

ECONOMY

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It's time for the feds to rebuild the economy by building social housing

A \$7.7 billion investment to build 30,000 homes and repair thousands more would raise economic output by \$15.7 billion.

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AFFORDABLE HOUSING PROJECT RICHMOND APARTMENTS (IMAGE: SUPPLIED)

The Richmond Apartments — 107 homes built over eight storeys clustered around an atrium and with cascading plants — sits in Bowen Hills, a few kilometres from Brisbane.

It was developed by the not-for-profit [Brisbane Housing Company](#) when many residents would struggle to afford a decent home in the private rental market. Adrian, 69, said he would have to pay \$100-\$150 more a week to a private landlord. Erica said that she used to have to cook her meals in an electric frypan in a cramped bedsit with no kitchen. Now she not only has a stove, an oven and a separate bedroom, but a balcony, and as the building was designed for the climate, she stays comfortable in a Brisbane summer without needing an air-conditioner.

National shortfall of low-income rentals

[Research shows](#) there is a nationwide shortfall of 433,000 affordable homes for renters on the lowest incomes. Yet Richmond shows what's possible when three tiers of government work together.

The building was supported by Brisbane City Council, and the Queensland government tipped in \$1 million, but the [core investment](#) of more than \$9 million came from a federal stimulus package in response to the global financial crisis.

Unlike pink batts and school halls, social housing initiatives during the GFC got little fanfare — their success made them uncontroversial.

An investment of \$5.6 billion enabled almost 20,000 homes to be built. Another 12,000 were repaired. [According to KPMG](#) the scheme created 14,000 jobs and every federal dollar invested generated \$1.30 in economic activity.

But remarkably the stimulus that made Richmond Apartments possible is the only significant federal government investment in building homes for low-income renters in the past quarter century.

Construction employs one in 10 workers

Construction employs almost one in 10 workers but the Housing Industry Association [predicts](#) that in this financial year new starts in multi-unit dwellings will fall by 37% in New South Wales and by 42% in Victoria, on top of falls of 28% and 22% in the previous 12 months.

In [its submission](#) ahead of the October 6 budget, Master Builders Australia forecasts that nationally new housing starts will be down 27% this financial year, after a 13% fall last year.

Consulting company McKinsey [estimates](#) the construction sector had shed 46,000 jobs between the start of the pandemic and the end of June. It anticipates total job losses could hit 205,000 by March.

The government's [HomeBuilder program](#) barely touches the sides of this problem — and there are fears jobs lost now could be jobs lost forever. History shows that many who lose employment in a downturn never work again.

Reserve Bank governor Philip Lowe [said recently](#) that “a long spell of unemployment” has “permanent effects” on people and “damages the fabric of our society”. Borrowing against future income was “entirely manageable and affordable” and “the right thing to do in the national interest”.

In a [survey](#) of Australia's top economists, most agreed that the federal government should keep spending even if that required a substantial increase in debt.

Time to get SHARP

The GFC stimulus package that funded the development of Richmond Apartments provides a model response for the current crisis. There is already a detailed proposal on the table. [SHARP](#) — the Social Housing Acceleration and Renovation Program — proposes a \$7.7 billion investment to build 30,000 homes and repair thousands more.

Modelling by SGS Economics and Planning [estimates](#) that SHARP would support the equivalent of up to 18,000 full-time jobs a year for four years and raise economic output by at least \$15.7 billion.

So far the response from Canberra [has been to say](#) that housing is a state responsibility. This is a narrow reading of the constitution, which assumes that any powers not specifically vested in the Commonwealth remain with the states.

Yet the HomeBuilder program suggests the division of responsibility is not so clear-cut. The states also have no influence on some of the powerful drivers of the housing market and housing affordability for low-income renters — immigration, tax concessions, rent assistance and pension rates.

Most importantly, the states simply lack the revenue-raising powers to go it alone with the level of investment required.

As we mark the 75th anniversary of the end of World War II, the pandemic calls for a level of nation building ambition similar to 1945 — when the urgent need to build housing as part of post-war reconstruction forged the first 10-year [Commonwealth-state housing agreement](#).

In the subsequent decades housing policy involved similar agreements, with the federal government funding the states to build social housing. Over the past 25 years we have dropped the ball. Now is the time to pick it up again.

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