

# TAKING STOCK



## The Demand for Social Housing in New Zealand

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Te Ope Whakaora

**Social Policy & Parliamentary Unit**

Working for the eradication of poverty in New Zealand

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## How much social housing do we need?

The question of how much social housing we need in Aotearoa New Zealand is something of a ‘wicked problem’—one that relies on first answering a number of conditional questions. These questions include the extent and nature of unmet housing need, and the resolution of that fundamental question of how best to help those people and households at risk of housing-related poverty. Any final answer will most likely still be conditional and is only as good as the reliability and plausibility of the underlying assumptions used.

Social housing is housing allocated to people on the basis of their need, mostly to those with the greatest unmet housing need. Some definitions include a requirement that social housing is owned by central or local government, but this is not necessarily the case. Most often, social housing does receive direct subsidies from government to meet operating expenses or capital costs, or even both.

There are probably just over 82,000 social housing units in New Zealand, of which about 62,500 are owned or managed by Housing New Zealand, almost 12,000 by local councils and 8000 owned by other agencies—the majority of which are NGOs. These numbers are changing, however, partly because of the Government’s sell-off of State housing and its intention to provide more income-related rent subsidies to additional housing units outside Housing New Zealand. In early 2017, around 62,500 housing units received income-related rent subsidies.

One approach to identifying social housing demand is to consider the waiting list administered by Ministry of Social Development. In mid-2017, 5353 applications were assessed as having priority, almost 40% more than a year previously. However, as a way to forecast demand, this number is not very useful. It tells us nothing about what is generating this demand, and the waiting list itself is the outcome of an administrative process that appears to change from time to time. Consider, for instance, changes seen in late 2016 when the waiting list suddenly grew after public attention was drawn to homelessness and slum land-lording supported by payments from the Ministry of Social Development.

Much of New Zealand’s current narrative around social housing policy is based on the idea that the need for social housing is transitional—that people can be moved on from social housing as their circumstances improve. This generates the view that there is no need for increased State and other social housing because all that needs to be done is to manage the existing stock more efficiently by evicting ‘undeserving’ social housing tenants. But the reality for most social housing tenants is their circumstances don’t improve through life, as assumed by this notion of ever-improving ‘housing careers’. Some tenants will remain in need of social housing support due to such circumstances as their age, disability or health status (including mental health)—and therefore a social housing unit for such people may need to be a house for life.

The reality that not everyone will climb the housing-career ladder, and will therefore remain permanently at risk of the outcomes of housing-related poverty, forms the basis of the demand forecasts offered here. These forecasts are based on the assumption that the core demand for social housing will come from two groups of people. The first group comprises around 150,000 working-age people who make up the core of 250,000 to 300,000 adults receiving a welfare

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benefit. These 150,000 people have poor health and/or disabilities and will most likely be reliant on income support from the State for the rest of their lives. While some will move in and out of work, this number has been consistent for the past five years as the Government has pursued a welfare reform agenda that made access to benefits more conditional. The second group comprises older people who don't own their homes and rely (or will soon rely) almost entirely on New Zealand Superannuation for their income. This group numbers around 190,000 people and may grow to 270,000 by 2030. Approximately 25,000 of these older tenants already live in social housing, while a further 40,000 receive the Accommodation Supplement in addition to New Zealand Superannuation.

Not all of these 150,000 working-age people and 190,000 over-65s will require social housing to meet their housing needs. But they do form the base of what might be called the 'social housing market'—a group of people who are obvious candidates for social housing where this is available. Some will find acceptable housing solutions with their families or in the private sector, with support through the Accommodation Supplement and other additional income assistance from the State. There is, however, a significant inequity in the treatment of people receiving an Accommodation Supplement in private rental housing and those who are social housing tenants on income-related rent subsidies. This inequity needs to be addressed, particularly the extent to which, even with Accommodation Supplement payments, housing remains unaffordable to thousands of people living outside of social housing.

In estimating future needs for social housing, some assessment also needs to be made of the potential for acceptable housing solutions within the market for those at risk of housing-related poverty. Such an assessment is probably only really possible after the fact, although some available indicators do indicate the extent to which such reliance on the market is realistic. These indicators include the affordability of local rents and the availability of private rental housing in local markets. A third indicator of housing quality would also be useful, but this is difficult to measure given the limited data available.

Analysis on a region-by-region basis suggests there remains a significant shortage of social housing stock in the northern half of the North Island and in Marlborough. Northland has unmet demand, with a high proportion of its adult population at risk of housing-related poverty and because rents there appear particularly high in relation to incomes. Auckland remains a region of unmet demand because of high rents and what appears to be a shortage of private rental accommodation. Unmet demand for social housing also exists in Waikato and the Bay of Plenty because of relatively poor levels of current provision and a rising population of over-65-year-old tenants. Marlborough remains badly underserved by social housing and most likely will experience demand pressure from older private sectors tenants.

Outside of these higher priority regions will remain a base level of demand for social housing across most, if not all, regions. This comes partly from the numbers of people within the at-risk groups— many of whom are already being served by social housing. As well, further demand may arise through population shifts—particularly from older New Zealanders as they leave the larger cities in search of cheaper housing elsewhere. Such shifts could quickly crowd out local rental markets, resulting in sharp rises in rents that, in turn, create affordability problems for existing private-sector tenants who may already be at risk of housing-related poverty. These pressures are already emerging in Waikato and may arise relatively quickly in other regions as well.

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The analysis offered in this paper suggests a need for between 1500 and 3500 additional social housing units each year—for at least the next decade. A more precise and more likely number is between 2000 and 2500. About half of any number of houses built will need to be in Auckland. These estimates are still relatively conservative, with larger numbers easily justified. However, the number of additional social housing units suggested here is based on what analysis suggests will be the growth in the numbers of people/households who will be at risk of housing-related poverty. This growth is assumed to come from increasing numbers of people reaching retirement age as private-sector tenants no longer being able to afford market rents even with their income entitlements. It is assumed here that the number of working-age adults and their children at risk of housing-related poverty remains relatively stable over the next decade as employment opportunities improve in the face of an aging workforce.

The proposal to build an additional 2000 State and social housing units each year should be seen as the bare minimum necessary to ensure that New Zealand's homelessness problems do not worsen. This number should be seen as additional to current stock and not simply the inclusion of existing social housing stock into the income-related rent subsidy programme offered by the Ministry of Social Development. It will not address the current shortfall of social housing units or necessarily alleviate current levels of homelessness.

Although this paper does not consider the costs of such a programme, the capital cost would likely be between \$800 million and \$1 billion annually, depending on whether or not Crown land is utilised. The additional operating expenditure for income-related rent subsidies would be around \$20 million each year. Such capital and operating budgets should not be seen as unreasonable given both the state of the Government's accounts and the urgent importance of addressing rising levels of homelessness given the high social cost associated with this.

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A recurring question in New Zealand’s housing policy debate is: *how many social houses do we need?*

This is a ‘how long is a piece of string?’ question, because to answer it we need to first consider some other questions. Questions such as: *what is an acceptable standard of housing for every New Zealander? What level of support can we afford as taxpayers and citizens to assist people who are homeless or with serious unmet housing need? How is it best to assist such people?*

This paper does not attempt to answer these questions—in part because they are political and decided by political discourse, ideologies and elections. Instead, this paper aims to inform this discourse by investigating the extent and nature of demand for social housing in New Zealand. In doing so, the paper offers some conceptual ideas around how we might frame housing need and identifies that part of the New Zealand population most at risk of housing-related poverty. By identifying such a population we can then get some idea of who makes up this population and its approximate size.

This paper likely poses more questions than it answers, but in doing so the hope is to support a more informed debate around social housing and for readers to grasp the potential for social housing to be transformative in many New Zealanders’ lives.

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# What do we mean by ‘social housing’?

The idea of social housing is a recent one that has crept into New Zealand’s political and policy language in the past ten years. The idea came to prominence with the present Government’s social housing reform agenda,<sup>1</sup> which in itself was pre-empted by the work of the Housing Shareholders’ Advisory Group and its 2010 report ‘Home and Housed’.<sup>2</sup>

Essentially, the term ‘social housing’ has come to replace that of ‘State housing’, at least in the language used by the present Government. This exchange of terms has been contested by some commentators and community groups on the political left, who continue to use the term State housing and argue that the shift in language is a reflection of the gradual privatisation of State housing to other providers such as NGOs.<sup>3</sup>

However, elsewhere in the world where publicly owned rental housing is not necessarily owned by the State, the term ‘social housing’ is more widely used. For example, British housing charity Shelter defines social housing as housing that ‘is let at low rents on a secure basis to those who are most in need or struggling with their housing costs. Usually councils and not-for-profit organisations (such as housing associations) are the ones to provide social housing.’ The charity further defines that social housing should be:

- affordable
- allocated on the basis of need
- owned and managed by registered providers
- regulated.<sup>4</sup>

Based on this or a similar definition of social housing, the term ‘State housing’ can be seen as social housing that is owned by the State or central government. However, the distinction between social housing and State housing is perhaps more complex than this. This complexity arises around questions of ownership, provision and subsidy. For example, it is by no means the case that public ownership of an asset such as rental housing stock is the only way to provide secure affordable rental housing to low-income households. This point is illustrated by the following tables.

**Table 1** compares public and private sector options for the ownership and operation of rental housing that may or may not be defined as social housing. As mentioned above, the traditional ‘State housing’ (or ‘public housing’) model has the ownership and operation of its housing stock carried out by a public agency such as Housing New Zealand.

Housing New Zealand, however, does not own all the housing stock it operates as rental housing, leasing 2000 to 3000 units from private investors on long-term leases. This represents a second model of private ownership and public operation.

A third model is where the housing stock is publicly owned but operated by a private entity or a joint venture involving a private entity. A local example of such an arrangement is the establishment of Haumaru Housing as a limited liability joint venture between the Auckland Council and the Selwyn Foundation that will operate the Council’s housing for elderly units across Auckland.<sup>5</sup>

A fourth model involves the private ownership and provision of rental housing that is generally reliant on subsidies and service contracts with a State agency.

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An example of this is Accessible Properties, which is New Zealand’s largest non-government social housing provider, owning and operating almost 2000 units across New Zealand.

Each of these models may be classed as ‘social housing’.

Table 1: Social housing models

OPERATION	OWNERSHIP	
	PUBLIC OWNERSHIP	PRIVATE OWNERSHIP
PUBLIC OPERATION	Public, State or Council rental housing—one public agency owns and provides social housing	Housing stock leased off private owners and provided by public agency
PRIVATE OPERATION	Provision of rental housing contracted out to private agency	Social housing provided by private agency through subsidies and contracts with the State

Table 2 considers ownership against the provision of subsidies as an alternative way of defining social housing. With this approach it is the existence of a subsidy rather than the ownership of the housing that makes a rental property social or market housing. The State housing/public housing model relies on public ownership and public subsidies, although the form of these subsidies may vary. The two main ways subsidies are provided is through a pure operating subsidy to the operator with the expectation it runs as either a commercial or semi-commercial business (as with Housing New Zealand), or that rents cover direct operating costs with no return on capital (as with much local authority housing). The inequity of such an approach, when some publicly owned social housing is subsidised by the State and some isn’t, is a major omission in present housing policy settings.

The alternative social housing subsidy model relies on private ownership with a subsidy offered directly to the owner, who provides access to rental accommodation on terms decided by the State agency providing the funding. This is the model being pursued by Government through its current funding model. To date, most of the funding being offered to non-government social housing providers has been to not-for-profit, so-called ‘community housing providers’. There is evidence of for-profit businesses also becoming active as social housing providers, especially in the most recent bids by Government to sell off some of the State-owned housing estate.<sup>6</sup>

Around 4000 State-owned rental housing units do not receive Government subsidies and are subject to market rent paid by tenants. This arrangement is historic and applies to long-term tenants who would not be allocated a State house today given their current housing position. While these dwellings are ‘State housing’, they are not strictly speaking ‘social housing’ because they are not now allocated on the basis of need.

The vast majority of housing—including more than 80% of rental housing—is privately owned, not subsidised directly and allocated mainly through the market. This is almost all market housing, with the exception of perhaps 1000 or so units owned by not-for-profit organisations and provided at less than market rents to people based on need. These 1000 units are mostly provided through some form of charity model and can—because they are not allocated through markets and at market rents—be seen as ‘social housing’ as well.

As much as 40% of private rental housing is occupied by households that receive a demand supply—the Accommodation Supplement. This housing cannot be

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considered ‘social housing’ because its occupancy and tenure is based on the willingness of the tenant to pay the rent, and on preparedness of the landlord to accept the tenant.

Table 2: Subsidy models for defining social housing

SUBSIDY	OWNERSHIP	
	PUBLIC OWNERSHIP	PRIVATE OWNERSHIP
SUBSIDISED	Social housing is subsidised by government and provided by public agency	Social housing is subsidised by government and provided by NGO at no profit or by private company for profit
UNSUBSIDISED		NGOs provide housing at below market rents based on charity models
← SOCIAL HOUSING →		
UNSUBSIDISED	Publicly owned housing is rented at market rents to tenants	Private rental housing—market rents charged by profit-making businesses
← MARKET HOUSING →		

The analysis offered in **Table 1** and **2** does not settle any dispute over the use of the term ‘social housing’ in lieu of ‘State housing’ (or ‘public housing’)—which is, in part, an ideological dispute around what those involved consider an appropriate role of the State in housing markets.

Behind the proposition that ‘State housing’ should be distinguished clearly from the vaguer and more malleable term ‘social housing’, is the idea that the State has a clear role in owning and operating rental housing for the poorest citizens. The reality is that some State housing is not occupied by the poorest citizens, but by long-term tenants whose lives have improved materially during the course of their tenure. This is justified by some on the left as a not unreasonable outcome of tenure security—that State housing tenants should have security of tenure as the ‘house’ has become their ‘home’, and it is unreasonable to shift them out simply because they have managed to improve their lives. This is the ‘housing for life’ argument. This argument has some merit, especially if you consider the real impact of the moral hazard established by the current Government policy of reviewable tenancies for State houses. The message here is clear: ‘work hard, improve your life ... and lose your home’.

The justification for reviewable tenancies and insecure tenure for State housing tenancies is the insufficiency of the stock of such housing and the consequent need to target resources to those most in need. Such an argument is being run by the present Government, with its insistence that social housing is available to those most in need and for the duration of their need.<sup>7</sup>

However, even if additional resources for social housing were available, it does not follow that State housing is the only answer and that all the State’s resources for housing should go into buying and building State-owned housing. There is some merit in the argument that it is not the ownership of housing, but how it is provided and to whom that matters most if we are to assist the poorest citizens into decent housing that they can afford. If we accept such an argument, the question of ownership by the State or by private parties comes down, in part at least, to that of economic value. For example: *is it financially and strategically more worthwhile for the State to own social housing, or to effectively rent it off private parties, be these in the community/NGO sector or private for-profit investors?*

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# How much social housing do we have?

This absence of an unequivocal definition of social housing makes it difficult to arrive at an exact estimate of the number of social housing units in New Zealand either historically or presently.

Historically, social housing in New Zealand has been owned by the government as State housing and local territorial authorities, as well as by not-for-profit organisations, such as faith-based organisations, welfare organisations and charitable trusts with a specific housing focus.

However, the present government’s social housing reform agenda has introduced an ambiguity into this government/local government/not-for-profit ownership spectrum. This ambiguity emerges around the future role of private for-profit companies in social housing programmes. For example, the process for selling off 1124 State housing units in Tauranga introduced private foreign-owned entities into the mix, including an Australian property services company, a British equity fund, and a private British housing services provider with the words ‘community housing’ in its name.<sup>8</sup> More recently, the Government announced it was looking overseas for parties interested in purchasing a proposed 2500 State housing units in Christchurch, suggesting it has foregone any pretence that these sales are in the nature of a partnership between a local not-for-profit housing organisations and the State.<sup>9</sup>

In essence, once social housing is owned and operated by the private sector—be this on a not-for-profit or for-profit basis—such ‘housing’ becomes a ‘contract’ with the State, rather than simply being a house, flat or apartment. The possible exception to this concept of social housing is the small number of units identified in **Table 2** that are owned by NGOs and provided by way of charity models without State subsidies or contracts. These units exist as social housing for as long as the NGO that owns them remains in business and decides to provide them. There are few, if any, safeguards to protect such units outside of the history and goodwill of the NGO owners.

**Table 3** provides estimates of the number of social housing units in New Zealand. These estimates are from a number of sources and different times. As well, given the rapidly changing social housing landscape due to the Government’s social housing reform agenda, these are only broad estimates—especially the NGO figures.

**Table 3: Estimates of social housing stock in New Zealand—March 2017**

	HOUSING NZ	LOCAL COUNCILS	NGO’S & OTHERS	TOTAL
Receiving IRR subsidies	59,000	0	3,500 <sup>10</sup>	62,500
Not receiving IRR subsidies	3,500	11,800	4,500	19,800
<b>Total</b>	<b>62,500<sup>11</sup></b>	<b>11,800<sup>12</sup></b>	<b>8,000<sup>13</sup></b>	<b>82,300</b>

This changing landscape means the numbers provided in **Table 3** are likely to change, although the total number of social housing units seems unlikely to increase by more than 1000. This small increase is due mainly to the fact that a significant part of the Government’s social housing reform agenda is about selling off State houses—either to so-called ‘community housing providers’ under the guise of stock transfers, or to developers for the re-development of valuable sites where some of the resulting housing remains as social housing.

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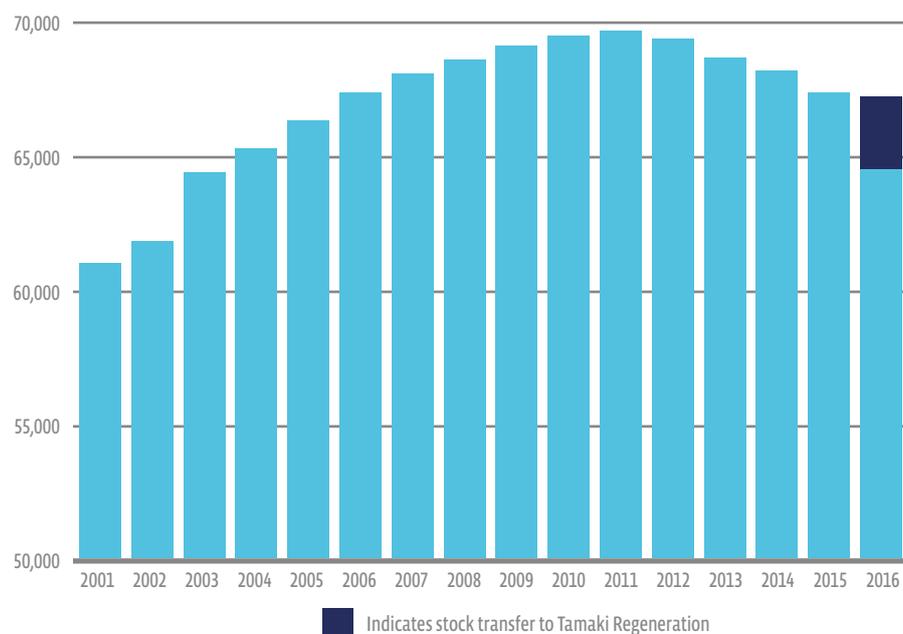
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This sell-off of State housing is clear in **Figure 1**, which charts the total stock of dwellings owned or leased by Housing New Zealand since 2001. The number of residential units under Housing New Zealand’s control peaked in 2011 at 69,717. By mid-2016, this had declined to 67,282—if we include the 2700 units that had, at that time, recently been transferred to Tamaki Regeneration Ltd.<sup>14</sup> This combined number was the lowest number of social housing units under State control since 2005.

**Figure 1: Stock of housing units owned or leased by Housing New Zealand—2001 to 2016<sup>15</sup>**



The Ministry of Social Development has signalled its intention to enter into additional contracts for income-related rent subsidies through to 2020.<sup>13</sup> These contracts are mainly with NGOs and perhaps other private housing providers. Over this period, the number of contracts with Housing New Zealand falls by 585 units. A summary of these intentions, which includes the number of units already in the supply pipeline, is reported in **Table 4**. This table also identifies the sector supplying these identified units.

The Ministry of Social Development reports it has already identified the supply of 2626 additional residential units that will receive an income-related rent subsidy by 2020. Of these, slightly more than half (1323 units) are already in local Council ownership and will pass into the ownership of an NGO provider to receive the income-related rent subsidies.<sup>16</sup> A further 481 units are already in NGO-provider ownership and will come into the income-related rent programme. In addition, NGO providers plan to lease 57 private rental units and operate these in this programme as well. Of the 2626 additional units, 226 units will be new builds built by NGO providers, while a net 539 additional units will be built by Housing New Zealand. In other words, 765 units (29%) of the additional 2626 identified units are additional stock. The remainder is already in the figures reported in **Table 3**.

These 765 units are the additional social housing units that, to date, have been identified as adding to the social housing stock under the present Government’s social housing reform process. These units are represented by 1035 additional units in Auckland and a net loss of 270 units elsewhere in New Zealand.

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Table 4: Ministry of Social Development’s social housing purchasing intentions to 2020<sup>17</sup>

	AUCKLAND	REST OF NZ	NEW ZEALAND
<b>HOUSING NEW ZEALAND</b>			
Housing NZ—additions	2,104	504	2,608
Housing NZ—disposals	1,252	817	2,069
Housing NZ external transfers		1,124	1,124
Net change for Housing New Zealand	852	-1,437	-585
<b>NGO &amp; OTHER NON-STATE PROVIDERS</b>			
Transferred from Housing NZ		1,124	1,124
Transferred from TLA	420	903	1,323
Redirected from existing CHA stock	197	284	481
Leased from private sector	57		57
New builds	183	43	226
<b>TOTALS</b>			
Additional IRRS stock incl. Housing NZ	1,709	917	2,626
Additional stock still to be identified	191	973	1,164
Total additional IRRS by 2020	1,900	1,890	3,790

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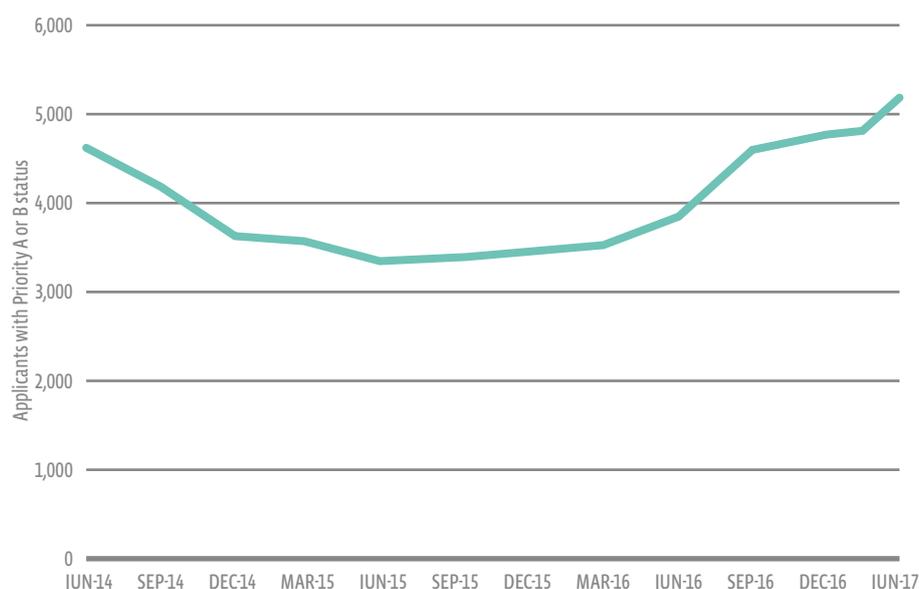
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# Identifying the need for social housing

One approach to determining demand for social housing is to consider current waiting lists for this housing. However, such an approach is fraught, partly because the numbers offered to us by waiting lists are administrative numbers. These are generated by the application of a process by bureaucrats who are subject to corporate direction and most likely political influence as well.

Such influence is not easily proven—although a recent unexplained increase in the number of people on the social housing waiting list provides evidence of some extraordinary influences at play. A sharp rise in the social housing waiting list between March 2016 and September 2016 coincided with a media focus on homelessness and slum landlords providing so-called ‘emergency housing’ to homeless families and individuals who would otherwise be eligible for social housing. This housing was provided in garages and huts and paid for directly by the Ministry of Social Development.<sup>19</sup> This increase is illustrated in **Figure 2** and shows the waiting list grew from 3549 in March 2016 to 4602 in September 2016. This increase occurred at a time when there was no market shock or natural disaster to cause more people to be homeless and when there was no explicit change in policy.

**Figure 2: Social housing waiting list as administered by Ministry of Social Development<sup>20</sup>**



It is, of course, relatively easy to measure market demand for housing. This is simply the number of households able and willing to pay for housing at the going price—be this rent or purchase price. But measuring demand for social housing is conceptually and definitionally far more problematic. This is partly due to difficulties around defining and measuring need, and also the different ways in which the State or a social agency might respond to this need. If, for example, it has been determined that a person or household has an unmet housing need, it is by no means automatic that the State or a State-sponsored organisation should provide a house to that person/household.

This was the thinking behind the radical reforms of housing assistance in the early 1990s, which saw market rents charged for State houses and the

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implementation of the Accommodation Supplement as a means of assisting State and private-sector tenants to pay these rents. Here, it was argued by Treasury, prior policies had distorted choice and that in the interests of efficiency housing support policies should be tenure neutral.<sup>21</sup>

There were at least two problems with such a response. Firstly, it naively assumed the housing market was a level playing field and that all consumers were able to exercise choice. As will be discussed, there are several reasons to doubt such an assumption. Secondly, the intervention measure—the Accommodation Supplement—was never designed to ensure that people could afford adequate and appropriate housing. The Accommodation Supplement was just intended to partially supplement the income of people or households with high housing costs relative to their incomes.<sup>22</sup>

A critical choice to be made around responding to unmet housing need is whether the response is direct and through the provision of services including housing, or whether the response is indirect and usually in the form of financial assistance to help people find housing in the market.

Once again, it is by no means automatic that the State should be the provider of this direct assistance or subsidise a third party such as an NGO to do so. A number of incentive and agency issues need to be considered before it is possible to recommend which of these options might work best in any particular circumstance.<sup>23</sup>

These incentive and agency problems also impinge on the choice of whether the response to unmet housing need is direct and in housing or indirect and in income. This choice also relies on distinctions around the extent and nature of a person’s/household’s housing need. These distinctions are considered below at a conceptual level.

### Extent of housing need

Housing need can vary considerably—from a household that occasionally struggles to meet mortgage payments, to a family living in a car, or an individual living on the streets. Thus, housing need can be seen across a continuum or spectrum from those whose needs are met comfortably within housing and labour markets, to those whose needs are not met at all—in other words, they are homeless. Examples of the use of a housing needs spectrum have recently been offered by the Housing Shareholders’ Advisory Group and Ministry of Social Development. These examples are attached as **Appendix 1**.

These spectra have some intuitive appeal as a way of conceptualising and connecting various housing experiences. Some empirical respectability can be given to such conceptualisations simply by segmenting numbers of tenancies and welfare payments, but they probably have limited predictive value. This is mainly because unmet housing needs are, to some extent, the outcomes of a complex interplay of factors and behaviours. These include levels of income, income sources, and specific housing costs and housing opportunities within local housing markets. These, in turn, interact with individuals’ behaviours and capabilities. For example, a change over time in the cost of rents relative to incomes can easily alter the extent and nature of a household’s unmet housing need. Nothing in a rule-of-thumb segmentation of households along some spectrum can predict the impact of rents rising faster than incomes or of local tenure shifts as with gentrification. But as a way of dividing a housing market into categories of households that do or don’t require some level of assistance, a housing needs spectrum or continuum is useful.

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The housing needs continuum offered in **Appendix 1** has a common framework, although each example has this framework populated in slightly different ways. This framework essentially has four basic housing positions, as shown in **Figure 3**. These positions are determined, in part, by a person/household’s position in the housing market and by the extent of assistance they receive to gain this position. A homeless person/family is effectively not in the housing market at all and is receiving no State assistance for this. One step along the continuum, a person or family has social housing only because this is provided by the State either directly or through a State-sponsored provider. Another step, a person/household manages to find housing in the market with financial assistance from the State.

This continuum has two uses in terms of focusing policy. One is that it links policy responses to housing outcomes. For example, no policy response at all will, for some people/households, lead them to be homeless, but for those with sufficient means and capabilities it will make no difference because they will have a house anyway. The second value of this and similar continuum is partly illustrated by the arrow across the top of **Figure 3** pointing to ‘increasing independence’. Here, the ambition of policy is to assist people or households to eventually move away from reliance on State assistance for their housing. This second value is that which is made the most use of by such continuum, and is certainly emphasised in the continuum offered by the Housing Shareholders’ Advisory Group and Ministry of Social Development, as well as the Tamaki Regeneration Company (also included in **Appendix 1**).

Figure 3: Generic housing needs continuum



But a question needs to be asked of the realism of the idea that a person’s or household’s housing position changes over time. This idea of a changing housing position is consistent with the concept of ‘housing careers’. This is where a person gathers more housing options and greater choice as their employment career progresses and as their income grows, and as they accumulate wealth through property ownership. This is a middle-class framing of housing experience, which is largely not shared by those living in social housing or as low-income private sector tenants.

The idea of housing careers has been critiqued by Beer and Faulkner.<sup>24</sup> Their critique is well summarised by **Figure 4**, which charts various housing trajectories. They suggest most people will not have the housing career of successful Baby Boomers, but rather ones with considerably less choice. This reality is not really reflected in current housing policy and has contributed to social housing being seen as transitory housing, where demand for such housing from individuals and households is a passing phase until they get on with the rest of their housing careers. This idea of ‘temporariness’ is certainly at the heart of the Government insistence that ‘social housing is provided for people who are most in need of housing for the duration of their need’.<sup>25</sup>

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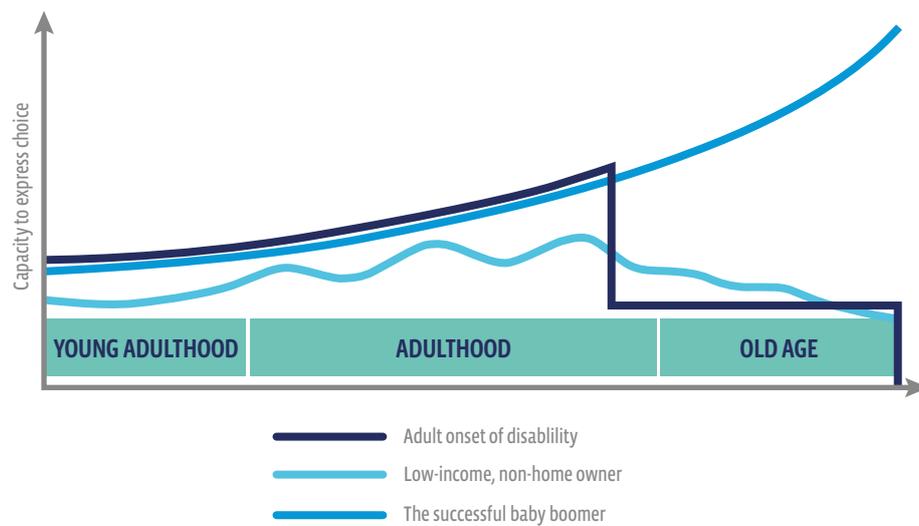
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Figure 4: Capacity to exercise choice within housing over time<sup>26</sup>



And so, if the housing history or housing trajectory of the average renter or typical State tenant is not one of expanding choice, what is it and how can housing policy respond to such realities? This question is considered in a later section.

### Nature of housing need

Just as housing policy has not really recognised the limited housing choices a significant proportion of the population face, it has also not paid much attention to how people become homeless, at risk of homelessness or otherwise poorly housed. A lack of attention to causes means, of course, little attention to responses that might address these causes. To be fair, agencies such as the Ministry of Social Development, which manage access to social housing, do not have the resources, time or focus to case-manage every applicant’s social and housing needs.

The outcome to the blanket approach adopted in administering social housing has two dimensions. One dimension operates at the level of individuals’ circumstances, in that many of the underlying problems facing individuals and that lead to their homelessness or poor housing remain even after a person is provided with social housing. While they are still better off than before, their housing position may not be sustainable. A common example is when a person has what may be termed ‘lifestyle challenges’ such as addictions. The second dimension exists beyond individual circumstances at the level of external conditions. Here, the failure to consider external causes means our housing policy ignores the structural problems within a society that give rise to homelessness. Thus, housing policy and the solutions to homelessness and poor housing it offers are just patch-up jobs solving only the immediate problems of those picked up in homelessness programmes.

These two dimensions are illustrated in **Figure 5**, which provides a framework for considering the nature or source of unmet housing need. Such need can be distinguished by whether the need arises from circumstances internal or external to the person/household experiencing that need, and to whether the need is social or economic in nature, or perhaps a combination of these.

The causes of unmet housing need offered in this table are not exhaustive or exclusive, and will often be inter-related. For example, a chronic health problem

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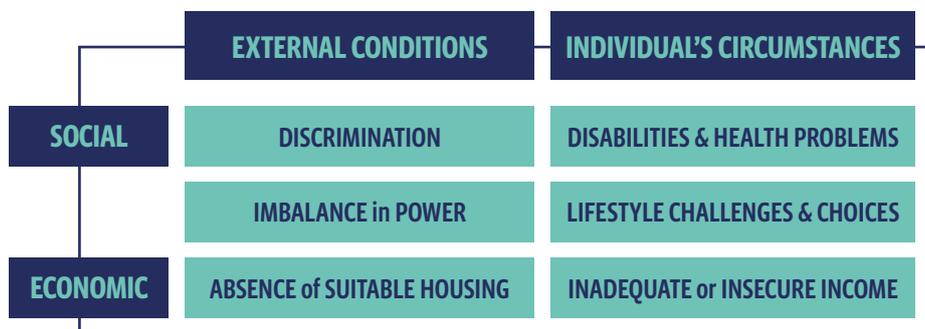
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may lead to insecure income. This, in turn, may limit a person’s bargaining power in attempting to secure adequate housing in the market

Figure 5: The nature of unmet housing need



The causes offered in **Figure 5** may be useful in the way they distinguish between circumstances where reliance on market-based housing solutions may be adequate, and circumstances where more direct provision of housing through State ownership or contracting is necessary. For instance, when people from ethnic minorities, or those with disabilities or criminal records may face discrimination in housing markets that prevents them from being adequately housed. The common response to this widely recognised problem is to enact civil rights laws such as the Human Rights Act 1993, which make certain forms of discrimination unlawful. Such responses are seldom effective because of the subtle and unstated nature of some discrimination, the need for those without power to enforce their rights by complaining, and the inconsequential penalties facing those who practice discrimination. If the market and legislation is not going to provide some people with adequate housing, does it not then become the moral duty of the State to do this—or to at least ensure that such housing is provided on its behalf? In this way, the justification for State provision of housing becomes both a moral one and a pragmatic one—the State has a moral duty and should focus on solutions with a good chance of working.

### The size of need for social housing

The discussion and analysis offered above considers how housing need might be segmented (**Figure 3**) and what might cause unmet housing need (**Figure 5**), but it does not provide an answer to how large this unmet need is, and from this, what the size of demand for social housing might be.

In deciding the extent to which demand for social housing should be catered for, it is quite easy to adopt some sort of guideline or target—perhaps based on past levels of provision. Such an argument runs that this level of past provision is reasonable given the circumstances of current unmet demand and limited available resources to do better. While such an approach has little rigour, it does provide a benchmark against which it is possible to judge current levels of provision and the efforts required to regain lost ground—if any.

**Figure 6** offers such an assessment, with estimates of social housing unit numbers compared with the total stock of occupied dwellings. This graph shows the proportion of housing stock that is social housing has declined from around 6.2% in 1991 to 5% during the first decade of the 21st century, and has drifted down to 4.8% since 2011. This past has not been a consistent story, though. The period 1991 to 1999 saw a major sell-off of State houses, followed by a slow

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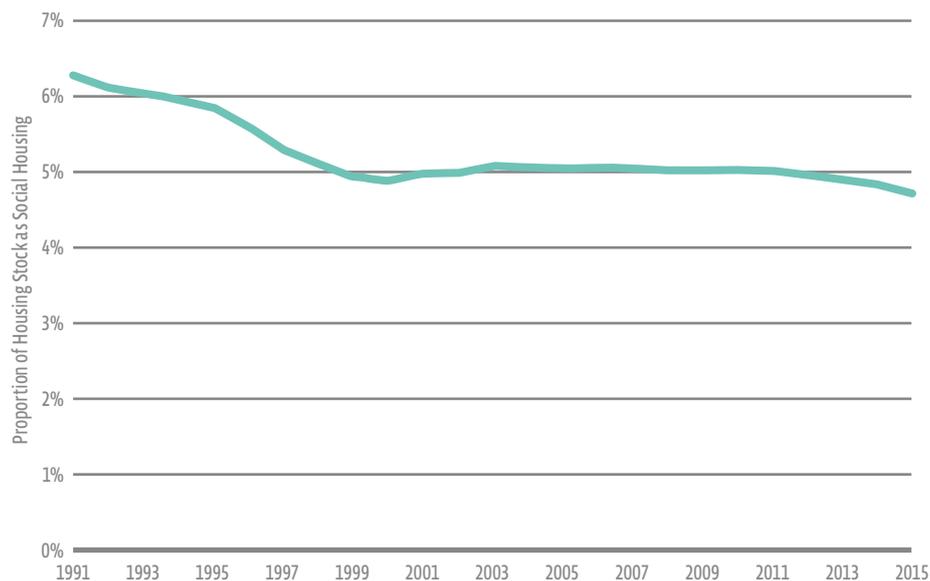
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re-building of stock numbers roughly in line with the expansion of the overall housing stock. The period since 2011 has seen a small reduction in State house numbers, while the background housing stock grew quite strongly.

**Figure 6: Estimates of social housing units as proportion of occupied housing stock<sup>27</sup>**



The problem with ratios such as those offered in **Figure 6** is they take no account of regional or local variations in housing market conditions. Such variation is reported in **Table 5**.

**Table 5** reports the stock of Housing New Zealand units by region and the proportion this stock represents of the overall housing stock (of occupied dwellings) in each region. These figures are also compared with recent waiting list data, also offered on a regional basis. Two things stand out from this data. The first is that regional waiting lists are roughly in proportion with the share of Housing New Zealand stock in that region. The exception is Bay of Plenty, which appears to be under provided, and perhaps Auckland and Wellington, which on this basis are over supplied with State houses.

The comparison of regional stocks of Housing New Zealand houses with the overall housing stock provides a more complex picture, however. Overall, Housing New Zealand’s stock made up around 4.1% of the national stock of occupied dwellings in 2016.<sup>28</sup> But in Auckland this stock makes up 6.2% of the regional stock and in Taranaki 7.9%, while in Canterbury it was just 2.9% and in Bay of Plenty 2.5%.

This analysis suggests that Auckland has both relatively high levels of provision and unmet need, while Canterbury has relatively low levels of provision, but only moderate (in relative terms) levels of unmet need. The outlier here is Bay of Plenty, which has high levels of unmet need and relatively low levels of provision.

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Table 5: Regional indicators of social housing availability and demand<sup>29</sup>

REGION	Housing NZ stock June 2016	Housing NZ stock as % of occupied dwellings	Waiting list March 2017	% of waiting list
Northland	2,109	3.6%	149	3.1%
Auckland	30,174	6.2%	2,015	41.7%
Waikato	4,848	3.2%	338	7.0%
Bay of Plenty	2,676	2.5%	350	7.2%
Taranaki	1,155	7.9%	101	2.1%
Gisborne	1,269	4.5%	255	5.3%
Hawkes Bay	2,617	2.6%	52	1.1%
Manawatu-Wanganui	2,443	2.8%	272	5.6%
Wellington	8,606	4.8%	507	10.5%
Nelson-Tasman	730	1.9%	96	2.0%
Marlborough	437	2.4%	63	1.3%
West Coast	316	2.3%	12	0.2%
Canterbury	6,432	2.9%	497	10.3%
Otago	1,578	1.9%	102	2.1%
Southland	409	1.1%	24	0.5%
New Zealand total	65,799	4.1%	4,865	

The analysis in **Table 5** only helps in identifying relative need, but not the total need or demand for social housing. The variability reported in **Table 5** suggests that a rule of thumb such as ‘social housing = 6% of housing stock’ is not particularly useful because factors other than population size and composition also impact on levels of demand. For example, although 6.2% of Auckland’s housing stock is owned/operated by Housing New Zealand, levels of unmet need are roughly in proportion with its share of the social housing stock, suggesting this over provision is required for other reasons. What are these other reasons?

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# The 'market' for social housing

A closer analysis of **Table 5** and **Figure 5** suggests that demand for social housing may depend on at least three factors:

- 1 The size of the population judged to be at risk of homelessness or poor housing outcomes—that is, the number of people likely to face the barriers presented in **Figure 5**.
- 2 The availability of other (non-social housing) options to this identified population.
- 3 The cost of these other options relative to the incomes of this population.

These factors are considered in some detail below.

## How big is the social housing market?

There is no such thing as a 'social housing market' because such housing really would not exist without public policy and public subsidies. There is, however, a section of the population for whom social housing is the only way they can gain access to decent secure housing. This segment of the population can be seen as forming something of a shadow housing market. If we are to truly understand the extent of demand for social housing we perhaps need to think about how big this shadow market is.

British housing researcher Sarah Monk has undertaken useful research into the characteristics of social housing demand in the United Kingdom.<sup>30</sup> Her work has focused on who social housing tenants are and what happens to them. In her 2008 study, Monk (2009) assessed the entries and exits to/from social housing in England and Wales. She identified three groups of social housing tenants:

- 1 Those for whom social housing is transitional accommodation and who move out into private rental or even ownership. This is around 45% of all tenants.
- 2 Those for whom social housing is for the long term—those who are 'generally more disadvantaged in terms of income, health, disability and lack of participation in the labour market'. This group is around 45% of all tenants.
- 3 A smaller group—about 7% of tenants who come into social housing in their old age as their needs change.<sup>31</sup>

Except for the last group of older people, Monk suggests it is not possible to identify who within a group of new tenants will eventually leave and who will stay long term. She suggests that the 'distinguishing features relate to changes in their life chances while they are social tenants'. She suggests further that the 'policy challenge is to provide all tenants with opportunities to alter those characteristics which put them into priority need so as to enable them to leave if they wish, while at the same time recognising that not all of them will succeed and that therefore support for the long-term needs of this group must also be provided for, even though they cannot be identified except over time, by default.'<sup>32</sup>

This proposal stands in sharp contrast to the present approach in New Zealand of reviewable tenancies in at least three respects. The first is that attention is paid to offering tenants 'opportunities to alter those characteristics which put them into priority need', not on reviewing tenancies as some form of penalty if tenants manage to achieve these changes without assistance and support. The second difference is the choice tenants have to stay even if their circumstances

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do change. Such an option can assist in building greater cohesion and leadership within a social housing community or neighbourhood by retaining in those neighbourhoods people who succeeded in improving their lives. The third difference is in the recognition that a significant group of tenants require support for their long-term needs and that this support is offered in and through their housing—in other words, there is no housing career for these people.<sup>33</sup>

An important question for this exercise is: *how many people in New Zealand might fall into the groups which Monk has identified as the most common social housing tenants in England and Wales?* It does, of course, not necessarily follow that the types of people who occupy social housing in England and Wales would match those occupying social housing in New Zealand. But Monk's description of 45% of social housing tenants as people who are 'generally more disadvantaged in terms of income, health, disability and lack of participation in the labour market' closely matches those falling into the Ministry of Social Development's housing need continuum for State and social housing tenants. And, in particular, what it describes as 'Housing Circumstance 5'—a group of around 26,000 people or 42% of the 'social housing primary tenants'. (See **Appendix 1** for details.)

The key issue here is that far more New Zealanders with these circumstances or with these support needs are living in private rental housing than in social or supported housing. So simply using the numbers who currently are living in such housing as the basis for future demand for social and state housing is problematic.

This idea—of using 'what is now' as the basis for 'what should be'—is problematic for at least two reasons. Firstly, it is by no means clear that the present housing outcomes for vulnerable people outside of State and social housing are ideal or indeed fair. Which means it would be morally dubious to assume their future demand/need for housing should be a continuation of what they have already.<sup>34</sup> This is probably especially so for people with mental illness and for recently released prisoners whose housing position frequently exacerbates their other problems and often leads to them becoming street homeless or incarcerated again. Secondly, the alternative housing outcomes, outside of State or social housing, may not be sustainable because of social or economic change. For example, the option of being supported by parents well into adulthood is clearly limited by the longevity and financial circumstances of the parents. The ability to occupy cheap and insecure housing on the margins of the housing market, such as in camping grounds, has often been truncated by developers finding better uses for these properties.

Monk's analysis of social housing tenants in England and Wales suggests such housing can fulfil three functions in providing housing to people who may be seen to be in the social housing market. These are:

- 1 Providing transition housing for people who may regain a position in the private housing market—most likely through gaining sustainable employment although perhaps with some financial assistance.
- 2 Providing permanent housing to people who are 'generally more disadvantaged in terms of income, health, disability and lack of participation in the labour market'.
- 3 Offer housing to older people living on limited retirement incomes with few other housing options.

These functions are illustrated in **Figure 7** roughly in proportion to the shares Monk has observed. A New Zealand dimension has been added to this representation around where people in the social housing market fit into income support programmes such as working age benefits and New Zealand superannuation.

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Figure 7: Monk’s concept of a social housing market



The message offered from such conceptions of social housing demand as provided by Monk and illustrated in **Figure 7** is clear. It is consistent with the picture offered in **Figure 4** of those with limited choice in their so-called housing careers. Moreover, it stands in sharp contrast with the current narrative around social housing, which casts it as an unnecessary burden that should be reduced.<sup>35</sup> This message is that a group of citizens will have a permanent need for housing assistance in some form for the remainder of their lives. This means, of course, the idea that demand for social housing will diminish or at least not grow is misguided and plainly wrong.

Two trends illustrate this argument of a permanent and perhaps increasing demand for social housing. One is the fact of an enduring number of people living on working-age welfare benefits, and the other is the growing number of poorer Baby Boomers facing retirement with few viable housing options. These trends are illustrated below.

**Table 6** reports the recent trend in the number of people receiving a working-age welfare benefit, as well as Treasury forecasts through to 2021. The message offered by **Table 6** is once again clear: the reduction in benefit recipients has slowed to a trickle following the present Government’s welfare reform agenda that made access to such benefits more conditional. This suggests that even with the most aggressive policies around access to income support for working-age adults, the number of people requiring assistance is unlikely to fall below 250,000 people—or around 8% of the working age population of three million people. As well, associated with these 250,000 people will be around 150,000 children who are their dependents.<sup>36</sup> This enduring need for income support for around 400,000 working age adults and their children is, in some respect, a reflection of the level of disability, chronic illness and social marginalisation within New Zealand’s population. Until now, this segment of the population has made up by far the largest share of the so-called ‘social housing market’, a relationship unlikely to diminish any time soon.

Table 6: Trends in numbers of people receiving income support: 2011 to 2021<sup>37</sup>

June years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NZ Superannuation	585	612	640	665	691	717	742	769	796	824
Job Seekers & Emergency Benefits			138	133	130	131	128	121	113	110
Supported Living payment			96	98	98	97	97	97	97	96
Sole Parent support			78	72	67	64	62	62	60	59
Working-age benefits	334	323	312	303	295	292	287	280	270	265
Accommodation Supplement	311	303	297	292	292	290	292	298	294	294

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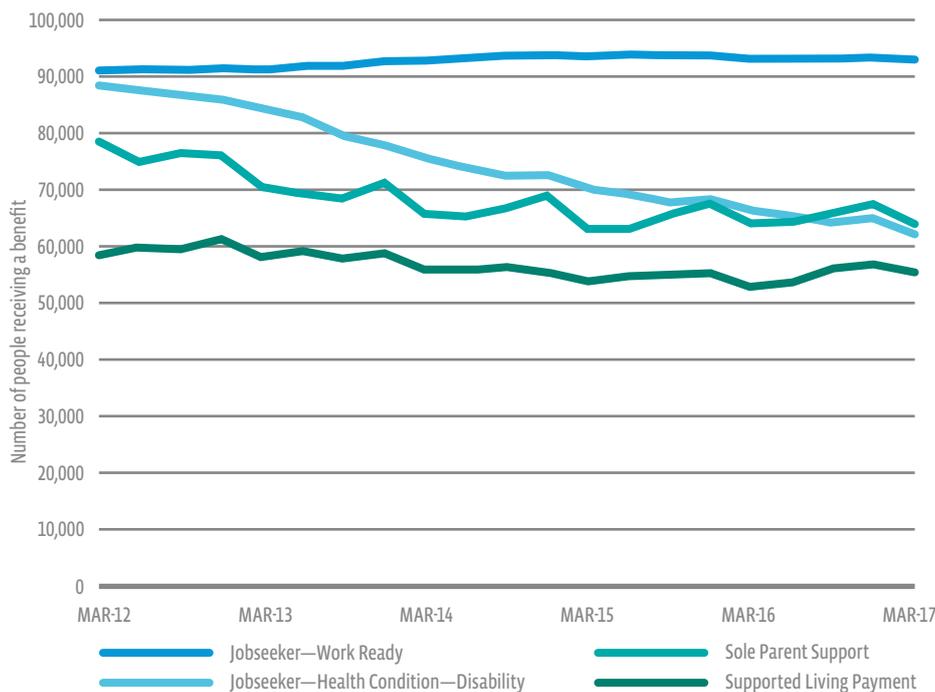
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A closer analysis of these benefit numbers indicates recent declines have not been across the board in all categories of benefits, but have instead been concentrated in the number of people receiving a Sole Parent Support payment and the Jobseeker work-ready payment. The other main categories of benefit, the Jobseeker—Health Condition—Disability payment and the Supported Living payment, are provided to people with health and disability challenges, some of which are permanent. The number of people receiving these payments has remained relatively stable over the past five years at just under 150,000 people. This trend is shown in **Figure 8**.

**Figure 8: Changes in numbers of benefit by benefit type—2012 to 2017**



People receiving these health and disability-related payments are likely to fall into the category of social housing tenants that Monk has described as ‘generally more disadvantaged in terms of income, health, disability and lack of participation in the labour market’. As noted already, these are the people who, in England and Wales at least, form the core of those requiring long-term support through social housing. Given the long-term nature of their need, these are the people who most likely would require social housing assistance in New Zealand as well. As an indicator of the extent of this need, the number of people receiving health and disability-related benefits is seen here as a proxy for the group of working-age people who make up the core of the market for social housing.

But the big news for future social housing demand is that of increasing demand from poorer Baby Boomers.

**Table 7** offers a forecast of possible tenure changes among New Zealanders aged over 65 through to 2030. By 2030, the proportion of people over 65 who are tenants may increase from 14% to 25% as the cohorts of younger Baby Boomers with lower home ownership rates reach retirement. This increasing proportion of tenants is amplified by a rapidly growing population over 65—a trend due, of course, to an aging population and rising longevity. This amplification means the number of aged tenants may more than treble, growing by over 11,000 people per year. These forecasts are based on an assumption that no additional social

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housing is provided (and none is sold or lost), but that the number of people over 65 in social housing will grow on account of existing tenants aging in place. These assumptions mean the proportion of tenants over 65 who are social tenants will decline from 28% in 2013 to 14% in 2030. And that over the same time, the percentage of people over 65 who are private tenants will grow from 10% to 22%.

Table 7: Forecasts of tenure shares of over 65-year-olds in 2030<sup>38</sup>

	2013	2030	% change	Per year
Population over 65	626,000	1,094,000	75%	27,500
Non-owners	160,000	408,000	155%	14,600
Living with owners	42,000	70,000	67%	1,600
Housed in institutions	33,000	57,000	73%	1,400
Tenants	85,000	275,000	224%	11,200
Social tenants	24,000	38,000	58%	880
Private tenants	61,000	237,000	289%	10,400
Proportion of over 65s in social housing	28%	14%		

The challenge is finding adequate and affordable rental housing for this many people—over 10,000 per year—as their income declines into retirement. In general, tenants tend to be poorer and probably in poorer health, so the prospect of Baby Boomer tenants working well past retirement to afford expensive rental housing cannot just be assumed.<sup>39</sup>

People aged over 65 with limited and fixed incomes and limited housing choice will make up a growing market segment for future social housing. The extent of growth in the number of older tenants over the next 13 years creates huge demand for additional social housing, even if the proportion of older tenants in social housing remains the same as in 2013. For example, to provide social housing to 25% of all elderly tenants will require an additional 30,000 units over the next 15 years.

In meeting just this level of demand we ignore the circumstances of 75% of elderly tenants, who by default remain in the private sector, living in more expensive and less secure housing. By 2030, this group is likely to exceed 200,000 people—even with an additional 30,000 social units being built in the meantime under the scenario offered above. Under current policy settings, many of the 75% of older tenants will need to rely on the adequacy of the Accommodation Supplement to ensure their access to acceptable housing outcomes. Yet expectations of increasing provision of the Accommodation Supplement to assist with their higher housing costs are not apparent in the forecast figures provided in **Table 6**.

There is already evidence of increasing demand for the Accommodation Supplement from people aged over 65 who are now struggling to meet their housing costs. **Figure 9** reports the increasing numbers of such people for the period 2010 to 2017. Over this period, these numbers rose 47% to almost 39,000 people.<sup>40</sup> This increase is not entirely due to the growing numbers aged over 65 but also to an increasing proportion of them requiring housing assistance. In mid-2010, 4.8% of over 65s received the Accommodation Supplement, while by early 2017 this proportion had risen to 5.4%.

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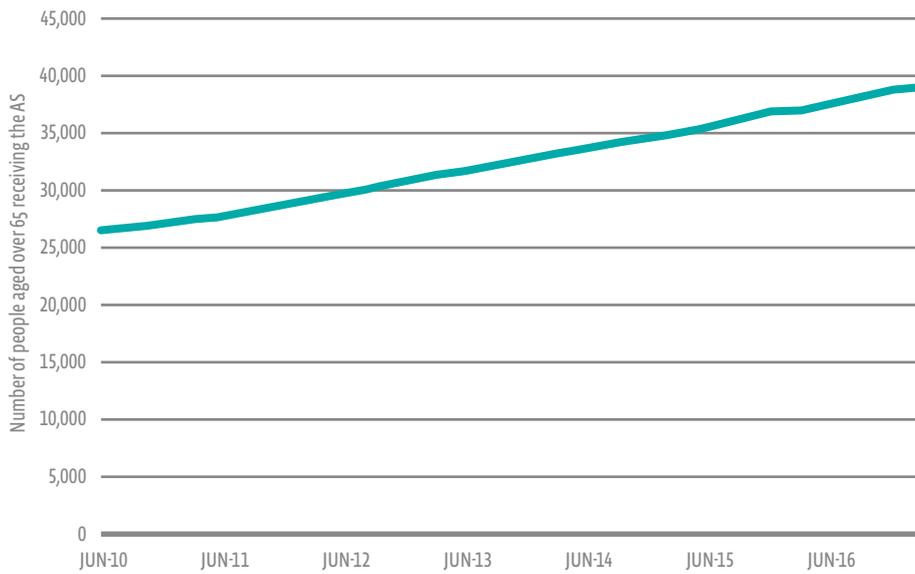
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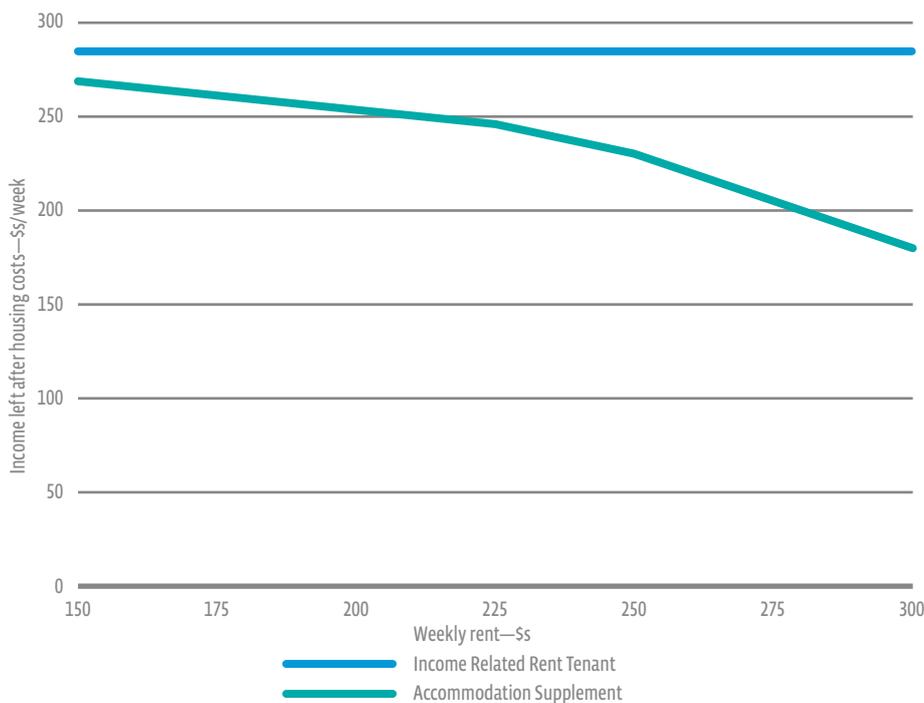
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Figure 9: Number of people over 65 receiving Accommodation Supplement—2010 to 2017<sup>41</sup>



Nothing is known about the housing these 39,000 people secured, although their financial position relative to those in income-related, rent-based social housing can be guessed at. **Figure 10** compares the after-housing cost incomes of two people receiving the New Zealand Superannuation—single person’s payment of \$380 per week with no other additional income from investments or private superannuation for example. One person is a social housing tenant and receives an income related rent subsidy for her house. The other person rents in the private sector and he receives the Accommodation Supplement—in this example to a maximum of \$100 per week. The inequity in this arrangement is apparent and is difficult to justify on any moral basis.

Figure 10: After-housing costs incomes for two people receiving NZ Superannuation



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### Availability of other housing options

The second factor offered above that may impact on demand for social housing is the availability of other housing options in local housing markets. It may, for example, be the case that in some local markets there is sufficient opportunity for low-income people to gain access to good quality housing in the private market, so that providing additional—or indeed any social housing—is unwarranted. If this is the case, the inequity demonstrated in **Figure 9** could simply be addressed with a more generous version of the Accommodation Supplement.

**Table 8** provides some indicators of changes in the supply and demand for rental housing on a regional basis between 2013 and 2016. This data and estimates come from a variety of sources, and perhaps in part because of this mixed pedigree the picture offered here is mixed as well.

Estimates of changes in the ‘not owned stock’ are derived from the 2013 Census and the regional breakdown of the share of households reporting that they did not own the dwelling they usually occupied on census night. **Table 8** refers to dwellings and not households, so this data from the 2013 Census is reconciled (on the same share of totals as households) for the total number of dwellings estimated in Statistics New Zealand’s Dwelling and Household Estimates for the June 2013 quarter.<sup>42</sup> The 2016 estimates of additional dwellings are taken from regional building consent data for June 2013 to June 2016, while the share of dwellings not owned is from the Dwelling and Household Estimates for June 2016. Here, some allowance has also been made for rising rates of rental tenure across this period under review.<sup>43</sup> The background data and forecasts behind these estimates is provided in **Appendix 2**.

As a further indicator of recent changes in the rental housing market, data from tenancy bonds reported by Ministry of Business, Innovation and Employment is also reported in **Table 8**.<sup>44</sup> This data summarises, on a regional basis, changes in the total number of bonds held by the Ministry. It shows considerable growth of almost 10% overall, over a three-year period.

**Table 8** shows that estimates of increases in the rental housing stock are not compatible with reported increases in the number of tenant bonds held by the Ministry of Business, Innovation and Employment. One reason for this is that tenancy agreements made without bonds being paid are not required to be registered. Furthermore, it is still likely that some landlords fail to lodge bonds with the Ministry as they are required to do under the Residential Tenancies Act 1986. The gap between the likely number of rented dwellings and the number of bonds lodged is, however, closing—perhaps as more bonds are collected from tenants and more landlords comply with the law.<sup>45</sup> This catch-up will, in part, be responsible for the higher rate of growth of tenancy bonds than of rental housing, as reported in **Table 8**.

Regardless of this incompatibility between estimates of the rental housing stock and the number of bonds lodged, it is apparent that both measures of growth in rental housing outstripped population growth between 2013 and 2016. An exception is Auckland, which over this three-year period experienced an estimated 8.1% growth in its population, yet may have seen a slightly slower growth rate of 7.5% in the stock of rental housing.

Generally, it appears rental housing is readily available in most regional housing markets, although the estimated population growth is not the same as the growth in tenant households. Almost by definition the increase in the number

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of rental properties is the same as the increase in the number of households renting these properties. This means the differences illustrated in **Table 8** between population growth and measures of rental housing growth are a sign of a swift change in tenure—from owner-occupation to renting. For example, between June 2013 and June 2016, Statistics New Zealand estimates 71% of the 53,600 additional households formed were tenant households. So it seems that while there are plenty of rental housing opportunities around, there are also plenty of households taking up these opportunities.

**Table 8: Indicators of growth in rental housing supply and demand—2013 to 2016<sup>46</sup>**

Region	Change in 'not owned' stock 2013-16	% change in not owned stock 2013-16	% change in number of active tenants' bonds 2013-16	Population growth 2013-16
Northland	1,400	6.8%	9.2%	4.1%
Auckland	13,700	7.5%	13.3%	8.1%
Waikato	4,100	7.1%	9.5%	5.8%
Bay of Plenty	2,700	7.2%	4.2%	4.9%
Gisborne	300	3.9%	11.8%	1.7%
Hawke's Bay	1,100	5.2%	9.5%	2.2%
Taranaki	1,000	6.7%	7.8%	2.7%
Manawatu-Wanganui	1,600	5.0%	6.7%	2.5%
Wellington	3,600	5.8%	6.9%	3.7%
Tasman	400	8.4%	11.1%	2.9%
Nelson	400	6.4%	9.3%	3.9%
Marlborough	300	6.3%	2.5%	1.8%
West Coast	300	5.7%	5.0%	-1.5%
Canterbury	5,600	8.9%	9.0%	6.6%
Otago	1,900	7.1%	8.2%	5.0%
Southland	700	5.6%	4.3%	2.1%
NZ Total	39,100	7.1%	9.7%	5.6%

**The cost of rental housing relative to incomes**

While it might be the case that growth in rental housing has matched growth in tenant households, it is by no means certain that this additional or existing housing is affordable, particularly for those requiring some form of housing assistance.

The following analysis considers the extent and regional distribution of any affordability issues that might give rise to demand for social housing. Such demand would most likely be based on some criteria or expectation that beyond a certain point, where household income appears inadequate relative to rent, the direct provision of income-related rental housing is an appropriate intervention. As noted already in **Figure 10** such a threshold is not currently applied, as we have at least 28,000 older tenants receiving New Zealand Superannuation and the Accommodation Supplement who are demonstrably worse off than those of the same age and with the same income in income-related rental social housing.

The following analysis takes four approaches to considering this affordability question. Firstly, it considers the relationship between household incomes and rents on a regional basis to identify those regions where there may be

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affordability problems for households that may be defined as the working poor. This analysis is summarised in **Table 9**. Secondly, the relationship between incomes for those on benefits or pensions, and the rents they may face at the bottom of the rental market, is considered once again on a region by region basis. This analysis is offered in **Table 10**. Thirdly, the analysis considers the extent and regional distribution of individuals, rather than households, who receive either a working-age benefit or New Zealand Superannuation. This provides a glimpse of the extent of those who may fall into the groups of social housing tenants identified by Monk and shown in **Figure 7**. This third type of analysis is reported in **Table 11**. Finally, a further assessment of the numbers/people identified in **Table 11** is undertaken to provide an estimate of those people who might form the core group of those requiring social housing. This final assessment for people over 65 is provided in **Table 12**, and for the working age population in **Table 13**.

**Table 9** compares recent estimates of household incomes with rents on a regional basis. The comparison made here is the median weekly income received by wage and salary earners, with the geometric mean rent on a region-by-region basis. This shows the extent of income distribution across the region, from a high of \$1381 per week in Wellington to a low of \$804 in Northland. Rents, however, do not appear to follow the same distribution as might be expected. As would probably be expected, rents are least affordable in Auckland, where the mean rent is 38% of the median household income for wages and salaries, and most affordable in Southland, where they are just 21%. However, rents are quite unaffordable in Northland, where the ratio is 37%, followed by the combined regions of Nelson Tasman Marlborough and West Coast.

**Table 9: Regional comparisons on household incomes and rents—2016<sup>47</sup>**

	Median weekly household income from salaries/wages 2016—\$s	Geometric mean weekly rent—Jun-16 \$s	Ratio of mean rent to Household income
Northland	804	297	36.9%
Auckland	1,266	481	38.0%
Waikato	1,111	309	27.8%
Bay of Plenty	997	340	34.1%
Gisborne-Hawkes Bay	937	295	31.5%
Taranaki	1,042	292	28.0%
Manawatu-Whanganui	937	244	26.0%
Wellington	1,381	381	27.6%
N-T-M-WC**	880	304	34.5%
Canterbury	1,247	350	28.1%
Otago	1,054	332	31.5%
Southland	1,080	222	20.6%
New Zealand	1,151	374	32.5%

\*\* Nelson Tasman Marlborough and West Coast regions

This comparison of median household incomes from wages and salaries with mean rent is not ideal as it does not really identify the experience of tenant households, which in general earn less than owner-occupier ones. This distribution is illustrated in **Figure 11**, which shows that in 2016, 63% of tenant households earned or received less than the median household income, compared with just 44% of owner-occupier households. However, the data offered in **Figure 11** considers incomes overall, not just incomes from wages and salaries as in **Table 9**.

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Figure 11: Household distribution by tenure—2016<sup>48</sup>

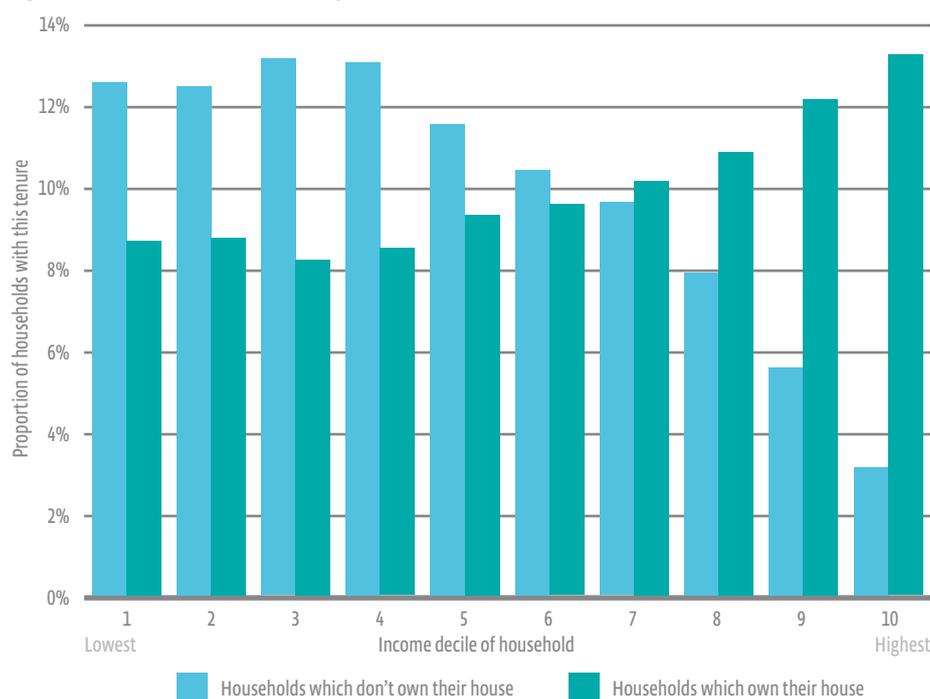


Table 9 shows how wages and salary earners are faring in regional rental markets. This data offers some indication of the relative affordability of rents in various regions, but not necessarily the extent of demand from people or households in the core group that typically makes up social housing tenants as identified by Monk.

As Monk has identified, the bulk of social housing tenants in England and Wales are people receiving some form of welfare assistance—and this is so for social housing in New Zealand as well. This being the case, the relationship between wages, salaries and rents is only of secondary importance to the group of people who live outside of social housing, but also rely on welfare payments for their incomes. After all, these are the earliest candidates for any additional social housing that may be provided. For this group, a comparison of their likely incomes with rents, and especially lower quartile rents, is of more relevance. This comparison is made on a regional basis in Table 10 for a single person receiving the Supported Living payment and a single person on New Zealand Superannuation.

Two things are apparent from the comparisons made in Table 10. The first is the overall cost of rents relative to incomes for working age beneficiaries and those receiving Superannuation, even with full Accommodation Supplement entitlements. Nationally, it will take between 60% and 65% of a single person’s benefit income to pay the lower quartile rent. The most affordable regions appear to be Manawatu-Wanganui, West Coast and Southland, but even here the lower quartile rents are around 50% of incomes. The second feature of this data is how unaffordable rents in Auckland are in comparison with the rest of the country.

Clearly comparisons such as those offered in Table 10 are a little unrealistic, especially in large regions with diverse housing markets. Low-income people/ households will most likely concentrate in the lowest cost end of the rental housing market, where rents are likely to be less than the lower quartile rent for the whole market. Table 11 does, however, indicate that even with such concentration, the gap between incomes and what is affordable (e.g., 30% of income) is likely to be considerable.

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Table 10: Comparison of benefit and pension incomes with lower quartile rents—2017

	Lower quartile rent—Mar-17	NZ Super + AS	Rent as % of total income	Supported Living payment + AS	Rent as % of total income
Northland	260	457	57%	419	62%
Auckland	384	551	70%	512	75%
Waikato	260	458	57%	419	62%
Bay of Plenty	275	469	59%	430	63%
Gisborne	222	429	52%	391	57%
Hawke’s Bay	262	459	57%	420	62%
Taranaki	235	439	53%	400	59%
Manawatu-Wanganui	203	415	49%	377	54%
Wellington	302	489	62%	450	67%
Nelson	227	433	52%	395	57%
Tasman	264	461	57%	422	63%
Marlborough	269	464	58%	426	63%
West Coast	196	409	48%	371	53%
Canterbury	265	462	57%	423	63%
Otago	241	444	54%	405	60%
Southland	174	393	44%	354	49%
NZ Total	287	478	60%	439	65%

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# People at risk of housing-related poverty

As already discussed, and as described by Monk, it appears the bulk of the people who end up as social housing tenants are either old or on the margins of the labour market and most likely living on a welfare benefit. These are the people who, without housing assistance, are at risk of housing-related poverty, including being homeless.

**Table 11** provides a broad region-by-region summary of the people who may make up this at-risk population. As perhaps might be expected, the level of reliance on pensions or benefits is highest in smaller, more rural regions, especially in the North Island—and lowest in urban areas, especially in Auckland.

**Table 11: Working-age beneficiaries and Superannuates by region—2017<sup>49</sup>**

	Number on NZ Superannuation	Number on Working Age Benefits	NZ Superannuation & benefit recipients as % of over 15's population
Northland	31,417	16,632	35.6%
Auckland	174,501	78,196	19.5%
Waikato	65,345	31,639	27.4%
Bay of Plenty	53,371	20,709	31.9%
Gisborne	6,811	5,062	32.8%
Hawkes Bay	28,372	12,000	31.8%
Taranaki	19,233	7,698	29.2%
Manawatu-Whanganui	40,943	19,574	31.9%
Wellington	69,152	28,397	23.8%
Tasman	9,400	2,073	28.1%
Nelson	9,152	3,083	29.5%
Marlborough	9,953	2,067	32.1%
West Coast	5,806	2,476	31.1%
Canterbury	89,508	27,344	23.8%
Otago	35,523	10,376	25.1%
Southland	15,687	5,135	26.6%
Region not identified	58,775	5,775	
<b>New Zealand</b>	<b>722,949</b>	<b>278,236</b>	<b>26.5%</b>

As discussed above, within the numbers identified in **Table 11** there is a smaller group of people who fall into either the group of social housing tenants with more permanent needs, or the group of older tenants also identified in **Figure 7**. **Table 12** provides a summary of analysis that attempts to estimate this smaller group of people over 65, while **Table 13** provides an equivalent estimate for working-age adults with more permanent needs.

**Table 12** provides estimates of over-65s who are tenants, including Housing New Zealand tenants who most likely receive an income-related rent subsidy. This table also includes recent data on the number of over-65s receiving the Accommodation Supplement. Housing New Zealand tenants and those receiving the Supplement are defined here as being the group of people most at risk of housing-related poverty—that is, having poor housing conditions or otherwise

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living in relatively deprived circumstances due to high housing costs. In the case of Housing New Zealand tenants, it is the provision of their housing that ensures they are not living in housing-related poverty, but it is assumed here that they remain at risk of such poverty.

The analysis offered in **Table 12** suggests that around 7% of over-65s are at risk of housing-related poverty, with the highest incidence being in Auckland and Taranaki, and the lowest incidence across the whole South Island. As discussed below and as indicated in **Figure 8**, this is a changing position, and it seems likely that both the total number of people and the proportion of over 65s at risk will increase over the next five to ten years.

**Table 12: Estimates of over-65s at risk of housing-related poverty**

	Number of people receiving Superannuation March 2017	Number of tenants aged over 65—2017	HNZ tenants over 65—2017	Number of tenants over 65 receiving AS—2017	% of over 65s at risk of housing-related poverty
Northland	31,417	8,300	600	1,337	6%
Auckland	174,501	68,000	7,800	8,658	9%
Waikato	65,345	18,300	1,300	2,405	6%
Taranaki	19,233	5,000	300	1,402	9%
Bay of Plenty	53,371	13,400	700	2,609	6%
Gisborne-Hawke’s Bay	35,183	10,000	1,000	1,511	7%
Manawatu-Wanganui	40,943	11,000	600	1,961	6%
Wellington	69,152	19,000	2,200	1,878	6%
Nelson-Marlborough	28,505	6,500	300	1,222	5%
Canterbury-West Coast	95,314	25,200	1,700	2,730	5%
Otago-Southland	51,210	12,000	500	1,939	5%
No region stated	58,775			399	
<b>Total</b>	<b>632,757</b>	<b>188,400</b>	<b>17,000</b>	<b>28,051</b>	<b>7%</b>

**Table 13** reports the number of people receiving either the Jobseeker—Health Condition—Disability payment or the Supported Living payment by region. These generally represent around half of the total number of people receiving a working-age benefit in each region, as reported in **Table 11**. This proportion may, however, rise slightly if the anticipated modest fall in the total number of working-age benefits as reported in **Table 6** comes about. This will most likely occur in the Jobseeker—Work Ready and Lone Parent Support payments, rather than the health/disability-related ones.

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Table 13: Adults receiving health or disability-related benefits—March 2017<sup>50</sup>

	Jobseeker – health condition & disability	Supported living payment	Total
Northland	3,235	4,454	7,689
Auckland	19,568	23,141	42,709
Waikato	5,777	9,784	15,561
Bay of Plenty	4,535	5,233	9,768
Gisborne	656	1,711	2,367
Hawke’s Bay	1,861	4,622	6,483
Taranaki	1,322	2,819	4,141
Manawatu-Wanganui	2,981	7,278	10,259
Wellington	4,580	8,907	13,487
Tasman	565	592	1,157
Nelson	728	997	1,725
Marlborough	442	685	1,127
West Coast	428	927	1,355
Canterbury	5,625	11,580	17,205
Otago	1,912	4,060	5,972
Southland	834	1,703	2,537
Other/Regional Council Unknown	408	4,614	5,022
New Zealand	55,457	93,107	148,564

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# Assessment of relative demand for social housing

## Which region needs social housing the most?

This region-by-region analysis has allowed us to gain an appreciation of the relative extent of demand for social housing and, to some degree, the nature of this demand. For example, Northland’s demand is partly related to relatively high proportions of the population receiving pensions and benefits, as well as the high rents relative to incomes in that region. Auckland’s demand, by comparison, is due to what appears to be a paucity of other housing options in the private rental market and high rents relative to incomes.

An overall summary of the analysis already offered is provided in **Table 14** which provides five indicators that illustrate the three criteria offered above, which this paper claims may drive or underpin demand for social housing. To recap, these criteria are:

- 1 The size of the population judged to be at risk of homelessness or poor housing outcomes.
- 2 The availability of other (non-social housing) options to this identified population.
- 3 The cost of these other options relative to the incomes of this population.

The numbers reported in **Table 14** are recast in **Table 15** as a relative assessment of these indicators on a region-by-region basis. This highlights two things. The first is an overall perspective by region of the balance across these three criteria. As **Tables 14** and **15** indicate, the results follow no pattern on a region-by-region basis, but are quite mixed. Some regions have high concentrations of at-risk groups with market conditions that make it relatively easy for low-income people to find affordable housing. Conversely, regions such as Auckland have low proportions of at-risk groups, but market conditions that make it very difficult for them to gain tolerably acceptable housing solutions.

The second use that can be made of the assessments in **Table 14** and **15** is in considering policy responses that may be made to address the housing needs of at-risk groups. These responses are illustrated in **Figure 12**. This figure divides policy responses according to whether they involve reliance on market mechanisms—most likely with income supplements or the direct provision of social housing. The division of these responses is, of course, debateable, but is based here on two dimensions as set out in the matrix offered in **Figure 12**. One dimension is the regional concentrations of people defined here as at-risk of poor housing conditions or housing-related poverty. The second dimension is around whether or not market conditions—as defined by affordability and availability of alternatives—are conducive to those on low incomes being able to gain adequate housing without the direct provision of some form of social housing.

This division of policy effort or focus is material to estimating the level of demand for social housing. This is because such demand will be much lower in regional or local housing markets where low-income people are able to find viable and sustainable housing opportunities largely through the market. In circumstances where market conditions are so conducive, the economic barriers to meeting the housing need identified in **Figure 5** are to some extent removed.

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However, even in such circumstances, the social barriers also identified in **Figure 5** may continue, which may subsequently require a social housing response. This means, of course, that even in regions where reliance on private markets to provide adequate housing is the preferred response, some people will still need social housing. It also means the priority for future social housing should go to regions identified by the approach offered in **Figure 12**.

**Table 14: Indicators of relative demand for social housing**

	At-risk population as % of over 15's population	Lower quartile rent as % of NZ Superannuation + AS	Lower quartile rent as % of Supported Living payment + AS	Housing NZ stock as share of total occupied dwellings	Difference between growth in population and rental housing stock
Northland	7.1%	57%	62%	3.6%	-2.7%
Auckland	4.6%	70%	75%	6.2%	0.6%
Waikato	5.4%	57%	62%	3.2%	-1.3%
Bay of Plenty	5.6%	59%	64%	2.5%	-2.3%
Gisborne	8.2%	52%	57%	7.9%	-2.2%
Hawkes Bay	6.6%	57%	62%	4.5%	-3.0%
Taranaki	6.3%	54%	59%	2.6%	-4.0%
Manawatu-Wanganui	6.8%	49%	54%	2.8%	-2.5%
Wellington	4.3%	62%	67%	4.8%	-2.1%
Tasman	4.3%	52%	58%	1.9%	-5.5%
Nelson	5.3%	57%	63%	1.9%	-2.5%
Marlborough	4.4%	58%	63%	2.4%	-4.5%
West Coast	6.1%	48%	53%	2.3%	-7.2%
Canterbury	4.3%	57%	63%	2.9%	-2.3%
Otago	4.2%	54%	60%	1.9%	-2.2%
Southland	4.1%	44%	49%	1.1%	-3.5%
New Zealand	5.1%	60%	65%	4.1%	-1.4%

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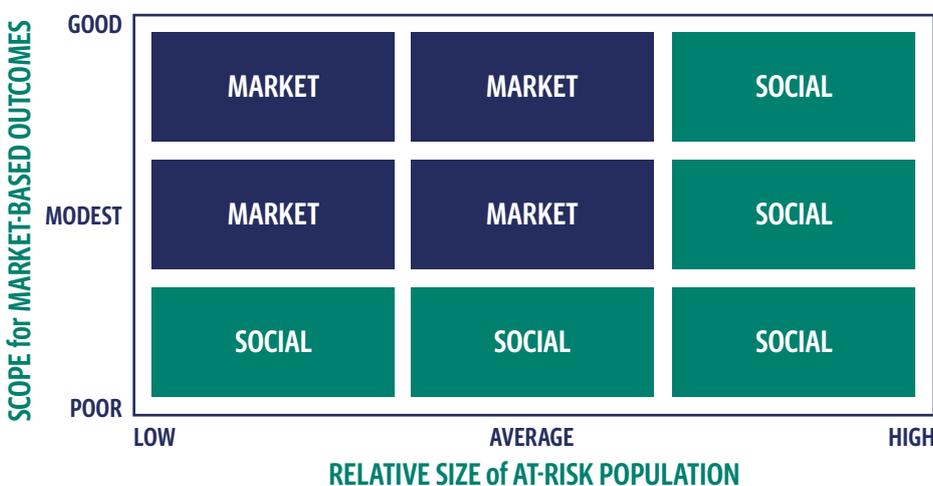
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Table 15: Assessment of indicators of demand for social housing

	Size of at risk population	Availability of other housing options	Affordability of other options for at risk population
Northland	very high	modest	modest
Auckland	average	very poor	very poor
Waikato	average	poor	modest
Bay of Plenty	high	average	average
Gisborne	very high	good	good
Hawkes Bay	high	very good	modest
Taranaki	average	very good	good
Manawatu-Wanganui	high	good	very good
Wellington	low	average	poor
Tasman	average	modest	good
Nelson	average	modest	good
Marlborough	average	modest	good
West Coast	high	very good	very good
Canterbury	low	good	average
Otago	low	good	good
Southland	low	very good	very good

Figure 12: Approach to delivering housing to at-risk populations



The analysis offered in **Tables 13** and **14** and the conceptual framework suggested in **Figure 12** lead to a conclusion that greatest recognition should be given to unmet housing need in the northern North Island regions of Northland, Auckland, Waikato and Bay of Plenty as well as Marlborough. In most other regions there are only low to average concentrations of at-risk populations, and the availability and affordability of private sector rental housing appears to be more conducive to low-income households finding acceptable housing solutions.

**Table 16** summarises estimates of at-risk populations on a region-by-region basis and compares this with estimates of current social housing provision by Housing New Zealand, local councils and NGO providers. This allows us to compare the size of the potential demand for social housing with actual provision to identify where the deficits in provision are greatest.

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Table 16: Estimates of demand for and provision of social housing—2017<sup>51</sup>

	People receiving health & disability-related benefits	At risk people aged over 65	Total at-risk population	Social housing stock	Stock as % of at-risk population
Northland	7,700	1,800	9,500	2,500	26%
Auckland	42,700	16,500	59,200	32,600	55%
Waikato	15,600	3,700	19,300	5,500	28%
Bay of Plenty	9,800	3,300	13,100	4,500	34%
Gisborne	2,400	600	3,000	1,400	47%
Hawke's Bay	6,400	1,900	8,300	3,600	43%
Manawatu-Wanganui	4,100	1,700	5,800	1,500	26%
Taranaki	10,300	2,600	12,900	3,400	26%
Wellington	13,500	4,100	17,600	12,000	68%
Marlborough	1,200	600	1,800	300	17%
Nelson	1,700	500	2,200	800	36%
Tasman	1,100	500	1,600	600	38%
West Coast	1,400	300	1,700	800	47%
Canterbury	17,200	4,200	21,400	9,500	44%
Otago	6,000	1,700	7,700	2,500	32%
Southland	2,500	700	3,200	700	22%
No region defined	5,000	400	5,400		
<b>New Zealand total</b>	<b>148,600</b>	<b>45,100</b>	<b>193,700</b>	<b>82,200</b>	<b>42%</b>

Table 16 suggests the levels of provision relative to what is defined here as demand from an at-risk population is greatest in urban areas and poorest in non-urban areas. Auckland and Wellington have the highest level of provision against estimated demand, while the worst-off region is Marlborough, which appears badly under served.

The measure of social housing stock as a proportion of the at-risk population might be useful to consider future provision of social housing. As an absolute guide to ensuring even provision it has limited value, partly because of wide variation in market conditions across the regions. This variability is well illustrated in Tables 8, 10 and 14. Clearly, the case for additional provision of social housing in Auckland is different from that for additional provision in Marlborough—and in considering what demand should be catered for, these differences are significant.

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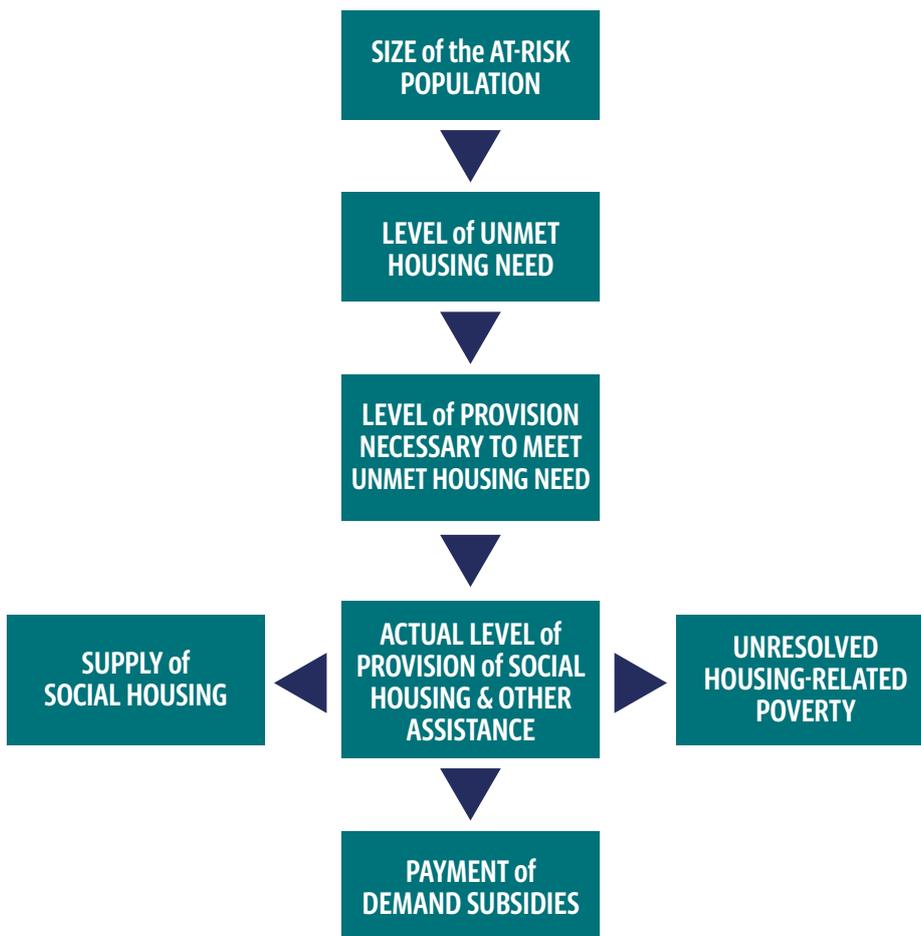
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# CONCLUSIONS

Estimating the demand for social housing is what might be described as a ‘wicked problem’. A ‘wicked problem’ is one that is difficult to resolve because of contradictory, incomplete and changeable conditions. Estimating demand for social housing depends, in part, on the size of the population that might be judged as being at-risk of housing-related poverty, the depth and nature of their often unmet housing need, and the practical options available for addressing these needs.

Such a conundrum perhaps ends in something of an impasse in political and policy terms. On the one hand is a political/policy response to meeting some peoples’ housing needs, and on the other hand is an acceptance of some level of unmet housing-related poverty. One of the outcomes of such a process is the supply of social housing, perhaps alongside other policy outcomes such as demand subsidies like the Accommodation Supplement. These outcomes are not necessarily, or even usually, related to levels of demand, but to a political acceptance of what is affordable and acceptable as a residual level of housing-related poverty. This trade-off, and the contributing forces leading to it, are illustrated in **Figure 13** as a conceptual framework.

Figure 13: Conceptual framework for demand for social housing



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The trade-off between what is affordable and what is acceptable is probably not as explicit or as obvious as it should be because homelessness is, by its nature, a hidden problem. It comes in many forms and defies a precise and widely agreed definition. Moreover, official statistics—such as the social housing waiting list—can be manipulated through gatekeeping or variable interpretations.

At the very least we should, in New Zealand, have a better informed debate around the extent and nature of the trade-offs being made around social housing and other measures to reduce or relieve housing-related poverty. The brief analysis offered below is based on the above conceptual framework and is an attempt to illustrate these trade-offs. It is based on scenarios around the population at risk of housing-related poverty and the extent of unmet housing need affecting them.

The scenarios offered in this concluding analysis are based on two stages. The first is a set of scenarios around what will happen to the size of the population that is at risk of housing-related poverty. The second stage considers the proportion of this at-risk population that might face unmet housing need.

To recap on commentary offered above, the at-risk population is defined here as private sector tenants over 65 and receiving the Accommodation Supplement, as well as a core and probably stable group of around 150,000 people who are of working age and are long-term recipients of welfare benefits. The over-65-year-olds segment of this population is likely to be the more dynamic in terms of numbers for two reasons. The first and most obvious reason is because the number of over-65-year-olds will increase over the next 15 years at the pace of 26,000 to 28,000 per year. The second factor driving this growth is that home ownership rates have fallen over time, which means younger-age cohorts are less likely to own a home as they retire. This means that, overall, as the population ages, the aggregate rate of home ownership amongst over-65s will fall. In turn, this means the proportion of over-65s requiring social housing or income support to pay private rents is likely to increase. This question is considered in the second stage scenario offered below.

Johnson (2015) considered three scenarios for this falling rate of home ownership among over-65s. These scenarios are based on three different assumptions around what will happen to the home ownership rates of younger cohorts of the Baby Boomer generation in the years before they reach 65 years of age. The results of this scenario are reported in **Table 17** for the number of over 65-year-olds who may be private sector tenants.

**Table 17: Scenarios for over-65 population renting in the private sector—2015 to 2030**

	2015	2020	2025	2030
Pessimistic Scenario: falling home ownership rates	80,000	127,000	193,000	272,000
Medium Scenario: stable home ownership rates	77,000	112,000	166,000	237,000
Optimistic Scenario: increasing home ownership rates	72,000	84,000	111,000	152,000

In addition to these people is a group of around 150,000 people who, for a variety of reasons, are likely to make up the core of the working-age population unable to find or sustain employment, and hence likely to continue as long-term recipients of welfare benefits. Of course, not all these people will be at risk of housing-related poverty—partly because they may live in regions, such as those identified in **Tables 14 and 15**, where market conditions allow them access to adequate rented housing with their limited incomes through benefit and pension entitlements.

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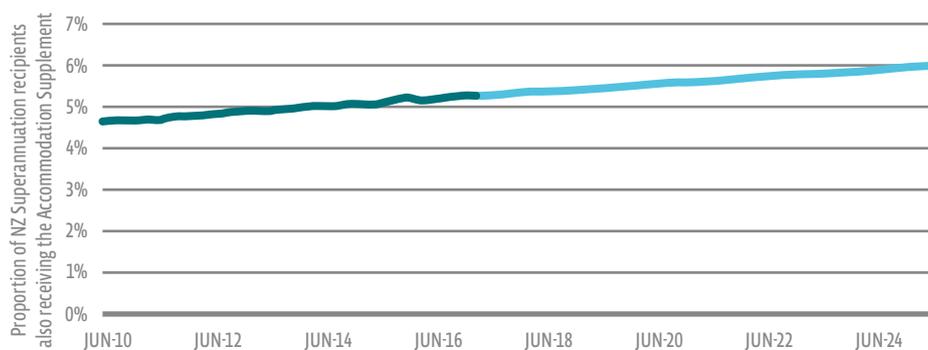
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The second stage of the scenario considers the extent of unmet housing need among the at-risk population, and particularly the over-65-year-old population of tenants. Two approaches have been taken to building these scenarios.

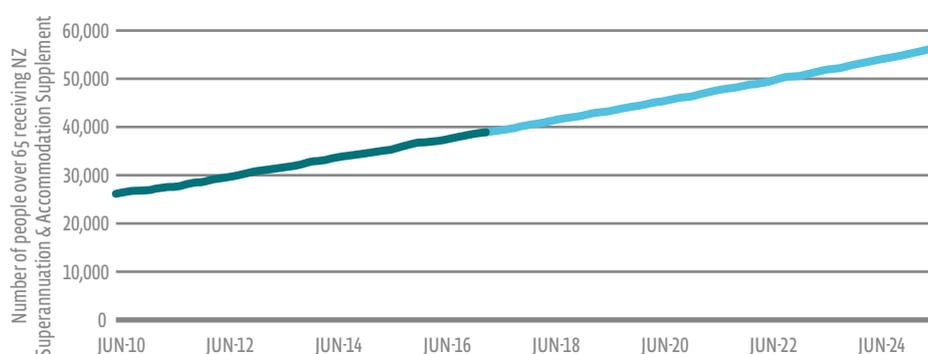
The first approach is based on the simple linear extrapolation of recent trends in the number of over-65-year-old tenants receiving both New Zealand Superannuation and the Accommodation Supplement. Over the past seven years, two things are apparent with these trends. Firstly, the proportion of New Zealand Superannuation recipients who also receive an Accommodation Supplement has risen gradually and consistently. This trend is shown in **Figure 14**, as is the extension of this trend through to 2025. The rate of this historic increase is around 0.09% per year. If this continues through to 2025, the proportion of those receiving New Zealand Superannuation and an Accommodation Supplement will rise to around 6%. This trend is consistent with that of falling rates of home ownership, as discussed above.

**Figure 14: Proportion of NZ Superannuation recipients also receiving the Accommodation Supplement**



Secondly, This proportion of 6% is, of course, applied against a growing population of over-65s, so we should expect the actual numbers of people receiving both New Zealand Superannuation and an Accommodation Supplement to rise at a faster rate than proportions reported in **Figure 14**. This rate of increase is illustrated in **Figure 15** where, once again, the historic trend of the past seven years is extrapolated over the next eight years. This trend—historic and forecast—is for a growth in demand for the Accommodation Supplement by people over 65 of around 2000 per year.

**Figure 15: Numbers of NZ Superannuation recipients also receiving the Accommodation Supplement**



A second approach is to consider the rate at which private-sector tenants over 65 are already receiving an Accommodation Supplement and apply this rate to the tenure scenarios offered in **Table 17**. This approach is taken in the forecasts offered in **Table 18**. These forecasts suggest future growth in the numbers of over-65s receiving the Supplement of between 1400 and 3600 per year.

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Table 18: Scenarios for increasing demand for Accommodation Supplement by over-65s

	2015	2020	2025
<b>PESSIMISTIC SCENARIO</b>			
Number of private sector tenants over 65	80,000	127,000	193,000
Number of over-65s receiving AS	25,300	40,000	61,000
<b>MEDIUM SCENARIO</b>			
Number of private sector tenants over 65	77,000	112,000	166,000
Number of over-65s receiving AS	25,300	37,000	54,500
<b>OPTIMISTIC SCENARIO</b>			
Number of private sector tenants over 65	72,000	84,000	111,000
Number of over-65s receiving AS	25,300	29,500	39,000

Here, of course, an assumption is made that the number of additional people likely to require an Accommodation Supplement is a proxy, or at least an indicator, for unmet housing need. Given the inequity illustrated in **Figure 10** in the position and treatment of private sector and social housing tenants, there is some merit in equating increasing demand for the Accommodation Supplement with increasing demand for social housing. This is because one way of addressing this inequity is to provide more income-related, rent-subsidised social housing. The other way is to make the Accommodation Supplement more generous.

In June 2017, almost 285,000 people received an Accommodation Supplement, of which around 230,000 are tenants and 150,000 are tenants receiving a working-age benefit.<sup>52</sup> As reported in **Table 3**, there are around 82,000 social housing units in New Zealand, of which 62,500 are receiving income-related rent subsidies. Clearly, then, the majority of people in the population defined here as at risk of housing-related poverty are not social housing tenants receiving an income-related rent subsidy. While it is not feasible or perhaps even desirable to provide everyone in the at-risk population with social housing, if New Zealand’s future provision of social housing takes no account of the growth in this at-risk population then levels of unmet housing need and perhaps housing-related poverty are likely to increase.

As a target for providing addition social housing over the next decade or so it is worthwhile to consider how the at-risk population will grow and change. The scenarios offered here suggest this at-risk population may grow by between 1400 and 3600 adults, with a credible range of 2000 to 2500 adults.

While the analysis offered here is not complete and is reliant on a number of assumptions, it suggests that a target for new social housing of between 2000 and 2500 units per year will ensure current levels of provision of such housing is at least maintained. Clearly, the geographical distribution of this additional stock will need to reflect the relativities reported in **Tables 14** and **15**. These suggest priority should be given to providing additional social housing in the top of the North Island—Northland, Auckland, Waikato and Bay of Plenty—as well as in Marlborough.

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The current political narrative around social housing presents demand for such housing as a transitional thing. In other words, social housing tenants can and should be stair-cased out of their dependence on the State for housing and, through some sort of housing career, into home ownership and independence. However, such ideas are unrealistic for most social housing tenants given their personal histories and circumstances.

Until there is some acceptance that there is a permanent and growing demand for social housing, as a nation we are unlikely to fully appreciate both the commitment we need to give to such housing and the potential it has to materially improve the lives of the most vulnerable New Zealanders.

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# APPENDIX 1: Housing needs continuum

## Housing Shareholders’ Advisory Group’s housing continuum

The following figure is from the Government’s Housing Shareholders’ Advisory Group’s final report, ‘Home and Housed’.

	EXTREME NEEDS		STATE HOUSING	PRIVATE SECTOR	
DEFINITION	Sleeping rough or in impoverished dwellings	Living in caravans, campgrounds, substandard housing, boarding houses	Inhabitants of state houses	Renting a private dwelling	Owning a private dwelling
NUMBER	~300 urban homeless ~500–1,000 in rural improvised housing	~8,000–20,000 in temporary accommodation • 1,500 HNHC houses rented to community groups	~67,600 households	467,300 households • 280,000 renters on Accomm. Supplement	1,082,200 households • 42,822 owners on Accomm. Supplement

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Ministry of Social Development’s housing needs continuum

HOUSING CLIENT SEGMENTATION						
Housing continuum						
Severe housing deprivation	Needs assistance					No assistance
Housing Circumstance 7	Social housing: Income Related Rent Subsidy (IRRS) + market renters			Private Market: Accommodation Supplement (AS)		Housing Circumstance 1
People who are inadequately housed	Housing Circumstance 6 <i>Limited ability to increase income</i>	Housing Circumstance 5 <i>Current need but with potential to move in medium-term</i>	Housing Circumstance 4 <i>Potential to move in short-term</i>	Housing Circumstance 3 <i>Ongoing assistance or supply-side interventions</i>	Housing Circumstance 2 <i>MSD has levers to assist moving to independence</i>	Independent in the Private Market
	37% of social housing primary tenants	42% of social housing primary tenants	21% of social housing primary tenants	47% of AS recipients	53% of AS recipients	
	NZS + IRRS recipients 12,387 people Avg subsidy: \$198 pw	Sole Parent Support + IRRS recipients 10,947 people Avg subsidy: \$228 pw	Non-beneficiaries with low-medium IRRS 9,476 people Avg subsidy: \$144 pw	NZS + AS recipients 33,221 people Avg subsidy: \$58 pw	Sole Parent Support + AS recipients 57,593 people Avg subsidy: \$93 pw	
	Supported Living Payment + IRRS recipients 11,708 people Avg subsidy: \$214 pw	Jobseeker Support + IRRS recipients 11,217 people Avg subsidy: \$239 pw	Non-beneficiary market renters 3,241 people	Supported Living Payment + AS recipients 48,120 people Avg subsidy: \$60 pw	Jobseeker Support + AS recipients 96,664 people Avg subsidy: \$62 pw	
		Non-beneficiaries with high IRRS 4,634 people Avg subsidy: \$299 pw	JSS, SPS, SLP and NZS market renters 705 people	Non-beneficiaries + AS 55,379 people Avg subsidy: \$83 pw		
	Admin Data: 64,315 Primary tenants in social housing			Admin data: 290,000 people receiving AS		
	Social housing waitlist (5,599 applications)					
	Transfer Register (25% of waitlist)			Housing Register (75% of waitlist)		
	NZS recipients – 123 people			NZS recipients – 242 people		
	SLP recipients – 354 people			SLP recipients – 792 people		
	SPS recipients – 350 people			SPS recipients – 1,229 people		
	JSS/other recipients – 285 people			JSS/other recipients – 1,095 people		
	Non-beneficiary – 297 people			Non-beneficiary – 832 people		

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# APPENDIX 2: Estimates of changes in rental housing stock by region—2013 to 2016

Region	Estimated housing stock June 2013	Proportion of housing stock not owned in 2013	Estimated housing stock not owned 2013	Consents for new dwellings 2013 to 2016	Estimate of additional housing stock 2013 to 2016
Northland	60,192	33.8%	20,324	2,466	2,106
Auckland	473,448	38.5%	182,505	24,824	20,275
Waikato	152,496	37.3%	56,941	8,301	6,423
Bay of Plenty	103,500	35.3%	36,485	5,195	3,980
Gisborne	16,185	40.8%	6,605	225	123
Hawke's Bay	58,353	34.1%	19,887	1,137	868
Taranaki	43,431	32.0%	13,909	1,420	1,196
Manawatu-Wanganui	87,987	34.8%	30,586	1,627	1,218
Wellington	177,813	35.1%	62,381	5,002	3,864
Tasman	18,882	25.0%	4,725	928	640
Nelson	18,906	31.6%	5,981	590	446
Marlborough	18,198	29.1%	5,289	559	379
West Coast	13,803	31.9%	4,403	342	260
Canterbury	208,143	31.7%	66,083	20,149	10,846
Otago	80,949	32.0%	25,898	4,117	2,779
Southland	38,145	30.3%	11,569	681	537
<b>NZ Total</b>	<b>1,570,431</b>	<b>35.2%</b>	<b>553,533</b>	<b>77,563</b>	<b>57,191</b>

Region	Estimated housing stock June 2016	Proportion of housing stock not owned in 2016	Estimated housing stock not owned 2016	Growth in not owned housing stock 2013 to 2016
Northland	61,785	35.1%	21,697	1,373
Auckland	491,434	39.9%	196,077	13,573
Waikato	157,570	38.7%	60,965	4,023
Bay of Plenty	106,813	36.6%	39,096	2,611
Gisborne	16,263	42.2%	6,856	252
Hawke's Bay	59,023	35.4%	20,913	1,026
Taranaki	44,442	33.4%	14,833	924
Manawatu-Wanganui	88,887	36.1%	32,099	1,514
Wellington	181,016	36.4%	65,950	3,569
Tasman	19,404	26.4%	5,117	393
Nelson	19,285	33.0%	6,362	380
Marlborough	18,473	30.4%	5,618	329
West Coast	13,991	33.2%	4,652	249
Canterbury	217,270	33.1%	71,916	5,833
Otago	83,172	33.3%	27,733	1,835
Southland	38,546	31.7%	12,211	643
<b>NZ Total</b>	<b>1,618,419</b>	<b>36.6%</b>	<b>592,312</b>	<b>38,779</b>

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- 1 See explanation of social housing reform programme at [www.socialhousing.govt.nz](http://www.socialhousing.govt.nz)
- 2 Housing Shareholders' Advisory Group (2010), 'Home and Housed: A Vision for Social Housing in New Zealand'. Available at [www.baybuzz.co.nz/wp-content/uploads/2010/08/vision-for-social-housing-nz.pdf](http://www.baybuzz.co.nz/wp-content/uploads/2010/08/vision-for-social-housing-nz.pdf)
- 3 See, for example, the activism of the State Housing Action Network in opposing the eviction of State house tenants in Tamaki, the transfer of State housing to Accessible Properties in Tauranga and the sale of State housing in Christchurch. The group's Facebook page is at [www.facebook.com/State-Housing-Action-Network-1433906933576042](http://www.facebook.com/State-Housing-Action-Network-1433906933576042)
- 4 See Shelter's definition at [http://england.shelter.org.uk/campaigns/\\_/why\\_we\\_campaign/Improving\\_social\\_housing/what\\_is\\_social\\_housing](http://england.shelter.org.uk/campaigns/_/why_we_campaign/Improving_social_housing/what_is_social_housing)
- 5 See press release 10 April 2017, 'Partnership between Selwyn Foundation and Auckland Council' at [www.scoop.co.nz/stories/AK1704/S00327/partnership-between-selwyn-foundation-and-auckland-council.htm](http://www.scoop.co.nz/stories/AK1704/S00327/partnership-between-selwyn-foundation-and-auckland-council.htm)
- 6 For example, in the final bidding for the sale of 1124 State houses in Tauranga, Treasury announced that parties involved included private capital interests John Laing Infrastructure Fund Brookfields, Global Integrated Solutions, Morrison & Co, Trust House Ltd. See [www.treasury.govt.nz/statesector/socialhousing/tauranga-invercargill](http://www.treasury.govt.nz/statesector/socialhousing/tauranga-invercargill)
- 7 See, for example, the then Social Housing Minister Paula Bennett's opinion piece of 20 May 2016, 'Challenge to house more people on the taxpayer dollar' at [www.stuff.co.nz/national/politics/80229568/minister-paula-bennett-challenge-to-house-more-people-on-taxpayer-dollar](http://www.stuff.co.nz/national/politics/80229568/minister-paula-bennett-challenge-to-house-more-people-on-taxpayer-dollar). Also the Government's social housing reform objectives, which suggests that social housing tenants are on a 'housing pathway' to independence—at [www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/social-housing-reform-programme-overview.html](http://www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/social-housing-reform-programme-overview.html)
- 8 See the Ministry of Social Development's announcement on 17 March 2016 on the sales process, [www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/news/2016/transfer-of-social-housing-tauranga-and-invercargill.html](http://www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/news/2016/transfer-of-social-housing-tauranga-and-invercargill.html)
- 9 See Treasury announcement of shortlist of potential bidders at <http://www.treasury.govt.nz/statesector/socialhousing/christchurch-sht>
- 10 Estimate from Ministry of Social Development Social Housing Quarterly Report, March 2017 p.3.
- 11 Ibid.
- 12 This estimate is based on a phone and internet survey of Councils undertaken in 2015—see Johnson, A. (2015) 'Homeless Baby Boomers: Housing Poorer Baby Boomers in their Retirement'; Appendix 3. Available at [www.salvationarmy.org.nz/HomelessBabyBoomers](http://www.salvationarmy.org.nz/HomelessBabyBoomers)
- 13 Estimate based on stock of community housing providers reported in Community Housing Aotearoa (2015), 'Details Matter: Taking Stock of the Community Housing Sector in Aotearoa', p.17, which reported a total stock in early 2015 of 3862 units. Since then, 344 units were sold by Hamilton City Council to Accessible Properties (Dec 2015), 2700 units were transferred from Housing New Zealand to Tamaki Regeneration Company (Sep 2016) and 1138 former Housing New Zealand properties were sold to Accessible Properties (Apr 2017) and have been included in these figures. The estimate of units not receiving income-related rent subsidies is a residual of this total figure and the numbers of units (3450) reported by the Ministry of Social Development as receiving income-related rents subsidies. This means some of the 2700 units in the Tamaki transfer and the 1138 units in the Tauranga area are not receiving income-related rent subsidy, an anomaly that cannot be explained by the data reported in the March 2017 Social Housing Survey.
- 14 The transfer of approximately 2700 houses and 165 vacant sections from Housing New Zealand Ltd to Tamaki Redevelopment Ltd was gazetted on 8 September 2016.
- 15 Source: Housing New Zealand Annual Reports.
- 16 See Ministry of Social Development's social housing purchasing intentions, December 2016, at [www.msd.govt.nz/about-msd-and-our-work/work-programmes/housing/purchasing-intentions/index.html](http://www.msd.govt.nz/about-msd-and-our-work/work-programmes/housing/purchasing-intentions/index.html)
- 17 These include 420 units in Auckland, which will transfer from Auckland Council's ownership to a limited joint venture by Haumaru Housing and the Selwyn Foundation; 460 units which are involved in a transfer from Christchurch City Council to Otautahi Housing, 320 units which have been sold by Hamilton City Council to Accessible Properties and 123 units to be sold by Horowhenua District Council to Compassion Housing.
- 18 Ibid.

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- 19 Lisa Owen's report at [www.newshub.co.nz/home/new-zealand/2016/07/predatory-property-managers-renting-out-auckland-garages.html](http://www.newshub.co.nz/home/new-zealand/2016/07/predatory-property-managers-renting-out-auckland-garages.html)
- 20 Source: Ministry of Social Development's Social Housing Quarterly Report at [www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/msd-social-housing-quarterly-report-march-2017.pdf](http://www.msd.govt.nz/documents/about-msd-and-our-work/work-programmes/social-housing/msd-social-housing-quarterly-report-march-2017.pdf)
- 21 For the tenure neutrality argument see Treasury (1987) 'Economic Management, The Treasury' and Luxton, J. (1991) 'Housing and Accommodation Assistance: A Statement in Government Policy on Housing and Accommodation'. NZ Government Printer.
- 22 For an explanation of the policy drivers of the Accommodation Supplement see Kuila, J. (1993) 'Integrating Government Assistance for Accommodation'. Social Policy Journal 1.
- 23 Included in the incentive problems is the possibility of adverse selection where an NGO provider may look to select lower risk tenants and shift the higher risk tenants to Housing New Zealand. An agency problem exists around the incompleteness of contracts and hence the inability to be sure that individual tenants are receiving the support and pastoral care which the State may expect them to be provided with. A cost-conscious housing provider has the incentives to cut or shift costs around managing problematic or at risk tenants.
- 24 Beer, A. and Faulkner, D. (2008), '21st Century Housing Careers and Australia's Housing Future', Australian Housing and Urban Research Institute.
- 25 Ministry of Social Development, 'Social Housing Needs Assessment' brochure, at [www.housing.msd.govt.nz/documents/forms/social-housing-brochure-sha200-web.pdf](http://www.housing.msd.govt.nz/documents/forms/social-housing-brochure-sha200-web.pdf)
- 26 Beer and Faulkner, Figure 13 p.37.
- 27 These estimates are based on Census estimates of occupied dwellings and estimates of the social housing stock taken from Annual Reports of Housing New Zealand and the former Housing Corporation, along with recent estimates of local government and NGO social housing stock.
- 28 The discrepancy between the 4.8% reported in Figure 6 and the 4.1% reported in Table 5 is due to Table 5 only reporting Housing NZ stock and not the total stock of social houses, which includes council and NGO housing.
- 29 Housing New Zealand stock numbers are from data provided to Fairfax Media in June 2016 under the Official Information Act. Housing stock numbers are derived from Statistics New Zealand data series, including the 2013 Census, building consent data and national estimates of households and dwellings. The waiting list data is derived from Ministry of Social Development Social Housing Report, March 2017.
- 30 Monk (2009), 'Understanding the Demand for Social Housing in the United Kingdom: Some Implications for Policy', International Journal of Housing Markets and Analysis 2.1, pp. 21–38, p.31.
- 31 Ibid. p.31.
- 32 Ibid. p.31.
- 33 This passage is taken from my 2013 assessment of housing subsidies titled 'Give Me Shelter: An Assessment of New Zealand's Housing Assistance Policies'. Available at [www.salvationarmy.org.nz/GiveMeShelter](http://www.salvationarmy.org.nz/GiveMeShelter)
- 34 Morally dubious because an argument that the housing position of those outside state/social housing is inconsequential—perhaps because they appear to be coping—ignores questions of horizontal equity. Such issues are considered later in the paper.
- 35 See, for example, the Government's recent efforts to place an estimate of the future costs of providing social housing. This estimate is available at [www.msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/social-housing-valuation/index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/evaluation/social-housing-valuation/index.html)
- 36 The number of children in benefit-dependent households is typically around 60% of the number of adults receiving benefits. In March 2017, the Ministry of Social Development reported paying a working-age benefit to 278,236 people who supported 173,718 children.
- 37 Treasury (2017) 'Budget Economic and Fiscal Update 2017'. Table 6.2, p.124.
- 38 Johnson, A. (2015) 'Homeless Baby Boomers: Housing Poorer Baby Boomers in their Retirement.' Figures 3.4, 4.1, 4.5, 4.6, 4.9 and 4.10. The 2030 forecasts in Table 2 are based on the medium scenario offered in these figures and the background figures. Ibid. pp.49-52.
- 39 Ibid. pp.49-52.
- 40 Ministry of Social Development reports that in March 2017 around 39,000 people receiving NZ Superannuation also received the Accommodation Supplement. Of these, approximately 28,000 were tenants with the remainder being boarders or home owners.
- 41 Customised data supplied to The Salvation Army by Ministry of Social Development.
- 42 [www.stats.govt.nz/browse\\_for\\_stats/population/estimates\\_and\\_projections/dwelling-and-household-estimates-info-releases.aspx](http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/dwelling-and-household-estimates-info-releases.aspx)

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- 43 Between June 2013 and June 2016, the Dwelling and Household Estimates series estimate the non-ownership rate rose from 35.8% to 36.6% and that by March it stood at 36.9%.
- 44 [www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data](http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data)
- 45 In June 2006, the 258,000 bonds that were lodged were 54% of the estimated 475,000 rented properties. By June 2016, almost 65% of the then 387,000 rented residential properties were covered by lodged bonds.
- 46 Estimates of the changes in housing stock not owned are based on the regional distributions reported in the 2013 Census and have been updated with Statistics New Zealand’s Dwelling and Household Estimates. Data on active tenant bonds has been taken from Ministry of Business Innovation and Employment’s tenancy bond data base, available at [www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data](http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data). Population data is from Statistics New Zealand’s Sub-national Population Estimates.
- 47 Regional incomes are taken from Statistics New Zealand’s Household Economic Survey 2016, while regional rent data is from Ministry of Business Innovation and Employment tenancy bond data set.
- 48 Statistics New Zealand’s Household Economic Survey 2016.
- 49 Ministry of Social Development’s Benefit Fact Sheets, available at [www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/index.html)
- 50 Ibid.
- 51 Ibid.
- 52 Accommodation Supplement data from 2014 suggests 80% of payments are for tenants and of these 75% to 80% are paid to people receiving a working-age benefit. This suggests that around 228,000 of the 285,000 payments in June 2017 are to tenants, of whom 39,000 are also receiving NZ Superannuation and more than 150,000 are receiving a welfare benefit.

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