

# State housing

Page 3 – The state steps in and out

(MCH, 2014k)

## The State steps in (and out)

'I never feel sorry for myself. When you are on the breadline, you just get on and do it.'

Val Wilson, 58-year old state tenant, Dixon Street Flats, Wellington, 1992

Val Wilson's words, to an *Evening Post* reporter, reveal both resignation and dogged resilience following news that the government's introduction of full market rents would see her pay nearly 300 per cent more for her tiny, one-bedroom state flat. Even after a new accommodation supplement, Val was left with precious little to live on. But if strength of character was able to help people like Val come to terms with their new situation, it was not enough, as the rent rises came into effect, to prevent hundreds of others falling below the breadline into poverty.

The National government introduced full market rents in 1991 to reduce the state role in housing provision. From the start, public debate over state housing policy in New Zealand has centred on this very issue: how far should governments intervene in the housing market. Generally speaking, Liberal and Labour administrations have argued that private enterprise does not deliver a good standard of housing to working people and that the state should intervene and house those whom the market cannot, or will not, accommodate. On the other hand, National and conservative administrations have asserted that government intervention hinders private investment in worker housing and inhibits self-reliance. Accordingly, they have sought to reduce the state's role in housing provision. Still, since the 1950s, all governments have accepted that the state should provide homes for the poorest New Zealanders and those who suffer racial and other discrimination in the market.

### The Beginning of State Housing

The first government to build state houses was the Liberal administration of Richard Seddon. In 1905, alarmed by growing reports of extortionate rents and squalid living conditions in the working-class districts of New Zealand cities, Seddon introduced the Workers' Dwellings Act. Its purpose was to provide urban workers with low-cost suburban housing, far removed from city slums and grasping landlords. Although several hundred workers' dwellings were constructed the scheme never prospered, and it wasn't until the first Labour government came to power in 1935 that state housing entered its first boom period.

Like the Liberals, Labour wanted to provide new suburban homes for working-class people living in dilapidated inner-city districts. In building these homes, it hoped to stimulate local industry and provide work for those left jobless by the Great Depression. **Under the dynamic leadership of the under-secretary for housing, John A. Lee, the government soon initiated the largest housing construction scheme in the nation's history, securing hundreds of hectares of suburban land across New Zealand, upon which private builders erected**

thousands of high-quality modern state houses. In September 1937, Prime Minister Michael Joseph Savage opened the first of these: 12 Fife Lane, Miramar, Wellington.

City Flats or Suburban Cottages?

In the same month that Savage opened 12 Fife Lane, the National opposition attacked the Labour government's state housing scheme on the grounds that suburban houses were too far removed from city workplaces and that central city flats should be built instead. Mark Fagan, a Labour politician, defended the government, stating:

that flats do not provide sufficient light or sufficient ventilation, and, generally speaking, they are undesirable for the housing of growing families. I much prefer the method of the Government of building houses in the outer suburbs where a family has some privacy, where the father can have a garden to grow some vegetables and where the children can play, instead of having to play on city streets or remain indoors all day long as they have to when living in flats.

State Houses for Sale

In 1950 the National government introduced legislation that allowed state tenants to buy their homes. This measure was based on its conviction that private home ownership provided greater personal freedom than renting. In wanting state tenants to experience the benefits of owning their own home, the government offered purchasers very generous terms: 5 percent deposit, a 3 percent mortgage rate, with a maximum purchase period of 40 years. Since this time thousands of tenants have purchased their state houses and become 'kings and queens of their castles'.

Since the 1950s the construction and sale of state houses has fluctuated considerably depending on which of the major political parties has been in power. In general, National governments have encouraged tenants to purchase state houses, while Labour governments have discouraged or prohibited sales in order to conserve state-housing stocks. These trends were especially marked in the 1990s, when the sale of state houses soared under National until a new Labour-led government placed a moratorium on further sales in 1999.

Market Rents in the 1990s

In 1991 the National government introduced one of the most radical reforms in the history of state housing: the removal of income-related rents and the establishment of a government accommodation supplement. National believed that state house tenants received more subsidies – through lower rents – than private sector tenants. Charging state tenants market rents would, together with the introduction of an accommodation supplement for all tenants in genuine need, create a level playing field and make the rental market more equitable. It would also encourage state tenants to become less dependent on the state for their accommodation needs.

For hundreds of state house tenants the impacts of the reforms were detrimental. In 1995, a Palmerston North tenant revealed to the housing advocacy group that:

Rent has increased from \$100 to \$180 over time. It's a real struggle now. Food is very expensive. When money is tight, food gets put off. If you go three times to a

foodbank, they refer you to budgeting. I don't need to budget, I have no money.

Two years later, emergency housing workers in South Auckland reported that many people, unable to afford market rents, were moving in with friends and relatives, often in overcrowded and unhealthy conditions. Critics of the government declared this a scandal, especially considering that hundreds of state houses remained untenanted.

One emergency worker, Sister Anne Hurley, told the *New Zealand Herald* that:

It's little wonder there are so many vacant houses. Low-income families and beneficiaries can't afford them. And what makes me really angry is when I hear the Minister [of Housing] talk about choice. The only choice many of these people have is whether to pay the rent or feed their children.

But the government remained convinced that the policies were fair. The Labour Party disagreed. When it became government in 1999, it scrapped the market rents policy and reinstated income-related rents, by which eligible state house tenants paid no more than 25 percent of their total income in rent.

Share this item

∨ How to cite this page

'The state steps in and out', URL: <https://nzhistory.govt.nz/culture/we-call-it-home/the-state-steps-in-and-out>, (Ministry for Culture and Heritage), updated 21-Jul-2014