

Re-making the Social Compact? Generations of housing policy in Australia

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Key idea

- Emerging inequalities reflect rising intra-generational inequalities within successive younger generations
- Life for younger people is less equal than for older people
- However, creating a fairer deal for younger people does not mean a worse deal for older people

The Australian Settlement

- Social support develops early in Australia (pensions before federation), but stalls (relatively) post-War
- Instead equity is achieved through market regulation and tax system, not govt spending
 - Health care: community rating/tax concessions
 - Family provision: ‘family wage’
 - Housing: ‘home ownership’ model
 - Overall equity: full employment and arbitration

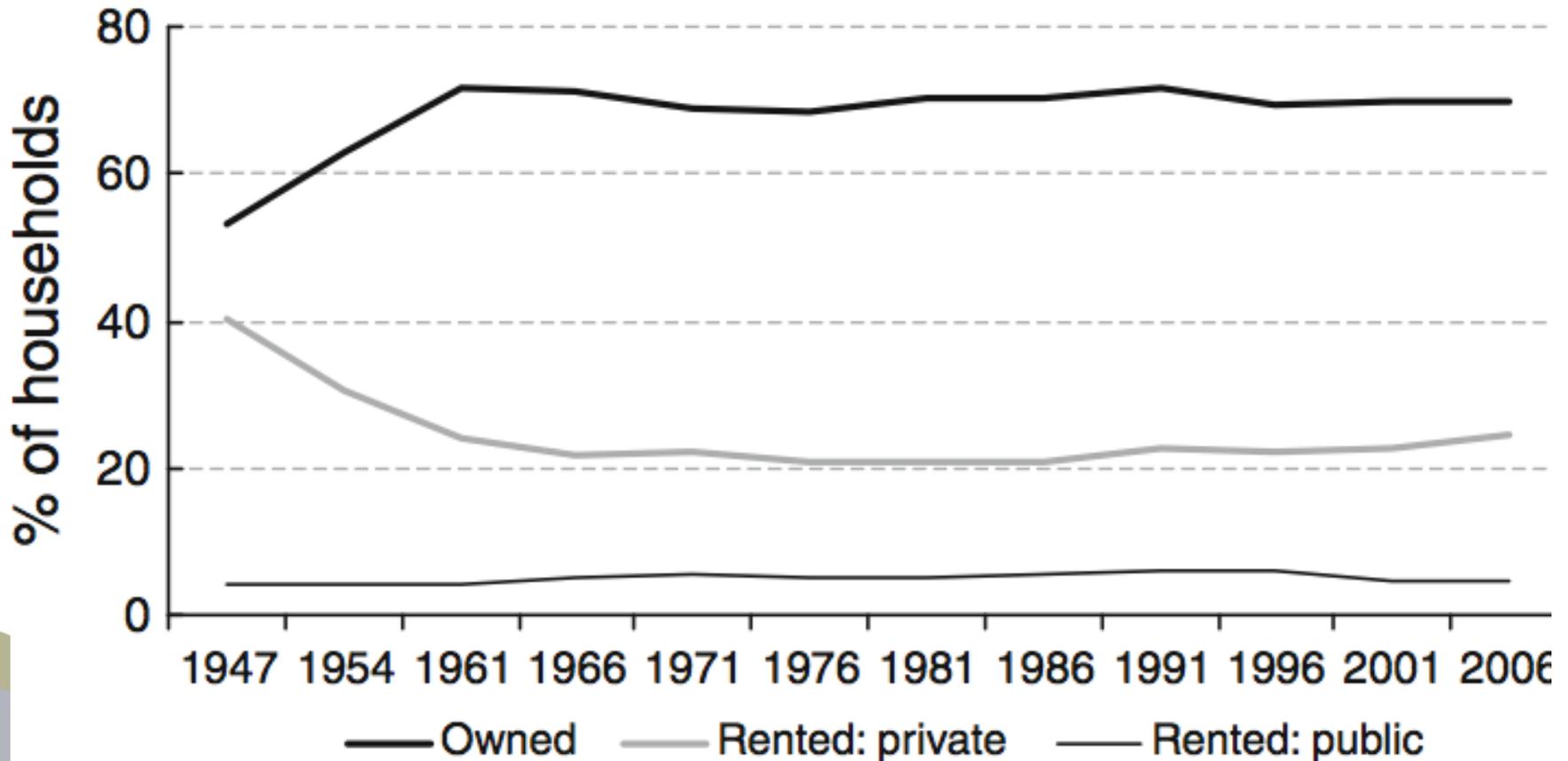
Updating the Consensus

- Health care become more complex and expensive
 - Medicare addresses growing problems of uninsurance
- Tertiary education becomes central to job mobility
 - HECS facilitates expansion and mass enrollment
- Entry of women into workforce undermines breadwinner model
 - Family benefits expand from 1.1%-2.8% GDP (1985-2009); care expanding but still catching up

Reshaping Retirement

- The old model focuses on needs provision for most workers
 - Public pension is flat-rate and means-tested
 - Superannuation limited to professions
 - Family home is excluded from pensions and tax net
 - Economic value of home is primarily imputed rent
- The new model focuses on asset accumulation as a mechanism for income ‘smoothing’, not equality
 - Compulsory superannuation reduces current incomes
 - Deregulation of capital markets reduces relative purchasing power of new entrants
 - Super and housing remain outside tax net

Creating a 'home owning democracy'



Source: Yates & Bradbury 2010, 'Home ownership as a (crumbling) forth pillar of social insurance in Australia', *Journal of Housing and the Built Environment*, p.199

An equitable older compact...

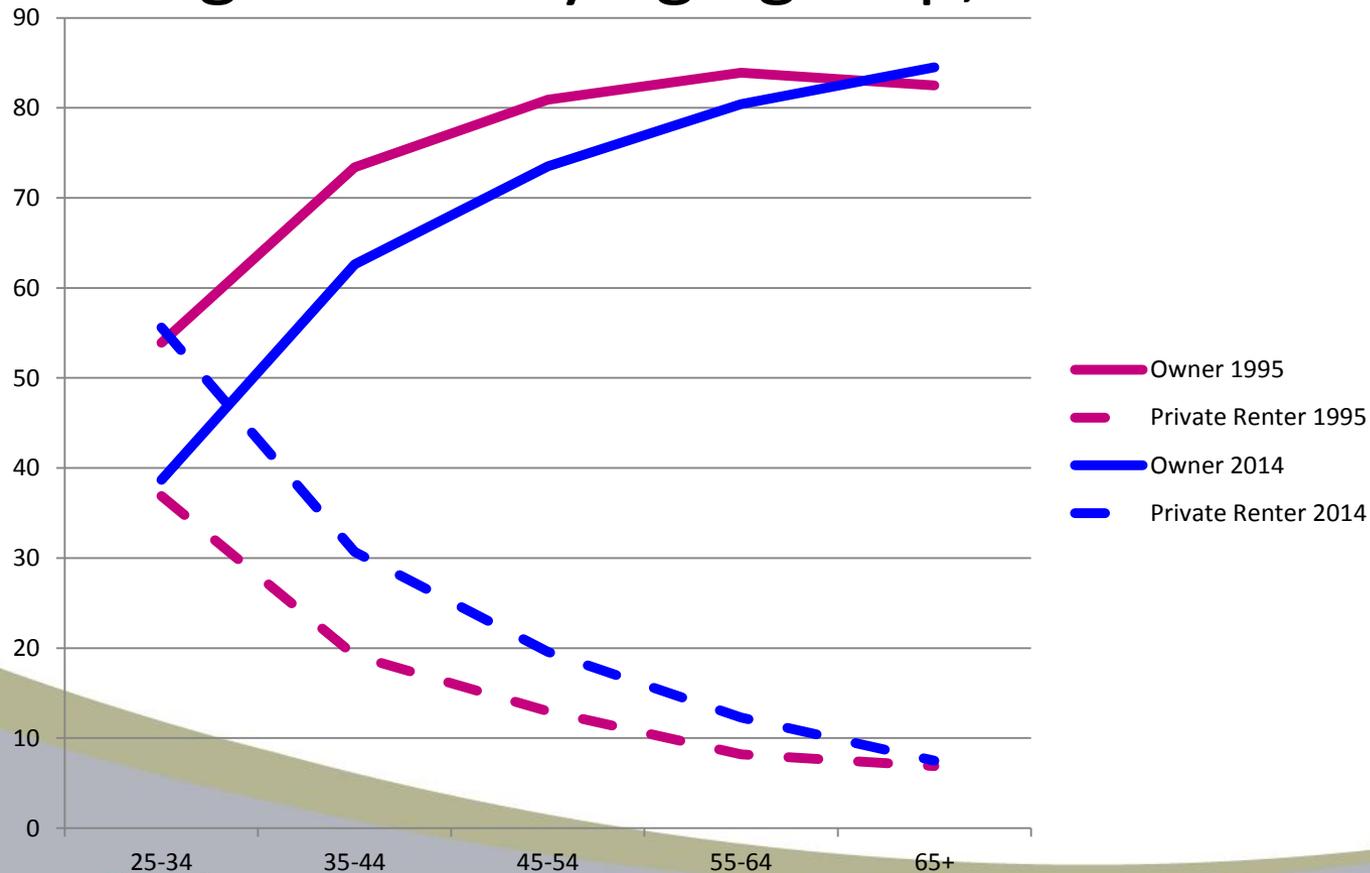
- Increase in home ownership post-War and then stabilises at high rate
- Three-quarters of low income older Australians (those in bottom 20%) own their home outright, over 80% own including with mortgage
- Alternatively, one-third of low income older Australians have less than \$5,000 in 'liquid' assets
- Other components of social security complement pension: transport, health, pharmaceutical concessions

Coexisting with a less equitable new one

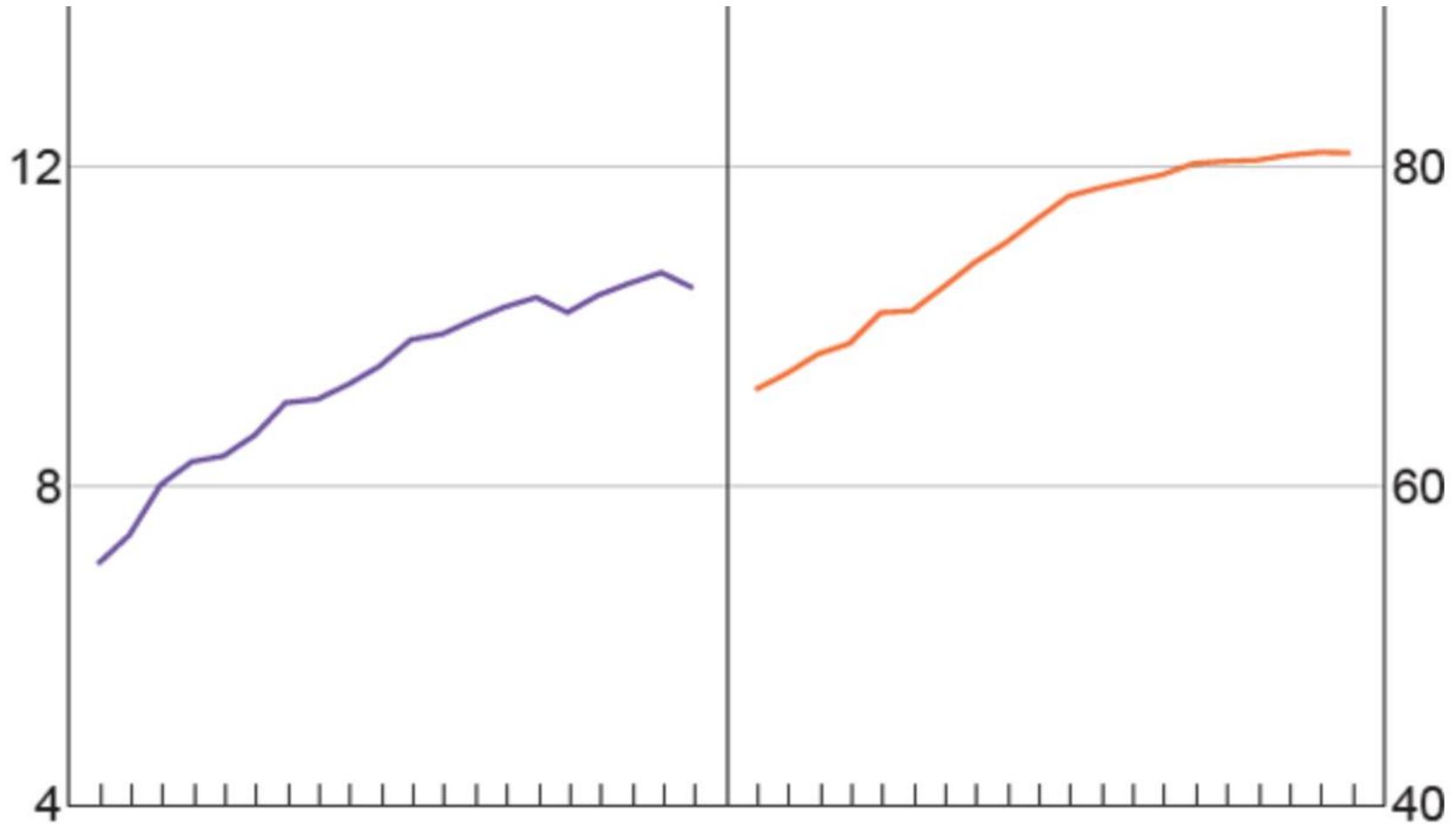
- Access to stable and secure employment has declined
 - Capital market deregulation shifts access to housing finance from first home buyers to investors
 - Policy supports for young home buyers partly dismantled with deregulation
 - Changing industrial structure concentrates employment, pushing up house prices
 - Changing tax rules and diffusion of superannuation exaggerate exclusion of 'home'
- Housing markets become less equal: more renters *and* more investors**

From universal to partial

Housing tenure by age group, 1995 and 2014



While investors are growing



Source: RBA 2015, 'Proportion of Investment Housing Relative to Owner-Occupied Housing', Graph 25.

End of the old, in search of the new

- Growing housing divide of the young: more likely to invest and to rent, less likely to own
- Old compact protects those with ownership from growing inequality, though government now looking to 'unlock' housing wealth
- Old compact less suited to a world of divorce and relationship breakdown
- In a world of unequal housing futures, special status of housing harder to defend

What might a new compact look like?

- More than housing: access to employment, services key
- Regulation to favour occupancy over investment
 - Negative gearing and capital gains tax concessions
 - Tenancy law focusing on security of tenure
- More neutral taxes, land tax & stamp duty?
 - Good, but be careful of high land taxes for poor owners
 - Yes for first home buyers, but what about owners and investors?
 - Other barriers to moving: pension and capital gains tax
- Universality of taxation and spending ?
 - Universal pension and capital gains tax?
 - Taxing wealth (not income) to fund equitable care services?
- Fairer compact for young \neq Worse deal for old