



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Productivity Commission

on the

Housing Affordability Inquiry

P O Box 6645

Wellington

February 2012

Summary of NZCTU Recommendations:

- That a human rights approach to housing be included in the report of the Productivity Commission into housing affordability in New Zealand
- That the risks associated with releasing large tracts of land and freeing up the regulatory processes to enable more houses to be built be further analysed by the Productivity Commission to avoid the unintended consequences of housing ghettos and marginalised communities
- That new housing development proposals have to consider and attend to the health, economic, environmental and social factors that are associated with good and sustainable housing provision
- That there is more acknowledgement of the link and impact of low wages on housing affordability and a targeted response to this fundamental factor in declining housing affordability
- That a focus on housing affordability in Auckland is a top priority
- That the Productivity Commission promote and recommend stronger regulatory requirements in rental housing to ensure higher housing quality and higher standards of rental accommodation
- That initiatives to increase the productivity of the construction sector and workforce involve formal worker and union engagement on the Building and Construction Sector Productivity Partnership
- That the state housing stock be increased to respond to the housing affordability crisis and that improving the stock and numbers of state houses provides an opportunity for new designs and innovative planning to address housing needs of low income New Zealanders
- That the Social Housing Unit be established as a Crown Entity.

1. Introduction

- 1.1. This submission is made on behalf of the 39 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With over 330,000 members, the CTU is the largest democratic organisation in New Zealand
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. The New Zealand Council of Trade Unions welcomes the focus by the Productivity Commission into housing affordability. Housing affordability is an extremely serious issue for New Zealand workers and has reached crisis point in a number of areas in the country but particularly in Auckland.
- 1.4. The priority and concern for the CTU is that New Zealand working people and families have better access to quality affordable housing – whether that is home ownership or in rental accommodation. Stable, quality and affordable housing brings major social and economic benefits.
- 1.5. Despite many years of political concern about housing affordability there is no strategy and neither has there been any purposeful action to improve the availability of affordable housing. For low income workers, who spend more of their income on housing, home ownership has become a distant dream. Low income workers are also disadvantaged by inferior standards of rental accommodation. Middle income New Zealanders are now being affected by declining housing affordability.
- 1.6. Housing affordability has a strong association with the quality of housing. Poor quality housing has a proven negative impact on families and is a major issue in the causation of high levels of poverty-related sickness and disease among New Zealand children¹.

2. Draft Report: CTU Response

- 2.1. The concern expressed by the CTU to the 2011 Productivity Commission Issues Paper on housing affordability was that that the Commission's framework was based on market supply and demand. We warned against this approach to this problem and advocated a human rights approach to housing.
- 2.2. While the draft report lacks sufficient analysis and emphasis on the wages and housing relationship, the draft report is positive in that it recognises housing as a human need and that housing stability and affordability is an essential element of

¹ Left Further Behind: how policies fail the poorest children in New Zealand, Child Poverty Action Group, September 2011, Auckland.

social cohesion, family stability, good health and wellness. The draft report recognises, albeit only once, that a well functioning and responsive housing market is important to the performance and responsiveness of the labour market (page 3, para 3).

- 2.3. The CTU supports some of the report's 17 recommendations. But it is highly questionable whether the recommendations are sufficient to reduce the scale of the housing crisis and impact directly on those excluded from home ownership by low wages and high housing costs. There are also some significant omissions.
- 2.4. A market driven approach to housing is strongly evident in the draft report. This focus has limited the report's findings and recommendations to loosening up regulations, consent processes and increasing land availability.
- 2.5. The CTU submits there are major risks associated with pressure to quickly release large tracts of land and free up regulatory processes. The results may well be the marginalisation of people in housing ghettos with rushed housing developments.
- 2.6. The CTU strongly supports the focus on improving housing affordability in Auckland. We support an increase in funding to the Social Housing Fund to develop community housing.
- 2.7. The CTU supports improving productivity in the construction sector but initiatives must directly include the workforce and their representatives, unions. Improving productivity is directly related to increasing workforce skill and training, work organisation practices and workforce turnover.
- 2.8. The CTU does not agree on the position taken by the Productivity Commission in regard to capital gains tax.
- 2.9. A major omission for the CTU is the lack of any attention on improving and increasing the state housing stock.

3. Housing and a Human Rights Approach

- 3.1. Housing is a fundamental human right. Under international conventions New Zealand has signed and ratified, there are obligations to ensure the supply of adequate housing to all citizens. Currently we are not meeting all of those obligations.
- 3.2. The Human Rights Commission states that, "the right to adequate housing should not be interpreted in a narrow sense as merely having a roof over one's head"². Adequate housing implies the right to live somewhere in security, peace and dignity. The United Nations Committee on Economic Cultural and Social Rights states that certain elements need to be taken into account at all times:

² New Zealand Action Plan for Human Rights — Mana ki te Tangata, Priorities for Action 2005- 2010, Human Rights Commission.

- security of tenure; for example, legal protection from eviction
- availability of services; for example, sustainable access to water, sanitation and emergency services
- affordability; for example, housing costs as a ratio of income
- habitability; for example, the soundness of physical structure, dampness, and crowding
- accessibility; for example, by all ethnic, racial, national minority or other social groups
- location; for example, in relation to employment and schools
- cultural adequacy; for example, taking into account traditional housing patterns.

3.3. The CTU submits that a human rights framework should underpin the development of affordable housing.

3.4. A human rights approach ensures that housing policy is inclusive of the needs of people who have extreme housing needs including emergency housing, those on state housing waiting lists, the homeless, and families and children who live in sub-standard housing.

4. Housing Affordability: Targeting Those Most Affected

4.1. Declining housing affordability impacts most severely on young people, those on low incomes, Auckland residents and those belonging to an ethnic group other than New Zealand European.

4.2. Housing is a significant contributor to the financial stress experienced by low income households. The 2010 Social Report³ commented that lower-income households have high housing costs relative to income which are often associated with severe financial difficulty and can leave households with insufficient income to meet other basic needs such as food, clothing, transport, medical care and education.

4.3. Housing affordability is also impacting now on many middle income New Zealanders groups with young families. Younger middle income New Zealanders who traditionally would have been able to buy a house have effectively been squeezed out of the housing market⁴.

4.4. New Zealand now is recognised as having severe housing unaffordability on the international housing affordability survey, Demographia⁵. This survey in 2011

³ The Social Report, Ministry of Social Development , 2010

⁴ Craig, D Hollowing out the Kiwi Dream, Presentation to the New Zealand Fabian Society, 2011

⁵ 7th Annual Demographia International Housing Affordability Survey: 2011

reported that housing in New Zealand was severely unaffordable and scaled New Zealand at the 5.3 point, three quarters above the historic affordability norm of 3.0.

- 4.5. Aucklanders have to save nine years of an average salary for a house, while other New Zealanders face median house prices which are six to seven years of an average wage or salary income⁶. For people who are on wages near or close to the minimum wage, the prospect of owning their own house has become unimaginable.
- 4.6. Māori and Pacific peoples are extremely disadvantaged in housing: in 2006 Māori were nearly twice as likely as European (48.1 percent compared to 24.3 percent) to live in rental accommodation. Pacific people were more than twice as likely (54 percent) to live in rental accommodation.
- 4.7. Children are the victims of our housing affordability crisis. The 2006 census confirmed that children were more likely to live in overcrowded houses than adults⁷. Recent rises in infectious diseases such as skin infections and rheumatic fever are being linked to overcrowding as extended families unable to afford housing in Auckland are doubling up in houses and using garages as shelter⁸.
- 4.8. The CTU recommends that the Productivity Commission look at mechanisms to assist the provision of housing to middle and lower income New Zealanders through subsidised home lending programmes to specific groups including low income households, workers whose recruitment and retention is affected by housing difficulties, women, Māori, Pacific people and other financially disadvantaged groups.
- 4.9. The CTU supports the expansion of shared equity schemes in which the government or a private entity takes a share in the house which is returned as a proportion of the sale price when the house is sold.
- 4.10. The CTU submits that greater support should be provided for housing on Māori land and assistance for community housing initiatives.

5. Wages are too low and housing costs are too high

- 5.1. The relationship of wages to housing prices is a critical issue. The impact of low wages and the high numbers of people on wages below the average wage have been substantial contributing factors to New Zealand's declining home ownership rates.
- 5.2. New Zealand can be characterised as a low wage economy relative to the rest of the OECD. This is illustrated both by the falling income of New Zealanders relative to those in Australia, and the labour share of income which is one of the lowest in the OECD. The wage gap with Australia has widened. Australia's GDP per capita is now

⁶ Left Further Behind, How Policies Fail the Poorest Children in New Zealand, Chapter 13, Housing poverty and children, Child Poverty Action Group, September 2011

⁷ Ibid

⁸ New Zealand Herald, Divided Auckland, Overcrowding a hot bed for infections, February 9, 2012

approximately 34 percent ahead of New Zealand on a purchasing power basis. For average ordinary time hourly wages, the difference rose steadily through the 1990's and then into the early 2000's, peaking in 2005 at about 26 percent ahead in purchasing power. The gap widened from 11 percent in June 2008 to 19 percent in March 2011.

- 5.3. Low wages are a significant contributor to the inability of low income New Zealanders to buy a house. The draft report has no recommendations that make a connection with the major social and economic factors that are inhibiting home ownership.
- 5.4. The issue of wealth inequality is important to consider in relation to housing. Increases in house prices have raised the wealth of some home owners and there is now a widening gap between the affordability of houses and the incomes of people who aspire to own a house. Wealth inequalities within New Zealand have increased a result of increased house prices.
- 5.5. Craig⁹ reported that the proportion of households spending more than 30 percent of their net income in housing rose from 12 percent in 1988 to 30 percent in 2008. The Social Report 2010 found the proportion of children under 18 living in households where housing costs exceed 30 percent of their disposable income increased from 32 percent in 2007 to 37 percent in 2009.
- 5.6. There needs to be more comment and consideration on the impact of low wages on housing affordability and a targeted response to this fundamental factor in declining housing affordability.

6. Rental Accommodation

- 6.1. Improving the standard and quality of rental accommodation will have a positive impact on social, physical and mental well being and health. There are no substantive recommendations in the draft report, however, that will ensure better quality housing for people who rely on rental accommodation. This was an anomaly given that this was a major section in the report and there has been a growth in rental accommodation which is not expected to change.
- 6.2. The Auckland region has serious renting housing affordability issues and the number of financially stressed renter households is forecast to increase from 59,810 to 99,690 or by 39,880 in absolute terms and two thirds in percentage terms over the 2006 to 2026 period¹⁰.
- 6.3. Improving the quality and affordability of rental accommodation is critical for low income people. People who live in rental accommodation are more likely to have lower household incomes. The Social Survey¹¹ reported that people in rented dwelling were more likely to report not having enough or just enough incomes to

⁹ Craig, D. Hollowing out the Kiwi Dream, Presentation to the New Zealand Fabian Society, May 2011

¹⁰ Auckland Regional Market Assessment, Centre for Housing Research Aotearoa, November 2010.

¹¹ New Zealand Social Survey: 2010 Department of Statistics, November 2011.

meet their every-day needs and more likely to report having one or more major problems relating to their houses or flats than those in owner occupied dwellings.

6.4. A point we made in our earlier submission on housing affordability was that much greater consideration needs to be given to improving tenancies to give greater security of occupation and certainty in rent levels.

6.5. The CTU supports regulation and not just voluntary reporting tools to provide information about housing quality and standards of rental accommodation. There must also be auditing to ensure standards are met.

7. Building More Houses/ Freeing up Land

7.1. The draft states that most of the new building in the housing sector in recent years has been at the “top end of the market” and that to increase housing affordability more new and affordable housing is needed.

7.2. If more houses are to be built to improve housing affordability, there are important social planning and infrastructure issues to consider such as service and community amenities, transport availability and social cohesion.

7.3. Improving access to affordable housing to New Zealanders is not just about basic shelter, walls and roofs. It is also about other social, economic and environmental issues. The report by the Public Health Advisory Committee in 2010 stated that “healthy urban form” – the way urban areas are planned and laid out – requires the consideration of health perspectives and economic, environment and social concerns in urban planning¹².

7.4. If more land is to be released for housing development, how do we ensure it does not just become an opportunity for property developers and investors to generate income for themselves rather than lowering housing costs to those most in need? Further, reduced regulations on housing planning could be socially disastrous, resulting in new housing developments that are not sufficiently planned and could risk creating ghettos and marginalised communities.

7.5. The housing affordability problem must not be used as an opportunity for property developers to have an easier passage through council processes and bylaws while doing nothing to create access to quality affordable housing.

7.6. The CTU recommends exclusionary zoning that requires developers to make provisions for affordable housing in developments or to levy developers where they do not wish to do so, to provide a fund for affordable housing.

8. Auckland

8.1. The Department of Building and Housing estimates that Auckland will face a shortage of 11,000 dwellings over the next three years. The Child Poverty Action

¹² Healthy Places, Health Lives, Urban Environments and Wellbeing: A report to the Minister of Health, , Public Health Advisory Committee, 2010

group (CPAG) lists Auckland's "looming housing shortage" as one of five factors that could prevent home affordability for the country's future generations¹³.

8.2. The CTU supports a stronger focus on housing affordability in Auckland and increased government investment to enable this to happen. The recommendation that the final Auckland Plan include the provision of affordable housing is supported.

8.3. The CTU recommends that all local councils have a policy on affordable housing which includes a quota of affordable houses, some of which it provides directly.

9. Construction and Improving Productivity

9.1. The draft report identifies significant issues about productivity in the construction sector and the need to improve the productivity of the construction sector.

9.2. The CTU has been engaged in numerous projects and initiatives on the relationship between skills and productivity. Increasing productivity is about workforce skills and opportunities and having a strong training and educational infrastructure and a high level of investment in industry training in this sector.

9.3. According to the draft report the construction sector employs 8 percent of the New Zealand workforce. The CTU and its affiliates have a role and experience in promoting productive work practices and organisational systems to build the potential of the workforce and increase the skill levels across the sector.

9.4. The draft report states that the Building and Construction Sector Productivity Partnership has been established as a mechanism to raise productivity. Unions have worked extensively with Business New Zealand and the Industry Training Federation on productivity initiatives as well as many workplace training agreements and initiatives. The CTU and affiliated unions are actively involved in combined initiatives to rebuild Christchurch.

9.5. While there is good engagement, there is room for much greater formal recognition of the constructive role played by unions in this context. The CTU submits that one of the recommendations from the Productivity Commission should be to ensure formal worker and union representation on initiatives such as the Building and Construction Sector Productivity Partnership.

10. Housing New Zealand Stock

10.1. State houses number approximately 70,000, or around 5 percent of all housing stock, and provide accommodation for around 200,000 New Zealanders. Housing New Zealand reports that around 2,500 applicants for state housing are currently on its waiting list. In addition, there are a number of residents in need of housing

¹³ Left Further Behind, How Policies Fail the Poorest Children in New Zealand, Chapter 13, Housing poverty and children, Child Poverty Action Group, September 2011

support, but who do not meet the criteria to qualify for state housing. There is thus an issue of insufficient supply in the state housing sector.

- 10.2. While the Government has indicated its desire to move more housing into the social sector, the Housing Corporation of New Zealand (HCNZ) estimates that a spend of approximately \$1.7 billion is required to address the backlog of maintenance work required for state housing and bring existing stock up to new standards. Many properties require improved heating or lack amenities such as adequate fencing. Some would not be safe in an earthquake.
- 10.3. The CTU does not support HCNZ reducing its role in housing to a role working with high needs tenants and submits that it plays a major role in housing provision and housing affordability.
- 10.4. The draft report states that much of the state housing stock is obsolete. There are clearly issues of quality of the stock. Quality of housing is a critical issue for HCNZ and more consideration in the draft report about upgrading the current state of houses is strongly urged.
- 10.5. The CTU policy is for HCNZ's housing stock to be expanded by 20 percent.
- 10.6. Upgrading HCNZ's stock of "obsolete" housing stock provides a major opportunity for the construction sector and workforce could provide the way for exciting new housing developments and housing design and well as innovative urban planning designs.

11. Social Housing

- 11.1. The Community sector comprises only 1.2 percent of the total housing stock in New Zealand. The report supports the Government's policy to encourage third sector organisations such as community groups and iwi to build social and affordable housing.
- 11.2. Community and social housing does need to be developed but there is a lot of work to do before the social housing sector will be able to have significant impact in responding to housing needs.
- 11.3. Social housing is underdeveloped in New Zealand. Community housing has a very important part to play in improving the accessibility and quality of affordable housing. Community housing organisations have a very good understanding of the needs of people who are vulnerable in the housing market.
- 11.4. Other than the increase to the Housing Development Fund – and there is not an indicative amount stated – it is hard to see the recommendations providing the community housing sector with the necessary support to play a stronger role in providing affordable housing.

- 11.5. The recommendation to increase Social Housing Funds is strongly supported but given the level of need, the increase in the funding needs to be substantial. The current \$55 million is less than a drop in the bucket.
- 11.6. The Draft report recommends that the Social Housing Unit be established as a Crown Entity rather than at present as a semi autonomous body operating within the Department of Building and Housing (DBH).
- 11.7. The CTU support the recommendation for the Social Housing Unity to be established as a Crown Entity. This ensures it is a responsibility of Government but also separates its functions from DBH who are primarily concerned with building regulations and have a different focus from the provision of social housing.