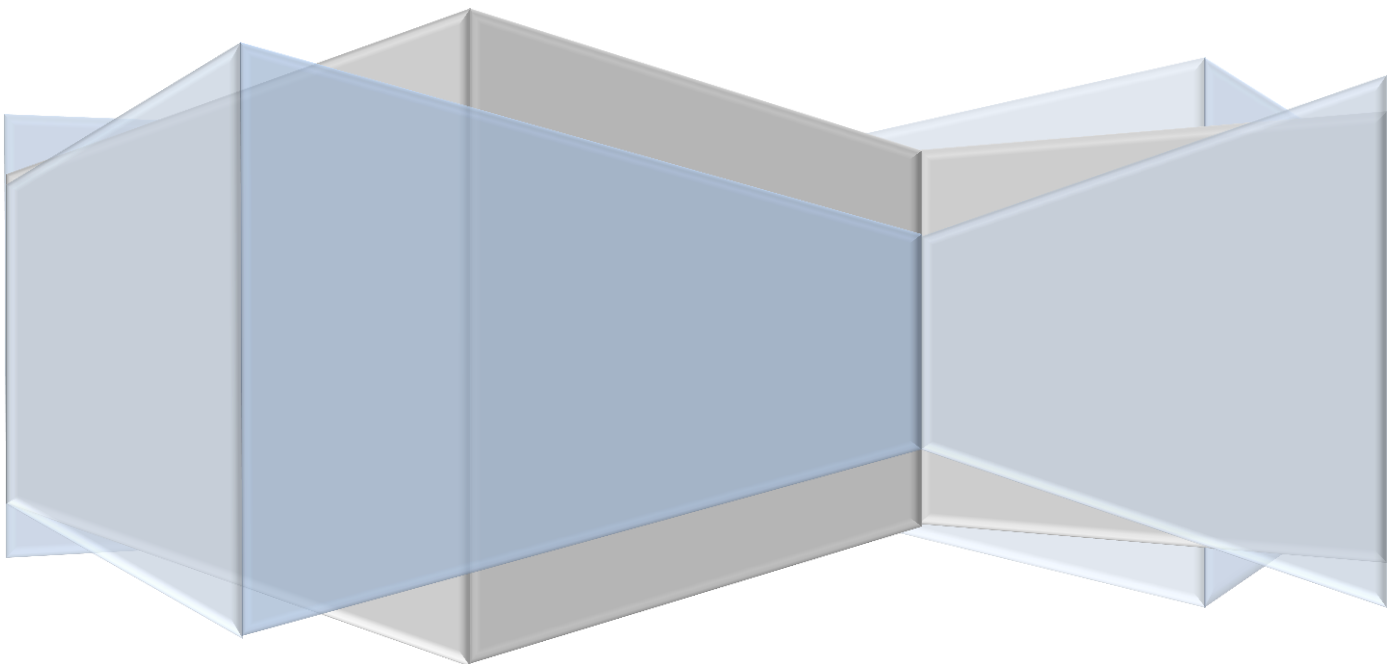


# The impact of Rent Assistance on housing affordability for low-income renters: Australia

A report by the National Welfare Rights Network



March 2014

# About the National Welfare Rights Network

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The National Welfare Rights Network (NWRN) is the peak community organisation in the area of social security law, policy and administration. We represent community legal centres and organisations whose role is to provide people with information, advice and representation about Australia's social security system.

NWRN member organisations operate in all states and territories of Australia. They are organisations which have community legal services dedicated to social security issues. Their services are free and they are independent of Centrelink and government departments.

The NWRN also has as Associate Members the Central Australian Aboriginal Legal Aid Service (CAALS), the North Australian Aboriginal Justice Agency (NAAJA) and the Victorian Aboriginal Legal Service (VALS).

The NWRN develops policy about social security, family assistance and employment assistance based on the casework experience of its members.

The Network provides submissions to government, advocates in the media and lobbies for improvements to Australia's social security system and for the rights of people who use the system.

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## Overview

The Commonwealth Government's \$3.6 billion annual Rent Assistance program is not helping all those Australians who need it. Problems in the design of the Rent Assistance program, combined with inadequate levels of Allowance payments for unemployed people and students, are exacerbating the extreme rates of housing stress that are impacting hundreds of thousands of individuals and families.

Rent Assistance has failed to keep up with surging rental costs. As a consequence, significant numbers of unemployed people and students are facing extreme housing costs, with little left over for food, utilities or to look for work.

Increases to Age and Disability Support Pension payments, since a one-off increase in 2009 of \$32 per week, have helped reduce the numbers of these pensioners paying more than half of their income in rent. While many older people appeared to be faring better than their younger peers, 14,705 age pensioners are experiencing *severe housing stress* and paying more than half of their incomes in rent.

The rate at which Rent Assistance is paid has not kept pace with the increase in rents in recent years. This is largely because increases in Rent Assistance have been linked to the Consumer Price Index (CPI), rather than to more appropriate benchmarks. While Rent Assistance reduces housing stress, the numbers of people experiencing housing stress are on the increase.

In recent years there has been an increase in the level of housing stress experienced by those people in receipt of social security payments, with the greatest pressure being felt by those dependent on Newstart Allowance and Youth Allowance.

The sharer Rent Assistance rules adversely affect low income earners by linking Rent Assistance payments to the residential status of the occupant rather than financial need and the amount they pay in rent. One-in-seven people receiving Rent Assistance are affected by the 'sharers' rules.

This report on data provided during Senate estimates hearings for the Department of Social Services (DSS) and data from the Productivity Commission's *Report on Government Services* (Steering Committee for the Review of Government Service Provision, 2014) to give a profile of Rent Assistance recipients and their tenuous position in Australian housing markets. The data are for June 2013, and cover recipients of Rent Assistance through the Department of Social Services.<sup>1</sup>

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<sup>1</sup> Rent Assistance is also paid to veteran affairs payment-recipients through the Department of Veterans Affairs and to Abstudy recipients; the data used in this report do not include those RA recipients (Steering Committee for the Review of Government Service Provision, *Report on government services 2014*, Productivity Commission, Melbourne, 2014, Volume G, p. 17.4). However, spending on RA through these 2 other Commonwealth agencies typically makes up less than 2 percent of total RA expenditure (Steering Committee for the Review of Government Service Provision, Volume G, table GA.12, note (b)).

There were 142,932 recipients of veteran affairs pensions as at September 2013 (Department of Veterans Affairs, 'DVA pension summary', 2013).

The most recent statistical report from the Department of Social Services indicates there were 23,942 Abstudy scheme customers as at June 2012 (*Income support customers: a statistical overview 2012*, Statistical Paper no.11, 2013, p. 29). That report does not identify the number of those customers getting RA. Responsibility for the Abstudy program was transferred to the Department of Social Services from the Department of Employment on 18 September 2013; this change could allow for a fuller reporting of relevant data in future.

# 1. What is Rent Assistance?

Rent Assistance (RA) is an income-supplement payment of the Commonwealth government that is paid — in addition to the basic income-support entitlement — to individuals living in private rental accommodation, state-owned and managed Indigenous housing, and community housing (both mainstream and Indigenous community housing).<sup>2</sup> Residents of mainstream public housing are not eligible. The data available on DSS Rent Assistance recipients cannot be assumed to reflect the status of RA recipients in the *private rental market* only, precisely because the data include renters in community housing and in state-owned and managed Indigenous housing. (These renters are generally paying rents at no more than 30% of household income and should not be in housing stress, by definition.)<sup>3</sup>

There were 1,267,979 recipients of payments through the Department of Social Services who were getting a Rent Assistance payment, as at June 2013.<sup>4</sup>

Rent Assistance thresholds and maximum rates are indexed in March and September each year to movements in the Consumer Price Index (CPI). RA is paid at the rate of 75 cents for every dollar above the rent threshold until the maximum rate is reached.

The amount of RA depends on a person's circumstances and how much rent they pay. A common scenario is that for a single renter without children, the maximum fortnightly Rent Assistance was \$124 (payment rate at 20 September 2013). The minimum fortnightly rent paid to be eligible for Rent Assistance was \$110 and the minimum fortnightly rent to get the maximum Rent Assistance was \$275.33.<sup>5</sup>

## 2. Commonwealth expenditure on Rent Assistance

Rent Assistance plays a critical role in assisting tenants to meet high housing costs. During 2012-13 approximately \$3.6 billion was expended nationwide on RA, providing significant relief for low income and disadvantaged Australians.<sup>6</sup> Spending on Rent Assistance during the previous year, in 2011-12, was \$3.4 billion.

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<sup>2</sup> There is not a specific state/territory government agency providing social housing to Indigenous Australians (state owned and managed Indigenous housing — SOMIH) in all states and territories. Social housing is also provided by non-profit non-government organizations: where the provider is an Indigenous community organization and the housing is allocated to Indigenous people only, the housing type is referred to as Indigenous community housing (ICH). Social housing provided by non-Indigenous organizations is referred to as mainstream community housing or often just 'community housing'. Indigenous Australians are eligible for mainstream community housing and mainstream public housing.

<sup>3</sup> Different rent-charging policies and practices apply between government and nongovernment social-housing providers and between mainstream and Indigenous providers, though generally an approach of avoiding housing stress applies; in the case of some mainstream community-housing providers there might be rent-charging practices set according to specific funding programs outside the framework provided by conventional social housing.

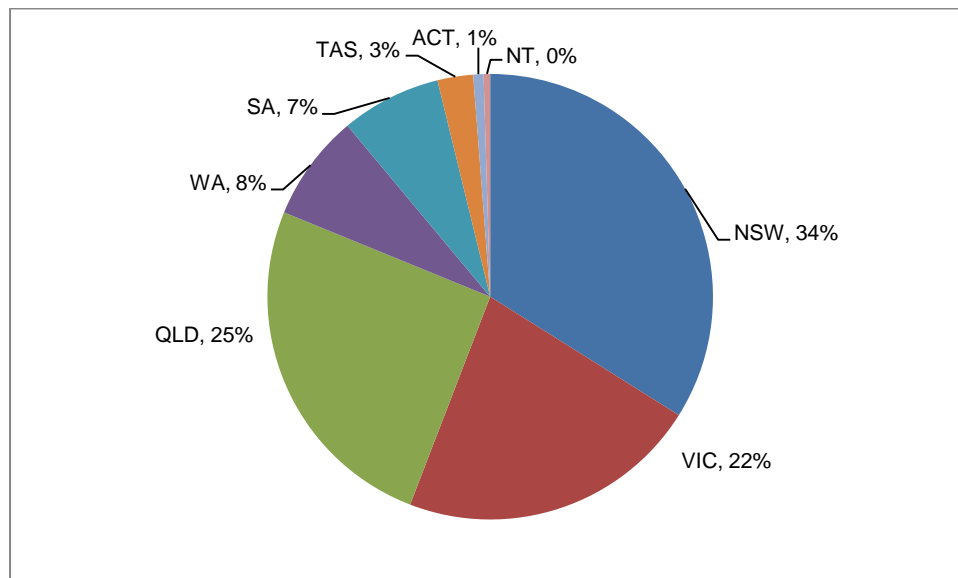
<sup>4</sup> Steering Committee for the Review of Government Service Provision, Volume G, table GA.15; and see note 1.

<sup>5</sup> Department of Human Services, 'Rent assistance', online at <<http://www.dss.gov.au/our-responsibilities/housing-support/benefits-payments/rent-assistance>>, viewed 25 February 2014.

<sup>6</sup> These data *include* expenditures for RA made with Department of Veterans Affairs and Abstudy payments.

Figure 1 shows how Commonwealth expenditure on RA was distributed across the states and territories in 2012-13.<sup>7</sup>

### Figure 1: Rent Assistance expenditure by State and Territory (%), 2012-13

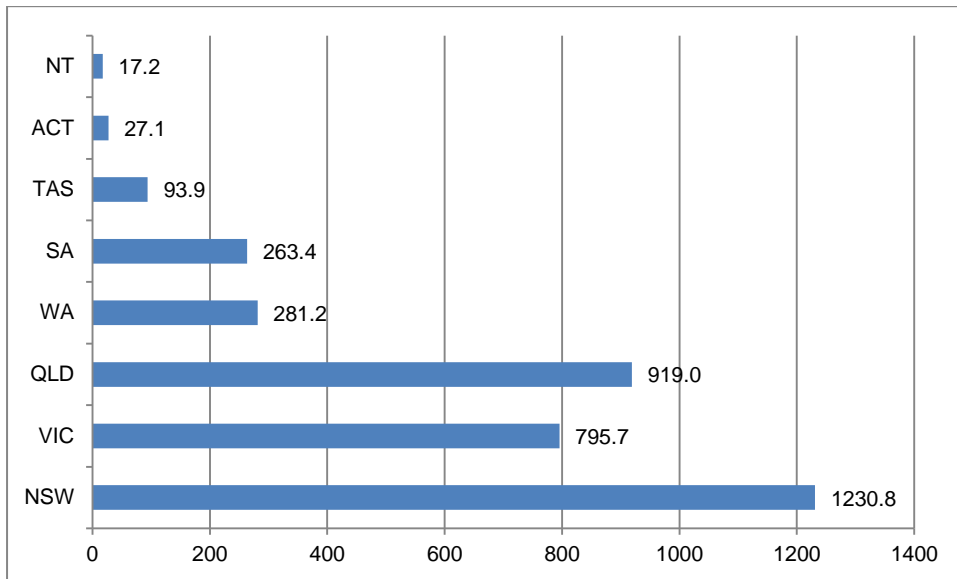


New South Wales recipients took the major share of government expenditure on RA in 2012-13, reflecting that state's population size, with \$1,230 million in RA and 34% of outlays, as shown in Figure 1 and Figure 2.<sup>8</sup> Queensland recipients' share was over \$900 million. Northern Territory recipients received 0.5% of Commonwealth expenditure, with \$17 million.

<sup>7</sup> Steering Committee for the Review of Government Service Provision, Volume G, table GA.12; real expenditure (\$million). Expenditure on RA in the Northern Territory appears as 0% because the amount spent in 2012-13, at \$17.2 million, was a small proportion of the national total, at \$3,628 million. The data in Figure 1 include RA expenditures made with Department of Veterans Affairs and Abstudy payments, as well as the Social Services payments.

<sup>8</sup> The data in Figure 2 include RA expenditures made with Department of Veterans Affairs and Abstudy payments, as well as the Social Services payments.

**Figure 2: Rent Assistance expenditure by State and Territory (\$ m), 2012-13**



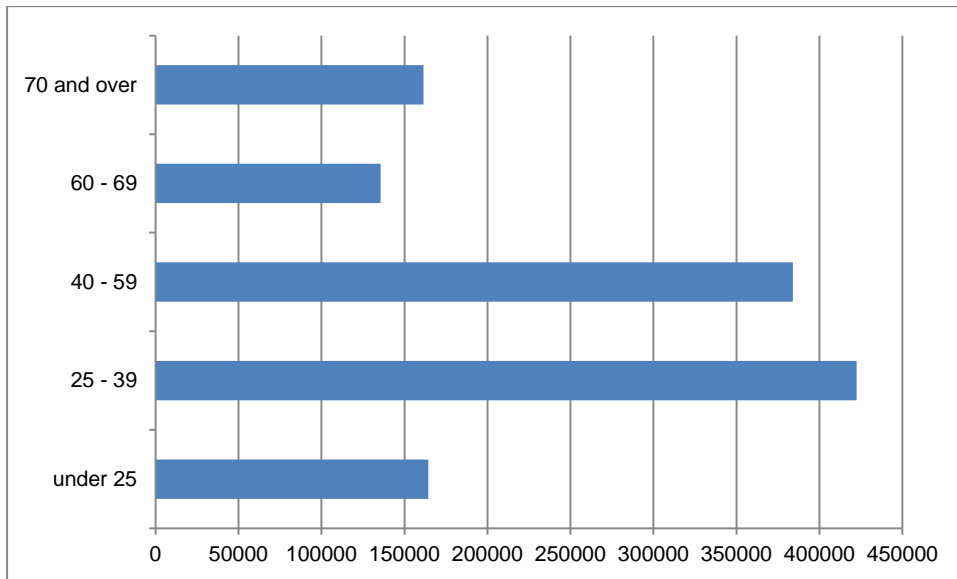
### 3.Characteristics of recipients

#### Age

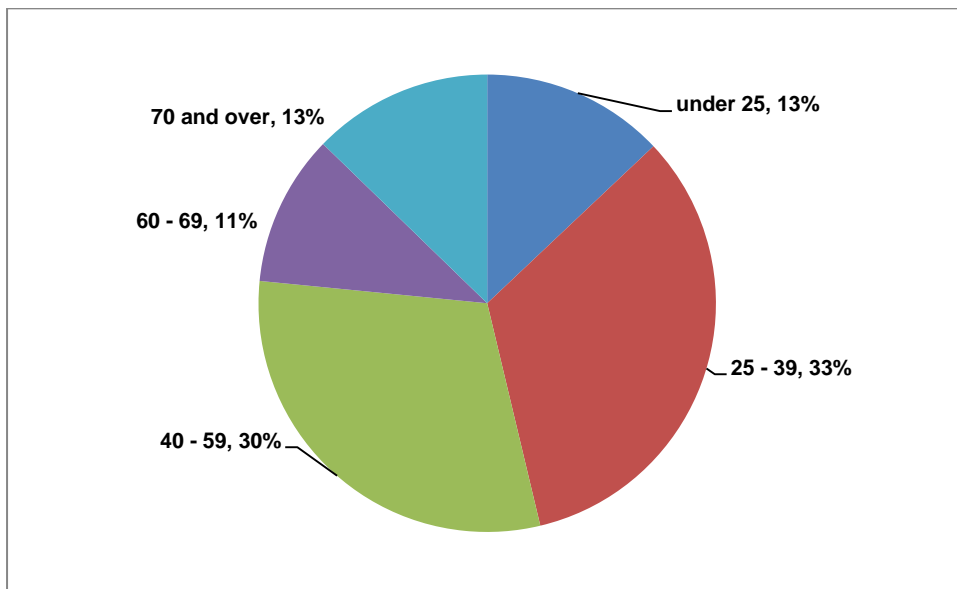
Over 160,000 people under the age of 25 receive a RA payment from DSS. Adult recipients aged 25 to 39, in the age range where one might expect them to be beginning a career of homeownership, numbered 422,389. These young adults comprised 33% of recipients. Twenty-four percent of RA recipients were aged over 60 years of age: that indicates over a quarter of a million of older Australians living in rental housing and dependent on some amount of assistance to help them with their basic housing cost. See Figure 3 and Figure 4.<sup>9</sup>

<sup>9</sup> Steering Committee for Review of Government Service Provision, Volume G, table GA.16.

**Figure 3: Number of DSS Rent Assistance recipients by age group, 2013**



**Figure 4: Percentage of DSS Rent Assistance recipients by age, June 2013**



### Indigenous status

There were 54,888 Indigenous renters who were DSS Rent Assistance recipients (as at June 2013).<sup>10</sup> They represent 4% of all DSS Rent Assistance recipients. Forty-one percent of Indigenous DSS Rent Assistance recipients lived in New South Wales, 32% lived in

<sup>10</sup> As already indicated (note 1), these data do not include Indigenous Australians in receipt of Abstudy payments.



Queensland and 6% in Western Australia. The Northern Territory accounted for 2.5% of the total number of Indigenous Rent Assistance recipients, with just 1,358 people.<sup>11</sup>

Indigenous RA recipients were more likely to be receiving one of 3 main income-support payments: Newstart Allowance (26%), Disability Support Pension (24%), and Parenting Payment (Single) (20%).

### Single women

Sixty-one percent of single RA recipients, 577,617 recipients, were female. Male recipients accounted for 368,822 of single Rent Assistance, from the total of 946,439 singles. Single women were more likely to be paying half of their income in rent, comprising nearly half (47%) of those paying more than 50% of their income on rent after getting Rent Assistance. There were 137,583 single income-support recipients who were paying more than 50% of their income in rent (after RA). Of these, 78,084 were women, compared to 59,499 single men in the same situation.<sup>12</sup>

### Relationship status (single and couple households)

Of those receiving DSS Rent Assistance 29% were single men, 46% single women, and 25% were couple households, proportions similar to those of a year ago.

## 4. Housing stress and income support

There is a link between housing unaffordability in the private rental market and low rates of income-support payments. The low social security payments include Newstart Allowance, Youth Allowance for students and unemployed people, and Abstudy and Austudy payment.

Unemployed people on Newstart and students on Youth Allowance are twice as likely to be experiencing 'housing stress', i.e. paying in excess of 30% of their income in rent (after getting RA), than either Age Pensioners and Disability Support Pensioners.<sup>13</sup>

People on the lowest social security payments (Newstart, Youth Allowance and Abstudy) are three to four times more likely to be paying more than half of their income in rent than those on pension-type payments. At June 2013, there were 106,807 people on these extremely low social security payments who paid more than half of their income in rent.

More than one-third of people relying on income-support security payments live below the poverty line.<sup>14</sup> People on the Newstart Allowance were more likely than any other income-support payment to be living in poverty, with 52% of those on Newstart Allowance living in poverty, compared to 45% of those receiving the Parenting Payment and 42% of those receiving the Disability Support Pension.

Unsustainably low rates of income-support payments for unemployed people and young people is the main reason that so many people in Australia are living in precarious housing circumstances.

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<sup>11</sup> Senate Community Affairs Committee Answers to Questions on Notice, Social Services portfolio, 2013-14 *Supplementary Estimates Hearings*, Question No.216.

<sup>12</sup> Senate Community Affairs Committee Answers to Questions on Notice, Social Services portfolio, 2013-14 *Supplementary Estimates Hearings*, Question No.216.

<sup>13</sup> 'Housing stress' and 'severe housing stress' ('housing crisis') are indicators of housing unaffordability: see page 8.

<sup>14</sup> Australian Council of Social Service, 'Poverty in Australia, November 2013, pp. 39-40.

Adequate Allowance payments are central to combating poverty in Australia. Newstart Allowance is, unfortunately, no longer a short-term payment: two-thirds of all people on Newstart have been looking for work for over 12 months.<sup>15</sup> High rent costs, combined with an extremely low rate of Newstart, are placing hundreds of thousands of individuals and families in housing stress and at risk of homelessness. Low rates of social security payments also undermine efforts to find work and to start or continue education.

## 5. Income-support payments to RA recipients

Rent Assistance was paid to 1,267,979 households, at June 2013.

Figure 5 and Figure 6 provide a breakdown of the number and percentage of Rent Assistance recipients by type of income-support payment.

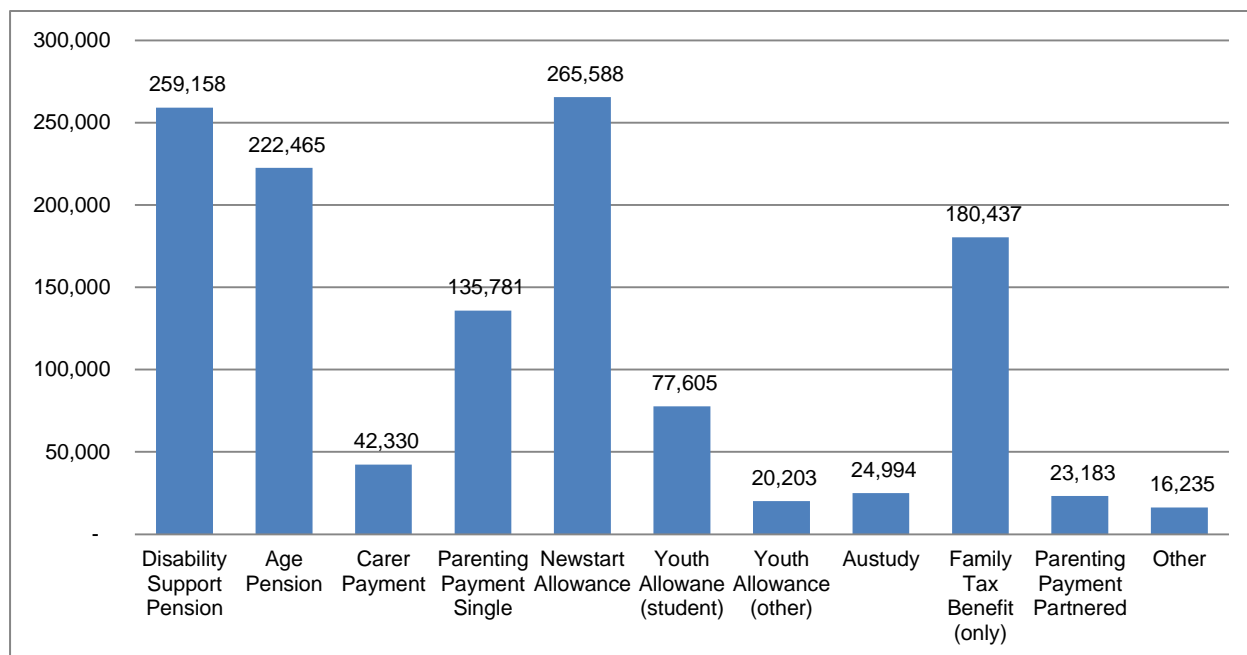
More than one-in-five (20.4% or 259,158) of RA recipients were receiving the Disability Support Pension. There were 222,465 Age Pensioner renters, who accounted for 17.5% of DSS RA recipients across Australia.

The data reveal that Newstart Allowance recipients are now the largest group of income-support recipients getting RA, *Australia-wide* (overtaking Disability Support Pensioners). There were 265,588 Newstart Allowance recipients receiving Rent Assistance at June last year. Poor economic conditions, and changes to the Parenting Payment (Single), and moving more parents onto the Newstart Allowance (from 1 January 2013), resulted a significant increase in the numbers of Newstart recipients on Rent Assistance, with an increase of over 50,000. In September 2012, there were 215,110 receiving Newstart Allowance. As of June 2013, Newstart recipients made up 20.9% of DSS Rent Assistance recipients, whereas they had made up 17.8% of all recipients in September 2012.

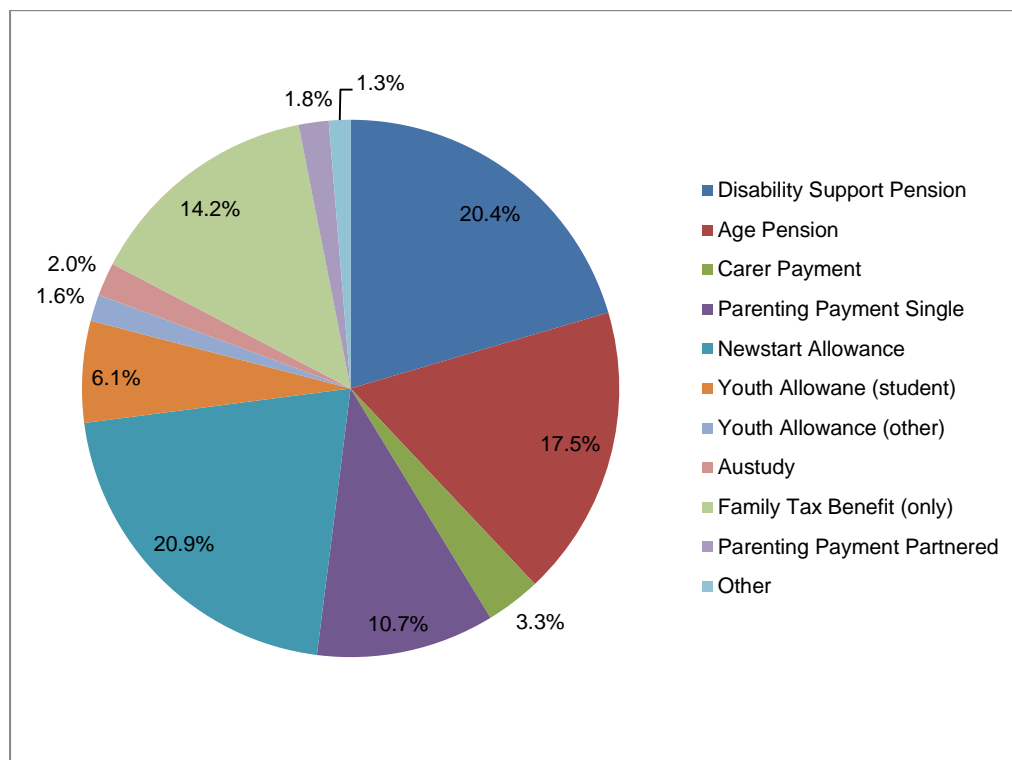
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<sup>15</sup> Senate Community Affairs Committee, Answers to Questions on Notice, *Social Services Portfolio, 2012-13 Supplementary Estimates Hearings, Question No.210*.

**Figure 5: Number receiving DSS Rent Assistance by income-support payment, June 2013**



**Figure 6: Proportion of DSS Rent Assistance recipient by type of income-support payment, June 2013**



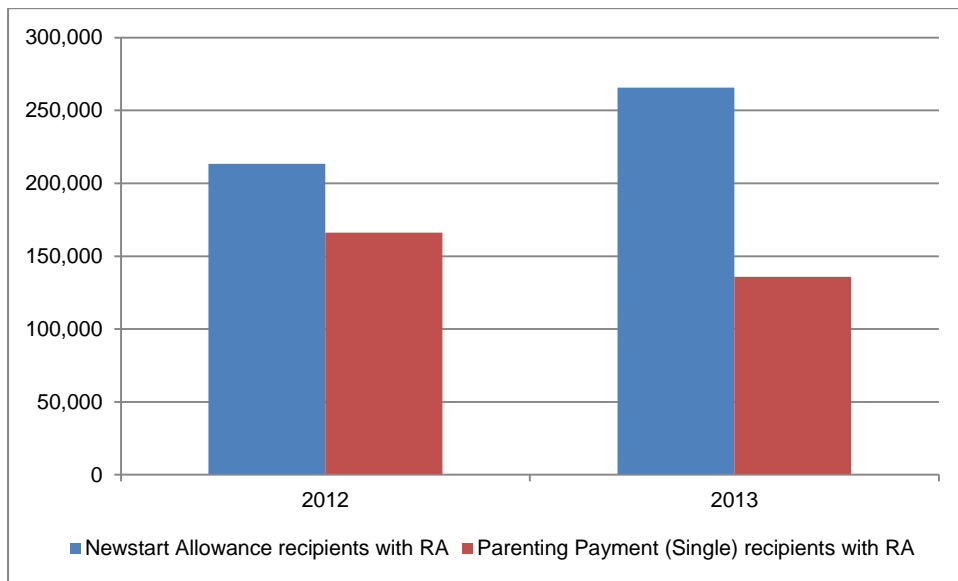
Changes in eligibility for the Parenting Payment (Single) came into effect on 1 January 2013.<sup>16</sup> The changes meant that some 72,000 single parents who were getting this payment became ineligible for it and most moved to the (lower-paying) Newstart Allowance. One-in-two of those single parents (almost 35,000 people) were in the private rental market and receiving Rent Assistance. These single-parent families lost between \$80 and \$140 per week in payments. These changes also increased the numbers of single parents on Newstart experiencing housing stress.

Figure 7 indicates the change in numbers of Newstart recipients getting RA and Parenting Payment (Single) recipients getting RA between 2012 and 2013.<sup>17</sup> It shows there was a 25% increase in the number of Newstart recipients getting RA and an 18% decrease in the number of Parenting Payment (Single) recipients getting RA, changes that followed from the movement of Parenting Payment (Single) recipients to the Newstart Allowance.

<sup>16</sup> Department of Human Services, 'Changes to parenting payment', online at <<http://www.humanservices.gov.au/customer/enablers/centrelink/parenting-payment/changes-to-parenting-payment>>, viewed 24 February 2014; Australian Council of Social Service, 'Briefing notes on cuts to payments for sole parents', 21 May 2012.

<sup>17</sup> In this figure, the data cut-off point for each year is June.

**Figure 7: Change in Newstart and Parenting Payment (Single) recipients with Rent Assistance, 2012-13**

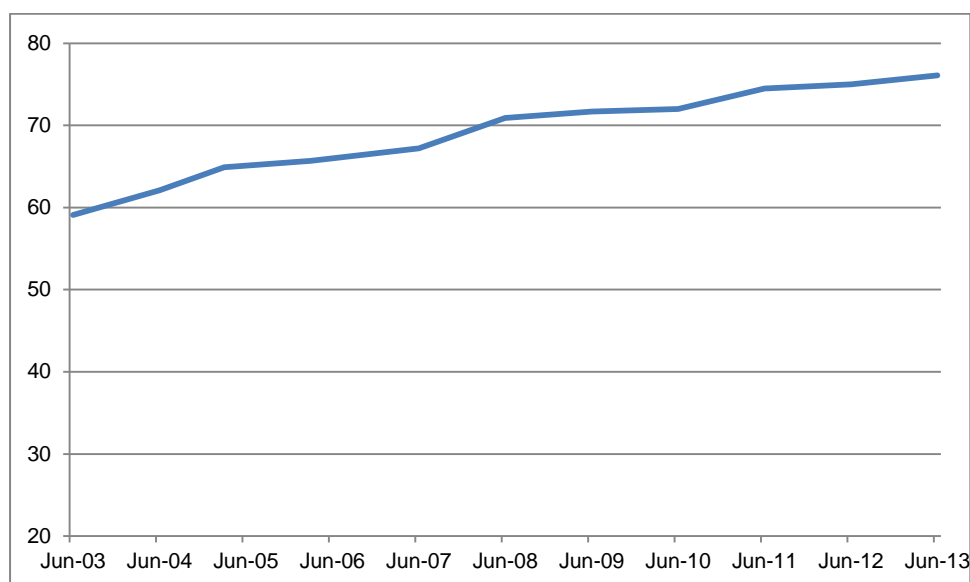


## 6. Housing stress and Rent Assistance

A recognized benchmark for the measurement of housing affordability is that a lower-income person is considered to be in housing stress if they are paying more than 30% of their income in recurrent housing costs.<sup>18</sup> They are defined as experiencing 'severe housing stress' or 'housing crisis' when they spend more than 50% of their income on recurrent housing costs. A primary aim of Rent Assistance is to contribute to the relief of housing stress (and severe housing stress).

At June 2013 Rent Assistance was provided to 1,267,979 people. Over three in four people (76.1%) who received Rent Assistance paid enough rent to be eligible for the maximum rate of Rent Assistance, as shown in Figure 8.<sup>19</sup> Over the last decade, the proportion of recipients getting the maximum payment has increased from 59% to that figure of 76%. Almost one million Australians (965,068) are paying rents high enough to be eligible to receive the maximum rate of Rent Assistance.

**Figure 8: Proportion of DSS Rent Assistance recipients getting maximum payment (%), 2003-2013**



At June 2013, the Rent Assistance program had reduced the proportion of renters in housing stress from 67.2% to 40.1%. This 28% reduction indicated a reduction in housing stress for some 330,000 people.<sup>20</sup>

Rent Assistance helps to improve the affordability of housing; however it does not prevent everyone from experiencing housing stress. In the absence of RA, 843,347 households

<sup>18</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', Australian Housing and Urban Research Institute, Melbourne, 2006; Judith Yates, 'Housing affordability and housing stress', Australian Housing and Urban Research Institute, Melbourne, 2007.

<sup>19</sup> Steering Committee for the Review of Government Service Provision, table GA.23.

<sup>20</sup> Senate Community Affairs Committee, Answers to Questions on Notice, Social Services Portfolio, 2013-14 *Supplementary Estimates Hearings*, Question No.216.

would have been in housing stress.<sup>21</sup> The number of people in housing stress increased by almost 25,000 since September 2012. Over half a million renters, or two in every five Australians receiving RA, were paying more than 30 percent of their weekly income in rent — as highlighted in Table 1.<sup>22</sup> The numbers experiencing housing stress, even though getting a RA payment, increased by 11% since 2011, up from 451,228 people to 502,696 people.

Tracking the proportion of RA recipients over time, the proportions in housing stress before RA and after RA have stayed fairly consistent over the last decade. As indicated in Figure 9, roughly two-thirds of recipients have been in housing stress before getting a RA payment, and roughly 35-40 percent of recipients have been in housing stress after getting a RA payment. This figure shows both the strength and the weakness of the RA system: it reduces the proportion of recipients in housing stress down from two-thirds to less than half; yet over a third of recipients (at around 40 percent) are still in housing stress even with the payment.

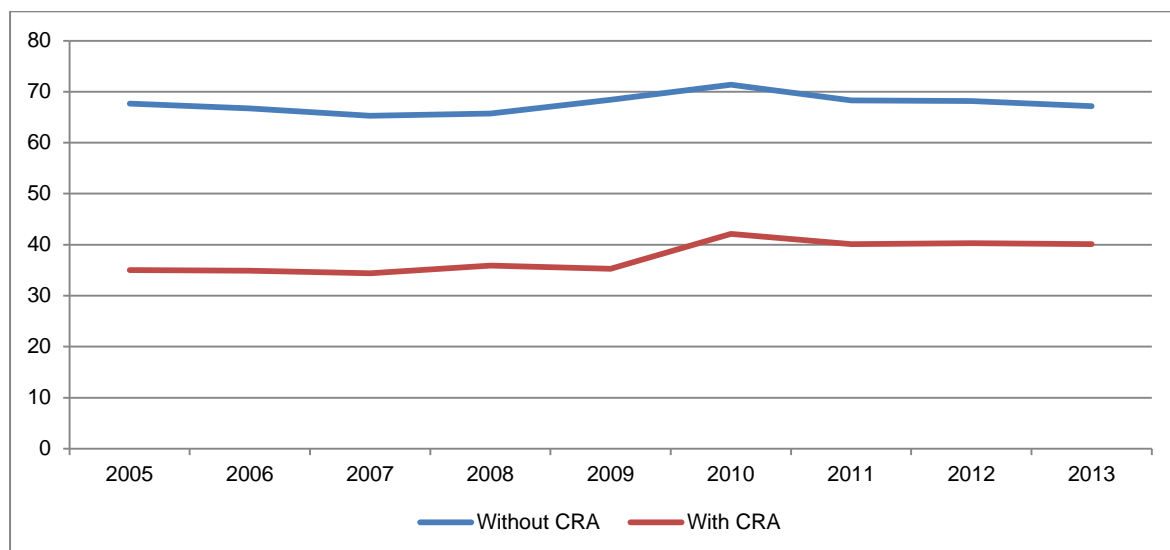
**Table 1: DSS payment type and rental stress before and after Rent Assistance, 2013**

Payment type	Before Rent Assistance		After Rent Assistance	
	Number	Percentage	Number	Percentage
Disability Support Pension	178,449	69.1%	76,538	29.6%
Age Pension	132,617	59.8%	62,917	28.4%
Carer Payment	23,492	55.6%	11,857	28.1%
Parenting Payment (Single)	90,246	66.6%	53,162	39.2%
Newstart Allowance	222,640	86.3%	155,378	60.2%
Youth Allowance (student)	68,423	89.2%	57,006	74.4%
Youth Allowance (other)	17,121	87.3%	13,535	69.0%
Austudy	21,619	87.5%	16,973	68.7%
Family Tax Benefit (only)	59,108	32.8%	34,895	19.4%
Parenting Payment Partnered	15,875	68.7%	11,201	48.5%
Other	13,757	86.9%	9,507	60.1%
<b>All</b>	<b>843,347</b>	<b>67.2%</b>	<b>502,969</b>	<b>40.1%</b>

<sup>21</sup> Senate Community Affairs Committee, Answers to Questions on Notice, Social Services Portfolio, 2013-14 *Supplementary Estimates Hearings*, Question No.216.

<sup>22</sup> Senate Community Affairs Committee, Answers to Questions on Notice, Social Services Portfolio, 2013-14 *Supplementary Estimates Hearings*, Question No.216.

**Figure 9: Proportion of DSS Rent Assistance recipients in housing stress before and after Rent Assistance**

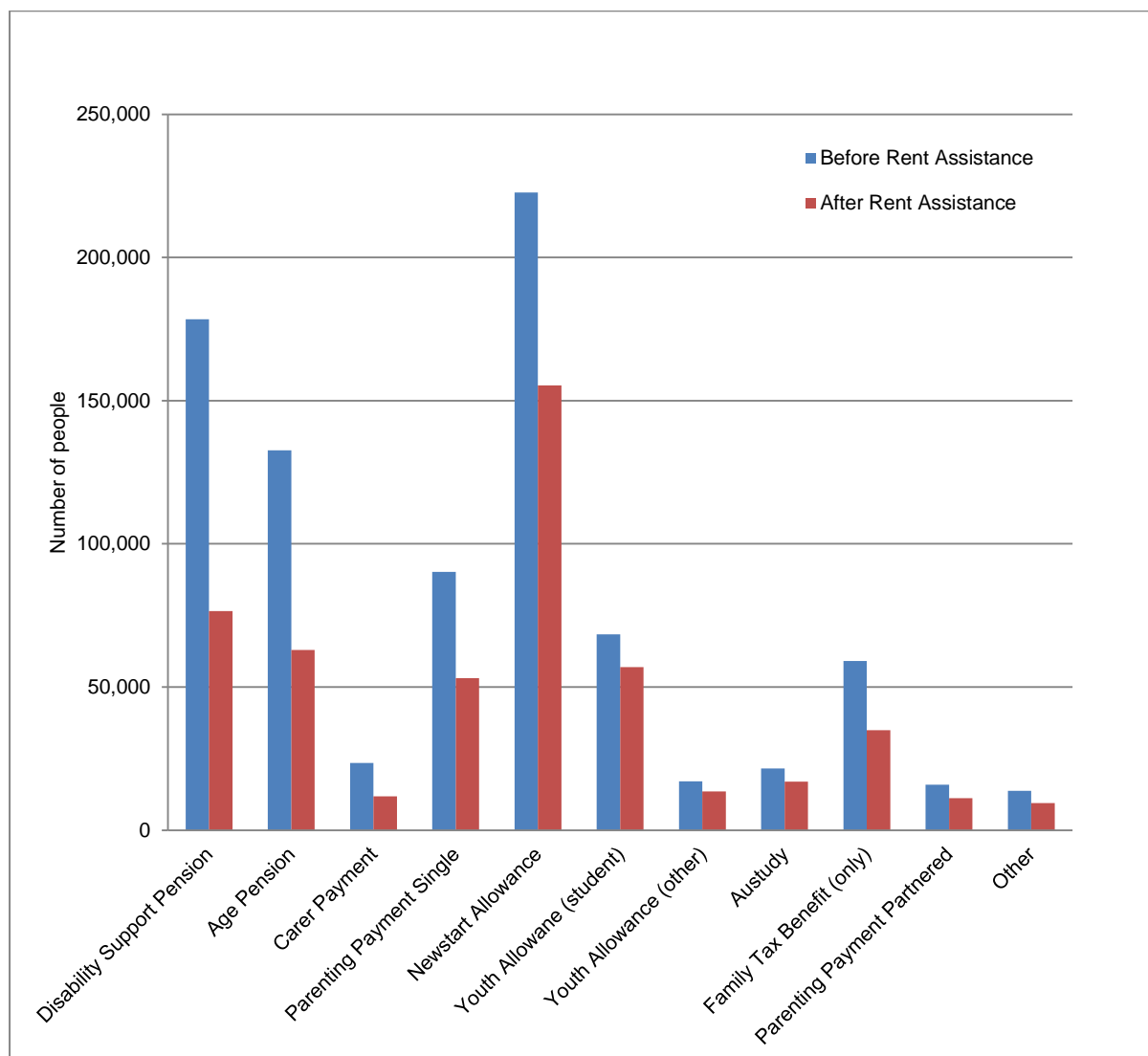


An examination of RA's contribution of reducing housing stress for different payment types is indicated in Table 2.<sup>23</sup> This table details those paying either 30 or 50% of their income in rent, by type of income-support payment. After Rent Assistance is paid, more than 40% of recipients are still in housing stress, with unemployed people and young people being overrepresented among those still in housing stress. Housing costs are particularly problematic for unemployed people, young people and students, many of whom pay more than 30% and 50% of their income in rent, as indicated in the table.

<sup>23</sup> Senate Community Affairs Committee, Answers to Questions on Notice, Social Services Portfolio, 2013-14 Supplementary Estimates Hearings, Question No.216.



**Figure 10: Number of DSS Rent Assistance recipients in housing stress before and after getting Rent Assistance, by payment type, June 2013**



**Table 2: DSS payment type of RA recipients paying more than 30% and 50% of income in rent**

	DSP	Age Pension	Carer Payment	Parenting Payment (single)	Parenting Payment (partnered)	Newstart Allowance	Youth Allowance (student)	Youth Allowance (other)	Austudy	FTB (only)	Other	TOTAL
Over 30% after RA (N)	76,538	62,917	11,857	53,162	11,201	155,378	57,006	13,535	16,973	34,895	9,507	502,969
Over 30% after RA (%)	29.6	28.4	28.1	39.2	48.5	60.2	74.4	69.0	68.7	19.4	60.1	40.1
Over 50% after RA (N)	15,951	14,705	2,462	8,112	4,420	63,606	29,939	5,161	8,101	8,090	4,288	164,835
Over 50% after RA (%)	6.2	6.6	5.8	6.0	19.1	24.7	39.1	26.3	32.8	4.5	27.1	13.1

The likelihood of an individual experiencing housing stress can sometimes depend on where they live; the most critical indicator is the type of Centrelink payment they get. Age (28%), Disability Support (30%) and Carers (28%) pensioners are much less likely to be

experiencing housing stress than unemployed people on the Newstart Allowance. Sixty percent of Newstart Allowance recipients pay more than 30% of their income in rent. Almost three-in-four young people studying spend more than 30% of their income in rent after receiving RA, as do nearly 40% of single parents on the Parenting Payment (Single).

Without RA, half of all unemployed people on the Newstart Allowance would pay more than half of their income in rent. This figure falls by 50% once RA is taken into account. By way of a reference point, the single Newstart Allowance currently stands at just \$252 per week<sup>24</sup>.

Nearly a quarter of all people in receipt of the Newstart Allowance are paying more than 50% of their income in rent, at 24.7%. The proportion of people on this Allowance that are experiencing severe rental stress was double that of all other individuals and families receiving RA. By contrast, only 13.1% of all RA recipients were spending more than 50% of their income on rent.

Three-in-four students on the Youth Allowance are living in housing stress, paying in excess of 30% of income in rent. Sixty-nine percent of young job seekers are under housing stress; an increase of six percentage points since September 2012. Many of these young people receive a reduced rate of RA, compounding the consequences of also receiving the lowest income-support payments.<sup>25</sup> A young person under 20 on Youth Allowance can receive as little as \$207.20 per week.<sup>26</sup> They are also affected by the Rent Assistance 'sharers' rules which can reduce the rate of RA by a third. This helps to explain why 74% of student Youth Allowance recipients are struggling to keep a roof over their head.

It is not surprising to find that unemployed people and students are more than twice as likely to face housing stress as are Age, Carer and Disability Support Pensioners. Twice as many young unemployed people than Age Pensioners are paying more than 30% of their income in rent. Unemployed adults are four times more likely than Age Pension recipients to be paying half their income to meet high rental costs. The \$150 per week difference between pensions and the Newstart Allowance, and very low rates of Youth Allowance and Austudy and Abstudy, are the most obvious explanation for the high proportion of people on Allowance payments who are experiencing housing stress.

Looking at *severe housing stress* ('housing crisis'), the data reveal that 164,835 households, or 13.1% of all Rent Assistance recipients, were paying more than 50% of their income in rent.<sup>27</sup> Of these households, 38%, or 63,606, were on the Newstart Allowance. There was also a very high proportion of young students on Youth Allowance paying excessively high rents, with 29,939 or 39% of students paying more than half of their income in rent.

Unemployed people are four times more likely than Age Pensioners to be paying over half of their weekly income in rent.

The proportion of pension recipients in *severe housing stress* was much smaller, with 6.2% of all Disability Support Pension recipients, 6% of Age Pensioners, 5.8% of Carer Payment

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<sup>24</sup> Payment rates as at 20 September 2013.

<sup>25</sup> See page 14 of this report for discussion of Rent Assistance 'sharers' rules.

<sup>26</sup> Rate as at 20 September 2013; rate for single person aged 18 who has no children and who is required to not live at their parental home.

<sup>27</sup> Senate Community Affairs Committee, Answers to Estimates Questions on Notice, Social Services Portfolio, 2013-14 Supplementary Estimates Hearings, Question No.216, Table 7.

recipients and 6% of those receiving Parenting Payment (Single) paying half of their weekly income on rent.

In total, 222,465 Age Pensioners received some Rent Assistance. As a result of increases to the Age Pension and the Pension Supplement, fewer Age Pension recipients experience *severe housing stress* compared to other recipient groups. However, there were 14,705 age pensioners paying more than half of their weekly income in rent. Many older renters are living a precarious situation<sup>28</sup>, especially older women on the single age pension, who make up 60% of the age pensioners in *severe housing stress*.

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<sup>28</sup> Andrew Jones, Martin Bell, Cheryl Tilse and George Earl, 'Rental housing provision for lower-income older Australians', Australian Housing and Urban Research Institute, Melbourne, 2007; Wendy Stone, Terry Burke, Kath Hulse and Liss Ralston, 'Long-term private rental in a changing Australian private rental sector', Australian Housing and Urban Research Institute, Melbourne, 2013.

## 7. Location and high rental costs

Below we highlight the states and territories where income-support recipients paying high rents were concentrated.<sup>29</sup> Greater numbers of people living in the capital cities, except for Queensland, are in housing stress and paying over 30% of income in rent. NSW has the highest numbers of renters in housing stress, with over 110,000 renters paying in excess of 30% in rent.

**Table 3: Total number of CRA recipients paying over 30% of income in rent by location, June 2013**

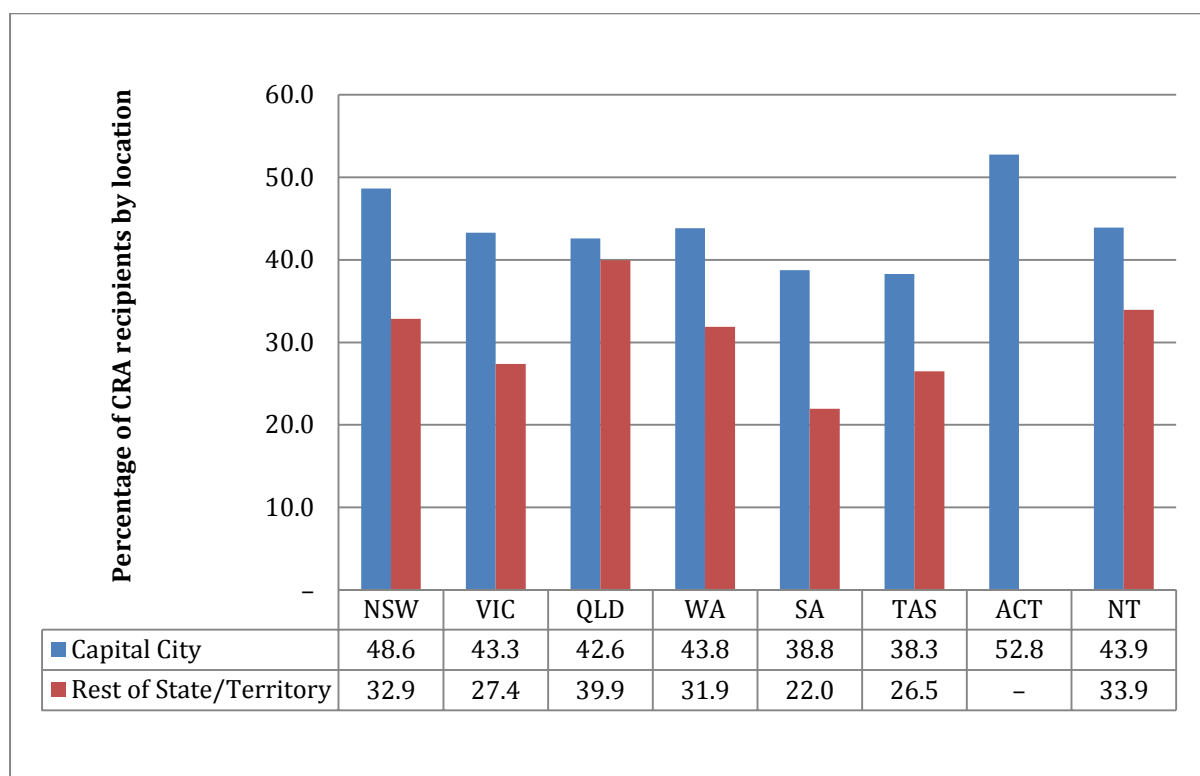
	<b>NSW</b>	<b>VIC</b>	<b>QLD</b>	<b>WA</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>
<b>Capital City</b>	110,620	86,251	59,783	33,312	28,483	5,453	5,633	2,044
<b>Rest of State</b>	62,504	23,426	68 874	6,448	4,489	4,848	---	613

The number and proportion of households receiving DSS Rent Assistance who are paying more than 30 per cent of income on rent, after Rent Assistance, by geographic location is highlighted in Figure 11, below.<sup>30</sup>

<sup>29</sup> Senate Community Affairs Committee Answers to Estimates Questions on Notice, Social Services Portfolio, 2013-14 Supplementary Estimates Hearings, Question No.216, Table 7.

<sup>30</sup> Productivity Commission, Report on Government Services 2014, Table GA.24.

**Figure 11: Proportion of DSS Rent Assistance recipients in housing stress after getting Rent Assistance, by location, June 2013**



While the nation’s capital – Canberra – has the highest proportion living in rental stress, at 53%, Sydney has the greatest number of its population living in rental stress, with over 110,600 Sydneysiders paying over 30% of income on rent.

Almost 45% of those living in capital cities are experiencing rental stress after Rent Assistance, while just a third of those living outside of a capital city are in rental stress.

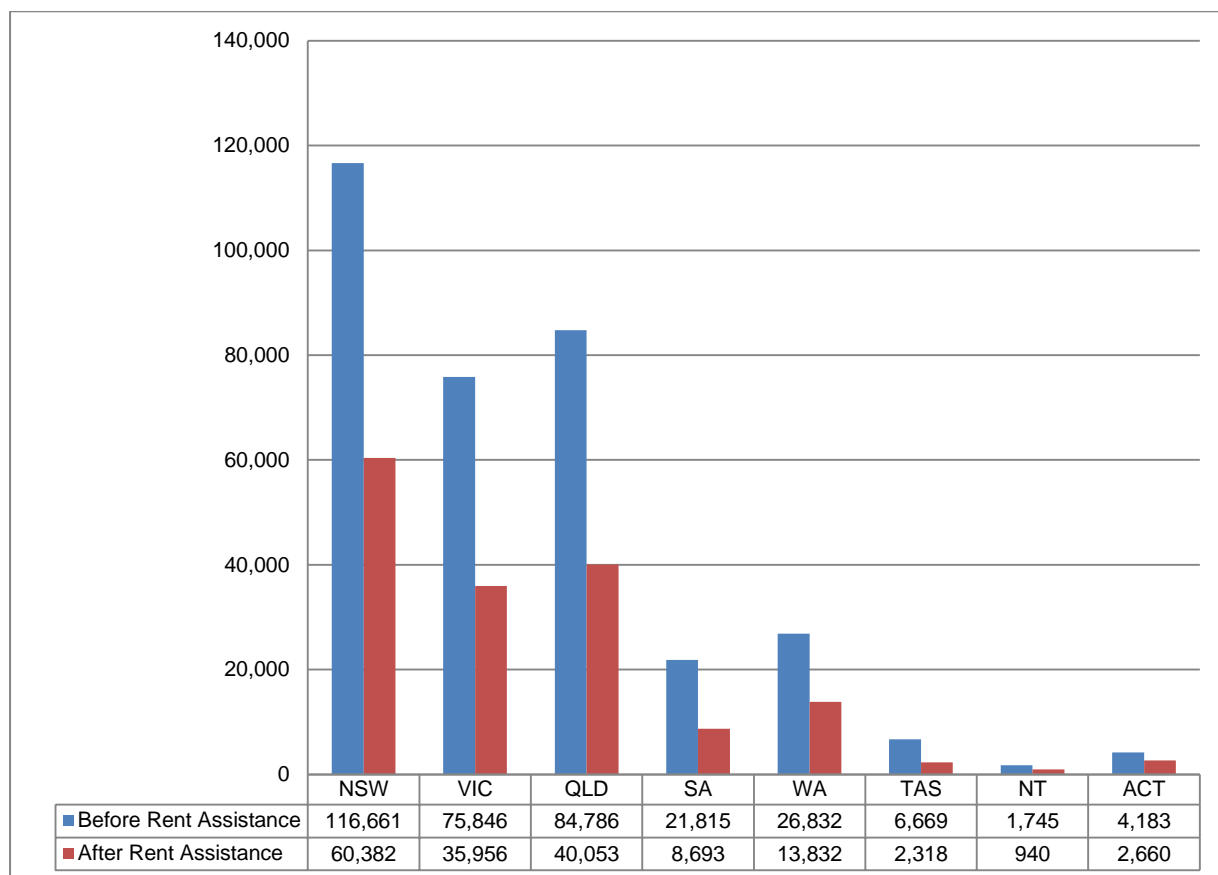
Not surprisingly, those living in Sydney, NSW, are more likely to live in housing stress than those living in other locations.

Without Rent Assistance, 70% of renters in Australia’s capital cities would be in housing stress; Rent Assistance reduces the proportion of people in cities in rental stress by almost 26%. Rent Assistance reduces the proportion of those in the areas outside the capital cities by 29%.<sup>31</sup>

One-in-four Rent Assistance recipients in the ACT experienced severe housing stress, with 2,660 people paying half of their income in rent (after RA), as shown in Figure 12. However, in numerical terms, those most affected lived in New South Wales, where over 60,000 recipients were paying half of their income in rent (after RA).

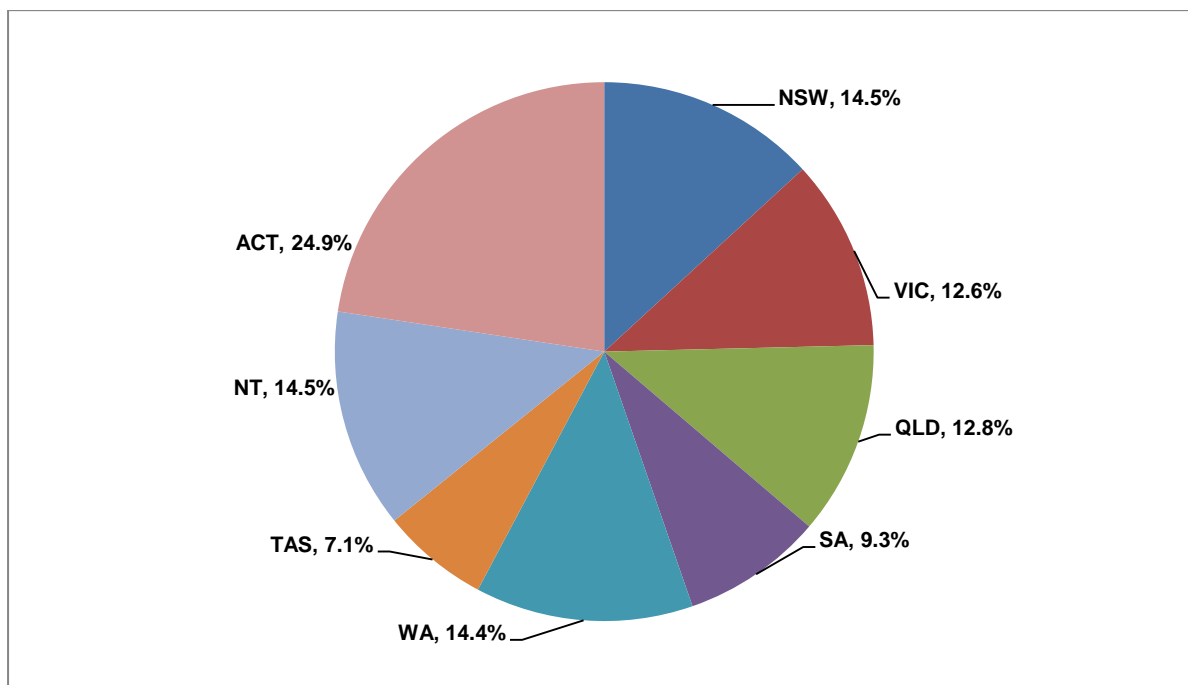
<sup>31</sup> Ibid.

**Figure 12: Number of DSS Rent Assistance recipients who paid more than 50% of their income in rent, before and after Rent Assistance, by state and territory, June 2013**



A quarter of those receiving Rent Assistance in Canberra spend more than half of their income on rent, as do just 1-in-7 people living in NSW and the ACT. South Australia has the lowest proportion of people paying half of their income in rent, with less than 1-in-10 spending half of the weekly income to maintain rental accommodation, as shown in Figure 13.

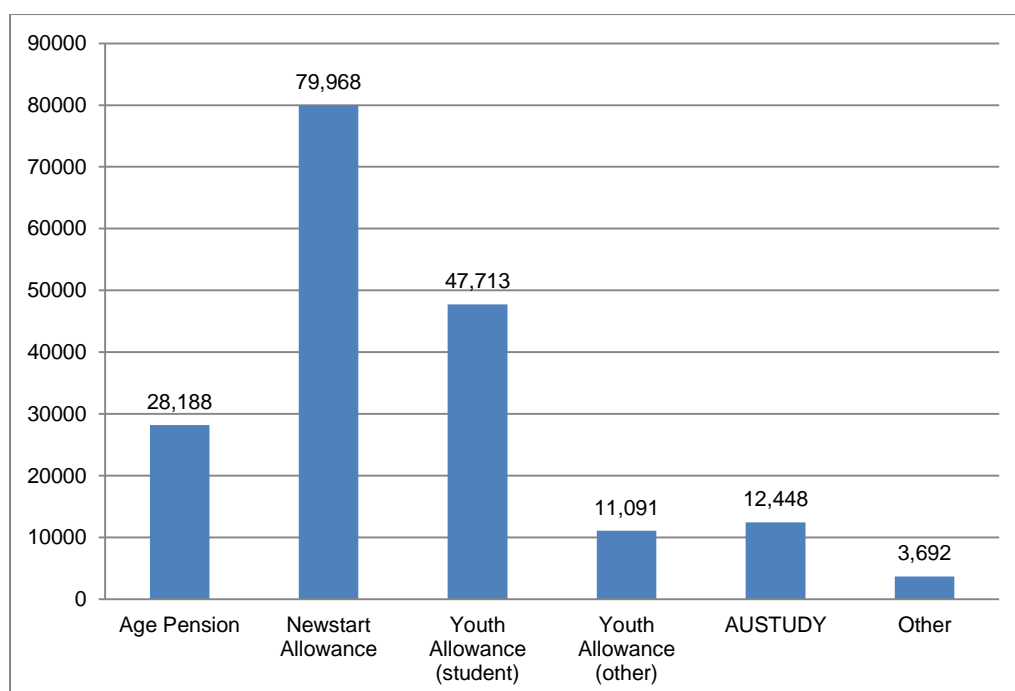
**Figure 13: Location of DSS Rent Assistance recipients who paid more than 50% of income on rent, after Rent Assistance, proportion by state and territory, June 2013**



## 8. 'Sharers' rules

Some people receiving income-support payments are affected by 'sharers' rules, which regulate the amount of payment received for recipients who share their housing with other people, reducing the rate of payment on the assumption that there are 'economies of scale available to sharers'.<sup>32</sup> These rules reduce the amount of RA by a third if a single person is sharing accommodation. There were 183,160 people in this situation, at June 2013; the breakdown by payment type is indicated in Figure 14.<sup>33</sup> The number of renters subject to the 'sharers' rules increased by 15,440 since September 2012, a rise of 8.4%.<sup>34</sup>

**Figure 11: Number of DSS RA recipients affected by 'sharers' rules, by payment type**



Three out of four people affected by the sharers rules are on the lowest social security payments, with 44% on the Newstart Allowance, 26% receiving student payments, 7% were Austudy Payment recipients and further 6% are aged under 22 and looking for work, as shown in Figure .<sup>35</sup> Fifteen percent of those receiving lower amounts of RA were Age Pensioners.<sup>36</sup> One-in-seven people receiving Rent Assistance are affected by the 'sharers' rules.

<sup>32</sup> Australian Government, 'Sharers provisions for RA', *Guide to social security law*, version 1.2.02, released 10 February 2014, online at <[http://guidesacts.fahcsia.gov.au/Guides\\_Acts/ssg/ssguide-3/ssguide-3.8/ssguide-3.8.1/ssguide-3.8.1.110.html](http://guidesacts.fahcsia.gov.au/Guides_Acts/ssg/ssguide-3/ssguide-3.8/ssguide-3.8.1/ssguide-3.8.1.110.html)>, viewed 25 February 2014.

<sup>33</sup> Senate Community Affairs Committee Answers to Estimates Questions on Notice, Social Services Portfolio, *2013-14 Supplementary Estimates Hearings*, Question No.216, Table 5.

<sup>34</sup> Senate Community Affairs Committee Answers to Estimates Questions on Notice, Families, Housing, Community Services and Indigenous Affairs Portfolio, *2012-13, Supplementary Estimates Hearings*, Question No.520, Table 5.

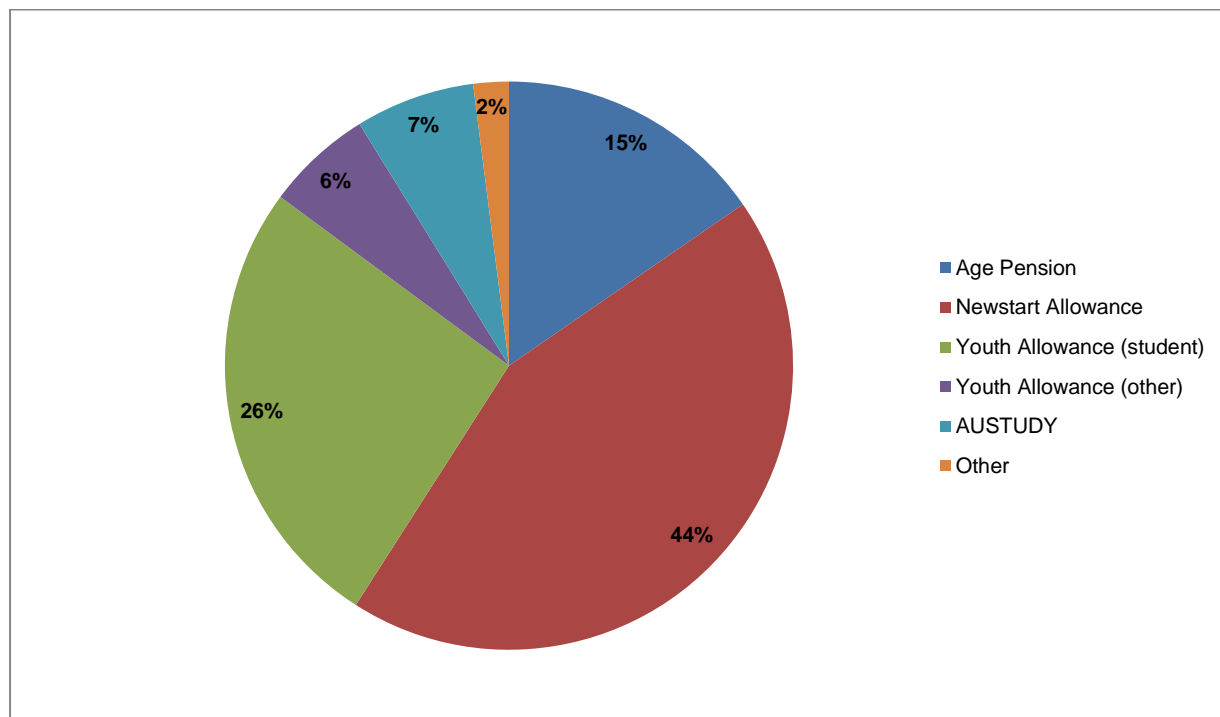
<sup>35</sup> Senate Community Affairs Committee Answers to Estimates Questions on Notice, Social Services Portfolio, *2013-14 Supplementary Estimates Hearings*, Question No.216, Table 5.

<sup>36</sup> The following groups of income-support recipients are not affected by the sharers provisions: boarders and lodgers; Disability Support Pension recipients; Carer Payment recipients; recipients in nursing homes; single parents sharing accommodation only with their recipient children; and singles living in a caravan, boat or a mobile



Single 'sharers' receiving RA were more likely to be experiencing *severe rental stress* than any other group. The sharer Rent Assistance rules adversely affect low income earners by linking RA payments to the residential status of the occupant rather than financial need and the amount they pay in rent.

**Figure 15: Percentage of DSS Rent Assistance recipients impacted by 'sharers' rules**



## 9. The contribution of income support to housing affordability

Adequate income-support payments are central to combating poverty and to reducing housing unaffordability. The Government could make a number of improvements to the current Rent Assistance arrangements to help those struggling in rental housing.

Newstart Allowance is not a short-term payment: 2-in-3 Newstart Allowance recipients have been out of work for more than 12 months; 22% have been unemployed for between 2 and 5 years, and a further 28% or 186,500 out of work for over 5 years.<sup>37</sup> High rental costs, combined with an extremely low rate of Newstart, are placing hundreds of thousands of

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home on their own, even if they are sharing a major area of accommodation in a caravan park or marina ('Sharers provisions for RA', *Guide to social security law*, version 1.2.02, released 10 February 2014).

<sup>37</sup> Senate Community Affairs Committee, Answers to Questions on Notice, *Social Services Portfolio, 2012-13 Supplementary Estimates Hearings, Question No.210*.

individuals and families in housing stress and at risk of homelessness. Low rates of social security payments also undermine efforts to find work.

In its submission to the Commonwealth government on the 2014-15 Budget, the Australian Council of Social Service (ACOSS) and the National Welfare Rights Network recommended that the level of payments for Newstart Allowance, Youth Allowance and other Allowance payments for single adults and young people living independently of their parents be raised by \$50 per week.<sup>38</sup> This recommendation is consistent with the findings of the Australia's Future Tax System Review Panel ('Henry report') in 2009. A \$50 per week increase has been widely supported by community and welfare organisations, as well as organisations like the Business Council of Australia and the Australian Industry Group. This increased expenditure would cost \$400 million in 2014-15 and \$1,800 million in 2015-2016.

ACOSS and NWRN also recommended that the maximum rate of Rent Assistance be increased by 30% (around \$19 per week), to assist people on low incomes to meet rising rental costs. This expenditure would cost \$880 million (\$920 million in 2015-16).

The method by which Rent Assistance is currently indexed places the recipients at a significant financial disadvantage because it is continually shrinking as a proportion of real increases in rental costs. Increases in rent assistance are linked to the CPI. The problem is that there is a significant statistical disconnect between CPI data collection and the sum of rent payable by rent assistance recipients — as noted by the Henry report.<sup>39</sup> This problem arises because rent comprises some 6% of the CPI basket, and yet rent consumes around 35% of income received by RA recipients. A much fairer and equitable approach would be to index RA to increases in national rents paid by income support recipients.

## Recommendations

### Recommendation 1

The Commonwealth Government should increase the single rate of Newstart Allowance, Youth Allowance, and other Allowance payments for single adults and young people living independently of their parents by \$50 per week.

### Recommendation 2

The Commonwealth Government should increase the maximum rate of Rent Assistance by 30%.

### Recommendation 3

The Commonwealth Government should link increases in Rent Assistance to movements in national rents and not the Consumer Price Index.

### Recommendation 4

The Commonwealth Government should abandon the 'sharers' Rent Assistance rules, and link all payments of Rent Assistance to the level of rent paid rather than the nature of a person's accommodation arrangements.

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<sup>38</sup> Australian Council of Social Service, 'Budget priorities statement 2014-2015', National Welfare Rights Network, 2014-15 Federal Budget Priorities.

<sup>39</sup> Australia's Future Tax System Review Panel, *Australia's future tax system: report to the Treasurer, Part Two — Detailed analysis*, Volume 2 of 2, 2009, p.603.



## 10. Explanatory notes

An income unit comprises a single person (with or without dependent children) or a couple (with or without dependent children). Single social-security recipients living together in the same household are regarded as separate.

One member of a couple is treated as the reference person for the income unit, based on the type of payment they receive. The general order of priority is Pensions, Allowances, and Family Tax Benefit (FTB). An income unit will be reported as receiving Parenting Payment (partnered) if their partner is not receiving another social security payment. They will only be reported as receiving FTB Part A if neither receives a social-security payment.

'Other payments' includes payments such as Bereavement Allowance, Sickness Allowance, Special Benefit, Widow Allowance, Emergency Circumstance Payment, etc., and individuals with regular care children between 14% and 35% eligible for Rent Assistance.

Australian total includes income units in other territories and unknown addresses.

Percentages might not sum to 100.0 due to rounding.

Income-support recipients exempt from sharers rules include income units with dependent children, partnered and those receiving Disability Support Pension and Carers Payment.

Data used in this report can be found at Senate Community Affairs Committee, 'Answers to Questions on Notice', Social Services portfolio, *Supplementary Budget Estimates 2013-14*, Question No.216, Tables 1-7, online at <[http://www.aph.gov.au/Parliamentary\\_Business/Senate\\_Estimates/clacctte/estimates/sup1314/DSS/index](http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/clacctte/estimates/sup1314/DSS/index)> (viewed 18 February 2014), and Steering Committee for the Review of Government Service Provision, *Report on government services 2014*, Productivity Commission, Melbourne, 2014, online at <<http://www.pc.gov.au/gsp/rogs/housing-homelessness>> (viewed 23 February 2014).