Submission to the New Zealand Productivity Commission's Inquiry on Housing Affordability

We commend the Commission for establishing an inquiry into housing affordability and welcome the opportunity to make a submission. The inquiry is very timely since we are aware that, increasingly, access to affordable quality housing and home ownership is beyond the reach of large numbers in the New Zealand population, particularly low to middle-income families, Māori and Pacific peoples.

This submission has been written by researchers from *He Kainga Oranga*/Housing and Health Research Programme, in the Department of Public Health at the University of Otago, Wellington. This research group, which is led by Professor Philippa Howden-Chapman, has undertaken extensive investigation into the links and associations between housing and health over a number of years and has achieved an international reputation for high quality work. If possible, we would like to appear in person to speak to the submission.

This submission is primarily focussed on the areas of affordability which are related to our areas of expertise, particularly with regard to recent research findings from our Housing, Heating and Health Study. The section on this research is followed by a discussion on the general effects of housing affordability on family income, health and wellbeing.

Our main argument is that the concept of housing affordability should include issues related to housing quality such as insulation, heating, and weather tightness because if these features are not adequately considered there are significant implications for the health and wellbeing of families. We also consider the link between affordability, income and choice of location given that high cost housing can lead to residential segregation, which in turn can result in isolation and lack of social cohesion which has been shown to have a negative impact on population health.

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Background

The economic reforms of the 1980s and 1990s in New Zealand have substantially contributed to growing inequalities between different groups in society, with negative impacts particularly for Māori, Pacific peoples and low income households (Blakely et al. 2007). This has been compounded by market solutions for housing such as access to loans, imported capital and tax breaks for landlords (Craig 2011). The result has been a growth in inequality in housing assets and rising costs of housing for everyone, regardless of housing quality (ibid).

The lack of housing affordability is an increasing problem in New Zealand and this is reflected in the evidence that the percentage of households paying 30% or more of their net income for housing has increased from 12% in 1988 to 30% in 2008 (Craig 2011). Although this increase appears to have stabilised, this is not the case for children under 18 years of age. It is of major concern that the latest Social Report (2010) has in fact found an increase (from 32% in 2007 to 37% in 2009) in the proportion of children living in households where housing costs exceed 30% of disposable income.

Unfortunately, when housing costs are high they can counteract government attempts to reduce poverty. For example, after falling from 2001 to 2007, child poverty rates then rose again in the period 2007-8. According to Perry (2009, cited in Craig 2011), this was because the cost of housing rose sharply during these years and overwhelmed the gains from the Working for Families package. This highlights the impact of housing costs on family budgets, and the urgent need to address this problem if health inequalities are to be eliminated.

One aspect of housing costs which is not mentioned in the consultation paper is the energy costs of heating a home. The Housing and Health Research Programme has conducted a number of intervention studies, which has quantified the costs of cold homes and the benefits to occupants of living in a warm house. We have particularly looked at the health effects of unflued gas heaters, which we view as poor people's heaters, as they are a

response to lack of regulation about the need for landlords to provide effective and safe heating in tenanted properties.

The Housing, Heating and Health Study

The Housing, Heating, and Health Study was a community-based trial that investigated the impact of improved heating on the health of children with asthma. The study aimed to assess whether installing more effective and less polluting heaters in the homes of children with asthma had an impact on the health of those children and their families, as well as on household energy consumption.

Our earlier research showed that insulation made a significant difference to family health and energy efficiency, so any uninsulated houses in the study were insulated (Howden-Chapman et al. 2007). Baseline measures were then collected from all of the homes. Houses were then randomly allocated to a heating 'intervention' or a 'control' group. Before the 2006 winter, new heaters were installed in intervention group homes. Households could select from either a heat pump, wood pellet burner or a flued gas heater.

The results of this study built on earlier research indicating that higher indoor temperatures and lower nitrogen dioxide delivered by improved heating are associated with reduced asthma symptoms. Installing more effective heating was significantly associated with a reduction in asthma symptoms and time lost from school and reductions in dry cough at night and sleep disturbed by wheezing. These reductions in nocturnal symptoms were supported by similar findings from the children's daily symptom diaries (Howden-Chapman et al. 2008). Furthermore, these findings were consistent with significantly reduced exposure to nitrogen dioxide at home in the evening and at night. Although only half the houses had unflued gas heaters at baseline, the large reduction in nitrogen dioxide levels in the intervention group suggests a dual benefit of the new heaters: raising the indoor temperature and reducing nitrogen dioxide levels.

The results suggest that improving both the type and amount of heating in the homes of children with asthma does have several important beneficial effects. By adopting this environmental intervention it is an effective adjunct to the pharmaceutical treatment of asthma symptoms. Spending $3000 to replace unflued gas heaters with more effective

heating would achieve a two-thirds (67%) reduction in nitrogen dioxide in the living rooms of homes in this study (Gillespie-Bennett et al. 2008).

Houses in this study included all forms of tenure, and the households had a range of incomes, so apportioning the relative benefits to the participants and to the public good is an important policy issue. In the United Kingdom, Scotland has made the policy decision that installing central heating in all social and pensioner housing, regardless of tenure, is largely for the good of the public and will pay more health dividends than focusing on clinical waiting lists, as is done in England (Walker et al. 2006). The heaters used in this study were non-polluting and more environmentally sustainable than the less effective heaters that were replaced, an additional public good benefit in terms of mitigating climate change (Wilkinson et al. 2007).

Recommendations:

That the Government

- *make provision for the introduction of efficient and effective heating systems into all social and pensioner housing in New Zealand;*
- *support the use of low-emission fuels by providing supplements for more effective, non-polluting heating into housing;*
- *encourage and <u>expand</u> current energy efficiency projects which provide financial assistance for the installation of insulation in older homes;*
- *develop guidelines for landlords (public and private) to provide a reasonable standard of rental accommodation (including insulation and non-polluting effective heating), with inspections of rental properties to ensure these standards are met;*

Something's got to give: The impact of housing costs on household income and health

As the New Zealand Productivity Commission's paper states, affordability not only reflects the up-front cost of purchasing a home but also the "capacity of an individual or household to meet the ongoing costs of housing out of current income" (2011: 8). This has implications for those whose disposable income is seriously eroded by high rents or mortgage repayments. For low-income people, high housing costs can mean that other essential items

such as food, clothing, heating and maintaining optimal housing occupancy are neglected, to the detriment of the health and wellbeing of the household members. Households can be forced to make the decision "to heat or to eat?"

Other groups are also struggling financially due to the rising cost of living and the recession, with energy, housing and transport costs rising higher than the CPI over 2004-6 (Craig 2011). Since the mid 1970s, per capita incomes in New Zealand have fallen substantially relative to those in Australia and the OECD average, meaning that people in Australia and most other advanced countries can afford better houses, better healthcare, higher levels of funding for education and more expensive investments in environmental protection (2025 Taskforce). In contrast, this situation means that younger middle-income New Zealand families, who traditionally would have been able to afford to buy a home, have been "squeezed out of the housing market" (Craig 2011).

It is our argument that the concept of housing affordability needs to include the factors above which contribute to the health and wellbeing of families. For many people, housing costs may stretch the household budget, but do not affect other important priorities. But for households that are struggling to make ends meet, there is no choice but to opt for poor quality housing and sacrifice the basic necessities which include adequate heating and space. In other words, for those on a low or even a middle income, an 'affordable' house will all too often mean something dilapidated, damp, uninsulated, unheated, and smaller than ideal. Households that are crowded raise the risks of infectious diseases (Baker, McNicholas et al. 2000; Baker, Das et al. 2008).This situation is far from satisfactory. It is our argument that quality housing should be affordable for everyone. This means that houses should be warm and dry enough to prevent ill-health and increase wellbeing (Howden-Chapman 2007) and large enough to inhibit the spread of diseases that have been associated with over-crowding (Jaine, Baker and Venugopal 2011).

Recommendations:

That the Government

- *note that the concept of affordable housing for the purposes of the inquiry should include aspects of housing quality such as heating and insulation which have been shown to impact on health outcomes;*
- *consider the trade-offs required between paying rent or mortgages and population health and well being;*

High housing costs lead to residential segregation

The concentration of capital, high cost housing and high wages in the main centres has been accompanied by the increasing residential segregation or "ghettoisation" of low-income people on the outskirts of cities (Howden-Chapman, Stuart and Chapman 2010; Witten, Abrahamse and Stuart 2011). This occurs when people are driven out of city centres to the peripheries or regions, where there are fewer services and poorer quality cheaper housing. The clustering in this way of groupings with similar characteristics, impacts negatively on social cohesion and the trust that has been identified as essential for a well-functioning society and a healthy population (Wilkinson and Pickett 2009).

However, for those who have been forced out from the city centres, there are even more pressing problems affecting themselves and their families. The distance from jobs, schools and services means they are reliant on either costly private or public transport, which merely add to the household budget and increase their likelihood of being locked into poor housing and poverty, with little chance of returning into the city.

Recommendations:
That the Government

- *introduce measures to increase housing affordability in cities for low to middle income groups, Māori and Pacific peoples, with the objective of stopping the trend to residential segregation in outlying suburban areas with fewer amenities;*
- *consider strategies to prevent residential segregation such as the dispersing (rather than clustering) of social housing throughout cities including in high-income communities.*

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