

An international review of housing allowances

Commonwealth Rent Assistance (CRA), with just under a million recipients, is the most extensive form of government housing assistance for low income households in Australia. This study, by Kath Hulse of the AHURI Swinburne-Monash Research Centre, compares the CRA model with equivalent models in three countries with similar housing systems: New Zealand, Canada and the United States. The research examines the objectives, design, implementation and outcomes of demand subsidy models for private renters (housing allowances) in the four countries. The purpose of the research is to inform the current debate about CRA and housing assistance in Australia.

KEY POINTS

- Most housing allowance models in the four countries are, like CRA, embedded in income support systems rather than operating as separate housing assistance programs.
- Australia's CRA, the accommodation supplement in New Zealand and the Quebec shelter allowance scheme are effectively hybrids between income support and housing assistance, and provide income supplements aimed at addressing problems of housing affordability.
- The current driver for change in income support and housing allowance arrangements is the pursuit of welfare reform objectives, particularly increasing the workforce participation of welfare recipients.
- Whilst most housing allowance recipients are private renters, housing allowance schemes in the USA, Canada and New Zealand include some provision for assisting home purchasers. CRA in Australia, however, and small-scale highly targeted programs in some Canadian provinces, do not assist home ownership.
- CRA in Australia is the only housing allowance program considered in this study that does not take into account variations in rent levels between different cities and regions.
- There is no evidence in the four countries that housing allowances have stimulated an increase in the supply of rental housing that is affordable for households in receipt of housing allowances; instead, there is a decreasing supply of affordable housing.

CONTEXT

The role of CRA and its relationship with other forms of housing assistance has been the subject of intermittent policy debate in Australia for the last decade. This was stimulated by the National Housing Strategy process (1990-92), the work of the then Industry Commission (1993), and proposals from both Labor and Coalition Commonwealth governments to integrate CRA with assistance under the Commonwealth-State Housing Agreement (1995-97).

The review process has highlighted the design, implementation and outcomes of CRA and its role in broader housing assistance policy. Previous policy work was primarily undertaken by the Commonwealth and state/territory governments. Some studies were also completed by academic and other non-government researchers.

The purpose of this research project is to compare and evaluate different housing allowance models, particularly for private renters, in the countries with housing systems most similar to Australia. These four countries are English speaking with a 'liberal welfare regime'. They share similar housing systems with large ownership sectors, relatively large private rental sectors and small social housing sectors. The project adopted a 'most similar' method of comparative analysis so as to understand patterns of diversity between countries. Research included a literature review, document and data search, contact with key informants in each country and a field trip to New Zealand.

Detailed consideration of other housing allowance models and their outcomes has enabled a clearer appreciation of the particular features of CRA and policy options that could be considered in the Australian context.

FINDINGS

HOUSING ALLOWANCE MODELS

This study has identified three principal types of housing allowance models in the countries under consideration. Other countries may have different systems.

Income Deficit: The emphasis is on the overall adequacy of income. It is found in Canada, the USA and New Zealand. It seeks to provide adequate support for housing expenses as these may vary more widely than other kinds of expenses. The US program, TANF, is only for families with children and is limited to a maximum of five years' support. It is based on the deficit of income compared to household expenditures, with some specific provision for housing expenditures as a part of this calculation. TANF subsidies are mostly used to fund private rental accommodation.

Income Supplement: The emphasis is on the adequacy of income tagged for housing costs. It is known as CRA in Australia and there are equivalent programs in Canada and New Zealand. It seeks to supplement housing costs for particular groups. In Australia eligible households are those that receive an income support payment or who have dependent children and receive specific family tax benefits. This supplement is in addition to income support payments or other sources of income.

Housing Assistance: The emphasis is on housing expenditures and the adequacy and appropriateness of housing for specific groups. It takes the form of housing vouchers in the US and housing allowances in British Columbia, Canada. US housing vouchers are available to groups such as low income families, the elderly and disabled. Housing assistance does not form a part of the income support system and in the US housing voucher accommodation must be affordable, adequate and appropriate. Funds are rationed and limited – there is no entitlement to assistance.

DESIGN AND FINANCING

- People in public and community housing are usually not also recipients of housing allowances.
- Australia's CRA is the only housing allowance program in the study that does not include provision for regional variation in housing costs. However, more assistance is targeted to people paying higher rents.
- The US housing vouchers program is the only scheme which explicitly includes an affordability outcome. On the other hand, it provides no entitlement to assistance, has pre-set budgets and allocation is competitive and rationed by means of waiting lists.
- The income supplement model of housing allowances carries the most risks to governments in terms of cost control. Budgets can only be estimated, as actual program costs are demand driven.

OUTCOMES

- Data on housing outcomes is limited, particularly where payments are embedded in income support systems.
- The main recipients of housing allowances are sole parents and single people who are of workforce age and who depend, at least in part, on income support payments.
- Most recipients rent privately. Private rental includes shared housing and boarding.
- Recipients still pay a high proportion of their income in rent. One in ten recipients in Australia and New Zealand pay more than half of their income in housing costs; 69% of Australian recipients of CRA pay more than 30% of their income in rent before CRA, which is reduced to 33% of recipients after the payment of CRA, according to the Department of Family and Community Services' 2000-01 Annual Report.
- As well as concerns over affordability, issues also arise with housing stock that is of poor quality or too small in size for the household.

WELFARE REFORM

The participation by welfare recipients in society and the workforce is one of the aims of recent policy

directions in welfare reform. This aim has been one of the drivers for change in housing policy. In the USA and Canada, programs to provide assistance with basic living costs (including housing) for households of workforce age have been reconceptualised as employment programs that include a limited transitional cash assistance component. It is not yet known what impact recent changes in Australia and New Zealand – such as mutual obligation schemes and simpler payment structures – will have on housing allowances.

RENTAL MARKET ISSUES

A major concern remains with the inadequate and diminishing supply of affordable rental properties for those who are eligible for housing allowances. Compared to Canada and the USA, a greater proportion of recipients in Australia and New Zealand do not receive rent subsidies. Overall housing allowances have not resulted in an increase in the supply of lower price private rental housing.

POLICY IMPLICATIONS

Flowing from the three models of housing allowances identified in the research, the authors suggest three broad policy options for Australia:

1. Wrap up CRA into general income support;
2. Redefine CRA as a specific housing assistance program; or
3. Continue with CRA under the income supplement model with modifications.

In the first option, although moving to an income deficit model is unlikely in the Australian policy context of a national income support system based on the principle of horizontal equity, it would be possible to move to a general income support model. Under this model, provision for variations in housing costs would be included in the calculation of basic income support payments. This might entail differentiating payments into three categories: a fixed component to cover basic living expenses other than housing; a variable component for housing costs; and a variable component for special

assistance, such as with the costs associated with a disability. Such a system might be applicable to those expected to be long-term income support recipients, such as the elderly, whose housing arrangements would be unlikely to change frequently.

The second option is for housing allowances to be provided as a separate housing assistance program in addition to initiatives to increase the supply of affordable housing for specific groups. Access would be based on housing need and not restricted to income support recipients. This would provide the opportunity for housing allowances to be implemented with other forms of assistance such as bond, rent in advance and relocation schemes, such as some state/territory programmes.

The third option is to retain the income supplement model but to introduce changes in design or targeting. This would be applicable for households of workforce age in receipt of income support in the short to medium term. Rent thresholds and CRA maxima could be linked to region as well as household size. It would also be possible to increase rent thresholds and CRA maxima to target payments for those with higher housing costs. Consideration could be given to the extension of CRA to home owners such as sole parents in the family home and Austudy recipients.

In summary, the policy implications of the research suggest consideration of moving away from a 'one size fits all' model of CRA. A combination of welfare reform and changes to the labour market mean that there is no longer a clear distinction between those in receipt of income support and working households. Many households will receive income through a combination of part income support, part wages and tax credits/benefits, and their employment status may fluctuate. Others may be in receipt of wages but still face problems of housing affordability, particularly if there is only one income earner. Different types of housing allowances may be required to address these different sets of circumstances.

FURTHER INFORMATION

For more information about this research project, the following papers are available:

Positioning Paper:
www.ahuri.edu.au

Final Report:
www.ahuri.edu.au

Or contact AHURI National Office on +61 3 9613 5400.



Australian Housing and Urban Research Institute

Level 7, 20 Queen Street, Melbourne Victoria 3000

PHONE +61 3 9613 5400 FAX +61 3 9629 8536 EMAIL information@ahuri.edu.au WEB www.ahuri.edu.au

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