



BRIEFING NOTE: PRODUCTIVITY COMMISSION PRELIMINARY FINDINGS REPORT

September 2016

Introduction

The Productivity Commission released its preliminary findings report “Introducing Competition and Informed User Choice in Human Services: Identifying Sectors for Reform” on Thursday 22 September. Written submissions based on the findings are to be made by Thursday 27 October.

The purpose of this paper is to provide members a precis of the relevant section(s) of the report. It will not offer any detailed analysis of the contents of the report. That analysis will be contained in the response to the report that will be completed in accordance with the October 27 deadline.

What is the Productivity Commission and the purpose of the report?

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. The core function of the Commission is to conduct public inquiries at the request of the Australian Government on key policy or regulatory issues bearing on Australia's economic performance and community wellbeing.¹

At the behest of the Australian Government the Commission was “requested to examine the application of competition and user choice to services within the human services sector and develop policy options to improve outcomes. These options should lead to improvement in the sector's efficiency and effectiveness and help to ensure all Australians can access timely, affordable and high quality services, which are appropriate to their needs, and are delivered in a cost-effective manner.”²

Several Human Services areas come under the scope of the Commission's inquiry and report including the nation's social housing system.

¹ <http://www.pc.gov.au/about/contribute>

² [Productivity Commission Preliminary Findings Report](#), p V



What does the report have to say about the social housing system?

The report offers several observations in relation to the application of competition and user choice in relation to the nation's social housing system:

- 1. Funding pressures:** The report notes housing authorities throughout Australia are now running significant operational deficits. Due to these funding pressures “the quality of service received by social housing tenants has deteriorated. Prospective tenants face long waiting lists” and maintenance standards within the public housing system have deteriorated to the point where “20 per cent of properties are now not in an acceptable condition”.
- 2. Equity:** the report notes “There are equity issues in the current housing system. People with the same income and characteristics (such as location and capacity to work) can receive vastly different rates of assistance depending on whether they are able to access social housing or rent in the private market.”
- 3. Efficiency:** the report notes “There is limited evidence available on the efficiency of social housing management in Australia” and there is a mismatch between the housing stock and the type of household's which require social housing. “About half the people entering social housing in 2015 were single adults...whereas the stock is largely designed for families”.
- 4. Responsiveness and accountability:** “The current social housing system limits the ability of tenants to choose the home they would like to live in. Once applicants reach the top of the social housing waiting list, they are generally allocated an available home based on their preference for the area (which may contain multiple suburbs) in which they would like to be housed and the characteristics of the household such as the number of people and need for a particular type of housing due to a disability...Properties can be very different in their size, physical condition, and proximity to preferred amenities...The suitability of an allocated property can be a question of timing and luck”. The report notes the fact that recipients may have greater choice in the private rental market but that the CRA payments are generally considered inadequate to generate real choice.
- 5. Accountability for providers:** The report notes “The majority of the social housing sector in Australia is publicly managed and not subject to contestable arrangements... Limited data on tenant outcomes restrict the ability of governments to monitor service providers and make informed decisions about which providers — including both government and non-government providers — would be best-placed to manage social housing”. The report argues “Improving the accountability of service providers could improve a range of attributes of social housing. For example, it could provide incentives for housing providers to improve the quality and efficiency of their services, stimulate innovation in housing management, and lead to improved outcomes for tenants over time”.

Factor's influencing potential benefits of reform

The report notes that whether introducing greater competition, contestability and user choice in the social housing system is contingent on two key factors:

1. **Characteristics of users and transactions:** This refers to whether or not people who enter social housing are likely to be capable of exercising choice over their housing options. The report notes the diversity of need within social housing cohorts. For example, some tenant's housing choices may be impacted by a requirement for support services and the proximity of same. It does, however, reference "choice based letting" models in the Netherlands and the U.K. which may be applicable in an Australian context.
2. **Characteristics of Supply:** the report discusses the fundamental challenge posed to user choice posed by inadequate supply of social housing and suggests "The management of social housing could be made more contestable, including where supply is constrained...Allowing community housing providers to manage social housing appears to have had benefits, both in Australia and elsewhere...For-profit providers could introduce further contestability and choice. There are some examples of for-profit private landlords being involved in the provision of subsidised housing to people on a social housing waiting list."

The report also argues "Transferring the management of more properties to non-government providers could deliver more options for tenants who are offered a choice of housing provider. Where further transfers are considered, making the management of housing contestable would allow governments to select those providers best-placed to improve the management of social housing properties, and give incentives for providers to be responsive to tenant needs. Such a process would not preclude the management of properties remaining with the public provider, if they were best-placed to provide the service".

Potential costs of reform

The report notes several costs associated with reform to increase user choice and competition and contestability:

1. Costs to housing providers associated with information gathering and supply.
2. Costs to housing providers related to communication with tenants where applicable in relation to housing choices.
3. Costs to governments in line with the implementation of more effective contestability provisions. In addition to these costs, there would be a transfer of costs and risks from the public sector to the non-government sector.
4. Knock- on effects of any change to the CRA regime.



Synopsis of Preliminary Findings

PRELIMINARY FINDING 3.1

Introducing greater competition, contestability and user choice could improve the effectiveness of the social housing system in meeting tenant needs.

- There is substantial room for improvement in the current social housing system. There are long waiting lists, poorly maintained and underutilised properties, and a lack of information available to allow governments to select and monitor the performance of service providers.
- Four out of five social housing properties are managed by government entities, yet there are a large number of housing providers — both not-for-profit and for-profit — that could perform this service. Community housing providers outperform public providers on some indicators, including tenant satisfaction and property maintenance.
- There are currently not enough social housing properties to meet demand, limiting the housing choices available to social housing tenants. Nonetheless, approaches implemented internationally allow social housing tenants greater choice of home. Reform options could be explored in Australia to address supply constraints and increase the housing options available for prospective social housing tenants.

What happens next?

The purpose of the report is to seek feedback from participants on the Commission's preliminary findings, and any further issues that should be considered before the public release of the study report in November 2016. The Commission welcomes further written comment on the preliminary findings in this report, and will undertake consultations and hold roundtables to facilitate feedback from participants to inform the preparation of the study report.

Interested parties are welcome to put forward services they consider should be recommended for reform in the second part of the inquiry. The due date for submissions is 27 October 2016.

CHIA intends to submit a written submission to the commission before the October deadline. Members are invited to contact CHIA if it has any comments or questions in relation to the preliminary report or in relation to its upcoming submission.

For further information, please contact, Michael Lennon, CHIA Chairperson, chiachair@hcau.org.au