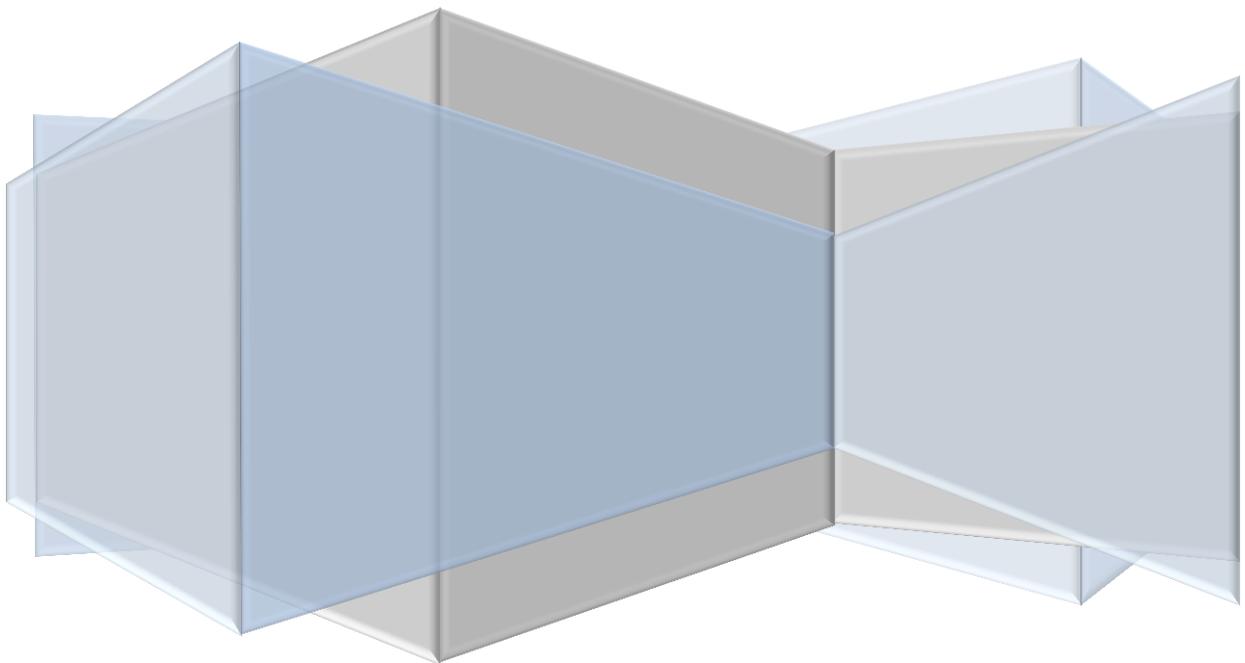


The impact of Rent Assistance on housing affordability for low-income renters: New South Wales

Welfare Rights Centre (NSW) and Shelter NSW

March 2014



THIS REPORT gives a profile of Rent Assistance recipients and their tenuous position in NSW housing markets, drawing on data from the *Report on government services* (Steering Committee for the Review of Government Service Provision, 2014) and data provided during Senate Estimates hearings. The data are for June 2013, the most recent data available.

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 those living in private rental accommodation, Aboriginal Housing Office dwellings, and community housing (both mainstream and Indigenous community housing).¹ Residents of mainstream public housing (Land and Housing Corporation dwellings managed by Housing NSW) are not eligible.

Some 98% of RA expenditure is paid through the Department of Social Services, a proportion that will increase following transfer of responsibility for Abstudy to that department from the Department of Employment in September 2013. The other agency responsible is the Department of Veterans Affairs.²

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 AHO housing.³ (These renters are generally paying rents at no more than 30% of household income and should not be in housing stress, by definition, but the trend in rent-charging policies in mainstream community housing and some Aboriginal community housing is to 'capture' RA which means that those tenants have an incentive to apply for RA.⁴)

¹ The state-government agency providing social housing specifically targeted to Aboriginal residents in New South Wales is the Aboriginal Housing Office (AHO), which owns some 4,536 dwellings. Social housing is also provided by nonprofit nongovernment 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), or, more specifically in New South Wales, Aboriginal community housing (ACH). There are some 4,700 ACH dwellings in New South Wales. There is also social housing provided by non-Indigenous organizations, referred to as mainstream community housing or often just 'community housing'. There are some 25,850 dwellings managed as mainstream community housing in New South Wales. Indigenous Australians are eligible for mainstream community housing and mainstream public housing.

² The Australian government's Department of Social Services is responsible for most income-support payments in Australia. But there are also income-support payments (including Rent Assistance) paid through the Department of Veterans Affairs (DVA) and to Abstudy recipients (through the Department of Employment, up to September 2013). The data used in this report typically 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: *Housing and homelessness*, p.17.4). Spending on RA through these 2 other Commonwealth agencies typically makes *up less than 2%* of total RA expenditure (Steering Committee for the Review of Government Service Provision, Volume G, table GA.12, note (b)). There were 66,830 NSW recipients of veterans affairs income-support pensions, as at December 2013 (Department of Veterans Affairs, 'DVA pension summary', 2013; this useful publication does not indicate how many of those recipients also got RA).

The most recent statistical report from the Department of Social Services indicates there were 13,218 NSW Abstudy scheme customers as at June 2012 (*Income support customers: a statistical overview 2012*, Statistical Paper no.11, 2013, p.34). 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.

³ In 2010 Shelter NSW identified about 4.5% of DSS Rent Assistance recipients in New South Wales living in some form of social housing (Craig Johnston, 'Henry on housing: the *Australia's future tax system* reports', *Shelter NSW Memo*, 12 November 2010, p.28, note 57).

⁴ 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. In mainstream community housing rents are generally charged on the basis that the tenant is getting maximum RA: rent is charged on an affordability basis with the RA amount added on (Housing NSW, 'Community housing rent policy', February 2012, p.5); this practice would increase the numbers of NSW renters getting

There were 421,325 NSW recipients of payments through the Department of Social Services who were getting a Rent Assistance payment, as at June 2013.

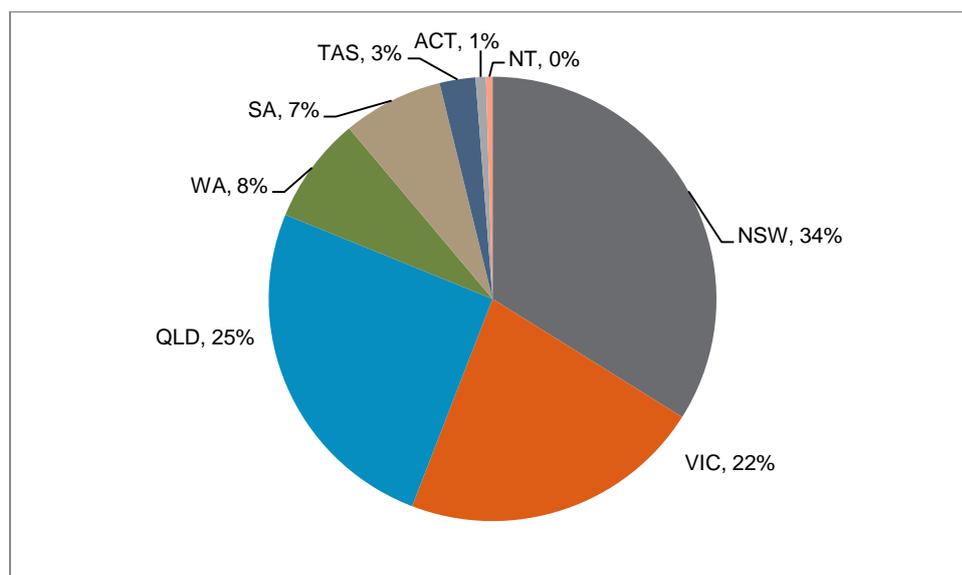
Rent Assistance thresholds and maximum rates are indexed in March and September each year to movements in the Consumer Price Index.⁵ RA is paid at the rate of 75 cents for every dollar above the rent threshold until the maximum rate is reached.

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 RA in the period March to September 2013 was \$123. The minimum fortnightly rent paid to be eligible for RA was \$109.20 and the minimum fortnightly rent to get the maximum RA was \$273.20⁶

Commonwealth expenditure on Rent Assistance

Rent Assistance plays a critical role in assisting tenants meet high housing costs. During 2012-13 approximately \$3.6 billion was expended Australia-wide on RA, providing significant relief for low income and disadvantaged Australians.⁷ New South Wales recipients took the major share of government expenditure on RA in 2012-13, reflecting the NSW population size, with \$1,230 million in RA, and almost 34% of outlays, as shown in Figure 1 and Figure 2.⁸ Queensland recipients' share was over \$900 million. Northern Territory recipients received 0.5% of RA expenditure, with \$17 million.

Figure 1: Rent Assistance expenditure by state and territory (%), 2012-13



maximum RA and also increase the proportion of NSW RA recipients getting maximum RA. Housing NSW's 'Community housing rent policy' has applied to new tenants of transitional housing managed by specialist homelessness services, since 1 January 2014.

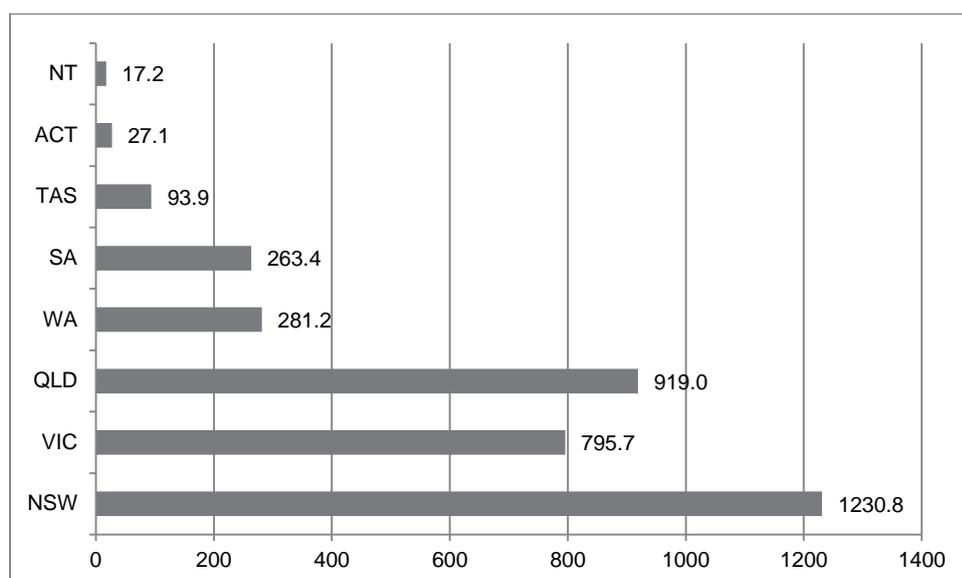
⁵ See 'Attachment: Rent Assistance payment rates' on page 12 for the rates that applied in June 2013 (the cutoff point for the data used in this report) and from late March 2014 (the date of this report).

⁶ Steering Committee for the Review of Government Service Provision, Volume G, table GA.14.

⁷ Steering Committee for the Review of Government Service Provision, Volume G, table GA.15. *Expenditure* data on RA in this report is a combined amount for all payment recipients (i.e. for veterans affairs payment-recipients and Abstudy recipients, as well as DSS recipients).

⁸ Steering Committee for the Review of Government Service Provision, Volume G, table GA.12; real expenditure (\$million). The data in Figure 1 and Figure 2 include RA expenditures made with Department of Veterans Affairs and Abstudy payments, as well as the Social Services payments. Expenditure on RA in the Northern Territory appears as 0% in Figure 1 because the amount spent in 2012-13, at \$17.2 million, was a small proportion of the national total, at \$3,628 million.

Figure 2: Rent Assistance expenditure by state and territory (\$ m), 2012-13



Characteristics of recipients

Income-support payment type

Rent Assistance was paid to 421,325 NSW households, as at June 2013. Figure 3 and Figure 4 provide a breakdown of the number and percentage of Rent Assistance recipients in New South Wales, by type of income-support payment.⁹

Disability Support Pensioners were the largest group of income-support recipients getting RA. More than one-in-five (21%) of RA recipients were receiving the Disability Support Pension.

There were 86,359 Newstart Allowance recipients receiving RA. Poor economic conditions, and changes to the Parenting Payment Single, and moving more parents onto the Newstart Allowance (from 1 January 2013)¹⁰, resulted a significant increase in the numbers of Newstart recipients on RA; indeed there was an increase of over 17,000 from June 2012. Figure 5 indicates the change in numbers of Newstart recipients getting RA and of Parenting Payment (Single) recipients getting RA between 2012 and 2013.¹¹ It shows a 25% increase in the number of Newstart recipients getting RA (up to 86,359 from 69,251 in 2012) and a 20% decrease in the number of Parenting Payment (Single) recipients getting RA (down to 45,001 from 55,920 in 2012) — changes that followed from the movement of Parenting Payment (Single) recipients to the Newstart Allowance.

⁹ Numbers and proportions in these and all subsequent figures do not include RA recipients who got Abstudy or a pension/payment through the Department of Veterans Affairs (see note 2).

¹⁰ 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.

¹¹ In this figure, the data cutoff point for each year is June.

Figure 3: Number receiving DSS Rent Assistance by type of income-support payment, New South Wales, 2013

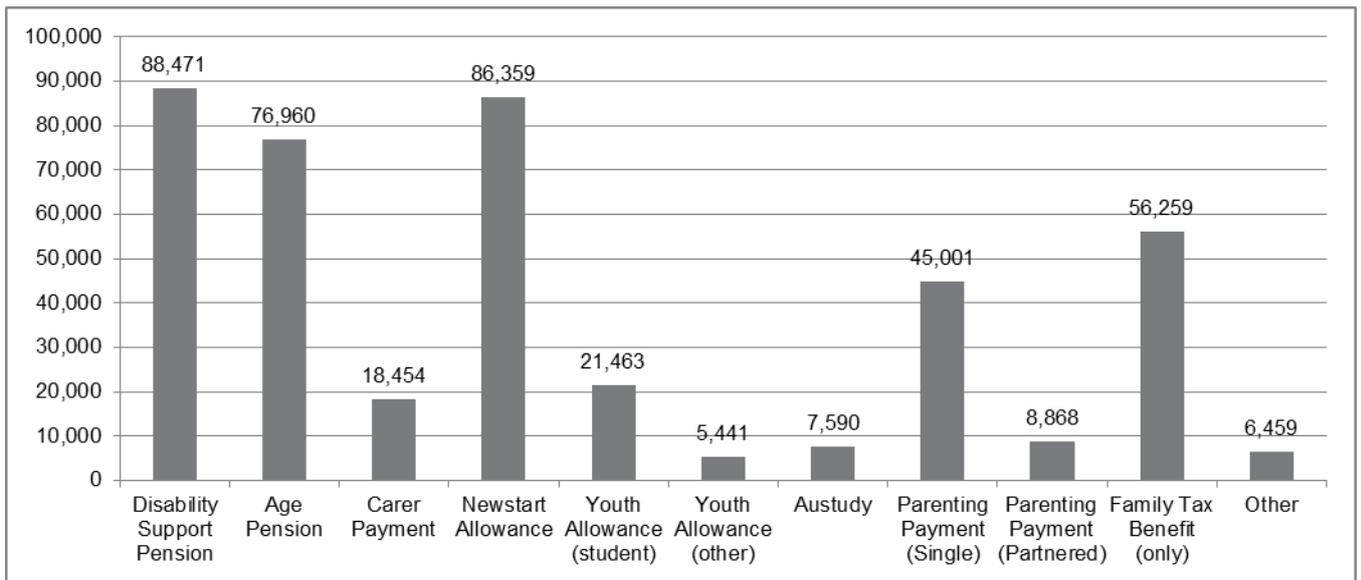


Figure 4: Proportion of DSS Rent Assistance recipient by type of income-support payment, New South Wales, 2013

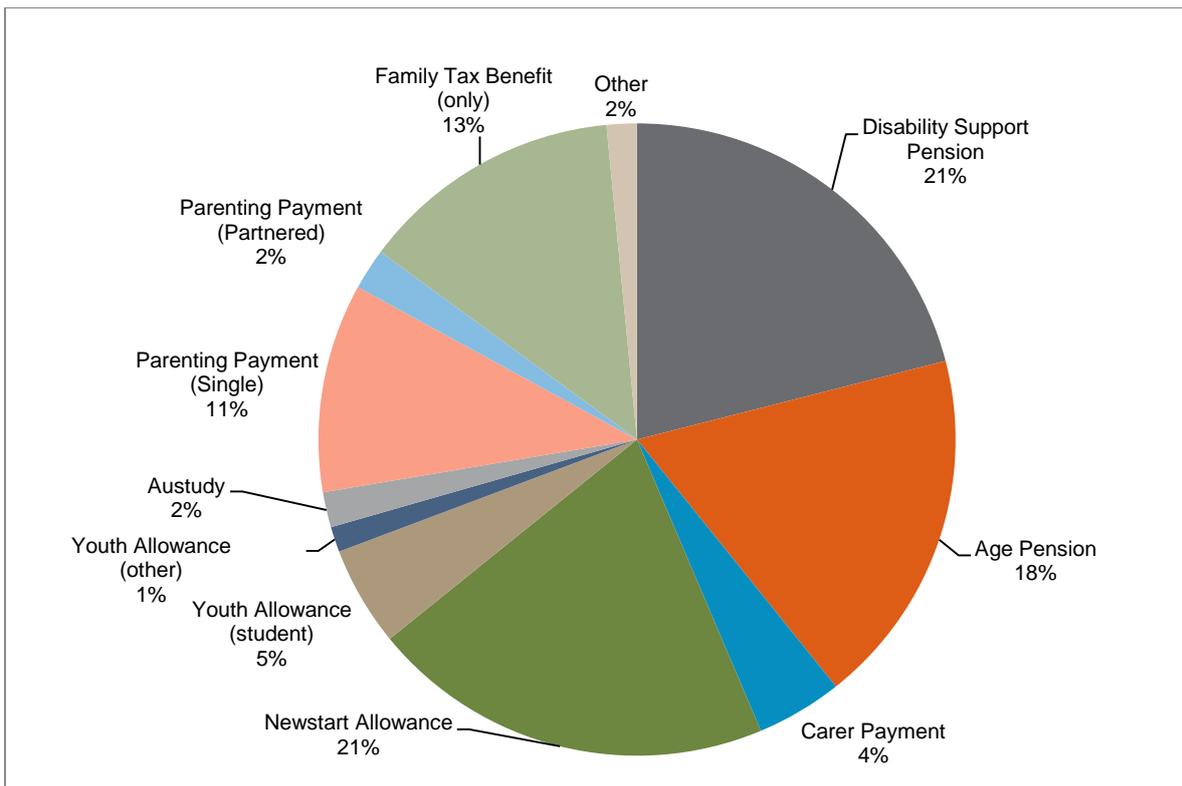
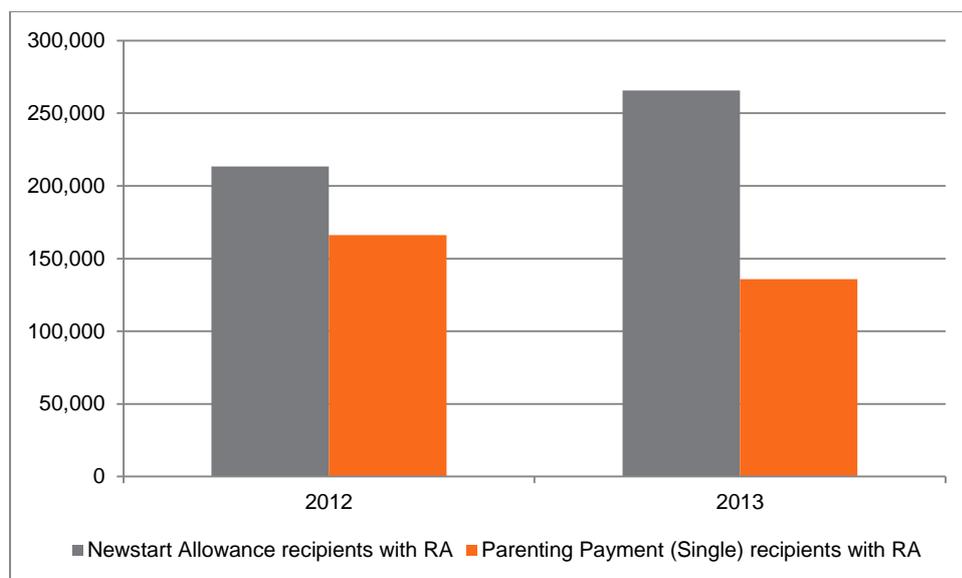


Figure 5: Numbers of Newstart and Parenting Payment (Single) recipients with Rent Assistance, New South Wales



Relationship

Of RA recipients in New South Wales, 28% were single men, 45% single women, and 26% were couple households, proportions similar to those of a year ago.

Age

Twenty-five percent of RA recipients were aged over 60 years of age: that indicates over a hundred thousand older people living in rental housing and dependent on some amount of Rent Assistance to help them with their basic housing cost. See Figure 6 and Figure 7.¹² Many older renters are living in a precarious situation, especially single older women on the age pension.¹³

Some 47,000 people under the age of 25 receive a Rent Assistance payment from DSS. Adult recipients in the 'middle' age range where one might expect them to have begun a career of homeownership, numbered some 270,000.

Indigenous status

There were 22,714 Aboriginal renters who were DSS Rent Assistance recipients.¹⁴ They comprised 5% of all DSS Rent Assistance recipients in New South Wales. These Aboriginal RA recipients comprised 41% of the Indigenous RA recipients in Australia; there were more Indigenous RA recipients living in New South Wales than in any other state or territory.¹⁵

Indigenous RA recipients were more likely to be receiving one of 3 main income-support payments: Disability Support Pension (26%), Newstart Allowance (25%), and Parenting Payment Single (21%).

¹² Steering Committee for Review of Government Service Provision, Volume G, table GA.16.

¹³ 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; Ludo, McFerran, *It could be you: female, single, older and homeless*, Homelessness NSW, Woolloomooloo, 2010; 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.

¹⁴ As already indicated (note 2), these data do not include Indigenous Australians in receipt of Abstudy payments.

¹⁵ Steering Committee for Review of Government Service Provision, Volume G, table GA.19.

Figure 6 Number of DSS Rent Assistance recipients by age group, New South Wales, 2013

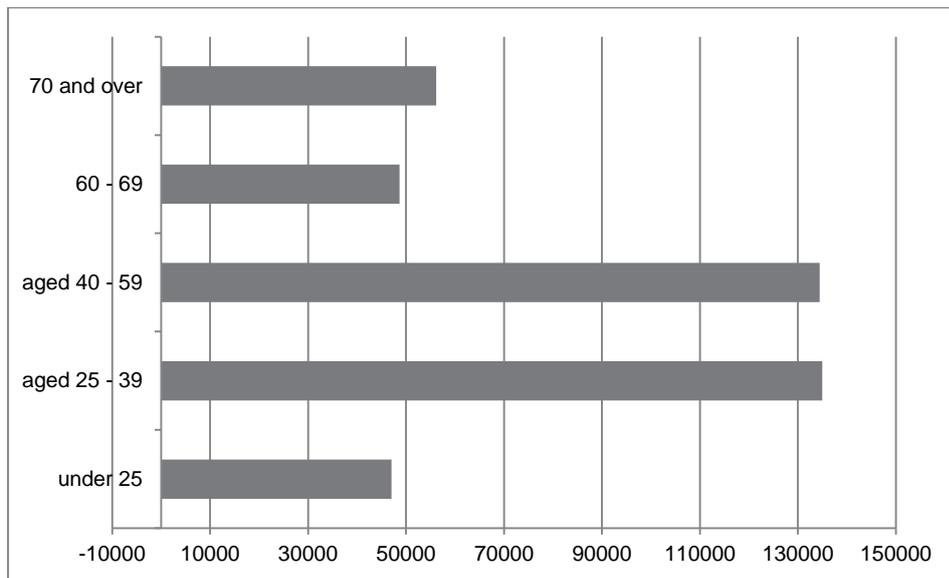
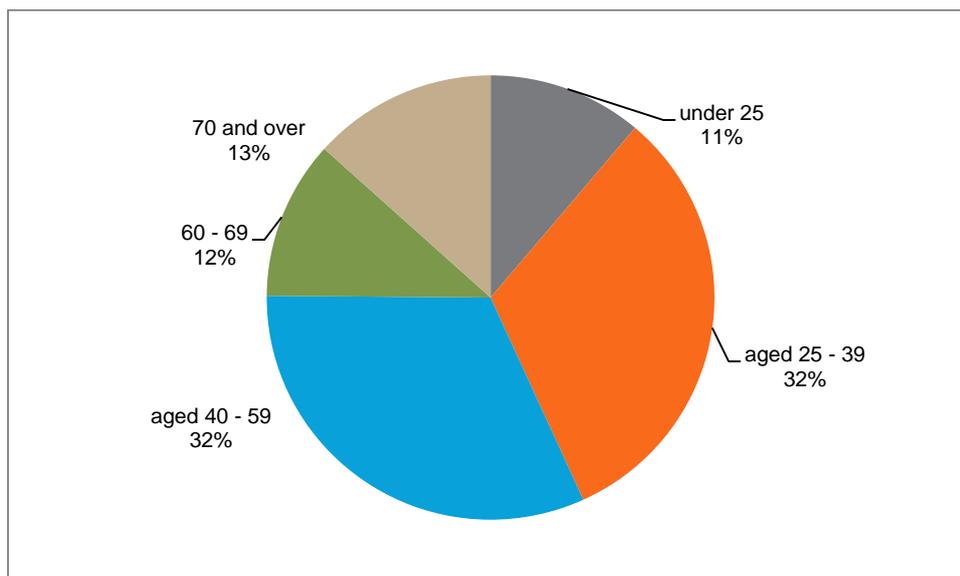


Figure 7: Percentage of DSS Rent Assistance recipients by age, New South Wales, 2013



Rent Assistance and relief of housing stress

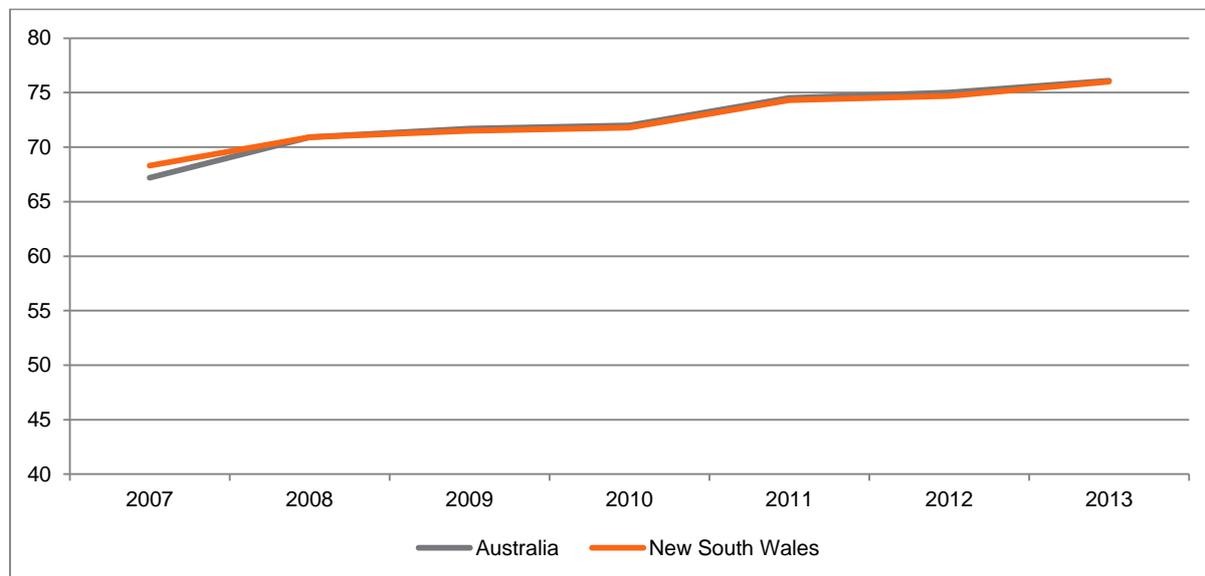
A recognized benchmark for the measurement of housing affordability is that a lower-income person is considered to be in housing stress if they are paying more than 30% of their income in recurrent housing costs.¹⁶ The person is defined as experiencing 'severe housing stress' or 'housing crisis' when they spend more than 50% of their income on recurrent housing costs. A primary aim of RA is to contribute to the relief of housing stress. It supplements other governmental actions to promote

¹⁶ 'Housing stress' and 'severe housing stress' ('housing crisis') are indicators of housing unaffordability. See 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.

housing wellbeing, notably the various *housing assistance* programs (e.g. public housing) that are the primary responsibility of state/territory governments.¹⁷

Rent Assistance was provided to 421,325 people in New South Wales, as at June 2013. Over three in four people (76%) who received RA paid enough rent to be eligible for the maximum rate of assistance: see Figure 8.¹⁸ Over the last decade, the proportion of NSW recipients getting the maximum payment has increased from 63% to that figure of 76%.

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



In the absence of Rent Assistance, approximately 286,765 NSW households would have been in housing stress.¹⁹ Over a quarter of a million renters, or 2 out of 3 NSW recipients of RA, were paying more than 30% of their weekly income in rent before getting RA.²⁰

Rent Assistance program reduced the proportion of NSW people in housing stress from 68.7% to 41.5% (as at June 2013). This 27% reduction indicated a reduction in housing stress for some 113,500 people.²¹

While RA helps to improve the affordability of housing, it does not prevent everyone from experiencing housing stress. There were still some 173,000 CRA recipients in housing stress, even after getting a RA payment. There were 10,000 more recipients in this situation in 2013 compared with 2012.

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% 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:

¹⁷ Rent Assistance, being a social-security payment, is a Commonwealth government responsibility in Australia's federal system.

¹⁸ Steering Committee for the Review of Government Service Provision, Volume G, table GA.23.

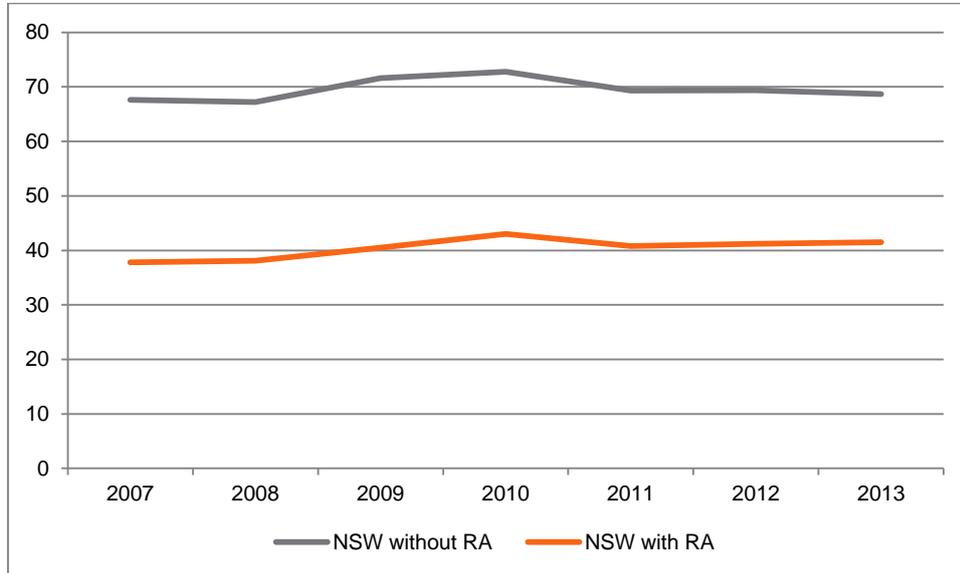
¹⁹ Steering Committee for the Review of Government Service Provision, Volume G, table GA.24.

²⁰ Steering Committee for the Review of Government Service Provision, Volume G, table GA.24.

²¹ Steering Committee for the Review of Government Service Provision, Volume G, table GA.24.

- It *significantly* reduces the numbers and proportion of recipients in housing stress — down from two-thirds to more than half of them.
- But it does not reduce housing stress for *all* recipients — over a third of recipients (at around 40%) are still in housing stress even with the payment.

Figure 9: Proportion of DSS Rent Assistance recipients in housing stress before and after RA, New South Wales, 2013



Looking at *severe housing stress* ('housing crisis'), some 60,382 households, or 27% of all RA recipients in New South Wales, were paying more than 50% of their income in rent before getting a RA payment, and still 14% after getting a RA payment.²²

Location and high rental costs

Figure 10 and Figure 11 highlight the Australian states and territories where income-support recipients paying high rents are concentrated. The two territories (Northern Territory and the ACT) have the highest proportions of RA recipients in this situation, but in numerical terms, those most affected live in New South Wales — with over 60,000 NSW recipients paying more than 50% of their income in rent even after getting RA.

Within New South Wales, the degree to which RA recipients were in housing stress or severe housing stress depended, as we might expect, on whether they lived in Sydney or not. Most (54%) NSW recipients of RA lived in Sydney.²³ Private-sector rents are generally higher in Sydney than in other parts of New South Wales.²⁴

²² Steering Committee for the Review of Government Service Provision, Volume G, table GA.34.

²³ This proportion was less than the proportion of NSW households ('families') that lived in Sydney, which was just over 60%.

²⁴ In the June quarter 2013, the weekly median rent for new *private*-sector rental tenancies for a 2-bedroom dwelling was \$460 in greater Sydney, \$320 for the rest of the greater metropolitan region, and \$240 for the rest of New South Wales (Housing NSW, *Rent and Sales Report*, no.104, 2013).

Figure 10: Number of DSS Rent Assistance recipients who paid more than 50% of their income in rent, before and after RA, by state and territory, 2013

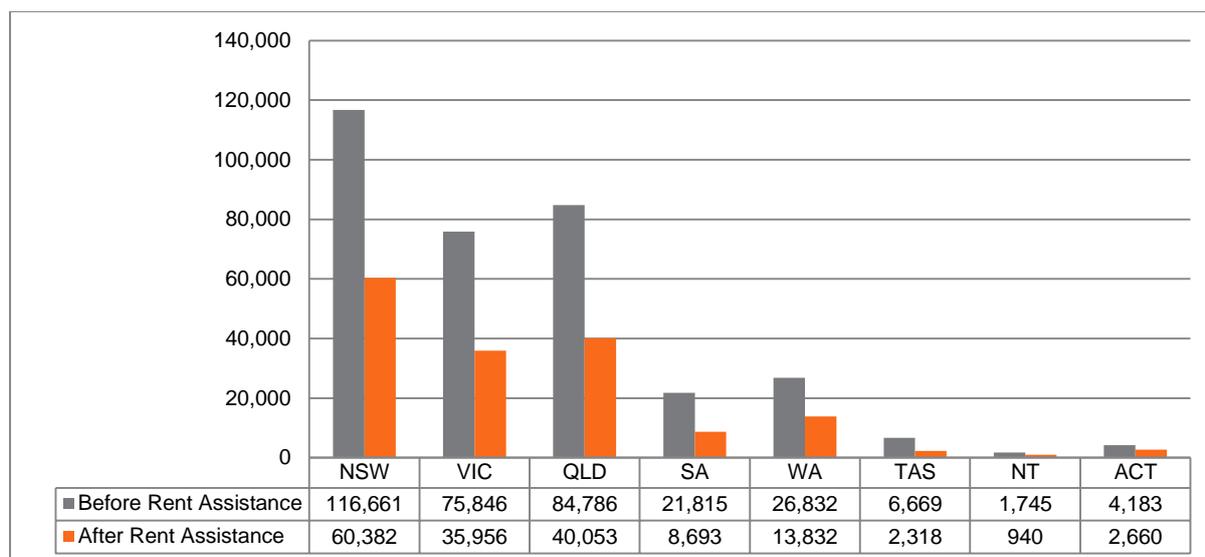
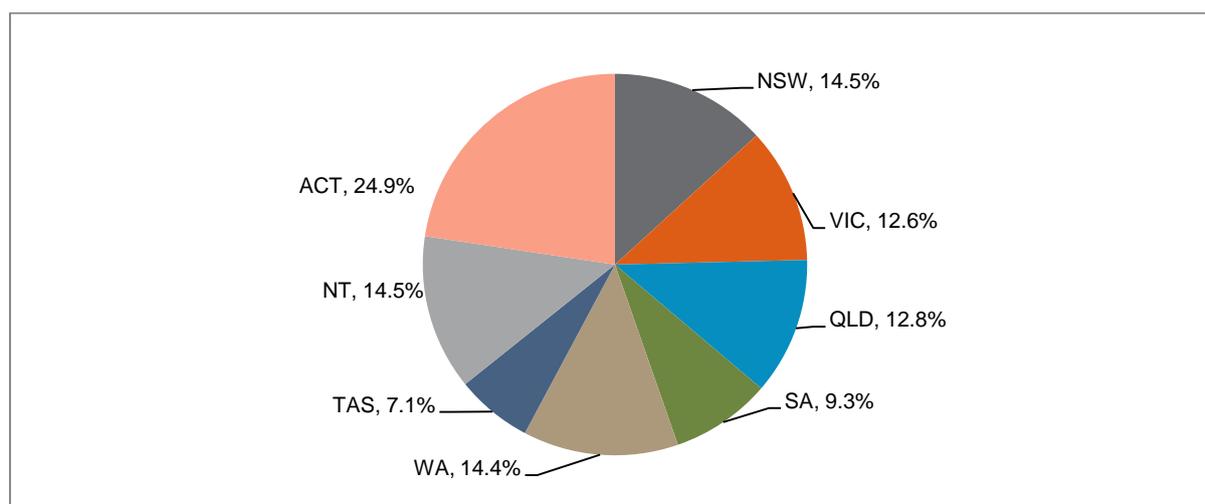


Figure 11: Location of DSS Rent Assistance recipients who paid more than 50% of their income in rent, after RA, by state and territory, by proportion (%), 2013



Sixty-eight percent of NSW DSS social-security recipients of RA were in stress before getting RA. This proportion dropped to 41% after RA. Seventy-three percent of NSW DSS social-security recipients of RA who lived in Sydney were in stress before getting RA. This proportion dropped to 48% after RA. Sixty-three percent of NSW DSS social-security recipients of RA who lived outside Sydney were in stress before getting RA. This proportion dropped to 32% after RA. These impacts of RA are indicated in Figure 12.²⁵

Twenty-eight percent of NSW DSS social-security recipients of RA were in severe stress before getting RA. This proportion dropped to 14% after RA. Thirty-three percent of NSW DSS social-security recipients of RA who lived in Sydney were in severe stress before getting RA. This proportion dropped to 19% after RA. Twenty-one percent of NSW DSS social-security recipients of RA who lived

²⁵ Steering Committee for the Review of Government Service Provision, Volume G, table GA.24.

outside Sydney were in severe stress before getting RA. This proportion dropped to 9% after RA. These impacts of RA are indicated in Figure 13.²⁶

Figure 12: Numbers of DSS Rent Assistance recipients who paid more than 30% of their income in rent, before and after RA, Sydney and all of New South Wales, 2013

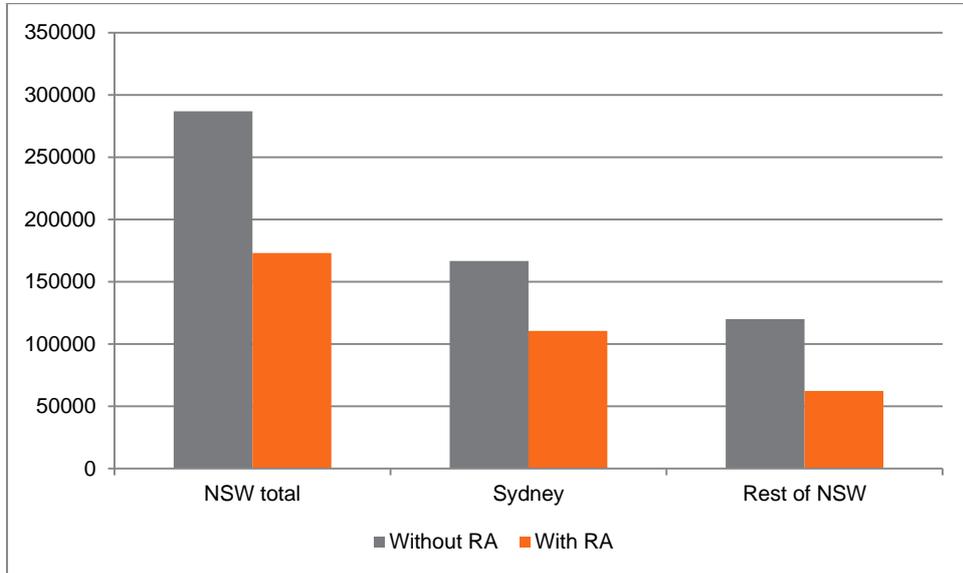
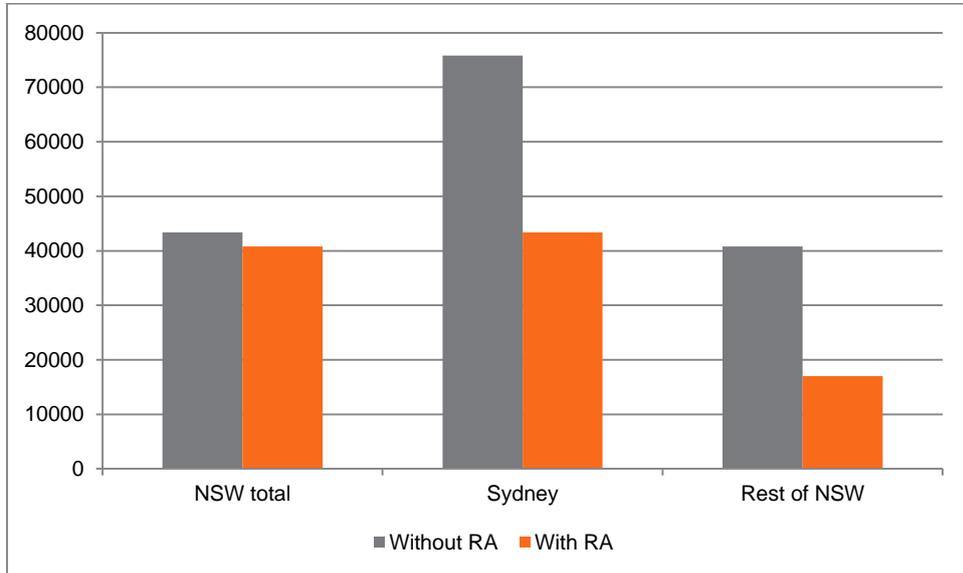


Figure 13: Numbers of DSS Rent Assistance recipients who paid more than 50% of their income in rent, before and after RA, Sydney and all of New South Wales, 2013



²⁶ Steering Committee for the Review of Government Service Provision, Volume G, table GA.34.

Rent Assistance reform

The National Welfare Rights Network has made a number of recommendations to the Commonwealth Government to improve the way the social-security system works for low-income renters.²⁷ These are for:

- an increase in the single rate of the Newstart Allowance, Youth Allowance, and other Allowance payments for single adults and young people living independently of their parents, by \$50 per week;²⁸
- an increase in the maximum rate of Rent Assistance by 30%;²⁹
- indexing Rent Assistance to movements in national rents rather than the Consumer Price Index; and
- an abandonment of 'sharers' Rent Assistance rules, and instead, linking all payments of Rent Assistance to the level of rent paid rather than the nature of a person's accommodation arrangements.

References

Data used in this report can be found at

- Steering Committee for the Review of Government Service Provision, *Report on government services 2014, Volume G: Housing and homelessness*, Productivity Commission, Melbourne, 2014, online at <<http://www.pc.gov.au/gsp/rogs/housing-homelessness>> (viewed 18 February 2014), and
- Senate Community Affairs Committee, 'Answers to Questions on Notice', Social Services portfolio, *Supplementary Budget Estimates 2013-14*, Question No.216, online at <http://www.aph.gov.au/Parliamentary_Business/Senate_Estimates/clacctte/estimates/sup1314/DSS/index> (viewed 18 February 2014).

²⁷ National Welfare Rights Network, 'The impact of Rent Assistance on housing affordability for low-income renters: Australia', March 2014.

²⁸ This would increase the weekly rate of Newstart payment for a single person with no children from \$255.25 to \$305.25, and the weekly rate of Youth Allowance for a single person with no children from \$207.20 to \$257.20.

²⁹ This would increase the maximum fortnightly rate of Rent Assistance for a single recipient, with no children, from \$126.40 to \$164.32; for a couple, with no children, from \$118.80 to \$154.44; for one of a couple who are separated due to illness, with no children, from \$126.40 to \$164.32; and, for one of a couple who are temporarily separated, with no children, from \$118.80 to \$154.44.

Attachment: Rent Assistance payment rates

From 20 March 2013 to 19 September 2013

Rent Assistance rates if recipient did not have dependent children

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, with no children	\$123.00	\$109.20	\$273.20
Single, with no children, sharer	\$82.0	\$109.20	\$218.53
Couple, with no children	\$115.60	\$177.60	\$331.73
One of a couple who are separated due to illness, with no children	\$123.00	\$109.20	\$273.20
One of a couple who are temporarily separated, with no children	\$115.60	\$109.20	\$263.33

Rent Assistance rates if recipient had dependent children

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, one or two children	\$144.06	\$143.64	\$335.72
Single, three or more children	\$162.96	\$143.64	\$360.92
Couple, one or two children	\$144.06	\$212.66	\$404.74
Couple, three or more children	\$162.96	\$212.66	\$429.94

Special rules applied if the recipient was a single sharer, payed board and lodging, or lived in a retirement village.

From 20 March 2014 to 19 September 2014

Rent Assistance rates if recipient does not have dependent children

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, with no children	\$126.40	\$112.00	\$280.53
Single, with no children, sharer	\$84.27	\$112.00	\$224.36
Couple, with no children	\$118.80	\$182.40	\$340.80
One of a couple who are separated due to illness, with no children	\$126.40	\$112.00	\$280.53
One of a couple who are temporarily separated, with no children	\$118.80	\$112.00	\$270.40

Rent Assistance rates if recipient has dependent children

If a person has dependent children, they will usually get Rent Assistance with Family Tax Benefit Part A.

Family situation	Maximum payment per fortnight	No payment if fortnightly rent is less than	Maximum payment if fortnightly rent is more than
Single, one or two children	\$147.98	\$147.56	\$344.87
Single, three or more children	\$167.30	\$147.56	\$370.63
Couple, one or two children	\$147.98	\$218.40	\$415.71
Couple, three or more children	\$167.30	\$218.40	\$441.47

Special rules apply if the recipient is a single sharer, pays board and lodging, or lives in a retirement village.