SUBMISSION BY THE FAMILIES COMMISSION

to the

PRODUCTIVITY COMMISSION

on the

HOUSING AFFORDABILITY

JULY 2011
Introduction

We write in response to your request for submissions on housing affordability

The Families Commission seeks the best outcomes for families and whānau. Two of these outcomes are: that children become responsible, happy, and self-sufficient adults; and that the family provides a warm and caring environment.

From our research with families, we have learnt that affordable and adequate housing is important in achieving these outcomes. We have written this submission to provide evidence to back up this statement, and to inform you of what we have learnt about strategies to provide adequate and affordable housing to low income families.

You asked the question: ‘Should the [Productivity] Commission focus its work on affordability as it impacts on lower income households or should the focus be broader and examine the market as a whole’.1 Our answer is: the Productivity Commission should consider the housing market for families as a whole, but have particular regard for the impacts of the housing market on low income families and whānau.

We draw to your attention that the topics covered by your inquiry overlap significantly with the terms of reference of the 2008 Commerce Select Committee inquiry, the report of which is available on Parliament’s website.2 We also note the connection between this inquiry and the Government’s announcement last year, following the inquiry made on its behalf by the Housing Shareholders Advisory Group into social housing. The Government made a commitment to growing the stock of affordable housing in partnership with community housing providers.3

Housing affects families and whānau’s ability to be successful4

Adequate housing is clearly a family resource that can impact on family outcomes. Inadequate housing can affect health, family relations, and the ability of family members to develop and contribute to society. We present evidence here for connections between housing and family outcomes.

Family outcomes

Through examining the literature on wellbeing, family strengths, resilience, and family outcomes, and consulting with families, we have determined that families are successful if:

- their children become responsible, happy, and self-sufficient adults
- the family provides a warm and caring environment
- that cultural, spiritual, and religious values are transmitted to the children.5

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1 Productivity Commission 2011 Housing Affordability: Issues Paper
4 This material draws heavily on the work of Bev James & Kay Saville-Smith in their 2010 report prepared for the Centre of Housing Research, Aotearoa New Zealand, Children’s Housing Futures.
It is not difficult to see how poor housing could affect families’ ability to attain these outcomes.

**Indirect housing effects on family outcomes**

Poor quality housing not only has a direct impact on family outcomes through unsuitable and unhealthy living conditions, but it also has an indirect effect. These housing conditions stress families, and stress impacts on families in a variety of guises, including preventing families from benefiting from programmes designed to support them in other ways, such as parenting programmes. Numerous studies have concluded that if families are stressed because they have basic unmet needs, such as inadequate housing, they will be focused on meeting these needs, and have little energy left over for involvement in programmes with other aims. Raver (2002) usefully reviewed the available evidence that supports this statement. She found that there are low participation and high attrition rates for many family support programmes. When families are vulnerable and have multiple stresses, participation in programmes is very difficult.

**Housing and health**

The poor housing / poor health association is well established. Poor housing, where there is overcrowding, cold and dampness, is associated with a higher prevalence of infectious diseases, and is estimated to have an impact on health which is of a similar magnitude to smoking. Crowded housing is associated with higher rates of rheumatic heart disease, particularly among Māori and Pacific peoples, psychological distress, meningitis, asthma and other respiratory diseases. Lynch (1999) in her thesis, *Healthful Housing*, reviewed these associations, and stated that it is difficult to prove that housing is responsible for these problems. While it seems obvious that crowded, damp, and cold houses cause health problems, to prove this would require a research design with a control group – which would be unethical – or a longitudinal design – which would be expensive and require a long-time period. James and Saville-Smith, (2010) after reviewing the evidence, state unequivocally ‘that housing conditions have a profound impact on children’s health and wellbeing, and on their transition to

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5 Families Commission, Strengths in Low Income Families, in draft.
7 Although she was writing in the context of children’s school readiness, her review canvasses most interventions for families with young children.
8 This does not just apply to poor housing, but to poverty in general.
adulthood''. They also point out that housing problems are especially affecting Pacific families. Crowding is a relatively common occurrence for children growing up in Māori or Asian families, but is much more common for Pacific children.

Improvements in housing could lead to significant improvements in health, and would have consequential flow-on effects to improvements in family outcomes. Consequently, money spent improving housing should produce down-stream savings in other sectors. We discuss this again later in this submission.

**Housing and living standards**

The Living Standards 2000 study (Krishnan et al. 2002) showed that among families with dependent children, those in Housing New Zealand rental accommodation had the lowest living standard scores, followed by families who rented privately. Among families with dependent children, those who owned their own homes (with or without a mortgage) were much more likely to have an average score in the ‘comfortable’ range.

In 2006, two-thirds of single parent families (64 percent) and a third of couples with dependent children (32 percent) were renting. Among single parent renters, three-quarters paid more than a quarter of their weekly gross household income on rent, as did half of couples with children. Single parent families were most likely to live in overcrowded accommodation (28 percent), followed by couples with dependent children (14 percent). Māori and Pacific families with children were particularly likely to live in overcrowded homes (Cotterell et al 2008, Ministry of Social Development 2008).

**The affect of high housing costs on families**

Studies of housing and health (Lynch, 1999, Rankine, 2005, James & Saville-Smith, 2010) found that families in unaffordable housing often do not have money for food, especially nutritious food, or health services. When rents for appropriate accommodation are beyond a family’s means, they are forced by circumstances into substandard, overcrowded or unhealthy housing. They may not be able to afford adequate heating in winter. Families in this type of accommodation shift often, and some endure periods of homelessness. Some low-income families not only compromised on diet and medical expenses, but also sacrificed educational opportunities for themselves or their children, in order to have a home. On the other hand, good quality housing contributes to improved educational achievement, by providing a healthy, stable environment and study space. An Australian study (Saunders et al 2006) came to similar conclusions – many participants spent more than they could afford on their housing in order to provide a secure platform for their lives, choosing as a consequence to go without in other areas.

Frequent moving of house, particularly from district to district, disrupts the ability of families to benefit from community connections and support. A recent study of residential movement in New Zealand found that issues of house size, house performance, dilapidation, undesirable design characteristics and problems of tenure security were the major reasons residents wanted to shift. Common problems were damp, cold and poor repairs and maintenance. These were exacerbated by landlords

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unwilling to deal with problems. Insecure tenancy was caused by tenants failing to pay rent, or by landlords selling the house.¹⁴

**Housing effect on the local economy**

A study on affordable housing in the Bay of Plenty region published by the Centre for Research on Housing in 2007 in the Bay of Plenty region estimated that a lack of affordable housing would hurt the local economy. The authors assumed that there would be negative impacts as a result of not building the houses and as a result of the people who would otherwise have lived in these houses leaving the region, thereby not being available for employment. They calculated that there needed to be at least an additional 3,000 houses by 2031, and if these were not supplied, there would be 5,000 fewer jobs (with a loss of nearly $200 million in wages which would have gone into the local economy) and a further loss of $500 million because of lower regional output because of restraints on businesses from the non-availability of employees.¹⁵

**Strategies for adequate housing for low income families**

If economic conditions and the housing market are such that there is a shortage of affordable houses for purchase or rent, there are a number of strategies that either low income families can adopt themselves, or other organisations can adopt on their behalf, to obtain adequate housing.

**Acquiring houses**

At present, the price of houses and the cost of rents are significant barriers to low income families obtaining adequate housing. Community housing/social housing can provide a lower cost alternative. In addition to social housing schemes, the Government has also recently introduced a small scale programme, the Gateway Scheme, in which the families initially need to finance only the building of a house, while the government provides the land. In the longer term, the families purchase the land as well.¹⁶

**Pooling resources**

One strategy used by some Māori identified in the *Wellbeing and Disparity in Tamaki-makara* project (Benton, et al., 2002, pp. 61–75) was to pool incomes. Different whānau, extended whānau, or whānau with some individuals would combine incomes so that they could afford to remain in their house, or obtain a better one. For example, the research identified that significant numbers of households housed three generations of whānau members, which, while it may be a lifestyle preference, also allowed the combining of incomes. The potential downside of this strategy is overcrowding.¹⁷

**Māori housing issues**

The lower income for many Māori, the greater tendency for Māori to rent, and Māori population growth rates, all suggest that there needs to be a particular focus on Māori housing issues.

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¹⁶ This was established by workshops involving 90 families or others involved in the housing sector. James & Saville-Smith, 2010, p. 26.
¹⁷ James & Saville-Smith, 2010, p. 36.
Māori are more likely than Europeans to rent rather than own their home regardless of their income. For example, 61 percent of Māori with incomes between $20,001 and $25,000 rented in 2006. For Europeans in the same income bracket the comparable figure was 26 percent. In the higher income bracket of $70,000 to $100,000, 36 percent of Māori rented compared with 20 percent of Europeans.  

Projections out to 2026 indicate that the Māori population in most territorial authorities is projected to increase. However, growth rates will vary between areas. The Māori population in the Auckland region will increase by 45,100 from 156,600 in 2006 to 201,700 in 2021. Auckland will continue to house one quarter of the Māori population. Beyond Auckland, the regions where the Māori population is projected to increase are Waikato (up 19,300), Canterbury (up 15,200), Bay of Plenty (up 13,900) and Wellington (up 13,200).  

These trends indicate the need for a cross-sector, strategic approach to meet current and projected affordable Māori housing needs.  

Another key factor for Māori housing is that Māori often have rural or urban land under multiple ownership that they wish to develop for housing (‘papakainga housing’). This requires a different approach to planning, design, infrastructural needs and resources. In a number of cases, papakainga housing has been made difficult by the absence of zoning allowing for it in regional or local councils plans. 

**State housing, community housing, and subsidies**

James and Saville-Smith (2010, pp. 63–69) reviewed the programmes in a number of Western countries designed to improve the housing conditions for low income families. These can be categorised as legislation or regulation that prescribe requirements for housing; financial subsidies to families and homeowners; and increasing the supply of affordable rental housing stock. Governments or community organisations can assist low income families with the provision of low rental accommodation (state houses and community housing), which can also have a downward influence on private sector rents. They can also provide various types of financial assistance – subsidised housing, low interest rates, and shared ownership.  

Central government and local government are trialing or have trialed housing programmes of a number of different types. For example, there is the Gateway Scheme which was described above, and the 2007 initiative to insulate all state houses within five years. The Government has also recently substantially increased funding to modernise older state houses.  

In the early 2000s, the Healthy Housing programme in South Auckland assisted with improvements to houses, including extra rooms, in six Auckland suburbs. Some families were helped to re-house to more suitably-sized accommodation. The programme was evaluated through interviews with participants and other people who were involved. The interviews suggested that the programme had been successful, with a reduction in the number of doctor and hospital contacts, improved school attendance, and improved general well-being.  

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19 Flynn, M., et al., 2010, p. 66.  
20 Housing New Zealand. *Improving Our Homes 2009/10*, www.hnzc.co.nz  
Housing costs to government are considerable. For example, it is expected that more than 300,000 people will receive the accommodation supplement in 2010/11 at a cost of above $1 billion. In addition, the Government provides income related rent subsidies through Housing New Zealand, and there are a number of smaller housing programmes. The Government also subsidises insulation for privately owned housing.

**Capitalising benefits**
New avenues are needed to enable families and whānau to save for major capital expenses, and especially homes, that are now out of reach. The ability to capitalise benefits could assist with home ownership, which could have a transforming effect on peoples’ lives. Such an approach could be combined with schemes that enable people to provide labour to assist with the building of their own homes. (Crothers, 2003).

**Costs of improving housing**
The costs of bringing all houses in New Zealand up to a healthy standard could be substantial, but would be offset by savings in the health sector. The University of Otago, Energy Studies, investigated the cost of bringing houses up to World Health Organisation Standards. This research found that two thirds of New Zealand houses need work, including insulation and heating, and the cost would be $10 billion. Costs of this order are prohibitive and targeted approaches are more practical, such as the Healthy Housing programme (discussed earlier) operated by Housing New Zealand, and focusing on state housing for large families. Other research shows that insulating houses, although cheaper, can still produce substantial benefits. It has been estimated in one study that the savings in health and energy is twice the cost of insulation.

**Low cost options for improving housing**
Further subsidising of housing and the provision of state housing may not be practical options in the current restrained financial circumstances. And, few low income house owners or renters would be in a position to improve their housing themselves. The currently funded programme of increasing and improving the state housing stock, linked with appropriate rentals should in itself provide a market mechanism for improving the quality and affordability of rental accommodation generally, assuming that there is not a shortage of rental houses for rent. An additional low cost proposal is to establish a rating and accreditation system for rental housing, and requiring that the families receiving the accommodation supplement rent only accredited houses. This would provide a considerable incentive for owners of rental properties to ensure that their houses were of reasonable standard.

There are potentially other low cost ways of improving housing. James and Saville-Smith (2010) provide further suggestions worthy of exploration. The Auckland Council provides another example. They have recently piggy-backed on the Government’s ‘Warming Up New Zealand: Heat Smart’ scheme to provide a mechanism that even some low-income families might be able to access. The Heat Smart Scheme provides a subsidy to help home owners retrofit homes with insulation and install clean heating. The subsidy – $1,300 for insulation and $500 for heating – is generally not sufficient to

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24 Public Health Advisory Committee, p. 32.
cover the full costs. The Auckland Council will allow home owners to pay the difference over time through their rates.26

An example of state housing designed for Pacific families
In 2009 the Families Commission reported on a Housing Corporation project which was designed to provide appropriate and affordable housing for Pacific families within the Corporations’ guidelines for capital expenditure.27 A house was built for a large, extended Tokelauan family, which satisfied their living requirements, provided a healthier environment, and resulted in better family wellbeing.

Conclusions

Housing is a key family resource directly and indirectly linked to family outcomes. Appropriate housing assists family functioning, reduces stress, reduces the financial burden on families when it is affordable, and improves health. There would be substantial costs associated with upgrading New Zealand housing stock, but improving the housing stock should produce down-stream savings in the other sectors, especially the health sector. Meanwhile, we have listed some low cost options that are worth considering. In particular, there are various mechanisms at the Government’s disposal which can influence the cost and quality of the housing stock.

In our view, your review should include consideration of housing for all families and whānau, but have particular regard to housing for families on low incomes.