



"A Reverse Form of Welfarism"

an article by Professor Keith Jacobs, University of Tasmania
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Professor Jacobs explores the systemic policy issues that are perpetuating the affordable housing crisis and homelessness in Australia. Jacobs argues that the Australian taxation system unfairly favours home-owners, property investors and financial institutions. Australia is one of the most indebted nations in the world with the highest house prices and these factors combine to cause an unaffordable, unsustainable and financially stressful housing situation for people living on low incomes. This review summarises the key points made by Jacobs.

Key points:

Taxation arrangements - subsidies to home-owners and property investors

Australia's taxation system is geared in a way that makes investing in property very attractive financially. According to Jacobs;

"The current Australian tax system provides inputted (indirect) subsidies to homeowners that total \$45 billion annually; including \$30 billion in the form of capital gains exemptions for home-owners when they sell their homes, and \$5.4 billion to rental investors in the form of negative gearing and capital gains exemptions."

Investor friendly rules lead to increased demand for investment properties and higher house and rent prices, resulting in low-income households losing out (60% of low-income households are already living in housing stress). The Federal Government is effectively investing in exacerbating the financial struggles of low-income household.

\$45bil in tax subsidies for homeowners and investors

Housing is a very attractive investment

Demand continues to increase

House prices, and therefore rents, continue to grow

Low income earners are forced into housing stress

Compared to social housing

Increasing private rents are one side of the coin. The other policy issue Jacobs discusses is the current treatment of social housing. Social housing receives funding of \$5 billion annually from the Federal Government, which is significantly less than the amount of subsidies to privately owned housing. Social housing portfolios across the States and Territories have been on the decline since the 1980's and are under- resourced.

The Federal Government is contributing to growing private rental prices simultaneously reducing the amount of affordable housing. If the trend continues, an increasing amount of people are going to

be stuck in a position where they cannot afford private accommodation, and cannot find social housing.

Reverse welfare

Australians living on low incomes may be eligible for Commonwealth Rental Assistance (CRA) however, Jacobs believes we need to critically assess the purpose of government handouts:

*'CRA is *prima facie* an example of how government resources are steered towards landlord investors. Rather than a means of rendering housing more affordable for low-income earners, CRA should be viewed as a proxy landlord subsidy.'*

"CRA not only manifests as profits for private landlords, but also adds to inflationary pressures that empower landlords to justify high rents."

Social housing is neglected because it does not benefit landowners and investors. Welfare payments like CRA are favoured because the money flows directly to the landowner. Jacobs labels welfare payments that are designed to flow to the wealthy as 'reverse welfare'.

Interest groups – Why the status quo?

There are several numerically and/or financially strong groups that have a vested interest in rising housing prices: home-owners, investors, banks, building developers and builders:

- Home-owners outnumber non-homeowners as a voting class. Any measure that encouraged a decrease in house prices, and therefore home-owner wealth, would be highly unpopular politically.
- Banks benefit immensely from high house prices. For every home loan, a bank earns roughly \$80,000 profit. The higher the house price, the more money the bank makes from lending.
- Developers are a powerful lobby group. Their profits are made by ensuring the land they own accrues wealth. They gain nothing financially by addressing housing affordability.
- Builders earn more by building at the luxury end of the scale. Developing low cost housing is less financially rewarding.

Conclusion

There is a lack of political motivation to address housing affordability through changes to the taxation system or a systemic approach to social and affordable housing policy. Over 250,000 Australians access specialist homelessness services every year with numbers increasing and alarmingly, 40% are children. Until housing affordability is genuinely addressed, the situation of our most vulnerable people will not improve. Shelter SA will continue to advocate for fairer and more equitable systems that do not further disadvantage people living on low incomes.

[For more on Jacobs' views, click here to listen to an extended radio podcast.](#)

Shelter SA is the peak body for housing in South Australia. Shelter SA's vision is for all South Australians to have a safe, secure, affordable and appropriate place to call home. Shelter SA conducts systems and policy advocacy underpinned by evidence-based research and community consultation.