

NEW FOUNDATIONS 1.

A SYSTEMS APPROACH TO HOUSING POLICIES

THINKING SYSTEMS FOR BETTER HOUSING OUTCOMES AND GOVERNANCE

Duncan Maclennan and Jinqiao Long.¹

From Merit Good to Speculative Market

1. Governments across the OECD are dealing with the economic shocks of an unwanted war and the aftershocks of the Covid pandemic whilst addressing the imperatives of meeting net zero carbon targets, promoting inclusion, and dealing with a range of major difficulties that constitute the wicked problems for citizens and policymakers. The 2020's are hard times for governments.
2. In this millennium housing outcomes, which have long attracted, often successful, government actions to meet the housing 'merit needs' of poorer households and the home ownership 'aspirations' of the majority, have diversified, become entrenched and evolved into a new, growing problematic. Canada's housing problems have, in different ways, spread well beyond the poorest fifth and despite rising national prosperity close to a half of Canadian, now report some significant housing outcome as diminishing and stressing their wellbeing. There is now, as in other Anglosphere countries, a trinity of deepening housing problems, with rising homelessness, growing rental payment burdens (especially for the poor) and increasing difficulties in entering and sustaining home ownership. They all now constituting significant and worsening problems.
3. Canadian housing systems and their outcomes have been allowed to become a 'wicked issue' with complex causes and multiple, adverse, and often unrecognised social, economic, and environmental effects. Housing has moved from constituting a low income 'merit good' concern to one of better understanding and governing a key integrative systems that, like the labour market and the financial system, centrally and significantly shapes how Canadians live. Governments now have to think 'bad housing system' and not just 'poor housing.'
4. Canadian governments, like others, now have a too limited conception of what 'housing' policy is; and those who lobby for change also often have a focus on securing more rights to and resources for housing: governments and lobbies both need to adopt a more holistic, systems view of the problems, their consequences, and effective solutions and, critically, governance.
5. Housing outcomes in Canada are predominantly delivered through market systems. There are strong cases to expand non-market provision for the poorest Canadians, but more effective market solutions will be the major routes to change. Housing policymakers in Canada have adopted too readily the over-simplified, reductionist views of how housing markets operate. They can be workably effective, but they are not inherently so, and a variety of market failures and imperfections are typical, and typically ignored in policy debates. Politics in Canada still uses, for example, a 'model' of how growing home-ownership spreads wealth and creates stable, savings oriented trajectories for individuals

¹ Duncan Maclennan holds Chairs at the Universities of Glasgow (Scotland), UNSW (Sydney, Australia) and McMaster (Ontario, Canada) and Jinqiao Long has recently completed a Ph.D. in housing economics at the University of Glasgow. They are grateful to CMHC for supporting this research and stress that the views are their own.

and the nation. This 'policy belief' is almost a quarter century out of date, and the housing market has become a speculation system for the majority of Canadians with significant wealth, stability, and productivity effects.

Rethinking What Housing Is, and Why Housing Outcomes Matters

6. Governments have to own, the 'wicked' and 'systems' nature of housing problems, understand them, and rethink their governance. That involves defining what housing is, and establishing what it does for Canada and Canadians.
7. This paper outlines a definition of housing for modern policy purposes, noting that housing includes 'activities' such as developing and building homes, selling, and maintaining them (and these activities are 'weighty' in the economy). Housing comprises physical investments in structures and systems, that are geographically fixed in a neighbourhood context and are located more or less closely to the array of places that the household uses to work, shop. In consequence housing outcomes include the attributes of a home such as space, design, quality, tenure, location, that households use to pursue their daily lives and these processes impact the society, the economy, and the environment.
8. The paper argues for an outcomes approach to housing policies and that requires a systems approach, assessing how connections to other systems drive housing change, how housing is used with other systems, transport for instance, to create housing services' and how the choices made impact a range of sub-systems in the economy and environment. Housing outcomes, appropriately defined, are seen to be driven and produced by complex systems, with multiple outcomes that reach far beyond conventional, and really outdated, conceptions of housing needs. The simple 'tame' system conception of 'housing' in policy formation as a social goal achieved by a relatively straightforward mechanism (non-market housing) is no longer appropriate to unpick housing policy choices.
9. Even a preliminary high-level review of what research tells us about the nature of housing market systems, behaviours, and outcomes, suggests that structures and processes of housing governance no longer address the emergent housing system problems. Repeated bouts of currently perceived 'solutions' are, at best, temporarily palliative and, at worst, may deepen adverse outcomes for each new cohort of young Canadians.

The Set of Papers

10. The set of papers, following an introductory view of 'systems' approaches to housing (Paper 1) explores how housing outcomes are shaped and what they do to and for Canada and examines economic effects (Paper 2) and net zero carbon outcomes (Paper 3) as examples. The final paper (Paper 4) assesses ways in which the governance of housing in Canada can be rapidly redesigned to reflect what housing means, operates and impacts in the 21st century.