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**AHURI submission to Inquiry on the adequacy of Newstart and related payments
2019**

On behalf of the Australian Housing and Urban Research Institute (AHURI) I am pleased to make a submission to the Senate Standing Committee's Inquiry on the adequacy of Newstart and related payments.

This submission provides a short summary of Australian Housing and Urban Research Institute (AHURI) research addressing Commonwealth income support payments. AHURI research is available free from www.ahuri.edu.au.

AHURI has conducted extensive research on low income earners, including those reliant on income support and their ability to access and afford housing. We believe the AHURI evidence base provides an important contribution to matters relating to income support adequacy, its links with housing assistance (like Commonwealth Rent Assistance) and its downstream effects on community housing providers and rental investors. AHURI research has also touched on many of the key groups accessing income support payments, including those who are homeless, those experiencing domestic and family violence, Aboriginal and Torres Strait Islanders and refugees. This submission points to AHURI research that is relevant to the issues raised in the terms of reference.

If there is any way we can be of further assistance, please contact me directly on 03 9660 2300.

Yours sincerely,

Dr Michael Fotheringham
Executive Director



AHURI Submission to Senate Standing Committee on Community Affairs on adequacy of Newstart and related payments

Australian Housing and Urban Research Institute

2019

About AHURI

AHURI is a national independent research network with an expert not-for-profit research management company, AHURI Limited, at its centre. As the only organisation in Australia dedicated exclusively to housing, homelessness, cities and related urban research, AHURi is a unique venture. Through our national network of university research partners, we undertake research leading to the advancement of knowledge on key policy and practice issues.

AHURI research informs the decision-making of all levels of government, non-government sectors (both private and not-for-profit), peak organisations and the community, and stimulates debate in the media and the broader Australian community.

Our funding is received from three sources: grants from the Australian and all state and territory governments, contributions from our university partners; and through our Professional Services.

National Housing Research Program

Through our National Housing Research Program (NHRP), AHURI invests around \$4 million each year in high quality policy-oriented housing research and associated activities. We broker engagement between policy-makers, key stakeholders and researchers, which allows us to undertake research that is immediately relevant and actively contributes to national housing policy development.

Research on key policy issues is conducted by our network of expert university research partners who undertake a variety of research activities, ensuring the flexibility to undertake longer-term projects when fundamental research is needed, while also responding quickly to new strategic policy issues as they arise.

There are eight AHURI Research Centres across Australia:

- AHURI Research Centre—Curtin University
- AHURI Research Centre—RMIT University
- AHURI Research Centre—Swinburne University of Technology
- AHURI Research Centre—The University of Adelaide
- AHURI Research Centre—The University of South Australia
- AHURI Research Centre—The University of New South Wales
- AHURI Research Centre—The University of Sydney
- AHURI Research Centre—University of Tasmania.

Professional Services

AHURI Professional Services draws together in-depth understanding of housing, homelessness, cities and urban policy with expertise in research management, brokerage, synthesis and dissemination, and draws in a wide range of expertise from AHURI's national network of university Research Centres.

Conferences, events and engagement

Our conferences, events and communication strategies stimulate professional and public dialogue. We are innovative in the ways in which we disseminate research and engage with government, private, not-for-profit sectors and the community.

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AHURI has undertaken extensive research on low income households, including those reliant on income support payments and those that receive housing assistance, including Commonwealth Rent Assistance (CRA). This submission provides a summary of AHURI research relevant to the Inquiry's terms of reference in relation to the adequacy of Newstart and related payments.

AHURI evidence is presented in response to each of the Inquiry's terms of reference. Because most of AHURI's research is focused on housing and housing assistance, the evidence we reference mainly considers how well those on income support are able to access, afford and remain secure in housing, but also how well those on income support and housing assistance are able to access employment.

A list of AHURI reports and their web links is provided on the final pages.

A What constitutes an acceptable standard of living in Australia, including the cost of safe and secure housing?

A.1 Australians should be able to have access to affordable, safe and secure housing as part of an acceptable standard of living

A key issue in determining the adequacy of income support payments is whether they support an adequate standard of living and are sufficient to cover major costs of living. The most important of these costs is housing; it would therefore be important for policy makers to ensure that those relying on income support payments are able to access affordable and secure housing.

Accessing housing that is affordable is an important element in enabling a good standard of living. The most commonly used benchmark of affordability in Australia is that housing costs should not exceed 30 percent of gross incomes, but there are also other measures of affordability that are available. AHURI has researched issues around housing affordability measurement extensively (e.g. Gabriel et al. 2005) and has shown that the main problem of housing affordability is among low income earners renting (Yates and Milligan, 2007). In addition, AHURI research has shown that there is a lack of supply of private rental housing that is affordable to low income earners such as income support recipients, and many of the dwellings that are affordable are occupied by higher income earners (Hulse et al. 2015).

Accessing secure housing is also important for many households, especially families. AHURI research has shown that security of housing encompasses a range of concepts that go beyond security of tenure (Hulse and Saugeres, 2008). The research has highlighted the fact that many of those on low incomes face insecurity of tenure (especially in the private rental market) but also feel unsafe in their housing (often in public rental).

A.2 Housing affordability stress is high among income support recipients, especially among those renting privately

AHURI has researched housing affordability outcomes, including among low income earners. Those not able to achieve housing affordability are deemed to be experiencing housing affordability stress (HAS) (Rowley and Ong, 2012; Burke et al. 2012; Yates and Milligan, 2007).

- Housing Stress is the most widely used measure of housing affordability in Australia. Also called the 30/40 indicator, it measures the number of households in the lowest 40 per cent (by household income) that have housing costs exceeding 30 per cent of their income. The reason this measure focuses on the outcomes in the lowest 40 per cent of household incomes is because those households are most likely to face constraints around income and their choices in housing.
- The residual income method is a more nuanced approach to calculating HAS (Burke et al. 2012). The residual income method calculates how much income is left over to cover housing costs after other typical household expenditures (estimated using a budget standard) have been deducted. If insufficient funds remain to cover housing costs after usual household expenditures have been paid for, these households are deemed to have a housing affordability problem. The

residual income method is a better indicator of income adequacy because it takes into account other household expenditures and taxation as well as housing costs.

The evidence using the 30/40 measure shows that a high number of Australian households experience HAS, especially low income households in the private rental sector (see for example, Yates et al. 2007). In 2017-18, 57 per cent of all low income private rental households experienced HAS. Relatively few households in public housing experience HAS because most have rebated income based rents (usually set around 25 per cent of income).

AHURI research has shown that even with housing assistance (Commonwealth Rent Assistance or CRA), many income support recipients in the private rental market experience HAS (AHURI, 2019). In 2018, 528,400 (40.3%) of the 1.3 million income units receiving income support payments and CRA were in HAS (Table 1). Without CRA, the proportion of those on income support payments experiencing HAS would have been even greater (68.3%).

Table 1: Income units receiving income support and CRA who are in HAS, 2018

Category	Total income units	Income units in HAS	Per cent in HAS	
			With CRA	Without CRA
All income support payments	1,311,187	528,408	40.3%	68.3%
Aged 24 years or under	122,416	70,298	57.4%	78.4%

Source: Productivity Commission Report on Government Services Part G, 2019 Table GA 13 and Table GA 11. The Productivity Commission do not report data on HAS for Newstart or Youth Allowance recipients.

In 2018, approximately 274,000 income units received a combination of Newstart allowance and CRA; an additional 66,900 income units received Youth Allowance plus CRA. It is likely that the rates of HAS among these income support recipients is even higher. For example, 57.4 per cent of all income units aged 24 and below were paying more than 30 per cent of their incomes in housing costs even with CRA. Had they not received CRA, this would have been even higher (78.4%).

Recent critiques of the 30/40 indicator included that 40 per cent of those in HAS rated their financial prosperity as 'reasonably comfortable' or better and that movements out of HAS are not significantly associated with any improvement in financial wellbeing (Rowley et al. 2011). The duration of HAS is frequently short and most people exit HAS within a year (Wood et al. 2014). This has led researchers to suggest that policy makers focus on households that are in the lower income distribution and experience recurrent or persistent housing affordability stress.

Certain groups, including low income earners, unemployed persons, families with dependent children, migrants from non-English speaking backgrounds and self-employed persons, are more likely to experience repeated or recurring HAS (Wood et al. 2015) and are likely to overlap with those on income support payments, especially Newstart. Housing affordability problems and financial stress are closely linked to common risk factors of low income, youth, having only one adult in the household and renting (Yates, 2007). AHURI research shows that those in HAS are more likely to report cash flow problems and financial deprivation compared to those without HAS (Rowley et al. 2011).

Compared to the 30/40 indicator, the residual income measure tends to show higher rates of HAS among lower income earners and lower rates of HAS among higher income earners. Using the residual income method, Burke et al. (2012) calculated that 33.9 per cent of all households were in HAS, compared to 23.9 per cent when the 30/40 indicator is used; they also found that most (65%) of public housing tenants were in HAS.

Importantly, the residual income approach reveals that most households (75%) experiencing HAS are in the lowest two income deciles. This overlaps with income support recipients—73 per cent of those in those two deciles had income support payments as their main source of income. The researchers argue that ‘housing affordability problem is as much an income support problem as a housing cost one’ (Burke et al. 2012: 3).

A.3 At present, many income support recipients rely on the private rental market which is not a secure or affordable tenure

AHURI research shows that almost half of all private renters received some form of income support payment, suggesting a significant linkage between private rental and need for income support (Hulse et al. 2012).

AHURI research on the housing tenures of income support recipients also finds that the private rental market is the most common tenure for income support recipients of working age. While the data is now somewhat dated, Table 1 shows that 37.4 per cent of unemployed income support recipients were in the private rental market; 12.4 per cent were home owners; 5.4 per cent were purchasing their home; only 3 per cent were in public housing.

Table 2: Tenure of income support recipients by selected income support type at last observation

	Unemployed	Sole parent	Disability	Student	Age
Homeowners	12.4	15.9	33.7	1.7	60.1
Private renters	37.4	43.9	21.8	24.2	7.2
Rent-free	18.6	8.3	9.8	29.9	5.8
Boarders/lodgers	14.1	7.3	11.4	8.0	4.2
Non-homeowners	8.4	1.5	2.6	34.5	1.8
Public renters	2.9	12.9	14.5	0.6	5.7
Purchasers	5.4	9.8	3.1	1.1	0.7
Aged Care	0.0	0.0	1.3	0.0	11.7
Other rent	0.8	0.4	1.7	0.1	2.9
Total	100	100	100	100	100

Source: Seelig et al. (2008). This data relates to income support recipient data from a Department of Social Services longitudinal database 1993 to 2001.

A significant proportion of unemployment benefit recipients depended on others to provide housing for them: many were living rent free (18.6%), lodging or boarding (14.1%), or living with other home owners (8.4%).

Most students lived in someone else's home (34.5%), rent free (29.9%) or rented privately (24.2%). A high proportion (43.9%) of sole parents rented privately and 9.8 per cent were purchasing a home (Seelig et al. 2008).

Only about 10 per cent of private rental tenants in receipt of income support were stably housed and able to sustain their tenancies. Most used private rental as a temporary tenure, there was a 'revolving door' in and out of social renting and homelessness; only a small minority was on a path to home ownership (Seelig et al. 2008).

A.4 Housing need measures indicate a future rising demand for housing assistance

An additional measure that may be relevant to policy makers in understanding how to account for affordable, safe and secure housing is that of housing need. This refers to the 'aggregate of households unable to access market provided housing or requiring some form of housing assistance in the private rental market to avoid a position of rental stress' (Rowley et al. 2017). AHURI research suggests that current housing need in Australia is around 1.3 million households (just under 14% of all households); this is estimated to rise to 1.7 million households by 2025. The number of households requiring CRA to avoid rental stress is projected to rise from 806,100 in 2017 to 1,017,100 in 2025 (Rowley et al. 2017).

B What is the impact of the labour market, unemployment and underemployment on long term reliance on income support?

B.1 Public housing residents have poorer employment outcomes and are more likely to face poverty traps

AHURI research has found that the employment profile of persons in receipt of housing assistance is worse than that of income support beneficiaries not receiving housing assistance (Kelly et al. 2005; Whelan and Ong 2008). Very high proportions of public housing residents do not have jobs (Wood et al. 2007). Declines in employment among male public housing tenants have been largely due to the increased targeting of limited public housing stock towards those with higher needs and lower skills, but the poor employment outcomes for women are not explained by this factor, since they also display improved skill sets (Wood et al. 2007).

One potential reason for poorer employment is that income support recipients and workers receiving housing assistance are more likely to face poverty traps than other workers (Dockery et al. 2008a). These poverty traps come about in part because of the interaction between income support and the taxation system. While this affects all people considering work, public housing tenants face additional employment disincentives as income based rents mean that 'one dollar of every four earned goes on extra rent up to the ceiling of market rents' (Saugeres and Hulse, 2010: 16). This issue is taken up in more detail in section L of this submission.

Entry into public housing confers many benefits for residents including a greater sense of autonomy, control and increased residential stability and reduced stress. While this improves self esteem and improves capacity to focus on career development, public housing is also too valuable a subsidy to give up and workforce participation is not as enticing, especially where tenants are located in job markets where wages are low or work is insecure (Lewis, 2006).

AHURI research has investigated how income support payments and housing provision impact on exits from unemployment (Whelan and Parkinson, 2017). This research is premised on models of job search in which a person is faced with costs and benefits of accepting a job offer versus continued search. More generous income support and more affordable and secure housing tenure might be expected to help people prolong job search activities and increase reservation wages (the minimum amount the person would need to induce a person to take up a job offer). However the research did not find any evidence public housing residents are necessarily less willing to work than those in other tenures:

- Reservation wages for public housing residents are 6 per cent lower than outright owners.
- There was no statistically significant difference between private and public tenures in relation to reservation wages and job search intensity.

One goal of social housing is to stabilise tenures of its residents who often have experienced housing instability. AHURI research has shown that receipt of government payments increases significantly the likelihood that the person will leave public housing but at higher levels of payment, this reduces the likelihood of exiting public housing (Dockery et al. 2008b).

However, a potential downside of more secure housing tenures like public housing is that it might reduce the incentive to relocate to pursue job opportunities. More flexible housing tenures, such as private rental, may better facilitate people moving to job opportunities and may help overcome the spatial mismatch that often exists between job seekers and job opportunities. AHURI research finds some support for this proposition, with social renters less likely to move compared to private renters (Whelan and Parkinson, 2017):

- Private renters are 15 per cent more likely to move compared to outright owners, while public renters are also 3.5 per cent more likely to move compared to outright owners.
- This greater mobility is apparent also for unemployed and underemployed private renters but not for public renters.
- Private renters and social renters are both more likely than outright owners to report a move (regardless of job change) and less likely to report no move and no change in job.

Even so, while the evidence is now dated, modelling using Centrelink longitudinal data on income support recipients shows that unemployment beneficiaries are more likely to exit public housing earlier compared to those receiving other income support types (Aged Pension, Disability Pension, and Sole Parents) (Seelig et al. 2008). This might be because rates of payment are lower for Newstart compared to other payment types or it could suggest that more 'permanent' tenures like public housing do not necessarily undermine residential mobility for Newstart recipients who are more likely to move to seek work.

Although the evidence suggests many renters are willing to move, AHURI research also suggests that CRA may not be sufficient to enable job seekers to relocate to places with the most vibrant job markets as they also have expensive housing. Policy responses might include job skill enhancement and assistance to relocate to areas with strong employment prospects and provision of affordable housing near to public transport and job markets.

B.2 Other Housing-related factors impact on geographic mobility, job search activity and transitions into adequate employment

AHURI research shows that other housing factors, especially in relation to home ownership, are relevant in household decision making about labour market participation (Whelan and Parkinson, 2017). For example:

- housing-related financial stress is significantly associated with higher rates of job search activity. Unemployed individuals who report not being able to cover housing costs use, on average, an 0.4 additional search methods per month.
- owner-purchasers with small outstanding mortgage amounts least likely to move, and moving is especially low amongst those who are risk averse.
- Owner-purchasers with small outstanding mortgage amounts also have lower rates of job search and have higher reservation wages compared to those in other tenures.
- Home owners are most likely to change jobs without moving address, compared with other tenures.

- By contrast, mortgagors with high loan to value ratios (large outstanding amounts to repay) exhibit the highest intensities in job search and strongest rates of transition from underemployment to adequate employment.

This research highlights the inhibiting effects outright or close to outright ownership has on employment: it limits mobility of some workers to take up work. This is relevant to income support policy since the owner occupied house is exempt from the assets test requirement for accessing benefits. The issues around inadequate mobility may also, to some extent, reflect the role of broader housing policy (including stamp duties and tax policies) in limiting mobility in that tenure.

The research also highlights the spur that housing unaffordability and the existence of mortgage debt has to job search intensity. But it is not clear that this high job search intensity helps those who are unemployed. The evidence available only suggests that there are moves from underemployment to adequate employment for those with large outstanding mortgages, but not from those who are unemployed to employed. This suggests that this group may need further assistance to enter employment.

B.3 More Australians are underemployed and they lack needed access to income support and housing assistance

Research by AHURI shows that there has been an increase in underemployment in Australia. Underemployed Australians are less likely to have access, or have delayed access, to income support. Reliance on intermittent and insufficient work can cause income volatility and can contribute to rental arrears. Housing risks are elevated in situations where there is greater income volatility and unpredictability of earnings. Young people are especially vulnerable to arrears and payment risk, as are those with a health condition and lower educational status, particularly if living in inner regional areas. Housing payment risks are more elevated for single earner households compared to those with multiple earners, and those with dependent kids compared to those without (Campbell et al. 2014).

By contrast, those relying solely on income support payments tend to have more predictable incomes and are less likely to fall into rent arrears (but are more likely to be paying more than 35 per cent of their income in housing costs).

Campbell et al. (2014) argue there are also problems in relation to the efficiency and equity of access to CRA because underemployed workers do not qualify for income support payments. Consequently, 'underemployed workers, especially those in single-earner households, will therefore fall through the housing assistance net' (Campbell et al. 2014: 4–5). Introducing a separate income means test for CRA so that it can be accessed by the underemployed may address this issue (Campbell et al. 2014).

There is some evidence that geographic mobility among those that are underemployed is generally associated with moves to unemployment and out of the labour force. Moves into employment from underemployment are more likely for those with large mortgage debts (Whelan and Parkinson, 2017).

C What is the impact of the changing nature of work and insecure work in Australia?

C.1 The rise in insecure work is impacting housing security

The increase in the incidence of casual, contract or part time forms of employment is contributing to increased housing insecurity. Campbell et al. (2014) identified ‘two triggers of housing insecurity... household dissolution and labour insecurity (volatile earnings as a result of job loss or precarious employment)’. Other AHURI research on public housing residents shows that casual and low paid work fed into problems of anxiety and depression. This sometimes led to withdrawal from work and housing insecurity (Hulse and Saugeres 2008). At the same time, housing insecurity made it harder to engage in paid work or study, leading to a vicious cycle (Hulse and Saugeres 2008). The combination of these two problems (precarious employment and insecure housing) is contributing to what Hulse and Saugeres call ‘precarious living’.

AHURI research identified that precarious employment is a problem for women in more secure tenures, such as public housing. Employment and work positively impact the lives of public housing tenants, but the reliance on casual and part time (‘precarious’) employment does not end welfare dependency, as work is ‘unpredictable’. In addition, there are problems in combining part time paid work and managing childcare responsibilities. This is a particular problem for single parents who do not have the back up of another partner. The combination of these issues means that the likelihood of moving out of public housing is diminished. This undermines objectives of some public housing authorities to encourage public housing tenants to move out of this tenure as they gain employment (Saugeres and Hulse 2010).

D Are the income support arrangements in supporting those experiencing insecure, inconsistent and precarious employment appropriate?

D.1 There is a need for improved access to housing assistance for underemployed persons in the private rental market

AHURI research suggests that underemployed persons in the private rental market need income support payments and/or access to housing assistance (Campbell et al. 2014). CRA should be made available to underemployed workers who presently do not qualify for income support payments—one possible reform would be to introduce an income means test for CRA together with a mechanism to appropriately target underemployed workers (especially single persons). A more comprehensive review of all forms of housing assistance (state funded private rental assistance programs, as well as federally-funded CRA and first home owner grant programs) for underemployed workers might also help address apparent inequities in the system (Campbell et al. 2014).

E Could the current approach to setting income support payments in Australia be improved?

E.1 Income support arrangements could be improved to foster more sustainable employment of public housing residents

Employment outcomes for public housing tenants could be improved if policies were amended in the following areas (Saugeres and Hulse 2010):

- People on income support and in public housing face multiple compliance requirements which contribute to poverty traps. Policies around supporting people into employment might be tailored to individual needs, give flexibility for income support beneficiaries to build up hours of work over time and provide tax relief to make work pay.
- Welfare to work policies should have flexibilities around leave and encourage movement into sustainable jobs in local areas to manage care and work responsibilities. This might involve providing targeted support to women who rely on part time or casual work.
- Housing authorities policies should not seek to move people out of public housing once their income increases through paid work, especially if they rely on casual jobs. Rather they should use stable and secure housing to offset instability in employment and locate public housing in locations near good job markets.

E.2 Income support and CRA could be increased to better address housing affordability problems for private renters

Australian housing policies have increasingly relied on demand-based subsidies (e.g., CRA) to address rental access and affordability in the private rental market, however, the evidence shows that the level of these supports is insufficient and that the combination of inadequate levels of income support and CRA contribute to housing stress.

AHURI research shows that:

- CRA has been inadequate in overcoming affordability difficulties for individuals and households on the lowest incomes, including those in receipt of Newstart (Parkinson, James et al. 2018).
- Arrangements for indexing income support payments have implications for families experiencing HAS. AHURI research shows that the cuts to the Family Tax Benefit and freezing of indexation arrangements in the 2014–15 budget created higher risks of falling into housing affordability stress for those with dependent children (Wood et al. 2015).
- Increasing income support payments or CRA is one way to improve housing affordability for households presently finding it difficult to rent in the private rental market (Hulse et al. 2011).

F What is the impact of the current approach to setting income support payments on priority groups?

F.1 Young people and Newstart recipients are diverted from the social housing allocation processes

Allocation policies of public housing authorities typically redirect particular groups to the private rental sector. For example, the presumption is that many young people on Youth Allowance and Newstart will progress into the labour market and so they are directed into the private rental sector. However, young people are a large cohort with diverse needs and there is a risk that many young people in receipt of Newstart or Youth Allowance are placed into the wrong sort of housing stock for their needs. For this reason, better ways of identifying groups at risk are needed (Parkinson et al. 2019), for example Centrelink may need to work with housing authorities and social housing providers to ensure young people are not disadvantaged.

F.2 People with a disability face shortages of affordable housing

AHURI research shows that income support recipients with a disability (on Disability Support Pension and receiving CRA) have extremely limited housing options in the private rental market because private rental is unaffordable to them (Kroehn et al. 2008). Without further funding, Disability Support Pension recipients can expect to pay more than 50 per cent of their income on rent, and there is unmet need for affordable housing for around 83,000 to 122,000 NDIS recipients in Australia. This partly reflects a lack of policy clarity about the roles of the NDIS, Commonwealth and State Governments in meeting this shortfall, but also it reflects low income levels. This could be addressed through supply side subsidies integrated with planning, finance and design innovations (Wiesel et al. 2015).

F.3 Need to improve conditionality for income and housing support for Indigenous communities

Many Indigenous Australians rely on income support payments and housing assistance, especially public housing (Flatau et al. 2005). However, there are issues with applying income based rents to Indigenous people in remote communities. High rates of mobility and fluctuating household incomes make it hard for landlords and lead tenants to collect rent and this undermines the sustainability of Indigenous housing (Habibis et al. 2013). Some Indigenous tenants have cancelled or suspended their Centrepay arrangements. This has led to delays in recommencing payments and in turn increased the chance they accumulate rental arrears (Habibis et al. 2016). There have also been problems with Centrelink breaching Aboriginal clients for not keeping up with paperwork which can jeopardise tenancies and accumulation of debt (Habibis et al. 2016).

These issues might be addressed by alternative rent systems such as property based (rather than income based) rents. Even so, income based rents offer a degree of affordability for those on income support. Affordability for Indigenous households was a greater concern for higher income working families in larger dwellings, especially in remote areas where living costs are high (Habibis et al. 2016).

AHURI research on Indigenous housing outcomes shows that frequent changes in policy frameworks and programs undermines sustainable outcomes including in housing. Increased attempts at imposing greater conditionality of welfare (including in relation to income management and tenancy management in social housing) has tended to use coercive mechanisms to change behaviours. While this can be effective (including in quarantining income for paying rent), it leads to feelings of disempowerment for those not voluntarily taking up the scheme. More sustainable outcomes, including in relation to tenancy stability, involve developing relationships of reciprocity between government representatives, not for profit community providers and Aboriginal communities. These involve creating spaces of mutual recognition and more negotiated and targeted approaches to conditional welfare. For example, in some cases, income caps for eligibility for public housing have been relaxed by State housing authorities for Indigenous clients since they have struggled to access private rental housing, have larger households, greater mobility and less security in employment (Moran et al. 2016).

F.4 Refugees have poor understanding of income support and high risk of homelessness

Many refugees rely on income support, however AHURI research shows that some have poor understanding of the income support system and the assistance available to them. Refugees' low levels of income contribute to poor capacity to access housing because they are unable to demonstrate ability to pay rent and are unable to accrue bonds or rent in advance. Where refugees can afford housing, some experience overcrowding. Low income also contributes to an elevated risk of eviction and falling into homelessness (Beer and Foley: 2003). Migrants also have a higher propensity for experiencing overcrowding and homelessness (Parkinson et al. 2019).

F.5 Income support is inadequate for victims of domestic and family violence

AHURI research finds that income support payments are inadequate for victims of domestic and family violence, can exacerbate poverty and disadvantage, and can make re-establishing stable housing more difficult. This leaves women and children in poverty and unable to afford decent housing (Flanagan et al. 2019).

G What is the impact of geography, age and other characteristics on the number of people receiving payments, long term unemployment and poverty?

G.1 Geographic differences in economic opportunity and housing processes affect poverty and demand for housing assistance

AHURI research shows that disadvantage is unevenly distributed by geography. New economic opportunities have been unevenly distributed across the cities and regions, with 'new economy' service jobs being concentrated in city centres, while more routine and lower paid production jobs are more apparent in outer suburbs (Pawson et al. 2012).

Housing processes can also contribute to the distribution of disadvantage. Public housing estates can concentrate those on low incomes, and they have sometimes been disproportionately adversely impacted by job losses associated with manufacturing decline. They have also had to house more people with disadvantage, for example those formerly homeless or with health issues, creating concentrations of poverty (Pawson et al. 2012). More recently, housing market processes and policies that have encouraged gentrification of inner cities have contributed to concentrating people on lower incomes in low cost private rental housing in middle and outer suburbs (Randolph and Holloway 2007). Other factors like poor or deteriorated housing stock, environmental pollution and poor access to services or jobs also contribute to an area becoming disadvantaged (Pawson et al. 2012). Much public and private rental housing available to people on low incomes is in areas with poor or non-existent public transport accessibility (Burke and Stone, 2014).

While housing costs tend to be greatest in inner parts of cities, the issue of housing stress is closely related to the location of low income earners. Housing stress is therefore a product of uneven economic opportunity (low incomes in particular) and housing costs:

- Housing costs most affect financial disadvantage (as measured by the difference between before and after housing poverty rates) in clusters of outer-suburban areas in Australia's capital cities and a number of rural and regional areas (specifically in Western Australia and Queensland) (McNamara et al. 2007).
- Rates of housing stress are significantly linked to socio-economic status of regions, with higher rates of stress occurring in disadvantaged areas (Rowley and Ong 2012).
- Rental housing stress for low income earners on Centrelink payments is greatest in disadvantaged suburbs of Sydney (Hulse et al. 2014).

While there is some evidence that increased residential mobility reduces time on income support, encouraging people to move may not be the answer. AHURI research found that mobility did not always result in improved labour market outcomes, as some moves to areas with lower housing costs also reduced employment outcomes, and moves were not associated with higher labour market attachment for the under-employed (Whelan and Parkinson 2017). While representation of low income households increased in disadvantaged locations over the period 2001 to 2011, unemployment rates and early school leavers fell more in these areas—so there was no clear process of spatial polarisation occurring and no clear benefit moving from places of disadvantage (Hulse et al. 2014).

G.2 Aging of the population will affect demand for income support and housing assistance for older renters

The future profile of income support recipients will be driven by demographic factors (ageing of the population and family composition) and the declining proportion of the older population that will own their own home. This will also affect demand for housing assistance in the private rental market (CRA) and public housing. Modelling suggests demand for affordable rental housing for older persons will increase rapidly in the period to 2030, and social housing will not be able to meet this demand. Income support recipients, like pensioners who rent, are those most acutely in need of housing assistance. The vast majority (87%) of older Australians who rent rely on government pensions or allowances (Jones et al. 2007).

G.3 Increase in single person households will impact on welfare expenditures

AHURI research finds that the proportion of single persons as a proportion of all household types is increasing. The average incomes of this group tend to be lower compared to the rest of the population. This is likely to increase the number of people on income support payments as enrolment rates for singles tends to be higher than that for couples. Single persons may also be more reliant on the private rental market because their home ownership level tends to be lower (Wood et al. 2017). The higher incidence of separation and divorce, and lower rates of remarriage among women in middle age mean they have to take on higher debt to retain home ownership or are less likely to re-enter home ownership, leaving this group more likely to require pension and housing assistance in older age (Wood et al. 2008).

These differences are mirrored by housing subsidy differentials. Using modelling, AHURI researchers estimated that annual CRA entitlements for married persons averaged \$2,502 in 2010, compared with \$2,684 for singles. This suggests that this growing demographic group could thus further contribute to an increasing demand for housing subsidy (particularly CRA and public housing) and increase overall cost (Wood et al. 2017).

G.4 Poverty rates have been stable over time but extreme poverty has increased

AHURI research shows that in Australia, the proportion of persons that are 'vulnerable to poverty' (receiving incomes below 60% of median incomes) has risen marginally from 20.8 per cent in the mid-1990s to 21.7 per cent in the late 2000s, but the proportion exposed to extreme poverty (below 40 per cent of median value of income) has increased from 5.0% to 7.4% over the same period (Pawson et al. 2012). Around 7 per cent experienced persistent poverty. Groups that are particularly exposed to poverty include the elderly, people with disabilities, single mothers, non-aged singles and people from non-English speaking backgrounds (Pawson et al. 2012).

H To what extent are income support payments adequate to maintain an acceptable standard of living, fulfil job search activities and secure employment and training?

H.1 Income support payments are low and inadequate

AHURI research projects find that income support payments are inadequate for some groups in particular:

- sole parent families who have recently escaped domestic and family violence (Flanagan et al. 2019)
- single people on the age or disability pension who have lost their partner, are not in home ownership and are unable to work (Wood et al. 2008).

Access to improved levels of income support or other labour market income would help these households achieve a more acceptable standards of living. If they are not able to do this, the household might need to use other strategies, such as accessing debt, liquidating assets (like housing) or reducing costs of living (such as moving to a lower rent location).

Housing is relevant to whether these strategies are effective. These issues are outlined in more detail below.

H.2 Higher incomes are critical to households exiting housing affordability stress (HAS)

An important issue in determining whether income support payments should be increased is knowing whether rates of housing stress are due to income insufficiency or high housing costs. AHURI research shows that both low incomes and high housing costs contribute to HAS, but that income improvements are critical in assisting households to exit HAS.

Our findings suggest that housing cost and income changes appear to be of equal importance in precipitating transitions from affordable into unaffordable housing. But income and the drivers of those changes in income are primarily responsible for moves out of unaffordable and into affordable housing. (Wood et al. 2014: 40)

Strategies to improve household incomes should include increasing employment among the cohort in stress. However, especially among families and younger couples, income support has a role in allowing them to escape HAS. Recent changes to the income support system – such as cuts to Family Tax Benefits adjustment of the income free threshold for allowance payments, and freezing of maximum payments have reduced real incomes, making it harder for households to escape housing stress. There was also concern that CRA would offer less protection since the taper would apply at lower levels of real income (Wood et al. 2014).

H.3 Housing assets are being leveraged for welfare purposes to manage consumption and make decisions about labour market entry and exit but this carries risk

Housing wealth has historically played an important role in the welfare system, especially in buttressing the retirement incomes system, but there is some evidence that as welfare states recede, the role of housing has increased (Wood and Ong, 2012). Working households can leverage housing wealth via financial products to manage household consumption, and adapt their consumption behaviour according to perceived levels of housing wealth (Atalay et al. 2017). While there is evidence households have become more conservative after the Global Financial Crisis, there have been increased risks, especially for households carrying debt into retirement (Ong et al. 2019).

AHURI research also suggests that persons who have been able to enter the housing market, including those at aged pension age, will consider the levels of their housing asset as part of decision-making on labour market entry and exit. The assets test plays an important role for receipt of income support for home owners and has significant impacts on the budget. In 2011, 730,000 home owners received higher income support payments than would have been the case in the absence of home owner asset test concessions. The budget cost of meeting these higher payments is predicted to rise 38 per cent above 2011 levels to \$8 billion in 2031 (Wood et al. 2019).

H.4 Many income support recipients move locations to improve employment prospects but their welfare outcomes are mixed

Another indicator of the inadequacy of income support payments is the degree to which income support recipients are forced to move locations to improve their standard of living – either by improving access to better employment or reducing housing costs. In some cases these moves are counterproductive for welfare outcomes.

Over 15 years ago, AHURI research found evidence that many low income earners were forced to relocate to regional areas because they could not afford the high living expenses associated with housing:

As well as those who more or less opt with enthusiasm for non-metropolitan lifestyles there are those who are arguably forced to live away from the cities because their incomes are too low to enable them to live in appropriate and affordable housing. There is some ambiguity here because some, at least in the categories just referred to, might regard themselves as having been forced out of the city. But there is one category of low-income earners where the notion of forcing may have some real back up.... these are the people who rely on some form of income-support payment, especially the unemployed, single parent households and those with disabilities. The statistics leave no doubt that localities both near the metropolis and more distant from it have high levels of unemployment and disproportionate numbers of single parent households (Marshall et al. 2003: 6).

Net migration from cities was statistically associated (with a slight lag) with house price rises. Many (48%) unemployment support recipients moved because of housing costs, especially those leaving Sydney (Marshall et al. 2003). Since that study, housing affordability in cities has worsened and most rental properties in cities are now unaffordable to those on income support (Anglicare, 2019).

The AHURI study found that most people (especially unemployment benefit recipients) experienced lower housing costs after the move and felt better off with regard to housing costs and the quality and size of dwelling they inhabited. However, 41 per cent of unemployment support recipients had similar or higher housing costs after the move. Overall, most movers experienced improved wellbeing, but outcomes were not always positive. Some movers struggled to find employment, costs associated with rent and travel were higher than expected, and consequently their disposable income was reduced. Around three-quarters of all unemployed and two-thirds of single parents found the quest for paid employment in the non-metro areas unsatisfactory.

Better job opportunities was also the main reason why most unemployment support recipients move from non-metropolitan areas to cities. AHURI research shows that most (59%) movers felt they were better off, but this was not the case for those who remained unemployed after moving and in most cases, housing affordability worsened for this cohort. This group (especially those moving to Sydney) were the most likely of all income support recipients to move back to country areas (Marshall et al. 2004).

I What is the economic cost of long-term unemployment, underemployment, poverty, inequality and inadequate income support payments?

I.1 Duration on benefits, erratic incomes and critical life events affect housing sustainability

A key issue for policy makers is whether people remain on income support payments for long periods of time, or whether they progress to employment and higher incomes. One study has shown that most recipients (76.5%) remain on Newstart for longer than one year (Whiteford 2019).

Long term reliance on income support has implications for housing. While many income support recipients qualify for CRA and other supplements, their incomes may not be sufficient to sustain private rental. AHURI research has shown that housing affordability stress is a critical life event that can undermine private rental tenancies, and low to moderate income earners are more vulnerable to such events due to limited reserves and lack of formal insurances to deal with those shocks (Stone et al. 2015). AHURI is presently doing analysis using the DSS Domino data set to ascertain whether erratic or low household incomes (from wages and income support payments) undermine housing affordability, destabilise tenure outcomes, or undermine financial risk management (De Silva, forthcoming).

I.2 Low income contributes to housing insecurity and homelessness

Problems relating to socio-economic disadvantage and labour market inequality manifest themselves in the housing system through housing stress and homelessness. The income support system, and housing assistance programs like CRA help to moderate these inequalities.

AHURI research has shown that there are significant costs associated with homelessness, including costs to governments associated with health and justice systems (Zaretsky and Flatau, 2013, Flatau et al. 2008). To the extent that inadequate income support contributes to housing stress and homelessness, this involves economic costs to government as well as social costs to the wider society.

J What are the economic benefits of increasing and improving income support payments and supports, and decreasing poverty and inequality?

J.1 Reforming CRA could improve affordability outcomes in major cities but could prove expensive

Many income support recipients also receive Commonwealth Rent Assistance (CRA). AHURI has modelled the impact on financial disadvantage of hypothetical changes to the rules for CRA payments (most of the households receiving CRA also receive income support payments). This modelling found that removing the upper limit on CRA resulted in a modest fall in the impact of housing costs on financial disadvantage among private renters, and this effect was strongest in Sydney and Melbourne (where many are on the maximum rate of CRA). However, the program would cost 28 per cent more, and some of the benefit would diminish as renters move to higher quality accommodation or landlords charge higher rents (McNamara et al. 2007).

J.2 Increasing income support payments and CRA would improve revenues of social housing providers, however additional housing subsidy would still be needed to incentivise more affordable housing supply

A very large proportion of the rental income for public housing authorities is derived from rebated rents, with the proportion rising from around 60 per cent in the 1980s to almost 90 per cent in the late 2000s (Groenhardt and Burke 2014). This is mostly because tenants charged rebated rents are income support beneficiaries. This is also the case for not for profit community housing providers. While tenants in community housing also benefit from CRA, the low rents derived from this source are often not sufficient to cover all the costs associated with providing housing to this group. Low revenues and high costs (associated with higher management costs for social housing tenants) undermine the viability of the social housing sector. AHURI research has investigated ways to make provision of affordable housing viable—in all cases tenant rents and CRA are important components of this mix (Randolph et al. 2018).

In the absence of increased community service obligation payments, many state and territory housing authorities have argued that they need to source more clients with non-pension or benefit incomes (Hall and Berry 2007). While higher income support payments and CRA may improve revenues, most recent research argues that alterations to recurrent subsidies like CRA will not be sufficient and so new sources of subsidy are necessary to make affordable housing viable:

Available recurrent subsidies, such as CRA, are not fit-for-purpose. Provider reliance on this revenue source and on income-related rents (that fluctuate with changing levels and kinds of welfare benefits) contributes to revenue volatility and consequential financial risk. This in turn has led to higher borrowing charges and restrictive lending covenants in the industry as lenders seek to ensure their risks are covered (Milligan et al. 2017: 25).

L What interactions occur with other payments and services?

L.1 Newstart recipients in public housing face greater barriers to work

AHURI research finds that most people living in public housing rely on rebated rents and income support payments and many face unemployment and poverty traps (Dockery et al. 2008). AHURI research has considered a range of options to address these poverty traps, including rent holidays, reforming rent setting mechanisms to reduce work disincentives, and more radical options such as replacing income based rents with market rents and providing CRA for public tenants (Wood, 2009). States/territories have incentive schemes to mitigate rent rises for people moving into work, but these are usually temporary in nature and may not be very effective, while replacing income based rents risks higher housing stress.

The Productivity Commission has suggested 'Job Commitment Bonuses' to incentivise public housing tenants to enter employment. AHURI research found that if a Job Commitment Bonus of \$2,500 were extended to all working age public housing tenants in receipt of income support payments, this would lead to reductions in the replacement rate. However, the overall employment impact of a Job Commitment Bonus on employment among public housing tenants is expected to be modest and modelling suggests that only about 1 in 100 tenants eligible for Newstart or Youth Allowance would become employed (Ong et al. 2017).

Other studies have also found that reforms to change the burden of taxation on additional earnings, or lower taper rates in income support programs are likely to have only minimal effects, and any schemes to address employment need to be cognisant of the profile of those on income support in public housing, many of whom have issues with mental illness, skills deficiencies, drug and alcohol abuse and so programs to address these barriers may be more effective at improving employment outcomes (Cigdem-Bayram et al. 2017).

L.2 Commonwealth rent assistance assists job mobility and does not undermine incentives to seek work

AHURI research finds that, in contrast to public housing, CRA has only relatively modest employment disincentives—this is because CRA is only withdrawn after other income support payments are lost. (Cigdem-Bayram et al. 2017).

The portability of CRA is an important factor in facilitating mobility for private renters. There is potential to improve the way public housing is provided to assist mobility and seek ways to provide housing assistance in a more tenure neutral fashion (Whelan and Parkinson, 2017).

M What is the cost and fiscal sustainability of any changes?

AHURI research has investigated the impact of demographic and other changes on associated housing assistance, which is closely linked with income support. The increasing cost of housing assistance (assuming no change in current policy settings) which is linked to demographic changes but also the state of the housing system has fiscal sustainability implications. These are outlined below.

M.1 Growth in expenditure on Commonwealth Rent Assistance

AHURI researchers have found that the increased reliance on the rental sector has implications for government housing assistance costs. Wood et al. (2017:48) argue that in the future there will be a large real rise in CRA payments from 2011 to 2031 and this will add to budget difficulties. They have modelled the impact of demographic changes on the demand for CRA forward to 2021 and 2031. The modelling found that:

- The number of tenants expected to enrol in the CRA program will increase from 952,000 income units in 2011 to 1.2 million income units in 2031 (an increase of 30%).
- The number of persons eligible for CRA will decline as a share of all private renters (from 31.7% in 2011 to 29.8% in 2031).
- The share of private rental households with dependent children will decline. The number of CRA-eligible income units living as couples with dependent children is predicted to increase by only 16 per cent (from 266,000 to 308,000) from 2011 to 2031, while the total number of eligible tenants in private rental housing is forecast to increase by 31 per cent. Middle-income couple households with dependent children that are eligible for Family Tax Benefit can be eligible for CRA, but their declining demographic importance will help to curb growth in the CRA program.
- CRA payments will increase from \$2.8 billion in 2011 to \$3.6 billion in 2031 (in constant prices); a real increase of 28.7 per cent (average annual real increase of 1.4%) (Wood et al. 2017)

M.2 Growth in demand for public housing

In relation to public housing, AHURI research has found that:

- The number of households receiving a rent rebate while living in public housing would rise by 44 per cent from 228,000 households in 2011 to 328,000 if state housing authorities increased their housing stock to match growth in the demographic groups they accommodated in 2011.
- The effective budget cost of rent rebates would rise by 45 per cent from an estimated \$1.1 billion in 2011, to \$1.7 billion at constant prices in 2031.
- This is good part due to ageing of the public housing population. Those aged over 65 years of age would grow from one-third (37%) in 2011 of all tenants to 47 per cent in 2031 (Wood et al 2017).

Growth in payments for these programs is due to ageing, increases in numbers of single households and falling rates of home ownership among middle cohorts (Wood et al. 2017).

N What are the relative merits of alternative investments in health, education, housing and other programs to improve outcomes?

N.1 Greater investments in secure housing and tenancy support and homelessness programs would benefit many on income support

The housing system plays an important role in determining living standards of those reliant on the income support system. However inadequate access to sufficient secure and affordable housing imposes costs on other parts of the system, with higher rates of homelessness and uses of marginal housing with all its attendant social costs. More affordable housing will provide some benefits for many income support recipients.

This is especially the case for income support recipients which are presently more likely to occupy marginal or informal forms of rental housing (Hulse et al. 2011; Seelig et al. 2008). There is evidence that the combination of high housing costs and certain groups not getting access to adequate income support or housing assistance mean they can end up in marginal or informal tenures that are least well regulated (Stone, Parkinson et al. 2016).

Access to housing assistance like CRA is not enough to make much private rental housing affordable or stabilise tenures of those reliant on income support, and many still experience housing instability (Seelig et al. 2008). This can have significant downstream costs in other areas of public spending. For example, AHURI research finds that repeated exposure to homelessness brings on mental illness (Scutella et al. as quoted in Brackertz et al. 2019).

AHURI research also shows that investments in tenancy support programs, prevention programs and specialised homelessness services can improve outcomes of income support recipients and can save governments money in other areas relating to health and justice (Zaretsky, Flatau 2013). However, there is a lack of sufficient funding to meet client demand (Flatau, Zaretsky et al. 2017).

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