

7 SYNTHESIS

7.1 Review of purpose and approach

This study has applied the question ‘How Different?’ to a comparative review of national housing policy strategy and its consequences for the provision of affordable housing to low income households in Australia and the Netherlands. The broad aim has been to contribute to knowledge about the significance of differences in housing policies, by examining their impact on selected housing outcomes.

Choosing two countries with contrasting approaches to intervention in housing, while similar in many other respects, has provided the comparative framework from which to determine whether, and to what extent, differences in housing policy are significant.

Three perspectives - theoretical, historical and empirical - have been brought to bear in the comparative analysis.

First, in chapter 1, a conceptual framework for analysing and interpreting the three-way relationship between regimes of government intervention in housing, the cross-national and local context impinging on the housing system and housing outcomes was established. As well, the possible array of causal relations between housing policy and housing outcomes was assessed.

From the literature review presented in chapter 2, two general viewpoints on the historic development of housing systems in advanced capitalist nations were identified:

- housing systems are converging, as a result of shared broad demographic and economic processes; or
- housing systems are diverging, shaped more by particular national political, social and cultural structures and processes.

Much of the literature advocating one or other of these viewpoints has focused on the factors contributing to similarities and differences in housing policies, rather than on questioning their significance to housing outcomes. This study suggests that fresh insights may be gained into the importance of differences in housing policy strategy by analysing their consequences. Support for this approach was found in the conceptual work of Castles (1989c, 1994) on the comparative analysis of public policy and his empirical contribution concerning the interaction between housing and welfare outcomes in Australia (Castles, 1997a,b and 1998).

The literature review in chapter 2 also yielded a range of concepts and tools that are useful for classifying housing policy models and elucidating the policy-making process. These conceptual models have provided different lenses through which to define and distinguish the characteristics of the two systems of provision. Compared with the Netherlands, Australia can be considered to have:

- a more private, rather than a publicly orientated, structure of housing provision;
- a residual, rather than a comprehensive, welfare system;

- a mode of social regulation to support economic development that is centred on the provision of adequate and affordable housing through low density suburbanisation and mass home ownership, rather than through social rental housing; and
- a dual housing market structure which is dominated by a mature home ownership sector that, in turn, has produced a residualised public housing system, rather than a unitary housing market structure in which the not-for-profit housing sector provides a viable alternative to home ownership.

Housing affordability was chosen as the core indicator of the consequences for low income households of housing policy strategies. The decision to focus on affordability outcomes for low income households had both a political and a practical purpose. It put the spotlight on the distributional and social justice objectives of government intervention in housing and it made the study more manageable. To underpin the use of affordability as the vantage point from which the consequences of historically different policy regimes can be assessed, chapter 3 provided an overview of the concept of housing affordability, its determinants and its measurement.

Chapters 4 and 5 provide the historical perspective. The scope and nature of policy action that impinged on housing affordability in each country over half a century has been analysed in two distinctive periods, before and after 1980. The comparative method used involved closely matching the purpose and forms of intervention (and non-intervention) in housing, broadly following Lundqvist's model of logical possibilities. The policy analysis drew widely on previous research, and was informed by a series of in-depth interviews with key players in the Netherlands and the professional experience of the researcher in housing policy in Australia. Together, this material and the conceptual tools discussed above provided the basis for interpreting and determining the extent of similarities and differences in policy strategy, and trends to convergence or divergence in approach in the two countries over time.

Assessment of the affordability of housing for low income households formed the empirical component of the study, presented in chapter 6. Comparison has been achieved by, first, standardising the data that underpin the selected measures of affordability and, then, by examining the situation of the two (lowest) quintiles of the household income distribution in each country.

This final chapter synthesises the three perspectives outlined above in order to address the third research question: "Which aspects of past and present housing policy strategies, mediated through their local economic, political and social context, are judged to be significant in sustaining or constraining the provision of affordable housing for lower income households?"

A brief summary of the study's findings on the comparison of the housing situation of low income households is provided in section 7.2. Mention is also made of whether the pursuit of different national housing policies appears to have had wider consequences for national economic performance. Section 7.3 considers the conclusions that can be drawn about the efficacy and fairness of the respective policy models from the perspective of the needs of more income-constrained households and draws out some broad policy

implications. Section 7.4 reflects on how the study findings relate to theoretical viewpoints about the genesis and significance of similarities and differences in housing policy. Closing remarks are then provided.

7.2 Overview of key findings

The question of how differences in housing policy affect housing outcomes has been postulated in this study from theoretical, historical and empirical perspectives. The findings on similarities and dissimilarities in housing outcomes are drawn together below. Key policy influences are identified and a fuller interpretation of the relationship between policy and outcomes follows in section 7.3.

7.2.1 Similarity and convergence in the housing outcomes of low income households

In keeping with the view that countries can achieve similar housing outcomes through different policy strategies, the study finds a strong similarity in the extent of affordable housing that has been provided to low income households in the two countries using different policy means. Historically, both countries overcame massive housing shortages in the immediate postwar period to provide affordable, good quality housing *en masse* to their fast growing populations. Historic success is highlighted by the finding that up to two thirds of the respective low income group in each country occupies housing that, on average, is affordable, based on widely used benchmarks of affordability. In Australia, this is mainly because of the extent of outright home ownership (particularly among older households, most of whom were assisted directly or indirectly in the past) coupled with the provision of public housing to around one tenth of low income households. In the Netherlands, it is mostly the extent of provision of deeply subsidised and protected social housing that has provided affordable housing for low income households. Thus, very different tenure policies in the past have contributed to broadly comparable affordability outcomes for many low income households in the two countries.

A second finding is that the increasing reliance being placed on market housing (under what may come to be a new mode of social regulation around housing in each country) is not proving as successful as past, strongly government-assisted, strategies. Low income households currently purchasing or renting commercially have a higher average housing-cost-to-income ratio than similar households in the other main tenures. However, there is a difference of degree. The affordability situation of Australian low income households in the market-based sectors is worse, particularly for private renters. The longer term significance of market-based housing being less affordable is underlined by data that show that, in aggregate, most growth in households in the lowest two quintiles of the income distribution at present is being absorbed into the least affordable tenures (to them) - that is, the home purchase sector in the Netherlands and the private rental sector in Australia.

Third, trend data and previous research show that the study period has been characterised by deteriorating affordability for low income households generally, although the severity of the change varies both between the countries and within each, by tenure and other factors. The rate of increase in the average affordability ratio for low income households has been greater in the Netherlands overall (from a lower historical level), largely as a

result of steep government-induced rent rises that have affected a high proportion of the group. In Australia, the decline in average affordability levels among low income households is strongly linked to the increased reliance on the private rental market among the group who are on low incomes. Given the interest that this study takes in the impacts of housing policy strategy, it is important to emphasise that the historical analysis has shown that the increasing concentration of low income households in private renting in Australia stems, in part, from a decline in the rate of access to public housing and the withdrawal of most assisted home purchase. In neither country has growth in income at the bottom of the income distribution been sufficient to offset the impact of higher housing outlays. Therefore, overall, the impact of the evolving housing policy strategy in each country, interacting with wider socio-economic and demographic changes affecting the profile and circumstances of the low income group, has been to contribute to, or to fail to prevent, a decline in housing affordability for low income households.

7.2.2 Differences and divergent tendencies

Other empirical findings have exposed important differences and divergent tendencies in the housing situation of, or options for, low income households in the two countries.

First, the geography of affordability is very different. In Australia, there are much larger cost differentials between inter and intra-urban housing markets. Generally, the largest cities and the more prosperous and well-endowed regional centres have the poorest affordability and accessibility for low income households, even after taking into account any housing assistance available to them. Explicit policy factors contributing to this situation include very low levels of social housing with heavily circumscribed access and the low value of the housing allowance relative to urban rent levels. Under conditions whereby incomes have been polarising, housing markets seem to have also reflected and reinforced that trend spatially by showing greater segmentation. As historic levels of low cost supply have been eroded, there has been no state action to protect or increase the supply of more affordable housing in Australia.

Urban and regional price differentials in the Netherlands are much more muted, although that situation may be changing. At present, most sub-regions and many local areas include a modest to significant share of housing that is affordable to low income households. Policy strategies that contribute to the more widespread distribution of affordable housing include: a more effective housing allowance system, protection of low cost rental housing, much higher levels of social housing and the use of a variety of planning, regulatory and pricing mechanisms to provide capacity for low cost housing in new developments.

Second, there are greater differences in the impact of housing costs on low income households in Australia. One sharp distinction is between the costs of home owners and those of households who rent. The differences are also age-related, with the large group of older home owners being advantaged over all other tenure and life stage groups. Within the rental sectors, there is also marked inequality in the respective housing costs of public and private renters who have similar needs and incomes. Although a comparative position could not be determined, it has also been noted that housing costs have a significant impact on the living standards of non-home owning low income

households in Australia when measured by the experience or risk of poverty. In the Netherlands, differences in affordability within the low income segment are much less extreme between tenures and age groups. Differences that do occur - for instance, between recipients and non-recipients of the housing allowance - are not necessarily related to housing policy factors.

Third, there are differences between the two countries in the trade-offs that low income households make to obtain affordable housing. In general, the Netherlands has more smaller and higher density housing, which affects the choices of lower and higher income households alike. In Australia, many low income households in the rental sectors have poorer quality housing, as well as higher (and, therefore, worse) affordability ratios when compared to their counterparts who are home buyers/owners. Not only are housing costs (and, incidentally, the housing assets) of these two main groups of low income households very different but so, too, are their housing rights. As well, unlike in the Netherlands, social rental housing has been stigmatised by being provided exclusively to low income households.

In sum, in the period analysed for this study, the differences in outcomes for low income households are more stark in Australia than in the Netherlands. In Australia, while past home buyers are well housed in a wide range of locations, new income-constrained entrants into the housing system have very limited choice of housing that will meet normally accepted benchmarks in the major cities. Many low income households who are already purchasing or who are renting privately also have relatively poor affordability, and a high incidence of housing-related poverty has persisted in those groups over a long period. The housing rights and conditions of many of those renting are inferior to both their peers in home ownership and to similar households renting in the Netherlands.

7.2.3 A note on the relationship between housing policies and economic performance

One theme of this study has concerned probing the implications for the prevailing welfare regime and, in particular, for national housing policy strategy of dramatic changes in economic and social conditions in the last two decades. One aspect of that relationship concerns the question of whether directions in housing policy (and social policy, more broadly) have had discernible impacts on overall economic performance. Asking that question can help to establish whether differences in the policy approach have had consequences outside of the housing system itself that should be taken into account in drawing conclusions from this study about the respective policy models.

In the context of rapid global change, one overriding issue facing the state-guided welfare regimes of small, developed societies has been their competitiveness in a more global market place. By pursuing intensive economic and social reforms, underpinned by neo-liberalist ideology, both countries in this study appear to have conquered the economic problems that they experienced in the 1970s and 1980s. Both have achieved strong economic growth in the 1990s. However, while economic buoyancy has been accompanied by healthy growth in average income, there is a general view that widening income inequality has also occurred. In keeping with their different welfare traditions, the two societies have approached this problem differently.

After much debate, the Netherlands has retained many elements of an active and diverse social policy model (administered through a large and relatively well-resourced public service) that is geared to retaining social stability and preventing social inequality. Recent social policy development in Australia has been more passive, and measures aimed at managing the socially and spatially uneven impacts of restructuring and growth, including housing initiatives, have been much less apparent.

In terms of the wider welfare implications of these different approaches, evidence from Australia at a broad level tends to support the view that income programs and heavily targeted assistance measures, including housing assistance, have compensated strongly for income loss at the bottom of the income distribution (Harding, 1997). However, at the same time, it is generally considered that welfare dependency has become more entrenched and that social and spatial exclusion processes have deepened.¹ As a result, Australia seems to have relatively poor standing in international comparisons of social indicators. In contrast, several research studies have noted consistently that the Netherlands seems to have fared relatively well economically and socially under a mode of regulation that features social equity goals and, among other components, a strongly regulated property market.²

The causal nature of the relationship between social policy and economic performance in the two cases is not the subject of this study. However, the positive Dutch economic performance does serve to indicate that an active and ongoing government role in redistributive social policy is not necessarily inconsistent with achieving economic success. This aspect of the Dutch model is useful in the international debate about the legitimacy of housing policy interventions and, more generally, about the type of welfare model that is desirable and feasible.

7.3 How have housing policy settings contributed to these results?

In this study, housing outcomes are conceived of as the result of the functioning of the housing system in its temporal and local context. Part of this system includes pervasive housing policy action to achieve a range of objectives. Chapters 2 to 5 established a reasoned and detailed overview and analysis of the way in which housing policy can and does operate in a local context to influence housing affordability.

Considered together, the results of the study suggest that four interconnected aspects of housing policy have had the most influence on the evolution of the similarities and differences in housing affordability outcomes for low income households. These aspects are:

- the short and long run impact of housing policies that favour home ownership;
- the type and extent of urban policies that are geared to the supply and protection of affordable housing;
- the role, organisation and capacity of social rental housing; and
- the effectiveness of demand-side subsidies.

The subsections below expand on how each of these factors help to explain the similarities and differences in the housing outcomes observed. A brief reference to some of the implications for future policy is also included.

7.3.1 The short and long run impact of housing policies that favour home ownership

This study's findings about the affordability of home ownership, exemplified particularly by the Australian case where home ownership is a mature and dominant tenure, present a telling paradox of the impacts of broad policies that favour home ownership on the housing options for low income households over time.

On the one hand, the past regime in Australia, together with a period in history when external economic conditions and demographic factors contributed to more stable employment growth, helped to extend home ownership across the income distribution. High levels of affordable and good quality housing provision were achieved. Older, lower income households have clearly benefited from having access to affordable mortgage finance provided earlier in their lives under a regulated and subsidised housing finance system. A significant minority of younger, low income households now also own their homes outright in Australia. (It is hypothesised that, for many of these households, home ownership has been made possible by inter-generational or partner transfers rather than through personal income). On the other hand, there is strong evidence from this study and previous research that, under present policy settings, home ownership is becoming much less affordable for low income earners and for many other new housing entrants in Australia.

The dynamic behaviour of the housing market, particularly under more rapidly changing economic and demographic conditions from the 1970s, has been a primary contributor to the tendency to a relative decline in affordability and choice for lower income households in Australia. There has been a long run rise in the real cost of housing, underpinned by rising average real incomes and significant growth in national wealth. In general, this situation favours existing home owners and buyers, who benefit from equity gains (and, therefore, have greater purchasing power) over first home buyers who, instead, face rising entry costs. The relative affluence of high and multiple income households also contributes to rising housing standards, which can operate to further exclude lower income and single income households or to force them into more expensive housing that exceeds their needs. As these trends develop, policy settings can either ameliorate or exacerbate them.

In Australia, the general policy direction helped, historically, to sustain the conditions for growth of home ownership, through a mix of direct and indirect subsidies provided to new and existing households to a varying extent across the income distribution. However, changes in policy and the extended impacts of past success on the economics and politics of home ownership have contributed to declining affordability for newer home buyers. Changes in the mid 1980s to tax policies that further advantaged investment in owner occupation over other housing and non-housing investment have helped to maintain higher house prices than would otherwise occur. In the context of a more volatile economic and political climate, the tax benefits and the potential for capital growth arising from sustained house price inflation have contributed to growth in speculative investment by investors and have encouraged tax sheltering by wealthier, entrepreneurial owner occupiers. On the other hand, contraction of many of the historic forms of assistance available to marginal home buyers has reduced their capacity to enter the tenure, relative to both new entrants previously and to repeat buyers now. One

aggregate effect of these trends has been for an increasing share of assistance to be directed through tax expenditures that are regressively distributed.

In the 1990s, the failure to check house price inflation offset the benefit of lower interest rates, which flowed from improved economic conditions, and instead contributed to a growing deposit gap for new market entrants, especially in growth areas. Most recently, an initiative to stimulate housing construction through capital grants to first home buyers has been affected by broader economic conditions, especially the international economic downturn and the decline in share market prices. Together these factors have fuelled high property turnover and escalated prices, leaving first home buyers facing higher house prices rather than better affordability. Higher prices have also increased the risk of future interest rate rises having adverse effects on the affordability of mortgage finance. Finally, to complete the consideration of the policy environment affecting market provision, mention should be made of policy omissions. These include the failure to stimulate the provision of smaller, starter housing and the lack of incentives that could improve efficiency in the use of the existing dwelling stock, much of which is under occupied by ageing home owners who have very low housing outlays. In sum, it can be concluded that the prevailing policy approach in Australia has tended increasingly to support continuing owners and purchasers, while the prospects of many 'would-be' home buyers recede.

In the Netherlands, the smaller share of home ownership and a more uneven development path in that tenure have moderated the cumulative tendency for affordability problems to arise under a home ownership regime, at least until very recently. As both a reflection and a reinforcement of that situation, policies supporting home ownership have not dominated the system of housing provision to the same extent. Historically, tax and subsidy provisions have been more consistent across the tenures than in Australia, although it has been argued that a fundamental shift in favour of the ownership sector has occurred through tax reforms introduced in 2001 (Haffner, 2002). A generous offset for mortgage interest costs is provided to home buyers but low income renters also receive relatively large income supplements to help pay their rent. Secondly, there is some (limited) clawback of the untaxed benefits of home ownership through the imputed rent tax. Retention of this policy sends a signal that the costs and benefits of home ownership over the life course are subject to fiscal control, unlike in Australia. A third and very important factor that has militated against the domination of home ownership in the Netherlands has been the protection of the low cost rental sector from direct competition from home buyers (see below). These policy settings have reined in excessive market tendencies but they have, at the same time, stifled growth in the tenure, thereby perpetuating the reliance on social rental housing by lower and moderate income households alike.

It could also be argued that the impacts of house price inflation on affordability have been more muted for individual households in the Netherlands as a result of the (largely unlimited) provision to offset mortgage interest payments through taxation concessions. However, severe house price inflation in the 1990s is threatening the sustainability of this policy and may, therefore, jeopardise the achievement of access to the tenure by lower income households in the future. Urban markets have become overheated under pressure from some of the same global economic processes and investment patterns that are

affecting key cities in Australia, plus local factors (especially pent-up demand for home ownership by higher income groups and planning controls on urban expansion). In that environment, tax breaks for home buyers are likely to be contributing to inflation, as well as escalating government tax expenditures.³

The Netherlands is at a different (and logically earlier) stage of development of its home ownership sector. To reduce historic levels of public investment and to increase housing choice, a higher rate of private ownership is being pursued now, much later than in many similar countries. The data and research drawn on for this study give clear warning signs of the possible adverse impacts of this approach on lower income households that are linked to both housing market conditions in the present conjuncture and to the policy drivers of expansion.

The first signal is that, while more low income households have become home buyers, those households have affordability problems (even after taking into account the assistance available to them), and they are at risk of their affordability problems increasing, should interest rates rise. Second, strong inflationary tendencies, when not matched by increases in income at the bottom of the income distribution, will keep raising the threshold for entry or will add to affordability stress for those who buy. Alternatively, they will put upward pressure on wages and government benefits and subsidies. Third, tax expenditures that assist home purchasers have the potential to generate a regressive model of assistance, such as characterises the system in Australia. That example shows how such a model can become politically entrenched but, ultimately, is likely to be self-defeating in terms of affordability objectives. Fourth and connectedly, present policy settings are making it irrational for higher income groups to remain in social housing. When linked to the tendencies of home ownership (under inflationary conditions) to crowd out lower income households over time, the current situation in the Netherlands could lead to greater tenure segregation across the income distribution and be a trigger to the long-term residualisation of social housing, again mirroring a well-advanced process in Australia.

In both countries, a number of factors external to the housing system are predicted to add to difficulties in extending the reach of home ownership down the income distribution in future. One key factor will be what happens to the recent trend towards an increase in the share of single person and single parent households, who generally have less capacity to purchase housing than dual income households. A second factor will be adjustments in labour markets, especially the casualisation of work, the shift to part time work and greater expectations of workforce mobility. Such workforce trends are likely to militate against mortgage-financed home purchase in its present form, especially for those in the weakest labour market positions. A third factor may be the impact of volatility in housing markets and, more particularly, the prospects of price deflation combined with historically high levels of household debt, much of which is arising from mortgage finance.⁴ This may lead not only to a different form of housing crisis (such as a rise in negative equity situations) but also to government responses that divert expenditure away from the needs of low income or marginalised renters.

As home ownership becomes more dominant, there are also flow-on effects in the low cost rental market. The evidence from Australia shows that a long run strategy to

maximise home ownership while leaving rental housing largely unregulated has contributed gradually to the loss of important parts of the low rent sector to ownership, particularly in the inner cities. Unlike in the Netherlands, there are very few barriers to substitution between the home ownership and rental sectors, with the result that the pattern of demand for home ownership has been a major factor driving changes in rental market supply and price. In particular, as first home buyers become priced out of the existing home ownership market, they compete with renters for the existing rental stock. This puts further pressure on rents and leads to the loss of low rent stock and the displacement of low income renters from areas sought after by purchasers, contributing to the process of gentrification.⁵

At the same time, replacement of, or new investment in, low cost rental housing does not occur because it has become high cost compared to alternative housing (and non-housing) opportunities.⁶ This is essentially because inadequate returns arise from the combination of high levels of house price inflation with falling real incomes and limited housing subsidies for those relying on renting. In addition, the low cost rental market has not been able to attract private investment in Australia because owner occupied housing and higher value rental housing are relatively tax advantaged and subsidies on the demand-side are relatively low.

In the Netherlands, the separate regulatory framework for the two sectors, the provision of security of occupancy for existing tenants and the high degree of social ownership in established urban areas has muted competition between buyers and renters. While some deregulation has occurred in the 1990s, municipalities still regulate the sale and replacement of low rent stock.

Finally, while both countries have experienced a long run trend towards a decline in private rental investment in the low cost sector, that trend has been compensated to a greater extent in the Netherlands by the level of investment in new social housing and by the transfer of older privately owned stock to the social sector.

Under the conditions developing in both countries, it seem unlikely that past success in achieving affordability (and other positive outcomes) through home ownership, which is exemplified by the more established Australian case, will be replicated in future for lower income home purchasers and prospective first home buyers in either country. That situation has implications both for future home ownership policy, which are discussed below, and for rental policy, which are discussed later in the chapter.

Policy implications

If home ownership is to benefit low income households in the future, strong government action designed to overcome the current barriers to access, improve affordability and be responsive to more rapidly changing market conditions and needs will be required. In broad terms, the findings of this study suggest that the policy directions for that tenure should aim to address a number of core issues. First, it is essential for policy to address the genesis of house price inflation in both market processes and government policy. This is a complex issue but the most critical aspects are the need to contain and, preferably, reduce tax shelters and to manage land supply and land costs (see below).

Second, as housing wealth increases, governments in both countries will need to give more consideration to policies which can capture some of the realised capital gains or inherited wealth from home ownership for the benefit of new market entrants. The Netherlands currently has in place a policy of taxing imputed rent. If that tax is retained, revenue from it will grow in line with growth in home ownership and housing values. However, political pressures and policy convergence within the European Union may result in the tax being abolished or reduced. Other approaches in either country could involve schemes that give older households incentives to release housing value for the next generation and other forms of property and wealth taxes.

Third, governments should seek to ensure that there are more housing choices available to financially constrained households. In Australia, there is a particular need for more well located, basic, small housing. In both countries, subsidies, risk sharing and incentive mechanisms could be used more extensively to support innovation, such as new financial products, starter housing schemes and shared equity schemes that offer more financially feasible options to first home buyers and single income buyers.

7.3.2 Urban policies and access to affordable housing

Both Australia and the Netherlands are very highly urbanised. One of the differentiating findings in this study concerns the level and distribution of affordable housing for low income households in major urban areas in the two countries. The different natural endowment of the two places notwithstanding, long-term differences in land management and urban planning policies are considered to be key factors, along with the other influences discussed elsewhere in this chapter, that have contributed to different geographical patterns in the affordable housing supply.

Chapters 4 and 5 outlined the direct benefits to the supply of lower cost housing that have arisen from the historic role of municipalities as land development agencies in the Dutch housing system. In summary, these benefits include: less speculation in raw land than in market driven systems, a gentler land rent gradient than that characteristic of Australian cities and regions, a direct means of transferring more of the gains through betterment to social ends (including housing) and being able to provide better access to good quality locations for both social housing and low cost housing for purchase without competition (or resistance) from private developers.

In Australia, historically, a much less active state role in managing and regulating land and housing development and the reliance on market players to generate land supply has spawned a powerful and specialised private land development industry. That industry has produced a socially and geographically segmented land market which, in the context of high inflation and tax benefits (which have already been discussed), is sustained by repeat buyers and investment at the higher end of the market, leaving more financially constrained public housing providers, low income renters and first home buyers priced out of many areas.

The differences in historic approaches have affected the relative capacity of each country to address the common trend of a diminishing new supply of affordable housing. In Australia, a lack of intervention in the past, coupled with a powerful lobby of private

developers and existing residents, has been operating as a political barrier to policies (such as have been developed elsewhere) to include a share of low cost housing in new residential development. In contrast, in the Netherlands housing associations are widely accepted as significant developers of new housing and they benefit from non-market land pricing.⁷ As a result, new social housing is still being integrated into major residential developments, albeit as a much smaller component than in the past and, because of rising standards and lower producer subsidies, at a higher cost.

A second reason postulated for the dissimilarities in the distribution of affordable housing in urban areas in the two countries arises from the impact that differences in housing form and tenure policies can have on the pattern of urbanisation.

Home ownership is strongly associated with the development of single family housing, the extent of which, in turn, shapes the urban footprint. In Australia, large and extensive cities have arisen from the dominance of home ownership linked to a largely unregulated land market. Over time, the aggregate costs of producing serviced land and providing transport infrastructure have become greater than in more compact urban areas. However, in keeping with the overriding drive for home ownership, the costs associated with urban growth have not been recovered from home buyers, until recently. Accordingly, historic affordability levels have been lower than they would otherwise have been and demand has been sustained on the urban fringe. Eventually, the continuing growth and spread of cities like Sydney and Melbourne, coupled with delays in the provision of costly transport and service infrastructure, have resulted in declining accessibility. In turn, a new pattern of demand for more accessible dwellings located in established areas has emerged, adding impetus to the pressures on the older rental stock, not only from first home buyers as already discussed, in those areas.

Single family dwellings in suburban and more peripheral locations have also dominated the pattern of development of the home ownership sector in the Netherlands. However, the longer term promotion of a large supply of higher density housing, much of it in the social sector, and the emergence of a poly-nucleated urban metropolis and decentralised new towns under a strong planning regime seem together to have contained speculative booms in house price (until recently) and to have helped to promote cross-regional accessibility and a wider choice of areas offering affordable housing. (See Dieleman *et al.*, 1999.)

When pressures on low rent inner city housing did emerge in the Netherlands in the 1970s, strong social movements formed to protect existing residents and to prevent large-scale gentrification. The success of these movements themselves is another factor differentiating the history of affordable housing in the two countries. It can be attributed to the differences in the relative political power of a large versus a small social housing system.

Thus, in Australia, the combination of high, unchecked preferences for single family housing, (hidden) subsidies to buyers of new homes and the lack of success in decentralisation has resulted in an over-concentration of urban growth in relatively few large cities. This, in turn, has induced a scarcity of well-located land and encouraged speculation. Under conditions of rapid growth and the influence of increasingly powerful

private development interests, planning controls have lost their effectiveness and, as a result, cannot counter market forces.

While government planning and land management policies have clearly been different, this study cannot be conclusive about the reasons for the differences in urban form between the two countries. It may be argued that the differences have arisen because of differences in the (perceived) availability of land in a very small versus a very large country. Nevertheless, the degree of urbanisation that has developed is much the same, suggesting that broader economic and demographic processes are the key reasons for the development of the cities. Whatever the causes, comparing the effect of strong differences in the ways that government policy influences residential development has highlighted the well known tendency for unfettered urban housing markets, dominated by private housing, to develop in ways that produce more unequal outcomes.

Policy implications

From a spatial perspective, a major issue facing housing policy makers today is the rapid trend to greater inequality and spatial segregation in urban systems. Findings in this study and in numerous previous studies show that supply-side interventions (such as those still in use in the Netherlands) are necessary to overcome urban differentiation fuelled by market processes and private property interests and to increase the range of affordable housing options in urban areas.

As a result of its past approach, Australia faces enormous difficulties in re-establishing a sufficient and well distributed share of affordable housing in its major cities without a major shift in its policy strategy. Any such shift seems unlikely. However, a turning point may come if labour shortages and declining economic competitiveness arise from a chronic lack of access to affordable housing in the biggest cities, which increasingly rely on global competitiveness for their prosperity.

In the Netherlands, there is a growing risk that the supply of well located affordable housing will be gradually eroded through ascendant market forces. Present policy settings acknowledge the issue but expenditure may be too limited and strategies (such as drawing on housing association reserves) too short sighted to prevent a significant decline. In addition, as Dieleman *et al.* (1999) have argued, the deregulation of the housing and land markets and the reduction in investment in social housing are likely to mean that governments will have less influence over future urban growth patterns than in the past. Under a more private development regime, the Netherlands now needs to consider other policy mechanisms, such as property taxes and planning controls, if it is to maintain its relative success in mitigating urban sprawl and inequality.⁸ The experience in Australia suggests that this may become increasingly difficult as market forces gain momentum and power.

7.3.3 *The role, capacity and organisation of social rental housing*

In both countries, social housing has been and continues to be a critical sector for the provision of affordable housing to low income households. One crucial difference is that, to date, the Dutch social housing sector has retained its character as a mixed income

tenure. This attribute helps to account for that country's relative success in retaining affordable rents and has contributed to the financial, social and political sustainability of their social housing sector in the longer term.

In the Netherlands, there has been an extended positive effect from the benefits of income mix⁹ and the stock maturation process. Surpluses built up over decades have helped to keep rents down (and, thereby, to reduce the relative cost of housing allowances compared to Australia). The surpluses have also enabled the stock to be well maintained and, more recently, have contributed to the capacity for some new investment in the context of the decline of government supply-side subsidies. As well, the solid performance of the Dutch housing association sector has helped to secure ongoing political support, at least until recently. Generally, from a household perspective, satisfaction is high and the tenure is not stigmatised, although some neighbourhoods have developed social problems and have precincts of low status.

In Australia, a different dynamic has operated, even though public housing agencies also have a mature housing stock with comparatively low debt levels. Surplus-generating (and cross-subsidy) capacity has been eroded over time as a result of rising costs and previous large-scale subsidised house sales that contributed to a concentration of low income households in the remaining housing. This situation has gradually depleted any capacity of the sector to be financially independent or to expand. This problem has been compounded by a lack of transparency of the true costs of operating the sector,¹⁰ contributing, in conjunction with uneven social outcomes (see below), to the diminution of Treasury support. Since the mid 1990s, most jurisdictions have been selling assets to make ends meet and have been further restricting services to manage demand. Such a path can only be self-defeating, serving to deepen the processes of residualisation and marginalisation, which in turn will further weaken political support for public housing.

While individual tenants within the public system have relatively affordable and secure housing, the now residualised state of the public housing system in Australia is having knock on effects in terms of poverty, welfare dependency and social exclusion. On housing estates, in particular, a combination of inequitable subsidy provisions that inhibit mobility to private rental housing, the adverse social consequences arising from an over concentration of very disadvantaged and vulnerable households and the absence of labour market attachment for most of the clients has helped to create what can be described as a locational poverty trap. As well, whereas in the past many households were able through their employment (and additional subsidies) to bridge from public housing to home ownership (often 'in situ'), this is no longer occurring because of the rising cost of home ownership, the poor employment prospects of many in this tenure and the closure of most home ownership assistance programs.

Broadly speaking, the degeneration of public housing in Australia has evolved from the interaction of long-term policies to keep the sector small and to use it as the tenure of last resort with wider demographic, economic and social changes that have affected the level and differentiation of housing need. The end result is that many needy low income households are unable to access the secure and affordable housing that the tenure provides, while others within the tenure have little choice and may experience stigmatisation as well as poor 'non-housing' outcomes. Attempts to reform public

housing over the last decade (for instance, by introducing transparent subsidies and by providing additional capital for asset renewal and new investment) have been inhibited by a lack of political support for a marginalised tenure, the complexity of negotiating change among diverse national and regional interests and the lack of clarity in the responsibility and accountability for housing between two sovereign levels of government.

The prospects for Australia to turn around its troubled approach to social housing seem grim. Australia's policy settings are now a relic in comparison to international norms: large scale private financing that could be used to maintain new supply and to accelerate the renewal of poorly performing estates has not been introduced and inflexible government providers still dominate the delivery system.

A number of researchers in the Netherlands have already contemplated whether there is a similarly gloomy the future for social housing in that country and both optimistic and pessimistic cases have been argued.¹¹ The Australian case shows that antecedents of the decline of public housing go back a long way and include, among other factors, the privatising and targeting policies of earlier decades and their extended political and social effects (Chapters 4 and 5). As discussed previously, early warning signs are present in the Netherlands in the form of a growing concentration of low income households in the rental sectors and the potential for residualisation of the lowest quality parts of the housing stock. However, as van Kempen and Priemus (2002) point out, one significant counterbalancing force may be the role of housing associations, which have immediate control of the balance sheet of the sector. These organisations are registered, financially accountable not-for-profit corporations operating in a social market (Salet, 1999). It is not consistent with their charter, and not in their self-interest, to allow downsizing, (through privatisation) or the intensification of targeting and limiting of choice to be taken too far. In this way, the delivery model differs significantly from the politically controlled, monopoly provider system that dominates social housing provision in Australia. Accordingly, the differences in the organisation of social housing in the Netherlands may be one factor that can be used to help forestall outcomes that are akin to those for social housing now prevalent in Australia.

Policy implications

A direct comparison of the Australian and Dutch experience of social housing and its outcomes gives clear pointers about the way in which government involvement in rental housing for social purposes¹² should be guided in the future. Segregated and stigmatised systems of public housing are not financially, socially or politically sustainable. For Australia, strategies to encourage the continued expansion of rental housing using a mix of public and private finance, along with dynamic models of asset management and urban renewal that are aligned to changing client profiles, are required in order to respond to the continuing but more differentiated need for rental housing across the low income group. For the Netherlands, the trend towards marginalisation of the social housing system will need to be stopped sooner, rather than later, and the financial sustainability of the sector must be protected.

The results of this study also show that the governance and structure of the delivery system for rental housing needs to be considered carefully. In Australia, the housing

authorities are large and dominate their jurisdictions. These authorities are directly governed by the Minister of the day and there is only one state where the authority is also accountable to a professional board. In the Netherlands, the housing associations operate as non-profit, but financially accountable, corporations in a contestable but regulated market. The evidence from comparing these two cases suggests that social corporations rather than large scale, monopolistic public authorities are both less vulnerable to political expediency and more effective in service delivery, although differences in the amount of financial support being provided (directly or indirectly) in the two countries (itself a product of the political power relations) are also a factor.

7.3.4 Role and effectiveness of demand-side subsidies for renters

The analysis in chapter 5 showed that (different forms of) housing allowances have become the dominant means of directly assisting individual low income households to meet the rising cost of their housing in both countries over the last two decades. In the Netherlands, the housing allowance is now the major financial strategy underpinning the more independent model of social housing that dominates the rental sector. In Australia, the housing allowance is the predominant plank of national housing policy, although, ironically, it is not seen as such by the national government.

Reflecting the current widespread policy preference for individualised demand-side assistance, there has been dramatic growth in the number of households dependent on receiving a housing allowance to obtain or maintain affordable housing, and a significant increase in associated budget outlays, in both countries. Notably, however, the escalation factor has been much greater under the private market provider system of Australia and, more tellingly, in the absence of other policy strategies that support and protect the low cost rental housing supply, affordability outcomes are worse. In the Netherlands, the housing allowance is more effective but there appear to be many households that need the allowance to reduce their housing costs to an affordable share of their income that do not receive it. This issue requires further research.

Policy implications

The experience in each country of a growing reliance on the housing allowance, coupled with its variable effectiveness (for somewhat different reasons), implies that it has been a necessary, but not sufficient, policy response to the failure of the private market to provide affordable housing for low income renters.

In Australia, the current rate of growth in the share of low income households renting makes this a pressing issue to be tackled by the national government, both to constrain their budget exposure and to improve the affordability and appropriateness of the housing available to private tenants. Policy levers that influence the cost and mix of rental housing have been lost or dissipated through a bias towards demand-side assistance and policy fragmentation across levels of government. In broad terms, what is needed is to go beyond old notions of ‘public’ or ‘private’ sectors and to integrate the role of the housing allowance into a comprehensive, national rental housing policy manifesto that is geared towards stimulating a more adequate long-term supply of appropriately located, low cost rental housing delivered in a more diversified system. Policy action will be required to help finance, allocate, maintain and protect a suitable mix of rental housing options for

households not entering either home ownership or the limited and increasingly specialised social housing system. The more diversified, privately financed and publicly regulated rental housing provision system in the Netherlands provides a functional model that should be considered in some detail in the Australian context.

In the Netherlands, pressure on the housing allowance system is also an issue as a result of the rising costs of social housing and continuing pressures on the Dutch government to reduce its relatively high levels of public expenditure. However, given the steep rises in net housing rents that have already occurred, there seems little room to reduce the value of the housing allowance if the choice of affordable housing offered to low income households is to be maintained and the financial viability of the social housing sector is to be protected. Results from the less adequate system in Australia show that, considering both government and community outcomes, the present type of housing allowance policy in the Netherlands, which is allied to a regulated system of housing provision and service delivery, is worth defending strongly.¹³

7.4 Some comments on the theoretical implications of the study

Using the historical analysis and empirical evidence presented in chapters 4 to 6, the preceding section has made a relative assessment of the importance of differences in long standing national housing policy to the housing situation of low income households in the two countries studied. This section considers the findings of the study in the light of normative and more abstract viewpoints, which were introduced in chapter 2, where it was suggested that more complete explanations of the significance of similarities and differences in housing policies might emerge if economic, political and ideological influences on the trajectory of housing policy development were each considered and the account was then synthesised.

One general conclusion from this study is that housing conditions of low income households in the two countries studied have shown greater similarity than the policies that have contributed to them. This finding supports the thesis (which underpins regulation theory and has informed some critiques of welfare regime analysis) that different social policy regimes operating within similar economic circumstances can and do achieve similar ends. Likewise, the fact that both countries exhibit a similar level of success and failure in their overall policy approach to assisting low income households lends support to the regulationists' argument that there may be common limitations on the effectiveness of state action in ameliorating housing problems caused by market failure. In particular, Kleinman's (1996, 1998) assessment that the housing systems of developed countries seem to be characterised by well housed majorities and poorly housed minorities (and more so in the current conjuncture than in the previous one when economic and political conditions were more stable) is borne out in this study.

Many similarities in outcomes notwithstanding, material differences within the low income groups of the two countries also exist and have to be explained. A number of theoretical propositions are of interest, depending on whether emphasis is placed on the economic relations of the housing provision system itself, the institutions and political forces underpinning those relations or the value base of the society, within which they develop and change.

At a structural level, the interaction between market and non-market tenure systems (as theorised by Kemeny - see chapter 2) has clearly been important to the relative and absolute position of low income households. In Australia, where a mature home ownership system dominates, the dynamics of the home purchase market and past or present policy regimes favouring investment in home ownership, coupled with changing household structures and a polarising income distribution, have adversely affected low income households in two related ways. First, low income households are increasingly being excluded from home ownership and its potential benefits (such as reducing outlays over the life cycle, the strong protection of rights and the potential for wealth creation) unless these benefits are passed on through family relations. Second, in a system where the rental tenures have become more marginalised, low income households have less protected and more stigmatised housing options that are often provided at a high cost relative to their capacity to pay.

In the Netherlands, the large supply of social rental housing has prevented the occurrence of the same degree of segmentation and exclusion to date. Moreover, low income households are achieving access to home ownership as that sector expands. However, the financial and personal risks for those low income purchasers are greater than was historically the case for Australian households because of the long-term impacts on house prices of inflation and rising standards and, therefore, the necessary level of mortgage indebtedness. Structural changes in labour markets may also be a more significant factor now and in the future than in the past. However, the relations between tenure and its effects are historically determined not theoretically fixed. Therefore, no firm conclusion can be drawn about whether the development of home ownership in the Netherlands (and the politics and ideology driving that development) will follow a similar path to Australia, although both the precedent and emerging local conditions should be of concern from the perspective of low income households.

By looking in detail at the response over the last two decades to the strong fiscal and ideological pressures on both the Dutch and Australian governments to transfer power and responsibility for housing to market forces, some insight has been gained into how the two different housing systems adapt to changing external conditions. The common response has included reductions in (selected) housing budget outlays (notably supply-side assistance) and deregulation of core features of the respective housing systems. One clear consequence of the changes in Australia has been the further narrowing of policy that assists low income households and the erosion of housing rights and opportunities previously available to them. In contrast, in the Netherlands, support for a housing policy approach that helps to prevent social segregation and inequality and that maintains protection of a smaller (than in the past) but sizeable amount of good quality social housing has continued, alongside of goals aimed at strengthening market relations. The survival of those social goals so far (and the more equitable outcomes that have persisted) has been widely attributed to the distribution of power between central and local government, the private sector and the powerful, independent housing association sector. By contrast, in Australia, resistance to policy contraction and the abandonment of traditional programs (such as, investment in new social housing and urban renewal, and the provision of home ownership assistance for marginal first home buyers) has been ineffectual. The dominance of market interests in the politics and institutions of housing, lack of clarity in the responsibilities of different levels of government and the small and

fragmented nature of the policy constituency have allowed the influence of those advocating non-intervention to become stronger than in the Netherlands.

That finding lends support to arguments from the divergence school of thought that it is the dynamic effect of differences in the social relations of housing provision and the political power relations underpinning them that are the key to understanding the dissimilarities in national conditions, when economic and demographic circumstances are broadly similar.

At a deeper level, it might also be argued that social justice goals have remained more prominent in the Netherlands because of differences in the underlying culture and values of the two societies. This view resonates with Kemeny's interest in the embedded and cumulative importance of differences in privatised and collectivised systems of housing provision to community values and, hence, to the long-term path that housing policy follows, as discussed in chapter 2.

Using the same reasoning, it can also be postulated, but not proven, that such differences will have implications for the pattern and sustainability of housing affordability into the future.

Both countries have now built up significant housing wealth, through inflation and the maturation of the dwelling stock. In Australia, the bulk of the housing and infrastructure subsidies that underpinned much of the past provision has been privatised through individual home ownership. This means that, in the absence of new policies to redirect accumulated private housing wealth, housing options in Australia in future will be determined by the way in which the benefits of past home ownership are distributed by private individuals and households. If the main form of redistribution occurs through family transfers, tenure-based inequality can be expected to deepen.

In the Netherlands, the large supply of community-owned housing operates as a hedge against inflation and poverty. Retention of value in the social sector provides a valuable foundation for leveraging future social options, as is occurring already. The regulated nature of the housing associations, their social charter and their reputation all help to make it politically feasible for assistance to be directed where it is needed. Accordingly, this may make it easier to implement the policy options necessary to support low income households, if that is the goal.

7.5 Final remarks

Housing markets, unassisted, have not provided in the past and do not provide today sufficient appropriate and affordable housing for low income households. At present, interconnected trends towards polarising incomes, changes in labour market attachment, the increasing share of smaller households, rising housing standards and long-term house price inflation (exacerbated by policies favouring wealth creation through home ownership) are all particular factors that are intensifying affordability issues for those with the least resources in the housing markets of many developed countries.

Governments have no choice but to intervene in their housing markets if their goal is to improve housing affordability for low income households. Governments do have choices about their housing policy strategies, but, as this project has clearly shown, differences in the mix, balance and responsiveness of their endeavours are significant in the short and the longer term.

The answer to the question of the extent to which policy differences matter is complex and continually changing. This study, while demonstrating the value of a careful and in-depth comparative analysis, can only make a small contribution. Historically, when faced with similar housing challenges, Australia and the Netherlands chose different housing policy paths but achieved broadly similar (and generally satisfactory or improving) outcomes for the vast majority of households in their growing societies. While a dynamic and longer term perspective suggests that the adaptability and sustainability of the different models may not be the same, this is unproven and requires further theorising and analysis.

Today, in a more volatile economic and political context, which is more heavily influenced by cross-national (globalising) rather than local factors, housing policy settings and key housing outcomes appear to be converging. In particular, while there is still substantial expenditure directed to households in the lowest two income quintiles, overall changes in the mix of direct and indirect housing assistance measures (themselves, in part, the product of past strategies) are contributing to less equitable and less effective outcomes for many low income households than in the past. Nevertheless, important differences in the housing situation and choices of those households across the two countries have been identified. Both the downstream effects of past approaches and current policy settings have been found to be contributing to cross-national differences in horizontal equity and to the relative adequacy of assistance among low income households.

In future, the particular housing policy approach of individual developed countries, like Australia and the Netherlands, will continue to be different, if for no other reason than that the choices available to their respective governments are so strongly shaped by the embedded legacy of past policy and an institutionalised system of provision. However, because of the extent of convergence in underlying social, economic and demographic conditions, such countries are likely to face increasingly similar housing challenges. As well, growing regional and international competitiveness may increase the pressures for national conformity in policy approaches. If the goal is to turn around present trends towards deteriorating affordability and growing inequality, strong and responsive intervention will be required because market processes, even where underpinned by (now necessarily) large subsidies to individual households, are not succeeding. As Pugh (2001) has suggested in another context, what is required is not to reduce the state's role but to reconfigure it.

A balance of support to the rental and home buyer sectors is considered essential. Reliance on rental housing among low income households is either static or increasing (unlike the low rent supply, which is decreasing) in the countries studied. This trend and the necessity of good quality rental housing to support wider economic and social objectives (such as reducing welfare dependency through labour market attachment or

improving international competitiveness) suggest that the goal of providing a wide range of well managed and well located affordable rental housing options should be more prominent in future policy settings in both places.

Forms of assisted home purchase for low income households continue to be desirable to meet strongly embedded household preferences, to increase the choice of low income households and to mitigate tenure segregation. Home ownership that is financed during the working years is also compatible with achieving affordability and self-reliance for households whose income falls after retirement. Current housing and urban policies affecting this tenure in both countries are, in their aggregate effect, adverse to the capacity to pay and, possibly, to the broader welfare of low income and single income home buyers and prospective home buyers. They should be adapted more in their favour.

The conclusions of this study and its message about the compound and changing impacts of housing policy intervention in housing systems are not new, although they have been derived using a different approach to that of many previous studies. The similarity in the conclusions between this study and numerous preceding ones is testimony to the validity of these conclusions. The persistence and the reshaping of housing affordability problems under the two broad types of housing policy regimes examined in this study suggests a number of things for researchers and policy practitioners. There is much to be gained from well chosen comparative housing analyses. Existing explanations and expectations of what housing policies achieve are variable and inconclusive. Theoretical, empirical and historical analyses need to be continually reviewed, research findings need to be reiterated and reinforced and coherent and workable policy strategies must continue to be advocated to protect and improve housing outcomes for low income households. Much has been learnt and much more needs to be done.

Notes

¹ For an overview of the literature in Australia on social and spatial exclusion see Yates (2002a).

² There have been a number of comparative studies pointing to aspects of the relative success of Dutch housing policy including Badcock (1994), Dieleman and Hamnett (1994), Thrift (1994) and Meusen and van Kempen (1995). Visser and Hemerijck (1997), Becker (1999), Goodin *et al.* (1999) and Wildeboer Schut *et al.* (2001) use a wider range of social indicators to demonstrate the relatively favourable international position of the Netherlands. Where Australian data are incorporated into these studies, the measured results are generally shown to be weaker.

³ A recent article by Boelhouwer (2002a) develops this argument.

⁴ Since the period covered by this study, there has been parallel evidence presented in each country that the housing market is overheated, leading to predictions of price deflation, which could impact adversely on heavily indebted home buyers and broader economic performance. For Australia, see RBA (2002) and for the Netherlands, see Boelhouwer (2002a).

⁵ A recently completed doctoral thesis in Australia has shown how the interaction between the rental market and the home purchase market has contributed to the long-term decline of low rent housing in the city of Brisbane (Seelig, 2001).

⁶ Nevertheless, as noted in Chapter 5, Berry (2000) has shown that rental investment in Australia has been more sustained than a rational analysis would predict. He attributes this situation, in part, to the strong preference of small 'unsophisticated' investors for a 'bricks and mortar' form of saving and investment but questions whether it will continue to underpin rental supply in Australia in the future.

⁷ However, the cross-subsidisation of land prices in a development that historically benefited housing associations is breaking down now as private developers increase their role (Priemus and Louw, 2002).

⁸ Priemus and Louw (2002) provide a detailed discussion of possible mechanisms.

⁹ While the retention of income mix in social housing is judged to be a benefit to the viability and capacity of the sector, it can be interpreted to be a consequence of rising affluence and the lack of alternative housing for households whose circumstances improved rather than a intended outcome of past policy (van Kempen *et al.*, 1992).

¹⁰ Lack of transparency of costs is at least partly an outcome of differences in approach between levels of government.

¹¹ See for example, van Kempen and Priemus (2002) and Ouwehand (2002).

¹² The financing, ownership and management arrangements in social rental housing systems are more diversified than in the past. Hence, a more contemporary conception of 'social' refers to government subsidised and socially oriented housing provision rather than to a specific tenure. (See also Priemus (1997a) on this point.)

¹³ Priemus (2000) reached a similar conclusion in comparing the Netherlands' approach to housing allowances with the model of housing allowances operating in the USA.