases are now tied to welfare to work, and there are various programs such as Family Support Services under which low-income renters commit to finding a job or undergoing training in return for support (Rohe & Kleit, 1999).

One of the barriers to finding work in the US has been a spatial one. Many low-income households rent in inner city areas remote from the employment growth in the suburbs. Section 8 housing vouchers have been used in combination with different types of relocation counseling and other assistance to encourage low-income households to move to lower poverty areas where there are more jobs. Evaluations of these projects have produced mixed results partly because of the lack of availability of low cost rental accommodation, a policy issue that is off the agenda.

The US has a history of selectivity in programs and of pilot and demonstration programs and experiments in housing and social assistance which is not shared by Canada and Australia where experimentation has been considered inappropriate and tying stringent requirements to social assistance payments has hitherto been considered unacceptable and paternalistic. There is evidence of some change in Canada as welfare to work programs are developed (Gorlick & Brethour, 1999) and in Australia a welfare reform process is underway which emphasizes mutual obligation although more on the UK model than the US (Reference Group on Welfare Reform, 2000).

Reliance on income supplements under the social assistance system to assist with private rent disregards the problems faced by low income working households. In the market liberal countries getting a job is seen as virtually the only route to social inclusion. However, earning an adequate income is seen as an individual responsibility not a responsibility of the employer or the government. Once in work it is assumed that households will be able to pay their own rents without assistance. The scale of poverty in the private rental sector in the USA and Australia suggests this is not the case. Many of these poor households are working but receiving such low pay or episodic work that after meeting rents they remain poor (Daskal, 1998). And as the low cost stock contracts further and rents increase more the nexus between labour market processes and housing problems will intensify. Programs which link receipt of housing allowances/income supplements to work incentives are doomed to limited success and will be punitive for many recipients unless there are also parallel policy to address the underlying structural problems of the rental market. Unfortunately the market liberal ideology currently prevents recognition that there is such a problem.

## 6 Conclusion.

Where in the social democrat and other societies the bulk of lower income and poor people are in social housing, in market liberal societies they are increasingly in private rental housing in areas of poor amenity. The current forms of housing (and rental) policy do very little to solve the problems of the sector as they are falsely premised on the assumptions that there is no real supply problem and that the problems is one of affordability only. The clear evidence, at least from Australia and the USA, is there is a massive supply problem as well as problems of insecurity, locational amenity, discrimination, lack of support services, and lack of personal and political empowerment. Private renters by virtue of not being on visible social housing estates are effectively invisible and of little concern to government. Moreover the success of the private rental sector in meeting the housing needs moderate and higher income households further obscures the problems of low-income renters. Social exclusion for low-income private renters is greater and more complex than for social housing tenants.

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## Appendix 1 Summary of Private Rental Policy and Programs

|   | <b>Australia</b>                                  | <b>Canada</b>                                   | <b>USA</b>  |
|---|---|---|---|
| <b>Taxation assistance</b>              |   |   |   |
| Form                                    | Tax deduction on rental losses including mortgage | None specific                                   | Per Capital Tax credits for those investing in affordable housing |
| Targeted to low cost/affordable housing | No  | No  | Yes   |
| <b>Rent Assistance</b>                  |   |   |   |
| Level of Government                     | Federal   | Provincial/local                                | Local Government  |
| Eligibility                             | Universal to eligible social security applicant   | Universal to eligible social security applicant | Rationed to limited number per year                               |
| Who receives payment                    | Household   | Household                                       | Landlord  |
| Linked to supply elements e.g. quality  | No  | No  | Yes (landlord must be registered)                                 |
| Locational factor                       | No  | Yes vary from province to province              | Yes   |
| Benchmarked to some affordability level | No  | No  | Yes (30 % of income)  |
| <b>Residential tenancy legislation</b>  |   |   |   |
| Need to show just cause eviction        | No  | Na  | Some cities   |
| Level of governance                     | State   | State/local                                     | Municipality  |
| Rent control                            | no  | Some provinces and cities                       | Some cities   |